

**PUBLIC JOINT STOCK COMPANY
AEROFLOT – RUSSIAN AIRLINES**

**Condensed consolidated interim financial statements
for the nine months ended 30 September 2015**

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The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the set out report on review of Condensed Consolidated Interim Financial Statements, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the Condensed Consolidated Interim Financial Statements of Public Joint Stock Company Aeroflot – Russian Airlines and its subsidiaries (the "Group").

Management is responsible for the preparation of the Condensed Consolidated Interim Financial Statements in accordance with IAS 34 *'Interim Financial Reporting'*.

In preparing the Condensed consolidated interim financial statements, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been complied with, subject to any material departures being disclosed and explained in the Condensed Consolidated Interim Financial Statements if any; and
- preparing the Condensed Consolidated Interim Financial Statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the Condensed Consolidated Interim Financial Statements of the Group are prepared in accordance with IAS 34 *'Interim Financial Reporting'*;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The Condensed consolidated interim financial statements as at and for 9 months ended 30 September 2015 were approved on 27 November 2015 by:


V. G. Saveliev
General Director


Sh. R. Kurmashov
Deputy General Director for Finance
and Network and Revenue Management



Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders and Board of Directors of PJSC Aeroflot

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of PJSC Aeroflot and its subsidiaries (the "Group") as of 30 September 2015 and the related condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended, and cash flows and changes in equity for the nine-month period then ended. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit

27 November 2015
Moscow, Russian Federation

PJSC AEROFLOT

Condensed Consolidated Interim Statement of
Profit or Loss for the three and nine months ended 30 September 2015

(All amounts are presented in millions of Russian Roubles, unless otherwise stated)



	Note	Three months ended		Nine months ended	
		30 September 2015	30 September 2014	30 September 2015	30 September 2014
Traffic revenue	4	117,958	86,346	268,562	208,142
Other revenue	5	15,085	10,071	40,948	28,556
Revenue		133,043	96,417	309,510	236,698
Operating costs, excluding staff costs, depreciation and amortisation	6	(83,182)	(65,717)	(222,348)	(174,726)
Staff costs	7	(13,408)	(13,921)	(40,643)	(38,225)
Depreciation and amortisation		(3,325)	(3,175)	(10,035)	(8,761)
Other operating (expenses)/income, net		(2,186)	1,442	324	(1,324)
Operating costs		(102,101)	(81,371)	(272,702)	(223,036)
Operating profit		30,942	15,046	36,808	13,662
Finance income	8	5,202	911	7,987	1,684
Finance costs	8	(18,073)	(18,017)	(21,116)	(18,609)
Hedging result	8	(6,883)	-	(15,731)	-
Share of results of associates		28	24	(28)	22
Profit/(loss) before income tax		11,216	(2,036)	7,920	(3,241)
Income tax	9	(5,849)	378	(6,094)	(322)
PROFIT/(LOSS) FOR THE PERIOD		5,367	(1,658)	1,826	(3,563)
<i>Attributable to:</i>					
Shareholders of the Company		6,119	(2,193)	2,699	(3,938)
Non-controlling interest		(752)	535	(873)	375
PROFIT/(LOSS) FOR THE PERIOD		5,367	(1,658)	1,826	(3,563)
Basic and diluted profit/(loss) per share (in Roubles per share)		5.8	(2.1)	2.6	(3.7)
Weighted average number of shares outstanding (millions)		1,056.9	1,056.9	1,056.9	1,056.9

Approved and signed on behalf of management

27 November 2015


V. G. Saveliev
General Director


Sh. R. Kurmashov
Deputy General Director for Finance
and Network and Revenue Management

The Condensed Consolidated Interim Statement of
Profit or Loss is to be read in conjunction with the notes to, and forming part of, the Condensed consolidated
interim financial statements set out on pages 7 to 28.

PJSC AEROFLOT

Condensed Consolidated Interim Statement of
Comprehensive Income for the three and nine months ended 30 September 2015

(All amounts are presented in millions of Russian Roubles, unless otherwise stated)



	Note	Three months ended		Nine months ended	
		30 September 2015	30 September 2014	30 September 2015	30 September 2014
Profit/(loss) for the period		5,367	(1,658)	1,826	(3,563)
Other comprehensive profit/(loss) :					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Translation difference		-	-	-	28
Profit/(loss) on the change in fair value of hedging derivative financial instruments	14	1,037	(477)	7,248	(710)
Effect from hedging revenue with foreign currency liabilities	17	(23,833)	-	(19,698)	-
Deferred tax related to the loss from cash-flow hedging instruments	9	4,566	114	2,509	179
Other comprehensive loss for the period		(18,230)	(363)	(9,941)	(503)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(12,863)	(2,021)	(8,115)	(4,066)
<i>Total comprehensive (loss)/profit attributable to:</i>					
Shareholders of the Company		(12,111)	(2,556)	(7,242)	(4,441)
Non-controlling interest		(752)	535	(873)	375
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(12,863)	(2,021)	(8,115)	(4,066)

The Consolidated Interim Condensed Statement of
Comprehensive Income is to be read in conjunction with the notes to, and forming part of, the Condensed
consolidated interim financial statements set out on pages 7 to 28.

PJSC AEROFLOTCondensed Consolidated Interim Statement of
Financial Position as at 30 September 2015*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)*

	Note	30 September 2015	31 December 2014
ASSETS			
Current assets			
Cash and cash equivalents		29,357	26,547
Short-term financial investments		4,794	961
Accounts receivable and prepayments	10	78,957	56,769
Current income tax prepayment		269	668
Aircraft lease security deposits		841	321
Expendable spare parts and inventories		6,707	6,516
Derivative financial instruments	14	75	431
		121,000	92,213
Assets classified as held for sale	13	7,448	-
Total current assets		128,448	92,213
Non-current assets			
Deferred tax assets		20,080	18,540
Investments in associates		98	140
Long-term financial investments		6,133	6,115
Aircraft lease security deposits		2,921	2,110
Prepayments for aircraft	11	25,915	29,241
Property, plant and equipment	12	106,083	116,044
Intangible assets		2,372	2,762
Goodwill		6,660	6,660
Derivative financial instruments	14	13	134
Other non-current assets		3,005	3,759
Total non-current assets		173,280	185,505
TOTAL ASSETS		301,728	277,718
LIABILITIES AND EQUITY			
Current liabilities			
Derivative financial instruments	14	19,567	26,312
Accounts payable and accrued liabilities	15	53,505	48,952
Unearned traffic revenue		25,920	22,469
Deferred revenue related to frequent flyer programme	16	1,211	799
Provisions for liabilities		6,831	2,349
Finance lease liabilities	17	18,514	16,912
Short-term loans and borrowings and current portion of long-term loans and borrowings	18	30,385	17,343
		155,933	135,136
Liabilities related to assets held for sale	13	7,217	-
Total current liabilities		163,150	135,136
Non-current liabilities			
Long-term loans and borrowings	18	9,926	6,860
Finance lease liabilities	17	136,472	132,366
Provisions		6,653	4,845
Deferred tax liabilities		262	133
Deferred revenue related to frequent flyer programme	16	2,941	2,560
Derivative financial instruments	14	-	4,839
Other non-current liabilities		3,977	4,484
Total non-current liabilities		160,231	156,087
TOTAL LIABILITIES		323,381	291,223
Equity			
Share capital	19	1,359	1,359
Treasury shares reserve		(3,571)	(3,571)
Accumulated profit on disposal of treasury shares		1,659	1,659
Investment revaluation reserve		(5)	(5)
Hedge reserve	14, 17	(58,598)	(48,657)
Retained earnings		48,283	45,584
Equity attributable to shareholders of the Company		(10,873)	(3,631)
Non-controlling interest		(10,780)	(9,874)
TOTAL EQUITY		(21,653)	(13,505)
TOTAL LIABILITIES AND EQUITY		301,728	277,718

Condensed Consolidated Interim Statement of
Financial Position is to be read in conjunction with the notes to, and forming part of, the Condensed
consolidated interim financial statements set out on pages 7 to 28.

PJSC AEROFLOTCondensed Consolidated Interim Statement of
Cash Flows for the nine months ended 30 September 2015*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)*

	Note	9m 2015	9m 2014
Cash flows from operating activities:			
Profit/(loss) before income tax		7,920	(3,241)
<i>Adjustments for:</i>			
Depreciation and amortisation		10,035	8,761
Change in impairment provision for accounts receivable and prepayments		58	1,980
Loss on doubtful accounts write-off		25	60
Change in impairment provision for obsolete expendable spare parts and inventory		228	211
Change in provision for impairment of property, plant and equipment	12	386	(31)
Loss/(gain) on disposal of property, plant and equipment		42	(1,583)
Gain on accounts payable write-off		(2)	(9)
Share of financial results of associates		28	(22)
Loss on sale of investments and accrual of provision for impairment of investments	8	4,992	20
(Gain)/loss on change in the fair value of derivative financial instruments	8	(2,727)	845
Hedging result	8	15,731	-
Change in provisions for liabilities		4,200	600
Interest expense	8	5,465	3,360
Foreign exchange (gain)/loss	8	(2,437)	16,249
Write-off of VAT recoverable		90	-
Change in other provisions and other assets impairments		(17)	(27)
Other finance income, net	8	(4)	(447)
Loss/(gain) on derivative financial instruments, net	8	10,635	(300)
Dividend income		(31)	(43)
Other operating income		(433)	(44)
Total operating cash flows before working capital changes		54,184	26,339
(Increase)/decrease in accounts receivable and prepayments		(7,517)	7,890
Increase in expendable spare parts and inventories		(420)	(1,227)
Increase in accounts payable and accrued liabilities		9,718	5,905
Total operating cash flows after working capital changes		55,965	38,907
Change in restricted cash		(50)	(31)
Income tax paid		(4,505)	(4,397)
Income tax refunded		91	-
Net cash flows from operating activities		51,501	34,479

The Condensed Consolidated Interim Statement of Cash Flows is to be read in conjunction with the notes to, and forming part of, the Condensed consolidated interim financial statements set out on pages 7 to 28.

PJSC AEROFLOT**Condensed Consolidated Interim Statement of
Cash Flows for the nine months ended 30 September 2015***(All amounts are presented in millions of Russian Roubles, unless otherwise stated)*

	9m 2015	9m 2014
<i>Cash flows from investing activities:</i>		
Proceeds from sale of investments and deposits return	1,179	360
Purchases of investments, lending and deposits placement	(9,913)	(1,469)
Proceeds from sale of property, plant and equipment	153	23
Purchases of property, plant and equipment and intangible assets	(6,606)	(3,630)
Dividends received	44	55
Prepayments for aircraft	(13,279)	(9,880)
Return of prepayments for aircraft	7,793	9,535
Change in operating lease security deposits, net	(775)	73
Net cash flows used in from investing activities	(21,404)	(4,933)
<i>Cash flows from financing activities:</i>		
Proceeds from loans and borrowings	35,642	4,500
Repayment of loans and borrowings	(22,151)	(5,375)
Disposal of treasury shares	-	2
Repayment of the principal element of finance lease liabilities	(13,646)	(11,238)
Interest paid	(4,098)	(2,256)
Dividends paid	(63)	(2,727)
(Payments)/proceeds from settlement of derivative financial instruments	(23,905)	353
Net cash used in financing activities	(28,221)	(16,741)
Effect of exchange rate fluctuations on cash and cash equivalents	934	(2,158)
Net increase in cash and cash equivalents	2,810	10,647
Cash and cash equivalents at the beginning of the year	26,547	18,660
Cash and cash equivalents at the end of the period	29,357	29,307
<i>Non-cash transactions as part of the investing activities:</i>		
Property, plant and equipment acquired under finance leases	1,781	34,469

The Condensed Consolidated Interim Statement of
Cash Flows is to be read in conjunction with the notes to, and forming part of, the Condensed consolidated
interim financial statements set out on pages 7 to 28.

PJSC AEROFLOT

Condensed Consolidated Interim Statement of Changes in Equity
for the nine months ended 30 September 2015

(All amounts are presented in millions of Russian Roubles, unless otherwise stated)



Equity attributable to shareholders of the Company									
Note	Share capital	Accumulated results on disposal of treasury shares less treasury shares reserve	Investment revaluation reserve	Accumulated currency translation reserve	Hedge reserve	Retained earnings	Total	Non-controlling interest	Total equity
1 January 2014	1,359	(1,914)	(10)	(28)	(383)	61,122	60,146	(5,666)	54,480
(Loss)/profit for the period	-	-	-	-	-	(3,938)	(3,938)	375	(3,563)
Translation difference	-	-	-	28	-	-	28	-	28
Loss from cash-flow hedging instruments less related deferred tax	14	-	-	-	(531)	-	(531)	-	(531)
Total other comprehensive loss							(503)	-	(503)
Total comprehensive (loss)/profit							(4,441)	375	(4,066)
Disposal of treasury shares	-	2	-	-	-	-	2	-	2
Sale of shares to non-controlling shareholders	-	-	-	-	-	2,580	2,580	(2,400)	180
Dividends declared	20	-	-	-	-	(2,652)	(2,652)	(207)	(2,859)
30 September 2014	1,359	(1,912)	(10)	-	(914)	57,112	55,635	(7,898)	47,737
1 January 2015	1,359	(1,912)	(5)	-	(48,657)	45,584	(3,631)	(9,874)	(13,505)
Profit/(loss) for the period	-	-	-	-	-	2,699	2,699	(873)	1,826
Loss from cash-flow hedging instruments less related deferred tax	14,17	-	-	-	(9,941)	-	(9,941)	-	(9,941)
Total other comprehensive loss						-	(9,941)	-	(9,941)
Total comprehensive loss						-	(7,242)	(873)	(8,115)
Dividends declared	20	-	-	-	-	-	-	(33)	(33)
30 September 2015	1,359	(1,912)	(5)	-	(58,598)	48,283	(10,873)	(10,780)	(21,653)

The Condensed Consolidated Interim Statement of Changes in Equity
is to be read in conjunction with the notes to, and forming part of, the Condensed consolidated interim financial statements set out on pages 7 to 28.

1. NATURE OF THE BUSINESS

Company Aeroflot – Russian Airlines (the “Company” or “Aeroflot”) was formed following the Russian Government Decree in 1992 (hereinafter - the “1992 Decree”). The 1992 Decree conferred all the rights and obligations of Aeroflot – Soviet Airlines and its structural units upon the Company, including inter-governmental bilateral agreements and agreements signed with foreign airlines and enterprises in the field of civil aviation. Following the Decree of the Russian President No. 1009 dated 4 August 2004, the Company was included in the List of Strategic Entities and Strategic Joint Stock Companies.

Beginning 1 July 2015 Open Joint Stock Company Aeroflot – Russian Airlines changed official title to Public Joint Stock Company Aeroflot – Russian Airlines (PJSC Aeroflot) due to legislation changes.

The principal activities of the Company are the provision of passenger and cargo air transportation services, both domestically and internationally, and other aviation services from Moscow Sheremetyevo Airport. The Company and its subsidiaries (the “Group”) also conduct activities comprising airline catering and hotel operations. Associated entities mainly comprise aviation security and other ancillary services.

As at 30 September 2015 and 31 December 2014, the Government of the Russian Federation (the “RF”) represented by the Federal Agency for Management of State Property owned 51.17% of the Company. The Company’s headquarters are located at 10 Arbat Street, Moscow, 119002, RF.

PJSC AEROFLOT

Notes to the Condensed consolidated interim financial statements
for the nine months ended 30 September 2015

(All amounts are presented in millions of Russian Roubles, unless otherwise stated)

**1. NATURE OF THE BUSINESS (CONTINUED)**

The table below provides information on the Group's aircraft fleet as at 30 September 2015 (number of items):

Type of aircraft	Ownership	PJSC AEROFLOT	JSC DONAVIA	JSC AK ROSSIYA	JSC ORENBURGSKIE AVIALINII	JSC AK AURORA	LLC AK POBEDA	GROUP TOTAL
An-24	Owned	-	-	-	-	1	-	1
DHC 8-402Q	Owned	3	-	-	-	-	-	3
Total owned		3	-	-	-	1	-	4
Airbus A-319	Finance lease	4	-	9	-	-	-	13
Airbus A-320	Finance lease	1	-	-	-	-	-	1
Airbus A-321	Finance lease	21	-	-	-	-	-	21
Airbus A-330	Finance lease	8	-	-	-	-	-	8
Boeing B-737	Finance lease	-	-	-	-	2	-	2
Boeing B-777	Finance lease	10	-	-	-	-	-	10
An-148	Finance lease	-	-	6	-	-	-	6
Total finance lease		44	-	15	-	2	-	61
SSJ 100	Operating lease	20	-	-	-	-	-	20
Airbus A-319	Operating lease	3	10	7	-	7	-	27
Airbus A-320	Operating lease	62	-	11	-	-	-	73
Airbus A-321	Operating lease	5	-	-	-	-	-	5
Airbus A-330	Operating lease	14	-	-	-	-	-	14
Boeing B-737	Operating lease	12	-	-	15	3	12	42
Boeing B-767	Operating lease	-	-	3	-	-	-	3
Boeing B-777	Operating lease	3	-	-	3	-	-	6
DHC 8 S-300	Operating lease	-	-	-	-	4	-	4
DHC 8 S-200	Operating lease	-	-	-	-	3	-	3
DHC 6 S-400	Operating lease	-	-	-	-	2	-	2
Total operating lease		119	10	21	18	19	12	199
Total fleet		166	10	36	18	22	12	264

As at 30 September 2015: six aircraft of type An-148 and one aircraft of type DHC 8 S-200 were not operating, three aircraft of type Boeing B-767 and two aircraft of type Boeing B-737 were under redelivery maintenance, three aircraft of type DHC 8-402Q were under pre-operating maintenance.

2. BASIS OF PREPARATION

Basis of presentation

The condensed consolidated interim financial statements of the Group have been prepared in accordance with IAS 34, “Interim Financial Reporting”. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2014, which have been prepared in accordance with IFRS.

Foreign currency translation

The table below presents exchange rates of US Dollar and Euro against Rouble used for the translation of operations, monetary assets and liabilities in foreign currencies:

	Exchange rates	
	Roubles for 1 US Dollar	Roubles for 1 Euro
As at 30 September 2015	66.2367	74.5825
Average rate for 9 months 2015	59.2777	66.2618
As at 31 December 2014	56.2584	68.3427
Average rate for 9 months 2014	35.3878	47.9894

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

The principal accounting policies followed by the Group in preparation of the condensed consolidated interim financial statements are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2014.

New standards and interpretations

In 2015 the Group began implementing the following standards, amendments and interpretations effective from 1 January 2015:

- **Amendments to IAS 19 – “Defined benefit plans: Employee contributions”** (issued in November 2013 and effective for annual periods beginning on or after 1 July 2014);
- **Annual Improvements to International Financial Reporting Standards, year 2012 and 2013** (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

These amendments to standards did not have material impact on the Group’s condensed consolidated interim financial statements.

Certain new standards, amendments to standards and interpretations disclosed in consolidated financial statements for the year ended 31 December 2014, have not been yet effective and have not been early applied by the Group. The Group is currently assessing the applicability of the mentioned changes in IFRS, their impact and terms.

Critical accounting estimates and judgments

The management of the Group when preparing condensed consolidated interim financial statements makes estimates, judgements and assumptions that affect implementation of accounting policy and reported amounts of assets, liabilities, gains and losses. Actual results may deviate from management estimates. Judgements regarding accounting policy provisions and methods of valuation applied by management when preparing this condensed consolidated interim financial statements correspond to the ones used when preparing consolidated financial statements for the year ended 31 December 2014, and as at this date, except for changes in accounting estimates with respect to amount of income tax expenses.

Income tax expense. Income tax expenses are recognized in interim periods on the basis of the best accounting estimate of average weighted rate of income tax, expected for the full financial year.

4. TRAFFIC REVENUE

	Three months ended		Nine months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Scheduled passenger flights	114,132	78,011	258,219	188,834
Cargo flights	2,040	2,149	6,482	5,968
Charter passenger flights	1,786	6,186	3,861	13,340
Total traffic revenue	117,958	86,346	268,562	208,142

5. OTHER REVENUE

	Three months ended		Nine months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Airline agreements revenue	8,714	4,715	22,820	13,994
Revenue from partners under frequent flyer programme	2,777	1,937	7,483	5,252
Refuelling services	960	696	1,887	2,196
Catering services on board	510	322	1,100	823
Sales of duty free goods	303	208	842	342
Ground handling and maintenance	285	291	821	764
Hotel revenue	102	110	283	344
Other revenue	1,434	1,792	5,712	4,841
Total other revenue	15,085	10,071	40,948	28,556

6. OPERATING COSTS

	Three months ended		Nine months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Aircraft servicing	18,490	14,894	47,513	38,680
Operating lease expenses	11,400	4,994	31,341	16,621
Aircraft maintenance	8,711	7,162	21,809	16,430
Sales and marketing	3,378	3,004	9,511	7,590
Passenger services	3,327	2,753	8,820	6,681
Communication expenses and booking systems	3,293	1,834	9,267	5,452
Administration and general expenses	2,933	2,325	8,279	6,713
Food cost for flight catering	2,254	1,832	5,773	4,670
Insurance expenses	505	346	1,447	963
Custom duties	268	308	1,003	1,136
Cost of duty free goods sold	144	129	433	213
Other expenses	2,192	1,634	6,151	4,839
Operating costs less aircraft fuel, staff costs and depreciation and amortisation	56,895	41,215	151,347	109,988
Aircraft fuel	26,287	24,502	71,001	64,738
Total operating costs less staff costs and depreciation and amortisation	83,182	65,717	222,348	174,726

7. STAFF COSTS

	Three months ended		Nine months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Wages and salaries	10,509	11,299	31,843	30,916
Pension costs	2,297	2,213	6,952	6,043
Social security costs	602	409	1,848	1,266
Total staff costs	13,408	13,921	40,643	38,225

Pension costs include:

- compulsory payments to the Pension Fund of the RF,
- contributions to a non-government pension fund under a defined contribution pension plan under which the Group makes additional pension contributions as a fixed percentage (20% for 9 months 2015, 20% for 9 months 2014) of the transfers made personally by the employees participating in the programme, and
- an increase in the net present value of the future benefits which the Group expects to pay to its employees upon their retirement under a defined benefit pension plan.

	Three months ended		Nine months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Payments to the Pension Fund of the RF	2,298	2,198	6,958	6,019
(Refunds)/payments to Non-Governmental Pension Fund	(1)	15	(6)	24
Total pension costs	2,297	2,213	6,952	6,043

8. FINANCE INCOME AND COSTS

	Three months ended		Nine months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
<i>Finance income:</i>				
Realised gain on derivative financial instruments not subject to hedge accounting (Note 14)	-	206	-	590
Interest income on bank deposits and security deposits	1,087	308	2,795	644
Gain on change in fair value of derivative instruments not subject to hedge accounting (Note 14)	4,115	-	2,727	-
Foreign exchange gain, net	-	-	2,437	-
Other finance income	-	397	28	450
Total finance income	5,202	911	7,987	1,684

8. FINANCE INCOME AND COSTS (CONTINUED)

	Three months ended		Nine months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
<i>Finance costs:</i>				
Foreign exchange loss, net	(2,967)	(15,452)	-	(14,091)
Loss on change in fair value of derivative financial instruments not subject to hedge accounting (Note 14)	-	(1,317)	-	(845)
Realised loss on derivative instruments not subject to hedge accounting (Note 14)	(8,014)	(114)	(10,635)	(290)
Interest expense	(2,046)	(1,116)	(5,465)	(3,360)
Loss on sales and impairment of investments, net	(5,022)	(18)	(4,992)	(20)
Other finance costs	(24)	-	(24)	(3)
Total finance costs	(18,073)	(18,017)	(21,116)	(18,609)
<i>Hedging result:</i>				
Realised loss on hedging derivative instruments (Note 14)	(4,796)	-	(12,536)	-
Ineffective portion of fuel hedging (Note 14)	(369)	-	1,226	-
Effect of revenue hedging with liabilities in foreign currency (Note 17)	(1,718)	-	(4,421)	-
Total hedging result	(6,883)	-	(15,731)	-

9. INCOME TAX

Income tax expense is recognised based on the management's best estimate of the weighted average annual effective income tax rate for each company of the Group separately.

Expected weighted average annual income tax rate applied to profitable Group companies for the 9 months 2015 equalled to 24-53% (9 months 2014: 17-112%). Effective rate change is mainly due to hedging of currency risk in relation to future expected revenue.

Expected weighted average annual effective income tax rate applied to loss making Group companies for the 9 months 2015 equalled to 11-34% (9 months 2014: 12-43%). Changes in expected annual average weighted rate of income tax mainly relate to increase of non-deductible expenses.

	Three months ended		Nine months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Income tax charge for the period	4,197	3,681	4,996	5,129
Deferred income tax expense/(income)	1,652	(4,059)	1,098	(4,807)
Total income tax	5,849	(378)	6,094	322

In the reporting period the Group revised its estimates related to the possibility of usage of deferred tax assets of JSC Orenburgskie avialinii airlines and made a write-off in the amount of RUB 884 million.

In the reporting period the Group has utilised tax losses previously unrecognised as a deferred tax assets of RUB 151 million of subsidiary JSC AK Rossiya (9 months 2014: RUB 447 million).

Decrease of deferred tax asset in the reporting period amounted to RUB 2,509 million (9 months 2014: RUB 179 million) arose due change of the fair value of cash-flow hedging instruments was recognised in these condensed consolidated interim financial statements within other comprehensive income.

10. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2015	31 December 2014
Trade accounts receivable	38,588	29,683
Other financial receivables	3,747	5,119
Less impairment provision	(4,539)	(4,532)
Total financial receivables	37,796	30,270
Prepayments for aircraft	16,724	4,498
VAT and other taxes recoverable	13,142	10,959
Prepayments to suppliers (excluding aircraft suppliers)	9,648	9,284
Deferred customs duties related to the imported aircraft under operating leases, current portion	718	842
Other receivables	929	916
Accounts receivable and prepayments	78,957	56,769

Deferred customs duties of RUB 718 million as at 30 September 2015 (31 December 2014: RUB 842 million) relate to the current portion of customs duties on imported aircraft under operating leases. These customs duties are recognised within operating costs of the Group over the term of the operating lease.

As at 30 September 2015 and 31 December 2014, the Group made sufficient impairment provision against accounts receivable and prepayments.

11. PREPAYMENTS FOR AIRCRAFT

As at 30 September 2015 and 31 December 2014 non-current portions of prepayments for aircraft were RUB 25,915 million and RUB 29,241 million, respectively. Movements in the non-current portion of prepayments are due to the approaching aircraft delivery dates as well as new non-current prepayments.

As at 30 September 2015 and 31 December 2014 non-current part of prepayments for aircraft include advance payments for the acquisition of the following aircraft:

Expected lease type	Type of aircraft	30 September 2015		31 December 2014	
		Number of aircraft, units	Expected delivery date	Number of aircraft, units	Expected delivery date
Not determined	Boeing B-787	21	2016-2019	22	2016-2019
Not determined	Airbus A-350	22	2018-2023	22	2018-2023
Not determined	Boeing B-777	1	2017	3	2016
Not determined	Airbus A-320	21	2017-2018	30	2016-2018
Not determined	Airbus A-321	12	2017-2018	19	2016-2018

Prepayments made to purchase aircraft expected to be delivered within 12 months after the reporting date are recorded within short-term accounts receivable and prepayments (Note 10).

12. PROPERTY, PLANT AND EQUIPMENT

	Owned aircraft and engines	Leased aircraft and engines	Land and buildings	Transport, equipment and other	Construction in progress	Total
<i>Cost</i>						
1 January 2014	6,414	94,597	11,088	14,097	1,863	128,059
Additions	467	33,672	186	1,784	1,291	37,400
Capitalised expenditures	-	677	-	-	92	769
Disposals	(623)	(3,130)	(8)	(425)	-	(4,186)
Transfers	71	214	305	148	(738)	-
30 September 2014	6,329	126,030	11,571	15,604	2,508	162,042
1 January 2015	6,930	126,724	11,718	16,939	1,519	163,830
Additions (i)	711	-	91	2,663	3,550	7,015
Capitalised expenditures	-	751	-	-	445	1,196
Disposals (ii)	(2,927)	-	(1,406)	(701)	5	(5,029)
Transfers to assets held for sale (Note 13)	(21)	(17,832)	-	(3)	-	(17,856)
Transfers	54	149	17	287	(507)	-
30 September 2015	4,747	109,792	10,420	19,185	5,012	149,156
<i>Accumulated depreciation</i>						
1 January 2014	(4,629)	(23,080)	(4,237)	(7,322)	(14)	(39,282)
Charge for the period (Accrual)/release of impairment provision	(279)	(6,369)	(301)	(1,225)	-	(8,174)
Disposals	14	-	-	4	13	31
Disposals	609	1,372	3	329	-	2,313
30 September 2014	(4,285)	(28,077)	(4,535)	(8,214)	(1)	(45,112)
1 January 2015	(4,110)	(30,469)	(4,627)	(8,507)	(73)	(47,786)
Charge for the period (Accrual)/release of impairment provision	(432)	(7,143)	(300)	(1,558)	-	(9,433)
Transfers to assets held for sale (Note 13)	166	-	(567)	15	-	(386)
Disposals (ii)	7	10,441	-	-	-	10,448
Disposals (ii)	2,703	-	821	560	-	4,084
30 September 2015	(1,666)	(27,171)	(4,673)	(9,490)	(73)	(43,073)
<i>Carrying amount</i>						
1 January 2015	2,820	96,255	7,091	8,432	1,446	116,044
30 September 2015	3,081	82,621	5,747	9,695	4,939	106,083

(i) During 9 months 2015 additions mainly relate to the purchase of three DHC 8-402Q being under pre-operating maintenance.

(ii) During 9 months 2015 disposals mainly relate to the disposal of five owned aircraft Il-96 of PJSC Aeroflot with a carrying amount of RUB 51 million.

Capitalised borrowing costs for 9 months 2015 amounted to RUB 611 million (9 months 2014: RUB 282 million), and capitalisation rate of interest expenses and foreign exchange loss for the period was 3.1% p.a. and 5.8% p.a. respectively (9 months 2014: 2.9% p.a. and 4.2% p.a. respectively).

As at 30 September 2015 property and land (including tenancy) with the total carrying value of RUB 718 million (31 December 2014: RUB 713 million) were pledged to third and related parties as a security for the Group's loans and borrowings (Note 18).

13. ASSETS CLASSIFIED AS HELD FOR SALE

Based on the Group's management decision made during the reporting period, as at 30 September 2015 six aircraft An-148, two Boeing B-737, four Airbus A-319, one Airbus A-320 and six Airbus A-321 operated under finance lease agreements are targeted for redelivery to lessor, therefore at the end of reporting period the mentioned assets and related liabilities were classified as held for sale.

	30 September 2015
Property, plant and equipment	7,406
Aircraft lease security deposits	42
Total assets held for sale	7,448
Finance lease liabilities	(7,217)
Total liabilities related to assets held for sale	(7,217)
Net assets held for sale	231

14. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2015	31 December 2014
Derivative financial instruments within assets		
Current	75	431
Non-current	13	134
Total derivative financial instruments within assets	88	565
Derivative financial instruments within liabilities		
Current	19,567	26,312
Non-current	-	4,839
Total derivative financial instruments within liabilities	19,567	31,151

The Group assesses the fair value and performs analysis of derivative financial instruments on a regular basis for the purposes of consolidated interim financial statements or when so requested by the management. Changes in fair value of derivative financial instruments determined using Levels 2 and 3 inputs:

	Derivative financial instruments	
	2015	2014
1 January	(30,586)	(2,551)
<i>Level 3 derivative financial instruments that are not subject to special hedge accounting rules</i>		
Change in fair value for the period	(7,908)	(83)
Additions for the period	-	(427)
Settlements during the period (Note 8)	10,635	(335)
<i>Level 3 derivative financial instruments that are subject to special hedge accounting rules</i>		
Change in fair value for the period	(4,732)	-
Settlements during the period (Note 8)	12,536	-
<i>Level 2 derivative financial instruments that are subject to special hedge accounting rules</i>		
Change in fair value for the period	576	(930)
Settlements during the period (Note 8)	-	34
30 September	(19,479)	(4,292)
<i>Representing:</i>		
Assets	88	3,104
Liabilities	(19,567)	(7,396)
30 September	(19,479)	(4,292)

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

For the purpose of risk management the Group applies the following derivative financial instruments:

(a) Cross-currency interest rate swaps with a fixed interest rate

In April and May 2013, the Group entered into two cross-currency interest rate swap agreements with a Russian bank to hedge some of its Euro-denominated revenues from potential unfavourable RUB/EUR exchange rate fluctuations. As a result of efficiency test performed for this hedging instrument profit from the change in fair value of this derivative financial instrument of RUB 670 million was recorded within the other comprehensive income together with the corresponding deferred tax of RUB 115 million.

Level 2 market inputs in the fair value hierarchy were used to assess the fair value of the financial instrument. The fair value was determined based on discounted contractual cash flows using MosPrime and EURIBOR discount rates for cash flows in roubles and Euro. Cash flows under this agreement are expected through to the end of the first quarter of 2016.

(b) Fuel options

As of the 30 September 2015 the Group was party to a number of option agreements concluded in 2012-2014 with Russian banks to hedge price risk for a portion of its aircraft fuel demand. Increase in fair value of these derivative financial instruments amounted to a profit of RUB 3,982 million for 9 months of 2015, which is reported as a part of profit or loss (9 months 2014: a loss in amount of RUB 764 million), except for the instruments accounted by the Group under special hedge accounting rules.

For certain fuel option agreements concluded in 2014 the Group applies cash flow hedge accounting rules according to IAS 39, "Financial Instruments: Recognition and Measurement" in order to decrease exposure to volatility of cash flows from change in fuel prices.

During 9 months 2015 gain from change in fair value of options to which hedge accounting is applied amounted to RUB 6,578 million and reported in the other comprehensive income together with the corresponding deferred tax of RUB 1,316 million. As at 30 September 2015 effective part of cumulative loss in the amount of RUB 6,185 million (before deferred income tax) was recognised within hedging reserve, and ineffective part amounted to RUB 1,226 million – within profit or loss (Note 8).

As at 30 September 2015 corresponding derivative financial instruments amounting to RUB 6,147 million were recognised within current liabilities.

(c) Currency options

The Group entered into currency option agreements with a number of Russian banks to hedge the currency risk. The loss from the change in fair value of these derivative financial instruments in 9 months 2015 recorded within profit or loss amounted to RUB 1,255 million (9 months 2014: loss in amount of RUB 107 million).

Valuation principles for currency and fuel options

The derivative financial instruments are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivative financial instruments are included in profit or loss for the reporting period if hedge accounting is not applied. In case hedge accounting is applied the effective portion is accounted within hedge reserve.

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Level 3 market inputs were used to assess the fair value of the instrument and the Monte-Carlo method was applied. The following inputs were used to assess the fair value of the options:

- spot price for basic asset oil observable in the information systems at the valuation date;
- forecast price for Brent crude oil or forecasting exchange rate determined based on the data provided by analysts for the term of the option;
- volatility calculated based on historical closing prices for underlying asset; and
- respective currency market rate (MosPrime LIBOR, EURIBOR, etc.).

For the period ended 30 September 2015, the loss on the currency and fuel options was RUB 23,171 million (9 months 2014: gain of RUB 590 million and loss of RUB 256 million on the currency and fuel options as well as under closed interest rate swap agreement).

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>30 September 2015</u>	<u>31 December 2014</u>
Accounts payable	31,614	27,097
Dividends payable	11	36
Other financial payables	6,100	5,906
Total financial payables	37,725	33,039
Staff related liabilities	8,164	6,906
Other taxes payable	2,871	3,838
Other current liabilities related to frequent flyer programme (Note 16)	2,537	1,489
Advances received (other than unearned traffic revenue)	947	1,181
VAT payable on imported leased aircraft	514	2,005
Income tax payable	330	72
Customs duties payable on imported leased aircraft	-	115
Other payables	417	307
Total accounts payable and accrued liabilities	53,505	48,952

16. DEFERRED REVENUE RELATED TO FREQUENT FLYER PROGRAMME

Deferred revenue and other accrued liabilities related to frequent flyer programme (Aeroflot Bonus programme) as at 30 September 2015 and 31 December 2014 represent the number of bonus miles earned when flying on the Group flights, but unused by the Aeroflot Bonus programme members and the number of promo-miles and bonus miles earned by programme members for using programme partners' services respectively, and are estimated at fair value. Deferred revenue and other accrued liabilities related to frequent flyer programme also include liabilities under the Company's discount programme as at 30 September 2015 and 31 December 2014, which represent the fair value of coupons for a discount on the repeated purchase of tickets at Aeroflot's web-site.

	<u>30 September 2015</u>	<u>31 December 2014</u>
Deferred revenue related to frequent flyer programme, current	1,211	799
Deferred revenue related to frequent flyer programme, non-current	2,941	2,560
Other current liabilities related to frequent flyer programme	2,537	1,489
Other non-current liabilities related to frequent flyer programme	3,016	3,279
Total deferred revenue and other liabilities related to frequent flyer programme	9,705	8,127

17. FINANCE LEASE LIABILITIES

The Group leases aircraft from third and related parties under finance lease agreements (Note 23). The aircraft that the Group has operated under finance lease agreements as at 30 September 2015 are listed in Note 1.

	30 September 2015	31 December 2014
Total outstanding payments	174,482	170,485
Future finance lease interest expense	(19,496)	(21,207)
Total finance lease liabilities	154,986	149,278
<i>Representing:</i>		
Current finance lease liabilities	18,514	16,912
Non-current finance lease liabilities	136,472	132,366
Total finance lease liabilities	154,986	149,278

Leased aircraft and engines with the carrying amount disclosed in Note 12 are effectively pledged for finance lease liabilities as the rights to the leased asset revert to the lessor in the event of default.

The Group hedges foreign currency risk arising on a portion of the future revenue stream denominated in US Dollars with the finance lease liabilities denominated in the same currency. The Group applies cash flow hedge accounting model to this hedging relationships, in accordance with IAS 39, "Financial Instruments: Recognition and Measurement".

As at 30 September 2015, finance lease liabilities in the amount of RUB 155,818 million denominated in US Dollars (31 December 2014: RUB 144,059 million) are designated as a hedging instrument for highly probable revenue forecasted for the period of 2015 – 2026 denominated in US dollars. The Group expects that this hedging relationship will be highly effective since the future cash outflows on the lease liabilities match the future cash inflows on the revenue being hedged. At 30 September 2015, a foreign currency loss of RUB 63,294 million (before deferred income tax) on the finance lease liabilities (31 December 2014: RUB 43,596 million), representing an effective portion of the hedge, is deferred in the hedging reserve. During 9 months 2015 the amount reclassified from the hedging reserve to profit or loss was RUB 4,421 million.

18. LOANS AND BORROWINGS

	30 September 2015	31 December 2014
<i>Short-term loans, bonds and other borrowings:</i>		
Short-term loans in US Dollars	9,565	10,409
Short-term loans in Russian Roubles	-	1,603
Current portion of loans and borrowings in Russian Roubles	2,933	4,075
Current portion of bonds in Russian Roubles	5,206	102
Current portion of long-term bank loans in US Dollars	12,681	1,154
Total short-term loans and borrowings	30,385	17,343
<i>Long-term loans, bonds and other borrowings:</i>		
Long-term loans in Russian Roubles	12,433	5,575
Long-term bonds in Russian Roubles	5,206	5,102
Long-term loans and borrowings in US Dollars	13,107	1,514
Less:		
Current portion of loans and borrowings in Russian Roubles	(2,933)	(4,075)
Current portion of bonds in Russian Roubles	(5,206)	(102)
Current portion of long-term bank loans in US Dollars	(12,681)	(1,154)
Total long-term loans and borrowings	9,926	6,860

18. LOANS AND BORROWINGS (CONTINUED)

Main changes in loans and borrowings during reporting period:

The Group has opened long-term revolving line of credit with PJSC AKB Sviaz-Bank in the amount of RUB 9,000 million, which can be obtained in Roubles or US Dollar. As at 30 September 2015 the principal outstanding amount was USD 129 million, which is equal to RUB 8,531 million. Mentioned amount is subject for repayment within a year. Interest rate is 7.0% p.a. The loan is unsecured.

The Group has opened long-term unsecured loan with JSC Credit Europe Bank in the amount of USD 22 million. As 30 September 2015 the principal outstanding amount was USD 19.5 million, which is equal to RUB 1,292 million. Mentioned amount is subject for repayment within a year. Interest rate is 7.15% p.a.

The Group has opened long-term loan with OJSC Moscow Credit Bank in the amount of USD 60 million. As at 30 September 2015 the outstanding amount of the loan is USD 60 million, which is equal to RUB 3,989 million (including interest). Interest rate is 7.0% p.a. The loan is unsecured.

The Group has opened long-term non-revolving credit line with PJSC Sberbank in the amount of RUB 12,602 million. As at 30 September 2015 the outstanding amount was RUB 8,018 million (including interest). Interest rate is 12.75% p.a. The loan is unsecured.

As at 30 September 2015 and 31 December 2014, the fair values of loans and borrowings was not materially different from their carrying amounts.

As at 30 September 2015 bank loans in the amount of RUB 1,748 million (31 December 2014: RUB 2,000 million) were secured by property and land (Note 12).

Bond issue

As at 30 September 2015 the Group has bonds issued (BO-03 series) with notional amount of RUB 5,000 million and interest coupon rate of 8.3% p.a. As at 30 September 2015 effective yield to maturity for these bonds was 10.54% p.a. (31 December 2014: 11.3% p.a.).

Undrawn credit commitments

As at 30 September 2015 the Group was able to attract RUB 22,791 million of cash (31 December 2014: RUB 21,562 million) available under existing credit lines granted to the Group by various lending institutions.

19. SHARE CAPITAL

As at 30 September 2015 and 31 December 2014 share capital was equal to RUB 1,359 million.

	Number of ordinary shares authorised and issued (shares)	Number of treasury shares (shares)	Number of ordinary shares outstanding (shares)
31 December 2014	1,110,616,299	(53,716,189)	1,056,900,110
30 September 2015	1,110,616,299	(53,716,189)	1,056,900,110

All issued shares are fully paid. In addition to the shares that have been placed the Company is entitled to place 250,000,000 ordinary registered shares (31 December 2014: 250,000,000 shares) with par value of RUB 1 per share (31 December 2014: RUB 1 per share).

Ordinary shareholders are entitled to one vote per share.

19. SHARE CAPITAL (CONTINUED)

As at 30 September 2015, treasury shares were held by subsidiaries of the Group:

	30 September 2015	31 December 2014
	(shares)	(shares)
LLC Aeroflot Finance	53,716,189	53,714,098
LLC Partner	-	2,091
Total number of treasury shares	53,716,189	53,716,189

These ordinary shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Company held by the entity within the Group are effectively controlled by management of the Group.

The Company's shares are listed on the Moscow Exchange and on 30 September 2015 and 31 December 2014 were traded at RUB 35.3 per share and RUB 31.8 per share, respectively.

The Company launched Global Depositary Receipts (GDRs) programme in December 2000. From January 2014 one GDR equates 5 ordinary shares. As at 30 September 2015 and as 31 December 2014 the GDRs were traded on the Frankfurt stock exchange at EUR 2.409 per GDR and EUR 2.639 per GDR, respectively.

20. DIVIDENDS

At the annual shareholders' meeting held on 22 June 2015 it was resolved not to declare and pay dividends for 2014.

At the annual shareholders' meeting held on 27 June 2014 the shareholders approved dividends in respect of 2013 in the amount of RUB 2.4984 per share totaling to RUB 2,774 million for the Company's total declared and placed shares including treasury stock. All dividends are declared and paid in Russian Roubles.

21. OPERATING SEGMENTS

The Group has a number of operating segments, but none of them, except for "Passenger Traffic", meet the quantitative threshold for determining reportable segment.

The passenger traffic operational performance is measured based on internal management reports which are reviewed by the Group's General Director. Passenger traffic revenue by flight routes is allocated based on the geographic destinations of flights. Passenger traffic revenue by flight routes is used to measure performance as the Group believes that such information is the most material in evaluating the results.

21. OPERATING SEGMENTS (CONTINUED)

	Passenger traffic	Other	Inter-segment sales elimination	Total Group
9m 2015				
External sales	307,409	2,101	-	309,510
Inter-segment sales	4	10,112	(10,116)	-
Total revenue	307,413	12,213	(10,116)	309,510
Operating profit	36,005	836	(33)	36,808
Finance income				7,987
Finance costs				(21,116)
Hedging result				(15,731)
Share of financial results of associates				(28)
Profit before income tax				7,920
Income tax expense				(6,094)
Profit for the period				1,826
	Passenger traffic	Other	Inter-segment sales elimination	Total Group
9m 2014				
External sales	235,431	1,267	-	236,698
Inter-segment sales	1	8,785	(8,786)	-
Total revenue	235,432	10,052	(8,786)	236,698
Operating profit	13,004	914	(256)	13,662
Finance income				1,684
Finance costs				(18,609)
Share of financial results of associates				22
Loss before income tax				(3,241)
Income tax expense				(322)
Loss for the period				(3,563)
	Passenger traffic	Other	Inter-segment sales elimination	Total Group
Three months ended 30 September 2015				
External sales	132,153	890	-	133,043
Inter-segment sales	1	3,868	(3,869)	-
Total revenue	132,154	4,758	(3,869)	133,043
Operating profit	30,459	484	(1)	30,942
Finance income				5,202
Finance costs				(18,073)
Hedging result				(6,883)
Share of financial results of associates				28
Profit before income tax				11,216
Income tax expense				(5,849)
Profit for the period				5,367

21. OPERATING SEGMENTS (CONTINUED)

	Passenger traffic	Other	Inter-segment sales elimination	Total Group
Three months ended 30 September 2014				
External sales	95,966	451	-	96,417
Inter-segment sales	1	3,456	(3,457)	-
Total revenue	95,967	3,907	(3,457)	96,417
Operating profit	14,295	822	(71)	15,046
Finance income				911
Finance costs				(18,017)
Share of financial results of associates				24
Loss before income tax				(2,036)
Income tax				378
Loss for the period				(1,658)

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Management uses all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. This category includes only derivative financial instruments disclosed in Note 14. Fair value of derivative instruments is categorized as Level 2 and Level 3 in the fair value hierarchy.

Shares of JSC Sheremetyevo International Airport recognised within non-current financial investments are classified by the Company as investments available for sale, though as at 30 September 2015 and 31 December 2014 were accounted at historical cost of RUB 6,013 million due to inability to make fair value estimation with sufficient degree of certainty.

Financial assets carried at amortised cost. The fair value of instruments with a floating interest rate is normally equal to their carrying value. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates effective on debt capital markets for new instruments with similar credit risk and remaining maturity. Carrying amounts of cash and cash equivalents, financial receivables, investments, lease security deposits and other financial assets is approximately equal to their fair value, which belongs to Level 2 in the fair value hierarchy.

Liabilities carried at amortised cost. The fair value of financial instruments is measured based on the current market quotes, if any. The estimated fair value of unquoted fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. As at 30 September 2015 and 31 December 2014, the carrying and fair values of financial payables, finance lease liabilities (Note 17) were not materially different. The fair values of loans and borrowings, including bonds, are disclosed in Note 18. The fair values of stated financial instruments are categorised as Level 2, while bonds are categorised as Level 1 in the fair value hierarchy.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONITNUED)

During 9 months of 2015 and 9 months 2014 there was no financial instruments transfer between levels 1, 2 or 3 of the fair value hierarchy.

The classification of financial assets and liabilities as at 30 September 2015 is stated below:

	Loans and receivables	Available- for sale financial assets	Financial assets at fair value through profit or loss	Total
Cash and cash equivalents	29,357	-	-	29,357
Short-term financial investments	4,792	2	-	4,794
Financial receivables	37,796	-	-	37,796
Aircraft lease security deposits	3,762	-	-	3,762
Derivative financial instruments	-	-	88	88
Long-term financial investments	-	6,133	-	6,133
Other non-current assets	236	-	-	236
Total financial assets	75,943	6,135	88	82,166

	Liabilities at fair value through profit or loss	Derivative financial instruments (hedging)	Loans and other financial liabilities	Total
Derivative financial instruments	(9,192)	(10,375)	-	(19,567)
Financial payables	-	-	(37,725)	(37,725)
Finance lease liabilities	-	-	(154,986)	(154,986)
Loans and borrowings	-	-	(40,311)	(40,311)
Other long-term liabilities	-	-	(214)	(214)
Total financial liabilities	(9,192)	(10,375)	(233,236)	(252,803)

The classification of financial assets and liabilities as at 31 December 2014 is stated below:

	Loans and receivables	Available- for sale financial assets	Financial assets at fair value through profit or loss	Derivative financial instruments (hedging)	Total
Cash and cash equivalents	26,547	-	-	-	26,547
Short-term financial investments	960	1	-	-	961
Financial receivables	30,270	-	-	-	30,270
Aircraft lease security deposits	2,431	-	-	-	2,431
Derivative financial instruments	-	-	529	36	565
Long-term financial investments	-	6,115	-	-	6,115
Other non-current assets	186	-	-	-	186
Total financial assets	60,394	6,116	529	36	67,075

	Liabilities at fair value through profit or loss	Derivative financial instruments (hedging)	Loans and other financial liabilities	Total
Derivative financial instruments	(12,360)	(18,791)	-	(31,151)
Financial payables	-	-	(33,039)	(33,039)
Finance lease liabilities	-	-	(149,278)	(149,278)
Loans and borrowings	-	-	(24,203)	(24,203)
Other long-term liabilities	-	-	(163)	(163)
Total financial liabilities	(12,360)	(18,791)	(206,683)	(237,834)

23. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship attention is directed to the economic substance of the relationship, not merely the legal form.

As at 30 September 2015 and 31 December 2014, the outstanding balances with related parties and income and expense items with related parties for 9 months 2015 and 9 months 2014 were as follows:

Associates

As at 30 September 2015 and 31 December 2014, the outstanding balances with associates and income and expense items with associates for 9 months 2015 and 9 months 2014 were as follows:

	30 September 2015	31 December 2014
Assets		
Accounts receivable	-	1
Liabilities		
Accounts payable and accrued liabilities	135	140

The amounts outstanding to and from associates will be settled mainly in cash.

	Three months ended		Nine months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Transactions				
Sales to associates	2	1	18	18
Purchase from associates	405	372	1,104	1,032

Purchases from associates consist primarily of aviation security services.

Government-related entities

As at 30 September 2015 and 31 December 2014, the Government of the RF represented by the Federal Agency for Management of State Property owned 51,17% of the Company. The Group operates in an economic environment where the entities are directly or indirectly controlled by the Government of the RF through its government authorities, agencies, affiliations and other organizations, collectively referred to as government-related entities.

The Group decided to apply the exemption from disclosure of individually insignificant transactions and balances with the Government and parties that are related to the Company because the Russian state has control, joint control or significant influence over such parties.

The Group has transactions with government-related entities, including but not limited to:

- banking services and aircraft lease services,
- transactions, assets and liabilities with derivative financial instruments,
- investments in JSC Sheremetyevo International Airport,
- purchase of air navigation and airport services, and
- government subsidies including those provided for compensating the losses from passenger flights under two government programmes, i.e. flights to and from European Russia for inhabitants of Kaliningrad region and Far East.

23. RELATED PARTY TRANSACTIONS (CONTINUED)***Government-related entities (continued)***

Outstanding balances of derivative financial instruments and cash at settlement and currency accounts in the government-related banks:

	30 September 2015	31 December 2014
Assets		
Cash and cash equivalents	9,290	15,781
Derivative financial instruments	88	529
Liabilities		
Derivative financial instruments	(6,524)	(14,500)

The amounts of the Group's finance and operating lease liabilities are disclosed in Notes 17 and 24. The share of liabilities to the government-related entities is approximately 3% for finance lease and 8.5% for operating lease (31 December 2014: 12% and 7% respectively).

For 9 months 2015 the aggregate amount of Group's transactions with government-related entities is approximately 11% of operating costs, and approximately 4% of revenue (9 months 2014: approximately 12% and approximately 3% respectively). These expenses primarily include costs of air navigation and aircraft maintenance services in the government-related airports and also supplies of motor fuels by government-related entities.

As at 30 September 2015 the Group issued guarantees for the amount of RUB 627 million to a government-related entity to secure obligations under tender procedures (31 December 2014: RUB 398 million).

Transactions with the state also include taxes, levies and customs duties settlements and charges which are detailed in Notes 6, 7, 9, 10 and 15.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel (the members of the Board of Directors and the Management Committee as well as key managers of flight and ground personnel who have significant power and responsibilities on key control and planning decisions of the Group), including salary and bonuses as well as short-term and mid-term compensation, amounted to RUB 540 million (9 months 2014: RUB 807 million).

Such amount is stated before personal income tax but exclude mandatory insurance contributions to non-budgetary funds. According to Russian legislation, the Group makes contributions to the Russian State pension fund as part of unified social tax for all its employees, including key management personnel.

Bonus programmes based on the Company's capitalisation

In 2013, the Group approved bonus programmes for the Group's key management personnel and members of the Company's Board of Directors. The programmes run for three years and are exercised in three tranches of cash payments. The amounts of payments depend both on the absolute increase in the Company's capitalisation and the Company's capitalisation growth rates against its peers based on the results of the reporting period. The fair value of the liabilities under the bonus programmes was determined based on consensus forecast for the Company's capitalisation growth until the end of 2015.

Expenses related to the bonus programmes for 9 months 2015 were RUB 144 million. The expenses are recorded within staff costs in the Group's condensed consolidated interim statement of profit or loss. As at 30 September 2015, outstanding liability under these plans was RUB 392 million (31 December 2014: RUB 247 million).

23. RELATED PARTY TRANSACTIONS (CONTINUED)***Cross shareholding***

As at 30 September 2015 LLC Aeroflot-Finance, 100%-owned subsidiary of the Group, owned 53,716,189 ordinary shares of the Company (as at 31 December 2014: LLC Aeroflot-Finance and LLC Partner Aeroflot, 100%-owned subsidiaries of the Group, owned 53,714,098 ordinary shares and 2,091 ordinary shares of the Company respectively) (Note 19).

24. COMMITMENTS UNDER OPERATING LEASES

Future minimum lease payments under non-cancellable aircraft and other operating lease agreements with third and related parties are as follows:

	30 September 2015	31 December 2014
On demand or within 1 year	51,974	42,694
Later than 1 year and not later than 5 years	162,301	179,654
Later than 5 years	128,452	209,804
Total operating lease commitments	342,727	432,152

As at 30 September 2015, the Group entered into a number of agreements with Russian banks under which the banks guarantee the payment of the Group's liabilities under existing aircraft lease agreements.

25. CAPITAL COMMITMENTS

As at 30 September 2015, the Group entered into agreements on future acquisition of property, plant and equipment with third parties for the total of RUB 880,095 million (31 December 2014: RUB 776,579 million). These commitments mainly relate to three Boeing B-777 (31 December 2014: six), twenty-two Boeing B-787 (31 December 2014: twenty-two), twenty-two Airbus A-350 (31 December 2014: twenty-two), sixty-two Airbus A-320/321 (31 December 2014: sixty-two) aircraft which are expected to be used under operating or finance lease agreements, therefore no cash outflow on entered agreements is expected.

26. CONTINGENCIES***Operating Environment of the Group***

The political and economic turmoil witnessed in the region, including the situation in Ukraine have had and may continue to have a negative impact on the Russian economy, including weakening of the Rouble and making it harder to raise international funding. At present, there is an ongoing threat of additional sanctions against Russian Federation and some companies incorporated in Russia, and their officials. The financial markets are uncertain and volatile. These and other events may have an impact on the Group's operations and financial position. Effect of these sanctions is not significant by management's assessment. The Group continues to monitor the situation and executes set of measures to minimize influence of possible risks on operating activity of the Group and its financial position.

The Group's operations are primarily located in the RF. Consequently, the Group is exposed to the risk of the economic and financial markets of the RF which display characteristics of an emerging market. The legal and tax frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the RF. These condensed consolidated interim financial statements reflect assessment of the Group's management of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

26. CONTINGENCIES (CONTINUED)

As at 30 September 2015 the Group net current liabilities amounted to RUB 34,702 million (31 December 2014: RUB 42,923 million). As a result of operations for 9 months 2015 the Group showed net profit in the amount of RUB 1,826 million (9 months 2014: net loss RUB 3,563 million). Cash flows from operating activities for 9 months 2015 was positive and amounted to RUB 54,184 million (9 months 2014: RUB 26,339 million).

The treasury of the Group provides flexibility of financing by availability of credit lines. As at 30 September 2015 the Group was able to attract RUB 22,791 million of cash (31 December 2014: RUB 21,562 million) available under existing credit lines granted to the Group by various lending institutions. To improve liquidity Management is planning an improvement of the Group's operating performance and further growth of cash-flows from operating activity.

Seasonality

Business activities of the Group with respect to international and domestic passenger and cargo flights are subject to season fluctuations, peak of demand occurs in the second and third quarters of a year.

Tax contingencies

The taxation system in the RF continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes fuzzy and contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to audit and investigation by a number of authorities, which have the authority to impose severe fines and penalties charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the RF suggest that the tax authorities are taking a more tough stance in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the RF that are substantially more significant than in other countries. The Group's management believes that it has provided adequately for tax liabilities in these condensed consolidated interim financial statements based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of these provisions by the relevant authorities could differ and the effect on these condensed consolidated interim financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Russian revised transfer pricing legislation is effective from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. The Group's management prepared transfer pricing documentation to comply with the new legislation and believes that its pricing policy and implemented internal procedures are adequate to meet the new transfer pricing legal requirements. Changes in tax legislation or its enforcement in relation to such issues as transfer pricing may lead to an increase in the Group's effective income tax rate.

As of 30 September 2015 and 31 December 2014 the Group has no other possible obligations from exposure to other than remote tax risks, which possibility is estimated as "more, than a minor".

Insurance

The Group maintains insurance in accordance with the legislation. In addition, the Group insures risks under various voluntary insurance programs, including management's liability, Group's liability and risks of loss of aircraft under operating and finance lease.

26. CONTINGENCIES (CONTINUED)

Litigation

During the reporting period the Group was involved (both as a plaintiff and a defendant) in a number of court proceedings arising in the ordinary course of business. Management believes that there are no current court proceedings or other claims outstanding which could have a material effect on the results of operations and financial position of the Group.