



OAO Scientific Production Corporation "Irkut"

**Consolidated Interim
Condensed Financial Statements
for the nine months
ended 30 September 2014**

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Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To Board of Directors

OAo Scientific Production Corporation "Irkut"

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OAo Scientific Production Corporation "Irkut" (the "Company") and its subsidiaries (the "Group") as at 30 September 2014, and the related consolidated interim condensed income statement, statements of comprehensive income, changes in equity and cash flows for the nine - month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information (the "consolidated interim financial statements"). Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim condensed 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 consolidated interim condensed 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.

Audited entity: OAo Scientific Production Corporation "Irkut".

Registered by the Irkutsk Registration Chamber of Leninsky District on 13 October 1992, Registration No. 380700250.

Registered in the Unified State Register of Legal Entities on 15 July 2009 by the Moscow Inter-Regional Tax Inspectorate No.46 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1023801428111, Certificate series 77 No.010296621.

13 building 1, Novoalekseevskaya st., Moscow, Russia, 129626.

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Basis for qualified conclusion

The Group has accounted for certain Government grants as revenue and the related costs as cost of sales which is not in compliance with International Financial Reporting Standard IAS 20 *Accounting for Government grants and Disclosure of Government Assistance*. Had the grants received been accounted for in accordance with International Financial Reporting Standards, revenues would have been reduced by USD 267,578 thousand for the nine-month period ended 30 September 2014 (30 September 2013: USD 279,826 thousand), cost of sales would have been reduced by USD 192,708 thousand for the nine-month period ended 30 September 2014 (30 September 2013: USD 197,668 thousand), and government grants related to income in the consolidated interim condensed income statement would have been increased by USD 74,870 thousand for the nine-month period ended 30 September 2014 (30 September 2013: USD 82,158 thousand).

Qualified conclusion

Based on our review, except for the effect of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the consolidated interim financial information as at 30 September 2014 and for the nine – month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



Belyatski I.O.

Director, (power of attorney dated 29 September 2014 No. 43/14)

ZAO KPMG

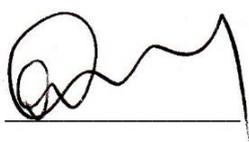
26 January 2015

Moscow, Russian Federation

OA0 Scientific Production Corporation "Irkut"
Consolidated Interim Condensed Income Statement for the nine months ended 30 September 2014

		Nine months ended 30 September	
	Notes	2014 '000 USD	2013 '000 USD
Revenues	7	1,043,501	1,227,333
Cost of sales		(810,567)	(899,465)
Gross profit		232,934	327,868
Other income		3,210	229
Research and development costs		(3,933)	(6,355)
Distribution expenses		(59,775)	(82,658)
Administrative expenses		(113,054)	(129,595)
Taxes, other than on profit		(4,399)	(5,471)
Other expenses	8	(19,880)	(21,834)
Profit from operating activities		35,103	82,184
Finance income	9	42,760	10,456
Finance costs	9	(47,068)	(64,838)
Profit before income tax		30,795	27,802
Income tax expense	10	(17,229)	(11,388)
Profit for the period		13,566	16,414
<i>Attributable to:</i>			
Owners of the parent company		13,550	16,170
Non-controlling interest		16	244
		13,566	16,414
Basic and diluted earnings per share (USD)	17	0.011	0.014

The consolidated interim condensed financial statements were authorised for issuance on 30 December 2014 by management and signed on its behalf.



O.F. Demchenko
President



D.V. Polevshchikov
Vice-President for Corporate Finance

OAQ Scientific Production Corporation "Irkut"
Consolidated Interim Condensed Statement of Comprehensive Income for the nine months ended
30 September 2014

	Nine months ended 30 September	
	2014	2013
	<u>'000 USD</u>	<u>'000 USD</u>
Profit for the period	13,566	16,414
Other comprehensive (loss)/income:		
Items that are or may be reclassified to profit or loss:		
Foreign exchange differences	(13,747)	(5,159)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	2,466
	<u>(13,747)</u>	<u>(2,693)</u>
Total comprehensive (loss)/income for the period	<u>(181)</u>	<u>13,721</u>
Attributable to:		
Owners of the parent company	2,573	14,517
Non-controlling interest	(2,754)	(796)
	<u>(181)</u>	<u>13,721</u>

OA0 Scientific Production Corporation "Irkut"
Consolidated Interim Condensed Statement of Financial Position as at 30 September 2014

	Notes	30 September 2014 '000 USD	31 December 2013 '000 USD
ASSETS			
Non-current assets			
Property, plant and equipment	11	368,161	361,915
Intangible assets	12	366,188	338,279
Investments and non-current financial assets	13	32,687	30,265
Deferred tax assets		916	1,035
		767,952	731,494
Current assets			
Investments and current financial assets	13	10,845	11,765
Inventories	14	1,047,051	807,294
Trade and other receivables	15	416,455	394,531
Cash and cash equivalents	16	387,354	395,890
		1,861,705	1,609,480
Total assets		2,629,657	2,340,974
EQUITY AND LIABILITIES			
Equity			
	17		
Share capital		126,062	124,994
Share premium		243,696	239,200
Foreign currency translation reserve		(20,646)	(9,669)
Additional paid in capital		171,136	171,136
Retained earnings		275,752	280,127
Total equity attributable to shareholders of the parent company		796,000	805,788
Non-controlling interest		13,370	16,124
Total equity		809,370	821,912
Non-current liabilities			
Loans and borrowings	18	687,804	644,279
Deferred tax liabilities		102,982	86,825
Employee benefits		11,401	12,019
		802,187	743,123
Current liabilities			
Loans and borrowings	18	293,733	206,725
Trade and other payables	19	710,132	553,041
Employee benefits		8,530	8,258
Provisions		5,705	7,915
		1,018,100	775,939
Total equity and liabilities		2,629,657	2,340,974

OAO Scientific Production Corporation "Irkut"
Consolidated Interim Condensed Statement of Cash Flows for the nine months ended
30 September 2014

	Nine months ended	
	30 September	
	2014	2013
	'000 USD	'000 USD
OPERATING ACTIVITIES		
Profit before income tax	30,795	27,802
Adjustments for:		
Depreciation and amortisation	37,622	47,738
Unrealised foreign exchange gain	(35,381)	(31,911)
Impairment of loans and bad debts	-	476
Loss from disposal of property, plant and equipment	7,203	4,518
Income from investments	(42)	176
Interest expense	47,068	42,080
Government grant related to compensation of interest expense	-	(3,231)
Interest income	(19,512)	(10,456)
Operating profit before changes in working capital and provisions	67,753	77,192
Change in inventories	(239,757)	(1,811)
Change in trade and other receivables	(22,025)	206,521
Change in trade and other payables	157,325	(224,050)
Change in defined benefit plans	(346)	1,625
Change in provisions	(2,210)	1,217
Cash flows (utilised by)/from operations before income taxes and interest paid	(39,260)	60,694
Income taxes (paid)/received	(606)	24,057
Cash flows (utilised by)/from operating activities	(39,866)	84,751
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	5,643	1,812
Acquisition of property, plant and equipment	(32,806)	(35,255)
Acquisition of intangible assets	(38,980)	(55,727)
Loans advanced to related parties	(2,532)	-
Proceeds from / (acquisition of) investments	1,079	(16,711)
Government grant related to intangible assets	971	870
Interest received	19,512	10,456
Cash flows utilised by investing activities	(47,113)	(94,555)
FINANCING ACTIVITIES		
Proceeds from settlement of forward contracts	-	17,666
Proceeds from borrowings	420,578	687,102
Repayment of borrowings	(210,136)	(729,408)
Payment of finance leasing liabilities	(16,025)	(4,040)
Proceeds from share issue	5,564	-
Interest paid, net of grant received	(32,750)	(34,172)
Dividends paid	(17,925)	(16,610)
Cash flows from/(utilised by) financing activities	149,306	(79,462)
Net increase/(decrease) in cash and cash equivalents	62,327	(89,266)
Cash and cash equivalents at 1 January	395,890	413,451
Effect of exchange rates fluctuations on cash and cash equivalents	(70,863)	(5,175)
Cash and cash equivalents at 30 September (note 16)	387,354	319,010

OAO Scientific Production Corporation "Irkut"

Consolidated Interim Condensed Statement of Changes in Equity for the nine months ended 30 September 2014

'000 USD	Attributable to the equity holders of the Company								
	Share capital	Share premium	Hedging reserve	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2013	122,124	227,118	(2,466)	174,027	(4,761)	260,010	776,052	16,731	792,783
Profit for the period	-	-	-	-	-	16,170	16,170	244	16,414
Other comprehensive income									
Foreign exchange differences	-	-	-	-	(4,119)	-	(4,119)	(1,040)	(5,159)
Effective portion of changes in fair value of cash flow hedges, net of related income tax effect USD 767 thousand	-	-	2,466	-	-	-	2,466	-	2,466
Total comprehensive income for the year							14,517	(796)	13,721
Transactions with owners, recorded directly in equity									
Dividends to shareholders	-	-	-	-	-	(16,610)	(16,610)	-	(16,610)
Balance at 30 September 2013	122,124	227,118	-	174,027	(8,880)	259,570	773,959	15,935	789,894

OAO Scientific Production Corporation "Irkut"

Consolidated Interim Condensed Statement of Changes in Equity for the nine months ended 30 September 2014

'000 USD	Attributable to the equity holders of the Company						Total	Non-controlling interest	Total equity
	Share capital	Share premium	Hedging reserve	Additional paid-in capital	Foreign currency translation reserve	Retained earnings			
Balance at 1 January 2014	124,994	239,200	-	171,136	(9,669)	280,127	805,788	16,124	821,912
Profit for the period	-	-	-	-	-	13,550	13,550	16	13,566
Other comprehensive income									
Foreign exchange differences	-	-	-	-	(10,977)	-	(10,977)	(2,770)	(13,747)
Total comprehensive loss for the period							<u>2,573</u>	<u>(2,754)</u>	<u>(181)</u>
Transactions with owners, recorded directly in equity									
Transactions with owners, recorded directly in equity	1,068	4,496	-	-	-	-	5,564	-	5,564
Dividends to shareholders	-	-	-	-	-	(17,925)	(17,925)	-	(17,925)
Balance at 30 September 2014	126,062	243,696	-	171,136	(20,646)	275,752	796,000	13,370	809,370

1 Reporting entity

OAO Scientific Production Corporation "Irkut" ("the Company") is a company domiciled in the Russian Federation. The consolidated interim condensed financial statements of the Company as at and for the nine-month ended 30 September 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

The consolidated financial statements of the Group as at and for the year ended 31 December 2013 are available at www.irkut.com.

2 Statement of compliance

These consolidated interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2013.

3 Significant accounting policies

The accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2013.

4 Judgments and estimates

The preparation of consolidated interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated interim condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2013.

5 Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2013.

6 Operating segments

The Group has four reportable segments, which are the Group's strategic business programs. The following summary describes the operations in each of the Group's reportable segments:

- *SU-30 Program.* Includes development, manufacturing and distributing SU-30 aircraft, components and service equipment.
- *YAK-130 Program.* Includes development, manufacturing and distribution of YAK-130 aircraft components and service equipment.
- *MC-21 Program.* Includes development of a new civil aircraft with silicon wing.

The project is included in the Federal Target Program "Development of the civil aircraft for 2002-2010 and for the period until 2015" approved by the Decision of the Federal Government of the Russian Federation No. 728 dated 15 October 2001. In accordance with this program, the Company receives financing from the Federal Government. Funds are received under the government contract with Ministry of Industry and Trade (Minpromtorg) which is structured as a contract for provision of the development services and the proceed derived therefrom are included in revenue from provision of services on research and development.

- *Cooperation.* Includes products which are developed and manufactured in cooperation with Airbus.

The definitions of reportable segment and measure of segment performance are the same as those used in Group's consolidated financial statements as at and for the year ended 31 December 2013.

OAO Scientific Production Corporation "Irkut"

Notes to the Consolidated Interim Condensed Financial Statements for the nine months ended 30 September 2014

Information about reportable segments

'000 USD	SU-30 Program		YAK-130 Program		MC-21 Program		Cooperation		Other		Total	
	Nine months ended 30 September											
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
External revenue	621,733	536,603	226	151,560	259,877	274,551	6,224	7,894	40,483	43,514	928,543	1,014,122
Segment direct costs	(385,177)	(274,204)	(626)	(117,873)	(200,395)	(196,489)	(5,441)	(7,521)	(6,555)	(31,752)	(598,194)	(627,839)
Direct distribution expenses	(52,992)	(89,035)	(18)	(2,070)	-	-	(355)	(349)	(1000)	(325)	(54,365)	(91,779)
Design and development	(7,210)	(6,101)	-	(4,527)	-	-	-	-	-	-	(7,210)	(10,628)
Reportable segment gross profit/(loss)	176,354	167,263	(418)	27,090	59,482	78,062	428	24	32,928	11,437	268,774	283,876

OAQ Scientific Production Corporation "Irkut"**Notes to the Consolidated Interim Condensed Financial Statements for the nine months ended
30 September 2014**

Reconciliation of reportable segments' revenues and reportable segments' measure of profit:

	Nine months ended 30 September	
	2014 '000 USD	2013 '000 USD
Total revenue for reportable segments	928,543	1,014,122
Change in timing of revenue recognition	114,958	213,211
Consolidated interim condensed revenue	1,043,501	1,227,333
Reportable segment gross profit	268,774	283,876
Direct distribution expenses	54,365	91,779
Change in timing of recognition and allocation	(90,205)	(47,787)
Gross profit	232,934	327,868
Other income	3,210	229
Research and development costs	(3,933)	(6,355)
Distribution expenses	(59,775)	(82,658)
Administrative expenses	(113,054)	(129,595)
Taxes, other than on profit	(4,399)	(5,471)
Other expenses	(19,880)	(21,834)
Profit from operating activities	35,103	82,184
Finance income	42,760	10,456
Finance costs	(47,068)	(64,838)
Consolidated interim condensed (loss)/profit before income tax	30,795	27,802

OAQ Scientific Production Corporation "Irkut"

**Notes to the Consolidated Interim Condensed Financial Statements for the nine months ended
30 September 2014**

7 Revenues

	Nine months ended 30 September	
	2014	2013
	<u>'000 USD</u>	<u>'000 USD</u>
Revenue earned on military aircraft construction contracts	467,015	721,268
Revenue on sales of military aircraft components and related products	271,465	179,289
Revenue on sales of civil aircraft components and related products	7,247	10,246
Revenue from services on research and development of MC-21 project	267,578	279,826
Other revenues	30,196	36,704
	<u>1,043,501</u>	<u>1,227,333</u>

8 Other expenses

	Nine months ended 30 September	
	2014	2013
	<u>'000 USD</u>	<u>'000 USD</u>
Loss from disposal of property, plant and equipment	(7,203)	(4,518)
Social costs	(11,950)	(12,595)
Impairment of loans given and receivables	-	(476)
Other	(727)	(4,245)
	<u>(19,880)</u>	<u>(21,834)</u>

9 Finance income and costs

	Nine months ended 30 September	
	2014	2013
	<u>'000 USD</u>	<u>'000 USD</u>
<i>Finance income</i>		
Interest income	19,512	10,456
Income from investments	42	-
Foreign exchange gain	23,206	-
	<u>42,760</u>	<u>10,456</u>
<i>Finance costs</i>		
Interest expense	(47,068)	(42,080)
Government grant related to compensation of interest expense	-	3,231
Interest expense, net	(47,068)	(38,849)
Loss from impairment of investments	-	(176)
Foreign exchange loss	-	(25,813)
	<u>(47,068)</u>	<u>(64,838)</u>

OAQ Scientific Production Corporation "Irkut"

Notes to the Consolidated Interim Condensed Financial Statements for the nine months ended 30 September 2014

10 Income tax expense

	Nine months ended 30 September	
	2014 '000 USD	2013 '000 USD
<i>Current tax expense</i>		
Current income tax	237	334
Income tax for prior periods	1	108
	<u>238</u>	<u>442</u>
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	16,991	12,697
Recognition of previously unrecognised tax losses	-	(1,751)
	<u>16,991</u>	<u>10,946</u>
Income tax expense	<u>17,229</u>	<u>11,388</u>

The Group's applicable tax rate is the corporate income tax rate of 20%.

Reconciliation of effective tax rate:

	Nine months ended 30 September		Nine months ended 30 September	
	2014 '000 USD	%	2013 '000 USD	%
Profit before income tax	30,795	100	27,802	100
Income tax expense at applicable tax rate	6,159	20	5,560	20
Non-deductible/non-taxable items, net	2,305	7	3,185	11
Recognition of previously unrecognised tax losses	-	-	(1,751)	(6)
Income tax for prior periods	1	-	108	-
Foreign currency translation	8,764	28	4,286	15
	<u>17,229</u>	<u>55</u>	<u>11,388</u>	<u>40</u>

11 Property, plant and equipment

'000 USD	Land and buildings	Plant and equipment	Construction in progress	Total
<i>Cost</i>				
At 1 January 2013	179,156	521,560	78,693	779,409
Additions	-	4,771	32,348	37,119
Transfers	9,354	11,939	(21,293)	-
Disposals	(1,523)	(16,286)	-	(17,809)
Foreign exchange differences	(174)	(723)	(2,103)	(3,000)
At 30 September 2013	186,813	521,261	87,645	795,719
At 1 January 2014	196,210	528,157	88,629	812,996
Additions	-	12,695	42,521	55,216
Transfers	6,723	8,439	(15,162)	-
Transfers of apartments	-	-	(6,793)	(6,793)
Disposals	(11,301)	(8,096)	-	(19,397)
Foreign exchange differences	(1,023)	(2,294)	(3,055)	(6,372)
At 30 September 2014	190,609	538,901	106,140	835,650
<i>Depreciation</i>				
At 1 January 2013	(100,686)	(321,243)	-	(421,929)
Depreciation charge	(3,182)	(29,308)	-	(32,490)
Disposals	1,347	10,132	-	11,479
Foreign exchange differences	22	441	-	463
At 30 September 2013	(102,499)	(339,978)	-	(442,477)
At 1 January 2014	(103,545)	(347,536)	-	(451,081)
Depreciation charge	(3,586)	(27,948)	-	(31,534)
Disposals	6,139	7,205	-	13,344
Foreign exchange differences	70	1,712	-	1,782
At 30 September 2014	(100,922)	(366,567)	-	(467,489)
<i>Net book value</i>				
At 1 January 2013	78,470	200,317	78,693	357,480
At 30 September 2013	84,314	181,283	87,645	353,242
At 1 January 2014	92,665	180,621	88,629	361,915
At 30 September 2014	89,687	172,334	106,140	368,161

(a) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. The leased equipment secures lease obligations. At 30 September 2014 the net carrying amount of leased plant and machinery was USD 24,286 thousand (30 September 2013: USD 18,073 thousand).

(b) Security

As at 30 September 2014 there were no properties pledged as a collateral for secured bank loans (30 September 2013: USD 5,796 thousand) (see note 18).

OAQ Scientific Production Corporation "Irkut"

**Notes to the Consolidated Interim Condensed Financial Statements for the nine months ended
30 September 2014**

(c) Other restrictions

The net book value of property, plant and equipment restricted for sale by the Russian government in accordance with the state military programme amounted to USD 70,237 thousand (30 September 2013: USD 79,025 thousand).

12 Intangible assets

'000 USD	<u>Development costs</u>	<u>Other intangibles</u>	<u>Total</u>
<i>Cost</i>			
At 1 January 2013	351,996	15,107	367,103
Additions	54,883	844	55,727
Government grant related to development	(870)	-	(870)
Disposals	-	(1,715)	(1,715)
Foreign exchange differences	(3,629)	(57)	(3,686)
At 30 September 2013	402,380	14,179	416,559
At 1 January 2014	417,160	15,105	432,265
Additions	43,187	1,155	44,342
Government grant related to development	(971)	-	(971)
Disposals	-	(1,095)	(1,095)
Foreign exchange differences	(9,331)	(142)	(9,473)
At 30 September 2014	450,045	15,023	465,068
<i>Amortisation and impairment</i>			
At 1 January 2013	(69,890)	(6,644)	(76,534)
Amortisation charge	(12,156)	(3,092)	(15,248)
Disposals	-	1,715	1,715
Foreign exchange differences	-	35	35
At 30 September 2013	(82,046)	(7,986)	(90,032)
At 1 January 2014	(84,504)	(9,482)	(93,986)
Amortisation charge	(4,516)	(1,572)	(6,088)
Disposals	-	1,094	1,094
Foreign exchange differences	-	100	100
At 30 September 2014	(89,020)	(9,860)	(98,880)
<i>Net book value</i>			
At 1 January 2013	282,106	8,463	290,569
At 30 September 2013	320,334	6,193	326,527
At 1 January 2014	332,656	5,623	338,279
At 30 September 2014	361,025	5,163	366,188

OAQ Scientific Production Corporation "Irkut"**Notes to the Consolidated Interim Condensed Financial Statements for the nine months ended****30 September 2014**

Capitalized development costs comprise the following items:

	30 September 2014	31 December 2013
	'000 USD	'000 USD
Yak-130 aircraft	158,822	157,846
MC-21	199,342	167,434
SUV-30K modernisation set	2,257	6,772
Other	604	604
	<u>361,025</u>	<u>332,656</u>

Capitalized borrowing costs

Additions to development costs for the nine month period ended 30 September 2014 include USD 5,362 thousand of capitalised borrowing costs (9 months 2013: USD 3,499 thousand).

13 Investments and financial assets

	30 September 2014	31 December 2013
	'000 USD	'000 USD
<i>Non-current</i>		
Available-for-sale investments, stated at cost	8,197	8,307
Loans to related parties	24,490	21,958
	<u>32,687</u>	<u>30,265</u>
<i>Current</i>		
Loans to related parties	3,179	3,161
Other current financial assets	7,666	8,604
	<u>10,845</u>	<u>11,765</u>

Available-for-sale investments include equity securities of ZAO Company "FTK" ("FTK") and OAQ United Aircraft Corporation ("UAC") which is the Parent Company of the Group.

OAQ Scientific Production Corporation "Irkut"**Notes to the Consolidated Interim Condensed Financial Statements for the nine months ended****30 September 2014****14 Inventories**

	30 September 2014	31 December 2013
	'000 USD	'000 USD
Raw materials and other supplies	125,164	146,957
Aircraft components	176,087	143,847
Provision for obsolescence of inventories	(11,358)	(11,312)
	<u>289,893</u>	<u>279,492</u>
Advance payments to suppliers	353,772	236,143
Goods for sale	43,427	101,940
Other work in progress	359,959	189,719
	<u>1,047,051</u>	<u>807,294</u>

15 Trade and other receivables

	30 September 2014	31 December 2013
	'000 USD	'000 USD
Accounts receivable	248,817	258,664
Allowance for doubtful accounts	(605)	(1,516)
	<u>248,212</u>	<u>257,148</u>
Construction contracts in progress	15,952	-
Prepaid expenses	40,259	52,207
VAT recoverable	87,446	35,924
Income tax receivable	961	1,061
Other prepaid taxes	1,509	1,864
Other receivables and originated loans	22,116	46,327
	<u>416,455</u>	<u>394,531</u>

16 Cash and cash equivalents

	30 September 2014	31 December 2013
	'000 USD	'000 USD
Bank balances, US Dollars	43,478	86,857
Bank balances, Euro	22,113	44,758
Bank balances, Russian Roubles	314,623	209,932
Call deposits, US Dollars	-	30,095
Call deposits, Russian Roubles	7,140	24,248
	<u>387,354</u>	<u>395,890</u>

OA Scientific Production Corporation "Irkut"**Notes to the Consolidated Interim Condensed Financial Statements for the nine months ended
30 September 2014****17 Equity****(a) Share capital**

In June 2013 the Board of Directors approved issuance of additional 210,000,000 ordinary shares at a price of RUB 15 per share.

In March and April 2014 there was an additional share issue of 9,596,929 and 3,111,504 ordinary shares respectively in favour of JSC "United Aircraft Corporation".

As at 30 September 2014 fully paid capital stock consisted of 1,209,991,286 ordinary shares (1,197,282,853 ordinary shares at December 2013). All ordinary shares have a nominal value of RUB 3 each.

(b) Dividends

The following dividends have been declared at the Company's annual shareholders' meetings and paid:

	<u>27 June 2014</u>	<u>31 May 2013</u>
Amount per share, RUB	0.50	0.45
Amount per share, USD	0.0148	0.0142
Total amount, '000 USD	17,925	16,610

(c) (Loss)/earnings per share

The calculation of (loss)/earnings per share is the net (loss)/profit for the year attributable to owners of the parent company divided by the weighted average number of ordinary shares outstanding during the year, calculated as shown below. The Group has no dilutive potential ordinary shares.

Number of shares	<u>30 September 2014</u>	<u>31 December 2013</u>
Issued ordinary shares at 1 January	1,197,282,853	1,166,009,086
Effect of ordinary shares issued in March, April	8,435,765	3,700,323
Weighted average number of ordinary shares at 30 September	<u>1,205,718,618</u>	<u>1,169,709,409</u>

18 Loans and borrowings

This note provides information about the Group's loans and borrowings, which are measured at amortised cost.

	30 September 2014 '000 USD	31 December 2013 '000 USD
<i>Non-current</i>		
Secured bank loans	32,331	13,628
Unsecured bank loans	299,239	226,379
Unsecured bond issue	131,078	154,348
Loan from the parent company	214,948	245,205
Finance lease liabilities	10,208	4,719
	687,804	644,279
<i>Current</i>		
Secured bank loans	42,524	82,049
Unsecured bank loans	219,778	90,239
Current portion of non-current unsecured bank loans	25,546	30,139
Current portion of unsecured bond issue	-	8
Current portion of finance lease liabilities	5,186	4,290
Other loans	699	-
	293,733	206,725

(a) Security

There are no loans secured over property, plant and equipment (30 September 2013: USD 5,796 thousand) and the right to receive future revenues under an agreement with a foreign government.

19 Trade and other payables

	30 September 2014 '000 USD	31 December 2013 '000 USD
Accounts payable	89,783	184,507
Accrued expenses	10,902	29,772
Advances received	560,836	284,932
Income tax payable	651	885
Other taxes payable	33,766	30,780
Other payables	14,194	22,165
	710,132	553,041

20 Financial instruments

Exposure to currency risk arises in the normal course of the Group's business.

(a) Currency risk

The Group's exposure to currency risk was as follows based on notional amounts:

'000 USD	30 September 2014			31 December 2013		
	USD*	RUB	EUR	USD*	RUB	EUR
Cash and cash equivalents	43,478	321,763	22,113	116,952	234,180	44,758
Trade receivables	158,525	88,600	1,087	73,331	182,760	1,057
Other receivables	-	22,116	-	-	46,327	-
Construction contracts in progress	-	15,952	-	-	-	-
Secured bank loans	(17,679)	(57,176)	-	(2,882)	(92,795)	-
Unsecured bank loans	(343,685)	(200,878)	-	(338,369)	(8,388)	-
Unsecured bond issue	-	(131,078)	-	-	(154,356)	-
Finance lease liabilities	(15,215)	(179)	-	(8,841)	(168)	-
Other loans	-	(215,647)	-	-	(245,205)	-
Trade and other payables	(48,876)	(97,652)	(2,768)	(75,913)	(179,948)	(12,248)
Net exposure	(223,452)	(254,179)	20,432	(235,722)	(217,593)	33,567

*The USD balances are presented for information purposes and primarily relate to Group's parent company where USD is functional currency. The USD exposure of subsidiaries whose functional currency is the Russian Rouble is not material for the Group.

The following significant exchange rates applied during the year:

USD	Average rate		Reporting date spot rate	
	for period ended 30 September 2014	for period ended 31 December 2013	30 September 2014	31 December 2013
RUB 1,000	28.25	31.40	25.39	30.55
EUR	1.36	1.33	1.27	1.37

(b) Sensitivity analysis

A 10% strengthening of the USD against the following currencies at 30 September 2014 (31 December 2013) would have (decreased)/increased equity and profit or loss (after income tax effect) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

'000 USD	Equity/Profit or (loss)
30 September 2014	
RUB	18,486
EUR	(1)
31 December 2013	
RUB	15,825
EUR	(2,442)

A 10% weakening of the USD against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

21 Contingencies

The contingent liabilities or contingent assets are the same as those disclosed by the Group in its consolidated financial statements as at and for the year ended 31 December 2013.

22 Related party transactions

(a) Control relationship

Related parties comprise the shareholders of the Parent Company of OAQ "United Aircraft Corporation" and all other companies in which those shareholders, either individually or together, have a controlling interest.

OAQ "United Aircraft Corporation" is controlled by the Federal Government of the Russian Federation. Therefore, since 31 December 2006 the Federal Government of the Russian Federation is the ultimate controlling party of the Group. Related parties disclosures as at 30 September 2014 include balances with other government related entities (refer 22(c)).

(b) Transactions with management

(i) Key management personnel compensation

Key management received the following remuneration during the period:

	Nine months ended 30 September	
	2014	2013
	'000 USD	'000 USD
Wages and salaries	5,914	5,082
Compulsory social security contributions	750	667
	6,664	5,749

(c) Transactions with government related entities

The Group is indirectly owned by the Federal Government of the Russian Federation (93.6%). The Group operates in the industry dominated by entities directly or indirectly controlled by the Federal Government of the Russian Federation through its government authorities, agencies, affiliation and other organizations (collectively referred to as "government related entities"). The Group has transactions with other government related entities including but not limited to sales and purchases of goods and ancillary materials, rendering and receiving services, lease of assets, depositing and borrowing money, and use of public utilities.

These transactions are conducted in the ordinary course of the Group's business generally on terms comparable to those with other entities that are not government related. The Group has established procurement policies and approval process for purchases of products and services, which are

independent of whether the counterparties are government-related entities or not. The core business of the Group is manufacturing of military and civil aircraft and rendering research and development services related to these activities under contracts with Russian and foreign governments, where substantial part such contracts is attributed to domestic Russian government. The nature and amount of related contractual arrangements with government-related entities may depend on various factors, such as complexity and quantity of product, availability of State budget financing and presence of other government objectives. The Group management monitors the size, terms and other relevant factors of related arrangements in order to determine whether those would collectively lead to a particular transaction to qualify as individually significant.

For the period ended 30 September 2014, management estimates that the aggregate amount of the Group's collectively significant transactions with government-related entities is up to 70% (2013: up to 68%) of its revenues, up to 26% (2013: up to 29%) of its purchases of materials, equipment and services, and up to 60% of its borrowings (2013: up to 55%).

23 Subsequent events

After the balance sheet date there were no significant subsequent events.