SUKHOI
CIVIL AIRCRAFT
A Sukhoi and Alenia Aeronautica Company

Closed Joint Stock Company
"SUKHOI CIVIL AIRCRAFT"

Financial Statements for the year ended
31 December 2010

Contents

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Independent Auditors' Report

To the Board of Directors

Closed Joint-Stock Company "Sukhoi Civil Aircraft"

We have audited the accompanying financial statements of Closed Joint-Stock Company "Sukhoi Civil Aircraft" (the "Company"), which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG

ZAO KPMG

8 July 2011

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Notes	2010 000'USD	2009 000'USD
ASSETS			
Non-current assets			
Intangible assets	4	632,580	516,026
Property, plant and equipment	5	226,867	197,867
Value added tax receivable		30,240	44,752
Other receivables	11	45,418	-
Deferred tax assets	7	75,707	48,905
Total non-current assets		**1,010,812**	**807,550**
Current assets			
Inventories	8	157,506	110,649
Trade and other accounts receivable	9	15,892	12,139
Other current assets		68,890	49,360
Cash and cash equivalents	10	97,387	31,370
Assets held for sale	6	3,337	115,351
Total current assets		**343,012**	**318,869**
TOTAL ASSETS		**1,353,824**	**1,126,419**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	100,856	33,702
Share premium		171,751	164,625
Prepaid shares reserve		-	72,800
Paid in capital		3,568	-
Foreign currency translation reserve		31,634	33,266
Accumulated losses		(355,414)	(227,109)
Total equity		**(47,605)**	**77,284**
Non-current liabilities			
Loans and borrowings	13	669,824	564,615
Onerous contract provision	15	33,335	-
Advances from customers		5,710	812
Value added tax payable	11	1,818	-
Trade and other accounts payable		16,009	19,202
Total non-current liabilities		**726,696**	**584,629**
Current liabilities			
Loans and borrowings	13	572,595	232,431
Trade and other accounts payable	14	64,044	79,289
Advances from customers		34,157	36,824
Taxes payables		1,778	3,260
Liabilities related to assets held for sale	6	2,159	112,702
Total current liabilities		**674,733**	**464,506**
Total liabilities		**1,401,429**	**1,049,135**
Total equity and liabilities		**1,353,824**	**1,126,419**

The financial statements were authorised for issuance on 8 July 2011 by management and sign in its behalf.

Prisyazhnjuk V.S.

President

Stolina M.A.

Chief accountant

The accompanying notes are an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 000'USD	2009 000'USD
Revenues	16	3,870	7,202
Cost of sales	17	(1,757)	(2,976)
GROSS PROFIT		**2,113**	**4,226**
Government grants related to income	18	15,944	41,753
Research and development expenses		-	(182)
Selling expenses	19	(2,920)	(5,801)
Administrative expenses	20	(45,727)	(43,456)
Other operating income and expenses		2,343	(72)
Impairment loss on other financial assets	21	(20,555)	-
Onerous contract provision	15	(33,454)	-
Impairment of non-current assets	4	-	(61,994)
Write down of work-in-progress to net realisable value	8	(83,930)	-
OPERATING LOSS		**(166,186)**	**(65,526)**
Interest income	11	2,787	-
Interest expense		(39,872)	(22,819)
Foreign exchange gain/(loss)		33,330	(23,296)
LOSS BEFORE TAX		**(169,941)**	**(111,641)**
Income tax benefit	22	30,857	20,474
LOSS FOR THE YEAR		**(139,084)**	**(91,167)**
Effect of translation to the presentation currency		(152)	15,862
Total comprehensive income for the year		**(139,236)**	**(75,305)**

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 000’USD	2009 000’USD
OPERATING ACTIVITIES:		
Loss before tax	**(169,941)**	**(111,641)**
Depreciation and amortisation recognised in profit or loss	6,089	5,655
Tax effect of share issue costs deducted from equity	-	(2,702)
Interest income	(2,787)	-
Unrealised foreign exchange differences	(29,316)	25,258
Loss on assets disposal	1,248	584
Write-down of value added tax receivable	356	-
Write down of work-in-progress to net realisable value	83,930	-
Impairment losses of non-current assets	-	61,994
Onerous contract provision	33,454	
Impairment loss on other financial assets	20,555	-
Interest expense	39,872	22,819
Cash flows (used in)/from operating activities before changes in working capital and income tax	**(16,540)**	**1,967**
Increase in inventories	(116,728)	(66,751)
Increase in trade and other accounts receivable	(3,022)	(82)
Increase in other current assets	(9,229)	(17,332)
Increase in advances from customers	2,528	190
(Decrease)/increase in trade and other accounts payable	(20,644)	6,097
(Decrease)/increase in taxes payable	(1,521)	2,190
Interest paid	(77,459)	(63,585)
Cash flows used in operating activities	**(242,615)**	**(137,306)**
INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(37,292)	(38,645)
Acquisition of intangible assets	(109,814)	(108,712)
Increase of non-current value added tax receivable	(16,109)	(13,355)
Interest received	2,302	2,157
Government grant related to assets	27,173	58,853
Cash flows used in investing activities	**(133,740)**	**(99,702)**
FINANCING ACTIVITIES:		
Proceeds from share issues, net	-	245,044
Proceeds from borrowings, net	698,398	377,277
Repayment of borrowings	(220,883)	(338,545)
Finance lease payments	(14,115)	(36,067)
Cash flows from financing activities	**463,400**	**247,709**
Effect of translation to foreign currency	(473)	(13,700)
Investment in deposits (Note 21)	(20,555)	-
Increase/(decrease) in cash and cash equivalents	**66,017**	**(2,999)**
Cash and cash equivalents at the beginning of period (Note 10)	**31,370**	**34,369**
Cash and cash equivalents at the end of period (Note 10)	**97,387**	**31,370**

The accompanying notes are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

000'USD	Share capital	Share premium	Prepaid shares reserve	Additional paid-in capital	Foreign currency translation reserve	Accumulated losses	Total
Balance as at 01 January 2009	**26,083**	**-**	**-**	**-**	**17,404**	**(135,942)**	**(92,455)**
Loss for the year	-	-	-	-	-	(91,167)	(91,167)
Other comprehensive income							
Effect of translation to the presentation currency	-	-	-	-	15,862	-	15,862
Total comprehensive income for the year							(75,305)
Transactions with owners, recorded directly in equity							
Shares issued	7,619	164,625	-	-	-	-	172,244
Prepayment for shares	-	-	72,800	-	-	-	72,800
Balance as at 31 December 2009	**33,702**	**164,625**	**72,800**	**-**	**33,266**	**(227,109)**	**77,284**
Loss for the year						(139,084)	(139,084)
Other comprehensive income							
Effect of translation to the presentation currency	-	-	1,480	-	(1,632)	-	(152)
Total comprehensive income for the year							(139,236)
Transactions with owners, recorded directly in equity							
Transactions with entities under common control, net of related income tax effect of income of USD 2,695 thousand(Note 11)	-	-	-	-	-	10,779	10,779
Contribution, net of related income tax effect of USD 892 thousand (Note 12)	-	-	-	3,568	-	-	3,568
Shares issued	67,154	7,126	(74,280)	-	-	-	-
Balance as at 31 December 2010	**100,856**	**171,751**	**-**	**3,568**	**31,634**	**(355,414)**	**(47,605)**

The accompanying notes are an integral part of these financial statements

Note 1. The Company

Closed Joint-Stock Company "Sukhoi Civil Aircraft" (hereafter "the Company") was established on 25 May 2000 with the purpose of development, testing, production and operation of new types of civil aircraft. Currently, the Company carries out development of "Sukhoi Super Jet – 100" (formerly "Russian Regional Jet" or "RRJ") - a civil aircraft with 95 seater aircraft in basic and longer range configuration.

The Company's registered address is at: 2 build, 23B, Polykarpov Str., 125284, Moscow, Russia.

The Company has the following branches:

- Komsomolsk-on-Amur branch located at address: 1 Sovetskaya Str., Komsomolsk-on-Amur 681018, Khabarobvsk Region, Russia.
- Novosibirsk branch located at address: 15, Polzunova Str., Novosibirsk, Russia.
- Voronezh branch located at address: 27, Tsiolkovskogo Str., Voronezh, Russia.

The Company's shareholders are:

- JSC "Sukhoi Design Bureau", which owns 3.01% of ordinary shares;
- JSC "Aviation Holding Company Sukhoi", which owns 71.99% of ordinary shares (the "Parent Company").
- World Wings S.A. (100% subsidiary of Alenia Aeronautica), which owns 25% plus one share.

Russian business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. These financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

Note 2. Basis of presentation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and related interpretations adopted by the International Accounting Standards Board ("IASB").

Changes in accounting policies

Beginning from 1 January 2010, the Company has early adopted exemptions stated in paragraph 25 of the revised *IAS 24 Related Party Disclosures* issued in November 2009 which becomes effective for annual periods beginning on or after 1 January 2011. The exemption applied relates to disclosure of operations and outstanding balances with the Federal Government of Russian Federation and government related entities.

Basis of measurement

The financial statements are prepared on the historical cost basis except that the carrying amounts of assets, liabilities and equity items in existence at 31 December 2002 include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, *GosKomStat*. Russia ceased to be hyperinflationary for IFRSs purposes as at 1 January 2003.

Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company's functional currency taking into account the economic environment in which the Company operates.

These financial statements are presented in US dollars (USD), since management believes that this currency is more meaningful for the users of the financial statements. The assets and liabilities of the Company are translated from RUB into USD at the exchange rate at the end of the year. Revenues and expenses are translated into USD using rates approximating exchange rates at the dates of the transactions. The resulting exchange difference is recorded directly in equity in the foreign currency translation reserve. For translation purposes the following exchange rates were used:

- As at 01 January 2009 - RUB 29.3804 for USD 1;
- As at 31 December 2009 - RUB 30.2442 for USD 1;
- As at 31 December 2010 - RUB 30.4769 for USD 1;
- Average exchange rate for 2009 - RUB 31.7231 for USD 1;
- Average exchange rate for 2010 - RUB 30.3692 for USD 1.

The RUB is not a readily convertible currency outside the Russian Federation and, accordingly, any conversion of RUB to USD should not be construed as a representation that the RUB amounts have been, could be, or will be in the future, convertible into USD at the exchange rate disclosed, or at any other exchange rate.

Going concern

These financial statements were prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue operations in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The ultimate realization of the Company's assets and its long-term liquidity will be impacted by its success in completion of the "Sukhoi Super Jet – 100" development program (refer to Note 4). The "Sukhoi Super Jet – 100" program 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.

The Company entered into a contract with the Ministry of Industry and Trade (Minpromtorg) which provides for the participation of the Federal Government in the development program and aircraft marketing (see also Note 18).

Management believes that financial support from the Federal Government, together with the Company's other capital resources, is sufficient to meet its obligations, as they become due.

As at 31 December 2010 year the Company's current liabilities exceeded its current assets by USD 331,721 thousand. Management of the Company expects to cover the current liquidity gap in 2011 with the proceeds from bonds issue, series BO-02 and BO-03, in amount of USD 196,870 thousand and the long-term loan provided by JSC United Aircraft Corporation in amount USD 81,800 thousand. Moreover, to maintain the production and development pace in the future the Company expects to obtain in 2011 an additional support from the Government of the Russian Federation by means of State guarantees for refinancing of existing loans and future borrowings for approximately USD 500 million.

Use of estimates and judgments

The preparation of these financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are described in the following notes:

- Note 4 – Intangible assets;
- Note 8 – Inventories;
- Note 15 – Onerous contract provision.

Note 3. Summary of significant accounting principles

Following are the main principles of the Company's accounting policies that are applied consistently during all reporting periods.

(a) Foreign currencies

Transactions in foreign currencies are translated to RUB at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to RUB at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to RUB at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to RUB at the foreign exchange rate ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognised in the income statement.

(b) Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Furthermore, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are included in the cost. Any related government grants are deducted from the cost. Other development expenditure is recognised in the income statement as an expense as incurred. Upon completion of the development phase capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Other intangible assets

Other intangible assets, which are acquired by the Company, are stated at cost less accumulated amortisation and impairment losses and less any related government grants. Expenditure on internally generated goodwill and brands is recognised in profit or loss as incurred.

Amortisation

Intangible assets with a definite lifetime are amortised on a straight-line basis over their estimated useful lives from the date the asset is available for use. The useful life of prototype-design products under the aircraft development programme is estimated at 16 years; the useful life of other intangible assets is estimated at 3-10 years.

(c) Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised, and is recognised in profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Property, plant and equipment

Owned assets

Property, plant and equipment is stated at historical cost less depreciation and impairment loss. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads. Furthermore, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are included in the cost. Related government grants are deducted from cost of acquired or constructed property, plant and equipment.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the component being written off. Other subsequent expenditure is capitalised if future economic benefits will arise from the expenditure. All other expenditure, including repairs and maintenance expenditure, is recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated.

The estimated useful lives are as follows:

Buildings and Constructions	10 - 20 years
Machinery and Equipment	5 - 15 years
Vehicles	5 - 10 years
Other	3 - 10 years

Depreciation methods, estimated useful lives and residual values are re-assessed annually.

(e) Inventories

Iinventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

In the case of manufactured inventories and work-in-progress cost includes all direct costs such as labour, material and direct overheads, and an allocation of fixed and variable production overheads. Labour costs include taxes and employee benefit costs associated with labour that is involved directly in the production process.

(f) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other receivables are stated at amortised cost less impairment losses.

Loans and borrowings are stated at amortised cost using the effective interest method, less impairment losses.

Trade and other payables are stated at amortised cost.

Accounting for finance income and costs is discussed in note 3(l).

(g) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract. The estimate of net cost of fulfilling the contract includes expected late delivery penalties, if applicable. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(h) Employee benefits

The Company makes contributions for the benefit of employees to Russia's State pension fund. The contributions are expensed as incurred.

(i) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except for items recognised directly in equity or in other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(j) Government grants

Government grants (including non-monetary grants at fair value), are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them; and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate.

A government grant, to compensate for expenses or losses already incurred is recognised as income of the period in which it becomes receivable.

(k) Revenues

Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Any cash outflows related to customer penalties for late delivery of aircraft are deducted from gross amount of revenue.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

(l) Finance income and costs

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method, except for the interest income on the funds, which were borrowed specifically for the purposes of obtaining a qualifying asset which reduces the amount of capitalised borrowing costs.

Finance costs comprise interest expense on borrowings, foreign currency losses and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method, except for costs directly attributable to the acquisition, construction or production of qualifying assets which are included in the cost of qualifying assets.

Foreign currency gains and losses are reported on a net basis.

(m) Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made.

(n) Determination and presentation of operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. All operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

As disclosed in Note 1, the Company's current principal activity is the development of SSJ-100 program which is a start-up operation that does not earn revenues. Nearly all the Company's assets are associated with this program and are located in one geographical region – the Russian Federation. Upon completion of the development phase the Company expects to receive almost all of its revenues from sales of the SSJ-100 aircraft. Giving regard to these factors Company management believes that as of 1 January 2010 and 31 December 2010 all assets and liabilities related to operating activities of the Company are associated with a single operating segment, SSJ-100 program, and that no additional information required by *IFRS 8 Operating Segments* is disclosed as this information is apparent from these financial statements.

(o) New standards and Interpretations not yet adopted

A number of new Standards, amendment to Standards and Interpretations are not yet effective as at 31 December 2010, and have not been applied in preparing these financial statements. Management of the Company does not expect these pronouncements to have a significant impact of the Company's operations. The company plans to adopt these pronouncements when they become effective.

Note 4. Intangible assets

000'USD	Software	Development of SSJ-100 program	Advances given for development costs	Total
COST				
At 01 January 2009	17,622	483,955	25,022	526,599
Additions	1,242	194,101	22,898	218,241
Disposal	(5,658)	-	(1,615)	(7,273)
Reclassification to property, plant and equipment	-	(82,150)	-	(82,150)
Transfers	-	25,643	(25,643)	-
Government grant related to development costs	-	(58,853)	-	(58,853)
Effect of translation to the presentation currency	(719)	(13,003)	(928)	(14,650)
At 31 December 2009	**12,487**	**549,693**	**19,734**	**581,914**
Additions	6,855	163,869	18,926	189,650
Disposal	(2,749)	-	-	(2,749)
Reclassification to property, plant and equipment	-	(40,240)	-	(40,240)
Transfers	-	7,167	(7,167)	-
Government grant related to development costs	-	(26,724)	-	(26,724)
Effect of translation to the presentation currency	(110)	(4,564)	(192)	(4,866)
At 31 December 2010	**16,483**	**649,201**	**31,301**	**696,985**

000'USD	Software	Development of SSJ-100 program	Advances given for development costs	Total
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
At 01 January 2009	7,470	-	-	7,470
Charge for the period	2,452	-	-	2,452
Impairment losses	-	61,994	-	61,994
Disposal	(5,658)	-	-	(5,658)
Effect of translation to the presentation currency	(370)	-	-	(370)
At 31 December 2009	3,894	61,994	-	65,888
Charge for the period	1,765	-	-	1,765
Disposal	(2,749)	-	-	(2,749)
Effect of translation to the presentation currency	(26)	(473)	-	(499)
At 31 December 2010	2,884	61,521	-	64,405
NET BOOK VALUE				
At 01 January 2009	**10,152**	**483,955**	**25,022**	**519,129**
At 31 December 2009	**8,593**	**487,699**	**19,734**	**516,026**
At 31 December 2010	**13,599**	**587,680**	**31,301**	**632,580**

Management monitors the "Sukhoi Super Jet – 100" development program against the capitalisation criteria in IAS 38 *Intangible Assets*. Based on the ongoing analysis, management concluded that the criteria in IAS 38 were collectively met in October 2004, which was the date when capitalisation of development costs for the program commenced.

Additions to capitalised development costs for the year ended 31 December 2010 include USD 42,100 thousand of capitalised borrowing costs (2009: USD 58,842 thousand). In accordance with requirements of IAS 23, management of the Company is going to capitalise borrowing costs on development of the aircraft to the date when the intangible asset will be ready to use in the intended way – the date when the Sukhoi SuperJet aircraft will obtain the type certificate which is necessary for aircrafts' exploitation, which happened in February 2011(see Note 28).

The expected lifetime of the program is operating cycle is 19 years. The related cash flows include both sales of aircraft and after-sales customer support revenues. The first 8 deliveries are scheduled for 2011 with maximum production capacity of 60 aircraft expected to be achieved in 2015 and sustained till 2026. Starting from 2026 production volumes will gradually decrease approaching production level equal to 18 aircraft in 2029, the end of the projected production.

At the reporting date the "Sukhoi Super Jet – 100" program was not available for use and, therefore, the carrying amount of capitalised development costs was tested for impairment. For impairment purposes the recoverable amount was determined in aggregate for the Company as a whole since it comprises a single cash-generating unit. The recoverable amount was determined by discounting the future cash flows from the continuing use of the assets and from their ultimate disposal using a discount rate reflecting current market assessments of the time value of money and the risks specific to the asset. Based on this analysis, the recoverable amount exceeded the carrying amount of the capitalised development costs.

In arriving to the impairment test results in 2010 management used a new business plan approved by the shareholders and which reflected revised expectations of the projected future cash flows. Below are listed certain key changes that were most influential to the cash flows expectations as compared to last year expectations:

- In 2010, management re-estimated the number of aircrafts projected to be produced in the frame of the program: the number increased from 800 aircraft as projected in 2009 year to 893 aircraft in 2010 year.
- Also, in 2010 year management redeveloped the marketing strategy. One of the key changes related to new-market entrance discount rate strategy and prices to be applied after entrance on the particular market. Consequently, the base (catalogue) price increased on average from USD 23,500 thousand to USD 27,700 thousand for SSJ-100 "B" and from USD 24,000 thousand to 28,300 thousand for SSJ-100 "LR".

The impairment test calculation was sensitive to a number of key factors and particularly to the expected number of aircraft to be sold through lifetime of the SSJ program, the quantity to be produced as well as to the applied discount rate. The impact of each individual factor is calculated on the assumption that all other factors remain unchanged.

A 5% decrease in future actual sales price of aircraft compared to the expected sales price would result in an impairment loss of USD 49,060 thousand assuming the decrease is evenly spread over the lifetime of the program except for the first deliveries which are contracted as at 31 December 2010 and cover projected sales up to 2014. A 4% decrease in future sales prices would not result in impairment.

A 15% decrease in future actual aircraft sales quantity would result in an impairment loss of USD 62,451 thousand assuming the decrease is evenly spread over the lifetime of the program except for the first deliveries which are contracted as at 31 December 2010 and cover projected sales up to 2014. A 10% decrease in projected number of aircraft sales would not result in impairment.

In 2010 management applied pre-tax discount rate of 10% (as at 31 Dec 2009 a pre-tax rate of 12.5% was used). An application of a higher or lower discount rate is analysed below:

- An application of 9% pre-tax discount rate would result in additional excess of discounted cash flows over the carrying amount of the asset by USD 183,798 thousand.
- An application of 13% pre-tax discount rate would not result in impairment loss.
- An application of 14% pre-tax discount rate would result in impairment loss of USD 112,099 thousand.

Note 5. Property, plant and equipment

000'USD	Buildings and Constructions	Machinery and equipment	Vehicles	Other	Advances paid for acquisition of equipment	Total
COST						
As of 01 January 2009	**43,849**	**114,645**	**3,053**	**9,294**	**17,280**	**188,121**
Additions and transfers	2,933	189,630	453	2,681	(2,730)	192,967
Disposal	-	-	(58)	-	-	(58)
Transfer to assets held for sale	-	(126,154)	-	-	-	(126,154)
Effect of translation into presentation currency	(1,109)	(170)	(68)	(134)	(627)	(2,108)
At 31 December 2009	**45,673**	**177,951**	**3,380**	**11,841**	**13,923**	**252,768**
Additions and transfers	8,800	67,121	209	818	1,029	77,977
Disposal	-	(1,980)	-	-	-	(1,980)
Effect of translation into the presentation currency	(380)	(1,589)	(27)	(93)	(110)	(2,199)
At 31 December 2010	**54,093**	**241,503**	**3,562**	**12,566**	**14,842**	**326,566**

000'USD	Buildings and Constructions	Machinery and equipment	Vehicles	Other	Advances paid for acquisition of equipment	Total
ACCUMULATED DEPRECIATION						
As of 01 January 2009	**3,328**	**15,410**	**496**	**4,275**	**-**	**23,509**
Depreciation for the period	4,473	39,048	593	2,682	-	46,796
Disposal	-	-	(47)	-	-	(47)
Transfer to assets held for sale	-	(16,181)	-	-	-	(16,181)
Effect of translation into presentation currency	124	678	13	9	-	824
At 31 December 2009	**7,925**	**38,955**	**1,055**	**6,966**	**-**	**54,901**
Depreciation for the period	5,200	38,058	681	2,170	-	46,109
Disposal	-	(732)	-	-	-	(732)
Effect of translation into presentation currency	(79)	(429)	(10)	(61)	-	(579)
At 31 December 2010	**13,046**	**75,852**	**1,726**	**9,075**	**-**	**99,699**
NET BOOK VALUE						
As of 01 January 2009	**40,521**	**99,235**	**2,557**	**5,019**	**17,280**	**164,612**
At 31 December 2009	**37,748**	**138,996**	**2,325**	**4,875**	**13,923**	**197,867**
At 31 December 2010	**41,047**	**165,651**	**1,836**	**3,491**	**14,842**	**226,867**

Due to management's intention to dispose of certain assets to entities under common control with the Company, in 2009 the assets were classified as assets held for sale. In 2010 those assets were disposed to JSC KnAAPO and JSC NAPO(see also Note 6).

The Company leases equipment and vehicles under a number of finance lease agreements. At the end of each of the leases the Company has the option to purchase the equipment at a beneficial price. At 31 December 2010 the net book value of leased assets was USD 8,317 thousand (2009: USD 11,360 thousand). The leased equipment secures lease obligations (refer Note 13).

Additions to property, plant and equipment balance for the year ended 31 December 2010 include USD 1,121 thousand of capitalised borrowing costs (2009: USD 1,034 thousand).

Note 6. Assets held for sale

	2010 000'USD	2009 000'USD
Property, plant and equipment	3,337	115,351
Finance lease liability	(2,159)	(112,702)
Total	**1,178**	**2,649**

Note 7. Deferred tax assets

Deferred tax assets and liabilities attributed to the following items:

000'USD	31 December 2010	Recognised in profit or loss	Recognised in equity	Foreign currency translation	01 January 2010
Intangible assets	(245)	3,684	-	17	(3,946)
Property, plant and equipment	(854)	(2,555)	-	(4)	1,705
Inventories	15,751	10,813	-	(75)	5,013
Trade and other accounts receivable	11,018	(1,125)	11,842	(40)	341
Trade and other accounts payable	(1,398)	(498)	-	9	(909)
Loans and borrowings	(2,033)	497	(892)	14	(1,652)
Provision	6,667	6,691		(24)	-
Tax losses carry forward	46,801	13,350	(14,537)	(365)	48,353
Net deferred tax assets	**75,707**	**30,857**	**(3,587)**	**(468)**	**48,905**

000'USD	31 December 2009	Recognised in profit or loss	Recognised in equity	Foreign currency translation	01 January 2009
Intangible assets	(3,946)	(1,703)	-	98	(2,341)
Property, plant and equipment	1,705	2,668	-	45	(1,008)
Trade and other accounts receivable	341	288	-	13	40
Trade and other accounts payable	(909)	(1,388)	-	(84)	563
Loans and borrowings	(1,652)	(99)	-	41	(1,594)
Inventories	5,013	5,302	-	275	(564)
Tax losses carry forward	48,353	15,406	2,702	22	30,223
Net deferred tax assets	**48,905**	**20,474**	**2,702**	**410**	**25,319**

Management estimates that the Company will have sufficient future taxable profits to utilise the deferred tax asset after completion of "Sukhoi Super Jet – 100" development program and commencement of production and sales of the aircraft. Tax losses will expire in the period from 2013-2021.

Note 8. Inventories

	2010 000'USD	2009 000'USD
Advances given for aircraft serial production	57,887	45,036
Work-in-progress	97,838	64,761
Other inventories and suppliers	1,781	852
Total	**157,506**	**110,649**

Work-in-progress is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In 2010 the write-down of work-in-progress to net realisable value amounted to USD 83,930 thousand.

Note 9. Trade and other receivable

	2010 000'USD	2009 000'USD
Trade accounts receivable	3,005	719
Advances to suppliers	3,501	2,271
Prepaid expenses	3,515	4,579
Prepaid bank commissions related to undrawn borrowing facilities	2,990	4,570
Other receivables	2,881	-
Total	**15,892**	**12,139**

Trade and other accounts receivable include USD 2,881 thousand of interest receivable recognised on the non-current other accounts receivable (see also Note 11).

Note 10. Cash and cash equivalents

	2010 000'USD	2009 000'USD
Current accounts RUB	10,965	12,860
Current accounts in foreign currency	950	18,430
Cash in hand	10	31
Cash equivalents RUB	70	49
Bank deposit RUB	84,432	-
Bank deposit USD	960	-
Total	**97,387**	**31,370**

Note 11. Other non-current accounts receivable

In 2010 the Company disposed of certain items of machinery and equipment previously acquired under finance lease agreements. All rights and liabilities under lease agreements were transferred to entities under common control with the Company, which are the manufacturing and assembling sites for Sukhoi SuperJet aircraft.

Before such equipment was transferred, related items of property, plant and equipment and finance lease liabilities were classified as assets held for sale (see Note 6). During 2010 the Company received additional items under finance lease agreements for the total amount of approximately USD 20 million which were mostly transferred to the same entities in the reporting period.

In accordance with the lease transfer agreements all payments, which include mainly finance lease payments and advances made by the Company in the past, shall be compensated by JSC KnAAPO and JSC NAPO till year 2029. As at 31 December 2010 the related amount of future cash inflows, adjusted for the time value of money, was included in non-current other receivables in the total amount of USD 45,418 thousand and in current other receivables in the total amount USD 2,881 thousand. The effect of the transaction of USD 13,474 thousand was recognised directly in equity net of income tax effect of USD 2,695 thousand. Interest income on unwinding the effect of discounting amounted USD 2,787 thousand.

In accordance with Russian tax legislation the Company has deferred part of VAT payments concerning this transaction. As at 31 December 2010 the VAT payables, adjusted for the time value of money, was treated as a non-current liability in the total amount of USD 1,818 thousand.

Note 12. Equity

Share capital and Share premium

As at 1 January 2010, the share capital of the Company comprised of 1,018,481 authorised, issued and fully paid ordinary shares all with par value of RUB 1,000 each. In April 2010, the Company completed an issue of 2,047,244 ordinary shares initiated and paid in December 2009 for the benefit of its major shareholders: World Wings S.A. and JSC "Aviation Holding Company "Sukhoi". As result of this transaction the share capital of the Company comprised of 3,065,725 authorised, issued and fully paid ordinary shares all with par value of RUB 1,000 each. The structure of shareholding changed as follows: JSC "Sukhoi Design Bureau": 3.01%, JSC "Aviation Holding Company "Sukhoi": 71.99% and World Wings S.A.: 25% plus one share.

Additional paid-in capital

The increase in additional paid-in capital in the amount of USD 3,568 thousand represents a fair value adjustment relating to a zero-interest loan received from the JSC "United Aircraft Corporation".

Distributable profit

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2010 the Company had cumulative losses and, therefore, no profits available for distribution (2009: nil).

Dividends

No dividends were declared for the year ended 31 December 2010 and 2009.

Note 13.Loans and borrowings

Non-current loans and borrowings

Creditor	Terms of repayment	Currency	Effective interest rate, %	2010 000'USD	Effective interest rate, %	2009 000'USD
JSC "Sberbank"	2012-2017	Euro	Euribor+7.5	121,652	Euribor+7.5	143,148
EBRD	2012-2017	Euro	Euribor+0.9	116,705	Euribor+0.9	139,366
JSC "UAC"	2013	RUB	10.47	98,435	-	-
JSC "UAC"	2020	RUB	8.0	4,006	-	-
Inteza	2011-2012	US dollars	Libor+1.8	6,642	Libor+1.8	13,792
JSC "Sukhoi Design Bureau"	2012-2015	RUB	8.58	47,362	18.89	47,688
JSC "Sukhoi Design Bureau"	2012-2015	RUB	8.81	42,957	8.81	42,411
EABD	2012-2018	US dollars	Libor+4	96,499	Libor+4	99,921
JSC "VTB 24"	2012	Euro	7.7	28,820	7.71	42,554
JSC "VTB 24"	2012-2013	Euro	8.34	10,739	8.34	16,117
JSC "Vnesheconombank"	2012-2013	GBP	11.28	8,597	11.32	9,483
WestLB	2014	US dollars	Libor+3	72,896	-	-
LIEBHERR-AEROSPACE SAS	2011	US dollars	3.17	-	3.22	3,416
JSC "Vnesheconombank"	2012-2019	GBP	12.23	6,144	11.9	1,363
VTB (France)	2012-2016	US dollars	Libor+8.5	5,987	-	-
VTB (France)	2012-2015	Euro	Euribor+7	252	-	-
Finance leases	2011-2012	RUB	20.22	408	20.82	1,503
Finance leases	2011-2014	Euro	9.08	1,670	8.98	3,209
Finance leases	2011-2012	US dollars	21.96	53	24.15	644
Total				**669,824**		**564,615**

Non-current loans and borrowings are due for repayment as follows:

	2010 000'USD	2009 000'USD
During the second year	109,344	63,239
During the third year	207,064	88,694
During the fourth year	142,525	84,075
During the fifth year	109,989	121,336
After five years	100,902	207,271
Total	**669,824**	**564,615**

Current loans and borrowings

Creditor	Currency	Effective interest rate, %	2010 000'USD	Effective interest rate, %	2009 000'USD
RUB Bonds (see below)	RUB	9.61	168,173	14.61	144,266
RUB Bonds (see below)	RUB	8.84	98,591	-	-
EBRD	Euro	Euribor+0.9	15,706	-	-
West LB	US dollars	Libor+3	23,635	-	-
EABD	US dollars	Libor+4	3,508	-	-
JSC "VTB"	US dollars	9.13	80,205	9.75	60,160
VTB (Deutschland)	US dollars	Libor+7	50,354	-	-
Inteza	US dollars	Libor+1.8	6,602	Libor+1.8	6,037
JSC "VTB"	Euro	7.7	9,592	7.71	10,485
LIEBHERR-AEROSPACE SAS	US dollars	3.17	3,418	3.22	201
JSC "UAC"	RUB	10	93,891	-	-
VTB (France)	US dollars	Libor+8.5	2,873	-	-
JSC "Vnesheconombank"	GBP	12.23	-	11.32	1,016
JSC "VTB 24"	Euro	8.34	2,858	8.34	2,718
JSC "VTB 24"	Euro	Euribor+6.5	-	Euribor+6.5	2,698
JSC "VTB 24"	Euro	Euribor+4.25	-	Euribor+4.25	1,100
JSC "Sberbank"	Euro	Euribor+7.5	10,473	-	-
JSC "Vnesheconombank"	GBP	11.28	114	-	-
Finance leases	RUB	20.22	725	22.34	1,363
Finance leases	Euro	9.08	1,286	11.2	1,443
Finance leases	US dollars	21.96	591	15.68	882
Others	RUB		-		62
Total			**572,595**		**232,431**

Bonds

In March 2007 the Company issued 5,000,000 non-convertible rouble-denominated bonds, series 01, with the face value of 1,000 roubles maturing in March 2017 with twenty coupons payable semi-annually. The bonds are secured by a guarantee issued by the Parent Company.

In accordance with the terms of issue starting from September 2009 the Company must annually offer to redeem the bonds upon determination of the new coupon rate. In 2009 year the Company fulfilled an offer to redeem 2,703,349 bonds and re-issued 1,897,578 bonds. During the period from 01 January to 08 September 2010 year the Company re-issued additional 805,771 bonds. Additionally, in September 2010 the Company fulfilled an offer to redeem 92,571 bonds that were subsequently re-issued.

In September 2010 the Board of Directors approved the new coupon rate of 9.25% p.a. for the eighth and ninth coupon period.

In December 2010 the Company announced an issue of 9,000,000 non-convertible rouble-denominated stock bonds (series BO-01, BO-02 and BO-03: 3,000,000 bonds each), with the face value of 1,000 roubles. The issue was planned to be exercised in three stages. In December 2010 the Company completed the first stage - 3,000,000 series BO-01 bonds maturing in December 2013 were issued. The coupon rate for the first two coupons was 8.25% p.a. In accordance with the terms of issue the Company must annually offer to redeem the bonds upon determination of the new coupon rate. The first offer will be made on 27 December 2011.

Loans covenants

As of 31 December 2010 the Company was in breach of certain financial covenants related to long-term borrowing facilities due to EBRD, Inteza, West LB and VTB France. Before the reporting date the Company obtained a waiver from EBRD granting a grace period of twelve month which allowed the Company to classify EBRD, Inteza, West LB and VTB France loans as non-current and disclose related maturity schedule in accordance with the principal provisions of the related loan agreements.

Finance leases are due for repayment as follows:

At 31 December 2010 000'USD	Minimum lease payments	Interest	Principal
During the first year	3,004	402	2,602
During the second year	1,837	124	1,713
During the third year	426	8	418
Total	**5,267**	**534**	**4,733**

At 31 December 2009 000'USD	Minimum lease payments	Interest	Principal
During the first year	4,662	974	3,688
During the second year	3,485	454	3,031
During the third year	2,001	133	1,868
During the fourth year	465	8	457
Total	**10,613**	**1,569**	**9,044**

The finance lease liabilities are secured by the leased assets (refer Note 5).

Note 14. Trade and other accounts payable

	2010 000'USD	2009 000'USD
Trade accounts payable	55,128	64,826
Wages and salaries payable	5,153	4,118
Other accounts payable	3,763	10,345
Total	**64,044**	**79,289**

Note 15. Onerous contract provision

In 2005 the Company entered into non-cancellable sales agreement with Aeroflot for delivery of thirty aircrafts. Due to adverse factors affecting the program's realisation, including delay of first deliveries and delays in engines supply, the cost to produce airplanes exceeded their contract price as at 31 December 2010. The obligation for the discounted future payments, net of expected income, has been provided for in amount USD 33,335 thousand. Future payments were discounted using effective market rate as of the date of recognition.

Note 16. Revenues

	2010 000'USD	2009 000'USD
Development activity	3,383	6,741
Consultancy services	487	461
Total	**3,870**	**7,202**

Note 17. Cost of sales

	2010 000'USD	2009 000'USD
Wages and unified social tax	1,504	2,315
Amortisation and depreciation	247	469
Other expenses	6	192
Total	**1,757**	**2,976**

Note 18. Government grants

The Company's activity on development of the "Sukhoi Super Jet – 100" aircraft 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 contract with Ministry of Industry and Trade (Minpromtorg) and Joint Stock Company "United Aircraft Corporation" (JSC "UAC") which is structured as a contract for the development services, and as contract to cover certain types of expenses. The summary of government grants received by the Company is presented below.

	2010 000'USD	2009 000'USD
Grants related to development costs	26,724	58,853
Grants related to inventories	449	-
Total government grants related to assets	**27,173**	**58,853**
Total grants related to income	15,944	41,753
Total grants related to income received during the year	**15,944**	**41,753**
Total	**43,117**	**100,606**

Note 19. Selling expenses

	2010 000'USD	2009 000'USD
Marketing costs	113	1,967
Advertising costs	1,355	289
Other expenses	1,452	3,545
Total	**2,920**	**5,801**

Note 20. Administrative expenses

	2010 000'USD	2009 000'USD
Wages and unified social tax	20,614	18,389
Rent	7,379	6,835
Amortisation and depreciation	5,701	4,852
Taxes other than income tax	5,672	4,516
Consultancy	1,894	4,297
Travelling costs	994	513
Legal, audit, information and other professional services	842	2,049
Other expenses	2,631	2,005
Total	**45,727**	**43,456**

Note 21. Impairment loss on other financial assets

In April 2010 the Company placed USD 19,940 thousand on a deposit in Mezhprombank. The deposit had 5% p.a. interest rate and a maturity date in July 2010. In the second quarter of 2010 Mezhprombank faced financial difficulties which subsequently led to cancellation of Mezhprombank’s license for banking activity by Central Bank of Russian Federation in October 2010 and initiation of bankruptcy procedure. In September 2010, the Company filed a claim in Moscow Arbitral Court for deposit repayment, including interest accrued, for the total amount of USD 20,555 thousand which was satisfied on 2 November 2010.

Notwithstanding the favourable court decision, management of the Company estimates the likelihood of the debt repayment as low, and, accordingly, has considered the total receivable from the bank fully impaired.

Note 22. Income taxes

The Company's applicable tax rate is the Russian Federation corporate income tax rate of 20%.

Reconciliation of effective tax rate:

	2010 000'USD	2009 000'USD
Deferred tax - origination and reversal of temporary differences	30,857	20,474
Deferred income tax benefit	**30,857**	**20,474**

	2010		2009	
	000'USD	%	000'USD	%
Loss before tax	(169,941)	100	(111,641)	100
Theoretical income tax benefit at the statutory tax rate	33,988	20	22,328	20
Tax effect of non-deductible expenses	(3,131)	(2)	(1,854)	(1)
Total income tax benefit	**30,857**	**18**	**20,474**	**19**

Note 23. Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Company's business. The Company does not hedge its exposure to such risk.

Credit risk

The Company does not require collateral in respect of financial assets. Credit evaluations are performed on all suppliers and customers, other than related parties, requiring credit over a certain amount.

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

There is no significant individual customer credit risk concentration. There were no significant individual "past due" trade receivables or other individual trade receivable balances that required impairment recognition at the end of current or prior financial year.

Liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities into relevant maturity Company's based on the remaining period from the reporting date to the contractual maturity date, based on the contractual undiscounted cash flows including estimated interest payments.

2010 000'USD	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 – 2 years	2 - 5 years	More than 5 years
Loans and borrowings	970,922	1,162,541	193,997	170,325	153,129	530,778	114,312
Unsecured bond issues	266,764	286,023	11,616	274,407	-	-	-
Finance lease	4,733	5,267	1,814	1,193	1,834	426	-
Trade and other accounts payable	74,900	79,890	28,260	33,644	7,321	10,665	-
Total	**1,317,319**	**1,533,721**	**235,687**	**479,569**	**162,284**	**541,869**	**114,312**

2009 000'USD	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Loans and borrowings	643,736	802,787	90,560	31,518	95,579	365,959	219,171
Unsecured bond issue	144,266	159,594	10,087	149,507	-	-	-
Finance lease	9,044	10,613	2,435	2,227	3,485	2,466	-
Trade and other accounts payable	94,373	98,631	35,693	39,980	2,769	20,189	-
Total	**891,419**	**1,071,625**	**138,775**	**223,232**	**101,833**	**388,614**	**219,171**

Market risk

Foreign currency risk

The Company incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily USD, EURO and GBP. Management does not hedge the Company's exposure to foreign currency risk.

The Company has the following assets and liabilities denominated in foreign currency:

	2010			2009		
000'USD	**US dollars**	**EURO**	**GBP**	**US dollars**	**EURO**	**GBP**
Cash and cash equivalents	1,376	76	458	18,371	51	8
Loans and borrowings	(352,619)	(316,797)	(14,855)	(183,527)	(358,186)	(11,862)
Finance lease	(644)	(2,956)	-	(1,526)	(4,652)	-
Trade and other accounts payable	(31,092)	(13,153)	(9)	(25,245)	(23,940)	(370)
	(382,979)	**(332,830)**	**(14,406)**	**(191,927)**	**(386,727)**	**(12,224)**

The following exchange rates were applied at the respective reporting dates:

	2010 Rouble	2009 Rouble
US Dollar 1 equals	30.4769	30.2442
EUR 1 equals	40.3331	43.3883
GBP 1 equals	47.2605	48.0429

A 10% strengthening (weakening) of RUB against the US dollar, Euro and GBP based on the Company's exposure at the reporting date would have increased (decreased) equity and net profit for the year by USD 58,417 thousand (2009: USD 47,272 thousand). This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	2010 000'USD	2009 000'USD
Fixed rate instruments		
Cash and cash equivalents	97,387	31,370
Loans and borrowings	(703,902)	(381,940)
Finance lease	(4,733)	(9,044)
Balance 31 December	**(611,248)**	**(359,614)**
Variable rate instruments		
Loans and borrowings	(533,784)	(406,062)
Balance 31 December	**(533,781)**	**(406,062)**

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Company's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Company over the expected period until maturity.

Fair value sensitivity analysis for fixed rate instruments

The Company does not recognise any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect equity or net profit for the year.

Cash flow sensitivity analysis for variable rate instruments

An increase / decrease of one percentage point in interest rates based on the Company's exposure at the reporting date would have decreased / increased respectively profit for the year 2010 by USD 1,794 thousand (2009: USD 857 thousand). The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

'000 USD	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Other accounts receivable – non-current	45,418	49,058	-	-
Trade and other accounts receivable	15,892	15,071	12,139	12,139
Cash and cash equivalents	97,387	97,387	31,370	31,370
Trade and other accounts payable – non-current	(16,009)	(18,239)	(19,202)	(19,202)
Loans and borrowings	(970,922)	(970,922)	(788,002)	(788,002)
Unsecured bond issues	(266,764)	(264,325)	(144,266)	(141,036)
Finance lease liabilities	(4,733)	(4,733)	(9,044)	(9,044)
Trade and other accounts payable - current	(64,044)	(64,044)	(79,289)	(79,289)
	(1,163,775)	**(1,160,747)**	**(996,294)**	**(993,064)**

The interest rates used to discount estimated cash flows, where applicable, are based on the market rates of instruments with similar market risk exposure are disclosed in Note 13.

Capital risk management

The Company's long-term objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders. In the medium and short-term, the Company's objectives are to maintain an optimal capital structure to reduce the cost of capital and provide sufficient recourses necessary for successful commencement of a serial production of aircraft under the SSJ program.

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital. Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. As discussed in Note 2, the overall success in achieving Company's long-term objectives is dependent on certain important external factors, and taking those into account, the Company's capital structure in the short-term may differ from targeted medium and long-term structure, although management believes that commencement of the production phase of the SSJ program will enable the Company to closer align the short-term capital structure with the desired long-term objectives.

As part of its capital management, it is one of the Company's objectives to maintain a strong credit rating by institutional rating agencies. Apart from certain non-financial parameters, the credit rating is based on the factors such as capital and liquidity ratios. The Company's national long-term rating from Fitch is "BB"(rus).

Under certain loan agreements the Company has to maintain a minimum level of net assets which is considered in managing capital of the Company.

There were no changes in the Company's approach to capital management during the year.

Note 24. Operating leases

The Company leases property based on short-term lease agreements with its shareholders. The lease agreements are subject to regular renewal. During the current year USD 7,219 thousand (2009: USD 9,616 thousand) was incurred in respect of operating leases, which approximates the annual minimum lease payments.

Note 25. Commitments

The Company is committed to capital expenditure necessary for completion of the "Sukhoi Super Jet - 100" program of approximately USD 97 million (as at 31 December 2009: USD 178 thousand) as at 31 December 2010, which will incur as follows:

	USD million
2011	66
2012	31
Total	**97**

The Company has commitments in its contracts with customers to meet certain performance targets, including adherence to specified delivery schedules. In case of a failure to comply with the targets, the Company will be liable to penalties of up to USD 1.5 million per aircraft. As at 31 December 2010 the Company delayed deliveries of a number of aircraft and expected further delays. Management estimated penalties based on the best expectations of actual delivery dates and provisions of the contract with its customer and included related cash outflows in the calculation of the value in use within the impairment test of the development costs related to SSJ-100 program (refer Note 4). Also the delay led to the recognition of a provision in respect of the contract with Aeroflot (refer to Note 15).

The Company has commitments to provide sales financing to customers. These sales financing transactions will generally be collateralized by the underlying aircraft. The Company believes that the estimated fair value of the aircraft securing such commitments will substantially offset any potential losses from the commitments.

Note 26. Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. The Company does not have full coverage for its facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Company property or relating to Company operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest 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 Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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

Note 27. Related Parties

Control relationship

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

Transactions with state-controlled entities

The Company is indirectly owned and ultimately controlled by the Federal Government of Russian Federation. The Company operates in an industry dominated by entities directly or indirectly controlled by the Federal Government of Russian Federation through its government authorities, agencies, affiliation and other organisations (collectively referred to as “government related entities”). The Company 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 Company’s business on terms comparable to those with other entities that are not government related. The Company has established procurement policies, pricing strategy and approval process for purchases and sales of products and services, which are independent of whether the counterparties are government-related entities or not.

In December 2010, the Company received a zero-interest loan in the amount of USD 8,449 thousand maturing in 2020 from the related party JSC United Aircraft Corporation as a compensation of interest paid as a part of the program of financial support provided to companies in the aircraft industry by the Government of the Russian Federation.

In 2010 the Company received loans in the total amount of USD 180,022 thousand (see Note 13) from JSC United Aircraft Corporation as a support for construction of the serial airplanes. The term of the loan amounted USD 98,435 thousand allows the Company to repay the debt with the Company’s ordinary shares.

During the year ended 31 December 2010 the Company did not enter into other individually significant transactions with government related entities.

For the year ended 31 December 2010, management estimates that the aggregate amount of the Company’s collectively significant transactions with government related entities is up to 85% (2009: up to 94%) of its revenues, at least 34% (2009: at least 46%) of its purchases of materials, equipment and services, and up to 58% of its borrowings (2009: up to 48%).

The Company also benefits from compensation of activities on development of the “Sukhoi Super Jet – 100” aircraft from the government of Russian Federation. This government grant was provided following 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. Government grants received are disclosed in Note 18.

Transactions with shareholders World Wings S.A. and other entities where it has a controlling interest

The Company had the following transactions and balances with related parties:

000'USD	2010	2009
Revenue	569	-
Acquisition of development cost, other assets and services	-	(15,216)
Trade and other accounts payable	(12,173)	(30,904)
Trade and other accounts receivable	2, 751	-
Advances received	(45)	-

Transactions with management

Remuneration to key managerial staff for the year ended 31 December 2010 amounted to USD 3,582 thousand (2009: USD 2,069 thousand).

Note 28. Subsequent events

In February 2011 the Company received ARMAK Type Certificate for SukhoiSuperjet 100 aircraft. In April 2011 the first delivery of SukhoiSuperjet 100 aircraft was made to Armavia.

In April 2011 the Company issued 6,000,000 non-convertible unsecured rouble-denominated bonds with the face value of 1,000 roubles series BO-02 and BO-03 of 9,000,000 (see note 13). The coupon rate of BO-02 series bonds for the first two coupons was 7.25% p.a. The coupon rate of BO-03 series bonds for the first four coupons was 8.25% p.a. The Company offered to redeem the bonds upon determination of the new coupon rate.