



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

**Condensed consolidated interim financial statements  
for the 6 months ended 30 June 2015**

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

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

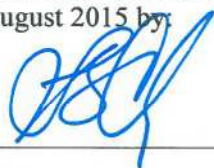
In preparing the Condensed consolidated interim financial statements, management is responsible for:

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

Management is also responsible for:

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

The Condensed consolidated interim financial statements as at and for 6 months ended 30 June 2015 were approved on 28 August 2015 by:



**V. G. Saveliev**  
General Director



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



## ***Report on Review of Condensed Consolidated Interim Financial Statements***

To the Shareholders and Board of Directors of PJSC Aeroflot

### **Introduction**

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

### **Scope of Review**

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

### **Conclusion**

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

*AO PricewaterhouseCoopers Audit*

28 August 2015  
Moscow, Russian Federation

**PJSC AEROFLOT**

Condensed Consolidated Interim Statement of  
Profit or Loss for 6 months ended 30 June 2015

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




	Note	6m 2015	6m 2014
Traffic revenue	4	150,604	121,796
Other revenue	5	25,863	18,485
<b>Revenue</b>		<b>176,467</b>	<b>140,281</b>
Operating costs, excluding staff costs and depreciation and amortisation	6	(139,166)	(109,009)
Staff costs	7	(27,235)	(24,304)
Depreciation and amortisation		(6,710)	(5,586)
Other income and expenses, net		2,510	(2,766)
<b>Operating costs</b>		<b>(170,601)</b>	<b>(141,665)</b>
<b>Operating profit/(loss)</b>		<b>5,866</b>	<b>(1,384)</b>
Finance income	8	7,183	2,615
Finance costs	8	(7,441)	(2,434)
Hedging result	8	(8,848)	-
Share of results of associates		(56)	(2)
<b>Loss before income tax</b>		<b>(3,296)</b>	<b>(1,205)</b>
Income tax expense	9	(245)	(700)
<b>Loss for the period</b>		<b>(3,541)</b>	<b>(1,905)</b>
<i>Attributable to:</i>			
Shareholders of the Company		(3,420)	(1,745)
Non-controlling interest		(121)	(160)
<b>LOSS FOR THE PERIOD</b>		<b>(3,541)</b>	<b>(1,905)</b>
<b>Basic and diluted loss per share (in Roubles per share)</b>		<b>(3.2)</b>	<b>(1.7)</b>
<b>Weighted average number of shares outstanding (millions)</b>		<b>1,056.9</b>	<b>1,056.9</b>

Approved and signed on behalf of management

28 August 2015

  
\_\_\_\_\_  
**V. G. Saveliev**  
General Director

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

The Condensed Consolidated Interim Statement of  
Profit or Loss is to be read in conjunction with the notes to, and forming part of, the Condensed consolidated  
interim financial statements set out on pages 7 to 26.

**PJSC AEROFLOT**

Condensed Consolidated Interim Statement of  
Comprehensive Income for the 6 months ended 30 June 2015

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



	<u>Note</u>	<u>6m 2015</u>	<u>6m 2014</u>
<b>Loss for the period</b>		<b>(3,541)</b>	<b>(1,905)</b>
<b>Other comprehensive profit/(loss) :</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation from the functional currency to the presentation currency		-	28
Profit/(loss) on the change in fair value of derivative financial instruments	14	6,211	(233)
Effect from hedging revenue with currency liabilities	16	4,135	-
Deferred tax related to the profit/(loss) on	9	(2,057)	65
<b>Other comprehensive profit/(loss) for the period</b>		<b>8,289</b>	<b>(140)</b>
<b>TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD</b>		<b>4,748</b>	<b>(2,045)</b>
<i>Total comprehensive profit/(loss) attributable to:</i>			
Shareholders of the Company		4,869	(1,885)
Non-controlling interest		(121)	(160)
<b>TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD</b>		<b>4,748</b>	<b>(2,045)</b>

The Consolidated Interim Condensed Statement of Comprehensive Income is to be read in conjunction with the notes to, and forming part of, the Condensed consolidated interim financial statements set out on pages 7 to 26.

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

	Note	30 June 2015	31 December 2014
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		47,932	26,547
Short-term financial investments		2,135	961
Accounts receivable and prepayments	10	63,289	56,769
Current income tax prepayment		1,038	668
Aircraft lease security deposits		938	321
Expendable spare parts and inventories		6,715	6,516
Derivative financial instruments	14	72	431
		<b>122,119</b>	<b>92,213</b>
Assets held for sale	13	2,329	-
<b>Total current assets</b>		<b>124,448</b>	<b>92,213</b>
<b>Non-current assets</b>			
Deferred tax assets		17,130	18,540
Investments in associates		70	140
Long-term financial investments		6,119	6,115
Aircraft lease security deposits		2,040	2,110
Prepayments for aircraft	11	28,524	29,241
Property, plant and equipment	12	113,430	116,044
Intangible assets		2,512	2,762
Goodwill		6,660	6,660
Derivative financial instruments	14	41	134
Other non-current assets		3,163	3,759
<b>Total non-current assets</b>		<b>179,689</b>	<b>185,505</b>
<b>TOTAL ASSETS</b>		<b>304,137</b>	<b>277,718</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Derivative financial instruments	14	24,343	26,312
Accounts payable and accrued liabilities		59,434	48,952
Unearned traffic revenue		39,844	22,469
Deferred revenue related to frequent flyer programme	15	1,148	799
Provisions for liabilities		4,041	2,349
Finance lease liabilities	16	16,984	16,912
Short-term loans and borrowings and current portion of long-term loans and borrowings	17	25,999	17,343
		<b>171,793</b>	<b>135,136</b>
Liabilities related to assets held for sale	13	2,913	-
<b>Total current liabilities</b>		<b>174,706</b>	<b>135,136</b>
<b>Non-current liabilities</b>			
Long-term loans and borrowings	17	5,192	6,860
Finance lease liabilities	16	120,833	132,366
Provisions		5,174	4,845
Deferred tax liabilities		225	133
Deferred revenue related to frequent flyer programme	15	2,752	2,560
Derivative financial instruments	14	-	4,839
Other non-current liabilities		4,018	4,484
<b>Total non-current liabilities</b>		<b>138,194</b>	<b>156,087</b>
<b>TOTAL LIABILITIES</b>		<b>312,900</b>	<b>291,223</b>
<b>Equity</b>			
Share capital	18	1,359	1,359
Treasury shares reserve		(3,571)	(3,571)
Accumulated profit on disposal of treasury shares		1,659	1,659
Investment revaluation reserve		(5)	(5)
Hedge reserve	14,16	(40,368)	(48,657)
Retained earnings		42,164	45,584
<b>Equity attributable to shareholders of the Company</b>		<b>1,238</b>	<b>(3,631)</b>
Non-controlling interest		(10,001)	(9,874)
<b>TOTAL EQUITY</b>		<b>(8,763)</b>	<b>(13,505)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>304,137</b>	<b>277,718</b>

Condensed Consolidated Interim Statement of  
Financial Position is to be read in conjunction with the notes to, and forming part of, the Condensed  
consolidated interim financial statements set out on pages 7 to 26.

**PJSC AEROFLOT**

Condensed Consolidated Interim Statement of  
Cash Flows for the 6 months ended 30 June 2015 (continued)

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



	<u>Note</u>	<u>6m 2015</u>	<u>6m 2014</u>
<b>Cash flows from operating activities:</b>			
Loss before income tax		(3,296)	(1,205)
<i>Adjustments for:</i>			
Depreciation and amortisation		6,710	5,586
Change in impairment provision for accounts receivable and prepayments		(182)	1,687
Loss on doubtful accounts write-off		23	58
Change in impairment provision for obsolete expendable spare parts and inventory		238	202
Change in provision for impairment of property, plant and equipment	12	413	6
Gain on disposal of property, plant and equipment		(487)	(932)
Gain on accounts payable write-off		(1)	(8)
Share of financial results of associates		56	2
(Gain)/loss on sale of investments and accrual of provision for impairment of investments	8	(30)	2
Loss/(gain) on change in the fair value of derivative financial instruments	8	1,387	(472)
Hedging result	8	8,848	-
Change in provisions for liabilities		2,149	1,563
Interest expense	8	3,419	2,244
Foreign exchange gain	8	(5,404)	(1,361)
Write-off of VAT recoverable		11	-
Change in other provisions and other assets impairments		(2)	(22)
Other finance income, net		(27)	(50)
Loss/(gain) on derivative financial instruments, net	8	2,621	(208)
Dividend income		(31)	(42)
Other operating income		(318)	(20)
<b>Total operating cash flows before working capital changes</b>		<b>16,097</b>	<b>7,030</b>
Increase in accounts receivable and prepayments		(3,442)	(520)
Increase in expendable spare parts and inventories		(438)	(447)
Increase in accounts payable and accrued liabilities		31,632	22,051
<b>Total operating cash flows after working capital changes</b>		<b>43,849</b>	<b>28,114</b>
Change in restricted cash		66	(16)
Income tax paid		(1,266)	(1,495)
Income tax refunded		87	-
<b>Net cash flows from operating activities</b>		<b>42,736</b>	<b>26,603</b>

The Condensed Consolidated Interim Statement of Cash Flows is to be read in conjunction with the notes to, and forming part of, the Condensed consolidated interim financial statements set out on pages 7 to 26.



**PJSC AEROFLOT**

Condensed Consolidated Interim Statement of  
Cash Flows for the 6 months ended 30 June 2015 (continued)

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



	<u>Note</u>	<u>6m 2015</u>	<u>6m 2014</u>
<b><i>Cash flows from investing activities:</i></b>			
Proceeds from sale of investments and deposits return		2,265	225
Purchases of investments and deposits placement		(3,407)	(61)
Proceeds from sale of property, plant and equipment		71	14
Purchases of property, plant and equipment and intangible assets		(5,176)	(2,574)
Dividends received		31	41
Prepayments for aircraft		(8,198)	(7,366)
Return of prepayments for aircraft		7,793	9,535
Change in operating lease security deposits, net		(534)	158
<b>Net cash flows used in from investing activities</b>		<b><u>(7,155)</u></b>	<b><u>(28)</u></b>
<b><i>Cash flows from financing activities:</i></b>			
Proceeds from loans and borrowings		19,954	2,700
Repayment of loans and borrowings		(11,673)	(1,772)
Disposal of treasury shares		-	2
Repayment of the principal element of finance lease liabilities		(8,729)	(8,131)
Interest paid		(2,483)	(1,463)
Dividends paid		(34)	(52)
(Payments)/proceeds from settlement of derivative financial instruments		(10,750)	84
<b>Net cash used in financing activities</b>		<b><u>(13,715)</u></b>	<b><u>(8,632)</u></b>
Effect of exchange rate fluctuations on cash and cash equivalents		(481)	100
<b>Net increase in cash and cash equivalents</b>		<b><u>21,385</u></b>	<b><u>18,043</u></b>
Cash and cash equivalents at the beginning of the year		26,547	18,660
<b>Cash and cash equivalents at the end of the period</b>		<b><u>47,932</u></b>	<b><u>36,703</u></b>
<b><i>Non-cash transactions as part of the investing activities:</i></b>			
Property, plant and equipment acquired under finance leases		1,781	34,460

The Condensed Consolidated Interim Statement of Cash Flows is to be read in conjunction with the notes to, and forming part of, the Condensed consolidated interim financial statements set out on pages 7 to 26.

**PJSC AEROFLOT**

 Condensed Consolidated Interim Statement of Changes in Equity  
 for the 6 months ended 30 June 2015

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



Equity attributable to shareholders of the Company									
	Share capital	Accumulated profit on disposal of treasury shares less treasury shares reserve	Investment revaluation reserve	Accumulated currency translation reserve	Hedge reserve	Retained earnings	Total	Non- controlling interest	Total equity
Note									
<b>1 January 2014</b>	<b>1,359</b>	<b>(1,914)</b>	<b>(10)</b>	<b>(28)</b>	<b>(383)</b>	<b>61,122</b>	<b>60,146</b>	<b>(5,666)</b>	<b>54,480</b>
<b>Loss for the period</b>	-	-	-	-	-	<b>(1,745)</b>	<b>(1,745)</b>	<b>(160)</b>	<b>(1,905)</b>
Translation from the functional currency to the presentation currency	-	-	-	28	-	-	28	-	28
Loss from the change in fair value of derivative financial instruments less related deferred tax	14	-	-	-	(168)	-	(168)	-	(168)
<b>Total other comprehensive loss</b>							<b>(140)</b>	<b>-</b>	<b>(140)</b>
<b>Total comprehensive loss</b>							<b>(1,885)</b>	<b>(160)</b>	<b>(2,045)</b>
Disposal of treasury shares	-	2	-	-	-	-	2	-	2
Sale of shares to non-controlling shareholders	-	-	-	-	-	2,582	2,582	(2,401)	181
Dividends declared	19	-	-	-	-	(2,774)	(2,774)	(207)	(2,981)
<b>30 June 2014</b>	<b>1,359</b>	<b>(1,912)</b>	<b>(10)</b>	<b>-</b>	<b>(551)</b>	<b>59,185</b>	<b>58,071</b>	<b>(8,434)</b>	<b>49,637</b>
<b>1 January 2015</b>	<b>1,359</b>	<b>(1,912)</b>	<b>(5)</b>	<b>-</b>	<b>(48,657)</b>	<b>45,584</b>	<b>(3,631)</b>	<b>(9,874)</b>	<b>(13,505)</b>
<b>Loss for the period</b>	-	-	-	-	-	<b>(3,420)</b>	<b>(3,420)</b>	<b>(121)</b>	<b>(3,541)</b>
Profit from cash-flow hedging instruments less related deferred tax	14, 16	-	-	-	8,289	-	8,289	-	8,289
<b>Total other comprehensive profit</b>							<b>8,289</b>	<b>-</b>	<b>8,289</b>
<b>Total comprehensive profit/(loss)</b>							<b>4,869</b>	<b>(121)</b>	<b>4,748</b>
Dividends declared	19	-	-	-	-	-	-	(6)	(6)
<b>30 June 2015</b>	<b>1 359</b>	<b>(1 912)</b>	<b>(5)</b>	<b>-</b>	<b>(40 368)</b>	<b>42,164</b>	<b>1,238</b>	<b>(10,001)</b>	<b>(8,763)</b>

The Condensed Consolidated Interim Statement of Changes in Equity  
is to be read in conjunction with the notes to, and forming part of, the Condensed consolidated interim financial statements set out on pages 7 to 26.

## **PJSC AEROFLOT**

Notes to the Condensed consolidated interim financial statements  
for the 6 months ended 30 June 2015

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

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### **1. NATURE OF THE BUSINESS**

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

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

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

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

**PJSC AEROFLOT**

Notes to the Condensed consolidated interim financial statements  
for the 6 months ended 30 June 2015

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

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

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

Type of aircraft	Ownership	JSC					LLC POBEDA	GROUP TOTAL
		PJSC AEROFLOT	JSC DONAVIA	JSC AK ROSSIYA	ORENBURGSKIE AVIALINII	JSC AK AURORA		
Il-96-300	Owned	1	-	-	-	-	-	1
An-24	Owned	-	-	-	-	1	-	1
DHC 8-402Q	Owned	3	-	-	-	-	-	3
<b>Total owned</b>		<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>5</b>
Airbus A-319	Finance lease	4	-	9	-	-	-	13
Airbus A-320	Finance lease	1	-	-	-	-	-	1
Airbus A-321	Finance lease	21	-	-	-	-	-	21
Airbus A-330	Finance lease	8	-	-	-	-	-	8
Boeing B-737	Finance lease	-	-	-	-	2	-	2
Boeing B-777	Finance lease	10	-	-	-	-	-	10
An-148	Finance lease	-	-	6	-	-	-	6
<b>Total finance lease</b>		<b>44</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>61</b>
SSJ 100	Operating lease	20	-	-	-	-	-	20
Airbus A-319	Operating lease	3	10	7	-	7	-	27
Airbus A-320	Operating lease	62	-	11	-	-	-	73
Airbus A-321	Operating lease	5	-	-	-	-	-	5
Airbus A-330	Operating lease	14	-	-	-	-	-	14
Boeing B-737	Operating lease	10	-	-	15	3	12	40
Boeing B-767	Operating lease	-	-	3	-	-	-	3
Boeing B-777	Operating lease	3	-	-	3	-	-	6
DHC 8 S-300	Operating lease	-	-	-	-	4	-	4
DHC 8 S-200	Operating lease	-	-	-	-	3	-	3
DHC 8 S-400	Operating lease	-	-	-	-	2	-	2
<b>Total operating lease</b>		<b>117</b>	<b>10</b>	<b>21</b>	<b>18</b>	<b>19</b>	<b>12</b>	<b>197</b>
<b>Total fleet</b>		<b>165</b>	<b>10</b>	<b>36</b>	<b>18</b>	<b>22</b>	<b>12</b>	<b>263</b>

As at 30 June 2015: 1 aircraft of type Il-96, 6 aircraft of type An-148 were not operating, 3 aircrafts of type Boeing B-767 and 2 aircraft of type Boeing B-737 were under redelivery maintenance, 3 aircraft of type DHC 8 were under pre-operating maintenance.

## 2. BASIS OF PREPARATION

### *Basis of presentation*

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

### *Foreign currency translation*

The table below presents official exchange rates of US Dollar and Euro against rouble used for the translation of operations, cash and liabilities in foreign currencies:

	Official exchange rates	
	Roubles for 1 US Dollar	Roubles for 1 Euro
As at 30 June 2015	55.5240	61.5206
Average rate for 6 months 2015	57.3968	64.3057
As at 31 December 2014	56.2584	68.3427
Average rate for 6 months 2014	34.9796	47.9875

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

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

### *New standards and interpretations*

In 2015 the Group began implementing the following IFRS Standards related to its business, as well as corresponding amendments and Interpretations effective from 1 January 2015:

***Amendments to IAS 19 – “Defined benefit plans: Employee contributions”*** (issued in November 2013 and effective for annual periods beginning on or after 1 July 2014).

**Annual Improvements to International Financial Reporting Standards, year 2012 and 2013** (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

These Standards, amendments to Standards and Interpretations did not have any material impact on the Group’s condensed consolidated interim financial statements.

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

### *Critical accounting estimates and judgments*

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

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

**PJSC AEROFLOT**

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

**4. TRAFFIC REVENUE**

	<b>6m 2015</b>	<b>6m 2014</b>
Scheduled passenger flights	144,087	110,823
Charter passenger flights	2,075	7,154
Cargo flights	4,442	3,819
<b>Total traffic revenue</b>	<b>150,604</b>	<b>121,796</b>

**5. OTHER REVENUE**

	<b>6m 2015</b>	<b>6m 2014</b>
Airline agreements revenue	14,106	9,279
Revenue from partners under frequent flyer programme	4,706	3,315
Refuelling services	927	1,500
Catering services on board	590	501
Ground handling and maintenance	536	473
Sales of duty free goods	539	134
Hotel revenue	181	234
Other revenue	4,278	3,049
<b>Total other revenue</b>	<b>25,863</b>	<b>18,485</b>

**6. OPERATING COSTS**

	<b>6m 2015</b>	<b>6m 2014</b>
Aircraft servicing	29,023	23,786
Operating lease expenses	19,941	11,627
Aircraft maintenance	13,098	9,268
Sales and marketing	6,133	4,586
Administration and general expenses	5,346	4,388
Communication expenses	5,974	3,618
Passenger services	5,493	3,928
Food cost for flight catering	3,519	2,838
Custom duties	735	828
Insurance expenses	942	617
Cost of duty free goods sold	289	84
Other expenses	3,959	3,205
<b>Operating costs less aircraft fuel, staff costs and depreciation and amortisation</b>	<b>94,452</b>	<b>68,773</b>
Aircraft fuel	44,714	40,236
<b>Total operating costs less staff costs and depreciation and amortisation</b>	<b>139,166</b>	<b>109,009</b>

**7. STAFF COSTS**

	<u>6m 2015</u>	<u>6m 2014</u>
Wages and salaries	21,334	19,617
Pension costs	4,655	3,830
Social security costs	1,246	857
<b>Total staff costs</b>	<b><u>27,235</u></b>	<b><u>24,304</u></b>

Pension costs include:

- compulsory payments to the Pension Fund of the RF,
- contributions to a non-government pension fund under a defined contribution pension plan under which the Group makes additional pension contributions as a fixed percentage (20% for 6 months 2015, 20% for 6 months 2014) of the transfers made personally by the employees participating in the programme, and
- an increase in the net present value of the future benefits which the Group expects to pay to its employees upon their retirement under a defined benefit pension plan.

	<u>6m 2015</u>	<u>6m 2014</u>
Payments to the Pension Fund of the RF	4,660	3,821
Payments to Non-Governmental Pension Fund	(5)	9
<b>Total pension costs</b>	<b><u>4,655</u></b>	<b><u>3,830</u></b>

**8. FINANCE INCOME AND COSTS**

	<u>6m 2015</u>	<u>6m 2014</u>
<i>Finance income:</i>		
Foreign exchange gain, net	5,404	1,361
Realised gain on derivative financial instruments not subject to hedge accounting (Note 14)	-	384
Gain on sales of investments	30	-
Interest income on bank deposits and security deposits	1,708	336
Gain on change in fair value of derivative instruments not subject to hedge accounting (Note 14)	-	472
Other finance income	41	62
<b>Total finance income</b>	<b><u>7,183</u></b>	<b><u>2,615</u></b>

*Finance costs:*

Loss on change in fair value of derivative financial instruments not subject to hedge accounting (Note 14)	(1,387)	-
Realised loss on derivative instruments not subject to hedge accounting (Note 14)	(2,621)	(176)
Interest expense	(3,419)	(2,244)
Loss on sales and impairment of investments, net	-	(2)
Other finance costs	(14)	(12)
<b>Total finance costs</b>	<b><u>(7,441)</u></b>	<b><u>(2,434)</u></b>

*Hedging result:*

	<u>6m 2015</u>	<u>6m 2014</u>
Realised loss on derivative instruments subject to hedge accounting (Note 14)	(7,740)	-
Ineffective portion of fuel hedging (Note 14)	1,595	-
Effect of revenue hedging with liabilities in foreign currency (Note 16)	(2,703)	-
<b>Total hedging result</b>	<b><u>(8,848)</u></b>	<b><u>-</u></b>

## 9. INCOME TAX

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

Expected weighted average annual effective income tax rate applied to profitable Group companies for the 6 months 2015 equalled to 16-76% (6 months 2014: 18-43%). Effective income tax rate changes are mainly relate to the recognition of deferred tax assets previously not recognised by these companies.

Expected weighted average annual effective income tax rate applied to loss making Group companies for the 6 months 2015 equalled to 14-56% (6 months 2014: 19-33%). Changes in expected annual average weighted rate of income tax mainly relate to increase of non-deductible expenses.

	<u>6m 2015</u>	<u>6m 2014</u>
Income tax charge for the period	800	1,448
Deferred income tax gain	(555)	(748)
<b>Total income tax expense</b>	<b><u>245</u></b>	<b><u>700</u></b>

In the reporting period the Group has utilised unused tax losses previously unrecognised as a deferred tax assets of RUB 316 million of subsidiary JSC AK Rossiya (6 months 2014: RUB 155 million).

A decrease in deferred tax asset of RUB 2,057 million (6 months 2014: an increase of RUB 65 million) arising in the reporting period as a result of changes in the fair value of a hedging instrument was recognised in these condensed consolidated interim financial statements within other comprehensive income.

## 10. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<u>30 June 2015</u>	<u>31 December 2014</u>
Trade accounts receivable	30,416	29,683
Other financial receivables	4,684	5,119
Less impairment provision	(4,359)	(4,532)
<b>Total financial receivables</b>	<b><u>30,741</u></b>	<b><u>30,270</u></b>
Prepayments to suppliers (excluding aircraft suppliers)	8,342	9,284
VAT and other taxes recoverable	13,587	10,959
Prepayments for delivery of aircraft	9,062	4,498
Deferred customs duties related to the imported aircraft under operating leases, current portion	720	842
Other receivables	837	916
<b>Total accounts receivable and prepayments</b>	<b><u>63,289</u></b>	<b><u>56,769</u></b>

Deferred customs duties of RUB 720 million as at 30 June 2015 (31 December 2014: RUB 842 million) relate to the current portion of customs duties related to imported aircraft under operating leases. These customs duties are recognised within operating costs of the Group over the term of the operating lease.

As at 30 June 2015 and 31 December 2014, the Group made an appropriate impairment provision against accounts receivable and prepayments.

## 11. PREPAYMENTS FOR AIRCRAFT

As at 30 June 2015 and 31 December 2014 non-current portions of prepayments for aircraft were RUB 28,524 million and RUB 29,241 million respectively. Movements in the non-current portion of prepayments are due to the approaching aircraft delivery dates as well as new non-current prepayments.

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



**11. PREPAYMENTS FOR AIRCRAFT (CONTINUED)**

Expected lease type	Type of aircraft	30 June 2015		31 December 2014	
		Number of aircraft, units	Expected delivery date	Number of aircraft, units	Expected delivery date
Not determined	Boeing B-787	22	2016-2019	22	2016-2019
Not determined	Airbus A-350	22	2018-2023	22	2018-2023
Not determined	Boeing B-777	2	2016-2017	3	2016
Not determined	Airbus A-320	26	2016-2018	30	2016-2018
Not determined	Airbus A-321	12	2017-2018	19	2016-2018

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

**12. PROPERTY, PLANT AND EQUIPMENT**

	Owned aircraft and engines	Leased aircraft and engines	Land and buildings	Transport, equipment and other	Construction in progress	Total
<i>Cost</i>						
<b>1 January 2014</b>	<b>6,414</b>	<b>94,597</b>	<b>11,088</b>	<b>14,097</b>	<b>1,863</b>	<b>128,059</b>
Additions	220	33,672	69	1,433	929	36,323
Capitalised expenditures	-	538	-	-	15	553
Disposals	(82)	(2,171)	(3)	(188)	-	(2,444)
Transfers	62	219	78	106	(465)	-
<b>30 June 2014</b>	<b>6,614</b>	<b>126,855</b>	<b>11,232</b>	<b>15,448</b>	<b>2,342</b>	<b>162,491</b>
<b>1 January 2015</b>	<b>6,930</b>	<b>126,724</b>	<b>11,718</b>	<b>16,939</b>	<b>1,519</b>	<b>163,830</b>
Additions (i)	529	-	61	2,402	2,953	5,945
Capitalised expenditures	124	647	-	-	40	811
Disposals (ii)	(2,247)	(6)	(794)	(522)	-	(3,569)
Transfers to assets held for sale (Note 13)	(20)	(3,627)	-	(3)	-	(3,650)
Transfers	14	159	16	314	(503)	-
<b>30 June 2015</b>	<b>5,330</b>	<b>123,897</b>	<b>11,001</b>	<b>19,130</b>	<b>4,009</b>	<b>163,367</b>
<i>Accumulated depreciation</i>						
<b>1 January 2014</b>	<b>(4,629)</b>	<b>(23,080)</b>	<b>(4,237)</b>	<b>(7,322)</b>	<b>(14)</b>	<b>(39,282)</b>
Charge for the period (Accrual)/release of impairment provision	(183)	(4,009)	(199)	(800)	-	(5,191)
Disposals	(19)	(1)	-	1	13	(6)
Disposals	73	933	1	133	-	1,140
<b>30 June 2014</b>	<b>(4,758)</b>	<b>(26,157)</b>	<b>(4,435)</b>	<b>(7,988)</b>	<b>(1)</b>	<b>(43,339)</b>
<b>1 January 2015</b>	<b>(4,110)</b>	<b>(30,469)</b>	<b>(4,627)</b>	<b>(8,507)</b>	<b>(73)</b>	<b>(47,786)</b>
Charge for the period (Accrual)/release of impairment provision	(266)	(4,858)	(196)	(1,016)	-	(6,336)
Disposals (ii)	145	-	(567)	9	-	(413)
Disposals (ii)	2,034	5	768	431	-	3,238
Transfers to assets held for sale (Note 13)	8	1,352	-	-	-	1,360
<b>30 June 2015</b>	<b>(2,189)</b>	<b>(33,970)</b>	<b>(4,622)</b>	<b>(9,083)</b>	<b>(73)</b>	<b>(49,937)</b>
<i>Carrying amount</i>						
<b>1 January 2015</b>	<b>2,820</b>	<b>96,255</b>	<b>7,091</b>	<b>8,432</b>	<b>1,446</b>	<b>116,044</b>
<b>30 June 2015</b>	<b>3,141</b>	<b>89,927</b>	<b>6,379</b>	<b>10,047</b>	<b>3,936</b>	<b>113,430</b>

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**12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

- (i) During the 6 months 2015 additions mainly relate to the advances for delivery of 3 DHC 8.
- (ii) During the 6 months 2015 disposals mainly relate to the disposal of 4 owned aircraft Il-96 of PJSC Aeroflot with a carrying amount of RUB 45 million.

Capitalised interest expense for 6 months 2015 amounted to RUB 112 million (6 months 2014: RUB 202 million), and capitalisation rate for the period was 3.2% (6 months 2014: 2.9%).

As at 30 June 2015 property and land (including tenancy) with the total carrying amount of RUB 720 million (31 December 2014: RUB 713 million) were pledged to third and related parties as a security for the Group's loans and borrowings (Note 17).

**13. ASSETS CLASSIFIED AS HELD FOR SALE**

As at 30 June 2015 the Group's management decided to return six aircraft An-148 and two Boeing B-737 of JSC AK Rossiya and JSC AK Aurora subsidiaries respectively operated under finance lease agreements. As at 30 June 2015 these assets and related liabilities were classified as held for sale.

	<u>30 June 2015</u>
Property, plant and equipment	2,290
Aircraft lease security deposits	39
<b>Total assets held for sale</b>	<b><u>2,329</u></b>
Finance lease liabilities	(2,913)
<b>Total liabilities held for sale</b>	<b><u>(2,913)</u></b>
<b>Net liabilities held for sale</b>	<b><u>(584)</u></b>

**14. DERIVATIVE FINANCIAL INSTRUMENTS**

	<u>30 June 2015</u>	<u>31 December 2014</u>
<b>Derivative financial instruments within assets</b>		
Current	72	431
Non-current	41	134
<b>Total derivative financial instruments within assets</b>	<b><u>113</u></b>	<b><u>565</u></b>
<b>Derivative financial instruments within liabilities</b>		
Current	24,343	26,312
Non-current	-	4,839
<b>Total derivative financial instruments within liabilities</b>	<b><u>24,343</u></b>	<b><u>31,151</u></b>

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

**14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

	<b>Derivative financial instruments</b>	
	<b>2015</b>	<b>2014</b>
<b>1 January 2015</b>	<b>(30,586)</b>	<b>(2,551)</b>
<i>Level 3 derivative financial instruments that are not subject to special hedge accounting rules</i>		
Change in fair value for the period	(4,008)	1,141
Additions for the period	-	(427)
Settlements during the period (Note 8)	2,621	(242)
<i>Level 3 derivative financial instruments that are subject to special hedge accounting rules</i>		
Change in fair value for the period	(1,960)	-
Additions	-	-
Settlements during the period (Note 8)	7,740	-
<i>Level 2 derivative financial instruments that are subject to special hedge accounting rules</i>		
Change in fair value for the period	1,963	(359)
Settlements during the period (Note 8)	-	34
<b>30 June 2015</b>	<b>(24,230)</b>	<b>(2,404)</b>
<i>Representing:</i>		
Assets	113	3,375
Liabilities	(24,343)	(5,779)
<b>30 June 2015</b>	<b>(24,230)</b>	<b>(2,404)</b>

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

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

In April and May 2013, the Group entered into two cross-currency interest rate swap agreements with a Russian bank to hedge some of its Euro-denominated revenues from potential unfavourable RUB/EUR exchange rate fluctuations. As a result of efficiency test performed for this hedging instrument profit from the change in fair value of this derivative financial instrument of RUB 2,025 million was recorded within the other comprehensive income together with the corresponding deferred tax of RUB 393 million.

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

(b) *Fuel options*

As of the 30 June 2015 the Group was party to a number of option agreements concluded in 2012-2014 with Russian banks to hedge a portion of its aircraft fuel costs. Decrease in fair value of these derivative financial instruments amounted to a loss of RUB 425 million for first half of 2015, which is reported as a part of profits and losses (6 months 2014: a loss in amount of RUB 1,363 million), except for the instruments accounted by the Group under special hedging standards.

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

Gain from change in fair value of option agreements to which hedge accounting is applied for 6 months 2015 amounted to RUB 4,186 million and reported in the other comprehensive income together with the corresponding deferred tax of RUB 837 million. As at 30 June 2015 effective part of cumulative loss in the amount of RUB 8,578 million before deferred income tax was recognised within hedging reserve, and ineffective part of RUB 1,595 million – within profits and losses (Note 8).

**14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

As at 30 June 2015 corresponding derivative financial instruments amounting to RUB 8,171 million were recognized as current liabilities.

*(d) Currency options*

The Group entered into currency option agreements with a number of Russian banks to hedge the currency risk. The loss from the change in fair value of these derivative financial instruments in 6 months 2015 recorded within profits and losses amounted to RUB 962 million (6 months 2014: loss in amount of RUB 917 million).

*Assessment principles for currency and fuel options*

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

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

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

For the period ended 30 June 2015, the loss on the currency and fuel options was RUB 10,361 million (6 months 2014: gain of RUB 384 million and loss of RUB 176 million on the currency and fuel options as well as under closed interest rate swap agreement).

**15. DEFERRED REVENUE RELATED TO FREQUENT FLYER PROGRAMME**

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

	<u>30 June 2015</u>	<u>31 December 2014</u>
Deferred revenue related to frequent flyer programme, current	1,148	799
Deferred revenue related to frequent flyer programme, non-current	2,752	2,560
Other current liabilities related to frequent flyer programme	2,544	1,489
Other non-current liabilities related to frequent flyer programme	3,021	3,279
<b>Total deferred revenue and other liabilities related to frequent flyer programme</b>	<b><u>9,465</u></b>	<b><u>8,127</u></b>

**16. FINANCE LEASE LIABILITIES**

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Total outstanding payments	155,472	170,485
Future finance lease interest expense	(17,655)	(21,207)
<b>Total finance lease liabilities</b>	<b>137,817</b>	<b>149,278</b>
<i>Representing:</i>		
Current finance lease liabilities	16,984	16,912
Non-current finance lease liabilities	120,833	132,366
<b>Total finance lease liabilities</b>	<b>137,817</b>	<b>149,278</b>

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

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

At 30 June 2015, finance lease liabilities in the amount of RUB 134,862 million denominated in US dollars (31 December 2014: RUB 144,059 million) are designated as a hedging instrument of highly probable revenue forecasted for the period 2015 - 2026. The Group expects that this hedging relationship will be highly effective since the future cash outflows on the lease liabilities match the future cash inflows on the revenue being hedged. At 30 June 2015, accumulated foreign currency loss of RUB 39,461 million (before deferred income tax) on the finance lease liabilities (31 December 2014: RUB 43,596 million), representing an effective portion of the hedge, is deferred in the hedging reserve. The amount reclassified from the hedging reserve to profit or loss for the reporting period was RUB 2,703 million.

**17. LOANS AND BORROWINGS**

	<b>30 June 2015</b>	<b>31 December 2014</b>
<i>Short-term loans, bonds and other borrowings:</i>		
Short-term loans in US dollars	15,581	10,409
Short-term loans in Russian Roubles	1,603	1,603
Current portion of bonds in Russian Roubles	5,101	102
Current portion of long-term bank loans in US dollars	484	1,154
Current portion of loans and borrowings in Russian Roubles	3,230	4,075
<b>Total short-term loans and borrowings</b>	<b>25,999</b>	<b>17,343</b>
<i>Long-term loans, bonds and other borrowings:</i>		
Long-term loans in Russian Roubles	4,730	5,575
Long-term bonds in Russian Roubles	5,101	5,102
Long-term loans and borrowings in US dollars	4,176	1,514
Less:		
Current portion of bonds in Russian Roubles	(5,101)	(102)
Current portion of long-term bank loans in US dollars	(484)	(1,154)
Current portion of loans and borrowings in Russian Roubles	(3,230)	(4,075)
<b>Total long-term loans and borrowings</b>	<b>5,192</b>	<b>6,860</b>

**17. LOANS AND BORROWINGS (CONTINUED)**

*Description of the main changes in loans and borrowings during reporting period:*

The Group has opened credit line with PAO AKB Sviaz-Bank in the amount of RUB 9,000 million, which can be obtained in roubles or US dollar. As at 30 June 2015 the principal outstanding amount was USD 91 million, which is equal to RUB 5,059 million. Interest rate is 9.0% p.a. The loan is unsecured.

The Group has opened an unsecured loan with AO Credit Europe Bank in the amount of USD 22 million. As 30 June 2015 the principal outstanding amount was USD 19.5 million, which is equal to RUB 1,083 million. Interest rate is 7.15% p.a.

The Group has opened long-term loan with OJSC Moscow Credit Bank in the amount of USD 60 million with interest rate 8.0% p.a. As at 30 June 2015 the outstanding amount of the credit lines is USD 60 million, which is equal to RUB 3,346 million (including interest). The loan is unsecured.

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

As at 30 June 2015 bank loans in the amount of RUB 1,948 million (31 December 2014: RUB 2,000 million) were secured by property and land (Note 12).

*Bond issue*

As at 30 June 2015 the Group has bonds issued (BO-03 series) with notional amount of RUB 5,000 million and interest coupon rate of 8.3% p.a. As at 30 June 2015 effective yield to maturity for these bonds was 9.91% p.a. (31 December 2014: 11.3% p.a.).

*Undrawn commitments*

As at 30 June 2015 the Group was able to attract RUB 23,084 million of cash (31 December 2014: RUB 21,562 million) available under existing credit lines granted to the Group by various lending institutions.

**18. SHARE CAPITAL**

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

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

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

Ordinary shareholders are entitled to one vote per share.

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**18. SHARE CAPITAL (CONTINUED)**

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

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

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

The Company's shares are listed on the Moscow Interbank Currency Exchange ("MICEX") and on 30 June 2015 and 31 December 2014 were traded at RUB 38.1 per share and RUB 31.8 per share respectively.

The Company launched Global Depositary Receipts (GDRs) programme in December 2000. From January 2014 one GDR equates 5 ordinary shares. As at 30 June 2015 and as 31 December 2014 the GDRs were traded on the Frankfurt stock exchange at RUB 188 per GDR and RUB 180 per GDR respectively.

**19. DIVIDENDS**

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

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

**20. OPERATING SEGMENTS**

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

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

**20. OPERATING SEGMENTS (CONTINUED)**

	Passenger traffic	Other	Inter-segment sales elimination	Total Group
<b>6m 2015</b>				
External sales	175,256	1,211	-	176,467
Inter-segment sales	3	6,244	(6,247)	-
<b>Total revenue</b>	<b>175,259</b>	<b>7,455</b>	<b>(6,247)</b>	<b>176,467</b>
<b>Operating profit/(loss)</b>	5,546	352	(32)	<b>5,866</b>
Finance income				7,183
Finance costs				(7,441)
Hedging result				(8,848)
Share of financial results of associates				(56)
<b>Loss before income tax</b>				<b>(3,296)</b>
Income tax expense				(245)
<b>Loss for the period</b>				<b>(3,541)</b>
<b>6m 2014</b>				
External sales	139,465	816	-	140,281
Inter-segment sales	-	5,329	(5,329)	-
<b>Total revenue</b>	<b>139,465</b>	<b>6,145</b>	<b>(5,329)</b>	<b>140,281</b>
<b>Operating profit/(loss)</b>	(1,291)	92	(185)	<b>(1,384)</b>
Finance income				2,615
Finance costs				(2,434)
Share of financial results of associates				(2)
<b>Profit before income tax</b>				<b>(1,205)</b>
Income tax expense				(700)
<b>Loss for the period</b>				<b>(1,905)</b>

**21. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

Shares of JSC "MASH" are classified by the Company as investments held for sale, though as at 30 June 2015 and 31 December 2014 were accounted at historical cost of RUB 6,013 million due to inability to make fair value estimation with sufficient degree of certainty.



**21. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONITNUED)**

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

**Liabilities carried at amortised cost.** The fair value of financial instruments is measured based on the current market quotes, if any. The estimated fair value of unquoted fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. As at 30 June 2015 and 31 December 2014, the carrying and fair values of financial payables, finance lease liabilities (Note 16) were not materially different. The fair values of loans and borrowings, including bonds, is disclosed in Note 17. The fair value of stated financial instruments is categorised as Levels 2, while bonds are categorised as Level 1 in the fair value hierarchy.

During 6 months of 2015 and 6 months 2014 there was no transfer between levels 1, 2 or 3 of the fair value hierarchy.

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

	<b>Loans and receivables</b>	<b>Available- for sale financial assets</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Derivative financial instruments (hedging)</b>	<b>Total</b>
Cash and cash equivalents	47,932	-	-	-	47,932
Short-term financial investments	2,134	1	-	-	2,135
Financial receivables	30,741	-	-	-	30,741
Aircraft lease security deposits	2,978	-	-	-	2,978
Derivative financial instruments	-	-	113	-	113
Long-term financial investments	-	6,119	-	-	6,119
Other non-current assets	121	-	-	-	121
<b>Total financial assets</b>	<b>83,906</b>	<b>6,120</b>	<b>113</b>	<b>-</b>	<b>90,139</b>
		<b>Liabilities at fair value through profit or loss</b>	<b>Derivative financial instruments (hedging)</b>	<b>Other financial liabilities</b>	<b>Total</b>
Derivative financial instruments		(13,331)	(11,012)	-	(24,343)
Financial payables		-	-	(43,113)	(43,113)
Finance lease liabilities		-	-	(137,817)	(137,817)
Loans and borrowings		-	-	(31,191)	(31,191)
Other long-term liabilities		-	-	(197)	(197)
<b>Total financial liabilities</b>		<b>(13,331)</b>	<b>(11,012)</b>	<b>(212,318)</b>	<b>(236,661)</b>

**21. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONITNUED)**

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

	<b>Loans and receivables</b>	<b>Available- forsale financial assets</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Derivative financial instruments (hedging)</b>	<b>Total</b>
Cash and cash equivalents	26,547	-	-	-	26,547
Short-term financial investments	960	1	-	-	961
Financial receivables	30,270	-	-	-	30,270
Aircraft lease security deposits	2,431	-	-	-	2,431
Derivative financial instruments	-	-	529	36	565
Long-term financial investments	-	6,115	-	-	6,115
Other non-current assets	186	-	-	-	186
<b>Total financial assets</b>	<b>60,394</b>	<b>6,116</b>	<b>529</b>	<b>36</b>	<b>67,075</b>
		<b>Liabilities at fair value through profit or loss</b>	<b>Derivative financial instruments (hedging)</b>	<b>Other financial liabilities</b>	<b>Total</b>
Derivative financial instruments		(12,360)	(18,791)	-	(31,151)
Financial payables		-	-	(33,039)	(33,039)
Finance lease liabilities		-	-	(149,278)	(149,278)
Loans and borrowings		-	-	(24,203)	(24,203)
Other long-term liabilities		-	-	(163)	(163)
<b>Total financial liabilities</b>		<b>(12,360)</b>	<b>(18,791)</b>	<b>(206,683)</b>	<b>(237,834)</b>

**22. RELATED PARTY TRANSACTIONS**

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

As at 30 June 2015 and 31 December 2014, the outstanding balances with related parties and income and expense items with related parties for 6 months 2015 and 6 months 2014 were as follows:

**Associates**

As at 30 June 2015 and 31 December 2014, the outstanding balances with associates and income and expense items with associates for 6 months 2015 and 6 months 2014 were as follows:

	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Assets</b>		
Accounts receivable	14	1
<b>Liabilities</b>		
Accounts payable and accrued liabilities	172	140

**22. RELATED PARTY TRANSACTIONS (CONTINUED)***Associates (continued)*

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

	<u>6m 2015</u>	<u>6m 2014</u>
<i>Transactions</i>		
Sales to associates	16	17
Purchase from associates	699	660

Purchases from associates consist primarily of aviation security services.

*Government-related entities*

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

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

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

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

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

	<u>30 June 2015</u>	<u>31 December 2014</u>
<b>Assets</b>		
<i>Cash and cash equivalents</i>	6,216	15,781
<i>Derivative financial instruments</i>	112	529
<b>Liabilities</b>		
<i>Derivative financial instruments</i>	(12,875)	(14,500)

The amounts of the Group's finance and operating lease liabilities are disclosed in Notes 16 and 23. The share of liabilities to the government-related entities is approximately 11% for finance lease and 9% for operating lease (31 December 2014: 12% and 7% respectively).

For 6 months 2015 the aggregate amount of Group's transactions with government-related entities is 11% of operating costs, and approximately 4% of revenue (6 months 2014: less than 15% and less than 3% respectively). These expenses primarily include costs of air navigation and aircraft maintenance services in the government-related airports and also supplies of motor fuels by government-related entities.

## 22. RELATED PARTY TRANSACTIONS (CONTINUED)

### *Government-related entities (continued)*

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

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

### *Compensation of key management personnel*

The remuneration of directors and other members of key management personnel (the members of the Board of Directors and the Management Committee as well as key managers of flight and ground personnel who have significant power and responsibilities on key control and planning decisions of the Group), including salary and bonuses as well as short-term and mid-term compensation, amounted to RUB 373 million (6 months 2014: RUB 493 million).

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

### *Bonus programmes based on the Company's capitalisation*

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

Expenses related to the bonus programmes for 6 months 2015 were RUB 96 million. The expenses are recorded within staff costs in the Group's condensed consolidated interim statement of profit or loss. As at 30 June 2015 outstanding liability under these plans was RUB 344 million (31 December 2014: RUB 247 million).

### *Cross shareholding*

As at 30 June 2015 LLC Aeroflot-Finance, 100%-owned subsidiaries of the Group, owned 53,716,189 ordinary shares of the Company (as at 31 December 2014: LLC Aeroflot-Finance and LLC Partner Aeroflot, 100%-owned subsidiaries of the Group, owned 53,714,098 ordinary shares and 2,091 ordinary shares of the Company respectively) (Note 18).

## 23. COMMITMENTS UNDER OPERATING LEASES

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
On demand or within 1 year	43,577	42,694
Later than 1 year and not later than 5 years	141,385	179,654
Later than 5 years	112,940	209,804
<b>Total operating lease commitments</b>	<b>297,902</b>	<b>432,152</b>

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

## 24. CAPITAL COMMITMENTS

As at 30 June 2015, the Group entered into agreements on future acquisition of property, plant and equipment with third parties for the total of RUB 742,500 million (31 December 2014: RUB 776,579 million). These commitments mainly relate to three Boeing B-777 (31 December 2014: six), twenty-two Boeing B-787 (31 December 2014: twenty-two), twenty-two Airbus A-350 (31 December 2014: twenty-two), sixty-two Airbus A-320/321 (31 December 2014: sixty-two) aircraft which are expected to be used under operating or finance lease agreements, therefore no cash outflow on entered agreements is expected.

## 25. CONTINGENCIES

### *Operating Environment of the Group*

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

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

As at 30 June 2015 the Group net current liabilities amounted to RUB 50,258 million (31 December 2014: RUB 42,923 million). As a result of operations for 6 months 2015 the Group showed net loss in the amount of RUB 3,541 million (6 months 2014: net loss RUB 1,905 million). Cash flows from operating activities for 6 months 2015 was positive and amounted to RUB 42,736 million (6 months 2014: RUB 26,603 million).

The treasury of the Group provides flexibility of financing by availability of credit lines. As at 30 June 2015 the Group was able to attract RUB 23,084 million of cash (31 December 2014: RUB 21,562 million) available under existing credit lines granted to the Group by various lending institutions. To improve liquidity Management is planning an improvement of the Group's operating performance and further growth of cash-flows from operating activity.

### *Seasonality*

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

## **25. CONTINGENCIES (CONTINUED)**

### ***Tax contingencies***

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

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

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

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

### ***Insurance***

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

### ***Litigation***

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