

**UTair Aviation Joint-Stock Company  
Consolidated Condensed Interim Financial  
Statements**

**for the six-month period ended 30 June  
2012**

## **Contents**

Consolidated Statement of Financial Position	3
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	11
Notes to the Consolidated Condensed Interim Financial Statements	13

	Note	30 June 2012 '000 RUB	31 December 2011 '000 RUB	30 June 2012 '000 USD	31 December 2011 '000 USD
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	47,831,458	47,380,859	1,457,525	1,471,633
Advances for property, plant and equipment		790,879	591,369	24,100	18,369
Goodwill		585,956	583,524	17,855	18,124
Other intangible assets		353,810	355,446	10,781	11,040
Investments in equity accounted investees		-	55,201	-	1,715
Other investments	6	67,262	73,211	2,050	2,274
Loans issued	7	1,594,160	92,734	48,577	2,880
Net investment in finance leases	8	467,700	327,829	14,252	10,182
Advances related to operating leases		1,369,867	1,371,563	41,743	42,600
Deferred tax assets	10	56,457	48,503	1,720	1,506
<b>Total non-current assets</b>		<b>53,117,550</b>	<b>50,880,239</b>	<b>1,618,604</b>	<b>1,580,323</b>
<b>Current assets</b>					
Inventories	11	3,015,980	2,555,689	91,903	79,379
Trade and other receivables	9	18,785,522	16,549,664	572,434	514,027
Other advances issued		4,559,895	1,548,587	138,950	48,099
Income tax receivable		47,411	90,691	1,445	2,816
Net investment in finance leases	8	215,117	131,933	6,555	4,098
Loans issued	7	2,219,707	735,591	67,639	22,847
Other investments	6	1,103,831	2,769	33,636	86
Security deposits	12	9,975,744	1,202,702	303,982	37,356
Cash and cash equivalents	13	1,813,954	718,227	55,275	22,308
<b>Total current assets</b>		<b>41,737,161</b>	<b>23,535,853</b>	<b>1,271,819</b>	<b>731,016</b>
Assets classified as held for sale	14	177,368	156,256	5,405	4,853
<b>Total assets</b>		<b>95,032,079</b>	<b>74,572,348</b>	<b>2,895,827</b>	<b>2,316,192</b>

		<b>30 June</b>		<b>30 June</b>	
		<b>2012</b>		<b>2012</b>	
	<b>Note</b>	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital		577,208	577,208	20,871	20,871
Treasury shares		(418,866)	(80,933)	(14,702)	(3,672)
Foreign currency translation reserve		126,808	132,133	2,519	2,272
Revaluation reserve		21,991,311	22,043,306	670,122	684,658
Retained earnings		(1,751,286)	(2,278,791)	(53,365)	(70,732)
<b>Total equity attributable to equity holders of the Company</b>		<b>20,525,175</b>	<b>20,932,923</b>	<b>625,445</b>	<b>633,397</b>
Non-controlling interest		649,673	587,045	19,797	18,234
<b>Total equity</b>		<b>21,174,848</b>	<b>20,979,968</b>	<b>645,242</b>	<b>651,631</b>
<b>Non-current liabilities</b>					
Loans and borrowings	16	26,343,834	25,362,200	802,752	787,741
Derivatives	17	4,706	16,583	143	515
Trade and other payables	18	596,792	710,486	18,186	22,067
Deferred income	19	484,249	496,644	14,756	15,426
Employee benefits		160,232	165,859	4,883	5,152
Deferred tax liabilities	11	5,732,213	5,649,645	174,673	175,476
<b>Total non-current liabilities</b>		<b>33,322,027</b>	<b>32,401,417</b>	<b>1,015,392</b>	<b>1,006,377</b>
<b>Current liabilities</b>					
Loans and borrowings	16	26,807,338	8,222,527	816,875	255,389
Derivatives	17	38,634	44,485	1,177	1,382
Put option liability		285,355	285,355	8,695	8,863
Trade and other payables	18	6,521,509	9,183,271	198,724	285,229
Deferred income	19	288,195	281,152	8,782	8,732
Income tax payable		18,991	63,138	579	1,961
Other taxes payable	20	1,746,291	1,397,468	53,213	43,405
Advances received	21	4,809,894	1,700,197	146,568	52,808
Employee benefits		18,997	13,370	579	415
<b>Total current liabilities</b>		<b>40,535,204</b>	<b>21,190,963</b>	<b>1,235,193</b>	<b>658,184</b>
<b>Total liabilities</b>		<b>73,857,230</b>	<b>53,592,380</b>	<b>2,250,585</b>	<b>1,664,561</b>
<b>Total equity and liabilities</b>		<b>95,032,079</b>	<b>74,572,348</b>	<b>2,895,827</b>	<b>2,316,192</b>

*UTair Aviation Joint-Stock Company*  
*Consolidated Statement of Comprehensive Income for the six-month period ended 30 June 2012*

		Six months ended 30 June 2012	Six months ended 30 June 2011	Six months ended 30 June 2012	Six months ended 30 June 2011
	Note	'000 RUB	'000 RUB	'000 USD	'000 USD
Passenger traffic and helicopter services revenue	21	30,325,128	21,375,071	989,756	746,748
Other revenue	21	934,174	980,289	30,490	34,247
		<b>31,259,302</b>	<b>22,355,360</b>	<b>1,020,245</b>	<b>780,995</b>
<b>Operating expenses</b>					
Direct operating expenses	22	(16,038,938)	(11,051,009)	(523,481)	(386,072)
Personnel expenses	23	(6,349,647)	(5,127,812)	(207,241)	(179,143)
Depreciation and amortisation		(2,487,160)	(1,522,572)	(81,176)	(53,192)
Repair expenses		(1,574,135)	(1,178,007)	(51,377)	(41,154)
Commissions		(1,098,226)	(721,775)	(35,844)	(25,216)
Gain on sale of assets classified as held for sale		24,671	245,319	805	8,570
Other income		161,320	84,563	5,265	2,955
Other expenses	24	(1,476,453)	(1,283,819)	(48,189)	(44,851)
		<b>(28,838,568)</b>	<b>(20,555,112)</b>	<b>(941,237)</b>	<b>(718,103)</b>
<b>Results from operating activities</b>		<b>2,420,734</b>	<b>1,800,248</b>	<b>79,008</b>	<b>62,892</b>
Net foreign exchange gain		121,419	741,495	3,963	25,904
Impairment of doubtful debts		(59,376)	(125,343)	(1,938)	(4,379)
Share of loss of equity accounted investees (net of income tax)		(55,201)	(31,097)	(1,802)	(1,086)
Other finance income	25	238,952	194,548	7,799	6,797
Other finance costs	25	(2,230,592)	(1,822,480)	(72,802)	(63,669)
<b>Profit before income tax</b>		<b>435,936</b>	<b>757,371</b>	<b>14,228</b>	<b>26,459</b>
Income tax expense	28	(168,397)	(81,531)	(5,496)	(2,848)
<b>Profit for the six months ended 30 June</b>		<b>267,539</b>	<b>675,840</b>	<b>8,732</b>	<b>23,611</b>
<b>Other comprehensive income</b>					
Foreign currency translation differences		14,745	(79,326)	(12,268)	16,497
<b>Other comprehensive income for the six months ended 30 June, net of income tax</b>		<b>14,745</b>	<b>(79,326)</b>	<b>(12,268)</b>	<b>16,497</b>
<b>Total comprehensive income for the six months ended 30 June</b>		<b>282,284</b>	<b>596,514</b>	<b>(3,535)</b>	<b>40,108</b>

*UTair Aviation Joint-Stock Company*  
*Consolidated Statement of Comprehensive Income for the six-month period ended 30 June 2012*

Note	Six months ended 30 June 2012 '000 RUB	Six months ended 30 June 2011 '000 RUB	Six months ended 30 June 2012 '000 USD	Six months ended 30 June 2011 '000 USD
<b>Profit attributable to:</b>				
Owners of the Company	222,189	752,445	7,252	26,287
Non-controlling interest	45,350	(76,605)	1,480	(2,676)
<b>Profit for the six months ended 30 June</b>	<b>267,539</b>	<b>675,840</b>	<b>8,732</b>	<b>23,611</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	219,656	729,331	7,252	43,298
Non-controlling interest	62,628	(132,817)	18,226	(3,190)
<b>Total comprehensive income for the six months ended 30 June</b>	<b>282,284</b>	<b>596,514</b>	<b>(3,535)</b>	<b>40,108</b>
<b>Earnings per share</b>				
Basic and diluted earnings per share	<b>0.401</b>	<b>1.22</b>	<b>0,013</b>	<b>0.04</b>

'000 RUB

	Attributable to equity holders of the Company					Total	Non-controlling interest	Total equity
	Share capital	Treasury shares	Translation reserve	Property, plant and equipment revaluation reserve	Retained earnings			
<b>Balance at 1 January 2011</b>	<b>577,208</b>	<b>(174,859)</b>	<b>93,349</b>	<b>7,913,459</b>	<b>(2,236,830)</b>	<b>6,172,327</b>	<b>549,221</b>	<b>6,721,548</b>
<b>Total comprehensive income for the year</b>								
Profit for the year	-	-	-	-	178,941	178,941	(64,954)	113,987
<b>Other comprehensive income</b>								
Foreign currency translation differences	-	-	38,784	-	22,682	61,466	11,210	72,676
Revaluation of property, plant and equipment	-	-	-	16,826,622	-	16,826,622	1,278,262	18,104,884
Realisation of property, plant and equipment revaluation reserve	-	-	-	(429,050)	429,050	-	-	-
Income tax on change in property, plant and equipment revaluation reserve	-	-	-	(3,279,506)	(85,810)	(3,365,316)	(255,652)	(3,620,968)
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>38,784</b>	<b>13,118,066</b>	<b>365,922</b>	<b>13,522,772</b>	<b>1,033,820</b>	<b>14,556,592</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>38,784</b>	<b>13,118,066</b>	<b>544,863</b>	<b>13,701,713</b>	<b>968,866</b>	<b>14,670,579</b>
<b>Transactions with owners, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Own shares sold	-	93,926	-	-	-	93,926	-	93,926
Dividends to equity holders	-	-	-	-	(69,241)	(69,241)	-	(69,241)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>93,926</b>	<b>-</b>	<b>-</b>	<b>(69,241)</b>	<b>24,685</b>	<b>-</b>	<b>24,685</b>
<b>Charges in ownership interest in subsidiaries</b>								
Acquisition of a subsidiary	-	-	-	-	-	-	244,814	244,814
Recognition of put option liability on non-controlling interest in a subsidiary	-	-	-	1,011,781	(54,200)	957,581	(1,242,936)	(285,355)
Recognition of treasury shares repurchase obligation under REPO	-	-	-	-	(396,303)	(396,303)	-	(396,303)
Change in non-controlling interest due to merger of subsidiaries	-	-	-	-	(67,080)	(67,080)	67,080	-
<b>Total charges in ownership interest in subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,011,781</b>	<b>(517,583)</b>	<b>494,198</b>	<b>(931,042)</b>	<b>(436,844)</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>93,926</b>	<b>-</b>	<b>1,011,781</b>	<b>(586,824)</b>	<b>518,883</b>	<b>(931,042)</b>	<b>(412,159)</b>
<b>Balance at 31 December 2011</b>	<b>577,208</b>	<b>(80,933)</b>	<b>132,133</b>	<b>22,043,306</b>	<b>(2,278,791)</b>	<b>20,392,923</b>	<b>587,045</b>	<b>20,979,968</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 43.

'000 RUB

	Attributable to equity holders of the Company					Total	Non-controlling interest	Total equity
	Share capital	Treasury shares	Translation reserve	Property, plant and equipment revaluation reserve	Retained earnings			
<b>Balance at 1 January 2012</b>	<b>577,208</b>	<b>(80,933)</b>	<b>132,133</b>	<b>22,043,306</b>	<b>(2,278,791)</b>	<b>20,392,923</b>	<b>587,045</b>	<b>20,979,968</b>
<b>Total comprehensive income for the six months ended 30 June</b>								
Profit for the six months ended 30 June	-	-	-	-	222,189	222,189	45,350	267,539
<b>Other comprehensive income</b>								
Foreign currency translation differences	-	-	(5,325)	-	2,792	(2,533)	17,278	14,745
Realisation of property, plant and equipment revaluation reserve	-	-	-	(64,994)	64,994	-	-	-
Income tax on realisation of property, plant and equipment revaluation reserve	-	-	-	12,999	12,999	-	-	-
<b>Total other comprehensive income</b>	-	-	(5,325)	(51,995)	54,787	(2,533)	17,278	14,745
<b>Total comprehensive income for the six months ended 30 June</b>	-	-	(5,325)	(51,995)	276,976	219,656	62,628	282,284
<b>Transactions with owners, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Own shares sold	-	(337,933)	-	-	-	(337,933)	-	(337,933)
<b>Total contributions by and distributions to owners</b>	-	(337,933)	-	-	-	(337,933)	-	(337,933)
<b>Charges in ownership interest in subsidiaries</b>								
Recognition of treasury shares repurchase obligation under REPO	-	-	-	-	250,530	250,530	-	250,530
<b>Total charges in ownership interest in subsidiaries</b>	-	-	-	-	250,530	250,530	-	250,530
<b>Total transactions with owners</b>	-	(337,933)	-	-	250,530	(87,403)	-	250,530
<b>Balance at 30 June 2012</b>	<b>577,208</b>	<b>(418,866)</b>	<b>126,808</b>	<b>21,991,311</b>	<b>(1,751,286)</b>	<b>20,525,175</b>	<b>649,673</b>	<b>21,174,848</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 43.



'000 USD

	Attributable to equity holders of the Company						Non- controlling interest	Total equity
	Share capital	Treasury shares	Translation reserve	Property, plant and equipment revaluation reserve	Retained earnings	Total		
<b>Balance at 1 January 2011</b>	<b>20,871</b>	<b>(6,868)</b>	<b>(6,211)</b>	<b>259,654</b>	<b>(64,921)</b>	<b>202,525</b>	<b>18,021</b>	<b>220,546</b>
<b>Total comprehensive income for the year</b>								
Profit for the year	-	-	-	-	6,089	6,089	(2,210)	<b>3,879</b>
<b>Other comprehensive income</b>								
Foreign currency translation differences	-	-	8,483	(55,808)	(3,612)	(50,937)	(694)	(51,631)
Revaluation of property, plant and equipment	-	-	-	572,579	-	572,579	43,497	616,076
Realisation of property, plant and equipment revaluation reserve	-	-	-	(14,600)	14,600	-	-	-
Income tax on change of property, plant and equipment revaluation reserve	-	-	-	(111,596)	(2,920)	(114,516)	(8,699)	(123,215)
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>8,483</b>	<b>390,575</b>	<b>8,068</b>	<b>407,126</b>	<b>34,104</b>	<b>441,230</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>8,483</b>	<b>390,575</b>	<b>14,157</b>	<b>413,215</b>	<b>31,894</b>	<b>445,109</b>
<b>Transactions with owners, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Own shares acquired	-	3,196	-	-	-	3,196	-	3,196
Dividends to equity holders	-	-	-	-	(2,356)	(2,356)	-	(2,356)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>3,196</b>	<b>-</b>	<b>-</b>	<b>(2,356)</b>	<b>840</b>	<b>-</b>	<b>840</b>
<b>Charges in ownership interest in subsidiaries</b>								
Acquisition of a subsidiary	-	-	-	-	-	-	8,331	8,331
Recognition of put option liability on non-controlling interest in a subsidiary	-	-	-	34,429	(1,844)	32,585	(42,295)	(9,710)
Recognition of treasury shares repurchase obligation under REPO	-	-	-	-	(13,485)	(13,485)	-	(13,485)
Change in non-controlling interest due to merger of subsidiaries	-	-	-	-	(2,283)	(2,283)	2,283	-
<b>Total charges in ownership interest in subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,429</b>	<b>(17,612)</b>	<b>16,817</b>	<b>(31,681)</b>	<b>(14,864)</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>3,196</b>	<b>-</b>	<b>34,429</b>	<b>(19,968)</b>	<b>17,657</b>	<b>(31,681)</b>	<b>(14,024)</b>
<b>Balance at 31 December 2011</b>	<b>20,871</b>	<b>(3,672)</b>	<b>2,272</b>	<b>684,658</b>	<b>(70,732)</b>	<b>633,397</b>	<b>18,234</b>	<b>651,631</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 43.

'000 USD

	Attributable to equity holders of the Company					Total	Non-controlling interest	Total equity
	Share capital	Treasury shares	Translation reserve	Property, plant and equipment revaluation reserve	Retained earnings			
<b>Balance at 1 January 2012</b>	<b>20,871</b>	<b>(3,672)</b>	<b>2,272</b>	<b>684,658</b>	<b>(70,732)</b>	<b>633,397</b>	<b>18,234</b>	<b>651,631</b>
<b>Total comprehensive income for the six months ended 30 June</b>								
Profit for the six months ended 30 June	-	-	-	-	7,252	7,252	1,480	8,732
<b>Other comprehensive income</b>								
Foreign currency translation differences	-	-	247	(12,839)	241	(12,351)	83	(12,268)
Realisation of property, plant and equipment revaluation reserve	-	-	-	(2,121)	(2,121)	-	-	-
Income tax on realisation of property, plant and equipment revaluation reserve	-	-	-	424	424	-	-	-
<b>Total other comprehensive income</b>	-	-	247	(14,536)	1,938	(12,351)	83	(12,268)
<b>Total comprehensive income for the six months ended 30 June</b>	-	-	247	(14,536)	9,190	(5,098)	1,563	(3,535)
<b>Transactions with owners, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Own shares sold	-	(11,030)	-	-	-	(11,030)	-	(11,030)
<b>Total contributions by and distributions to owners</b>	-	<b>(11,030)</b>	-	-	-	<b>(11,030)</b>	-	<b>(11,030)</b>
<b>Charges in ownership interest in subsidiaries</b>								
Recognition of treasury shares repurchase obligation under REPO	-	-	-	-	8,177	8,177	-	8,177
<b>Total charges in ownership interest in subsidiaries</b>	-	-	-	-	<b>8,177</b>	<b>8,177</b>	-	<b>8,177</b>
<b>Total transactions with owners</b>	-	<b>(11,030)</b>	-	-	<b>8,177</b>	<b>(2,853)</b>	-	<b>8,177</b>
<b>Balance at 30 June 2012</b>	<b>20,871</b>	<b>(14,702)</b>	<b>2,519</b>	<b>670,122</b>	<b>(53,365)</b>	<b>625,445</b>	<b>19,797</b>	<b>645,242</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 43.

*UTair Aviation Joint-Stock Company*  
*Consolidated Statement of Cash Flows for the six-month period ended 30 June 2012*

	<b>Six months ended 30 June 2012</b>	<b>Six months ended 30 June 2011</b>	<b>Six months ended 30 June 2012</b>	<b>Six months ended 30 June 2011</b>
<b>Cash flows from operating activities</b>				
Profit before income tax	435,936	757,371	14,228	26,459
<i>Adjustments for:</i>				
Depreciation and amortisation	2,487,160	1,522,565	81,176	53,192
(Gain)/Loss on disposal of property, plant and equipment	88,006	(15,061)	2,872	(526)
Finance costs, net	1,991,640	1,627,933	65,003	56,873
Impairment of doubtful debts	59,376	125,343	1,938	4,379
Share of loss of equity accounted investees (net of income tax)	55,201	31,097	1,802	1,086
Unrealised foreign exchange differences	(150,879)	(476,057)	(4,924)	(16,632)
<b>Cash from operating activities before changes in working capital and provisions</b>	<b>4,966,441</b>	<b>3,573,191</b>	<b>162,095</b>	<b>124,831</b>
Increase in inventories	(460,291)	478,090	(15,023)	16,702
Increase in trade and other receivables and net investment in finance leases	(2,107,353)	1,206,963	(68,780)	42,166
Decrease/(increase) in other advances	(2,844,275)	(1,763,980)	(92,832)	(61,625)
(Decrease)/increase in trade and other payables	(2,642,673)	(1,739,185)	(86,252)	(60,759)
(Decrease)/increase in advances received and deferred income	3,104,345	2,131,951	101,320	74,481
Increase in other taxes payable	348,823	(28,528)	11,385	(997)
Decrease/(increase) of assets classified as held for resale	(21,112)	125,415	(689)	4,381
<b>Cash flows from operations before income taxes and interest paid</b>	<b>343,905</b>	<b>3,983,917</b>	<b>11,224</b>	<b>139,180</b>
Income tax paid	(98,696)	-	(3,221)	-
<b>Net cash from operating activities</b>	<b>245,209</b>	<b>3,983,917</b>	<b>8,003</b>	<b>139,180</b>

*UTair Aviation Joint-Stock Company*  
*Consolidated Statement of Cash Flows for the six-month period ended 30 June 2012*

	<b>Six months ended 30 June 2012 '000 RUB</b>	<b>Six months ended 30 June 2011 '000 RUB</b>	<b>Six months ended 30 June 2012 '000 USD</b>	<b>Six months ended 30 June 2011 '000 USD</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(3,159,728)	(1,818,152)	(103,128)	(63,518)
Proceeds from sale of property, plant and equipment	55,272	67,340	1,804	2,353
Acquisition of intangible assets	(39,570)	(39,401)	(1,291)	(1,376)
Interest received from deposits	181,005	26,163	5,908	914
Interest received from other investments held for sale	37,190	23,485	1,214	820
Acquisition of other investments	(2,732,433)	(2,110,524)	(89,182)	(73,732)
Proceeds from sale of other investments	1,758,777	880,746	57,403	30,769
Short-term loans provided to third parties	(2,925,000)	(863,276)	(95,467)	(30,159)
Short-term loans repaid by third parties	1,283	864,764	42	30,211
Deposits	(8,757,114)	(6,544,513)	(285,816)	(228,636)
<b>Net cash from/(used in) investing activities</b>	<b>(15,580,318)</b>	<b>(9,513,368)</b>	<b>(508,513)</b>	<b>(332,354)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	37,411,257	34,776,889	1,221,034	1,214,947
Repayment of borrowings	(18,127,177)	(24,642,527)	(591,637)	(860,898)
Dividends paid to equity holders of the Company	800	-	26	-
Repayment of liability under finance lease agreements	(554,922)	(507,982)	(18,112)	(17,747)
Acquisition of treasury shares	(337,933)	-	(11,030)	-
Interest paid	(1,961,188)	(1,790,829)	(64,010)	(62,563)
<b>Net cash from (used in)/ financing activities</b>	<b>16,430,837</b>	<b>7,835,551</b>	<b>536,272</b>	<b>273,739</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>1,095,728</b>	<b>2,306,100</b>	<b>35,763</b>	<b>80,565</b>
Effect of movements in exchange rates	-	-	(2,796)	2,820
Cash and cash equivalents at 1 January	718,227	443,998	22,308	14,568
<b>Cash and cash equivalents at 30 June</b>	<b>1,813,955</b>	<b>2,750,098</b>	<b>55,275</b>	<b>97,953</b>

## 1 Background

### (a) Organisation and operations

The core businesses of UTair Aviation Joint Stock Company (the “Company” or “UTair”) and its subsidiaries (collectively referred to as the “Group”) are passenger and cargo transportation using airplanes and helicopters, helicopter services. The Group operates more than 300 aircraft. Cargo and passenger aircraft transportation is performed in Russia, CIS and non-CIS countries. The main customers of helicopter services of the Group are Russian oil and gas companies, and the United Nations Organisation (UN) outside Russia. The main aviation services are: catering, airport services, aircraft repairs and maintenance services, provision of passenger and cargo air transportation and aeronautical personnel training.

UTair, the parent company, was incorporated as an open joint stock company in the Russian Federation on 28 October 1992. The registered office of the Company is: 628012, Russia, Tyumen oblast, Khanty-Mansiysk, Airport.

As at 31 December Non-State Pension Fund Surgutneftegaz (Russia) owned 60.67% of the Company (2011: 60.67%).

The Company has the following subsidiaries, which are included in the consolidated financial statements:

<u>Entity</u>	<u>Activity</u>	<u>30 June 2012 % share</u>	<u>31 December 2011 % share</u>
Tsentr realizatsii perevozok i uslug LLC	Ticket sales agency	100,00	100,00
UTair-Leasing LLC	Leasing company	100,00	100,00
NP Tsentr podgotovki personala	Staff training and assessment	100,00	100,00
UTair-Cargo CJSC	Aviation services	100,00	100,00
Tyumenaviatekhsnab LLC	Delivery of property, plant, equipment and materials	100,00	100,00
UTair-Finance LLC	Finance services	100,00	100,00
UTair-Technique LLC	Repair and maintenance of aircraft fleet	100,00	100,00
UTair-Ufa LLC	Regional office of UTair	100,00	100,00
UTair-Samara LLC	Regional office of UTair	100,00	100,00
Tobolskavia LLC	Airport services	51,00	51,00
UTair-Express LLC	Aviation services	100,00	100,00
Tsentr ekonomicheskikh preobrazovaniy LLC	Investing activities	100,00	81,00
UTair-Development LLC	Finance agency, sale/purchase of real estate	100,00	100,00
UTair South Africa (Pty) Ltd.	Aviation services and maintenance of aircraft fleet	100,00	100,00
UT Project Services Ltd. (India)	Regional office of UTair, agency services	100,00	100,00
WestSib-Capital Limited (Cyprus)	Investing activities	100,00	100,00
UTair-Irkutsk LLC	Regional office of UTair	100,00	100,00
UTair-Murmansk LLC	Regional office of UTair	100,00	100,00
Ukraine UTair Aviation Company LLC	Aviation services	100,00	100,00
Tyumensky nauchno-proizvodstvenniy tsentr aviatsii obschego naznacheniya LLC	Research and development	100,00	100,00
UTair India Private Limited (India)	Aviation services	100,00	100,00
NP Tyumenskoe letno-tekhnicheskoe uchilische grazhdanskoy aviatsii LLC	Training center	100,00	100,00
UTair Africa (Pty) Ltd.	Aviation services	100,00	100,00
UTair Armenia LLC (Armenia)	Regional office of UTair	100,00	100,00
UTair Jug LLC (Russia)	Regional office of UTair	100,00	100,00

<b>Entity</b>	<b>Activity</b>	<b>30 June 2012 % share</b>	<b>31 December 2011 % share</b>
Turukhan Aviation Company LLC	Aviation services	100,00	50,00
UTair Sierra Leone Limited	Aviation services and maintenance of aircraft fleet	99,00	99,00
UTair Engineering AL S.A.C.	Repair and maintenance of aircraft fleet	100,00	-
Forumavia LLC	Freight transportation services	100,00	-
UTair Leasing Ireland Ltd	Leasing company	100,00	-
UTair Investments Ltd	Investing activities	100,00	-
Utstar LLC	Advertising services	99,00	99,00
Airport Ust-Kut OJSC	Airport services	85,57	85,57
UTair-Engineering OJSC	Repair and maintenance of aircraft fleet	82,22	82,17
Helicopteros del Sur S.A. (Peru)	Aviation services	63,00	63,00
Zapadno-sibirskoe agentstvo vozdushnykh soobscheniy LLC	Ticket sales	51,00	51,00
Vostok Aviation Company OJSC	Aviation services	51,00	51,00
Dalnevostochnaya aviatsionnaya leasingovaya kompania LLC	Repair and maintenance of aircraft fleet	51,00	51,00
UTG CJSC	Ground maintenance services	50,00	50,00
Ukrainskaya handlingovaya kompania LLC (Ukraine)	Trade in fuel, organisation of cargo transportation	100,00	50,00
HeliExpress LLC	Aviation services, agent services	50,00	50,00
UTair Europe s.r.o. (Slovakia)	Aviation services	20,00	20,00

All subsidiaries of the Group are incorporated under the laws of the Russian Federation except for subsidiaries in South Africa, India, Cyprus, Slovakia, Peru, Ireland, Armenia, Bermudas and Ukraine.

## **2 Basis of preparation**

### **(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

### **(b) Functional and presentation currency**

The national currency of the Russian Federation is the Russian rouble (“RUB”), which is the Company’s functional currency and the currency in which these consolidated financial statements are presented.

In addition, these consolidated statements are presented in US dollars (“USD”) for the convenience of foreign users. The assets and liabilities, both monetary and non-monetary, have been translated at the exchange rates at the date of each balance sheet presented in accordance with International Accounting Standard (“IAS”) 21 *The Effect of Changes in Foreign Exchange Rates*. Income and expense items for all periods presented have been translated at the exchange rates existing at the dates of the transactions or at a rate that approximates the actual exchange rates. Foreign currency

differences are recognised in other comprehensive income, and presented in the foreign currency reserve in equity.

Any conversion of RUB amounts to USD should not be considered as a representation that RUB amounts have been, could be or will be in the future, converted into USD at the exchange rate shown or at any other exchange rate.

The following table details the exchange rates used to translate RUB to USD:

	<u>Exchange rate:</u>
As at 30 June 2011	28,0758
Average rate for six months ended 30 June 2011	28,6242
As at 31 December 2011	32,1961
As at 30 June 2012	32,8169
Average rate for six months ended 30 June 2012	30,6390

All financial information presented in RUB and USD has been rounded to the nearest thousand.

### **3 New Standards and Interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 June 2012, and have not been early adopted:

- IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009, effective for annual periods beginning on or after 1 January 2015, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial information;
- IFRS 10, Consolidated financial statements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013 with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial information;
- IFRS 11, Joint arrangements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted);
- IFRS 12, Disclosure of interests in other entities (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted);
- IFRS 13, Fair Value Measurement (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial information;
- Amendments to IAS 1, Presentation of financial statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012). The Group is currently assessing the impact of the amendments on its consolidated financial information;
- Amended IAS 19, Employee benefits (issued June 2011, effective for periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the amended standard on its consolidated financial information;

- IAS 27, Separate Financial Statements (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- IAS 28, Investments in Associates and Joint Ventures (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the amended standard on its consolidated financial information;
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The Group is currently assessing the impact of the amended standard on its consolidated financial information;
- Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards – Government loans (issued in March 2012 and effective for periods beginning on or after 1 January 2013);
- The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, Borrowing costs, retrospectively by first-time adopters.

#### **4 Strategic business units**

Management of the Group is currently in the process of establishing an IFRS reporting system. During the six months ended 30 June 2012, the chief operating decision maker did not regularly receive financial information for the Group's two strategic business units: passenger traffic and helicopter services.

Passenger traffic includes aircraft regular and charter flights, cargo services. The Group provides aircraft and cargo services on the internal and international airlines using aircraft of various types. The major part of these transportation services is represented by regular flights.

Helicopter services include installation works, forestry surveillance and aerial-chemical services, search and rescue works, urgent medical evacuation, aerial-visual works, monitoring of oil and gas pipelines, as well as passenger transportation services. The main helicopter service provided by the Group abroad is an air-transportation support of peacemaking missions of the UN in a number of countries.

Capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Unallocated items mainly comprise corporate assets, certain borrowings and receivables and tax balances.

Information regarding the results of each strategic business unit is included below.



(i) **Information about strategic business units**

'000 RUB	<b>Passenger traffic</b>		<b>Helicopter services</b>		<b>Total</b>	
	<b>Six months ended</b>	<b>Six months ended</b>	<b>Six months ended</b>	<b>Six months ended</b>	<b>Six months ended</b>	<b>Six months ended</b>
	<b>30 June 2012</b>	<b>30 June 2011</b>	<b>30 June 2012</b>	<b>30 June 2011</b>	<b>30 June 2012</b>	<b>30 June 2011</b>
External revenues	21,647,448	14,702,798	9,167,626	7,295,046	30,815,074	21,997,844
Inter-unit revenues	29,663	15,868	85,203	10,085	114,866	25,953
Interest income	21,901	491	242	2,095	22,143	2,586
Interest expense	(115,631)	(179,201)	(631,637)	(551,469)	(747,268)	(730,670)
Depreciation and amortisation	(480,066)	(287,643)	(1,981,644)	(1,219,308)	(2,461,710)	(1,506,951)
Share of loss of equity accounted investees	-	-	(55,201)	(31,097)	(55,201)	(31,097)
Profit before tax	(1,369,991)	(499,314)	3,000,317	1,461,548	1,630,327	962,234
Assets	29,485,986	21,882,964	54,050,582	23,417,028	83,536,568	45,299,992
Capital expenditure	215,026	601,644	2,133,386	765,374	2,348,412	1,367,018
Liabilities	(11,989,000)	(6,977,025)	(13,025,874)	(6,969,017)	(25,014,873)	(13,946,042)

'000 USD	<b>Passenger traffic</b>		<b>Helicopter services</b>		<b>Total</b>	
	<b>Six months ended</b>	<b>Six months ended</b>	<b>Six months ended</b>	<b>Six months ended</b>	<b>Six months ended</b>	<b>Six months ended</b>
	<b>30 June 2012</b>	<b>30 June 2011</b>	<b>30 June 2012</b>	<b>30 June 2011</b>	<b>30 June 2012</b>	<b>30 June 2011</b>
External revenues	706,532	513,649	299,214	254,856	1,005,747	768,505
Inter-unit revenues	968	554	2,781	352	3,749	906
Interest income	715	17	8	73	723	90
Interest expense	(3,774)	(6,260)	(20,615)	(19,266)	(24,389)	(25,526)
Depreciation and amortisation	(15,668)	(10,049)	(64,677)	(42,597)	(80,346)	(52,646)
Share of loss of equity accounted investees	-	-	(1,802)	(1,086)	(1,802)	(1,086)
Profit before tax	(44,714)	(17,444)	97,925	51,060	53,211	33,616
Assets	898,500	779,424	1,647,035	834,064	2,545,535	1,613,488
Capital expenditure	7,018	21,019	69,630	26,738	76,648	47,757
Liabilities	(365,330)	(248,507)	(396,926)	(248,221)	(762,256)	(496,728)

(ii) **Major customers and geographical areas**

Breakdown of revenue by types of customers and geographical areas is presented in note 21.

(iii) **Reconciliations of revenues, profit or loss, assets and liabilities and other material items**

	<b>Six months ended 30 June 2012 '000 RUB</b>	<b>Six months ended 30 June 2011 '000 RUB</b>	<b>Six months ended 30 June 2012 '000 USD</b>	<b>Six months ended 30 June 2011 '000 USD</b>
<b>Revenues</b>				
Total revenue for strategic business units	30,929,940	22,023,797	1,009,496	769,411
Other revenue	444,228	357,516	14,499	12,490
Elimination of inter-unit revenues	(114,866)	(25,953)	(3,749)	(906)
	<b>31,259,302</b>	<b>22,355,360</b>	<b>1,020,245</b>	<b>780,995</b>
<b>Profit before income tax</b>				
Total profit before tax for strategic business units	1,630,327	962,234	53,211	33,616
Other profit	40,881	95,690	1,334	3,343
Elimination of inter-unit profits	(5,470)	(1,236)	(179)	(43)
Unallocated amounts, including:	(1,229,802)	(299,317)	(40,138)	(10,457)
Depreciation and amortisation	(25,450)	(15,621)	(831)	(546)
Interest income	95,355	51,172	3,112	1,788
Interest expense	(1,471,383)	(1,072,208)	(48,023)	(37,458)
Net foreign exchange gain	121,419	741,495	3,963	25,904
Other	50,257	(4,155)	1,640	(145)
	<b>435,936</b>	<b>757,371</b>	<b>14,228</b>	<b>26,459</b>
<b>Assets</b>				
	<b>30 June 2012</b>	<b>31 December 2011</b>	<b>30 June 2012</b>	<b>31 December 2011</b>
Total assets for strategic business units	83,536,568	59,703,170	2,545,535	1,854,360
Other investments	30,309	22,946	924	713
Loans issued	1,171,093	75,980	35,686	2,360
Cash placed in trust management	3,813,867	828,325	116,217	25,727
Receivables for operations with securities	351	94,887	11	2,947
Other assets	4,762,398	10,773,132	145,120	334,610
Other unallocated amounts	1,717,493	3,073,908	52,336	95,475
	<b>95,032,079</b>	<b>74,572,348</b>	<b>2,895,827</b>	<b>2,316,192</b>
<b>Liabilities</b>				
Total liabilities for strategic business units	(25,014,873)	(24,389,833)	(762,256)	(757,540)
Other unallocated amounts (mainly loans and borrowings)	(48,842,358)	(29,202,547)	(1,488,329)	(907,021)
	<b>(73,857,231)</b>	<b>(53,592,380)</b>	<b>(2,250,585)</b>	<b>(1,664,561)</b>

(iv) *Other material items for six months 2012*

	Strategic business units totals <b>'000 RUB</b>	Adjustments <b>'000 RUB</b>	Consolidated totals <b>'000 RUB</b>	Strategic business units totals <b>'000 USD</b>	Adjustments <b>'000 USD</b>	Consolidated totals <b>'000 USD</b>
Interest income	22,143	95,354	117,497	723	3,112	3,835
Interest expense	(747,268)	(1,471,383)	(2,218,651)	(24,389)	(48,023)	(72,413)
Capital expenditure	2,348,412	116,901	2,465,313	76,648	3,815	80,463
Depreciation and amortisation	(2,461,710)	(25,450)	(2,487,160)	(80,346)	(831)	(81,176)

(v) *Other material items for six months 2011*

	Strategic business units totals <b>'000 RUB</b>	Adjustments <b>'000 RUB</b>	Consolidated totals <b>'000 RUB</b>	Strategic business units totals <b>'000 USD</b>	Adjustments <b>'000 USD</b>	Consolidated totals <b>'000 USD</b>
Interest income	2,586	51,172	53,758	90	1,788	1,878
Interest expense	(730,670)	(1,072,208)	(1,802,878)	(25,526)	(37,458)	(62,984)
Capital expenditure	1,367,018	426,962	1,793,980	47,757	14,917	62,674
Depreciation and amortisation	(1,506,951)	(15,621)	(1,522,572)	(52,646)	(546)	(53,192)

## 5 Property, plant and equipment

<b>'000 RUB</b>	<b>Land and buildings</b>	<b>Rotables, aircraft, helicopter and engines</b>	<b>Other</b>	<b>Construction in progress</b>	<b>Total</b>
<i>Cost</i>					
Balance at 1 January 2011	5,619,037	26,997,011	1,923,274	567,101	35,106,423
Acquisition through business combinations	126,234	505,083	38,295	4,727	674,339
Additions	228,814	5,287,068	478,711	(177,289)	5,817,304
Disposals	(40,223)	(2,688,598)	(132,807)	(14,894)	(2,876,522)
Revaluation	1,065,279	20,456,050	-	-	21,521,329
Effect of movements in exchange rates	832	261,974	3,483	65	266,354
Balance at 31 December 2011	<b>6,999,973</b>	<b>50,818,588</b>	<b>2,310,956</b>	<b>379,710</b>	<b>60,509,227</b>
<i>Depreciation and impairment losses</i>					
Balance at 1 January 2011	(781,808)	(5,218,947)	(1,149,065)	-	(7,149,820)
Depreciation for the year	(215,327)	(2,842,111)	(181,937)	-	(3,239,375)
Disposals	3,209	919,060	105,347	-	1,027,616
Revaluation	80,566	(3,798,972)	-	-	(3,718,406)
Effect of movements in exchange rates	(75)	(47,193)	(1,115)	-	(48,383)
Balance at 31 December 2011	<b>(913,435)</b>	<b>(10,988,163)</b>	<b>(1,226,770)</b>	<b>-</b>	<b>(13,128,368)</b>

<b>'000 RUB</b>	<b>Land and buildings</b>	<b>Rotables, aircraft, helicopter and engines</b>	<b>Other</b>	<b>Construction in progress</b>	<b>Total</b>
<i>Cost</i>					
Balance at 1 January 2012	6,999,973	50,818,588	2,310,956	379,710	60,509,227
Additions	209,537	2,093,888	730,484	(73,188)	2,960,722
Disposals	(21,366)	(268,847)	(77,796)	(884)	(368,893)
Effect of movements in exchange rates	3,294	79,764	28,034	(9)	111,083
Balance at 30 June 2012	<b>7,191,438</b>	<b>52,723,393</b>	<b>2,991,679</b>	<b>305,630</b>	<b>63,212,139</b>
<i>Depreciation and impairment losses</i>					
Balance at 1 January 2012	(913,435)	(10,988,163)	(1,226,770)	-	(13,128,368)
Depreciation for the six months	(173,393)	(2,130,292)	(127,039)	-	(2,430,725)
Disposals	6,506	154,100	65,005	-	225,611
Effect of movements in exchange rates	(2,907)	(28,842)	(15,449)	-	(47,199)
Balance at 30 June 2012	<b>(1,083,230)</b>	<b>(12,993,198)</b>	<b>(1,304,254)</b>	<b>-</b>	<b>(15,380,681)</b>
<i>Carrying amounts</i>					
At 1 January 2011	<b>4,837,229</b>	<b>21,778,064</b>	<b>774,209</b>	<b>567,101</b>	<b>27,956,603</b>
At 31 December 2011	<b>6,086,538</b>	<b>39,830,425</b>	<b>1,084,186</b>	<b>379,710</b>	<b>47,380,859</b>
At 30 June 2012	<b>6,108,209</b>	<b>39,730,195</b>	<b>1,687,425</b>	<b>305,630</b>	<b>47,831,458</b>

<b>'000 USD</b>	<b>Land and buildings</b>	<b>Rotables, aircraft, helicopter and engines</b>	<b>Other</b>	<b>Construction in progress</b>	<b>Total</b>
<i>Cost</i>					
Balance at 1 January 2011	184,370	885,819	63,106	18,608	1,151,903
Acquisition through business combinations	4,296	17,187	1,303	217	23,003
Additions	7,786	179,909	16,290	(6,033)	197,952
Disposals	(1,369)	(91,488)	(4,519)	(507)	(97,883)
Revaluation	36,250	696,082	-	-	732,332
Effect of movements in exchange rates	(13,916)	(109,101)	(4,402)	(492)	(127,911)
Balance at 31 December 2011	<b>217,417</b>	<b>1,578,408</b>	<b>71,778</b>	<b>11,793</b>	<b>1,879,396</b>
<i>Depreciation and impairment losses</i>					
Balance at 1 January 2011	(25,652)	(171,243)	(37,703)	-	(234,598)
Depreciation for the year	(7,327)	(96,712)	(6,191)	-	(110,230)
Disposals	109	31,274	3,585	-	34,968
Effect of movements in exchange rates	4,499	(104,608)	2,206	-	(97,903)
Balance at 31 December 2011	<b>(28,371)</b>	<b>(341,289)</b>	<b>(38,103)</b>	<b>-</b>	<b>(407,763)</b>
<i>Cost</i>					
Balance at 1 January 2012	217,417	1,578,408	71,778	11,793	1,879,396
Additions	6,839	68,341	23,842	(2,389)	96,632
Disposals	(697)	(8,775)	(2,539)	(29)	(12,040)
Effect of movements in exchange rates	(4,420)	(29,867)	(1,917)	(63)	(36,267)
Balance at 30 June 2012	<b>219,138</b>	<b>1,606,593</b>	<b>91,163</b>	<b>9,313</b>	<b>1,926,207</b>
<i>Depreciation and impairment losses</i>					
Balance at 1 January 2012	(28,371)	(341,289)	(38,103)	-	(407,763)

<b>'000 USD</b>	<b>Land and buildings</b>	<b>Rotables, aircraft, helicopter and engines</b>	<b>Other</b>	<b>Construction in progress</b>	<b>Total</b>
Depreciation for the six months	(5,659)	(69,529)	(4,146)	-	(79,334)
Disposals	212	5,030	2,122	-	7,364
Effect of movements in exchange rates	810	9,858	384	-	11,052
Balance at 30 June 2012	<b>(33,008)</b>	<b>(395,930)</b>	<b>(39,743)</b>	-	<b>(468,682)</b>

*Carrying amounts*

At 1 January 2011	<b>158,718</b>	<b>714,576</b>	<b>25,403</b>	<b>18,608</b>	<b>917,305</b>
At 31 December 2011	<b>189,046</b>	<b>1,237,119</b>	<b>33,675</b>	<b>11,793</b>	<b>1,471,633</b>
At 30 June 2012	<b>186,130</b>	<b>1,210,663</b>	<b>51,419</b>	<b>9,313</b>	<b>1,457,525</b>

As at 30 June 2012 the cost of fully depreciated property, plant and equipment was RUB 860,602 thousand/USD 26,224 thousand (31 December 2011: RUB 678,111 thousand/USD 21,062 thousand).

Expenses capitalised in property, plant and equipment, which consist of overhaul costs, for six months ended 30 June 2012 amounted to RUB 392,990 thousand/USD 11,975 thousand (31 December 2011: RUB 933,582 thousand/USD 28,997 thousand).

**(a) Security**

At 30 June 2012 properties with a carrying amount of RUB 11,587,516 thousand/USD 353,096 thousand (2011: RUB 4,127,014 thousand/USD 128,184 thousand) are pledged to secure bank loans (see note 15).

**(b) Operating leases**

The Group has entered into operating lease contracts for a number of fixed assets: buildings, installations and aircraft (frames and engines). These leases have an average life of 1 to 7 years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Operating lease obligations are disclosed in note 27.

**(c) Finance leases**

In 2008-2010 the Group entered into aircraft lease agreements under which it has a bargain option to acquire the leased assets at the end of lease term of 5 to 8 years. The estimated average remaining useful life of leased assets varies from 34 to 38 years. As at 30 June 2012 the carrying value of the aircraft used by the Group under finance leases was RUB 10,862,396 thousand/USD 331,000 thousand (2011: RUB 11,068,461 thousand/USD 343,783 thousand). Finance lease obligations are disclosed in note 8.

## 6 Other investments

Investments held for trading comprise equity instruments that are mainly listed on the MICEX RTS. The fair value of these investments was determined by reference to their quoted market prices.

	<b>30 June 2012</b>	<b>31 December</b>	<b>30 June 2012</b>	<b>31 December</b>
	<b>'000 RUB</b>	<b>2011</b>	<b>'000 USD</b>	<b>2011</b>
		<b>'000 RUB</b>		<b>'000 USD</b>
<b>Long-term</b>				
Available-for-sale investments	67,262	73,211	2,050	2,274
	<b>67,262</b>	<b>73,211</b>	<b>2,050</b>	<b>2,274</b>
<b>Short-term</b>				
Investments held for trading (classified as at fair value through profit or loss)	1,103,831	-	33,636	-
Available-for-sale investments		2,769		86
	<b>1,103,831</b>	<b>2,769</b>	<b>33,636</b>	<b>86</b>

## 7 Loans issued

As at 30 June 2012 long-term loans include unsecured loans denominated in USD amounting to RUB 94,160 thousand/USD 2,869 thousand (2011: RUB 83,387 thousand/USD 2,590 thousand), which bear interest rate of 0% per annum (2011: 0% per annum) and mature before 23 June 2013, and unsecured loans denominated in RUB amounting to RUB 1,500,000 thousand/USD 45,708 thousand, which bear interest rate of 10% per annum and mature before 29 October 2013.

As at 30 June 2012 unsecured short-term loans amounting to RUB 2,219,707 thousand/USD 67,639 thousand (2011: RUB 735,591 thousand/USD 22,847 thousand) are denominated in RUB, bear interest rate of 6% to 10% per annum (2011: 6% to 10% per annum) and mature before 31 December 2011.

## 8 Net investment in finance leases

The net investment in finance leases, resulting from the long-term finance lease agreements entered into by the Group as a lessor through a subsidiary, comprise the following:

	<b>30 June 2012</b>	<b>31 December</b>	<b>30 June 2012</b>	<b>31 December</b>
	<b>'000 RUB</b>	<b>2011</b>	<b>'000 USD</b>	<b>2011</b>
		<b>'000 RUB</b>		<b>'000 USD</b>
Gross investments in leases	893,116	606,777	27,215	18,846
Less: unearned finance lease income	(210,299)	(147,015)	(6,408)	(4,566)
<b>Net investment in finance leases</b>	<b>682,817</b>	<b>459,762</b>	<b>20,807</b>	<b>14,280</b>

Rate of return under the lease agreements varies from 15% to 21% per annum (2011: 15% to 21% per annum) depending on the total amount and duration of the contract as well as other terms. The amounts receivable under lease agreements are secured by the leased assets.

Lease payments are payable in RUB. The maturity structure of the net and gross investment in finance leases is as follows:

'000 RUB	30 June 2012		31 December 2011	
	Gross	Net	Gross	Net
	investment	investment	investment	investment
Less than 1 year	325,642	215,117	218,801	131,933
1 to 5 years	567,473	467,700	387,976	327,829
<b>Total</b>	<b>893,116</b>	<b>682,817</b>	<b>606,777</b>	<b>459,762</b>

'000 USD	30 June 2012		31 December 2011	
	Gross	Net	Gross	Net
	investment	investment	investment	investment
Less than 1 year	9,923	6,555	6,796	4,098
1 to 5 years	17,292	14,252	12,050	10,182
<b>Total</b>	<b>27,215</b>	<b>20,807</b>	<b>18,846</b>	<b>14,280</b>

## 9 Trade and other receivables

	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	'000 RUB	'000 RUB	'000 USD	'000 USD
Sales-leaseback transaction	8,524,101	8,713,799	259,747	270,648
Trade receivables	6,715,622	5,370,427	204,639	166,804
Receivables from related parties (see note 29)	1,114,150	1,027,062	33,950	31,900
Other taxes receivable	1,052,499	869,453	32,072	27,005
Receivables for operations with securities	174	94,887	5	2,947
VAT recoverable	231,667	52,060	7,059	1,617
Deferred expenses	229,480	65,239	65,239	2,026
Other accounts receivable	1,017,239	437,311	30,997	13,582
Less:				
Provision for impairment of trade receivables	(69,323)	(60,083)	(2,112)	(1,866)
Provision for impairment of other receivables	(30,087)	(20,491)	(917)	(636)
	<b>18,785,522</b>	<b>16,549,664</b>	<b>572,434</b>	<b>514,027</b>

The total amount of current trade and other receivables includes revenue from passenger transportation in the amount of RUB 1,648,051 thousand/USD 50,220 thousand (2011: RUB 405,307 thousand/USD 12,589 thousand) which remains as at 30 June 2011 at transportation sales agent cash desks. This amount of revenue is subject to transfer to the Group's bank account in early July.

## 10 Deferred tax assets and liabilities

### (a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

'000 RUB	Assets		Liabilities		Net	
	2012_1	2011	2012_1	2011	2012_1	2011
Property, plant and equipment	6,860	6,729	(6,280,850)	(6,126,714)	(6,273,991)	(6,119,985)
Intangible assets	3,165	3,003	(75,201)	(76,856)	(72,036)	(73,853)
Investments	36,161	25,197	(7,134)	(7,134)	29,027	18,063
Inventories	130,479	141,560	(850)	(591)	129,629	140,969
Trade and other receivables	303,567	58,252	(3,059)	(19,786)	300,509	38,466
Advance received and deferred income	154,211	154,884	(58,183)	(43,177)	96,028	111,707
Trade and other payables	79,086	110,223	(127,075)	(6,985)	(47,989)	103,238
Tax loss carry-forwards	159,095	169,252	-	-	159,095	169,252
Other differences	24,691	21,679	(20,717)	(10,678)	3,974	11,001
Tax assets/(liabilities)	897,313	690,779	(6,573,067)	(6,291,921)	(5,675,754)	(5,601,142)
Set off of tax	(840,856)	(642,276)	840,856	642,276	-	-
<b>Net tax assets/(liabilities)</b>	<b>56,457</b>	<b>48,503</b>	<b>(5,732,213)</b>	<b>(5,649,645)</b>	<b>(5,675,754)</b>	<b>(5,601,142)</b>

'000 USD	Assets		Liabilities		Net	
	2012_1	2011	2012_1	2011	2012_1	2011
Property, plant and equipment	209	209	(191,391)	(190,294)	(191,182)	(190,085)
Intangible assets	96	93	(2,292)	(2,387)	(2,195)	(2,294)
Investments	1,102	783	(217)	(222)	885	561
Inventories	3,976	4,397	(26)	(18)	3,950	4,379
					9,157	1,194
Trade and other receivables	9,250	1,809	(93)	(615)		
Advance received and deferred income	4,699	4,811	(1,773)	(1,341)	2,926	3,470
Trade and other payables	2,410	3,423	(3,872)	(217)	(1,462)	3,206
Tax loss carry-forwards	4,848	5,257	-	-	4,848	5,257
Other differences	752	673	(631)	(331)	121	342
Tax assets/(liabilities)	27,343	21,455	(200,295)	(195,425)	(172,952)	(173,970)
Set off of tax	(25,623)	(19,949)	25,623	19,949	-	-
<b>Net tax assets/(liabilities)</b>	<b>1,720</b>	<b>1,506</b>	<b>(174,673)</b>	<b>(175,476)</b>	<b>(172,952)</b>	<b>(173,970)</b>



**(b) Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items:

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Tax losses	414,558	279,782	12,632	8,690
	<b>414,558</b>	<b>279,782</b>	<b>12,632</b>	<b>8,690</b>

The tax losses expire in 2018. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

**(c) Unrecognised deferred tax liability**

A deferred tax liability for temporary differences related to investments in subsidiaries has not been recognised as the Group controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

**(d) Movement in temporary differences during the year**

<b>'000 RUB</b>	<b>1 January 2012</b>	<b>Recognised in profit or loss</b>	<b>Recognised in other comprehen- sive income</b>	<b>Foreign currency translation reserve</b>	<b>Disposed of</b>	<b>30 June 2012</b>
Property, plant and equipment	(6,119,985)	(151,477)	-	(2,529)	-	(6,273,991)
Intangible assets	(73,853)	3,335	-	(1,518)	-	(72,036)
Investments	18,063	10,964	-	-	-	29,027
Inventories	140,969	(11,340)	-	-	-	129,629
Trade and other receivables	38,466	262,043	-	-	-	300,509
Advance received and deferred income	111,707	(15,679)	-	-	-	96,028
Trade and other payables	103,238	(151,227)	-	-	-	(47,989)
Other items	11,001	(7,027)	-	-	-	3,974
Tax loss carry-forwards	169,252	(10,158)	-	-	-	159,095
	<b>(5,601,142)</b>	<b>(70,567)</b>	<b>-</b>	<b>(4,047)</b>	<b>-</b>	<b>(5,675,754)</b>

<b>'000 RUB</b>	<b>1 January 2011</b>	<b>Recognised in profit or loss</b>	<b>Recognised in other comprehen- sive income</b>	<b>Foreign currency translation reserve</b>	<b>Disposed of</b>	<b>31 December 2011</b>
Property, plant and equipment	(2,425,855)	38,674	(3,620,968)	(3,096)	(108,740)	(6,119,985)
Intangible assets	(75,174)	5,051	-	(3,730)	-	(73,853)
Investments	-	18,063	-	-	-	18,063
Inventories	13,760	127,209	-	-	-	140,969
Trade and other receivables	86,073	(47,607)	-	-	-	38,466

'000 RUB	1 January 2011	Recognised in profit or loss	Recognised in other comprehen- sive income	Foreign currency translation reserve	Disposed of	31 December 2011
Advance received and deferred income	167,437	(55,730)	-	-	-	111,707
Trade and other payables	343,851	(240,613)	-	-	-	103,238
Other items	29,734	(18,733)	-	-	-	11,001
Tax loss carry-forwards	145,980	23,272	-	-	-	169,252
	<b>(1,714,194)</b>	<b>(150,414)</b>	<b>(3,620,968)</b>	<b>(6,826)</b>	<b>(108,740)</b>	<b>(5,601,142)</b>

'000 USD	1 January 2012	Recognised in profit or loss	Recognised in other comprehen- sive income	Foreign currency translation reserve	Disposed of	30 June 2012
Property, plant and equipment	(190,085)	(4,944)	-	3,847	-	(191,182)
Intangible assets	(2,294)	109	-	(10)	-	(2,195)
Investments	561	358	-	(34)	-	885
Inventories	4,379	(370)	-	(58)	-	3,950
Trade and other receivables	1,195	8,553	-	(590)	-	9,157
Advance received and deferred income	3,470	(512)	-	(32)	-	2,926
Trade and other payables	3,206	(4,936)	-	267	-	(1,462)
Other items	342	(229)	-	9	-	121
Tax loss carry-forwards	5,257	(332)	-	(77)	-	4,848
	<b>(173,970)</b>	<b>(2,303)</b>	<b>-</b>	<b>3,321</b>	<b>-</b>	<b>(172,952)</b>

'000 USD	1 January 2011	Recognised in profit or loss	Recognised in other comprehen- sive income	Foreign currency translation reserve	Disposed of	31 December 2011
Property, plant and equipment	(79,596)	1,315	(123,215)	15,111	(3,700)	(190,085)
Intangible assets	(2,466)	172	-	-	-	(2,294)
Investments	-	615	-	(54)	-	561
Inventories	451	4,330	-	(402)	-	4,379
Trade and other receivables	2,824	(1,621)	-	(9)	-	1,194
Advance received and deferred income	5,494	(1,896)	-	(128)	-	3,470
Trade and other payables	11,282	(8,189)	-	113	-	3,206
Other items	976	(636)	-	2	-	342
Tax loss carry-forwards	4,790	792	-	(325)	-	5,257
	<b>(56,245)</b>	<b>(5,118)</b>	<b>(123,215)</b>	<b>14,308</b>	<b>(3,700)</b>	<b>(173,970)</b>

## 11 Inventories

	30 June 2012 '000 RUB	31 December 2011 '000 RUB	30 June 2012 '000 USD	31 December 2011 '000 USD
Spare parts	1,926,317	1,626,600	58,699	50,522
Fuel	729,650	663,531	22,234	20,609
Work in progress	36,558	58,933	1,114	1,830
Finished goods and goods for resale	12,983	1,236	396	38
Other inventories	609,911	506,893	18,585	15,745
Allowance for impairment	(299,439)	(301,504)	(9,125)	(9,365)
	<b>3,015,980</b>	<b>2,555,689</b>	<b>91,903</b>	<b>79,379</b>

## 12 Security deposits

As at 30 June 2012 security deposits in the amount of RUB 9,975,744 thousand/USD 303,982 (2011: RUB 1,202,702 thousand/USD 37,356 thousand) are under operating lease agreements, carry interest rate of 6% per annum (2011: 6% per annum), denominated in USD, and part of them in amount of RUB 5,742,209 thousand/USD 175,282 is to be returned by a lessor within half a year of the balance sheet date, another part in amount of RUB 4,223,535 thousand/USD 128,700 is to be returned by a lessor at the end of 2019.

### 13 Cash and cash equivalents

	30 June 2012 '000 RUB	31 December 2011 '000 RUB	30 June 2012 '000 USD	31 December 2011 '000 USD
Ruble denominated cash on hand and balances with banks	526,087	371,400	16,031	11,536
Foreign currency denominated balances with banks	1,257,896	324,244	38,331	10,071
Other	29,972	22,583	913	701
Cash and cash equivalents in the consolidated statement of cash flows and consolidated statement of financial position	<b>1,813,954</b>	<b>718,227</b>	<b>55,275</b>	<b>22,308</b>

### 14 Assets classified as held for sale

	30 June 2012 '000 RUB	31 December 2011 'RUB	30 June 2012 '000 USD	31 December 2011 '000 USD
As at 1 January	156,256	252,232	4,853	8,276
Additions	21,112	46,732	643	1,182
Disposals	-	(130,708)	-	(4,448)
Effect of movements in exchange rates	-	-	(92)	(157)
<b>As at 30 June</b>	<b>177,368</b>	<b>156,256</b>	<b>5,405</b>	<b>4,853</b>

As at 30 June 2012 and 31 December 2011 assets classified as held for sale mainly comprise real estate.

### 15 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	30 June 2012 '000 RUR	31 December 2011 '000 RUR	30 June 2012 '000 USD	31 December 2011 '000 USD
<b><i>Non-current liabilities</i></b>				
Unsecured bonds issued	14,559,628	8,568,529	443,663	266,136
Unsecured promissory notes issued	2,354,100	6,723,152	71,734	208,819
Finance lease liabilities	4,022,981	4,602,662	122,589	142,957
Secured bank loans	4,914,806	4,324,059	149,764	134,304
Unsecured bank loans	492,320	1,143,798	15,002	35,525
	<b>26,343,834</b>	<b>25,362,200</b>	<b>802,752</b>	<b>787,741</b>
<b><i>Current liabilities</i></b>				
Current portion of secured bank loans	8,792,707	4,072,350	267,932	126,486
Unsecured promissory notes issued	10,570,134	1,633,758	322,094	50,744
Current portion of finance lease liabilities	1,557,812	1,460,064	47,470	45,349
Liabilities under REPO transactions	-	356,713	-	11,079
Unsecured bank overdraft	91,852	351,591	2,799	10,920

	<b>30 June 2012</b>	<b>31 December 2011</b>	<b>30 June 2012</b>	<b>31 December 2011</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Unsecured bank loans	5,680,588	310,296	173,099	9,638
Unsecured bonds issued	114,245	37,755	3,481	1,173
	<b>26,807,338</b>	<b>8,222,527</b>	<b>816,875</b>	<b>255,389</b>

**(a) Terms and debt repayment schedule**

Terms and conditions of the outstanding loans were as follows:

<b>'000 RUB</b>	<b>Cur- rency</b>	<b>Nominal interest rate</b>	<b>Effective interest rate</b>	<b>Year of maturity</b>	<b>Carrying amount</b>	
					<b>30 June 2012</b>	<b>31 December 2011</b>
Unsecured bonds issued	RUB	8,71-12,5%	10,11%	2013	14,614,245	8,454,256
Unsecured promissory notes	USD	5,5%	5,5%	2012-2013	6,728,562	6,439,220
Finance lease liabilities	USD	6 -45,88%	24,08%	2013-2016	5,580,793	6,062,726
Secured bank loans	USD	3,9-11,5%	6.12%	2012-2015	4,539,313	4,043,855
Secured bank loans	RUB	9,5-11,21%	9.79%	2013-2017	8,164,801	2,955,549
Unsecured promissory notes	RUB	9-13,3%	11,25%	2012-2013	6,195,672	1,917,690
Unsecured bank loans	USD	4,5-10%	5,93%	2012-2013	6,111,864	1,402,507
Secured bank loans	EUR	EURIBOR +4.35%	5,31%	2013	634,616	859,074
Secured bank loans	USD	LIBOR+ 1.6-2.5%	2.07%	2013	366,073	537,931
Liabilities under REPO transactions	RUB	-	-	-	-	356,713
Unsecured bank overdraft	USD	4-5,5%	5,4%	2013	51,542	294,011
Secured bank loans	EUR	8%	8%	2013	2,710	-
Unsecured bonds issued	USD	10%	10%	2013	59,628	152,028
Unsecured bank overdraft	EUR	5,5%	5,5%	2013	40,310	57,580
Unsecured bank loans	RUB	1-10,15%	8,31%	2012	61,044	51,587
					<b>53,151,172</b>	<b>33,584,727</b>

'000 USD	Cur- rency	Nominal interest rate	Effective interest rate	Year of maturity	Carrying amount	
					30 June 2012	31 December 2011
Unsecured bonds issued	RUB	8,71-12,5%	10,11%	2013	445,327	262,586
Unsecured promissory notes	USD	5,5%	5,5%	2012-2013	205,033	200,000
Finance lease liabilities	USD	6 -45,88%	24,08%	2013-2016	170,058	188,306
Secured bank loans	USD	3,9-11,5%	6,12%	2012-2015	138,322	125,601
Secured bank loans	RUB	8,9-15%	10,56%	2012-2015	248,799	91,798
Unsecured promissory notes	RUB	9-13,3%	11,25%	2012-2013	188,795	59,563
Unsecured bank loans	USD	4,5-10%	5,93%	2012-2013	186,241	43,561
Secured bank loans	EUR	EURIBOR +4.35%	5,31%	2013	19,338	26,683
Secured bank loans	USD	LIBOR+ 1.6-2.5%	2.07%	2013	11,155	16,708
Liabilities under REPO transactions	RUB	-	-	-	-	11,079
Unsecured bank overdraft	USD	3,75-5,5%	4,08%	2012	1,571	9,133
Secured bank loans	EUR	8%	8%	2013	83	-
Unsecured bonds issued	USD	10%	10%	2013	1,817	4,722
Unsecured bank overdraft	EUR	5,5%	5,5%	2013	1,228	1,788
Unsecured bank loans	RUB	1-10,15%	8,31%	2012	1,806	1,602
					<b>1,619,627</b>	<b>1,043,130</b>

As at 30 June 2012 finance lease liabilities include liabilities of RUB 718,648 thousand/ USD 21,899 thousand (2011: RUB 775,617 thousand/USD 24,090 thousand) under lease agreements with a floating interest rate, set at LIBOR + 4% per annum.

Bank loans are secured by property, plant and equipment with a carrying amount of RUB 11,587,516 thousand/USD 353,096 thousand (2011: RUB 4,127,014 thousand/USD 128,184 thousand).

Finance lease liabilities are secured by the leased assets, see note 5.

As at the 30 June 2012 unutilised credit lines amounted to RUB 4,903,110 thousand/ USD 149,408 thousand nominated in RUB, RUB 8,411,617 thousand/USD 256,320 nominated in USD and RUB 40,233 thousand/USD 1,226 thousand nominated in EUR (2011: RUB 13,002,882 thousand/USD 403,865 nominated in RUB, RUB 12,893,884 thousand/USD 400,480 thousand nominated in USD and RUB 5,157 thousand / USD 160 thousand nominated in EUR).

**(b) Finance lease liabilities are payable as follows:**

As at 30 June 2012 the Group has entered into finance lease agreements under which 30 aircraft have been received (see note 5) with a bargain option to acquire the leased assets at the end of lease term of 5 to 8 years. The minimum future lease payments under the agreements as well as the present value of the minimum lease payments are presented in the following table:

	30 June 2012			31 December 2011		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
<b>'000 RUB</b>						
Less than one year	2,488,408	930,595	1,557,812	2,453,901	993,837	1,460,064
Between one and five years	5,242,071	1,219,089	4,022,981	6,333,905	1,731,243	4,602,662
More than five years	-	-	-	-	-	-
	<b>7,730,478</b>	<b>2,149,685</b>	<b>5,580,794</b>	<b>8,787,806</b>	<b>2,725,080</b>	<b>6,062,726</b>

	30 June 2012			31 December 2011		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
<b>'000 USD</b>						
Less than one year	81,217	30,373	50,844	76,217	30,868	45,349
Between one and five years	171,091	39,789	131,303	196,729	53,772	142,957
More than five years	-	-	-	-	-	-
	<b>252,308</b>	<b>70,162</b>	<b>182,147</b>	<b>272,946</b>	<b>84,640</b>	<b>188,306</b>

## 16 Derivatives

In 2008 the Group concluded agreements, valid until 2012-2014, on hedging of financial risks relating to volatility of interest rates, stipulated in non-renewable credit line contracts and in aircraft operating and finance lease contracts. In accordance with the agreements, the hedged items are floating rates LIBOR USD 1m, LIBOR USD 3m and LIBOR USD 6m; the type of derivative used is interest rate swap.

Although management believes that the effectiveness of the hedge can be reliably measured and the hedge is expected to be highly effective, the hedging relationships do not qualify for hedge accounting since at the inception of the hedge a full set of formal documentation, containing appropriately defined components of hedging relationships, had not been prepared.

The fair value of hedge liabilities was determined by discounting the future cash flows to be received or paid as a result of hedge agreements. The calculation of the fair value was based on the following key assumptions:

- Cash flows for six months ended 30 June 2012 and for 2011 were projected based on the amounts and dates of transactions, stipulated in the hedge agreements, and the anticipated LIBOR rates for the period of hedge agreements validity as provided by Reuters (2012: LIBOR USD 1m – 0.241-0.509% and LIBOR USD 3m 0.468-0.513; 2011: LIBOR USD 1m – 0.276% to 0.744%, LIBOR USD 3m – 0.571% to 0.709% and LIBOR USD 6m – 0.719% to 0.747%).

- A discount rate of 11.32% (2011: 11.32%) was applied in determining the fair value of hedge liabilities. The discount rate was estimated based on the market interest rate.

The values assigned to the key assumptions are based mainly on external sources of information. The determination of the fair value is sensitive to changes in anticipated LIBOR rates.

Changes in the fair value of hedge liabilities are accounted for in profit or loss as other finance costs.

## 17 Trade and other payables

	<b>30 June 2012</b>	<b>31 December 2011</b>	<b>30 June 2012</b>	<b>31 December 2011</b>
	<b>'000 RUR</b>	<b>'000 RUR</b>	<b>'000 USD</b>	<b>'000 USD</b>
<i>Non-current</i>				
Frequent flyer programme liabilities (see note 18 (a))	84,224	80,723	2,566	2,507
Trade payables	439,649	629,076	13,397	19,539
Other account payables	72,919	687	2,222	21
	<b>596,792</b>	<b>710,486</b>	<b>18,186</b>	<b>22,067</b>
<i>Current</i>				
Trade payables	3,544,858	6,510,874	108,019	202,226
Unused vacation accrual	1,266,403	1,304,836	38,590	40,528
Accrued payroll	826,258	725,685	25,178	22,539
Payables to related parties (see note 29)	418,460	377,407	12,751	11,722
Accrued liabilities and other payables	371,686	194,585	11,326	6,044
Frequent flyer programme liabilities (see note 18 (a))	71,406	52,227	2,176	1,622
Dividends payable	22,439	17,657	684	548
	<b>6,521,509</b>	<b>9,183,271</b>	<b>198,724</b>	<b>285,229</b>

## 18 Deferred income

### (a) Incentive programme liabilities

Liabilities related to the frequent flyer programme “Status” have been assessed in accordance with the requirements of IFRIC 13 *Customer Loyalty Programmes*. The amount of deferred income comprises the quantity of bonus miles earned by passengers but unused assessed at fair value, taking into consideration probability of their usage on flights of the Group

As at 30 June 2012 deferred income and other liabilities related to the frequent flyer programme “Status” included the following:



	<b>30 June 2012</b> <b>'000 RUR</b>	<b>31 December</b> <b>2011</b> <b>'000 RUR</b>	<b>30 June 2012</b> <b>'000 USD</b>	<b>31 December</b> <b>2011</b> <b>'000 USD</b>
Deferred income, non-current	370,559	333,611	11,292	10,362
Deferred income, current	238,852	231,809	7,278	7,200
Other non-current liabilities (see note 17)	84,224	80,723	2,566	2,507
Other current liabilities (see note 17)	71,406	52,227	2,176	1,622
	<b>765,041</b>	<b>698,370</b>	<b>23,312</b>	<b>21,691</b>

**(b) Deferred income on sale and finance leaseback**

In 2010 the Group sold a number of Mi-171 helicopters (previously classified as non-current assets held for sale, see note 14) and leased them back under finance lease agreements. In accordance with IAS 17 *Leases*, the amount of the gain realised on the sale was recognised as deferred income to be released to profit or loss over the lease term.

As at 30 June 2012 deferred income related to the sale and finance leaseback comprised:

	<b>30 June 2012</b> <b>'000 RUR</b>	<b>31 December</b> <b>2011</b> <b>'000 RUR</b>	<b>30 June 2012</b> <b>'000 USD</b>	<b>31 December</b> <b>2011</b> <b>'000 USD</b>
Deferred income, non-current	113,690	163,033	3,464	5,064
Deferred income, current	49,343	49,343	1,504	1,532
	<b>163,033</b>	<b>212,376</b>	<b>4,968</b>	<b>6,596</b>

**19 Taxes payable**

	<b>30 June 2012</b> <b>'000 RUR</b>	<b>31 December</b> <b>2011</b> <b>'000 RUR</b>	<b>30 June 2012</b> <b>'000 USD</b>	<b>31 December</b> <b>2011</b> <b>'000 USD</b>
Value added tax payable	1,392,239	1,166,648	42,424	36,236
Social insurance charges	181,758	92,111	5,539	2,861
Personal income tax	90,399	75,514	2,755	2,345
Property tax	44,147	43,335	1,345	1,346
Contributions to pension fund	2,998	1,532	91	48
Other taxes and tax provisions	34,750	18,328	1,059	569
	<b>1,746,291</b>	<b>1,397,468</b>	<b>53,213</b>	<b>43,405</b>

## 20 Advances received

	<b>30 June 2012</b>	<b>31 December 2011</b>	<b>30 June 2012</b>	<b>31 December 2011</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Advances from passengers	4,450,867	1,261,231	135,627	39,173
Advances from customers	353,172	436,063	10,762	13,545
Advances from related parties (see note 29)	5,855	2,903	178	90
	<b>4,809,894</b>	<b>1,700,197</b>	<b>146,568</b>	<b>52,808</b>

Advances from customers comprised amounts received for transportation services which will be rendered later. Advances from passengers comprised the tickets sold but not yet flown and the amounts to be paid to other airlines for future joint flights.

## 21 Revenue

	<b>Six months ended 30 June 2012</b>	<b>Six months ended 30 June 2011</b>	<b>Six months ended 30 June 2012</b>	<b>Six months ended 30 June 2011</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Aircraft transportation services, regular	17,682,040	12,189,701	577,109	425,853
Helicopters transportation services, abroad	4,935,211	4,698,798	161,076	164,155
Aircraft transportation services, charter	3,660,562	1,941,695	119,474	67,834
Helicopters transportation services, inland	3,527,248	2,130,954	115,123	74,446
Repair and maintenance services	435,113	339,479	14,201	11,860
Airport services	84,954	74,445	2,773	2,601
Passenger traffic and helicopter services revenue	30,325,128	21,375,072	989,756	746,749
Other	934,174	980,288	30,490	34,246
	<b>31,259,302</b>	<b>22,355,360</b>	<b>1,020,245</b>	<b>780,995</b>

Grants from the regional government were provided to the Group for the execution of regular flights to several Russian regions. The grants are provided both in the form of cash remuneration to cover the Group's losses from performing such flights and in the form of reduced airport duties, etc. Since 2005 the Group has taken part in a new regional programme where the Group sells tickets at a discount to passengers flying within the Tyumen and other regions. This discount is reimbursed by the regional government. The amount of reimbursement received in the six-month period ended 30 June 2012 amounted to RUB 212,516 thousand/USD 6,936 thousand (the six-month period ended 30 June 2011: RUB 147,652 thousand/USD 5,158 thousand) and is included in regular aircraft transportation services revenue.

In six months ended 30 June 2012 and 2011 the Group generated revenue from the following major customer groups and geographical areas:

	<b>Six months ended 2012 '000 RUB</b>	<b>Six months ended 2011 '000 RUB</b>	<b>Six months ended 2012 '000 USD</b>	<b>Six months ended 2011 '000 USD</b>
<i>Group of customers</i>				
Individual customers	17,682,040	12,189,700	577,109	425,853
Commercial organizations	10,416,191	6,432,852	339,965	224,735
United Nations	3,161,070	3,732,808	103,171	130,407
	<b>31,259,302</b>	<b>22,355,360</b>	<b>1,020,245</b>	<b>780,995</b>
<i>Geographical area</i>				
Russia	21,571,158	15,917,385	704,043	556,081
Other countries	9,688,144	6,437,975	316,203	224,914
	<b>31,259,302</b>	<b>22,355,360</b>	<b>1,020,245</b>	<b>780,995</b>

## 22 Direct operating expenses

	<b>Six months ended 2012 '000 RUB</b>	<b>Six months ended 2011 '000 RUB</b>	<b>Six months ended 2012 '000 USD</b>	<b>Six months ended 2011 '000 USD</b>
Airport services	3,053,577	2,057,082	99,663	71,865
Rent of air fleet and equipment	4,321,611	1,935,917	141,049	67,632
Passenger servicing	995,573	800,773	32,494	27,975
Air navigation and meteo services	693,979	542,385	22,650	18,948
Travel expenses	638,627	576,305	20,844	20,133
Spare parts and other materials	629,779	690,546	20,555	24,125
Freight transportation services	374,751	151,307	12,231	5,286
UN missions support	161,638	160,779	5,276	5,617
Custom duties	106,492	128,871	3,476	4,502
Other direct operating expense	113,181	196,998	3,694	6,883
<b>Direct operating expenses except fuel</b>	<b>11,089,208</b>	<b>7,240,963</b>	<b>361,931</b>	<b>252,966</b>
Fuel expenses	4,949,730	3,810,046	161,550	133,106
	<b>16,038,938</b>	<b>11,051,009</b>	<b>523,481</b>	<b>386,072</b>

## 23 Personnel expenses

	<b>Six months ended 2012 '000 RUB</b>	<b>Six months ended 2011 '000 RUB</b>	<b>Six months ended 2012 '000 USD</b>	<b>Six months ended 2011 '000 USD</b>
Remuneration	4,872,694	3,974,948	159,036	138,867
Social insurance charges	1,476,953	1,152,864	48,205	40,276
	<b>6,349,647</b>	<b>5,127,812</b>	<b>207,241</b>	<b>179,143</b>

## 24 Other operating expenses

Other operating expenses comprised:

	Six months ended 2012 '000 RUB	Six months ended 2011 '000 RUB	Six months ended 2012 '000 USD	Six months ended 2011 '000 USD
Insurance expenses	308,301	222,396	10,062	7,770
Taxes other than income tax	150,544	131,169	4,913	4,582
Loss from disposal of property, plant and equipment	88,006	-	2,872	-
Training expenses	127,796	142,184	4,171	4,967
Consulting, audit and legal expenses	168,079	196,821	5,486	6,876
Utilities	213,110	143,171	6,956	5,002
Bank charges	145,647	103,913	4,754	3,630
Communication services	79,231	65,008	2,586	2,271
Advertising	50,313	58,309	1,642	2,037
Other operating expenses	145,425	220,848	4,746	7,716
	<b>1,476,452</b>	<b>1,283,819</b>	<b>48,189</b>	<b>44,851</b>

## 25 Other finance income and finance costs

	Six months ended 2012 '000 RUB	Six months ended 2011 '000 RUB	Six months ended 2012 '000 USD	Six months ended 2011 '000 USD
Interest income on loans and receivables	95,965	53,289	3,132	1,862
Interest income on security deposits	21,532	469	703	16
Gain from disposal of other investments	121,455	140,790	3,964	4,919
<b>Other finance income</b>	<b>238,952</b>	<b>194,548</b>	<b>7,799</b>	<b>6,797</b>
Interest expense on financial liabilities measured at amortised cost	2,066,480	1,748,290	67,446	61,077
Interest on loans from related parties (see note 29)	-	54,588	-	1,907
Interest expense on loans	151,951	-	4,959	-
Dividends	1,531	10,112	50	353
Hedge expenses	10,630	9,490	347	332
<b>Other finance costs</b>	<b>2,230,592</b>	<b>1,822,480</b>	<b>72,802</b>	<b>63,669</b>

## 26 Income tax expense

The Group's applicable tax rate is the income tax rate of 20% for Russian companies.

	Six months ended 2012 '000 RUB	Six months ended 2011 '000 RUB	Six months ended 2012 '000 USD	Six months ended 2011 '000 USD
<b>Current tax expense</b>				
Current year	97,831	57,891	3,193	2,022
	<b>97,831</b>	<b>57,891</b>	<b>3,193</b>	<b>2,022</b>
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	(359,528)	(63,536)	(11,734)	(2,220)
Under/(over)accrued in prior years	15,534	(8,011)	507	(280)
Current year losses for which no deferred tax asset was recognised	414,561	95,187	13,531	3,325
	<b>70,567</b>	<b>23,640</b>	<b>2,303</b>	<b>826</b>
Income tax expense, excluding share of income tax of equity accounted investees	<b>168,397</b>	<b>81,531</b>	<b>5,496</b>	<b>2,848</b>

### (a) Income tax recognised directly in other comprehensive income

'000 RUB	Six months ended 2012			Six months ended 2011		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Revaluation of property, plant and equipment	-	-	-	-	-	-
Realisation of property, plant and equipment revaluation reserve	64,994	(12,999)	51,995	15,074	(3,293)	11,781
	<b>64,994</b>	<b>(12,999)</b>	<b>51,995</b>	<b>15,074</b>	<b>(3,293)</b>	<b>11,781</b>

'000 USD	Six months ended 2012			Six months ended 2011		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Revaluation of property, plant and equipment	-	-	-	-	-	-
Realisation of property, plant and equipment revaluation reserve	2,121	(424)	1,697	527	(115)	412
	<b>2,121</b>	<b>(424)</b>	<b>1,697</b>	<b>527</b>	<b>(115)</b>	<b>412</b>

**Reconciliation of effective tax rate:**

	<b>Six months ended 2012</b>		<b>Six months ended 2011</b>	
	<b>'000 RUB</b>	<b>%</b>	<b>'000 RUB</b>	<b>%</b>
Profit before income tax	435,936	<b>100</b>		<b>100</b>
Income tax at applicable tax rate	87,187	20	151,474	20
Effect of income taxed at higher rates	7,978	2	2,733	0
Non-deductible expenses	-	0	74,855	10
Non-taxable income	(77,077)	(18)	(192,741)	(25)
Current year losses for which no deferred tax asset was recognised	134,776	31	65,220	9
Recognition of previously unrecognised tax losses	-	0	(12,000)	(2)
Under/(over)accrued in prior years	15,534	4	(8,011)	(1)
	<b>168,397</b>	<b>39</b>	<b>81,531</b>	<b>11</b>

	<b>Six months ended 2012</b>		<b>Six months ended 2011</b>	
	<b>'000 USD</b>	<b>%</b>	<b>'000 USD</b>	<b>%</b>
Profit before income tax	<b>14,228</b>	<b>100</b>	<b>26,459</b>	<b>100</b>
Income tax at applicable tax rate	2,846	20	5,292	20
Effect of income taxed at higher rates	260	2	95	0
Non-deductible expenses	-	0	2,615	10
Non-taxable income	(2,516)	(18)	(6,733)	(25)
Current year losses for which no deferred tax asset was recognised	4,399	31	2,278	9
Recognition of previously unrecognised tax losses	-	0	(419)	(2)
Under/(over)accrued in prior years	507	4	(280)	(1)
	<b>5,496</b>	<b>39</b>	<b>2,848</b>	<b>11</b>

**27 Operating leases**

The Group concluded a number of operating lease agreements. The terms vary from one to seven years without a unilateral prolongation right. Non-cancellable operating lease rentals are payable as follows:

	<b>30 June 2012</b>	<b>31 December 2011</b>	<b>30 June 2012</b>	<b>31 December 2011</b>
	<b>'000 RUR</b>	<b>'000 RUR</b>	<b>'000 USD</b>	<b>'000 USD</b>
Less than one year	2,886,570	5,488,763	87,990	170,479
Between one and five years	17,196,253	16,129,479	524,006	500,976
More than five years	6,898,755	892,229	210,220	27,712
	<b>26,982,578</b>	<b>22,510,470</b>	<b>822,216</b>	<b>699,168</b>

As at 30 June 2012 RUB 24,434,010 thousand/USD 744,556 thousand (2011: RUB 20,915,546 thousand/USD 649,630 thousand) out of total rent payments relates to the contracts denominated in USD; and RUB 2,354,917 thousand/USD 71,759 thousand (2011: RUB 68,398 thousand/USD 2,124 thousand) relates to the contracts nominated in euro.

To perform its activities the Group uses runways and some equipment (mainly air navigation) which is in the ownership of the Russian Federation. Runways are not subject to privatization

according to the Decree of the President of the Russian Federation number 2284 dated 24 December 1993. The Group concluded rental agreements and/or free usage agreements for runways and equipment for 50 years with the Administration of State Property Committees of several regions of the Russian Federation. The land plots on which the runways are situated are also rented by the Group from the Russian Federation, the term is 50 years.

Upon the termination of the agreements the property is to be transferred to the government. However, the Group has a priority right for prolongation of the agreements. The agreements can be terminated ahead of schedule based on the mutual agreement of the parties, court decision or by act of law.

No rent payments are provided in the agreements. The Group is obliged to maintain the property in an appropriate condition, perform repairs and other necessary works in time. Significant modernisation and reconstruction of the rented property is recognised as property, plant and equipment and depreciated over the lower of the remaining useful life and the remaining rental period.

## **28 Contingencies**

### **(a) Insurance**

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

The Group fulfils requirements of the law of the Russian Federation on obligatory insurance and has specific assets insurance policies which are pledged under the loan agreements. The Group insures the aircraft, helicopters, flight personnel, and transportation civil liability.

### **(b) Litigation**

The Group in its ordinary course of business is subject of, or party to, various pending or threatened legal actions. The outcomes of the litigation, where there are probable future outflows of economic benefits, are accrued by the Group in these consolidated financial statements. No other significant litigation is outstanding as at the reporting date.

### **(c) Taxation contingencies**

The major part of the Group's tax expense relates to taxation in the Russian Federation.

Russian tax, currency and customs legislation is subject to varying interpretations and changes occurring frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. 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 and substance-based

position in their interpretation and enforcement of tax legislation. As a result, it is possible that transactions and activities that have not been challenged in the past may be challenged.

As such, significant additional taxes, penalties and interest may be assessed. It is not possible to determine amounts of constructive claims or evaluate probability of their negative outcome. Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained. However, the interpretation of the legislation by the relevant authorities may be different. In case the authorities would be able to prove their position that may have significant influence on the consolidated financial statements.

The estimated amount of potential liabilities that could be subject to different interpretations of the tax laws and regulations and are not accrued in the consolidated financial statements could be up to approximately RUB 64,876 thousand/USD 1,977 thousand (2011: RUB 242,179 thousand/USD 7,522 thousand). Management believes that it is possible, but not probable, that an outflow of economic resources will be required to settle the obligations.

## **29 Related party transactions**

### **(a) Control relationships**

As at 30 June 2012 the Company's immediate and ultimate controlling party is a Non-State Pension Fund Surgutneftegaz.

### **(b) Management remuneration**

Key management personnel comprise directors, members of the Management Board and the Supervisory Council. The total compensation to key management personnel is reported under personnel expenses in the consolidated statement of comprehensive income for and amounted to RUB 121,784 thousand/USD 3,975 thousand and RUB 105,399 thousand/USD 3,682 thousand for six months ended 2012 and 2011. Compensation to key management personnel consists of the contractual salary and performance bonus depending on the achieved operating results.

### **(c) Transactions with other related parties**

In accordance with IAS 24 *Related Parties Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

For the purpose of these financial statements, the following related parties were identified in accordance with IAS 24 *Related Party Disclosures*:

- parties which exercise joint control or significant influence over the Group;
- associates, i.e. enterprises over which the Group has significant influence and which is neither a subsidiary nor a party in a joint venture;
- key management personnel;
- other.



The outstanding amounts due from related parties were as follows as at 30 June:

	<b>30 June 2012</b>	<b>31 December</b>	<b>30 June 2012</b>	<b>31 December</b>
	<b>'000 RUR</b>	<b>2011</b>	<b>'000 USD</b>	<b>2011</b>
		<b>'000 RUR</b>		<b>'000 USD</b>
<i>Trade receivables (note 9):</i>				
Entities with joint control or significant influence over the Group	181,671	144,969	5,536	4,503
Associates	932,127	881,028	28,404	27,364
Other	352	1,065	11	33
	<b>1,114,150</b>	<b>1,027,062</b>	<b>33,950</b>	<b>31,900</b>

The outstanding balances are interest free and short-term, except for where it is specifically noted. Most relate to the rendering of transportation services to the related parties. The outstanding balances are neither guaranteed nor secured. The settlements are performed in cash. No doubtful debts due from related parties existed as at 30 June 2012 and as at 31 December 2011.

The outstanding amounts due to related parties were as follows as at 30 June:

	<b>30 June 2012</b>	<b>31 December</b>	<b>30 June 2012</b>	<b>31 December</b>
	<b>'000 RUR</b>	<b>2011</b>	<b>'000 USD</b>	<b>2011</b>
		<b>'000 RUR</b>		<b>'000 USD</b>
<i>Trade and accounts payable (note 17):</i>				
Entities with joint control or significant influence over the Group	312,451	292,665	9,521	9,090
Associates	105,644	69,530	3,219	2,160
Other	253	253	8	7
	<b>418,348</b>	<b>362,448</b>	<b>12,748</b>	<b>11,257</b>
<i>Advances received (note 20):</i>				
Entities with joint control or significant influence over the Group	4,576	1,089	139	34
Associates	1,279	1,791	39	55
Other	-	23	-	1
	<b>5,855</b>	<b>2,903</b>	<b>178</b>	<b>90</b>
<i>Other (note 17):</i>				
Entities with joint control or significant influence over the Group	-	-	-	-
Associates	-	-	-	-
Key management personnel	112	14,959	3	465
	<b>112</b>	<b>14,959</b>	<b>3</b>	<b>465</b>
	<b>424,315</b>	<b>380,310</b>	<b>12,930</b>	<b>11,812</b>

There were the following related party transactions for six months 2012 and 2011:

	Six months ended 30 June 2012 '000 RUR	Six months ended 30 June 2011 '000 RUR	Six months ended 30 June 2012 '000 USD	Six months ended 30 June 2011 '000 USD
<i>Sales – transportation services:</i>				
Entities with joint control or significant influence over the Group	33,143	1,158,183	1,082	40,462
Associates	138,685	106,529	4,526	3,722
Other	-	83	-	3
	<b>171,828</b>	<b>1,264,795</b>	<b>5,608</b>	<b>44,186</b>
<i>Other sales</i>				
Entities with joint control or significant influence over the Group	73,985	197,993	2,415	6,917
Associates	132,489	100,648	4,324	3,516
Key management personnel	-	145	-	5
Other	175	3,633	6	127
	<b>206,649</b>	<b>302,419</b>	<b>6,745</b>	<b>10,565</b>
<i>Other operating income:</i>				
Entities with joint control or significant influence over the Group	50,705	162,540	1,655	5,678
Associates	2,709	1,438	88	50
Key management personnel	9	30	-	1
	<b>53,423</b>	<b>164,008</b>	<b>1,744</b>	<b>5,730</b>
<b>Total sales to related parties</b>	<b>431,900</b>	<b>1,731,222</b>	<b>14,096</b>	<b>60,481</b>
<i>Direct operating expenses:</i>				
Entities with joint control or significant influence over the Group	657,830	1,154,943	21,470	40,349
Associates	187,526	284,395	6,121	9,935
Other	187	34	6	1
	<b>845,543</b>	<b>1,439,372</b>	<b>27,597</b>	<b>50,285</b>
<i>Other operating expenses:</i>				
Entities with joint control or significant influence over the Group	8,516	25,101	278	877
Associates	538	5,760	18	201
Key management personnel	803	-	26	-
Other	60	-	2	-
	<b>9,917</b>	<b>30,861</b>	<b>324</b>	<b>1,078</b>
<i>Interest expenses on loans payable:</i>				
Entities with joint control or significant influence over the Group	-	54,588	-	1,907
<b>Total purchases from related parties</b>	<b>855,460</b>	<b>1,524,821</b>	<b>27,921</b>	<b>53,270</b>
<i>Proceeds from loans and borrowings:</i>				
Entities with joint control or significant influence over the Group	-	3,126,162	-	109,214
<i>Repayment of loans and borrowings:</i>				
Entities with joint control or significant influence over the Group	-	(136,321)	-	(4,762)
<b>Net proceeds of borrowings from related parties</b>	<b>-</b>	<b>2,989,841</b>	<b>-</b>	<b>104,452</b>

**(d) Pricing policies**

Related party transactions are not necessarily based on market prices.

## **30 Events subsequent to the reporting date**

In July 2012 the Group raised financing from HSBC British bank on a security of French insurance agency COFACE. The deal implies the delivery of 19 new Eurocopter AS 350/355 helicopters. The contract value is more than \$45 million.

In July 2012 the Group entered a long term contract with Airbus for the delivery of 20 A321.

In July 2012 under the project of purchasing four medium – range aircraft Boeing 737-800 NG (enhanced configuration Sky Interior) the Group raised a 10 year credit in the amount of more than 140 mil. USD secured by Export-Import Bank of the United States, (Ex-Im Bank).

In July 2012 UTair Aviation JSC and the Sberbank Leasing CJSC entered into an agreement for operational lease related to 5 Boeing 737-524. The total project value comprised more than \$50 million with a lease term of 7 years.

In July 2012 four MI-171 helicopters were delivered under a contract with “Russian Helicopters”. Three more helicopters of the same type shall be received by the end of 2012.

In July 2012 the first wide-body aircraft Boeing 767-200ER was delivered under the program on UTair fleet renewal. Today The Company operates two aircraft of this type. The delivery of three more aircraft is expected by the end of the year.

In July-September 2012 bonds issued of BO-06, BO-07, BO-08, BO-16 series were included in the quotation list of the highest MICEX A1 level.

In September 2012 Expert RA rating agency awarded UTair Aviation A+ credit rating (stable outlook), and approved A+ credit rating of UTair-Finance (LLC) (stable outlook).

In September 2012 Expert RA rating agency ranked UTair-Finance bond loans of series BO-01, BO-02, BO-03, BO-04, BO-05, BO-06, BO-07, BO-08, BO-16 and 4- 05 as A+, describing their quality as having a very high level of credit worthiness. The agency forecasted the Company’s outlook as stable.