OPEN JOINT STOCK COMPANY
AEROFLOT – RUSSIAN AIRLINES

Condensed Consolidated Interim Financial Statements

as at and for the six-month period ended 30 June 2010

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The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 2, 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 Open Joint Stock Company Aeroflot – Russian Airlines and its subsidiaries (the "Group").

Management is responsible for the preparation of 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 the six-month period ended 30 June 2010 were approved on 30 September 2010 by:

V. G. Saveliev
General Director

Sh. R. Kurmashov
Deputy General Director
Finance and Investment

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Independent Auditors' Report

To the Board of Directors of Open Joint Stock Company Aeroflot – Russian Airlines

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Open Joint Stock Company Aeroflot – Russian Airlines (the "Company") and its subsidiaries (the "Group") as at 30 June 2010, and the related condensed consolidated interim statement of income, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended and a summary of selected explanatory. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 condensed consolidated interim financial information 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 condensed consolidated interim financial information as at 30 June 2010 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG
30 September 2010

OJSC AEROFLOT – RUSSIAN AIRLINES
Condensed Consolidated Interim Statement of Income
for the six-month period ended 30 June 2010
(All amounts in millions of US dollars)

AEROFLOT Russian Airlines

	Notes	6m 2010	6m 2009
Traffic revenue		1,590.0	1,199.2
Other revenue	5	264.3	256.7
Revenue		**1,854.3**	**1,455.9**
Operating costs	6	(1,289.4)	(1,023.9)
Staff costs	7	(308.0)	(265.5)
Depreciation and amortisation	16, 17	(91.3)	(62.7)
Operating costs		**(1,688.7)**	**(1,352.1)**
Operating profit		**165.6**	**103.8**
Finance income	8	4.3	1.1
Finance costs	8	(124.5)	(26.1)
Share of results of equity accounted investments		3.3	2.9
Other non-operating (expenses)/income, net	9	(6.5)	(19.2)
Profit before income tax		**42.2**	**62.5**
Income tax	10	(24.7)	(48.4)
Profit for the period		**17.5**	**14.1**
Attributable to:			
Shareholders of the Company		50.6	14.7
Non-controlling interest		(33.1)	(0.6)
		17.5	**14.1**
Earnings per share, basic and diluted (US cents)		**4.9**	**1.35**
Weighted average number of shares outstanding (millions)		**1,029.6**	**1,091.3**

V. G. Saveliev
General Director

Sh. R. Kurmashov
Deputy General Director
Finance and Investment

The consolidated interim statement of income should be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 9 to 36.

(All amounts in millions of US dollars)

	Notes	6m 2010	6m 2009
Profit for the period		**17.5**	**14.1**
Other comprehensive income:			
Loss on revaluation of available-for-sale investments		(2.2)	(4.0)
Exchange differences on translating to presentation currency		(33.8)	(54.6)
Deferred tax benefit	10	0.4	0.7
Deferred tax expense	10	(3.7)	-
Gain on hedging instrument	18	18.6	-
Other comprehensive income for the period		**(20.7)**	**(57.9)**
Total comprehensive income for the period		**(3.2)**	**(43.8)**
Total comprehensive income attributable to:			
Shareholders of the Company		30.6	(40.0)
Non-controlling interest		(33.8)	(3.8)

The consolidated interim statement of comprehensive income should be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 9 to 36.

(All amounts in millions of US dollars)

	Notes	30 June 2010	31 December 2009
ASSETS			
Non-current assets			
Equity accounted investments		26.9	24.5
Long-term investments		10.4	15.6
Aircraft lease deposits		7.3	7.3
Deferred tax assets	10	91.0	67.5
Other non-current assets	14	328.7	401.5
Prepayments for aircraft	15	155.5	156.3
Property, plant and equipment	16	2,057.0	2,167.8
Hedging instruments	18	18.6	-
Intangible assets	17	27.9	20.7
		2,723.3	**2,861.2**
Current assets			
Cash and cash equivalents		607.0	121.1
Short-term investments		19.8	10.4
Accounts receivable and prepayments	11	1,029.1	943.8
Expendable spare parts and inventories	12	69.0	70.0
Assets of disposal group classified as held for sale	13	16.1	27.3
		1,741.0	**1,172.6**
TOTAL ASSETS		**4,464.3**	**4,033.8**
LIABILITIES AND EQUITY			
Equity			
Share capital	25	51.6	51.6
Treasury stock	25	(104.5)	(14.6)
Accumulated gain on disposal of treasury shares		27.9	27.9
Investment revaluation reserve		4.6	6.4
Cumulative translation reserve		(178.8)	(145.7)
Hedge accounting reserve	18	14.9	-
Retained earnings		1,075.2	1,037.0
Equity attributable to shareholders of the Company		**890.9**	**962.6**
Non-controlling interest		9.4	43.2
Total equity		**900.3**	**1,005.8**
Non-current liabilities			
Long-term borrowings	23	1,248.3	819.7
Finance lease liabilities	22	577.2	623.5
Provisions		-	1.6
Deferred tax liabilities	10	108.8	98.5
Deferred revenue related to frequent flyer programme, non-current	20	31.1	30.7
Other non-current liabilities	24	230.0	316.0
		2,195.4	**1,890.0**
Current liabilities			
Accounts payable and accrued liabilities	19	825.1	674.5
Unearned transportation revenue		343.4	186.1
Deferred revenue related to frequent flyer programme, current	20	9.1	9.0
Provisions		1.2	0.8
Short-term borrowings	21	83.1	156.4
Finance lease liabilities	22	106.7	111.2
		1,368.6	**1,138.0**
TOTAL LIABILITIES AND EQUITY		**4,464.3**	**4,033.8**

The consolidated interim statement of financial position should be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 9 to 36.

(All amounts in millions of US dollars)

	Notes	6m 2010	6m 2009
Cash flows from operating activities:			
Profit before income tax		42.2	62.5
Adjustments to reconcile profit before taxation to net cash provided by operating activities:			
Depreciation and amortisation	16, 17	91.3	62.7
(Decrease)/increase in impairment allowance for bad and doubtful debts	11	(1.4)	1.3
Accounts receivable write off		1.0	-
Decrease in impairment allowance for obsolete inventory		(2.1)	-
(Decrease)/increase in impairment of property, plant and equipment		(0.5)	2.6
Loss on disposal of property, plant and equipment		0.7	1.2
Loss on disposal of assets held for sale		12.4	-
Share of results in equity accounted investments		(3.3)	(2.9)
(Gain)/loss on disposal of investments	8	(0.2)	1.1
(Decrease)/increase in tax and legal provisions		(1.6)	10.2
Impairment expense on assets held for sale		(7.3)	-
Interest expense	8	73.1	23.4
Unrealised foreign exchange loss/(gain)		51.6	(2.4)
VAT write off	9	0.4	5.5
Other non-cash income		(0.6)	(0.8)
Operating profit before working capital changes		**255.7**	**164.4**
(Increase)/decrease in accounts receivable and prepayments and other non-current assets		(82.2)	80.7
Decrease in expendable spare parts and inventories		0.8	4.5
Increase in accounts payable and accrued liabilities		251.8	44.2
		426.1	**293.8**
Income tax paid		(3.5)	(4.0)
Income tax received		0.6	-
Net cash flows from operating activities		**423.2**	**289.8**
Cash flows from investing activities:			
Proceeds from sale of investments		10.1	-
Proceeds from sale of property, plant and equipment		7.8	1.7
Return of aircraft advances		-	-
Dividends received		1.9	2.3
Decrease in aircraft lease deposits		(0.1)	0.3
Purchases of investments		(17.4)	(0.8)
Lease prepayments		(6.2)	-
Purchases of property, plant and equipment and intangible assets		(63.6)	(250.3)
Net cash flows to investing activities		**(67.5)**	**(246.8)**

The consolidated interim statement of cash flows should be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 9 to 36.

(All amounts in millions of US dollars)

	Note	6m 2010	6m 2009
Cash flows from financing activities:			
Proceeds from borrowings		1,000.1	316.1
Sale of treasury stock		-	13.7
Purchases of treasury stock		(95.8)	-
Repayment of borrowing		(633.8)	(157.0)
Repayment of the principal element of finance lease liabilities		(50.0)	(43.3)
Interest paid		(69.7)	(54.9)
Dividends paid		-	(0.6)
Net cash flows from financing activities		**150.8**	**74.0**
Effect of exchange rate fluctuations		(20.6)	(3.1)
Net increase in cash and cash equivalents		**485.9**	**113.9**
Cash and cash equivalents at the beginning of the period		121.1	146.8
Cash and cash equivalents at the end of the period		**607.0**	**260.7**
Supplemental cash flow information:			
Interest received		4.1	1.1
Non-cash investing and financing activities:			
Property, plant and equipment acquired under finance leases		-	0.1

The consolidated interim statement of cash flows should be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 9 to 36.

(All amounts in millions of US dollars)

	Share capital	Treasury stock	Investment revaluation reserve	Cumulative translation reserve	Hedge accounting reserve	Retained earnings	Attributable to shareholders of the Company	Non-controlling interest	Total
1 January 2009	**51.6**	**(9.1)**	**8.3**	**(123.1)**	**-**	**956.6**	**884.3**	**53.0**	**937.3**
Profit/(loss) for the period	-	-	-	-	-	14.7	14.7	(0.6)	14.1
Foreign currency translation for the period	-	-	-	(51.4)	-	-	(51.4)	(3.2)	(54.6)
Loss on investments available-for-sale	-	-	(3.3)	-	-	-	(3.3)	-	(3.3)
Total comprehensive income					**-**		**(40.0)**	**(3.8)**	**(43.8)**
Gain on disposal of treasury stock	-	17.2	-	-	-	-	17.2	-	17.2
Dividends	-	-	-	-	-	(8.0)	(8.0)	(0.8)	(8.8)
30 June 2009	**51.6**	**8.1**	**5.0**	**(174.5)**	**-**	**963.3**	**853.5**	**48.4**	**901.9**
1 January 2010	**51.6**	**13.3**	**6.4**	**(145.7)**	**-**	**1,037.0**	**962.6**	**43.2**	**1,005.8**
Profit/(loss) for the period	-	-	-	-	-	50.6	50.6	(33.1)	17.5
Foreign currency translation for the period	-	-	-	(33.1)	-	-	(33.1)	(0.7)	(33.8)
Loss on investments available-for-sale	-	-	(1.8)	-	-	-	(1.8)	-	(1.8)
Gain on hedging instrument	-	-	-	-	14.9	-	14.9	-	14.9
Total comprehensive income							**30.6**	**(33.8)**	**(3.2)**
Purchase of treasury stock	-	(89.9)	-	-	-	-	(89.9)	-	(89.9)
Dividends	-	-	-	-	-	(12.4)	(12.4)	-	(12.4)
30 June 2010	**51.6**	**(76.6)**	**4.6**	**(178.8)**	**14.9**	**1,075.2**	**890.9**	**9.4**	**900.3**

The consolidated interim statement of changes in equity should be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 9 to 36.

(All amounts in millions of US dollars)

1. NATURE OF THE BUSINESS

OJSC Aeroflot – Russian Airlines (the “Company” or “Aeroflot”) was formed as a joint stock company following a government decree in 1992. The 1992 decree conferred all the rights and obligations of Aeroflot - Soviet Airlines and its structural units, excluding its operations in Russia and Sheremetyevo Airport, upon the Company, including inter-governmental bilateral agreements and agreements signed with foreign airlines and enterprises in the field of civil aviation.

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 its base at Moscow Sheremetyevo Airport. The Company and its subsidiaries (the “Group”) also conduct activities comprising airline catering, hotel operations, and the airport business. Associated entities mainly comprise cargo-handling services, fuelling services and duty-free retail businesses.

As at 30 June 2010 and 2009 the Government of the Russian Federation owned 51% of the Company. The Company’s headquarters are located in Moscow at 10 Arbat Street, 119002, Russian Federation.

The principal subsidiary companies are:

Company name	Place of incorporation and operation	Activity	30 June 2010	31 December 2009
CJSC Sherotel	Moscow region	Hotel	100.00%	100.00%
CJSC Aeroflot Plus	Moscow	Airline	100.00%	100.00%
OJSC Insurance company Moscow	Moscow	Captive insurance services	100.00%	100.00%
OJSC Donavia	Rostov-on-Don	Airline	100.00%	100.00%
CJSC Aeroflot-Cargo	Moscow	Cargo transportation services	100.00%	100.00%
CJSC Nordavia	Arkhangelsk	Airline	100.00%	51.00%
LLC Aeroflot-Finance	Moscow	Finance services	100.00%	-
OJSC Terminal	Moscow region	Airport business	52.82%	52.82%
CJSC Aeromar	Moscow region	Catering	51.00%	51.00%

The significant entities in which the Group holds more than 20% but less than 50% of the equity are:

Company name	Place of incorporation and operation	Activity	30 June 2010	31 December 2009
LLC Airport Moscow	Moscow region	Cargo handling	50.0%	50.0%
CJSC AeroMASH – AB	Moscow region	Aviation security	45.0%	45.0%
CJSC Aerofirst	Moscow region	Trading	33.3%	33.3%
CJSC TZK Sheremetyevo	Moscow region	Fuel trading company	31.0%	31.0%

All the companies listed above are incorporated in the Russian Federation.

The table below provides information on the Group's aircraft fleet as at 30 June 2010:

Type of aircraft	Ownership	Aeroflot - Russian Airlines (number)	Donavia (number)	Nordavia (number)	Aeroflot-Plus (number)	Group total (number)
Ilyushin Il-96-300	Owned	6	-	-	-	6
Ilyushin Il-86	Owned	2	-	-	-	2
Tupolev Tu-154	Owned	14*	4	-	-	18
Tupolev Tu-134	Owned	-	-	9#	1	10
Antonov An-24	Owned	-	-	2	-	2
Total owned		**22**	**4**	**11**	**1**	**38**
Airbus A-319	Finance lease	4	-	-	-	4
Airbus A-320	Finance lease	1	-	-	-	1
Airbus A-321	Finance lease	16	-	-	-	16
Boeing 737	Finance lease	-	5	2	-	7
Total finance lease		**21**	**5**	**2**	**-**	**28**
Tupolev Tu-134	Operating lease	-	-	-	1	1
Antonov An-24	Operating lease	-	-	3	-	3
Antonov An-26	Operating lease	-	-	1	-	1
Yakovlev-42	Operating lease	-	-	-	2	2
Ilyushin Il-86	Operating lease	-	1	-	-	1
Airbus A-319	Operating lease	11	-	-	-	11
Airbus A-320	Operating lease	32	-	-	-	32
Airbus A-330	Operating lease	10	-	-	-	10
Boeing B-737	Operating lease	-	5	14	-	19
Boeing B-767	Operating lease	11	-	-	-	11
McDonnell Douglas MD-11	Operating lease	3	-	-	-	3
Total operating lease		**67**	**6**	**18**	**3**	**94**
Total fleet		**110**	**15**	**31**	**4**	**160**

* 13 of these aircraft have been grounded and are now available for sale (Note 13).
\# 9 of these aircraft have been grounded and are now available for sale (Note 13).

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2009.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The condensed consolidated interim financial statements are presented in millions of US dollars ("USD"), except where specifically noted otherwise.

All significant subsidiaries directly or indirectly controlled by the Group are included in the condensed consolidated interim financial statements. A listing of the Group's principal subsidiary companies is set out in Note 1.

(All amounts in millions of US dollars)

The Group maintains its accounting records in Russian roubles ("RUR") and in accordance with Russian accounting legislation and regulations. The accompanying condensed consolidated interim financial statements are based on the underlying accounting records, appropriately adjusted and reclassified for fair presentation in accordance with IFRS.

Functional and presentation currency – Since 1 January 2007 the functional currency of the Group is the Russian rouble. The presentation currency of the Group is the US dollar for convenience of foreign users, including the major lessors.

The assets and liabilities, both monetary and non-monetary, have been translated at the closing rate at the date of each statement of financial position 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 a rate that approximates the actual exchange rates. All exchange differences resulting from translation have been classified as other comprehensive income and transferred to the Group's translation reserve.

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

The assets and liabilities, both monetary and non-monetary, of the subsidiaries of the Company with functional currencies other than the Russian rouble have been translated at the closing rate at the date of each statement of financial position presented; income and expense items for all periods presented have been translated at the exchange rates existing at the dates of the transactions or a rate that approximates the actual exchange rates. All exchange differences resulting from translation have been classified as equity and transferred to the Group's translation reserve.

The following table details the exchange rates used to translate Russian roubles to US dollars:

	Exchange rate
As at 30 June 2010	31.20
Average: six months to 30 June 2010	30.07
As at 31 December 2009	30.24
Average: twelve months to 31 December 2009	31.72
As at 30 June 2009	31.29
Average: six months to 30 June 2009	33.07

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies adopted in the preparation of these condensed consolidated interim financial statements are set out below.

Changes in accounting policy – From 1 January 2010 the Group has applied IFRS 3 *Business Combinations* (Revised) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Consolidation – The condensed consolidated interim financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Subsidiaries comprise entities in which the Company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over their operations. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which effective control is obtained by the Group and are no longer consolidated from the date of disposal or loss of control.

All intra-group transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated on consolidation. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders is stated at the non-controlling proportion of the fair values of the assets and liabilities acquired adjusted by subsequent changes in the carrying value of net assets of those entities. Losses applicable to the non-controlling in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations – See *Changes in accounting policy*.

Purchases of non-controlling interests – The difference between the cost of acquisition and the carrying value of non-controlling interests is recognised as an adjustment to equity.

Investments in associates – Associates in which the Group has significant influence but not a controlling interest are accounted for using the equity method of accounting. Significant influence is usually demonstrated by the Group's owning, directly or indirectly, between 20% and 50% of the voting share capital or by exerting significant influence through other means.

Under the equity method, investments in associates are carried in the consolidated interim statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. The Group's share of the net income or losses of associates is included in the consolidated interim statement of income. An assessment of investments in associates is performed when there is an indication that the asset has been impaired or that the impairment losses recognised in prior years no longer exist. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. A listing of the Group's principal associated entities is included in Note 1.

Foreign currency translation – Transactions in currencies other than the functional currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies at the balance sheet date are translated into the functional currency at the period end exchange rate. Exchange differences arising from such translation are included in the consolidated interim statement of income.

Non-current assets and disposal groups held for sale – Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Any liabilities related to non-current assets to be sold are also presented separately as liabilities in the statement of financial position. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Revenue recognition – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes.

Passenger revenue: Ticket sales are reported as traffic revenue when the transportation service has been provided. The value of tickets sold and still valid but not used by the balance sheet date is reported as unearned transportation revenue. This item is reduced either when the Group completes the transportation service or when the passenger requests a refund. Sales representing the value of tickets that have been issued, but which will never be used, are recognised as traffic revenue at the date the tickets are issued based on an analysis of historical patterns of actual sales data. Commissions, which are payable to the sales agents are recognised as sales and marketing expenses at the same time as revenue from the air transportation to which they relate.

Passenger revenue includes revenue from code-share agreements with certain other airlines. Under these agreements, the Group sells seats on these airlines' flights and those other airlines sell seats on the Group's flights. Revenue from the sale of code-share seats on other airlines are recorded net in Group's passenger revenue in the consolidated interim statement of income. The revenue from other airlines' sales of code-share seats on the Group's flights is recorded in passenger revenue in the Group's consolidated interim statement of income.

Cargo revenue: The Group's cargo transport services are recognised as revenue when the air transportation is provided. Cargo sales for which the transportation service has not yet been provided are shown as unearned transportation revenue.

Catering revenue: Revenue is recognised when meal packages are delivered to the aircraft, as this is the date when the risks and rewards of ownership are transferred to customers.

Other revenue: Revenue from bilateral airline agreements is recognised when earned with reference to the terms of each agreement. Hotel accommodation revenue is recognised when the services are provided. Sales of goods and other services are recognised as revenue when the goods are delivered or the service is rendered.

Borrowing costs – All borrowing costs that are directly attributable to the acquisition, construction and production of a qualifying asset form part of the cost of that asset. All other borrowings costs are recognised as an expense in the consolidated interim statement of income.

Operating segments – As of 1 January 2009 the Group determines and present operating segments based on the information that internally is provided to the General Director, who is the Group's chief operating decision maker.

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

Segment results that are reported to the General Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Property, plant and equipment – Property, plant and equipment is stated at cost, or appraised value, as described below. Depreciation is calculated in order to amortise the cost or appraised value (less estimated salvage value where applicable) over the remaining useful lives of the assets.

(a) Fleet

(i) *Owned aircraft and engines* – Aircraft and engines owned by the Group as at 31 December 1995 were stated at depreciated replacement cost based upon external valuations denominated in US dollars. Airclaims, an international firm of aircraft appraisers, conducted the valuation. The Group has chosen not to revalue these assets subsequent to 1995. Subsequent purchases are recorded at cost.

(ii) *Finance leased aircraft and engines* – Where assets are financed through finance leases, under which substantially all the risks and rewards of ownership are transferred to the Group, the assets are treated as if they had been purchased outright. The Group recognises finance leases as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding obligation, reduced by the capital portion of lease payments made, is included in payables. Custom duties, legal fees and other initial direct costs are added to the amount recognised as an asset. The interest element of lease payments made is included in interest expense in the consolidated interim statement of income.

(iii) *Capitalised maintenance costs* – The valuation of aircraft and engines as at 31 December 1995 reflected their maintenance condition, as measured on the basis of previous expenditure on major overhauls and estimated usage since the previous major overhaul. Subsequent expenditure incurred on modernisation and improvements projects that are significant in size (mainly aircraft modifications involving installation of replacement parts) are separately capitalised in the statement of financial position. The carrying amount of those parts that are replaced is derecognised from the statement of financial position and included in gain or loss on disposals of property, plant and equipment in the Group's consolidated interim statement of income. Capitalised costs of aircraft checks and major modernisation and improvements projects are depreciated on a straight-line basis to the projected date of the next check or based on estimates of their useful lives. Ordinary repair and maintenance costs are expensed as incurred.

(iv) *Depreciation* – The Group depreciates fleet assets owned or held under finance leases on a straight-line basis to the end of their estimated useful life. The airframe, engines and interior of an aircraft are depreciated separately over their respective estimated useful lives. The salvage value for airframes of the foreign fleet is estimated at 5% of historical cost, while the salvage value for Russian aircraft is zero. Engines are depreciated on a straight-line basis to the end of the useful life of the related type of aircraft.

Useful lives of the Group's fleet assets are as follows:

Airframes of foreign aircraft	20 years
Airframes of Russian aircraft	25-32 years
Engines of foreign aircraft	8 years
Engines of Russian aircraft	8-10 years
Interiors	5 years

(v) *Capitalised leasehold improvements* – capitalised costs that relate to the rented fleet are depreciated over the shorter of their useful life and the lease term.

(b) Land and buildings, plant and equipment

Property, plant and equipment is stated at the historical US dollar cost recalculated at the exchange rate on 1 January 2007, the date of the change of the functional currency of the Company from the US dollar to the Russian rouble. Provision is made for the depreciation of property, plant and equipment based upon expected useful lives or, in the case of leasehold properties, over the duration of the leases using a straight-line basis. These useful lives range from 3 to 50 years. Land is not depreciated.

(c) Capital expenditure

Capital expenditures comprise costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction as well as costs of purchase of other assets that require installation or preparation for their use. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation. Capital expenditures are reviewed regularly to determine whether their carrying value is fairly stated and whether appropriate provision for impairment is made.

(d) Gain or loss on disposal

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated interim statement of income.

Impairment of non-current assets – At each balance sheet date the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication of impairment of those assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated interim statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

Lease deposits – Lease deposits represent amounts paid to the lessors of foreign aircraft, which are held as security deposits by lessors in accordance with the provisions of finance and operating lease agreements. These deposits are returned to the Group at the end of the lease period. Lease deposits relating to operating lease agreements are presented as assets in the statement of financial position.

Operating leases – Payments under operating leases are charged to the consolidated interim statement of income in equal annual instalments over the period of the lease. Related direct expenses including custom duties for leased aircraft are amortised using a straight-line method over the term of lease agreement.

Financial instruments – Financial assets and financial liabilities carried in the statement of financial position include cash and cash equivalents, marketable securities, investments, derivative financial instruments, trade and other accounts receivable, trade and other accounts payable, borrowings and notes payable. The accounting policies on recognition and measurement of these items are disclosed below.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, and gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously. The result from the realisation of the financial instruments is determined on the FIFO basis.

(a) Credit risks

The sale of passenger and freight transportation is largely processed through agencies that are normally linked to country specific clearing systems for the settlement of passenger and freight sales. Clearing centres check individual agents operating outside of the Russian Federation. Individual agents operating within the Russian Federation are checked in-house.

Receivables and liabilities between major airlines, unless otherwise stipulated in the respective agreements, are settled on a bilateral basis or by settlement through an International Air Transport Association ("IATA") clearing house.

(b) *Fair value*

The fair value of financial instruments is determined by reference to various market information and other valuation methods as considered appropriate. At the balance sheet date the fair values of the financial instruments held by the Group did not materially differ from their recorded book values.

(c) *Foreign exchange risk*

During the first six months of 2010 the Group broadly matched its assets and liabilities in the different currencies to limit exposure. Usually the Group monitors changes in foreign exchange rates to minimise the level of foreign currency exposure and to identify any need for hedging activities. Certain portion of the Group's revenues in Euro is hedged.

(d) *Interest rate risk*

The Group's main exposure to interest rate risk is from its finance lease liabilities and short-term borrowings. During the first six months of 2010 the Group did not use financial hedging instruments to hedge its exposure to the changes in interest rates, as they are not generally available on the Russian market. The Group constantly monitors changes in interest rates to minimise the level of its exposure and to identify any need for hedging activities.

(e) *Non-financial risks – fuel hedging activities*

The results of Group's operations can be significantly impacted by changes in the price of aircraft fuel. The Group periodically purchases derivatives such as aircraft fuel options in order to hedge its exposure from future price fluctuations in aircraft fuel. During the first six months of 2010 the Group did not engage in any fuel hedging activities. The Group does not use derivative instruments for speculative purposes.

(f) *Hedged Accounted Financial Instruments*

Where a financial instrument qualifies for hedge accounting in accordance with IAS 39 *Financial Instruments*: Recognition and Measurement recognition of any resultant gain or loss depends on the nature of the hedging relationship. Changes in the fair value of hedging instruments designated as cash flow hedges are recognised in the hedge accounting reserve account of other comprehensive income to the extent that the hedges are deemed effective in accordance with IAS 39. To the extent that the hedges are ineffective for accounting, changes in fair value are recognised in the consolidated interim statement of income.

If a hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then the hedge accounting is discontinued. The cumulative gain or loss previously recognised in hedge accounting reserve remains there until the forecast transaction occurs. If the underlying hedge transaction is no longer expected to occur, the cumulative, unrealised gain or loss previously recognised in hedge accounting reserve is recognised immediately in the consolidated interim statement of income.

Cash and cash equivalents – Cash and cash equivalents consist of cash on hand, balances with banks and short-term interest-bearing accounts which are used in the day to day financing of the Group's airline activities.

Investments – The Group's financial assets have been classified according to IAS 39 *Financial Instruments: Recognition and Measurement* into the following categories: securities held for trading, held-to-maturity investments, loans and other receivables, and available-for-sale investments. Investments with fixed or determinable payments and fixed maturity, which the Group has the positive intent and ability to hold to maturity, other than loans and receivables, are classified as held-to-maturity investments.

Derivative financial instruments and investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading securities. All other investments, other than loans and receivables, are classified as available-for-sale.

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Held-to-maturity investments are financial assets excluding derivative contracts which mature on a specified date and which a company has the firm intent and ability to hold to maturity. They are valued at allocated acquisition cost and they are included in long-term assets.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale and are measured at subsequent reporting dates at fair value. Investments in equity instruments of other companies that do not have a quoted market price are stated at cost less impairment loss, as it is not practicable to determine the fair value of such investments. For derivatives and other financial instruments classified as held for trading, gains and losses arising from changes in fair value are included in the consolidated interim statement of income for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the consolidated interim statement of income for the period. Impairment losses recognised in the consolidated interim statement of income for equity investments classified as available-for-sale are not subsequently reversed through the consolidated interim statement of income. Impairment losses recognised in the consolidated interim statement of income for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

As at 30 June 2010 the Group held corporate and Government financial instruments primarily comprising shares and bonds. Gains and losses arising from changes in fair value of held-for-trading investments are recognised in the consolidated interim statement of income.

The Group assesses on each closing date whether there is any objective evidence that the value of a financial asset item or group of items has been impaired. If there is objective evidence that an impairment loss has arisen for loans and other receivables entered at allocated acquisition cost in the statement of financial position or for held-to-maturity investments, the size of the loss is determined as the difference between the book value of the asset item and the present value of expected future cash flows of the said financial asset item discounted at the original effective interest rate. The loss is recognised in the consolidated interim statement of income.

Loans and receivables – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are individually recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Because the expected term of an account receivable is short, the value is typically stated at the nominal amount without discounting, which corresponds with the fair value. Uncertain accounts receivable balances are assessed individually and any impairment losses are included in non-operating expenses.

Accounts payable – Trade payables are initially measured at fair value and are subsequently measured at amortised cost and because the expected term of accounts payable is short the value is stated at the nominal amount without discounting, which corresponds with the fair value.

Short-term borrowings – Short-term borrowings comprise:

- Interest bearing borrowings with a term shorter than one year;
- Current portion of interest-bearing long-term borrowings.

These liabilities are measured at amortised cost and reported based on the settlement date.

Long-term borrowings – Long-term borrowings (i.e. liabilities with a term longer than one year) consist of interest-bearing loans, which are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method as at the settlement date.

Expendable spare parts and inventories – Inventories, including aircraft expendable spare parts, are valued at cost or net realisable value, whichever is lower. The costs are determined on the first-in, first-out ("FIFO") basis. Inventories are reported net of provisions for slow-moving or obsolete items.

Value added taxes – Value added tax ("VAT") related to sales is payable to the tax authorities on an accruals basis. For sales of passenger tickets this is when the tickets are registered for a flight by the customers. Domestic flights are subject to VAT at 18% and international flights are subject to VAT at 0%. Input VAT invoiced by domestic suppliers as well as VAT paid in respect of imported aircraft and spare parts may be recovered, subject to certain restrictions, against output VAT. The recovery of input VAT relating sales at 0% is typically delayed by up to six months and sometimes longer due to compulsory tax audit requirements and other administrative matters. Input VAT claimed for recovery as at the balance sheet date is presented net of the output VAT liability. Recoverable input VAT that is not claimed for recovery in the current period is recorded in the statement of financial position as VAT receivable. VAT receivables that are not expected to be recovered within the twelve months from the balance sheet date are classified as long-term assets. VAT balances are not discounted. Where provision has been made for uncollectible receivables, the bad debt expense is recorded at the gross amount of the account receivable, including VAT. The provision for non-recoverable VAT is charged to the consolidated interim statement of income as a non-operating expense.

Frequent flyer programme – Since 1999 the Group operates a frequent flyer programme referred to as Aeroflot Bonus. Subject to the programme's terms and condition, the miles earned entitle members to a number of benefits such as free flights and flight class upgrades.

In accordance with IFRIC 13 *Customer Loyalty Programmes*, which is mandatory from 1 January 2009, miles earned but unused under bonus miles programmes are to be accounted for at fair value using the deferred revenue method.

In accordance with IFRIC 13 *Customer Loyalty Programmes* accumulated but as yet unused bonus miles are deferred using the deferred revenue method to the extent that they are likely to be used on flights of Aeroflot Group. The fair value of miles accumulated on the Group's own flights is recognised under deferred revenue (Note 20) and the miles collected from third parties as well as promotional miles are recognised under other liabilities (Note 19 and Note 24).

Provisions – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the expected timing of cash flows can be estimated and the effect of the time value of money is significant, the amount of a provision is stated at the present value of the expenditures required to settle the obligation.

Income tax – The nominal income tax rate for industrial enterprises in Russia is 20%.

Deferred income taxes – Deferred tax assets and liabilities are calculated in respect of temporary differences in accordance with IAS 12 *Income Taxes*. IAS 12 requires the application of the balance sheet liability method for financial reporting and accounting for deferred income taxes. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its tax assets and liabilities on a net basis.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply during the period when the asset is to be realised or the liability settled, based on tax rates that have been enacted or substantively enacted as at the balance sheet date. As at 30 June 2010 deferred tax assets and liabilities have been measured at 20%. Deferred tax is charged or credited to the consolidated interim statement of income, except when it relates to items credited or charged directly to other comprehensive income, in which case the deferred tax is dealt with in equity.

Employee benefits – The Group makes certain payments to employees on retirement or when they otherwise leave the employment of the Group. These obligations, which are unfunded, represent obligations under a defined benefit pension plan. For such plans the pension accounting costs are assessed using the projected unit credit method. Under this method the cost of providing pensions is charged to the consolidated interim statement of income in order to spread the regular cost over the average service lives of employees. Actuarial gains and losses are recognised in the consolidated interim statement of income immediately. The pension payments may be increased upon the retirement of an employee based on the decision of management. The pension liability for non-retired employees is calculated based on a minimum annual pension payment and do not include increases, if any, to be made by management in the future. Where such post-employment employee benefits fall due more than twenty months after the balance sheet date they are discounted using a discount rate determined by reference to the average government bond yields at the balance sheet date.

The Group also participates in a defined contribution plan, under which the Group has committed to contribute a certain percentage (15% to 20% in 2009) of the contribution made by employees choosing to participate in the plan. Contributions made by the Group on defined contribution plans are charged to expenses when incurred. Contributions are also made to the Government Pension fund at the statutory rates in force during the period. Such contributions are expensed as incurred.

Treasury shares – The Company's shares, which are held as treasury stock or belong to the Company's subsidiaries, are reflected as a reduction of the Group's equity. The disposal of such shares does not impact net income for the current period and is recognised as a change in the shareholders' equity of the Group. Dividend distributions by the Company are recorded net of the dividends related to treasury shares.

Dividends – Dividends are recognised at the date they are declared by the shareholders at a general meeting.

Retained earnings legally distributable by the Company are based on the amounts available for distribution in accordance with applicable legislation and reflected in the statutory financial statements. These amounts may differ significantly from the amounts presented in accordance with IFRS.

Earnings per share – Earnings per share are calculated by dividing the income for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. The Group does not have any potentially dilutive equity instruments.

Contingencies – Contingent liabilities are not recognised in the condensed consolidated interim financial statements unless they arise as a result of a business combination. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the condensed consolidated interim financial statements but are disclosed when an inflow of economic benefits is probable.

4. SIGNIFICANT ESTIMATES

The key assumptions concerning the future, and other key sources of estimation uncertainties at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

(All amounts in millions of US dollars)

Provisions – Provisions are made when any probable and quantifiable risk of loss attributable to disputes is judged to exist.

Depreciable lives of property, plant and equipment – In reporting property, plant and equipment and intangible assets an assessment of the useful economic life is made at least once a year.

Frequent flyer programme – The Group has estimated the liability pertaining to air miles earned by Aeroflot Bonus programme (Note 3) members. The estimate has been made based on the statistical information available to the Group and reflects the expected air mile utilisation pattern after the balance sheet date multiplied by their assessed fair value.

Compliance with tax legislation – particularly in the Russian Federation compliance with tax legislation, is subject to a significant degree of interpretation and can be routinely challenged by the tax authorities. The management records a provision in respect of its best estimate of likely additional tax payments and related penalties which may be payable if the Group's tax compliance is challenged by the relevant tax authorities.

5. OTHER REVENUE

	6m 2010	6m 2009
Airline revenue agreements	186.0	195.8
Refuelling services	12.9	13.4
Ground handling and maintenance	5.8	9.1
Hotel revenue	7.9	7.1
Catering services	4.9	5.3
Other revenue	46.8	26.0
	264.3	**256.7**

6. OPERATING COSTS

	6m 2010	6m 2009
Aircraft and traffic servicing	248.8	221.6
Operating lease expenses	162.6	129.8
Maintenance	126.0	116.6
Sales and marketing	70.2	54.1
Administration and general expenses	61.5	52.4
Passenger services	56.8	43.8
Communication expenses	42.7	31.7
Customs duties	24.1	15.0
Insurance expenses	10.4	8.9
Other expenses	56.3	33.3
Operating cost excluding aircraft fuel	**859.4**	**707.2**
Aircraft fuel	430.0	316.7
	1,289.4	**1,023.9**

7. STAFF COSTS

	6m 2010	6m 2009
Wages and salaries	250.4	215.9
Pension costs	44.2	37.4
Social security costs	13.4	12.2
	308.0	**265.5**

(All amounts in millions of US dollars)

The Group continued its participation in a non-government pension fund to provide additional pensions to certain of its employees upon their retirement. The pension fund requires contributions from both employees and the Group and is a defined contribution pension plan for the employer.

Furthermore, the Group makes payments, upon retirement, to employees participating in the plan with one or more years' service. These obligations, which are unfunded, represent obligations under a defined benefit pension plan.

Pension costs also include compulsory payments to the Russian Federation Pension Fund ("RFPF"), contributions to a non-government pension fund 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, as follows:

	6m 2010	6m 2009
Payments to the RFPF	43.6	37.2
Defined contribution pension plan	0.5	0.1
Defined benefit pension plan	0.1	0.1
	44.2	**37.4**

8. FINANCE INCOME AND COSTS

	6m 2010	6m 2009
Finance income:		
Interest income on bank deposits	4.1	1.1
Gain on disposal of investments	0.2	-
Finance income	**4.3**	**1.1**
Finance costs:		
Interest expense on customs duty discounting	(10.0)	(8.7)
Interest expense on short and long-term borrowings	(56.7)	(9.5)
Foreign exchange loss	(51.4)	(1.6)
Interest expense on finance lease liabilities	(6.4)	(5.2)
Loss on disposal of investments	-	(1.1)
Finance costs	**(124.5)**	**(26.1)**

9. OTHER NON-OPERATING (EXPENSES)/ INCOME, NET

	6m 2010	6m 2009
Fines and penalties received from suppliers	2.6	0.9
Insurance compensation received	0.1	0.1
Contract termination penalties	-	(18.5)
Other (expense)/income	(8.8)	3.8
Non-recoverable VAT write-off	(0.4)	(5.5)
	(6.5)	**(19.2)**

(All amounts in millions of US dollars)

10. INCOME TAX

	6m 2010	6m 2009
Current income tax charge	41.0	50.6
Deferred income tax benefit	(16.3)	(2.2)
	24.7	**48.4**

The Group did not recognise a deferred tax assets of USD 9.4 million (6m 2009: USD 11.0 million) related to CJSC Aeroflot Cargo's tax losses as the subsidiary is not expected to earn sufficient taxable profits in the foreseeable future against which the unused tax losses can be utilised by the Group.

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2010 was 58.5 % (6m 2009: 77.4 %). The change in effective tax rate was caused mainly due to change in subsidiary tax losses occurred during the first half of 2010 for which no deferred tax assets has been recognised because management did not consider it probable that future taxable profits would be available against which those tax losses could be utilised.

	30 June 2010	Movement for the period	31 December 2009
Tax effects of temporary differences:			
Tax loss carry-forwards	59.7	14.2	45.5
Accounts receivable	3.2	(1.0)	4.2
Property, plant and equipment	3.5	0.6	2.9
Accounts payable	24.6	9.7	14.9
Deferred tax assets	**91.0**	**23.5**	**67.5**
Property, plant and equipment	(71.8)	(3.0)	(68.8)
Customs duties related to aircraft operation leases	(23.7)	(2.8)	(20.9)
Long-term investments	(3.4)	0.6	(4.0)
Accounts receivable	(6.2)	(1.7)	(4.5)
Financial instrument	(3.7)	(3.7)	-
Accounts payable	-	0.3	(0.3)
Deferred tax liabilities	**(108.8)**	**(10.3)**	**(98.5)**
Movement for the six months, net		13.2	
Deferred tax recognised directly in equity (i) (ii)		3.3	
Effect of translation to presentation currency		(0.2)	
Deferred tax expense for six months		**16.3**	

(All amounts in millions of US dollars)

	30 June 2009	Movement for the period	31 December 2008 restated	Restate-ment	31 December 2008
Tax effects of temporary differences:					
Tax loss carry-forwards	32.8	6.4	26.4	-	26.4
Accounts receivable	3.4	0.2	3.2	-	3.2
Property, plant and equipment	3.5	0.5	3.0	-	3.0
Accounts payable	6.2	4.2	2.0	-	2.0
Long-term investments	0.5	0.2	0.3	-	0.3
Deferred tax assets	**46.4**	**11.5**	**34.9**	**-**	**34.9**
Property, plant and equipment	(59.4)	(4.6)	(54.8)	-	(54.8)
Customs duties related to aircraft operation leases	(15.0)	(4.4)	(10.6)	-	(10.6)
Long-term investments	(3.5)	0.6	(4.1)	-	(4.1)
Accounts receivable	(1.0)	(2.2)	1.2	-	1.2
Accounts payable	25.9	2.5	23.4	15.1	8.3
Deferred tax liabilities	**(53.0)**	**(8.1)**	**(44.9)**	**15.1**	**(60.0)**
Movement for the six months, net		3.4			
Less: Deferred tax recognised directly in equity (i)		(0.7)			
Effect of translation to presentation currency		(0.5)			
Deferred tax benefit for six months		**2.2**			

(i) The Group holds shares in France Telecom, which are classified as long-term investments available-for-sale. Gains and losses arising from changes in fair value of the France Telecom shares are recognised directly in equity, deferred tax related to them is also dealt with in equity. The movement during for the six months ended 2010 amounted to USD 0.4 million (6m 2009: USD 0.7 million).

(ii) Deferred tax liability in respect of the change in the fair value of the hedging instrument of USD 3.7 million has been recognised in these condensed consolidated interim financial statements.

11. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 June 2010	31 December 2009
VAT and other taxes recoverable	386.9	410.6
Trade accounts receivable	403.1	344.7
Prepayments to suppliers	83.1	76.2
Deferred customs duties related to aircraft operating leases	44.6	44.5
Income tax prepaid	11.0	21.9
Other receivables	124.8	72.4
Accounts receivable and prepayments, gross	**1,053.5**	**970.3**
Impairment allowance for bad and doubtful accounts	(24.4)	(26.5)
	1,029.1	**943.8**

(All amounts in millions of US dollars)

Deferred customs duties of USD 44.6 million (31 December 2009: USD 44.5 million) relate to the current portion of customs duties incurred on importation of aircraft under operating leases. These customs duties are expensed in the consolidated interim statement of income over the term of the operating lease. The non-current portion of the deferred customs duties is disclosed in Note 14.

As at 30 June 2010 sufficient impairment allowance has been made against accounts receivable and prepayments.

The movement in the Group's impairment allowance for bad and doubtful debts is as follows:

	Impairment allowance
As at 31 December 2008	**22.7**
Foreign currency translation	(0.9)
Increase in impairment allowance for bad and doubtful accounts	7.1
Accounts receivable written off during the six months as uncollectible	(2.4)
As at 31 December 2009	**26.5**
Foreign currency translation	0.3
Decrease in impairment allowance for bad and doubtful accounts	(1.4)
Accounts receivable written off during the six months as uncollectible	(1.0)
As at 30 June 2010	**24.4**

12. EXPENDABLE SPARE PARTS AND INVENTORIES

	30 June 2010	**31 December 2009**
Expendable spare parts	49.4	48.3
Fuel	9.0	9.8
Other inventories	13.1	15.4
Expendable spare parts and inventories, gross	**71.5**	**73.5**
Impairment allowance for obsolete inventory	(2.5)	(3.5)
	69.0	**70.0**

13. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	30 June 2010	**31 December 2009**
Property, plant and equipment	26.6	42.3
Inventory	3.7	3.7
Impairment reserve	(14.2)	(20.1)
Foreign currency translation	-	1.4
Total assets of disposal group classified as held for sale	**16.1**	**27.3**

In 2009 the Group made a decision to discontinue flying most of its Tupolev Tu-134 and Tu-154 aircraft fleet (Note 1). Subsequently, a decision was made to sell those aircraft and the related spare parts and engines. The Group was able to sell some of these assets in the first of 2010. The remaining assets are expected to be sold in the second half of 2010. An impairment loss of USD 14.2 million has been recognised in operating expenses on the remeasurement of the aircraft to the lower of their carrying amount and fair value less costs to sell.

(All amounts in millions of US dollars)

14. OTHER NON-CURRENT ASSETS

	30 June 2010	31 December 2009
Deferred customs duties related to aircraft operating leases	191.3	211.6
VAT recoverable	130.5	182.9
Other	6.9	7.0
	328.7	**401.5**

VAT recoverable primarily includes USD 127.3 million (31 December 2009: USD 179.3 million) related to the acquisition of aircraft.

15. PREPAYMENTS FOR AIRCRAFT

Prepayments for aircraft relate to cash advances made in relation to twenty-two Boeing B-787 (delivery: 2016 – 2019), twenty-two Airbus A-350 (delivery: 2016-2019), twenty-four Sukhoi Superjet-100 (SSJ) (delivery: 2011 – 2013) aircraft which are expected to be used under operating lease agreements and eight Airbus A-321 (delivery: 2012-2013), ten Airbus A-330 (delivery: 2011-2012) aircraft which are expected to be used under finance lease agreements.

16. PROPERTY, PLANT AND EQUIPMENT

	Owned aircraft and engines	Leased aircraft and engines	Land and buildings	Plant, equipment and other	Construction in progress (i)	Total
Cost						
1 January 2009	**497.2**	**778.9**	**188.6**	**243.6**	**857.7**	**2,566.0**
Additions	19.5	320.6	2.2	76.2	349.8	768.3
Capitalised overhaul costs	4.3	-	-	-	-	4.3
Disposals	(241.6)	-	(0.1)	(15.5)	(172.6)	(429.8)
Transfers	1.4	-	77.4	39.9	(118.7)	-
Transfers from leased assets to owned assets	3.3	(3.3)	-	-	-	-
Foreign currency translation	(24.7)	(8.0)	(1.4)	(2.3)	(21.2)	(57.6)
31 December 2009	**259.4**	**1,088.2**	**266.7**	**341.9**	**895.0**	**2,851.2**
Additions	6.8	-	0.9	6.4	32.3	46.4
Capitalised overhaul costs	0.3	-	-	-	-	0.3
Disposals (ii)	(39.7)	-	(0.4)	(6.3)	(0.3)	(46.7)
Transfers (iii)	-	-	710.7	101.8	(812.5)	-
Transfers from leased assets to owned assets	0.1	(0.1)	-	-	-	-
Foreign currency translation	(6.7)	(33.2)	(33.7)	(14.2)	0.7	(87.1)
30 June 2010	**220.2**	**1,054.9**	**944.2**	**429.6**	**115.2**	**2,764.1**
Accumulated depreciation						
1 January 2009	**(334.9)**	**(191.3)**	**(88.1)**	**(152.9)**	**(24.5)**	**(791.7)**
Charge for the period	(50.4)	(60.4)	(9.1)	(22.3)	-	(142.2)
Impairment	7.0	-	-	0.4	19.0	26.4
Disposals	186.0	0.4	0.1	11.1	-	197.6
Foreign currency translation	16.5	2.5	2.3	3.7	1.5	26.5
31 December 2009	**(175.8)**	**(248.8)**	**(94.8)**	**(160.0)**	**(4.0)**	**(683.4)**

(All amounts in millions of US dollars)

	Owned aircraft and engines	Leased aircraft and engines	Land and buildings	Plant, equipment and other	Construction in progress (i)	Total
Charge for the period	(11.7)	(42.4)	(16.3)	(19.3)	-	(89.7)
Impairment	-	-	-	0.5	-	0.5
Disposals (ii)	39.6	-	0.1	3.3	-	43.0
Foreign currency translation	4.4	9.1	3.8	5.0	0.2	22.5
30 June 2010	**(143.5)**	**(282.1)**	**(107.2)**	**(170.5)**	**(3.8)**	**(707.1)**
Net book value						
31 December 2009	**83.6**	**839.4**	**171.9**	**181.9**	**891.0**	**2,167.8**
30 June 2010	**76.7**	**772.8**	**837.0**	**259.1**	**111.4**	**2,057.0**

(i) Construction in progress mainly includes capital expenditure incurred in relation to the construction of the new Sheremetyevo-3 terminal of USD 59.4 million (2009: USD 839.8 million);

(ii) The 2010 disposals mainly relate to disposal of fully depreciated capitalized engine overhauls of USD 34.0 million;

(iii) Transfer from construction in progress mainly includes capital expenditures of USD 801.8 million related to the new Sheremetyevo-3 terminal.

17. INTANGIBLE ASSETS

	Software	Licences	Development in progress	Total
Cost				
1 January 2009	**7.9**	**4.5**	**3.4**	**15.8**
Additions	2.2	-	7.6	9.8
Transfers	2.5	-	(2.5)	-
Foreign currency translation	0.1	(0.1)	0.1	0.1
31 December 2009	**12.7**	**4.4**	**8.6**	**25.7**
Additions (i)	0.3	-	9.6	9.9
Disposal	-	-	-	-
Transfers	0.7	-	(0.7)	-
Foreign currency translation	(0.5)	(0.1)	(0.6)	(1.2)
30 June 2010	**13.2**	**4.3**	**16.9**	**34.4**
Accumulated amortisation				
1 January 2009	**(1.7)**	**-**	**-**	**(1.7)**
Charge for the period	(2.5)	(0.6)	-	(3.1)
Foreign currency translation	(0.2)	-	-	(0.2)
31 December 2009	**(4.4)**	**(0.6)**	**-**	**(5.0)**
Charge for the period	(1.4)	(0.2)	-	(1.6)
Foreign currency translation	0.2	(0.1)	-	0.1
30 June 2010	**(5.6)**	**(0.9)**	**-**	**(6.5)**
Net book value				
31 December 2009	**8.3**	**3.8**	**8.6**	**20.7**
30 June 2010	**7.6**	**3.4**	**16.9**	**27.9**

(All amounts in millions of US dollars)

(i) Development in progress mainly includes expenditures incurred in relation to the purchase of SAP and SIRAX program licenses and implementation costs.

18. FINANCIAL INSTRUMENTS

The Group has entered into cross-currency interest rate swap agreements with two major banks operating in Russia to hedge some of its euro denominated revenues from potential future RUR/EUR exchange rate fluctuations. The hedging instrument has been assessed as being effective for IAS 39 purposes. The change in the fair value of the hedging instrument amounted to a gain of USD 18.6 million and has been reported in other comprehensive income. A corresponding deferred tax liability of USD 3.7 million has been recognised in these condensed consolidated interim financial statements and reported in other comprehensive income.

19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	30 June 2010	**31 December 2009**
Trade accounts payable	322.1	253.4
VAT payable on leased aircraft	146.8	148.8
Staff related liabilities	81.6	65.5
Customs duties payable on leased aircraft	81.8	89.8
Advances received (other than unearned transportation revenue)	69.4	30.2
Other taxes payable	20.9	13.3
Other liabilities related to frequent flyer programme (Note 20)	10.5	8.2
Income tax payable	11.0	4.1
Merchandise credits	3.2	3.8
Dividends payable	16.0	3.7
Other payables	61.8	53.7
	825.1	**674.5**

As at 30 June 2010 accounts payable and accrued liabilities include the short-term portion of VAT of USD 146.8 million (31 December 2009: USD 148.8 million) and customs duties of USD 81.8 million (31 December 2009: USD 89.8 million) relating to imported leased aircraft, which are payable in equal monthly instalments over a thirty-four-month period from the date these assets were cleared through customs. The long-term portion of VAT payable and customs duties of USD 127.3 million (31 December 2009: USD 179.3 million) and USD 59.3 million (31 December 2009: USD 97.6 million), respectively, relating to the leased aircrafts are disclosed in Note 24.

Staff related payables primarily include salaries and social contribution liabilities of USD 41.2 million (31 December 2009: USD 29.4 million) and the unused vacation accrual of USD 39.5 million (31 December 2009: USD 35.1 million).

(All amounts in millions of US dollars)

20. DEFERRED REVENUE RELATED TO FREQUENT FLYER PROGRAMME

Deferred revenue related to Aeroflot Bonus as at 30 June 2010 has been assessed in accordance with IFRIC 13 *Customer Loyalty Programmes*. The amount represents the number of points earned but unused by the Aeroflot Bonus programme members estimated at fair value (Note 3).

As at 30 June 2010 deferred revenue related Aeroflot Bonus are expected to realise as follows:

	30 June 2010	**31 December 2009**
Deferred revenue related to frequent flyer programme, current	9.1	9.0
Deferred revenue related to frequent flyer programme, non-current	31.1	30.7
Other current liabilities related to frequent flyer programme (Note 19)	10.5	8.2
Other non-current liabilities related to frequent flyer programme (Note 24)	29.8	25.1
	80.5	**73.0**

21. SHORT-TERM BORROWING

	30 June 2010	**31 December 2009**
Loans denominated in US dollars:		
Vneshtorgbank – short-term portion (Note 23)	16.8	15.6
Vnesheconombank – short-term portion (Note 23)	15.6	14.6
Natixis (i)	-	15.0
Other short-term bank loans	-	4.1
	32.4	**49.3**
Loans denominated in Russian roubles:		
Sberbank of the Russian Federation (ii)	-	66.3
Gazprombank (iii)	11.1	11.7
TransCreditBank (iv)	11.1	-
Raiffeisenbank (v)	8.7	11.8
Sberbank of the Russian Federation – short-term portion (Note 23)	6.5	-
Sberbank of the Russian Federation (vi)	6.1	14.7
Promsvyazbank (vii)	4.8	-
Other short-term bank loans	2.4	2.6
	50.7	**107.1**
	83.1	**156.4**

(i) The balance as at 31 December 2009 represents a credit of USD 15.0 million issued at an interest rate of LIBOR plus 5.0% per annum. The effective annualised interest rate related to this credit in 2010 was equal to 5.3% per annum. During 2010 this credit line was repaid in full. The loan is unsecured;

(ii) The balance as at 31 December 2009 represents a credit line of USD 66.3 million issued at an interest rate of 11.5% per annum. The effective annualised interest rate related this credit line in 2010 was equal to 11.7% per annum. During 2010 this credit line was repaid in full. The loan is unsecured;

(iii) The balance as at 30 June 2010 represents loans of USD 11.1 million issued at an interest rate of 11.5% to 15.75 per annum. The effective annualised interest rate related to these loans in 2010 was 14.0 % per annum. The loans are unsecured;

(iv) The balance as at 30 June 2010 represents loans of USD 11.1 million issued at an interest rate of 12.0% to 12.5% per annum. The effective annualised interest rate related to these loans in 2010 was 12.3 % per annum. The loans are unsecured;

(All amounts in millions of US dollars)

(v) The balance as at 30 June 2010 represents an outstanding amount of USD 8.7 million at a fixed interest rate of three month MosPrime plus 3% per annum. The loan was borrowed in order to finance the Group's working capital requirements. The effective annualised interest rate in 2010 was equal to 8.2% per annum. The loan is unsecured;

(vi) The balance as at 30 June 2010 represents loans for the total amount of USD 6.1 million issued at interest rates of 11% to 16.25% per annum. The effective annualised interest rate on the total outstanding balance of these loans in 2010 was equal to 12.2% per annum. The loans are secured by a property, plant, equipment and inventory with a carrying value of USD 8.6 million;

(vii) The balance as at 30 June 2010 represents loans of USD 4.8 million issued at an interest rate of 8.0% to 10.0% per annum. The effective annualised interest rate related to these loans in 2010 was 8.8 % per annum.

22. FINANCE LEASE LIABILITIES

The Group leases aircrafts under finance lease agreements. Leased assets are listed in Note 1 above:

	30 June 2010	31 December 2009
Total outstanding payments	733.4	784.2
Finance charges	(49.5)	(49.5)
Principal outstanding	**683.9**	**734.7**
Representing:		
Current lease liabilities	106.7	111.2
Non-current lease liabilities	577.2	623.5
	683.9	**734.7**

	30 June 2010			31 December 2009		
Due for repayment:	Principal	Finance changes	Total payments	Principal	Finance changes	Total payments
On demand or within one year	106.7	11.2	117.9	111.2	11.4	122.6
In two to five years	329.8	26.5	356.3	336.8	25.4	362.2
After five years	247.4	11.8	259.2	286.7	12.7	299.4
	683.9	**49.5**	**733.4**	**734.7**	**49.5**	**784.2**

Interest unpaid as at 30 June 2010 amounted to approximately USD 3.1 million (31 December 2009: USD 3.2 million) and is included in accrued expenses. During the 6 months of 2010 the effective interest rate on these leases was approximately 1.4% per annum (31 December 2009: 1.1% per annum).

The Group's aircraft leases are subject to both positive and negative covenants. In accordance with those covenants, the Group maintains insurance coverage for its leased aircraft.

The Group's aircrafts leased under finance lease agreements are subject to a registered debenture to secure liabilities in relation to their lease.

(All amounts in millions of US dollars)

23. LONG-TERM BORROWINGS

	30 June 2010	31 December 2009
Loans denominated in US dollars:		
Vnesheconombank (i)	427.7	383.3
Sberbank of the Russian Federation (ii)	384.7	-
Vneshtorgbank (iii)	230.4	238.0
	30 June 2010	**31 December 2009**
Vnesheconombank (iv)	189.4	190.4
Accor	2.8	2.8
Other long-term loans	3.4	3.3
	1,238.4	**817.8**
Loans denominated in Russian roubles:		
Sberbank of the Russian Federation – long-term portion (Note 21)	9.9	-
Other long-term loans	-	1.9
	1,248.3	**819.7**

(i) The balance as at 30 June 2010 relates to a loan of USD 427.7 million borrowed at an interest rate of 9.0% per annum. The agreed interest rate will be effective until 20 August 2018 after which the interest rate will be LIBOR plus 4% per annum. The amount was borrowed in order to finance the construction of the new Sheremetyevo-3 terminal. The sublease of the land is pledged as collateral under a primary loan agreement with a hypothecation value of USD 364.4 million;

(ii) The balance as at 30 June 2010 relates to debenture bond of USD 384.7 million borrowed at an interest rate of 7.75% per annum. The effective annualised interest rate related to this debenture bond in 2010 was 7.75 % per annum. The debenture bond is unsecured;

(iii) The balance as at 30 June 2010 represents an outstanding amount of USD 230.4 million on a credit line issued by Vneshtorgbank at a fixed interest rate of 7.75% per annum. The amount was borrowed in order to finance the construction of the new Sheremetyevo-3 terminal. The property, plant and equipment and the sublease of the land are pledged as collateral under a secondary loan agreement with hypothecation values of USD 781.0 million and USD 364.4 million, respectively;

(iv) The balance as at 30 June 2010 represents an outstanding balance of USD 189.4 million on a credit line issued by Vnesheconombank at a fixed interest rate of 10.56% per annum. The amount was borrowed in order to finance the construction of the new Sheremetyevo-3 terminal. The property, plant and equipment and the sublease of the land are pledged as collateral under a primary loan agreement with hypothecation values of USD 781.0 million and USD 364.4 million, respectively.

The borrowings are repayable as follows:

	30 June 2010	31 December 2009
On demand or within one year	32.4	30.2
In two to five years	552.0	151.2
After five years	696.3	668.5
	1,280.7	**849.9**
Less: amounts due for settlement within 12 months	(32.4)	(30.2)
Amounts due for settlement after 12 months	**1,248.3**	**819.7**

(All amounts in millions of US dollars)

24. OTHER NON-CURRENT LIABILITIES

	30 June 2010	31 December 2009
VAT payable on leased aircraft	127.3	179.3
Custom duties payable on leased aircraft	59.3	97.6
Other liabilities related to frequent flyer programme (Note 20)	29.8	25.1
Defined benefit pension obligation – non-current portion	8.7	9.0
Other non-current liabilities	4.9	5.0
	230.0	**316.0**

As at 30 June 2010 other non-current liabilities include the long-term portion of VAT of USD 127.3 million (31 December 2009: USD 179.3 million) and customs duties of USD 59.3 million (31 December 2009: USD 97.6 million) relating to imported leased aircraft, which are payable in equal monthly instalments over a thirty-four-month period from the date these assets are cleared through customs.

Customs duties payable on leased aircraft have been discounted using a discount rate between 8.0% and 24.0%.

The short-term portion of the VAT payable and the customs duties of USD 146.8 million (31 December 2009: USD 148.8 million) and USD 81.8 million (31 December 2009 USD 89.8 million), respectively, relating to the imported leased aircraft are disclosed in Note 19.

25. SHARE CAPITAL

	Number of shares authorised and issued	Number of treasury shares	Number of shares outstanding
Ordinary shares of one Russian rouble each:			
As at 31 December 2009	1,110,616,299	(11,040,970)	1,099,575,329
As at 30 June 2010	1,110,616,299	(81,042,167)	1,029,574,132

Ordinary shareholders are entitled to one vote per share.

During 2010 the number of treasury shares held by the Group increased by 70,001,197.

The Company's shares are listed on the Russian Trade System ("RTS") and the Moscow Interbank Currency Exchange ("MICEX") and on 30 June 2010 were traded at USD 1.82 per share. On 29 September 2010 were traded at USD 2.13 per share.

The Company launched a Level 1 Global Depositary Receipts (GDR's) programme in December 2000. The Company signed a depositary agreement with Deutsche Bank Group, allowing the Company's shareholders to swap their shares for GDR's, which trade over-the-counter on US and European markets. The swap ratio was established at 100 shares per GDR. In accordance with the depositary agreement the total volume of the GDR's of the Company cannot exceed 20% of the Company's share capital. In 2001 the Company's GDR's were listed on the New Europe Exchange ("NEWEX") in Vienna and after closing of this stock exchange the GDR's were transferred to the third segment of the stock exchange in Frankfurt. On 30 June 2010 and 29 September 2010 the GDR's were trade at USD 179.89 and USD 210.91 each, respectively.

(All amounts in millions of US dollars)

26. DIVIDENDS

At the annual shareholders' meeting held on 19 June 2010 the shareholders approved dividends in respect of 2009, which would be paid to the shareholders between 20 June and 18 August 2010 in the amount of 0.3497 Russian roubles per share (1.1 US cents at the average exchange rate of the year 2009) totalling to 388.4 million Russian roubles (USD 12.4 million at the average exchange rate of the year 2009). The outstanding balance of the dividends payable will be transferred as soon as the relevant shareholders' bank details are collected.

27. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's General Director reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Airline – domestic and international passenger and cargo air transport and other airline services;
- Catering – includes preparation of food and beverages for air travel;
- Hotels – includes operating a hotel;
- Airport terminal – includes operating the Sheremetyevo-3 terminal.

There are also other operating segments. However, none of these segments meets any of the quantitative thresholds for determining reportable segments during the first six months of 2010 and 2009.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment sales revenue and operating profit, as included in the internal management reports that are reviewed by the Group's General Director. Segment sales revenue and operating profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

	Airline	Catering	Hotels	Terminal	Other	Elimi-nations	Total Group
6m 2010							
External sales	1,832.4	5.4	7.9	7.1	1.5	-	1,854.3
Inter-segment sales	-	58.4	2.4	28.0	(26.6)	(62.2)	-
Total revenue	**1,832.4**	**63.8**	**10.3**	**35.1**	**(25.1)**	**(62.2)**	**1,854.3**
Operating profit/(loss)	180.5	8.1	2.5	(19.4)	(28.5)	22.4	165.6
Finance income							4.3
Finance costs							(124.5)
Share of income in associates	-	-	-	-	-	-	3.3
Non-operating expenses, net							(6.5)
Profit before income tax							**42.2**
Income tax							(24.7)
Profit for the period							**17.5**

(All amounts in millions of US dollars)

	Airline	Catering	Hotels	Terminal	Other	Elimi-nations	Total Group
6m 2009							
External sales	1,441.9	5.9	7.1	-	1.0	-	1,455.9
Inter-segment sales	-	27.2	2.3	-	1.6	(31.1)	-
Total revenue	**1,441.9**	**33.1**	**9.4**	**-**	**2.6**	**(31.1)**	**1,455.9**
Operating profit/(loss)	102.3	4.7	2.1	(4.4)	(0.3)	(0.6)	103.8
Financial income							1.1
Financial expenses							(26.1)
Share of income in associates	2.9	-	-	-	-	-	2.9
Non-operating income/(expenses), net							(19.2)
Profit before income tax							**62.5**
Income tax							(48.4)
Profit for the period							**14.1**

28. RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Company is the Government of the Russian Federation and all companies controlled by the Government of the Russian Federation are treated as related parties of the Group for the purpose of these condensed consolidated interim financial statements.

The condensed consolidated interim financial statements of the Group include the following balances and transaction with related parties:

	30 June 2010	31 December 2009
Assets		
Russian Government and companies controlled by the Government		
VAT recoverable and customs duties capitalised on leased aircraft	510.0	584.3
Cash and cash equivalents	114.1	53.0
Trade and accounts receivable	33.6	57.6
Bank deposits with maturities less than 90 days	-	1.5
Bank deposits with maturity date not exceeding 90 days	5.2	2.8
	662.9	**699.2**
Associates		
Trade and accounts receivable	5.5	8.3
	668.4	**707.5**
Liabilities		
Russian Government and companies controlled by the Government		
Long-term borrowings	1,242.1	813.6
VAT and customs duties payable on leased aircraft	415.3	515.5
Short-term borrowings	56.1	122.9
Trade and other accounts payable	35.9	24.0
	1,749.4	**1,476.0**
Associates		
Trade and other accounts payable	7.6	10.3
	1,757.0	**1,486.3**

	6m 2010	6m 2009
Sales to Government and companies controlled by the Government	14.7	15.3
Sales to associates	7.6	3.8
	22.3	**19.1**

(All amounts in millions of US dollars)

	6m 2010	6m 2009
Purchases from associates	26.7	28.4
Purchases from Government and companies controlled by the Government	264.5	407.4
Dividend income received	-	0.2

Purchases consist primarily of purchases of aircraft fuel as well as air navigation and airport services. During the first six months of 2010 and 2009 most of the transactions between the Group and its related parties were based on market prices.

The summary of balances and charges relating to the taxes due to the Government of the Russian Federation during the first six months of 2010 and 2009 is presented below:

	30 June 2010	31 December 2009
Accounts receivable from tax authorities	251.1	283.6
Accounts payable to tax authorities	36.4	20.7
	6m 2010	**6m 2009**
Tax refunds received during the period	177.5	76.5
Total amount of taxes settled with tax authorities during the period	137.7	146.2

The amounts outstanding to and from related parties mainly will be settled in cash. Tax receivable and tax payable might be offset according to Russian tax legislation.

As at 30 June 2010 total amount of guarantees given amount to USD 89.05 million (31 December 2009: USD 1.1 million), guarantees received USD 0.07 million (31 December 2009: USD 0.3 million).

Compensation of key management personnel

The remuneration of directors and other members of key management (the members of the Board of Directors and 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) consist of short-term benefits including salary and bonuses as well as short-term compensation for serving on the management bodies of Group companies for the six months 2010 amounted to approximately USD 5.3 million (6m 2009: USD 3.1 million).

Such amounts are stated before personal income tax but exclude unified social tax. 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. Government officials, who are directors, do not receive remuneration from the Group.

29. COMMITMENTS UNDER OPERATING LEASES

Future minimum lease payments under non-cancellable aircraft and other operating leases are as follows:

	30 June 2010	31 December 2009
On demand or within one year	336.1	358.6
In two to five years	1,342.0	1,409.7
After five years	1,439.6	1,487.0
Total minimum payments	**3,117.7**	**3,255.3**

The amounts above represent base rentals payable. Maintenance fees payable to the lessor, based on actual flight hours, and other usage variables are not included in the figures.

For details of the fleet subject to operating leases refer to Note 1.

30. CAPITAL COMMITMENTS

The Group's capital commitments in relation to the acquisition of property, plant and equipment and other services as at 30 June 2010 amounted to approximately USD 610.3 million (31 December 2009: USD 665.8 million). These commitments mainly relate to the finance leases of ten Airbus A-321-200 aircraft.

31. RISK CONNECTED WITH FINANCIAL INSTRUMENTS

Since IAS 34 *Interim Financial Reporting* does not require explicitly the inclusion of information that would be presented in annual financial statements under IFRS 7 *Financial Instruments: Disclosures*, and the Group's financial risk management objectives and policies has not been changed, and any material losses connected with the nature and extent of risks arising from financial instruments for the previous comparative period were presented in annual consolidated financial statements ending 31 December 2009, the Group decided to disclose selective items that are exposed to different types of risks in the condensed interim condensed financial statements.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group entities utilise a detailed budgeting and cash forecasting process to ensure their liquidity is maintained at the appropriate level.

The Group has entered into various agreements with a number of banks in Russia whereby the banks have issued facilities to guarantee the repayment of the Group's commitments related to the existing aircraft lease agreements. As at 30 June 2010 the total value of the guarantees issued amounted to USD 100.2 million (31 December 2009: USD 376.1 million).

As at 30 June 2010 the Group had available USD 10.0 million (31 December 2009: USD 81.7 million) in relation to lines of credit granted to the Group by various lending institutions.

Capital risk management – Management's policy is to have a strong capital base as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital and the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the period.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group conducts transactions with the following major types of counterparties:

i. The Group has credit risk associated with travel agents and industry settlement organisations. A significant share of the Group's sales takes place via travel agencies. Due to the fact that receivables from agents are diversified the overall credit risk related to agencies is assessed by management as low.

ii. Receivables from other airlines are carried out through the IATA clearing house. Regular settlements ensure that the exposure to credit risk is mitigated to the greatest extent possible.

iii. Aircraft suppliers require that security deposits are paid by the Group in relation to the future aircraft deliveries. The Group mitigates this credit risk by performing extensive background checks on suppliers. Only well known and reputable companies are contracted with.

(All amounts in millions of US dollars)

iv. The Group limits its exposure to credit risk associated with investments by only investing in liquid securities. Management actively monitors the performance and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

The maximum exposure to the credit risk net of impairment allowance is set out in the table below:

	30 June 2010	**31 December 2009**
Cash and cash equivalents	607.0	121.1
Short-term investments	19.8	10.4
Trade accounts receivable	403.1	344.7
	1,029.9	**476.2**

Most of the amounts in the total credit risk exposure are current.

32. SUBSEQUENT EVENTS

In July 2010 the Company sold 51% of its interest in CJSC Aeroflot Plus to Jetalliance Holding AG.

In September 2010 the Company made a decision to sell 100% of its interest in OJSC Insurance Company Moscow to OJSC Alfa Insurance.

Contract for the delivery of 11 new Airbus A-330 aircrafts was concluded in July 2010.

The Group is considering a possibility of acquiring a number of Russian regional airlines currently controlled by Rostechnologii.