

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

**for the six-month period ended 30 June  
2011**

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	Note	30 June 2011 '000 RUB	31 December 2010 '000 RUB	30 June 2011 '000 USD	31 December 2010 '000 USD
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6	28,103,788	27,956,603	1,000,997	917,305
Advances for property, plant and equipment		586,739	445,617	20,898	14,621
Goodwill		182,552	119,624	6,502	3,925
Other intangible assets		315,676	336,150	11,244	11,030
Investments in equity accounted investees		273,790	192,086	9,752	6,303
Other investments	7	64,093	52,285	2,283	1,716
Loans issued	8	50,536	57,856	1,800	1,898
Net investment in finance leases	9	240,376	240,286	8,562	7,884
Advances related to operating leases		113,284	123,975	4,035	4,068
Deferred tax assets		164,333	115,828	5,853	3,801
<b>Total non-current assets</b>		<b>30,095,167</b>	<b>29,640,310</b>	<b>1,071,926</b>	<b>972,551</b>
<b>Current assets</b>					
Inventories	11	2,319,490	1,823,435	82,615	59,830
Trade and other receivables	10	6,898,596	8,208,327	245,713	269,330
Other advances		3,251,029	1,475,852	115,795	48,425
Income tax receivable		125,018	131,486	4,453	4,314
Net investment in finance leases	9	62,310	55,676	2,219	1,827
Loans issued	8	864,926	863,416	30,807	28,330
Other investments	7	1,168,238	4,956	41,610	163
Security deposits		6,911,760	476,654	246,182	15,640
Cash and cash equivalents	12	2,750,098	443,998	97,953	14,568
Assets classified as held for sale	13	126,817	252,232	4,517	8,276
<b>Total current assets</b>		<b>24,478,282</b>	<b>13,736,032</b>	<b>871,864</b>	<b>450,703</b>
<b>Total assets</b>		<b>54,573,449</b>	<b>43,376,342</b>	<b>1,943,790</b>	<b>1,423,254</b>

*UTair Aviation Joint-Stock Company*  
*Consolidated Statement of Financial Position as at 30 June 2011*

	Note	30 June 2011 '000 RUB	31 December 2010 '000 RUB	30 June 2011 '000 USD	31 December 2010 '000 USD
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital		577,208	577,208	20,871	20,871
Reserve for own shares		(174,859)	(174,859)	(6,868)	(6,868)
Surplus from sale of treasury shares		13,010	13,010	451	451
Foreign currency translation reserve		29,581	93,349	1,394	(6,211)
Revaluation reserve		7,901,678	7,913,459	281,441	259,654
Retained earnings		(1,444,960)	(2,249,840)	(51,466)	(65,372)
<b>Total equity attributable to equity holders of the Company</b>		<b>6,901,658</b>	<b>6,172,327</b>	<b>245,823</b>	<b>202,525</b>
Non-controlling interest		416,404	549,221	14,831	18,021
<b>Total equity</b>		<b>7,318,062</b>	<b>6,721,548</b>	<b>260,654</b>	<b>220,546</b>
<b>Non-current liabilities</b>					
Loans and borrowings	14	26,274,440	21,124,041	935,839	693,116
Derivatives	15	30,287	45,009	1,079	1,477
Trade and other payables	16	74,342	70,695	2,648	2,320
Deferred income	17	621,933	674,305	22,152	22,125
Employee benefits		188,261	195,573	6,705	6,417
Deferred tax liabilities		1,886,009	1,830,022	67,176	60,046
<b>Total non-current liabilities</b>		<b>29,075,272</b>	<b>23,939,645</b>	<b>1,035,599</b>	<b>785,501</b>
<b>Current liabilities</b>					
Loans and borrowings	14	11,046,646	6,037,624	393,458	198,105
Derivatives	15	51,856	66,347	1,847	2,177
Trade and other payables	16	2,962,080	4,666,209	105,503	153,106
Deferred income	17	276,478	422,146	9,848	13,852
Income tax payable		61,296	49,840	2,183	1,635
Other taxes payable	18	492,760	521,288	17,551	17,104
Advances received	19	3,263,262	933,271	116,230	30,622
Employee benefits		25,737	18,424	917	605
<b>Total current liabilities</b>		<b>18,180,115</b>	<b>12,715,149</b>	<b>647,537</b>	<b>417,206</b>
<b>Total liabilities</b>		<b>47,255,387</b>	<b>36,654,794</b>	<b>1,683,136</b>	<b>1,202,707</b>
<b>Total equity and liabilities</b>		<b>54,573,449</b>	<b>43,376,342</b>	<b>1,943,790</b>	<b>1,423,253</b>

*UTair Aviation Joint-Stock Company*  
*Consolidated Statement of Comprehensive Income for the six-month period ended 30 June 2011*

		Six months ended 30 June 2011 '000 RUB	Six months ended 30 June 2010 '000 RUB	Six months ended 30 June 2011 '000 USD	Six months ended 30 June 2010 '000 USD
Passenger traffic and helicopter services revenue	20	21,375,071	19,098,967	746,748	635,201
Other revenue	20	980,289	1,168,890	34,247	38,875
		<b>22,355,360</b>	<b>20,267,857</b>	<b>780,995</b>	<b>674,076</b>
<b>Operating expenses</b>					
Direct operating expenses	21	(11,051,009)	(11,251,201)	(386,072)	(374,197)
Personnel expenses	22	(5,127,812)	(3,427,517)	(179,143)	(113,994)
Depreciation and amortisation		(1,522,572)	(1,468,125)	(53,192)	(48,827)
Repair expenses		(1,178,007)	(1,066,328)	(41,154)	(35,464)
Commissions		(721,775)	(770,867)	(25,216)	(25,638)
Gain on sale of assets classified as held for sale		245,319	440,484	8,570	14,650
Other income		84,563	320,829	2,955	10,670
Other expenses	23	(1,283,819)	(1,285,837)	(44,851)	(42,765)
		<b>(20,555,112)</b>	<b>(18,508,562)</b>	<b>(718,103)</b>	<b>(615,565)</b>
<b>Results from operating activities</b>		<b>1,800,248</b>	<b>1,759,295</b>	<b>62,892</b>	<b>58,511</b>
Net foreign exchange gain		741,495	202,178	25,904	6,724
Impairment of doubtful debts		(125,343)	(144,291)	(4,379)	(4,799)
Share of loss of equity accounted investees (net of income tax)		(31,097)	(20,640)	(1,086)	(686)
Other finance income	24	194,548	411,125	6,797	13,673
Other finance costs	24	(1,822,480)	(1,508,625)	(63,669)	(50,174)
<b>Profit before income tax</b>		<b>757,371</b>	<b>699,042</b>	<b>26,459</b>	<b>23,249</b>
Income tax expense		(81,531)	(75,770)	(2,848)	(2,520)
<b>Profit for the six months ended 30 June</b>		<b>675,840</b>	<b>623,272</b>	<b>23,611</b>	<b>20,729</b>
<b>Other comprehensive income</b>					
Foreign currency translation differences		(79,326)	(4,571)	16,497	(7,403)
Realisation of property, plant and equipment revaluation reserve		-	52,805	-	1,756
<b>Other comprehensive income for the six months ended 30 June, net of income tax</b>		<b>(79,326)</b>	<b>48,234</b>	<b>16,497</b>	<b>(5,647)</b>
<b>Total comprehensive income for the six months ended 30 June</b>		<b>596,514</b>	<b>671,506</b>	<b>40,108</b>	<b>15,082</b>

*UTair Aviation Joint-Stock Company*  
*Consolidated Statement of Comprehensive Income for the six-month period ended 30 June 2011*

	Note	Six months ended 30 June 2011 '000 RUB	Six months ended 30 June 2010 '000 RUB	Six months ended 30 June 2011 '000 USD	Six months ended 30 June 2010 '000 USD
<b>Profit attributable to:</b>					
Owners of the Company		752,445	612,329	26,287	20,365
Non-controlling interest		(76,605)	10,943	(2,676)	364
<b>Profit for the six months ended 30 June</b>		<b>675,840</b>	<b>623,272</b>	<b>23,611</b>	<b>20,729</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		729,331	652,253	43,298	14,981
Non-controlling interest		(132,817)	19,253	(3,190)	101
<b>Total comprehensive income for the six months ended 30 June</b>		<b>596,514</b>	<b>671,506</b>	<b>40,108</b>	<b>15,082</b>
<b>Earnings per share</b>					
Basic and diluted earnings per share		RUB 1.22	RUB 0.99	USD 0.04	USD 0.03

'000 RUB

	Attributable to equity holders of the Company								
	Share capital	Reserve for own shares	Surplus from sale of treasury shares	Translation reserve	Property, plant and equipment revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2010	3,101,456	(173,244)	13,010	117,911	8,133,733	(5,313,407)	5,879,459	511,949	6,391,408
<b>Total comprehensive income for the year</b>									
Profit for the year	-	-	-	-	-	382,538	382,538	16,474	399,012
<b>Other comprehensive income</b>									
Foreign currency translation differences	-	-	-	(24,562)	-	-	(24,562)	20,798	(3,764)
Realisation of property, plant and equipment revaluation reserve	-	-	-	-	(275,355)	275,355	-	-	-
Income tax on realisation of property, plant and equipment revaluation reserve	-	-	-	-	55,081	(55,081)	-	-	-
<b>Total other comprehensive income</b>	-	-	-	(24,562)	(220,274)	220,274	(24,562)	20,798	(3,764)
<b>Total comprehensive income for the year</b>	-	-	-	(24,562)	(220,274)	602,812	357,976	37,272	395,248
<b>Transactions with owners, recorded directly in equity</b>									
<b>Contributions by and distributions to owners</b>									
Own shares acquired	-	(1,615)	-	-	-	-	(1,615)	-	(1,615)
Dividends to equity holders	-	-	-	-	-	(63,493)	(63,493)	-	(63,493)
<b>Total contributions by and distributions to owners</b>	-	(1,615)	-	-	-	(63,493)	(65,108)	-	(65,108)
<b>Total transactions with owners</b>	-	(1,615)	-	-	-	(63,493)	(65,108)	-	(65,108)
<b>Balance at 31 December 2010</b>	<b>3,101,456</b>	<b>(174,859)</b>	<b>13,010</b>	<b>93,349</b>	<b>7,913,459</b>	<b>(4,774,088)</b>	<b>6,172,327</b>	<b>549,221</b>	<b>6,721,548</b>
Adjustment	(2,524,248)	-	-	-	-	2,524,248	-	-	-
<b>Balance at 31 December 2010</b>	<b>577, 208</b>	<b>(174,859)</b>	<b>13,010</b>	<b>93,349</b>	<b>7,913,459</b>	<b>(2,249,840)</b>	<b>6,172,327</b>	<b>549,221</b>	<b>6,721,548</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 39.

'000 RUB

	Attributable to equity holders of the Company								
	Share capital	Reserve for own shares	Surplus from sale of treasury shares	Translation reserve	Property, plant and equipment revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2011	577,208	(174,859)	13,010	93,349	7,913,459	(2,249,840)	6,172,327	549,221	6,721,548
<b>Total comprehensive income for the six months ended 30 June</b>									
Profit for the six months ended 30 June	-	-	-	-	-	752,445	752,445	(76,605)	675,840
<b>Other comprehensive income</b>									
Foreign currency translation differences	-	-	-	(63,768)	-	40,654	(23,114)	(56,212)	(79,326)
Realisation of property, plant and equipment revaluation reserve	-	-	-	-	(15,074)	15,074	-	-	-
Income tax on realisation of property, plant and equipment revaluation reserve	-	-	-	-	3,293	(3,293)	-	-	-
<b>Total other comprehensive income</b>	-	-	-	(63,768)	(11,781)	52,435	(23,114)	(56,212)	(79,326)
<b>Total comprehensive income for the six months ended 30 June</b>	-	-	-	(63,768)	(11,781)	804,880	729,331	(132,817)	596,514
<b>Transactions with owners, recorded directly in equity</b>									
<b>Balance at 30 June 2011</b>	<b>577,208</b>	<b>(174,859)</b>	<b>13,010</b>	<b>29,581</b>	<b>7,901,678</b>	<b>(1,444,960)</b>	<b>6,901,658</b>	<b>416,404</b>	<b>7,318,062</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 39.

'000 USD

	<b>Attributable to equity holders of the Company</b>						<b>Total</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
	<b>Share capital</b>	<b>Reserve for own shares</b>	<b>Surplus from sale of treasury shares</b>	<b>Translation reserve</b>	<b>Property, plant and equipment revaluation reserve</b>	<b>Retained earnings</b>			
Balance at 1 January 2010	112,145	(6,815)	451	(4,632)	268,935	(175,684)	194,400	16,927	211,327
<b>Total comprehensive income for the year</b>									
Profit for the year						12,597	12,597	542	13,139
<b>Other comprehensive income</b>									
Foreign currency translation differences	-	-	-	(1,579)	(2,028)	1,279	(2,328)	552	(1,776)
Realisation of property, plant and equipment revaluation reserve	-	-	-	-	(9,067)	9,067	-	-	-
Income tax on realisation of property, plant and equipment revaluation reserve	-	-	-	-	1,814	(1,814)	-	-	-
<b>Total other comprehensive income</b>	-	-	-	(1,579)	(9,281)	8,532	(2,328)	552	(1,776)
<b>Total comprehensive income for the year</b>	-	-	-	(1,579)	(9,281)	21,129	10,269	1,094	11,363
<b>Transactions with owners, recorded directly in equity</b>									
<b>Contributions by and distributions to owners</b>									
Own shares acquired	-	(53)	-	-	-	-	(53)	-	(53)
Dividends to equity holders	-	-	-	-	-	(2,091)	(2,091)	-	(2,091)
<b>Total contributions by and distributions to owners</b>	-	(53)	-	-	-	(2,091)	(2,144)	-	(2,144)
<b>Total transactions with owners</b>	-	(53)	-	-	-	(2,091)	(2,144)	-	(2,144)
<b>Balance at 31 December 2010</b>	<b>112,145</b>	<b>(6,868)</b>	<b>451</b>	<b>(6,211)</b>	<b>259,654</b>	<b>(156,646)</b>	<b>202,525</b>	<b>18,021</b>	<b>220,546</b>
Adjustment	(91,274)	-	-	-	-	91,274			
<b>Balance at 31 December 2010</b>	<b>20,871</b>	<b>(6,868)</b>	<b>451</b>	<b>(6,211)</b>	<b>259,654</b>	<b>(65,372)</b>	<b>202,525</b>	<b>18,021</b>	<b>220,546</b>

'000 USD

	Attributable to equity holders of the Company						Total	Non-controlling interest	Total equity
	Share capital	Reserve for own shares	Surplus from sale of treasury shares	Translation reserve	Property, plant and equipment revaluation reserve	Retained earnings			
Balance at 1 January 2011	20,871	(6,868)	451	(6,211)	259,654	(65,372)	202,525	18,021	220,546
<b>Total comprehensive income for the six months ended 30 June</b>									
Profit for the six months ended 30 June	-	-	-	-	-	26,287	26,287	(2,676)	23,611
<b>Other comprehensive income</b>									
Foreign currency translation differences	-	-	-	7,605	22,199	(12,793)	17,011	(514)	16,497
Realisation of property, plant and equipment revaluation reserve	-	-	-	-	(527)	527	-	-	-
Income tax on realisation of property, plant and equipment revaluation reserve	-	-	-	-	115	(115)	-	-	-
<b>Total other comprehensive income</b>	-	-	-	7,605	21,787	(12,381)	17,011	(514)	16,497
<b>Total comprehensive income for the six months ended 30 June</b>	-	-	-	7,605	21,787	13,906	43,298	(3,190)	40,108
<b>Transactions with owners, recorded directly in equity</b>									
	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2011</b>	<b>20,871</b>	<b>(6,868)</b>	<b>451</b>	<b>1,394</b>	<b>281,441</b>	<b>(51,466)</b>	<b>245,823</b>	<b>14,831</b>	<b>260,654</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 39.

**UTair Aviation Joint-Stock Company**  
*Consolidated Statement of Cash Flows for the six-month period ended 30 June 2011*

	<b>Six months ended 30 June 2011</b>	<b>Six months ended 30 June 2010</b>	<b>Six months ended 30 June 2011</b>	<b>Six months ended 30 June 2010</b>
<b>Cash flows from operating activities</b>				
Profit before income tax	757,371	699,042	26,459	23,249
<i>Adjustments for:</i>				
Depreciation and amortisation	1,522,565	1,457,654	53,192	48,479
Loss on disposal of property, plant and equipment	(15,061)	2,073,400	(526)	68,958
Finance costs, net	1,784,373	1,262,432	62,338	41,986
Unrealised foreign exchange differences	(476,057)	190,199	(16,632)	6,326
<b>Cash from operating activities before changes in working capital and provisions</b>	<b>3,573,191</b>	<b>6,682,727</b>	<b>124,831</b>	<b>188,998</b>
(Increase)/decrease in inventories	478,090	322,085	16,702	10,712
Increase in trade and other receivables and net investment in finance leases	1,206,963	(2,315,088)	42,166	(76,996)
Decrease/(increase) in other advances	(1,763,980)	732,251	(61,625)	24,353
(Decrease)/increase in trade and other payables	(1,739,185)	1,658,949	(60,759)	55,174
Increase in employee benefits	2,131,951	93,533	74,481	3,111
(Decrease)/increase in advances received and deferred income	(28,528)	213,295	(997)	7,094
Decrease/(increase) of assets classified as held for resale	125,415	-	4,381	-
<b>Cash flows from operations before income taxes and interest paid</b>	<b>3,983,917</b>	<b>6,387,752</b>	<b>139,180</b>	<b>212,446</b>
Income tax paid	-	(21,398)	-	(712)
Interest paid	(1,790,829)	(1,443,162)	(62,563)	(47,997)
<b>Net cash from operating activities</b>	<b>2,193,088</b>	<b>4,923,192</b>	<b>76,617</b>	<b>163,737</b>

*UTair Aviation Joint-Stock Company*  
*Consolidated Statement of Cash Flows for the six-month period ended 30 June 2011*

	<b>Six months ended 30 June 2011 '000 RUB</b>	<b>Six months ended 30 June 2010 '000 RUB</b>	<b>Six months ended 30 June 2011 '000 USD</b>	<b>Six months ended 30 June 2010 '000 USD</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(1,818,152)	(5,997,239)	(63,518)	(199,459)
Proceeds from sale of property, plant and equipment	67,340	(60,591)	2,353	(2,015)
Acquisition of intangible assets	(39,401)	(68,587)	(1,376)	(2,281)
Interest received from other investments held for sale	49,648	-	1,734	-
Acquisition of other investments	(2,110,524)	(4,657,641)	(73,732)	(154,906)
Proceeds from sale of other investments	880,746	4,869,600	30,769	161,955
Short-term loans provided to third parties	(863,276)	(303,431)	(30,159)	(10,092)
Short-term loans repaid by third parties	864,764	2,219	30,211	74
Deposits	(6,544,513)	274,038	(228,636)	9,115
<b>Net cash from/(used in) investing activities</b>	<b>(9,513,368)</b>	<b>(5,941,632)</b>	<b>(332,354)</b>	<b>(197,609)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	34,776,889	33,097,337	1,214,947	1,100,764
Repayment of borrowings	(24,642,527)	(31,704,191)	(860,898)	(1,054,430)
Repayment of liability under finance lease agreements	(507,982)	(295,637)	(17,747)	(9,832)
<b>Net cash (used in)/from financing activities</b>	<b>9,626,380</b>	<b>1,097,509</b>	<b>336,302</b>	<b>36,501</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>2,306,100</b>	<b>79,069</b>	<b>80,565</b>	<b>2,630</b>
Effect of movements in exchange rates	-	-	2,820	(613)
Cash and cash equivalents at 1 January	443,998	514,586	14,568	17,014
<b>Cash and cash equivalents at 30 June</b>	<b>2,750,098</b>	<b>593,655</b>	<b>97,953</b>	<b>19,030</b>

## 1 Background

### (a) Russian business environment

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

### (b) Organisation and operations

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

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

As at 30 June the Company's ordinary shares were owned by:

<u>Name</u>	<b>30 June 2011 % share</b>	<b>31 December 2010 % share</b>
Surgutneftegaz NPF (Russia)	55.68	55.68
La Manche LLC (Russia)	4.99	4.99
Triseltco LLC (Russia)	4.99	4.99
Polint LLC (Russia)	4.99	4.99
Krajel LLC (Russia)	4.99	4.99
Individuals	12.28	14.01
Other legal entities	8.03	6.30
Treasury shares	4.05	4.05

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

<b>Entity</b>	<b>Activity</b>	<b>30 June 2011 % share</b>	<b>31 December 2010 % share</b>
Tsentr realizatsii perevozok i uslug LLC	Ticket sales agency	100.00	100.00
UTair-Leasing LLC	Leasing company	100.00	100.00
NP Tsentr podgotovki personala	Staff training and assessment	100.00	100.00
UTair-Cargo CJSC	Aviation services	100.00	100.00
Tyumenaviatekhsnab LLC	Delivery of property, plant, equipment and materials	100.00	100.00
UTair-Finance LLC	Finance services	100.00	100.00
UTair-Technique LLC	Repair and maintenance of aircraft fleet	100.00	100.00
UTair-Ufa LLC	Regional office of UTair	100.00	100.00
UTair-Samara LLC	Regional office of UTair	100.00	100.00
Tobolskavia LLC	Airport services	100.00	100.00
UTair-Express LLC	Aviation services	100.00	100.00
Tsentr ekonomicheskikh preobrazovaniy LLC	Investing activities	100.00	100.00
UTair-Development LLC	Finance agency, sale/purchase of real estate	100.00	100.00
UTair South Africa (Pty) Ltd.	Aviation services and maintenance of aircraft fleet	100.00	100.00
UTair Sierra Leone Limited	Aviation services and maintenance of aircraft fleet	100.00	100.00
UT Project Services Ltd. (India)	Regional office of UTair, agency services	100.00	100.00
West Sib-Capital Limited (Cyprus)	Investing activities	100.00	100.00
UTair-Irkutsk LLC	Regional office of UTair	100.00	100.00
UTair-Murmansk LLC	Regional office of UTair	100.00	100.00
Ukraine UTair Aviation Company LLC	Aviation services	100.00	100.00
Tyumensky nauchno-proizvodstvenniy tsentr aviatsii obshchego naznacheniya LLC	Research and development	100.00	100.00
UTair India Private Limited (India)	Aviation services	100.00	100.00
NP Tyumenskoe letno-tekhnicheskoe uchilische grazhdanskoy aviatsii LLC	Training center	100.00	100.00
UTair Africa (Pty) Ltd.	Aviation services	100.00	100.00
UTair Armenia LLC	Regional office of UTair	100.00	-
UTair-Ug LLC	Regional office of UTair	100.00	100.00
Airport Ust-Kut OJSC	Airport services	85.57	85.57
UTair-Engineering OJSC	Repair and maintenance of aircraft fleet	82.17	82.17
Helicopter del Sur S.A. (Peru)	Aviation services	67.50	70.00
Zapadno-sibirskoe agentstvo vozдушnykh soobscheniy LLC	Ticket sales	51.00	51.00
UTG CJSC	Ground maintenance services	50.00	50.00
Ukrainskaya handlingovaya kompania (Ukraine)	Trade in fuel, organisation of cargo transportation	50.00	50.00
HeliExpress LLC	Aviation services, agent services	50.00	50.00
UTair Europe s.r.o. (Slovakia)	Aviation services	20.00	20.00

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

## **2 Basis of preparation**

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

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

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

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

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

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

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

	<u>Exchange rate:</u>
As at 30 June 2010	31.1954
Average rate for six months ended 30 June 2010	30.0676
As at 31 December 2010	30.4769
As at 30 June 2011	28.0758
Average rate for six months ended 30 June 2011	28.6242

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

### **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

- (a) Cash and Cash equivalents comprises cash on hand and demand deposits, short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- (b) Share capital Due to the fact that the Russian Federation has not been demonstrating the symptoms of hyperinflation economy for a long time, the Company has brought its charter capital reflected in the statements into compliance with its constituent documents. As the result, charter capital of the Company decreased, and undistributed profits increased by RUB 2 524 248 thousand/USD 91 274 thousand.

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

- Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. This amendment does not have a material effect on the Group's consolidated condensed interim financial information;
  
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. The amendment is not currently applicable to the Group;
- Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7, Financial Instruments: Disclosures. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment is not relevant to the Group.

30 June 2011, and have not been early adopted:

- IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial information;

- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011);
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011);
- Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012);
- IFRS 10, Consolidated financial statements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013 with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial information;
- IFRS 11, Joint arrangements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial information;
- IFRS 12, Disclosure of interests in other entities (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial information;
- IFRS 13, Fair Value Measurement (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial information;
- Amendments to IAS 1, Presentation of financial statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012). The Group is currently assessing the impact of the standard on its consolidated financial information;
- Amended IAS 19, Employee benefits (issued June 2011, effective for periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the standard on its consolidated financial information.

## **5 Strategic business units**

Management of the Group is currently in the process of establishing an IFRS reporting system. During the six months ended 30 June 2011, the chief operating decision maker did not regularly receive financial information for the Group's two strategic business units: passenger traffic and helicopter services.

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

Helicopter services include installation works, forestry surveillance and aerial-chemical services, search and rescue works, urgent medical evacuation, aerial-visual works, monitoring of oil and gas pipelines, as well as passenger transportation services. The main helicopter service provided by the

Group abroad is an air-transportation support of peacemaking missions of the UN in a number of countries.

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

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

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

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

'000 RUB	Passenger traffic		Helicopter services		Total	
	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
External revenues	14,702,798	12,515,254	7,295,046	7,443,841	21,997,844	19,959,095
Inter-unit revenues	15,868	11,040	10,085	7,994	25,953	19,034
Interest income	491	120,704	2,095	65	2,586	120,769
Interest expense	(179,201)	(184,667)	(551,469)	(286,585)	(730,670)	(471,252)
Depreciation and amortisation	(287,643)	(342,258)	(1,219,308)	(886,259)	(1,506,951)	(1,228,517)
Share of loss of equity accounted investees	-	-	(31,097)	(20,640)	(31,097)	(20,640)
Profit before tax	499,314	(388,946)	1,461,548	1,584,885	962,234	1,195,939
Capital expenditure	601,644	106,006	765,374	7,346,125	1,367,018	7,452,131
		<b>31 December</b>		<b>31 December</b>		<b>31 December</b>
	<b>30 June 2011</b>	<b>2010</b>	<b>30 June 2011</b>	<b>2010</b>	<b>30 June 2011</b>	<b>2010</b>
Assets	21,882,964	9,871,899	23,417,028	26,849,185	45,299,992	36,721,084
Liabilities	(6,977,025)	(8,790,286)	(6,969,017)	(10,041,181)	(13,946,042)	(18,831,467)

'000 USD	Passenger traffic		Helicopter services		Total	
	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
External revenues	513,649	416,237	254,856	247,570	768,505	663,807
Inter-unit revenues	554	367	352	266	906	633
Interest income	17	4,014	73	2	90	4,017
Interest expense	(6,260)	(6,142)	(19,266)	(9,531)	(25,526)	(15,673)
Depreciation and amortisation	(10,049)	(11,383)	(42,597)	(29,476)	(52,646)	(40,858)
Share of loss of equity accounted investees	-	-	(1,086)	(686)	(1,086)	(686)
Profit before tax	(17,444)	(12,936)	51,060	52,711	33,616	39,775
Capital expenditure	21,019	3,526	26,738	244,320	47,757	247,846
	<b>30 June 2011</b>	<b>31 December 2010</b>	<b>30 June 2011</b>	<b>31 December 2010</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
Assets	779,424	323,914	834,064	880,969	1,613,488	1,204,883
Liabilities	(248,507)	(288,425)	(248,221)	(329,468)	(496,728)	(617,893)

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

Breakdown of revenue by types of customers and geographical areas is presented in note 20.

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

	<b>Six months ended 30 June 2011 '000 RUB</b>	<b>Six months ended 30 June 2010 '000 RUB</b>	<b>Six months ended 30 June 2011 '000 USD</b>	<b>Six months ended 30 June 2010 '000 USD</b>
<b>Revenues</b>				
Total revenue for strategic business units	22,023,797	19,978,129	769,411	664,440
Other revenue	357,516	308,762	12,490	10,269
Elimination of inter-unit revenues	(25,953)	(19,034)	(906)	(633)
	<b>22,355,360</b>	<b>20,267,857</b>	<b>780,995</b>	<b>674,076</b>
<b>Profit before income tax</b>				
Total profit before tax for strategic business units	962,234	1,195,939	33,616	39,775
Other profit	95,690	234,242	3,343	7,791
Elimination of inter-unit profits	(1,236)	(906)	(43)	(30)
Unallocated amounts, including:	(299,317)	(730,233)	(10,457)	(24,287)
Depreciation and amortisation	(15,621)	(239,608)	(546)	(7,969)
Interest income	51,172	88,724	1,788	2,951
Interest expense	(1,072,208)	(974,694)	(37,458)	(32,417)
Net foreign exchange gain	741,495	202,179	25,904	6,724
Other	(4,155)	193,166	(145)	6,424
	<b>757,371</b>	<b>699,042</b>	<b>26,459</b>	<b>23,249</b>
<b>Assets</b>				
	<b>30 June 2011</b>	<b>31 December 2010</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
Total assets for strategic business units	45,299,992	36,721,084	1,613,489	1,204,883
Other investments	1,232,331	57,241	43,893	1,879
Loans issued	915,462	921,272	32,607	30,228
Cash placed in trust management	2,160,033	-	76,936	-
Receivables for operations with securities	319,590	1,068,441	11,383	35,057
Other assets	597,522	663,047	21,283	21,757
Other unallocated amounts	4,048,519	3,945,257	144,200	129,450
	<b>54,573,449</b>	<b>43,376,342</b>	<b>1,943,790</b>	<b>1,423,253</b>
<b>Liabilities</b>				
Total liabilities for strategic business units	(13,946,042)	(18,831,467)	(496,728)	(617,893)
Other unallocated amounts (mainly loans and borrowings)	(33,309,345)	(17,823,327)	(1,186,408)	(584,814)
	<b>(47,255,387)</b>	<b>(36,654,794)</b>	<b>(1,683,136)</b>	<b>(1,202,707)</b>

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

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

(v) **Other material items for six months 2010**

	Strategic business units totals '000 RUB	Adjustments '000 RUB	Consolidated totals '000 RUB	Strategic business units totals '000 USD	Adjustments '000 USD	Consolidated totals '000 USD
Interest income	120,769	88,725	209,494	4,016	2,951	6,967
Interest expense	(471,252)	(974,694)	(1,445,946)	(15,673)	(32,417)	(48,090)
Capital expenditure	7,452,131	415,240	7,867,371	247,846	13,810	261,656
Depreciation and amortisation	(1,228,517)	(239,608)	(1,468,125)	(40,859)	(7,968)	(48,827)

## 6 Property, plant and equipment

'000 RUB	Land and buildings	Rotables, aircraft, helicopter and engines	Other	Construction in progress	Total
<i>Cost</i>					
Balance at 1 January 2010	5,410,349	19,154,365	1,992,352	317,207	26,874,273
Additions	228,723	8,961,395	447,472	253,416	9,891,006
Disposals	(20,437)	(1,131,022)	(517,509)	(3,533)	(1,672,501)
Effect of movements in exchange rates	402	12,273	959	11	13,645
Balance at 31 December 2010	<b>5,619,037</b>	<b>26,997,011</b>	<b>1,923,274</b>	<b>567,101</b>	<b>35,106,423</b>
<i>Depreciation and impairment losses</i>					
Balance at 1 January 2010	(599,859)	(3,373,881)	(1,515,303)	-	(5,489,043)
Depreciation for the year	(192,270)	(2,669,576)	(112,981)	-	(2,974,827)
Disposals	10,580	826,301	479,754	-	1,316,635
Effect of movements in exchange rates	(259)	(1,791)	(535)	-	(2,585)
Balance at 31 December 2010	<b>(781,808)</b>	<b>(5,218,947)</b>	<b>(1,149,065)</b>	<b>-</b>	<b>(7,149,820)</b>
<i>Cost</i>					
Balance at 1 January 2011	5,619,037	26,997,011	1,923,274	567,101	35,106,423
Additions	57,862	1,506,066	156,670	73,332	1,793,930
Disposals	(14,025)	(227,605)	(42,225)	(4,677)	(288,532)
Effect of movements in exchange rates	(1,941)	(139,398)	(5,797)	(3)	(147,139)
Balance at 30 June 2011	<b>5,660,933</b>	<b>28,136,074</b>	<b>2,031,922</b>	<b>635,753</b>	<b>36,464,682</b>
<i>Depreciation and impairment losses</i>					
Balance at 1 January 2011	(781,808)	(5,218,947)	(1,149,065)	-	(7,149,820)

<b>'000 RUB</b>	<b>Land and buildings</b>	<b>Rotables, helicopter and engines</b>	<b>Other</b>	<b>Construction in progress</b>	<b>Total</b>
Depreciation for the six months	(99,161)	(1,299,845)	(82,605)	-	(1,481,611)
Disposals	331	202,843	33,084	-	236,258
Effect of movements in exchange rates	585	30,920	2,774	-	34,279
Balance at 30 June 2011	<b>(880,053)</b>	<b>(6,285,029)</b>	<b>(1,195,812)</b>	<b>-</b>	<b>(8,360,894)</b>

*Carrying amounts*

At 1 January 2010	<b>4,810,490</b>	<b>15,780,484</b>	<b>477,049</b>	<b>317,207</b>	<b>21,385,230</b>
At 31 December 2010	<b>4,837,229</b>	<b>21,778,064</b>	<b>774,209</b>	<b>567,101</b>	<b>27,956,603</b>
At 30 June 2011	<b>4,780,880</b>	<b>21,851,045</b>	<b>836,110</b>	<b>635,753</b>	<b>28,103,788</b>

<b>'000 USD</b>	<b>Land and buildings</b>	<b>Rotables, aircraft, helicopter and engines</b>	<b>Other</b>	<b>Construction in progress</b>	<b>Total</b>
<i>Cost</i>					
Balance at 1 January 2010	178,887	633,325	65,874	10,488	888,574
Additions	7,531	295,082	14,734	8,345	325,692
Disposals	(673)	(37,242)	(17,041)	(116)	(55,072)
Disposal of subsidiary	(2,688)	-	-	-	(2,688)
Effect of movements in exchange rates	(1,375)	(5,346)	(461)	(109)	(7,291)
Balance at 31 December 2010	<b>184,370</b>	<b>885,819</b>	<b>63,106</b>	<b>18,608</b>	<b>1,151,903</b>

*Depreciation and impairment losses*

Balance at 1 January 2010	(19,834)	(111,554)	(50,101)	-	(181,489)
Depreciation for the year	(6,331)	(87,904)	(3,720)	-	(97,955)
Disposals	348	27,209	15,797	-	43,354
Effect of movements in exchange rates	16	1,006	321	-	1,492
Balance at 31 December 2010	<b>(25,652)</b>	<b>(171,243)</b>	<b>(37,703)</b>	<b>-</b>	<b>(234,598)</b>

*Cost*

Balance at 1 January 2011	<b>184,370</b>	<b>885,819</b>	<b>63,106</b>	<b>18,608</b>	<b>1,151,903</b>
Additions	2,021	52,615	5,473	2,562	62,671
Disposals	(490)	(7,951)	(1,475)	(163)	(10,079)
Effect of movements in exchange rates	15,729	71,664	5,269	1,637	94,299
Balance at 30 June 2011	<b>201,630</b>	<b>1,002,147</b>	<b>72,373</b>	<b>22,644</b>	<b>1,298,794</b>

*Depreciation and impairment losses*

Balance at 1 January 2011	<b>(25,652)</b>	<b>(171,243)</b>	<b>(37,703)</b>	<b>-</b>	<b>(234,598)</b>
Depreciation for the six months	(3,464)	(45,411)	(2,886)	-	(51,761)
Disposals	12	7,086	1,156	-	8,254
Effect of movements in exchange rates	(2,242)	14,291	(3,159)	-	19,692
Balance at 30 June 2011	<b>(31,346)</b>	<b>(223,859)</b>	<b>(42,592)</b>	<b>-</b>	<b>(297,797)</b>

*Carrying amounts*

At 1 January 2010	<b>159,053</b>	<b>521,771</b>	<b>15,773</b>	<b>10,488</b>	<b>707,085</b>
At 31 December 2010	<b>158,718</b>	<b>714,576</b>	<b>25,403</b>	<b>18,608</b>	<b>917,305</b>
At 30 June 2011	<b>170,284</b>	<b>778,288</b>	<b>29,781</b>	<b>22,644</b>	<b>1,000,997</b>

As at 30 June 2011 the cost of fully depreciated property, plant and equipment was RUB 1,209,247 thousand/USD 43,071 thousand (31 December 2010: RUB 1,194,684 thousand/USD 39,200 thousand).

Expenses capitalised in property, plant and equipment, which consist of overhaul costs, for six months ended 30 June 2011 amounted to RUB 334,479 thousand/USD 11,913 thousand (31 December 2010: RUB 992,908 thousand/USD 32,695 thousand).

**(a) Security**

At 30 June 2011 properties with a carrying amount of RUB 5,398,970 thousand/USD 192,300 thousand (2010: RUB 4,680,226 thousand/USD 153,556 thousand) are pledged to secure bank loans (see note 14).

**(b) Operating leases**

The Group has entered into operating lease contracts for a number of fixed assets: buildings, installations and aircraft (frames and engines). These leases have an average life of 1 to 7 years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Operating lease obligations are disclosed in note 25.

**(c) Finance leases**

In 2008-2010 the Group entered into aircraft lease agreements under which it has a bargain option to acquire the leased assets at the end of lease term of 5 to 8 years. The estimated average remaining useful life of leased assets varies from 25 to 41 years. As at 30 June 2011 the carrying value of the aircraft used by the Group under finance leases was RUB 6,711,074 thousand/USD 239,084 thousand (2010: RUB 6,756,444 thousand/USD 221,691 thousand). Finance lease obligations are disclosed in note 14.

**7 Other investments**

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

	<b>30 June 2011</b>	<b>31 December</b>	<b>30 June 2011</b>	<b>31 December</b>
	<b>'000 RUB</b>	<b>2010</b>	<b>'000 USD</b>	<b>2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
<b>Long-term</b>				
Available-for-sale investments	64,093	52,285	2,283	1,716
	<b>64,093</b>	<b>52,285</b>	<b>2,283</b>	<b>1,716</b>
<b>Short-term</b>				
Investments held for trading (classified as at fair value through profit or loss)	747,658	3,569	26,630	117
Available-for-sale investments	420,580	1,387	14,980	46
	<b>1,168,238</b>	<b>4,956</b>	<b>41,610</b>	<b>163</b>

## 8 Loans issued

As at 30 June 2011 long-term loans include unsecured loans denominated in USD amounting to RUB 50,536 thousand/USD 1,800 thousand (2010: RUB 54,858 thousand/USD 1,800 thousand), which bear interest rate of 8% per annum (2010: 8% per annum) and mature before 10 June 2013.

As at 30 June 2011 unsecured short-term loans amounting to RUB 864,926 thousand/USD 30,807 thousand (2010: RUB 863,416 thousand/USD 28,330 thousand) are denominated in RUB, bear interest rate of 6/00% to 12.08% per annum (2010: 11.50% to 12.08% per annum) and mature before 31 December 2011.

## 9 Net investment in finance leases

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

	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	'000 RUB	'000 RUB	'000 USD	'000 USD
Gross investments in leases	427,892	421,919	15,241	13,844
Less: unearned finance lease income	(125,206)	(125,957)	(4,460)	(4,133)
<b>Net investment in finance leases</b>	<b>302,686</b>	<b>295,962</b>	<b>10,781</b>	<b>9,711</b>

The amounts receivable under lease agreements are secured by the leased assets.

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

	30 June 2011		31 December 2010	
	Gross investment	Net investment	Gross investment	Net investment
<b>'000 RUB</b>				
Less than 1 year	134,146	62,310	126,482	55,676
1 to 5 years	289,746	240,376	295,437	240,286
<b>Total</b>	<b>423,892</b>	<b>302,686</b>	<b>421,919</b>	<b>295,962</b>
<b>'000 USD</b>				
Less than 1 year	4,778	2,219	4,150	1,827
1 to 5 years	10,320	8,562	9,694	7,884
<b>Total</b>	<b>15,098</b>	<b>10,781</b>	<b>13,844</b>	<b>9,711</b>

At 30 June 2011 inventories in amount of RUB 176,645 thousand / USD 6,292 thousand have been pledged as collateral against borrowing (see note 14).

## 10 Trade and other receivables

	<b>30 June 2011</b>	<b>31 December</b>	<b>30 June 2011</b>	<b>31 December</b>
	<b>'000 RUB</b>	<b>2010</b>	<b>'000 USD</b>	<b>2010</b>
		<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Trade receivables	4,156,130	5,007,241	148,032	164,296
VAT recoverable	213,860	319,833	7,617	10,494
Other taxes receivable	727,647	926,919	25,917	30,414
Receivables for operations with securities	319,590	1,068,441	11,383	35,057
Receivables from related parties (see note 27)	832,465	577,355	29,651	18,944
Deferred expenses	170,677	43,102	6,079	1,414
Other accounts receivable	542,591	383,880	19,327	12,597
Less:				
Provision for impairment of trade receivables	(29,943)	(76,284)	(1,067)	(2,503)
Provision for impairment of other receivables	(34,421)	(42,160)	(1,226)	(1,383)
	<b>6,898,596</b>	<b>8,208,327</b>	<b>245,713</b>	<b>269,330</b>

Receivables for operations with securities are amounts receivable from trust account manager for securities which were paid for but had not been transferred to the Group as at the reporting date.

The total amount of current trade and other receivables includes revenue from passenger transportation in the amount of RUB 752,273 thousand/USD 26,794 thousand (2010: RUB 186,201 thousand/USD 6,110 thousand) which remains as at 30 June 2011 at transportation sales agent cash desks. This amount of revenue is subject to transfer to the Group's bank account in early July.

## 11 Inventories

	<b>30 June 2011</b>	<b>31 December</b>	<b>30 June 2011</b>	<b>31 December</b>
	<b>'000 RUB</b>	<b>2010</b>	<b>'000 USD</b>	<b>2010</b>
		<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Spare parts	1484,978	1,233,043	52,892	40,458
Fuel	417,277	364,626	14,863	11,964
Work in progress	173,004	27,180	6,162	892
Finished goods and goods for resale	2,969	3,760	106	123
Other inventories	549,726	496,867	19,580	16,303
Allowance for impairment	(308,464)	(302,041)	(10,987)	(9,910)
	<b>2,319,490</b>	<b>1,823,435</b>	<b>82,616</b>	<b>59,830</b>

## 12 Cash and cash equivalents

	30 June 2011 '000 RUB	31 December 2010 '000 RUB	30 June 2011 '000 USD	31 December 2010 '000 USD
Ruble denominated cash on hand and balances with banks	312,363	243,209	11,126	7,980
Foreign currency denominated balances with banks	277,702	200,789	9,891	6,588
Highly liquid investments (cash placed in management)	2,160,033	-	76,936	-
Cash and cash equivalents in the consolidated statement of cash flows and consolidated statement of financial position	<b>2,750,098</b>	<b>443,998</b>	<b>97,953</b>	<b>14,568</b>

## 13 Assets classified as held for sale

	30 June 2011 '000 RUB	31 December 2010 'RUB	30 June 2011 '000 USD	31 December 2010 '000 USD
As at 1 January	252,232	758,759	8,276	25,088
Additions	547	1,847,963	19	60,850
Disposals	(125,962)	(2,354,490)	(4,401)	(77,529)
Effect of movements in exchange rates			623	(133)
<b>As at 30 June</b>	<b>126,817</b>	<b>252,232</b>	<b>4,517</b>	<b>8,276</b>

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

## 14 Loans and borrowings

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

	30 June 2010 '000 RUR	31 December 2010 '000 RUR	30 June 2010 '000 USD	31 December 2010 '000 USD
<i><b>Non-current liabilities</b></i>				
Secured bank loans	8,158,291	10,304,715	290,581	338,116
Finance lease liabilities	4,306,284	4,992,729	153,381	163,820
Unsecured bonds issued	7,500,000	4,307,466	267,134	141,335
Loans from related parties (see note 27)	430,090	638,776	15,319	20,959
Unsecured promissory notes issued	5,879,775	850,000	209,425	27,890
Unsecured bank loans	-	30,355	-	996
	<b>26,274,440</b>	<b>21,124,041</b>	<b>935,840</b>	<b>693,116</b>
<i><b>Current liabilities</b></i>				
Current portion of secured bank loans	5,940,008	2,646,211	211,570	86,827
Unsecured promissory notes issued	297,557	1,839,574	10,598	60,359
Current portion of finance lease liabilities	1,042,268	1,199,068	37,123	39,344
Unsecured bank loans	340,811	182,007	12,139	5,972

	<b>30 June 2010</b>	<b>31 December 2010</b>	<b>30 June 2010</b>	<b>31 December 2010</b>
	<b>'000 RUB</b>	<b>'000 RUB</b>	<b>'000 USD</b>	<b>'000 USD</b>
Loans from related parties (see note 27)	3,331,385	132,858	118,657	4,359
Secured bank overdraft	315	30,271	11	993
Unsecured bonds issued	7,665	7,635	273	251
Liabilities under REPO transactions	40,003	-	1,425	-
Unsecured bank overdraft	46,634	-	1,661	-
	<b>11,046,646</b>	<b>6,037,624</b>	<b>393,457</b>	<b>198,105</b>

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

Terms and conditions of the outstanding loans were as follows:

<b>'000 RUB</b>	<b>Cur- rency</b>	<b>Nominal interest rate</b>	<b>Effective interest rate</b>	<b>Year of maturity</b>	<b>Carrying amount</b>	
					<b>30 June 2011</b>	<b>31 December 2010</b>
Secured bank loans	RUB	8-14%	9.2%	2011- 2014	7,927,997	6,755,674
Unsecured bonds issued	RUB	9.45- 12.5%	11.08%	2011- 2014	7,507,665	4,315,101
Finance lease liabilities	USD	6 -34%	17.,96%	2011- 2016	5,348,552	6,191,797
Secured bank loans	USD	4.5-7.25%	6.37%	2011- 2014	4,334,701	3,426,674
Unsecured promissory notes	RUB	8.7-10%	9.69%	2011- 2012	3,413,834	2,689,574
Unsecured promissory notes held by related parties	RUB	13.5%	13.5%	2011	3,027,247	-
Unsecured promissory notes	USD	10%	10%	2011	2,763,498	-
Secured bank loans	EUR	EURIBOR +4.35%	6.07%	2011- 2013	1,041,896	1,249,140
Secured bank loans	USD	LIBOR+ 1.6-5.5%	2.91%	2011- 2013	793,705	1,519,438
Secured bank loans from related parties	USD	2.56- 6%	6%	2011- 2013	562,439	610,824
Unsecured bank loans	USD	2.94%	2.74%	2011- 2012	340,811	212,362
Secured bank loans from related parties	RUB	10.5-15%	12.35%	2011- 2016	171,789	160,810
Unsecured bank overdraft	RUB	7.8-10%	8.08%	2011	46,634	-
Liabilities under REPO transactions	RUB	-	-	2011	40,003	-
Secured bank overdraft	EUR	5%	5%	2011	315	30,271
					<b>37,321,086</b>	<b>27,161,665</b>

'000 USD	Cur- rency	Nominal interest rate	Effective interest rate	Year of maturity	Carrying amount	
					30 June 2011	31 December 2010
Secured bank loans	RUB	8-14%	9.2%	2011- 2014	282,378	221,666
Unsecured bonds issued	RUB	9.45- 12.5%	11.08%	2011- 2014	267,407	141,586
Finance lease liabilities	USD	6-34%	17.96%	2011- 2016	190,504	203,164
Secured bank loans	USD	4.5-7.25%	6.37%	2011- 2014	154,393	112,436
Unsecured promissory notes	RUB	8.7-10%	9.69%	2011- 2012	121,593	88,249
Unsecured promissory notes held by related parties	RUB	13.5%	13.5%	2011	107,824	-
Unsecured promissory notes	USD	10%	10%	2011	98,430	-
Secured bank loans	EUR	EURIBOR +4.35%	6.07%	2011- 2013	37,110	40,986
Secured bank loans	USD	LIBOR+ 1.6-5.5%	2.91%	2011- 2013	28,270	49,855
Secured bank loans from related parties	USD	6%	6%	2011- 2013	20,033	20,042
Unsecured bank loans	USD	2.56- 2.94%	2.74%	2011- 2012	12,139	6,968
Secured bank loans from related parties	RUB	10.5-15%	12.35%	2011- 2016	6,119	5,276
Secured bank overdraft	USD	7.8-10%	8.08%	2011	1,661	-
Liabilities under REPO transactions	RUB	-	-	2011	1,425	-
Secured bank overdraft	EUR	5%	5%	2011	11	993
					<b>1,329,297</b>	<b>891,221</b>

As at 30 June 2011 finance lease liabilities include liabilities of RUB 734,343 thousand/ USD 26,156 thousand (2010: RUB 856,261 thousand/USD 28,095 thousand) under lease agreements with a floating interest rate, set at LIBOR + 4% per annum.

Bank loans are secured by following:

- property, plant and equipment with a carrying amount of RUB 5,398,970 thousand/USD 192,300 thousand (2010: RUB 4,680,226 thousand/USD 153,566 thousand);
- inventory with a carrying amount of RUB 176,645 thousand/USD 6,292 thousand;
- finance lease liabilities are secured by the leased assets, see note 6.

As at the 30 June 2011 unutilised credit lines amounted to RUB 1,832,335 thousand/ USD 65,264 thousand nominated in RUB and RUB 186,985 thousand/USD 6,660 thousand nominated in USD (2010: RUB 3,417,207 thousand/USD 112,124 thousand nominated in RUB and RUB 161,985 thousand/USD 5,315 thousand nominated in USD).

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

As at 30 June 2011 the Group has entered into finance lease agreements under which 30 aircraft have been received (see note 6) with a bargain option to acquire the leased assets at the end of lease term of 5 to 8 years. The minimum future lease payments under the agreements as well as the present value of the minimum lease payments are presented in the following table:

	30 June 2011			31 December 2011		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
<b>'000 RUB</b>						
Less than one year	2,153,665	1,111,397	1,042,268	2,064,368	865,300	1,199,068
Between one and five years	6,464,870	2,158,586	4,306,284	6,624,553	1,886,438	4,738,115
More than five years	-	-	-	265,081	10,467	254,614
	<b>8,618,535</b>	<b>3,269,983</b>	<b>5,348,552</b>	<b>8,954,002</b>	<b>2,762,205</b>	<b>6,191,797</b>

	30 June 2011			31 December 2011		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
<b>'000 USD</b>						
Less than one year	76,709	39,586	37,123	67,735	28,391	39,344
Between one and five years	230,265	76,884	153,381	217,363	61,897	155,466
More than five years	-	-	-	8,698	344	8,354
	<b>306,974</b>	<b>116,469</b>	<b>190,504</b>	<b>293,796</b>	<b>90,632</b>	<b>203,164</b>

## 15 Derivatives

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

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

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

- Cash flows for six months ended 30 June 2011 and for 2010 were projected based on the amounts and dates of transactions, stipulated in the hedge agreements, and the anticipated LIBOR rates for the period of hedge agreements validity as provided by Reuters (2011: LIBOR USD 1m – 0.289% to 0.749%, LIBOR USD 3m – 0.352% to 0.868%, and LIBOR USD 6m – 0.434% to 10.532%; 2010: LIBOR USD 1m – 0.261% to 1.465%, LIBOR USD 3m – 0.382% to 1.465%, and LIBOR USD 6m – 0.467% to 1.691%).

- A discount rate of 11.32% (2010: 11.32%) was applied in determining the fair value of hedge liabilities. The discount rate was estimated based on the market interest rate.

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

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

## 16 Trade and other payables

	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	'000 RUR	'000 RUR	'000 USD	'000 USD
<i>Non-current</i>				
Frequent flyer programme liabilities (see note 17 (a))	64,983	69,679	2,315	2,286
Other account payables	9,359	1,016	333	34
	<b>74,342</b>	<b>70,695</b>	<b>2,648</b>	<b>2,320</b>
<i>Current</i>				
Trade payables	211,163	2,457,307	7,521	80,629
Unused vacation accrual	1,281,164	948,163	45,632	31,111
Accrued payroll	677,206	632,919	24,121	20,767
Payables to related parties (see note 27)	604,690	460,136	21,539	15,097
Accrued liabilities and other payables	109,055	88,395	3,884	2,900
Frequent flyer programme liabilities (see note 17 (a))	32,492	50,187	1,157	1,647
Dividends payable	46,310	29,102	1,649	955
	<b>2,962,080</b>	<b>4,666,209</b>	<b>105,503</b>	<b>153,106</b>

## 17 Deferred income

### (a) Incentive programme liabilities

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

As at 30 June 2011 deferred income and other liabilities related to the frequent flyer programme “Status” included the following:

	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	'000 RUR	'000 RUR	'000 USD	'000 USD
Deferred income, non-current	458,900	486,601	16,345	15,966
Deferred income, current	227,135	372,803	8,090	12,233
Other non-current liabilities (see note 16)	64,983	69,679	2,315	2,286
Other current liabilities (see note 16)	32,492	50,187	1,157	1,647
	<b>783,510</b>	<b>979,270</b>	<b>27,907</b>	<b>32,132</b>

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

In 2010 the Group sold a number of Mi-171 helicopters and leased them back under finance lease agreements. In accordance with IAS 17 *Leases*, the amount of the gain realised on the sale was recognised as deferred income to be released to profit or loss over the lease term.

As at 30 June 2011 deferred income related to the sale and finance leaseback comprised:

	<b>30 June 2011</b>	<b>31 December</b>	<b>30 June 2011</b>	<b>31 December</b>
	<b>'000 RUR</b>	<b>2010</b>	<b>'000 USD</b>	<b>2010</b>
	<b>'000 RUR</b>	<b>'000 RUR</b>	<b>'000 USD</b>	<b>'000 USD</b>
Deferred income, non-current	163,033	187,704	5,807	6,159
Deferred income, current	49,343	49,343	1,758	1,619
	<b>212,376</b>	<b>237,047</b>	<b>7,565</b>	<b>7,778</b>

**18 Taxes payable**

	<b>30 June 2011</b>	<b>31 December</b>	<b>30 June 2011</b>	<b>31 December</b>
	<b>'000 RUR</b>	<b>2010</b>	<b>'000 USD</b>	<b>2010</b>
	<b>'000 RUR</b>	<b>'000 RUR</b>	<b>'000 USD</b>	<b>'000 USD</b>
Value added tax payable	181,756	135,296	6,474	4,439
Property tax	40,822	38,148	1,454	1,252
Other taxes and tax provisions	270,182	347,844	9,623	11,413
	<b>492,760</b>	<b>521,288</b>	<b>17,551</b>	<b>17,104</b>

**19 Advances received**

	<b>30 June 2011</b>	<b>31 December</b>	<b>30 June 2011</b>	<b>31 December</b>
	<b>'000 RUR</b>	<b>2010</b>	<b>'000 USD</b>	<b>2010</b>
	<b>'000 RUR</b>	<b>'000 RUR</b>	<b>'000 USD</b>	<b>'000 USD</b>
Advances from passengers	2,859,757	692,357	101,858	22,717
Advances from customers	320,514	176,831	11,416	5,802
Advances from related parties (see note 27)	82,991	64,083	2,956	2,103
	<b>3,263,262</b>	<b>933,271</b>	<b>116,230</b>	<b>30,622</b>

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

## 20 Revenue

	<b>Six months ended 30 June 2011 '000 RUB</b>	<b>Six months ended 30 June 2010 '000 RUB</b>	<b>Six months ended 30 June 2011 '000 USD</b>	<b>Six months ended 30 June 2010 '000 USD</b>
Aircraft transportation services, regular	12,189,701	10,940,297	425,853	363,857
Helicopters transportation services, abroad	4,698,798	5,591,676	164,155	185,970
Helicopters transportation services, inland	2,130,954	1,395,521	74,446	46,413
Aircraft transportation services, charter	1,941,695	846,422	67,834	28,151
Repair and maintenance services	339,479	255,964	11,860	8,513
Airport services	74,445	69,087	2,601	2,298
Passenger traffic and helicopter services revenue	<u>21,375,072</u>	<u>19,098,967</u>	<u>746,749</u>	<u>635,202</u>
Other	980,288	1,168,890	34,246	38,874
	<b><u>22,355,360</u></b>	<b><u>20,267,857</u></b>	<b><u>780,995</u></b>	<b><u>674,076</u></b>

Grants from the regional government were provided to the Group for the execution of regular flights to several Russian regions. The grants are provided both in the form of cash remuneration to cover the Group's losses from performing such flights and in the form of reduced airport duties, etc. Since 2005 the Group has taken part in a new regional programme where the Group sells tickets at a discount to passengers flying within the Tyumen and other regions. This discount is reimbursed by the regional government. The amount of reimbursement received in the six-month period ended 30 June 2011 amounted to RUB 147,652 thousand/USD 5,158 thousand (the six-month period ended 30 June 2010: RUB 51,184 thousand/USD 1,702 thousand) and is included in regular aircraft transportation services revenue.

In six months ended 30 June 2011 and 2010 the Group generated revenue from the following major customer groups and geographical areas:

	<b>Six months ended 2011 '000 RUB</b>	<b>Six months ended 2010 '000 RUB</b>	<b>Six months ended 2011 '000 USD</b>	<b>Six months ended 2010 '000 USD</b>
<i><b>Group of customers</b></i>				
Individual customers	12,189,700	10,929,930	425,853	363,512
Commercial organizations	6,432,852	4,536,972	224,735	150,892
United Nations	3,732,808	4,800,955	130,407	159,672
	<b><u>22,355,360</u></b>	<b><u>20,267,857</u></b>	<b><u>780,995</u></b>	<b><u>674,076</u></b>
<i><b>Geographical area</b></i>				
Russia	15,917,385	13,663,918	556,081	454,440
Other countries	6,437,975	6,603,939	224,914	219,636
	<b><u>22,355,360</u></b>	<b><u>20,267,857</u></b>	<b><u>780,995</u></b>	<b><u>674,076</u></b>

## 21 Direct operating expenses

	Six months ended 2011 '000 RUB	Six months ended 2010 '000 RUB	Six months ended 2011 '000 USD	Six months ended 2010 '000 USD
Airport services	2,057,082	2,052,233	71,865	68,254
Rent of air fleet and equipment	1,935,917	1,746,157	67,632	58,074
Passenger servicing	800,773	756,251	27,975	25,152
Air navigation and meteo services	542,385	553,508	18,948	18,409
Spare parts and other materials	690,546	108,600	24,125	3,612
Travel expenses	576,305	683,425	20,133	22,730
Freight transportation services	151,307	145,276	5,286	4,832
Custom duties	128,871	161,716	4,502	5,378
UN missions support	160,779	203,127	5,617	6,756
Other direct operating expense	196,998	520,571	6,883	17,313
<b>Direct operating expenses except fuel</b>	<b>7,240,963</b>	<b>6,930,864</b>	<b>252,966</b>	<b>230,510</b>
Fuel expenses	3,810,046	4,320,337	133,106	143,687
	<b>11,051,009</b>	<b>11,251,201</b>	<b>386,072</b>	<b>374,197</b>

## 22 Personnel expenses

	Six months ended 2011 '000 RUB	Six months ended 2010 '000 RUB	Six months ended 2011 '000 USD	Six months ended 2010 '000 USD
Remuneration	3,974,948	2,741,068	138,867	91,164
Social insurance charges	1,152,864	686,449	40,276	22,830
	<b>5,127,812</b>	<b>3,427,517</b>	<b>179,143</b>	<b>113,994</b>

## 23 Other operating expenses

	Six months ended 2011 '000 RUB	Six months ended 2010 '000 RUB	Six months ended 2011 '000 USD	Six months ended 2010 '000 USD
Insurance expenses	222,396	227,801	7,770	7,576
Taxes other than income tax	131,169	125,561	4,582	4,176
Loss from disposal of property, plant and equipment	-	79,434	-	2,642
Training expenses	142,184	81,845	4,967	2,722
Consulting, audit and legal expenses	196,821	152,078	6,876	5,058
Utilities	143,171	77,324	5,002	2,572
Bank charges	103,913	75,749	3,630	2,519
Communication services	65,008	62,194	2,271	2,068
Advertising	58,309	39,806	2,037	1,324
Other operating expenses	220,848	364,046	7,716	12,108
	<b>1,283,819</b>	<b>1,285,837</b>	<b>44,851</b>	<b>42,765</b>

## 24 Other finance income and finance costs

	Six months ended 2011 '000 RUB	Six months ended 2010 '000 RUB	Six months ended 2011 '000 USD	Six months ended 2010 '000 USD
Interest income on loans and receivables	53,289	108,448	1,862	3,607
Interest income on security deposits	469	101,046	16	3,360
Gain from disposal of other investments	140,790	201,631	4,919	6,706
<b>Other finance income</b>	<b>194,548</b>	<b>411,125</b>	<b>6,797</b>	<b>13,673</b>
Interest expense on financial liabilities measured at amortised cost	1,748,290	1,374,919	61,077	45,728
Interest on loans from related parties (see note 27)	54,588	71,027	1,907	2,362
Impairment loss on other investments		62,679	-	2,084
Dividends	10,112	-	353	-
Hedge expenses	9,490	-	332	-
<b>Other finance costs</b>	<b>1,822,480</b>	<b>1,508,625</b>	<b>63,669</b>	<b>50,174</b>

## 25 Operating leases

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

	30 June 2011 '000 RUR	31 December 2010 '000 RUR	30 June 2011 '000 USD	31 December 2010 '000 USD
Less than one year	2,507,282	2,707,510	89,304	88,838
Between one and five years	6,670,097	6,493,399	237,575	213,060
More than five years	732,728	654,333	26,098	21,470
	<b>9,910,107</b>	<b>9 855,242</b>	<b>352,977</b>	<b>323,368</b>

As at 30 June 2011 RUB 8,273,929 thousand/USD 294,700 thousand (2010: RUB 8,036,034 thousand/USD 263,676 thousand) out of total rent payments relates to the contracts denominated in USD; and RUB 60,771 thousand/USD 2,165 thousand (2010: RUB 68,667 thousand/USD 2,253 thousand) relates to the contracts nominated in euro.

To perform its activities the Group uses runways and some equipment (mainly air navigation) which is in the ownership of the Russian Federation. Runways are not subject to privatization according to the Decree of the President of the Russian Federation number 2284 dated 24 December 1993. The Group concluded rental agreements and/or free usage agreements for runways and equipment for 50 years with the Administration of State Property Committees of several regions of the Russian Federation. The land plots on which the runways are situated are also rented by the Group from the Russian Federation, the term is 50 years.

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

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

## **26 Contingencies**

### **(a) Insurance**

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

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

### **(b) Litigation**

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

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

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

Russian tax, currency and customs legislation is subject to varying interpretations and changes occurring frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation. As a result, it is possible that transactions and activities that have not been challenged in the past may be challenged.

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

The estimated amount of potential liabilities that could be subject to different interpretations of the tax laws and regulations and are not accrued in the consolidated financial statements could be up to approximately RUB 177,700 thousand/USD 6,329 thousand (2010: RUB 187,500 thousand/USD 6,152 thousand). Management believes that it is possible, but not probable, that an outflow of economic resources will be required to settle the obligations.

## **27 Related party transactions**

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

The Company's immediate and ultimate controlling party is a non-state pension fund Surgutneftegaz.

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

Key management personnel comprise directors, members of the Management Board and the Supervisory Council. The total compensation to key management personnel is reported under personnel expenses in the consolidated statement of comprehensive income for and amounted to RUB 105,399 thousand/USD 3,682 thousand and RUB 80,151 thousand/USD 2,666 thousand for six months ended 2011 and 2010. Compensation to key management personnel consists of the contractual salary and performance bonus depending on the achieved operating results.

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

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

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

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

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

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

	<b>30 June 2011</b> <b>'000 RUR</b>	<b>31 December</b> <b>2010</b> <b>'000 RUR</b>	<b>30 June 2011</b> <b>'000 USD</b>	<b>31 December</b> <b>2010</b> <b>'000 USD</b>
<i>Trade receivables (note 10):</i>				
Entities with joint control or significant influence over the Group	549,621	313,098	19,576	10,273
Associates	281,755	263,549	10,036	8,648
Other	1,089	708	39	23
	<b>832,465</b>	<b>577,355</b>	<b>29,651</b>	<b>18,944</b>

The outstanding balances are interest free and short-term, except for where it is specifically noted. Most relate to the rendering of transportation services to the related parties. The outstanding balances are neither guaranteed nor secured. The settlements are performed in cash. No doubtful debts due from related parties existed as at 30 June 2011 and as at 31 December 2010.

The Group also had cash balances of RUB 123,501 thousand/USD 4,399 thousand and RUB 6,637 thousand/USD 218 thousand with entities exercising joint control or significant influence over the Group as at 30 June 2011 and at 31 December 2010.

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

	<b>30 June 2011</b> <b>'000 RUR</b>	<b>31 December</b> <b>2010</b> <b>'000 RUR</b>	<b>30 June 2011</b> <b>'000 USD</b>	<b>31 December</b> <b>2010</b> <b>'000 USD</b>
<i>Trade and accounts payable (note 16):</i>				
Entities with joint control or significant influence over the Group	453,101	420,273	16,138	13,790
Associates	151,103	21,500	5,382	705
Other	72	366	3	12
	<b>604,276</b>	<b>442,139</b>	<b>21,523</b>	<b>14,507</b>
<i>Advances received (note 19):</i>				
Entities with joint control or significant influence over the Group	80,360	60,782	2,862	1,995
Associates	2,206	2,727	79	89
Other	425	574	15	19
	<b>82,991</b>	<b>64,083</b>	<b>2,956</b>	<b>2,103</b>
<i>Loans payable (note 14):</i>				
Entities with joint control or significant influence over the Group	3,761,475	771,634	133,976	25,318
	<b>3,761,475</b>	<b>771,634</b>	<b>133,976</b>	<b>25,318</b>
<i>Other (note 16):</i>				
Entities with joint control or significant influence over the Group	269	15,579	10	511
Associates	1	1,501	-	49
Key management personnel	142	917	5	30
	<b>412</b>	<b>17,997</b>	<b>15</b>	<b>590</b>
	<b>4,449,154</b>	<b>1,295,853</b>	<b>158,469</b>	<b>42,519</b>

There were the following related party transactions for six months 2011 and 2010:

	<b>Six months ended 30 June 2011 '000 RUR</b>	<b>Six months ended 30 June 2010 '000 RUR</b>	<b>Six months ended 30 June 2011 '000 USD</b>	<b>Six months ended 30 June 2010 '000 USD</b>
<i>Sales – transportation services:</i>				
Entities with joint control or significant influence over the Group	1,158,183	854,526	40,462	28,420
Associates	106,529	118,875	3,722	3,954
Other	83	-	3	-
	<b>1,264,795</b>	<b>973,401</b>	<b>44,186</b>	<b>32,374</b>
<i>Other sales</i>				
Entities with joint control or significant influence over the Group	197,993	307,139	6,917	10,215
Associates	100,648	48,024	3,516	1,597
Key management personnel	145	-	5	-
Other	3,633	-	127	-
	<b>302,419</b>	<b>355,163</b>	<b>10,565</b>	<b>11,812</b>
<i>Other operating income:</i>				
Entities with joint control or significant influence over the Group	162,540	123,561	5,678	4,109
Associates	1,438	696	50	23
Key management personnel	30	-	1	-
	<b>164,008</b>	<b>124,257</b>	<b>5,730</b>	<b>4,133</b>
<b>Total sales to related parties</b>	<b>1,731,222</b>	<b>1,452,821</b>	<b>60,481</b>	<b>48,318</b>
<i>Direct operating expenses:</i>				
Entities with joint control or significant influence over the Group	1,154,943	1,329,779	40,349	44,226
Associates	284,395	99,499	9,935	3,309
Other	34	-	1	-
	<b>1,439,372</b>	<b>1,429,278</b>	<b>50,285</b>	<b>47,535</b>
<i>Other operating expenses:</i>				
Entities with joint control or significant influence over the Group	25,101	257,034	877	8,549
Associates	5,760	632	201	21
Other	-	291	-	10
	<b>30,861</b>	<b>257,957</b>	<b>1,078</b>	<b>8,580</b>
<i>Interest expenses on loans payable:</i>				
Entities with joint control or significant influence over the Group	54,588	71,027	1,907	2,362
<b>Total purchases from related parties</b>	<b>1,524,821</b>	<b>1,758,262</b>	<b>53,270</b>	<b>58,477</b>
<i>Proceeds from loans and borrowings:</i>				
Entities with joint control or significant influence over the Group	3,126,162	1,750,918	109,214	58,233
<i>Repayment of loans and borrowings:</i>				
Entities with joint control or significant influence over the Group	(136,321)	(2,626,104)	(4,762)	(87,340)
<b>Net proceeds of borrowings from related parties</b>	<b>2,989,841</b>	<b>(875,186)</b>	<b>104,452</b>	<b>(29,107)</b>

**(d) Pricing policies**

Related party transactions are not necessarily based on market prices.

**28 Events subsequent to the reporting date**

On 14 July 2011 the Group acquired 22% share of interest in Vostok Aviation (Khabarovsk Territory).

In August the Group and Russian Helicopters signed a Memorandum of Understanding for a planned order of 20 AW139 helicopters assembled in Russia.

In August two medium-range aircraft Next-Generation Boeing 737-800 of the improved Sky Interior configuration were delivered.

In August 2011 the Group entered into unsecured loan agreement for opening a credit line with OJSC BANK OF KHANTY-MANSIYSK. The term of the agreement is 5 months. The maximum limit is USD 100 000 thousand. The purpose of the loan is financing of investment projects under the program of renovation and updating of the aircraft fleet.

On 1 August the first helicopter AS350 was received under the contract for the delivery of 20 AS350/355 helicopters manufactured by Eurocopter S.A.S.

On 17 August 2011 the Group and Russian Helicopters concluded an agreement for the delivery of 40 Mil Mi-171 helicopters. Delivery of the first helicopter is expected in 2012.

On 17 August 2011 the Group, United Aircraft Corporation and VEB-Leasing concluded an agreement for the leasing of 24 Sukhoi Superjet 100 aircraft. Delivery of the first aircraft is expected in 2014.

On 7 September 2011 the Group acquired 28% share of interest in Turuhan Aviation (Krasnoyarsk region). The ownership ratio is 53%.

In September 2011 the Group signed an unsecured loan agreement with CJS Company UniCredit Bank in the amount of USD 43 000 thousand.

In September the Russian market rating agency Expert RA confirmed an A level rating for UTair-Finance, a subsidiary of UTair Aviation and issuer of the airline's bonds.

In September UTair Aviation shareholders approved a contract with Boeing for the delivery of 40 new Boeing 737-800/900ER aircraft.

In October the total number of aircraft delivered under the Contract of procurement of 20 ATR 72-500 aircraft, signed with ATR, amounted to 8 machines.  
3 Boeing 737-524 aircraft and 5 Boeing 737-800 aircraft were delivered to the Group during the period of July to October.