

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

**for the six-month period ended 30 June
2013**

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UTair Aviation Joint-Stock Company
Consolidated Statement of Financial Position as at 30 June 2013

	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Note	'000 RUB	'000 RUB	'000 USD	'000 USD
ASSETS				
Non-current assets				
Property, plant and equipment	5	50,638,853	49,591,049	1,548,163
Advances for property, plant and equipment		713,240	831,652	21,806
Goodwill		585,533	576,381	17,901
Other intangible assets		310,212	329,775	9,484
Investments in equity accounted investees		39,247	31,007	1,200
Other investments	7	145,031	221,296	4,434
Loans issued	8	3,129,611	3,326,638	95,680
Net investment in finance leases	9	613,816	506,680	18,766
Advances related to operating leases		1,701,114	1,560,618	52,008
Deferred tax assets	11	129,087	88,386	3,947
Total non-current assets		58,005,744	57,063,482	1,773,388
Current assets				
Inventories	12	3,337,502	3,270,363	102,036
Trade and other receivables	10	20,852,585	20,888,721	637,518
Advances issued		13,657,736	3,508,348	417,553
Income tax receivable		172,457	241,892	5,272
Net investment in finance leases	9	628,550	404,953	19,216
Loans issued	8	7,019,529	1,269,815	214,605
Other investments	7	16,861	87,370	515
Security deposits	13	10,505,020	8,685,531	321,166
Cash and cash equivalents	14	1,519,906	1,189,105	46,468
Derivatives		98,289	91,271	3,005
Total current assets		57,808,435	39,637,369	1,767,356
Assets classified as held for sale	15	59,050	136,812	1,806
Total assets		115,873,229	96,837,663	3,542,549

UTair Aviation Joint-Stock Company
Consolidated Statement of Financial Position as at 30 June 2013

	Note	30 June 2013 '000 RUB	31 December 2012 '000 RUB	30 June 2013 '000 USD	31 December 2012 '000 USD
EQUITY AND LIABILITIES					
Equity					
Share capital		577,208	577,208	20,871	20,871
Treasury shares		(532,703)	(576,468)	(18,198)	(19,609)
Foreign currency translation reserve		97,712	93,129	1,675	1,829
Revaluation reserve		19,685,589	20,689,432	601,840	681,185
Investment revaluation reserve		68,772	68,772	2,103	2,264
Retained earnings		755,870	(954,554)	23,109	(31,428)
Total equity attributable to equity holders of the Company		20,652,448	19,897,519	631,400	655,112
Non-controlling interest		1,846,252	2,083,944	56,445	68,612
Total equity		22,498,700	21,981,463	687,845	723,724
Non-current liabilities					
Loans and borrowings	16	18,031,340	14,965,810	551,265	492,739
Long-term liabilities under finance leases		5,663,027	3,140,021	173,134	103,383
Derivatives	17	-	1,373	-	45
Trade and other payables	18	499,119	616,253	15,259	20,290
Deferred income	19	742,675	403,430	22,706	13,283
Employee benefits		238,583	246,810	7,294	8,126
Deferred tax liabilities	11	6,103,616	5,851,436	186,604	192,654
Total non-current liabilities		31,278,360	25,225,133	956,262	830,520
Current liabilities					
Loans and borrowings	16	40,659,101	29,541,080	1,243,055	972,619
Short-term payables under finance leases		2,660,922	1,679,748	81,351	55,305
Derivatives	17	23,767	35,450	727	1,167
Trade and other payables	18	12,168,118	12,918,617	372,011	425,338
Deferred income	19	179,114	252,767	5,476	8,322
Income tax payable		-	11,179	-	368
Other taxes payable	20	883,901	699,521	27,023	23,031
Advances received	21	5,493,125	4,472,811	167,939	147,264
Employee benefits		28,121	19,894	860	655
Total current liabilities		62,096,169	49,631,067	1,898,443	1,634,069
Total liabilities		93,374,529	74,856,200	2,854,704	2,464,589
Total equity and liabilities		115,873,229	96,837,663	3,542,549	3,188,313

UTair Aviation Joint-Stock Company
Consolidated Statement of Comprehensive Income for the six-month period ended 30 June 2013

		Six months ended 30 June 2013 '000 RUB	Six months ended 30 June 2012 '000 RUB	Six months ended 30 June 2013 '000 USD	Six months ended 30 June 2012 '000 USD
Passenger traffic and helicopter services revenue	22	32,723,300	30,325,128	1,054,940	989,756
Other revenue	22	928,666	934,174	29,938	30,490
		33,651,966	31,259,302	1,084,878	1,020,245
Operating expenses					
Direct operating expenses	23	(16,337,859)	(16,038,938)	(526,703)	(523,481)
Personnel expenses	24	(6,924,603)	(6,349,647)	(223,237)	(207,241)
Depreciation and amortisation		(2,912,569)	(2,487,160)	(93,896)	(81,176)
Repair expenses		(1,653,867)	(1,574,135)	(53,318)	(51,377)
Commissions		(1,078,099)	(1,098,226)	(34,756)	(35,844)
Gain on sale of assets classified as held for sale		(53,169)	24,671	(1,714)	805
Other income		610,548	161,320	19,683	5,265
Other expenses	25	(2,213,083)	(1,476,453)	(71,346)	(48,189)
		(30,562,701)	(28,838,568)	(985,287)	(941,237)
Results from operating activities		3,089,265	2,420,734	99,591	79,008
Net foreign exchange gain		154,128	121,419	4,969	3,963
Impairment of doubtful debts		(11,302)	(59,376)	(364)	(1,938)
Share of loss of equity accounted investees (net of income tax)		8,175	(55,201)	264	(1,802)
Other finance income	26	698,352	238,952	22,514	7,799
Other finance costs	26	(3,315,322)	(2,230,592)	(106,880)	(72,802)
Profit before income tax		623,296	435,936	20,094	14,228
Income tax expense	27	(309,462)	(168,397)	(9,977)	(5,496)
Profit for the six months ended 30 June		313,834	267,539	10,117	8,732
Other comprehensive income					
Foreign currency translation differences		159,639	14,745	(47,408)	(12,268)
Other comprehensive income for the six months ended 30 June, net of income tax		159,639	14,745	(47,408)	(12,268)
Total comprehensive income for the six months ended 30 June		473,473	282,284	(37,291)	(3,535)

UTair Aviation Joint-Stock Company
Consolidated Statement of Comprehensive Income for the six-month period ended 30 June 2013

	Note	Six months ended 30 June 2013 '000 RUB	Six months ended 30 June 2012 '000 RUB	Six months ended 30 June 2013 '000 USD	Six months ended 30 June 2012 '000 USD
Profit attributable to:					
Owners of the Company		606,948	222,189	19,566	7,252
Non-controlling interest		(293,114)	45,350	(9,449)	1,480
Profit for the six months ended 30 June		313,834	267,539	10,117	8,732
Total comprehensive income attributable to:					
Owners of the Company		711,165	219,656	(25,124)	(5,098)
Non-controlling interest		(237,692)	62,628	(12,167)	1,563
Total comprehensive income for the six months ended 30 June		473,473	282,284	(37,291)	(3,535)
Earnings per share					
Basic and diluted earnings per share		1.096	0.401	0.035	0.013

UTair Aviation Joint-Stock Company
Consolidated Statement of Changes in Equity for the six-month period ended 30 June 2013

'000 RUB

	Attributable to equity holders of the Company						Total	Non-controlling interest	Total equity
	Share capital	Treasury shares	Investment revaluation reserve	Translation reserve	Property, plant and equipment revaluation reserve	Retained earnings			
Balance at 1 January 2012	577,208	(80,933)	-	132,133	22,043,306	(2,278,791)	20,392,923	587,045	20,979,968
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	69,566	69,566	109,256	178,822
Other comprehensive income									
Foreign currency translation differences	-	-	-	(39,004)	-	(3,296)	(42,300)	448	(41,852)
Revaluation of investments	-	-	85,965	-	-	-	85,965	-	85,965
Revaluation of property, plant and equipment	-	-	-	-	627,345	-	627,345	-	627,345
Realisation of property, plant and equipment revaluation reserve	-	-	-	-	(1,117,089)	1,117,089	-	-	-
Income tax on realisation of property, plant and equipment revaluation reserve	-	-	(17,193)	-	106,354	(231,823)	(142,662)	-	(142,662)
Total other comprehensive income	-	-	68,772	(39,004)	(383,390)	881,970	528,348	448	528,796
Total comprehensive income for the year	-	-	68,772	(39,004)	(383,390)	951,536	597,914	109,704	707,618
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Own shares acquired	-	(495,535)	-	-	-	-	(495,535)	-	(495,535)
Dividends to equity holders	-	-	-	-	-	(75,627)	(75,627)	-	(75,627)
Total contributions by and distributions to owners	-	(495,535)	-	-	-	(75,627)	(571,162)	-	(571,162)
Charges in ownership interest in subsidiaries									
Acquisition of a subsidiary	-	-	-	-	-	-	-	194,990	194,990
Derecognition of unused put option on non-controlling interest in a subsidiary	-	-	-	-	(970,484)	52,023	(918,461)	1,192,205	273,744
Derecognition of liability on REPO transactions	-	-	-	-	-	396,304	396,304	-	396,304
Total charges in ownership interest in subsidiaries	-	-	-	-	(970,484)	448,327	(522,157)	1,387,195	865,038
Total transactions with owners	-	(495,535)	-	-	(970,484)	372,700	(1,093,319)	1,387,195	293,876
Balance at 31 December 2012	577,208	(576,468)	68,772	93,129	20,689,432	(954,554)	19,897,519	2,083,944	21,981,463

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 49.

UTair Aviation Joint-Stock Company
Consolidated Statement of Changes in Equity for the six-month period ended 30 June 2013

'000 RUB

	Attributable to equity holders of the Company						Total	Non- controlling interest	Total equity
	Share capital	Treasury shares	Investment revaluation reserve	Translation reserve	Property, plant and equipment revaluation reserve	Retained earnings			
Balance at 1 January 2013	577,208	(576,468)	68,772	93,129	20,689,432	(954,554)	19,897,519	2,083,944	21,981,463
Total comprehensive income for the six months ended 30 June									
Profit for the six months ended 30 June	-	-	-	-	-	606,948	606,948	(293,114)	313,834
Other comprehensive income									
Foreign currency translation differences	-	-	-	4,583	-	99,633	104,216	55,422	159,638
Realisation of property, plant and equipment revaluation reserve	-	-	-	-	(1,304,664)	1,304,664	-	-	-
Income tax on realisation of property, plant and equipment revaluation reserve	-	-	-	-	300,821	(300,821)	-	-	-
Total other comprehensive income	-	-	-	4,583	(1,003,843)	1,103,476	104,216	55,422	159,638
Total comprehensive income for the six months ended 30 June	-	-	-	4,583	(1,003,843)	1,710,424	711,164	(237,692)	473,472
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Own shares sold	-	43,765	-	-	-	-	43,765	-	43,765
Total contributions by and distributions to owners	-	43,765	-	-	-	-	43,765	-	43,765
Total transactions with owners	-	43,765	-	-	-	-	43,765	-	43,765
Balance at 30 June 2013	577,208	(532,703)	68,772	97,712	19,685,589	755,870	20,652,448	1,846,252	22,498,700

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 49.

UTair Aviation Joint-Stock Company
Consolidated Statement of Changes in Equity for the six-month period ended 30 June 2013

'000 USD

	Attributable to equity holders of the Company						Total	Non-controlling interest	Total equity
	Share capital	Treasury shares	Investment revaluation reserve	Translation reserve	Property, plant and equipment revaluation reserve	Retained earnings			
Balance at 1 January 2012	20,871	(3,672)	-	2,272	684,658	(70,732)	633,397	18,234	651,631
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	2,237	2,237	3,514	5,751
Other comprehensive income									
Foreign currency translation differences	-	-	52	(443)	40,069	(3,391)	36,287	2,250	38,537
Revaluation of investments (note 10)	-	-	2,765	-	-	-	2,765	-	2,765
Revaluation of property, plant and equipment	-	-	-	-	20,176	-	20,176	-	20,176
Realisation of property, plant and equipment revaluation reserve	-	-	-	-	(35,927)	35,927	-	-	-
Income tax on realisation of property, plant and equipment revaluation reserve	-	-	(553)	-	3,421	(7,456)	(4,588)	-	(4,588)
Total other comprehensive income	-	-	2,264	(443)	27,739	25,080	54,640	2,250	56,890
Total comprehensive income for the year	-	-	2,264	(443)	27,739	27,317	56,877	5,764	62,641
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Own shares acquired	-	(15,937)	-	-	-	-	(15,937)	-	(15,937)
Dividends to equity holders	-	-	-	-	-	(2,432)	(2,432)	-	(2,432)
Total contributions by and distributions to owners	-	(15,937)	-	-	-	(2,432)	(18,369)	-	(18,369)
Charges in ownership interest in subsidiaries									
Acquisition of a subsidiary	-	-	-	-	-	-	-	6,271	6,271
Derecognition of unused put option on non-controlling interest in a subsidiary	-	-	-	-	(31,212)	1,673	(29,539)	38,343	8,804
Derecognition of liability on REPO transactions	-	-	-	-	-	12,746	12,746	-	12,746
Total charges in ownership interest in subsidiaries	-	-	-	-	(31,212)	14,419	(16,793)	44,614	27,821
Total transactions with owners	-	(15,937)	-	-	(31,212)	11,987	(35,162)	44,614	9,452
Balance at 31 December 2012	20,871	(19,609)	2,264	1,829	681,185	(31,428)	655,112	68,612	723,724

UTair Aviation Joint-Stock Company
Consolidated Statement of Changes in Equity for the six-month period ended 30 June 2013

'000 USD

	<u>Attributable to equity holders of the Company</u>						Total	Non-controlling interest	Total equity
	Share capital	Treasury shares	Investment revaluation reserve	Translation reserve	Property, plant and equipment revaluation reserve	Retained earnings			
Balance at 1 January 2013	20,871	(19,609)	2,264	1,829	681,185	(31,428)	655,112	68,612	723,724
Total comprehensive income for the six months ended 30 June									
Profit for the six months ended 30 June	-	-	-	-	-	19,566	19,566	(9,449)	10,117
Other comprehensive income									
Foreign currency translation differences	-	-	(161)	(154)	(46,983)	2,609	(44,689)	(2,718)	(47,407)
Realisation of property, plant and equipment revaluation reserve	-	-	-	-	(42,060)	42,060	-	-	-
Income tax on realisation of property, plant and equipment revaluation reserve	-	-	-	-	9,698	(9,698)	-	-	-
Total other comprehensive income	-	-	(161)	(154)	(79,345)	34,971	(44,690)	(2,718)	(47,407)
Total comprehensive income for the six months ended 30 June	-	-	(161)	(154)	(79,345)	54,537	(25,123)	(12,167)	(37,290)
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Own shares sold	-	1,411	-	-	-	-	1,411	-	1,411
Total contributions by and distributions to owners	-	1,411	-	-	-	-	1,411	-	1,411
Total transactions with owners	-	1,411	-	-	-	-	1,411	-	1,411
Balance at 30 June 2013	20,871	(18,198)	2,103	1,675	601,840	23,109	631,400	56,445	687,845

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 49.

UTair Aviation Joint-Stock Company
Consolidated Statement of Cash Flows for the six-month period ended 30 June 2013

	Six months ended 30 June 2013	Six months ended 30 June 2012	Six months ended 30 June 2013	Six months ended 30 June 2012
Cash flows from operating activities				
Profit before income tax	623,296	435,936	20,094	14,228
<i>Adjustments for:</i>				
Depreciation and amortisation	2,912,569	2,487,160	93,896	81,176
(Gain)/Loss on disposal of property, plant and equipment	800,356	88,006	25,802	2,872
Finance costs, net	2,616,971	1,991,640	84,366	65,003
Impairment of doubtful debts	11,302	59,376	364	1,938
Share of loss of equity accounted investees (net of income tax)	(8,175)	55,201	(264)	1,802
Unrealised foreign exchange differences	(371,567)	(150,879)	(11,979)	(4,924)
Cash from operating activities before changes in working capital and provisions	6,584,752	4,966,441	212,281	162,095
Increase in inventories	(67,139)	(460,291)	(2,164)	(15,023)
Increase in trade and other receivables and net investment in finance leases	(123,896)	(2,107,353)	(3,994)	(68,780)
Decrease/(increase) in other advances	(10,290,472)	(2,844,275)	(331,746)	(92,832)
(Decrease)/increase in trade and other payables	(896,842)	(2,642,673)	(28,913)	(86,252)
(Decrease)/increase in advances received and deferred income	1,285,906	3,104,345	41,455	101,320
Increase in other taxes payable	184,380	348,823	5,944	11,385
Decrease/(increase) of assets classified as held for resale	(286)	(21,112)	(9)	(689)
Cash flows from operations before income taxes and interest paid	(3,323,597)	343,905	(107,147)	11,224
Income tax paid	(62,837)	(98,696)	(2,026)	(3,221)
Interest paid	(3,193,871)	-	(102,965)	-
Net cash from operating activities	(6,580,305)	245,209	(212,137)	8,003

UTair Aviation Joint-Stock Company
Consolidated Statement of Cash Flows for the six-month period ended 30 June 2013

	Six months ended 30 June 2013 '000 RUB	Six months ended 30 June 2012 '000 RUB	Six months ended 30 June 2013 '000 USD	Six months ended 30 June 2012 '000 USD
Cash flows from investing activities				
Acquisition of property, plant and equipment	(1,871,338)	(3,159,728)	(60,329)	(103,128)
Proceeds from sale of property, plant and equipment	2,110,076	55,272	68,025	1,804
Acquisition of intangible assets	(15,980)	(39,570)	(515)	(1,291)
Interest received from deposits	17,133	181,005	552	5,908
Interest received from other investments held for sale	206,759	37,190	6,666	1,214
Acquisition of other investments	(3,522,846)	(2,732,433)	(113,570)	(89,182)
Proceeds from sale of other investments	3,945,942	1,758,777	127,210	57,403
Short-term loans provided to third parties	(11,314,764)	(2,925,000)	(364,768)	(95,467)
Short-term loans repaid by third parties	5,764,438	1,283	185,835	42
Deposits	(1,095,441)	(8,757,114)	(35,315)	(285,816)
Net cash from/(used in) investing activities	(5,776,021)	(15,580,318)	(186,209)	(508,513)
Cash flows from financing activities				
Proceeds from borrowings	51,715,224	37,411,257	1,667,206	1,221,034
Repayment of borrowings	(37,694,119)	(18,127,177)	(1,215,191)	(591,637)
Dividends paid to equity holders of the Company	-	800	-	26
Repayment of liability under finance lease agreements	(1,377,743)	(554,922)	(44,416)	(18,112)
Acquisition of treasury shares	43,765	(337,933)	1,411	(11,030)
Interest paid	-	(1,961,188)	-	(64,010)
Net cash from (used in)/ financing activities	12,687,127	16,430,837	409,010	536,272
Net (decrease)/increase in cash and cash equivalents	330,801	1,095,728	10,664	35,763
Effect of movements in exchange rates	-	-	(3,346)	(2,796)
Cash and cash equivalents at 1 January	1,189,105	718,227	39,150	22,308
Cash and cash equivalents at 30 June	1,519,906	1,813,955	46,468	55,275

1 Background

(a) Organisation and operations

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

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

As at 30 June Non-State Pension Fund Surgutneftegaz (Russia) owned 60.67% of the Company (2012: 60.67%).

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

Entity	Activity	30 June 2013 % share	31 December 2012 % share
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
UTair-Express LLC	Aviation services	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
UT Project Services Ltd. (India)	Regional office of UTair, agency services	100.00	100.00
WestSib-Capital Limited (Cyprus)	Investing activities	100.00	100.00
UTair-Irkutsk LLC	Regional office of UTair	100.00	100.00
UTair-Murmansk LLC	Regional office of UTair	100.00	100.00
Ukraine UTair Aviation Company LLC	Aviation services	100.00	100.00
Tyumensky nauchno-proizvodstvennyy tsentr aviatsii obschego naznachenia LLC	Research and development	100.00	100.00
UTair India Private Limited (India)	Aviation services	100.00	100.00
NP Tyumenskoe letno-tekhnicheskoe uchilische grazhdanskoy aviatsii LLC	Training center	100.00	100.00
UTair Africa (Pty) Ltd.	Aviation services	100.00	100.00
UTair Armenia LLC (Armenia)	Regional office of UTair	100.00	100.00
UTair Jug LLC (Russia)	Regional office of UTair	100.00	100.00
Turukhan Aviation Company LLC	Aviation services	100.00	100.00
Ukrainskaya handlingovaya kompania LLC (Ukraine)	Trade in fuel, organisation of cargo transportation	100.00	100.00

<u>Entity</u>	<u>Activity</u>	<u>30 June 2013 % share</u>	<u>31 December 2012 % share</u>
	Freight transportation services		
Forumavia LLC (Ukraine)		100.00	100.00
UTair Leasing Ireland Ltd (Ireland)	Leasing company	100.00	100.00
UTair Investments Ltd (BVI)	Investing activity	100.00	100.00
	Repair and maintenance of aircraft fleet		
UTair Engineering AL S.A.C. (Peru)		100.00	100.00
	Repair and maintenance of aircraft fleet		
TS Technik LLC		100.00	100.00
Tobolskavia LLC	Airport services	100.00	100.00
	Repair and maintenance of aircraft fleet		
Ural Aviation services LLC		100.00	100.00
	Aviation services and maintenance of aircraft fleet		
UTair Sierra Leone Limited		99.00	99.00
Utstar LLC	Advertising services	99.00	99.00
Nefteyugansk United Airline Transportation Company OJSC	Aviation services	89.85	89.85
Airport Ust-Kut OJSC	Airport services	85.57	85.57
	Repair and maintenance of aircraft fleet		
UTair-Engineering OJSC		82.22	82.22
Helicopteros del Sur S.A. (Peru)	Aviation services	63.00	63.00
Vostok Aviation Company OJSC	Aviation services	53.00	53.00
Zapadno-sibirskoe agentstvo vozdushnykh soobscheniy LLC	Ticket sales	51.00	51.00
UTG CJSC	Ground maintenance services	50.00	50.00
	Aviation services, agent services		
HeliExpress LLC		50.00	50.00
UTair Europe s.r.o. (Slovakia)	Aviation services	20.00	20.00

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

2 Basis of preparation

(a) Statement of compliance

These consolidated condensed interim financial statements for the six-month period ended 30 June 2013 have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Statement Reporting*. It should be considered together with consolidated financial statements as of the year 2012, 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 2012	32.8169
Average rate for six months ended 30 June 2012	30.6390
As at 31 December 2012	30.3727
As at 30 June 2013	32.7090
Average rate for six months ended 30 June 2013	31.0191

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

3 New Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2013:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1. The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The Group complied with the amendments when preparing the consolidated condensed interim financial statements.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011). As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013. The Group concluded that proposed changes will not affect its financial position and performance, because it has no joint ventures.

IFRS 1 Government Loans – Amendments to IFRS 1. These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to

IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Group.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7. These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. As far as the Group does not offset the financial instruments in accordance with IAS 32 and does not have netting agreements falling within the scope of the amendment, it has no impact on the Group.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The use of IFRS 13 does not have a significant impact on the fair value measurement determined by the Group.

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group

reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32. These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group’s financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 9 Financial Instruments: Classification and Measurement. IFRS 9, as issued, reflects the first phase of the IASB’s work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

4 Strategic business units

Management of the Group is currently in the process of establishing an IFRS reporting system. During the six months ended 30 June 2013, 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 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012
External revenues	24,597,920	21,647,448	8,622,340	9,167,626	33,220,260	30,815,074
Inter-unit revenues	28,855	29,663	180,473	85,203	209,328	114,866
Interest income	189,506	21,901	10,482	242	199,988	22,143
Interest expense	(882,097)	(115,631)	(721,263)	(631,637)	(1,603,360)	(747,268)
Depreciation and amortisation	(357,840)	(480,066)	(2,559,530)	(1,981,644)	(2,917,370)	(2,461,710)
Share of loss of equity accounted investees	-	-	8,175	(55,201)	8,175	(55,201)
Profit before tax	(864,934)	(1,369,991)	2,628,916	3,000,317	1,763,982	1,630,327
Assets	27,225,109	29,485,986	52,549,244	54,050,582	79,774,353	83,536,568
Capital expenditure	778,090	215,026	5,226,086	2,133,386	6,004,176	2,348,412
Liabilities	(15,149,001)	(11,989,000)	(17,148,838)	(13,025,874)	(32,297,839)	(25,014,873)

'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 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012
External revenues	792,993	706,532	277,969	299,214	1,070,961	1,005,747
Inter-unit revenues	930	968	5,818	2,781	6,748	3,749
Interest income	6,109	715	338	8	6,447	723
Interest expense	(28,437)	(3,774)	(23,252)	(20,615)	(51,689)	(24,389)
Depreciation and amortisation	(11,536)	(15,668)	(82,515)	(64,677)	(94,051)	(80,346)
Share of loss of equity accounted investees	-	-	264	(1,802)	264	(1,802)
Profit before tax	(27,884)	(44,714)	84,752	97,925	56,868	53,211
Assets	832,343	898,500	1,606,568	1,647,035	2,438,911	2,545,535
Capital expenditure	25,084	7,018	168,480	69,630	193,564	76,648
Liabilities	(463,145)	(365,330)	(524,285)	(396,926)	(987,430)	(762,256)

(ii) Major customers and geographical areas

Breakdown of revenue by types of customers and geographical areas is presented in note 22.

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

	Six months ended 30 June 2013 '000 RUB	Six months ended 30 June 2012 '000 RUB	Six months ended 30 June 2013 '000 USD	Six months ended 30 June 2012 '000 USD
Revenues				
Total revenue for strategic business units	33,429,588	30,929,940	1,077,710	1,009,496
Other revenue	431,706	444,228	13,917	14,499
Elimination of inter-unit revenues	(209,328)	(114,866)	(6,748)	(3,749)
	33,651,966	31,259,302	1,084,879	1,020,245
Profit before income tax				
Total profit before tax for strategic business units	1,763,982	1,630,327	56,868	53,211
Other profit	(799,401)	40,881	(25,771)	1,334
Elimination of inter-unit profits	(9,968)	(5,470)	(321)	(179)
Unallocated amounts, including:	(331,317)	(1,229,802)	(10,681)	(40,138)
Depreciation and amortisation	4,801	(25,450)	155	(831)
Interest income	356,860	95,355	11,505	3,112
Interest expense	(1,667,502)	(1,471,383)	(53,757)	(48,023)
Net foreign exchange gain	669,225	121,419	21,575	3,963
Other	305,299	50,257	9,842	1,640
	623,296	435,936	20,094	14,228
Assets				
Total assets for strategic business units	79,774,353	64,710,503	2,438,911	2,130,548
Other investments	4,323	9,777	132	322
Loans issued	161,892	308,666	4,949	10,163
Cash placed in trust management	10,149,140	4,596,453	310,286	151,335
Receivables for operations with securities	17,413	1,847	532	61
Other assets	23,219,891	21,548,321	709,893	709,463
Other unallocated amounts	2,546,217	5,662,096	77,845	186,421
	115,873,229	96,837,663	3,542,549	3,188,313
Liabilities				
Total liabilities for strategic business units	(32,297,839)	(26,054,210)	(987,430)	(857,817)
Other unallocated amounts (mainly loans and borrowings)	(61,076,690)	(48,801,990)	(1,867,275)	(1,606,772)
	(93,374,529)	(74,856,200)	(2,854,704)	(2,464,589)

(iv) Other material items for six months 2013

	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	199,988	192,400	392,388	6,447	6,203	12,650
Interest expense	(1,603,360)	(1,667,502)	(3,270,862)	(51,689)	(53,757)	(105,447)
Capital expenditure	6,004,176	506,244	6,510,420	193,564	16,320	209,884
Depreciation and amortisation	(2,917,370)	4,801	(2,912,569)	(94,051)	155	(93,896)

(v) Other material items for six months 2012

	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	22,143	95,354	117,497	723	3,112	3,835
Interest expense	(747,268)	(1,471,383)	(2,218,651)	(24,389)	(48,023)	(72,413)
Capital expenditure	2,348,412	116,901	2,465,313	76,648	3,815	80,463
Depreciation and amortisation	(2,461,710)	(25,450)	(2,487,160)	(80,346)	(831)	(81,176)

5 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 2012	6,999,973	50,818,588	2,310,956	379,710	60,509,227
Acquisition through business combinations	376,764	2,533,420	29,715	9,470	2,949,369
Additions	470,419	3,947,613	1,055,395	307,123	5,780,550
Disposals	(75,601)	(1,387,367)	(177,086)	(15,380)	(1,655,434)
Revaluation	-	-	-	-	-
Effect of movements in exchange rates	(2,462)	(211,374)	7,050	(85)	(206,871)
Balance at 31 December 2012	<u>7,769,093</u>	<u>55,700,880</u>	<u>3,226,030</u>	<u>680,838</u>	<u>67,376,841</u>
<i>Depreciation and impairment losses</i>					
Balance at 1 January 2012	(913,435)	(10,988,163)	(1,226,770)	-	(13,128,368)
Depreciation for the year	(335,436)	(4,650,510)	(315,799)	-	(5,301,745)
Disposals	18,234	460,883	129,169	-	608,286
Revaluation	-	-	-	-	-
Effect of movements in exchange rates	(2,464)	49,540	(11,041)	-	36,035
Balance at 31 December 2012	<u>(1,233,101)</u>	<u>(15,128,250)</u>	<u>(1,424,441)</u>	<u>-</u>	<u>(17,785,792)</u>
<i>Cost</i>					
Balance at 1 January 2013	7,769,093	55,700,880	3,226,030	680,838	67,376,841
Additions	5,670	6,288,780	33,033	301,351	6,628,834
Disposals	(15,935)	(3,621,739)	(67,287)	(2,614)	(3,707,575)
Transfers of assets	33,853	247,090	494,501	(775,444)	-
Effect of movements in exchange rates	11,247	475,349	18,353	116	505,065
Balance at 30 June 2013	<u>7,803,928</u>	<u>59,090,360</u>	<u>3,704,630</u>	<u>204,247</u>	<u>70,803,165</u>
<i>Depreciation and impairment losses</i>					
Balance at 1 January 2013	(1,233,101)	(15,128,250)	(1,424,441)	-	(17,785,792)
Depreciation for the six months	(156,880)	(2,505,260)	(198,241)	-	(2,860,381)
Disposals	3,459	707,068	48,534	-	759,061
Effect of movements in exchange rates	1,356	(276,454)	(2,102)	-	(277,200)
Balance at 30 June 2013	<u>(1,385,166)</u>	<u>(17,202,896)</u>	<u>(1,576,250)</u>	<u>-</u>	<u>(20,164,312)</u>
<i>Carrying amounts</i>					
At 1 January 2012	<u>6,086,538</u>	<u>39,830,425</u>	<u>1,084,186</u>	<u>379,710</u>	<u>47,380,859</u>
At 31 December 2012	<u>6,535,992</u>	<u>40,572,630</u>	<u>1,801,589</u>	<u>680,838</u>	<u>49,591,049</u>
At 30 June 2013	<u>6,418,762</u>	<u>41,887,464</u>	<u>2,128,380</u>	<u>204,247</u>	<u>50,638,853</u>

'000 USD	Land and buildings	Rotables, aircraft, helicopter and engines	Other	Construction in progress	Total
<i>Cost</i>					
Balance at 1 January 2012	217,417	1,578,408	71,778	11,794	1,879,397
Acquisition through business combinations	12,117	81,479	956	304	94,856
Additions	15,129	126,961	33,943	9,878	185,911
Disposals	(2,431)	(44,620)	(5,695)	(495)	(53,241)
Revaluation	-	-	-	-	-
Effect of movements in exchange rates	13,560	91,685	5,233	935	111,413
Balance at 31 December 2012	255,792	1,833,913	106,215	22,416	2,218,336
<i>Depreciation and impairment losses</i>					
Balance at 1 January 2012	(28,371)	(341,289)	(38,103)	-	(407,763)
Depreciation for the year	(10,788)	(149,568)	(10,157)	-	(170,513)
Disposals	586	14,823	4,154	-	19,563
Effect of movements in exchange rates	(2,026)	(22,053)	(2,793)	-	(26,872)
Balance at 31 December 2012	(40,599)	(498,087)	(46,899)	-	(585,585)
<i>Cost</i>					
Balance at 1 January 2013	255,792	1,833,913	106,215	22,416	2,218,336
Additions	183	202,739	1,065	9,715	213,702
Disposals	(514)	(116,758)	(2,169)	(84)	(119,525)
Transfers of assets	1,089	7,947	15,904	(24,940)	-
Effect of movements in exchange rates	(17,963)	(121,293)	(7,755)	(863)	(147,874)
Balance at 30 June 2013	238,587	1,806,548	113,260	6,244	2,164,639
<i>Depreciation and impairment losses</i>					
Balance at 1 January 2013	(40,599)	(498,087)	(46,899)	-	(585,585)
Depreciation for the six months	(5,058)	(80,765)	(6,391)	-	(92,214)
Disposals	112	22,795	1,565	-	24,472
Effect of movements in exchange rates	3,197	30,119	3,535	-	36,851
Balance at 30 June 2013	(42,348)	(525,938)	(48,190)	-	(616,476)
<i>Carrying amounts</i>					
At 1 January 2012	189,046	1,237,119	33,675	11,793	1,471,633
At 31 December 2012	215,193	1,335,826	59,316	22,416	1,632,751
At 30 June 2013	196,239	1,280,610	65,070	6,244	1,548,163

As at 30 June 2013 the cost of fully depreciated property, plant and equipment was RUB 1,098,233 thousand/USD 36,158 thousand (31 December 2012: RUB 1,461,774 thousand/USD 48,128 thousand).

Expenses capitalised in property, plant and equipment, which consist of overhaul costs, for six months ended 30 June 2013 amounted to RUB 414,086 thousand/USD 12,660 thousand (31 December 2012: RUB 1,327,592 thousand/USD 43,710 thousand).

(a) Security

At 30 June 2013 properties with a carrying amount of RUB 7,659,844 thousand/USD 234,182 thousand (2012: RUB 11,126,408 thousand/USD 359,881 thousand) are pledged to secure bank loans (see note 16).

(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 28.

(c) Finance leases

Since 2008 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 38 years. As at 30 June 2013 the carrying value of the aircraft used by the Group under finance leases was RUB 14,675,895 thousand/USD 483,194 thousand (2012: RUB 10,551,355 thousand/USD 347,396 thousand). Finance lease obligations are disclosed in note 9.

6 Intangible assets

	Customer relationships '000 RUB	Licences and certificates '000 RUB	Goodwill '000 RUB	Total '000 RUB
<i>Cost</i>				
Balance at 1 January 2012	274,446	334,653	583,524	1,192,623
Acquisition through business combinations	-	3	-	3
Additions	-	92,112	-	92,112
Disposals	-	(1,000)	-	(1,000)
Effect of movements in exchange rates	(3,344)	(1,150)	(7,143)	(11,637)
Balance at 31 December 2012	271,102	424,618	576,381	1,272,101
<i>Depreciation and impairment losses</i>				
Balance at 1 January 2012	(34,833)	(218,820)	-	(253,653)
Depreciation for the year	(7,715)	(108,433)	-	(116,148)
Effect of movements in exchange rates	-	3,856	-	3,856
Balance at 31 December 2012	(42,548)	(323,397)	-	(365,945)
<i>Cost</i>				
Balance at 1 January 2013	271,102	424,618	576,381	1,272,101
Additions	-	15,980	-	15,980
Disposals	-	(12,877)	-	(12,877)
Effect of movements in exchange rates	25,276	1,460	9,152	35,888
Balance at 30 June 2013	296,378	429,181	585,533	1,311,092
<i>Depreciation and impairment losses</i>				
Balance at 1 January 2013	(42,548)	(323,397)	-	(365,945)
Depreciation for the year	(7,695)	(44,485)	-	(52,180)
Disposals	-	3,523	-	3,523
Effect of movements in exchange rates	-	(745)	-	(745)
Balance at 30 June 2013	(50,243)	(365,104)	-	(415,347)
<i>Carrying amounts</i>				
At 1 January 2012	239,613	115,833	583,524	938,970
At 31 December 2012	228,554	101,221	576,381	906,156
At 30 June 2013	246,135	64,077	585,533	895,745

	Customer relationships '000 USD	Licences and certificates '000 USD	Goodwill '000 USD	Total '000 USD
<i>Cost</i>				
Balance at 1 January 2012	8,524	10,394	18,124	37,042
Acquisition through business combinations (Note 6)	-	-	-	-
Additions	-	2,962	-	2,962
Disposals	-	(32)	-	(32)
Effect of movements in exchange rates	402	656	853	1,911
Balance at 31 December 2012	8,926	13,980	18,977	41,883
<i>Depreciation and impairment losses</i>				
Balance at 1 January 2012	(1,082)	(6,796)	-	(7,878)
Depreciation for the year	(248)	(3,488)	-	(3,736)
Effect of movements in exchange rates	(71)	(364)	-	(435)
Balance at 31 December 2012	(1,401)	(10,647)	-	(12,048)
<i>Cost</i>				
Balance at 1 January 2012	8,926	13,980	18,977	41,883
Additions	-	515	-	515
Disposals	-	(415)	-	(415)
Effect of movements in exchange rates	135	(959)	(1,076)	(1,900)
Balance at 31 December 2012	9,061	13,121	17,901	40,083
<i>Depreciation and impairment losses</i>				
Balance at 1 January 2012	(1,401)	(10,647)	-	(12,048)
Depreciation for the year	(248)	(1,434)	-	(1,682)
Disposals	-	114	-	114
Effect of movements in exchange rates	113	805	-	919
Balance at 31 December 2012	(1,536)	(11,162)	-	(12,698)
<i>Carrying amounts</i>				
At 1 January 2012	7,442	3,598	18,124	29,164
At 31 December 2012	7,525	3,333	18,977	29, 835
At 30 June 2013	7,525	1,959	17,901	27,385

(a) Goodwill

Goodwill arose in 2008 and 2011 on the acquisition of subsidiaries. Goodwill is calculated based on the historical rate.

The total amount of goodwill refers to the helicopter operations segment for which the Group carries out annual impairment testing.

(b) Other intangible assets

Other intangible assets in the total amount of RUB 310,212 thousand/USD 8,507 thousand (2012: RUB 329,775 thousand/USD 10,858 thousand) include customer relationships identified as a result of acquisition of a foreign subsidiary in 2008 in the amount of RUB 246,135 thousand/USD 7,407 thousand and RUB 228,554 thousand/USD 7,525 thousand as at 30 June 2013 and 31 December 2012 accordingly.

7 Other investments

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

	30 June 2013	31 December	30 June 2013	31 December
	'000 RUB	2012	'000 USD	2012
		'000 RUB		'000 USD
Long-term				
Available-for-sale investments	145,031	221,296	4,434	7,286
	145,031	221,296	4,434	7,286
Short-term				
Investments held for trading (classified as at fair value through profit or loss)	-	87,370	-	2,877
Available-for-sale investments	16,861	-	515	-
	16,861	87,370	515	2,877

8 Loans issued

This Note provides information about terms and conditions of relative loan agreements issued by the Group and evaluated by their amortized cost.

	30 June 2013	31	30 June 2013	31
	'000 RUB	December	'000 USD	December
		2012		2012
		'000 RUB		'000 USD
Non-current loans issued				
Unsecured promissory notes	2,793,953	3,079,559	85,418	101,392
Unsecured loans issued	335,658	247,079	10,262	8,135
	3,129,611	3,326,638	95,680	109,527
Current loans issued				
Receivables under REPO transactions	-	72,678	-	2,393
Secured loans issued	797,074	776,030	24,369	25,550
Unsecured promissory notes	5,851,813	340,441	178,905	11,209
Unsecured loans issued	370,642	80,666	11,331	2,656
	7,019,529	1,269,815	214,605	41,808

Conditions and terms of payments on outstanding loans issued were as follows:

'000 RUB	Cur- rency	Nominal interest rate	Effective interest rate	Year of maturity	Carrying amount	
					30 June 2013	31 December 2012
Receivables under REPO transactions	RUB	—	—	2013	—	72,678
Unsecured promissory notes	RUB	0-12%	8%	2013-2015	8,645,766	3,420,000
Secured loans issued	RUB	6%	6%	2013	797,074	776,030
Unsecured loans issued	RUB	0-12%	11%	2013-2017	336,314	241,257
Unsecured loans issued	USD	3,5-8%	5%	2013-2014	362,742	78,666
Unsecured loans issued	other	0%	0%	2017-2018	7,244	7,822
					10,149,140	4,596,453

'000 USD	Cur- rency	Nominal interest rate	Effective interest rate	Year of maturity	Carrying amount	
					30 June 2013	31 December 2012
Receivables under REPO transactions	RUB	—	—	2013	—	2,393
Unsecured promissory notes	RUB	0-12%	8%	2013-2015	264,324	112,601
Secured loans issued	RUB	6%	6%	2013	24,398	25,550
Unsecured loans issued	RUB	0-12%	11%	2013-2017	10,282	7,943
Unsecured loans issued	USD	3,5-8%	5%	2013-2014	11,090	2,590
Unsecured loans issued	other	0%	0%	2017-2018	221	258
					310,285	151,335

As at 30 June 2013 secured loans issued are secured by pledge of equity financial instruments of unrelated parties.

As of 30 June 2013 the Group had contractual obligations for issue of unsecured loans for the amount of RUB 115,000 thousand / USD 3,516 thousand (2012: RUB 190,000 thousand / USD 6,256 thousand), which have not yet been received by the relative borrower.

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 2013	31 December 2012	30 June 2013	31 December 2012
	'000 RUB	'000 RUB	'000 USD	'000 USD
Gross investments in leases	1,679,493	1,279,692	51,347	42,133
Less: unearned finance lease income	(437,127)	(368,059)	(13,364)	(12,118)
Net investment in finance leases	1,242,366	911,633	37,982	30,015

Rate of return under the lease agreements varies from 15% to 21% per annum (2012: 15% to 21% per annum) depending on the total amount and duration of the contract as well as other terms. The amounts receivable under lease agreements are secured by the leased assets.

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

'000 RUB	30 June 2013		31 December 2012	
	Gross	Net	Gross	Net
	investment	investment	investment	investment
Less than 1 year	569,704	628,550	459,360	404,953
1 to 5 years	1,109,789	613,816	820,331	506,680
Total	1,679,493	1,242,366	1,279,691	911,633

'000 USD	30 June 2013		31 December 2012	
	Gross	Net	Gross	Net
	investment	investment	investment	investment
Less than 1 year	17,417	19,216	15,124	13,333
1 to 5 years	33,929	18,766	27,009	16,682
Total	51,347	37,982	42,133	30,015

10 Trade and other receivables

	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	'000 RUB	'000 RUB	'000 USD	'000 USD
Receivables due for consulting and marketing services	9,740,674	9,044,895	297,798	297,798
Sales-leaseback transaction	492,556	3,970,666	15,058	130,731
Trade receivables	7,321,389	5,587,366	223,835	183,960
Receivables from related parties (see note 31)	147,501	130,987	4,509	4,313
Other taxes receivable	1,357,844	1,521,671	41,513	50,100
Receivables for operations with securities	1,759	1,513	54	50
VAT recoverable	67,300	45,531	2,058	1,499
Deferred expenses	217,325	63,634	6,644	2,095
Other accounts receivable	1,627,543	627,478	49,758	20,659
Less:				
Provision for impairment of trade receivables	(97,861)	(87,313)	(2,992)	(2,875)
Provision for impairment of other receivables	(23,445)	(17,707)	(717)	(583)
	20,852,585	20,888,721	637,518	687,747

The total amount of current trade and other receivables includes revenue from passenger transportation in the amount of RUB 1,456,969 thousand/USD 44,543 thousand (2012: RUB 1,073,513 thousand/USD 35,345 thousand) which remains as at 30 June 2013 at transportation sales agent cash desks. This amount of revenue is subject to transfer to the Group's bank account in early July.

11 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31		31		31	
	30 June 2013	December 2012	30 June 2013	December 2012	30 June 2013	December 2012
'000 RUB						
Property, plant and equipment	10,288	14,114	(5,918,366)	(6,544,620)	(5,908,078)	(6,530,506)
Intangible assets	7,791	12,517	(73,904)	(70,143)	(66,113)	(57,626)
Investments	34,299	57,398	(23,635)	(24,327)	10,664	33,071
Inventories	129,979	102,266	(1,078)	(19,421)	128,901	82,845
Trade and other receivables	562,459	412,181	(229,383)	(184,896)	333,076	227,285
Advance received and deferred income	90,376	131,239	(37,049)	(57,084)	53,327	74,155
Trade and other payables	102,106	238,200	(907,385)	(45,074)	(805,279)	193,126
Tax loss carry-forwards	275,445	190,471	-	-	275,445	190,471
Other differences	46,617	34,146	(43,089)	(10,017)	3,528	24,129
Tax assets/(liabilities)	1,259,360	1,192,532	(7,233,889)	(6,955,582)	(5,974,529)	(5,763,050)
Set off of tax	(1,130,273)	(1,104,146)	1,130,273	1,104,146	-	-
Net tax assets/(liabilities)	129,087	88,386	(6,103,616)	(5,851,436)	(5,974,529)	(5,763,050)

	Assets		Liabilities		Net	
	31		31		31	
	30 June 2013	December 2012	30 June 2013	December 2012	30 June 2013	December 2012
'000 USD						
Property, plant and equipment	315	464	(180,940)	(215,477)	(180,625)	(215,013)
Intangible assets	238	412	(2,259)	(2,309)	(2,021)	(1,897)
Investments	1,049	1,890	(723)	(801)	326	1,089
Inventories	3,974	3,367	(33)	(639)	3,941	2,728
Trade and other receivables	17,196	13,571	(7,013)	(6,088)	10,183	7,483
Advance received and deferred income	2,763	4,321	(1,133)	(1,879)	1,630	2,442
Trade and other payables	3,122	7,843	(27,741)	(1,484)	(24,619)	6,359
Tax loss carry-forwards	8,421	6,271	-	-	8,421	6,271
Other differences	1,424	1,124	(1,317)	(330)	107	794
Tax assets/(liabilities)	38,502	39,263	(221,159)	(229,007)	(182,657)	(189,744)
Set off of tax	(34,555)	(36,353)	34,555	36,353	-	-
Net tax assets/(liabilities)	3,947	2,910	(186,604)	(192,654)	(182,657)	(189,744)

(b) Unrecognised deferred tax assets

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

	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	'000 RUB	'000 RUB	'000 USD	'000 USD
Tax losses	638,316	467,296	19,515	15,385
	638,316	467,296	19,515	15,385

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

(c) Unrecognised deferred tax liability

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

(d) Movement in temporary differences during the year

'000 RUB	1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income	Foreign currency translation reserve	Disposed of	30 June 2013
Property, plant and equipment	(6,530,506)	640,443	-	(18,015)	-	(5,908,078)
Intangible assets	(57,626)	(3,391)	-	(5,096)	-	(66,113)
Investments	33,071	(22,407)	-	-	-	10,664
Inventories	82,845	46,056	-	-	-	128,901
Trade and other receivables	227,285	105,791	-	-	-	333,076
Advance received and deferred income	74,155	(20,828)	-	-	-	53,327
Trade and other payables	193,126	(998,405)	-	-	-	(805,279)
Other items	24,129	(20,601)	-	-	-	3,528
Tax loss carry-forwards	190,471	84,974	-	-	-	275,445
	(5,763,050)	(188,368)	-	(23,111)	-	(5,974,529)

'000 RUB	1 January 2012	Recognised in profit or loss	Recognised in other comprehen- sive income	Foreign currency translation reserve	Disposed of	31 December 2012
Property, plant and equipment	(6,119,985)	48,280	(17,193)	9,034	(450,642)	(6,530,506)
Intangible assets	(73,853)	14,470	-	1,757	-	(57,626)
Investments	18,063	15,008	-	-	-	33,071
Inventories	140,969	(58,124)	-	-	-	82,845
Trade and other receivables	38,466	188,819	-	-	-	227,285
Advance received and deferred income	111,707	(37,552)	-	-	-	74,155
Trade and other payables	103,238	89,888	-	-	-	193,126
Other items	11,001	13,128	-	-	-	24,129
Tax loss carry-forwards	169,252	21,219	-	-	-	190,471
	(5,601,142)	295,136	(17,193)	10,791	(450,642)	(5,763,050)

'000 USD	1 January 2013	Recognised in profit or loss	Recognised in other comprehen- sive income	Foreign currency translation reserve	Disposed of	30 June 2013
Property, plant and equipment	(215,013)	20,648	-	13,740	-	(180,625)
Intangible assets	(1,897)	(109)	-	(15)	-	(2,021)
Investments	1,089	(723)	-	(40)	-	326
Inventories	2,728	1,485	-	(272)	-	3,941
Trade and other receivables	7,483	3,411	-	(711)	-	10,183
Advance received and deferred income	2,442	(672)	-	(140)	-	1,630
Trade and other payables	6,359	(32,187)	-	1,209	-	(24,619)
Other items	794	(665)	-	(22)	-	107
Tax loss carry-forwards	6,271	2,739	-	(589)	-	8,421
	(189,744)	(6,073)	-	13,160	-	(182,657)

'000 USD	1 January 2012	Recognised in profit or loss	Recognised in other comprehen- sive income	Foreign currency translation reserve	Disposed of	31 December 2012
Property, plant and equipment	(190,085)	1,553	(553)	(11,435)	(14,493)	(215,013)
Intangible assets	(2,294)	465	-	(68)	-	(1,897)
Investments	561	483	-	45	-	1,089
Inventories	4,379	(1,869)	-	218	-	2,728
Trade and other receivables	1,194	6,073	-	216	-	7,483
Advance received and deferred income	3,470	(1,208)	-	180	-	2,442
Trade and other payables	3,206	2,891	-	262	-	6,359
Other items	342	422	-	30	-	794
Tax loss carry-forwards	5,257	682	-	332	-	6,271
	(173,970)	9,492	(553)	(10,220)	(14,493)	(189,744)

12 Inventories

	30 June 2013 '000 RUB	31 December 2012 '000 RUB	30 June 2013 '000 USD	31 December 2012 '000 USD
Spare parts	1,599,252	1,849,348	48,893	60,888
Fuel	775,406	768,629	23,706	25,307
Work in progress	50,456	13,393	1,543	441
Finished goods and goods for resale	3,211	3,293	98	108
Other inventories	1,181,798	945,555	36,131	31,132
Allowance for impairment	(272,621)	(309,855)	(8,335)	(10,202)
	3,337,502	3,270,363	102,036	107,674

13 Security deposits

As at 30 June 2013 security deposits in the amount of RUB 10,505,020 thousand/USD 321,166 (2012: RUB 8,685,531 thousand/USD 285,965 thousand) are under operating lease agreements, bear interest rate of 4-6% per annum (2012: 6% per annum), denominated in USD, and are to be returned by a lessor within up to 31 December 2013.

14 Cash and cash equivalents

	30 June 2013	31 December	30 June	31 December
	'000 RUB	2012	2013	2012
		'000 RUB	'000 USD	'000 USD
Ruble denominated cash on hand and balances with banks	879,892	460,724	26,901	15,169
Foreign currency denominated balances with banks	638,469	698,409	19,520	22,994
Other	1,545	29,972	47	987
Cash and cash equivalents in the consolidated statement of cash flows and consolidated statement of financial position	1,519,906	1,189,105	46,468	39,150

15 Assets classified as held for sale

	30 June 2013	31 December	30 June 2013	31 December
	'000 RUB	2012	30 June 2013	2012
		'RUB	'000 USD	'000 USD
As at 1 January	136,812	156,256	4,504	4,853
Additions	117	778,575	4	25,634
Disposals	(77,879)	(798,019)	(2,511)	(26,274)
Effect of movements in exchange rates	–	–	(191)	291
As at 30 June	59,050	136,812	1,806	4,504

As at 30 June 2013 and 31 December 2012 assets classified as held for sale mainly comprise real estate.

16 Loans and borrowings

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

	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	'000 RUR	'000 RUR	'000 USD	'000 USD
<i>Non-current liabilities</i>				
Unsecured bonds issued	12,661,070	11,191,933	387,082	368,487
Unsecured promissory notes issued	-	300,000	-	9,877
Finance lease liabilities	5,663,027	3,140,021	173,134	103,383
Secured bank loans	4,367,695	3,471,201	133,532	114,287
Unsecured bank loans	1,002,575	2,676	30,651	88
	<u>23,694,367</u>	<u>18,105,831</u>	<u>724,399</u>	<u>596,122</u>
<i>Current liabilities</i>				
Current portion of secured bank loans	12,527,955	12,678,236	383,012	417,422
Unsecured promissory notes issued	11,815,776	2,926,515	361,239	96,353
Current portion of finance lease liabilities	2,660,922	1,679,748	81,351	55,305
Unsecured bank overdraft	954,275	58,820	29,175	1,937
Unsecured bank loans	10,704,924	7,906,062	327,278	260,302
Unsecured bonds issued	4,656,171	4,666,720	142,351	153,649
Secured bank loans	-	1,220,00	-	40,168
Secured bank overdraft	-	84,727	5,424	2,789
	<u>43,320,023</u>	<u>31,220,828</u>	<u>1,324,406</u>	<u>1,027,924</u>

(a) Terms and debt repayment schedule

Terms and conditions of the outstanding loans were as follows:

'000 RUB	Cur- rency	Nominal interest rate	Effective interest rate	Year of maturity	Carrying amount	
					30 June 2013	31 December 2012
Unsecured bonds issued	RUB	8,71-12,5%	10,78%	2013-2016	17,317,241	15,586,238
Finance lease liabilities	USD	2,4-35,3%	79,24%	2013-2020	5,257,639	4,819,769
Secured bank loans	USD	4-11%	6,74%	2013-2017	8,378,231	7,177,202
Secured bank loans	RUB	10-13,3%	11,64%	2013-2015	8,298,732	9,611,138
Unsecured promissory notes	RUB	7-13,72%	9,66%	2013-2014	11,815,776	3,226,515
Unsecured bank loans	USD	4,5-8%	6,18%	2013-2017	4,296,860	5,647,722
		EURIBOR				
Secured bank loans	EUR	+4,35%	4,64%	2013	218,687	411,747
		LIBOR+				
Secured bank loans	USD	1,6-2,5%	-	-	-	169,350
Unsecured bank overdraft	USD	3,9-5,5%	3,9%	2013-2014	769,930	143
Unsecured bank overdraft	RUB	11%	10,49%	2013	184,345	52,769
Unsecured bonds issued	USD	-	-	-	-	272,415
Unsecured bank overdraft	EUR	-	-	-	-	5,908
		10,15-				
Unsecured bank loans	RUB	14%	9,68%	2013	7,410,639	2,261,016
		14,4-				
Finance lease liabilities	RUB	16,5%	15,05%	2013-2020	3,066,310	-
Secured bank overdrafts	RUB	10-11%	10,49%	2013	-	84,727
					67,014,390	49,326,659

'000 USD	Cur- rency	Nominal interest rate	Effective interest rate	Year of maturity	Carrying amount	
					30 June 2013	31 December 2012
Unsecured bonds issued	RUB	8,71-12,5%	10,78%	2013-2016	529,434	513,166
Finance lease liabilities	USD	2,4-35,3%	79,24%	2013-2020	160,740	158,688
Secured bank loans	USD	4-11,5%	6,74%	2013-2017	256,145	236,304
Secured bank loans	RUB	10-13,3%	11,64%	2013-2015	253,714	316,439
Unsecured promissory notes	RUB	7-13,72%	9,66%	2013-2014	361,239	106,232
Unsecured bank loans	USD	4,5-8%	6,18%	2013-2017	131,366	185,947
		EURIBOR				
Secured bank loans	EUR	+4,35%	4,64%	2013	6,686	13,556
		LIBOR+				
Secured bank loans	USD	1,6-2,5%	-	-	-	5,576
Unsecured bank overdraft	USD	3,9-5,5%	3,9%	2013-2014	23,539	5
Unsecured bank overdraft	RUB	11%	10,49%	2013	5,636	1,737
Unsecured bonds issued	USD	-	-	-	-	8,969
Unsecured bank overdraft	EUR	-	-	-	-	195
Unsecured bank loans	RUB	10,15-14%	9,68%	2013	226,563	74,442
		14,4-				
Finance lease liabilities	RUB	16,5%	15,05%	2013-2020	93,744	-
Secured bank overdrafts	RUB	10-11%	10,49%	2013	-	2,790
					2,048,805	1,624,046

As at 30 June 2013 finance lease liabilities include liabilities of RUB 559,394 thousand/ USD 17,102 thousand (2012: RUB 594,435 thousand/USD 19,571 thousand) under lease agreements with a floating interest rate, set at LIBOR + 4% per annum.

Bank loans are secured by property, plant and equipment with a carrying amount of RUB 7,659,844 thousand/USD 234,182 thousand (2012: RUB 11,126,408 thousand/USD 359,881 thousand).

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

As at the 30 June 2013 unutilised credit lines amounted to RUB 1,270,792 thousand/ USD 38,851 thousand nominated in RUB, RUB 1,453,310 thousand/USD 44,432 nominated in USD (2012: RUB 1,644,101 thousand/USD 54,131 nominated in RUB, RUB 9,390,863 thousand/USD 309,188 thousand nominated in USD and RUB 54,495 thousand / USD 1,794 thousand nominated in EUR).

17 Derivatives

(a) Hedging of fair value

As of 30 June 2013 the Group had currency swap agreements for a total conditional amount of USD 3,950 thousand (Peruvian sols 26,550 thousand), under which the Group receives payment at a fixed rate of 2.58 and 2.73 Sols for 1 USD and pays the amount at a market price. The swap is used to hedge a risk of changes of fair value of unacknowledged contractual obligations for purchase of property, plant and equipment. A fair value of the currency swap has not changed on 30 June 2013.

(b) Derivatives

In 2008 the Group executed interest rate swap contracts which it did not designate as effective hedging instruments since the written documentation which properly designates hedging components was not prepared in full at the time when hedging operations commenced.

The Group keeps these derivatives as economic hedging instruments. The total fair value of hedge liabilities was determined by discounting the future cash flows to be received or paid as a result of hedge agreements and made RUB 5,941 thousand / USD 182 thousand.

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

18 Trade and other payables

	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	'000 RUR	'000 RUR	'000 USD	'000 USD
<i>Non-current</i>				
Frequent flyer programme liabilities (see note 19 (a))	14,978	84,740	458	2,790
Trade payables	484,141	531,513	14,801	17,500
	499,119	616,253	15,259	20,290
<i>Current</i>				
Trade payables	8,204,926	6,755,031	250,846	222,405
Unused vacation accrual	1,662,099	1,640,215	50,815	54,003
Accrued payroll	967,473	931,339	29,578	30,664
Payables to related parties (see note 31)	414,804	264,682	12,682	8,714
Accrued liabilities and other payables	902,926	3,266,955	27,604	107,564
Frequent flyer programme liabilities (see note 19 (a))	9,690	54,827	296	1,805
Dividends payable	6,200	5,568	190	183
	12,168,118	12,918,617	372,011	425,338

19 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.

In June 2013 in accordance with the rules of the Status program the first cancellation of miles took place. Miles not redeemed within 36 months from the date of service (date of flight, hotel check-in, car rental) expire at the end of the next quarter, unless other conditions apply, as published in the STATUS information media.

As at 30 June 2013 deferred income and other liabilities related to the frequent flyer programme “Status” included the following:

	30 June 2013 '000 RUR	31 December 2012 '000 RUR	30 June 2013 '000 USD	31 December 2012 '000 USD
Deferred income, non-current	167,902	314,412	5,133	10,352
Deferred income, current	108,632	203,424	3,322	6,698
Other non-current liabilities (see note 18)	14,978	84,740	458	2,790
Other current liabilities (see note 18)	9,690	54,827	296	1,805
	301,202	657,403	9,209	21,645

(b) Deferred income on sale and finance leaseback

In 2010 the Group sold a number of Mi-171 helicopters (previously classified as non-current assets held for sale, see note 15) 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 2013 deferred income related to the sale and finance leaseback comprised:

	30 June 2013 '000 RUR	31 December 2012 '000 RUR	30 June 2013 '000 USD	31 December 2012 '000 USD
Deferred income, non-current	104,863	89,018	3,206	2,931
Deferred income, current	70,482	49,343	2,155	1,624
	175,345	138,361	5,361	4,555

20 Taxes payable

	30 June 2013 '000 RUR	31 December 2012 '000 RUR	30 June 2013 '000 USD	31 December 2012 '000 USD
Value added tax payable	516,768	340,742	15,799	11,219
Social insurance charges	210,893	159,359	6,448	5,247
Personal income tax	107,469	98,759	3,286	3,252
Property tax	26,828	50,570	820	1,665
Contributions to pension fund	14,798	6,315	452	208
Other taxes and tax provisions	7,145	43,776	218	1,440
	883,901	699,521	27,023	23,031

21 Advances received

	30 June 2013 '000 RUR	31 December 2012 '000 RUR	30 June 2013 '000 USD	31 December 2012 '000 USD
Advances from passengers	4,198,208	1,097,881	128,350	36,147
Advances from customers	1,282,721	3,368,176	39,216	110,895
Advances from related parties (see note 31)	12,196	6,754	373	222
	5,493,125	4,472,811	167,939	147,264

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.

22 Revenue

	Six months ended 30 June 2013 '000 RUB	Six months ended 30 June 2012 '000 RUB	Six months ended 30 June 2013 '000 USD	Six months ended 30 June 2012 '000 USD
Aircraft transportation services, regular	19,612,448	17,682,040	632,270	577,109
Helicopters transportation services, abroad	4,773,783	4,935,211	153,898	161,076
Aircraft transportation services, charter	4,186,719	3,660,562	134,972	119,474
Helicopters transportation services, inland	3,765,973	3,527,248	121,408	115,123
Repair and maintenance services	281,425	435,113	9,073	14,201
Airport services	102,952	84,954	3,319	2,773
Passenger traffic and helicopter services revenue	32,723,300	30,325,128	1,054,940	989,756
Other	928,666	934,174	29,939	30,490
	33,651,966	31,259,302	1,084,879	1,020,245

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 2013 amounted to RUB 342,988 thousand/USD 11,057 thousand (the six-month period ended 30 June 2012: RUB 212,516 thousand/USD 6,936 thousand) and is included in aircraft regular revenue.

In six months ended 30 June 2013 and 2012 the Group generated revenue from the following major customer groups and geographical areas:

	Six months ended 2013 '000 RUB	Six months ended 2012 '000 RUB	Six months ended 2013 '000 USD	Six months ended 2012 '000 USD
Group of customers				
Individual customers	19,612,448	17,682,040	632,270	577,109
Commercial organizations	10,733,255	10,416,191	346,021	339,965
United Nations	3,306,263	3,161,070	106,588	103,171
	33,651,966	31,259,302	1,084,879	1,020,245
Geographical area				
Russia	22,508,470	21,571,158	725,633	704,043
Other countries	11,143,496	9,688,144	359,246	316,203
	33,651,966	31,259,302	1,084,879	1,020,245

23 Direct operating expenses

	Six months ended 2013 '000 RUB	Six months ended 2012 '000 RUB	Six months ended 2013 '000 USD	Six months ended 2012 '000 USD
Airport services	3,275,917	3,053,577	105,610	99,663
Rent of air fleet and equipment	4,030,822	4,321,611	129,945	141,049
Passenger servicing	1,097,174	995,573	35,371	32,494
Air navigation and meteo services	704,438	693,979	22,710	22,650
Travel expenses	644,382	638,627	20,774	20,844
Spare parts and other materials	388,167	629,779	12,514	20,555
Freight transportation services	385,422	374,751	12,425	12,231
UN missions support	126,359	161,638	4,074	5,276
Custom duties	117,493	106,492	3,788	3,476
Other direct operating expense	-	113,181	-	3,694
Direct operating expenses except fuel	10,770,174	11,089,208	347,211	361,931
Fuel expenses	5,567,685	4,949,730	179,492	161,550
	16,337,859	16,038,938	526,703	523,481

24 Personnel expenses

	Six months ended 2013 '000 RUB	Six months ended 2012 '000 RUB	Six months ended 2013 '000 USD	Six months ended 2012 '000 USD
Remuneration	5,150,953	4,872,694	166,058	159,036
Social insurance charges	1,773,650	1,476,953	57,179	48,205
	6,924,603	6,349,647	223,237	207,241

25 Other operating expenses

Other operating expenses comprised:

	Six months ended 2013 '000 RUB	Six months ended 2012 '000 RUB	Six months ended 2013 '000 USD	Six months ended 2012 '000 USD
Insurance expenses	225,938	308,302	7,284	10,063
Taxes other than income tax	169,780	150,544	5,473	4,913
Loss from disposal of property, plant and equipment	863,042	88,006	27,823	2,872
Training expenses	184,259	127,796	5,940	4,171
Consulting, audit and legal expenses	238,507	168,079	7,689	5,486
Utilities	216,883	213,110	6,992	6,956
Bank charges	164,141	145,647	5,292	4,754
Communication services	95,855	79,231	3,090	2,586
Advertising	54,678	50,313	1,763	1,642
Other operating expenses	-	145,425	-	4,746
	2,213,083	1,476,453	71,346	48,189

26 Other finance income and finance costs

	Six months ended 2013 '000 RUB	Six months ended 2012 '000 RUB	Six months ended 2013 '000 USD	Six months ended 2012 '000 USD
Interest income on loans and receivables	203,036	95,965	6,546	3,132
Interest income on security deposits	189,352	21,532	6,104	703
Gain from disposal of other investments	305,964	121,455	9,864	3,964
Other finance income	698,352	238,952	22,514	7,799
Interest expense on financial liabilities measured at amortised cost	3,297,118	2,066,480	106,294	67,446
Unwinding of discount	3,321	-	107	-
Interest expense on loans	-	151,951	-	4,959
Dividends	12,327	1,531	397	50
Hedge expenses	2,556	10,630	82	347
Other finance costs	3,315,322	2,230,592	106,880	72,802

27 Income tax expense

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

	Six months ended 2013 '000 RUB	Six months ended 2012 '000 RUB	Six months ended 2013 '000 USD	Six months ended 2012 '000 USD
Current tax expense				
Current year	121,093	97,831	3,904	3,193
	121,093	97,831	3,904	3,193
Deferred tax expense				
Origination and reversal of temporary differences	(411,253)	(359,528)	(13,258)	(11,734)
Under/(over)accrued in prior years	(38,694)	15,534	(1,247)	507
Current year losses for which no deferred tax asset was recognised	638,316	414,561	20,578	13,531
	188,369	70,567	6,073	2,303
Income tax expense, excluding share of income tax of equity accounted investees	309,462	168,397	9,977	5,496

(a) Income tax recognised directly in other comprehensive income

'000 RUB	Six months ended 2013			Six months ended 2012		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Realisation of property, plant and equipment revaluation reserve	1,304,664	(300,821)	1,003,843	64,994	(12,999)	51,995
	1,304,664	(300,821)	1,003,843	64,994	(12,999)	51,995

'000 USD	Six months ended 2013			Six months ended 2012		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Realisation of property, plant and equipment revaluation reserve	42,060	(9,698)	32,362	2,121	(424)	1,697
	42,060	(9,698)	32,362	2,121	(424)	1,697

Reconciliation of effective tax rate:

	Six months ended 2013		Six months ended 2012	
	'000 RUB	%	'000 RUB	%
Profit before income tax	623,296	100	435,936	100
Income tax at applicable tax rate	124,659	20	87,186	20
Effect of income taxed at higher rates	40,227	6	7,978	2
Non-deductible expenses	36,907	6	-	-
Non-taxable income	-	-	(77,077)	(18)
Current year losses for which no deferred tax asset was recognised	171,020	28	134,776	31
Recognition of previously unrecognised tax losses	(24,657)	(4)	-	-
Under/(over)accrued in prior years	(38,694)	(6)	15,534	4
	309,462	50	168,397	39

	Six months ended 2013		Six months ended 2012	
	'000 USD	%	'000 USD	%
Profit before income tax	20,046	100	14,228	100
Income tax at applicable tax rate	4,019	20	2,846	20
Effect of income taxed at higher rates	1,297	6	260	2
Non-deductible expenses	1,190	6	-	-
Non-taxable income	-	-	(2,516)	(18)
Current year losses for which no deferred tax asset was recognised	5,513	28	4,399	31
Recognition of previously unrecognised tax losses	(795)	(4)	-	-
Under/(over)accrued in prior years	(1,247)	(6)	507	4
	9,977	50	5,496	39

28 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 2013	31 December 2012	30 June 2013	31 December 2012
	'000 RUR	'000 RUR	'000 USD	'000 USD
Less than one year	5,227,449	6,153,141	159,817	202,588
Between one and five years	24,686,385	17,868,649	754,728	588,313
More than five years	13,028,428	9,422,784	398,313	310,239
	42,942,262	33,444,574	1,312,858	1,101,140

As at 30 June 2013 RUB 37,028,007 thousand/USD 1,132,043 thousand (2012: RUB 30,926,515 thousand/USD 1,018,234 thousand) out of total rent payments relates to the contracts denominated in USD; and RUB 106,768 thousand/USD 3,264 thousand (2012: RUB 56,365 thousand/USD 1,856 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.

29 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 533,815 thousand/USD 16,320 thousand (2012: RUB 547,608 thousand/USD 18,030 thousand). Management believes that it is possible, but not probable, that an outflow of economic resources will be required to settle the obligations.

(d) Guarantees

As at 30 June 2013 the Group has a guarantee issued to an unrelated party in connection with the contractual obligations for purchase of aircraft by another unrelated party.

The Group does not expect any liability to arise in connection with such payment.

The fair value of the guarantee calculated in accordance with IAS 39 based on analysis of credit ratings of similar entities is included into the «Trade and other payables» line for an amount of RUB 430,505 thousand / USD 13,162 thousand (Note 18).

30 Finance lease liabilities

As at 30 June 2013 the Group has entered into finance lease agreements under which 30 aircraft have been received (see note 5) with a bargain option to acquire the leased assets at the end of lease term of 5 to 8 years. The minimum future lease payments under the agreements as well as the present value of the minimum lease payments are presented in the following table:

	30 June 2013			31 December 2012		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
'000 RUB						
Less than one year	3,232,980	572,058	2,660,922	2,276,297	596,549	1,679,748
Between one and five years	6,516,076	1,022,211	5,493,864	4,004,055	864,034	3,140,021
More than five years	173,841	4,679	169,163	-	-	-
	9,922,897	1,598,948	8,323,494	6,280,352	1,460,583	4,819,769

	30 June 2013			31 December 2012		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
'000 USD						
Less than one year	98,841	17,490	81,351	74,945	19,640	55,305
Between one and five years	199,214	31,252	167,962	131,831	28,448	103,383
More than five years	5,314	142	5,172	-	-	-
	303,369	48,884	254,485	206,776	48,088	158,688

31 Related party transactions

(a) Control relationships

As at 30 June 2013 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 142,924 thousand/USD 4,608 thousand and RUB 270,391 thousand/USD 8,696 thousand for six months ended 2013 and 2012. 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:

	30 June 2013	31 December	30 June 2013	31 December
	'000 RUR	2012	'000 USD	2012
	'000 RUR	'000 RUR	'000 USD	'000 USD
<i>Trade receivables (note 10):</i>				
Entities with joint control or significant influence over the Group	112,015	96,595	3,424	3,182
Associates	8,410	785	257	26
Other	27,076	33,607	828	1,105
	147,501	130,987	4,509	4,313

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 2013 and as at 31 December 2012.

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

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	30 June 2013	31 December	30 June 2013	31 December
	'000 RUR	2012	'000 USD	2012
		'000 RUR		'000 USD
<i>Trade and accounts payable (note 18):</i>				
Entities with joint control or significant influence over the Group	388,570	264,018	11,880	8,693
Associates	7,125	-	218	-
Other	393	73	12	2
	396,088	264,091	12,110	8,695
<i>Advances received (note 21):</i>				
Entities with joint control or significant influence over the Group	10,591	6,752	324	222
Associates	1,605	2	49	-
Other	-	-	-	-
	12,196	6,754	373	222
<i>Other (note 18):</i>				
Entities with joint control or significant influence over the Group	-	37	-	1
Associates	542	-	16	-
Key management personnel	18,174	554	556	18
	18,716	591	572	19
	427,000	271,436	13,055	8,936

There were the following related party transactions for six months 2013 and 2012:

	Six months ended 30 June 2013 '000 RUR	Six months ended 30 June 2012 '000 RUR	Six months ended 30 June 2013 '000 USD	Six months ended 30 June 2012 '000 USD
<i>Sales – transportation services:</i>				
Entities with joint control or significant influence over the Group	39,427	33,143	1,271	1,082
Associates	202,244	138,685	6,520	4,526
Other	-	-	-	-
	241,671	171,828	7,791	5,608
<i>Other sales</i>				
Entities with joint control or significant influence over the Group	57,855	73,985	1,865	2,415
Associates	(16,752)	132,489	(540)	4,324
Key management personnel	153	-	5	-
Other	1,571	175	51	6
	42,827	206,649	1,381	6,745
<i>Other operating income:</i>				
Entities with joint control or significant influence over the Group	89,706	50,705	2,892	1,655
Associates	-	2,709	-	88
Key management personnel	37	9	1	-
	89,743	53,423	2,893	1,744
Total sales to related parties	374,241	431,900	12,065	14,096
<i>Direct operating expenses:</i>				
Entities with joint control or significant influence over the Group	1,126,429	657,830	36,314	21,470
Associates	43,295	187,526	1,396	6,121
Key management personnel	5,653	-	182	-
Other	1,842	187	59	6
	1,177,219	845,543	37,951	27,597
<i>Other operating expenses:</i>				
Entities with joint control or significant influence over the Group	122,640	8,516	3,954	278
Associates	533	538	17	18
Key management personnel	-	803	-	26
Other	-	60	-	2
	123,173	9,917	3,971	324
<i>Interest expenses on loans payable:</i>				
Entities with joint control or significant influence over the Group	-	-	-	-
Total purchases from related parties	1,300,392	855,460	41,922	27,921

(d) Pricing policies

Related party transactions are not necessarily based on market prices.

32 Events subsequent to the reporting date

In a period from July to September 2013 the Group early discharged its bank obligations and paid the bank loans in the amount of RUB 4,125,300 thousand.

In July-September 2013 the Group raised bank loans in the amount of RUB 1,000,000 thousand.

In August 2013 the Group raised bank loans in the amount of USD 170,000 thousand.

In September 2013 Expert RA rating agency approved UTair Aviation and UTair-Finance (LLC) A+ credit rating (stable outlook), also agency approved UTair-Finance bond loans of series BO-03, BO-04, BO-05, BO-06, BO-07, BO-08, BO-16 and 05 as A+, describing their quality as having a very high level of credit worthiness. The agency forecasted the Company's outlook as stable.

In September 2013 the Group increased its ownership "PKF"KATEKAVIA" up to 75%.

The Group was awarded a contract from Lukoil in September for transportation of rotational teams. The total contract value will make 615,000 thousand RUR.