

**OMZ**

**International Financial Reporting Standards  
Condensed Interim Consolidated Financial Statements  
(unaudited)**



**Six months ended 30 June 2009**


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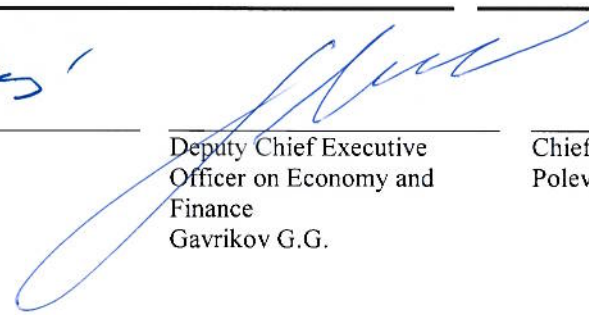
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	Note	30 June 2009	31 December 2008
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	7	17 581	36 498
Trade and other receivables	8	439 755	378 028
Income tax receivable		6 071	5 208
Inventories	9	226 009	253 929
Other current financial assets	10	22 096	45 393
<b>Total current assets</b>		<b>711 513</b>	<b>719 056</b>
<b>Non-current assets:</b>			
Property, plant and equipment	11	270 020	256 899
Intangible assets	12	46 481	46 530
Deferred tax assets		13 801	10 135
Investments accounted for using the equity method	29	22 268	40 996
Other non-current financial assets	13	185 051	195 090
Other non-current assets	14	26 503	6 276
<b>Total non-current assets</b>		<b>564 124</b>	<b>555 926</b>
<b>Total assets</b>		<b>1 275 636</b>	<b>1 274 982</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Trade and other payables	15	398 809	415 257
Provisions for liabilities and charges		6 134	6 005
Short-term borrowings	16	389 567	357 620
Income tax payable		3 298	9 070
<b>Total current liabilities</b>		<b>797 809</b>	<b>787 952</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	16	132 880	152 598
Long-term taxes payable	17	2 450	2 727
Deferred tax liabilities		26 312	24 196
Other long-term liabilities	18	19 622	9 093
<b>Total non-current liabilities</b>		<b>181 264</b>	<b>188 614</b>
<b>Total liabilities</b>		<b>979 072</b>	<b>976 566</b>
<b>EQUITY</b>			
<b>Equity and reserves attributable to the Company's equity holders:</b>			
Share capital	19	372	396
Share premium		92 301	98 301
Treasury shares	19	(39 467)	(42 033)
Hedging reserve		(5 396)	(13 690)
Currency translation reserve		4 528	7 854
Retained earnings		224 696	225 641
		<b>277 034</b>	<b>276 469</b>
<b>Minority interest</b>		<b>19 530</b>	<b>21 947</b>
<b>Total equity</b>		<b>296 564</b>	<b>298 416</b>
<b>Total liabilities and equity</b>		<b>1 275 636</b>	<b>1 274 982</b>



Chief Executive Officer  
Danilenko V.G.



Deputy Chief Executive  
Officer on Economy and  
Finance  
Gavrikov G.G.



Chief Accountant  
Polevaya N.V.

	Note	Six months, ended 30 June 2009	Six months, ended 30 June 2008
Sales		423 088	589 622
Cost of sales	20	(292 014)	(459 331)
<b>Gross profit</b>		<b>131 074</b>	<b>130 291</b>
Selling expenses	21	(12 622)	(16 901)
General and administrative expenses	22	(42 218)	(51 699)
Other operating income	23	1 009	3 492
Other operating expense	23	(28 302)	(4 086)
<b>Operating profit</b>		<b>48 941</b>	<b>61 097</b>
Finance income	24	4 789	20 364
Finance expense	24	(38 919)	(21 793)
Loss from joint venture	29	(15 354)	(6 907)
<b>Profit before taxation</b>		<b>(543)</b>	<b>52 761</b>
Income tax expense	25	(2 815)	(17 098)
<b>(Loss)/profit for the year</b>		<b>(3 358)</b>	<b>35 663</b>
<b>Other comprehensive income</b>			
Currency translation difference		(6 785)	8 471
Cash flow hedges, net of tax		8 294	1 585
Other comprehensive income, net of income tax		1 510	10 056
<b>Total comprehensive income for the period</b>		<b>(1 848)</b>	<b>45 719</b>
<b>Attributable to:</b>			
Equity holders of the Company		(945)	35 553
Minority interest		(2 413)	110
<b>(Loss)/profit for the year</b>		<b>(3 358)</b>	<b>35 663</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		904	(10 166)
Minority interest		(2 413)	110
<b>Total comprehensive income for the period</b>		<b>(1 510)</b>	<b>(10 056)</b>
Earnings per share attributable to the equity holders of the Company (in US dollars)			
- basic	27	(0.03)	1.15
- diluted	27	(0.03)	1.15

	Note	Six months, ended 30 June 2009	Six months, ended 30 June 2008
<b>Cash flows from operating activities</b>			
<i>Net cash provided from (used in) operating activities of continuing operations</i>		(10)	94 957
<b>Net cash provided (used in) operating activities</b>		<b>(10)</b>	<b>94 957</b>
<b>Cash flows from investing activities:</b>			
<i>Net cash provided from (used in) investing activities of continuing operations</i>		(21 560)	(129 743)
<b>Net cash used in investing activities</b>		<b>(21 560)</b>	<b>(129 743)</b>
<b>Cash flows from financing activities:</b>			
<i>Net cash (used in) provided from financing activities of continuing operations</i>		308	43 279
<b>Net cash (used in) provided from financing activities</b>		<b>308</b>	<b>43 279</b>
Effect of exchange rate changes on cash and cash equivalents		1 922	3 615
<i>Net increase (decrease) in cash and cash equivalents of continuing operations</i>		(19 340)	12 108
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(19 340)</b>	<b>12 108</b>
Cash and cash equivalents at the beginning of the period	7	36 498	57 300
<b>Cash and cash equivalents at the end of the period</b>		<b>17 158</b>	<b>69 408</b>
Cash and cash equivalents at the end of the period of continuing operations	7	17 158	69 408

	Attributable to shareholders							Total equity
	Share capital	Share premium	Treasury shares	Hedging reserve	Currency translation reserve	Retained earnings	Minority interest	
<b>Balance as at 1 January 2008</b>	<b>474</b>	<b>117 661</b>	<b>(50 311)</b>	<b>6 580</b>	<b>24 823</b>	<b>236 758</b>	<b>20 347</b>	<b>356 332</b>
Profit/(loss) for the year	-	-	-	-	-	35 553	110	35 663
Other comprehensive income:								
Currency translation difference	22	5 858	(2 335)	-	4 926	11 730	947	21 148
Cash flow hedges, net of tax	-	-	-	1 585	-	-	-	1 585
<b>Comprehensive income for the six months ended 30 June 2008</b>	<b>22</b>	<b>5 858</b>	<b>(2 335)</b>	<b>1 585</b>	<b>4 926</b>	<b>47 283</b>	<b>1 057</b>	<b>58 396</b>
<b>Balance as at 31 December 2008</b>	<b>496</b>	<b>123 519</b>	<b>(52 646)</b>	<b>8 165</b>	<b>29 749</b>	<b>284 041</b>	<b>21 404</b>	<b>414 728</b>
<b>Balance as at 1 January 2009</b>	<b>396</b>	<b>98 301</b>	<b>(42 033)</b>	<b>(13 690)</b>	<b>7 854</b>	<b>225 641</b>	<b>21 947</b>	<b>298 416</b>
Profit/(loss) for the year						(891)	(2 280)	(3 171)
Other comprehensive income:								
Currency translation difference	(24)	(6 000)	2 566	-	(3 326)	(54)	(141)	(6 975)
Cash flow hedges, net of tax	-	-	-	8 294	-	-	-	8 294
<b>Comprehensive income for the six months ended 30 June 2009</b>	<b>(24)</b>	<b>(6 000)</b>	<b>2 566</b>	<b>8 294</b>	<b>(3 326)</b>	<b>(945)</b>	<b>(2 413)</b>	<b>(1 852)</b>
<b>Balance as at 30 June 2009</b>	<b>372</b>	<b>92 301</b>	<b>(39 467)</b>	<b>(5 396)</b>	<b>4 528</b>	<b>224 696</b>	<b>19 530</b>	<b>296 564</b>

## 1. The OMZ Group and its operations

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards for the six month ended 30 June 2009 for OMZ (the “Company”) and its subsidiaries (together referred to as the “Group” or “OMZ”).

The parent company, OJSC OMZ (“the Company”) was incorporated as an open joint stock company in Ekaterinburg, Russian Federation in 1996 and was established in accordance with Russian regulations. OMZ’s principal subsidiaries are disclosed in Note 28. These are incorporated under the Laws of the Russian Federation and the Czech Republic.

**Principal activity.** The Group operates in six business segments comprising nuclear power plant equipment, speciality steels, machinery equipment manufacturing and mining equipment. The Group’s manufacturing facilities are based in the Russian Federation and the Czech Republic.

**Registered address and place of business.** The Company’s registered address is:

Ambulatornyi proezd 8, building 3  
Moscow  
Russian Federation

**Operating environment of the Group.** The Group, through its operations, has a significant exposure to the economy and financial markets of the Russian Federation, Czech Republic and worldwide.

### **Russian Federation**

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The condensed consolidated interim 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.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. Furthermore, the need for further developments in the bankruptcy laws, the absence of formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic situation in the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

### **Recent volatility in global and Russian financial markets**

While the Group does not have any exposure to the US sub-prime market, the ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the Russian banking sector, and higher interbank lending rates. The uncertainties in the global financial market, has also led to bank failures and bank rescues in the United States of America, Western Europe and in Russia. Such circumstances could affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. The borrowers of the Group may also be affected by the lower liquidity situation which could in turn impact their ability to repay their outstanding loans. Deteriorating operating conditions for borrowers may also have an impact on Management’s cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, Management has reflected revised estimates of expected future cash flows in their impairment assessments.

## 2. Basis of Preparation

**Basis of measurement.** These condensed consolidated interim financial statements have been prepared in accordance with requirements set forth by International Accounting Standard 34 “Interim financial reporting” (“IAS 34”). These should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2008 prepared in accordance with International Financial Reporting Standards. These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) using the historical cost basis except for financial investments classified as available-for-sale which are stated at fair value and the carrying amounts of non-monetary assets, liabilities and equity items in existence at 31 December 2002 include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, *RosStat*. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

**Functional currency.** The functional currency of each of the Group’s consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency for the Group’s subsidiaries located in Russia is the national currency of the Russian Federation, the Rouble (“RR”). The Group has subsidiaries located in the Czech Republic, where the functional currency is the Czech Koruna (“CZK”), which is the currency of measurement in the financial statements of SKODA JS a.s., PILSEN STEEL s.r.o. (ex – SKODA Hute s.r.o. and SKODA Kovarny s.r.o) and Middle Estate s.r.o. These have been translated into RR, the functional currency for consolidation purposes, at the applicable exchange rates as required by IAS 21 “The Effects of Changes in Foreign Exchange Rates” (“IAS 21”) for inclusion in these condensed consolidated interim financial statements.

**Presentation currency.** These condensed consolidated interim financial statements are presented in US Dollars (“US\$”) as management believes this is more convenient for users. All financial information has been rounded to the nearest thousand unless otherwise stated.

The Group companies maintain their accounting records in the respective national currencies and prepare their statutory financial statements in accordance with local regulations of accounting of the country in which the particular subsidiary is resident. These consolidated financial statements are based on the statutory records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

**Foreign currency translation.** Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into each entity’s functional currency at exchange rates at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments which are recorded as part of the fair value gain or loss.

**Translation from functional to presentation currency.** The results and financial position of each group entity (functional currency of which none is the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

- (i) assets and liabilities are translated US\$ at the exchange rate at the reporting date;
- (ii) income and expenses for each income statement are translated into US \$ at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised directly in the foreign currency translation reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the exchange differences deferred in equity are reclassified to profit or loss.

Foreign exchange gains and losses arising from a monetary item received from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to be part of the net investment in foreign operation and are recognised directly in equity.

As at 30 June 2009 the principal rate of exchange used for translating foreign currency balances was US\$ 1 = RR 31,2904 (2008: US\$ 1 = RR 29,3804) and CZK 1=RR 1,68 (31 December 2008 CZK 1 = RR 1,57). The RR is not freely convertible in most countries outside of the Russian Federation.



### 3. Summary of Significant Accounting Policies

The significant principles of accounting policy of Group and essential estimations are correspond to the principles of the accounting policy in the consolidated financial statement for the year ended 31 December 2008, except for specified in the Note 4. The activity of the Group is not subject to influence of the seasonal factor. In this case amendments taking into account the seasonal factor are not included in the condensed consolidated interim financial statements

### 4. New Accounting Pronouncements

The standards applied by preparation interim consolidated financial statement for the six months ended 30 June 2009 are became effective from 1 January 2009. The new IFRS are listed further.

**IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009).** The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information.

**IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009).** The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

**IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009).** The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors.

The new standards and interpretations listed further and changes to them are applicable for the Group's accounting periods beginning 1 January 2009 and later and its not applicable for the condensed consolidated interim financial statements.

**IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009).** The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

**IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).** The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquire's identifiable net assets) or on the same basis as US GAAP (at fair value). The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

#### 4. New Accounting Pronouncements (Continued)

**Amendment to IFRS 2 Share-based Payment – Vesting conditions and cancellations** clarify the definition of vesting conditions, introduce the concept of non-vesting conditions, require non-vesting conditions to be reflected in grant-date fair value and provide the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group's 2009 consolidated financial statements, with retrospective application. The Group does not expect the amendment to affect its consolidated financial statements.

**IFRIC 15, Agreements for the Construction of Real Estate** (effective for annual periods beginning on or after 1 January 2009). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. IFRIC 15 is not relevant to the Group's operations because it does not have any agreements for the construction of real estate.

**Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – IFRS 1 and IAS 27 Amendment** (issued in May 2008; effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. The amendments will not have any impact on the Group's consolidated financial statements.

**Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement** (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The Group is currently assessing the impact of the amendment on its financial statements.

**IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)**. The amendment clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 is not relevant to the Group's operations because it does not distribute non-cash assets to owners.

## 5. Segment Information

The Group has started to apply new standard IFRS 8 «Operating segments» in 2009. The Group has not presented the comparative information on operational segments for the six months, ended 30 June 2008 because of absence such information and expenses for their preparation are represented.

The Group's continuing operations are organised into six main business segments:

*Equipment for nuclear power plants segment* (NPPEQ) production is based at Izhorskiye Zavody OJSC (Russia) and produces three major types of equipment for the nuclear power industry:

- Primary circuit equipment for nuclear power plants. A standard set of primary circuit equipment produced by the Group comprises a reactor vessel, in-vessel components, and a cover with extending pipes.
- Used nuclear fuel containers for nuclear power blocks. The Group manufactures containers for storage and transportation of used nuclear fuel from pressurized water reactors and scientific nuclear reactors.
- A wide range of spare parts.

In addition, the segment provides services for the installation of nuclear power plant equipment and project management of long-term contracts for the construction of nuclear power plants.

*Equipment for nuclear power plants segment* (NPPEQ) production is based at SCODA JS a.s. (Czech Republic) and produces of the nuclear equipment and also offer services of construction, operations, modernization, and liquidation of equipment in nuclear power engineering and power engineering in general.

*Specialty steel segment* (STEEL) production is based at OMZ-Specstal LLC (Russia) and produces 150 specialty steel grades and a variety of castings and forgings. The Group produces high-strength structural grades, corrosion-resistant, radiation-resistant, heat-resistant, cold-resistant, non-magnetic and high-alloyed grades of steel. Standard types of casting, forging, and moulding production include retaining rings for power generating equipment, chill mould blanks, bearing ring blanks, column equipment, ship spindles, mill rolls, tank courses, as well as similar custom-made metal products. A significant part of the basic metal production is used internally as an input for the machinery equipment manufacturing segment and equipment for nuclear power plants.

*Specialty steel segment* (STEEL) production is based at PILSEN STEEL s.r.o. (Czech Republic). The company's principal activities are the production and casting of iron and steel, foundry practice, smithing and metal production.

*Machinery equipment manufacturing segment* (MMEQ) produces machinery equipment based on OMZ's proprietary engineering and the production of equipment based on third party engineering, for various industries, including oil and gas, mining and metallurgical equipment.

The main production sites of the machinery equipment manufacturing segment is OJSC Izhorskiye Zavody (Russia).

*Mining equipment segment* (MINEQ) production is based at IZ-KARTEX LLC (Russia) and specializes in engineering and marketing of three major types of mining equipment: excavators (electric mining excavators and walking draglines), crushing equipment, and rock-drilling machines.

*Other business (other)*. This comprises a manufacture of equipment for oil refineries and other activities of OJSC Izhorskiye Zavody and other activities.

The Board of directors and the Group's chief estimate results of activity, assets and liabilities on operational segments by means of the internal accounting information, prepared according to the law of the country of registration of subsidiary company.

The results of some essential operations and events, and also a number of adjustments, which can be necessary for reduction of the interim financial information of the Group to the corresponding indicators reflected in the consolidated financial statement, are considered by Group's chief as a whole of the Group without allocation on operational segments.

Sales or other transactions between the business segments are based on commercial terms that are available to third parties.

### Russia

	NPPEQ	STEEL	MMEQ	MINEQ	Other	Total
<b>Six months ended 30 June 2009</b>						
<b>Total sales</b>	85 816	106 423	33 283	43 055	73 685	342 261
Sales – inter segments	15 381	44 723	1 220	3 232	60 978	125 534
Sales - external	70 435	61 700	32 063	39 823	12 707	216 727
<b>Profit/(loss) before taxation</b>	<b>4 512</b>	<b>5 526</b>	<b>(3 770)</b>	<b>(4 790)</b>	<b>(5 055)</b>	<b>(3 577)</b>

## 5. Segment Information (Continued)

*Czech Republic*

	NPPEQ	STEEL	Total
<b>Six months ended 30 June 2009</b>			
Total sales	58 182	131 771	189 953
Sales – inter segments	-	672	672
Sales - external	58 182	131 099	189 281
<b>Profit/(loss) before taxation</b>	<b>129</b>	<b>20 633</b>	<b>20 762</b>

The Profit/(loss) from segments before taxation are as follows:

	Six months ended 30 June 2009
Profit/(loss) from segments before taxation	17 185
Loss from joint venture	(15 354)
The differences from using accounting standards and IFRS	(2 374)
<b>Profit/(loss) before taxation</b>	<b>(543)</b>

The sales segments and the sales from statement of comprehensive income are as follows:

	Six months ended 30 June 2009
Sales segments	393 302
Sales other segments	12 707
<b>Total sales segments</b>	<b>406 008</b>
The differences from using accounting standards and IFRS	17 080
<b>Total sales (statement of comprehensive income)</b>	<b>423 088</b>

Assets on segments mainly consist: property, plant and equipment, trade receivable and advances, investments in the joint venture and inventories. Cash and cash equivalents, restricted cash, VAT recoverable, financial assets and other current and non-current assets are not allocated on segments and considered on the Group as a whole.

*Russia*

	NPPEQ	STEEL	MMEQ	MINEQ	Other	Total
<b>At the Six months ended 30 June 2009</b>						
Segment assets	349 522	171 044	55 621	80 449	123 600	780 235
Capital expenditure	4 783	7 740	50	1 007	242	13 822

*Czech Republic*

	NPPEQ	STEEL	Total
<b>At the Six months ended 30 June 2009</b>			
Segment assets	232 208	184 260	416 468
Capital expenditure	1 615	7 203	8 819

## 5. Segment Information (Continued)

The segment assets and the assets from the statement of financial position are as follows:

	Six months ended 30 June 2009
Segment assets	1 073 104
Segment other assets	123 600
<b>Total Segment assets</b>	<b>1 196 703</b>
Cash and cash equivalents	17 581
VAT recoverable	37 945
Other current assets	22 096
Investment accounted for using fair value	117 618
Other Non-Current Financial Assets	66 999
Taxes receivable	6 071
Other non-current assets	26 503
Investment accounted for using the equity method	22 268
The differences from using accounting standards and IFRS	(238 148)
<b>Total assets (statement of financial position)</b>	<b>1 275 636</b>

The Group's segments liabilities mainly consist: trade payable, income tax payable, deferred tax liabilities, provisions for liabilities and charges, long - term and short – term borrowings, including current portion of long-term loans and borrowings, also long and short-term promissory notes and other long-term liabilities are considered on the Group as a whole.

### Russia

	NPPEQ	STEEL	MMEQ	MINEQ	Other	Total
<b>At the Six months ended 30 June 2009</b>						
Total liabilities (segments)	51 345	24 382	72 762	22 277	61 408	232 174

### Czech Republic

	NPPEQ	STEEL	Total
<b>At the Six months ended 30 June 2009</b>			
Total liabilities (segments)	152 020	47 461	199 481

The segment liabilities and the liabilities from the statement of financial position are as follows:

	Six months ended 30 June 2009
Liabilities (segments)	370 247
Liabilities (other segments)	61 408
<b>Total segments liabilities</b>	<b>431 655</b>
Income tax payable	3 298
Short-term borrowings	389 567
Long-term borrowings	132 880
Provisions for liabilities and charges	6 134
Long-term taxes payable	2 450
Deferred tax liabilities	26 312
Other long-term liabilities	19 622
The differences from using accounting standards and IFRS	(32 846)
<b>Total liabilities (statement of financial position)</b>	<b>979 072</b>

## 6. Related parties are defined in IAS 24 “Related Party Disclosures”.

Related parties are defined in IAS 24 “Related Party Disclosures”. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Company’s parent company is CJSC “Forpost-Management”.

The party with ultimate control over the Company and the ultimate parent company is the Non-State Pension Fund “Gazfond”. No publicly available financial statements are produced by the Company’s parent company or ultimate controlling party. An intermediate parent company, “Gazprombank” (Open Joint –Stock Company) prepares consolidated financial statements that are publicly available.

As at 30 June 2009 CJSC “Forpost-Management” owns 44,41% of the Company’s total outstanding common shares. CJSC “Forpost-Management” is able to exercise control over the Company’s operating and financial policies so as to obtain the benefits from its activities by virtue of the fact that, adjusted for ordinary shares held in treasury stock held by the Group, they control in excess of 50% of the voting rights of the outstanding common shares.

In December 2008 “Gazprombank”(Open Joint –Stock Company) obtained control of more than 50% of the Group’s voting shares as a result of the number of transactions including the acquisition of CJSC “Forpost-Management”. The settlement of these transactions was fully completed in February 2009.

During the year ended 31 December 2008 the Group acquired a 20,83% interest in OJSC “Mashinostroitelny zavod ZIO-Podolsk” and a 10,698% interest in CJSC “Atomstroyexport” from the Group’s shareholder - CJSC “Forpost-Management”. In addition the Group acquired a 15% interest in CJSC “Chemical Engineering Group” from an entity under common control of parent company. The consideration paid was US\$ 54 458, US\$ 30 370 and US\$ 28 763 respectively. The Group recognised these available-for-sale investments at cost (Note 13).

During the year ended 31 December 2008, the Group also sold its wholly owned subsidiaries, “Progress LLC”, CHETENG CZ, s.r.o and TECHENG CZ s.r.o for total cash consideration of US\$ 37 991 to entities under common control of parent company (Note 29).

In September 2007 the Company and Dalmers Service Limited created a joint venture (Note 29). The nature of significant transactions with the joint venture and significant balances outstanding as at 30 June 2009 and 31 December 2008 are detailed below and in Note 29.

The outstanding balances with the related parties were as follows:

	30 June 2009		31 December 2008	
	Joint venture	Other related parties	Joint venture	Other related parties
Gross amount of trade receivables	836	1 548	877	86
Other receivables	3 639	1 637	44	1 953
Advances issued	61	7 988	208	2 711
Loans issued	5 902	13 069	5 930	17 957
Trade and other payables	(228)	(5 201)	(273)	(903)
Advances received	(1)	(397)	(85)	(620)
Loans and borrowings	-	(146 293)	-	(134 071)

All outstanding balances with related parties, except for loans and borrowings, are to be settled in cash within six months of the balance sheet date. None of the balances are secured.

Loans and borrowings received from related parties present loans from “Gazprombank” (Open Joint – Stock Company). The majority of these loans are denominated in RR.

### Guarantees

As at 30 June 2009, the Group has outstanding guarantees on loans of US\$ 23 713 (2008: US\$ 46 015) issued to the joint venture and an entity under common control. Guarantee fees are determined on a case-by-case basis and are charged annually (Note 26). In addition, the Group has pledged 19.89% of the shares in its subsidiary OJSC Izhorskiye Zavody to secure a related party loan received for US\$ 7 074 (Note 16).

### Pricing policies

Related party transactions for loans and borrowings, sales and purchases of goods and services are based on market prices. Other related party transactions including guarantees issued and acquisition and disposal of investments are based on prices determined with input from an intermediate parent company.

## 7. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	30 June 2009	31 December 2008
RR denominated cash on hand and balances with banks	10 035	15 632
CZK denominated cash on hand and balances with banks	1 452	3 157
EURO denominated balances with banks	5 695	8 902
US\$ denominated balances with banks	303	2 250
Other currency denominated balances with bank	1	291
Cash equivalents	96	6 266
<b>Total Cash and Cash Equivalents</b>	<b>17 581</b>	<b>36 498</b>

The effective annual interest rate of bank balances payable on demand is 0,1% (31 December 2007: 0,1%).

All bank balances and term deposits are neither past due nor impaired.

## 8. Trade and Other Receivables

	30 June 2009	31 December 2008
Trade receivables	97 184	106 087
Accounts due from customers for construction work	104 178	87 043
Forward foreign exchange contracts – cash flow hedges	1 008	117
VAT recoverable	37 945	39 514
VAT on advances from customers	50 547	48 072
Other taxes receivable	1 660	4 511
Advances to suppliers	131 874	80 402
Other receivables	15 361	12 282
<b>Total trade and other receivables</b>	<b>439 755</b>	<b>378 028</b>

Accounts receivable are denominated in RR except for US\$ 7 734 denominated in US\$, US\$ 44 515 denominated in CZK, US\$ 167 840 denominated in EUR and US\$ 8 513 denominated in other currencies as at 30 June 2009 (31 December 2008: US\$ 22 518 denominated in US\$, US\$ 56 168 denominated in CZK, US\$ 105 384 denominated in EUR and US\$ 1 478 denominated in other currencies.)

As at 30 June 2009 accounts receivable and advances of US\$ 52 751 (31 December 2008: US\$ 40 988) were individually impaired. The individually impaired receivables mainly relate to customers overdue for more than 6 months, which management does not expect to be collectible. In addition, other receivables from the customer with a recent history of default were provided in full.

Provisions for impairment offset against the trade and other receivable balances are as follows:

	30 June 2009	31 December 2008
Trade receivables	(32 578)	(20 128)
Advances to suppliers	(2 121)	(2 139)
Other receivables	(18 052)	(18 721)
<b>Total impairment</b>	<b>(52 751)</b>	<b>(40 988)</b>

Movements in the impairment provision for trade and other receivables are as follows:

	2009			
	Trade receivables	Advanced to suppliers	Other receivables	Total
<b>As at 1 January 2009</b>	<b>(20 128)</b>	<b>(2 139)</b>	<b>(18 721)</b>	<b>(40 988)</b>
Provision charged	(13 812)	(229)	650	(14 691)
Provision used	230	51	-	281
Reversal of reserves	1 365	168	250	1 783
Exchange differences	(232)	27	1 069	865
<b>As at 30 June 2009</b>	<b>(32 578)</b>	<b>(2 121)</b>	<b>(18 052)</b>	<b>(52 751)</b>

## 8. Trade and Other Receivables (Continued)

Comparative information for 2008:

				2008
	Trade receivables	Advanced to suppliers	Other receivables	Total
<b>As at 1 January 2008</b>	(7 167)	(2 598)	(28 871)	(38 636)
Provision charged	(16 684)	(203)	6 342	(10 545)
Provision used	128	308	41	476
Exchange differences	3 595	355	3 767	7 717
<b>As at 31 December 2008</b>	<b>(20 128)</b>	<b>(2 139)</b>	<b>(18 721)</b>	<b>(40 988)</b>

As at 30 June 2009, trade receivables of US\$ 12 293 (31 December 2008: US\$ 22 305) were past due but not impaired. These relate to a number of unrelated customers with no recent history of default. The ageing of these trade receivables is as follows:

	30 June 2009	31 December 2008
Less than 6 months	12 293	22 305
From 6 to 12 months	-	-
More than 12 months	-	-
<b>Total trade receivable past due not impaired</b>	<b>12 293</b>	<b>22 305</b>

## 9. Inventories

	Six months, ended 30 June 2009	31 December, 2008
Raw materials	107 525	115 822
Work in progress	111 006	125 214
Finished goods	26 596	31 393
Goods in transit	3 870	3 011
Provision for obsolete inventory	(23 268)	(21 511)
Other	280	-
<b>Total Inventories</b>	<b>226 009</b>	<b>253 929</b>

Certain inventories included above totalling US\$ 32 804 (31 December 2008: US\$ 33 397) were provided as security under loan agreements (Note 16).

As at 30 June 2009 and 31 December 2008 there were no inventories carried at fair value less costs to sell.

## 10. Other Current Financial Assets

	Six months, ended 30 June 2009	31 December, 2008
Derivatives	-	119
Short-term loans issued	18 971	25 202
Promissory notes	4 540	4 644
Provision for promissory notes	(4 540)	(4 644)
Restricted cash	3 120	20 072
Other	5	-
<b>Total Other Current Assets</b>	<b>22 096</b>	<b>45 393</b>

Restricted cash of US\$ 3 120 as at 30 June 2009 represents US-denominated cash advances received from customers that have been placed in a bank deposit and whose use is restricted to payments to specific suppliers as stipulated in the contracts with customers.

Promissory notes past due from the customer with a recent history of default were provided in full.



## 10. Other Current Financial Assets (Continued)

Movements in the impairment provision for promissory notes are as follows:

	Provision for promissory notes
As at 1 January 2008	(4 988)
Exchange differences	344
<b>As at 31 December 2008</b>	<b>(4 644)</b>
Exchange differences	(104)
<b>As at 30 June 2009</b>	<b>(4 540)</b>

## 11. Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

	Land and buildings	Machinery and equipment	Other	Assets under construction	Total
<b>Balance as at 1 January 2009</b>					
Cost	142 471	230 818	20 619	41 231	435 138
Accumulated depreciation	(40 045)	(119 352)	(13 940)	-	(173 337)
Impairment loss recognised	(2 266)	(2 633)	(5)	-	(4 903)
<b>Net book value as at 1 January 2009</b>	<b>100 160</b>	<b>108 833</b>	<b>6 674</b>	<b>41 231</b>	<b>256 899</b>
Exchange differences	138	(6 540)	(104)	(791)	(7 297)
Additions	1 912	15 303	538	18 082	35 835
Transfers	228	8 401	32	(8 661)	-
Disposals	(416)	(1 444)	(14)	(27)	(1 900)
Depreciation	(2 345)	(10 237)	(936)	-	(13 518)
<b>Closing net book value</b>	<b>99 678</b>	<b>114 317</b>	<b>6 190</b>	<b>49 835</b>	<b>270 020</b>
<b>Balance as at 30 June 2009</b>					
Cost	145 804	251 591	21 489	49 835	468 719
Accumulated depreciation	(43 999)	(133 192)	(15 295)	-	(192 485)
Impairment loss recognised	(2 127)	(4 082)	(4)	-	(6 214)
<b>Net book value as at 30 June 2009</b>	<b>99 678</b>	<b>114 317</b>	<b>6 190</b>	<b>49 835</b>	<b>270 020</b>

## 11. Property, Plant and Equipment (Continued)

Comparative information for 2008:

	Land and buildings	Machinery and equipment	Other	Assets under construction	Total
<b>Balance as at 1 January 2008</b>					
Cost	172 579	200 415	17 851	30 580	421 425
Accumulated depreciation	(37 507)	(103 489)	(10 254)	-	(151 250)
Impairment loss recognised	(2 715)	(3 254)	(12)	(22)	(6 003)
<b>Net book value as at 1 January 2008</b>	<b>132 357</b>	<b>93 672</b>	<b>7 585</b>	<b>30 558</b>	<b>264 172</b>
Exchange differences	(7 651)	(12 586)	(371)	(5 909)	(26 517)
Additions	9 865	37 796	4 898	38 081	90 640
Transfers	3 951	16 826	548	(21 325)	-
Disposals	(210)	(310)	(745)	(173)	(1 438)
Disposal of subsidiaries	(31 898)	(60)	(354)	-	(32 312)
Depreciation	(6 253)	(26 504)	(4 889)	-	(37 646)
<b>Closing net book value</b>	<b>100 161</b>	<b>108 834</b>	<b>6 672</b>	<b>41 232</b>	<b>256 899</b>
<b>Balance as at 31 December 2008</b>					
Cost	142 471	230 818	20 619	41 232	435 140
Accumulated depreciation	(40 045)	(119 352)	(13 940)	-	(173 337)
Impairment loss recognised	(2 265)	(2 632)	(7)	-	(4 904)
<b>Net book value as at 31 December 2008</b>	<b>100 161</b>	<b>108 834</b>	<b>6 672</b>	<b>41 232</b>	<b>256 899</b>

As at 30 June 2009 bank borrowings are secured on property, plant and equipment with a carrying value of US\$ 10 124 (31 December 2008: US\$ 2 639) (Note 16).

Land and buildings include 120 plots of land in Bolevec (Czech Republic) with a total area of 336 511 square meters and 36 plots in Plzen (Czech Republic) with a total area of 126 523 square meters.

## 12. Intangible Assets

The carrying value of intangible assets as at 30 June 2009 and as at 31 December 2008 was as follows:

	Trade mark	Other intangible assets	Total
<b>Balance as at 1 January 2009</b>			
Cost	24 802	35 997	60 799
Accumulated amortization	(3 247)	(9 566)	(12 813)
<b>Net book value as at 1 January 2009</b>	<b>21 555</b>	<b>26 431</b>	<b>47 986</b>
Additions	-	1 642	1 642
Amortisation	(257)	(1 158)	(1 415)
Exchange differences	(378)	(449)	(827)
<b>Closing net book value</b>	<b>20 919</b>	<b>25 562</b>	<b>46 481</b>
<b>Balance as at 30 June 2009</b>			
Cost	24 422	36 332	60 754
Accumulated amortisation	(3 503)	(10 771)	(14 273)
<b>Net book value as at 30 June 2009</b>	<b>20 919</b>	<b>25 562</b>	<b>46 481</b>

## 12. Intangible Assets (Continued)

Comparative information for 2008:

	Goodwill	Trade mark	Other intangible assets	Total
<b>Balance as at 1 January 2008</b>				
Cost	1 255	33 200	25 662	60 117
Accumulated amortisation	-	(2 369)	(8 502)	(10 871)
<b>Net book value as at 1 January 2008</b>	<b>1 255</b>	<b>30 831</b>	<b>17 160</b>	<b>49 246</b>
Additions	-	301	12 640	12 941
Disposals	-	-	(121)	(121)
Amortisation	-	(1 131)	(1 591)	(2 722)
Disposal of subsidiaries	(1 524)	(8 021)	(26)	(9 571)
Exchange differences	269	(427)	(3 085)	(3 243)
<b>Closing net book value</b>		<b>21 553</b>	<b>24 977</b>	<b>46 530</b>
<b>Balance as at 31 December 2008</b>				
Cost		24 801	34 542	59 343
Accumulated amortisation		(3 248)	(9 565)	(12 813)
<b>Net book value as at 31 December 2008</b>		<b>21 553</b>	<b>24 977</b>	<b>46 530</b>

Trade marks acquired before 2007 consist of license agreements for trade marks “ŠKODA” used by ŠKODA JS a.s. and PILSEN STEEL s.r.o. (SKODA Kovarny s.r.o. before the legal merger of SKODA Kovarny s.r.o. and SKODA Hute s.r.o. in the middle of 2007). The fair values of these licensed agreements for trade marks were evaluated by American Appraisal in 2004 using the income approach, referred to as the “relief from royalty” method. No indications of impairments were identified by the Group as of the reporting date for these intangible assets.

Trade marks with fair value of US\$ 6 563 were purchased in 2007 with the acquisition of CHETENG ENGINEERING s.r.o. (Note 29) and represent acquired trade mark, documentation and archives. In 2008 these trade marks were disposed due to sale of CHETENG ENGINEERING s.r.o. (Note 29).

Internally developed intangible assets mostly consist of patented and non-patented technologies.

Goodwill which arisen on acquisition of TECHENG CZ s.r.o. and CHETENG ENGINEERING s.r.o. in 2007 was written off due to sale of these companies in 2008 (Note 29).

## 13. Other Non-Current Financial Assets

	30 June 2009	31 December 2008
Long-term loans issued	66 796	69 976
Available-for-sale investments	117 618	125 088
Long-term Financial Assets designated through profit or loss	435	-
Forward foreign exchange contracts – cash flow hedges	202	26
<b>Total Other Non-Current Financial Assets</b>	<b>185 051</b>	<b>195 090</b>

### Available-for-sale investments stated at cost

Entity	Country of Incorporation	30 June 2009 r.		31 December 2008 r.	
			% of share capital		% of share capital
OJSC Mashinostroitelny zavod “ZIO-Podolsk” <sup>1</sup>	Russian Federation	54 458	21	57 998	21
CJSC “Atomstroyexport” <sup>2</sup>	Russian Federation	30 370	11	32 344	11
CJSC “Chemical Engineering Group”	Russian Federation	28 763	15	30 633	15
CJSC “Sezam”	Russian Federation	452	22	481	22
UJV Rez a.s.	Europe	2 461	17	2 445	17
Other	Russian Federation	1 115	-	1 187	-
		<b>117 618</b>		<b>125 088</b>	

<sup>1</sup> 100% of the Group’s shares in OJSC “Mashinostroitelny zavod “ZIO-Podolsk” is pledged as collateral under short-term bank loan denominated in RR (Note 16).

### 13. Other Non-Current Financial Assets (Continued)

The Group acquired a 20,83% interest in OJSC “Mashinostroitelny zavod “ZIO-Podolsk” in September 2008 from its intermediate parent company. Although the Group holds slightly in excess of 20% of the voting rights, management has concluded that they cannot exercise significant influence over the operating and financing policies of this entity.

This is a consequence of the fact that, whilst the Group has board representation and has appointed 2 directors out of a total 9 to represent their interests, the remaining 7 directors have been nominated by the entity's controlling shareholder and these 7 directors have sufficient voting power to approve or override any decision through coordinated voting. In addition, whilst significant decisions in respect of operating and financial policies are referred to the full Board of Directors for approval, the entity usually develops these policies in consultation with the majority shareholder prior to presenting them to the Board of Directors which, as a consequence, means that these policies are at a relatively advanced stage of development when presented to the full Board of Directors and usually subject to limited subsequent change.

Consequently, as management has concluded that the Group is unable to exert significant influence in respect of operating or financing policies of the entity, the investment in the shares of OJSC “Mashinostroitelny zavod “ZIO-Podolsk” has been classified as an available-for-sale investment.

Available-for-sale investments stated at cost comprise unquoted equity securities in the Nuclear Power Construction/Services, Chemical Machinery and Specialist Steel Industries. There is no market for these investments and there have not been any recent transactions with third parties that provide evidence of fair value. In addition, discounted cash flow techniques could not be applied due to a lack of financial information.

### 14. Other Non-Current Assets

	30 June 2009	31 December 2008
Advances issued	10 319	4 751
Deferred expenses on acquired software, not put into usage yet	16 174	69
Other non-current assets	10	1 456
<b>Total Other Non-Current Assets</b>	<b>26 503</b>	<b>6 276</b>

### 15. Trade and Other Accounts Payable

	30 June 2009	31 December 2008
Trade payables	108 480	138 526
Accounts due to customers for contract work	65 408	2 897
Derivatives	20	20 100
Other payables and accrued expenses	38 926	29 140
<b>Total financial liabilities</b>	<b>212 834</b>	<b>190 663</b>
Payroll accounts payable	9 121	13 130
Provision for unused vacation	4 233	4 536
Deferred VAT	3 664	3 398
Advances received	164 290	198 047
Short-term portion of long-term taxes payable (Note 17)	190	203
Other taxes payable	4 477	5 280
<b>Total trade and other accounts payable</b>	<b>398 809</b>	<b>415 257</b>

As at 30 June 2009 accounts payable were primarily denominated in RR except for US\$ 21 511 denominated in US\$, US\$ 118 077 denominated in CZK, US\$ 95 453 denominated in EUR . (31 December 2008: US\$ 15 373 denominated in US\$, US\$ 153 928 denominated in CZK, US\$ 88 922 denominated in EUR and US\$ 330 denominated in other currencies respectively).

Provision for unused vacations is recognized based on the analysis of the unused vacation per individual employees. The amount of US\$ 4 233 is expected to be utilised during 2009.

## 16. Borrowings

### Short-term loans and borrowings

	30 June 2009	31 December 2008
US\$ denominated fixed rate	133 947	137 090
EURO denominated fixed rate	127	12 934
EURO denominated floating rate	21 549	14 856
CZK denominated floating rate	-	4
RR denominated fixed rate	133 556	48 192
	<b>289 179</b>	<b>213 076</b>
Add: current portion of long-term debt	1 315	8 968
Non-convertible bonds	99 072	135 576
<b>Total short-term borrowings</b>	<b>389 567</b>	<b>357 620</b>

The effective interest rates at the balance sheet dates were as follows:

	30 June 2009	31 December 2008
US\$ denominated fixed rate	13.32%	10.45%
EURO denominated fixed rate	8.64%	9.38%
EURO denominated floating rate	6.00%	5.54%
CZK denominated floating rate	2.00%	1.84%
RR denominated fixed rate	12.15%	12.72%
Non-convertible bonds	9.53%	14.05%

As at 30 June 2009 short-term borrowings totalling US\$ 160 824 (31 December 2008: US\$ 122 308) are secured on the property and inventory of the Group. The carrying amount of pledged inventory, property, plant and equipment and available-for-sale investments is disclosed in Notes 11, 12 and 13, respectively.

The carrying amounts and fair values of non-convertible bonds are as follows:

	30 June 2009		31 December 2008	
	Carrying amounts	Fair values	Carrying amounts	Fair values
<b>Non-convertible bonds</b>	99 072	94 912	135 576	124 678

As at 30 June 2009 non-convertible bonds are recognised as long-term debt.

Changes of carrying amount of non-convertible bonds for six month ended 30 June 2009 and 2008 are as follows:

<b>Balance at 1 January 2008</b>	<b>94 086</b>
Issuance	67 194
Amortization of discount	2 971
Effect of exchange rate changes	(28 675)
<b>Balance at 31 December 2008</b>	<b>135 576</b>
Issuance	(26 711)
Amortization of discount	379
Effect of exchange rate changes	(10 171)
<b>Balance at 30 June 2009</b>	<b>99 072</b>

### Long-term borrowings

	30 June 2009	31 December 2008
US\$ denominated fixed rate	11	36
RR denominated fixed rate	64 403	75 303
RR denominated floating rate	-	142
EURO denominated fixed rate	68 466	73 955
EURO denominated floating rate	-	3 162
	<b>132 880</b>	<b>152 598</b>
Non-convertible bonds	-	-
<b>Total long-term borrowings</b>	<b>132 880</b>	<b>152 598</b>

## 16. Borrowings (Continued)

The carrying amounts and fair values of long-term borrowings and non-convertible bonds are as follows:

	30 June 2009		31 December 2008	
	Carrying amounts	Fair values	Carrying amounts	Fair values
<b>Long-term borrowings</b>	132 880	132 512	152 598	146 802

The effective interest rates at the balance sheet dates were as follows:

	30 June 2009	31 December 2008
US\$ denominated fixed rate	20.00%	20.31%
RR denominated fixed rate	15.84%	9.39%
RR denominated floating rate	-	14.73%
EURO denominated fixed rate	18.45%	11.38%
EURO denominated floating rate	-	5.63%

As at 30 June 2009, long-term borrowings totalling US\$ 13 481 (31 December 2008: US\$ 78 203) are secured on the property and inventory of the Group as well as shares of one subsidiary (Note 28). The carrying amount of pledged inventory and property, plant and equipment is disclosed in Notes 9 and 11, respectively.

During December 2008, the Group entered into a contract with a related party to sell and repurchase 19.89% of the shares in its subsidiary OJSC Izhorskiye Zavody for consideration of approximately US\$ 7 074. The contract specifies that the shares should be re-purchased within one year for consideration of approximately US\$ 8 047. This transaction has been accounted for as a secured financing transaction in the consolidated financial statements with the shares pledged under sale and repurchase agreements accounted for as investments in subsidiaries and a liability recognised for the fair value of the proceeds received. The difference between the fair value of the proceeds received and the repurchase price represents interest expense and is recognised in the consolidated income statement over the terms of the repurchase agreement using the effective interest method.

As at 30 June 2009 long-term loans had the following maturity profile:

	2010	2011	2012 and after	Total
US\$ denominated fixed rate	-	-	11	11
RR denominated fixed rate	20 801	73	43 528	64 403
EURO denominated fixed rate	-	-	68 466	68 466
<b>Long-term loans</b>	<b>20 801</b>	<b>73</b>	<b>112 006</b>	<b>132 880</b>

As at 31 December 2008 long-term loans had the following maturity profile:

	2009	2010	2011 and after	Total
US\$ denominated fixed rate	-	10	26	36
RR denominated fixed rate	-	66 364	8 939	75 303
RR denominated floating rate	-	142	-	142
EURO denominated fixed rate	-	73 955	-	73 955
EURO denominated floating rate	-	3 162	-	3 162
<b>Total long-term loans</b>	<b>-</b>	<b>143 633</b>	<b>8 965</b>	<b>152 598</b>

## 17. Long-Term Taxes Payable

Long-term taxes payable mainly comprise various taxes payable to the state and local budgets and non-budget funds of the Russian Federation which were previously past due and which have been restructured to be repaid over a period of up to 10 years.

	30 June 2009	31 December 2008
Current	190	203
1 to 2 years	2 450	2 727
<b>Total restructured</b>	<b>2 640</b>	<b>2 930</b>
Less: current portion of taxes payable (Note 15)	(190)	(203)
<b>Total long-term taxes payable</b>	<b>2 450</b>	<b>2 727</b>

**18. Other Long-Term Liabilities**

	30 June 2009	31 December 2008
Trade payables, long-term	4 356	4 492
Derivatives	-	7
Other long-term liabilities	2 146	4 594
Billings in excess of cost and recognized income - non-current portion	13 120	-
<b>Total other long-term liabilities</b>	<b>19 622</b>	<b>9 093</b>

**19. Equity**

	Number of outstanding shares (thousands)		Number of treasury shares (thousands)		Share capital		Treasury shares	
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Preference shares	Ordinary shares
As at 1 January 2008	2 750	35 480	(2 720)	(4 551)	34	440	(28 668)	(21 643)
Currency translation	-	-	-	-	(6)	(72)	4 717	3 561
As at 31 December 2008	2 750	35 480	(2 720)	(4 551)	28	368	(23 951)	(18 082)
Currency translation					(1)	(23)	1 462	1 104
As at 30 June 2009	2 750	35 480	(2 720)	(4 551)	27	345	(22 489)	(16 978)

As at 30 June 2009 the authorized number of ordinary and preference shares totalled 70 700 thousand and 2 750 thousand (31 December 2008: 70 700 thousand and 2 750 thousand), respectively, both with a nominal value per share of RR 0,1.

As at 30 June 2009 the issued number of ordinary and preference shares totalled 35 480 thousand and 2 750 thousand (31 December 2008: 35 480 thousand and 2 750 thousand).

Preference shares represent cumulative preferred stock without voting rights, except in certain circumstances pertaining to the liquidation or reorganization of the Company, or changes in the charter documents. They earn dividends at 12% per annum of their nominal value, and have a liquidation value of RR 0,1 per share. On liquidation, after the liability for cumulative unpaid dividends and the liquidation value of preference shares have been satisfied, both ordinary and preference shares holders participate equally in the distribution of the remaining net assets.

Treasury shares represent ordinary and preference shares owned by subsidiaries. In accordance with the Company's corporate governance policy these shares represent non-voting stock.

**20. Cost of Sales**

	Six months ended 30 June 2009	Six months ended 30 June 2008
Changes in inventories of finished goods and work in progress	10 119	(44 553)
Materials and components used	115 715	259 295
Labour costs	59 273	82 249
Services, including sub-contracting costs	52 441	95 434
Gas and fuel	34 415	40 369
Depreciation	13 221	12 952
Amortisation of intangible assets	187	-
Other	6 643	13 585
<b>Total cost of sales</b>	<b>292 014</b>	<b>459 331</b>

## 21. Selling Expenses

	Six months ended 30 June 2009	Six months ended 30 June 2008
Transportation	4 401	7 461
Services	2 971	3 525
Labour costs	4 320	4 498
Other	930	1 417
<b>Total selling expenses</b>	<b>12 622</b>	<b>16 901</b>

## 22. General and Administrative Expenses

	Six months ended 30 June 2009	Six months ended 30 June 2008
Labour costs	23 784	32 954
Services	12 838	11 308
Taxes	802	2 156
Depreciation	1 475	2 960
Amortisation of intangibles	1 222	416
Administration overheads	2 097	1 905
<b>Total general and administrative expenses</b>	<b>42 218</b>	<b>51 699</b>

## 23. Other Operating Income and Expense

### Other Operating Income

	Six months ended 30 June 2009	Six months ended 30 June 2008
Impairment release on property plant and equipment (Note 13)	-	551
Gain on disposal of property, plant and equipment	-	1767
Gain from operating lease	381	-
Gain on derecognition of financial liability	523	-
Other gains	105	1174
<b>Total other operating income</b>	<b>1 009</b>	<b>3 492</b>

### Other Operating Expense

	Six months ended 30 June 2009	Six months ended 30 June 2008
Change in provision for impairment of receivables	(12 909)	(1 665)
Change in provision for obsolete inventory	(2 324)	(2 421)
Loss on disposal of property, plant and equipment and intangibles	(3 431)	-
Other losses	(9 639)	-
<b>Total other operating expenses</b>	<b>(28 302)</b>	<b>(4 086)</b>

## 24. Finance Income and Expense

	Six months ended 30 June 2009	Six months ended 30 June 2008
Interest income on loans issued	4 789	9 495
Net foreign exchange gain	-	10 869
<b>Finance income</b>	<b>4 789</b>	<b>20 364</b>
Interest expense on financial liabilities measured at amortised cost	(27 107)	(21 152)
Net change in fair value of financial assets at fair value through profit or loss	-	(642)
Net foreign exchange loss	(11 811)	-
<b>Finance expense</b>	<b>(38 919)</b>	<b>(21 794)</b>
<b>Net finance expense recognised in income statement</b>	<b>(34 130)</b>	<b>(1 430)</b>



## 25. Income Tax

	Six months ended 30 June 2009	Six months ended 30 June 2008
Income tax expense – current	(6 786)	(11 057)
Deferred tax income/(expense) – origination and reversal of temporary differences	3 972	(6 041)
<b>Income tax expense</b>	<b>(2 815)</b>	<b>(17 098)</b>

The income before taxation for financial reporting purposes is reconciled to the tax expense as follows:

	Six months ended 30 June 2009	Six months ended 30 June 2008
<b>Profit before taxation</b>	<b>(543)</b>	<b>52 761</b>
Theoretical tax charge at statutory rate of 24%	(109)	12 663
Effect of different tax rates in other countries	1 774	-
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-deductible expenses	1 150	4 435
<b>Income tax expense</b>	<b>2 815</b>	<b>17 098</b>

Most companies in the Group were subject to tax rates of 20% on taxable profits for six months ended 30 June 2009 and 24% on taxable profits in 2008.

The statutory income tax rate for companies of the Group registered in Russian Federation for the years 2008 and 2007 was 24%. Effective from 1 January 2009, the rate in Russian Federation has changed to 20%.

The statutory income tax rate for subsidiaries of the Group registered in Czech Republic for the 2008 and 2007 assessment periods was 21% and 24%, respectively. Effective from 1 January 2009, the rate in Czech Republic has changed to 20% and effective from 1 January 2010 to 19%.

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Therefore, the deferred tax asset of one company of the Group cannot be offset against the deferred tax liability of another company.

As at 30 June 2009 the Group has not recognized a deferred tax liability in respect of US\$ 33 136 (31 December 2008: US\$ 26 060) of temporary differences associated with investments in subsidiaries as the Company is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

## 26. Contingencies, Commitments and Operating Risks

### *Capital commitments*

As at 30 June 2009 the Group had contractual commitments for the purchase of property, plant and equipment from third parties for US\$ 106 216 (31 December 2008: US\$ 133 862).

### *Taxation*

Russian tax legislation does not provide definitive guidance in certain areas, specifically in deductibility of certain expenses and recovery of VAT in accordance with Tax Code. From time to time, the group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices. The Group estimated possible tax obligations from the impact of any challenge by the tax authorities are approximately US\$ 3 million (2008: US\$ 11 million).

### *Insurance policies*

The Group insures all significant property and work-in-progress and shipments in relation to significant contracts. As at 30 June 2009, most of the Group's property is insured.

## 26. Contingencies, Commitments and Operating Risks (Continued)

### *Environmental matters*

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

### *Legal proceedings*

During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group, and which have not been accrued or disclosed in these consolidated financial statements.

### *Guarantees*

The Group has guaranteed loans issued to third parties. The total amount of guarantees is US\$ 0 (31 December 2008: US\$ 3 547).

The Group has guaranteed loans issued to related parties. The total amount of guarantees is US\$ 23 713 (31 December 2008: US\$ 46 015).

The Group's borrowings and its fulfilment of contractual obligations were secured by third party guarantees in the amount of US\$ 47 361 (31 December 2008: US\$ 113).

## 27. Earnings per Share

Earnings per share is calculated by dividing the net income attributable to participating shareholders by the weighted average number of ordinary shares in issue during the period, excluding the average number of ordinary shares purchased by the Group and held as treasury shares (Note 19).

Earnings per share from continuing operations are calculated as follows:

### **Basic earnings per share**

	<b>Six months ended 30 June 2009</b>	<b>Six months ended 30 June 2008</b>
Weighted average number of ordinary shares outstanding (thousands)	35 480	35 480
Adjusted for weighted average number of treasury shares (thousands)	(4 551)	(4 551)
Weighted average number of ordinary shares in issue (thousands)	30 929	30 929
<b>Profit/(loss) for the year attributable to the Group's equity holders</b>	<b>(945)</b>	<b>35 553</b>
<b>Basic earnings per share</b>	<b>(0,03)</b>	<b>1,15</b>

### **Diluted earnings per share**

There have been no transactions that would result in a dilution of earnings per share.

## 28. Principal Subsidiaries

The principal subsidiaries consolidated within the Group and the share in subsidiaries held by the Group is as follows:

Entity	Country of Incorporation	Activity	30 June 2009	31 December 2008
			% of share capital	% of share capital
OJSC Izhorskiye Zavody ("Izhorskiye Zavody") <sup>1</sup>	Russia	Production of equipment for nuclear power plants and mining equipment	80,1	80,1
OMZ SpecStal ("SpecStal") LLC	Russia	Production of specialty steels	100	100
OMZ Gornoe oborudovanie i tehnologii ("GoiT") LLC	Russia	Engineering and sales of mining equipment	100	100
CJSC Komplekt-Atom-Izhora	Russia	Engineering and installation of nuclear power plant equipment	100	100
IZ-Kartex LLC <sup>4</sup>	Russia	Production of mining equipment	80,1	80,1
OMZ Sibir LLC	Russia	Sales of mining equipment	100	100
OMZ LLC	Russia	Corporate services	100	100
IZ-ZMK LLC <sup>4</sup>	Russia	Production of steel constructions	80,1	80,1
OMZ LP LLC <sup>4</sup>	Russia	Production of steel mouldings	84,2	84,2
ŠKODA JS a.s. <sup>2</sup>	Czech Republic	Production of equipment for nuclear power plants	100	100
PILSEN STEEL s.r.o. <sup>3</sup>	Czech Republic	Production of specialty steels	100	100
MK Uralmash CJSC	Russia	Production of drilling, mining and metallurgical equipment	50	50

<sup>1</sup> 40% of the Groups' shares in Izhorskiye Zavody is pledged as collateral under long-term bank loan denominated in RR and 19,98% is pledged as collateral under repurchase agreement to obtain a short-term loan denominated in RR (Note 16).

<sup>2</sup> 100% of the Groups' shares in ŠKODA JS is pledged as collateral under short-term bank loan denominated in RR (Note 16).

<sup>3</sup> Effective from June 2007 ŠKODA Hute s.r.o. and ŠKODA Kovarny s.r.o. were legally merged into a single legal entity – PILSEN STEEL s.r.o.

<sup>4</sup> The % of share capital disclosed above is the amount attributable to shareholders of the Company. The Company is able to control 100% of the shares of these subsidiaries.

## 29. Business Combinations and Disposals

During six months, ended 30 of June 2009 the Group did not acquire new companies.

### *Investment in the joint venture Machine-Building Corporation Uralmash, CJSC (or CJSC Uralmash)*

In September 2007 the Group and Dalmers Service Limited transferred the control over several of their subsidiaries to a newly established jointly controlled entity CJSC Uralmash.

The Group transferred 92,52% of ordinary shares and 19,12% of preferences shares (entire interest owned by the Group) of OJSC Uralmashzavod and related subsidiaries. The other venture, Dalmers Service Limited, transferred 99.97% share capital of OJSC Machine-building Corporation ORMETO-UUMZ and cash in the amount of US\$ 27 mln.

Both parties have equal voting rights over the joint venture's activity and effective ownership of 50% and 50%.

The joint venture was created to increase production synergies in the market of manufacturing of equipment and machines for oil, gas, mining industries and to increase combined cost savings.

## 29. Business Combinations and Disposals (Continued)

The Group recognised its interest in the jointly controlled entity using the equity method.

As a result of the transaction, the Group:

Derecognised negative net assets of the business disposed in the amount of US\$ 40 670 as follows:

	IFRS carrying amount immediately before disposal
Cash and cash equivalents	2 337
Inventories	62 239
Trade and other receivables	93 156
Property, plant and equipment	18 418
Intangible assets	1 250
Other non-current assets	1 544
Trade and other payables	(145 872)
Short-term borrowings	(73 104)
Deferred tax liabilities, net	(638)
<b>Net assets</b>	<b>(40 670)</b>

- Recognized a gain of US\$ 136 962 which is reported as a part of the Other operating income and expenses for the year ended 31 December 2007 and determined as difference between 50% of fair value of transferred business and carrying value of the net assets transferred out to the jointly controlled entity. Fair value of the transferred business by the Group was performed by independent professional appraiser.
- Recognised the investments in the jointly controlled entity at fair value of US\$ 103 568, which incorporates the fair value of net assets transferred by Dalmers Service Limited to the jointly controlled entity, which was performed by independent professional appraisal. This fair value includes goodwill in the amount of US\$ 21 023.

The interest in the jointly controlled entity owned by the Group is as follows:

	30 June 2009	31 December 2008
Current assets	97 057	121 282
Property, plant and equipment	80 222	90 061
Other non-current assets (including goodwill)	7 855	10 213
Current liabilities	(133 309)	(130 163)
Non-current liabilities	(29 557)	(50 397)
<b>Net assets owned by the Group</b>	<b>22 268</b>	<b>40 996</b>

The Group determined the recoverable amount of its investment in Uralmash CJSC in order to assess whether the investment is impaired as of 31 December 2008. The recoverable amount was determined with the assistance of independent appraisers.

The following key assumptions were used in determining the recoverable amounts of the joint venture:

- Cash flows were projected based on actual operating results and the ten-year business plan.
- The joint venture includes two major production plants: OJSC Uralmashzavod and OJSC ORMETO-UUMZ. The anticipated annual production growth included in the cash flow projections for OJSC Uralmashzavod and OJSC ORMETO-UUMZ were 12-51% and 0-14% for the years 2009 to 2014, respectively. Management plans to achieve stable production volume the seventh year of the business plan.
- Cash flows for a further four years were extrapolated assuming no significant growth in production, and revenue and expenses increasing in line with inflation.
- Discount rates of 19.2% and 18.2% were applied to the cash flows of OJSC Uralmashzavod and OJSC ORMETO-UUMZ, respectively. The discount rate was estimated based on an industry average weighted average cost of capital. The discount rate for OJSC Uralmashzavod also included an additional risk-premium of 1% to reflect the risks associated with significant projected growth embedded in the business plan.
- A terminal value was derived at the end of the 10-year interim period. A terminal growth rate of 3.5% was considered in estimating the terminal value for the plants.

The values assigned to the key assumptions represent management's assessment of future trends in the machinery production industry and are based on both external sources and internal sources.

## 29. Business Combinations and Disposals (Continued)

The above estimates are particularly sensitive in the following areas:

- An increase of one percentage point in the discount rate used would have increased the impairment loss by US\$ 9 303.
- A 10% decrease in gross margin would have increased the impairment loss by US\$ 23 498.

Changes in the carrying amount of equity investment are as follows:

Fair value of investment in Uralmash CJSC	95 218
Loss attributable to the Group	(31 933)
Impairment of investment	(13 641)
Exchange difference	(8 648)
<b>Investment in Uralmash CJSC as at 31 December 2007</b>	<b>40 996</b>
Loss attributable to the Group	(15 354)
Exchange difference	(3 374)
<b>Investment in Uralmash CJSC as at 31 December 2008</b>	<b>22 268</b>

As at 31 December 2008 created jointly controlled entity had contractual commitments for the purchase of property, plant and equipment from third parties for US\$ 6 053.

### *Disposals in 2008*

In July 2008 the Group disposed of 100% of Progress LLC to related parties for a total cash consideration of US\$ 24 112 (RR 599 million). The net assets of the subsidiary sold were US\$ 22 415 as at the date of disposal and the Group recognised a gain from the sale of the subsidiary within other operating income in the amount of US\$ 1 697. As at the reporting date, the cash consideration has been paid.

In May 2008 the Group disposed of 100% of «Territorialnaya Kompaniya LLC » of Uralmashzavod to the joint venture for a total consideration of US\$ 20 (or RR 500 thousand). The net assets of the subsidiary were US\$ 1 493 as at the date of disposal and the Group recognised a loss from the sale of the subsidiary within other operating income in the amount of US\$ 1 473. As at the reporting date, the cash consideration has been paid.

In September 2008 the Group disposed of 100% of CHETENG CZ, s.r.o and TECHENG CZ s.r.o. to a related party Chemical Engineering Group CJSC for total consideration of US\$ 13 879 (RR 345 million). The net assets of the subsidiary were US\$ 13 077 as at the date of disposal and the Group recognised gain from the sale of the subsidiary within other operating income in the amount of US\$ 802. As at the reporting date, the cash consideration was not fully paid. The receivable due from the acquirer is US\$ 1 531 as at 31 December 2008.

In 2008 the Group liquidated subsidiary Avtomatika LLC. The loss on disposal of the company was US\$ 225 and was recognised by the Group within other operating expense.

## 29. Business Combinations and Disposals (Continued)

### Aggregate effect of disposals of the subsidiaries to the financial statements

	IFRS carrying amount immediately before disposal
Cash and cash equivalents	1 006
Inventories	207
Trade and other receivables	1 538
Other current assets	94
Property, plant and equipment	32 312
Intangible assets	8 097
Trade and other payables	(5 337)
Borrowings	(3 422)
Deferred tax liabilities	(2 788)
Other liabilities	(230)
<b>Net assets</b>	<b>31 477</b>

### Effect of disposals on cash flow from investing activities

	US\$
Cash proceeds	36 480
Cash disposed, including	
- disposal of shares in Techeng CZ and Cheteng Engineering	(431)
- disposal of TK	(467)
- disposal of OOO Progress	(106)
- other disposals	(2)
<b>Cash inflows from the sale of subsidiaries</b>	<b>35 474</b>

In December 2008 the Group settled contracts for the sale of 19,89% of shares in its subsidiary Izhorskiye Zavody with the buy-back obligation for the total consideration of approximately US\$ 7 074 (RR 226 million). In accordance with these contracts the obligation for the buy-back should be settled in 1 year for the total consideration of approximately US\$ 8 047 (RR 257 million). This transaction was recognised as a collateralised financing transaction in the financial statements.

### 30. Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

**Financial instruments carried at fair value.** Trading and available-for-sale investments and financial derivatives, including those classified as non-current assets held for sale (or disposal groups) are carried on the consolidated balance sheet at their fair value. Cash and cash equivalents are carried at amortized cost, which approximates current fair value.

Fair values were determined based on quoted market prices except for certain investment securities available-for-sale for which there were no available external independent market price quotations (see Note 13).

**Financial assets carried at amortised cost.** The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. The carrying amounts of trade receivables approximate fair values.

**Liabilities carried at amortised cost.** The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period (“demandable liabilities”) is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid.

**Derivative financial instruments.** All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative

### 31. Reconciliation of Classes of Financial Instruments with Measurement Categories

The following tables provide a reconciliation of classes of financial assets and liabilities with the measurement categories as at 30 June 2009:

	Loans and receivables	Available for sale financial assets	Assets designated at FVTPL *	Financial derivatives - hedging	Total
<b>ASSETS</b>					
<b>Cash and cash equivalents (Note 7)</b>					
Cash on hand and balances with the bank	17 485	-	-	-	17 485
Cash equivalents	96	-	-	-	96
<b>Trade and other receivables (Note 8)</b>					
Trade receivables	97 184	-	-	-	97 184
Accounts due from customers for contract work	104 178	-	-	-	104 178
Forward foreign exchange contracts – cash flow hedges	-	-	-	1 008	1 008
Other receivables	15 361	-	-	-	15 361
<b>Other current financial assets (Note 10)</b>					
Short-term loans issued	18 971	-	-	-	18 971
Restricted cash	3 120	-	-	-	3 120
Derivatives	0	-	-	-	0
Other	5	-	-	-	5
<b>Other non-current assets (Note 13)</b>					
Long-term loans issued	66 796	-	-	-	66 796
Available-for-sale investments	-	117 618	-	-	117 618
Non-current financial assets at fair value through P&L	-	-	435	-	435
Forward foreign exchange contracts – cash flow hedges	-	-	-	202	202
<b>TOTAL FINANCIAL ASSETS</b>	<b>323 196</b>	<b>117 618</b>	<b>435</b>	<b>1 210</b>	<b>442 458</b>
<b>NON-FINANCIAL ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>833 178</b>
<b>TOTAL ASSETS</b>	<b>323 196</b>	<b>117 618</b>	<b>435</b>	<b>1 210</b>	<b>1 275 636</b>

\* FVTPL = fair value through profit and loss

All the group's financial liabilities except for derivatives are carried at amortised costs. Derivatives belong to the fair value through profit or loss measured at US\$ 435 and financial derivatives – hedging at US\$ 1210.



### 31. Reconciliation of Classes of Financial Instruments with Measurement Categories (Continued)

Comparative information for 2008:

	Loans and receivables	Available for sale financial assets	Assets designated at FVTPL *	Financial derivatives - hedging	Total
<b>ASSETS</b>					
<b>Cash and cash equivalents (Note 7)</b>					
Cash on hand and balances with the bank	30 232	-	-	-	30 232
Cash equivalents	6 266	-	-	-	6 266
<b>Trade and other receivables (Note 8)</b>					
Trade receivables	106 087	-	-	-	106 087
Accounts due from customers for contract work	87 043	-	-	-	87 043
Forward foreign exchange contracts – cash flow hedges	-	-	-	117	117
Other receivables	12 282	-	-	-	12 282
<b>Other current financial assets (Note 10)</b>					
Short-term loans issued	25 202	-	-	-	25 202
Restricted cash	20 072	-	-	-	20 072
Derivatives	-	-	-	119	119
<b>Other non-current assets (Note 13)</b>					
Long-term loans issued	69 976	-	-	-	69 976
Available-for-sale investments	-	125 088	-	-	125 088
Forward foreign exchange contracts – cash flow hedges	-	-	-	26	26
<b>TOTAL FINANCIAL ASSETS</b>	<b>357 160</b>	<b>125 088</b>	<b>236</b>	<b>26</b>	<b>482 510</b>
<b>NON-FINANCIAL ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>792 472</b>
<b>TOTAL ASSETS</b>	<b>357 160</b>	<b>125 088</b>	<b>236</b>	<b>26</b>	<b>1 274 982</b>

\* FVTPL = fair value through profit and loss

### 32. Post Balance Sheet Events

As at 3 September 2009 the Group has successfully passed the offer on 5 series of bonds in the total amount of US\$ 47 938 (1 500 million RR). The new coupon rate is established at level of 13,0 annual interest rates, repayment term – at 30 August 2011, without additional offers to repayment date, in the day of the offer have been shown to the repayment 0 bonds.

As at 17 September 2009 Group has acquitted the target credit ahead of schedule under the building of the Novovoronezhskaya NPP in the total amount of US\$ 76 062 (2 380 million RR).