Open Joint Stock Company Power Machines and subsidiaries

Consolidated condensed interim financial statements
for the six months ended 30 June 2009
(unaudited)

OPEN JOINT STOCK COMPANY POWER MACHINES AND SUBSIDIARIES

TABLE OF CONTENTS

OPEN JOINT STOCK COMPANY POWER MACHINES AND SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report on review of the consolidated condensed interim financial statements set out on the page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated condensed interim financial statements of Open Joint Stock Company "Power Machines" and subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated condensed interim financial statements that present fairly the financial position of the Group at 30 June 2009, the results of its operations, cash flows and changes in equity for the six months then ended, in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* ("IAS 34").

In preparing the consolidated condensed interim financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated condensed interim financial statements; and
- Preparing the consolidated condensed interim financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls throughout the Group;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking steps to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The consolidated condensed interim financial statements for the six months ended 30 June 2009 were approved for issue on 8 September 2009 by the Management Board.

On behalf of the Management Board:

Igor Y. Kostin	**Irina V. Romanova**
General Director	Chief Accountant

Deloitte.

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REPORT ON REVIEW OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of Open Joint Stock Company "Power Machines":

We have reviewed the accompanying consolidated condensed interim statement of financial position of Open Joint Stock Company "Power Machines" and its subsidiaries ("the Group") as of 30 June 2009 and the related consolidated condensed interim income statement and statement of comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of selected accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated condensed interim financial statements in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of the consolidated condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements do not present fairly, in all material respects, the financial position of the Group as of 30 June 2009, and its financial performance and cash flows for the six months then ended in accordance with IAS 34.

Deloitte&Touche

8 September 2009

OPEN JOINT STOCK COMPANY POWER MACHINES AND SUBSIDIARIES

CONSOLIDATED CONDENSED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)
(in thousands of US dollars unless otherwise stated)

	Note	Six months ended 30 June 2009	Six months ended 30 June 2008
Revenue	2	721,397	575,298
Cost of sales		(554,921)	(468,384)
Gross profit		**166,476**	**106,914**
Distribution expenses		(30,292)	(24,930)
Administrative expenses	3	(43,368)	(54,386)
Other operating income		3,692	10,250
Other operating expenses	4	(26,329)	(10,801)
Profit from operations		**70,179**	**27,047**
Financial income		7,305	5,929
Financial expenses	5	(9,533)	(17,047)
(Loss)/income from associates		(1,771)	302
Profit before income tax		**66,180**	**16,231**
Income tax expense		(13,080)	(582)
Profit for the period		**53,100**	**15,649**
Attributable to:			
Shareholders of the Company		49,324	17,000
Non-controlling interest		3,776	(1,351)
		53,100	**15,649**
Basic earnings per share (US dollars)		0.0061	0.0018

OPEN JOINT STOCK COMPANY POWER MACHINES AND SUBSIDIARIES

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPEHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)
(in thousands of US dollars unless otherwise stated)

	Six months ended 30 June 2009	Six months ended 30 June 2008
Profit for the period	**53,100**	**15,649**
Currency translation differences	(9,579)	7,089
Total comprehensive income for the period	**43,521**	**22,738**
Attributable to:		
Shareholders of the Company	43,155	23,886
Non-controlling interest	366	(1,148)
	43,521	**22,738**

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2009 (UNAUDITED)

(in thousands of US dollars unless otherwise stated)

	Note	30 June 2009	31 December 2008
Assets			
Property, plant and equipment		393,935	388,610
Goodwill		3,593	3,733
Other intangible assets		31,790	29,942
Investments in associates		2,895	4,901
Other investments		1,732	2,314
Deferred tax assets		23,431	21,340
Non-current receivables		78,393	42,585
Total non-current assets		**535,769**	**493,425**
Inventories	7	260,134	180,414
Trade and other receivables	6	1,513,758	1,376,540
Current tax asset		7,810	641
Cash and cash equivalents		210,292	328,281
Total current assets		**1,991,994**	**1,885,876**
Total assets		**2,527,763**	**2,379,301**
Equity			
Issued capital		11,141	11,141
Additional paid-in capital		399,877	393,358
Foreign currency translation reserve		20,998	27,167
Accumulated deficit		(198,765)	(248,089)
Total equity attributable to Shareholders of the Company		**233,251**	**183,577**
Non-controlling interest		44,897	55,550
Total equity		**278,148**	**239,127**
Liabilities			
Borrowings	9	14,093	20,448
Deferred tax liabilities		11,300	13,575
Other liabilities		3,623	4,499
Total non-current liabilities		**29,016**	**38,522**
Borrowings	9	98,077	112,458
Trade and other payables	11	1,945,402	1,807,169
Provisions	12	177,120	182,025
Total current liabilities		**2,220,599**	**2,101,652**
Total equity and liabilities		**2,527,763**	**2,379,301**

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)
(in thousands of US dollars unless otherwise stated)

	Note	Six months ended 30 June 2009	Six months ended 30 June 2008
Net cash flows (used in)/from operating activities		**(18,695)**	**365,383**
Cash flows from investing activities			
Additions to property, plant and equipment and intangible assets		(52,737)	(40,087)
Acquisition of subsidiary, net of cash acquired		-	(45,811)
Acquisition of non-controlling interest	15	(4,500)	-
Interest received		5,152	5,929
Net cash flow from other investments		(844)	1,014
Cash flows used in investing activities		**(52,929)**	**(78,955)**
Cash flows from financing activities			
Proceeds from borrowings		121,242	223,640
Repayments of borrowings		(139,081)	(227,421)
Cash flows used in financing activities		**(17,839)**	**(3,781)**
Currency translation differences		(28,526)	6,601
Net (decrease)/increase in cash and cash equivalents		(117,989)	289,248
Cash and cash equivalents at beginning of the period		328,281	103,253
Cash and cash equivalents at end of the period		**210,292**	**392,501**

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)
(in thousands of US dollars unless otherwise stated)

	Note	Ordinary shares	Additional paid-in capital	Foreign currency translation reserve	Accumulated deficit	Total attributable to Shareholders of the Company	Non-controlling interests	Total equity
Balance at 1 January 2008		**11,141**	**393,358**	**56,765**	**(333,863)**	**127,401**	**1,238**	**128,639**
Profit for the period		-	-	-	17,000	17,000	(1,351)	15,649
Currency translation differences		-	-	6,886	-	6,886	203	7,089
Total recognised income and expenses		-	-	6,886	17,000	23,886	(1,148)	22,738
Non-controlling interest in subsidiary acquired during the period		-	-	-	-	-	79,578	79,578
Balance at 30 June 2008		**11,141**	**393,358**	**63,651**	**(316,863)**	**151,287**	**79,668**	**230,995**
Balance at 1 January 2009		**11,141**	**393,358**	**27,167**	**(248,089)**	**183,577**	**55,550**	**239,127**
Profit for the period		-	-	-	49,324	49,324	3,776	53,100
Currency translation differences		-	-	(6,169)	-	(6,169)	(3,410)	(9,579)
Total recognised income and expenses		-	-	(6,169)	49,324	43,155	366	43,521
Non-controlling interest in subsidiary acquired during the period	15	-	6,519	-	-	6,519	(11,019)	(4,500)
Balance at 30 June 2009		**11,141**	**399,877**	**20,998**	**(198,765)**	**233,251**	**44,897**	**278,148**

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These consolidated condensed interim financial statements of Open Joint Stock Company "Power Machines" ("the Company") and subsidiaries ("the Group") have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* ("IAS 34").

The accounting policies, presentation and methods of computation applied by the Group in these consolidated condensed interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2008, except for the standards and interpretations which became effective for the Group from 1 January 2009 or adopted in advance of their effective dates.

Adoption of new and revised standards and interpretations

In the current period, the Group has adopted all of the following new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2009:

- IAS 1 (Revised) *Presentation of Financial Statements*;
- IAS 23 (Revised) *Borrowing Costs*;
- Amendment to IAS 32 *Financial Instruments: Presentation*;
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement*;
- Amendment to IFRS 2 *Share-based Payment*;
- Amendment to IFRS 7 *Financial Instruments: Disclosures*;
- IFRS 8 *Operating Segments*;
- IFRIC 13 *Customer Loyalty Programmes*;
- IFRIC 15 *Agreements for the Construction of Real Estate*;
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*.

The first time application of aforementioned amendments to standards from 1 January 2009 had no material effect on the financial statements of the Group for the period ended 30 June 2009 except for IAS 1 (as revised in 2007) *Presentation of Financial Statements*. The revised standard has introduced a number of terminology changes (including revised titles for the consolidated condensed interim financial statements) and has resulted in a number of changes in presentation and disclosures. However, the revised standard has had no impact on the reported results or financial position of the Group.

Early adoption of revised standards

The Group has elected to adopt the following standards in advance of their effective dates:

- IFRS 3 *Business Combinations* (as revised in 2008); and
- IAS 27 *Consolidated and Separate Financial Statements* (as revised in 2008).

The revisions of these standards have resulted in a number of changes to the Group's accounting policies.

IFRS 3 (2008)

In accordance with the transitional provisions of IFRS 3 (2008), that Standard has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2009. The impact of IFRS 3 (2008) *Business Combinations* has been:

- To change the basis of measurement of goodwill recognised in respect of the business combination occurring in the period so that it now reflects the impact of (i) the difference between the fair value of non-controlling interests (previously referred to as 'minority' interests) and their share of the identifiable net assets of the acquiree where the fair value measurement option for non-controlling interests has been adopted, and (ii) the difference between the fair value of previously-held equity interests in the acquiree and their carrying amount;
- To allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests;
- To change the recognition and subsequent accounting requirements for contingent consideration;
- To change the basis for allocating a portion of the purchase consideration in a business combination to replacement share-based payment awards granted at the time of the combination;
- To require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being expensed when incurred; and
- For business combinations achieved in stages, to require reclassification from equity to profit or loss at the date of acquisition of amounts related to previously-held interests in the acquiree.

The revised Standard did not affect the accounting for business combinations in current or prior periods. The revised Standard is expected to affect the accounting for business combinations in future accounting periods, but the impact will only be determined once the details of future business combination transactions are known.

IAS 27 (2008)

IAS 27 (2008) has been adopted for periods beginning on or after 1 January 2009. The revised Standard has been applied prospectively in accordance with the relevant transitional provisions.

The revised Standard has resulted in a change in accounting policy regarding increases or decreases in the Group's ownership interests in its subsidiaries. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in existing subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under IAS 27 (2008), these treatments are no longer acceptable. All increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

In respect of the acquisition during the 6 months ended 30 June 2009 of the part of non-controlling interests in OJSC "Kaluzhsky turbine plant" (Note 15), the impact of the change in accounting policy has been that the difference of USD 6,519 thousand between the fair value of consideration paid and the transfer between the parent's equity and non-controlling interests, in terms of existing carrying amount, has been recognised directly in equity. It was not practicable to determine the results of the change in the accounting policy for each financial statement line item affected and earnings per share information as the cost to develop such information would be excessive.

(in thousands of US dollars unless otherwise stated)

Prior period reclassifications and restatements

Certain comparative information in the consolidated condensed interim financial statements for the six months ended 30 June 2008 has been reclassified. Reclassifications were based upon management's decision to enhance disclosure of the Group's results of operations through better presentation of certain types of income and expenses on the face of the consolidated condensed interim income statement.

The effect of reclassifications is presented below:

	Before reclassification	After reclassification	Difference
Cost of sales	452,496	468,384	15,888
Distribution expenses	27,110	24,930	(2,180)
Administrative expenses	67,890	54,386	(13,504)
Other operating expenses	15,739	10,801	(4,938)
Financial expenses	12,313	17,047	4,734
			-

During the year ended 31 December 2008, management of the Group completed the purchase price allocation of OJSC "Kaluzhsky turbine plant". Certain comparative information presented in the consolidated condensed interim statement of changes in equity for the six months ended 30 June 2008, which is the period before completing the initial accounting for the acquisition, has been restated and presented as if the initial accounting had been completed at the acquisition date. The effect of increase in non-controlling interests compared to the provisional purchase price allocation at 30 June 2008 was USD 54,163 thousand.

Segment reporting

The Group designs, manufactures, buys and sells energy generating equipment to final customers or intermediaries primarily on a turn key basis. The Group's manufacturing operations are all based in Russia. The Group performs sales within and outside Russia. The Group identified the segment in accordance with the criteria set forth in IFRS 8 *Operating Segments* and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources among business units of the Group.

The chief operating decision maker has been determined as the Management Board. The Management Board reviews the Group's budgets of profit or loss, internal reporting on operating results of individual construction contracts, in order to assess performance and allocate resources. Although the Group designs, supplies and services a complete range of energy generating equipment, the Management Board does not regularly review the Group's operating results for the purpose of allocation of resources based on the types of products or by geographical location of customers. Therefore, the Group considers that it only has one reportable segment under IFRS 8.

Seasonality

There are no material seasonal effects in the business activities of the Group.

(in thousands of US dollars unless otherwise stated)

2. REVENUE

	Six months ended 30 June 2009	Six months ended 30 June 2008
Construction contract revenue	558,516	409,385
Revenue from sales of goods	127,423	139,881
Revenue from rendering services	25,301	11,625
Other	10,157	14,407
	721,397	**575,298**

	Six months ended 30 June 2009	Six months ended 30 June 2008
Russia	574,121	426,139
Europe	63,818	7,178
India	39,456	75,589
Central and South America	29,148	9,862
China and Central Asia	8,664	39,586
South-East Asia	1,892	9,260
Other	4,298	7,684
	721,397	**575,298**

3. ADMINISTRATIVE EXPENSES

	Six months ended 30 June 2009	Six months ended 30 June 2008
Wages, salaries and related taxes	24,871	29,678
Taxes other than income tax	5,251	5,176
Consulting	3,796	1.323
Depreciation	2,462	4,483
Other	6,988	13,726
	43,368	**54,386**

4. OTHER OPERATING EXPENSES

	Six months ended 30 June 2009	Six months ended 30 June 2008
Increase in provision for accounts receivable	14,271	-
Bank expenses	2,815	2,186
Increase in provision for obsolete inventories	910	-
Increase in provision for warranty expenses	838	2,278
Other	7,495	6,337
	26,329	**10,801**

(in thousands of US dollars unless otherwise stated)

5. FINANCIAL EXPENSES

	Six months ended 30 June 2009	Six months ended 30 June 2008
Interest expense	4,472	6,431
Bank guarantee expenses	3,601	4,734
Foreign exchange loss	1,460	5,882
	9,533	**17,047**

6. TRADE AND OTHER RECEIVABLES

	30 June 2009	31 December 2008
Trade receivables	158,153	142,906
Less provision for trade receivables	(18,532)	(4,800)
	139,621	**138,106**
Other receivables	13,535	20,403
Less provision for other receivables	(2,611)	(2,301)
	10,924	**18,102**
Cost and estimated profits less recognised losses in excess of progress billings on uncompleted construction contracts (Note 13)	926,447	715,679
Prepayments	337,506	398,692
VAT receivable	72,143	76,201
Deferred expenses	27,117	29,760
	1,513,758	**1,376,540**

As discussed in Note 14, as a result of recent economic turmoil in capital and credit markets globally, and the consequential economic uncertainties existing at 30 June 2009, there exists the potential risk that assets may not be recovered at their carrying amount in the ordinary course of business. The recoverability of the accounts receivable depends to a large extent on the efficacy of the fiscal measures and other measures and actions, beyond the Group's control, undertaken within various countries to achieve economic stability and recovery. The recoverability of the Group's accounts receivable is determined based on conditions prevailing at 30 June 2009.

(in thousands of US dollars unless otherwise stated)

7. INVENTORIES

	30 June 2009	31 December 2008
Finished goods and goods for resale	116,133	53,669
Work in progress	91,961	67,808
Raw materials and consumables	77,491	82,243
Other	13,709	10,506
	299,294	214,226
Provision for obsolete inventories	(39,160)	(33,812)
	260,134	**180,414**

8. RELATED PARTY BALANCES AND TRANSACTIONS

	30 June 2009	31 December 2008
Amounts receivable		
Prepayments	51,817	96,362
Trade and other receivables	393	556
	52,210	**96,918**
Amounts payable		
Advances from customers	305	33
Trade and other payables	57,115	9,427
	57,420	**9,460**

	Six months ended 30 June 2009	Six months ended 30 June 2008
Revenue		
Sales of goods	622	1,961
Services provided	3	1,575
	625	**3,536**
Purchases		
Purchases of goods	137,324	44,370
Purchases of services	11,772	4,759
	149,096	**49,129**

As of 30 June 2009, the largest immediate shareholders of the Group are Highstat Limited (68%) and Siemens Aktiengesellschaft (25%). The ultimate controlling shareholder of Highstat Limited and the Group is Mr. Alexey A. Mordashov.

(in thousands of US dollars unless otherwise stated)

9. BORROWINGS

	30 June 2009	31 December 2008
Non-Current		
Bank loans	12,880	18,577
Other	1,213	1,871
	14,093	**20,448**
Current		
Bank loans	94,973	109,169
Other	3,104	3,289
	98,077	**112,458**

10. PLEDGES PROVIDED BY THE GROUP

	30 June 2009	31 December 2008
Inventories and Costs less recognised losses in excess of billings	130,750	196,396
Revenue from planned supply of equipment in the future	70,054	73,085
Property, plant and equipment	54,024	56,315
	254,828	**325,796**

11. TRADE AND OTHER PAYABLES

	30 June 2009	31 December 2008
Advances from customers	1,730,846	1,639,230
Trade accounts payable	124,430	93,712
Employee related liabilities	28,013	34,397
Progress billings in excess of costs and estimated profits less recognised losses on uncompleted construction contracts (Note 13)	24,613	14,715
Taxes payable	15,396	13,776
Other	22,104	11,339
	1,945,402	**1,807,169**

(in thousands of US dollars unless otherwise stated)

12. PROVISIONS

	Provisions for warranties	Provisions for onerous contracts	Total
Balance at 1 January 2008	**3,621**	**228,672**	**232,293**
Provisions made during the period	2,158	-	2,158
Provisions used during the period	(1,487)	(26,638)	(28,125)
Acquired in business combination	-	5,160	5,160
Translation differences	211	10,435	10,646
Balance at 30 June 2008	**4,503**	**217,629**	**222,132**
Balance at 1 January 2009	**5,199**	**176,826**	**182,025**
Provisions made during the period	838	24,083	24,921
Provisions used during the period	-	(18,791)	(18,791)
Translation differences	(272)	(10,763)	(11,035)
Balance at 30 June 2009	**5,765**	**171,355**	**177,120**

13. CONSTRUCTION CONTRACTS

Contracts in progress at the date:

	30 June 2009	31 December 2008
Construction costs incurred plus recognised profits less recognised losses to date	2,237,953	2,156,279
Less progress billings	(1,336,119)	(1,455,315)
	901,834	**700,964**

Recognised and included in the consolidated condensed interim financial statements as amounts due:

	30 June 2009	31 December 2008
From customers under construction contracts (Note 6)	926,447	715,679
To customers under construction contracts (Note 11)	(24,613)	(14,715)
	901,834	**700,964**

14. COMMITMENTS AND CONTINGENCIES

(i) Capital commitments

At 30 June 2009, the Group was committed to capital expenditure (property, plant and equipment) of USD 57,730 thousand (31 December 2008: USD 39,682 thousand).

(ii) Russian Federation tax and regulatory environment

The government of the Russian Federation continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, laws and regulations affecting businesses continue to change rapidly. These changes are characterised by poor drafting, different interpretations and arbitrary application by the authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments. As a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to tax audit by the authorities for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods.

While management believes that it has adequately provided for tax liabilities based on its interpretation of current and previous legislation, the risk remains that tax authorities in the Russian Federation could take differing positions with regard to interpretive issues. This uncertainty may expose the Group to additional taxation, fines and penalties that could be significant.

With regards to matters where practice concerning payment of taxes is unclear, management estimated the possible tax exposure at 30 June 2009 to be USD 2,157 thousand (31 December 2008: USD 2,541 thousand).

(iii) Litigation

The Group has a number of claims including contract related disputes for contract delays or additional work which have arisen in the ordinary course of business. Contract related disputes are common to the business of the Group, particularly for large long-term contracts.

In July 2009, a customer of the Group withdrew its prepayment of USD 9,698 thousand to the Group under a construction contract due to certain unresolved contract-related disputes. Management believes that it is probable the customer will seek to terminate the contract with the Group. At 30 June 2009, the Group wrote-off USD 11,935 thousand of costs and estimated profits in excess of progress billings related to this contract, and recognised an additional provision of USD 9,698 thousand in respect of known customer claims. The Group may be liable for additional claims and penalties in respect of this contract; however the probability and amount of such additional claims and penalties cannot be reliably estimated at 30 June 2009.

Based on the other facts and circumstances existing on the date of these consolidated condensed interim financial statements, as well as historical experience with such claims and litigations, management estimates that possible losses associated with unresolved contract related disputes at 30 June 2009 may amount up to USD 38,917 thousand (31 December 2008: USD 55,757 thousand).

(iv) Other contingencies

There were no significant changes in the Group's other contingent liabilities for the six months ended 30 June 2009.

(v) Volatility in financial markets

In recent months a number of major economies around the world have experienced volatile capital and credit markets. A number of major global financial institutions have been placed into bankruptcy, taken over by other financial institutions and/or supported by government funding. As a consequence of the recent market turmoil in capital and credit markets both globally and in Russia, notwithstanding any potential economic stabilisation measures that may be put into place by the Russian Government, there exists as at the date these consolidated condensed interim financial statements are authorised for issue economic uncertainties surrounding the continual availability, and cost, of credit both for the Group and its counterparties, the potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets may be not be recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the Group's profitability.

(vi) Working capital deficiencies

At 30 June 2009, the Group's current liabilities exceeded its current assets by USD 228,605 thousand (31 December 2008: USD 215,776 thousand).

Management efforts to improve Group's liquidity position concentrate primarily on increasing operating cash flows through sales increases, improved margins, contract cost reductions, and refinancing of the existing liabilities. Management believes that the Group's available borrowing facilities and operating cash flows will be sufficient to fund its operations for the next year. Management is of the opinion that the Group will continue as a going concern.

15. ACQUISITION OF NON-CONTROLLING INTEREST

In February 2009, the Group acquired additional 20,304 ordinary shares (or 3.93% of total voting shares and 3.00% of total issued shares) and 70,966 preferred shares (or 10.50% of total issued shares) of its subsidiary OJSC "Kaluzhsky turbine plant" ("KTZ") (Note 1) for USD 4,500 thousand. As a result of this transaction, the Group recognised a decrease in net assets attributable to non-controlling interest of USD 11,019 thousand. The difference of USD 6,519 thousand between the amount by which the carrying value of non-controlling interest in KTZ is adjusted and the fair value of the consideration paid was recognised directly in equity.

16. DISPOSAL OF BUSINESS

In May 2009, the Group sold 100% share in its subsidiary Enermasch Handels GmbH to a third party for a total consideration of EUR 100 thousand (USD 127 thousand at the exchange rate effective at the transaction date). Net assets of Enermash Handels GmbH at the date of disposal comprised USD 165 thousand.

17. EVENTS AFTER THE REPORTING PERIOD

In July 2009, KTZ issued 160,368 ordinary shares with par value of RUR 1 to the Company by means of a closed subscription. The Company paid the first tranche of RUR 546,695 thousand in August 2009 (USD 17,560 thousand at the exchange rate effective at the transaction date) of the total amount due under the share purchase agreement of RUR 780,992 thousand. According to share purchase agreement, the right of ownership on shares will pass to the Company after the final payment of RUR 234,297 thousand.