

OMZ

International Financial Reporting Standards



**Condensed Interim Consolidated Financial Statements
(unaudited)**

Six months ended 30 June 2010

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	Note	30 June 2010	31 December 2009
ASSETS			
Current assets:			
Cash and cash equivalents	8	8 246	16 311
Trade and other receivables	9	305 849	463 509
Advances to suppliers	9	84 712	66 155
Income tax receivable		5 717	5 429
Inventories	10	196 147	208 947
Non-current assets held for sale		190 981	5 845
Other current financial assets	11	51 268	35 856
Total current assets		842 920	802 052
Non-current assets:			
Property, plant and equipment	12	256 709	357 447
Intangible assets	13	30 964	48 427
Deferred tax assets	25	18 017	20 192
Other non-current financial assets	14	93 629	106 573
Other non-current assets	15	20 465	20 811
Total non-current assets		419 784	553 449
Total assets		1 262 704	1 355 501
LIABILITIES			
Current liabilities:			
Trade and other payables	16	399 597	518 443
Provisions for liabilities and charges	26	26 713	15 583
Short-term borrowings	17	179 229	120 945
Income tax payable		2 691	2 732
Total current liabilities		608 231	657 703
Non-current liabilities:			
Long-term borrowings	17	326 338	367 320
Long-term taxes payable		48	148
Deferred tax liabilities	25	15 371	26 657
Liability on other non-current assets held for sale		63 379	-
Other long-term liabilities	19	10 420	9 529
Total non-current liabilities		415 556	403 654
Total liabilities		1 023 787	1 061 357
EQUITY			
Equity and reserves attributable to the Company's equity holders:			
Share capital	19	373	384
Share premium		92 582	95 493
Treasury shares	19	(39 587)	(40 832)
Hedging reserve		981	(1 330)
Currency translation reserve		35 409	56 796
Retained earnings		136 612	169 688
		226 370	280 199
Minority interest		12 547	13 945
Total equity		238 917	294 144
Total liabilities and equity		1 262 704	1 355 501

Deputy Chief Executive Officer
Gavrikov G.G.
14 October 2010

Deputy General Director
Responsible for Finance
Gavrikov G.G.

Chief Accountant
Polevaya N.V.

	Note	Six months, ended 30 June 2010	Six months, ended 30 June 2009
Continuing operations			
Sales		282 520	292 289
Cost of sales	20	(222 759)	(200 642)
Gross profit		59 761	91 647
Selling expenses	21	(11 472)	(9 691)
General and administrative expenses	22	(33 894)	(38 182)
Other operating income	23	9 484	1 625
Other operating expense	23	(12 685)	(13 844)
Operating profit		11 194	31 555
Finance income	24	8 679	4 757
Finance expense	24	(33 097)	(39 395)
Loss before taxation		(13 224)	(3 083)
Income tax benefit/(expense)	25	(2 921)	898
Loss from continuing operations		(16 145)	(2 185)
Discontinued operation			
Gain/(Loss) from discontinued operation	31	(12 112)	14 181
Loss from joint venture		-	(15 354)
Loss from discontinued operations		(12 112)	(1 173)
Loss for the period		(28 257)	(3 358)
Other comprehensive income			
Foreign currency translation differences		(29 326)	(6 788)
Cash flow hedges, net of tax		2 356	8 294
Other comprehensive income/(loss) for the period, net of income tax		(26 970)	1 506
Total comprehensive loss for the period		(55 227)	(1 851)
Loss for the period attributable to:			
Equity holders of the Company		(27 890)	(945)
Minority interest		(367)	(2 413)
Loss for the period		(28 257)	(3 358)
Comprehensive income/(loss) for the period attributable to:			
Equity holders of the Company		(53 829)	565
Minority interest		(1 398)	(2 417)
Total comprehensive loss for the period		(55 227)	(1 851)
Loss per share attributable to the equity holders of the Company (in US dollars)			
- basic	28	(0,90)	(0,03)
- diluted	28	(0,90)	(0,03)
Loss from continuing operations per share attributable to the ordinary equity holders of the parent entity (in US dollars)			
- basic	28	(0,51)	(0,01)
- diluted	28	(0,51)	(0,01)

	Note	Six months, ended 30 June 2010	Discontinued operation	Continuing operations
Cash flows from operating activities				
Loss before taxation from continuing operations		(24 910)	(11 686)	(13 224)
Adjustments for:				
Depreciation and amortization		26 966	6 950	20 016
Change in provisions for impairment and other provisions		4 887	1 039	3 848
Gain from reversal of impairment loss on property, plant and equipment	23	(2 035)	(107)	(1 928)
Gain on disposal of property, plant and equipment	23	(2 995)	-	(2 995)
Loss from disposal of intangible assets	13	3	-	3
Gain on derecognition of financial liability	23	(64)	-	(64)
Net finance cost adjusted for foreign exchange differences		29 183	69	29 115
Net foreign exchange gain/loss	24	(3 788)	891	(4 680)
Impairment loss on other non-current financial assets	23	2 729	-	2 729
Loss on disposal of securities	23	151	-	151
Other non-monetary operations		(465)	-	(465)
Operating cash flows before working capital changes		29 662	(2 844)	32 506
Change in trade and other receivables and advances to suppliers		62 807	(535)	62 782
Change in inventories		(30 719)	(6 354)	(24 365)
Change in trade and other accounts payable		(69 033)	8 904	(77 377)
Cash provided from continuing operations		(7 283)	(829)	(6 454)
Income tax paid		(3 803)	(1 436)	(2 367)
Net cash used in operating activities		(11 086)	(2 265)	(8 821)
Cash flows from investing activities:				
Purchase of property, plant and equipment and intangibles		(18 610)	(2 505)	(16 105)
Proceeds from sale of property, plant and equipment and intangibles		43	-	43
Acquisition of subsidiaries, net of cash acquired		(3 515)	-	(3 515)
Net purchases of financial assets		(2 167)	-	(2 167)
Proceeds from the disposal of financial assets		1 922	-	1 922
Interest received		2 170	2	2 168
Net proceeds from loans issued		8 033	(1 028)	9 061
Net cash used in investing activities		(12 124)	(3 531)	(8 593)
Cash flows from financing activities:				
Proceeds from borrowings		231 686	15 371	216 315
Repayment of borrowings		(178 274)	(13 354)	(164 920)
Interest paid		(32 654)	(102)	(32 552)
Net cash provided from financing activities		20 758	1 915	18 843
Effect of exchange rate changes on cash and cash equivalents		(1 336)	(321)	(1 015)
Net increase/(decrease) in cash and cash equivalents		(3 788)	(4 202)	414
Cash and cash equivalents at the beginning of the period	8	12 033	5 258	6 775
Cash and cash equivalents from continuing operations at the beginning of the period		6 775	-	6775
Cash and cash equivalents reclassified from held for sale		5 258	5 258	-
Cash and cash equivalents at the end of the period	8	9 302	1 056	8 246
Less for cash and cash equivalents classified as held for sale at the end of the period		(1 056)	(1 056)	-
Cash and cash equivalents at the end of the period on continuing operations	8	8 246	-	8 246

	Note	Six months, ended 30 June 2009	Discontinued operation	Continuing operations
Cash flows from operating activities				
Profit/(Loss) before taxation from continuing operations		(543)	17 995	(18 538)
Adjustments for:				
Depreciation and amortization		16 218	4 997	11 221
Change in provisions for impairment and other provisions		15 523	3 500	12 023
Impairment loss on property, plant and equipment		3 431	3 431	-
(Gain)/Loss on disposal of property, plant and equipment	23	14	(62)	77
Loss from joint venture		15 354	-	15 354
Gain on derecognition of financial liability	23	(523)	-	(523)
Net finance cost adjusted for foreign exchange differences		22 319	169	22 149
Net foreign exchange gain/loss	24	11 811	(678)	12 489
Loss on disposal of securities		87	-	87
Non-monetary repayment of loans		6 005	-	6 005
Other non-monetary operations		2 304	400	1 904
Operating cash flows before working capital changes		92 000	29 752	62 248
Change in trade and other receivables and advances to suppliers		(95 798)	(4 938)	(90 860)
Change in inventories		8 545	(2 824)	11 369
Change in trade and other accounts payable		7 887	(16 778)	24 665
Cash provided from continuing operations		12 634	5 212	7 422
Income tax paid		(12 644)	(9 457)	(3 187)
Net cash provided from/(used in) operating activities		(10)	(4 245)	4 235
Cash flows from investing activities:				
Purchase of property, plant and equipment and intangibles		(27 051)	(11 201)	(15 850)
Proceeds from sale of property, plant and equipment and intangibles		3	-	3
Net purchases of financial assets		(2 130)	-	(2 130)
Proceeds from the disposal of financial assets		2 040	-	2 040
Interest received		2 599	33	2 566
Net proceeds from loans issued		2 979	-	2 979
Net cash used in investing activities		(21 560)	(11 168)	(10 392)
Cash flows from financing activities:				
Proceeds from borrowings		230 858	10 050	220 808
Repayment of borrowings		(209 208)	(5 926)	(203 282)
Interest paid		(21 342)	(202)	(21 140)
Net cash provided from/(used in) financing activities		308	3 922	(3614)
Effect of exchange rate changes on cash and cash equivalents		1 922	3 540	(1 618)
Net decrease in cash and cash equivalents		(19 340)	(7 951)	(11 389)
Cash and cash equivalents at the beginning of the period	8	36 498	11 406	25 092
Cash and cash equivalents at the end of the period	8	17 158	3 455	13 703

	Attributable to equity holders of the Company							Total equity
	Share capital	Share premium	Treasury shares	Hedging reserve	Currency translation reserve	Retained earnings	Minority interest	
Balance as at 1 January 2009	396	98 301	(42 033)	(13 690)	7 854	225 641	21 947	298 416
Loss for the period	-	-	-	-	-	(945)	(2 413)	(3 358)
Other comprehensive income:								
Currency translation difference	(24)	(6 000)	2 566	-	(3 326)	-	(4)	(6 788)
Cash flow hedges, net of tax	-	-	-	8 294	-	-	-	8 294
Total comprehensive income for the six months ended 30 June 2009	(24)	(6 000)	2 566	8 294	(3 326)	(945)	(2 417)	(1 852)
Balance as at 30 June 2009	372	92 301	(39 467)	(5 396)	4 528	224 696	19 530	296 564
Balance as at 1 January 2010	384	95 493	(40 832)	(1 330)	56 796	169 688	13 945	294 144
Loss for the period	-	-	-	-	-	(27 890)	(367)	(28 257)
Other comprehensive income:								
Transactions with minority shareholders	-	-	-	-	-	620	(620)	-
Foreign currency translation differences	(12)	(2 912)	1 245	(45)	(21 385)	(5 806)	(412)	(29 326)
Cash flow hedges, net of tax	-	-	-	2 356	-	-	-	2 356
Total comprehensive income for the six months ended 30 June 2010	(12)	(2 912)	1 245	2 311	(21 385)	(33 076)	(1 398)	(55 227)
Balance as at 30 June 2010	373	92 582	(39 587)	981	35 409	136 612	12 547	238 917

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 months ended 30 June 2010. These condensed consolidated interim financial statements incorporate the operations of OJSC OMZ (the “Company”) and its subsidiaries (together referred to as the “Group” or “OMZ”).

OJSC OMZ was incorporated as an open joint stock company in Ekaterinburg, the Russian Federation in 1996 and was established in accordance with Russian regulations. OMZ’s principal subsidiaries are disclosed in Note 29. These are incorporated under the Laws of the Russian Federation and the Czech Republic. For details of changes in the Group structure for the six months ended 30 June of 2010 refer to Notes 30 and 31.

Principal activities. The Group operates in the following industries and countries: production of nuclear power plant equipment in the Russian Federation and in the Czech Republic, production of speciality steels in the Russian Federation and in the Czech Republic, manufacturing machinery equipment and mining equipment, both in the Russian Federation.

Registered address and place of business.

Russian Federation
Moscow
2nd Ambulatomnii Proezd, 8 building 3

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

Russian Business Environment

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. 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.

2. Basis of Preparation

Statement of compliance. These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of measurement. The condensed consolidated interim financial statements of the Group are prepared in accordance with the requirements set forth by International Accounting Standard 34 “Interim financial reporting” (“IAS 34”). These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2009 prepared in accordance with International Financial Reporting Standards using the historical cost basis except for financial investments classified as held 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, *GosKomStat*. 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 Russian Rouble (“RR”). The functional currency for the Group’s subsidiaries located in the Czech Republic is the national currency of the Czech Republic, the Czech Koruna (“CZK”).

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.

Foreign currency translation. Transactions denominated 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. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the end of the period. 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 recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Translation from functional to presentation currency. The results and financial position of each group entity (none of which have a functional 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 statement of comprehensive income 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 other comprehensive income as the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date. When a foreign operation is disposed of, in part or in full, through sale, liquidation, repayment of share capital or abandonment, the relevant amount of the foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

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 other comprehensive income

As at 30 June 2010 the principal rates of exchange used for translating foreign currency balances were US\$ 1 = RR 31,1954 (2009: US\$ 1 = RR 30,2442) and CZK 1=RR 1,47986 (31 December 2009 CZK 1=RR 1,63).

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 2009, 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. Adoption of New or Revised Standards and Interpretations and Changes in Accounting Policies

With effect from 1 January 2010, the Group changed its accounting policies in the following areas:

- accounting for borrowing costs;
- determination and presentation of operating segments;
- presentation of financial statements;
- the basis of measurement of cost for inventories;
- business combinations.

Accounting for borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of IAS 23 Borrowing Costs (2007) in accordance with the transitional provisions of such standard. The change in accounting policy had no material impact on earnings per share.

Determination and presentation of operating segments

As at 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, that is the Group's chief operating decision maker (further CODM). This change in accounting policy is due to the adoption of International Financial Reporting Standard 8 Operating Segments. Previously operating segments were determined and presented in accordance with International Financial Reporting Standard IAS 14 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Presentation of financial statements

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as at 1 January 2009. The revised standard requires a presentation of all owner changes in equity to be presented in the statement of changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

The basis of measurement of cost for inventories

During 2009, the Group changed its accounting policy regarding the cost formula used to measure inventories from a first-in first-out basis to weighted average cost. Management believes that the weighted average cost formula provides more reliable and relevant information. IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires that this change in accounting policy be applied retrospectively. Management has assessed that the effect of this change in accounting policy was not significant and, accordingly, no adjustments have been made to restate comparative information.

4. Adoption of New or Revised Standards and Interpretations and Changes in Accounting Policies (continued)

Business Combinations

Revised IFRS 3 Business Combinations (2008) and amended IAS 27 (2008) Consolidated and Separate Financial Statements came into effect on 1 July 2009 (i.e. they become mandatory for the Group's 2010 consolidated financial statements). The revisions address, among other things, accounting for step acquisitions, require acquisition-related costs to be recognised as expenses and remove the exception for changes in contingent consideration to be accounted by adjusting goodwill. The revisions also address how non-controlling interests in subsidiaries should be measured upon acquisition and require the effects of transactions with non-controlling interests to be recognised directly in equity.

5. New Accounting Pronouncements

The following new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2010, and have not been applied in preparing these condensed consolidated interim financial statements. The Group plans to adopt these pronouncements when they become effective.

- Revised IAS 24 Related Party Disclosures (2009) introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively for annual periods beginning on or after 1 January 2011. The new Standard will not have any impact on the Group's financial position or performance.
- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues clarifies that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount are classified as equity instruments even if the fixed amount is determined in foreign currency. A fixed amount can be determined in any currency provided that entity offers these instruments pro rata to all of the existing owners of the same class of its own non-derivative equity instruments. The amendment is applicable for annual periods beginning on or after 1 February 2010. The amendment is expected to have no impact on the Group's consolidated financial statements.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items 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 amendment, which becomes mandatory for the Group's 2010 consolidated financial statements, with retrospective application required, is not expected to have any impact on the consolidated financial statements.
- IFRS 9 Financial Instruments will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.
- Amendments to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement clarify the separation criteria for embedded derivatives on reclassification of a hybrid instrument out of the fair value through profit or loss category. The amendment became effective for annual periods ending on or after 30 June 2010 and is not expected to have any effect on the consolidated financial statements.
- IFRIC 17 Distributions of Non-cash Assets to Owners addresses the accounting for non-cash dividend distributions to owners. The interpretation clarifies when and how a non-cash dividend should be recognised and how the difference between the dividend paid and the carrying amount of the net assets distributed should be recognised. IFRIC 17 became effective for annual periods beginning on or after 1 July 2009.

5. New Accounting Pronouncements (Continued)

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments provides guidance on accounting for debt for equity swaps by the debtor. The interpretation clarifies that an entity's equity instruments qualify as "consideration paid" in accordance with paragraph 41 of International Financial Reporting Standards IAS 39 Financial Instruments: Recognition and Measurement. Additionally, the interpretation clarifies how to account for the initial measurement of own equity instruments issued to extinguish a financial liability and how to account for the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued. IFRIC 19 is applicable for annual periods beginning on or after 1 July 2010.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's consolidated financial statements.

6. Segment Information

In 2009, the Group has adopted the new standard IFRS 8 *Operating Segments*.

The Group's continuing operations are organised into four reportable segments which are described below:

Segment Izhorskiye Zavody OJSC. Segment of the production of equipment for nuclear power plants in Russia which produces three major types of equipment for the nuclear power industry and machinery equipment:

- 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.
- 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.

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.

Segment SCODA JS a.s. Segment of the production of equipment for nuclear power plants in Czech Republic which produces equipment for the nuclear power plants and provides repair services, installation, upgrading and recycling of equipment for nuclear power plants.

Segment OMZ-Specstal LLC. Segment of the production of specialty based steel in Russia, which 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.

Segment IZ-KARTEKS LLC. Segment of the production of mining equipment in Russia which 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 the manufacture of equipment for oil refineries and all other activities.

Segment PILSEN STEEL s.r.o. is allocated to the discontinued operation. The segment of the production of specialty steel in Czech Republic, the primary activity for which is steel production and processing of metal products.

6. Segment Information (Continued)

The Board of Directors evaluate the results of operations, assets and liabilities of the operating segments on the basis of financial statements prepared in accordance with the accounting laws of the country of registration of the particular subsidiary.

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

Russia:

	Izhorskiye Zavody OJSC	OMZ-Specstal LLC	IZ-KARTEKS LLC	Other	Total
Six months ended 30 June 2010					
Segment sales	88 062	87 319	36 995	115 495	327 870
Intersegment sales	11 249	48 423	532	53 497	113 700
External sales	76 813	38 896	36 463	61 999	214 171
Reportable segment net profit/(loss) for the period	8 762	(10 335)	(3 004)	2 794	(1 784)
Interest income	3	452	-	14 753	15 208
Interest expenses	(8 933)	(3 030)	(994)	(14 802)	(27 759)
Depreciation	(2 084)	(226)	(739)	(5 033)	(8 081)
Income tax benefit/(expense)	(2 376)	2 436	631	(432)	259

Czech Republic:

	SCODA JS a.s.
Six months ended 30 June 2010	
Segment sales	73 432
External sales	73 432
Reportable segment net profit for the period	2 094
Interest income	20
Interest expenses	(12)
Depreciation	(2 722)
Income tax expense	(774)

Discontinued operation

Czech Republic:

	PILSEN STEEL s.r.o.
Six months ended 30 June 2010	
Segment sales	75 977
Intersegment sales	507
External sales	75 469
Reportable segment net loss for the period	(13 219)
Interest income	2
Interest expenses	(911)
Depreciation	(6 789)
Income tax expense	(922)

The sales by types of products presented by following:

	Nuclear equipment	Metallurgical and mining equipment	Oil and chemical equipment	Other	Total
Six months ended 30 June 2010					
Sales by products	135 157	250 503	26 426	64 845	476 931
Intersegment sales	-	62 367	6 490	44 917	113 774
External sales	135 157	188 136	19 936	19 928	363 157

The reconciliation of total reportable segments' profit to the loss for the period reported in the condensed interim consolidated statement of comprehensive income is as follows:

	Six months ended 30 June 2010
Net profit for the period of reportable segments	310
Loss from discontinued operation	(13 219)
Recognition and measurement effect of other differences between statutory reporting and IFRSs	
- from recognition of provision for penalties	(17 834)
- other differences	2 486
Loss for the period	(28 257)

6. Segment Information (Continued)

The effect of the adjustments to external sales of the operating segments to present in conformity with IFRSs as reported in the condensed interim consolidated statement of comprehensive income is as follows:

	Six months ended 30 June 2010
External sales for operating segments	225 604
Sales for discontinued operation	75 469
External sales for other segments	61 999
External sales for segments	363 072
Effect of reclassification of sales to the profit/(loss) from discontinued operation	(75 670)
Recognition and measurement effect of other differences between statutory reporting and IFRSs	(4 882)
Sales in the condensed interim consolidated statement of comprehensive income	282 520

The total assets and total liabilities of the operating segments as at 30 June 2010 are presented as follows:

	Izhorskiye Zavody OJSC	OMZ-Specstal LLC	IZ-KARTEKS LLC	Other	Total
Total assets for segments	591 734	229 300	107 328	901 550	1 829 912
Total liabilities for segments	465 677	192 905	103 973	621 986	1 384 541

	SKODA JS a.s.
Total assets for segments	221 264
Total liabilities for segments	141 438

Discontinued operation

	PILSEN STEEL s.r.o.
Total assets for segments	184 057
Total liabilities for segments	89 015

The effect of the adjustments to reportable segment assets and liabilities as at 30 June 2010 to present in conformity with IFRSs as reported in condensed interim consolidated statement of financial position is as follows:

Total assets for reportable segments	1 149 626
Total assets for discontinued operations	184 057
Total assets for other segments	901 550
Total assets for segments	2 235 233
Elimination of amounts due to and due from entities consolidated within the Group	(524 358)
Elimination of investments in subsidiaries	(315 014)
Netting-off of due to and due from under construction contracts	(195 635)
Unrealized income and expense arising from intragroup transactions	(19 048)
Recognition and measurement effect of other differences between statutory reporting and IFRSs including:	
- recognition of property, plant and equipment acquired using finance leases	78 398
- purchase accounting adjustments associated with historical business combinations and differences in useful economic lives for property, plant and equipment and intangible assets	(32 195)
- difference in valuation of accounts receivable	(26 225)
- difference in valuation of inventory	(9 391)
- other	70 939
Total assets in condensed interim consolidated statement of financial position	1 262 704

Total liabilities for reportable segments	903 992
Total liabilities for discontinued operations	89 015
Total liabilities for other segments	621 986
Total liabilities for segments	1 614 994
Elimination of amounts due to and due from entities consolidated within the Group	(524 358)
Netting-off of due to and due from under construction contracts	(195 635)
Recognition of finance lease liability	69 841
Recognition of REPO transactions	5 483
Recognition of provisions in accordance with IFRS	30 751
Effect of other recognition and measurement differences between statutory reporting and IFRSs	22 713
Total liabilities in condensed interim consolidated statement of financial position	1 023 787

6. Segment Information (Continued)

In presenting information on the basis of geographical information, revenue is based on the geographical location of customers and non-current assets based on entities location.

	Sales Six months ended 30 June 2010	Non-current assets 30 June 2010
Russian Federation	182 108	241 103
OECD countries	81 512	67 035
Other countries that are not OECD countries	18 900	-
Total	282 500	308 138

Comparative information for the six months ended 30 June 2009:

Russia:

	Izhorskiye Zavody OJSC	OMZ-Specstal LLC	IZ-KARTEKS LLC	Other	Total
Six months ended 30 June 2009					
Segment sales	92 922	90 096	29 110	130 134	342 261
Intersegment sales	2 757	52 720	1 721	68 336	125 534
External sales	90 164	37 376	27 389	61 798	216 727
Reportable segment net profit/(loss) for the period	4 380	6 035	(3 502)	(10 796)	(4 063)
Interest income	289	634	3	15 348	16 275
Interest expenses	(7 554)	(5 552)	(3 923)	(20 367)	(4 063)
Depreciation	(1 338)	(192)	(574)	(3 928)	(6 031)
Income tax benefit/(expense)	(1 277)	(961)	683	1 028	(527)

Czech Republic:

	SKODA JS a.s.
Six months ended 30 June 2009	
Segment sales	58 182
External sales	58 182
Reportable segment profit for the period	103
Interest income	140
Interest expenses	(26)
Depreciation	(2 569)
Income tax expense	(26)

Discontinued operation

Czech Republic:

	PILSEN STEEL s.r.o
Six months ended 30 June 2009	
Segment sales	131 771
Intersegment sales	672
External sales	131 099
Reportable segment profit for the period	15 725
Interest income	23
Interest expenses	(1 057)
Depreciation	(6 343)
Income tax expense	(4 908)

6. Segment Information (Continued)

The sales by types of products presented by following:

	Nuclear equipment	Metallurgical and mining equipment	Oil and chemical equipment	Other	Total
Six months ended 30 June 2009					
Sales by products	143 998	281 249	33 283	73 685	532 214
Intersegment sales	15 381	48 627	1 220	60 978	126 206
External sales	128 617	232 622	32 063	12 707	406 008

The reconciliation of total reportable segments' profit to the loss for the period reported in the condensed interim consolidated statement of comprehensive income is as follows:

	Six months ended 30 June 2009
Profit for the period of reportable segments	11 766
Loss from joint venture	(15 354)
Recognition and measurement effect of other differences between statutory reporting and IFRSs	230
Loss for the period	(3 358)

The effect of the adjustments to external sales of the operating segments to present in conformity with IFRSs as reported in the condensed interim consolidated statement of comprehensive income is as follows:

	Six months ended 30 June 2009
External sales for operating segments	213 111
Sales for discontinued operation	131 099
External sales for other segments	61 798
External sales for segments	406 008
Effect of reclassification of sales to the profit/(loss) from discontinued operation	(130 799)
Other differences between statutory reporting and IFRSs	17 080
Sales in the condensed interim consolidated statement of comprehensive income	292 289

The total assets and total liabilities of the operating segments as at 30 June 2009 are presented as follows:

	Izhorskiye Zavody OJSC	OMZ-Specstal LLC	IZ-KARTEKS LLC	Other	Total
Total assets for segments	477 156	190 192	96 284	1 096 548	1 860 180
Total liabilities for segments	362 619	145 926	89 508	786 135	1 384 188

	SKODA JS a.s.	PILSEN STEEL s.r.o.	Total
Total assets for segments	258 908	190 344	449 252
Total liabilities for segments	167 507	82 207	249 714

The effect of the adjustments to reportable segment assets and liabilities as at 30 June 2009 to present in conformity with IFRSs as reported in condensed interim consolidated statement of financial position is as follows:

Total assets for reportable segments	1 212 884
Total assets for other segments	1 096 548
Total assets for segments	2 309 432
Intercompany elimination of amounts due to and due from	(558 201)
Investments in subsidiaries	(314 058)
Netting-off of due to and due from under construction contracts	(172 754)
Unrealised income and expense arising from intragroup transactions	(7 202)
Recognition and measurement effect of other differences between statutory reporting and IFRSs including:	
- recognition of property, plant and equipment acquired using finance leases	230
- purchase accounting adjustments associated with historical business combinations and differences in useful economic lives for property, plant and equipment and intangible assets	93 768
- difference in valuation of accounts receivable	(32 102)
- difference in valuation of inventory	(14 053)
-other	(29 424)
Total assets in condensed interim consolidated statement of financial position	1 275 637

6. Segment Information (Continued)

Total liabilities for reportable segments	847 768
Total liabilities for other segments	786 135
Total liabilities for segments	1 633 903
Elimination of amounts due to and due from entities consolidated within the Group	(558 201)
Netting-off of due to and due from under construction contracts	(172 754)
Recognition of finance lease liability	536
Recognition of REPO transactions	7 409
Recognition of provisions in accordance with IFRS	3 567
Effect of other recognition and measurement differences between statutory reporting and IFRSs	64 612
Total liabilities in condensed interim consolidated statement of financial position	979 072

In presenting information on the basis of geographical information, revenue is based on the geographical location of customers and non-current assets based on entities location:

	Sales Six months ended 30 June 2009	Non-current assets As at 30 June 2009
Russian Federation	191 994	155 933
OECD countries	100 295	187 070
Total	292 289	343 003

7. Balances and Transactions with Related Parties

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 immediate 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 immediate parent company or ultimate controlling party. An intermediate parent company, OJSC "Gazprombank", prepares consolidated financial statements that are publicly available.

As at 30 June 2010 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 April 2010 the Group additionally acquired a 81% interest in "Izhorskiye Svarochnie Materiali" LLC from an entity under common control for US\$ 3 515 thus increasing its interest in "Izhorskiye Svarochnie Materiali" LLC to 100%.

In December 2009 the Group sold a 20,83% interest in OJSC "Mashinostroitelny zavod ZIO-Podolsk", a 15% interest in CJSC "Chemical Engineering Group" and a 44,05% interest in joint venture CJSC Uralmash to an entity under common control for US\$ 66 163, US\$ 35 696 and US\$ 18 114, respectively.

In November 2009 and March 2010 the Group acquired plant and equipment of US\$ 74 455 and US\$ 9 140 respectively from its immediate parent company. And accordingly to this operation a financial lease liability has been recognised in the condensed consolidated interim financial statements.

The outstanding balances with the related parties were as follows:

	30 June 2010		31 December 2009		
	Immediate and intermediate parent company	Entities under common control	Immediate and intermediate parent company	Joint venture	Entities under common control
Gross amount of trade receivables	140	2 624	4	2 327	4
Other current financial assets	-	108	-	-	-
Other receivables	766	3 618	1	7 927	1
Advances issued	909	26 594	863	28 502	863
Loans issued	-	17 997	-	15 750	-
Trade and other payables	(7 522)	(11 917)	(2)	(12 814)	(2)
Advances received	-	(18 171)	-	(1 226)	-
Loans and borrowings	(183 782)	(6 422)	(134 375)	(4 968)	(134 375)
Non-convertible bonds	(91 526)	-	(94 735)	-	(94 735)

7. Balances and Transactions with Related Parties (Continued)

Amounts due from related parties are unsecured.

Loans and borrowings received from related parties are presented by loans from OJSC "Gazprombank". The majority of these loans are denominated in RR.

The Group's other related party transactions are disclosed below:

	30 June 2010		30 June 2009		
	Intermediate parent company	Entities under common control	Intermediate parent company	Joint venture	Entities under common control
Sales of goods	37	4 126	1 074	53	904
Purchases	(1 825)	(1 733)	(57)	(2)	(553)
Interest income	5	1 189	-	398	803
Interest expense	(18 488)	(270)	(12 912)	-	(319)
Proceeds from borrowing	127 947	-	99 765	-	-
Repayment of loans	(69 185)	-	(35 260)	-	-
Proceeds from disposal of joint venture	-	-	-	(15 354)	-

Guarantees

As at 30 June 2010, the Group has outstanding guarantees on loans of US\$ 34 335 (31 December 2009: US\$ 27 490) issued to the immediate parent company and an entity under common control. Guarantee fees are determined on a case-by-case basis and are charged annually (Note 27). In addition, the Group has pledged 19,89% of the shares in its subsidiary OJSC Izhorskiye Zavody to secure a related party loan received of US\$ 5 210 (Note 17).

Pricing policies

Certain related party transactions such as guarantees issued and acquisition and disposal of investments are based on prices determined with input from an intermediate parent company. Borrowings from related parties are denominated in Russian Roubles at interest rates of between 9,10-13 percent per annum.

8. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	30 June 2010	31 December 2009
RR denominated cash on hand and balances with banks	4 611	6 894
CZK denominated cash on hand and balances with banks	172	1 841
EURO denominated balances with banks	3 395	6 842
US\$ denominated balances with banks	11	618
Other currency denominated balances with bank	2	-
Cash equivalents	54	116
Total cash and cash equivalents in the Condensed Interim Consolidated Statement of Financial Position	8 246	16 311
Bank overdraft	-	(4 278)
Total cash and cash equivalents in the Condensed Interim Consolidated Statement of Cash Flows	8 246	12 033

The effective annual interest rate of bank balances payable on demand is 0,1% (31 December 2009: 0,1%).

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

9. Trade and Other Receivables

	30 June 2010	31 December 2009
Trade receivables	56 965	207 415
Accounts due from customers for construction work	138 665	141 504
Forward foreign exchange contracts – cash flow hedges	1 465	513
VAT recoverable	17 196	34 935
VAT on advances from customers	76 799	66 337
Other taxes receivable	5 027	477
Other receivables	9 733	12 328
Total trade and other receivables	305 849	463 509
Advances to suppliers	84 712	66 155

Accounts receivable as at 30 June 2010 are denominated in RR except for US\$ 8 047 denominated in US\$, US\$ 23 704 denominated in CZK, US\$ 111 639 denominated in EUR and US\$ 20 denominated in other (31 December 2009: US\$ 10 209 denominated in US\$, US\$ 74 171 denominated in CZK, US\$ 187 329 denominated in EURS and US\$ 20 denominated in other).

As at 30 June 2010 trade and other accounts receivable, advances to suppliers and VAT recoverable of US\$ 34 545 (31 December 2009: US\$ 33 253) 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.

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

	30 June 2010	31 December 2009
Trade receivables	(16 518)	(15 896)
Advances to suppliers	(1 681)	(1 860)
Other receivables	(13 797)	(13 763)
VAT recoverable	(2 549)	(1 734)
	(34 545)	(33 253)

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

	Trade receivables	Advanced to suppliers	Other receivables	VAT recoverable	Total
As at 1 January 2009	(20 128)	(2 139)	(18 721)	-	(40 988)
Provision charged	(10 887)	(275)	(101)	(1 734)	(12 997)
Provision used	10 096	162	45	-	10 303
Provision reversed	4 786	329	7 088	-	12 203
Exchange differences	237	63	(2 074)	-	(1 774)
As at 1 January 2010	(15 896)	(1 860)	(13 763)	(1 734)	(33 253)
Acquisition of subsidiary	-	-	(103)	-	(103)
Provision charged	(4 699)	(358)	(670)	(901)	(6 628)
Provision used	759	14	34	-	807
Provision reversed	1 389	251	231	-	1 871
Transfer to non-current assets held for sale	1 252	199	-	-	1 451
Exchange differences	678	73	473	85	1 310
As at 30 June 2010	(16 518)	(1 681)	(13 797)	(2 549)	(34 545)

As at 30 June 2010, trade receivables of US\$ 13 660 (31 December 2009: US\$ 15 427) were past due but not impaired.

The ageing of these trade receivables is as follows:

	30 June 2010	31 December 2009
Less than 6 months	13 660	15 427
From 6 to 12 months	-	-
More than 12 months	-	-
Total trade receivable past due not impaired	13 660	15 427

10. Inventories

	30 June 2010	31 December 2009
Raw materials	85 153	110 993
Work in progress	83 997	102 577
Finished goods	27 109	30 968
Goods in transit	12 859	7 590
Provision for obsolete inventory	(13 223)	(43 444)
Other	252	263
Total Inventories	196 147	208 947

As at 30 June 2010 none of the inventories were provided as security under loan agreements (31 December 2009: US\$ 32 171 were provided as security under loan agreements).

As at 30 June 2010 and 31 December 2009 there were no inventories carried at fair value less costs to sell.

Movements in the provision for obsolete inventory are as follows:

	Provision for obsolete inventory
As at 1 January 2009	(21 511)
Provision charged	(27 715)
Provision reversed	5 819
Provision used	443
Exchange differences	(480)
As at 1 January 2010	(43 444)
Provision charged	(5 346)
Provision reversed	23 172
Provision used	397
Transfer to non-current assets held for sale	10 381
Exchange differences	1 618
As at 30 June 2010	(13 223)

11. Other Current Financial Assets

	30 June 2010	31 December 2009
Short-term loans issued	18 033	22 371
Promissory notes	7 587	8 119
Provision for promissory notes	(7 478)	(8 119)
Restricted cash	33 126	13 485
Total Other Current Assets	51 268	35 856

Restricted cash of US\$ 33 126 as at 30 June 2010 (31 December 2009: US\$ 13 485) represents CZK-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.

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

	Provision for promissory notes
As at 1 January 2009	(4 644)
Provision charged	(3 853)
Provision reversed	558
Exchange differences	(180)
As at 1 January 2010	(8 119)
Exchange differences	641
As at 30 June 2010	(7 478)

12. 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
Balance as at 1 January 2010					
Cost	159 522	350 938	55 605	33 060	599 124
Accumulated depreciation	(51 738)	(128 223)	(52 201)	-	(232 162)
Impairment loss recognised	(5 430)	(4 079)	(5)	-	(9 515)
Net book value as at 1 January 2010	102 353	218 635	3 399	33 060	357 447
Exchange differences	(7 218)	(11 510)	(229)	(2 338)	(21 295)
Acquisition of subsidiaries					
Cost	2 048	2 908	-	-	4 956
Accumulated depreciation	(120)	(332)	-	-	(452)
Additions	516	18 030	315	8 803	27 665
Transfers	217	2 443	-	(2 661)	-
Disposals	(1 565)	(129)	(39)	(308)	(2 040)
Impairment	2 059	(24)	-	-	2 035
Transfer to non-current assets held for sale	(23 015)	(49 415)	(17)	(14 895)	(87 342)
Depreciation	(1 847)	(21 365)	(1 052)	-	(24 264)
Net book value as at 30 June 2010	73 430	159 241	2 377	21 661	256 709
Balance as at 30 June 2010					
Cost	105 541	269 348	14 852	21 661	411 402
Accumulated depreciation	(29 047)	(107 261)	(12 469)	-	(148 778)
Impairment loss recognised	(3 064)	(2 846)	(5)	-	(5 914)
Net book value as at 30 June 2010	73 430	159 241	2 377	21 661	256 709

Comparative information for 2009:

	Land and buildings	Machinery and equipment	Other	Assets under construction	Total
Balance as at 1 January 2009					
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)
Net book value as at 1 January 2009	100 161	108 834	6 672	41 232	256 899
Exchange differences	(691)	9 690	(386)	(887)	7 726
Additions	8 298	112 419	1 463	16 687	138 867
Transfers	1 978	21 931	63	(23 972)	-
Disposals	(563)	(186)	(2 660)	-	(3 409)
Impairment	(3 079)	(4 524)	-	-	(7 603)
Depreciation	(3 751)	(29 528)	(1 754)	-	(35 033)
Net book value as at 31 December 2009	102 353	218 636	3 398	33 060	357 447
Balance as at 31 December 2009					
Cost	159 522	350 938	55 604	33 060	599 124
Accumulated depreciation	(51 738)	(128 223)	(52 201)	-	(232 162)
Impairment loss recognised	(5 430)	(4 079)	(5)	-	(9 515)
Net book value as at 31 December 2009	102 353	218 636	3 398	33 060	357 447

Property, plant and equipment additions include US\$ 83 595 of fixed assets acquired in November 2009 and in March 2010 under a finance lease from the immediate parent company. The leased equipment secures these obligations.

As at 30 June 2010 bank borrowings are secured on property, plant and equipment with a carrying value of US\$ 1 411 (31 December 2009: US\$ 1 468) (Note 17).

During the year ended 31 December 2009, the Group performed a review of property, plant and equipment and recognised impairment of US\$ 7 603, relating to assets that will no longer be used.

Land and buildings include 120 plots of land in Bolevec (Czech Republic) with a total area of 336 511 square meters and 25 plots in Kolpino (Russia) with a total area of 710 132 square meters.

During the six months ended 30 June of 2010 the Group capitalized borrowing costs in fixed assets for US\$ 227 (during 2009: US\$ 472) using the capitalization rate of 14,25%.

13. Intangible Assets

The carrying value of intangible assets as at 30 June 2010 and 31 December 2009 was as follows:

	Trade mark	Other intangible assets	Total
Balance as at 1 January 2010			
Cost	25 276	39 888	65 164
Accumulated amortization	(3 730)	(13 007)	(16 737)
Net book value as at 1 January 2010	21 546	26 881	48 427
Additions	-	1 435	1 435
Disposals	-	(3)	(3)
Amortisation	(470)	(2 234)	(2 704)
Transfer to non-current assets held for sale	(6 861)	(5 108)	(11 970)
Exchange differences	(2 324)	(1 897)	(4 221)
Closing net book value	11 890	19 074	30 964
Balance as at 30 June 2010			
Cost	14 901	29 670	44 571
Accumulated amortisation	(3 011)	(10 596)	(13 607)
Net book value as at 30 June 2010	11 890	19 074	30 964

Comparative information for 2009:

	Trade mark	Other intangible assets	Total
Balance as at 1 January 2009			
Cost	24 801	34 542	59 343
Accumulated amortization	(3 248)	(9 565)	(12 813)
Net book value as at 1 January 2009	21 553	24 977	46 530
Additions	-	4 312	4 312
Disposals	-	(1 585)	(1 585)
Amortisation	(552)	(2 869)	(3 421)
Exchange differences	545	2 046	2 591
Closing net book value	21 546	26 881	48 427
Balance as at 31 December 2009			
Cost	25 276	39 888	65 164
Accumulated amortisation	(3 730)	(13 007)	(16 737)
Net book value as at 31 December 2009	21 546	26 881	48 427

As at 30 June 2010 trade marks acquired before 2008 consist of license agreements for trade marks "ŠKODA" used by ŠKODA JS a.s.

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.

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

14. Other Non-Current Financial Assets

	30 June 2010	31 December 2009
Long-term loans issued	55 488	68 307
Available-for-sale investments stated at cost	33 885	36 296
Forward foreign exchange contracts – cash flow hedges	-	-
Non-current accounts receivable	4 256	1 970
Total other non-current financial assets	93 629	106 573

15. Other Non-Current Financial Assets (Continued)

Available-for-sale investments stated at cost

Entity	Country of Incorporation	30 June 2010		31 December 2009	
			% of share capital		% of share capital
CJSC "Atomstroyexport"	Russian Federation	30 463	11	31 421	11
CJSC "Sezam"	Russian Federation	8	22	468	22
UJV Rez a.s.	Europe	2 172	17	2 470	17
Other	Russian Federation	1 242	-	1 937	-
		33 885		36 296	

Available-for-sale investments stated at cost as at 31 December 2008 comprise of unquoted equity securities in the Nuclear Power Construction/Services. 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.

The Federal Law "On Joint Stock Companies" states that only shareholders with a 25% ownership interest or more have the right to request detailed financial information from the entity, in which they hold their investment. As there are indicators of impairment as a consequence of the decline in equity markets after the acquisition of these investments, management has requested financial information from the entities in which the Group holds minority stakes to enable management to assess whether the Group's investments could be impaired or not. However, management has not been able to obtain sufficient financial information prior to the date of the issuance of these consolidated financial statements from the entities themselves or from other public sources and, consequently, was unable to determine whether the Group's investments in CJSC "Atomstroyexport" was impaired or not as at 31 December 2009.

15. Other Non-Current Assets

	30 June 2010	31 December 2009
Non-current advances issued	20 464	20 811
Total Other Non-Current Assets	20 464	20 811

16. Trade and Other Accounts Payable

	30 June 2010	31 December 2009
Trade payables	81 329	224 450
Billings in excess of cost and recognized income	79 946	45 544
Derivatives	77	1 954
Other payables and accrued expenses	16 123	12 241
Total financial liabilities	177 475	284 189
Payroll accounts payable	10 780	15 259
Provision for unused vacation	6 751	4 783
Deferred VAT	19 446	12 701
Advances received	172 872	193 543
Short-term portion of long-term taxes payable	-	2 335
Other taxes payable	12 273	5 633
Total trade and other accounts payable	399 597	518 443

17. Trade and Other Accounts Payable (Continued)

As at 30 June 2010 accounts payable were primarily denominated in RR except for US\$ 7 186 denominated in US\$, US\$ 41 536 denominated in CZK, US\$ 86 712 denominated in EUR (31 December 2009: US\$ 5 966 denominated in US\$, US\$ 87 395 denominated in CZK, US\$ 178 379 denominated in EUR and US\$ 6 denominated in other currencies).

17. Borrowings**Short-term loans and borrowings**

	30 June 2010	31 December 2009
EURO denominated fixed rate	-	57
EURO denominated floating rate	-	13 931
CZK denominated floating rate	-	4 278
RR denominated fixed rate	154 858	80 900
	154 858	99 166
Add: current portion of long-term debt	8 031	5 395
Short-term finance lease liabilities	16 340	16 384
Total short-term borrowings	179 229	120 945

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

	30 June 2010	31 December 2009
EURO denominated fixed rate	-	3,80%
EURO denominated floating rate	-	EURIBOR + 1 %
CZK denominated floating rate	-	2,20%
RR denominated fixed rate	10,89%	13,21%

As at 30 June 2010 short-term borrowings totalling US\$ 6 738 (31 December 2009: US\$ 5 395) are secured on the property of the Group. The carrying amount of pledged property, plant and equipment is disclosed in Note 12.

17. Borrowings (Continued)**Long-term borrowings**

	30 June 2010	31 December 2009
RR denominated fixed rate	114 804	133 550
EURO denominated fixed rate	55 597	68 016
EURO denominated floating rate	3 135	4 199
Long-term finance lease liabilities	53 501	59 163
Non-convertible bonds	99 301	102 392
Total long-term borrowings	326 338	367 320

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

	30 June 2010		31 December 2009	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Non-convertible bonds	99 301	99 301	102 392	102 392
Long-term finance lease liabilities	53 501	53 501	59 163	59 163
Long-term borrowings	173 536	173 536	205 765	214 936

Changes of carrying amount of non-convertible bonds for the six months ended 30 June 2010 and 2009 are as follows:

Balance at 1 January 2009	135 576
Repayment	(28 370)
Amortization of discount	425
Effect of exchange rate changes	(5 239)
Balance at 31 December 2009	102 392
Amortization of discount	31
Effect of exchange rate changes	(3 122)
Balance at 30 June 2010	99 301

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

	30 June 2010	31 December 2009
RR denominated fixed rate	11,61%	14,10%
EURO denominated fixed rate	10,00%	10,85%
EURO denominated floating rate	EURIBOR + 1,15%	EURIBOR + 1,15%
Long-term finance lease liabilities	21,35%-36,20%	26,1%-26,9%
Non-convertible bonds	13,00%	13,00%

As at 30 June 2010, long-term borrowings totalling US\$ 13 793 (31 December 2009: US\$ 8 892) are secured on the property of the Group as well as shares of one subsidiary (Note 29). The carrying amount of pledged property, plant and equipment is disclosed in Note 12.

In December 2009 the Group repurchased 19,89% of the shares in its subsidiary OJSC Izhorskiye Zavody under a contract with a related party which was concluded in 2008 and specified to sell and repurchase the shares within one year for consideration of approximately US\$ 8 570.

In December 2009, the Group again 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\$ 5 210. The contract specifies that the shares should be re-purchased within one year for consideration of approximately US\$ 5 708. This transaction has been accounted for as a secured financing transaction in the condensed consolidated interim 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 condensed interim consolidated income statement over the terms of the repurchase agreement using the effective interest method.

As at 30 June 2010 long-term loans had the following maturity profile:

	2011	2012	2013 and after	Total
RR denominated fixed rate	-	83 782	31 022	114 804
EURO denominated fixed rate	-	-	55 597	55 597
EURO denominated floating rate	-	-	3 135	3 135
		83 782	89 754	173 536
Long-term finance lease liabilities	-	10 439	43 062	53 501
Non-convertible bonds	48 012	-	51 290	99 301

17. Borrowings (Continued)

As at 31 December 2009 long-term loans had the following maturity profile:

	2010	2011	2012 and after	Total
US\$ denominated fixed rate	-	-	6	6
RR denominated fixed rate	-	110 215	23 306	133 521
EURO denominated fixed rate	-	-	72 238	72 238
	-	110 215	95 550	205 765
Long-term finance lease liabilities	-	10 148	49 015	59 163
Non-convertible bonds	-	-	102 392	102 392

Finance lease liabilities are payable as follows:

30 June 2010			
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	29 681	13 341	16 340
Between one and five years	74 429	30 576	43 853
More than five years	11 930	2 282	9 648
Total	116 040	46 199	69 841

31 December 2009			
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	31 617	15 233	16 384
Between one and five years	80 055	34 044	46 011
More than five years	16 747	3 595	13 152
Total	128 419	52 872	75 547

18. Other Long-Term Liabilities

	30 June 2010	31 December 2009
Trade payables, long-term	4 543	4 732
Billings in excess of cost and recognized income - non-current portion	3 455	1 124
Other long-term liabilities	2 421	3 673
	10 420	9 529

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 2009	2 750	35 480	(2 720)	(4 551)	28	368	(23 951)	(18 082)
Currency translation	-	-	-	-	(1)	(11)	685	516
As at 1 January 2010	2 750	35 480	(2 720)	(4 551)	27	357	(23 266)	(17 566)
Currency translation					(1)	(11)	709	536
As at 30 June 2010	2 750	35 480	(2 720)	(4 551)	26	347	(22 557)	(17 030)

As at 30 June 2010 the authorized number of ordinary and preference shares totalled 70 700 thousand and 2 750 thousand (31 December 2009: 70 700 thousand and 2 750 thousand), respectively, both with a nominal value per share of RR 0,1.

As at 30 June 2010 the issued number of ordinary and preference shares totalled 35 480 thousand and 2 750 thousand (31 December 2009: 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.

Dividends

Russian statutory financial statements are the basis for the Company's profit distribution and other appropriations. The basis of distribution is defined by the Russian legislation as a company's undistributed profit. The undistributed profit recognized in the published Russian statutory financial statements of the Company as at 30 June 2010 amounts to US\$ 4 362 (31 December 2009: US\$ 5 097).

In 2009 the Company did not declare and pay any dividends to holders of ordinary shares.

20. Cost of Sales

	Six months ended 30 June 2010	Six months ended 30 June 2009
Changes in inventories of finished goods and work in progress	(29 772)	8 407
Materials and components used	123 483	79 984
Labour costs	53 627	46 973
Services, including sub-contracting costs	19 056	36 905
Gas and fuel	21 452	17 728
Depreciation	16 832	8 715
Amortisation of intangible assets	1 002	169
Change in provision for obsolete inventory	(18 163)	68
Other	35 241	1692
Total cost of sales	222 758	200 642

Management has reclassified the change in provisions for obsolete inventory from other operating expense to cost of goods sold as this more appropriately reflects the nature of the expense. Comparative information has been respectively changed.

21. Selling Expenses

	Six months ended 30 June 2010	Six months ended 30 June 2009
Transportation	1 835	2 186
Services	3 155	2 712
Labour costs	5 509	4 003
Other	973	789
Total selling expenses	11 472	9 691

22. General and Administrative Expenses

	Six months ended 30 June 2010	Six months ended 30 June 2009
Labour costs	19 191	22 152
Services	9 225	11 784
Taxes	1 652	765
Depreciation	1 133	1 009
Amortisation of intangibles	997	1 222
Administration overheads	1 696	1 250
Total general and administrative expenses	33 894	38 182

23. Other Operating Income and Expense

Other Operating Income

	Six months ended 30 June 2010	Six months ended 30 June 2009
Gain from reversal of impairment loss on property, plant and equipment	1 928	-
Gain on disposal of property, plant and equipment	2 995	-
Gain on derecognition of financial liability	64	523
Gain from operating leases	841	381
Other income	3 656	721
Total other operating income	9 484	1 625

23. Other Operating Income and Expense (Continued)

Other Operating Expense

	Six months ended 30 June 2010	Six months ended 30 June 2009
Rent	(1 732)	(591)
Loss on disposal of property, plant and equipment	-	(77)
Change in provision for impairment of receivables and other investments	(4 056)	(11 664)
Fines and penalties under agreements	(435)	(300)
Loss from sale of securities	(151)	(87)
Impairment loss on other non-current financial assets	(2 729)	-
Previous years losses	(3 488)	(503)
Other losses	(94)	(622)
Total other operating expenses	(12 685)	(13 844)

24. Finance Income and Expense

	Six months ended 30 June 2010	Six months ended 30 June 2009
Interest income on loans issued	4 000	4 757
Net foreign exchange gain	4 680	-
Finance income	8 680	4 757
Interest expense on financial liabilities measured at amortised cost	(33 097)	(26 906)
Net foreign exchange loss	-	(12 489)
Finance expense	(33 097)	(39 395)
Net finance expense recognised in condensed interim consolidated statement of comprehensive income	(24 417)	(34 638)

Finance income and expenses, recognized directly in other comprehensive income

	Six months ended 30 June 2010	Six months ended 30 June 2009
Effective portion of gains or losses on hedging instruments used in cash flow hedges, net of tax	2 916	10 279
Foreign currency translation differences for foreign operations	(29 326)	(6 788)
Income tax on income and expense recognised directly in other comprehensive income	(560)	(1 985)
Finance income/(expenses) recognised directly in other comprehensive income, net of tax	(26 970)	1 506
Attributable to:		
Shareholders of the Company	(25 318)	1 510
Minority interest	(1 652)	(4)
Finance income/(expenses) recognised directly in other comprehensive income, net of tax	(26 970)	1 506

25. Income Tax

	Six months ended 30 June 2010	Six months ended 30 June 2009
Income tax expense – current	(3 670)	(1 891)
Deferred tax income – origination and reversal of temporary differences	749	2 789
Income tax benefit/(expense)	(2 921)	898

25. Income Tax (continued)

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

	Six months ended 30 June 2010	Six months ended 30 June 2009
Loss before taxation from continuing operations	(13 224)	(3 083)
Theoretical income tax benefit at statutory rate of 20%	2 645	617
Effect of different tax rates in other countries	809	(1 019)
Non-taxable and non-deductible items	(533)	(495)
Income tax (benefit)/expense	2 921	(897)

The statutory income tax rate for companies of the Group registered in Russian Federation for the six months ended 30 June 2010 and 2009 was 20%.

The statutory income tax rate for companies of the Group registered in Czech Republic for the six months ended 30 June 2010 and 2009 assessment periods was 19% and 20%, respectively. Effective from 1 January 2010, the rate in Czech Republic has changed to 19%.

	31 December 2009	Disposed in 2010	Additions in 2010	Differences recognition and reversal	Exchange difference	Deferred tax recognised on other comprehensive income	30 June 2010
Tax effects of deductible temporary differences:							
Property, plant and equipment	3 475	(1 452)	-	(1 030)	(177)	-	816
Provision for impairment of investments	-	-	-	(14)	1	-	(13)
Accounts payable and accruals	4 469	(5)	-	4 086	(409)	-	8 141
Inventories	12 728	-	-	47 099	(2 091)	-	57 737
Provision for inventory	10 844	(1 972)	-	(5 848)	(410)	-	2 614
Accounts receivable recognized using percentage of completion method	3 646	(41)	1	4 490	(3 473)	-	4 622
Provision for impairment of receivables	2 391	-	21	(272)	(75)	-	2 065
Loss carry forward	6 603	-	-	(6 641)	39	-	-
Other	4 051	(136)	-	5 609	2 798	-	12 322
Total deferred tax assets	48 207	(3 607)	22	47 480	(3 798)	-	88 305
Set off of tax	(28 015)	-	-	-	-	-	(70 288)
Net deferred tax assets	20 192	-	-	-	-	-	18 017
Tax effects of taxable temporary differences:							
Property, plant and equipment	(10 848)	2 321	-	(2 835)	1 274	-	(10 088)
Intangible assets	(2 554)	2 226	-	4	243	-	(80)
Inventories	(7 376)	-	(17)	898	297	-	(6 198)
Accounts receivable	(15 126)	-	-	-	461	-	(14 664)
Accounts receivable recognized using percentage of completion method	(422)	-	-	(51 855)	2 132	-	(50 145)
Provision for impairment of receivables	(6 582)	-	-	4 504	47	-	(2 031)
Provision for repairs	(6 392)	-	-	6 154	275	-	37
Accounts payable	(269)	5 890	-	(7 735)	366	-	(1 748)
Other	(5 103)	2	-	4 683	237	(560)	(742)
Total deferred tax liabilities	(54 672)	10 439	(17)	(46 182)	5 334	(560)	(85 659)
Set off of tax	28 015	-	-	-	-	-	70 288
Net deferred tax liabilities	(26 657)	-	-	-	-	-	(15 371)

25. Income Tax (Continued)

Comparative information for year 2009:

	31 December 2008	Disposed in 2009	Differences recognition and reversal	Exchange difference	Deferred tax recognised on other comprehensive income	31 December 2009
Tax effects of deductible temporary differences:						
Property, plant and equipment	1 296	-	2 126	53	-	3 475
Provision for impairment of investments	110	-	(114)	4	-	-
Accounts payable and accruals	2 233	(3)	2 196	43	-	4 469
Inventories	1 708	-	10 578	442	-	12 728
Provision for inventory	3 976	-	6 630	238	-	10 844
Accounts receivable recognized using percentage of completion method	9 356	-	(4 999)	(711)	-	3 646
Provision for impairment of receivables	2 553	(3)	(76)	(83)	-	2 391
Loss carry forward	6 820	-	(215)	(2)	-	6 603
Other	6 207	-	1 258	(111)	(3 303)	4 051
Total deferred tax assets	34 259	(6)	17 384	(127)	(3 303)	48 207
Set off of tax	(24 124)					(28 015)
Net deferred tax assets	10 135					20 192
Tax effects of taxable temporary differences:						
Property, plant and equipment	(16 181)	1	6 151	(819)	-	(10 848)
Intangible assets	(810)	-	(1 730)	(14)	-	(2 554)
Inventories	(7 513)	-	38	99	-	(7 376)
Accounts receivable	(3 108)	-	(11 552)	(466)	-	(15 126)
Accounts receivable recognized using percentage of completion method	(3 413)	-	2 703	288	-	(422)
Provision for impairment of receivables	(5 972)	-	(746)	136	-	(6 582)
Provision for repairs	(7 687)	-	1 337	(42)	-	(6 392)
Accounts payable	(256)	-	159	(172)	-	(269)
Other	(3 380)	4	(1 973)	7	239	(5 103)
Total deferred tax liabilities	(48 320)	5	(5 613)	(983)	239	(54 672)
Set off of tax	24 124					28 015
Net deferred tax liabilities	(24 196)					(26 657)

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 2010 the Group has not recognized a deferred tax liability in respect of US\$ 22 505 (31 December 2009: US\$ 39 703) 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. Provisions for Liabilities and Charges

	Provision for warranties	Provision for legal claims	Provision for penalties	Other provisions	Total
As at 1 January 2010	10 142	1 164	3 677	600	15 583
(Used)/ charge	1 205		17 834	(1 507)	17 532
Transfer to liabilities for other non-current assets held for sale	(4 747)	(1 061)			(5 808)
Exchange differences	1 304	(103)	(755)	1 375	1 821
As at 30 June 2010	7 904	-	20 756	468	29 128
Less amount included in other long-term liabilities	(2 421)				(2 421)
As at 30 June 2010	5 483	-	20 756	468	26 707

Comparative information for year 2009:

	Provision for warranties	Provision for legal claims	Provision for penalties	Other provisions	Total
As at 1 January 2009	2 909			3 096	6 005
(Used)/ charge	7 342	1 097	3 506	(2 044)	9 901
Exchange differences	2 024	67	171	(452)	1 810
As at 31 December 2009	12 275	1 164	3 677	600	17 716
Less amount included in other long-term liabilities	(2 133)				(2 133)
As at 31 December 2009	10 142	1 164	3 677	600	15 583

Provision for warranties

The Group provides warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision of US\$ 7 904 (2009: US\$ 12 275) has been recognised as at 30 June 2010 for expected warranty claims based on past experience of the level of repairs and returns.

Provision for legal claims

The amounts shown comprise gross provisions in respect of certain legal claims brought against the Group by customers. The balance as at 31 December 2009 is US\$ 1 164 was fully transferred to liabilities for other non-current assets held for sale.

Provision for penalties

The amounts shown comprise gross provisions in respect of expected claims related to the delivery date for some products in the amount US\$ 20 756 (2009: US\$ 3 677).

27. Contingencies, Commitments and Operating Risks

Capital commitments

As at 30 June 2010 the Group had contractual commitments for the purchase of property, plant and equipment from third parties for US\$ 21 482 (31 December 2009: US\$ 32 665).

Taxation

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe penalties, fines and interest charges. Recent events in the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation and enforcement of tax legislation.

The Group adopts interpretations in areas where the taxation system is uncertain that may reduce the overall taxes payable of the Group. Such tax positions may come under heightened scrutiny. Should the Russian tax authorities be successful in challenging such arrangements, management has estimated that the Group would be subject to additional value added tax and profits taxes of approximately US\$ 7 million (2009: US\$ 7 million). Management has not provided any amounts in respect of such obligations in these condensed consolidated interim financial statements as it believes that it is possible, but not probable, that an outflow of economic benefits will be required to settle such obligations.

27. Contingencies, Commitments and Operating Risks (Continued)

Insurance policies

The Group insures all significant property and work-in-progress and shipments in relation to significant contracts. As at 30 June 2010 most of the Group's property is insured.

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 condensed consolidated interim financial statements.

Guarantees

The Group has guaranteed loans issued to related parties. The total amount of guarantees is US\$ 34 335 (31 December 2009: US\$ 27 490).

The Group's borrowings and its fulfilment of contractual obligations were secured by third party guarantees in the amount of US\$ 36 929 (31 December 2009: US\$ 66 941).

28. 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 20).

Earnings per share from continuing operations are calculated as follows:

Basic earnings per share

	Year ended 30 June 2010	Year ended 30 June 2009
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
Profit/(Loss) from continuing operations attributable to the ordinary equity holders of the parent entity	(15 778)	227
Loss per share from continuing operations	(0,51)	(0,01)
Loss from discontinued operations attributable to the ordinary equity holders of the parent entity	(12 112)	(1 172)
Loss per share from discontinued operations	(0,3916)	(0,0379)
Loss for the period attributable to the Group's equity holders	(27 890)	(945)
Basic loss per share	(0,9017)	(0,0306)

Diluted earnings per share

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

29. Principal Subsidiaries

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

Entity	Country of Incorporation	Activity	30 June 2010	31 December 2009
			% of share capital	% of share capital
OJSC Izhorskiye Zavody ("Izhorskiye Zavody") ¹	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 ²	Russia	Production of mining equipment	80,1	80,1
Izhorskaya Energeticheskaya Kompaniya LLC ^{2,4}	Russia	Production of steel structures. Transmission of electric energy and capacity.	80,1	80,1
OMZ LP LLC ²	Russia	Production of steel mouldings	84,2	84,2
ŠKODA JS a.s.	Czech Republic	Production of equipment for nuclear power plants	100	100
PILSEN STEEL s.r.o. ⁵	Czech Republic	Production of specialty steels	100	100
MK Uralmash CJSC ³	Russia	Production of drilling, mining and metallurgical equipment	-	5,95

¹ 40% of the Groups' shares in Izhorskiye Zavody are pledged as collateral under long-term bank loan denominated in RR and 19,89% are pledged as collateral under repurchase agreement to obtain a short-term loan denominated in RR (Note 17).

² The % of share capital disclosed above is the effective ownership interest attributable to shareholders of the Company. The Company is able to control 100% of the shares of these subsidiaries.

³ In December 2009 the Group sold a 44,05% interest in joint venture CJSC Uralmash for US\$ 18 114 and lost the ability to exercise joint control.

⁴ In April 2010 IZ-ZMK LLC was reregistered to "Izhorskaya Energeticheskaya Kompaniya" LLC with the expansion of its activity.

⁵ In these condensed consolidated interim financial statements assets and liabilities of PILSEN STEEL s.r.o. were represented in the category of assets and liabilities held for sale (Note 31).

30. Business Combinations and Disposals

In April 2009 the Group gained a control for "Izhorskie Svarochnie materialy" LLC which produces wire products (electrodes for welding) and ceramic products (fluxes) by acquiring a 81% interest in the chartered capital. As a result of this acquisition an interest of the Group in this entity increased from 19% to 100%.

During the period from the date of acquisition to 30 June 2010 the increase of the revenue and profit due to "Izhorskie Svarochnie materialy" LLC was US\$ 952 and US\$ 63 respectively.

If the acquisition transaction was implemented on 1 January 2010 than according estimates of the management the consolidated revenue would be US\$ 283 243 and the consolidated loss for the six months ended 30 June 2010 would be US\$ 16 221. While identifying these indicators management based on the assumption that the adjustments to the fair value on the date of acquisition would be the same as if the acquisition was on the 1 January 2010.

Preliminary estimated fair values of assets and liabilities acquired in business combinations are as follows. The management of the Group will finish the evaluation of the fair value of these assets and liabilities during 2010 year.

30. Business Combinations and Disposals (Continued)

	Preliminary estimated fair value
Cash and cash equivalents	3
Trade and other receivables	553
Advances to suppliers	48
Income tax receivable	7
Inventories	780
Property, plant and equipment	4 504
Deferred tax asset	5
Trade and other payables	(794)
Short-term loans and borrowings	(766)
Fair value of the net assets of the subsidiary	4 340
Less costs on acquisition of investments in subsidiary before before gaining a control	(822)
Less cash and cash equivalents of the acquired subsidiary	(3)
Cash and cash equivalents outflow on acquisition	3 515

Disposals in 2009**Investment in the joint venture Machine-Building Corporation Uralmash, CJSC (or CJSC Uralmash)**

On 21 December 2009 the Group sold a 44,05% interest in joint venture CJSC Uralmash the consideration for US\$ 18 114 (RR 575 million) to a related party. The investment in the joint venture CJSC Uralmash, accounted for using the equity method, had a carrying value of nil at the date of disposal, and the Group recognised a gain from the sale of the joint venture for US\$ 18 114 (RR 575 million) in the profit or loss.

Effect of disposals on cash flow from investing activities

Cash proceeds	18 114
Cash inflows from the sale of subsidiaries	18 114

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

	31 December 2008
Current assets	121 282
Property, plant and equipment	90 061
Other non-current assets (including goodwill)	10 213
Current liabilities	(130 163)
Non-current liabilities	(50 397)
Net assets owned by the Group	40 996

Result from operations for the period ended 21 December 2009 and year ended 31 December 2008 of the jointly controlled entity is as follows:

	Period ended 21 December 2009	Year ended 31 December 2008
Revenue	114 252	170 045
Operating and other expenses	(155 427)	(200 583)
Loss before tax	(41 175)	(30 538)
Income tax benefit/(expense)	2 948	(1 395)
Unrecognized loss	258	-
Loss attributable to the Group	(37 969)	(31 933)

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

Investment in Uralmash CJSC as at 31 December 2007	95 218
Loss attributable to the Group	(31 933)
Impairment of investment	(13 641)
Exchange difference	(8 648)
Investment in Uralmash CJSC as at 31 December 2008	40 996
Loss attributable to the Group for the period ended 21 December 2009	(37 969)
Exchange difference	(3 028)
Investment in Uralmash CJSC as at 21 December 2009	-

30. Business Combinations and Disposals (Continued)

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 planned 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.

31. Discontinued operation

The Group committed to sell its subsidiaries PILSEN STEEL s.r.o and PILSEN ESTATE s.r.o. which were classified as assets held for sale as at 30 June 2010. Respectively, the comparative statement of condensed interim consolidated comprehensive income and condensed interim consolidated statement of cash flows has been re-presented to show the discontinued operation separately from continuing operations.

As at 30 June 2010 the disposal group comprised assets of US\$ 185 333 less liabilities of US\$ 63 379.

Assets and liabilities classified as held for sale are presented as follows:

Assets classified as held for sale	30 June 2010
Cash and cash equivalents	1 056
Trade and other receivables	27 766
Advances to suppliers	1 929
Income tax receivable	1 307
Inventories	55 681
Other current financial assets	474
Property, plant and equipment	84 185
Intangible assets	11 537
Deferred tax asset	1 398
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Liabilities classified as held for sale	30 June 2010
Trade and other payables	41 811
Short-term loans and borrowings	13 153
Deferred tax liabilities	8 043
Other long-term liabilities	372

31. Discontinued operation (Continued)

The results of discontinued operation and net cash flows from discontinued operation are as follows:

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Revenue	75 670	130 799
Cost of sales	(79 897)	(91 441)
Gross profit/(loss)	(4 227)	39 358
Selling expenses	(2 482)	(2 932)
General and administrative expenses	(3 209)	(4 036)
Other operating income and expenses	(779)	(15 005)
Operating profit/(loss)	(10 697)	17 385
Financial income	17	778
Financial expenses	(993)	(269)
Profit/(loss) before taxation	(11 673)	17 894
Income tax expense	(439)	(3 713)
Loss from discontinued operation	(12 112)	14 181

	For the six months ended 30 June 2010	For the six months ended 30 June 2009
Cash flows used in operating activities	(2 265)	(4 245)
Cash flows used in investing activities	(3 531)	(11 168)
Cash flows from financing activities	1 915	3 922
Effect of exchange rate changes on cash and cash equivalents	(321)	3 540
Net decrease in cash and cash equivalents	(4 202)	(7 951)

32. 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 condensed interim consolidated statement of financial position 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 15).

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. The fair value of derivatives is based on inputs that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

33. Reconciliation of Classes of Financial Instruments with Measurement Categories

The following tables provide a reconciliation of classes of financial assets with the measurement categories as at 30 June 2010:

	Loans and receivables	Available for sale financial assets	Assets designated at FVTPL *	Financial derivatives - hedging	Total
ASSETS					
Cash and cash equivalents (Note 8)					
Cash on hand and balances with the bank	8 192	-	-	-	8 192
Cash equivalents	54	-	-	-	54
Trade and other receivables (Note 9)					
Trade receivables	56 965	-	-	-	56 965
Accounts due from customers for contract work	138 665	-	-	-	138 665
Forward foreign exchange contracts – cash flow hedges	-	-	-	1 465	1 465
Other receivables	9 733	-	-	-	9 733
Other current financial assets (Note 11)					
Short-term loans issued	18 033	-	-	-	18 033
Restricted cash	33 126	-	-	-	33 126
Promissory notes	-	-	108	-	108
Other non-current financial assets (Note 14)					
Long-term loans issued	55 488	-	-	-	55 488
Available-for-sale investments	-	33 885	-	-	33 885
Non-current accounts receivable	4 256	-	-	-	4 256
Total financial assets	324 512	33 885	108	1 465	359 970
Non-financial assets					902 734
Total assets	324 512	33 885	108	1 465	1 262 704

* FVTPL = fair value through profit and loss

All the Group's financial liabilities are carried at amortised cost except for currency derivatives used as hedging instruments which are carried at fair value of US\$ 77 which are included in other accounts payable.

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

Comparative information for 2009:

	Loans and receivables	Available for sale financial assets	Assets designated at FVTPL *	Financial derivatives - hedging	Total
ASSETS					
Cash and cash equivalents (Note 8)					
Cash on hand and balances with the bank	16 195	-	-	-	16 195
Cash equivalents	116	-	-	-	116
Trade and other receivables (Note 9)					
Trade receivables	207 415	-	-	-	207 415
Accounts due from customers for contract work	141 504	-	-	-	141 504
Forward foreign exchange contracts – cash flow hedges	-	-	228	285	513
Other receivables	12 328	-	-	-	12 328
Other current financial assets (Note 11)					
Short-term loans issued	22 371	-	-	-	22 371
Restricted cash	13 485	-	-	-	13 485
Other non-current financial assets (Note 14)					
Long-term loans issued	68 307	-	-	-	68 307
Available-for-sale investments	-	36 296	-	-	36 296
Non-current accounts receivable	1 970	-	-	-	1 970
Total financial assets	483 691	36 296	228	285	520 500
Non-financial assets	-	-	-	-	835 001
Total assets	483 691	36 296	228	285	1 355 501

* FVTPL = fair value through profit and loss

All the Group's financial liabilities are carried at amortised cost except for currency derivatives used as hedging instruments which are carried at fair value of US\$ 1 954 which are included in trade and other accounts payable.

34. Post balance sheet events

Disposal of subsidiaries

In July 2010 the Group sold a 100% interest in subsidiaries PILSEN STEEL s.r.o and PILSEN ESTATE s.r.o. which refer to the segment of the production of specialty steel in Czech Republic for EUR 125 600.

Repayment of financial lease liability

In August 2010 the Group paid off ahead of time for the obligations of the financial lease by cash received from its immediate parent company as an additional contribution to the charter capital of its subsidiary OMZ SpecStal LLC. As a result the share of the Group in subsidiary OMZ SpecStal LLC was reduced from 100% to 50,36%.