

OMZ

International Financial Reporting Standards



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

Six months ended 30 June 2011

Contents

INDEPENDENT AUDITORS' REPORT

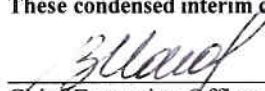
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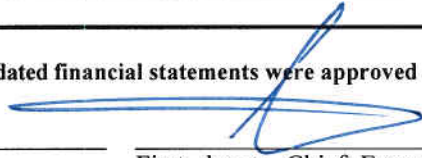
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	Note	30 June 2011	31 December 2010
ASSETS			
Current assets:			
Cash and cash equivalents	8	37 865	176 057
Trade and other receivables	9	348 524	324 316
Advances to suppliers	9	95 428	87 944
Income tax receivable		9 229	7 725
Inventories	10	256 885	200 356
Other current financial assets	11	192 887	143 199
Total current assets		940 818	939 597
Non-current assets:			
Property, plant and equipment	12	375 251	339 386
Intangible assets	13	35 342	32 511
Deferred tax assets	25	24 687	24 043
Other non-current financial assets	14	42 855	106 209
Other non-current assets	15	18 538	19 130
Total non-current assets		496 673	521 279
Total assets		1 437 491	1 460 876
LIABILITIES			
Current liabilities:			
Trade and other payables	16	504 018	532 492
Provisions for liabilities and charges	26	55 470	43 170
Short-term borrowings	17	319 410	268 184
Income tax payable		3 525	3 836
Total current liabilities		882 423	847 682
Non-current liabilities:			
Long-term borrowings	17	79 030	193 522
Deferred tax liabilities	25	11 839	9 564
Provisions for liabilities and charges	26	2 879	2 270
Other long-term liabilities	18	25 740	5 612
Total non-current liabilities		119 488	210 968
Total liabilities		1 001 911	1 058 650
EQUITY			
Equity and reserves attributable to the Company's equity holders:			
Share capital	19	414	382
Share premium		102 869	94 763
Treasury shares	19	(43 986)	(40 520)
Hedging reserve		2 060	1 326
Currency translation reserve		22 864	16 083
Retained earnings		238 644	212 916
		322 865	284 950
Non-controlling interest		112 715	117 276
Total equity		435 580	402 226
Total liabilities and equity		1 437 491	1 460 876

These condensed interim consolidated financial statements were approved by management


Chief Executive Officer
Makhov V.A.


First deputy Chief Executive
Officer
Fokin E.A.


Chief Accountant
Polevaya N.V.

	Note	Six months, ended 30 June 2011	Six months, ended 30 June 2010
Continuing operations			
Sales		464 786	282 520
Cost of sales	20	(376 209)	(222 759)
Gross profit		88 577	59 761
Selling expenses	21	(14 106)	(11 472)
General and administrative expenses	22	(48 299)	(33 894)
Other operating income	23	5 263	9 484
Other operating expense	23	(7 486)	(12 685)
Operating profit		23 949	11 194
Finance income	24	3 670	8 679
Finance expense	24	(24 645)	(33 097)
Profit/ (loss) before taxation		2 974	(13 224)
Income tax expense	25	(9 688)	(2 921)
Loss from continuing operations for the year		(6 714)	(16 145)
Discontinued operation			
Loss from discontinued operation	30	-	(12 112)
Loss from discontinued operations		-	(12 112)
Loss for the year	30	(6 714)	(28 257)
Other comprehensive income			
Foreign currency translation differences		39 460	(29 326)
Cash flow hedges, net of income tax		608	2 356
Other comprehensive income/(loss) for the year, net of income tax		40 068	(26 970)
Total comprehensive income/(loss) for the year		33 354	(55 227)
Profit/(loss) for the year attributable to:			
Equity holders of the Company		6 290	(27 890)
Non-controlling interest		(13 004)	(367)
Loss for the year		(6 714)	(28 257)
Comprehensive income/(loss) for the year attributable to:			
Equity holders of the Company		36 581	(53 829)
Non-controlling interest		(3 227)	(1 398)
Total comprehensive profit / (loss) for the year		33 354	(55 227)
Earnings per share attributable to the equity holders of the Company (in US dollars)			
- basic	28	0,20	(0,90)
- diluted	28	0,20	(0,90)
Earnings from continuing operations per share attributable to the ordinary equity holders of the parent entity (in US dollars)			
- basic	28	0,20	(0,51)
- diluted	28	0,20	(0,51)

	Note	Six months ended 30 June 2011
Cash flows from operating activities		
Loss before taxation from continuing operations		2 974
Adjustments for:		
Depreciation and amortization	12,13	23 912
Change in provisions for impairment and other provisions		(1 987)
Gain on derecognition of financial liability	23	(33)
Reversal of property, plant and equipment impairment	12, 23	(198)
Gain on disposal of property, plant and equipment	23	(478)
Loss on disposal of intangible assets		99
Net finance cost adjusted for foreign exchange differences	24	19 760
Net foreign exchange loss	24	1 215
Other non-monetary operations		47
Operating cash flows before working capital changes		45 311
Change in trade and other receivables and advances to suppliers		(33 031)
Change in inventories		(36 337)
Change in trade and other accounts payable		(37 954)
Cash provided from continuing operations		(62 011)
Income taxes paid		(7 849)
Net cash used in operating activities		(69 860)
Cash flows from investing activities:		
Purchase of property, plant and equipment and intangibles		(13 440)
Acquisition of financial assets		(52)
Interest received		581
Net proceeds from loans issued		(1 147)
Net cash used in investing activities		(14 058)
Cash flows from financing activities:		
Proceeds from borrowings		361 655
Repayment of borrowings		(415 800)
Interest paid		(12 250)
Net cash used in financing activities		(66 395)
Effect of exchange rate changes on cash and cash equivalents		12 121
Net decrease in cash and cash equivalents		(138 192)
Cash and cash equivalents at the beginning of the year	8	176 057
Cash and cash equivalents at the end of the year	8	37 865

	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	12, 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	24	29 183	69	29 115
Net foreign exchange gain/loss	24	(3 788)	891	(4 680)
Impairment loss on other non-current financial assets		2 729	-	2 729
Loss on disposal of securities		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

	Attributable to equity holders of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Treasury shares	Hedging reserve	Currency translation reserve	Retained earnings		
Balance as at 1 January 2010	384	95 493	(40 832)	(1 330)	56 796	169 688	13 945	294 144
Loss for the year						(27 890)	(367)	(28 257)
Other comprehensive income:								
Currency translation difference	-	-	-	-	-	620	(620)	-
Transactions with minority shareholders	(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
Balance as at 1 January 2011	382	94 763	(40 520)	1 326	16 083	212 916	117 276	402 226
Profit/(loss) for the year						6 290	(13 004)	(6 714)
Other comprehensive income:								
Foreign currency translation differences	32	8 106	(3 466)	126	6 781	18 106	9 775	39 460
Cash flow hedges, net of tax	-	-	-	608	-	-	-	608
Total comprehensive income for the six months ended 30 June 2011	32	8 106	(3 466)	734	6 781	24 396	(3 229)	33 354
Changes in ownership interests in subsidiaries that do not result in a loss of control:								
Disposal of non-controlling interest	-	-	-	-	-	1 332	(1 332)	-
Total changes in ownership interests in subsidiaries that do not result in a loss of control for the six months ended 30 June 2011	-	-	-	-	-	1 332	(1 332)	-
Balance as at 30 June 2011	414	102 869	(43 986)	2 060	22 864	238 644	112 715	435 580

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 2011. 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 during six months 2011 refer to Note 30.

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, manufacturing machinery equipment and mining equipment in the Russian Federation.

Registered address and place of business.

The Company’s current registered address is:

Russian Federation
Moscow
2nd Ambulatornii 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 2010 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 2011 the principal rates of exchange used for translating foreign currency balances were US\$ 1 = RR 28,0758 (31 December 2010: US\$ 1 = RR 30,4769) and CZK 1=RR 1,66 (31 December 2010 CZK 1=RR 1,59).

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 2010, 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. Adopting New of Revised Standards and Interpretation and Changes in Accounting Policies

During 2010 and six months ended 30 June 2011 the Group adopted new Standards, amendments to Standards and Interpretations which are effective as at 1 January 2010 and later and are expected to have an impact on the recognition, measurement, presentation and disclosure of transactions and other matters in its condensed consolidated interim financial statements. The following new Standards and amendments were applied by the Group from 1 January 2010 and did not have a significant impact on the Group's accounting policies:

- The amendment to IAS 17 Leases regarding the leases of land became effective from 1 January 2010. The amendment removed the earlier exemption which allowed leases of land to be classified as operating leases regardless of the length of the lease term. The amended guidance requires all existing leases of land to be reassessed and reclassified if necessary as finance leases if the finance lease classification criteria are met. At 1 January 2010, the Group reassessed all existing land lease contracts and as a result it was assessed that existing land lease contracts do not qualify as finance lease contracts and therefore, the classification was not changed.
- Revised IAS 24 Related Party Disclosures 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 didn't impact on the Group's financial position or performance.

5. New Accounting Pronouncements

The following new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2011, and have not been applied in preparing these condensed consolidated interim financial statements. The Group plans to adopt these pronouncements when they become effective.

- 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.
- GIFRIC 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 financial statements.

6. Segment Information

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

Segment Izhorskiye Zavody OJSC. Segment engaged in 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 SKODA JS a.s. Segment engaged in 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 engaged in 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 engaged in 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.

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 determined by management with reference to commercial terms applicable for third parties.

Continuing operations:

Russia:

	Izhorskiye Zavody OJSC	OMZ-Specstal LLC	IZ-KARTEKS LLC	Total
Six months, ended 30 June 2011				
Segment sales	106 408	117 028	83 875	307 311
Intersegment sales	6 335	48 408	852	55 595
External sales	100 073	68 620	83 023	251 716
Reportable segment profit/(loss) for the year	584	(15 123)	1 601	(12 938)
Interest income	694	41	518	1 253
Interest expense	(4 924)	(4 946)	(2 359)	(12 229)
Depreciation	(2 742)	(7 957)	(1 141)	(11 840)
Income tax benefit/(expense)	347	3 520	(961)	2 906

6. Segment Information (Continued)

Czech Republic

	SKODA JS a.s
Six months, ended 30 June 2011	
Intersegment sales	144 388
Intersegment sales	-
External sales	144 388
Reportable segment net profit/(loss) for the year	4 557
Interest income	80
Interest expense	
Depreciation	(3 227)
Income tax expense	(1 045)

Discontinued operation

The sales by type of products is presented as follows:

Continuing operations:

	Nuclear equipment	Special steel	Mining equipment	Oil and gas equipment	Other	Total
Six months ended 30 June 2011						
External sales	240 173	92 177	78 076	22 058	32 302	464 786

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

	Six months ended 30 June 2011
Net loss of segments (excluding discontinued operations)	(8 381)
Other profit	4 846
Effect from recognition of provision for loss-making contracts	(18 494)
Effect from recognition of revenue by the percentage of completion method	27 561
Elimination of income and expense arising from intragroup transactions	(3 937)
Recognition and measurement effect of other differences between statutory reporting and IFRSs	(8 309)
Loss for the year	(6 714)

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 statement of comprehensive income is as follows:

	Six months ended 30 June 2011
External sales for operating segments	396 104
External sales for segments	
Other external sales	20 277
Effect of adjustment for external sales recorded as discontinued operation (Note 32)	9 363
Recognition of revenue by the percentage of completion method	27 561
Recognition and measurement of other differences between statutory reporting and IFRS	11 481
Sales in the statement of comprehensive income	464 786

The total assets and total liabilities of the operating segments are presented as follows:

	Izhorskiye Zavody OJSC	OMZ-Specstal LLC	IZ-KARTEKS LLC	Total
Total assets for segments	703 539	413 726	148 672	1 265 937
Total liabilities for segments	501 403	259 086	108 918	869 407
		SKODA JS a.s		Total
Total assets for segments		246 804		246 804
Total liabilities for segments		139 397		139 397

The effect of the adjustments to reportable segment assets as at 30 June 2011 to present in conformity with IFRSs as reported in condensed interim consolidated statement of financial position is as follows:

Total assets for segments	1 512 741
Other assets	1 292 262
Elimination of amounts due to and due from entities consolidated within the Group	(687 739)
Elimination of investments in subsidiaries	(370 826)
Netting-off of due to and due from under construction contracts	(225 019)
Netting-off of advances given/received with related payables/receivables	(8 334)
Recognition and measurement effect of other differences between statutory reporting and IFRSs including:	
- recognition of property, plant and equipment acquired using finance leases	1 182
- purchase accounting adjustments associated with historical business combinations and differences in useful economic lives for property, plant and equipment and intangible assets	14 526
- difference in valuation of accounts receivable	(39 604)
- difference in valuation of inventory	(38 565)
- other	(13 133)
Total assets in statement of financial position	1 437 491
Total liabilities for segments	1 008 804
Other liabilities	871 733
Elimination of amounts due to and due from entities consolidated within the Group	(687 739)
Netting-off of due to and due from under construction contracts	(225 019)
Recognition of provision for loss-making contracts	27 888
Recognition of provision for penalty	15 932
Effect of other recognition and measurement differences between statutory reporting and IFRSs	(9 688)
Total liabilities in statement of financial position	1 001 911

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 2011	Non-current assets Six months ended 30 June 2011
Russian Federation	287 756	339 123
OECD countries	134 138	90 007
Other regions	42 891	-
Total	464 786	429 131

Comparative information for 2010 year:

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 profit/(loss) for the year	8 762	(10 335)	(3 004)	2 794	(1 784)
Interest income	3	452	-	14 753	15 208
Interest expense	(8 933)	(3 030)	(994)	(14 802)	(27 759)
Depreciation	(2 084)	(226)	(739)	(5 033)	(8 081)
Income tax benefit/(expense)	88 062	2 436	631	(432)	259

Czech Republic

SKODA JS a.s

Six months ended 30 June 2010	
Intersegment sales	
Intersegment sales	73 432
External sales	73 432
Reportable segment net profit/(loss) for the year	2 094
Interest income	20
Interest expense	(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 loss for the year	(13 219)
Interest income	2
Interest expense	(911)
Depreciation	(6 789)
Income tax expense	(922)

6. Segment Information (Continued)

The sales by type of products is presented as follows:

Continuing operations:

	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)

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 as at 31 December 2011 of the operating segments are presented as follows:

	Izhorskiye Zavody OJSC	OMZ-Speстал LLC	IZ-KARTEKS LLC	Total
Total assets for segments	567 883	361 080	117 561	1 046 524
Total liabilities for segments	379 692	199 247	87 107	666 046

	SKODA JS a.s	Total
Total assets for segments	215 717	215 717
Total liabilities for segments	135 937	135 937

The effect of the adjustments to reportable segment assets as at 31 December 2010 to present in conformity with IFRSs as reported in statement of financial position is as follows:

6. Segment Information (Continued)

Total assets for segments	1 262 241
Other assets	1 332 180
Elimination of amounts due to and due from entities consolidated within the Group	(579 251)
Elimination of investments in subsidiaries	(339 007)
Netting-off of due to and due from under construction contracts	(143 033)
Netting-off of advances given/received with related payables/receivables	(43 998)
Unrealized income and expense arising from intragroup transactions	(16 045)
Recognition and measurement effect of other differences between statutory reporting and IFRSs including:	
- recognition of property, plant and equipment acquired using finance leases	3 685
- purchase accounting adjustments associated with historical business combinations and differences in useful economic lives for property, plant and equipment and intangible assets	5 029
- difference in valuation of accounts receivable	(20 470)
- difference in valuation of inventory	(9 412)
- other	8 957
Total assets in statement of financial position	1 460 876

Total liabilities for segments	801 983
Other liabilities	933 427
Elimination of amounts due to and due from entities consolidated within the Group	(579 251)
Netting-off of due to and due from under construction contracts	(143 033)
Netting-off of advances given/received with related payables/receivables	(43 998)
Recognition of provision for loss-making contracts	23 113
Recognition of provision for penalty	12 184
Recognition of provisions in accordance with IFRS	40 542
Effect of other recognition and measurement differences between statutory reporting and IFRSs	13 683
Total liabilities in statement of financial position	1 058 650

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 Year ended six month 2010	Non-current assets 31 December 2010
Russian Federation	182 108	307 113
OECD countries	81 512	83 914
Other regions	18 900	-
Total	282 500	391 027

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 2011 CJSC “Forpost-Management” owns 46,31% of the Company’s total outstanding common shares (31 December 2009: 49,9%). 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.

During 2010 year the Group’s immediate and intermediate parent companies has acquired direct non-controlling interests in two of the Group’s subsidiaries in exchange for US\$ 152,607 (Note 30). The proceeds from the sale of the stakes in these two subsidiaries have been used to retire borrowings and finance lease obtained from intermediate parent company.

During the year 2010 the Group repaid liabilities under financial lease of plant and equipment acquired from its immediate parent company for amount US\$ 87 758. During the year 2010 the Group in addition acquired plant and equipment of US\$ 60 442 from its immediate parent company.

The outstanding balances with the related parties were as follows:

	30 June 2011		31 December 2010	
	Immediate and intermediate parent company	Entities under common control	Immediate and Intermediate parent company	Entities under common control
Gross amount of trade receivables	157	8 126	147	9 304
Other receivables	2 190	4 026	1 251	3 790
Advances issued	1 668	36 841	211	30 787
Loans issued	-	31 727	-	27 520
Other current assets	-	120	-	111
Trade and other payables	(2 155)	(10 193)	(5 396)	(11 754)
Advances received	(55 243)	(823)	(50 891)	(22 134)
Loans and borrowings	(114 101)	(12 740)	(118 591)	(31)
Non-convertible bonds	-	-	(20 061)	-

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.

7. Balances and Transactions with Related Parties (Continued)

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

	Six months, ended 30 June 2011		Six months, ended 30 June 2010	
	Immediate and Intermediate parent company	Companies under common control	Immediate and Intermediate parent company	Companies under common control
Sales of goods	51	24 853	37	4 126
Purchases	(645)	(3 287)	(1 825)	(1 733)
Interest income	24	1 139	5	1 189
Interest expense	(2 604)	(392)	(18 488)	(270)
Proceeds from borrowing	173 095	30 105	127 947	-
Repayment of loans	(185 494)	(18 165)	(69 185)	-

Guarantees

As at 30 June 2011, the Group has given guarantees of US\$ 56 529 (31 December 2010: US\$ 29 120) under liabilities given to related parties and the immediate parent company. Guarantee fees are determined on a case-by-case basis and are charged annually. (note 27)

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 8-13 percent per annum.

8. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	30 June 2011	31 December 2010
RR denominated cash on hand and balances with banks	4 509	4 120
CZK denominated cash on hand and balances with banks	22 498	14 148
EUR denominated cash on hand and balances with banks	10 776	132 828
US\$ denominated cash on hand and balances with banks	11	10
Other currency denominated balances with bank	52	47
Cash equivalents in RUR	19	677
Cash equivalents in EUR	-	24 227
Total cash and cash equivalents	37 865	176 057

The effective annual interest rate of bank balances payable on demand is 0,1% (31 December 2010: 0,1%).

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

9. Trade and Other Receivables

	30 June 2011	31 December 2010
Trade receivables	75 835	90 862
Accounts due from customers for construction work	138 148	101 843
Forward foreign exchange contracts – cash flow hedges	2 084	926
VAT receivable	21 635	23 944
VAT on advances from customers	96 835	77 273
Other taxes receivable	989	1 157
Other receivables	12 998	28 311
Total trade and other receivables	348 524	324 316
Advances to suppliers	95 428	87 944

Accounts receivable are denominated in RR except for US\$ 23 703 denominated in US\$, US\$ 58 648 denominated in CZK and US\$ 138 513 denominated in EUR as at 30 June 2011 (31 December 2010: US\$ 6 700 denominated in US\$, US\$ 72 927 denominated in CZK, US\$ 93 744 denominated in EUR\$).

As at 30 June 2011 trade and other accounts receivable, advances to suppliers and VAT receivable of US\$ 25 426 (31 December 2010: US\$ 25 512) 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 2011	31 December 2010
Trade receivables	(6 220)	(6 547)
Advances to suppliers	(2 103)	(1 586)
Other receivables	(17 103)	(15 141)
VAT receivable	-	(2 238)
	(25 426)	(25 512)

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 2010	(15 896)	(1 860)	(13 763)	(1 734)	(33 253)
Provision charged	(5 053)	(895)	(5 883)	(536)	(12 367)
Provision used	7 790	483	4 256	-	12 529
Provision reversed	5 150	455	238	17	5 860
Acquisition through purchase of subsidiaries	-	-	(102)	-	(102)
Disposal through the sale of subsidiaries	1 239	197	-	-	1 436
Exchange differences	223	34	113	15	385
As at 1 January 2011	(6 547)	(1 586)	(15 141)	(2 238)	(25 512)
Provision charged	(2 076)	(599)	(951)	-	(3 626)
Provision used	941	183	133	2 382	3 639
Provision reversed	2 010	42	65	-	2 117
Exchange differences	(548)	(143)	(1 209)	(144)	(2 044)
As at 30 June 2011	(6 220)	(2 103)	(17 103)	-	(25 426)

As at 30 June 2011, trade receivables of US\$ 8 885 (31 December 2010: US\$ 8 143) were past due but not impaired. These relate to a number of customers with no recent history of default. The ageing of these trade receivables is as follows:

	30 June 2011	31 December 2010
Less than 6 months	8 885	8 143
From 6 to 12 months	-	-
More than 12 months	-	-
Total trade receivable past due not impaired	8 885	8 143

10. Inventories

	30 June 2011	31 December 2010
Raw materials	121 398	98 356
Work in progress	115 334	65 603
Finished goods	25 313	45 906
Goods in transit	12 551	8 389
Provision for obsolete inventory	(18 102)	(17 976)
Other	391	78
Total Inventories	256 885	200 356

Certain inventories included above totalling US\$ 17 809 (31 December 2010: US\$ 16 406) were provided as security under loan agreements (Note 17).

As at 30 June 2011 and 31 December 2010 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 2010	(43 444)
Provision charged	(7 177)
Provision reversed	20 116
Provision used	885
Disposal of subsidiaries	10 278
Exchange differences	1 366
As at 31 December 2010	(17 976)
Provision charged	(3 865)
Provision reversed	5 440
Exchange differences	(1 701)
As at 30 June 2011	(18 102)

11. Other Current Financial Assets

	30 June 2011	31 December 2010
Short-term loans issued	149 130	113 262
Promissory notes	8 578	7 899
Provision for promissory notes	(8 459)	(7 788)
Restricted cash	12 378	606
Available-for-sale investments stated at cost	31 166	28 710
Other	94	510
Total Other Current Assets	192 887	143 199

Restricted cash of US\$ 12 378 as at 30 June 2011 (31 December 2010: US\$ 606) 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.

During 2010, the Group acquired available-for-sale investments in CJSC "REP Holding" and OJSC "Zavod Elektropult" in a structured transaction (Note 17)

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

	Provision for promissory notes
As at 1 January 2010	(8 199)
Provision charged	33
Exchange differences	298
As at 31 December 2010	(7 788)
Exchange differences	(671)
As at 30 June 2011	(8 459)

(in thousands of US dollars unless otherwise stated)

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 2011					
Cost	169 227	301 624	15 836	28 613	515 300
Accumulated depreciation	(32 372)	(125 388)	(13 068)	-	(170 828)
Impairment loss recognised	(2 524)	(2 561)	(1)	-	(5 086)
Net book value as at 1 January 2011	134 331	173 675	2 767	28 613	339 386
Exchange differences	12 689	15 494	308	2 663	31 154
Additions	800	8 774	1 017	19 999	30 590
Transfers	3 963	6 896	9	(10 868)	-
Disposals	(236)	(4 647)	(30)	-	(4 913)
Impairment reversal	105	93	-	-	198
Depreciation	(2 496)	(17 703)	(965)	-	(21 164)
Net book value as at 30 June 2011	149 156	182 582	3 106	40 407	375 251
Balance as at 30 June 2011					
Cost	189 421	337 461	18 015	40 407	585 304
Accumulated depreciation	(37 633)	(152 193)	(14 908)	-	(204 734)
Impairment loss recognised	(2 632)	(2 686)	(1)	-	(5 319)
Net book value as at 30 June 2011	149 156	182 582	3 106	40 407	375 251

Comparative information for 2010:

	Land and buildings	Machinery and equipment	Other	Assets under construction	Total
Balance as at 1 January 2010					
Cost	159 522	350 938	55 604	33 060	599 124
Accumulated depreciation	(51 738)	(128 223)	(52 201)	-	(232 162)
Impairment loss recognised	(5 431)	(4 079)	(5)	-	(9 515)
Net book value as at 1 January 2010	102 353	218 636	3 398	33 060	357 447
Exchange differences	(3 936)	(7 101)	(73)	(1 718)	(12 828)
Additions	59 171	44 195	569	18 664	122 599
Acquisition of subsidiaries (see Note 30)	2 247	1 496	-	-	3 743
Transfers	216	4 841	3	(5 060)	-
Disposals	(1 206)	(1 273)	(20)	(1 553)	(4 052)
Disposals of subsidiaries	(22 838)	(49 035)	(17)	(14 780)	(86 670)
Impairment reversal	2 653	329	5	-	2 987
Depreciation	(4 329)	(38 413)	(1 098)	-	(43 840)
Net book value as at 31 December 2010	134 331	173 675	2 767	28 613	339 386
Balance as at 31 December 2010					
Cost	169 227	301 624	15 836	28 613	515 300
Accumulated depreciation	(32 372)	(125 388)	(13 068)	-	(170 828)
Impairment loss recognised	(2 524)	(2 561)	(1)	-	(5 086)
Net book value as at 31 December 2010	134 331	173 675	2 767	28 613	339 386

As at 30 June 2011 bank borrowings are secured with property, plant and equipment with a carrying value of US\$ 35 233 (31 December 2010: US\$ 5 421) (Note 17).

Land and buildings include 120 plots of land in Bolevec (Czech Republic) with a total area of 334 719 square meters, 8 plots in Plzen (Czech Republic) with a total area of 31 746 square meters and 28 plots in Kolpino (Russia) with a total area of 712 266 square meters.

The amount of borrowing costs capitalized during six months, ended 30 June 2011 is US\$ 779 (2010: US\$ 398) using the capitalization rate of 12% (2010: 12%).

During the year ended 31 December 2010, the Group performed a review of property, plant and equipment and reversed impairment of US\$ 2 987, charged in 2009 on fixed assets mothballed. In 2010 these fixed assets were put into operation.

13. Intangible Assets

The carrying value of intangible assets as at 30 June 2011 and at 31 December 2010 was as follows:

	Trademark	Other intangible assets	Total
Balance as at 1 January 2011			
Cost	16 413	32 825	49 238
Accumulated amortization	(3 590)	(13 137)	(16 727)
Net book value as at 1 January 2011	12 823	19 688	32 511
Additions	-	2 026	2 026
Disposals	-	(99)	(99)
Amortisation	(303)	(2 445)	(2 748)
Exchange differences	1 658	1 994	3 652
Closing net book value	14 178	21 164	35 342
Balance as at 30 June 2011			
Cost	18 544	38 225	56 769
Accumulated amortisation	(4 366)	(17 061)	(21 427)
Net book value as at 30 June 2011	14 178	21 164	35 342

Comparative information for 2010

	Goodwill	Trademark	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	-	-	2 834	2 834
Acquisition of subsidiary (see Note 30)	936	-	27	963
Disposals	-	-	(65)	(65)
Disposal of subsidiaries	-	(6 809)	(5 069)	(11 878)
Amortisation	-	(749)	(3 995)	(4 744)
Impairment	(936)	-	-	(936)
Exchange differences	-	(1 165)	(925)	(2 090)
Closing net book value	-	12 823	19 688	32 511
Balance as at 31 December 2010				
Cost	-	16 413	32 825	49 238
Accumulated amortisation	-	(3 590)	(13 137)	(16 727)
Net book value as at 31 December 2010	-	12 823	19 688	32 511

Trade marks 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.

In 2010, certain trade marks were disposed of in the sale of Pilsen Steel s.r.o. (Note 30).

During 2010 year the Group obtained control over LLC «Izhorskiye svarochnyie materially» (Note 30) which resulted in goodwill of US\$ 936 which was fully impaired as at the balance sheet date as management believes that company will not generate any cash to support the amount of goodwill.

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

(in thousands of US dollars unless otherwise stated)

14. Other Non-Current Financial Assets

	30 June 2011	31 December 2010
Long-term loans issued	-	59 894
Available-for-sale investments stated at cost	37 918	34 785
Non-current accounts receivable	-	4 815
Restricted cash	-	6 715
Other accounts receivable	4 937	-
Total other non-current financial assets	42 855	106 209

Available-for-sale investments stated at cost

Entity	Country of Incorporation	30 June 2011		31 December 2010	
			% of share capital		% of share capital
CJSC "Atomstroyexport" ²	Russian Federation	33 847	3,25	31 181	3,25
CJSC "Sezam"	Russian Federation	9	22	9	22
UJV Rez a.s.	Europe	2 702	17	2 391	17
Other	Russian Federation	1 360	-	1 204	-
		37 918		34 785	

Available for sale investments stated at cost as at 31 December 2010 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 condensed consolidated interim 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 30 June 2011 and as at 31 December 2010.

15. Other Non-Current Assets

	30 June 2011	31 December 2010
Advances issued	16 304	17 113
Other non-current assets	2 234	2 017
Total Other Non-Current Assets	18 538	19 130

16. Trade and Other Accounts Payable

	30 June 2011	31 December 2010
Trade payables	97 168	111 188
Billings in excess of cost and recognized income	87 566	104 026
Derivatives	15	210
Other payables and accrued expenses	5 027	7 165
Total financial liabilities	189 776	222 589
Payroll accounts payable	12 770	14 666
Provision for unused vacation	7 987	5 578
VAT payable	29 062	34 337
Advances received	257 254	248 045
Other taxes payable	7 169	7 277
Total trade and other accounts payable	504 018	532 492

As at 30 June 2011 accounts payable were primarily denominated in RR except for US\$ 7 802 denominated in US\$, US\$ 52 543 denominated in CZK, US\$ 79 659 denominated in EUR and US\$ 1 497 denominated in other currencies (31 December 2010: US 3 120 denominated in US\$, US\$ 69 833 denominated in CZK, US\$ 101 679 denominated in EUR and US\$ 210 denominated in other currencies).

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

	30 June 2011	31 December 2010
EUR denominated fixed rate	1 217	1 019
EUR denominated floating rate	555	-
CZK denominated floating rate	9	-
RR denominated fixed rate	221 001	200 997
RR denominated floating rate	94 430	65 425
	317 212	267 441
Short-term finance lease liabilities	5	743
Non-convertible bonds	2 193	-
Total short-term borrowings	319 410	268 184

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

	30 June 2011	31 December 2010
EUR denominated fixed rate	4,50%	4,50%
EUR denominated floating rate	2,66%	-
CZK denominated floating rate	7,91%	-
RR denominated fixed rate	10,06%	7,5 - 11,5%
RR denominated floating rate	6,68%	10,75 - 15%
Non-convertible bonds	13%	13%

As at 30 June 2011, short-term borrowings totalling US\$ 28 763 (31 December 2010: no) are secured on the property and inventory of the Group as well as shares of one of the Group's subsidiaries (Note 29). The net assets of the subsidiary that secure the loan are US\$ 160 171 (2010: US\$ 170 232). The carrying amount of pledged inventory and property, plant and equipment is disclosed in Notes 10 and 12, respectively.

As at 30 June 2011 non-convertible bonds are recognized in financial statements as a short-term and long-term.

Changes of carrying amount of non-convertible bonds for six months ended 30 June 2011 and 2010 year as follows:

Long-term borrowings

	30 June 2011	31 December 2010
RR denominated fixed rate	29 775	67 577
RR denominated floating rate	32 371	31 216
EUR denominated fixed rate	5 547	59 731
EUR denominated floating rate	5 178	5 738
Long-term finance lease liabilities	-	1 025
Non-convertible bonds	6 159	28 235
Total long-term borrowings	79 030	193 522

Balance at 1 January 2010	102 392
Repayment	(73 700)
Amortization of discount	64
Effect of exchange rate changes	(521)
Balance at 31 December 2010	28 235
Repayment	(21 905)
Transfer short-term parts of non-convertible bonds in the short-term loans and borrowings	(2 193)
Amortization of discount	34
Effect of exchange rate changes	1 988
Balance at 30 June 2011	6 159

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

	30 June 2011		31 December 2010	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Non-convertible bonds	6 159	6 159	28 235	28 235
Long-term finance lease liabilities	-	-	1 025	1 025
Long-term borrowings	72 871	72 871	164 262	164 262

17. Borrowings (Continued)

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

	30 June 2011	31 December 2010
RR denominated fixed rate	11,77%	9,85 - 12,00%
RR denominated floating rate	6,81%	10,00 - 12,00%
EUR denominated fixed rate	5,86%	10,85%
EUR denominated floating rate	5,92%	2,00 – 8,00 %
Long-term finance lease liabilities	-	26,00%
Non-convertible bonds	13,00%	13,00%

As at 30 June 2011 long-term borrowings totalling US\$ 8 973 (31 December 2010: US\$ 10 151) are secured on the property and inventory of the Group. The carrying amount of pledged inventory, property, plant and equipment is disclosed in Notes 10 and 12, respectively.

In 2010 the Group repurchased 19,89% of the shares in its subsidiary OJSC Izhorskiye Zavody for US\$ 5 712 under a contract with a related party which was concluded in 2009 and specified that shares should be re-purchased within one year.

This transaction has been accounted in 2009 as a secured financing transaction in the consolidated financial statements with the shares pledged under sale and repurchase agreements accounted for as investments in subsidiaries and a liability recognised for the fair value of the proceeds received. The difference between the fair value of the proceeds received and the repurchase price represents interest expense and is recognised in the consolidated income statement over the terms of the repurchase agreement using the effective interest method.

17. Borrowings (Continued)

As at 30 June 2011 long-term loans had the following maturity profile:

	2013	2014 and after	Total
RR denominated fixed rate	-	29 775	29 775
RR denominated floating rate	29 200	3 171	32 371
EUR denominated fixed rate	-	5 547	5 547
EUR denominated floating rate	-	5 178	5 178
	29 200	43 671	72 871
Non-convertible bonds	6 159	-	6 159

As at 31 December 2010 long-term loans had the following maturity profile:

	2012	2013 and after	Total
RR denominated fixed rate	-	67 576	67 576
RR denominated floating rate	21 065	10 151	31 216
EUR denominated fixed rate	-	59 731	59 731
EUR denominated floating rate	-	5 738	5 738
	21 065	143 196	164 261
Long-term finance lease liabilities	-	1 025	1 025
Non-convertible bonds	28 235	-	28 235

During 2010 the Group settled finance lease liabilities for total consideration US\$ 87 758.

Finance lease liabilities are payable as follows:

18. Other Long-Term Liabilities

	30 June 2011	31 December 2010
Trade payables, long-term	4 432	3 983
Billings in excess of cost and recognized income - non-current portion	21 306	-
Other long-term liabilities	2	1 629
	25 740	5 612

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 2010	2 750	35 480	(2 720)	(4 551)	27	357	(23 266)	(17 566)
Currency translation	-	-	-	-	-	(2)	178	134
As at 31 December 2010	2 750	35 480	(2 720)	(4 551)	27	355	(23 088)	(17 432)
Currency translation	-	-	-	-	2	30	(1 975)	(1 491)
As at 30 June 2011	2 750	35 480	(2 720)	(4 551)	29	385	(25 063)	(18 923)

Share capital

As at 30 June 2011 the authorized number of ordinary and preference shares totalled 70 700 thousand and 2 750 thousand (31 December 2010: 70 700 thousand and 2 750 thousand), respectively, both with a nominal value per share of RR 0,1.

As at 30 June 2011 the issued number of ordinary and preference shares totalled 35 480 thousand and 2 750 thousand (31 December 2010: 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 for six months ended 30 June 2011 amounts to US\$ 9 778 (31 December 2010: US\$ 7 048).

20. Cost of Sales

	Six months ended 30 June 2011	Six months ended 30 June 2010
Changes in inventories of finished goods and work in progress	(18 141)	(29 772)
Materials and components used	155 630	123 483
Labour costs	74 029	53 627
Services, including sub-contracting costs	95 912	19 056
Gas and fuel	35 557	21 452
Depreciation	19 836	16 832
Amortisation of intangible assets	1 877	1 002
Change in provision for obsolete inventory	(1 575)	(18 163)
Other	13 084	35 241
Total cost of sales	376 209	222 758

(in thousands of US dollars unless otherwise stated)

21. Selling Expenses

	Six months ended 30 June 2011	Six months ended 30 June 2010
Transportation	3 844	1 835
Services	3 529	3 155
Labour costs	5 274	5 509
Other	1 459	973
Total selling expenses	14 106	11 472

22. General and Administrative Expenses

	Six months ended 30 June 2011	Six months ended 30 June 2010
Labour costs	28 032	19 191
Services	11 807	9 225
Taxes	2 911	1 652
Depreciation	1 282	1 133
Amortisation of intangibles	869	997
Administration overheads	3 398	1 696
Total general and administrative expenses	48 299	33 894

23. Other Operating Income and Expense**Other Operating Income**

	Six months ended 30 June 2011	Six months ended 30 June 2010
Gain on disposal of property, plant and equipment	478	2 995
Gain from operating leasing	716	841
Gain on disposal of other assets	135	-
Gain on derecognition of financial liability	33	64
Gain impairment reversal	198	1 928
Gain on sales of inventory	3 699	22
Other income	4	3 634
Total other operating income	5 263	9 484

Other Operating Expense

	Six months ended 30 June 2011	Six months ended 30 June 2010
Rent	(1 748)	(1 732)
Loss on disposal of other assets	-	(2 729)
Fines and penalties under agreements	(400)	(435)
Gain from disposal of securities	-	(151)
Change in provision for doubtful accounts receivable and loans issued	(2 076)	(4 056)
Other losses	(3 262)	(3 582)
Total other operating expenses	(7 486)	(12 685)

24. Finance Income and Expense

	Six months ended 30 June 2011	Six months ended 30 June 2010
Interest income on loans issued	3 670	4 000
Net foreign exchange gain	-	4 679
Finance income	3 670	8 679
Interest expense on financial liabilities measured at amortised cost	(23 430)	(33 097)
Net foreign exchange loss	(1 215)	-
Finance expense	(24 645)	(33 097)
Net finance expense recognised in statement of comprehensive income	(20 975)	(24 418)

24. Finance Income and Expense (Continued)

Finance expenses, recognized directly in other comprehensive income

	Six months ended 30 June 2011	Six months ended 30 June 2010
Effective portion of gains or losses on hedging instruments used in cash flow hedges, net of tax	736	2 916
Foreign currency translation differences for foreign operations	39 460	(29 326)
Income tax on income and expense recognised directly in other comprehensive income	(128)	(560)
Finance income/(expenses) recognised directly in other comprehensive income, net of tax	40 068	(26 970)
Attributable to:		
Shareholders of the Company	31 624	(25 318)
Non-controlling interest	8 444	(1 652)
Finance income/(expenses) recognised directly in other comprehensive income, net of tax	40 068	(26 970)

25. Income Tax

	Six months ended 30 June 2011	Six months ended 30 June 2010
Income tax expense – current	(7 350)	(3 670)
Deferred tax income – origination and reversal of temporary differences	(2 338)	749
Income tax benefit	(9 688)	(2 921)

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

	Six months ended 30 June 2011	Six months ended 30 June 2010
Loss before taxation from continuing operations	2 974	(13 224)
Theoretical tax charge at statutory rate of 20%	595	2 645
Effect of different tax rates in other countries	6 429	809
Non-taxable and non-deductible items	2 664	(532)
Income tax benefit	9 688	2 921

The statutory income tax rate for companies of the Group registered in Russian Federation for the six months ended 30 June 2011 and 2010 years was 20%.

25. Income Tax (Continued)

The statutory income tax rate for subsidiaries of the Group registered in Czech Republic for six months ended 30 June 2011 and 2010 years and 19%.

	31 December 2010	Differences recognition and reversal	Exchange difference	Deferred tax recognised on other comprehensive income	Six months ended 30 June 2011
Tax effects of deductible temporary differences:					
Property, plant and equipment	644	(468)	64	-	240
Intangible assets	200	478	192	-	870
Accounts payable and accruals	9 678	(4 232)	640	-	6 086
Inventories	7 981	7 479	383	-	15 843
Provision for inventory	3 394	(664)	223	-	2 953
Accounts receivable	10 276	(1 995)	1 003	-	9 284
Provision for impairment of receivables	777	382	74	-	1 233
Tax loss carried forward	14 477	(9 925)	1 044	-	5 596
Other	4 084	(910)	623	-	3 797
Total deferred tax assets	51 511	(9 855)	4 246	-	45 902
Set off of tax	(27 468)			-	(21 218)
Net deferred tax assets	24 043				24 687
Tax effects of taxable temporary differences:					
Property, plant and equipment	(15 022)	(3 018)	(1 683)	-	(19 723)
Intangible assets	-	(216)	13	-	(203)
Inventories	(7 006)	4 766	(506)	-	(2 746)
Accounts receivable	(7 543)	789	(455)	-	(7 209)
Provision for impairment of receivables	(5 913)	5 242	(408)	-	(1 079)
Provision for repairs	-	(169)	9	-	(160)
Accounts payable	(337)	220	(25)	-	(142)
Accounts receivable recognized using percentage of completion method	-	(50)	(211)	-	(261)
Other	(1 211)	(47)	(145)	(128)	(1 531)
Total deferred tax liabilities	(37 032)	7 517	411	(128)	(33 054)
Set off of tax	27 468	-	-	-	21 215
Net deferred tax liabilities	(9 564)				(11 839)

25. Income Tax (Continued)

Comparative information for year 2010:

	31 December 2009	Acquisition of subsidiaries	Disposal of subsidiaries	Differences recognition and reversal	Exchange difference	Deferred tax recognised on other comprehensive income	31 December 2010
Tax effects of deductible temporary differences:							
Property, plant and equipment	3 475	-	(1 438)	(1 211)	(182)	-	644
Intangible assets	-	-	-	201	(1)	-	200
Accounts payable and accruals	4 469	-	-	5 262	(53)	-	9 678
Inventories	12 728	-	-	(4 666)	(81)	-	7 981
Provision for inventory	10 844	-	(1 953)	(5 129)	(368)	-	3 394
Accounts receivable	3 646	-	(34)	6 735	(71)	-	10 276
Provision for impairment of receivables	2 391	20	-	(1 610)	(24)	-	777
Tax loss carried forward	6 603	-	(23)	7 976	(79)	-	14 477
Other	4 051	2	(123)	282	(128)	-	4 084
Total deferred tax assets	48 207	22	(3 571)	7 840	(987)	-	51 511
Set off of tax	(28 015)	-	-	-	-	-	(27 468)
Net deferred tax assets	20 192						24 043
Tax effects of taxable temporary differences:							
Property, plant and equipment	(10 848)	(479)	2 298	(6 443)	450	-	(15 022)
Intangible assets	(2 554)	(5)	2 204	105	250	-	-
Inventories	(7 376)	(13)	-	220	163	-	(7 006)
Accounts receivable	(15 548)	-	-	7 840	165	-	(7 543)
Provision for impairment of receivables	(6 582)	-	-	619	50	-	(5 913)
Provision for repairs	(6 392)	-	5 809	(42)	625	-	-
Accounts payable	(269)	-	22	(108)	18	-	(337)
Other	(5 103)	-	2	4 282	224	(616)	(1 211)
Total deferred tax liabilities	(54 672)	(497)	10 335	6 473	1 945	(616)	(37 032)
Set off of tax	28 015	-	-	-	-	-	27 468
Net deferred tax liabilities	(26 657)						(9 564)

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 2011 the Group has not recognized a deferred tax liability in respect of US\$ 27 607 (31 December 2010: US\$ 32 431) 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 loss-making contracts	Provision for warranties	Provision for legal claims	Provision for penalty	Other provisions	Total
As at 1 January 2011	23 031	5 952	75	15 792	590	45 440
(Used)/ charge	18 276	4 590	803	(1 187)	2 046	24 528
Set off with assets	(15 450)	-	-	-	-	(15 450)
Exchange differences	2 031	691	22	1 327	(240)	3 831
As at 30 June 2011	27 888	11 233	899	15 932	2 397	58 349
Less amount included in other long-term liabilities	-	(2 879)	-	-	-	(2 879)
As at 30 June 2011	27 888	8 354	899	15 932	2 397	55 470

Comparative information for year 2010:

	Provision for loss-making contracts	Provision for warranties	Provision for legal claims	Provision for penalty	Other provisions	Total
As at 1 January 2010	-	12 275	1 164	3 677	600	17 716
(Used)/ charge	23 113	(1 061)	74	12 184	16	34 326
Disposal of subsidiaries	-	(4 700)	(1 050)	-	-	(5 750)
Exchange differences	(82)	(562)	(113)	(69)	(26)	(852)
As at 31 December 2010	23 031	5 952	75	15 792	590	45 440
Less amount included in other long-term liabilities	-	(2 270)	-	-	-	(2 270)
As at 31 December 2010	23 031	3 682	75	15 792	590	43 170

Provision for loss-making contracts

Provisions for expected losses on loss-making contracts are recognised when the expected revenues are lower than the expected costs to complete. At the end of the six month ended 30 June 2011 there is provision for loss-making provision of US\$ 27 888.

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\$ 11 233 (2010: US\$ 5 952) has been recognised as at 30 June 2011 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 30 June 2011 is US\$ 899 (2010: 75 US\$).

Provision for penalty

The amounts shown comprise gross provisions in respect of penalties in connection with the late delivery of projects to customers. The balance as at 30 June 2011 is 15 932 US\$ (2010: 15 792 US\$).

27. Contingencies, Commitments and Operating Risks

Capital commitments

As at 30 June 2011 the Group had contractual commitments for the purchase of property, plant and equipment from third parties for US\$ 116 234 (31 December 2010: US\$ 115 050).

Taxation

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these condensed interim consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Insurance policies

The Group insures all significant property and work-in-progress and shipments in relation to significant contracts. As at 31 December 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 .

Guarantees

The group has given guarantees under the credits given to the third parties, related parties and the immediate parent company . The total amount of guarantees is US\$ 60 415 (31 December 2010: US\$ 29 120).

The Group's borrowings were secured by third party guarantees and by intermediate parent company in the amount of US\$ 48 134 (31 December 2010: US\$ 85 753).

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 19).

Earnings per share from continuing operations are calculated as follows:

28. Earnings per Share (Continued)

Basic earnings per share

	Six months ended 30 June 2011	Six months ended 30 June 2010
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
Loss from continuing operations attributable to the ordinary equity holders of the parent entity	6 290	(15 778)
Loss per share from continuing operations	0,2034	(0,5101)
Profit/(loss) from discontinued operations attributable to the ordinary equity holders of the parent entity	-	(12 112)
Profit/(loss) per share from discontinued operations	-	(0,3916)
Profit/(loss) for the year attributable to the Group's equity holders	6 290	(27 890)
Basic gain/(loss) per share	0,2034	(0,9017)

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 2011 % of share capital	31 December 2010 % of share capital
OJSC Izhorskiye Zavody ("Izhorskiye Zavody") ¹	Russia	Production of equipment for nuclear power plants and mining equipment	59,9	80,1
OMZ SpecStal ("SpecStal") LLC	Russia	Production of specialty steels	50,4	100
OMZ Gornoe oborudovanie i tehnologii ("GoiT") LLC» ^{2,3}	Russia	Engineering and sales of mining equipment	66,3	100
CJSC Komplekt-Atom-Izhora	Russia	Engineering and installation of nuclear power plant equipment	100	100
IZ-Kartex LLC (P.G. Korobkova) ^{2,3}	Russia	Production of mining equipment	66,3	80,1
OMZ LLC ²	Russia	Corporate services	100	100
OJSC Izhorskaya energeticheskaya company ²	Russia	Production of steel constructions	59,9	80,1
OMZ LP LLC	Russia	Production of steel mouldings	50,4	84,2
ŠKODA JS a.s.	Czech Republic	Production of equipment for nuclear power plants	100	100
LLC Izhorskiye svarochnyie materialy	Russia	Production of drilling, mining and metallurgical equipment	59,9	59,9

¹ 40% of the Groups' shares in Izhorskiye Zavody are pledged as collateral under long-term bank loan denominated in RR (note 17).

² The percentage 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 The Group's ownership interest disclosed above has been changed as a result of entering investment into OMZ Gornoe oborudovanie i tehnologii ("GoiT") LLC» as a contribution to the charter capital of the IZ-Kartex LLC (P.G. Korobkova)

30. Business Combinations and Disposals

IZ-Kartex LLC (P.G. Korobkova)

During April 2011, the Group's ownership interest in IZ-Kartex LLC (P.G. Korobkova) has been increased from 59,9% to 66,32% as a consequence of entering investments into OMZ Gornoe oborudovanie i tehnologii ("GoiT") LLC» as a contribution to the charter capital. The carrying amount of IZ-Kartex LLC (P.G. Korobkova)'s net assets on the date of the transaction was US\$ 30 971. As a result of this transaction, non-controlling interests decreased by US\$ 1 988 and the Group recognised profit from transaction of US\$ 1 988 in retained earnings.

OMZ Gornoe oborudovanie i tehnologii ("GoiT") LLC»

During April 2011, the Group's ownership interest in OMZ Gornoe oborudovanie i tehnologii ("GoiT") LLC» was diluted from 100% to 66,32% as a consequence of entering investments into OMZ Gornoe oborudovanie i tehnologii ("GoiT") LLC» as a contribution to the charter capital of the IZ-Kartex LLC (P.G. Korobkova). The carrying amount of OMZ Gornoe oborudovanie i tehnologii ("GoiT") LLC»'s net assets on the date of the transaction was US\$ 1 943. As a result of this transaction, non-controlling interests increased by US\$ 656 and the Group recognised loss from transaction of US\$ 656 in retained earnings.

Acquisition of subsidiaries in 2010

On 12 April 2010 the Group obtained control of "LLC Izhorskiye svarochnyie materially", which is engaged in the manufacture of products including wire (electrodes for welding) and pottery (gumboils), by acquiring the remaining 81% that it did not previously own from an entity under common control.

From the date of acquisition to 31 December 2010 "LLC Izhorskiye svarochnyie materially" contributed revenue of US\$ 2 582 and incurred loss of US\$ 128.

If the acquisition had occurred on 1 January 2010, management estimates that consolidated revenue would have been US\$ 746 720, and consolidated loss for the year would have been US\$ (2 262). In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2010.

The following summarizes the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	Recognised fair value on acquisition
Cash and cash equivalents	3
Trade and other receivables	548
Advances to suppliers	48
Income tax receivable	7
Inventories	772
Property, plant and equipment	3 743
Intangible assets	27
Deferred tax assets	22
Trade and other payables	(786)
Short-term borrowings	(759)
Deferred tax liabilities	(497)
Net identifiable assets, liabilities and contingent liabilities	3 128
Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of the acquire	232
Fair value of the subsidiary net assets acquired	3 360
Goodwill	936
Total acquisition	4 296
Less: acquisition cost of the acquired entity prior to obtaining control	(850)
Less: cash and cash equivalents held by the acquired subsidiary	(3)
Foreign exchange	193
Outflow cash and cash equivalents at acquisition	3 636

Disposal of subsidiaries in 2010

On 27th July 2010 the Group disposed of its investment in Pilsen Steel s.r.o.

The Group loss for the year includes the operating loss from Pilsen Steel s.r.o through to the date of disposal of US\$ 13 303 and the gain on disposal of US\$ 53 172.

30. Business Combinations and Disposals (Continued)

Disposals has influenced on the Group's assets and liabilities on the date of disposal as follows:

	Book value at the date of disposal
Cash and cash equivalents	950
Trade and other receivables	29 120
Advances to suppliers	1 986
Income tax receivable	1 157
Inventories	57 325
Property, plant and equipment	77 502
Intangible assets	11 878
Trade and other payables	(53 577)
Short-term borrowings	(13 541)
Deferred tax liabilities	(8 281)
Other long-term liabilities	(383)
Net identifiable assets and liabilities	104 136
Gain on disposal of disposal group constituting the discontinued operation	53 172
Currency translation reserve	(27 085)
Cost to sell of subsidiary	1 878
Foreign exchange	370
Total compensation for the assets disposed of	132 471
Less: Compensation received in the form of the promissory note	(14 097)
Less: cash and cash equivalents held by the subsidiary disposed of	(950)
Proceeds from disposal	117 424

The Group recognized a gain of US\$ 53 172 on the disposal of the subsidiary in the consolidated statement of comprehensive income as a gain on disposal of discontinued operation.

The table below presents the analysis of results in respect of discontinued operations:

	Year ended 31 December 2010	Year ended 31 December 2009
Revenue	75 429	213 696
Other income/expenses	(88 024)	(195 177)
Profit/(loss) before income tax	(12 595)	18 519
Income tax expense	(708)	(784)
Profit/loss from discontinued operation	(13 303)	17 735

Pilsen Estate s.r.o.

On 27th July 2010 the Group disposed of its investment in Pilsen Estate s.r.o.

The Group loss for the year includes the operating profit from Pilsen Estate s.r.o through to the date of disposal of US\$ 1 299 and the gain on disposal of US\$ 8 475.

The disposal of the subsidiary had the following effect on the Group's assets and liabilities at the date of disposal:

	Book value at the date of disposal
Cash and cash equivalents	137
Trade and other receivables	3 571
Income tax receivable	189
Other current financial assets	1 459
Property, plant and equipment	9 168
Deferred tax assets	1 439
Trade and other payables	(93)
Net identifiable assets and liabilities	15 870
Gain on disposal of disposal group constituting the discontinued operation	8 475
Currency translation reserve	(440)
Foreign exchange	28
Total compensation for the assets disposed of	23 933
Less: cash and cash equivalents held by the subsidiary disposed of	(137)
Proceeds from disposal	23 796

The Group recognized a gain of US\$ 8 475 on the disposal of the subsidiary in the consolidated statement of comprehensive income as a gain on disposal of discontinued operation.

30. Business Combinations and Disposals (Continued)

The table below presents the analysis of results and information in respect of discontinued operations:

	Year ended 31 December 2010	Year ended 31 December 2009
Other income/expenses	1 025	(3 706)
Profit/(loss) before income tax	1 025	(3 706)
Income tax	274	1 348
Profit/(loss) from discontinued operation	1 299	(2 358)

Disposals of non-controlling interests

OJSC Izhorskiye Zavody

During September 2010, the Group's ownership interest in OJSC Izhorskiye Zavody was diluted from 80,1 % to 59,9% as a consequence of the subsidiary issuing 560,000 additional ordinary shares directly to the Group's immediate parent company. These shares were issued in exchange for cash of US\$ 59 015. The carrying amount of OJSC Izhorskiye Zavody's net assets, including the cash received from the share issue, on the date of the transaction was US\$ 133 829. As a result of this transaction, non-controlling interests increased by US\$ 38 677 and the Group recognised the surplus between the cash received and the change in non-controlling interests of US\$ 20 195 directly in equity as an increase in retained earnings.

OMZ SpecStal LLC

During August 2010, the Group's ownership interest in OMZ SpecStal LLC was diluted from 100 % to 50,4% as a consequence of the subsidiary allocating a charter capital increase directly to the Group's intermediate parent company in exchange for cash. This allocation of capital was in exchange for cash consideration of US\$ 93 592. The carrying amount of OMZ SpecStal LLC's, including the cash received from the capital increase, on the date of the transaction was US\$ 191 160. As a result of the transaction, non-controlling interests increased by US\$ 94 888 and the Group recognised the deficit between the cash received and the change in non-controlling interests of US\$ 2 687 directly equity as a decrease in retained earnings.

31. Fair Value of Financial Instruments

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

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

Financial instruments carried at fair value. Trading and available-for-sale investments and financial derivatives, including those classified as non-current assets held for sale (or disposal groups) are carried on the consolidated 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 14).

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 other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

32. 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 2011:

	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	37 846	-	-	-	37 846
Cash equivalents	19	-	-	-	19
Trade and other receivables (Note 9)					
Trade receivables	75 835	-	-	-	75 835
Accounts due from customers for contract work	138 148	-	-	-	138 148
Forward foreign exchange contracts – cash flow hedges		-	-	2 084	2 084
Other receivables	12 998	-	-	-	12 998
Other current financial assets (Note 11)					
Short-term loans issued	149 130	-	-	-	149 130
Available-for-sale investments	12 378	-	-	-	12 378
Restricted cash	120	-	-	-	120
Promissory notes	31 166	-	-	-	31 166
Other	94	-	-	-	94
Other non-current financial assets (Note 14)					
Long-term loans issue	-	-	-	-	-
Available-for-sale investments	-	37 918	-	-	37 918
Non-current accounts receivables	4 935	-	-	-	4 935
Total financial assets	462 670	37 918	-	2 084	502 672
Non-financial assets					934 819
Total assets	462 670	37 918	-	2 084	1 437 491

* 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\$ 15 and included in trade and other accounts payable.

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

Comparative information for 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	151 153	-	-	-	151 153
Cash equivalents	24 904	-	-	-	24 904
Trade and other receivables (Note 9)					
Trade receivables	90 862	-	-	-	90 862
Accounts due from customers for contract work	101 843	-	-	-	101 843
Forward foreign exchange contracts – cash flow hedges	-	-	-	926	926
Other receivables	28 311	-	-	-	28 311
Other current financial assets (Note 11)					
Short-term loans issued	113 262	-	-	-	113 262
Available-for-sale investments	28 710	-	-	-	28 710
Restricted cash	606	-	-	-	606
Promissory notes	111	-	-	-	111
Other	510	-	-	-	510
Other non-current financial assets (Note 14)					
Long-term loans issue	59 894	-	-	-	59 894
Available-for-sale investments	-	34 785	-	-	34 785
Non-current accounts receivables	4 815	-	-	-	4 815
Total financial assets	604 981	34 785	-	926	640 692
Non-financial assets	-	-	-	-	820 184
Total assets	604 891	34 785	-	926	1 460 876

* 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\$ 210 and included in trade and other accounts payable.