ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО «ГРУППА ГМС»

HMS Group OJSC

International Accounting Standard No. 34
Consolidated Condensed Interim Financial Information

30 June 2009

Contents

CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

Notes to the Consolidated Condensed Interim Financial Information

HMS Group OJSC

Consolidated Condensed Interim Balance Sheet as at 30June 2009 and 31 December 2008

(in thousands of Russian Roubles, unless otherwise stated)

ГМС ГРУППА

	Note	30 June 2009	31 December 2008
ASSETS			
Non-current assets:			
Property, plant and equipment	5	3,998,956	3,928,373
Other intangible assets	6	62,097	53,439
Goodwill	7	423,400	306,682
Investments in associates	9	516,534	449,848
Deferred income tax assets		41,801	41,000
Other long-term receivables		-	17,285
Other non-current assets		18,634	-
Total non-current assets		**5,061,422**	**4,796,627**
Current assets:			
Inventories	11	2,457,905	2,432,504
Trade and other receivables	12	3,715,329	3,076,888
Current income tax receivable		50,866	46,516
Prepaid expenses		32,975	26,422
Cash and cash equivalents	10	803,744	669,482
Restricted cash	10	743	620
Total current assets		**7,061,562**	**6,252,432**
TOTAL ASSETS		**12,122,984**	**11,049,059**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	591,180	591,180
Currency translation reserve		(115,098)	(122,942)
Retained earnings		1,685,111	1,657,812
Other reserves		(46,908)	(26,834)
Equity attributable to the Company's equity holders		**2,114,285**	**2,099,216**
Minority interest		**815,687**	663,197
TOTAL EQUITY		**2,929,972**	**2,762,413**
LIABILITIES			
Non-current liabilities:			
Long-term borrowings	13	1,821,481	787
Finance lease liability	14	14,677	21,767
Deferred income tax liability		281,617	240,670
Pension liability	15	164,686	120,898
Other provisions for liabilities and charges		30,592	27,111
Total non-current liabilities		**2,313,053**	**411,233**
Current liabilities:			
Trade and other payable		3,772,828	3,413,961
Short-term borrowings	13	2,746,283	4,081,922
Finance lease liability	14	17,690	19,776
Pension liability	15	10,599	17,242
Current income tax payable		65,718	22,418
Other taxes payable		266,841	320,094
Total current liabilities		**6,879,959**	**7,875,413**
TOTAL LIABILITIES		**9,193,012**	**8,286,646**
TOTAL EQUITY AND LIABILITIES		**12,122,984**	**11,049,059**

Approved for issue and signed on behalf of the Board of Directors on 25 September 2009.

K.V. Molchanov
Vice-president
HMS Group OJSC

M.Y. Kuzmenko
Finance Director
HMS Group OJSC

The accompanying notes on pages 5 to 18 are an integral part of these consolidated financial statements.

(in thousands of Russian Roubles, unless otherwise stated)

	Note	Six months ended 30 June 2009	Six months ended 30 June 2008
Revenue	19	6,267,006	7,783,295
Cost of sales	20	(4,567,042)	(5,994,558)
Gross profit		**1,699,964**	**1,788,737**
Distribution and transportation expenses	21	(245,521)	(222,524)
General and administrative expenses	22	(816,008)	(788,039)
Other operating expenses - net	23	(48,400)	(95,890)
Operating profit		**590,035**	**682,284**
Finance income	24	257,442	14,709
Finance costs	25	(490,051)	(180,640)
Share of results of associates	9	24,635	9,542
Profit before income tax		**382,061**	**525,895**
Income tax expense	18	(176,010)	(172,041)
Profit after tax		**206,051**	**353,854**
Other changes in net assets attributable to participants		-	(18,076)
Increase in net assets		-	**335,778**
Net profit		**206,051**	-
Profit/(loss)/increase in net assets attributable to:			
Equity holders/participants of the Company		103,241	202,179
Minority interest		102,810	133,599
Profit/increase in net assets		**206,051**	**335,778**

The accompanying notes on pages 5 to 18 are an integral part of these consolidated financial statements.

(in thousands of Russian Roubles, unless otherwise stated)

	Note	Six months ended 30 June 2009	Six months ended 30 June 2008
Cash flows from operating activities			
Profit before income tax		382,061	525,895
Adjustments for:			
Deprecation and amortization	5,6	177,287	159,285
Loss from disposal of property, plant and equipment and intangible assets	23	2,824	25,569
Finance income	24	(254,366)	(13,210)
Finance costs	25	490,051	176,077
Pension expenses	15	36,349	15,339
Provision for warranty	20	3,094	16,400
Provision for impairment of accounts receivable	22	15,754	18,117
Provision for obsolete inventories	20	6,892	14,430
Foreign exchange translation differences		3,076	4,563
Provisions for legal claims	22	(3,382)	-
Share of result of associates	9	(24,635)	(9,542)
Operating cash flows before working capital changes		**835,005**	**932,923**
Increase in inventories		64,911	(1,034,518)
Increase in trade and other receivables		(584,597)	(86,789)
(Decrease)/ Increase in taxes payable		(56,814)	18,655
Increase in accounts payable and accrued liabilities		358, 438	758,915
Benefits paid		(4,495)	(3,072)
Restricted cash	10	(123)	(565)
Cash generated from operations		**612,325**	**585,549**
Income tax paid		(120,378)	(203,869)
Interest paid		(434,675)	(176,792)
Net cash from operating activities		**57,272**	**204,888**
Cash flows from investing activities			
Repayment of loans advanced		212,011	25,622
Loans advanced		(221,523)	(179,264)
Receipt of bank deposits		2,999,500	-
Payments of bank deposits		(3,049,400)	-
Proceeds from the sale of property, plant and equipment		257	2,744
Interest received		16,546	1,586
Dividend received		9,385	-
Prepayments for business combinations		(615)	(101,356)
Purchase of property, plant and equipment		(69,276)	(195,014)
Acquisition of associates		(122,756)	(50,605)
Change in nett assets of associates		(20,074)	-
Acquisitions of subsidiaries, net of cash acquired		(239,806)	(9,690)
Acquisition of intangible assets		(7,067)	(3,785)
Net cash used in investing activities		**(492,818)**	**(509,762)**
Cash flows from financing activities			
Repayment of borrowings		(2,256,318)	(4,258,694)
Proceeds from borrowings		2,904,739	4,556,985
Payment for finance lease		(9,177)	(11,788)
Capital contribution		-	23,548
Acquisition of non-controlling interest in subsidiaries	8	(65,784)	-
Dividend paid to minority holders of subsidiaries		(3,652)	-
Net cash from financing activities		**569,808**	**310,049**
Net increase in cash and cash equivalents		**134,262**	**5,175**
Cash and cash equivalents at the beginning of the period, net of restricted cash of RR 620/890	10	**669,482**	**377,203**
Cash and cash equivalents at the end of the period, net of restricted cash of RR 743/1,455	10	**803,744**	**382,378**

(in thousands of Russian Roubles, unless otherwise stated)

		Capital and reserves attributable to the equity holders of the Company					
	Note	Share capital	Other reserves	Cumulative currency translation reserve	Retained Earnings	Minority interest	Total Equity
Balance as at 1 January 2008		-	-	-	-	**567,953**	**567,953**
Reclassification from net assets attributable to participants liability		591,180	(63,869)	(30,362)	1,708,509	-	**2,205,458**
Change in cumulative currency translation reserve		-	-	(92,580)	-	(13,574)	**(106,154)**
Revaluation gain		-	37,035	-	-	-	**37,035**
Net loss recognized directly in equity		-	37,035	(92,580)	-	(13,574)	**(69,119)**
Net profit for the period		-	-	-	(2,931)	88,168	**85,237**
Total recognized income		-	37,035	(92,580)	(2,931)	74,594	**16,118**
Distribution to minority holders of the Group's subsidiaries		-	-	-	-	(291,726)	**(291,726)**
Re-distribution of net assets to minority holders of the Group's subsidiaries		-	-	-	(33,726)	235,363	**201,637**
Business combinations		-	-	-	-	117,886	**117,886**
Acquisition of minority interest in the subsidiaries		-	-	-	(14,040)	(40,873)	**(54,913)**
Balance as at 31 December 2008		**591,180**	**(26,834)**	**(122,942)**	**1,657,812**	**663,197**	**2,762,413**
Balance as at 1 January 2009		**591,180**	**(26,834)**	**(122,942)**	**1,657,812**	**663,197**	**2,762,413**
Net profit for the period		-	-	-	103,241	102,810	**206,051**
Change in cumulative currency translation reserve		-	-	7,844	-	(12,826)	**(4,982)**
Revaluation loss		-	(20,074)	-	-	-	**(20,074)**
Business combinations		-	-	-	-	55,999	**55,999**
Re-distribution retained earnings to minority holders of the Group's subsidiaries		-	-	-	(670)	(2,981)	**(3,651)**
Acquisition of minority interest in the subsidiaries	8	-	-	-	(75,272)	9,488	**(65,784)**
Balance as at 30 June 2009		**591,180**	**(46,908)**	**(115,098)**	**1,685,111**	**815,687**	**2,929,972**

The accompanying notes on pages 5 to 18 are an integral part of these consolidated financial statements.

1 The HMS Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the six months period ended 30 June 2009 for Open Joint Stock Company HMS Group (the "Company") and its subsidiaries ("the Group"). The Group's principal business activities are: manufacturing of a wide range of pumps and pumping units, manufacturing and repairing of oil and gas equipment, engineering and construction services mainly for oil and gas companies. These products and services are sold both in the Russian Federation and abroad. The Company is incorporated and domiciled in the Russian Federation. The address of its registered office is 3rd Pryadilnaya St. 6A, 105037 Moscow. The Group's manufacturing facilities are primarily located in Orel, Vladimir, Tomsk and Tumen regions of the Russian Federation, Sumy in Ukraine and Minsk in Belorussia.

2 Basis of Preparation and Summary of Significant Accounting Policies

Basis of preparation. This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with IAS 34, *Interim financial reporting*. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2008.

3 Accounting Policies

Accounting policies. The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2008, as described in those annual consolidated financial statements.

Certain reclassification have been made to prior year balances in the consolidated condensed interim balance sheet, cash flows and notes to conform to the current period presentation.

4 New Accounting Pronouncements

Certain new standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the entity has not early adopted:

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

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

(in thousands of Russian Roubles, unless otherwise stated)

4 New Accounting Pronouncements (continued)

Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not expected to have any impact on the Group's financial statements as the Group does not apply hedge accounting.

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

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Group's financial statements.

Embedded Derivatives – Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 30 June 2009). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for.

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

5 Property, Plant and Equipment

Property, plant and equipment and related accumulated depreciation consist of the following:

	Land	Buildings	Plant and equipment	Transport	Other	Construction in progress	Total
Cost at 1 January 2008	**118,460**	**1,593,816**	**1,170,499**	**142,415**	**153,101**	**175,168**	**3,353,459**
Accumulated depreciation	**-**	**(95,934)**	**(291,181)**	**(46,595)**	**(52,714)**	**-**	**(486,424)**
Carrying amount at 1 January 2008	**118,460**	**1,497,882**	**879,318**	**95,820**	**100,387**	**175,168**	**2,867,035**
Additions through contribution to charter capital (note 14)		371,733	45,928	-	576	21,558	**439,795**
Additions	857	49,507	90,254	10,545	12,393	103,720	**267,276**
Transfers	-	4,632	19,052	1,106	825	(25,615)	**-**
Disposals		(481)	(3,437)	(2,053)	(1,714)	(76,653)	**(84,338)**
Depreciation for the period	-	(27,702)	(86,163)	(13,999)	(12,932)	-	**(140,796)**
Carrying amount at 30 June 2008	**119,317**	**1,895,571**	**944,952**	**91,419**	**99,535**	**198,178**	**3,348,972**
Cost at 30 June 2008	**119,317**	**2,019,099**	**1,317,914**	**147,553**	**162,110**	**198,178**	**3,964,171**
Accumulated depreciation	**-**	**(123,528)**	**(372,962)**	**(56,134)**	**(62,575)**	**-**	**(615,199)**
Carrying amount at 30 June 2008	**119,317**	**1,895,571**	**944,952**	**91,419**	**99,535**	**198,178**	**3,348,972**
Cost at 31 December 2008	**125,158**	**2,263,606**	**1,708,551**	**162,978**	**167,508**	**260,847**	**4,688,648**
Accumulated depreciation	**-**	**(153,191)**	**(462,574)**	**(70,206)**	**(74,304)**	**-**	**(760,275)**
Carrying amount at 1 January 2009	**125,158**	**2,110,415**	**1,245,977**	**92,772**	**93,204**	**260,847**	**3,928,373**
Additions	16,309	122,610	59,731	4,595	25,639	63,278	292,162
Transfers	-	51,573	32,311	-	1,250	(85,134)	-
Disposals	-	(450)	(1,101)	(91)	(1,303)	(41,121)	(44,066)
Depreciation for the period	-	(34,282)	(103,546)	(13,368)	(14,225)	-	(165,421)
Translation to presentation currency	1,659	(12,235)	(2,823)	(13)	417	903	(12,092)

(in thousands of Russian Roubles, unless otherwise stated)

Carrying amount at 30 June 2009	**143,126**	**2,237,631**	**1,230,549**	**83,895**	**104,982**	**198,773**	**3,998,956**
Cost at 30 June 2009	**143,126**	**2,425,065**	**1,796,040**	**166,729**	**193,279**	**198,773**	**4,923,012**
Accumulated depreciation	**-**	**(187,434)**	**(565,491)**	**(82,834)**	**(88,297)**	**-**	**(924,056)**
Carrying amount at 30 June 2009	**143,126**	**2,237,631**	**1,230,549**	**83,895**	**104,982**	**198,773**	**3,998,956**

As at 30 June 2009, the Group's property, plant and equipment for a total of RR 221,556 had been pledged as security for loans (30 June 2008: RR 166,219) (Note 13).

The Group leases plant and equipment under a finance lease arrangements. As at 30 June 2009, the gross book value of the leased equipment was RR 100,357 (30 June 2008: RR 100, 357), accumulated depreciation was RR 28, 338 (30 June 2008: RR 15,274).

Construction-in-progress includes advances for capital expenditures for a total of RR 24,277 as at 30 June 2009 (30 June 2008: RR 46,332).

6 Other Intangible Assets

	Patents	**Licensed technology**	**Acquired software license**	**Customer relationships**	**Trademarks**	**Websites**	**Total**
Cost at 1 January 2008	**7,405**	**9,282**	**13,587**	**52,980**	**-**	**26**	**83,280**
Accumulated amortization and impairment	**(3,598)**	**(3,084)**	**(3,514)**	**(26,490)**	**-**	**(5)**	**(36,691)**
Carrying amount at 1 January 2008	**3,807**	**6,198**	**10,073**	**26,490**	**-**	**21**	**46,589**
Acquisitions through business combinations (Note 7)	-	1	10	4,892	-	-	4,903
Additions	-	2,134	3,608	-	-	-	5,742
Disposals	(83)	(49)	(1,479)	-	-	-	(1,611)
Amortization for the year	(1,922)	(1,394)	(1,313)	(13,857)	-	(3)	(18,489)
Carrying amount at 30 June 2008	**1,802**	**6,890**	**10,899**	**17,525**	**-**	**18**	**37,134**
Cost at 30 June 2008	**4,307**	**10,895**	**15,242**	**57,872**	**-**	**26**	**88,342**
Accumulated amortization and impairment	**(2,505)**	**(4,005)**	**(4,343)**	**(40,347)**	**-**	**(8)**	**(51,208)**
Carrying amount at 30 June 2008	**1,802**	**6,890**	**10,899**	**17,525**	**-**	**18**	**37,134**
Cost at 1 January 2009	**12,576**	**13,097**	**18,429**	**7,595**	**14,528**	**70**	**66,295**
Accumulated amortization and impairment	**(550)**	**(4,610)**	**(4,661)**	**(2,586)**	**(434)**	**(15)**	**(12,856)**
Carrying amount at 1 January 2009	**12,026**	**8, 487**	**13,768**	**5,009**	**14,094**	**55**	**53,439**
Additions	19	5,818	13,201	-	2,215	-	21,253
Disposals	-	(462)	(562)	-	-	-	(1,024)
Amortization for the period	(1,837)	(1,966)	(3,286)	(3,250)	(1,512)	(15)	(11,866)
Translation to presentation currency	(629)	(2)	(19)	106	838	1	295
Carrying amount at 30 June 2009	**9,579**	**11, 875**	**23,102**	**1,865**	**15,635**	**41**	**62,097**

(in thousands of Russian Roubles, unless otherwise stated)

Cost at 30 June 2009	**11,890**	**17,317**	**30,850**	**4,966**	**17,567**	**71**	**82,661**
Accumulated amortization and impairment	**(2,311)**	**(5,442)**	**(7,748)**	**(3,101)**	**(1,932)**	**(30)**	**(20,564)**
Carrying amount at 30 June 2009	**9,579**	**11, 875**	**23,102**	**1,865**	**15,635**	**41**	**62,097**

7 Goodwill

Movements in goodwill on acquisition of the subsidiaries:

	30 June 2009	31 December 2008
Gross book value as of 1 January	306,682	207,329
Accumulated impairment as of 1 January	-	-
Carrying amount as at 1 January	306,682	207,329
Acquisitions of subsidiaries	116,718	99,353
Carrying amount	423,400	306,682
Gross book value	423,400	306,682
Accumulated impairment losses	-	-
Carrying amount	423,400	306,682

Goodwill is allocated to cash generating units (CGU), which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment for segment reporting purposes as follows:

	30 June 2009	31 December 2008
Hydromash-Industria LLC	4,519	4,519
Tomskgazstroy OJSC	16,757	16,757
Institute Rostovskiy Vodokanalproekt OJSC	94,834	94,834
EPF "SIBNA" Inc. JSC	116,718	-
Trest Sibkomplektmontazhnaladka OJSC	190,572	190,572
Total carrying amount of goodwill	423,400	306,682

8 Business Combinations

In June 2009 the Group acquired control over EPF "SIBNA" Inc. JSC by increasing its share from 29.9% to 76.5% for purchase consideration of RR 247,896, paid in cash. The acquired entity's activity is the sales and repair oil and gas equipment, design of instrumentation technology. If the acquisition had occurred on 1 January 2009, the revenue from the acquired business would have been RR 67,945, and loss would have been RR 1,651 for the six months ended 30 June 2009.

The summary of assets acquired and liabilities assumed are as follows:

	EPF "SIBNA" Inc. JSC
	Fair value
Property, plant and equipment	145,818
Intangible assets	13,506
Investment in associate	-
Other long-term receivables	1,186
Inventories	77,204
Trade and other receivables	34,699
Cash and cash equivalents	8,090
Deferred tax liability	(25,363)
Pension liability	(2,724)
Trade and other payable	(9,946)
Pension liability	(494)
Other taxes payable	(3,937)

(in thousands of Russian Roubles, unless otherwise stated)

Fair value of net assets	**238,039**
Less: Minority interest	(55,999)
Less: Fair value of previously held interest in associate	(50,861)
Fair value of acquired interest in net assets	**131,179**
Goodwill	116,717
Total purchase consideration	**247,896**
Less: cash and cash equivalents of subsidiaries acquired	(8,090)
Outflow of cash and cash equivalents on acquisition	**239,806**

Acquisition of minority interest in subsidiaries

In January 2009, the Group acquired an additional 1.4% interest in Trest Sibkomplektmontazhnaladka OJSC for RR 1,900, respectively, paid in cash. As a result of this transaction, the Group increased its ownership interest in Trest Sibkomplektmontazhnaladka OJSC from 98.6% to 100% decreasing the minority interest by RR 2,450.

In February 2009, the Group acquired an additional 0,17% interest in Tomskgazstroy OJSC for RR 640, respectively, paid in cash. In May 2009, the Group acquired an additional 0,32% interest in Tomskgazstroy OJSC for RR 1,134, respectively, paid in cash As a result of this transaction, the Group increased its ownership interest in Tomskgazstroy OJSC from 62.01% to 62.50% decreasing the minority interest by RR 2,011.

In February 2009, the Group acquired an additional 0,01% interest in Nizhnevartovskremservice CJSC for RR 24, respectively, paid in cash. In June 2009, the Group transferred interest in Nizhnevartovskremservice CJSC from HYDROMASHSERVICE CJSC to Neftemash OJSC in 19.71%. As a result of these transactions, the Group decreased its ownership interest in Nizhnevartovskremservice OJSC from 100% to 80.29% increasing the minority interest by RR 54,060.

In March 2009, the Group acquired an additional 10,36% interest in Livnynasos OJSC for RR 62,086, respectively, paid in cash. As a result of this transaction, the Group increased its ownership interest in Livnynasos OJSC from 70% to 80% decreasing the minority interest by RR 40,446.

9 Investments in Associates

In June 2009 the Group acquired an additional 8% interest in Dimitrovgradkhimmash OJSC for RR 122,756 paid in cash. The Group's share within associated net assets as at acquisition date was RR 61,589. As a result of this transaction, the Group increased its ownership interest in Dimitrovgradkhimmash OJSC from 29.99% to 38.02%.

Investments in associates at 30 June 2009 include goodwill of RR 128,426 (31 December 2008: RR 70,418).

The Group's investments in associates are as follows:

	2009	2008
Carrying amount at 1 January 2009 / 1 January 2008	**449,848**	**416,860**
Cost of acquisition of associates	122,756	50,605
Acquisition	-	11,270
Disposals	-	-
Reclassification due to acquisition of controlling interest	(50,861)	(38,632)
The excess of fair value of the net assets acquired over the cost of acquisition	-	9,155
Dividends	(9,385)	(8,359)
Share of after tax results of associates	24,635	40,289
Translation to presentation currency	(20,459)	(31,340)
Carrying amount at 30 June 2009/ 31 December 2008	**516,534**	**449,848**

10 Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	30 June 2009	31 December 2008
Cash on hand	651	1,080
RR denominated balances with banks	437,044	234,553
Foreign currency denominated balances with banks	74,566	52,778
RR denominated bank deposits	284,371	381,071
Other cash equivalents	7,112	-
	803,744	**669,482**

(in thousands of Russian Roubles, unless otherwise stated)

10 Cash and Cash Equivalents (continued)

As at 30 June 2009 the closing balance of short-term bank deposits comprised short-term bank deposit in four banks with a 0.5-16% interest rate(30 June 2008: 7-9%).

Restricted cash

Restricted cash of RR 744 (31 December 2008: RR 620) represents minimum balances for settlement and corporate plastic cards balances.

11 Inventories

	30 June 2009	31 December 2008
Materials and components	948,984	978,006
Inventory for implementation of construction contracts	347,929	334,652
Work in progress	528,077	413,293
Finished goods	395,866	517,689
Goods for resale	234,740	246,180
Other inventories	127,652	59,206
Provision for obsolete inventories	(125,343)	(116,522)
	2,457,905	**2,432,504**

At 31 June 2009 inventories of RR 529,116 were pledged as collateral for borrowings (31 December 2008: RR 77,991) (Note 13).

12 Trade and Other Receivables

	30 June 2009	31 December 2008
Trade receivables	1,778,081	1,541,870
Less: provision for impairment of trade receivables	(150,456)	(126,729)
Short-term loans issued	101,869	126,433
Bank promissory notes receivable	92,655	-
Bank deposit receivable	88,400	-
Promissory notes receivable	18,253	17,760
Other receivables	190,689	81,915
Less: provision for impairment	(3,405)	(7,822)
Financial trade and other receivables - net	**2,116,086**	**1,633,427**
Receivable due from customers for construction work in progress (Note 19)	332,085	257,737
Advances to suppliers	897,083	830,350
VAT receivable	431,690	419,784
Other taxes receivable	9,803	9,569
Less: provision for impairment	(71,418)	(73,979)
Non-financial receivables - net	**1,599,243**	**1,443,461**
Total trade and other receivables	**3,715,329**	**3,076,888**

13 Borrowings

	Interest rate	Denominated in	Maturity	30 June 2009	31 December 2008
Long-term loan:					
Bonds	9.9%	RR	November 2009	153,045	153,045
Long-term loan 1	18.5%	RR	February 2012	797,804	-
Long-term loan 2	20.65%	RR	April 2014	901,374	-
Long-term loan 3	13%	BYR	December 2010	-	787
Long-term loan 4	21%	RR	May 2014	110,000	-
Long-term loan 5	14%	RR	June 2011	3,438	-
Long-term loan 6	13.5%	BYR	August 2010	8,865	
				1,974,526	**153,832**
Less: short-term portion of bonds				(153,045)	(153,045)
				1,821,481	**787**

In October 2006 one of the Group subsidiaries, HYDROMASHSERVICE CJSC, issued 1,000 thousand non-convertible three-year Russian Rouble denominated bonds (at par value 1,000 roubles each) for RR 1,000,000. The bonds bear interest rate of 9.9% per annum. The interest is payable every six months. The bonds are classified as short-term

(in thousands of Russian Roubles, unless otherwise stated)

13 Borrowings (continued)

bonds as at 30 June 2009. The fair value of the bonds, which is based on market quotations, approximates RR 107,132 (30 June 2008: RR 166,219).

The bonds are secured by guarantees issued by the Group companies (Livhydromash OJSC, Livnynasos OJSC, Neftemash OJSC, HYDROMASHINPROM CJSC).

Long-term loans are secured by 696,826 ordinary shares of total 2,787,300 ordinary shares and 172,324 preference shares of total 689,291 preference shares of Neftemash OJSC.

As of 30 June 2009 and 31 December 2008 the fair value of long-term borrowings approximates their carrying amount.

	Interest rate	Denominated in	30 June 2009	31 December 2008
Short-term unsecured bank loans and borrowings				
Unsecured bank loan 1	10-19.5%	RR	1,600,440	2,991,440
Unsecured bank loan 2	25%	RR	500,000	500,000
Unsecured bank loan 3	17.9-19.3%	RR	211,977	148,066
Unsecured bank loan 4	13-18%	RR	-	45,000
Unsecured bank loan 5	15%	RR	-	15,000
Unsecured bank loan 6	18.5%	RR	50,000	-
			2,362,417	**3,699,506**
Short-term secured bank loans and borrowings				
Secured bank loan 1	18%	RR	40,000	-
Secured bank loan 3	10.75%	US dollars UAH	85,141	128,769
Secured bank loan 4	20%	UAH	25,790	3,470
Secured bank loan 5	22/10%	UAH/EURO	3,667	3,470
Secured bank loan 6	15-16/13%	RR/BYR	61,587	47,034
Secured bank loan 7	16.52%	US dollars RR	-	13,170
Secured bank loan 8	9.5%	EUR	-	10,416
Secured bank loan 9	13%	BYR	373	9,506
Secured bank loan 10	24%	UAH		7,731
Secured loan 11	0%	BYR	1,461	1,764
			218,019	**225,330**
Current portion of long-term bonds			**153,045**	**153,045**
Interest on short-term borrowings			12,802	4,041
Short-term loans and borrowings			**2,746,283**	**4,081,922**

The Group's borrowings are denominated in the following currencies:

	30 June 2009	31 December 2008
RR	4,441,166	3,903,624
US Dollar	85,904	141,939
EURO	-	10,416
BYR	10,746	12,059
UAH	29,948	14,671
	4,567,764	**4,082,709**

As at 30 June 2009 the Group pledged property, plant and equipment and inventories in total amounts of RR 221,556 and 529,116 (31 December: RR 138,006 and RR 77,991), respectively, as a security for borrowings.

As of 30 June 2009 and 31 December 2008 the fair value of short-term borrowings approximates their carrying amount.

The Group has not entered into any hedging agreements in respect of its foreign currency obligations or interest rate.

(in thousands of Russian Roubles, unless otherwise stated)

14 Finance Lease Liabilities

The finance lease liabilities carry the effective rate of interest of 22.7% and are effectively collateralized by the leased assets, as the assets revert to the lessor in the event of default.

	Minimum lease payments as at		Discounted value of minimum lease payments as at	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Finance lease payable:				
Not later than 1 year	22,689	27,022	17,690	19,776
Later than 1 year and not later than 5 years	16,771	25,932	14,677	21,767
Total	**39,460**	**52,954**	**32,367**	**41,543**
Future finance charges on finance lease	(7,093)	(11,411)	-	-
Present value of liabilities	**32,367**	**41,543**	**32,367**	**41,543**
Short-term finance lease liabilities	-	-	**17,690**	**19,776**
Long-term finance lease liabilities	-	-	**14,677**	**21,767**

15 Retirement Benefit Obligations

The following amounts were recognized within administrative expenses in the consolidated condensed interim income statement:

	Six months ended 30 June 2009	Six months ended 30 June 2008
Current service cost	16,204	8,453
Interest cost	7,043	5,236
Past service cost	830	-
Foreign currency exchange rate changes	-	1,486
Net actuarial (gain)/loss recognised during the period	12,272	164
Net periodic benefit cost	**36,349**	**15,339**

Expenses relating to this plan were recognized in the administrative expenses.

The amounts recognized in the consolidated balance sheet were determined as follows:

	30 June 2009	31 December 2008
Present value of defined benefit obligations	186,069	149,754
Unrecognised actuarial (gains)/losses	-	-
Unrecognised past service cost	(10,784)	(11,614)
Liability in the balance sheet	**175,285**	**138,140**

Changes in the present value of the Group's pension benefit obligation are as follows:

	30 June 2009	31 December 2008
Present value of defined benefit obligations at the beginning of the period	138,140	129,952
Actuarial losses/((gains)	12,272	(21,605)
Service cost	16,204	16,673
Exchange adjustments	2,230	(13,907)
Interest expense	7,043	10,861
Past service cost	830	30,486
Business combination	3,218	4,913
Benefits paid	(4,652)	(7,619)
Present value of defined benefit obligations as at the end of period	**175,285**	**149,754**

Short-term and long-term classification was determined based on discounted value of future obligation which is payable within 12 months from the balance sheet date:

	30 June 2009	31 December 2008
Short-term	10,599	17,242
Long-term	164,686	120,898
Discounted value of defined benefit obligations as at the end of six months ended 30 June	**175,285**	**138,140**

(in thousands of Russian Roubles, unless otherwise stated)

16 Construction Contracts

During six months of the 2009 the construction contracts revenue was recognized in relation to stage of completion for each contract. The stage of completion of a contract was determined based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

The following figures represented below related to Group subsidiaries performed activities under construction contracts:

	30 June 2009	30 June 2008
Construction contracts revenue	1,505,690	2,672,778
Contract cost expensed	(1,357,072)	(2,287,160)
Gross margin	**148,618**	**385,618**

	30 June 2009	30 June 2008
Advances, received for construction contracts	81,647	1,155,026
Retentions	39,703	1,396

The Group's financial position with respect to construction contracts in progress is as follows:

	30 June 2009	31 December 2008
Aggregate amount of contract cost incurred	2,792,339	2,950,927
Aggregate amount of recognized profits	591,324	420,331
Less: Progress billings	(3,051,578)	(3,113,521)
Gross amount due from customers for contract work	**332,085**	**257,737**

	30 June 2009	31 December 2008
Aggregate amount of contract cost incurred	1,686,163	2,376,939
Aggregate amount of recognized profits	187,749	481,922
Less: Progress billings	(2,110,046)	(2,906,901)
Gross amount due to customers for contract work	**(236,134)**	**(48,040)**

17 Share Capital

The nominal registered amount of the Company`s issued share capital at 30 June 2009 is RR 591,180 (30 June 2008: RR 591,180). The total authorised number of ordinary shares is 1,182,360,600 of RR 0.5 par value each.

During six months of the 2009, dividends were accrued only to the holders of preference shares reflected in the amount of RR 369 (30 June 2008: RR 249,989), but no dividends were paid to shareholders or minority holders of common shares. As a result, redistribution retained earnings to minority holders of preference shares and common shares were reflected in these consolidated financial statements.

18 Income Taxes

The Group income tax charges were as follows:

	30 June 2009	31 December 2008
Current tax	159,148	203,525
Deferred tax	16,862	(31,484)
Total income tax charge	**176,010**	**172,041**

Most companies of the Group were subject to tax rate of 20% on taxable profits in the Russian Federation for the six months period ended 30 June 2009.

19 Revenues

	Six months ended 30 June 2009	Six months ended 30 June 2008
Sales of pumps and spare parts	2,390,969	2,222,959
Sales of oilfield equipment	1,773,585	1,925,572
Revenue from construction contracts	1,505,690	2,672,778
Sales of repair services for oil-field equipment	323,373	394,428
Sales of engines	47,301	174,729
Sales of products, work and services of auxiliary units	79,240	117,652
Sales of other services and goods	146,848	275,177
	6,267,006	**7,783,295**

(in thousands of Russian Roubles, unless otherwise stated)

20 Cost of Sales

	Six months ended 30 June 2009	Six months ended 30 June 2008
Supplies and raw materials	2,370,857	2,880,506
Labour costs	962,602	1,005,182
Construction and installation works of subcontractors	369,185	734,854
Deprecation and amortization	139,543	117,014
Cost of goods sold	405,069	1,075,858
Utilities	74,409	44,445
Inventory impairment provision	6,892	14,430
Research and development costs	8,034	8,065
Warranty provision	3,094	-
Change in work in progress and finished goods	(39,755)	(269,010)
Other expenses	267,112	383,214
	4,567,042	**5,994,558**

21 Distribution and Transportation Expenses

	Six months ended 30 June 2009	Six months ended 30 June 2008
Labour costs	97,041	66,133
Transport expenses	73,529	67,258
Packaging expenses	10,151	8,426
Lease	7,309	8,779
Insurance	7,643	11,248
Depreciation and amortization	5,495	3,895
Customs duties	5,478	4,183
Entertaining costs and business trip expenses	6,652	13,624
Products certification	1,219	833
Capital assets repair and maintenance	1,638	3,253
Advertising	3,800	9,844
Agency services	1,587	939
Other expenses	23,979	24,109
	245,521	**222,524**

22 General and Administrative Expenses

	Six months ended 30 June 2009	Six months ended 30 June 2008
Labour costs	495,970	451,060
Audit and consultancy services	51,983	57,537
Defined benefits scheme expenses	36,349	13,853
Depreciation and amortization	31,367	36,556
Stationary and office maintenance	24,495	33,603
Bank services	23,377	10,959
Taxes and duties	17,671	59,991
Provision for impairment of accounts receivable	15,754	18,117
Entertaining costs and business trip expenses	14,780	19,457
Security	13,560	12,095
Telecommunications services	12,312	11,528
Property, plant and equipment repair and maintenance	10,841	9,951
Insurance	10,577	11,431
Rent	10,497	12,987
Training and recruitment	3,027	5,969
Provisions for legal claims	(3,382)	-
Other expenses	46,830	22,945
	816,008	**788,039**

(in thousands of Russian Roubles, unless otherwise stated)

23 Other Operating Expenses, Net

	Six months ended 30 June 2009	Six months ended 30 June 2008
Charity, social expenditures	30,004	55,874
Fines and late payment interest under contracts	19,335	3,967
Gain on disposal of subsidiaries	-	(6,208)
Loss on sales and other disposal of property, plant and equipment and intangible assets	2,824	25,914
Depreciation of social assets	881	1,820
Expenses on transactions with securities	(59)	(561)
Foreign exchange loss/(gain), (net)	(1,156)	3,487
Gain on sales of inventories	(12,958)	(7,060)
Other expenses	9,529	18,657
	48,400	**95,890**

24 Finance Income

	Six months ended 30 June 2009	Six months ended 30 June 2008
Interest income	254,366	13,210
Foreign exchange gain (net)	3,076	1,499
	257,442	**14,709**

25 Finance Costs

	Six months ended 30 June 2009	Six months ended 30 June 2008
Interest expenses	485,730	168,842
Finance lease expenses	4,317	4,563
Other expenses	4	7,235
	490,051	**180,640**

26 Balances and Transactions with Related Parties

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

Related parties may enter into transactions which unrelated parties may not and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The table below contains the disclosure by group of related parties with which the Company entered into significant transactions or has significant balances outstanding. Other category comprises the parties indirectly controlled by the Group through one or more intermediaries:

Balances with related parties			**30 June 2009**
	Participant	**Associates**	**Other**
Loans issued	75,560	-	-
Accounts receivable	-	4,745	6,883
Accounts payable	-	2,336	9,245

Balances with related parties			**31 December 2008**
	Participant	**Associates**	**Other**
Loans issued	75,160	-	-
Accounts receivable	1,359	368	5,064
Accounts payable	-	2,768	3,031

No provision was made for bad debts accounts receivable from related parties.

Neither party issued guaranties to secure accounts receivable or payable.

(in thousands of Russian Roubles, unless otherwise stated)

26 Balances and Transactions with Related Parties (continued)

Income /expenses on transactions with related parties			Six months ended 30 June 2009
	Participant	Associates	Other
Sales of goods and finished products	-	724	12
Sales of raw materials	-	391	-
Sales of services	-	14	313
Purchase of services	-	15,856	147
Purchase of goods	-	21,005	28,226
Purchase of raw materials	-	15,146	10,683
Lease		32	-
Interest income	4,599	-	-

Income /expenses on transactions with related parties			Six months ended 30 June 2008
	Participant	Associates	Other
Sales of goods and finished products	-	1,947	431
Sales of services	-	3,943	-
Purchase of services	-	(4,609)	(526)
Purchase of goods	-	(112,175)	(48,670)
Interest income	8,916	-	-
Lease	-	-	(40)

In 2009, the Group received loans from related parties for a total of RR 8,774 with a weighted average interest rate of 14%. In 2009, the Group issued loans to related parties for a total of RR 75,560 with a weighted average interest rate of 14%.

Key management compensation

Key management compensation amounted to RR 51,337 for the six months ended 30 June 2009 (30 June 2008: RR 92,357) and includes short-term benefits such as salaries and bonuses paid to management as set forth in labour contracts concluded annually.

27 Contingencies and Commitments

(i) Legal proceeding

During the six months period, 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 recorded or disclosed in these consolidated financial statements.

(ii) Tax legislation

Russian and Ukrainian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group companies may be challenged by the state authorities.

The Russian and Ukrainian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. In October 2006, the Supreme Arbitration Court of the Russian Federation issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities' scrutiny.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same

27 Contingencies, Commitments (continued)

taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice with this respect has been contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

The Group includes companies incorporated outside of Russia. Tax liabilities of the Group are determined on the assumptions that these companies are not subject to Russian profits tax because they do not have a permanent establishment in Russia. Russian tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of the Russian tax authorities, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged.

The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

Russian tax legislation does not provide definitive guidance in certain areas. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

(iii) Environmental matters

The enforcement of environmental regulation in Russian Federation and Ukraine 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.

(iv) Operating environment of the Group

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing global financial and economic crisis is proving to be difficult to anticipate or completely guard against.

Wholesale financing has become much less available since August 2007. Such circumstances could affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

The debtors of the Group may also be affected by the tighter liquidity situation which could in turn impact their ability to repay amounts owed. Deteriorating operating conditions for customers may also have an impact on the ability of management to forecast cash flow and assess of the impairment of financial and non-financial assets. To the extent that information is available, management has reflected revised estimates of expected future cash flows in its impairment assessments.

Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the Group's operating environment as a result of the ongoing crisis. It believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

As a result of world liquidity crisis revenue of the Group decreased by 21% for the six months of 2009 in comparison to the six months of 2008.

(v) Insurance policies

The Russian and Ukrainian insurance services market is evolving. Part of the Group's production facilities are adequately covered by insurance. The Group has not adequately insured business interruption, third party liability for damage to property and environment resulting from accidents involving the Group's property or connected with its operations. Until the Group ensures adequate insurance coverage there is a risk that losses incurred or property

(in thousands of Russian Roubles, unless otherwise stated)

27 Contingencies, Commitments (continued)

damage inflicted by the Group may have a significant effect on the Group's financial position and operations.

(vi) Contractual commitments

As at 30 June 2009 the Group had contractual commitments for the purchase of components for construction of property, plant and equipment for RR 11,952 (30 June 2008: RR 96,469).

28 Segment Information

The Group early adopted IFRS 8, *Operating Segments,* for the six months ended 30 June 2009 and six months ended 30 June 2008. Management has determined the operating segments based on the management reports, which are primarily derived from statutory records and regularly reconciled to IFRS financial statements The management reports are reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments,

has been identified as the General Director of the Company. The following criteria have been used for determining the operating segments and assigning the Group subsidiaries to particular segment:

- Business activities of companies;
- Organizational structure of companies;
- Nature of production processes;
- Manufactured and sold products;
- Specific characteristics of buyers/customers.

Management considers the business from both a geographical and product perspective.

The **first** operating segment "**Industrial pumps**" includes:

	30 June 2009	30 June 2008
1	Livhydromash OJSC	Livhydromash OJSC
2	LPKC LLC	LPKC LLC
3	Electrodvigatel OJSC	Electrodvigatel OJSC
4	Livnynasos OJSC	Livnynasos OJSC
5	HYDROMASHINPROM CJSC	HYDROMASHINPROM CJSC
6	Nasosenergomash OJSC	Nasosenergomash OJSC
7	Trade house HYDROMASHSERVICE Ukraine LLC (formerly TD Sumskie nasosy LLC)	Trade house HYDROMASHSERVICE Ukraine LLC (formerly TD Sumskie nasosy LLC)
8	SPA Gydromash CJSC	SPA Gydromash CJSC
9	Hydromash-Industria LLC	Hydromash-Industria LLC
10	Institute Rostovskiy Vodokanalproekt OJSC	Institute Rostovskiy Vodokanalproekt OJSC
11	Plant Promburvod OJSC	Plant Promburvod OJSC
12	Nizhnevartovskremservis CJSC	Nizhnevartovskremservis CJSC
13	HYDROMASHSERVICE CJSC	HYDROMASHSERVICE CJSC

The **second** operating segment "**Oil and gas equipment**" includes:

	30 June 2009	30 June 2008
1	Neftemash OJSC	Neftemash OJSC
2	Nizhnevartovskremservis CJSC	Nizhnevartovskremservis CJSC
3	SPA Gydromash CJSC	HYDROMASHINPROM CJSC
4	HYDROMASHSERVICE CJSC	HYDROMASHSERVICE CJSC
5	EPF "SIBNA" Inc. JSC	

The **third** operating segment "**Oil and gas construction**" includes:

	30 June 2009	30 June 2008
1	Trest Sibkomplektmontaghnaladka OJSC	Trest Sibkomplektmontaghnaladka OJSC
2	Tomskgazstroy OJSC	Tomskgazstroy OJSC

(in thousands of Russian Roubles, unless otherwise stated)

28 Segment Information (continued)

The table below contains **other** companies that did not fall under the above listed operating segments:

	30 June 2009	30 June 2008
1	Hydraulic Machines and Systems Management LLC	Hydraulic Machines and Systems Management LLC
2	GMS Group OJSC (formerly Hydraulic Machines and Systems Group LLC)	GMS Group OJSC (formerly Hydraulic Machines and Systems Group LLC)
3	HYDROMASHSERVICE CJSC	HYDROMASHSERVICE CJSC
4	United Industrial Group LLC (no business)	United Industrial Group LLC (no business)
5	Sibservice LLC (no business)	Sibservice LLC (no business)
6	Hydromashkomplekt LLC	Hydromashkomplekt LLC
7	Business Centre Hydromash LLC	Business Centre Hydromash LLC
8	HMS-Promburvod CJSC	HMS-Promburvod CJSC

List of associates with the breakdown by operating segments:

The first operating segment "Industrial pumps" includes:

	30 June 2009	30 June 2008
1	VNIIAEN OJSC	VNIIAEN OJSC
2		Vodokanalproektirovanie LLC

27 Segment Information (continued)

The second operating segment "Oil and Gas equipment" includes:

	30 June 2009	30 June 2008
1	Dimitrovgradkhimmash OJSC	Dimitrovgradkhimmash OJSC
		EPF "SIBNA" Inc. JSC

Geographically, management considers the performance of their subsidiaries in Russia, Ukraine, Belorussia and location of the customers where the Group performs its trade and commercial activities.

The reportable operating segments derive their revenue primarily from the manufacture and sale of industrial pumps, oil and gas equipment, oil and gas construction and the other products and services.

Sales between segments are carried out at the arm's length. The revenue from external parties reported to management is measured in a manner consistent with that in income statement.

Management assesses the performance of operating segments based on certain measures, which are presented to chief operating decision maker. This includes the financial information on the group operating reportable segments presented in accordance with Russian Statutory Accounting regulations (RSA). The information comprises measures of revenues, EBITDA, depreciation and amortization, interest income, interest expense, income tax expense and total assets. The other measures used by chief operating decision maker include income tax charge and aggregate share in net profit of associates recorded based on equity method, which are calculated and presented in accordance with International Financial Reporting Standards. Besides, management uses EBITDA, which is derived from consolidated financial statements prepared in accordance with International Financial Reporting Standards. For this purpose EBITDA is defined as operating profit/loss adjusted for other income/expenses, depreciation and amortization, inventory impairment provisions, provision for impairment of accounts receivable, unused vacation allowance, excess of fair value of net assets acquired over the cost of acquisition.

The RSA segment reporting information and EBITDA are reconciled to the amounts reported in the Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards.
The measurement basis excludes the effects on non-recurring expenditure from the operating segments, such as restructuring costs, legal expenses and goodwill impairments, when the impairment is a result of an isolated, non-recurring event.
The Group's financial performance by operating segments:

Disclosures by segments	Industrial pumps	Oil and gas equipment	Oil and gas construction	All other segments	Total	Transactions between operating segments	Consolidated for the six months ended 30 June 2009
Revenue, IFRS	2,502,916	2,113,434	1,554,907	399,238	6,570,495	(303,489)	**6,267,006**
EBITDA	389,802	354,151	105,472	36,638	886,063		**886,063**
Total assets, IFRS	5,945,577	4,612,021	2,876,056	704,121	14,137,773	(2,014,791)	**12,122,984**

(in thousands of Russian Roubles, unless otherwise stated)

28 Segment Information (continued)

Disclosures by segments	Industrial pumps	Oil and gas equipment	Oil and gas construction	All other segments	Total	Transactions between operating segments	Consolidated for the six months ended 30 June 2008
Revenue, IFRS	2,395,294	2,455,737	2,872,637	219,268	7,942,936	(159,641)	**7,783,295**
EBITDA	320,706	432,118	275,441	10,700	1,038,965	5,373	**1,044,338**
Total assets, IFRS	6,291,265	2,763,691	2,927,019	1,627,524	13,609,499	-	**13,609,499**

Reconcicliation of EBITDA derived from IFRS accounting records to Profit before income tax as per consolidated income statement:

Description	Industrial pumps	Oil and gas equipment	Oil and gas construction	All other segments	Total	Transactions between operating segments	Consolidated for the six months ended 30 June 2009
EBITDA, IFRS	**389,802**	**354,151**	**105,472**	**36,638**	**886,063**		**886,063**
Depreciation and amortization	(58,202)	(37,793)	(71,270)	(10,022)	(177,287)	-	(177,287)
Non-monetary items*	(7,763)	(29,440)	(30,298)	(3,721)	(71,222)	-	(71,222)
Other income and expense	90,208	(124,403)	(15,033)	1,709	(47,519)	-	(47,519)
Operating Profit/Loss	**414,045**	**162,515**	**(11,129)**	**24,604**	**590,035**		**590,035**
Finance Income	29,559	240,858	23	2,497	272,937	(15,495)	257,442
Finance Cost	(162,212)	(195,440)	(139,167)	(8,727)	(505,546)	15,495	(490,051)
Share of results associates	(1,333)	25,968	-	-	24,635	-	24,635
Profit/(loss) before Income Tax, IFRS	**280,059**	**233,901**	**(150,273)**	**18,374**	**382,061**	-	**382,061**

Description	Industrial pumps	Oil and gas equipment	Oil and gas construction	All other segments	Total	Transactions between operating segments	Consolidated for the six months ended 30 June 2008
EBITDA, IFRS	**320,706**	**432,118**	**275,441**	**10,700**	**1,038,965**	**5,373**	**1,044,338**
Depreciation and amortization	(40,352)	(32,200)	(83,466)	(3,267)	(159,285)	-	(159,285)
Non-monetary items*	(36,597)	(51,406)	(26,616)	(12,179)	(126,798)	-	(126,798)
Other income and expense	(31,636)	(6,201)	(25,512)	(12,622)	(75,971)	-	(75,971)
Operating Profit/Loss	**212,121**	**342,311**	**139,847**	**(17,368)**	**676,911**	**5,373**	**682,284**
Finance Income	13,877	6,356	1,087	862	22,182	(7,473)	14,709
Finance Cost	(76,253)	(50,139)	(59,765)	(1,956)	(188,113)	7,473	(180,640)
Share of results associates	(1,036)	10,578	-	-	9,542	-	9,542
Profit/(loss) before Income Tax, IFRS	**(148,709)**	**309,106**	**(81,169)**	**(18,462)**	**520,522**	**5,373**	**525,895**

*- Non-monetary items consists of provisions: Inventory impairment provision, provision for impairment of accounts receivable, unused vacation allowance, etc.

29 Events After the Balance Sheet Date

Borrowings. Subsequent to the balance sheet date the Group's subsidiaries received short-term loans in the amount of RR 599,930 from five banks and longe-term loan in the amount of RR 800,000 from one bank. These loans are secured by the Group guarantees. The short-team loans mature from June 2009 to June 2010 and bear the interest rates of 10-23%. The longe-term loan mature from August 2009 to August 2012 and bear the interest rates of 16.75%