WESTA ISIC S.A.

Semi-annual report of the Board of Directors for the six month ended June 30, 2011

WESTA GROUP

This was the first reporting period for Westa group since it finished IPO in May of 2011, and we are proud to report to that a month since IPO completion we already made our main promise given before the public offer. In late June 2011 we concluded a USD 20.4 million contract to order necessary equipment and started a construction of new facility for VRLA (valve-regulated lead-acid) battery manufacturing. Terms of delivery contract will allow us to set up a line for production of advanced lead-acid batteries with annual capacity of 500,000 conventional units already in 2012. Our total production capacity will increase to 8.1 million conventional batteries p.a. that will enable Westa group to strengthen its position as the largest battery production complex in Europe. We also count on reduction in seasonality of our operations later launch of VRLA battery line.

Another effect from IPO that we felt immediately was the changed perception of international and local financial institutions to the company which opened new opportunities in attracting cheaper financing. The raised IPO proceeds, part of which were planned to be directed for loan repayment, allowed us to restart negotiation process with existing lenders to further reduce cost of debt. Next, we used part of IPO proceeds to prepay our lead delivery contracts to avoid lead supply bottlenecks in the season of higher battery demand – third and fourth quarters of calendar year.

On the operating side, we are glad to report that our established network of dealers throughout CIS and EU countries allowed us increasing battery sales even during a traditionally calm season on the battery aftermarket segment - the first half of a year. Over 1H 2011 Westa group increased sales of batteries by 6.1% year-on-year to 1,77 million conventional units. The fastest growing markets for Westa group batteries in the period were Russia and Ukraine. Despite a calm period, Westa group reports 10.1% growth in net revenue to USD 65.6 million, and 8.7% year-on-year increase in EBITDA to USD 16.0 million in the first half of 2011.

In our seasonal business, it is important to prepare well for taking advantage from peak demand which we usually observe in September-December. As battery deliveries during the hot season will exceed our production capacities, we increased a stock of finished goods by 0.33 million conventional batteries year-to-date as of end-1H 2010. This became possible as we increased battery output by 22% year-on-year to 2.10 million conventional units.

Another important task to prepare well for the hot season was to secure the uninterrupted battery production, i.e. to avoid any raw material bottlenecks during the second half of the year. As battery demand is seasonal, and so is lead demand (which comes by 70% from battery makers), securing stable lead deliveries in the second quarter is the most important issue. We are proud to report on contracting the full amount of lead required to produce batteries under the existing delivery contracts till the end of 2011. We almost tripled advances paid for raw materials year-on-year to USD 67 million after having made more than 50% prepayments for future lead deliveries from our Russian and Kazakhstan suppliers. You can already see the result of this prepayment from our July production volume: without raw material bottlenecks Westa group was able to raise battery output 2.6 times y/y in July 2011, thus increasing further the stock of finished goods to 0.39 million conventional batteries year-to-date.

Now we have built a solid ground to secure stable production volumes, and being backed by corresponding orders from our dealers, we are able to deliver our output plan for the second half of 2011.

________(signed)________________________

Denys Dzenzers'kyy,
CEO of Westa ISIC S.A.

Selected financial data

As at and for the six months ended June 30, thousand USD	2011	2010
Revenue	65,632	59,614
Gross profit	18,122	16,922
Foreign exchange gain/ (loss), net	(856)	7,805
Profit/ (loss) before income tax	(7,713)	5,702
Total comprehensive income/(loss)	(7,442)	3,675
Operating profit before working capital changes	16,750	14,566
Net cash used in operating activities	(17,913)	(9,398)
Net cash used in investing activities	(5,615)	(8,723)
Net cash generated from financing activities	70,675	17,474
Total net cash flow	47,147	(647)
Total assets	413,670	289,327
Non-current liabilities	211,592	165,384
Current liabilities	162,521	166,963
Total equity (deficit)	39,557	(43,020)
Weighted average number of shares	34,745,856	33,100,000
Profit (loss) per ordinary share	(0.21)	0.12

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT

As at and for the six months ended June 30, 2011

WESTA ISIC S.A.

These condensed consolidated interim financial statement contain 47 pages

WESTA GROUP

TABLE OF CONTENTS

WESTA GROUP

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2011

(in thousands of US Dollars)

	Notes	30 June 2011 Unaudited	31 December 2010 audited	30 June 2010 Unaudited
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment	4	176,419	179,708	172,811
Prepayments for property, plant and equipment	5	19,130	10,701	10,310
Intangible assets		618	620	477
Investments in associates	6	161	161	162
Deferred tax assets	7	1,966	1,636	712
Other non-current assets	8	1,723	1,415	1,306
Total non-current assets		200,017	194,241	185,778
CURRENT ASSETS:				
Inventories	9	24,317	18,986	11,445
Trade and other accounts receivable	10	39,163	48,315	41,388
Government grant receivable		-	9,795	-
Advances to suppliers and prepaid expenses	11	70,049	31,658	25,998
Taxes recoverable and prepaid	12	12,892	11,862	12,164
Other financial assets	13	9,410	11,099	10,154
Cash and cash equivalents	14	57,822	10,640	2,400
Total current assets		213,653	142,355	103,549
TOTAL ASSETS		413,670	336,596	289,327
EQUITY AND LIABILITIES				
EQUITY/(DEFICIT):				
Share capital/combined contributed capital	15	621	41	18,446
Share premium		45,180		
Additional paid-in capital	1	16,665	16,665	-
Revaluation reserve		28,248	28,248	28,456
Accumulated deficit		(50,635)	(43,372)	(88,806)
Cumulative translation difference		(1,116)	(1,043)	(1,168)
Equity/(deficit) attributable to shareholders of the Parent		38,963	539	(43,072)
Non-controlling interests	16	594	700	52
Total equity/(deficit)		39,557	1,239	(43,020)
CONTINGENCIES AND CONTRACTUAL	29			
NON-CURRENT LIABILITIES:				
Long-term borrowings	17	203,652	145,555	138,422
Bonds issued	18	7,940	6,439	13,912
Deferred tax liabilities	7	-	-	13,050
Total non-current liabilities		211,592	151,994	165,384
CURRENT LIABILITIES:				
Trade and other accounts payable	19	27,155	30,181	16,640
Advances received		13,523	1,935	7,584
Short-term borrowings and current portion of the long-term borrowings	17	119,186	149,158	140,613
Taxes payable	20	493	605	333
Provisions and accruals	21	2,164	1,484	1,793
Total current liabilities		162,521	183,363	166,963
TOTAL LIABILITIES		374,113	335,357	332,347
TOTAL EQUITY AND LIABILITIES		413,670	336,596	289,327

On behalf of Board of Directors of Westa Group:

________(signed)________________________ ____________(signed)_____________________

Denys Dzenzers'kyy, CEO of Westa ISIC S.A.

DmytroNikitin, Director of Westa ISIC S.A.

The notes on pages 10 to 49form an integral part of these Condensed consolidated interim financial statements.

WESTA GROUP

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTH ENDED 30 JUNE 2011

(in thousands of US Dollars)

	Notes	2011 (unaudited)	2010 (unaudited)
REVENUE	22	65,632	59,614
COST OF SALES	23	(47,510)	(42,692)
GROSS PROFIT		18,122	16,922
General and administrative expenses	24	(3,659)	(2,845)
Selling and distribution expenses	25	(2,068)	(1,556)
Other expenses, net	26	(400)	(89)
Foreign exchange gain/(loss), net		(856)	7,805
Finance costs	27	(20,311)	(15,324)
Interest income		1,459	789
PROFIT/(LOSS) BEFORE INCOME TAX		(7,713)	5,702
INCOME TAX BENEFIT/(EXPENSE)	7	346	(1,664)
NET PROFIT/(LOSS)		(7,367)	4,038
Other comprehensive (loss)/income		(75)	(363)
TOTAL COMPREHENSIVE INCOME/(LOSS)		(7,442)	3,675
Profit/(loss) attributable to:			
Shareholders of the Parent		(7,263)	3,981
Non-controlling interests		(104)	57
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Shareholders of the Parent		(7,336)	3,623
Non-controlling interests		(106)	52
EARNINGS PER SHARE	32		
Basic and diluted(USD per share)		(0.21)	0.12

On behalf of Board of Directors of Westa Group:

_________(signed)________________________

Denys Dzenzers'kyy,
CEO of Westa ISIC S.A.

____________(signed)____________________

DmytroNikitin,
Director of Westa ISIC S.A.

The notes on pages 10 to 49form an integral part of these Condensed consolidated interim financial statements.

WESTA GROUP

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH ENDED 30 JUNE 2011
(in thousands of US Dollars)

	Attributable to Shareholders of the Parent							Non-controlling interests	Total equity/ (deficit)
	Combined contributed capital/ Share capital	Share premium	Additional paid-in capital	Revalua-tion reserve	Accumu-lated deficit	Cumu-lative translation difference	Total		
31 December 2009	**18,446**	**-**	**-**	**28,456**	**(81,065)**	**(810)**	**(34,973)**	**-**	**(34,973)**
Distribution to shareholders (Note 1)	-	-	-	-	(5,215)	-	(5,215)	-	(5,215)
Distribution to shareholders related to Group reorganization (Note 1)	-	-	-	-	(6,507)	-	(6,507)	-	(6,507)
Net profit for the six month	-	-	-	-	3,981	-	3,981	57	4,038
Translation adjustment	-	-	-	-	-	(358)	(358)	(5)	(363)
Total comprehensive income for the six months	**-**	**-**	**-**	**-**	**3,981**	**(358)**	**3,623**	**52**	**3,675**
30 June 2010	**18,446**	**-**	**-**	**28,456**	**(88,806)**	**(1,168)**	**(43,072)**	**52**	**(43,020)**
Distribution to shareholders (Notes 1 and 11)	-	-	-	-	(7,631)	-	(7,631)	-	(7,631)
Contribution from shareholders (Note 1)	-	-	-	-	23,559	-	23,559	-	23,559
Net profit for the six months ended 31 December 2010	-	-	-	-	29,506	-	29,506	475	29,981
Translation adjustment	-	-	-	-	-	125	125	2	127
Total comprehensive income for the six months ended 31 December 2010	**-**	**-**	**-**	**-**	**29,506**	**125**	**29,631**	**477**	**30,108**
Capital contribution	41	-	-	-	-	-	41	-	41
Effect from corporate reorganization (Note 1)	(18,446)	-	16,665	(208)	-	-	(1,989)	171	(1,818)
31 December 2010	**41**	**-**	**16,665**	**28,248**	**(43,372)**	**(1,043)**	**539**	**700**	**1,239**
Net profit for the six month	-	-	-	-	(7,263)	-	(7,263)	(104)	(7,367)
Translation adjustment	-	-	-	-	-	(73)	(73)	(2)	(75)
Total comprehensive income for the six months	**-**	**-**	**-**	**-**	**(7,263)**	**(73)**	**(7,336)**	**(106)**	**(7,442)**
Share capital increase	420	-	-	-	-	-	420	-	420
Proceeds from IPO	160	47,302	-	-	-	-	47,462	-	47,462
Cost of IPO	-	(2,122)	-	-	-	-	(2,122)	-	(2,122)
30 June 2011	**621**	**45,180**	**16,665**	**28,248**	**(50,635)**	**(1,116)**	**38,963**	**594**	**39,557**

On behalf of Board of Directors of Westa Group:

_________(signed)________________________
Denys Dzenzers'kyy,
CEO of Westa ISIC S.A.

________(signed)_________________________
DmytroNikitin,
Director of Westa ISIC S.A.

The notes on pages 10 to 49form an integral part of these Condensed consolidated interim financial statements.

WESTA GROUP

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH ENDED 30 JUNE 2011
(in thousands of US Dollars)

	2011 (unaudited)	2010 (unaudited)
OPERATING ACTIVITIES:		
Profit/(loss) before income tax	(7,713)	5,702
Adjustments to reconcile profit/(loss) to net cash provided by operations:		
Finance costs	20,311	15,324
Depreciation and amortization expense	3,572	2,169
Loss on disposal of property, plant and equipment	331	16
Interest income	(1,459)	(789)
Share of (gains)/ losses of associates	-	(102)
Non-operating foreign exchange (gain)/loss	1,708	(7,754)
Operating profit before working capital changes	16,750	14,566
Increase in trade and other accounts receivable	10,540	3,985
Increase in Government grant receivable	9,838	-
Increase in advances to suppliers and prepaid expenses	(37,532)	(15,132)
(Increase)/decrease in inventories	(5,331)	2,613
Increase in taxes payable (other than income tax)	395	(3,552)
Increase/(decrease) in trade and other accounts payable	(3,070)	4,580
Increase in provisions and accruals	680	865
(Decrease)/ increase in advances received	11,571	2,023
Decrease in taxes receivable (other than income tax)	(1,030)	(2,488)
Cash generated by operations	2,811	7,460
Income tax paid	(258)	(85)
Interest paid	(20,466)	(16,773)
Net cash used in operating activities	(17,913)	(9,398)
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment and intangible assets	(9,265)	(12,744)
Interest received	1,345	300
Decrease/(increase) in other financial assets	2,613	3,503
Change in other non-current assets	(308)	218
Net cash used in investing activities	(5,615)	(8,723)

WESTA GROUP

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH ENDED 30 JUNE 2011
(in thousands of US Dollars)

FINANCING ACTIVITIES:	**2011 (unaudited)**	**2010 (unaudited)**
Contribution from/(distribution to) shareholders	-	(5,215)
Net proceeds from share issue	45,760	-
Proceeds from bonds issuance	1,562	-
Proceeds from borrowings	41,606	23,721
Principal payments on borrowings	(18,253)	(1,032)
Net cash generated from financing activities	70,675	17,474
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**47,147**	**(647)**
CASH AND CASH EQUIVALENTS, at the beginning	**10,640**	**3,221**
Effect of translation to presentation currency and exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	35	(174)
CASH AND CASH EQUIVALENTS, at the end	**57,822**	**2,400**

On behalf of Board of Directors of Westa Group:

________(signed)__________________________
Denys Dzenzers'kyy,
CEO of Westa ISIC S.A.

_________(signed)________________________
DmytroNikitin,
Director of Westa ISIC S.A.

The notes on pages 10 to 49form an integral part of these Condensed consolidated interim financial statements.

(in thousands of US Dollars unless otherwise stated)

1. NATURE OF THE BUSINESS AND CORPORATE REORGANIZATION

Nature of the business –WestaISIC S.A. (the "Parent"), a public limited liability company registered under the laws of Luxembourg, was formed on 10 December 2009 under the legal name of Tramine Development S.A. The Parent was acquired in 2010 by Vankeria Consultants Limited to serve as the ultimate holding company of PSC "WESTA-DNEPR" (the "WESTA-DNEPR") and its subsidiaries. The Parent's legal name was changed from Tramine Development S.A. to Westa ISIC S.A. on 24 November 2010. Hereinafter, Westa ISIC and its subsidiaries are referred to as the "Westa Group" or the "Group". The registered address of Westa ISIC is 412 F Route d'Esch, L-2082 Luxemburg.

The controlling shareholder of Westa ISIC is the Chief Executive Officer of the Group Mr. Denys Dzenzers'kyy (the "Controlling Shareholder"), who owns 100% of the shares of Vankeria Consultants Limited registered in Cyprus, which holds 75% of share capital of Westa ISIC. Other 25% of Westa ISIC share capital is a free-float.

The principal operating office of the Group is located at 34,Budivelnykiv St., Dnipropetrovsk, 49055, Ukraine.

Principal operating activity of Westa Group started in January 2005. Westa Group is one of the leading manufacturing groups in Ukraine involved in the production and distribution of starter accumulator batteries that refer to a maintenance-free category and category of batteries requiring maintenance. The extent of batteries application is as follows:

- Commercial vehicles, tractors, combine harvesters equipped with petrol and diesel engines;
- Cars of any class with petrol and diesel engines;
- Batteries for heavy-duty trucks, including those of special-purpose.

Batteries are sold in Ukraine, Russia and other countries, collectively in more than 30 countries.

As of 30 June 2011 the structure of the Group and principal activities of the companies forming the Group were as follows:

Name of the company	Principal activity	Place of incorporation and operation	Effective ownership interest of the Group	
			30 June 2011	31 December 2010
Parent:				
Westa ISIC S.A.	Holding company	Luxemburg	Parent	Parent
Subsidiary:				
WESTA-DNEPR CYPRUS LIMITED	Sub-holding company	Cyprus	100.00%	100.00%
PSC "WESTA-DNEPR"	Manufacturing of batteries (operating company)	Ukraine, Dnipropetrovsk	97.25%	97.25%

Name of the company	Principal activity	Place of incorporation and operation	Effective ownership interest of the Group	
			30 June 2011	31 December 2010
Limited company “WESTA INDUSTRIAL”	Manufacturing of batteries (operating company)	Ukraine, Dnipropetrovsk	97.20%	97.20%
LIMITED COMPANY “INDUSTRIAL ENERGY SYSTEMS”	Researcher and development of the third generation battery	Ukraine, Dnipropetrovsk	97.19%	97.19%
Limited Company “TECHKOMPLEKT”	Trade house (operating company)	Ukraine, Dnipropetrovsk	97.19%	97.19%
Associates:				
PrSC “Dnepro-Deu”	Maintenance of transmission equipment	Ukraine, Dnipropetrovsk	21.00%	21.00%

The Group also has an ownership in two dormant subsidiaries, namely LLC “WF Production” and LLC “FW Trading”, which were not engaged in significant operating activities as of 30 June 2011 and 30 June 2010 and for the six months then ended. These subsidiaries are stated at cost due to their insignificance to the Condensed consolidated interim financial statements of the Group.

Corporate reorganization –Prior to 31 December 2010 the ownership in the companies forming the Group was not united in the form of a legal holding and was represented by the following Ukrainian entities: “WESTA-DNEPR” and its subsidiary, Limited Company “TECHKOMPLEKT” and LTD “INDUSTRIAL ENERGY SYSTEMS”. All of these companies were in operation as of 1 January 2008 (the date of the Group’s transition to International Financial Reporting Standards). During the year ended 31 December 2010 the possession of various entities in which the Controlling Shareholder previously held ownership interests were contributed into Westa ISIC S.A. The Group accounted for this contribution as a transaction between entities under common control, meaning that all transfers were done at the pre-acquisition carrying amounts. In particular, the following processes were completed during the year ended 31 December 2010 to form the business engaged in production and distribution of starter accumulator batteries as described above in this Note:

- The ownership in the Ukrainian entities of the Group was united under a single holding company WESTA-DNEPR. Then WESTA-DNEPR was transferred by the Controlling Shareholder to Westa Dnepr (Cyprus) Limited for USD 1,758 thousand. This amount remained unpaid as of 30 June 2011 and was shown within trade and other accounts payable (Note 19);
- Westa ISIC S.A. was acquired by Vankeria Consultants Limited in 2010 to serve as a holding company of the Group;
- Westa Dnepr (Cyprus) Limited was established in Cyprus and ownership in this entity was transferred to Westa ISIC S.A. for an insignificant consideration;

- The Group disposed ownership in one of its subsidiary at cost, namely LLC "Rekuperaciyasvinca", to an entity under common control. In order to present financial information of the Group for the year ended 31 December 2010, which is to reflect financial performance of the Group on comparable basis, this subsidiary was not consolidated in the accompanying financial statements and the cost of investment into the disposed subsidiary was shown as a distribution to the shareholders in the Condensed consolidated interim statement of changes in equity from the earliest period for which the Group prepared its financial statements in accordance with International Financial Reporting Standards (starting 1 January 2008).

Following the above, the consolidated financial information for the periods up to the formal date of the Group formation has been prepared based on the following assumptions:

- The assets, liabilities and the profit or loss of the entities comprising the Group have been aggregated for all periods presented, based on when the Controlling Shareholder obtained its ownership interests in the entities;
- All transactions and balances between Group entities have been eliminated;
- Transactions and balances with entities controlled by the Controlling Shareholder that are not within the Group are classified as related party transactions and balances;
- The share capital presented as of 30 June 2011 represents that of the Parent. The excess of net assets of WESTA-DNEPR acquired from the Controlling Shareholder over the consideration paid to him in the amount USD 16,665 thousand was recognized as additional paid-in capital in the statement of changes in equity upon legal reorganization of the Group. The share capital before legal reorganization of each of the Group entities has been combined and was presented as combined contributed capital. The Group retained earnings balance therefore represents the historical retained earnings of the entities comprising the Group;
- All other items within equity have been aggregated in a manner consistent with the assets and liabilities;
- The non-controlling interests share, which has been increased and reduced throughout the periods presented as a result of a number of further direct and indirect acquisitions and disposals by the Group was presented as equity transactions.

Transactions with a larger group of entities under common control with the Group–During the year ended 31 December 2010 the Group was also engaged in the purchase of raw materials from parties under common control at prices in excess of market. Based on requirements of International Financial Reporting Standards Framework and substance of these transactions, the excess in prices over the purchase price paid by the parties under common control, was recorded as a distribution to the shareholders in the condensed consolidated interim statement of changes in equity for the year ended 31 December 2010 in the amount of USD12,846 thousand, with corresponding decrease of cost of sales and decrease of cost of inventories.

During the year ended 31 December 2010 the Group was involved in reallocation of the resources to and from larger group of entities under common control. These amounts were recorded as contribution from and distribution to the shareholders in the Condensed consolidated interim statement of changes in equity for the year ended 31 December 2010 in the amount of USD 17,052 thousand.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance – These condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The accompanying condensed consolidated interim financial statements have been prepared in accordance with the requirements of all IAS, IFRS, and Interpretations of International Financial Reporting Interpretations Committee ("IFRIC"), which were effective as of 30 June 2011.

The entities of the Group maintain their accounting records in accordance with accounting standards and other statutory requirements to financial reporting in the country of their incorporation. Local statutory accounting principles and procedures differ from accounting principles generally accepted under IFRS. Accordingly, the accompanying financial statements, which have been prepared from the Group entities' statutory accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The accompanying financial statements of the Company are prepared on the historical cost basis, except for the revaluation of plant and equipment and certain financial instruments.

Adoption of new and revised International Financial Reporting Standards – The following new and revised Standards and Interpretations have been adopted in the year:

- IFRS 3 "Business Combinations" (Revised 2008);
- IAS 27 "Consolidated and Separate Financial Statements" (Revised 2008);
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (Revised 2008);
- IFRIC 17 "Distributions of Non-cash Assets to Owners";
- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" – Eligible Hedged Items (July 2008);
- Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement".

IFRS 3 "Business Combinations" (Revised 2008***)*** has been applied effective 1 January 2010 prospectively to business combinations for which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. The most significant changes affecting the Group's accounting policies are as follows:

- IFRS 3 (Revised 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of recognized identifiable net assets of the acquired subsidiary;
- IFRS 3 (Revised 2008) changes the recognition and subsequent accounting for contingent consideration. Previously, contingent consideration was recognized at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognized against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of twelve months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration are recognized in profit or loss;

- IFRS 3 (Revised 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquired subsidiary;
- IFRS 3 (Revised 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The application of IAS 27 "Consolidated and Separate Financial Statements" (Revised 2008) resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries, which were applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions:

- When control of a subsidiary is lost as a result of a transaction, event or circumstance, IAS 27 (Revised 2008) requires the Group to derecognize all assets, liabilities and non-controlling interests at their carrying amounts and to recognize the fair value of the consideration received. Any retained interest in the former subsidiary is recognized at its fair value at the date control is lost. The resulting difference is recognized in profit or loss;
- IAS 27 (Revised 2008) requires that the non-controlling interests' proportionate share of profit or loss is attributed to the non-controlling interests even if this results in the non-controlling interests having a debit balance. In prior years, the excess of the losses applicable to the non-controlling interests in a subsidiary over the non-controlling interest in the subsidiary's equity were allocated against the Parent's interest except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

The principle adopted under IAS 27(2008) (see above) that a loss of control is recognized as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognized in profit or loss.

The adoption of IFRS 3 "Business Combinations" (Revised 2008), IAS 27 "Consolidated and Separate Financial Statements" (Revised 2008) and IAS 28 "Investments in Associates" (revised in 2008) did not materially affect the amounts reported in the current year but may affect the accounting for future transactions as a result of changes in the Group's accounting policies.

In the current year, the Group also adopted amendments to a number of Standards including those resulting from annual improvements to IFRS that are effective for annual periods beginning on or after 1 January 2010. Adoption of these amendments, as well as adoption of other Standards and Interpretations did not have any significant impact on the amounts reported in these condensed consolidated interim financial statements but may affect the accounting for future transactions and arrangements.

Standards and Interpretations in issue but not effective –At the date of authorization of these condensed consolidated interim financial statements, the following Standards and Interpretations, as well as amendments to the Standards were in issue but not yet effective:

Standards and Interpretations	**Effective for annual period beginning on or after**
Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Replacement of "fixed dates" for certain exceptions with "the date of transition to IFRSs" and Additional exemption for entities ceasing to suffer from severe hyperinflation	1 July 2011*
Amendments to IFRS 7 "Financial instruments: Disclosures" – Transfers of financial assets	1 July 2011*
Amendments to IAS 12 "Income Taxes" – Limited scope amendment (recovery of underlying assets)	1 January 2012*
IFRS 9 "Financial Instruments: Classification and Measurement"	1 January 2013*

* Standards and Interpretations not yet endorsed by the European Union.

As of the date of authorization of these condensed consolidated interim financial statements, there were also amendments to other Standards and Interpretation issued resulting from annual improvements to IFRS that are effective in future periods.

The management is currently evaluating the impact of the adoption of IFRS 9 "Financial Instruments: Classification and Measurement", amendments to IAS 24 "Related Party Disclosures" and IAS 12 "Income Taxes". For other Standards and Interpretations management anticipates that their adoption in future periods will have no material effect on the condensed consolidated interim financial statements of the Group.

Functional and presentation currency – The functional currency of the condensed consolidated interim financial statements of the Group is the Ukrainian Hryvnia ("UAH"). The currency of presentation is United States dollars ("USD"). The assets and liabilities of the subsidiaries denominated in functional currencies are translated into presentation currency at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income or loss.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The relevant exchange rates were as follows:

	As of 30 June 2011	**Average for the six month 2011**	**As of 31 December 2010**	**Average for the 2010**
UAH/USD	7.9723	7.9580	7.9617	7.9353
UAH/EUR	11.50	11.1649	10.5731	10.5313
UAH/RUB	0.284	0.2782	0.2612	0.2614

Basis of consolidation– The condensed consolidated interim financial statements incorporate the financial statements of the Parent and entities controlled by the Parent (its subsidiaries). Control is achieved when the Parent has the power to govern the financial and operating policies of an entity, either directly or indirectly, so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements of the Group from the date when control effectively commences.

All significant intercompany transactions, balances and unrealized gains/(losses) on transactions are eliminated on consolidation, except when the intragroup losses indicate an impairment that requires recognition in the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those adopted by the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to Shareholders of the Parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 “Financial Instruments: Recognition and Measurement” or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Accounting for acquisitions from third parties– Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits”, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 “Share-based Payment at the acquisition date” (see 3.16.2); and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired subsidiary, and the fair value of the Group's previously held equity interest in the acquired subsidiary (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of non-controlling interest in the subsidiary and the fair value of the Group's previously-held interest in the subsidiary (if any), the excess is recognized in the profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the subsidiary's identifiable net assets. The choice of measurement basis is made on transaction-by-transaction basis. Other types of non-controlling interests, if any, are measured at fair value or, when applicable, on the basis specified in other Standards.

When the consideration transferred by the Group in a business combination includes assets and liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and is included as part of the consideration transferred. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which may not exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", or IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

When an acquisition of a legal entity does not constitute a business, the cost of the group of assets is allocated between the individual identifiable assets in the group based on their relative fair values.

Accounting for acquisitions from entities under common control–The assets and liabilities of subsidiaries acquired from entities under common control are recorded in these condensed consolidated interim financial statements at pre-acquisition carrying values. Any difference between the carrying value of net assets of these subsidiaries, and the consideration paid by the Group is accounted for in these condensed consolidated interim financial statements as an adjustment to shareholders' equity. The results of the acquired entity are reflected from the earliest period presented.

Any gain or loss on disposals to entities under common control are recognized directly in equity and attributed to Shareholders of the Parent.

Non-controlling interests–Non-controlling interests in subsidiaries and consolidated entities are identified separately from the Group's equity therein. The interests of non-controlling shareholders consist of the amount of those interests at the date of the original business combination (see above) and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling shareholders in excess of the non-controlling shareholders' interest in the subsidiary's equity are attributed to the non-controlling shareholders even if this results in the non-controlling shareholders having a debit balance.

Investments in associates–An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these condensed consolidated interim financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, an investment in an associate is initially recognized in the condensed consolidated interim statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 "Financial Instruments: Recognition and Measurement" are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 "Impairment of Assets" to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Financial instruments– Financial assets and financial liabilities are recognized on the Group's condensed consolidated interim statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of the financial assets and liabilities are recognized using settlement date accounting.Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the entity, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the entity.

Financial assets and liabilities are initially recognized at fair value plus, in the case when financial asset or financial liability are not stated at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability.
The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below in this Note.

Financial assets and financial liabilities are only offset and the net amounts are reported in the statement of financial position when the Group has a legally enforceable right to set-off the recognized amounts and intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial assets **–** Financial assets are classified into the following specified categories: financial assets as “at fair value through profit or loss” (FVTPL), “held-to-maturity investments”, “available-for-sale” (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method **–** The effective interest method is a method of calculating the amortized cost of a financial asset (liability) and of allocating interest income (expense) over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (payments) – including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts – through the expected life of the financial asset (liability), or, where appropriate, a shorter period.

Accounts receivable –Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as receivables. Accounts receivable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Short-term accounts receivable, which are non-interest bearing, are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognized in the profit or loss when there is objective evidence that the asset is impaired.

Other financial assets –Other financial assets include deposits with original maturity of more than three months held for investment purposes or as guarantees for the Group’s borrowings and are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

Cash and cash equivalents –Cash and cash equivalents include cash on hand, cash with banks and deposits with original maturity of less than three months.

Impairment of financial assets–Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

If the Group determines that no objective evidence exists that impairment has incurred for individually assessed accounts receivable, whether significant or not, it includes the account receivable in a group of accounts receivable with similar credit risk characteristics and collectively assesses them for impairment.

For the purposes of a collective evaluation of impairment accounts receivable are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of accounts receivable that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets – The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss.
A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity – Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments – An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issue costs. Repurchase of the Parent's own equity instruments is recognised in and deducted from directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Parent's own equity instruments.

Financial liabilities – Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Other financial liabilities – Other financial liabilities, including borrowings, trade payables and payables for property and equipment are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial liabilities – The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

***Contributed capital of consolidated entities*–**Contributed capital is recognized at the fair value of the contributions received by the Group's consolidated entities.

Trade and other payables –Accounts payable are subsequently measured at amortized cost using the effective interest rate method. Accounts payable are classified as long-term if they are due for settlement in period longer than twelve months from the reporting date. Accounts payable which are expected to be settled within twelve months from the reporting date are classified as current accounts payable.

Borrowings and bonds issued –Interest-bearing borrowings and bonds are initially measured at fair value net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognized over the term of the borrowings and bonds issued and recorded as finance costs.

Borrowing costs– Borrowing costs include interest expenses and other debt service costs. Borrowing costs directly attributable to the acquisition, construction or production of the qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Property, plant and equipment – Buildings and structures, machinery and equipment and vehicles held for use in the production or supply of goods or services, or for administrative purposes, are stated in the condensed consolidated interim statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such buildings and structures, machinery and equipment and vehicles, is recognized in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such buildings and structures, machinery and equipment and vehicles, is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset recognized previously in other comprehensive income.

On the subsequent sale or retirement of revalued items of property, plant and equipment, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

Fixtures and other depreciable assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The historical cost of an item of property, plant and equipment comprises (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (b) any costs directly attributable to bringing the item to the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group; (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. The cost of self-constructed assets includes the cost of material, direct labour and an appropriate portion of production overheads.

As the historical cost information was not available, the Group elected to use a fair value as a deemed cost as of the date of transition to IFRS. The management used valuation performed by independent professionally qualified appraisers to arrive at the fair value as of the date of transition to IFRS. The fair value was defined as the amount for which an asset could have been exchanged between knowledgeable willing parties in an arm's length transaction. The fair value of marketable assets was determined at their market value.

If there is no market-based evidence of fair value because of the specialized nature of the item of property, plant and equipment and the item is rarely sold, except as part of a continuing business, an income or a depreciated replacement cost approach was used to estimate the fair value.

Depreciation is recognized so as to write off the cost or revalued amount of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Subsequently capitalized costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the profit or loss as incurred.

Depreciable amount represents the cost, deemed cost or revalued amount of an item of property, plant and equipment less its residual value. The residual value is the estimated amount that the Group would currently obtain from disposal of the item of property, plant and equipment, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Useful lives of the groups of property, plant and equipment are as follows:

Buildings and structures	25 - 85 years
Machinery and equipment	5 - 30 years
Vehicles	5 - 25 years
Furniture and other depreciable assets	1 - 12 years

Construction in progress comprises costs directly related to construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Construction in progress is not depreciated. Depreciation of the construction in progress, on the same basis as for other property, plant and equipment items, commences when the assets become available for use, i.e. when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Intangible assets – Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of tangible and intangible assets – At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Income tax – Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax– Income taxes have been computed in accordance with the laws currently enacted in Ukraine. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit or loss as reported in the condensed consolidated interim profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax– Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period – Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss.

Inventories– Inventories are stated at the lower of cost and net realizable value. The costs comprise raw materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present locations and condition.

Cost is calculated using FIFO (first-in, first-out) method. Net realizable value is determined as the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provisions–Provisions are recognized when the Group has a present legal or constructive obligation (either based on legal regulations or implied) as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities and assets−Contingent liabilities are not recognized in the condensed consolidated interim financial statements. They are disclosed in the notes to the condensed consolidated interim financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are recognized only when the contingency is resolved.

Dividends − Dividends declared during the reporting period are recognized as distributions of retained earnings to equity holders during the period, the amount of recognized but unpaid dividends is included in current liabilities. Dividends declared after the reporting date but before the financial statements were authorized for issue are not recognized as a liability at the reporting date, but are disclosed in the notes to the financial statements.

Segment information – IFRS 8 "Operating segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision-maker has been identified as the Chief Executive Officer (CEO) of the Group. The CEO reviews the Group's internal reporting in order to assess performance and allocate resources. Currently, the CEO evaluates the business from a single perspective as one unit manufacturing starter batteries .No further analysis to assess profitability based on types of batteries sold or based on geography of sales (while revenue per regions and distributors is reviewed) is made by the CEO .For this reason the CEO and the Group's management considers the entire Group to be a single operating and reportable segment.

Revenue recognition– Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods in the normal course of business, net of discounts, net of value added tax ("VAT") or other sales related taxes.

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is recognised using the effective interest method.

The Group derives its revenue from sales to distributors operating on aftermarket. Specifically, revenue from the sale of goods to distributors is recognized when goods are dispatched and the risk and rewards are passed to the distributor based on the provision of applicable terms for the sale (the Group uses Incoterms).

Defined contribution plan – The employees of the Ukrainian entities of the Group receive pension benefits from the government in accordance with the laws and regulations of Ukraine. Group's contributions to the State Pension Fund are recorded in the profit or loss on the accrual basis. The Group is not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees, other than pay-as-you-go expenses.

Warranty provisions – Provisions for warranty costs are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Government grants– Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

Key sources of estimation uncertainty– The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment provision for accounts receivable– The Group's accounts receivable that are past due but not considered to be impaired as at 30 June 2011 and 30 June 2010 relate to the trade and other accounts receivable due from the Group's related parties and accounts receivable arisen on sales of securities in the total amount of USD 1,644 thousand and USD 1,862 thousand, respectively. Such accounts receivable are analyzed separately from accounts receivable from third parties for impairment assessment. After analysis performed as of 30 June 2011 and 30 June 2010 the Group's management considered these amounts as recoverable and no allowance was provided in these financial statements based on the past experience of the Group as well as current arrangements and expectations about respective debtors' ability to settle their debt to the Group. If there is deterioration in creditworthiness of such debtors the actual results could differ from these estimates.

Recoverability of property, plant and equipment – As part of the valuation of property, plant and equipment as of 31 December 2009 the Group assessed the existence of external (economic) obsolescence. Such analysis is necessary to determine whether the fair value of items of specialized nature, which was valued using the depreciated replacement cost approach, is recoverable. The assessment of absence of external (economic) obsolescence was determined using projections of future cash flows of the Group discounted using a weighted average cost of capital of 17%. Future cash flows projections were built on the following key assumption: production of 4 million of conventional batteries in 2010, with subsequent growth rate in 2011 at 14%, 5.4% in 2012, 3% in 2013, and 1% thereafter, and growth rate for terminal value at 2%. As of 30 June 2011 and 30 June 2010 the Group assessed that the Group performance was better than assumptions used and hence there is no indication that the recoverable amount of the Group's property, plant and equipment has declined below the carrying value.

Useful lives of property, plant and equipment – The estimation of the useful life of an item of property, plant and equipment is a matter of management estimate based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments for future depreciation rates.

Deferred tax assets –Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. As of 30 June 2011 and 31 December 2010 the Group recognized deferred tax asset related to tax losses carried forward at individual entities of the Group in the amount of USD 3,712 thousand and USD 3,717 thousand, respectively, as the Group intends to utilize such deferred tax assets against set off with related deferred tax liabilities. The management judgment to recognize respective deferred tax assets was also based on the ability of the Group to carry forward respective losses for indefinite time in future based on existing requirements of tax legislation in Ukraine. Meantime, in the past, there were instances when other Ukrainian laws provided specific periods within which tax losses could be utilized. If any new law enacted subsequently to 31 December 2010 provides specific period for utilization of the amount of the Group's tax losses carry forward, the Group can loose its ability to utilize part or all of the deferred tax assets currently recognized.

VAT recoverable –The balance of VAT recoverable may be realized by the Group either through a cash refund from the state budget or by set off against VAT liabilities with the state budget in future periods. Management classified VAT recoverable balance as current or non-current based on expectations as to whether it will be realized within twelve months from the reporting date.

In making this assessment, management considered past history of receiving VAT refunds from the state budget. For VAT recoverable expected to be set off against VAT liabilities in future periods, management based its estimates on detailed projections of expected excess of VAT output over VAT input in the normal course of the business.

4. PROPERTY, PLANT AND EQUIPMENT

The following table represents movements in property, plant and equipment for the six months ended 30 June 2011:

	Buildings and structures	Machinery and equipment	Vehicles	Furniture and other depreciable assets	Construction in progress and equipment due for installation	Total
Cost, deemed cost or valuation						
As of 31 December 2010	**50,780**	**113,564**	**1,148**	**665**	**18,009**	**184,166**
Additions	-	-	-	-	836	836
Disposals	(15)	(234)	(197)	(57)	-	(503)
Transfers	198	5,213	308	182	(5,901)	-
Translation difference	(46)	25	(11)	(4)	(202)	(238)
As of 30 June 2011	**50,917**	**118,568**	**1,248**	**786**	**12,742**	**184,261**
Accumulated depreciation						
As of 31 December 2010	**(319)**	**(3,743)**	**(231)**	**(165)**	**-**	**(4,458)**
Depreciation charge for the six month	(340)	(2,935)	(208)	(87)	-	(3,570)
Disposals	15	117	30	10	-	172
Translation difference	8	3	1	2	-	14
As of 30 June 2011	**(636)**	**(6,558)**	**(408)**	**(240)**	**-**	**(7,842)**
Net book value						
As of 30 June 2011	**50,281**	**112,010**	**840**	**546**	**12,742**	**176,419**
As of 31 December 2010	**50,461**	**109,821**	**917**	**500**	**18,009**	**179,708**

The following table represents movements in property, plant and equipment for the six months ended 30 June 2010:

	Buildings and structures	Machinery and equipment	Vehicles	Furniture and other depreciable assets	Construction in progress and equipment due for installation	Total
Cost, deemed cost or valuation						
As of 31 December 2009	**22,495**	**59,374**	**922**	**593**	**75,216**	**158,600**
Additions	-	5,658	19	10	6,781	12,468
Disposals	-	(16)	-	-	-	(16)
Capitalized borrowing costs	1,897	1,905	10	-	204	4,016
Transfers	270	4,779	-	-	(5,049)	-
Translation difference	(17)	18	5	4	17	27
As of 30 June 2010	**24,645**	**71,718**	**956**	**607**	**77,169**	**175,095**
Accumulated depreciation						
As of 31 December 2009	**-**	**-**	**-**	**(103)**	**-**	**(103)**
Depreciation charge for the year	(159)	(1,868)	(114)	(25)	-	(2,166)
Disposals	-	-	-	-	-	-
Translation difference	(1)	(12)	(2)	-	-	(15)
As of 30 June 2010	**(160)**	**(1,880)**	**(116)**	**(128)**	**-**	**(2,284)**
Net book value						
As of 30 June 2010	**24,485**	**69,838**	**840**	**479**	**77,169**	**172,811**
As of 31 December2009	**22,495**	**59,374**	**922**	**490**	**75,216**	**158,497**

As of 31 December 2009 construction in progress of the Group were represented by items of imported property, plant and equipment that were undergoing custom clearance before being transferred to the Group site with the carrying amount of USD 32,635 thousand and that were treated by the Group as qualifying assets. The Group got customs clearance for that property, plant and equipment during the year ended 31 December 2010 and put them into operation.

As of 31 December 2009 all Group's property, plant and equipment, excluding furniture and other depreciable assets, were revalued by independent valuators in accordance with the requirements of International Valuation Standards. The valuation of specialized items of revalued property, plant and equipment was determined based on depreciable replacement cost, while the analogues method was used to determine the valuation of the remaining items.

As of 30 June 2010 and 2011, had the Group's property, plant and equipment, excluding furniture and other depreciable assets, been carried at historical cost less accumulated depreciation where applicable, their carrying amount would have been the following:

	2011	**2010**
Buildings and structures	44,541	19,972
Machinery and equipment	87,151	50,114
Vehicles	488	550
Construction in progress and equipment due to installation	5,807	52,375
Total	**137,987**	**123,011**

As of 30 June 2011 and 2010, fully depreciated assets with a cost of USD 510 thousand and USD 50 thousand, respectively, were included into property, plant and equipment.

As of 30 June 2011 and 2010 the Group has property, plant and equipment pledged to secure the Group's bank borrowings (Note 17).

5. PREPAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As of 30 June 2011 and 2010 prepayments for property, plant and equipment were as follows:

	2011	**2010**
Construction works	19,110	9,561
Machinery and equipment	10	733
Other	10	16
Total	**19,130**	**10,310**

As of 30 June 2011 and 2010 there were prepayments for property, plant and equipment for the amount of USD 9,113 thousand and 9,125 thousand, respectively, pledged as collateral to secure bank borrowings of the Group (Note 17).

6. INVESTMENTS IN ASSOCIATES

As of 30 June 2011 and 2010 investments in associates were represented as follows:

	2011		**2010**	
PrSC "DneproDeu"	21.00%	161	21.00%	162
Total		**161**		**162**

As of 30 June 2011 the Group's investment in PrSC"DneproDeu"was carried at cost since effect of its operations was not material.

As of 30 June 2011 and 2010 the Group has pledged its investment in associate to secure the Group's bank borrowings (Note 17).

7. INCOME TAX

During the six months ended 30 June 2011 and 2010 the Group companies incorporated in Ukraine were subject to income tax at a 23% and 25% rate. The new Tax Code of Ukraine, which was enacted in December 2010, introduced gradual decreases in income tax rates over the future years (from 23% effective 1 April 2011 to 16% effective 1 January 2014), as well as certain changes to the rules of income tax assessment starting from 1 April 2011. The deferred income tax assets and liabilities as of 30 June 2011 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to be realised.

The net results of the Group companies incorporated in jurisdictions other than Ukraine (Luxemburg and Cyprus) were insignificant during the six months ended 30 June 2011 and 2010.

The main components of income tax expense for the six months ended 30 June 2011 and 2010 were as follows:

	2011	2010
Current tax expense	161	47
Deferred tax (benefit)/expense	(507)	1617
Income tax (benefit)/expense	**(346)**	**1,664**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The following amounts, determined after appropriate offsetting, are presented in the condensed consolidated interim statement of the financial position as of 30 June:

	2011	2010
Deferred tax asset	1,966	712
Deferred tax liability	-	(13,050)
Net deferred tax position	**1,966**	**(12,338)**

The movements in deferred taxes during the six months ended 30 June 2011 and 2010 were as follows:

	2011	2010
Deferred tax liability as of the beginning	**1,636**	**(10,521)**
Deferred tax benefit/(expense)	507	(1,617)
Translation difference	(177)	(200)
Deferred tax liability as of the end	**1,966**	**(12,338)**

8. OTHER NON-CURRENT ASSETS

As of 30 June 2011 and 2010 other non-current assets of the Group were represented by the bank term deposit in the amount of USD 1,650 thousand and USD 1,230 thousand, respectively, being pledged as collateral to secure bank borrowing with the maturity in February 2012 (Note 17). The deposit provided 7.75% interest per annum and will mature in March 2012.

As of 30 June 2011 and 2010 the balance also comprised available-for-sale investments in the amount of USD 73 thousand and USD 76 thousand, respectively.

9. INVENTORIES

Inventories as of 30 June 2011 and 2010 were as follows:

	2011	**2010**
Raw materials	4,910	3,813
Finished goods	10,011	5,306
Work in progress	9,201	2,141
Other inventories	195	185
Total	**24,317**	**11,445**

As of 30 June 2011 and 2010 the Group had inventories pledged as collateral to secure the Group’s bank borrowings (Note 17).

10. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade accounts receivable as of 30 June 2011 and 2010 were as follows:

	2011	**2010**
Trade receivables, including:		
-UAH denominated	16,082	25,300
-RUB denominated	12,318	7,547
-USD denominated	2,180	1,476
-EUR denominated	42	306
Receivables for securities sold (UAH denominated)	6,712	6,255
Other receivables, including:		
-UAH denominated	969	293
-USD denominated	860	211
Total	**39,163**	**41,388**

As of 30 June 2011 and 2010 trade and other receivables included balances with related parties in the amount of USD 20,622 thousand and USD 23,972 thousand, respectively (Note 28).

As of 30 June 2011 and 2010 the Group had trade and other accounts receivable pledged as collateral to secure the Group’s bank borrowings (Note 17).

The average credit period for the Group’s customers was 45 days for the six months ended 30 June 2011 and 2010, respectively. No interest is charged on trade receivables.

The Group’s management performed regular analysis of trade accounts receivable recoverability based on past experience, facts and circumstances existing and best management's estimates as of each reporting date.

Included in the Group's trade and other accounts receivable balances as of 30 June 2011 and 2010 were debtors which are past due at the respective reporting date and which the Group still considered recoverable (i.e. not impaired). The Group does not hold any collateral over these outstanding balances.

Ageing of past due but not impaired trade and other accounts receivable as of 30 June 2011 and 2010 were as follows:

	2011	2010
Neither past due nor impaired	37,319	39,553
Past due but not impaired:		
Past due up to 90 days	1,650	1,081
Past due from 90 to 180 days		-
Past due from 180 to 365 days	135	649
More than 1 year	59	105
Total	**39,163**	**41,388**

Management believes that there were no trade and other receivables that required allowance for irrecoverable amounts as there were no individually impaired receivables as of 30 June 2011 and 2010. No allowance for irrecoverable trade and other accounts receivable was provided in these condensed consolidated interim financial statements.

As of 30 June 2011 and 30 June 2010 receivables for securities from related parties in the amount of USD 4,711 and USD 4,935 thousand were recorded at amortized cost using 19% discount rate. Difference between carrying value and fair value of these accounts receivable on their initial recognition in the amount of USD 650 thousand was recognized as distribution to shareholders during six months ended 30 June 2010.

11. ADVANCES TO SUPPLIERS AND PREPAID EXPENSES

As of 30 June 2011 and 2010 advances to suppliers and prepaid expenses were as follows:

	2011	2010
Advances for raw materials	67,200	23,877
Advances for services	21	1,037
Advances for utilities	1,177	481
Other advances and prepaid expenses	1,651	603
Total	**70,049**	**25,998**

As of 30 June 2011 and 2010 advances to suppliers and prepaid expenses included balances with related parties in the amount of USD 64,177 thousand and USD 23,036 thousand, respectively (Note 28).

Management believes that there were no advances to suppliers and prepaid expenses that required allowance for irrecoverable amounts as there were no individually impaired balances as of 30 June 2011 and 2010.

As of 30 June 2011 and 2010 the Group has pledged its rights related advances made to secure the Group's bank borrowings (Note 17).

12. TAXES RECOVERABLE AND PREPAID

Taxes recoverable and prepaid as of 30 June 2011 and 2010 were as follows:

	2011	2010
Value added tax recoverable	12,693	12,765
CIT prepaid	198	80
Other taxes prepaid	1	-
Provision for doubtful VAT	-	(681)
Total	**12,892**	**12,164**

As of 30 June 2011 and 2010 the Group has pledged its rights on proceeds from taxes recoverable to secure the Group's bank borrowings (Note 17).

13. OTHER FINANCIAL ASSETS

As of 30 June 2011 and 2010 other financial assets were represented by short-term bank deposits and restricted cash and were as following:

	2011	2010
-EUR denominated	8,063	8,716
-UAH denominated	558	648
-USD denominated	789	790
Total	**9,410**	**10,154**

As of 30 June 2011 and 2010 the Group had bank deposits with maturity range 3 – 12 months and amounted to USD 6,751 thousand and USD 4,100 thousand, respectively, which were restricted in use and pledged as collateral to secure borrowings (Note 17).

The weighted average interest rate for the deposits was 13% as of 30 June 2011 and 2010.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 30 June 2011 and 2010 were as follows:

	2011	2010
Cash equivalents held in banks in UAH	14,409	-
Cash held at current accounts in banks in EUR	337	184
Cash held at current accounts in banks in RUB	642	228
Cash held at current accounts in banks in UAH	6,846	300
Cash held at current accounts in banks in USD	35,588	1,688
Cash equivalents held in banks in USD	-	-
Total	**57,822**	**2,400**

As of 30 June 2011 and 2010 the Group has pledged its cash and cash equivalents to secure the Group's bank borrowings (Note 17).

15. SHARE CAPITAL/ COMBINED CONTRIBUTED CAPITAL

As discussed in Note 1 the Parent was acquired in 2010 to serve as the ultimate holding company of the Group. As of 31 December 2010 the authorized, issued and fully paid share capital of the Parent was EUR 31 thousand (USD 41 thousand) comprising of 310 shares of EUR 100 each at nominal value. 100% owner of the Parent's share capital is Vankeria Consultants Limited, entity under control of the Controlling Shareholder.

On 18 March 2011 the Parent:

- Decreased par value of Parent's shares from EUR 100 to EUR 0,01;
- Increased its authorized share capital from EUR 31 thousand to EUR 331 thousand consisting of 33,100,000 shares of EUR 0.01, by the creation of additional 30,000,000 ordinary shares of EUR 0.01 each. Increase in share capital was issued and fully paid by the date of approval of these financial statements;
- Authorized Parent's Board of directors to issue up to 11,900,000 additional ordinary shares of EUR 0.01 each.

On 03 June 2011 the Parent issue additional 11,033,333 shares with a par value of EUR 0,01 each. These shares were distributed to new shareholders during initial public offering on Warsaw Stock Exchange. Total proceeds for the new shares issued were USD 47,462 thousand. Thus, share premium on issued additional 11,033,333 shares were USD 47,302 thousand. As a result of the share capital increase total share capital of the Parent is EUR 441 thousand (USD 621 thousand) comprising of 44,133,333 shares of EUR 0,01 each at a nominal value.

16. NON-CONTROLLING INTERESTS

As of 30 June 2011 and 2010, the value of share of the non-controlling owners in the Group companies was the following:

	2011	2010
Non-controlling interests value	594	57

17. BORROWINGS

The following table summarizes long-term bank loans and credit lines outstanding as of 30 June 2011 and 2010:

Currency	Weighted average interest rate	2011	Weighted average interest rate	2010
USD	12%	212,405	12%	174,410
EUR	10%	47,077	11%	43,618
UAH	19%	21,661	19%	31,055
		281,143		**249,083**
Less:				
Current portion of long-term bank borrowings		(77,491)		(110,661)
Total long-term borrowings		**203,652**		**138,422**

As of 30 June 2011 and 2010 short-term loans, borrowings and credit lines due within one year consisted of the following:

Currency	**Weighted average interest rate**	**2011**	**Weighted average interest rate**	**2010**
USD	12%	19,476	12%	13,080
UAH	n/a	-	24%	2,503
Total bank borrowings due within one year		**19,476**		**15,583**
Add:				
Current portion of long-term bank borrowings		77,491		110,661
Payables for factoring operations		3,627		4,308
Interest accrued		18,592		10,061
Total short-term borrowings		**119,186**		**140,613**
Total borrowings		**322,838**		**279,035**

The Group’s borrowings are drawn from Ukrainian banks and subsidiaries of foreign banks as term loans and credit line facilities. Repayment terms of principal amounts of bank borrowings vary from monthly repayment to repayment on maturity depending on the agreement reached with each bank. The interest on the borrowings is payable on a monthly or quarterly basis. Term bank loans and credit line facilities were as follows as of 30 June 2011 and 2010:

	2011	**2010**
Closed-end credit lines	206,604	167,489
Revolving credit lines	77,875	90,401
Term loans	16,140	6,775
Total bank borrowings	**300,619**	**264,665**

The following table summarizes fixed and floating interest rates bank loans and credit lines held by the Group as of 30 June 2011 and 2010:

	2011	**2010**
Fixed interest rate	279,861	234,080
Floating interest rate	20,758	30,585
Total	**300,619**	**264,665**

As of 30 June 2011 and 2010 the Group’s total bank borrowings and respective interest forecasted based on contractual repayment schedule were repayable as follows:

	2011	**2010**
Due within three months	24,546	36,536
Due from three months to six months	23,427	49,622
Due from six months to twelve months	40,631	42,901
Total current portion repayable in one year	**88,604**	**129,059**
Due in the second year	86,466	75,182
Due thereafter	215,940	120,002
Total	**391,010**	**324,243**
Less interest forecasted	(86,764)	(55,270)
Add accrued interest	18,592	10,062
Total borrowings	**322,838**	**279,035**

The Group as well as particular subsidiaries has to comply with certain covenants imposed by the banks providing the loans. The main covenants which are to be complied by the Group related to the financial performance of the Group companies, change in the assets level and usage of loan funds in accordance with the stated purpose. There were no significant breach of covenants by the Group as of 30 June 2011 and 2010, respectively. The Group entities should also obtain approval from the lenders regarding the property to be used as collateral.

As of 30 June 2011 and 2010 the Group's borrowings were secured by the following pledged assets:

	2011	**2010**
Property, plant and equipment	156,880	154,457
Trade and other accounts receivables	36,107	39,877
Other non-current assets	1,650	1,270
Inventories	18,865	11,273
Advances to suppliers and prepaid expenses	11,865	9,066
Taxes recoverable and prepaid	3,448	3,808
Cash and cash equivalents	865	673
Other financial assets	6,751	4,100
Intangible assets, net	98	106
Prepayments for property, plant and equipment	9,011	8,999
Total	**245,540**	**233,629**

The table above includes all assets of PSC "WESTA-DNEPR" as of 30 June 2011 and 2010 that were pledge under the agreements with of the Ukrainian banks.

As of 30 June 2011 and 30 June 2011 the Group had the following pledges, except those stated above:

- Finished goods, that will be produced by Limited company "WESTA INDUSTRIAL" starting the third quarter of the year ended 31 December 2010 to fourth quarter of the year ended 31 December 2013 (2,541,000 accumulators), with the pledge value in the amount of USD 322,435 thousand and USD 325,127 thousand as at 30 June 2011 and 30 June 2010, respectively;
- There was also guarantee provided by the related party LLC "Westa Market" to secure Group borrowings.

18. BONDS ISSUED

Bonds issued and outstanding as of 30 June 2011 and 2010 were as follows:

	2011	**2010**
20 % Domestic bonds due in 2011	6,222	6,275
18 % Domestic bonds due in 2012	1,668	6,275
19 % Domestic bonds due in 2012	-	1,251
Unamortized premium on bonds issued	50	111
Total	**7,940**	**13,912**

20 % Domestic bonds – In 2009 PSC "WESTA-DNEPR" placed USD 6,275 thousand 20% unsecured domestic bonds, due in November 2011, with premium amounted to USD 225 thousand. The bonds are listed on Ukrainian Stock Exchange. These bonds were guaranteed by the Group's entity Limited Company "TECHKOMPLEKT". Interest on 20% domestic bonds is payable on a monthly basis. The Group had the right for early redemption of the bonds as of

7 November 2009 and 14 November 2010 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest up to the redemption date. This option was not exercised by the Group as of 7 November 2009 and 14 November 2010.

18 % Domestic bonds – In 2009 PSC "WESTA-DNEPR" placed USD 6,275 thousand 18% unsecured domestic bonds, due in February 2012, at par. The bonds are listed on Ukrainian Stock Exchange. These bonds were guaranteed by the Group's consolidated entity Limited Company "TECHKOMPLEKT". Interest on 18% domestic bonds is payable on a quarterly basis. The Group had the right for early redemption of the bonds as of 29 November 2009 and 27 February 2011 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest up to the redemption date. This option was not exercised by the Group as of 27 February 2011 and 29 November 2009. In 2010 bonds were redeemed by the Group at par value. Interest was paid in full amount. In 2011 bonds in amount of USD 1,668 thousand were sold by the Group at par.

19 % Domestic bonds –In 2009 PSC "WESTA-DNEPR" placed USD 1,251 thousand 19% unsecured domestic bonds, due in January 2012 at par. The bonds are listed on Ukrainian Stock Exchange. These bonds were guaranteed by the Group's entity Limited Company "TECHKOMPLEKT". Interest on 19% domestic bonds is payable on a quarterly basis. The Group had the right for early redemption of the bonds as of 1 November 2009 and 30 January 2011 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest up to the redemption date. This option was not exercised by the Group as of 1 November 2009 and 30 January 2011. In 2010 bonds were redeemed by the Group at par value. Interest was paid in full amount.

19. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as of 30 June 2011 and 2010 were as follows:

	2011	2010
Trade payables for raw materials, including:		
-UAH denominated	4,907	8,234
-EUR denominated	1,327	1,107
-USD denominated	12,863	2,586
Trade payables for services, including:		
-UAH denominated	3,871	3,312
-EUR denominated	33	41
-USD denominated	58	25
Unsettled liabilities for the acquisition of property, plant and equipment, including:		
-EUR denominated	872	793
Accounts payable for available-for-sale investments, including:		
-UAH denominated	2,368	487
Other current liabilities, including:		
-UAH denominated	856	55
Total	**27,155**	**16,640**

As of 31 December 2010 accounts payable for available-for-sale investments included USD 1,756 thousand of remained unpaid amount for transfer the single holding company WESTA-DNEPR by Controlling Shareholder to Westa Dnepr (Cyprus) Limited.

As of 30 June 2011 and 2010 trade and other payables included balances with related parties in the amount of USD15,452 thousand and USD 8,725 thousand, respectively (Note 28).

The average credit period rendered to the Group by trade suppliers comprises 122 days and 120 days in the six months ended 30 June 2011 and 2010, respectively. No interest is charged on trade and other payables.

The table below summarizes the maturity profile of the Group's trade and other payables as of 30 June 2011 and 2010 based on contractual undiscounted payments:

	2011	**2010**
Due within three months	25,295	14,859
Due from three to six months	534	756
Due from six months to twelve months	1,326	1,025
Total	**27,155**	**16,640**

20. TAXES PAYABLE

As of 30 June 2011 and 2010 taxes payable were as follows:

	2011	**2010**
Payroll related taxes	303	227
Corporate income tax payable	145	106
Other taxes	45	
Total	**493**	**333**

21. PROVISIONS AND ACCRUALS

Provisions and accruals as of 30 June 2011 and 2010were as follows:

	2011	**2010**
Accrued payroll	1,171	861
Warranty provision	667	603
Provision for unused vacation	326	329
Total	**2,164**	**1,793**

Warranty provision as of 30 June 2011 and 2010 represents the estimated amount of cost required to substitute sold batteries that will break-down before the end of the warranty period by the new batteries. Warranty provision is recorded only with reference to sales in Ukraine.

Provision for unused vacation represents a provision for employee benefit for the earned number of paid vacation days, which were not settled as of the reporting date.

22. REVENUE

Revenue for the six months ended 30 June 2011 and 2010 was as follows:

	2011	**2010**
Sales of finished goods	63,179	58,793
Other sales	2,453	821
Total	**65,632**	**59,614**

For the six months ended 30 June 2011 and 2010, revenue included transactions with related parties in amount of USD 6,128 thousand and USD13,368 thousand, respectively (Note 28).

23. COST OF SALES

Cost of sales for the six months ended 30 June 2011 and 2010 was as follows:

	2011	2010
Inventory	37,617	34,974
Salaries, wages and related charges	3,096	3,356
Utilities	2,323	1,762
Depreciation	3,419	1,722
Repairs and maintenance	276	279
Transportation costs	72	177
Warranty costs	159	165
Other expenses	548	257
Total	**47,510**	**42,692**

For the six months ended 30 June 2011 and 2010 the Group purchases included transactions with related parties in amount of USD 27,564 thousand and USD 22,412 thousand, respectively (Note 28).

24. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the six months ended 30 June 2011 and 2010 were as follows:

	2011	2010
Salaries, wages and related charges	815	1,076
Transportation costs	639	612
Bank charges	587	412
Depreciation and amortization	423	349
Other services	765	80
Communication services	112	80
Non-refundable taxes	121	107
Repairs and maintenance	11	8
Rent of property, plant and equipment	36	59
Other expenses	150	62
Total	**3,659**	**2,845**

For the six months ended 30 June 2011 and 2010 general and administrative expenses included transactions with related parties in amount of USD 365 thousand and USD 308 thousand, respectively (Note 28).

25. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the six months ended 30 June 2011 and 2010 were as follows:

	2011	2010
Transportation costs	1,157	938
Inventory	597	449
Salaries, wages and related charges	184	49
Other	130	120
Total	**2,068**	**1,556**

26. OTHER EXPENSES, NET

Other expenses for the six months ended 30 June 2011 and 2010 consisted of the following:

	2011	2010
Allowance for irrecoverable VAT	47	21
Other expenses, net	353	68
Total	**400**	**89**

27. FINANCE COSTS

Finance costs for the six months ended 30 June 2011 and 2010 were as follows:

	2011	2010
Interest expense on bank borrowings	18,093	12,492
Interest expense on bonds	637	1,324
Interest expense on factoring	1,581	1,508
Total	**20,311**	**15,324**

28. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Parties are 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 and operating decisions. Related parties include common ultimate owners, affiliates and entities under common ownership and control with the Group and members of key management personnel.Terms and conditions of business with related parties are determined based on arrangements specific to each contract or transaction and are not executed on terms similar to those used for third parties. These terms and conditions could vary to those that would have been obtained had underlying transactions been transactions been transacted with third parties.

The Controlling Shareholder of the Group is Denys Dzenzers'kyy.

The Group enters into transactions with related parties that are under the common control of the Controlling Shareholder of the Group, disposed subsidiary (Note 1) and other related parties (entities where the Controlling shareholder exercises significant influence). In the ordinary course of business, there are following major types of transactions and operations with such related parties:

- Sales of finished goods;
- Provision of tolling services starting from 2010;
- Purchases of lead and other supplies used in production;
- Purchases of miscellaneous services;
- Transactions related to the Group's formation;
- Other transactions described in Note 1.

The revenues from sales to related parties for the six months ended 30 June 2011 and 2010 were as follows:

	2011	**2010**
Companies under common control	2,457	10,907
Other related parties	3,671	2,461
Total revenues from sales to related parties	**6,128**	**13,368**
Total per caption revenue (Note 22)	**65,632**	**59,614**

The purchases from related parties for the six months ended 30 June 2011 and 2010 were as follows:

	2011	**2010**
Purchases		
Companies under common control	4,492	11,935
Other related parties	23,072	10,477
Total purchases from related parties	**27,564**	**22,412**
Total purchases	**54,473**	**52,926**
General and administrative expenses		
Companies under common control	365	308
Other related parties	-	-
Total	**365**	**308**
Total per caption general and administrative expenses (Note 24)	**3,659**	**2,845**

The purchases of property, plant and equipment from related parties for the six months ended 30 June 2011 and 2010 were as follows:

	2011	**2010**
Companies under common control	-	3,658
Other related parties	-	-
Total	**-**	**3,658**

The balances of trade and other accounts receivable due from related parties (Note 10) were as follows as of 30 June 2011 and 2010:

	2011	2010
Trade receivables		
Companies under common control	10,824	18,047
Other related parties	3,640	1,429
Receivables for securities sold		
Companies under common control	4,337	3,941
Other related parties	374	344
Other receivables		
Companies under common control	11	1
Other related parties	1,436	210
Total	**20,622**	**23,972**
Total per caption trade and other accounts receivable (Note 10)	**39,163**	**41,388**

As of 31 December 2010and 2009 the Group did not create any allowance for irrecoverable trade and other accounts receivable due from related parties.

The balances of advances made to related parties (Note 11) as of 30 June 2011 and 2010were as follows:

	2011	2010
Companies under common control	231	1,887
Common ultimate shareholder	9	-
Other related parties	63,937	21,149
Total advances to related parties	**64,177**	**23,036**
Total per caption advances (Note 11)	**70,049**	**25,998**

The balances of advances received from related parties were as follows as of 30 June 2011 and 2010:

	2011	2010
Companies under common control	666	4,133
Other related parties	131	2,729
Total advances from related parties:	**797**	**6,862**
Total per caption advances received	**13,523**	**7,584**

The balances of trade and other accounts payable due to related parties as of 30 June 2011 and 2010were as follows (Note 19):

	2011	2010
Trade accounts payable		
Companies under common control	2,055	4,854
Other related parties	13,165	3,632
Accounts payable for available-for-sale investments		
Companies under common control	22	10
Other related parties		77
Unsettled liabilities for the acquisition of property, plant and equipment		
Companies under common control	182	149
Other current liabilities		
Companies under common control	3	3
Other related parties	25	
Total	**15,452**	**8,725**
Total per caption trade and other accounts payable (Note 19)	**27,155**	**16,640**

As described in Note 18 there was also a guarantee provided by the related party LLC "Westa Market" to secure Group borrowings.

The remuneration of the key management personnel of the Group for the six months ended 30 June 2011 and 2010 amounted to USD 178 thousand and USD 153 thousand, respectively.

29. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

Operating lease commitments– Asof 30 June 2011 and 2010 there were no significant commitments under non-cancellable operating lease agreements.

Ongoing Global Liquidity Crisis – The financial markets, both globally and in Ukraine, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2008 and worsened since August 2008. The global financial turmoil has significantly affected Ukrainian economy. It has resulted in a decrease of the country's GDP, significant fluctuations in debt and equity prices, substantial outflow of capital, increase of inflation level.

While many countries, including Ukraine, have recently reported improvement of the situation in the financial markets, a further downturn can still occur, and further state support measures might be required. Adverse changes arising from systemic risks in global financial systems could slow or disrupt the economy of Ukraine and adversely affect the Group operating within its environment.

While the Ukrainian government has introduced a range of stabilization measures aimed at providing liquidity to Ukrainian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital. Debtors of the Group may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

Operating environment – Although in recent years there has been a general improvement in economic conditions in the country, Ukraine continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high level of inflation and continuing efforts by the government to implement structural reforms.

As a result, laws and regulations affecting businesses in Ukraine continue to change rapidly. Tax, currency and customs legislation within the country is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Ukraine. The future economic direction is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

Taxation – Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. In respect of this, the local and national tax environment in Ukraine is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and interest. Future tax examinations could raise issues or assessments which are contrary to the Group companies' tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. While the Group believes it has complied with local tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

In six months ended 30 June 2010 and previous periods the Group was involved in reallocation of the resources to and from larger group of entities under common control (Note 1).These transactions that may be interpreted by the tax authorities in a way different from that of the Group and additional tax charges and penalties may be imposed. Despite the fact that the most significant tax returns of the Group companies for the said periods were reviewed by the tax authorities without any significant disputes or additional tax charges, they are still open for further review. In accordance with the current legislation, tax returns remain open and subject to examination for the three-year period after their submission, however, in certain cases this limitation does not apply. Future tax examinations could raise issues or assessments which are contrary to the Group's tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. As of 30 June 2011 and 2010 maximum tax exposure related to such transactions was estimated as USD 14,418 thousand and USD14,538 thousand, respectively.

During six months ended 30 June 2010 and 2011 the Group rendered manufacturing services based on tolling arrangements with one of its related parties. In some instances the Group subsequently purchased raw materials imported in Ukraine based on tolling arrangements for subsequent use in its own production. The Group management believes it followed all local tax legislation applicable for such transactions. Meantime, the tax authorities may challenge an approach of the Group used for these transactions and additional tax charges and penalties may be imposed on the Group. No reliable estimate of the Group's tax exposure to these transactions can be made.

Management believes that it is not likely that any significant settlement will arise from the above cases and, therefore, the Group's condensed consolidated interim financial statements do not include any amount of provision in this respect.

Legal–In the ordinary course of business, the Group is subject to legal actions and complaints. The management of the Group believes that the ultimate liability, if any, arising from such legal actions or complaints will not have a material effect on the financial position or results of future operations of the Group. There were no material claims against the Group as of 30 June 2011 and 2010.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of International Financial Reporting Standard 7 "Financial Instruments: Disclosure". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

As of 30 June 2011 and 2010 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value.

The fair value is estimated to be the same as the carrying value for cash and cash equivalents, other financial assets, trade and other accounts receivable, trade and other accounts payable, provisions and accruals, payables for factoring operations due to the short-term nature of the financial instruments.

Bonds issued are recorded at amortized cost in the financial statements which approximates their fair values at USD 7,940 thousand as of 30 June 2011. The fair value of the Group's borrowings is estimated at USD 297,542 thousand compared to carrying amount of USD 319,211 thousand (Note 17). Fair value was estimated by discounting the expected future cash outflows by a market rate of interest.

31. FINANCIAL RISK MANAGEMENT

Capital risk management– The Group did not have a consolidated capital structure prior to 31 December 2010. After the completion of the formation of the Group, the primary objective of the Group is to ensure that it is able to continue as a going concern by optimising its capital ratios in order to support its business and maximise the return to its shareholder. Upon completion of the Group formation at the end of the 2010 financial year, management plans to review the capital structure on a regular basis. Based on the results of this review, the Group plans to take steps to balance its overall capital structure through the payment of dividends, new share issuances as well as the issuance of new debt or the redemption of existing debt. The management of the Group is planning to monitor capital on the basis of the gearing ratio.

The capital structure of the Group consists of short-term and long term borrowings (Note 17), unsecured domestic bonds issued (Note 18), share capital (Note 15), additional paid in capital, revaluation reserve and accumulated deficit. Net debt is determined as total loans and borrowings (Note 17) less cash and cash equivalents (Note 14) and bank term deposits (Note 8), as shown in the condensed consolidated interim statement of financial position.

Major categories of financial instruments– The Group's principal financial liabilities comprise borrowings, trade and other accounts payable, provisions and accruals and bonds issued. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade and other accounts receivable, cash and cash equivalents, other financial assets.

	2011	2010
Financial assets		
Cash and cash equivalents	57,822	2,400
Other financial assets	9,410	10,154
Trade and other accounts receivable	39,163	41,388
Other non-current assets	1,723	1,306
Total financial assets	**108,118**	**55,248**
Financial liabilities		
Trade and other accounts payable	27,155	16,640
Short-term borrowings and current portion of the long-term borrowings	119,186	140,613
Provisions and accruals	1,497	1,189
Long-term borrowings	203,652	138,422
Bonds issued	7,940	13,912
Total financial liabilities	**359,430**	**310,776**

The main risks arising from the Group's financial instruments are commodity price risk, credit risk, liquidity risk, interest rate risk and foreign currency risk.

Commodity price risk– Commodity price risk is the risk that the Group's current or future earnings will be adversely impacted by changes in the market prices of the Group's finished goods or raw materials used in production.

The management of the Group considers that the Group's exposure to the commodity price risk is remote due to the absence of the long-term selling contracts with a fixed price arrangements and expectation that in the future market prices for its finished goods will continue to grow faster than the market prices for the major components consumed in production.

Credit risk– The Group is exposed to credit risk which is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group.

The credit risk is primarily attributable to trade accounts receivable. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to particular customer, thus establishing the individual credit period limits. The approved credit periods are validated by each customer individually and are based on the historical performance.

There are three major groups of customers: foreign customers, distributors and retail networks. The Group operates without standardized procedure on setting credit limits and credit periods for its customers. Credit limits and periods are set for customers on individual basis but not exceeding two month. The standard credit periods on sales of goods to distributors were limited to not more than 20 days and to retail networks – to 60 days. New domestic customers are served on prepayments terms only, while credit sales for those with positive credit history vary from 14 to 20 days. Export sales in six months 2011 and 2010 were conducted by the Group on prepayment basis mainly, while for some customers individually stated credit period can not exceed 50 days. Before granting the customer with credit period and credit limit, the Group assesses his trading and payment experience. No interest is charged on trade accounts receivable.

Limits on the level of credit risk by customer are approved and monitored on a regular basis by the management of the Group. The Group's management assesses amounts of trade receivable from the customers for recoverability starting from the date credit period is expired.

Sales to one Group's largest customer amounted to USD 21,414 thousand for the six months ended 30 June 2011 (2010: USD 22,127 thousand), which comprised 33% and 37% of total revenues for the respective six month. Of the trade accounts receivables balance as of 30 June 2010, USD 5,466 thousand (2010: USD 7,196 thousand) is due from abovementioned customer. Apart from the largest customer of the Group, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Liquidity risk – Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to realize an asset at a reasonable price and in an appropriate time frame.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows as of 30 June 2011 and 2010:

Financial liabilities	**Less than 3 months**	**From 3 to 6 months**	**From 6 months to 1 year**	**1-5 years**	**2011 Total**
Borrowings	24,546	23,427	40,632	302,406	391,010
Trade and other accounts payables	25,646	185	1,324	-	27,155
Provisions and accruals	1,093	134	270	-	1,497
Bonds issued	386	6,504	1,718	-	8,609
Total	**51,671**	**30,250**	**43,944**	**302,406**	**428,271**

Financial liabilities	**Less than 3 months**	**From 3 to 6 months**	**From 6 months to 1 year**	**1-5 years**	**2010 Total**
Borrowings	36,536	49,622	42,902	195,184	324,243
Trade and other payables	14,933	327	1,380	-	16,640
Provisions and accruals	703	175	311		1,189
Bonds issued	683	8,229	655	6,701	16,269
Total	**52,855**	**58,353**	**45,248**	**201,885**	**358,341**

As of 30 June 2011 and 2010, the Group's current ratio was as follows:

	2011	**2010**
Current assets	213,653	103,549
Current liabilities	162,521	166,963
Current ratio	**1.31**	**0.62**

Interest rate risk – Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use any derivatives to manage interest rate risk exposure. The Group borrows on both a fixed and variable rate basis. The primary sources of the Group's funds are loans with fixed interest rate.

The below details the Group's sensitivity to increase or decrease of floating rate by 1%. The analysis was applied to interest bearing liabilities (bank borrowings) based on the assumption that the amount of liability outstanding as of the balance sheet date was outstanding for the whole year.

	2011			2010		
	CIRR	**EURIBOR**	**NBU discount rate**	**LIBOR**	**EURIBOR**	**NBU discount rate**
Profit/(loss)	82/(82)	146/(146)	n/a	83/(83)	184/(184)	n/a

The effect of interest rate sensitivity on shareholders' equity is equal to that on profit or loss.

Foreign currency risk – Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as of the reporting dates are as follows:

	USD 30 June		**EUR 30 June**		**RUB 30 June**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Assets						
Cash and cash equivalents (Note 15)	35,588	1,688	337	184	642	228
Trade and other accounts receivable (Note 11)	3,040	1,687	42	306	12,318	7,547
Other financial assets (Note 14)	789	790	8,063	8,716	-	-
Other non-current assets (Note 9)	-	-	1,650	1,270	-	-
Total assets	**39,417**	**4,165**	**10,092**	**10,476**	**12,960**	**7,775**
Liabilities						
Borrowings (Note 18)	(238434)	(191,101)	(53,264)	(46,791)	-	-
Trade and other accounts payable (Note 20)	(12,921)	(2,611)	(2,232)	(1,941)	-	-
Total liabilities	**(251,355)**	**(193,712)**	**(55,496)**	**(48,732)**	**-**	**-**
Total net position	**(211,938)**	**(189,547)**	**(45,404)**	**(38,256)**	**12,960**	**7,775**

The table below details the Group's sensitivity to strengthening of US Dollar, EURO and Russian Ruble against the Ukrainian Hryvnia by 10%. The analysis was applied to monetary items at the reporting dates denominated in respective currencies.

	USD – impact		**EUR – impact**		**RUB – impact**	
	30 June 2011	**30 June 2010**	**30 June 2011**	**30 June 2010**	**30 June 2011**	**30 June 2010**
Profit/ (loss)	(21,194)/21,194	(18,955)/18,955	(4,540)/4,540	(3,826)/ 3,826	1,296/(1,296)	778/(778)

Operating environment (export sales) risks– Historically significant part of the Group's revenue was from sales to the Russian Federation, therefore the Group is exposed to risks of limitations to export operations. During the six months ended 30 June 2011 and 2010, the Group's management diversified this risk by optimizing share of domestic sales and exports to other markets.

32. EARNINGS PER SHARE

The earnings/(losses) and weighted average number of ordinary shares used in calculation of earnings per share are as follows:

	2011	2010
Profit/(loss) for the year attributable to equity holders of the Parent	(7,263)	3,981
Earnings/(losses) used in calculation of earnings per share	**(7,263)**	**3,981**
Weighted average number of shares outstanding*	34,745,856	33,100,000
Earnings/ (losses)pershare	(0.21)	0.12

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal basic earnings per share.

* As discussed in Note 15 as of 31 December 2010 the authorized, issued and fully paid share capital of the Parent was EUR 31 thousand (USD 41 thousand) comprising of 310 shares of EUR 100 each at nominal value. On 18 March 2011 the Parent decreased par value of Parent's shares from EUR 100 to EUR 0,01 and increased its authorized share capital from EUR 31 thousand to EUR 331 thousand consisting of 33,100,000 shares of EUR 0.01, by the creation of additional 30,000,000 ordinary shares of EUR 0.01 each. On 03 June 2011 the Parent issue additional 11,033,333 shares with a par value of EUR 0,01 each. These shares were distributed to new shareholders during initial public offering on Warsaw Stock Exchange. As a result of the share capital increase total share capital of the Parent is EUR 441 thousand (USD 621 thousand) comprising of 44,133,333 shares of EUR 0,01 each at a nominal value.
As the contribution to the share capital was considered as not significant comparing to the expected market value of shares issued no adjustment to the number of weighted average number of shares outstanding was made for the purpose of earnings per share calculation for the six months ended 30 June 2010.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2011 were approved by Board of Directors of Westa ISIC S.A. on 24 August 2011.