

ZAO DELTALEASING

REPORT AND FINANCIAL STATEMENTS

30 June 2009

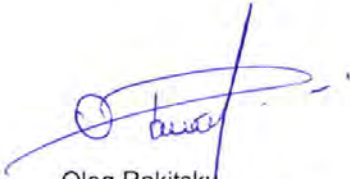
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Statement of Management Responsibilities

Management has prepared and is responsible for the financial statements and related notes of the Closed Joint Stock Company "DeltaLeasing" (the Company). They have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and necessarily include amounts based on judgments and estimates by management.

The Company maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The system contains self-monitoring mechanisms that allow management to be reasonably confident that controls, as well as the Company's administrative procedures and internal reporting requirements operate effectively. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention of overriding controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

A handwritten signature in blue ink, appearing to read "Oleg Rakitsky", with a large, sweeping flourish extending upwards and to the right.

Oleg Rakitsky
Chief Executive Officer

A handwritten signature in blue ink, appearing to read "Stan Danysh", with a large, sweeping flourish extending upwards and to the right.

Stan Danysh
Chief Financial Officer

Date: 2 September 2009

ZAO DeltaLeasing
Balance Sheets as at 30 June 2009 and 31 December 2008
(expressed in United States dollars)

	Note	30.06.2009	31.12.2008
Assets			
Current assets			
Cash and cash equivalents	4	12,514,219	7,510,249
Net investment in direct financing leases	5, 6	83,405,846	84,461,000
Advances paid to suppliers	7	1,061,791	4,025,800
VAT recoverable	8	3,523,731	4,606,186
Other assets	9	5,288,443	6,497,566
Deferred tax asset	13	352,780	268,754
Total current assets		106,146,810	107,369,555
Net investment in direct financing leases, less current portion	5	72,981,806	97,892,953
VAT recoverable, less current portion	8	-	10,200,000
Property and equipment, net	12	1,468,962	1,609,921
Deferred tax asset	13	479,386	482,520
Other assets	9	1,953,844	2,751,143
Total assets		183,030,808	220,306,092
Liabilities and Equity			
Current liabilities			
Loans – current portion	14,15	56,988,580	57,310,517
Advances received from lessees	16	3,536,937	6,157,712
Deferred tax liability	13	1,321,117	801,694
Other payables	10	3,891,387	4,466,280
Total current liabilities		65,738,021	68,736,203
Long-term loans, less current portion	14,15	87,535,074	118,462,079
Deferred tax liability	13	1,226,026	995,756
Total liabilities		154,499,121	188,194,038
Equity			
Share capital	17	31,108,320	31,108,320
Share options	24	683,792	683,792
Retained earnings	19	(3,260,425)	319,942
Total Equity		28,531,687	32,112,054
Total liabilities and Equity		183,030,808	220,306,092

Signed on behalf of the Board of Directors

Date: 2 September 2009



Gregory Sundstrom, Chairman

The notes set out on pages 8-31 form an integral part of these financial statements



ZAO DeltaLeasing
Statement of Income for the Six-month Period Ended 30 June 2009
(expressed in United States dollars)

	Note	30.06.2009 (6 months)	30.06.2008 (6 months)	31.12.2008 (1 year)
Lease revenues - direct financing leases		20,430,454	18,392,326	41,754,483
Total revenue		20,430,454	18,392,326	41,754,483
Executory expenses (Insurance & taxes on leased equipment)		2,728,133	2,296,158	5,511,395
Operating expenses				
Staff salaries & wages, benefits		2,353,391	2,989,916	5,842,050
Compensation costs – Profit Sharing Plan (PSP) gross pre-tax		244,172	425,745	346,046
Compensation costs – Employee Share Option Plan (ESOP)		-	586,475	-
Rent & Utilities		580,173	575,140	1,384,985
Insurance (operating assets)		36,667	27,994	63,690
Professional services (leasing operations)		238,147	179,673	531,592
Office equipment and furniture (non-capitalizable), software		13,238	183,620	289,843
Marketing		44,083	151,063	413,050
Training		26,035	153,300	236,877
Communication expenses		87,538	126,134	264,036
Business trip expenses		81,185	116,654	314,224
General & administrative		182,978	222,343	742,136
Bank commissions		346,488	234,422	397,057
Loss / (gain) on disposal (operating assets)	12	-	(16,081)	13,111
Loss on sale of repossessed lease assets	6	995,619	143,685	129,233
Allowance for losses on leases to customers	5, 6	2,010,279	509,208	2,161,104
Other taxes		22,865	59,474	90,783
Office maintenance		53,738	208,749	341,333
Other expenses		119,550	102,091	49,163
Other income	11	(149,256)	(40,157)	(215,888)
Subtotal executory & operating expenses		10,015,023	9,235,606	18,905,820
EBITDA		10,415,431	9,156,720	22,848,663
Interest expense		8,233,155	6,764,107	14,926,258
Operating Income		2,182,276	2,392,613	7,922,405
Depreciation expense	12	182,810	116,584	290,307
Net foreign exchange loss /(gain)	21	5,495,363	(891,000)	9,800,852
Income tax charge	13	84,470	972,319	1,986,668
Net (loss)/income		(3,580,367)	2,194,710	(4,155,422)

The notes set out on pages 8-31 form an integral part of these financial statements

ZAO DeltaLeasing
Statement of Cash Flows for the Six-month Period Ended 30 June 2009
(expressed in United States dollars)

	Note	30.06.2009 (6 months)	30.06.2008 (6 months)	31.12.2008 (1 year)
Cash flows from operating activities				
Lease margin (interest) received from customers		21,233,025	18,584,034	40,143,074
Cash paid to employees		(2,582,279)	(3,331,399)	(6,300,691)
Other operating cash payments		(7,258,136)	(4,095,361)	(14,412,085)
VAT received		1,357,217	204,290	3,308,752
Interest paid		(7,780,296)	(6,470,566)	(13,061,033)
Taxes (paid) / received		420,677	(1,785,468)	(977,420)
Net cash provided by operating activities	20	5,390,208	3,105,530	8,700,597
Cash flows from investing activities				
Principal payments received under direct financing leases		36,805,887	32,528,952	75,347,214
Investment in direct financing leases		(16,078,822)	(73,453,929)	(152,847,860)
Change in advances received from lessees		(2,620,775)	850,523	1,135,756
Repayments from related parties		19,983	23,307	53,831
Change in advances paid to suppliers		2,964,009	(2,997,182)	(1,242,090)
Purchase of property, equipment		(41,851)	(525,752)	(712,899)
Sale of property, equipment		-	16,081	28,878
Sale of repossessed lease assets		4,121,696	1,007,314	3,124,018
Net cash provided / (used) in investing activities		25,170,127	(42,550,686)	(75,113,152)
Cash flows from financing activities				
Issue of shares		-	14,989,886	14,989,886
Borrowings received		17,636,809	87,665,816	159,194,726
Borrowings repaid		(43,193,174)	(59,583,766)	(102,224,739)
Net cash provided / (used) by financing activities		(25,556,365)	43,071,936	71,959,873
Net change in cash and cash equivalents		5,003,970	3,626,780	5,547,318
Cash and cash equivalents at beginning of the period		7,510,249	1,962,931	1,962,931
Cash and cash equivalents at end of the period	4	12,514,219	5,589,711	7,510,249

The notes set out on pages 8-31 form an integral part of these financial statements

ZAO DeltaLeasing
Statement of Changes in Equity for the Six-month Period Ended 30 June 2009
(expressed in United States dollars)

	Share capital	Additional paid in capital	Employee Share Options	Retained Profits	Total Equity
Balance at 31 December 2007	2,086,398	14,032,036	683,792	4,475,364	21,277,590
Issue of shares	1,010,151	13,979,735	-	-	14,989,886
Valuation of stock options	-	-	-	-	-
Net loss for the year	-	-	-	(4,155,422)	(4,155,422)
Balance at 31 December 2008	3,096,549	28,011,771	683,792	319,942	32,112,054
Issue of shares	-	-	-	-	-
Valuation of stock options	-	-	-	-	-
Net loss for the period	-	-	-	(3,580,367)	(3,580,367)
Balance at 30 June 2009	3,096,549	28,011,771	683,792	(3,260,425)	28,531,687

The notes set out on pages 8-31 form an integral part of these financial statements

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ZAO DeltaLeasing

Notes to the Financial Statements for the Six-month Period Ended 30 June 2009

(expressed in United States dollars)

1. Principal Activities

DeltaLeasing was set up in 1999 for the purpose of providing leasing services in the Far East and Siberia. Subsequent geographic expansion outstripped original goals and the company now offers leasing services through a pan-Russian distribution network of fourteen full-service offices that provide sales, distribution and monitoring in all major Russian cities.

The Company Mission:

**We invest in business renewal,
accelerate goal achievement
and strive to do this better than the rest.**

ZAO DeltaLeasing (DL or the Company) is a leasing company 100%-owned by The U.S. Russia Investment Fund through its Cypriot holding company DL Holdings Ltd. The Fund has operated in Russia and the Russian Far East since 1995.

DL began active operations in May of 2000 under the name of DeltaLease-Far East and its sole business is the provision of leasing services to registered businesses, including sole proprietors. On 5 August 2004, the Company officially adopted a new name – DeltaLeasing.

The Company maintains its headquarters in Vladivostok (Primorsky Krai) and full-service offices in the cities of Khabarovsk, Yuzhno-Sakhalinsk, Novosibirsk, Omsk, Krasnoyarsk, Irkutsk, Tomsk, Barnaul, Kemerovo, Ekaterinburg, and Moscow. Following the opening of its Moscow office in May 2007, DL became a truly pan-Russian leasing company, which considers leasing projects in all major Russian cities. In 2008, the Company opened offices in Saint-Petersburg (May) and Rostov-on-Don (June).

DL targets medium and small sized businesses for its leasing services. Generally speaking, it searches for companies with no less than one year of business experience, well educated and experienced management, well-defined business strategies, clear competitive advantages and strong cash flow. It advertises a minimum deal size of USD 20,000 and maximum term of 84 months. The Company's average approved deal size year to date in 2009 was USD 95,365 (2008: USD 140,500) with an average financing term of 33 months (2008: 35 months). DL transfers title to the lessees at lease expiration. No residual value has been recorded on any leases at the time of this statement. None of DL's leases qualify for operating lease treatment by the lessor.

DL is a universal leasing company that, since inception, has sought to develop a portfolio that is broadly diversified by asset classes. At the time of this statement, the company's portfolio contained approximately 40 asset categories, with no single category exceeding 25% of its overall portfolio. Leading asset categories included heavy trucks (22%), construction, heavy and earth moving equipment (19%), printing (9%), retail trade (7%), forestry (6%), wood processing (5%), light trucks and automobiles (4%), PWC windows (4%).

The Company's registered address is Svetlanskaya 66 B, Vladivostok, Russian Federation. The average number of the Company's employees during six months of 2009 was 242 (2008: 240), and the number of professional staff as of 30 June 2009 was 212 (31 December 2008: 274).

2. Operating Environment of the Company

DL is active only in the Russian Federation, which continues to display the characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not fully convertible outside of the country, extensive currency control and high inflation.

The Company is operating in the markets which were inevitably affected by the world economic crisis to a larger or lesser extent. Since early 2007, when the beginning of problems in the US sub-prime market were becoming apparent, the global economic landscape has changed beyond recognition. Initially problems were felt in western markets where inter-bank liquidity dried up especially regarding banks with high sub-prime exposure. Since then, the effects have expanded including banking and other corporate

2. Operating Environment of the Company (continued)

collapses. This impacted the stock market, property market, commodity and foreign exchange markets and real economy. Many countries have now entered recession and periods of negative growth in their economies as a result.

Russia was initially insulated from these effects but in 2008 was also seriously affected, a situation made worse by the drop in oil price, capital outflows and sharply depreciating exchange rate (refer to Note 21). Stock market indices were the worst performing in the world, at times dropping 18% in one day and being suspended for days at a time eventually finishing the year some 75% down. The impact on the banking sector was severe and effects are being felt in all industries and businesses now.

In response, the Central Bank of Russia ('CBR') and Russian Governmental bodies took a number of steps to lessen the impact of the crisis in Russia. Vnesheconombank ('VEB') was provided with funds from the National Wealth Fund to lend to larger banks in order to provide liquidity to the banking system. The CBR continued its policy of managing exchange rates in order to have a managed decline, and also open market operations, including those in order to support securities prices, have been conducted. Further a list of strategic industries and companies that would not be allowed to fail has been drawn up.

The macroeconomic picture remains weak, Russia's economy contracted 10.2% in the first half of 2009 and industrial production fell 14.8% for the same period, although within sectors there were variations for example between a 21.3% decline in processing industries and a 0.9% rise in agriculture. Arrears of corporations' payments to each other, and on loans, have risen sharply. Liquidity remains very short in the banking system and defaults on loans are expected to rise substantially throughout the year. Capital investments declined by 18.1% to prior year.

The Company's management believes a proper understanding of this operating environment is essential to appreciate the context of the GAAP financial statements. In its opinion the situation so far in 2009 has neither substantially improved nor worsened and management remain acutely aware of the difficult situation. The future situation is dependent on global macroeconomic issues and also on events within Russia and the response of governmental bodies to these events.

3. Basis of Presentation and Significant Accounting Policies

The Company is domiciled in Russia and prepares its statutory accounting reports in accordance with the Regulations on Accounting and Reporting in the Russian Federation. The accompanying financial statements are based on the statutory records, which are maintained in Russian Rubles (Rubles or RUR), the official currency of the Russian Federation and are recorded under the historical cost convention. They have been adjusted in order to present the financial position and the results of operations in U.S. Dollars (USD), the principal functional currency of the Company, and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

(a) Use of estimates

The preparation of the financial statements in conformity with U.S. GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to realizability and depreciable lives of property and equipment, amortization and loss allowance for net investment in direct financing leases. Actual results may differ from those estimates.

3. Basis of Presentation and Significant Accounting Policies (continued)**(b) Translation methodology**

The accompanying financial statements have been prepared using the U.S. Dollar as the unit of measurement, as this is the functional currency of the Company (majority of loans and leases are effectively denominated in Dollars). Since Russian accounting regulations require transactions and balances to be measured in Rubles, all transactions and balances recorded in the Company's statutory records have been remeasured into USD in accordance with the relevant provisions of Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation". The USD is the currency used for financial reporting purposes.

Under SFAS No. 52, revenues, costs, capital and non-monetary assets and liabilities are translated at historical exchange rates prevailing on the transaction dates. Monetary assets and liabilities not denominated in USD are translated at exchange rates prevailing on the balance sheet date. Translation gains and losses from remeasurement of monetary assets and liabilities that are not denominated in USD are credited or charged to the statement of income.

Any distributions will be paid in Rubles. Exchange restrictions and controls exist within Russia on the ability to freely convert Rubles to USD.

The Ruble to USD exchange rate will not necessarily reflect the relative inflation levels of the Russian and U.S. economies. Future movements in the exchange rate between the Ruble and the USD will affect the carrying value of the Company's Ruble denominated monetary assets and liabilities. Such movements may also affect the Company's ability to realize non-monetary assets represented in USD in these financial statements. Accordingly, any translation of Ruble amounts to USD should not be construed as a representation that such Ruble amounts have been, could be, or will in the future be converted into USD at the exchange rate shown or at any other exchange rate. The exchange rate for 1 USD was 31.2904 Rubles at 30 June 2009 (29.3804 Rubles at 31 December 2008).

(c) Revenue recognition

The Company is the lessor in a number of leasing transactions and these are accounted for in accordance with SFAS No. 13, "Accounting for Leases". Each lease is classified as either a direct financing lease or operating lease, as appropriate. During the reporting period the Company engaged only in direct financing leases.

Under the direct financing lease method, the Company records the net investment in leases, which consists of the sum of the minimum lease term payments, initial direct costs, and unguaranteed residual value (gross investment) less the unearned income. Net investment in direct finance leases is equal to the leasing company's principal investment, net of VAT, in equipment.

The difference between the gross investment and the cost of the leased equipment for direct financing leases is recorded as unearned income at the inception of the lease. The unearned income is amortized over the life of the lease using the constant interest rate method.

Lease revenues consist of earned income and executory cost reimbursements on direct financing leases.

3. Basis of Presentation and Significant Accounting Policies (continued)**(d) Allowance for credit losses**

The allowance for credit losses (the "allowance") is maintained at a level believed by Management to be adequate to absorb potential losses inherent in the Company's lease and accounts receivable portfolio. Management's determination of the adequacy of the allowance is based on an evaluation of historical credit loss experience, current and projected economic conditions, business volume and portfolio growth, the composition of the lease portfolio, and other relevant factors. The allowance is increased by provisions for potential credit losses charged against income. Accounts are either written off or written down when the loss is both probable and determinable, after giving consideration to the customer's financial condition and the value of the underlying collateral.

The Company uses an automated allowance system based on the "specific identification" method of calculating the allowance for lease losses. The allowance is based on three risk scores for each individual lease: (1) technical risk score, which reflects leased property's condition and liquidity, (2) financial risk score, which reflects the financial strength of the lessee company, and (3) payment discipline score, which reflects the timeliness of lessee's payments.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term deposits with banks.

(f) Borrowing costs

Loan origination fees, commissions, legal and other borrowing expenses are deferred and amortized over the lives of the related loans on a straight-line basis.

Interest costs are charged to the statement of income as incurred.

(g) Property and equipment

Property and equipment are stated at cost, less accumulated depreciation. A threshold of USD 2,000 is established for fixed asset recognition.

(h) Depreciation

Depreciation is applied on a straight-line basis over the estimated useful lives of the related assets:

Office & computer equipment	– 3 years
Other equipment & vehicles	– 5 years
Buildings	– 15 years

(i) Dividends

Dividends payable are not accounted for until they have been ratified at the Company's Annual General Meeting.

(j) Fair value of financial instruments

The fair market value of financial instruments, consisting of cash and cash equivalents, net investment in direct finance leases, accounts receivable, accounts payable, advances and finance liabilities approximates their carrying value.

3. Basis of Presentation and Significant Accounting Policies (Continued)**(k) Income taxes**

Current tax charge is accrued based on profit computed under Russian accounting regulations. Non-profit based taxes are included within operating expenses.

Allowance is made for all foreseeable taxation liabilities. However, the Russian legal and taxation systems are currently in a period of rapid development in response to economic and social changes in the country. Consequently, legislation may be subject to varying interpretations and retrospective amendments. Penalties for minor errors and omissions or late payments may be significant.

Deferred income tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statements' carrying amounts of existing assets and liabilities and their respective tax bases in accordance with SFAS No.109. Deferred tax assets and liabilities are measured using enacted tax rates in the years in which these temporary differences are expected to reverse. Valuation allowances in respect of deferred tax assets are recorded when it is considered more likely than not that such deferred tax assets will not be realized.

(l) Pensions

The Company, in the normal course of business, makes payments of social tax to the Federal Budget. This tax includes elements for pensions, medical and social insurances for the benefit of its employees. All of these payments are expensed when incurred and included within staff costs. The Company has no obligation to provide pensions to any of its Management or staff and, accordingly, no allowance for future pension costs is recorded.

(m) Value added tax

Value added taxes related to lease revenues are payable to the Federal Budget upon collection of the receivables from customers. VAT is reclaimable against sales VAT upon payment for purchases. The tax authorities permit the settlement of VAT on a net basis. Refer to Note 8.

(n) Advertising expenses

Advertising expenses represent non-direct advertising and have been expensed as incurred.

(o) Share-based payments

The Employee Stock Option Plan (ESOP) was approved by the Board of Directors on 17 May 2005, granting employees stock options on shares in DL Holdings Ltd. Compensation expense related to share-based payments is accounted for in accordance with SFAS No. 123 (R) ("Share-based Payments"). The expense is recognized over the requisite service life using the intrinsic value method. SFAS No. 123(R) requires that share-based payments awarded to an employee of the reporting entity (DeltaLeasing) by a related party (DL Holdings Ltd.) or other holder of an economic interest in the entity as compensation for services provided to the entity are to be accounted for by the reporting entity.

(p) Comprehensive income

SFAS No.130 requires disclosure of all changes in equity during a period except those resulting from investments by and distributions to the Company's shareholders. The Company's total comprehensive profit for 2008 and 2Q 2009 did not differ from net income.

4. Cash and Cash Equivalents

	30.06.2009	31.12.2008
Cash and cash equivalents with banks		
Denominated in RUR	7,593,642	6,516,045
Denominated in USD	4,920,577	994,204
Total cash and cash equivalents	12,514,219	7,510,249

The Company uses multiple banking institutions in order to diversify its bank-related risk and has never incurred losses in any such accounts. The Company constantly monitors its banking partners and does not believe that it is exposed to significant risk on cash.

During the reporting period, the Company held accounts with the following banks: Sberbank, VTB, Primsotsbank (headquartered in Vladivostok), UniCredit, ICICI Bank Eurasia Ltd. All accounts are managed centrally by DL's finance department from Vladivostok.

It is customary for the Company to finish each reporting period with high cash balances due to the fact that the majority of lease payments from lessees are received at month-end.

As at 30 June 2009, the Company accumulated large cash balances to meet loan repayments to UniCredit (July 2) and Standard Bank (July 26).

5. Net Investment in Direct Financing Leases

	30.06.2009	31.12.2008
Total minimum lease payments to be received (including VAT)	253,001,416	299,772,506
Total minimum lease payments to be received (excluding VAT)	214,407,980	254,044,497
Less: amounts representing executory costs (such as taxes and insurance) included in total lease payments	(9,907,440)	(12,760,131)
Minimum lease payments receivable	204,500,540	241,284,366
Less: Unearned finance lease income	(41,426,867)	(54,254,671)
Subtotal net investments in direct leases	163,073,673	187,029,695
Less: allowance for losses	(6,686,021)	(4,675,742)
Total net investments in direct leases	156,387,652	182,353,953
Current net investment in direct financing leases	83,405,846	84,461,000
Long-term investment in direct financing leases	72,981,806	97,892,953

5. Net Investment in Direct Financing Leases (continued)

As at 30 June 2009 there were 2,781 direct financing leases (31 December 2008: 3080) expiring over the next six years. The Company normally structures its direct financing lease contracts so that the lessee makes a prepayment or security advance of between 10% and 25% of equipment purchase price at the beginning of lease term. Average advance for projects approved year-to-date in 2009 was 22% (2008: 23%), while average advance for existing portfolio is 18%. The Company holds title to equipment during the lease term. For some of its leases, the Company enjoys buyback or remarketing agreements with equipment suppliers, which obligate them to repurchase or assist in the remarketing of leased assets in the case of lessee default.

Depending upon the lease product involved, the complexity of specific transactions and in accordance with internal policies and guidelines, the Company ascertains technical and general credit risks for each project. Technical risks are assessed by the Company's equipment monitoring specialists and/or independent appraisers and include the appropriateness of equipment pricing, supplier reputation and capabilities, equipment quality, service life and secondary market liquidity. The Company's underwriting division assesses credit, general project risks and the financial quality of all lessees. The result of this process is the establishment of initial technical and financial quality ratings for each client that are regularly updated following equipment delivery. Following the execution of lease contracts, the Company also establishes and regularly updates a payment discipline rating for each client. The technical, financial and payment discipline ratings are directly linked to the Company's system for calculating allowances for lease losses.

Risks related to leased equipment (i.e. damage, theft, etc.) are insured, with the Company acting as the sole beneficiary under all policies. Thus, Management believes that credit risk related to leasing operations is wholly acceptable (refer to Note 21).

The Company reviews individual leases, and where a lease has an estimated recoverable value less than the net investment, the lease is written down to its estimated recoverable value. As at 30 June 2009, an allowance for credit losses was recorded in the amount of USD 6,686,021 (31 December 2008: USD 4,675,742). The minimum effective allowance rate required for the Company to comply with financial covenants of its loan agreements is 2.0%. The effective portfolio allowance rate as of 30 June 2009 was 4.1 % of total net investment (2008: 2.50%).

Increased provisioning levels result from a worsening of lease portfolio quality (refer to Note 6). Since mid-February 2009, improvements to commodity prices and appreciation of the Ruble are having a positive impact on the economy and portfolio quality, with the trajectory of increasing non-performance reducing strongly through February, March, April and into May. While total NPL increased during those months by 7%, 8%, 3% and 1%, respectively, this is down sharply from double-digit non-performance increases during late 3Q and 4Q 2008. In June NPLs declined by 1%. In aggregate terms, the Company has witnessed decline in NPL amounts (not %) in May and June. While this is a hopeful sign that NPL may be stabilizing, management remains focused on managing portfolio quality and cannot exclude that future months may bring renewed upward pressure on the allowance rate.

Future minimum lease payments to be received for the next six years:

	For the year ended 30 June				
	2010	2011	2012	2013-2015	Total
Total minimum lease payments to be received (including VAT)	138,303,961	69,586,746	28,905,128	16,205,581	253,001,416
Total minimum lease payments to be received (excluding VAT)	117,206,747	58,971,819	24,495,871	13,733,543	214,407,980
Less: amounts representing executory cost	5,238,020	3,092,821	1,077,943	498,656	9,907,440
Minimum lease payments receivable	111,968,727	55,878,998	23,417,928	13,234,887	204,500,540

Effective annual interest rates for direct financing leases in the portfolio as at 30 June 2009 ranged between the low of 13.5% in U.S. Dollars and high of 37% in Russian Rubles.

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Notes to the Financial Statements for the Six-month Period Ended 30 June 2009

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5. Net Investment in Direct Financing Leases (continued)

Effective 1 January 2009, the Company no longer finances new leases in Russian Ruble and offered only Dollar and Euro leases. Effective 30 June 2009, the Company ceased offering Euro leases as well.

The Company has not capitalized initial direct costs for the period ended 30 June 2009, as they are not considered material. There was no unguaranteed residual value related to lease contracts existing as at 30 June 2009 (2008: no unguaranteed residual value).

6. Portfolio Quality

Internally, DeltaLeasing defines non-performance as total principal outstanding for all transactions with arrears exceeding 30-days, including repossessed assets. At 30 June 2009, this measure stood at 9.13%, up from 8.01% at 31 December 2008. While the trajectory for growth of non-performance has flattened since the end of January (refer to Note 5), a declining portfolio is pushing the relative NPL measure up. The Company's credit agreements define non-performing leases as principal at risk for transactions with arrears exceeding 60 days and repossessed equipment. This measure stood at 7.84% on 30 June 2009 (31 March 2009: 6.98%), up from 3.81% on 31 December 2008. Out of all problem exposures, a total of 130 leases were repossessed as of 30 June 2009 (2008: 99). Aggregate non-performance is stabilizing, while the composition of problem leases is shifting towards 60+ days and repossession. The company is aggressively working to divest of or release repossessed equipment, generating a reasonable rate of recovery during the acute phase of the financial crisis.

Terminated leases are defined as entire net investment in direct finance leases, which the Company legally terminated the lease agreements (whether unilaterally, bilaterally, or through court proceedings). This category includes all repossessed assets by definition and leases where physical repossession may not have yet occurred, but is planned. Termination of a lease agreement is not directly linked to its delinquency category (30+ days, 60+ days, or 90+ days in arrears), but rather represents the Company's actions to protect the assets and recover its investment through disposal (sale, secondary lease, rental etc) of the underlying leased asset as opposed to the collection on the original financial asset.

	30.06.2009	31.12.2008
Terminated leases (net investment in direct finance leases at risk)	6,387,150	1,050,343
Addition to terminated leases	13,964,098	8,590,058
Proceeds from sale of terminated leases	(4,121,696)	(3,124,018)
Advances collected on sale of repossessed leases	(393,754)	-
Loss on sale / write-off of terminated leases	(995,619)	(129,233)
Remaining terminated leases	14,840,179	6,387,150
Allowance for lease losses specific to terminated leases	(4,462,519)	(1,966,104)
Carrying value of terminated leases	10,377,660	4,421,046

The effective allowance rate for the entire portfolio is 4.1% (2008: 2.50%) and 30.1% for terminated leases (2008: 30.8%). Average recovery of investment on sale of terminated assets in six months of 2009 was 81 cents on every dollar (2008: 96 cents). Management estimates future average recovery rate to be in the 70-90% range and believes that carrying value of problem leases as of 30 June 2009 accurately reflects the net realizable value of these assets.

7. Advances Paid to Suppliers

Advances paid to suppliers represent payments for equipment that will subsequently be transferred to lessees for use. Company policy calls for lessees to make advance payments between 10% and 25% of the value of purchase agreements closed between the Company and its suppliers. For many contracts, the leasing company limits initial payments to equipment suppliers so that they are either equal to or less than the amounts received as advances. Further payments to suppliers are made according to the suppliers' fulfillment of benchmarks related to the manufacture, shipment and installation of the equipment.

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Notes to the Financial Statements for the Six-month Period Ended 30 June 2009

(expressed in United States dollars)

7. Advances Paid to Suppliers (continued)

In accordance with the Russian Civil Code, the lessor is not liable to the lessee if the supplier fails to fulfill its obligations under purchase agreements. From time to time, clients are permitted to reduce advances, but they have never been lower than 10% of the value of purchase agreements (except for autoleases that permit advances as low as 0% for lease terms of 6 months).

Management estimated credit risk related to these advances and concluded that no allowance was necessary for prepayments as at 30 June 2009.

8. VAT Recoverable

VAT recoverable is principally comprised of VAT paid on the acquisition of fixed assets for direct financing leases. VAT is recoverable from the government either via (1) an offset in future time periods against (a) VAT payable on finance lease payments received, and (b) federal portion of taxes due (such as income tax, Unified Social Tax, etc) or (2) by requesting a cash reimbursement.

During six months of 2009, the Company received several cash reimbursement of VAT in the amount of USD 1,357,217 (2008 – USD 3,850,791). Additionally, the Company regularly offsets its federal taxes payable with VAT recoverable.

	30.06.2009	31.12.2008
Allowance for losses on VAT recovery, beginning balance	75,186	75,186
Changes in the allowance	-	-
VAT written off against the allowance	(10,049)	-
Allowance for losses on VAT recovery	65,137	75,186

During six months of 2009, the Company wrote off USD 10,049 (2008: zero) of VAT disputed by the tax authorities. There are no material VAT disputes at the time of these statements. For post-balance sheet date VAT developments see Note 25.

9. Other Assets

	Note	30.06.2009	31.12.2008
Prepayments		2,198,123	2,722,055
Loans to employees – current	22	35,140	37,513
Loans to employees – long-term	22	23,133	40,743
Loan fees capitalized – current	14	1,583,343	1,627,794
Loan fees capitalized – long-term	14	1,907,724	2,628,965
Profit tax receivable		361,942	894,954
Other taxes receivable		70,869	195,837
Other assets		1,039,026	1,019,413
Land under leased assets		22,987	81,435
Total other assets		7,242,287	9,248,709

Prepayments are mainly composed of insurance premiums paid for leased equipment. Insurance prepayments are recognized on a straight-line basis over the term of insurance policy coverage for each individual lease.

On 2 August 2005, the Board of Directors approved an Employee Loan Program for the Company employees. Subject to certain qualification criteria and strict underwriting, employees could apply for secured loans to purchase real estate for up to 60 months with an interest rate slightly below market. Total principal amount of employee loans outstanding may not exceed 2.5% of the Company's equity.



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9. Other Assets (continued)

The Employee Loan Program is administered by the CEO and CFO of the Company, both of whom could participate in the Program only in the presence of a direct review and vote by the Board of Directors. Each loan is reviewed by the Chairman, who has veto power. The program was terminated effective 1 January 2008.

For more information on loans to senior management, refer to Note 22 "Related Party Transactions".

The Company also grants small short-term soft loans to employees for up to 6 months in accordance with the terms of the Human Resources Policy approved by the Board.

	30.06.2009	31.12.2008
Current – less than 1 year	35,140	37,513
Non-Current – 1 to 2 years	20,227	28,694
Non-Current – 2 to 3 years	2,906	12,049
Total loans to employees	58,273	78,256

10. Other Payables

	30.06.2009	31.12.2008
Interest payable	2,049,847	2,462,931
Payables to leased equipment suppliers	112,991	518,630
Other payables	1,047,189	687,043
PSP payable	244,172	228,888
Profit tax payable	-	-
Other taxes payable	437,188	568,788
Total other liabilities	3,891,387	4,466,280

11. Other Income

	Note	30.06.2009	31.12.2008
Office rental income	12	3,968	11,666
Interest income from loans to employees	9	20,824	12,391
Interest income from short-term bank deposits	4	90,944	67,480
Miscellaneous income		33,520	188,791
Other income for the period		149,256	280,328

Miscellaneous income is derived from various lease-related services (restructuring and other fees, supplier penalties etc), recovery of previously recorded insured losses, etc.

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Notes to the Financial Statements for the Six-month Period Ended 30 June 2009

(expressed in United States dollars)

12. Property and Equipment, Net

	Buildings and Structures	Machinery and Equipment	Assets under Construction	Total
Cost				
1 January 2008	373,538	755,439	378,073	1,507,050
Additions	346,879	744,093	(378,073)	712,899
Disposals	-	(88,959)	-	(88,959)
31 December 2008	720,417	1,410,573	-	2,130,990
Additions	-	41,851	-	41,851
Disposals	-	(14,281)	-	(14,281)
30 June 2009	720,417	1,438,143	-	2,158,560
Depreciation				
1 January 2008	45,936	231,796	-	277,732
Charge for the year	36,037	254,270	-	290,307
Disposals	-	(46,970)	-	(46,970)
31 December 2008	81,973	439,096	-	521,069
Charge for the period	23,696	159,114	-	182,810
Disposals	-	(14,281)	-	(14,281)
30 June 2009	105,669	583,929	-	689,598
Net Book Value				
1 January 2009	638,444	971,477	-	1,609,921
30 June 2009	614,748	854,214	-	1,468,962

The Company owns its office premises in Khabarovsk, all other office premises are rented.

The Company continues to own an office property in Novosibirsk (vacated in mid-2008 after the Novosibirsk office relocated to a rented facility), which was rented out beginning in May 2009.

13. Income Taxes

Current profit tax charge is calculated at an average rate of 20%, based on profit as computed under Russian accounting regulations and adjusted for fiscal purposes. On 27 November, 2008, a reduction in profit tax rate to 20% was enacted effective for tax periods beginning 1 January, 2009. Deferred tax charge is calculated at a rate of 20% (per SFAS 109) for the future periods when temporary tax difference are expected to be realized.

	30.06.2009	31.12.2008
Tax (release) / charge	(584,331)	(95,961)
Deferred tax charge / (release)	668,801	2,082,629
Income tax for the period	84,470	1,986,668

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(expressed in United States dollars)

13. Income Taxes (continued)

The Company's accounting profit can be reconciled to taxable profit as follows:

	30.06.2009	31.12.2008
Accounting profit before tax	(3,495,897)	(2,168,754)
Adjustments to comply with GAAP	(5,542,739)	(18,277,015)
Accounting profit in accordance with Russian standards	(9,038,636)	(20,445,769)
Adjustments for temporary tax differences under Russian statutory taxation	(5,113,256)	1,617,875
Russian taxable (loss) / profit	(14,151,892)	(18,827,894)

Differences between US GAAP and Russian statutory taxation regulations give rise to temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes.

	30.06.2009	31.12.2008
Net deferred tax asset at beginning of the year	(1,046,176)	1,036,453
Movement attributed to change in income tax rate from 24% to 20%	-	209,229
Movement during the period attributed to temporary differences	(668,801)	(2,291,858)
Deferred tax (liability) / asset at the end of the period	(1,714,977)	(1,046,176)

Temporary differences that gave rise to deferred tax assets and liabilities include the following:

	30.06.2009		31.12.2008	
	Deferred tax Assets	Liabilities	Deferred tax Assets	Liabilities
Lease transactions	-	2,170,067	-	1,415,725
Capitalized loan costs	-	361,070	-	381,725
Depreciation and amortization	-	16,006	13,876	-
Creditors	832,166	-	737,398	-
Total deferred taxes	832,166	2,547,143	751,274	1,797,450
including:				
Current portion	352,780	1,321,117	268,754	801,694
Non-current portion	479,386	1,226,026	482,520	995,756
Net deferred tax (liability) / asset	(1,714,977)		(1,046,176)	

Deferred tax detail above is included in the balance sheet as follows:

	30.06.2009	31.12.2008
Current deferred tax asset / (liability)	(968,337)	(532,940)
Non-current deferred tax asset / (liability)	(746,640)	(513,236)
Total	(1,714,977)	(1,046,176)

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Notes to the Financial Statements for the Six-month Period Ended 30 June 2009

(expressed in United States dollars)

14. Loans

	30.06.2009	31.12.2008
Loans payable	144,523,654	175,772,596
Less current portion	(56,988,580)	(57,310,517)
Loans, net of current portion	87,535,074	118,462,079

As at 30 June 2009, outstanding loan facilities comprise as follows:

Loan principal outstanding			Lender	Loan date	
Currency	In loan currency	In USD		Issue	Maturity
USD	1,875,000	1,875,000	EBRD	December 2004	August 2010
USD	5,450,000	5,450,000	WBC	August 2005	July 2012
USD	4,574,000	4,574,000	DEG	March 2006	March 2011
RUR	112,000,000	3,579,372	IFC	June 2006	April 2011
USD	9,750,000	9,750,000	EBRD	August 2006	September 2011
USD	10,000,000	10,000,000	Anglo-Romanian Bank	December 2006	November 2010
USD	377,801	377,801	UPS Capital	December 2006	February 2012
USD	19,428,571	19,428,571	OPIC	March 2007	December 2017
USD	10,000,000	10,000,000	FMO	June 2007	May 2012
RUR	463,636,364	14,817,207	UniCredit (ZAO)	September 2007	September 2010
USD	10,500,000	10,500,000	DEG	March 2008	March 2013
USD	12,222,222	12,222,222	ICICI	March 2008	March 2011
USD	40,000,000	40,000,000	Standard Bank	July 2008	July 2011
RUR	46,000,000	1,470,102	UniCredit (ZAO)	September 2008	September 2011
RUR	15,000,000	479,379	Primsotsbank	September 2008	June 2010
TOTAL:		144,523,654			

Additionally, the Company utilizes short-term overdraft facilities from Vladivostok-based Primsotsbank with a floating borrowing limit of approximately RUR 12,500,000 (USD 400,000).

Long term loans were provided to finance the leasing transactions of the Company. Interest rates of the USD loans range from 4% to 9%, RUR loans range from 10% to 23%. The repayment terms of these loans range from 3 to 11 years, with certain of them having grace periods of up to 18 months. As at 30 June 2009, undrawn committed borrowing facilities amounted to USD 10,397,885 (2008: USD 15,647,622).

Loan costs and fees of USD 100,250 (2008: USD 2,998,334) were incurred during the year at the commencement of loans, these initial costs have been capitalized and are amortized over the term of the respective loans (refer Note 9).

The Company utilizes a mix of secured and unsecured financing. Typical security provided to lenders includes a combination of the following: pledge of rights under lease contracts, pledge of leased equipment, conditional assignment of lease contracts, mortgage (for real estate leases).

Unsecured facilities are used to finance the security perfection process. Under Russian Law, a leased asset cannot be defined as perfected security (and, therefore, pledged) until such time as it has been delivered, installed and transferred into an official lease arrangement by agreement of the lessee and lessor. The Company experiences an average period between initial investment and perfection of security of approximately 3.5 months. Such unsecured facilities allow the Company to finance asset purchases during the security perfection period. Following perfection, assets are immediately pledged to secured creditors and unsecured facilities are paid down.

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14. Loans (continued)

Loan portfolio composition by security is as follows:

	30.06.2009		31.12.2008	
	Secured	Unsecured	Secured	Unsecured
USD-denominated loans	104,177,594	20,000,000	129,901,225	18,500,000
RUR -denominated loans (in USD equivalent)	20,346,060	-	27,371,371	-
Total loan type	124,523,654	20,000,000	157,272,596	18,500,000
Total loans	144,523,654		175,772,596	

Principal payment requirements on loans payable (by calendar year) are as follows. For maturity analysis, see Note 21.

	30.06.2009	31.12.2008
2009	32,110,044	57,310,517
2010	54,833,246	60,784,446
2011	28,011,077	28,108,349
2012	16,640,714	16,640,714
2013	3,785,714	3,785,714
2014	2,285,714	2,285,714
2015	2,285,715	2,285,714
2016	2,285,715	2,285,714
2017	2,285,715	2,285,714
Total loans	144,523,654	175,772,596

Despite the challenging environment in the international and Russian debt markets, the Company sourced over USD 90 million in new long-term debt funding during 2008. In March 2008, the Company executed a five-year loan facility with DEG for USD 10.5 million and a three-year loan facility with ICICI for USD 30 million. In July 2008, the Company executed a three-year syndicated loan facility with Standard Bank Plc for USD 40 million. In August 2008, the Company executed a twelve-month unsecured revolving facility with UniCredit (ZAO) for RUR 200 million. In September 2008, the Company executed a three-year secured facility with UniCredit (ZAO) for RUR 210 million and extended the availability period by one year for USD 15 million unsecured revolving facility with Anglo-Romanian Bank.

There were no new debt facilities executed in 2009 (see Note 25).

15. Loan Covenants

The Company is subject to numerous loan covenants, including financial ratios it is obligated to maintain.

As of 30 June 2009 and 31 December 2008 the Company was in breach of several covenants, which can be generally categorized in five main groups:

“NPL Level” (Non-Performing Leases): NPL-driven breaches are tied to five loan agreements (two with EBRD, one with OPIC and one each with Standard Bank and ICICI) that contain non-performance covenants that limit 60+ day arrears to levels lower than actual levels of 7.84% at 30 June 2009 (6.98% at 31 March 2009). The most stringent NPL covenant (4%) rested with Standard Bank, while EBRD, OPIC and ICICI contained a 5% limitation. The Company proposed a 12-month waiver to all creditors that would allow for an increased level of 12% on 60+ day arrears and repossessed equipment. Two additional agreements with DEG contained covenants that limit total NPL to 10% of equity.

15. Loan Covenants (continued)

“Open Credit Exposure” (Lease portfolio less allowances for losses divided by equity): Open Credit Exposure breaches appeared for two loan agreements with DEG and OPIC, which define limits of 10%. Other creditors also use this covenant, but typically set at 20% of equity.

“Foreign Exchange Open Short Position”: Open Short Position breaches were tied to four loan agreements. The covenant is related to the currency mismatch (see Note 21, Currency Risk) on the Company’s balance sheet. As of 31 December 2008, the Company had long positions in Ruble and Euro and a short position in Dollar, with short positions covenanted to a maximum 20% of equity. While this was factually remedied as of 31 March 2009, it made the waivers a technicality, albeit necessary.

“Liquidity” (Excess of assets over liabilities for a specified maturity bucket): Liquidity for a maturity bucket of 1 through 5 years (see Note 21, Liquidity Risk) was breached with DEG. As at 31 March 2009, liabilities maturing from 1 to 5 years exceeded assets maturing in the same timeframe. This deficiency was, however, offset by excess liquidity in the up to 1 year maturity bucket. Cumulative liquidity is positive for all maturity buckets.

“Minimum equity” (Minimum equity under Russian Accounting Standards (RAS): Minimum RAS equity is covenanted by UniCredit at RUR 260 million, whereas at 31 March 2009 the Company’s RAS equity stood at RUR 28 million. There are two ways to account for leases in RAS – lessee books the asset or lessor books the asset. If the lessee books the asset, then it is treated as a financial asset and is permitted to currency revaluations (DeltaLeasing does not revalue). If lessor books the asset, then it is considered a fixed asset and is not subject to currency revaluations. For DeltaLeasing, the majority of transactions involve leased assets that it holds on its own book (lessor is the balance sheet holder), which means that they are carried as fixed assets. Under U.S. GAAP, foreign exchange losses on the liability side are compensated by gains on the asset side, both driven by currency revaluation. Under RAS, however, leased assets (even though they are USD denominated leases) classified as fixed assets are not revalued and, therefore, generate no offsetting gain. This means that the Russian statutory accounts actually communicate a substantially larger open currency position, which drove the problem with the covenant in question. This is an industry-wide problem with many Russian leasing companies losing their capital due to this accounting treatment of the USD assets and resulting losses. Given the Ruble’s rebound in 2Q 2009, the Company’s RAS equity increased to RUR 278 million as at 30 June 2009.

The Company is conducting negotiations with all lenders to remedy covenant breaches. At the time of these financial statements, no lender has declared a default and accelerated loan repayment or called for immediate repayment. The balance sheet presents financial position of the Company such that no material changes to loan terms occur going forward. The balance sheet is not compliant with FAS 78 “Classification of Obligations that are Callable by the Creditor”.

The Company has actively worked with lenders in terms of providing updates and information on waiver negotiations. Based on the current state of negotiations, it views the likelihood of acceleration of facilities as low.

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15. Loan Covenants (continued)

As of 30 June 2009, the Company's status of violated loan covenants was as follows:

Lender	Non-Compliance as of 31.03.2009 measurement date	Current Status	Non-Compliance as of 31.12.2008 measurement date	Current Status	Lender principal exposure as of 30.06.2009
WBC	-	-	Foreign Exchange Open Short Position	In compliance (modified ratio definition until 30.06.2010)	USD 5,450,000
DEG	Open Credit Exposure, Liquidity Ratio 1-5 years	In compliance (breaches waived, modified ratio definition for Liquidity ratio)	Foreign Exchange Open Short Position, NPL Level	In compliance (breaches waived, modified ratio definition for NPLs)	USD 15,074,000
ICICI	NPL levels	In compliance (ratio increased until 01.01.2010)	Foreign Exchange Open Short Position	In compliance (ratio increased until 01.01.2010)	USD 12,222,222
IFC	-	-	Foreign Exchange Open Short Position	In compliance (ratio increased until 01.01.2010)	USD 3,579,372
OPIC	NPL Level, Open Credit Exposure	In compliance on NPL (ratio increased until 31.12.09), In progress on Open Credit Exposure	-	-	USD 19,428,571
UniCredit	Minimum RAS equity	In progress	-	-	USD 16,287,309
EBRD	NPL Level	In progress	-	-	USD 11,625,000
Standard Bank	NPL Level	In progress	-	-	USD 40,000,000

There were no new breaches of covenants as of 30 June 2009 measurement date.

16. Advances from Lessees

	30.06.2009	31.12.2008
Initial security advance	1,713,553	3,296,425
Lease payment advances	1,823,384	2,861,287
Total advances from lessees	3,536,937	6,157,712

17. Share Capital

The Company has authorized share capital of 319,099 ordinary shares (2007: 556,029) of par value RUR 100. There were 846,174 shares (2008: 846,174 shares) issued and fully paid as at 30 June 2009, with a nominal value of RUR 84,617,400 (USD 3,096,549) per the charter documents.

Under Russian law, the term authorized shares means shares that can be issued in addition to the outstanding shares. Issuance of new shares reduces the number of authorized shares upon proper reflection in the Charter documents. Therefore, maximum number of shares that DeltaLeasing can have outstanding according to the current Charter documents equals the sum of (a) 319,099 authorized shares, and (b) 846,174 outstanding shares.

18. Dividends

No dividends were declared in either the period ended 30 June 2009, and years ended 31 December 2008 or 31 December 2007.

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19. Retained Earnings

The availability of distributable reserves is determined by the Company's Charter and by Russian legal and fiscal regulations and does not correspond to the figures shown in these financial statements.

20. Reconciliation of Net Loss to Net Cash Received From Operating Activities

	30.06.2009	31.12.2008
Net loss	(3,580,367)	(4,155,422)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	182,810	290,307
Allowance for losses on leases to customers	2,010,279	2,161,104
Assets disposal adjustments	995,619	142,344
Accrued lease revenues	802,571	(1,611,409)
Allowance for deferred income taxes	668,801	2,082,629
Amortization of loan costs included in interest expense	865,942	1,425,187
Changes in assets and liabilities		
Changes in operating receivables	4,019,445	7,785,614
Changes in operating payables	(574,892)	580,243
Net cash received from operating activities	5,390,208	8,700,597

21. Currency, Interest Rate, Liquidity and Credit Risk
Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. At the period end the Company had balances in Russian Rubles and US dollars.

As at 30 June 2009, the balance sheet by currency comprised as follows:

	RUR	USD	EUR	Total
Assets				
Cash and cash equivalents	7,593,642	4,920,577	-	12,514,219
Net investments in direct finance leases	28,704,526	122,086,008	5,597,118	156,387,652
Advances paid to suppliers	208,691	853,100	-	1,061,791
VAT recoverable	3,523,731	-	-	3,523,731
Property, plant and equipment	-	1,468,962	-	1,468,962
Deferred tax	832,166	-	-	832,166
Other assets	1,690,392	5,551,895	-	7,242,287
Total assets	42,553,148	134,880,542	5,597,118	183,030,808
Liabilities				
Loans	20,346,060	124,177,594	-	144,523,654
Advances received from lessees	-	3,304,976	231,961	3,536,937
Other payables	2,674,895	1,104,823	111,669	3,891,387
Deferred tax	2,547,143	-	-	2,547,143
Total liabilities	25,568,098	128,587,393	343,630	154,499,121
Net balance sheet position	16,985,050	6,293,149	5,253,488	28,531,687

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(expressed in United States dollars)

21. Currency, Interest Rate, Liquidity and Credit Risk (continued)

As at 31 December 2008, the balance sheet by currency comprised as follows:

	RUR	USD	EUR	Total
Assets				
Cash and cash equivalents	6,516,045	994,204	-	7,510,249
Net investments in direct finance leases	45,778,050	132,043,331	4,532,572	182,353,953
Advances paid to suppliers	1,825,629	2,200,171	-	4,025,800
VAT recoverable	14,806,186	-	-	14,806,186
Property, plant and equipment	-	1,609,921	-	1,609,921
Deferred tax	751,274	-	-	751,274
Other assets	2,353,021	6,895,688	-	9,248,709
Total assets	72,030,205	143,743,315	4,532,572	220,306,092
Liabilities				
Loans	27,371,371	148,401,225	-	175,772,596
Advances received from lessees	1,276,551	4,629,838	251,323	6,157,712
Other payables	2,307,623	1,794,088	364,569	4,466,280
Deferred tax	1,797,450	-	-	1,797,450
Total liabilities	32,752,995	154,825,151	615,892	188,194,038
Net balance sheet position	39,277,210	(11,081,836)	3,916,680	32,112,054

Since 1 January 2009 the Russian Ruble has weakened against the U.S. dollar from RUR 29.3804 per U.S. dollar to RUR 31.2904 as of 30 June 2009, representing a depreciation of 6% over the six-month period.

In 2008, the Company actively tried to raise new RUR debt in order to be able to continue offering RUR leases to the market. However, a number of advanced negotiations regarding RUR debt were delayed and ultimately cancelled by prospective and current lenders in 3Q 2008 once the markets spiraled into the acute credit crunch phase of the crisis. Ruble liquidity in the market had disappeared and CBR, VEB and other government agencies were called to prevent the collapse of the banking system. Coupled with ruble's devaluation against the U.S. dollar, no RUR debt was available to non-affiliated corporate borrowers, such as the Company.

The derivatives market reacted similarly to ruble's movement against the U.S. dollar, and the Company's efforts to identify a viable hedging strategy failed in light of the banks' unwillingness to engage new borrowers and extremely high costs of hedging in a highly speculative environment of the market's uncertainty regarding the future course of the ruble.

The result of this situation was the Company's inability to close its open ruble position, and the corresponding foreign exchange loss for the financial year 2008 and first half of 2009.

Interest Rate Risk

The Company receives all of its funding at commercial interest rates. At this time, approximately 32% of financing is provided at fixed rates (2008: 22%). Total exposure to floating rate obligations is USD 99 million.

21. Currency, Interest Rate, Liquidity and Credit Risk (continued)

Loan portfolio composition by interest rate type is as follows:

	30.06.2009		31.12.2008	
	Fixed	Floating	Fixed	Floating
USD-denominated loans	41,827,571	82,350,023	34,576,000	113,825,225
RUR -denominated loans (in USD equivalent)	4,058,751	16,287,309	4,765,081	22,606,290
Total loan type	45,886,322	98,637,332	39,341,081	136,431,515
Total loans	144,523,654		175,772,596	

Fluctuations in the financial market rate may increase the future cost of new financing attracted by the Company. Leases sold by the Company carry fixed rates as Russian tax law presents major risks related to floating rate leases. The Company is also subject to repricing risk. Most ruble funding is tied to the 3-month Mosprime indicator, while U.S. dollar funding is tied to a relevant LIBOR benchmark.

The three-month Mosprime began 2008 at a minimum of 5.72% and rose sharply to reach a maximum of 22.5% by the year end; the volatility of the indicator during the year was extreme. As at 30 June 2009, the three-month Mosprime stood at 11.82% (31 December 2008: 21.8%).

Many of the Company's commercial lenders in the second half of 2008 invoked applicable "market disruption" provisions of their debt facilities, which generally speaking, set alternative (to Mosprime or LIBOR) interest rate bases to reflect the actual costs of borrowing in the marketplace. At the time of these financial statements, only ICICI bank continues to operate under market disruption clause.

Credit Risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Company manages its credit risk by limiting exposure to single borrowers, economic groups, industry segments and equipment types. Limits for these risks are established not only in the Company's internal policies and procedures, but are also present in loan agreements with Company creditors. Such risks are monitored on a continuous basis, are subject to an ongoing review and the Company is wholly in compliance with the risk factors measured by its creditors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations, and by changing these lending limits where appropriate. Apart from the fact that the Company holds title to all leased assets prior to completion of each lease and collects a security advance (prepayment) on each transaction, it manages credit risk by obtaining, when prudent and possible and in accordance with internal procedures and guidelines, corporate and personal guarantees, supplier buyback and remarketing agreements tied to leased assets and direct debit agreements to lessee and guarantor bank accounts.

The Company's maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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Liquidity Risk

Liquidity risk is defined as the risk that the maturity of assets and liabilities does not match. Liquidity risk is managed by Company management. The table below shows assets and liabilities as at 30 June 2009 by their remaining contractual maturity.

	Demand and less than 90 days	91 - 365 days	2 years	3 years	4 years and more	No stated maturity	Total
Assets							
Cash and cash equivalents	12,514,219	-	-	-	-	-	12,514,219
Net investments in direct finance leases	22,990,617	60,415,227	43,866,917	18,604,406	10,510,485	-	156,387,652
Advances paid to suppliers	1,061,791	-	-	-	-	-	1,061,791
VAT recoverable	3,000,000	523,731	-	-	-	-	3,523,731
Property, plant and equipment	-	-	-	-	-	1,468,962	1,468,962
Deferred tax	-	352,780	479,386	-	-	-	832,166
Other assets	4,109,856	1,201,575	1,239,240	319,155	372,461	-	7,242,287
Total assets	43,676,483	62,493,313	45,585,543	18,923,561	10,882,946	1,468,962	183,030,808
Liabilities							
Loans	22,207,969	34,780,611	49,018,019	22,500,627	16,016,428	-	144,523,654
Advances received from lessees	3,536,937	-	-	-	-	-	3,536,937
Deferred tax liability	-	1,321,117	1,226,026	-	-	-	2,547,143
Other payables	3,891,387	-	-	-	-	-	3,891,387
Total liabilities	29,636,293	36,101,728	50,244,045	22,500,627	16,016,428	-	154,499,121
Net liquidity position	14,040,190	26,391,585	(4,658,502)	(3,577,066)	(5,133,482)	1,468,962	28,531,687
Cumulative liquidity position	14,040,190	40,431,775	35,773,273	32,196,207	27,062,725	28,531,687	

21. Currency, Interest Rate, Liquidity and Credit Risk (continued)**Liquidity Risk (continued)**

The matching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Company. It is unusual for leasing companies ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

22. Related Party Transactions

There were no transactions with the shareholder or directors during the period.

With some limitations by position, Company employees participate in a Board-approved Profit Sharing Plan. Apart from this, several senior managers participate in an Employee Share Option Plan. Details of these plans are disclosed in Note 23 and Note 24 below.

On 5 August 2006, Board of Directors approved a mortgage loan to the Company's CEO, Mr. Oleg Rakitsky. The loan is granted for 5 years in the principal amount of USD 115,000 (outstanding loan principal at 30 June 2009 was USD 33,942). The loan is secured by (1) pledge of property, (2) right to withhold any proceeds from exercise of the Company's stock options, held by the borrower, and (3) surety from Mr. Rakitsky's father.

23. Employee Profit-Sharing Plan (PSP)

On 13 December 2007, the Board approved a 2008 PSP on the basis of the following principles:

- The profit sharing plan ensures alignment of shareholders' and employees' financial interests.
- Plan implementation is subject to DeltaLeasing achieving its base plan for annual disbursements (USD 200,000,000) in 2008 and maintaining superior portfolio quality.
- Appropriate internal controls exist to ensure that shareholder interests are protected.

Total compensation expense related to the 2008 Employee Profit Sharing Plan was recorded in the 2008 financial accounts as USD 346,046. In 1Q 2009, the Company paid out the balance of the 2008 PSP liability.

The Board has not yet considered a 2009 PSP. The Company accrued USD 244,172 based on constructive liability concept. This charge may be reversed if Board approves no PSP for 2009.

24. Employee Share Option Plan

The Employee Share Option Plan (ESOP) was established on 17 May 2005 by Board of Directors of DL Holdings Ltd. The purpose of the ESOP is to attract and retain the best available personnel, to provide additional incentives to persons who provide services to the Company or its affiliates and to promote the success of the Company's business.

The options are written on shares in DL Holdings Ltd., a Cypriot company that owns 100% of the shares of DeltaLeasing. The aggregate number of shares that may be issued under the plan (upon exercise of options) may not exceed 15% of the issued and outstanding shares, inclusive of such shares issued under the ESOP.

FASB Statement 123(R) stipulates that share-based payments awarded to an employee of the reporting entity by a related party or other holder of an economic interest in the entity as compensation for services provided to the entity are to be accounted for by the reporting entity. The substance of such a transaction is that the economic interest holder makes a capital contribution to the reporting entity, and that entity makes a share-based payment to its employee in exchange for services rendered. This constitutes the basis for DeltaLeasing reporting share-based compensation in its financial statements.

24. Employee Share Option Plan (continued)

SFAS No. 123(R) requires all public companies to apply fair value measurement approach to share-based compensation. However, for an equity instrument issued by a non-public company (such as DeltaLeasing) for which it is not possible to reasonably estimate fair value at the grant date, the instrument shall be accounted for based on its intrinsic value, remeasured at each reporting date through the date of exercise or other settlement (SFAS No. 123(R), Par 25). Compensation cost for each period until settlement shall be based on the change (or a portion of change, depending on the percentage of the requisite service that has been rendered at the reporting date) in the intrinsic value of the instrument in each reporting period. The entity shall continue to use the intrinsic value method for those instruments even if it subsequently concludes that it is possible to reasonably estimate their fair value.

In applying methodology consistent with Board's intent and provisions of SFAS No. 123(R), DeltaLeasing for financial reporting purposes adopts a "book value times an adjustment factor" approach. The "factor" shall mean management's estimate of the potential market value of the Company, defined as the excess of the share sale price over share book value at such future time when The U.S. Russia Investment Fund may exit the Company.

For 2Q 2009, the Company believes that a factor of 0.50 to book value (2008: 0.50) represents an appropriate valuation of current exit price. The factor declined compared to 2007 due to (a) increase in the shareholder equity in March 2008 and, most importantly, (b) general worsening of market conditions for financial institutions. This factor takes into account the Company's current level of development, an absence of existing offers that would assist in better defining this value and its unique presence in markets currently defined by low penetration and little competition. To the Company's knowledge, no arms-length sales of analogous regionally-based leasing companies have occurred that would allow for more accurate benchmarking. This value shall be used for financial reporting purposes until such time as reliable evidence appears which may indicate a change in the fair market value. Such evidence may be in the form of firm negotiations of the sale of all or a portion of shares owned by The U.S. Russia Investment Fund in DL Holdings Ltd or DeltaLeasing, as the case may be. General M&A data for Russian, Eastern and Central European financial institutions in 2008-2009 confirms appropriateness of the valuation factor.

Two series of options are outstanding:

Option type	Number of options outstanding	Exercise price per option	Service period
Series 1	82,108	USD 26.3943	4 years from 1 January 2005 through 1 January 2009
Series 2	15,966	USD 63.3098	4 years from 9 September 2008 through 9 September 2012*
	98,074		

*Vesting becomes immediate upon change of ownership / control of the Company.

Compensation expense is recognized for the number of share options that are cumulatively vested as of the reporting date, in other words, over the periods of requisite service during which each tranche of the share options is earned for services rendered.

There are no allowable deductions in the Russian Federation for share-based payments to employees. The ESOP is subject to corporate taxation in Republic of Cyprus.

The number of share options fully vested at 30 June 2009 was 82,108 (2008: 76,789). Options have been granted to a total of 13 individuals since plan inception on 1 January 2005. Participants include the Chairman, CEO, CFO, COO, 8 senior managers and one former senior manager who has departed the company.

24. Employee Share Option Plan (continued)

The vesting schedule for all share options granted and outstanding is as follows:

	30.06.2009	31.12.2008
2005	13,288	13,288
2006	24,963	24,963
2007	18,652	18,652
2008	19,886	19,886
2009	10,309	10,309
2010	3,992	3,992
2011	3,992	3,992
2012	2,992	2,992
Total share options	98,074	98,074

The total compensation expense related to share-based payments to employees for the period ended 30 June 2009 was zero (2008: zero) as the intrinsic value of the options at 30 June 2009 was also zero.

25. Post Balance Sheet Events: General

- On 16 July 2009, Anglo-Romanian Bank Ltd (ARBL) has renewed its USD 15 million unsecured facility by one more year. This represents the third consecutive annual renewal since the facility was executed in 2006.
- Following tax audit of VAT declarations for 3Q 2008, the tax inspection rejected a VAT refund claim in the amount of RUR 5.5M (USD 172K). This amount is composed of 3 deals. One (USD 25K) is a clerical error and will be fixed. The second deal (USD 109K) was rejected based upon a finding that the invoice contained false data – a dispute tactic that the Company had faced in the past and resolved successfully through arbitration. The balance of USD 38K is tied to a deal in which the tax inspection claims that the supplier's general director (i.e. signatory on equipment purchase invoices) was a nominal ("bogus") individual who lacked adequate permissions and standing. This will be more difficult to contest, but DL is working with the supplier to establish a legal strategy or to recover potential losses directly from the supplier. As always, DL will issue pre-court arguments to the tax inspection. Should this fail, then contest will move to the Court system.

26. Post Balance Sheet Events: Loan Covenants

As of 2 September 2009, the Company's status of violated loan covenants was as follows:

Lender	Non-Compliance as of 31.03.2009 measurement date	Current Status	Non-Compliance as of 31.12.2008 measurement date	Current Status	Lender principal exposure as of 02.09.2009
WBC	-	-	Foreign Exchange Open Short Position	In compliance (modified ratio definition until 30.06.2010)	USD 5,450,000
DEG	Open Credit Exposure, Liquidity Ratio 1-5 years	In compliance (breaches waived, modified ratio definition for Liquidity ratio)	Foreign Exchange Open Short Position, NPL Level	In compliance (breaches waived, modified ratio definition for NPLs)	USD 15,074,000
ICICI	NPL levels	In compliance (ratio increased until 01.01.2010)	Foreign Exchange Open Short Position	In compliance (ratio increased until 01.01.2010)	USD 11,111,111

Table continues on next page.

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26. Post Balance Sheet Events: Loan Covenants (continued)

Lender	Non-Compliance as of 31.03.2009 measurement date	Current Status	Non-Compliance as of 31.12.2008 measurement date	Current Status	Lender principal exposure as of 02.09.2009
IFC	-	-	Foreign Exchange Open Short Position	In compliance (ratio increased until 01.01.2010)	USD 3,524,861
OPIC	NPL Level, Open Credit Exposure	In compliance NPL (ratio increased until 30.04.10), Open Credit Exposure (ratio increased until 31.03.10)	-	-	USD 19,428,571
UniCredit	Minimum RAS equity	In progress (all syndicate participants approved, currently papering decisions)	-	-	USD 13,867,098
EBRD	NPL Level	In progress In progress (all syndicate participants approved, currently papering decisions)	-	-	USD 11,625,000
Standard Bank	NPL Level	participants approved, currently papering decisions)	-	-	USD 40,000,000

The Company is conducting negotiations with all lenders to remedy covenant breaches. At the time of these financial statements, no lender has declared a default and accelerated loan repayment or called for immediate repayment.

The Company has actively worked with lenders in terms of providing updates and information on waiver negotiations. Based on the current state of negotiations, it views the likelihood of acceleration of facilities as very low.