KAMAZ Group

International Financial Reporting Standards
Consolidated Condensed Interim
Financial Information (Unaudited)

30 June 2009

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PRICEWATERHOUSECOOPERS

ZAO PricewaterhouseCoopers Audit
Kosmodamianskaya Nab. 52, Bld. 5
115054 Moscow
Russia
Telephone +7 (495) 967 6000
Facsimile +7 (495) 967 6001
www.pwc.ru

Report on Review of Interim Financial Information

To the Shareholders and Board of Directors of OAO KAMAZ:

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of OAO KAMAZ and its subsidiaries (the "Group") as of 30 June 2009 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34, "Interim financial reporting". Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an opinion on the accompanying consolidated condensed interim financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim financial reporting".

ZAO PricewaterhouseCoopers

28 October 2009

Moscow, Russian Federation

In millions of Russian Roubles	Note	30 June 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment		29,356	29,481
Intangible assets		951	852
Investment in associates and joint ventures		485	508
Available-for-sale investments		489	1,246
Finance lease receivables		860	1,269
Deferred income tax assets		2,204	2,519
Other non-current assets		705	543
Total non-current assets		**35,050**	**36,418**
Current assets			
Inventories	7	19,562	21,770
Trade and other receivables		9,383	9,820
Current income tax prepayments		398	1,231
Finance lease receivables		1,951	2,294
Financial instruments at fair value through profit or loss		75	19
Cash and cash equivalents		8,736	6,769
Total current assets		**40,105**	**41,903**
TOTAL ASSETS		**75,155**	**78,321**
EQUITY			
Share capital		35,361	35,361
Accumulated deficit		(5,329)	(3,637)
Equity attributable to owners of the Company		**30,032**	**31,724**
Minority interest		**1,607**	**1,755**
TOTAL EQUITY		**31,639**	**33,479**
LIABILITIES			
Non-current liabilities			
Borrowings	8	3,955	3,447
Deferred income tax liabilities		1,468	1,994
Restructured taxes	9	1,189	1,173
Finance lease payables		671	603
Post-retirement benefit obligation		116	107
Total non-current liabilities		**7,399**	**7,324**
Current liabilities			
Borrowings	8	17,088	18,960
Trade and other payables		16,402	15,019
Finance lease payables		87	48
Current income tax payable		543	1,014
Other taxes payable		1,298	933
Restructured taxes	9	7	157
Provisions for liabilities and charges		642	1,336
Deferred income		50	51
Total current liabilities		**36,117**	**37,518**
TOTAL LIABILITIES		**43,516**	**44,842**
TOTAL EQUITY AND LIABILITIES		**75,155**	**78,321**

Approved for issue and signed on behalf of the Board of Directors on 28 October 2009.

S.A. Kogogin
General Director

G. Sh. Imanova
Deputy General Director

In millions of Russian Roubles	**Note**	**Six months ended 30 June 2009**	**30 June 2008**
Revenue	10	25,427	51,372
Cost of sales	11	(22,082)	(40,710)
Gross profit		**3,345**	**10,662**
Distribution costs	12	(2,095)	(2,337)
General and administrative expenses	13	(1,849)	(3,149)
Research and development costs		(47)	(57)
Share of (losses)/profits in associates and joint ventures		(80)	32
Other operating income	14	322	1,965
Other operating expenses		(956)	(934)
Operating (loss)/profit		**(1,360)**	**6,182**
Finance income	15	329	145
Finance costs	15	(1,841)	(285)
Gain on forgiveness and restructuring of taxes	9	427	-
(Loss)/Profit before tax		**(2,445)**	**6,042**
Income tax benefit/(expense)		606	(1,837)
(Loss)/Profit for the period		**(1,839)**	**4,205**
(Loss)/Profit is attributable to:			
- equity holders of the Company		(1,698)	3,940
- minority interest		(141)	265
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company (expressed in Russian Roubles per share)			
- basic	16	(2.40)	5.57
- diluted	16	(2.40)	5.57

In millions of Russian Roubles	**Six months ended 30 June 2009**	**30 June 2008**
(Loss)/Profit for the period	**(1,839)**	**4,205**
Other comprehensive income/(loss)		
Financial assets available-for-sale:		
- Fair value gains less losses	-	(3)
- Disposals	-	(1,747)
- Income tax recorded in equity	-	420
Currency translation differences	6	(13)
Total comprehensive (loss)/income after tax for the period	**(1,833)**	**2,862**
Total comprehensive (loss)/income after tax attributable to:		
- owners of the Company	(1,692)	2,597
- minority interest	(141)	265

In millions of Russian Roubles	Note	Six months ended 30 June 2009	30 June 2008
Cash flows from operating activities			
(Loss)/Profit before income tax		(2,445)	6,042
Adjustments for:			
Depreciation of property, plant and equipment		1,159	1,084
Amortization of intangible assets		24	29
Loss less gains on disposals of property, plant and equipment		41	95
Loss on write-off property, plant and equipment		14	-
Impairment provision on intangible assets		31	-
Loss on write-off of intangible assets		-	43
Gain on disposal of available for sale investments	14	-	(1,750)
Share of losses (profits) of associates and joint ventures		80	(32)
Gain on restructuring of tax debts	9	(427)	-
Finance income	15	(329)	(145)
Finance costs	15	1,841	285
Provisions for other liabilities and charges	11	(65)	-
(Reversal)/provisions for tax liabilities and charges	13	(509)	96
Inventory provision	11	101	37
Impairment provision for receivables and loans	12	578	9
Warranty (reversal)/ provision	11	(44)	195
Goodwill impairment		-	35
Operating cash flows before working capital changes		**50**	**6,023**
Increase in trade and other receivables		(574)	(2,310)
Decrease/(increase) in inventories		2,107	(5,716)
Increase in accounts payable		1,535	4,609
Increase in taxes payable		1,748	275
Increase in other non-current liabilities		9	56
Cash generated from operations		**4,875**	**2,937**
Income taxes paid		(225)	(983)
Net cash from operating activities		**4,650**	**1,954**
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,136)	(1,689)
Proceeds from sale of property, plant and equipment		254	270
Acquisition of subsidiaries, net of cash acquired	18	(225)	(150)
Acquisition of associates		(57)	(76)
Proceeds from sale of available-for-sale investments		1,221	2,203
Purchases of financial instruments		(56)	(47)
Purchases of available-for-sale investments		(114)	-
Development cost incurred and purchases of intangible assets		(154)	(155)
Loans issued		(18)	(1,117)
Loans repaid		371	560
Interest received		329	65
Net cash from/(used in) investing activities		**415**	**(136)**

The accompanying notes on pages 7 to 21 are integral part of this condensed consolidated interim financial information.

In millions of Russian Roubles	**Note**	**Six months ended 30 June 2009**	**30 June 2008**
Cash flows from financing activities			
(Repayment)/proceeds from borrowings, net of repayments		(2,010)	560
Interest paid		(889)	(397)
Repayment of restructured taxes	9	(7)	(50)
Lease financing		(29)	(100)
Dividends paid to minority interests		(163)	(121)
Net cash used in financing activities		**(3,098)**	**(108)**
Net increase in cash and cash equivalents		**1,967**	**1,710**
Cash and cash equivalents at the beginning of the period		**6,769**	**4,309**
Cash and cash equivalents at the end of the period		**8,736**	**6,019**

		Attributable to owners of the Company					
In millions of Russian Roubles	Note	Share capital	Revaluation reserve for available-for-sale financial assets	Accumulated deficit	Total	Minority interest	Total Equity
Balance at 1 January 2008		**35,361**	**1,330**	**(3,992)**	**32,699**	**1,783**	**34,482**
Profit for the six months 2008		-	-	3,940	**3,940**	265	**4,205**
Other comprehensive income:							
Financial assets available-for-sale							
- Fair value gains less losses		-	(3)	-	**(3)**	-	**(3)**
- Disposals		-	(1,747)	-	**(1,747)**	-	**(1,747)**
- Income tax recorded in equity		-	420	-	**420**	-	**420**
Currency translation differences		-	-	(13)	**(13)**	-	**(13)**
Total comprehensive income for the period ended 30 June 2008		**-**	**(1,330)**	**3,927**	**2,597**	**265**	**2,862**
Dividends declared to minority shareholders		-	-	-	**-**	(72)	**(72)**
Balance at 30 June 2008		**35,361**	**-**	**(65)**	**35,296**	**1,976**	**37,272**
Balance at 1 January 2009		**35,361**	**-**	**(3,637)**	**31,724**	**1,755**	**33,479**
Loss for the six months 2009		-	-	(1,698)	**(1,698)**	(141)	**(1,839)**
Other comprehensive income:							
Currency translation differences		-	-	6	**6**	-	**6**
Total comprehensive loss for the period ended 30 June 2009		**-**	**-**	**(1,692)**	**(1,692)**	**(141)**	**(1,833)**
Acquisition of subsidiary	18	-	-	-	**-**	154	**154**
Dividends declared to minority shareholders		-	-	-	**-**	(161)	**(161)**
Balance at 30 June 2009		**35,361**	**-**	**(5,329)**	**30,032**	**1,607**	**31,639**

The accompanying notes on pages 7 to 21 are integral part of this condensed consolidated interim financial information.

1 KAMAZ Group and its Operations

OAO KAMAZ (the "Company") and its subsidiaries (together referred to as the "Group" or "KAMAZ Group") primarily operate in the Russian Federation. The Company is an open joint stock company and was set up in accordance with Russian regulations.

There was no ultimate controlling party of the Company at 30 June 2009. At 30 June 2009 44.38% of shares in KAMAZ were owned by an institutional investor. These shares are subject to certain restrictions on rights to vote and sell which were imposed by an individual who is also a key member of management of the Company. This institutional investor is referred to in the notes to this consolidated condensed interim financial information as the "significant shareholder". The Russian Federation represented by the Federal Agent managing federal property (Rostechnologii) is also one of the largest shareholders owing 37.78%. 10% of the shares are owned by Daimler AG. Other shares are distributed between financial investors and employees.

Operating activity. The Group's core operations are production and sale of trucks in the Russian Federation and abroad. The Group's manufacturing facilities are primarily based in Naberezhnye Chelny. The Group has a distribution and service network which covers the Russian Federation, the Commonwealth of Independent States and a number of other countries.

Registered address. The Company's registered address is 2 Avtozavodskiy pr., Naberezhnye Chelny, Republic of Tatarstan, Russia, 423827.

2 Operating Environment of the Group

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

Russian Federation. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation. Despite strong economic growth in recent years, the financial situation in these markets significantly deteriorated during 2008 and 2009. As a result of global volatility in financial and commodity markets, among other factors, there has been a significant decline in the Russian stock market since mid-2008. Since September 2008, there has been increased volatility in currency markets the Russian Rouble have depreciated significantly against some major currencies. The official US Dollar exchange rate of the Central Bank of the Russian Federation (the "CBRF") increased from RR 25.37 at 1 October 2008 to RR 29.38 at 31 December 2008 and to RR 31.29 at 30 June 2009.

International reserves of the Russian Federation have decreased from USD 556,813,000 thousand at 30 September 2008 to USD 427,080,000 thousand at 1 January 2009 and to USD 407 100 000 thousand at 19 June 2009. The commodities market was also impacted by the latest events on the financial markets. Oil prices decreased significantly in the fourth quarter of 2008 and continue to be volatile in 2009. The spot Free On Board price of Brent oil decreased from USD 98 at 29 September 2008 to USD 69 at 29 June 2009.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Management is unable to predict all developments in the economic environment which could have an impact on the Group's operations and consequently what effect, if any, they could have on the financial position of the Group.

Recent volatility in global and Russian financial markets. While the Group does not have any exposure to the US sub-prime market, the ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the Russian banking sector, and higher interbank lending rates. The uncertainties in the global financial market, have also led to bank failures and bank rescues in the United States of America, Western Europe and in Russia. Such circumstances could affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Third parties to whom the Group has lent money may also be affected by the lower liquidity situation which could in turn impact their ability to repay their outstanding loans. Deteriorating operating conditions for borrowers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To extent that information is available, management has reflected revised estimates of expected future cash flows in their impairment assessments.

2 Operating Environment of the Group (Continued)

The uncertainty in the global markets combined with other local factors has during 2008 and 2009 led to very high volatility in the Russian Stock Markets and at times much higher than normal interbank lending rates.

Management is unable to estimate reliably the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group’s business in the current circumstances.

Going Concern. This consolidated condensed interim financial information has been prepared on a going concern basis, which assumes that the Group will continue to be able to meet its liabilities, when they fall due, for the foreseeable future.

As described more fully in Note 8, the Group has breached certain financial covenants under the terms of various loan agreements that may trigger cross-default provisions under other loan agreements. Because the covenant violations give the banks the right to demand early repayment of the loans, the long-term portions of these loans totalling RR 4,890 million have been reclassified as short-term liabilities in the accompanying balance sheet. If all of the lenders that may become entitled to demand early repayment of the loan should require immediate repayment, that may raise uncertainty about the Group’s ability to continue as a going-concern.

We are in active negotiations with our lenders to restructure our debts and throughout the process none of them have expressed their intent to accelerate repayment of the Group’s loans.

The Russian government’s response to the current economic environment includes direct support to certain key industries, including the automotive industry. For KAMAZ, this support includes placing additional government orders for trucks, support in raising long-term (up to 10 years) credit facilities in the amount of RR 12 billion to fund the Group’s capital investment program in 2009-2011, a deferral of payments under the tax restructuring agreement (Note 9) and provision of government guarantees of RR 4.6 billion on loans obtained from Russian banks.

Because of the actions identified above, we believe that the Group will be able to realise its assets and meet its obligations as they become due and continue as a going concern.

3 Summary of Significant Accounting Policies

Basis of preparation. This consolidated condensed interim financial information has been prepared in accordance with IAS 34 “Interim Financial Reporting” and should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Amendments of the consolidated condensed interim financial information after issue. The Company’s shareholders and management have the power to amend the consolidated condensed interim financial information after issue.

Presentation currency. All amounts in this consolidated condensed interim financial information are presented in millions of Russian Roubles (“RR million”) unless otherwise noted.

Consistency of Accounting Policies. Except as described below, the same accounting policies and methods of computation were followed in the preparation of this consolidated condensed interim financial information as compared with the annual consolidated financial statements for the year ended 31 December 2008. Certain new standards, interpretations and amendments to the existing standards, as disclosed in the consolidated financial statements for the year ended 31 December 2008, became effective for the Group from 1 January 2009. These have not significantly affected the consolidated condensed interim financial information of the Group.

Adoption of IAS 1, Presentation of Financial Statements, revised in September 2007 and effective for annual periods beginning on or after 1 January 2009. The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Group has elected to present a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Group’s financial statements but had no impact on the recognition or measurement of specific transactions and balances.

3 Summary of Significant Accounting Policies (Continued)

Adoption of IFRS 8, Operating Segments. Effective 1 January 2009, the Group adopted IFRS 8, Operating Segments ("IFRS 8"), which replaces IAS 14, Segment Reporting. IFRS 8 introduces new requirements and guidelines regarding the disclosures of operating segments. Operating segments are defined as components of the Group about which separate financial information is available and reported regularly to the chief operating decision maker represented by General Director, which decides how to allocate resources and assesses operational and financial performance. Prior periods have been restated to conform to the current period presentation.

4 New Accounting Pronouncements

Since the Group published its last annual financial statements, certain new standards and interpretations have been issued that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2010 or later and which the Group has not early adopted:

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Group is currently assessing the impact of the amended standards on its consolidated financial statements.

Group Cash-settled Share-based Payment Transactions – Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard.

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

5 Balances and Transactions with Related Parties

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Unless otherwise noted, transactions with related parties, including loans received from state owned banks, sales of products to government agencies and government owned companies are made on an arm's length basis. The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during the six months ended 30 June 2009 and 2008 or had significant balances outstanding at 30 June 2008 and 31 December 2008 is detailed below:

	As of 30 June 2009		For the six months ended 30 June 2009	
In millions of Russian Roubles	**Total assets**	**Total liabilities**	**Income**	**Expenses**
Balances and transactions with the Russian Federation and companies under state control				
Current income tax	398	543	-	31
Unified social tax	-	153	-	989
VAT recoverable/payable	1,161	917	-	-
Other taxes	1,482	228	-	531
Restructured taxes	-	1,196	427	300
Deferred income	-	49	-	-
Long-term loans and borrowings	-	3,057	-	-
Short-term loans and borrowings	-	8,463	-	-
Interest expense	-	-	-	636
Trade and other receivables	825	-	-	-
Trade and other payables	-	4,164	-	-
Sales of goods	-	-	8,015	-
Purchases of goods	-	-	-	2,757
Balances and transactions with shareholders with significant influence				
Cash and cash equivalent	1,895	-	-	-
Balances and transactions with a subsidiary, 49% owned by a key member of management				
Sales of goods to subsidiary	-	-	297	-
Net loss incurred by subsidiary	-	-	-	360
Balances and transactions with JV				
Trade and other receivables	155	-	-	-
Trade and other payables	-	87	-	-
Sales of goods	-	-	311	-
Purchases of goods	-	-	-	504
Balances and transactions with associates				
Trade and other receivables	100	-	-	-
Trade and other payables	-	299	-	-
Sales of goods	-	-	107	-
Purchases of goods	-	-	-	299

5 Balances and Transactions with Related Parties (Continued)

In millions of Russian Roubles	As of 31 December 2008 Total assets	As of 31 December 2008 Total liabilities	For the six months ended 30 June 2008 Income	For the six months ended 30 June 2008 Expenses
Balances and transactions with the Russian Federation and companies under state control				
Current income tax	289	1,014	-	1,651
Unified social tax	-	145	-	1,957
VAT recoverable/payable	1,152	562	-	-
Other taxes	2,874	225	-	332
Restructured taxes	-	1,330	170	-
Deferred income	-	51	-	-
Long-term loans and borrowings	-	3,173	-	-
Short-term loans and borrowings	-	8,540	-	-
Interest expense	-	-	-	180
Trade and other receivables	374	-	-	-
Trade and other payables	-	554	-	-
Sales of goods	-	-	2,552	-
Purchases of goods	-	-	-	1,477
Balances and transactions with shareholders with significant influence				
Cash and cash equivalent	2,260	-	-	-
Sales of available-for-sale investments (Note 14)	-	-	1,750	-
Balances and transactions with a subsidiary, 49% owned by a key member of management				
Sales of goods to subsidiary	-	-	1,517	-
Net profit earned by subsidiary	-	-	312	-
Balances and transactions with JV				
Trade and other receivables	136	-		
Trade and other payables	-	399	-	-
Sales of goods	-	-	1	-
Purchases of goods	-	-	-	136
Balances and transactions with associates				
Trade and other receivables	92	-	-	-
Sales of goods	-	-	258	-
Purchases of goods	-	-	-	889

In the first half of 2009, the amount of remuneration of the Board of Directors (11 people) and Management Board members (9 people) comprised salaries, discretionary bonuses and other short-term benefits totaling RR 14 million (six months ended 30 June 2008: RR 159 million).

On 21 August 2005 the Board of Directors approved a long-term remuneration scheme for the members of the Management Board of KAMAZ, to be paid in addition to recurring annual compensation. The total amount of remuneration to be paid after 23 August 2009 is dependent upon the increase in the market capitalization of the company and is limited to a maximum of RR 150 million. The amount of remuneration accrued the first half of 2009 was RR 25 million (six months ended 30 June 2008: RR 21 million). The total balance accrued at 30 June 2009 was RR 137 million (31 December 2008: RR 112 million). The payment of the bonus was suspended due to crisis environment conditions.

Long-term and short-term loans are issued by Sberbank, Vneshtorgbank, Ak Bars Bank, Gazprombank, Ministry of Finance of Russian Federation and other banks related to the government. Terms and conditions are disclosed in Note 8.

In May 2009 a subsidiary, 49% owned by a key member of management, paid dividends in the amount of RR 330 million.

On 30 June 2009 the Group acquired a 49% stake in OAO Leasing Company KAMAZ for RR 21 million from a key member of the management brining the total ownership to 100%.

6 Segment Information

Management has determined the operating segments based on the management reports, which are primarily derived from statutory records. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the segment, has been identified as the General Director of OAO KAMAZ. To determine the operating segments management has considered the business activities and product perspective of the Group's companies. The Truck segment comprises a single operating segment, which performance results are regularly reported to General Director. However, based on the requirements of the IFRS 8 "Operating segments", Management identified two additional reportable segments. The Group has following reportable segments:

- Trucks – production and sale of vehicles, assembly kits and automotive components, resale of other producers' automotive components and vehicles and rendering of services consumed in the course of production of trucks.
- Buses and specialized trucks – production and sale of buses, mixer trucks and other special vehicles on the base of the standard trucks, production and resale of related components;
- Dealerships – resale of trucks and spare parts and providing service of trucks to customers;
- Other – represents information, about the business activities that are not reportable.

Information on two additional reportable segments was derived from IFRS accounting records.

Management assesses the performance of the operating segment based on certain measures, which are presented to the General Director. The information comprises measures such as total revenue, operating profit and current assets of the segment.

Segment information for the six months ended 30 June 2009 is as follows:

In millions of Russian Roubles	**Trucks**	**Dealer-ships**	**Buses and specialized trucks**	**Other**	**Elimination and reconciliation**	**Total**
Revenue	21,676	2,115	3,234	5,328	(6,926)	**25,427**
Inter-segment sales	(4,381)	(105)	(1,643)	(1,215)	7,344	**-**
Total revenue	**17,295**	**2,010**	**1,591**	**4,113**	**418**	**25,427**
Operating (loss)/profit	**(871)**	**(49)**	**12**	**62**	**(514)**	**(1,360)**
Finance income						329
Finance costs						(1,841)
Gain on forgiveness and restructuring of taxes						427
Loss before tax						**(2,445)**
Segment assets (Inventories and Trade Receivable)	**23,058**	**1,232**	**2,093**	**3,675**	**(1,113)**	**28,945**

Detailed elimination and reconciliation items are provided below:

In millions of Russian Roubles	**Operating loss**	**Segment assets**
Impairment provision for receivables (including finance lease)	(535)	(718)
Net realizable value provision of Inventory	(202)	(1,545)
Overhead expenses reallocation	(137)	(137)
Unrealized gain adjustment	130	(157)
Tax provision	433	-
Adjustment on amortization of intangible assets	227	-
Depreciation adjustments and adjustment on disposal of fixed assets	(187)	-
Warranty accruals	104	-
Lease accounting adjustments	(39)	-
Difference in accounting principles for inventory	-	428
Other adjustments and reclassification	(308)	1,016
Total elimination and reconciliation items	**(514)**	**(1,113)**

6 Segment Information (Continued)

Segment information for the six months ended 30 June 2008 is as follows:

In millions of Russian Roubles	**Trucks**	**Dealerships**	**Buses and specialized trucks**	**Other**	**Elimination and reconciliation**	**Total**
Revenue	46,659	7,315	8,195	7,911	(18,708)	51,372
Inter-segment sales	(12,109)	(465)	(3,904)	(2,277)	18,755	-
Total revenue	**34,550**	**6,850**	**4,291**	**5,634**	**47**	**51,372**
Operating (loss)/profit	**4,968**	**231**	**381**	**2,090**	**(1,488)**	**6,182**
Finance income						145
Finance costs						(285)
Profit before tax						**6,042**
Segment assets (Inventories and Trade Receivable)	**25,494**	**1,661**	**1,939**	**5,547**	**(3,051)**	**31,590**

Detailed elimination and reconciliation items are provided below:

In millions of Russian Roubles	**Operating loss**	**Segment assets**
Impairment provision for receivables (including finance lease)	(23)	(275)
Net realizable value provision of Inventory	(31)	(1,344)
Overhead expenses reallocation	-	-
Unrealized gain adjustment	(338)	(714)
Tax provision	(96)	-
Adjustment on amortization of intangible assets	186	-
Depreciation adjustments and adjustment on disposal of fixed assets	(417)	-
Warranty accruals	(130)	-
Lease accounting adjustments	(112)	-
Difference in accounting principles for inventory	-	202
Other adjustments and reclassification	2,449	(920)
Total elimination and reconciliation items	**1,488**	**(3,051)**

The elimination and reconciliation items mainly represent adjustments and reclassifications recorded in the consolidated condensed interim financial information for the fair presentation in accordance with IFRS. The revenue elimination and reconciliation items mainly represent leasing and consolidation adjustments.

7 Inventories

In millions of Russian Roubles	**30 June 2009**	**31 December 2008**
Finished goods	13,454	12,864
(Less net realizable value provision)	(976)	(964)
Finished goods, net	12,478	11,900
Raw materials and consumables	5,388	7,354
(Less net realizable value provision)	(769)	(680)
Raw materials and consumables, net	4,619	6,674
Work in progress	2,465	3,196
Total inventory	**19,562**	**21,770**

8 Borrowings

The Group's borrowings mature as follows:

In millions of Russian Roubles	**30 June 2009**	**31 December 2008**
Borrowings due: - within 1 year	17,088	18,960
- between 2 and 5 years	1,920	1,424
- after 5 years	2,035	2,023
Total borrowings	**21,043**	**22,407**

Long-term borrowings

The Group's long-term borrowings are as follows:

	Carrying value		**Fair value**	
In millions of Russian Roubles	**30 June 2009**	**31 December 2008**	**30 June 2009**	**31 December 2008**
Ministry of Finance of RF	2,391	2,370	1,025	1,457
Vneshtorgbank	779	8	779	6
Sberbank	400	455	400	364
AK Bars Bank	166	289	166	240
ALFA Bank	-	51	-	45
Raiffeisenbank	2	29	2	24
Other	217	245	217	197
Total long-term borrowings	**3,955**	**3,447**	**2,589**	**2,333**

The loan from the Ministry of Finance of the Russian Federation was restructured in 2005 until the end of 2034 with a fixed interest rate of 1% per annum.

The nominal interest rates for long-term borrowings at the balance sheet date were as follows:

	30 June 2009	**31 December 2008**
Ministry of Finance (in Yen)	1%	1 %
VTB (in Euros), 6-months repricing period	EURIBOR + 3.6 %	-
Other	8-19%	8%-16%

The effective interest rates for long-term borrowings at the balance sheet date were as follows:

	30 June 2009				**31 December 2008**		
% per annum	Russian Roubles	Euros	Yens	US dollars	Russian Roubles	Euros	Yens
Ministry of Finance (in Yen)	-	-	6.6%	-	-	-	6.6%
VTB (in Euros), 6-months repricing period	-	EURIBOR + 3.6 %	-	-	-	-	-
Other credits	8%-19%	-	-	-	8%-16%	-	-

The Group's long-term borrowings are denominated in currencies as follows:

In millions of Russian Roubles	**30 June 2009**	**31 December 2008**
Borrowings denominated in:		
- Yen	2,391	2,370
- Russian Roubles	735	1,015
- Euros	779	-
- Other CIS currencies	50	62
Total long-term borrowings	**3,955**	**3,447**

8 Borrowings (Continued)

Short-term borrowings

The Group's short-term borrowings are as follows:

In millions of Russian Roubles	**30 June 2009**	**31 December 2008**
Current portion of long-term borrowings :		
Syndicated loan	5,390	5,097
COMMERZBANK (EURASIJA) SAO	1,234	1,474
Ak Bars Bank	-	962
EBRD	737	790
Kanematsu	191	232
Absolut bank	125	150
ALFA Bank	101	146
Ministry of Finance of Russian Federation	91	97
Bank Zenit	-	31
Other lenders	121	176
Subtotal current portion of long-term borrowings:	7,990	9,155
Short-term borrowings:		
Sberbank	3,719	3,403
Vneshtorgbank	1,641	1,798
Gazprombank	750	2,260
Ak Bars Bank	747	-
Akibank	471	455
AvtoVazBank	350	500
Bank Zenit	313	10
AKB Centercredit	227	-
Uralsib	204	154
Regionalniy Bank Razvitiya	94	-
Domestic bonds	21	21
ING Bank (EURASIA) ZAO	-	663
Other lenders	362	375
Subtotal short-term borrowings	8,899	9,639
Interest payable	199	166
Total short-term borrowings	**17,088**	**18,960**

The interest rates for short-term loans were 2.34-21% per annum at 30 June 2008 (31 December 2008: 2.34-18% per annum). The loan from Kanematsu was issued at floating interest rate.

Under the terms of its agreements, the Group is required to comply with a number of covenants and restrictions, including the maintenance of certain financial ratios, financial indebtedness and cross-default provisions.

Under the terms of agreements with EBRD, Absolut bank and syndicated loan totalling RR 6,252 million (31 December 2008: RR 6,037 million) the Group did not comply with certain covenants attached to those loans. The breach of covenants under the above-mentioned loans triggered cross-default provisions under the long term loan agreements with Commerzbank and Kanematsu totalling RR 1,425 million (31 December 2008: Commerzbank, Kanematsu and VTB totalling RR 2,679 million). At 31 December 2008 the breach of covenants under the above-mentioned loans triggered cross-default provisions on short-term loans totalling RR 1,488 million. These banks have the right to require early repayment of the whole amount of these loans. Due to breach of covenants and cross-default provisions, long-term loans totalling RR 4,890 million (31 December 2008: RR 6,632 million) were classified as short-term in the balance sheet.

The interest rates for short-term loans were 3.72-21% per annum at 30 June 2009 (2008: 2.34-18% per annum).

8 Borrowings (Continued)

The Group's short-term borrowings are denominated in currencies as follows:

In millions of Russian Roubles	**30 June 2009**	**31 December 2008**
Borrowings denominated in:		
- Euros	6,946	7,295
- Russian Roubles	7,692	8,998
- US Dollars	2,024	2,280
- Yen	367	331
- Other CIS currencies	59	56
Total short-term borrowings	**17,088**	**18,960**

At 30 June 2009 Group's approved credit limits with Russian banks totaled RR 15,750 million (31 December 2008: RR 15,700 million); the unused portion was RR 8,040 million (31 December 2008: RR 8,173 million). These limits are denominated in Russian Roubles with interest rates ranging from 14% to 19% (31 December 2008: 14% to 19% per annum). Some of the agreements also permit the Group to borrow in US Dollars at interest rates ranging from 8.5% to 13.5% (31 December 2008: 8.5% to 13.5% per annum) and Euros at interest rates ranging from 10% to 14.5% (31 December 2008: 10% to 14.5% per annum). At 30 June 2009 all amount of the RR 15,750 million of approved credit limits are for terms greater than one year (31 December 2008: RR 6,700 million are for terms less than one year and RR 9,000 million are for terms greater than one year).

After 30 June 2009 within existing approved credit limits the Group signed credit line agreements with Russian banks in the amount of RR 6,100 million for terms greater than one year and RR 1,100 million for terms less than one year. As at 23 October 2009 the Group's approved long-term credit limits with Russian banks totaled RR 19,300 million; the unused portion was RR 10,081 million.

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency liabilities or interest rate exposures. Fair value of short-term borrowings approximates their carrying amount at 30 June 2009 and 31 December 2008.

9 Restructured Taxes

Restructured taxes represent a provision for the expected outflows under decrees of the Government of the Russian Federation issued during 2007, 2006, 2002 and 2001 that allowed the Group to postpone payment of tax liabilities (unified social tax, VAT, fines and penalties).

In the first half of 2009 the Group was granted a further deferral of payments under the tax restructuring agreement. As a result of amendments in the tax restructuring agreement a gain of RR 427 million was recognized in the financial statements. In addition, the discount rate reconsideration resulted in a loss of RR 173 million (6 months 2008: RR 247 million of gain which is included in Finance costs (Note 15)).

The liability is carried at the present value of the amounts expected to be paid to settle the obligation, calculated by applying the discount rate of 16.7 % (31 December 2008:19.8 %).

The liability for restructured taxes is denominated in Russian roubles and matures as follows:

In millions of Russian Roubles	**30 June 2009**	**31 December 2008**
- within 1 year	7	157
- between 2 and 5 years	452	576
- after 5 years	737	597
Total	**1,196**	**1,330**

In the event of the Company's failure to make current tax payments and payments of restructured tax liabilities by the end of each quarter, the Ministry of Taxes and Duties may, within one month, recommend to the Russian Government to cancel the restructuring decree and call the entire liability.

10 Revenue

In millions of Russian Roubles	**Six months ended 30 June 2009**	**Six months ended 30 June 2008**
Trucks and assembly kits	16,385	33,475
Spare parts	4,137	7,459
Buses, truck trailers and truck mixers	1,798	5,692
Metallurgical products	636	1,829
Leasing income	242	406
Truck repair services	185	137
Other sales of goods	1,569	1,473
Other services	475	901
Total sales	**25,427**	**51,372**

In millions of Russian Roubles	**Six months ended 30 June 2009**	**Six months ended 30 June 2008**
Domestic sales		
Trucks and assembly kits	12,849	24,862
Spare parts	3,343	6,095
Buses, truck trailers and truck mixers	1,742	5,340
Leasing income	242	406
Other sales	2,817	4,295
Total domestic sales	**20,993**	**40,998**
Export sales		
Trucks and assembly kits	3,537	8,613
Spare parts	794	1,363
Buses, truck trailers and truck mixers	56	352
Other sales	47	46
Total export sales	**4,434**	**10,374**
Total sales	**25,427**	**51,372**

Sales of goods include RR 2,202 million (six months ended 30 June 2008: nil) and purchase of the materials include RR 4,866 million (six months ended 30 June 2008: RR 750 million) settled using bills of exchange.

11 Cost of Sales

Cost of sales includes the following items:

In millions of Russian Roubles	**Six months ended 30 June 2009**	**Six months ended 30 June 2008**
Materials and components used	15,536	32,413
Labour costs	3,310	6,688
Fuel and energy	1,296	2,356
Depreciation of property, plant and equipment	995	942
Services	743	971
Provision for inventories	101	37
Provisions for other liabilities charges (Reversal)	(65)	-
Changes in inventory of finished goods and work in progress	21	(3,137)
Warranty (reversal)/provision	(44)	195
Other costs	189	245
Total	**22,082**	**40,710**

12 Distribution Costs

Distribution costs comprise:

In millions of Russian Roubles	Six months ended 30 June 2009	Six months ended 30 June 2008
Impairment provision for receivables	578	9
Labour costs	519	804
Transportation expenses	342	559
Other services	298	284
Material consumed	178	368
Advertising	43	100
Depreciation of property, plant and equipment	41	32
Insurance	12	42
Customs duty	7	24
Other distribution costs	77	115
Total	**2,095**	**2,337**

13 General and Administrative Expenses

General and administrative expenses include the following items:

In millions of Russian Roubles	Six months ended 30 June 2009	Six months ended 30 June 2008
Labour costs	794	1,658
Taxes other than income tax	531	332
Services	317	438
Consulting and information services	239	73
Depreciation of property, plant and equipment	123	110
Insurance	123	127
Material consumed	34	60
Business trip costs	30	78
Bank services	25	48
Amortization of intangible assets	24	29
(Reversal)/provision for taxes other than income tax	(509)	96
Other expenses	118	100
Total	**1,849**	**3,149**

14 Other Operating Income

Other operating income in the first half of 2008 included mainly gain from sale of shares of OAO KAMAZ-Capital to a significant shareholder for a total amount of RR 2,203 million. The gain on this disposal was RR 1,750 million (Note 5).

15 Finance Income and Costs

Finance income comprises of the following:

In millions of Russian Roubles	Six months ended 30 June 2009	Six months ended 30 June 2008
Interest income on bank deposits	211	-
Interest income on promissory notes and loans issued	118	65
Foreign exchange gains	-	80
Total finance income	**329**	**145**

15 Finance Income and Costs (Continued)

Finance cost comprises the following:

In millions of Russian Roubles	Six months ended 30 June 2009	Six months ended 30 June 2008
Foreign exchange loss	583	-
Interest on loans and borrowings	1,016	498
Less interest capitalized	(160)	(105)
Interest expense	856	393
Unwinding of the discount and effect of changes of discount rate on restructured taxes	300	(170)
Other	102	62
Total finance cost	**1,841**	**285**

16 (Loss)/Earnings per Share

(Loss)/Earnings per share are calculated as follows:

	Six months ended 30 June 2009	Six months ended 30 June 2008
Basic (loss)/earnings per share:		
(Loss)/Profit attributable to equity holders of the Company (RR million)	(1,698)	3,940
Weighted average number of ordinary shares in issue (thousands)	707,230	707,230
Basic (loss)/earnings per share (Roubles per share)	**(2.40)**	**5.57**
Diluted (loss)/earnings per share:		
Weighted average number of ordinary shares in issue (thousands)	707,230	707,230
Diluted (loss)/earnings per share (Roubles per share)	**(2.40)**	**5.57**

Basic (loss)/earnings per share are calculated by dividing the (loss)/profit attributable to the Company's shareholders by the weighted average number of ordinary shares in issue during the year.

17 Contingencies and Commitments

Litigation. From time to time and in the normal course of business, claims against the Group are received. On the basis of their own estimates and both internal and external professional advice Management is of the opinion that no material losses will be incurred in respect of claims.

At 30 June 2009 and 31 December 2008 the Group was engaged in litigation proceedings as a defendant with number of clients and customers. No provision has been made as the Group's Management believes that risks of these proceedings are remote.

Tax contingencies. Russian tax and customs legislation is subject to varying interpretations, and changes, which occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities. The Russian tax authorities may take a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. In October 2006, the Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic approach to anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities' scrutiny.

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

Russian tax legislation does not provide definitive guidance in certain areas. From time to time, Management adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices.

17 Contingencies and Commitments (Continued)

Russian transfer pricing legislation introduced 1 January 1999 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice with this respect has been contradictory.

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

At 30 June 2009, total liabilities recorded for uncertain tax positions that are determined by management as more likely than not to result in additional taxes amounted to RR 827 million (31 December 2008: RR 1,762 million). The amount of the liabilities was decreased as a result of favorable resolution of claims submitted by tax authorities to court.

In addition, the Group estimates its uncertain tax positions other than remote that are determined by management as not likely to result in additional taxes of approximately RR 2,572 million (31 December 2008: RR 2,446 million). No provision has been recognised in relation to such uncertain tax positions.

Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax position will be sustained.

Contractual commitments. The Group has contractual commitments for the acquisition of property, plant and equipment as at 30 June 2009 totalling RR 1,248 million (31 December 2008: RR 2,332 million). As the Group recognized provision for other liabilities and charges of RR 220 million under purchase contracts of equipment the primary sum was decreased by RR 800 million to the amount of such contractual commitments at 30 June 2009 and 31 December 2008.

The Group received guarantees for the following liabilities:

In millions of Russian Roubles	Notes	30 June 2009 Guarantees received	30 June 2009 Related liability	31 December 2008 Guarantees received	31 December 2008 Related liability
Russian Federation Ministry of Finance (EBRD loan – nominated in US Dollars)	8	2,206	624	2,071	669
Russian Federation Ministry of Finance (Sberbank loan-nominated in RR)	8	750	1,503	-	-
Tatarstan Ministry of Finance (Kanematsu loan – nominated in Japanese Yens)	8	606	191	603	232
Tatarstan Ministry of Finance (EBRD loan – nominated in US Dollars)	8	401	113	376	121
Total guarantees		**3,963**	**2,431**	**3,050**	**1,022**

Assets pledged and restricted. The Group had the following assets pledged as collateral as at 30 June 2009 and 31 December 2008:

In millions of Russian Roubles	Notes	30 June 2009 Asset pledged	30 June 2009 Related liability	31 December 2008 Asset pledged	31 December 2008 Related liability
Inventory	7	16,516	7,767	15,100	6,558
Property, plant and equipment		5,220	5,243	3,262	3,999
Shares of subsidiary at net asset value and Company's bills of exchange at nominal value		2,329	1,328	2,695	1,776
Total		**24,065**	**14,338**	**21,057**	**12,333**

17 Contingencies and Commitments (Continued)

At 30 June 2009 and 31 December 2008 12,000 thousand shares of OAO KAMAZ-Metallurgiya representing a controlling stake (52%) with total nominal value of RR 1,200 million were pledged as collateral for a loan issued by the Russian Federation Ministry of Finance.

Loan commitments. In most cases the Group could repay its debts early, after notification of the borrower, without penalties. The exceptions are loans from EBRD (the penalty is 0.125% of the loan amount due), VTB (the early repayment could be made only after receipt of written permission given by the bank) and AK Bars Bank (early repayment is forbidden for some loan agreements).

Environmental matters. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, Management believes that there are no significant liabilities for environmental damage.

18 Business Acquisition

In June 2009 the Group paid RR 225 million to acquire 51% of Tatra Vectra Motors Limited under an agreement to establish a venture for production of trucks in India. The Group performed provisional accounting of this acquisition and as result consolidated RR 278 million of property, plant and equipment and RR 136 million of minority interest with a balance of RR 83 million representing goodwill.

19 Seasonality

The sale of vehicles, automotive components and assembly kits is subject to insignificant seasonal fluctuations.