KAMAZ Group

International Financial Reporting Standards
Consolidated Condensed Interim
Financial Information

30 June 2011

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Report on Review of Interim Financial Information

To the Shareholders and Board of Directors of OAO KAMAZ:

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of OAO KAMAZ and its subsidiaries (the "Group") as of 30 June 2011 and the related consolidated condensed interim statements of income, comprehensive income, cash flows and changes in equity 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 audit opinion.

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 Audit

Moscow, Russian Federation
30 September 2011

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In millions of Russian Roubles	Note	30 June 2011	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment		27,668	28,143
Intangible assets		2,071	1,698
Investment in associates and joint ventures		2,261	2,150
Available-for-sale investments		40	46
Finance lease receivables		563	357
Deferred income tax assets		2,094	1,987
Other non-current assets	7	1,843	461
Total non-current assets		**36,540**	**34,842**
Current assets			
Inventories	8	21,527	14,925
Trade and other receivables		11,312	8,049
Current income tax prepayments		65	93
Finance lease receivables		961	864
Financial instruments at fair value through profit or loss		4	62
Term deposits		3,176	7,147
Cash and cash equivalents		3,617	4,087
Total current assets		**40,662**	**35,227**
TOTAL ASSETS		**77,202**	**70,069**
EQUITY			
Share capital		35,361	35,361
Accumulated deficit		(6,394)	(6,509)
Equity attributable to owners of the Company		**28,967**	**28,852**
Non-controlling interest		**939**	**1,031**
TOTAL EQUITY		**29,906**	**29,883**
LIABILITIES			
Non-current liabilities			
Borrowings	9	11,801	9,572
Deferred income tax liabilities		920	884
Non-current taxes payable		1,781	1,789
Finance lease payables		1,037	928
Post-retirement benefit obligation		154	150
Total non-current liabilities		**15,693**	**13,323**
Current liabilities			
Borrowings	9	11,132	12,562
Trade and other payables	10	17,832	12,069
Finance lease payables		428	431
Current income tax payable		15	68
Other taxes payable		1,761	1,357
Provisions for liabilities and charges		189	212
Deferred income		246	164
Total current liabilities		**31,603**	**26,863**
TOTAL LIABILITIES		**47,296**	**40,186**
TOTAL EQUITY AND LIABILITIES		**77,202**	**70,069**

Approved for issue and signed on behalf of the Board of Directors on 30 September 2011.

S.A. Kogogin
General Director

A.A. Maksimov
Chief Accountant

In millions of Russian Roubles	Note	Six months ended 30 June 2011	30 June 2010
Revenue	11	44,208	31,859
Cost of sales	12	(37,222)	(27,708)
Gross profit		**6,986**	**4,151**
Distribution costs	13	(2,315)	(1,183)
General and administrative expenses	14	(3,247)	(2,348)
Research and development costs		(44)	(54)
Share of results of associates and joint ventures		(86)	(26)
Other operating income		416	671
Other operating expenses		(675)	(664)
Operating profit		**1,035**	**547**
Finance income	15	404	473
Finance costs	15	(1,208)	(1,282)
Profit/(loss) before income tax		**231**	**(262)**
Income tax expense	17	(144)	(135)
Profit/(loss) for the period		**87**	**(397)**
Profit/(loss) is attributable to:			
- equity holders of the Company		154	(252)
- non-controlling interest		(67)	(145)
Profit/(loss) for the period		**87**	**(397)**
Earnings/(loss) per share attributable to the equity holders of the Company, basic and diluted (expressed in Roubles per share)	16	0.22	(0.36)

In millions of Russian Roubles	Six months ended 30 June 2011	Six months ended 30 June 2010
Profit/(loss) for the period	**87**	**(397)**
Other comprehensive loss		
Currency translation differences	(46)	(7)
Other comprehensive loss for the period	**(46)**	**(7)**
Total comprehensive income/(loss) after tax for the period	**41**	**(404)**
Total comprehensive income/(loss) after tax attributable to:		
- owners of the Company	108	(259)
- non-controlling interest	(67)	(145)
Total comprehensive income/(loss) for the period	**41**	**(404)**

In millions of Russian Roubles	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Cash flows from operating activities			
Profit/(Loss) before income tax		231	(262)
Adjustments for:			
Depreciation of property, plant and equipment		1,150	1,429
Effect from changes of discount rate on non-current taxes payable		-	174
Finance income	15	(404)	(473)
Finance costs	15	1,208	1,108
Inventory provision reversal net of charge	8, 12	(185)	(109)
Impairment provision/(reversal) for receivables and loans issued	13	67	(294)
Other		123	278
Operating cash flows before working capital changes		**2,190**	**1,851**
Increase in trade and other receivables		(3,509)	(988)
(Increase)/decrease in finance lease receivables		(269)	557
Increase in inventories	8	(6,417)	(1,924)
Increase in trade and other payables	10	6,049	2,854
Increase in taxes payable		388	230
Increase in other non-current liabilities		4	4
Cash (used in)/generated from operations		**(1,564)**	**2,584**
Income taxes paid		(240)	(114)
Net cash (used in)/from operating activities		**(1,804)**	**2,470**
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,712)	(332)
Proceeds from sale of property, plant and equipment		1,298	70
Decrease in term deposits		3,971	1,561
Purchases of long-term promissory notes	7	(1,700)	-
Proceeds from government grant		100	-
Acquisition of shares in joint ventures and associates		(29)	(607)
Proceeds from sale of available-for-sale investments		8	348
Purchases of available-for-sale investments		-	(248)
Acquisition of financial assets at fair value through profit or loss		(642)	(9)
Proceeds from disposal of financial assets at fair value through profit or loss		701	9
Development cost incurred and purchases of intangible assets		(440)	(169)
Loans issued		-	(145)
Loans repaid		8	218
Interest received	15	124	183
Net cash from investing activities		**1,687**	**879**
Cash flows from financing activities			
Proceeds from borrowings	9	8,535	6,015
Repayment of borrowings	9	(10,652)	(7,922)
Bonds issued	9	3,000	-
Interest paid		(616)	(966)
Repayment of non-current taxes		(83)	(12)
Repayment of finance lease		(534)	(415)
Dividends paid to non-controlling interest		(3)	-
Net cash used in financing activities		**(353)**	**(3,300)**
Net (decrease)/increase in cash and cash equivalents		**(470)**	**49**
Cash and cash equivalents at the beginning of the period		**4,087**	**7,203**
Cash and cash equivalents at the end of the period		**3,617**	**7,252**

	Attributable to owners of the Company				
In millions of Russian Roubles	Share capital	Accumulated deficit	Total	Non-controlling interest	Total Equity
Balance at 1 January 2010	**35,361**	**(5,706)**	**29,655**	**1,148**	**30,803**
Loss for the six months 2010	-	(252)	**(252)**	(145)	**(397)**
Other comprehensive loss:					
Currency translation differences	-	(7)	**(7)**	-	**(7)**
Total comprehensive loss for the period ended 30 June 2010	**-**	**(259)**	**(259)**	**(145)**	**(404)**
Balance at 30 June 2010	**35,361**	**(5,965)**	**29,396**	**1,003**	**30,399**
Balance at 1 January 2011	**35,361**	**(6,509)**	**28,852**	**1,031**	**29,883**
Profit /(loss) for the six months 2011	-	154	**154**	(67)	**87**
Other comprehensive loss:					
Currency translation differences	-	(46)	**(46)**	-	**(46)**
Total comprehensive income/(loss) for the period ended 30 June 2011	**-**	**108**	**108**	**(67)**	**41**
Purchase of non-controlling interest in existing subsidiaries	-	7	**7**	(22)	**(15)**
Dividends declared to non-controlling interest	-	-	**-**	(3)	**(3)**
Balance at 30 June 2011	**35,361**	**(6,394)**	**28,967**	**939**	**29,906**

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 2011. At 30 June 2011 27.3% of shares in the Company 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 owning 49.9%. 11% of the shares are owned by Daimler AG and 4% of the shares are owned by EBRD. The shares of the Company are listed on MICEX (Moscow Interbank Currency Exchange). The remaining shares are free-floating on this stock exchange.

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 Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The recent global financial crisis has had a severe effect on the Russian economy and the financial situation in the Russian financial and corporate sectors significantly deteriorated since mid-2008. In 2010, the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased liquidity levels in the banking sector.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. 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 which could have an impact on the Russian economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

3 Summary of Significant Accounting Policies

Basis of preparation. This consolidated condensed interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim financial reporting". The consolidated condensed interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

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 2010.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Certain new standards, interpretations and amendments to the existing standards, as disclosed in the consolidated financial statements for the year ended 31 December 2010, became effective for the Group from 1 January 2011. These have not significantly affected the consolidated condensed interim financial information of the Group.

4 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods and which the Group has not early adopted:

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Group has early adopted the provision related to government-related entities from 1 January 2009.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations, which could be applicable to the Group: IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify that the components of the statement of changes in equity include profit or loss, other comprehensive income, total comprehensive income and transactions with owners and that an analysis of other comprehensive income by item may be presented in the notes; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The Group does not expect the amendments to have any material effect on its financial statements, except the amendment to IAS 1 which was early adopted by the Group.

4 New Accounting Pronouncements (Continued)

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.

IFRS 10, Consolidated financial statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation – special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

IFRS 11, Joint arrangements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of "types" of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

IFRS 12, Disclosure of interest in other entities (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity; it replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

IFRS 13, Fair value measurement (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

Amendments to IAS 1, Presentation of financial statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income (OCI). The amendments require entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'.

Amended IAS 19, Employee benefits (issued June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The changes will affect most entities that apply IAS 19 and may significantly change performance indicators and the volume of disclosures.

The Group is considering the implications of the above standards.

Other new accounting pronouncements are not applicable for the activities of the Group.

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. An entity's joint venture or key management personnel are also considered as related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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 2011 and 2010 or had significant balances outstanding at 30 June 2011 and 31 December 2010 is detailed below:

	As of 30 June 2011		For the six months ended 30 June 2011	
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	65	15	-	244
Unified social tax	-	444	-	1,943
VAT recoverable/payable	1,750	802	-	-
Other taxes	1,118	320	-	362
Non-current taxes	-	1,781	-	90
Deferred income	-	46	-	-
Government grant	-	200	-	-
Long-term loans and borrowings	-	5,047	-	-
Short-term loans and borrowings	-	8,406	-	-
Interest expense	-	-	-	473
Cash and cash equivalents	2,703	-	-	-
Term deposits	1,351	-	-	-
Interest income	-	-	42	-
Trade and other receivables	459	-	-	-
Available-for-sale investments	23	-	-	2
Trade and other payables	-	3,264	-	-
Sales of goods	-	-	4,462	-
Purchases of goods	-	-	-	3,734
Charity	-	-	-	59
Balances and transactions with shareholders with significant influence				
Other payables	-	3	-	-
Long term promissory notes	1,427	-	-	243
Interest income	-	-	11	-
Services rendered	-	-	-	12
Balances and transactions with JV				
Trade and other receivables	52	-	-	-
Trade and other payables	-	406	-	-
Sales of goods	-	-	233	-
Purchases of goods	-	-	-	2,742
Balances and transactions with associates				
Trade and other receivables	467	-	-	-
Trade and other payables	-	174	-	-
Loans issued	9	-	-	-
Sales of goods	-	-	657	-
Purchases of goods	-	-	-	991
Other related parties				
Charity	-	-	-	96

5 Balances and Transactions with Related Parties (Continued)

	As of 31 December 2010		For the six months ended 30 June 2010	
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	93	68	-	157
Unified social tax	-	249	-	1,294
VAT recoverable/payable	883	615	-	-
Other taxes	913	314	-	305
Non-current taxes	-	1,962	-	276
Deferred income	-	64	-	-
Government grant	-	100	-	-
Long-term loans and borrowings	-	6,433	-	-
Short-term loans and borrowings	-	7,187	-	-
Interest expense	-	-	-	519
Cash and cash equivalents	1,182	-	-	-
Term deposits	6,870	-	-	-
Interest income	-	-	122	-
Trade and other receivables	344	-	-	-
Available-for-sale investments	25	-	5	40
Trade and other payables	-	1,306	-	-
Sales of goods	-	-	7,270	-
Purchases of goods	-	-	-	2,226
Reimbursement of interest expense	-	-	-	(38)
Reimbursement of the costs for temporary workers	-	-	-	(32)
Balances and transactions with shareholders with significant influence				
Cash and cash equivalents	1,700	-	-	-
Balances and transactions with JV				
Trade and other receivables	366	-	-	-
Trade and other payables	-	354	-	-
Sales of goods	-	-	557	-
Purchases of goods	-	-	-	1,101
Balances and transactions with associates				
Trade and other receivables	302	-	-	-
Trade and other payables	-	415	-	-
Sales of goods	-	-	305	-
Purchases of goods	-	-	-	388
Loans issued	10	-	-	-
Other related parties				
Sales of goods	-	-	179	-
Accounts receivable	486	-	-	-
Charity	-	-	-	118

During 1 half 2011 a significant shareholder acting as a professional broker on behalf of its clients acquired and subsequently sold RR 1,070 million of the Company's bonds.

In the first half of 2011, the amount of remuneration of the Board of Directors (11 people) and Management Board members (8 people) comprised salaries, discretionary bonuses and other short-term benefits totalling RR 29 million (six months ended 30 June 2010: RR 24 million).

In August 2005, the Board of Directors approved a long-term remuneration plan for the members of the Management Board of the Company. Under the plan, the total amount of remuneration was calculated as of 23 August 2009 based on the increase in the market capitalization of the Company over a four year period for the period ended 23 August 2009. This amount was determined to be RR146 million, but the payment of this bonus has been deferred due to current economic conditions. The amount of remuneration accrued in the first half of 2011 was nil (six months ended 30 June 2010: nil). The total liability accrued at 30 June 2011 was RR 146 million (31 December 2010: RR 146 million).

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.

At 30 June 2011 the Group had received guarantees from the Russian Federation Ministry of Finance and Tatarstan Ministry of Finance of RR 5,380 million (31 December 2010: RR 6,831 million).

5 Balances and Transactions with Related Parties (Continued)

At 30 June 2011 the Company had provided pledges of property for obligations of the joint ventures in the amount of RR 88 million and issued guarantees for obligations of the joint ventures in the amount of RR 479 million. The Group does not expect cash outflows related to the pledges provided and guarantees issued.

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 the Company. To determine the operating segments management has considered the business activities and product perspective of the Group's companies.

The activity of the Group comprises two operating segments whose results are regularly reported to the General Director. However, based on the requirements of IFRS 8 "Operating segments", management identified an additional reportable segment "All others", which is driven from IFRS accounts and is not reviewed by the chief operating decision-maker.

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

The Group has following reportable segments:

- Trucks – production and sale of vehicles, assembly kits, automotive components, rendering of services and sold of goods consumed in course of production of trucks. The segment measures are driven from the statutory accounts with eliminations of sales within different stages of the production process.
- Buses, trailers and specialized trucks – production and sale of buses, trailers, mixer trucks and other special vehicles on the base of the standard trucks, production and resale of related components and rendering of the related services.
- All others – represents information, about the business activities that are not reportable. The nature of the activities is related to distribution of the goods and other auxiliary production activities.

Information in respect of revenue by geography is disclosed in Note 11. Substantially all of the Groups' assets are located, and capital expenditure are made, in the Russian Federation.

Segment information for the period ended 30 June 2011 is as follows:

In millions of Russian Roubles	**Trucks**	**Buses, trailers and specialized trucks**	**All Others**	**Intergroup eliminations**	**Reconciliation to IFRS**	**Total IFRS**
External revenue		3,992				
Inter-segment revenue		2,721				
Total Segment revenue	**40,036**	**6,713**	**4,058**	**(8,061)**	**1,462**	**44,208**
Segment profit measure	**624**	**128**	**286**	**-**	**(3)**	**1,035**
Finance income						**404**
Finance costs						**(1,208)**
Loss on restructuring of taxes						-
Profit before income tax						**231**
Segment assets (Inventories and Receivables)	**27,613**		**6,785**	**(2,840)**	**1,281**	**32,839**
Segment's liability (Borrowings and Trade payable)	**29,797**		**4,311**	**(808)**	**(1,274)**	**32,026**

6 Segment Information (Continued)

Detailed elimination and reconciliation items are provided below:

In millions of Russian Roubles	Segment revenue measure	Segment profit measure	Segment assets	Segment liability
Difference in the valuation and useful life of the fixed assets	-	(204)	-	-
Reversal of amortization of intangible assets not recognised	-	240	-	-
Tax provision movements	-	28	-	-
Reversal of VAT write-off	-	25	-	-
Reclassification of VAT	-	-	1,623	-
Reclassification of loans issued	-	-	48	-
Reclassification of charity donation from non-operating expenses	-	(334)	-	-
Impairment provision for receivables (including finance lease)	-	(86)	(469)	-
Other provisions	-	(92)	-	-
Reclassification of revenue from spare parts resale to third parties	3,423	-	-	-
Elimination of revenue, accounts receivable and accounts payable with joint ventures, other companies	(1,071)	-	(123)	123
Difference in inventory recognition	-	-	671	790
Discount of loans fair valued	-	-	-	(2,450)
Inventory valuation adjustments	-	230	(381)	-
Reclassification and adjustments for lease accounting	(890)	139	-	-
Difference in allocation of overheads to work-in-progress and finished goods	-	(18)	(18)	-
Other adjustments and reclassification, net	-	69	(70)	263
Total elimination and reconciliation items	**1,462**	**(3)**	**1,281**	**(1,274)**

Segment information for the period ended 30 June 2010 is as follows:

In millions of Russian Roubles	Trucks	Buses, trailers and specialized trucks	All others	Intergroup eliminations	Reconciliation to IFRS	Total IFRS
External revenue		1,853				
Inter-segment revenue		1,141				
Total Segment revenue	**28,325**	**2,994**	**2,569**	**(2,963)**	**934**	**31,859**
Segment profit measure (operating profit/(loss)	**1**	**(109)**	**291**	**-**	**364**	**547**
Finance income						**473**
Finance costs						**(1,108)**
Loss on restructuring of taxes						**(174)**
Loss before income tax						**(262)**
Segment assets (Inventories and Receivables)	**23,688**		**5,357**	**(2,899)**	**(971)**	**25,175**
Segment's liability (Borrowings and Trade payable)	**27,468**		**3,198**	**(1,697)**	**(1,484)**	**27,485**

6 Segment Information (Continued)

Detailed elimination and reconciliation items are provided below:

In millions of Russian Roubles	Segment revenue measure	Segment profit measure	Segment assets	Segment liability
Difference in the valuation and useful life of the fixed assets	-	(258)	-	-
Reversal of amortization of intangible assets not recognised	-	186	-	-
Reclassification of charity donation from non-operating expenses in statutory books	-	(241)	-	-
Tax provision movements	-	(8)	-	-
Impairment provision for receivables (including finance lease)	-	116	(150)	-
Reclassification and adjustments for lease accounting	(888)	246	-	-
Other provisions	-	190	-	-
Difference in inventory recognition	-	-	469	553
Reclassification of revenue from spare parts resale to third parties	1,822	-	-	-
Discount of loans fair valued	-	-	-	(2,613)
Inventory valuation adjustments	-	8	(791)	-
Difference in allocation of overheads to work-in-progress and finished goods	-	(68)	261	-
Other adjustments and reclassification, net	-	193	(760)	576
Total elimination and reconciliation items	**934**	**364**	**(971)**	**(1,484)**

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 Other Non-Current Assets

Other non-current assets consist of the following:

In millions of Russian Roubles	30 June 2011	31 December 2010
Long-term promissory notes	1,427	-
Advances issued for equipment	162	176
Long-term receivables	128	153
Other	126	132
Total non-current assets	**1,843**	**461**

In March 2011 the Company acquired US Dollar denominated promissory notes issued by one of the Group's shareholders at nominal value of US$ 59 million maturing in three years time through December 2014. The nominal value of these promissory notes comprises RR 1,700 million. The fair value of these promissory notes was assessed to be equal to RR 1,427 million, calculated by applying a discount rate of 4% (Note 5).

8 Inventories

In millions of Russian Roubles	30 June 2011	31 December 2010
Raw materials and consumables	5,678	5,094
(Less net realizable value provision)	(427)	(519)
Raw materials and consumables, net	5,251	4,575
Work in progress	5,192	3,914
Finished goods	11,198	6,812
(Less net realizable value provision)	(114)	(376)
Finished goods, net	11,084	6,436
Total inventory	**21,527**	**14,925**

8 Inventories (Continued)

Movements in the impairment provision for inventories and finished goods are as follows:

	Six months ended			
	30 June 2011		30 June 2010	
In millions of Russian Roubles	Raw materials	Finished goods	Raw materials	Finished goods
As of 1 January	**519**	**376**	**603**	**624**
Provision charged	10	22	43	23
Provision utilised	(102)	(67)	(55)	(119)
Provision reversed	-	(217)	-	-
As of 30 June	**427**	**114**	**591**	**528**

9 Borrowings

The Group's borrowings mature as follows:

In millions of Russian Roubles	30 June 2011	31 December 2010
Borrowings due:		
- within 1 year	11,132	12,562
- between 2 and 5 years	9,550	7,166
- after 5 years	2,251	2,406
Total borrowings	**22,933**	**22,134**

Borrowings payable after 5 years includes a 1% loan from the Ministry of Finance with a nominal value of RR 2,606 million (31 December 2010: RR 2,370 million). This loan matures in 2034.

In December 2010 the Company issued Rouble denominated non-convertible coupon bearer bonds for RR 2,000 million maturing in three years time with a 9% per annum through December 2012. After this date the Company can change the interest rate for the period of the bonds, if any of the bondholders do not accept the new rate they can require the Company to repurchase the bonds. In February 2011 the Company issued the second tranche of rouble-denominated non-convertible bonds for RR 3,000 million maturing through February 2014 with 8.6% per annum. As at 30 June 2011, the fair value of the first tranche of bonds was estimated to be RR 2,020 million (31 December 2010: RR 2,020 million), the fair value of the second tranche of bonds was estimated to be RR 3,030 million.

New credit line from Vnesheconombank was obtained by the Group in May 2011 with a limit of RR 1,742 million. The first tranche was obtained of RR 1,092 million (at 10.7% interest rate per annum). The funds received were used for financing the Group's joint venture development projects and purchasing of production equipment.

Under the terms of various bank 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.

The Group did not comply with certain financial covenants related to the EBRD loan agreement. The total liability under this agreement is RR 283 million (31 December 2010: RR 3,484 million), including current portion of RR 94 million (31 December 2010: RR 2,738 million). The lender has the right to require the early repayment of the whole amount of this loan. Due to the breach of covenants, the long-term portion of the above mentioned loan, totaling RR 189 million (31 December 2010: RR 746 million) is included in the current portion of long-term borrowings and recognized as short-term in the statement of financial position.

10 Trade and Other Payables

In millions of Russian Roubles	30 June 2011	31 December 2010
Trade payables	9,093	7,266
Advances received	5,883	2,872
Wages and salaries payable	2,230	1,439
Other	626	492
Trade and other payables	**17,832**	**12,069**

The fair value of each class of financial liabilities included within trade and other payables is not significantly different to its carrying value.

11 Revenue

In millions of Russian Roubles	**Six months ended 30 June 2011**	**Six months ended 30 June 2010**
Trucks and assembly kits	29,652	20,219
Spare parts	6,246	5,415
Buses, truck trailers and truck mixers	3,534	2,216
Metallurgical products	1,547	935
Truck repair services	731	653
Leasing income	119	66
Other sales	1,632	1,866
Other services	747	489
Total revenue	**44,208**	**31,859**

In millions of Russian Roubles	**Six months ended 30 June 2011**	**Six months ended 30 June 2010**
Domestic sales		
Trucks and assembly kits	25,877	18,349
Spare parts	5,467	4,566
Buses, truck trailers and truck mixers	3,435	2,165
Leasing income	119	66
Other sales	4,598	3,934
Total domestic revenue	**39,496**	**29,080**
Export sales		
Trucks and assembly kits	3,775	1,870
Spare parts	779	849
Buses, truck trailers and truck mixers	99	51
Other sales	59	9
Total export revenue	**4,712**	**2,779**
Total revenue	**44,208**	**31,859**

During the first half of 2011 the Group sold trucks and buses under finance lease agreements for a total amount of RR 1,459 million (first half of 2010: RR 142 million).

12 Cost of Sales

Cost of sales includes the following items:

In millions of Russian Roubles	**Six months ended 30 June 2011**	**Six months ended 30 June 2010**
Materials and components used	31,284	20,239
Labour costs	6,481	4,316
Fuel and energy	2,926	2,427
Depreciation of property, plant and equipment	1,036	1,314
Services	1,365	870
Changes in inventory of finished goods and work in progress	(5,732)	(1,568)
Warranty accruals	55	59
Inventory provision reversal net of charge	(185)	(109)
Reversal of property, plant and equipment impairment	(138)	-
Other	130	160
Total cost of sales	**37,222**	**27,708**

13 Distribution Costs

Distribution costs comprise:

	Six months ended	
In millions of Russian Roubles	**30 June 2011**	**30 June 2010**
Labour costs	703	518
Transportation expenses	634	269
Material consumed	319	254
Other services	312	229
Impairment provision/(reversal) for receivables and loans issued	67	(294)
Other	280	207
Total distribution costs	**2,315**	**1,183**

14 General and Administrative Expenses

General and administrative expenses include the following items:

	Six months ended	
In millions of Russian Roubles	**30 June 2011**	**30 June 2010**
Labour costs	1,901	1,217
Services	366	345
Taxes other than income tax	362	305
Consulting and information services	94	75
Insurance	90	64
Amortization of intangible assets	80	38
(Reversal of provision)/provision for taxes other than income tax	(28)	8
Other	382	296
Total general and administrative expenses	**3,247**	**2,348**

15 Finance Income and Costs

Finance income comprises of the following:

	Six months ended	
In millions of Russian Roubles	**30 June2011**	**30 June 2010**
Foreign exchange gains	265	266
Interest income on deposits, promissory notes and loans issued	124	183
Interest rate swap	15	24
Total finance income	**404**	**473**

Finance costs comprise the following:

	Six months ended	
In millions of Russian Roubles	**30 June 2011**	**30 June 2010**
Interest on loans and borrowings	805	973
Less interest capitalized	(90)	(200)
Interest expense	715	773
Loss from discounting of long-term promissory notes	243	-
Effect of changes of discount rate	-	174
Amortisation of the discount on non-current taxes	90	102
Interest expense on finance leases where the Group is the lessee	72	137
Amortisation of the discount on restructured loans	66	62
Bank services	22	34
Total finance costs	**1,208**	**1,282**

16 Earnings/(Loss) per Share

Earnings/(loss) per share is calculated as follows:

	Six months ended	
	30 June 2011	**30 June 2010**
Basic and diluted earnings/(loss) per share:		
Earnings/(Loss) attributable to equity holders of the Company (RR million)	154	(252)
Weighted average number of ordinary shares in issue (thousands)	707,230	707,230
Basic and diluted earnings/(loss) per share (Roubles per share)	**0.22**	**(0.36)**

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) attributable to the Company's shareholders by the weighted average number of ordinary shares in issue during the year. There were no potentially dilutive instruments outstanding during the first half 2011 and first half 2010.

17 Income Taxes

Income tax expense is recognised based on management's estimate of the effective annual income tax rate expected for the full financial year. The estimated tax rate used for the six months ended 30 June 2011 is 62% (the estimated tax rate for the six months ended 30 June 2010 was 58%).

18 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 2011 and 31 December 2010 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 can 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.

In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. 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 transfer pricing legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same 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 transactions between companies 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 be challenged. 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 position and/or the overall operations of the entity.

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

18 Contingencies and Commitments (Continued)

At 30 June 2011, 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 21 million (31 December 2010: RR 79 million).

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 328 million (31 December 2010: RR 194 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.

Loan covenants. The covenants attached to some loans include the provision of financial statements and other information about the Group's business to the lender. The EBRD loan agreement also includes a number of financial covenants. The details of a technical breach of covenants attached to this loan are disclosed in Note 9.

19 Seasonality

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