KAMAZ Group

International Financial Reporting Standards
Consolidated Condensed Interim
Financial Information

30 June 2010

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Report on Review of Interim Financial Information

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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 balance sheet of OAO KAMAZ and its subsidiaries (the "Group") as of 30 June 2010 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

Moscow, Russian Federation
28 October 2010

In millions of Russian Roubles	Note	30 June 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment		28,828	30,160
Intangible assets		1,424	1,273
Investment in associates and joint ventures	7	1,965	1,028
Available-for-sale investments		335	435
Finance lease receivables		361	529
Deferred income tax assets		2,084	2,233
Other non-current assets		490	709
Total non-current assets		**35,487**	**36,367**
Current assets			
Inventories		15,338	13,305
Trade and other receivables		9,837	8,978
Current income tax prepayments		150	205
Finance lease receivables		1,144	1,460
Financial instruments at fair value through profit or loss		58	58
Term deposits		1,381	2,942
Cash and cash equivalents		7,252	7,203
Total current assets		**35,160**	**34,151**
TOTAL ASSETS		**70,647**	**70,518**
EQUITY			
Share capital		35,361	35,361
Accumulated deficit		(5,965)	(5,706)
Equity attributable to owners of the Company		**29,396**	**29,655**
Non-controlling interests		**1,003**	**1,148**
TOTAL EQUITY		**30,399**	**30,803**
LIABILITIES			
Non-current liabilities			
Borrowings	8	8,838	10,124
Deferred income tax liabilities		1,093	1,264
Restructured taxes		1,544	1,359
Finance lease payables		963	1,050
Post-retirement benefit obligation		149	145
Total non-current liabilities		**12,587**	**13,942**
Current liabilities			
Borrowings	8	11,871	12,861
Trade and other payables		13,748	10,906
Finance lease payables		402	664
Current income tax payable		157	169
Other taxes payable		1,104	874
Restructured taxes		85	7
Provisions for liabilities and charges		229	225
Deferred income		65	67
Total current liabilities		**27,661**	**25,773**
TOTAL LIABILITIES		**40,248**	**39,715**
TOTAL EQUITY AND LIABILITIES		**70,647**	**70,518**

Approved for issue and signed on behalf of the Board of Directors on 28 October 2010.

S.A. Kogogin
General Director

G.Sh. Imanova
Deputy General Director

In millions of Russian Roubles	Note	Six months ended 30 June 2010	Six months ended 30 June 2009
Revenue	9	31,859	25,427
Cost of sales	10	(27,708)	(22,082)
Gross profit		**4,151**	**3,345**
Distribution costs	11	(1,183)	(2,095)
General and administrative expenses	12	(2,348)	(1,849)
Other operating income		671	322
Other operating expenses		(744)	(1,083)
Operating profit/(loss)		**547**	**(1,360)**
Finance income	13	473	329
Finance costs	13	(1,108)	(1,841)
(Loss)/Gain on forgiveness and restructuring of taxes		(174)	427
Loss before income tax		**(262)**	**(2,445)**
Income tax (expense)/benefit		(135)	606
Loss for the period		**(397)**	**(1,839)**
Loss is attributable to:			
- equity holders of the Company		(252)	(1,698)
- non-controlling interests		(145)	(141)
Loss for the period		**(397)**	**(1,839)**
Loss per share attributable to the equity holders of the Company, basic and diluted (expressed in Roubles per share)	14	(0.36)	(2.40)

In millions of Russian Roubles	**Six months ended 30 June 2010**	**30 June 2009**
Loss for the period	**(397)**	**(1,839)**
Other comprehensive (loss)/income		
Currency translation differences	(7)	6
Other comprehensive (loss)/income for the period	**(7)**	**6**
Total comprehensive loss after tax for the period	**(404)**	**(1,833)**
Total comprehensive loss after tax attributable to:		
- owners of the Company	(259)	(1,692)
- non-controlling interests	(145)	(141)
Total comprehensive loss for the period	**(404)**	**(1,833)**

In millions of Russian Roubles	Note	Six months ended 30 June 2010	Six months ended 30 June 2009
Cash flows from operating activities			
Loss before income tax		(262)	(2,445)
Adjustments for:			
Depreciation of property, plant and equipment		1,429	1,159
Loss/(Gain) on restructuring of tax debts		174	(427)
Finance income	13	(473)	(329)
Finance costs	13	1,108	1,841
Provisions/(reversal) for tax liabilities and charges		8	(509)
Provisions/(reversal) for other liabilities and charges		28	(109)
Inventory (reversal)/provision		(109)	101
Impairment (reversal)/provision for receivables and loans issued		(294)	578
Other		242	190
Operating cash flows before working capital changes		**1,851**	**50**
Increase in trade and other receivables		(988)	(1,326)
Decrease in finance lease receivables		557	752
(Increase)/decrease in inventories		(1,924)	2,107
Decrease in term deposits		1,561	-
Increase in trade and other payables		2,854	1,535
Increase in taxes payable		230	1,748
Increase in other non-current liabilities		4	9
Cash generated from operations		**4,145**	**4,875**
Income taxes paid		(114)	(225)
Net cash from operating activities		**4,031**	**4,650**
Cash flows from investing activities			
Purchases of property, plant and equipment		(332)	(1,136)
Proceeds from sale of property, plant and equipment		70	254
Acquisition of subsidiaries, net of cash acquired		-	(225)
Acquisition of shares in joint ventures and associates		(607)	(57)
Proceeds from sale of available-for-sale investments		348	1,221
Purchases of available-for-sale investments		(248)	(114)
Acquisition of financial instruments at fair value through profit or loss		-	(56)
Development cost incurred and purchases of intangible assets		(169)	(154)
Loans issued		(145)	(18)
Loans repaid		218	371
Interest received		183	329
Net cash (used in)/received from investing activities		**(682)**	**415**

In millions of Russian Roubles	Note	Six months ended 30 June 2010	Six months ended 30 June 2009
Cash flows from financing activities			
Proceeds from borrowings		6,015	8,492
Repayment of borrowings		(7,922)	(10,502)
Interest paid		(966)	(889)
Repayment of restructured taxes		(12)	(7)
Repayment of finance lease		(415)	(29)
Dividends paid to non-controlling interests		-	(163)
Net cash used in financing activities		**(3,300)**	**(3,098)**
Net increase in cash and cash equivalents		**49**	**1,967**
Cash and cash equivalents at the beginning of the period		**7,203**	**6,769**
Cash and cash equivalents at the end of the period		**7,252**	**8,736**

In millions of Russian Roubles	Attributable to owners of the Company Share capital	Accumulated deficit	Total	Non-controlling interest	Total Equity
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	-	-	**-**	154	**154**
Dividends declared to non-controlling interests	-	-	**-**	(161)	**(161)**
Balance at 30 June 2009	**35,361**	**(5,329)**	**30,032**	**1,607**	**31,639**
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**

1 KAMAZ Group and its Operations

OAO KAMAZ (the "Company") and its subsidiaries (together referred to as the "Group" or "KAMAZ Group") primarly 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 2010. At 30 June 2010 27.3% 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 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

Whilst there have been improvements in economic trends in the country, the Russian Federation continues to display certain characteristics of an emerging market, including relatively high inflation and high interest rates.

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. The consequences of the recent global financial and economic crisis may 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.

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 future financial position of the Group.

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 2009, 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 2009.

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 2009, became effective for the Group from 1 January 2010. 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 2010 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. The Group has not yet decided when to adopt IFRS 9.

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 Croup: 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.

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 2010 and 2009 or had significant balances outstanding at 30 June 2010 and 31 December 2009 is detailed below:

	As of 30 June 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	150	157	-	157
Unified social tax	-	235	-	1,294
VAT recoverable/payable	1,137	600	-	-
Other taxes	1,300	262	-	305
Restructured taxes	-	1,629	-	276
Deferred income	-	64	-	-
Long-term loans and borrowings	-	7,697	-	-
Short-term loans and borrowings	-	5,612	-	-
Interest expense	-	-	-	519
Cash and cash equivalent	4,624	-	-	-
Term deposits	414	-	-	-
Trade and other receivables	1,224	-	-	-
Available-for-sale investments	111	-	5	40
Trade and other payables	-	3,598	-	-
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 equivalent	1,700	-	-	-
Balances and transactions with JV				
Trade and other receivables	462	-	-	-
Trade and other payables	-	321	-	-
Sales of goods	-	-	557	-
Purchases of goods	-	-	-	1,101
Loans given	17	-	-	-
Balances and transactions with associates				
Trade and other receivables	132	-	-	-
Trade and other payables	-	79	-	-
Sales of goods	-	-	305	-
Purchases of goods	-	-	-	388
Other related parties				
Sales of goods	-	-	179	-
Accounts receivable	718	-	-	-
Loan issued	49	-	-	-

5 Balances and Transactions with Related Parties (Continued)

	As of 31 December 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	207	169	-	31
Unified social tax	-	167	-	989
VAT recoverable/payable	1,040	494	-	-
Other taxes	740	210	-	531
Restructured taxes	-	1,366	427	300
Deferred income	-	67	-	-
Long-term loans and borrowings	-	9,580	-	-
Short-term loans and borrowings	-	3,530	-	-
Interest expense	-	-	-	636
Cash and cash equivalent	4,689	-	-	-
Term deposits	1,219	-	-	-
Trade and other receivables	1,696	-	-	-
Available-for-sale investments	76	-	1,221	-
Trade and other payables	-	2,192	-	-
Sales of goods	-	-	8,015	-
Purchases of goods	-	-	-	2,757
Balances and transactions with shareholders with significant influence				
Cash and cash equivalent	1,700	-	-	-
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	125	-	-	-
Trade and other payables	-	219	-	-
Sales of goods	-	-	311	-
Purchases of goods	-	-	-	504
Balances and transactions with associates				
Trade and other receivables	88	-	-	-
Loans given	50	-	-	-
Trade and other payables	-	10	-	-
Sales of goods	-	-	107	-
Purchases of goods	-	-	-	299
Other related parties				
Accounts receivable	1,424	-	-	-
Loan issued	100	-	-	-

In the first half of 2010, 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 totalling RR 24 million (six months ended 30 June 2009: RR 14 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 RR 146 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 2010 was nil (six months ended 30 June 2009: RR 25 million). The total liability accrued at 30 June 2010 was RR 146 million (31 December 2009: 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 2010 the Group had received guarantees from the Russian Federation Ministry of Finance and Tatarstan Ministry of Finance of RR 6,848 million (31 December 2009: RR 6,726 million).

At 30 June 2010 the Company had provided pledges of property for obligations of the joint ventures in the amount of RR 320 million and issued guarantees for obligations of the joint ventures in the amount of RR 353 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 9. 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 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**	**(2,184)**	**155**	**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 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)	-
Adjustments for lease accounting	246	-	-
Other provisions	190	-	-
Difference in inventory recognition	-	469	553
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	**364**	**(971)**	**(1,484)**

Segment information for the period ended 30 June 2009 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		1,412				
Inter-segment revenue		1,640				
Total Segment revenue	**21,676**	**3,052**	**2,698**	**(2,241)**	**242**	**25,427**
Segment profit measure (operating profit/(loss))	**(871)**	**(80)**	**13**		**(422)**	**(1,360)**
Finance income						**329**
Finance costs						**(1,841)**
Gain on forgiveness and restructuring of taxes						**427**
Loss before income tax						**(2,445)**
Segment assets (Inventories and Receivables) as at 31 December 2009	**20,197**		**3,888**	**(2,300)**	**(2,020)**	**19,765**
Segment's liability (Borrowings and Trade payable) as at 31 December 2009	**29,737**		**3,629**	**(2,300)**	**(1,845)**	**29,221**

6 Segment Information (Continued)

Detailed elimination and reconciliation items are provided below:

In millions of Russian Roubles	Segment profit measure	Segment assets	Segment liability
Difference in the valuation and useful life of the fixed assets	(159)	-	-
Reversal of amortization of intangible assets not recognised	190	-	-
Reclassification of charity donation from non-operating expenses	(355)	-	-
Tax provision movements	436	-	(245)
Impairment provision for receivables (including finance lease)	(588)	(165)	-
Adjustments for lease accounting	131	-	-
Other provisions	356	-	-
Difference in inventory recognition	-	(316)	375
Discount of loans fair valued	-	-	(2,500)
Inventory valuation adjustments	(227)	(1,103)	-
Other adjustments and reclassification, net	(206)	(436)	525
Total elimination and reconciliation items	**(422)**	**(2,020)**	**(1,845)**

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 Investment in Associates and Joint Ventures

For the 6 months of 2010 the Group made the additional contributions in form of cash to the charter capitals of following companies: ZF KAMA of RR 150 million; CNH-Industry of RR 30 million; Fuso Kamaz Trucks Rus of RR 176 million; Mercedes-Benz Trucks Vostok of RR 251 million.

For the 6 months of 2010 the Group made an additional contribution to the charter capital of Federal Mogul joint venture at nominal value of RR 204 million in the form of property, plant and equipment.

8 Borrowings

The Group’s borrowings mature as follows:

In millions of Russian Roubles	30 June 2010	31 December 2009
Borrowings due: - within 1 year	11,871	12,861
- between 2 and 5 years	6,619	8,047
- after 5 years	2,219	2,077
Total borrowings	**20,709**	**22,985**

Borrowings payable after 5 years includes a 1% loan from the Ministry of Finance for RR 2,183 million (31 December 2009: RR 2,044 million). This loan matures in 2034.

A new short-term credit line was obtained from Sberbank for RR 940 million (3.5% per annum). Other new long-term credit lines were received from a number of banks – Uralsib for RR 200 million (12% per annum), NOMOS-bank – RR 250 million (14% per annum) and from Investcapitalbank for RR 229 million (16% per annum).

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.

8 Borrowings (Continued)

The Group did not comply with certain financial covenants related to the EBRD, Commerzbank and syndicated loan agreements. The total liability under these agreements is RR 4,943 million (31 December 2009: RR 6,967 million), including current portion of RR 2,935 million (31 December 2009: RR 3,361 million). The lenders have the right to require the early repayment of the whole amount of these loans. Due to the breach of covenants, the long-term portion of the above mentioned loans, totaling RR 2,008 million (31 December 2009: RR 3,605 million) is included in the current portion of long-term borrowings and recognized as short-term in the balance sheet.

At 30 June 2010 Group's approved credit limits with Russian banks totaled RR 21,948 million (31 December 2009: RR 17,600 million); the unused portion was RR 10,652 million (31 December 2009: RR 7,281 million). These limits are denominated in Russian Roubles with interest rates ranging from 3.5% to 16% (31 December 2009: 5% to 18% per annum). At 30 June 2010 out of the RR 21,948 million of approved credit, RR 1,457 million are for terms less than one year, and RR 20,491 million are for terms greater than one year (31 December 2009: RR 1,300 million are for terms less than one year and RR 16,300 million are for terms greater than one year).

9 Revenue

	Six months ended	
In millions of Russian Roubles	**30 June 2010**	**30 June 2009**
Trucks and assembly kits	20,219	16,385
Spare parts	5,415	4,137
Buses, truck trailers and truck mixers	2,216	1,798
Metallurgical products	935	636
Truck repair services	653	185
Leasing income	66	242
Other sales of goods	1,866	1,569
Other services	489	475
Total revenue	**31,859**	**25,427**

	Six months ended	
In millions of Russian Roubles	**30 June 2010**	**30 June 2009**
Domestic sales		
Trucks and assembly kits	18,349	12,849
Spare parts	4,567	3,343
Buses, truck trailers and truck mixers	2,164	1,742
Leasing income	66	242
Other sales	3,934	2,817
Total domestic revenue	**29,080**	**20,993**
Export sales		
Trucks and assembly kits	1,870	3,537
Spare parts	849	794
Buses, truck trailers and truck mixers	51	56
Other sales	9	47
Total export revenue	**2,779**	**4,434**
Total revenue	**31,859**	**25,427**

Sales of goods include RR 327 million (six months ended 30 June 2009: RR 2,202 million) and purchase of the materials include RR 1,782 million (six months ended 30 June 2009: RR 4,866 million) were settled using bills of exchange.

During the first half of 2010 the Group sold trucks and buses under finance lease agreements for a total amount of RR 142 million (first half of 2009: RR 200 million).

10 Cost of Sales

Cost of sales includes the following items:

	Six months ended	
In millions of Russian Roubles	**30 June 2010**	**30 June 2009**
Materials and components used	20,239	15,536
Labour costs	4,316	3,310
Fuel and energy	2,427	1,296
Depreciation of property, plant and equipment	1,314	995
Services	870	743
Changes in inventory of finished goods and work in progress	(1,568)	21
Other	110	181
Total cost of sales	**27,708**	**22,082**

11 Distribution Costs

Distribution costs comprise:

	Six months ended	
In millions of Russian Roubles	**30 June 2010**	**30 June 2009**
Labour costs	518	519
Transportation expenses	269	342
Material consumed	254	178
Other services	229	298
Impairment (reversal)/provision for receivables	(294)	578
Other	207	180
Total distribution costs	**1,183**	**2,095**

12 General and Administrative Expenses

General and administrative expenses include the following items:

	Six months ended	
In millions of Russian Roubles	**30 June 2010**	**30 June 2009**
Labour costs	1,217	794
Services	345	317
Taxes other than income tax	305	531
Consulting and information services	75	239
Provision/(reversal of provision) for taxes other than income tax	8	(509)
Other	398	477
Total general and administrative expenses	**2,348**	**1,849**

13 Finance Income and Costs

Finance income comprises of the following:

	Six months ended	
In millions of Russian Roubles	**30 June2010**	**30 June 2009**
Foreign exchange gains	266	-
Interest income on deposits, promissory notes and loans issued	183	329
Interest rate swap	24	-
Total finance income	**473**	**329**

13 Finance Income and Costs (Continued)

Finance cost comprises the following:

In millions of Russian Roubles	Six months ended 30 June 2010	Six months ended 30 June 2009
Foreign exchange loss	-	583
Interest on loans and borrowings	973	1,016
Less interest capitalized	(200)	(160)
Interest expense	773	856
Amortisation of the discount on restructured taxes	102	300
Interest expense on finance leases where the Group is the lessee	137	25
Amortisation of the discount on restructured loans	62	66
Bank services	34	11
Total finance cost	**1,108**	**1,841**

14 Loss per Share

Loss per share is calculated as follows:

	Six months ended 30 June 2010	Six months ended 30 June 2009
Basic and diluted loss per share:		
Loss attributable to equity holders of the Company (RR million)	(252)	(1,698)
Weighted average number of ordinary shares in issue (thousands)	707,230	707,230
Basic and diluted loss per share (Roubles per share)	**(0.36)**	**(2.40)**

Basic loss per share is calculated by dividing the 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 2010 and first half 2009.

15 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 2010 and 31 December 2009 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.

15 Contingencies and Commitments (Continued)

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.

At 30 June 2010, 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 253 million (31 December 2009: RR 246 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 630 million (31 December 2009: RR 608 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, Syndicated loan and Commerzbank loan agreements also included a number of financial covenants. The details of a technical breach of covenants attached to these loans are disclosed in Note 8.

16 Seasonality

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