KAMAZ Group

International Financial Reporting Standards
Consolidated Condensed Interim
Financial Information and Report on Review

30 June 2012

Contents

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Report on review of consolidated condensed interim financial information

The Shareholders and Board of Directors
OAO KAMAZ

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of OAO KAMAZ and its subsidiaries (the "Group") as at 30 June 2012, 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 Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). 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 IAS 34.

Ernst & Young LLC

21 September 2012

In millions of Russian Roubles	Note	30 June 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment		27,690	27,774
Intangible assets		2,586	2,317
Investment in associates and joint ventures		2,695	2,404
Available-for-sale investments		15	22
Finance lease receivables		809	843
Deferred income tax assets		1,002	1,599
Other non-current assets	8	2,026	2,240
Total non-current assets		**36,823**	**37,199**
Current assets			
Inventories	9	21,943	18,101
Trade and other receivables		9,734	8,522
Prepayments		2,091	1,122
Finance lease receivables		1,129	1,105
Term deposits		2,806	7,725
Cash and cash equivalents		4,706	3,549
Other current assets		106	108
Total current assets		**42,515**	**40,232**
TOTAL ASSETS		**79,338**	**77,431**
EQUITY			
Share capital		35,361	35,361
Accumulated deficit		(1,936)	(4,680)
Equity attributable to owners of the Company		**33,425**	**30,681**
Non-controlling interests		**1,042**	**1,051**
TOTAL EQUITY		**34,467**	**31,732**
LIABILITIES			
Non-current liabilities			
Borrowings	10	9,903	10,557
Deferred income tax liabilities		1,060	774
Non-current taxes payable		1,745	1,767
Finance lease payables		879	1,018
Post-retirement benefit obligation		169	157
Total non-current liabilities		**13,756**	**14,273**
Current liabilities			
Borrowings	10	5,962	10,994
Trade and other payables	11	12,548	10,832
Advances received		9,978	6,325
Finance lease payables		433	455
Other taxes payable		1,524	2,216
Provisions for liabilities and charges		262	313
Other current liabilities		408	291
Total current liabilities		**31,115**	**31,426**
TOTAL LIABILITIES		**44,871**	**45,699**
TOTAL EQUITY AND LIABILITIES		**79,338**	**77,431**

Approved for issue and signed on behalf of the Board of Directors on 21 September 2012.

S.A. Kogogin
General Director

A.A. Maksimov
Chief Accountant

		Six months ended	
In millions of Russian Roubles	**Note**	**30 June 2012**	**30 June 2011**
Revenue	12	56,513	44,208
Cost of sales	13	(46,829)	(37,222)
Gross profit		**9,684**	**6,986**
Distribution costs	14	(2,684)	(2,315)
General and administrative expenses	15	(2,925)	(3,247)
Research and development costs		(94)	(44)
Share of results of associates and joint ventures		239	(86)
Other operating income		401	416
Other operating expenses		(359)	(675)
Operating profit		**4,262**	**1,035**
Finance income	16	330	404
Finance costs	16	(621)	(1,208)
Profit before income tax		**3,971**	**231**
Income tax expense	18	(1,238)	(144)
Profit for the period		**2,733**	**87**
Profit/(loss) is attributable to:			
- equity holders of the Company		2,739	154
- non-controlling interests		(6)	(67)
Profit for the period		**2,733**	**87**
Earnings per share attributable to the equity holders of the Company, basic and diluted (in Roubles per share)	17	3.87	0.22

In millions of Russian Roubles	Six months ended 30 June 2012	30 June 2011
Profit for the period	**2,733**	**87**
Other comprehensive income/(loss)		
Currency translation differences	5	(46)
Other comprehensive income/(loss) for the period	**5**	**(46)**
Total comprehensive income after tax for the period	**2,738**	**41**
Total comprehensive income/(loss) after tax attributable to:		
- owners of the Company	2,744	108
- non-controlling interests	(6)	(67)
Total comprehensive income for the period	**2,738**	**41**

In millions of Russian Roubles	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Cash flows from operating activities			
Profit before income tax		3,971	231
Adjustments for:			
Depreciation of property, plant and equipment		1,166	1,150
Finance income	16	(330)	(404)
Finance costs	16	621	1,208
Gain on disposals of subsidiaries		(200)	(172)
Share of income of associates and joint ventures		(239)	86
Inventory provision/(reversal) net of charge	9, 13	159	(185)
Provisions for other liabilities and charges		119	55
Impairment provision for receivables and loans issued	14	261	67
Other		181	254
Operating cash flows before working capital changes		**5,709**	**2,290**
Increase in trade and other receivables		(2,381)	(3,509)
(Decrease)/Increase in finance lease receivables		4	(269)
Increase in inventories	9	(4,000)	(6,417)
Increase in trade and other payables	11	5,035	6,049
(Decrease)/Increase in taxes payable		(725)	388
Increase in other non-current liabilities		12	4
Cash generated from/(used in) operations		**3,654**	**(1,464)**
Income taxes paid		(303)	(240)
Net cash generated from/(used in) operating activities		**3,351**	**(1,704)**
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,147)	(1,712)
Proceeds from sale of property, plant and equipment		385	1,298
Decrease in term deposits		4,918	3,971
Purchases of long-term promissory notes	8	–	(1,700)
Proceeds from sale of subsidiary		140	–
Acquisition of financial instruments at fair value through profit or loss		(27)	(642)
Proceeds from disposal of financial instruments at fair value through profit or loss		17	701
Development cost incurred and purchases of intangible assets		(374)	(440)
Loans repaid		23	8
Interest received	16	240	124
Other		(27)	(21)
Net cash from investing activities		**4,148**	**1,587**
Cash flows from financing activities			
Proceeds from borrowings	10	5,658	8,535
Repayment of borrowings	10	(11,449)	(10,652)
Bonds issued	10	–	3,000
Interest paid		(422)	(616)
Proceeds from interest rate subsidy		192	
Repayment of non-current taxes		(100)	(83)
Repayment of finance lease		(218)	(534)
Dividends paid to non-controlling interests		(3)	(3)
Net cash used in financing activities		**(6,342)**	**(353)**
Net increase (decrease) in cash and cash equivalents		**1,157**	**(470)**
Cash and cash equivalents at the beginning of the period		**3,549**	**4,087**
Cash and cash equivalents at the end of the period		**4,706**	**3,617**

	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 2011	**35,361**	**(6,509)**	**28,852**	**1,031**	**29,883**
Profit/(loss) for the period	–	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 interests in existing subsidiaries	–	7	**7**	(22)	**(15)**
Dividends declared to non-controlling interests	–	–	**–**	(3)	**(3)**
Balance at 30 June 2011	**35,361**	**(6,394)**	**28,967**	**939**	**29,906**
Balance at 1 January 2012	**35,361**	**(4,680)**	**30,681**	**1,051**	**31,732**
Profit/(loss) for the period	–	2,739	**2,739**	(6)	**2,733**
Other comprehensive income:					
Currency translation differences	–	5	**5**	–	**5**
Total comprehensive income/(loss) for the period ended 30 June 2012	**–**	**2,744**	**2,744**	**(6)**	**2,738**
Dividends declared to non-controlling interests	–	–	**–**	(3)	**(3)**
Balance at 30 June 2012	**35,361**	**(1,936)**	**33,425**	**1,042**	**34,467**

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 2012. At 30 June 2012 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 government of the Russian Federation represented by the Russian Technologies State Corporation (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

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in uncertainty regarding further economic growth, availability of financing and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects.

Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. The Group recognizes provisions for trade and other receivables, inventories and finished goods, using the models required by the applicable accounting standards.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

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 2011, 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 2011.

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 2011, became effective for the Group from 1 January 2012. These have not significantly affected the consolidated condensed interim financial information of the Group.

4 New Standards, Interpretations and Amendments

IAS 12 – *Deferred Tax: Recovery of Underlying Assets* (Amendment)

This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

The Group does not have investment properties at fair value and assets under IAS 16 valued under the revaluation model. The jurisdictions in which the Group operates do not have a different tax charge for sale or consumption of the assets. The amendment has no impact on the financial statement of the Group.

IFRS 7 – *Disclosures – Transfers of financial assets* (Amendment)

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

IFRS 1 – *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (Amendment)

When an entity's date of transition to IFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011 with early adoption permitted.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 associate, 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 2012 and 2011 or had significant balances outstanding at 30 June 2012 and 31 December 2011 is detailed below:

	As at 30 June 2012		For the six months ended 30 June 2012	
In millions of Russian Roubles	**Total assets**	**Total liabilities**	**Income**	**Expenses**
Balances and transactions with the Russian Federation and companies under state control other than current tax payments and balances				
Non-current taxes	–	1,962	–	91
Deferred income	–	41	–	–
Government grant (deferred income)	–	282	–	–
Long-term loans and borrowings	–	5,907	–	–
Short-term loans and borrowings	–	3,109	–	–
Interest expense	–	144	–	110
Interest rate subsidy	–	–	–	(254)
Cash and cash equivalents	3,735	–	–	–
Term deposits	1,930	–	–	–
Interest income	–	–	199	–
Trade and other receivables	880	–	–	–
Trade and other payables	–	8,427	–	–
Sales of goods	–	–	7,974	–
Purchases of goods	–	–	–	2,298
Development services	–	–	886	–
Balances and transactions with shareholders with significant influence				
Long-term promissory notes	1,770	–	33	–
Balances and transactions with joint ventures				
Trade and other payables	–	591	–	–
Sales of goods	–	–	229	–
Purchases of goods	–	–	–	3,071
Balances and transactions with associates				
Trade and other receivables	530	–	–	–
Trade and other payables	–	128	–	–
Loans issued	11	–	–	–
Sales of goods	–	–	484	–
Purchases of goods	–	–	–	1,243
Other related parties				
Charity	–	–	–	69

5 Balances and Transactions with Related Parties (Continued)

	As at 31 December 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 other than current tax payments and balances				
Non-current taxes	–	1,970	–	90
Deferred income	–	43	–	–
Government grant (deferred income)	–	200	–	–
Long-term loans and borrowings	–	6,353	–	–
Short-term loans and borrowings	–	7,376	–	–
Interest expense	–	40	–	473
Cash and cash equivalents	2,499	–	–	–
Term deposits	5,762	–	–	–
Interest income	–	–	42	–
Trade and other receivables	505	–	–	–
Trade and other payables	–	2,520	–	–
Sales of goods	–	–	4,462	–
Purchases of goods	–	–	–	3,734
Charity	–	–	–	59
Balances and transactions with shareholders with significant influence				
Long-term promissory notes	1,704	–	–	243
Interest income	–	–	11	–
Services rendered	–	–	–	12
Balances and transactions with joint ventures				
Trade and other receivables	87	–	–	–
Trade and other payables	–	526	–	–
Sales of goods	–	–	233	–
Purchases of goods	–	–	–	2,742
Balances and transactions with associates				
Trade and other receivables	627	–	–	–
Trade and other payables	–	124	–	–
Sales of goods	–	–	657	–
Purchases of goods	–	–	–	991
Other related parties				
Charity	–	–	–	96

In the ordinary course of their business, the Group entities enter into various sales, purchase and service transactions with the Russian Federation and other entities controlled, jointly controlled or significantly influenced by the government. These transactions are on terms that may not be available to third parties. The repayment terms related to these transactions are consistent with those paid by third parties.

For the six-month period ended 30 June 2012, 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 85 million (six months ended 30 June 2011: RR 29 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 is based on the increase in the market capitalization of the Company every four years starting from August 2005. The maximum bonus is RR 150 million for each four year period. The current liability under this plan at 30 June 2012 was RR 109 million (31 December 2011: RR 243 million) following an accrual of RR 21 million and payments made of RUR 155 million for the period then ended.

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

At 30 June 2012 the Group had received guarantees from the Russian Federation Ministry of Finance and Tatarstan Ministry of Finance of RR 4,884 million (31 December 2011: RR 4,832 million).

5 Balances and Transactions with Related Parties (Continued)

At 30 June 2012 the Company had provided pledges of property for obligations of the joint ventures in the amount of RR 87 million (31 December 2011: RR 87 million) and issued guarantees for obligations of the joint ventures in the amount of RR 693 million (31 December 2011: RR 353 million). The Group does not expect cash outflows related to the pledges provided and guarantees issued.

The Group has contractual commitments to sell services to the companies under state control under repair and development contracts for the value of RR 11,216 million (31 December 2011: RR 5,090 million).

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 segments, 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, and which include revenue, operating profit and current assets and liabilities of the segment.

The Group has the following reportable segments:

- Trucks – production and sale of vehicles, assembly kits, automotive components, rendering of services and sale 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 12. Substantially all of the Group's assets are located and capital expenditures are made, in the Russian Federation.

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.

Segment information for the six-month period ended 30 June 2012 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	46,004	2,762				
Inter-segment revenue	6,341	3,390				
Total Segment revenue	**52,345**	**6,152**	**6,176**	**(9,690)**	**1,530**	**56,513**
Segment profit measure	**4,346**	**217**	**338**	**–**	**(639)**	**4,262**
Finance income						**330**
Finance costs						**(621)**
Profit before income tax						**3,971**
Segment assets (Inventories and Receivables)	**30,550**	**2,133**	**5,346**	**(3,513)**	**(748)**	**33,768**
Segment's liability (Borrowings and Trade payable)	**24,297**	**2,244**	**1,493**	**(818)**	**(1,783)**	**25,433**

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 lives of the fixed assets	–	580	–	–
Reversal of amortization of intangible assets not recognised in IFRS	–	188	–	–
Reclassification of charity expenses from non-operating expenses	–	(254)	–	–
Reclassification of labour, material costs and services from non-operating expenses	–	(367)	–	–
Loss on VAT write-off	–	(13)	–	–
Reclassification of VAT to IFRS receivables	–	–	666	–
Reclassification of loans issued	–	–	149	–
Reclassification of intangible assets from advances issued	–	–	(159)	–
Reclassification of non-current assets from advances issued	–	–	(130)	–
Impairment provision for receivables (including finance lease)	–	(171)	(735)	–
Reclassification and adjustments for lease accounting	(826)	(119)	–	–
Reclassification of revenue from spare parts resale to third parties	5,103	–	–	–
Reclassification of accounts receivable, advances and accounts payable with joint ventures and associates	–	–	714	484
Elimination of revenue, accounts receivable and accounts payable with joint ventures and associates	(3,154)	–	(600)	(600)
Difference in inventory recognition	–	–	464	566
Discounting of restructured loan	–	–	–	(2,760)
Inventory valuation adjustments	–	(221)	(541)	–
Reclassification of interest payable	–	–	–	158
Difference in allocation of overheads to work-in-progress and finished goods	–	(34)	347	–
Reclassification of bonuses for dealers from non-operating expenses	(502)	(502)	–	–
Revenue recognition on development contract	846	846	–	–
Cost of sales recognition on development contract	–	(846)	–	228
Work-in-progress adjustment on development contract	–	–	(513)	–
Net-off of advances on development contract	–	–	(382)	–
Utilisation of bonus to management	–	128	–	–
Development costs write-off	–	(94)	–	–
Accrual of interest on restructured loan	–	–	–	77
Gain on disposal of subsidiaries	–	142	–	–
Gain on share of associates and joint ventures	–	239	–	–
Other adjustments and reclassifications, net	63	(141)	(28)	64
Total elimination and reconciliation items	**1,530**	**(639)**	**(748)**	**(1,783)**

6 Segment Information (Continued)

Segment information for the six-month 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	34,732	3,992				
Inter-segment revenue	5,304	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)**
Profit before income tax						**231**
Segment assets (Inventories and Receivables)	**27,613**	**1,874**	**4,911**	**(2,840)**	**1,281**	**32,839**
Segment's liability (Borrowings and Trade payable)	**29,797**	**2,219**	**2,092**	**(659)**	**(1,423)**	**32,026**

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 lives of the fixed assets	–	(204)	–	–
Reversal of amortization of intangible assets not recognised in IFRS	–	240	–	–
Tax provision movements	–	28	–	–
Reversal of VAT write-off	–	25	–	–
Reclassification of VAT to IFRS receivables	–	–	1,019	–
Reclassification of loans issued	–	–	163	–
Reclassification of intangible assets from advances issued	–	–	(240)	–
Reclassification of non-current assets from advances issued	–	–	(99)	–
Reclassification of investments in associates and joint ventures	–	–	(60)	–
Reclassification of charity expenses from non-operating expenses	–	(334)	–	–
Impairment provision for receivables (including finance lease)	–	(86)	(548)	–
Other provisions	–	(92)	–	–
Reclassification of revenue from spare parts resale to third parties	3,423	–	–	–
Reclassification of accounts receivable, advances and accounts payable with joint ventures and associates	–	–	615	250
Elimination of revenue, accounts receivable and accounts payable with joint ventures and associates	(1,071)	–	(123)	(123)
Difference in inventory recognition	–	–	671	790
Discounting of restructured loan	–	–	–	(2,513)
Inventory valuation adjustments	–	230	(248)	–
Reclassification of interest payable	–	–	–	182
Reclassification and adjustments for lease accounting	(890)	139	–	–
Difference in allocation of overheads to work-in-progress and finished goods	–	(18)	384	–
Accrual of interest on restructured loan	–	–	–	64
Other adjustments and reclassification, net	–	69	(253)	(73)
Total elimination and reconciliation items	**1,462**	**(3)**	**1,281**	**(1,423)**

7 Property, Plant and Equipment

During the six months ended 30 June 2012, the Group acquired assets with a cost of RR 1,406 million (six months ended 30 June 2011: RR 2,951 million).

8 Other Non-Current Assets

Other non-current assets consist of the following:

In millions of Russian Roubles	**30 June 2012**	**31 December 2011**
Long-term promissory notes	1,770	1,704
Advances issued for equipment	179	386
Long-term loans issued	60	83
Long-term receivables	17	67
Other		
Total other non-current assets	**2,026**	**2,240**

In March 2011 the Group acquired US Dollar denominated promissory notes issued by the significant shareholder at their nominal value of US$ 59 million (RR 1,700 million at the rate at the date of the transaction) maturing in three years time through December 2014.The fair value of these promissory notes is US$ 54 million (RR 1,770 million at the rate at June 30, 2012) calculated by applying a discount rate of 4% (Note 5 and Note 16).

9 Inventories

In millions of Russian Roubles	**30 June 2012**	**31 December 2011**
Raw materials and consumables	6,619	6,059
(Less net realizable value provision)	(534)	(462)
Raw materials and consumables, net	**6,085**	**5,597**
Work in progress	**5,242**	**5,292**
Finished goods	10,859	7,409
(Less net realizable value provision)	(243)	(197)
Finished goods, net	**10,616**	**7,212**
Total inventories	**21,943**	**18,101**

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

	Six months ended			
	30 June 2012		**30 June 2011**	
In millions of Russian Roubles	**Raw materials and consumables**	**Finished goods**	**Raw materials and consumables**	**Finished goods**
As at 1 January	**462**	**197**	**519**	**376**
Provision charged	84	75	10	22
Provision utilised	(12)	(29)	(102)	(67)
Provision reversed			–	(217)
As at 30 June	**534**	**243**	**427**	**114**

10 Borrowings

The Group's borrowings mature as follows:

In millions of Russian Roubles	**30 June 2012**	**31 December 2011**
Borrowings due:		
- within 1 year	5,962	10,994
- between 2 and 5 years	6,732	7,372
- after 5 years	3,171	3,185
Total borrowings	**15,865**	**21,551**

10 Borrowings (Continued)

Borrowings payable after 5 years include a 1% loan from the Ministry of Finance with a nominal value of RR 2,649 million (31 December 2011: RR 2,674 million). This loan matures in 2034.

In December 2010 the Group issued Rouble denominated non-convertible coupon bearer bonds for RR 2,000 million maturing in December 2013 with interest of 9% per annum through December 2012.The Group can change the interest rate for the period of the bonds and bondholders can require the Group to repurchase the bonds. In February 2011 the Group issued the second tranche of its Rouble denominated non-convertible bonds for RR 3,000 million maturing through February 2014 with 8.6% per annum. As at 30 June 2012, the fair value of the first tranche of the bonds was estimated to be RR 2,000 million (31 December 2011: RR 2,020 million), and the fair value of the second tranche of bonds was estimated to be RR 2,970 million (31 December 2011: RR 3,030 million).

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.

The Group did not comply with certain financial covenants related to the EBRD loan agreement. The total liability under this agreement is RR 111 million (31 December 2011: RR 217 million). This amount is recognized in current borrowings in the statement of financial position. The Group repaid the EBRD loan in July 2012.

11 Trade and Other Payables

In millions of Russian Roubles	**30 June 2012**	**31 December 2011**
Trade payables	9,568	8,276
Wages and salaries payable	2,014	1,751
Other	966	805
Trade and other payables	**12,548**	**10,832**

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

12 Revenue

In millions of Russian Roubles	**30 June 2012**	**30 June 2011**
Trucks and assembly kits	41,266	29,652
Spare parts	6,594	6,246
Buses, truck trailers and truck mixers	3,735	3,534
Development services	886	–
Metallurgical products	673	1,547
Truck repair services	524	731
Leasing income	181	119
Other sales	1,597	1,632
Other services	1,057	747
Total revenue	**56,513**	**44,208**

	Six months ended	
In millions of Russian Roubles	**30 June 2012**	**30 June 2011**
Domestic sales		
Trucks and assembly kits	35,522	25,877
Spare parts	5,718	5,467
Buses, truck trailers and truck mixers	3,515	3,435
Development services	886	–
Leasing income	181	119
Other sales	3,774	4,598
Total domestic revenue	**49,596**	**39,496**
Export sales		
Trucks and assembly kits	5,744	3,775
Spare parts	876	779
Buses, truck trailers and truck mixers	220	99
Other sales	77	59
Total export revenue	**6,917**	**4,712**
Total revenue	**56,513**	**44,208**

12 Revenue (Continued)

The largest export markets are Kazakhstan and Ukraine.

The Group conducts certain transactions under sale and repurchase agreements with the same counterparties. Revenue and cost of sales are shown net of amounts of RR 3,154 million (six-month period ended 30 June 2011: RR 1,011 million) arising from these transactions.

For the six-month period ended 30 June 2012 the Group sold trucks and buses under finance lease agreements for the total amount of RR 1,192 million (for the six-month period ended 30 June 2011: RR 1,459 million).

13 Cost of Sales

Cost of sales includes the following items:

In millions of Russian Roubles	Six months ended 30 June 2012	Six months ended 30 June 2011
Materials and components used	35,275	31,284
Labour costs	8,712	6,481
Fuel and energy	2,473	2,926
Depreciation of property, plant and equipment	1,053	1,036
Services	2,204	1,365
Changes in inventory of finished goods and work in progress	(3,425)	(5,732)
Warranty accruals	119	55
Inventory provision/(reversal net of charge)	159	(185)
Reversal of property, plant and equipment impairment	–	(138)
Other	259	130
Total cost of sales	**46,829**	**37,222**

14 Distribution Costs

Distribution costs comprise:

In millions of Russian Roubles	Six months ended 30 June 2012	Six months ended 30 June 2011
Transportation expenses	829	634
Labour costs	755	703
Other services	266	312
Materials consumed	249	319
Impairment provision for receivables and loans issued	261	67
Other	324	280
Total distribution costs	**2,684**	**2,315**

15 General and Administrative Expenses

General and administrative expenses include the following items:

In millions of Russian Roubles	Six months ended 30 June 2012	Six months ended 30 June 2011
Labour costs	1,724	1,901
Taxes other than income tax	297	362
Services	283	366
Insurance	136	90
Consulting and information services	88	94
Amortization of intangible assets	59	80
Reversal of provision for taxes other than income tax	–	(28)
Other	338	382
Total general and administrative expenses	**2,925**	**3,247**

16 Finance Income and Costs

Finance income comprises of the following:

In millions of Russian Roubles	Six months ended 30 June 2012	Six months ended 30 June 2011
Interest income on deposits, promissory notes and loans issued	240	124
Foreign exchange gains	57	265
Profit from discounting of long-term promissory notes	33	–
Interest rate swap	–	15
Total finance income	**330**	**404**

Finance costs comprise the following:

In millions of Russian Roubles	Six months ended 30 June 2012	Six months ended 30 June 2011
Interest on loans and borrowings	703	805
Less interest rate subsidy	(254)	–
Less interest capitalized	(79)	(90)
Interest expense	**370**	**715**
Loss from discounting of long-term promissory notes	–	243
Amortisation of the discount on non-current taxes	91	90
Interest expense on finance leases where the Group is the lessee	82	72
Amortisation of the discount on restructured loans	74	66
Bank services	4	22
Total finance costs	**621**	**1,208**

17 Earnings per Share

Earnings per share are calculated as follows:

	Six months ended 30 June 2012	Six months ended 30 June 2011
Basic and diluted earnings per share:		
Earnings attributable to equity holders of the Company (RR million)	2,739	154
Weighted average number of ordinary shares in issue (thousands)	707,230	707,230
Basic and diluted earnings per share (Roubles per share)	**3.87**	**0.22**

Basic earnings per share are calculated by dividing the earnings attributable to the Company's shareholders by the weighted average number of ordinary shares in issue during the period. There were no potentially dilutive instruments outstanding for the six-month period ended 30 June 2012 and for the six-month period ended 30 June 2011.

18 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 2012 is 31% (the estimated tax rate for the six months ended 30 June 2011 was 62%).

19 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 2012 and 31 December 2011 the Group was engaged in litigation proceedings as a defendant with a number of clients and customers. No provision has been made as the Group's management believes that risks from these proceedings are remote.

19 Contingencies and Commitments (Continued)

Tax contingencies. The existing Russian tax, currency and customs legislation allows for various interpretations and is subject to frequent changes. Interpretation by the Group's management of the legislation in place when applicable to the Group's transactions and activities may be challenged by the appropriate regional or federal authorities. Recent events in the Russian Federation indicate that the tax authorities may take a tougher stance with regard to the interpretation of legislation and review of tax returns. Consequently, tax authorities may challenge transactions and accounting methods that they had never challenged before. As a result, significant additional taxes, penalties and fines may be accrued. It is not possible to determine the amounts of constructive claims or evaluate the probability of their negative outcome. Tax audits may cover a period of three calendar years immediately preceding the audited year. Under certain circumstances, the tax authorities may review earlier accounting periods.

According to management, at 30 June 2012 they had properly adopted reasonable positions related to, and the probability that the Group will retain its position with regard to tax, currency and customs legislation is assessed as high.

Russian transfer pricing legislation enacted during the current period is effective prospectively to new transactions from 1 January 2012. It introduces significant reporting and documentation requirements. The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011 also provides the possibility for tax authorities to make transfer pricing adjustments and to 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 of 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. Significant difficulties exist in interpreting and applying transfer pricing legislation in practice. Any prior existing court decisions may provide guidance, but are not legally binding for decisions by other, or higher level, courts in the future.

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, that such transfer prices could be challenged. 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.

At 30 June 2012 there were no liabilities recorded for uncertain tax positions that are determined by management as probable, accordingly no provision (31 December 2011: provision of RR 20 million) has been made in this consolidated condensed interim financial information.

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 are approximately RR 251 million (31 December 2011: RR 242 million). No provision has been recognised in relation to such uncertain tax positions.

Contractual commitments. The Group has contractual commitments for the acquisition of property, plant and equipment as at 30 June 2012 totalling RR 1,422 million (31 December 2011: RR 529 million).

Loan covenants. The EBRD and other loan agreements include a number of financial covenants. The fact of the technical breach of covenants of EBRD loan agreement is disclosed in Note 10.

20 Seasonality

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

21 Events After the Reporting Period

In August 2012 the Group entered into a number of new credit arrangements for approximately RR 4,000 million at 9% average interest rate and for terms of 1.5 years.

On 12 September 2012 the Board of Directors approved a plan to divest the Group's subsidiary – ZAO "Remdizel". During the six months ended 30 June 2012, ZAO "Remdizel" reported revenues of RR 1,062 million (six months ended 30 June 2011: RR 1,098 million) and operating profit of RR 97 million (six months ended 30 June 2011: RR 60 million).