OAO GAZ

Consolidated Interim Condensed Financial Information for the six-month period ended 30 June 2007

Contents

KPMG Limited
11 Gogolevsky Boulevard
Moscow 119019
Russia

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Independent Auditors' Report

To the Board of Directors

OAO GAZ

Report on Review of the Interim Financial Information

Introduction

We have reviewed the accompanying consolidated interim condensed balance sheet of OAO GAZ (the "Company") and its subsidiaries (the "Group") as at 30 June 2007, and the related consolidated interim condensed statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and the explanatory notes (the consolidated interim financial information). Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated 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 consolidated interim financial information as at 30 June 2007 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.*

Emphasis of Matter

Without qualifying our conclusion, we draw attention to the fact that the US dollar amounts in the accompanying consolidated interim financial information, which are presented solely for the convenience of users as described in note 2(e) and do not form part of the consolidated interim financial information, are not reviewed.

KPMG Limited

KPMG Limited

7 November 2007

	Note	Six-month period ended 30 June 2007 '000 RUR	Six-month period ended 30 June Restated 2006 '000 RUR	Six-month period ended 30 June 2007 '000 USD*	Six-month period ended 30 June 2006 '000 USD*
Revenue	6	67,461,799	50,941,973	2,613,158	1,973,256
Cost of sales		(54,158,669)	(40,246,513)	(2,097,856)	(1,558,963)
Gross profit		13,303,130	10,695,460	515,302	414,293
Distribution expenses		(2,119,378)	(1,361,382)	(82,095)	(52,734)
Administrative expenses		(4,711,530)	(3,816,549)	(182,503)	(147,835)
Other operating income	7	140,191	108,632	5,430	4,208
Other operating expenses	7	(917,790)	(755,294)	(35,551)	(29,257)
Financial income	9	227,033	466,475	8,794	18,069
Financial expenses	9	(833,848)	(687,352)	(32,299)	(26,625)
Profit before income tax		5,087,808	4,649,990	197,078	180,119
Income tax expense	10	(1,851,635)	(1,424,749)	(71,724)	(55,188)
Profit for the period		3,236,173	3,225,241	125,354	124,931
Attributable to:					
Shareholders of the Company		2,987,711	2,815,194	115,730	109,048
Minority interest		248,462	410,047	9,624	15,883
		3,236,173	3,225,241	125,354	124,931
Basic and diluted earnings per share					
Ordinary shares	16	RUR 179	RUR 149	USD* 6.9	USD* 5.8
Preference shares	16	RUR 179	RUR 149	USD* 6.9	USD* 5.8

This consolidated interim condensed financial information was approved by management on 7 November 2007 and was signed on its behalf by:

Zanozin S.G.	Shmatov V.V.
Chairman	*Deputy Chairman of Management*
of Management Committee	*Committee for Finance and Economics*
of LLC GAZ GROUP	*of LLC GAZ GROUP*

The consolidated interim condensed income statement is to be read in conjunction with the notes to and forming part of the consolidated interim condensed financial information set out on pages 11 to 49.

* *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e).*

	Note	30 June 2007 '000 RUR	31 December 2006 '000 RUR	30 June 2007 '000 USD*	31 December 2006 '000 USD*
ASSETS					
Non-current assets					
Property, plant and equipment	11	30,318,761	28,630,251	1,174,408	1,109,003
Intangible assets		524,608	459,049	20,321	17,782
Other investments	12	66,657	49,510	2,582	1,918
Deferred tax assets		454,875	529,121	17,620	20,496
Other long-term assets	13	458,583	443,168	17,763	17,166
Loans issued		473,885	281,217	18,356	10,893
Total non-current assets		32,297,369	30,392,316	1,251,050	1,177,258
Current assets					
Inventories		13,853,877	11,180,486	536,635	433,080
Other investments	12	10,971	108,818	425	4,215
Loans issued		1,623,251	2,787,179	62,877	107,962
Trade and other receivables		13,152,661	10,734,545	509,473	415,807
Income tax receivable		324,984	281,491	12,589	10,904
Cash and cash equivalents	14	1,458,846	1,444,092	56,509	55,937
Total current assets		30,424,590	26,536,611	1,178,508	1,027,905
Total assets		62,721,959	56,928,927	2,429,558	2,205,163

The consolidated interim condensed balance sheet is to be read in conjunction with the notes to and forming part of the consolidated interim condensed financial information set out on pages 11 to 49.

* *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e).*

	Note	30 June 2007 '000 RUR	31 December 2006 '000 RUR	30 June 2007 '000 USD*	31 December 2006 '000 USD*
EQUITY AND LIABILITIES					
Equity	15				
Share capital		2,311,772	2,311,280	89,547	89,528
Share premium		9,907,197	9,259,252	383,759	358,661
Treasury shares		(7,304,782)	(7,304,782)	(282,954)	(282,954)
Foreign currency translation reserve		(7,066)	-	(274)	-
Retained earnings		12,194,079	9,931,175	472,343	384,688
Total equity attributable to shareholders of the Company		17,101,200	14,196,925	662,421	549,923
Minority interest		2,068,147	2,121,286	80,110	82,169
Total equity		19,169,347	16,318,211	742,531	632,092
Non-current liabilities					
Loans and borrowings		1,343,616	7,230,604	52,045	280,080
Delayed taxes		110,743	133,377	4,290	5,166
Deferred tax liabilities		1,046,088	1,109,912	40,521	42,993
Other long-term payables		1,414,296	1,314,710	54,783	50,926
Total non-current liabilities		3,914,743	9,788,603	151,639	379,165
Current liabilities					
Loans and borrowings		19,271,893	13,705,905	746,504	530,903
Trade and other payables		19,773,239	16,726,135	765,924	647,893
Income tax payable		592,737	390,073	22,960	15,110
Total current liabilities		39,637,869	30,822,113	1,535,388	1,193,906
Total liabilities		43,552,612	40,610,716	1,687,027	1,573,071
Total equity and liabilities		62,721,959	56,928,927	2,429,558	2,205,163

The consolidated interim condensed balance sheet is to be read in conjunction with the notes to and forming part of the consolidated interim condensed financial information set out on pages 11 to 49.

* *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e).*

	Six-month period ended 30 June		**Six-month period ended 30 June**	
		Restated		
	2007	**2006**	**2007**	**2006**
	’000 RUR	**’000 RUR**	**’000 USD***	**’000 USD***
OPERATING ACTIVITIES				
Profit before income tax	5,087,808	4,649,990	197,078	180,119
Adjustments for:				
Depreciation of property, plant and equipment	1,736,423	1,521,677	67,261	58,943
Amortisation of intangible assets	33,903	20,781	1,313	805
(Reversal of) impairment losses of property, plant and equipment and intangible assets	(21,231)	26,384	(822)	1,022
Gain on disposal of property, plant and equipment and intangible assets	(40,581)	(108,632)	(1,572)	(4,208)
Gain on disposal of investments	(366)	(5,253)	(14)	(203)
Interest expense	833,687	677,773	32,293	26,254
Interest income	(103,564)	(433,623)	(4,012)	(16,797)
Operating profit before changes in working capital	7,526,079	6,349,097	291,525	245,935
Increase in inventories	(2,545,572)	(2,546,004)	(98,604)	(98,620)
Increase in trade and other receivables	(2,944,417)	(492,151)	(114,053)	(19,064)
Increase in trade and other payables	2,392,456	1,197,055	92,673	46,368
Decrease in delayed taxes	(22,634)	(99,131)	(876)	(3,840)
Cash flows from operations before income taxes and interest paid	4,405,912	4,408,866	170,665	170,779
Income taxes paid	(1,682,042)	(1,387,367)	(65,155)	(53,740)
Interest paid	(866,413)	(536,541)	(33,561)	(20,783)
Cash flows from operating activities	1,857,457	2,484,958	71,949	96,256

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated interim condensed financial information set out on pages 11 to 49.

* *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e).*

	Six-month period ended 30 June		Six-month period ended 30 June	
		Restated		
	2007	2006	2007	2006
	'000 RUR	'000 RUR	'000 USD*	'000 USD*
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment and intangible assets	117,122	180,866	4,537	7,006
Proceeds from disposal of investments	2,871	19,113	111	741
Repayment of loans provided	9,509,665	7,644,423	368,360	296,110
Loans issued	(8,482,330)	(5,062,021)	(328,566)	(196,079)
Interest received	47,488	442,032	1,839	17,122
Acquisition of property, plant and equipment	(3,555,781)	(2,007,442)	(137,734)	(77,759)
Acquisition of intangible assets	(100,180)	(6,214)	(3,881)	(241)
Acquisition of minority interests	-	(77,335)	-	(2,996)
Sale of promissory notes	88,780	326,555	3,439	12,649
Cash flows (utilised by)/from investing activities	(2,372,365)	1,459,977	(91,895)	56,553
FINANCING ACTIVITIES				
Proceeds from borrowings	23,762,994	26,515,379	920,468	1,027,083
Repayment of borrowings	(24,490,932)	(26,555,526)	(948,664)	(1,028,638)
Proceeds from share issue	857,722	-	33,224	-
Cash flows (utilised by)/from financing activities	129,784	(40,147)	5,028	(1,555)
Net (decrease)/increase in cash and cash equivalents	(385,124)	3,904,788	(14,918)	151,254
Cash and cash equivalents at beginning of the period	1,444,085	645,494	55,937	25,003
Cash and cash equivalents at the end of the period (note 14)	1,058,961	4,550,282	41,019	176,257

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated interim condensed financial information set out on pages 11 to 49.

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'000 RUR	**Attributable to shareholders of the Company**							
	Share capital	**Share premium**	**Treasury shares**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
Balance at 1 January 2006 as previously reported in consolidated interim condensed financial information for the six-month period ended 30 June 2006	2,306,383	7,032,359	-	-	3,292,206	12,630,948	1,445,954	14,076,902
Effect of acquisitions under common control (note 5(a))	-	1,106,766	-	-	3,243,858	4,350,624	361,621	4,712,245
Balance at 1 January 2006, restated	2,306,383	8,139,125	-	-	6,536,064	16,981,572	1,807,575	18,789,147
Profit and total recognized income and expense for the period, restated	-	-	-	-	2,815,194	2,815,194	410,047	3,225,241
Dividends	-	-	-	-	(560,077)	(560,077)	-	(560,077)
Transactions with minority interests during the six-month period ended 30 June 2006	-	(29,560)	-	-	-	(29,560)	(47,775)	(77,335)
Balance at 30 June 2006, restated	2,306,383	8,109,565	-	-	8,791,181	19,207,129	2,169,847	21,376,976
Balance at 1 January 2007	2,311,280	9,259,252	(7,304,782)	-	9,931,175	14,196,925	2,121,286	16,318,211
Profit for the period	-	-	-	-	2,987,711	2,987,711	248,462	3,236,173
Foreign exchange translation differences	-	-	-	(7,066)	-	(7,066)	-	(7,066)
Total recognised income and expense for the period				(7,066)	2,987,711	2,980,645	248,462	3,229,107
Dividends	-	-	-	-	(724,807)	(724,807)	-	(724,807)
Shares issued	492	647,945	-	-	-	648,437	(301,601)	346,836
Balance at 30 June 2007	2,311,772	9,907,197	(7,304,782)	(7,066)	12,194,079	17,101,200	2,068,147	19,169,347

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated interim condensed financial information set out on pages 11 to 49.

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'000 USD*	**Attributable to shareholders of the Company**							
	Share capital	**Share premium**	**Treasury shares**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
Balance at 1 January 2006 as previously reported in consolidated interim condensed financial information for the six-month period ended 30 June 2006	89,339	272,401	-	-	127,525	489,265	56,010	545,275
Effect of acquisitions under common control (note 5 (a))	-	42,871	-	-	125,652	168,523	14,007	182,530
Balance at 1 January 2006	89,339	315,272	-	-	253,177	657,788	70,017	727,805
Profit and total recognized income and expense for the period	-	-	-	-	109,048	109,048	15,883	124,931
Dividends	-	-	-	-	(21,695)	(21,695)	-	(21,695)
Transactions with minority interests during the six-month period ended 30 June 2006	-	(1,145)	-	-	-	(1,145)	(1,851)	(2,996)
Balance at 30 June 2006	89,339	314,127	-	-	340,530	743,996	84,049	828,045
Balance at 1 January 2007	89,528	358,661	(282,954)	-	384,688	549,923	82,169	632,092
Profit for the period	-	-	-	-	115,730	115,730	9,624	125,354
Foreign exchange translation differences	-	-	-	(274)	-	(274)	-	(274)
Total recognised income and expense for the period				(274)	115,730	115,456	9,624	125,080
Dividends	-	-	-	-	(28,075)	(28,075)	-	(28,075)
Shares issued	19	25,098	-	-	-	25,117	(11,683)	13,434
Balance at 30 June 2007	89,547	383,759	(282,954)	(274)	472,343	662,421	80,110	742,531

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated interim condensed financial information set out on pages 11 to 49.

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1 Background

(a) Organisation and its operations

OAO GAZ ("GAZ" or the "Company") and its subsidiaries (together referred to as the "Group") comprise Russian Federation open joint stock (public) companies, closed joint stock companies and limited liability companies in accordance with the Civil Code of the Russian Federation, as well as companies established in accordance with the legislation of the United Kingdom. The Company was established as a state-owned enterprise in July 1932. It was privatised as an open joint stock company in December 1992, as part of the Russian Federation privatisation program. The Company's shares are traded over-the-counter in the Russian Trading System ("RTS").

The business activities of the Group are managed by LLC GAZ GROUP (the "Manager").

The Company's registered office is located at 88, Lenin prospect, Nizhny Novgorod, 603004, Russian Federation.

The Group's principal activity is the production of:

- Light commercial vehicles;
- Trucks;
- Buses of different types;
- Road construction vehicles;
- Diesel engines and fuel injection equipment;
- Mid-size passenger cars;
- Special vehicles;
- Spare parts and various auto-components for produced cars.

These products are sold in the Russian Federation and abroad.

OAO Russkie Mashiny, a member of the Basic Element Limited Group (the "Basic Element Group"), owned 72.81% of Company's shares as at 30 June 2007.

(b) Russian business environment

The Russian Federation has been experiencing political and economic changes that have affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. The consolidated interim condensed financial information reflects management's assessment of the possible impact of the Russian economic environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

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2 Basis of preparation

(a) Statement of compliance

This consolidated interim condensed financial information has been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.*

It does not include all of the information required for full annual financial statements and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2006.

(b) Group restructuring

In 2006 OAO Russkie Mashiny commenced the second phase of a restructuring process whereby controlling ownership interests in OAO Avtomobilny Zavod Ural, OAO Tverskoy Excavator, OAO Bryansky Arsenal and ZAO Chelyabinskie Stroitelno-dorozhnye Mashiny were transferred to the Company in exchange for additional shares issued by the Company.

The process of additional share placement was completed on 1 February 2007. The results of the placement are disclosed in note 15.

As a result, 5,388,424 additionally issued ordinary shares (or 86.91% out of 6,200,000 ordinary shares announced to be placed) were actually placed.

The restructuring involved a series of business combinations of entities under common control which have been accounted for at book values in accordance with the Group's accounting policy described in Note 3(a)(ii).

(c) Basis of measurement

The consolidated interim condensed financial information is prepared on the historical cost basis except that investments available-for-sale are stated at fair value. Certain items of property, plant and equipment were revalued on 1 January 2002 to determine deemed cost as part of the adoption of IFRSs; and the carrying amounts of assets, liabilities and equity items in existence at 31 December 2002 include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, *GosKomStat*. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

(d) Functional and presentation currency

The functional currency of all the Group's Russian entities is the Russian Rouble ("RUR"). The functional currency of the Group's UK entities is the UK Pound ("UKP").

Management has decided to use RUR as the presentation currency for the purposes of this consolidated interim condensed financial information because a substantial majority of the Group's operations are based in the Russian Federation. All financial information presented in RUR has been rounded to the nearest thousand.

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(e) Convenience translation

In addition to presenting the consolidated interim condensed financial information in RUR, supplementary information in USD has been prepared for the convenience of users of the consolidated interim condensed financial information.

All amounts of the consolidated interim condensed financial information are translated from RUR to USD at the closing exchange rate at 30 June 2007 stated by the Central Bank of the Russian Federation of RUR 25.8162 to USD 1.

(f) Going concern

The consolidated interim condensed financial information has been prepared on the going concern basis because Basic Element Limited which is controlled by the ultimate controlling party (refer note 19 (a)) has undertaken to provide the Group with such financial and other support as is necessary to allow the Group to continue its activities at least until 30 June 2008 and thereafter for the foreseeable future.

(g) Use of judgments, estimates and assumptions

The preparation of interim consolidated condensed financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing these consolidated condensed interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainly were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2006

During the six months ended 30 June 2007, Management reassessed its estimates in respect of tax contingencies described in note 18.

3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated interim condensed financial information. These accounting policies have been consistently applied.

(a) Basis of interim condensed consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated interim condensed financial information from the date that control commences until the date that control ceases.

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(ii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity.

(iii) Acquisitions and disposals of minority interests

Any difference between the consideration paid to acquire a minority interest, and the carrying amount of that minority interest, is recognised directly in equity.

Any difference between the consideration received upon disposal of a minority interest, and the carrying amount of that portion of the Group's interest in the subsidiary, including attributable goodwill, is recognised directly in equity.

(iv) Disposal of subsidiaries

Disposals of subsidiaries are accounted for by recognizing the difference between the consideration received and the carrying amount of the net assets of the subsidiary, including minority interests and attributable goodwill, in the income statement.

(v) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated interim condensed financial information. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments.

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(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RUR at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUR at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in the foreign currency translation reserve (FCTR) in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

(c) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. The cost of certain property, plant and equipment at 1 January 2002, the date of transition to IFRSs, was determined by reference to its fair value at that date. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is an integral part of the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group’s balance sheet.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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The estimated useful lives for the current and comparative periods are as follows:

- Buildings and constructions 23 to 47 years
- Plant and equipment 18 to 37 years
- Tools and other 4 to 17 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(d) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Subsequently, goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

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(v) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives of intangible assets, which are mainly licenses and software, for the current and comparative periods are between 2-12 years.

(e) Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset.

Other investments are classified as available-for-sale and are measured at fair value and any changes therein, other than impairment losses, are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.

The fair value of investments available-for-sale is their quoted bid price at the reporting date. Investments in equity securities that are not quoted on a stock exchange, and where fair value cannot be estimated on a reasonable basis by other means, are measured at cost less impairment losses.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

(g) Trade and other receivables

Trade and other receivables are stated at amortized cost less impairment losses.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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(i) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

(ii) Reversal of impairment

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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(j) Share capital

(i) Preference share capital

Preference share capital, which is non-redeemable and non-cumulative, is classified as equity.

(ii) Dividends and distributions to shareholders

Dividends are recognised as a liability in the period in which they are declared and other distributions to shareholders in the period in which they are made.

(iii) Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(k) Loans and borrowings

Loans and borrowings are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and borrowings are measured at amortised cost, using the effective interest method.

(l) Employee benefits

The Group makes contributions for the benefit of employees to Russia's State pension fund. The contributions are expensed as incurred.

The Group also pays a fixed amount per annum to a non-State, defined contribution pension fund for its employees. These amounts are expensed as incurred, and are classified as personnel expenses.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(n) Trade and other payables

Short-term trade and other payables are stated at initial cost, long-term trade and other payables are stated at amortized cost.

(o) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax provided is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will meet all the requirements associated with the Grant. Grants that compensate the Group for expenses incurred are recognised as income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the profit or loss on a systematic basis over the useful life of the asset.

(q) Revenues

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, the recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

(i) Revenue on commission services

Where the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission received by the Group.

(ii) Revenue on sale and buy back vehicles

When the Group has retained the risks and rewards of ownership under sale and repurchase agreements under which it agrees to repurchase the same goods at a later date, revenue is recognized when the risks and rewards are transferred to the buyer. The difference between the initial sale price and the repurchase price is recognized as operating income on a straight-line basis over the term of agreement which usually is 2-3 years.

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(r) Financial income and expenses

Financial income and expenses comprise interest expense on borrowings and loans, interest income on funds invested, foreign exchange gains and losses, impairment losses and gains and losses on the disposal of available-for-sale investments.

All borrowing costs are recognised in profit or loss using the effective interest method except for the borrowing costs related to qualifying assets which are recognised as part of the cost of such assets.

Interest income is recognized as it is accrued using the effective interest method.

(s) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease payments made, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(t) Social expenditure

The Group's contributions to social programs benefit the Group's employees and their family members. They are recognised in profit and loss as incurred.

(u) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary and preference shareholders of the Company by the weighted average number of ordinary and preference shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary and preference shareholders and the weighted average number of ordinary and preference shares outstanding for the effects of all dilutive potential ordinary and preference shares.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

(w) Financial guarantee contracts

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within a commonly controlled group of companies, the Group considers these to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the

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guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

(x) Changes in classification

During the current period the Group modified the classification of taxes other than on profit in the income statement. Comparatives were reclassified for consistency, which resulted in RUR 465,991 thousand / USD* 18,050 thousand being reclassified from other expenses to administrative expenses for the six-month period ended 30 June 2006.

(y) Changes in accounting policy

New Standards, amendments to Standards and Interpretations, which are effective for periods beginning on or after 1 January 2007, did not have any impact on the Group's financial position or performance. Therefore the Group did not change its accounting policies compared to the prior period.

(z) New Standards and Interpretations not yet adopted

The following new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2007, and have not been applied in preparing these consolidated financial information. The Group plans to adopt these pronouncements when they become effective.

- IFRS 8 *Operating Segments,* which is effective for annual periods beginning on or after 1 January 2009. The Standard introduces the "management approach" to segment reporting. It is not expected to have any impact on the consolidated financial statements.
- IFRIC 12 *Service Concession Arrangements*, which is effective for annual periods beginning on or after 1 January 2008. The Interpretation addresses how service concession operators should account for the obligations they undertake and rights they receive in service concession arrangements. It is not expected to have any impact on the consolidated financial statements.
- Revised IAS 23 *Borrowing Costs*, removes the option to expense borrowing costs and requires the entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset beginning on 1 January 2009. This Standard is not expected to have any impact on the consolidated financial statements as the Group already capitalises interest cost on qualifying assets.
- IFRIC 13 *Customer Loyalty Programmes* clarifies accounting rules of discounts and rebates given to customers, e.g. liability to grant a certain amount of free or discounted goods (services) to customers who would use their right for these bonuses. It is mandatory for annual periods beginning on or after 1 July 2008. IFRIC 13 will not have any impact on the Group's consolidated financial statements.
- IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IAS 19 Employee Benefits)*. It states how to evaluate the surplus recognised as an asset according to IAS 19. It clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements on benefit assets or liabilities. Implementation of this IFRIC is mandatory for annual periods beginning on or after 1 January 2008. It is not expected to have any impact on the Group's consolidated financial statements.

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4 Segment reporting

Below segment information is presented in respect of the Group's business and geographical segments.

(a) Business segments

The main format, business segments, were determined by the Group's management structure and internal reporting system.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

The Group comprises the following main business segments:

Vehicles. The manufacture and sale of a wide range of light commercial vehicles, light duty trucks and passenger cars, as well as auto-components.

Buses. The manufacture and sale of a wide range of buses.

Diesel engines and fuel injection equipment. The manufacture and sale of a wide range of engines and fuel injection equipment.

Trucks. The manufacture and sale of a wide range of supersize trucks.

Road construction vehicles. The manufacture and sale of a wide range of road construction vehicles.

(b) Geographical segments

Three main geographical segments are domestic sales (within Russia), exports to other CIS countries and sales in Great Britain.

Segment revenue is presented by geographical segment and is determined based on the location of the Group's customers.

The majority of the Group's assets are located in Russia.

Acquisitions of property, plant and equipment, and intangible assets were made mostly in Russia.

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(i) Business segments

Six-months period ended 30 June 2007 ’000 RUR	**Vehicles**	**Buses**	**Diesel engines and fuel injection equipment**	**Trucks**	**Road construction vehicles**	**Eliminations**	**Consolidated**
Revenue from external customers	37,381,780	8,776,692	8,471,347	8,768,131	4,063,849	-	67,461,799
Inter-segment revenue	7,551,831	76,560	2,683,337	47,147	871	(10,359,746)	-
Total revenue	44,933,611	8,853,252	11,154,684	8,815,278	4,064,720	(10,359,746)	67,461,799
Segment result	1,894,009	981,993	1,421,249	1,377,277	493,388	-	6,167,916
Unallocated administrative expenses							(473,293)
Financial income							227,033
Financial expenses							(833,848)
Income tax expense							(1,851,635)
Profit for the period							3,236,173

∗ _The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e)._

30 June 2007 ’000 RUR	**Vehicles**	**Buses**	**Diesel engines and fuel injection equipment**	**Trucks**	**Road construction vehicles**	**Eliminations**	**Consolidated**
Segment assets	35,005,203	9,240,122	8,233,687	5,143,280	3,928,111	(1,785,068)	59,765,335
Unallocated assets							2,956,624
Total assets							62,721,959
Segment liabilities	15,991,988	1,940,448	2,471,413	1,565,517	1,090,209	(1,782,231)	21,277,344
Unallocated liabilities							22,275,268
Total liabilities							43,552,612

Six-months period ended 30 June 2007 ’000 RUR	**Vehicles**	**Buses**	**Diesel engines and fuel injection equipment**	**Trucks**	**Road construction vehicles**	**Eliminations**	**Consolidated**
Depreciation/amortisation	1,302,911	91,053	164,646	141,612	70,104	-	1,770,326
Capital expenditure	1,801,786	234,812	1,065,474	46,271	569,767	-	3,718,110
(Reversal of) impairment losses	39,244	(5,398)	(56,752)	(6,377)	8,052	-	(21,231)

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e).*

Six-month period ended 30 June 2006, restated ’000 RUR	**Vehicles**	**Buses**	**Diesel engines and fuel injection equipment**	**Trucks**	**Road construction vehicles**	**Eliminations**	**Consolidated**
Revenue from external customers	29,016,262	7,687,717	6,610,124	4,813,774	2,814,096	-	50,941,973
Inter-segment revenue	4,058,793	65,027	917,449	59,548	15,300	(5,116,117)	-
Total revenue	33,075,055	7,752,744	7,527,573	4,873,322	2,829,396	(5,116,117)	50,941,973
Segment result	2,052,191	1,330,173	1,149,787	167,669	466,579	-	5,166,399
Unallocated administrative expenses							(295,532)
Financial income							466,475
Financial expenses							(687,352)
Income tax expense							(1,424,749)
Profit for the period							3,225,241

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e).*

31 December 2006 ’000 RUR	**Vehicles**	**Buses**	**Diesel engines and fuel injection equipment**	**Trucks**	**Road construction vehicles**	**Eliminations**	**Consolidated**
Segment assets	32,812,772	7,361,191	5,873,875	4,352,078	3,311,019	(819,343)	52,891,592
Unallocated assets							4,037,335
Total assets							56,928,927
Segment liabilities	13,675,975	1,443,640	1,714,986	1,240,061	852,144	(784,363)	18,142,443
Unallocated liabilities							22,468,273
Total liabilities							40,610,716

Six-month period ended 30 June 2006, restated ’000 RUR	**Vehicles**	**Buses**	**Diesel engines and fuel injection equipment**	**Trucks**	**Road construction vehicles**	**Eliminations**	**Consolidated**
Depreciation/amortisation	1,001,079	104,234	172,546	197,098	67,501	-	1,542,458
Capital expenditure	1,650,192	98,958	169,264	27,503	44,984	-	1,990,901
Impairment losses	16,931	2,100	7,353	-	-	-	26,384

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e).*

Six–month period ended 30 June 2007 ’000 USD*	**Vehicles**	**Buses**	**Diesel engines and fuel injection equipment**	**Trucks**	**Road construction vehicles**	**Eliminations**	**Consolidated**
Revenue from external customers	1,447,997	339,968	328,141	339,637	157,415	-	2,613,158
Inter-segment revenue	292,523	2,966	103,940	1,826	34	(401,289)	-
Total revenue	1,740,520	342,934	432,081	341,463	157,449	(401,289)	2,613,158
Segment result	73,365	38,038	55,053	53,349	19,112	-	238,917
Unallocated administrative expenses							(18,334)
Financial income							8,794
Financial expenses							(32,299)
Income tax expense							(71,724)
Profit for the period							125,354

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e).*

30 June 2007 ’000 USD*	**Vehicles**	**Buses**	**Diesel engines and fuel injection equipment**	**Trucks**	**Road construction vehicles**	**Eliminations**	**Consolidated**
Segment assets	1,355,939	357,920	318,935	199,227	152,156	(69,145)	2,315,032
Unallocated assets							114,526
Total assets							2,429,558
Segment liabilities	619,456	75,164	95,731	60,641	42,229	(69,035)	824,186
Unallocated liabilities							862,841
Total liabilities							1,687,027

Six–month period ended 30 June 2007, ’000 USD*	**Vehicles**	**Buses**	**Diesel engines and fuel injection equipment**	**Trucks**	**Road construction vehicles**	**Eliminations**	**Consolidated**
Depreciation/amortisation	50,469	3,527	6,378	5,485	2,715	-	68,574
Capital expenditure	69,793	9,096	41,271	1,792	22,070	-	144,022
(Reversal of) impairment losses	1,520	(209)	(2,198)	(247)	312	-	(822)

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e).*

Six-month period ended 30 June 2006 ’000 USD*	**Vehicles**	**Buses**	**Diesel engines and fuel injection equipment**	**Trucks**	**Road construction vehicles**	**Eliminations**	**Consolidated**
Revenue from external customers	1,123,956	297,787	256,046	186,463	109,004	-	1,973,256
Inter-segment revenue	157,219	2,519	35,538	2,307	593	(198,176)	-
Total revenue	1,281,175	300,306	291,584	188,770	109,597	(198,176)	1,973,256
Segment result	79,492	51,525	44,537	6,495	18,073	-	200,122
Unallocated administrative expenses							(11,447)
Financial income							18,069
Financial expenses							(26,625)
Income tax expense							(55,188)
Profit for the period							124,931

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e).*

31 December 2006 ’000 USD*	**Vehicles**	**Buses**	**Diesel engines and fuel injection equipment**	**Trucks**	**Road construction vehicles**	**Eliminations**	**Consolidated**
Segment assets	1,271,015	285,138	227,527	168,579	128,254	(31,738)	2,048,775
Unallocated assets							156,388
Total assets							2,205,163
Segment liabilities	529,744	55,920	66,431	48,034	33,008	(30,383)	702,754
Unallocated liabilities							870,317
Total liabilities							1,573,071

Six-month period ended 30 June 2006 ’000 USD*	**Vehicles**	**Buses**	**Diesel engines and fuel injection equipment**	**Trucks**	**Road construction vehicles**	**Eliminations**	**Consolidated**
Depreciation/amortisation	38,777	4,037	6,684	7,635	2,615	-	59,748
Capital expenditure	63,921	3,833	6,556	1,065	1,742	-	77,117
Impairment losses	656	81	285	-	-	-	1,022

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e).*

(ii) Geographical segments

	Russia		CIS		Great Britain		Other regions		Consolidated	
	Six-month period ended 30 June		Six-month period ended 30 June		Six-month period ended 30 June		Six-month period ended 30 June		Six-month period ended 30 June	
	2007	Restated 2006	2007	Restated 2006	2007	Restated 2006	2007	Restated 2006	2007	Restated 2006
’000 RUR										
Revenue from external customers	51,820,434	41,124,535	10,795,325	8,843,212	3,021,987	-	1,824,053	974,226	67,461,799	50,941,973
’000 USD*										
Revenue from external customers	2,007,284	1,592,974	418,161	342,545	117,058	-	70,655	37,737	2,613,158	1,973,256

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e).*

	Russia		Great Britain		Consolidated	
	30 June 2007	**31 December 2006**	**30 June 2007**	**31 December 2006**	**30 June 2007**	**31 December 2006**
’000 RUR.						
Segment assets	45,284,980	43,258,644	14,480,355	9,632,948	59,765,335	52,891,592
’000 USD*						
Segment assets	1,754,130	1,675,639	560,902	373,136	2,315,032	2,048,775

	Russia		Great Britain		Consolidated	
	Six-month period ended 30 June		**Six-month period ended 30 June**		**Six-month period ended 30 June**	
	2007	**Restated 2006**	**2007**	**Restated 2006**	**2007**	**Restated 2006**
’000 RUR						
Capital expenditure	2,758,890	1,990,901	959,220	-	3,718,110	1,990,901
’000 USD*						
Capital expenditure	106,867	77,117	37,155	-	144,022	77,117

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5 Acquisitions and disposals

(a) Acquisition of entities under common control

As part of the Group's restructuring process, described in Note 2(b) in 2006, the Group purchased controlling ownership interests in OAO Avtomobilny Zavod Ural, OAO Tverskoy Excavator, OAO Bryansky Arsenal and ZAO Chelyabinskie Stroitelno-dorozhnye Mashiny in exchange for 4,345,257 of the Company's ordinary shares. The acquisitions were accounted for as acquisitions of entities under common control in accordance with the accounting policy stated in note 3(a)(ii). Also, in 2006 the Group acquired various companies which are represented mainly by trade houses of subsidiaries listed above. In accordance with its accounting policy the Group has accounted for the acquisition of entities under common control as if the acquisitions had occurred at 1 January 2005, refer to note 3(a)(ii), as a result the comparative data for the six-month period ended 30 June 2006 were restated.

(b) Acquisition of subsidiaries

On 28 July 2006 the Group acquired all of the shares in LDV Holdings Limited and subsidiaries, Birmingham, UK, ("LDV Group"). LDV Group's main activity is the production and domestic sale (in UK) of light commercial vehicles 'Maxus'.

Profit for the six-month period ended 30 June 2007 includes losses of acquired companies of LDV Group in the amount of RUR 797,173 thousand / USD* 30,879 thousand.

It has been impracticable to determine what the Group's revenue and profit for the six-month period ended 30 June 2006 would have been had the acquisition of LDV Group occurred on 1 January 2006.

(c) Acquisition of minority interests

The Group's purchase of shares in several other subsidiaries within OAO GAZ additional share issuing led to changes in minority interests during the six-month period ended 30 June 2007. As a result, the Group acquired additional 1% of OAO Autodiesel, 5% of OAO Pavlovsky Avtobus, 2% of OAO YaZDA, 1% of OAO YaZTA, 6% of OAO Tverskoy Excavator and 19% of OAO Bryansky Arsenal. The acquisitions resulted in a decrease in minority interests of RUR 301,601 thousand / USD* 11,682 thousand and have been accounted for in accordance with the Group's accounting policy described in note 3(a)(iii).

* *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e).*

6 Revenue

	Six-month period ended 30 June		Six-month period ended 30 June	
	2007	**Restated 2006**	**2007**	**2006**
	’000 RUR	**’000 RUR**	**’000 USD***	**’000 USD***
Light commercial vehicles and minivans	22,023,139	15,538,381	853,074	601,885
Medium and heavy commercial vehicles	11,559,926	7,136,754	447,778	276,445
Buses	8,334,394	7,348,949	322,836	284,664
Diesel engines and fuel injection equipment	5,729,633	4,296,680	221,939	166,433
Spare parts	6,784,086	5,300,488	262,784	205,316
Passenger cars	3,880,431	4,534,610	150,310	175,650
Road construction vehicles	3,387,345	2,457,689	131,210	95,199
Services	986,969	851,201	38,231	32,972
Revenues from sale of goods for resale and other products and services	4,775,876	3,477,221	184,996	134,692
	67,461,799	50,941,973	2,613,158	1,973,256

7 Other operating income and expenses

	Six-month period ended 30 June		Six-month period ended 30 June	
	2007	**Restated 2006**	**2007**	**2006**
	’000 RUR	**’000 RUR**	**’000 USD***	**’000 USD***
Income				
Reversal of impairment of property, plant and equipment	21,231	-	822	-
Gain on disposal of property, plant and equipment and intangible assets	40,581	108,632	1,572	4,208
Gain on disposals of inventory	78,379	-	3,036	-
	140,191	108,632	5,430	4,208
Expenses				
Social expenses and charity	(345,741)	(184,756)	(13,392)	(7,157)
Research and development costs	(229,428)	(196,063)	(8,887)	(7,595)
Fines and penalties	(33,414)	(165,452)	(1,294)	(6,409)
Impairment of property, plant and equipment	-	(26,384)	-	(1,022)
Loss on disposal of inventory	-	(19,476)	-	(754)
Change in bad debts provision and write-offs	(63,090)	(50,425)	(2,444)	(1,953)
Other expenses	(246,117)	(112,738)	(9,534)	(4,367)
	(917,790)	(755,294)	(35,551)	(29,257)

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8 Total personnel costs

	Six-month period ended 30 June		Six-month period ended 30 June	
	2007	**Restated 2006**	**2007**	**2006**
	’000 RUR	**’000 RUR**	**’000 USD***	**’000 USD***
Wages and salaries	(8,721,293)	(6,442,314)	(337,822)	(249,545)
Salary-based taxes	(2,143,258)	(1,714,947)	(83,020)	(66,430)
	(10,864,551)	(8,157,261)	(420,842)	(315,975)

The average number of employees during six–month period ended 30 June 2007 was 110,460 (30 June 2006: 109,591).

9 Financial income and expenses

	Six-month period ended 30 June		Six-month period ended 30 June	
	2007	**Restated 2006**	**2007**	**2006**
	’000 RUR	**’000 RUR**	**’000 USD***	**’000 USD***
Financial income				
Interest income	103,564	433,623	4,012	16,797
Foreign exchange gain	114,236	25,857	4,425	1,002
Other financial income	9,233	6,995	357	270
	227,033	466,475	8,794	18,069
Financial expenses				
Interest expense	(833,687)	(677,773)	(32,293)	(26,254)
Other financial expenses	(161)	(9,579)	(6)	(371)
	(833,848)	(687,352)	(32,299)	(26,625)

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10 Income tax expense

	Six-month period ended 30 June		Six-month period ended 30 June	
	2007	Restated 2006	2007	2006
	’000 RUR	’000 RUR	’000 USD*	’000 USD*
Current tax expense				
Current period	(1,862,583)	(1,510,024)	(72,148)	(58,491)
Over/(under) provided in prior period	21,370	(32,506)	828	(1,259)
	(1,841,213)	(1,542,530)	(71,320)	(59,750)
Deferred tax expense				
Origination and reversal of temporary differences	183,886	117,035	7,123	4,533
Change in unrecognised deferred tax assets	(194,308)	746	(7,527)	29
	(10,422)	117,781	(404)	4,562
	(1,851,635)	(1,424,749)	(71,724)	(55,188)

The applicable tax rate for the Company and subsidiaries located in Russia is 24% (30 June 2006: 24%). For subsidiaries in UK, the applicable tax rate is the corporation tax rate of 30%.

Reconciliation of effective tax rate:

	Six-month period ended 30 June		Six-month period ended 30 June	
	2007		Restated 2006	
	’000 RUR	%	’000 RUR	%
Profit before income tax	5,087,808	100	4,649,990	100
Income tax at applicable tax rate	(1,221,074)	(24)	(1,115,998)	(24)
Income tax at higher rate	52,649	1	-	-
Change in unrecognized deferred tax assets	(194,308)	(4)	746	-
Over/(under) provided in prior years	21,370	-	(32,506)	(1)
Non-deductible items	(510,272)	(10)	(276,991)	(6)
	(1,851,635)	(37)	(1,424,749)	(31)

* _The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e)._

	Six-month period ended 30 June		**Six-month period ended 30 June**	
	2007 '000 USD*	**%**	**2006 '000 USD***	**%**
Profit before income tax	197,078	100	180,119	100
Income tax at applicable tax rate	(47,299)	(24)	(43,229)	(24)
Income tax at higher rate	2,039	1	-	-
Change in unrecognized deferred tax assets	(7,526)	(4)	29	-
Underprovided in prior years	828	-	(1,259)	(1)
Non-deductible items	(19,766)	(10)	(10,729)	(6)
	(71,724)	(37)	(55,188)	(31)

11 Property, plant and equipment

(a) Acquisition of property, plant and equipment

During the six–month period ended 30 June 2007 the Group acquired property, plant and equipment of RUR 3,617,930 thousand / USD* 140,141 thousand (30 June 2006: RUR 1,984,687 thousand / USD* 76,878 thousand) including DaimlerChrysler's assembly line for production of four-door cars of RUR 221,599 thousand / USD* 8,584 thousand (30 June 2006: RUR 675,031 thousand / USD* 26,148 thousand), Renault Trucks assembly line for producing engines under the EURO III standard of RUR 179,384 thousand / USD* 6,949 thousand and renovation of equipment for excavator assembly of RUR 301,023 thousand / USD* 11,660 thousand. Acquisitions for the reporting period include capitalized interest cost of RUR 39,788 thousand / USD* 1,541 thousand.

(b) Leased plant and equipment

The Group leased production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 30 June 2007 the net book value of leased plant and equipment was RUR 2,255,141 thousand /USD* 87,354 thousand (31 December 2006: RUR 1,987,401 thousand / USD* 76,983 thousand). The leased plant and equipment secure lease obligations.

(c) Depreciation

As at 30 June 2007, the depreciation charge directly attributable to the cost of inventory of RUR 281,496 thousand / USD* 10,904 thousand is included in the cost of work in progress and finished goods (31 December 2006: RUR 296,300 thousand / USD* 11,477 thousand).

During the six–month period ended 30 June 2007 depreciation expense of RUR 1,736,423 thousand/ USD* 67,261 thousand (30 June 2006: RUR 1,521,677 thousand / USD* 58,943 thousand) has been charged in cost of sales, distribution expenses and administrative expenses.

* *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e).*

12 Other investments

	30 June 2007 ’000 RUR	31 December 2006 ’000 RUR	30 June 2007 ’000 USD*	31 December 2006 ’000 USD*
Non-current				
Available-for-sale investments stated at cost	66,657	49,510	2,582	1,918
Current				
Available-for-sale promissory notes	10,971	108,818	425	4,215

Available-for-sale investments stated at cost comprise unquoted equity securities for which fair value cannot be reliably determined. There is no market for these investments and there have not been any recent transactions that provide evidence of fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty of future cash flows.

13 Other long-term assets

	30 June 2007 ’000 RUR	31 December 2006 ’000 RUR	30 June 2007 ’000 USD*	31 December 2006 ’000 USD*
Letters of credit	406,856	385,061	15,760	14,915
Employees' accounts receivable for apartments	47,399	52,364	1,836	2,028
Other	4,328	5,743	167	223
	458,583	443,168	17,763	17,166

Other long-term assets are discounted at the market rate effective as of the date of initial recognition. The discount rate effective at 30 June 2007 was 10% (31 December 2006: 11%).

14 Cash and cash equivalents

	30 June 2007 ’000 RUR	31 December 2006 ’000 RUR	30 June 2007 ’000 USD*	31 December 2006 ’000 USD*
Petty cash	17,339	9,797	672	379
Current accounts	1,280,445	1,169,941	49,598	45,318
Cash equivalents	161,062	264,354	6,239	10,240
Cash and cash equivalents in the balance sheet	1,458,846	1,444,092	56,509	55,937
Bank overdrafts	(399,885)	(7)	(15,490)	-
Cash and cash equivalents in the statement of cash flows	1,058,961	1,444,085	41,019	55,937

* *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e).*

15 Equity

(a) Share capital

Number of shares unless otherwise stated	Ordinary shares		Preference shares	
	30 June 2007	**30 June 2006**	**30 June 2007**	**30 June 2006**
Authorized shares	20,004,511,693	20,004,511,693	1,453,500	1,453,500
Par value	1 RUR	1 RUR	1 RUR	1 RUR
On issue and fully paid at beginning less treasury shares, thousand	14,947,355	13,131,836	1,308,750	1,453,500
Shares issued and fully paid	491,813	-	-	-
On issue at the end of the period	15,439,168	13,131,836	1,308,750	1,453,500

Preference shares have no right of conversion or compulsory redemption, but are entitled to an annual dividend per share equal to the bigger of 10% of net statutory profit divided by number of preference shares (which are 25% of share capital) or the dividend per share attributable to ordinary shareholders. If the dividend is not paid, preference shares carry the right to vote until the following Annual Shareholders' Meeting. However, the dividend is not cumulative. The preference shares also execute the right to vote in respect of issues that influence the interests of preference shareholders, including reorganisation and liquidation.

In the event of liquidation preference shareholders first receive any declared unpaid dividends and the par value of the preference shares ("liquidation value"). Thereafter all shareholders, ordinary and preference, participate equally in the distribution of the remaining assets.

In December 2006, OAO GAZ placed 4,896,611 ordinary shares of the new issue with a par value of 1 RUR and purchase price of RUR 2,315 per share. 4,345,257 shares were purchased by OAO Russkie Machiny (parent company of OAO GAZ), and 551,354 shares were purchased by third parties. 330,669 from these shares were exchanged for shares in the Group's subsidiaries listed in note 20. The rest 220,685 shares were sold for RUR 510,886 thousands / USD* 19,789 thousands.

In January 2007, OAO GAZ placed 491,813 ordinary shares of the new issue with a par value of 1 RUR and purchase price of RUR 2,315 per share. 39,108 shares were purchased by related parties and 452,705 shares by third parties. 341,990 from these shares were exchanged for shares in the Group's subsidiaries, the rest were sold for RUR 346,840 thousand/USD* 13,435 thousand.

The placing of shares of new issue was completed on 1 February 2007.

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As a result of additional share issue Company's ownership interests in the following subsidiaries were increased by:

	Country of incorporation	Change of voting ownership after 31 December 2006
OAO Autodiesel	Russia	1%
OAO YaZDA	Russia	2%
OAO YaZTA	Russia	1%
OAO Tverskoy Excavator	Russia	6%
OAO Bryansky Arsenal	Russia	19%
OAO Pavlovsky Avtobus	Russia	5%

Out of 6,200,000 additionally issued shares that were to be placed, 86.91% were actually placed (or 5,388,424 shares). Upon registration of the results of placement, the OAO GAZ share capital is correspondingly comprised of 18,520,260 ordinary shares and 1,453,500 preference shares. The share of OAO Russkie Mashiny in Company's share capital is 72.81%.

(b) Share premium

Any difference between the consideration paid to acquire minority interests and the carrying amount of those minority interests, and any difference between consideration received upon disposal of a minority interest and the carrying amount of that portion of the Group's interest in the subsidiary are debited or credited to share premium.

(c) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 30 June 2007, the Company had cumulative retained earnings, including the profit for the current period, of RUR 1,301,929 thousand/ USD* 50,431 thousand (30 June 2006: RUR 893,030 thousand / USD* 34,592 thousand).

On 21 June 2007 the Company's annual shareholders' meeting approved the payment of dividends of RUR 783,272 thousand/ USD* 30,340 thousand to ordinary and preference shareholders or RUR 42.3 / USD* 1.64 per ordinary and preference share (30 June 2006: RUR 560,077 thousand/ USD* 21,695 thousand to ordinary and preference shareholders or RUR 38.40 / USD* 1.49 per ordinary and preference share). The dividends paid to AZ Ural amounted to RUR 74,835 thousand/ USD* 2,899 thousand. This consolidated interim condensed financial information includes the dividends payable to the shareholders.

(d) Pledged shares

As at 30 June 2007 1,682,821 of Company's ordinary shares were pledged as the security for bank loans received.

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16 Earnings per share

Earnings per share is calculated by dividing the profit attributable to ordinary and preference shareholders of RUR 2,987,711 thousand/ USD* 115,730 thousand (30 June 2006: RUR 2,815,194 thousand /USD* 109,048 thousand) by the weighted average number of ordinary and preference shares outstanding during the period, calculated as shown below.

In thousands of shares	**2007**	**2006**
Issued shares at 1 January	16,256,105	18,930,593
Effect of shares issue in January	450,829	-
Weighted average number of shares for the six-month ended 30 June	16,706,934	18,930,593

For the purpose of calculation of the weighted average number of shares, shares issued in connection with the acquisition of entities under common control were deemed to have been issued on 1 January 2005.

The Company has no potential dilutive ordinary shares.

17 Capital commitments

At 30 June 2007 the Group entered into a contract to purchase equipment from RIKO d.o.o., Ljubljana, Slovenia for EUR 34,500 thousand (or RUR 1,197,668 thousand/ USD* 46,392 thousand at the 30 June 2007 EUR exchange rate). Part of this equipment is recognized as an asset as at 30 June 2007. The remaining amount to be paid under the contract at 30 June 2007 is EUR 30,334 thousand (or RUR 1,053,045 thousand / USD* 40,790 thousand at the 30 June 2007 EUR exchange rate).

Also, the Group entered into a contract for production and assembling EURO III and EURO IV engines with AVL List GmbH, Austria, for EUR 18,158 thousand (or RUR 630,355 thousand / USD* 24,417 thousand at the 30 June 2007 EUR exchange rate). The remaining amount to be paid under the contract at 30 June 2007 is EUR 5,005 thousand (or RUR 173,749 thousand / USD* 6,730 thousand at the 30 June 2007 EUR exchange rate).

Also, the Group entered into a contract to purchase equipment from Renault Trucks for the production of EURO III engines. The Group will also pay for a license to produce these engines to Renault Trucks EUR 5,000 thousand (RUR 173,575 thousand/USD* 6,723 thousand) during five years from the start of production. The initial amount paid for the license is recognized as an asset at the reporting date.

The Group entered into a contract to purchase equipment from Chrysler of EUR 28,545 thousand (or RUR 990,940 thousand /USD* 38,384 thousand at the 30 June 2007 EUR exchange rate). Part of purchased equipment is recognized as an asset at the reporting date. The remaining amount to be paid in accordance with the contract is EUR 16,877 thousand (or RUR 585,885 thousand /USD* 22,694 thousand). At the same time the Group has entered into a technology license agreement under which the Group will pay Chrysler an amount of RUR 5,163 / USD* 200 for each vehicle produced using JR-41 technology up to a total of 250,000 vehicles.

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18 Contingencies

(a) Insurance

The Group has full coverage for its plant facilities, business interruption, or third party liability in respect of property or arising from accidents on Group property or relating to the Group operations, except for environmental damage.

(b) Litigation

Certain legal proceedings initiated by the subsidiaries of the Group on matters concerning tax authorities' charges and on matters rising in the ordinary course of business are pending at the balance sheet date. Management is of the opinion that no losses that are material in relation to the Group's financial position are likely to arise in respect of these matters.

(c) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities. However, the interpretations of the relevant Russian tax authorities could differ and the effect on this consolidated interim condensed financial information, if the authorities were successful in enforcing their interpretations, could be significant.

In 2006, as a result of a tax audit at one Group entity additional profits tax, penalties and late payment interest amounting to RUR 273,992 thousand/USD* 10,613 thousand were assessed. Management intends to challenge such assessment in court and believes that the Group will be successful in challenging this assessment. Accordingly, no provision has been recognized in this consolidated interim condensed financial information, because management believes that it is possible, but not probable, that an outflow of economic benefits will be required to settle such obligations.

(d) Guarantees issued for third parties

As at 30 June 2007 the Group issued guarantees for third parties amounting to RUR 807,163 thousand / USD* 31,266 thousand.

These guarantees are secured by property, plant and equipment with a net book value of RUR 403,124 thousand/USD* 15,615 thousand.

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19 Related party transactions

(a) Control relationships

The immediate parent company of OAO GAZ is OAO Russkie Mashiny, a member of the Basic Element Limited Group (the 'Basic Element Group'). Activities of the Group are closely linked with the activities of the Basic Element Group and determination of the pricing of the Group's services to the Basic Element Group is undertaken in conjunction with other Basic Element Group companies.

The party with ultimate control over the Company is Mr. O.V. Deripaska.

Related parties comprise the Basic Element Group and all other companies in which the Basic Element Group has a controlling interest or significant influence. In addition, the Group has a controlling relationship with all its subsidiaries (refer to note 20 for a list of significant subsidiaries).

(b) Management remuneration

Key management received the following remuneration during the period, which is included in personnel costs (see note 8):

	Six-month period ended 30 June		Six-month period ended 30 June	
	2007	2006	2007	2006
	'000 RUR	'000 RUR	'000 USD*	'000 USD*
Salaries and bonuses	262,600	197,103	10,172	7,635
Contributions to State pension fund	8,677	7,096	336	275
	271,277	204,199	10,508	7,910

(c) Transactions with other related parties

(i) Revenue

Sales to fellow subsidiaries for the six-month period ended 30 June 2007 were as follows:

	Six-month period ended 30 June		Six-month period ended 30 June	
		Restated		
	2007	2006	2007	2006
	'000 RUR	'000 RUR	'000 USD*	'000 USD*
Sale of goods	1,143,744	928,671	44,303	35,973
Services provided	28,442	37,283	1,102	1,444
	1,172,186	965,954	45,405	37,417

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(ii) Purchases of raw materials and services

Purchases of raw materials and services from fellow subsidiaries for the six-month period ended 30 June 2007 were as follows:

	Six-month period ended 30 June		Six-month period ended 30 June	
		Restated		
	2007	2006	2007	2006
	’000 RUR	’000 RUR	’000 USD*	’000 USD*
Purchase of raw materials	2,302,709	1,536,971	89,196	59,535
Purchase of services	327,474	291,226	12,685	11,281
	2,630,183	1,828,197	101,881	70,816

(iii) Trade and other receivables

Trade and other receivables owed by fellow subsidiaries as at 30 June 2007 were as follows:

	30 June 2007	31 December 2006	30 June 2007	31 December 2006
	’000 RUR	’000 RUR	’000 USD*	’000 USD*
Receivables	427,036	357,196	16,541	13,836
Advances issued	23,149	14,855	897	575
Other receivables	38,571	738,704	1,494	28,614
	488,756	1,110,755	18,932	43,025

(iv) Loans issued and other current investments

Loans issued to related parties as at 30 June 2007 were as follows:

	30 June 2007	31 December 2006	30 June 2007	31 December 2006
	’000 RUR	’000 RUR	’000 USD*	’000 USD*
Non-current				
Companies of Basic Element Group	205,100	260,026	7,945	10,072
	205,100	260,026	7,945	10,072
Current				
Companies of Russkie Mashiny Group	602,857	690,026	23,352	26,729
Companies of Basic Element Group	766,520	1,121,513	29,692	43,442
AKB Soyuz controlled by ultimate shareholder	72,555	127,500	2,810	4,939
Other related parties	-	800,000	-	30,988
	1,441,932	2,739,039	55,854	106,098

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During the six-month period ended 30 June, 2006 the Group issued RUR 739,771 thousand / USD* 28,655 thousand of short-term loans at a fixed interest rate of 6%-15% to OAO Russkie Mashiny.

During the current period the Group issued RUR 6,650 thousand / USD* 258 thousand of short-term loans at a fixed interest rate of 0%-1% to the companies controlled by Russkie Mashiny Group (30 June 2006: RUR 15,966 thousand / USD* 620 thousand).

During the current period the Group issued RUR 130,000 thousand / USD* 5,036 thousand of short-term loans at a fixed interest rate of 12% to the companies controlled by Russkie Mashiny Group (30 June 2006: RUR 169,500 thousand / USD* 6,566 thousand at a fixed interest rate of 10%-12%).

During the current period the Group issued RUR 7,791,265 thousand / USD* 301,798 thousand of short-term loans at a fixed interest rate of 1%-10% repayable in 2006-2007 to the AKB Soyuz controlled by ultimate shareholder (30 June 2006: RUR 3,372,500 thousand/ USD* 130,635 thousand).

During the six-month period ended 30 June 2006 the Group issued RUR 310,088 thousand / USD* 12,011 thousand of short-term loans to other related parties.

During the current period the Group has received RUR 98,422 thousand/ USD* 3,812 thousand (30 June 2006: RUR 277,556 thousand/ USD* 10,751 thousand) of interest income on loans issued to related parties.

(v) Trade and other payables

Trade and other payables owing to related parties as at 30 June 2007 were as follows:

	30 June 2007 ’000 RUR	31 December 2006 ’000 RUR	30 June 2007 ’000 USD*	31 December 2006 ’000 USD*
Trade payables	397,255	265,199	15,388	10,272
Advances received	297,461	2,806	11,522	109
Other payables	612,199	283,178	23,714	10,969
	1,306,915	551,183	50,624	21,350

(vi) Loans received

Loans and borrowings owing to related parties as at 30 June 2007 were as follows:

	30 June 2007 ’000 RUR	31 December 2006 ’000 RUR	30 June 2007 ’000 USD*	31 December 2006 ’000 USD*
Non-current				
AKB Soyuz controlled by ultimate shareholder	-	99,898	-	3,869
Finance lease liabilities to Basic Element Group	2,804	6,419	109	249
	2,804	106,317	109	4,118

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	30 June 2007	**31 December 2006**	**30 June 2007**	**31 December 2006**
	’000 RUR	**’000 RUR**	**’000 USD***	**’000 USD***
Current				
Parent company	238,114	435,758	9,224	16,879
AKB Soyuz controlled by ultimate shareholder	-	995,642	-	38,567
Companies of Basic Element Group	83,500	368,636	3,234	14,279
Finance lease liabilities to Basic Element Group	16,672	31,785	646	1,231
	338,286	1,831,821	13,104	70,956

As at 31 December 2006 of the loans received from related parties (both long-term and short-term) RUR 195,642 thousand / USD* 7,578 thousand are secured loans; the rest are unsecured.

During the six-month period ended 30 June 2006 the Group received RUR 250,000 thousand / USD* 9,684 thousand of long-term loans in kind of bonds issued repayable in 2011 with a fixed interest rate of 8% from OAO AKB Soyuz.

During the current period the Group received RUR 750,410 thousand / USD* 29,067 thousand of short-term loans at a fixed interest rate of 1%-12% from OAO AKB Soyuz (30 June 2006: RUR 100,000 thousand / USD* 3,874 thousand).

During the current period the Group accrued RUR 11,233 thousand / USD* 435 thousand of interest expense on loans received from OAO AKB Soyuz (30 June 2006: RUR 415 thousand / USD* 16 thousand).

During the current period the Group accrued RUR 33,168 thousand / USD* 1,285 thousand (30 June 2006: RUR 55,776 thousand / USD* 2,161 thousand) of interest expense on loans received from other related parties.

(vii) Guarantees issued for related parties

As at 30 June 2007, the Group issued guarantees for related parties amounting to RUR 30,000 thousand / USD* 1,162 thousand (31 December 2006: RUR 1,685,190 thousand / USD* 65,276 thousand).

(d) Pricing policies

The pricing policy between related parties is determined mainly on an arm’s length basis.

* *The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e).*

20 Significant subsidiaries

	Country of incorporatio	Voting ownership 30 June 2007	Effective ownership 30 June 2007	Voting ownership 2006	Effective ownership 2006
OOO UK GAZ Group	Russia	100%	100%	100%	100%
OAO Kanashsky autoagregatny zavod	Russia	93%	93%	93%	93%
OOO KAVZ	Russia	100%	100%	100%	100%
OOO PAZ	Russia	100%	97%	100%	92%
OOO Likinsky avtobus	Russia	100%	100%	100%	100%
OAO Golitsinsky avtobusny zavod	Russia	100%	100%	100%	100%
OOO CTD Russkie avtobusy	Russia	100%	100%	100%	100%
OOO Likinsky avtobusny zavod	Russia	100%	100%	100%	100%
OAO Pavlovsky avtobus	Russia	97%	97%	92%	92%
OAO Avtomobilny zavod Ural	Russia	100%	100%	100%	100%
OOO TD Uralavto	Russia	100%	100%	100%	100%
OOO TZK GAZ	Russia	100%	100%	100%	100%
OOO Zavod Shtampov i Press-form	Russia	100%	100%	100%	100%
OAO Saransky zavod autosamosvalov	Russia	62%	62%	62%	62%
OOO Avtomobilny zavod GAZ	Russia	100%	100%	100%	100%
OOO TD Russkie mashiny	Russia	100%	100%	100%	100%
LDV Group Limited	Great Britain	100%	100%	100%	100%
Birmingham Pressing Limited	Great Britain	100%	100%	100%	100%
OOO Nizhegorodskie motory	Russia	100%	100%	-	-
OOO GAZ-Finance	Russia	100%	100%	100%	100%
ZAO Chelyabinskie stroitelno-dorozhnye mashiny	Russia	100%	100%	100%	100%
OAO Tverskoy excavator	Russia	93%	93%	86%	86%
OAO Bryansky arsenal	Russia	78%	78%	59%	59%
OOO Excavatorny zavod Kovrovets	Russia	50%	46%	50%	43%
OAO YAZDA	Russia	90%	90%	88%	88%
OAO YAZTA	Russia	90%	90%	89%	89%
OAO Autodiesel	Russia	62%	62%	61%	61%

In addition to the above mentioned, there are approximately 40 insignificant subsidiaries incorporated in Russia.

∗ _The USD equivalent figures are provided for information purposes only and do not form part of the consolidated interim condensed financial information – refer to note 2(e)._