OAO GAZ

Consolidated Financial Statements for the year ended 31 December 2005

Contents

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Independent Auditors' Report

To the Shareholders
OAO GAZ

We have audited the accompanying consolidated balance sheet of OAO GAZ (the "Company") and its subsidiaries (the "Group") as at 31 December 2005, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 2(a), the Group has not presented corresponding figures for the year ended 31 December 2004, which is required by International Financial Reporting Standard IAS 1 *Presentation of Financial Statements.*

In our opinion, except for the omission of the information described in the preceding paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without further qualifying our opinion, we draw attention to the fact that the US dollar amounts in the accompanying consolidated financial statements, which are presented solely for the convenience of users as described in Note 2(e) and do not form part of the consolidated financial statements, are unaudited.

KPMG Limited

KPMG Limited
9 June 2006

	Note	2005 '000 RUR	2005 '000 USD*
Revenues	6	87,839,416	3,051,834
Cost of sales	7	(71,632,988)	(2,488,769)
Gross profit		16,206,428	563,065
Distribution expenses	8	(3,403,812)	(118,260)
Administrative expenses	9	(4,070,134)	(141,410)
Other expenses	10	(3,124,245)	(108,547)
Financial expenses, net	12	(857,241)	(29,783)
Profit before tax		4,750,996	165,065
Income tax expense	13	(1,670,772)	(58,048)
Net profit for the year		3,080,224	107,017
Attributable to:			
Shareholders of the Company		2,435,782	84,627
Minority interest		644,442	22,390
		3,080,224	107,017
Basic and diluted earnings per share	27		
Preference shares		167 RUR	5.8 USD*
Ordinary shares		167 RUR	5.8 USD*

The consolidated financial statements were approved on 9 June 2006:

Zolotarev P.S.
Chairman of Board of OOO UK RusPromAuto

Russkikh K.M.
Deputy of Chairman of Board for Finance and Economics of OOO UK RusPromAuto

The consolidated income statement is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 11 to 4.

* *The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer note2(e).*

	Note	2005 '000 RUR	2004 '000 RUR	2005 '000 USD*	2004 '000 USD*
ASSETS					
Non-current assets					
Property, plant and equipment	14	17,488,656	19,639,903	607,614	682,356
Intangible assets	15	208,317	6,319	7,238	220
Other investments	16	52,453	62,709	1,823	2,179
Deferred tax assets	19	247,242	231,997	8,590	8,060
Other long-term assets	17	53,103	41,449	1,845	1,440
Loans advanced	18	282,246	22,221	9,806	772
		18,332,017	20,004,598	636,916	695,027
Current assets					
Other investments	16	238,315	114,337	8,280	3,972
Inventories	20	6,138,550	5,964,475	213,274	207,226
Loans advanced	18	3,000,154	4,993,704	104,235	173,498
Trade and other receivables	21	7,650,675	4,107,606	265,810	142,712
Cash and cash equivalents	22	509,261	344,300	17,693	11,962
		17,536,955	15,524,422	609,292	539,370
Total assets		35,868,972	35,529,020	1,246,208	1,234,397

The consolidated balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 11 to 55.

* *The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer note2(e).*

	Note	2005 '000 RUR	2004 '000 RUR	2005 '000 USD*	2004 '000 USD*
EQUITY AND LIABILITIES					
Equity	23				
Share capital		2,306,383	2,300,301	80,131	79,920
Share premium		7,032,359	6,526,868	244,328	226,765
Retained earnings		3,516,206	1,272,529	122,165	44,212
Total equity attributable to shareholders of the Company		12,854,948	10,099,698	446,624	350,897
Minority interest		1,445,954	1,319,101	50,237	45,830
Total equity		14,300,902	11,418,799	496,861	396,727
Non-current liabilities					
Loans and borrowings	24	804,777	1,337,878	27,961	46,482
Delayed taxes	25	296,720	803,309	10,309	27,910
Deferred tax liabilities	19	991,747	1,398,883	34,457	48,602
Other long-term payables	26	162,029	183,491	5,629	6,375
		2,255,273	3,723,561	78,356	129,369
Current liabilities					
Loans and borrowings	24	8,536,696	11,530,328	296,593	400,602
Trade and other payables	28	10,776,101	8,856,332	374,398	307,699
		19,312,797	20,386,660	670,991	708,301
Total equity and liabilities		35,868,972	35,529,020	1,246,208	1,234,397

The consolidated balance sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 11 to 55.

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	2005 '000 RUR	2005 '000 USD
OPERATING ACTIVITIES		
Profit before tax	4,750,996	165,065
Adjustments for:		
Depreciation	2,671,855	92,829
Amortisation of intangible assets	25,289	879
Impairment losses	761,158	26,445
Loss on disposal of property, plant and equipment and intangible assets	162,717	5,653
Loss on disposal of investments	7,793	271
Interest expense	1,136,767	39,495
Interest income	(287,319)	(9,983)
Operating profit before changes in working capital	9,229,256	320,654
Increase in inventories	(154,888)	(5,381)
Increase in trade and other receivables	(3,525,042)	(122,471)
Increase in trade and other payables	1,812,275	62,964
Decrease in delayed taxes	(506,589)	(17,601)
Cash flows from operations before income taxes and interest paid	6,855,012	238,165
Income taxes paid	(1,994,389)	(69,293)
Interest paid	(1,139,642)	(39,595)
Cash flows from operating activities	3,720,981	129,277

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 11 to 55.

* *The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer note2(e).*

	2005	2005
	'000 RUR	**'000 USD**
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	283,607	9,855
Proceeds from sale of other investments	10,256	356
Repayment of loans made	6,105,246	212,117
Loans made	(4,371,721)	(151,888)
Interest received	287,319	9,983
Acquisition of property, plant and equipment	(1,784,030)	(61,983)
Acquisition of intangible assets	(232,947)	(8,094)
Acquisition of minority interest	(6,016)	(209)
Acquisition of promissory notes	(131,771)	(4,578)
Cash flows from investing activities	159,943	5,559
FINANCING ACTIVITIES		
Proceeds from borrowings	44,011,043	1,529,090
Repayment of borrowings	(47,571,835)	(1,652,804)
Distributions to shareholders	(192,105)	(6,674)
Cash flows utilised by financing activities	(3,752,897)	(130,388)
Net increase in cash and cash equivalents	128,027	4,448
Cash and cash equivalents at beginning of year	332,301	11,545
Cash and cash equivalents at end of year (note 22)	460,328	15,993

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 11 to 55.

∗ *The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer note2(e).*

’000 RUR	Attributable to shareholders of the Company				Minority interest	Total equity
	Share capital	Share premium	Retained earnings	Total		
Balance at 1 January 2005	2,300,301	6,526,868	1,272,529	10,099,698	1,319,101	11,418,799
Net profit for the period	-	-	2,435,782	2,435,782	644,442	3,080,224
Distributions to shareholders	-	-	(192,105)	(192,105)	-	(192,105)
Shares issued (note 23 (a))	6,082	(6,082)	-	-	-	-
Acquisition of minority interest (note 5)	-	511,573	-	511,573	(517,589)	(6,016)
Balance at 31 December 2005	2,306,383	7,032,359	3,516,206	12,854,948	1,445,954	14,300,902

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 11 to 55.

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

’000 USD*	Attributable to shareholders of the Company				Minority interest	Total equity
	Share capital	Share premium	Retained earnings	Total		
Balance at 1 January 2005	79,920	226,765	44,212	350,897	45,830	396,727
Net profit for the period	-	-	84,627	84,627	22,390	107,017
Distributions to shareholders	-	-	(6,674)	(6,674)	-	(6,674)
Shares issued (note 23 (a))	211	(211)	-	-	-	-
Acquisition of minority interest (note 5)	-	17,774	-	17,774	(17,983)	(209)
Balance at 31 December 2005	80,131	244,328	122,165	446,624	50,237	496,861

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 11 to 55.

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1 Background

(a) Organisation and 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 as defined in the Civil Code of the Russian Federation. 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 on the Russian Trading System ("RTS").

The business activities of the Group are managed by OOO UK RusPromAuto (the "Manager").

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

The Group's principal activity is the production of a wide range of vehicles, buses and spare parts at production sites located in the Russian Federation. These products are sold in the Russian Federation and abroad.

OAO Russkie Mashiny, the member of the Basic Element Limited Group (the "Shareholder Group"), owned 71.85% of Company's shares as at 31 December 2005.

(b) Russian business environment

The Russian Federation has been experiencing political and economic change that has 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 accompanying consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

Comparative statements of income, changes in equity and cash flows for 2004 are not presented as the structure of the Group has changed substantially as a result of restructuring carried out in 2005 (refer note 2 (b)) and there would be a significant cost involved in compiling comparatives, which would not be justified by the potential benefits users might derive from such information.

(b) Group restructuring

In 2005, the Shareholder Group commenced a restructuring process whereby controlling ownership interests in a number of subsidiaries (refer note 34 for the list of subsidiaries) held by the Shareholder Group as of 31 December 2004 were being transferred to the Company in exchange for additional shares issued by the Company (refer note 23(a)). Those subsidiaries comprise Buses and Diesel engines lines of business within the Shareholder Group.

The restructuring of the Group comprises a series of business combinations 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 financial statements are prepared on the historical cost basis except that investments available-for-sale are stated at fair value; certain property, plant and equipment was revalued at 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 national currency of the Russian Federation is the Russian Rouble ("RUR"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUR has been rounded to the nearest thousand.

(e) Convenience translation

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

All amounts in the consolidated financial statements are translated from RUR to USD at the closing exchange rate at 31 December 2005 of RUR 28.7825 to USD 1.

(f) Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. As of 31 December 2005 the Group's current liabilities exceeded its current assets by RUR 1,775,842 thousand / USD* 61,699 thousand. In February 2006, the Group issued long-term interest-bearing non-convertible bonds of RUR 5,000,000 thousand/USD*173,717 thousand (refer to note 35). Group settled part of its current liabilities by cash received from this issue. Such transaction significantly improves the correlation of current assets and current liabilities of the Group at the date of issuance of these consolidated financial statements.

Also, Basic Element Limited which is controlled by the ultimate controlling party (refer note 33(a)) has undertaken to provide the Group with such financial and other support as is necessary to allow the Group to continue to trade at least until 31 December 2006 and thereafter for the foreseeable future.

The consolidated financial statements do not include any adjustments should the Group be unable to continue as a going concern.

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(g) Use of estimates and judgments

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRSs. Actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are described in Note 32 – contingencies.

3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. These accounting policies have been consistently applied except for the changes in accounting policy described in note 3(t).

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

(ii) Acquisitions from entities under common control

Acquisitions of controlling interests in entities that are under the control of the same controlling shareholder as the Group 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 their previous book values as recognised in the individual financial statements of the acquiree. 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 additional paid in capital. Any cash paid for the acquisition is debited directly to equity.

(iii) Acquisitions 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.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currencies

Transactions in foreign currencies are translated to RUR at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the

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balance sheet date are translated to RUR at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to RUR at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement.

(c) Property, plant and equipment

(i) Owned assets

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost of certain property, plant and equipment at the date of adopting IFRSs, 1 January 2002, was determined by reference to its fair value at that date ("deemed cost").

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

(iii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the component being written off. Other subsequent expenditure is capitalised if future economic benefits will arise from the expenditure. All other expenditure, including repairs and maintenance expenditure, is recognised in the income statement as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated remaining useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use.

The estimated useful lives are as follows:

- Buildings and constructions 10 to 45 years
- Plant and equipment 4 to 35 years
- Tools and other 2 to 15 years

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(d) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product of process is technically and commercially feasible and the Group has sufficient resources to complete development. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses.

(ii) Other intangible assets

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

(iii) Amortisation

Other intangible assets are amortised on a straight-line basis over their estimated useful lives from the date the asset is available for use. The estimated useful lives are between 2-12 years.

(e) Investments

Investments are recognised (derecognised) when the Group obtains (loses) control over the contractual rights inherent in that asset.

Other investments are classified as available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity.

The fair value of investments is their quoted bid price at the balance sheet 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 stated at cost less impairment losses.

(f) Inventories

Inventories are stated at the lower of initial cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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.

(g) Trade and other receivables

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

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(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.

(i) Impairment

The carrying amounts of the Group's other assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of the Group's loans and receivables, is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted if the effect is not material.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a loan or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, 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.

(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.

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(k) Loans and borrowings

Loans and borrowings are recognised initially at cost. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(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 workers. These amounts are expensed as incurred, and are classified as personnel expenses.

(m) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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, where appropriate, the risks specific to the liability.

(n) Trade and other payables

Trade and other payables are stated at original invoiced amount.

(o) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

Deferred tax is provided 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; initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and investments in subsidiaries where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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(p) Government grants

A government grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. Grants that compensate the Group for expenses incurred are recognised as revenue on a systematic basis in the same periods in which the expenses are incurred. Government grants related to depreciable assets are recognised in the income statement as other operating income on a systematic basis over the useful life of the related asset.

(q) Revenues

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(r) Financial income and expenses

Financial income and expenses comprise interest expense on borrowings, 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 interest and other costs incurred in connection with borrowings are expensed as incurred as part of financial expenses except for those that are directly attributable to the acquisition, construction or production of qualifying assets, which are capitalised as part of the cost of such assets.

Interest income is recognised as it accrues, taking into account the effective yield on the asset.

(i) Operating leases

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

(ii) Social expenditure

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

(s) 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.

(t) Changes in accounting policy

During the current year the Group changed a number of its accounting policies as a result of new or revised Standards that are effective for periods beginning on or after 1 January 2005. The following changes had a material impact on the Group's financial position or results of operations, or resulted in material changes in classification.

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(i) Presentation of minority interests

The following changes in presentation result from revised IAS 1 *Presentation of Financial Statements*:

- In the income statement, the minority interest share in the results of subsidiaries is no longer added or subtracted in arriving at the Group's net profit for the period. Instead it is presented as an allocation of the Group's net profit for the period.
- In the balance sheet, minority interests are presented as a separate component of equity rather than being presented between equity and liabilities. As a result, the statement of changes in equity shows the movement in minority interests during the period.

Comparatives for the balance sheet were restated to reflect these changes.

(ii) Investments

Previously, the Group's policy was to recognise changes in the fair value of available-for-sale investments in the income statement. In accordance with revised IAS 39 *Financial Instruments: Recognition and Measurement* the Group's policy is now to recognize changes in fair value directly in equity. However, because those investments are represented by equity securities that are not quoted on a stock exchange, their fair value cannot be estimated on a reasonable basis by other means. Therefore, they continue to be stated at cost less impairment losses.

(u) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2005, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

The new standards will not have any impact on the Group's financial position or performance.

- IFRS 6 *Exploration for and Evaluation of Mineral Resources*, which is effective for annual periods beginning on or after 1 January 2006. The Standard includes a requirement to distinguish between tangible and intangible assets that are used in the exploration for and evaluation of mineral resources, and specifies the level at which impairment testing should be carried out.
- IFRS 7 *Financial Instruments: Disclosures*, which is effective for annual periods beginning on or after 1 January 2007. The Standard will require increased disclosure in respect of the Company's financial instruments.
- Amendment to IAS 1 *Presentation of Financial Statements – Capital Disclosures*, which is effective for annual periods beginning on or after 1 January 2007. The Standard will require increased disclosure in respect of the Parent Company's capital.
- Amendment to IAS 19 *Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures*, which is effective for annual periods beginning on or after 1 January 2006. The amendment includes an option for actuarial gains and losses to be recognised in full as they arise, outside of the income statement in a statement of recognised income and expense.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions*, which is effective for annual periods

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beginning on or after 1 January 2006. The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item if certain criteria are met.

- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – The Fair Value Option*, which is effective for annual periods beginning on or after 1 January 2006. The amendment restricts the designation of financial instruments as "at fair value through profit or loss".
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 4 *Insurance Contracts – Financial Guarantee Contracts*, which is effective for annual periods beginning on or after 1 January 2006. The amendment requires guarantees that are not insurance contracts to be measured at fair value upon initial recognition.
- IFRIC 4 *Determining whether an Arrangement contains a Lease*, which is effective for annual periods beginning on or after 1 January 2006. The Interpretation requires certain arrangements to be accounted for as a lease even if they are not in the legal form of a lease.
- IFRIC 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*, which is effective for annual periods beginning on or after 1 January 2006. The Interpretation deals with funds created for the purpose of settling decommissioning and similar expenses.

4 Segment reporting

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

(a) Business segments

The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is not 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 vehicles.

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 equipment.

(b) Geographical segments

The Group's segments operate in two principal geographical areas, Russia and CIS.

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In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

All Group's assets are located in Russia.

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(i) Business segments

	Vehicles		Buses		Diesel engines and fuel injection equipment		Eliminations		Consolidated	
2005	**’000 RUR**	**’000 USD***	**’000 RUR**	**’000 USD***	**’000 RUR**	**’000 USD***	**’000 RUR**	**’000 USD***	**’000 RUR**	**’000 USD***
Revenue from external customers	64,532,508	2,242,074	13,556,390	470,994	14,348,415	498,512	(4,597,897)	(159,746)	87,839,416	3,051,834
Inter-segment revenue	(4,234,157)	(147,109)	(129,500)	(4,499)	(234,239)	(8,138)	4,597,897	159,746	-	-
Total revenue	60,298,351	2,094,965	13,426,890	466,495	14,114,176	490,374	-	-	87,839,416	3,051,834
Segment result	2,070,537	71,937	1,764,746	61,313	1,776,088	61,707	(3,134)	(109)	5,608,237	194,848
Financial expenses, net	-	-	-	-	-	-	-	-	(857,241)	(29,783)
Income tax expense	-	-	-	-	-	-	-	-	(1,670,772)	(58,048)
Net profit for the year	-	-	-	-	-	-	-	-	3,080,224	107,017
Depreciation/amortisation	2,049,290	71,199	197,553	6,864	450,301	15,645	-	-	2,697,144	93,708
Capital expenditure	1,194,119	41,488	104,991	3,648	675,454	23,467	-	-	1,974,564	68,603
Impairment losses	333,265	11,579	199,644	6,936	228,249	7,930	-	-	761,158	26,445

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	Vehicles		Buses		Diesel engines and fuel injection equipment		Eliminations		Consolidated	
’000 RUR	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Segment assets	21,079,143	19,383,133	5,876,359	5,454,167	5,494,941	5,172,125	(563,828)	(28,377)	31,886,615	29,981,048
Unallocated assets	-	-	-	-	-	-	-	-	3,982,357	5,547,972
Total assets	-	-	-	-	-	-	-	-	35,868,972	35,529,020
Segment liabilities	7,429,922	5,638,103	1,575,018	1,532,757	2,408,459	2,409,073	(557,834)	(26,006)	10,855,565	9,553,927
Unallocated liabilities	-	-	-	-	-	-	-	-	10,712,505	14,556,294
Total liabilities	-	-	-	-	-	-	-	-	21,568,070	24,110,221
’000 USD*										
Segment assets	732,359	673,435	204,164	189,496	190,913	179,697	(19,589)	(986)	1,107,847	1,041,642
Unallocated assets	-	-	-	-	-	-	-	-	138,361	192,755
Total assets	-	-	-	-	-	-	-	-	1,246,208	1,234,397
Segment liabilities	258,140	195,886	54,721	53,253	83,678	83,699	(19,381)	(904)	377,158	331,935
Unallocated liabilities	-	-	-	-	-	-	-	-	372,189	505,735
Total liabilities	-	-	-	-	-	-	-	-	749,347	837,670

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(ii) Geographical segments

	Russia		CIS		Other regions		Consolidated	
2005	**’000 RUR**	**’000 USD***	**’000 RUR**	**’000 USD***	**’000 RUR**	**’000 USD***	**’000 RUR**	**’000 USD***
Revenue from external customers	70,829,125	2,460,840	15,193,056	527,857	1,817,235	63,137	87,839,416	3,051,834

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5 Acquisition of minority interests

As a part of restructuring process commenced by the Shareholder Group in 2005 (refer note 2(b)), the Company has purchased additional interests in its subsidiaries in exchange for additional shares issued (refer note 23(a)) and consideration of RUR 6,016 thousand/USD* 209 thousand paid. As a result the Group acquired an additional 8% interest in OAO Autodiesel, 12% in OAO Pavlovsky avtobus, 20% in OAO YAZDA, 21% in OAO YAZTA, 11% in OAO SAZ, 4% in OAO KAAZ. The acquisition resulted in a decrease of the minority interest liability by RUR 517,589 thousand/USD* 17,983 thousand and have been accounted for in accordance with the Group's accounting policy described in note 3(a)(iii).

6 Revenues

	2005 '000 RUR	2005 '000 USD*
Light commercial vehicles and minivans	28,866,939	1,002,934
Buses	12,833,506	445,879
Middle commercial vehicles	5,231,627	181,764
Spare parts	10,824,991	376,096
Diesel engines and fuel injection equipment	10,755,419	373,679
Passenger cars	9,435,640	327,826
Goods for resale	4,815,572	167,309
Services	1,603,617	55,715
Other revenues	3,472,105	120,632
	87,839,416	3,051,834

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7 Cost of sales

	2005 '000 RUR	2005 '000 USD*
Materials	(49,143,274)	(1,707,401)
Wages and salaries	(7,141,365)	(248,115)
Goods for resale	(4,744,183)	(164,829)
Depreciation and amortisation	(2,383,588)	(82,814)
Salary based taxes	(1,895,983)	(65,872)
Electrical and heating energy	(1,576,444)	(54,771)
Repairs and maintenance	(1,538,009)	(53,436)
Water	(720,473)	(25,032)
Other	(2,489,669)	(86,499)
	(71,632,988)	(2,488,769)

8 Distribution expenses

	2005 '000 RUR	2005 '000 USD*
Transportation costs	(1,354,499)	(47,060)
Wages and salaries	(669,274)	(23,253)
Advertising	(557,637)	(19,374)
Repairs	(163,923)	(5,695)
Salary based taxes	(145,091)	(5,041)
Materials	(137,732)	(4,785)
Rent	(42,234)	(1,467)
Electrical and heating energy	(40,888)	(1,421)
Water	(38,559)	(1,340)
Depreciation	(21,103)	(733)
Insurance	(17,576)	(611)
Other	(215,296)	(7,480)
	(3,403,812)	(118,260)

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9 Administrative expenses

	2005 '000 RUR	2005 '000 USD*
Wages and salaries	(2,083,930)	(72,403)
Salary based taxes	(477,000)	(16,573)
Depreciation and amortisation	(292,453)	(10,161)
Rent	(187,394)	(6,510)
Security services	(161,240)	(5,602)
Information and consulting services	(139,456)	(4,845)
Utility expenses	(112,310)	(3,902)
Insurance	(101,649)	(3,532)
Materials	(89,855)	(3,122)
Repairs and maintenance	(44,662)	(1,551)
Other administrative expenses	(380,185)	(13,209)
	(4,070,134)	(141,410)

10 Other expenses, net

	2005 '000 RUR	2005 '000 USD*
Taxes other than on profit	(949,509)	(32,989)
Impairment of property, plant and equipment	(761,158)	(26,445)
Social expenses and charity	(386,931)	(13,443)
Research and development costs	(277,703)	(9,648)
Increase in warranty provision	(247,006)	(8,582)
Loss on disposal of property, plant and equipment and intangible assets	(162,717)	(5,653)
Idle time	(159,724)	(5,550)
Change in bad debts provision and write-offs	(122,963)	(4,272)
Change in inventory provision and write-offs	(121,056)	(4,206)
Fines and penalties	(115,516)	(4,014)
Other, net	180,038	6,255
	(3,124,245)	(108,547)

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11 Total personnel costs

	2005 '000 RUR	2005 '000 USD*
Wages and salaries	(10,050,671)	(349,194)
Salary based taxes	(2,559,269)	(88,918)
	(12,609,940)	(438,112)

The average number of employees during 2005 was 98,846.

12 Financial expenses, net

	2005 '000 RUR	2005 '000 USD*
Interest expense	(1,136,767)	(39,495)
Loss on disposal of other investments	(7,793)	(271)
Interest income	287,319	9,983
	(857,241)	(29,783)

13 Income tax expense

	2005 '000 RUR	2005 '000 USD*
Current tax expense		
Current year	(2,093,153)	(72,723)
	(2,093,153)	(72,723)
Deferred tax expense		
Origination and reversal of temporary differences	483,333	16,793
Change in unrecognised deferred tax assets	(60,952)	(2,118)
	422,381	14,675
	(1,670,772)	(58,048)

The Group's applicable tax rate is the corporate income tax rate of 24%.

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Reconciliation of effective tax rate:

	2005	
	'000 RUR	**%**
Profit before tax	4,750,996	100
Income tax at applicable tax rate	(1,140,239)	(24)
(Non-deductible)/non-taxable items, net	(469,581)	(10)
Change in unrecognised deferred tax assets	(60,952)	(1)
	(1,670,772)	(35)

	2005	
	'000 USD*	**%**
Profit before tax	165,065	100
Income tax at applicable tax rate	(39,615)	(24)
(Non-deductible)/non-taxable items, net	(16,315)	(10)
Change in unrecognised deferred tax assets	(2,118)	(1)
	(58,048)	(35)

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14 Property, plant and equipment

'000 RUR	Buildings and construction s	Plant and equipment	Tools and other	Construction in progress	Total
Cost/Deemed cost					
At 1 January 2005	35,105,827	81,113,280	10,296,650	3,661,674	130,177,431
Additions	-	-	-	1,741,617	1,741,617
Disposals	(614,150)	(3,681,304)	(619,378)	(247,252)	(5,162,084)
Transfers	92,869	1,040,321	558,610	(1,691,800)	-
At 31 December 2005	34,584,546	78,472,297	10,235,882	3,464,239	126,756,964
Depreciation and impairment losses					
At 1 January 2005	(27,266,451)	(71,278,413)	(9,630,661)	(2,362,003)	(110,537,528)
Depreciation charge	(781,358)	(1,750,155)	(159,529)	-	(2,691,042)
Impairment losses	(158,704)	(343,746)	(90,173)	(168,535)	(761,158)
Disposals	482,632	3,488,132	519,950	230,706	4,721,420
Transfers	2,061	(14,014)	(73,945)	85,898	-
At 31 December 2005	(27,721,820)	(69,898,196)	(9,434,358)	(2,213,934)	(109,268,308)
Net book value					
At 1 January 2005	7,839,376	9,834,867	665,989	1,299,671	19,639,903
At 31 December 2005	6,862,726	8,574,101	801,524	1,250,305	17,488,656

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'000 USD*	**Buildings and constructions**	**Plant and equipment**	**Tools and other**	**Construction in progress**	**Total**
Cost/Deemed cost					
At 1 January 2005	1,219,693	2,818,146	357,740	127,219	4,522,798
Additions	-	-	-	60,510	60,510
Disposals	(21,338)	(127,901)	(21,519)	(8,591)	(179,349)
Transfers	3,227	36,144	19,408	(58,779)	-
At 31 December 2005	1,201,582	2,726,389	355,629	120,359	4,403,959
Depreciation and impairment losses					
At 1 January 2005	(947,327)	(2,476,450)	(334,601)	(82,064)	(3,840,442)
Depreciation charge	(27,147)	(60,806)	(5,543)	-	(93,496)
Impairment losses	(5,514)	(11,943)	(3,133)	(5,855)	(26,445)
Disposals	16,768	121,189	18,065	8,016	164,038
Transfers	72	(487)	(2,569)	2,984	-
At 31 December 2005	(963,148)	(2,428,497)	(327,781)	(76,919)	(3,796,345)
Net book value					
At 1 January 2005	272,366	341,696	23,139	45,155	682,356
At 31 December 2005	238,434	297,892	27,848	43,440	607,614

(a) Impairment loss

Based on an assessment of the recoverable amount of property, plant and equipment, its carrying value was written down by RUR 761,158 thousand /USD* 26,445 thousand. The impairment loss is included in 'Other operating expenses, net' (refer note 10). The impairment loss relates to the certain items of property, plant and equipment that are neither being used by the Group currently, nor are there plans for their utilization in the future. Those items of property, plant and equipment are of a specialized nature and, therefore, their value in use and fair value less costs to sell are considered to be nil.

(b) Security

Properties with a carrying amount of RUR 5,250,221/ USD* 182,410 are subject to a registered debenture to secure bank loans, refer note 24.

(c) 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

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31 December 2005 the net book value of leased plant and equipment was RUR 972,874 thousand / USD* 33,801 thousand. The leased plant and equipment secures lease obligations, refer note 24.

(d) Ownership rights

According to Federal Law on registration of titles for immovable property, in order to sell or transfer items of immovable property, the Group is required to first register those items with regional Departments of Justice. The Group is currently in the process of performing this registration.

(e) Depreciation

As of 31 December 2005, the depreciation charge directly attributable to the cost of inventory of RUR 98,041 thousand/USD* 3,406 thousand is included in cost of work-in-progress and finished goods (2004: 78,854 RUR thousand/USD* 2,740 thousand).

15 Intangible assets

'000 RUR	**Licenses**	**Software**	**Total**
Cost			
At 1 January 2005	218	255,038	255,256
Additions	215,523	17,424	232,947
Disposals	-	(96,515)	(96,515)
At 31 December 2005	215,741	175,947	391,688
Amortisation and impairment losses			
At 1 January 2005	(107)	(248,830)	(248,937)
Amortisation charge	(11,027)	(14,262)	(25,289)
Disposals	-	90,855	90,855
At 31 December 2005	(11,134)	(172,237)	(183,371)
Net book value			
At 1 January 2005	111	6,208	6,319
At 31 December 2005	204,607	3,710	208,317

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’000 USD*	Licenses	Software	Total
Cost			
At 1 January 2005	7	8,861	8,868
Additions	7,488	606	8,094
Disposals	-	(3,353)	(3,353)
At 31 December 2005	7,495	6,114	13,609
Amortisation and impairment losses			
At 1 January 2005	(4)	(8,644)	(8,648)
Amortisation charge	(383)	(496)	(879)
Disposals	-	3,156	3,156
At 31 December 2005	(387)	(5,984)	(6,371)
Net book value			
At 1 January 2005	3	217	220
At 31 December 2005	7,108	130	7,238

(a) Amortisation charge

The amortisation charge for the year is included in “cost of sales” and “administrative expenses”.

16 Other investments

	2005 ’000 RUR	2004 ’000 RUR	2005 ’000 USD*	2004 ’000 USD*
Non-current				
Available-for-sale investments stated at cost	52,453	62,709	1,823	2,179
Current				
Available-for-sale promissory notes	238,315	114,337	8,280	3,972

Available-for-sale investments stated at cost comprise unquoted equity securities for which fair value cannot be reliably determined.

Promissory notes include bank promissory notes of RUR 113,005 thousand/ USD* 3,926 thousand (2004: RUR 237 thousand/USD* 8 thousand) which have being repaid in 2006; promissory notes from related parties of RUR 125,310 thousand / USD* 4,354 thousand (2004: RUR 114,100 thousand/ USD* 3,964 thousand), which are repayable on demand, refer note 33(c). The promissory notes bear no interest.

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17 Other long-term assets

Other long-term assets are mostly represented by long-term receivables for flats sold to GAZ employees. Other long-term assets are discounted at the market rate effective as of the date of initial recognition. The discount rate effective at 31 December 2005 was 13%.

18 Loans advanced

The following table shows the period in which interest-bearing financial assets are going to be redeemed:

2005

'000 RUR	Contract / Effective interest rate	Less than 1 year	1 – 2 years	2 – 3 years	Total
Loans advanced to companies					
	10%-15%	1,475,232	22,221	260,025	1,757,478
	1%-2%	74,409	-	-	74,409
Loans advanced to Bank	6%-14%	1,450,513	-	-	1,450,513
		3,000,154	22,221	260,025	3,282,400

2004

'000 RUR	Contract / Effective interest rate	Less than 1 year	2 – 3 years	Total
Loans advanced to companies				
	8%-12%	3,982,468	22,221	4,004,689
	1%	297,322	-	297,322
Loans advanced to Bank	14%	713,914	-	713,914
		4,993,704	22,221	5,015,925

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2005

'000 USD*	**Contract / Effective interest rate**	**Less than 1 year**	**1 -2 years**	**2 – 3 years**	**Total**
Loans advanced to companies					
	10%-15%	51,254	772	9,034	61,060
	1%-2%	2,585	-	-	2,585
Loans advanced to Bank	6%-14%	50,396	-	-	50,396
		104,235	772	9,034	114,041

2004

'000 USD*	**Contract / Effective interest rate**	**Less than 1 year**	**1 – 2 years**	**Total**
Loans advanced to companies				
	8%-12%	138,364	772	139,136
	1%	10,330	-	10,330
Loans advanced to Bank	14%	24,804	-	24,804
		173,498	772	174,270

Loans advanced mostly represent loans advanced to related parties, refer note 33(c).

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19 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

’000 RUR	**Assets**		**Liabilities**		**Net**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
Property, plant and equipment	19,004	85,613	(1,456,313)	(1,915,383)	(1,437,309)	(1,829,770)
Investments	24,065	18,436	(5,604)	(15,412)	18,461	3,024
Inventories	133,449	111,716	(20,857)	(30,521)	112,592	81,195
Trade and other receivables	161,687	248,394	(3,683)	(6,997)	158,004	241,397
Trade and other payables	404,743	337,268	(996)	-	403,747	337,268
Tax assets/(liabilities)	742,948	801,427	(1,487,453)	(1,968,313)	(744,505)	(1,166,886)
Set off of tax	(495,706)	(569,430)	495,706	569,430	-	-
Net tax assets/(liabilities)	247,242	231,997	(991,747)	(1,398,883)	(744,505)	(1,166,886)

’000 USD*	**Assets**		**Liabilities**		**Net**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
Property, plant and equipment	660	2,974	(50,597)	(66,547)	(49,937)	(63,573)
Investments	836	641	(195)	(536)	641	105
Inventories	4,636	3,881	(724)	(1,060)	3,912	2,821
Trade and other receivables	5,618	8,630	(128)	(243)	5,490	8,387
Trade and other payables	14,062	11,718	(35)	-	14,027	11,718
Tax assets/(liabilities)	25,812	27,844	(51,679)	(68,386)	(25,867)	(40,542)
Set off of tax	(17,222)	(19,784)	17,222	19,784	-	-
Net tax assets/(liabilities)	8,590	8,060	(34,457)	(48,602)	(25,867)	(40,542)

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(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2005 '000 RUR	2004 '000 RUR	2005 '000 USD*	2004 '000 USD*
Deductible temporary differences	38,317	16,098	1,331	559
Tax loss carry-forwards	104,083	65,350	3,616	2,270
	142,400	81,448	4,947	2,829

The tax losses expire in 2012-2015. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

20 Inventories

	2005 '000 RUR	2004 '000 RUR	2005 '000 USD*	2004 '000 USD*
Raw materials and consumables	2,936,532	2,834,249	102,025	98,471
Work in progress	1,340,790	1,411,172	46,584	49,029
Finished goods and goods for resale	1,861,228	1,719,054	64,665	59,726
	6,138,550	5,964,475	213,274	207,226
Provision for inventory obsolescence	(468,823)	(405,564)	(16,288)	(14,091)

The inventory with a carrying amount of RUR 2,421,045 / USD* 84,115 has been pledged as security for bank loans, refer note 24.

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

21 Trade and other receivables

	2005 '000 RUR	2004 '000 RUR	2005 '000 USD*	2004 '000 USD*
Accounts receivable – trade	3,856,390	2,425,578	133,984	84,273
VAT receivable	3,081,950	1,165,107	107,077	40,480
Prepayments	366,858	248,672	12,746	8,640
Income tax receivable	111,235	81,554	3,865	2,833
Other taxes receivable	25,634	40,552	890	1,409
Other receivables	1,074,539	1,115,739	37,333	38,764
	8,516,606	5,077,202	295,895	176,399
Impairment losses	(865,931)	(969,596)	(30,085)	(33,687)
	7,650,675	4,107,606	265,810	142,712

22 Cash and cash equivalents

	2005 '000 RUR	2004 '000 RUR	2005 '000 USD*	2004 '000 USD*
Petty cash	6,053	1,788	210	62
Current accounts	394,476	331,636	13,705	11,522
Cash equivalents	108,732	10,876	3,778	378
Cash and cash equivalents in the balance sheet	509,261	344,300	17,693	11,962
Bank overdrafts	(48,933)	(11,999)	(1,700)	(417)
Cash and cash equivalents in the statement of cash flows	460,328	332,301	15,993	11,545

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

23 Equity

(a) Share capital

Number of shares unless otherwise stated	**Ordinary shares**	**Preference shares**
	2005	**2005**
Authorised shares	20,004,512	1,454
Par value	RUR 1	RUR 1
On issue at beginning of year, thousands	7,049	1,454
Issued for exchange of shares, thousands	6,082	-
On issue at end of year, fully paid, thousands	13,131	1,454

Preference shares have no right of conversion or compulsory redemption, but are entitled to an annual dividend per share equal to the greater 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 October 2005, OAO GAZ placed 6,082,318 ordinary shares of the new issue with a par value of 1 RUR and purchase price of RUR 1,887 per share. 5,234,870 shares were purchased by OAO Russkie Machiny (parent company of OAO GAZ), 116,588 shares were purchased by related parties and 730,860 shares were purchased by third parties. The shareholders purchased the shares in exchange for shares in the Group's subsidiaries listed in note 34. This share issue was a part of the Group restructuring process, refer note 2 (b), which was recorded in the consolidated financial statements in accordance with the Group's accounting policies described in notes 3(a)(ii) and 3(a)(iii).

(b) Share premium

Share premium represents the difference between the par value and purchase price of shares issued, contributions made by the ultimate shareholders other than in respect of share capital and difference between the consideration paid to acquire minority interests and the carrying amount of those minority interests.

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

(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 31 December 2005, the Company had cumulative retained earnings, including the profit for the current year, of RUR 692,402 thousand / USD* 24,056 thousand.

(d) Distributions to shareholders

Several of the Group's subsidiaries distributed RUR 192,105 thousand/USD* 6,674 thousand to their shareholders before their acquisition by the Group.

24 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 29.

	2005 ’000 RUR	2004 ’000 RUR	2005 ’000 USD*	2004 ’000 USD*
Non-current				
Secured bank loans	15,409	49,240	536	1,711
Secured borrowings	402,955	1,200,534	14,000	41,710
Finance lease liability	386,413	88,104	13,425	3,061
	804,777	1,337,878	27,961	46,482
Current				
Current portion of secured bank loans	6,434,885	11,046,547	223,569	383,794
Current portion of secured borrowings	902,364	205,249	31,351	7,131
Unsecured bank loans	996,450	-	34,620	-
Bank overdraft	48,933	11,999	1,700	417
Interest accrued	28, 093	30,968	976	1,076
Finance lease liability	125,971	235,565	4,377	8,184
	8,536,696	11,530,328	296,593	400,602

The following table provides for the details of interest-bearing liabilities.

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

2005

'000 RUR	**Contract / Effective interest rate**	**Less than 1 year**	**1 – 2 years**	**Total**
Liabilities				
Secured bank loans:				
RUR	1% - 3%	448,144	-	448,144
RUR	7%-10%	3,961,922	-	3,961,922
RUR	11%-13%	1,936,696	-	1,936,696
USD	1.5%	86,348	-	86,348
USD	8.2%	30,735	15,409	46,144
Unsecured bank loans:				
RUR	7%-13%	996,450	-	996,450
Overdraft				
RUR	8%	48,933	-	48,933
Secured borrowings:				
RUR	1%	54,221	-	54,221
RUR	7.4%	495,318	-	495,318
RUR	15%	35,350	-	35,350
USD	8.3%	316,608	402,955	719,563
Finance lease liability	14%-26%	125,971	386,413	512,384
		8,536,696	804,777	9,341,473

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

2004

'000 RUR	**Contract / Effective interest rate**	**Less than 1 year**	**1 – 2 years**	**Total**
Liabilities				
Secured bank loans:				
RUR	10%-13%	5,860,664	-	5,860,664
RUR	1%-4%	315,702	-	315,702
RUR	14%-16%	610,036	4,700	614,736
USD	7%-9%	4,275,451	44,510	4,319,961
Overdraft				
RUR	13%	11,999	-	11,999
Secured borrowings:				
RUR	2%	29,736	11,528	41,264
RUR	7%-10%	12,593	495,318	507,911
USD	7%-10%	178,582	693,718	872,300
Finance lease liabilities – RUR	20%-34%	235,565	88,104	323,669
		11,530,328	1,337,878	12,868,206

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

2005

'000 USD*	**Contract / Effective interest rate**	**Less than 1 year**	**1 – 2 years**	**Total**
Liabilities				
Secured bank loans:				
RUR	1% - 3%	15,570	-	15,570
RUR	7%-10%	137,650	-	137,650
RUR	11%-13%	67,287	-	67,287
USD	1.5%	3,000	-	3,000
USD	8.2%	1,068	536	1,604
Unsecured bank loans:				
RUR	7%-13%	34,620	-	34,620
Overdraft				
RUR	8%	1,700	-	1,700
Secured borrowings:				
RUR	1%	1,884	-	1,884
RUR	7.4%	17,209	-	17,209
RUR	15%	1,228	-	1,228
USD	8.3%	11,000	14,000	25,000
Finance lease liability	14%-26%	4,377	13,425	17,802
		296,593	27,961	324,554

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

2004

’000 USD*	Contract / Effective interest rate	Less than 1 year	1 – 2 years	Total
Liabilities				
Secured bank loans:				
RUR	10%-13%	203,619	-	203,619
RUR	1%-4%	10,969	-	10,969
RUR	14%-16%	21,195	163	21,358
USD	7%-9%	148,544	1,546	150,090
Overdraft				
RUR	13%	417	-	417
Secured borrowings:				
RUR	2%	1,033	401	1,434
RUR	7%-10%	437	17,209	17,646
USD	7%-10%	6,204	24,102	30,306
Finance lease liabilities – RUR	20%-34%	8,184	3,061	11,245
		400,602	46,482	447,084

Finance lease liabilities are payable as follows:

	2005			2004		
’000 RUR	**Payments**	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	274,892	148,921	125,971	237,280	1,715	235,565
Between one and five years	402,221	15,808	386,413	104,226	16,122	88,104
	677,113	164,729	512,384	341,506	17,837	323,669

	2005			2004		
’000 USD*	**Payments**	**Interest**	**Principal**	**Payments**	**Interest**	**Principal**
Less than one year	9,551	5,174	4,377	8,244	60	8,184
Between one and five years	13,974	549	13,425	3,621	560	3,061
	23,525	5,723	17,802	11,865	620	11,245

Current finance lease liabilities include RUR 39,072 thousand / USD* 1,357 thousand payable to related parties (2004: RUR 17,284 thousand / USD* 601 thousand), refer note 33(c).

Non-current finance lease liabilities include RUR 79,402 thousand/USD* 2,759 thousand payable to related parties due in 2007-2008 (2004: 3,183 thousand/ USD* 111 thousand), refer note 33(c).

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

The finance lease liability of RUR 221,327 thousand/USD* 7,690 thousand due as of 31 December 2004 was restructured in 2005 for the period of three years.

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of RUR 5,250,221 thousand / USD* 182,410 thousand– refer note 14(b).
- Inventory with a carrying amount of RUR 2,421,045 / USD* 84,115 – refer note 20.

The finance lease liabilities are secured by the leased assets, refer note 14(c).

25 Delayed taxes

Terms and debt repayment schedule

The deferral of income and other long term tax liabilities is in accordance with decisions about tax deferral made by tax authorities according to Russian Federation law in force in respect of Group's entities. The amount payable is stated at its nominal value and was not discounted to present value upon restructuring. The fair value of the delayed taxes as of 31 December 2005 discounted at the effective rate of 13% was RUR 229,405 thousand/ USD* 7,970 thousand (2004: discounted at the effective rate of 13% was RUR 737,394 thousand/USD 25,620 thousand).

	2005	**2004**	**2005**	**2004**
	'000 RUR	**'000 RUR**	**'000 USD***	**'000 USD***
Over 1 year	258,128	725,377	8,968	25,202
Over 5 years	38,592	77,932	1,341	2,708
	296,720	803,309	10,309	27,910

26 Other long-term payables

	2005	**2004**	**2005**	**2004**
	'000 RUR	**'000 RUR**	**'000 USD***	**'000 USD***
Government grants	133,178	182,459	4,627	6,339
Other	28,851	1,032	1.002	36
	162,029	183,491	5,629	6,375

27 Earnings per share

Earnings per share is calculated by dividing the net profit attributable to ordinary and preference shares of RUR 2,435,782 thousand/USD* 84,627 thousand by the weighted average number of ordinary and preference shares outstanding respectively during the year of 13,131 thousand ordinary shares and 1,454 thousand preference shares. For the purpose of the calculation of the weighted average number of shares, shares issued in connection with the Group restructuring were deemed to have been issued on 1 January 2005. The Group has no potentially dilutive securities.

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

28 Trade and other payables

	2005 '000 RUR	2004 '000 RUR	2005 '000 USD*	2004 '000 USD*
Accounts payable – trade	5,129,125	3,678,535	178,203	127,804
Other taxes payable	2,298,332	1,788,102	79,852	62,124
Advances received	1,092,663	752,286	37,963	26,137
Payables to employees	913,218	1,020,824	31,728	35,467
Income tax payable	317,769	189,324	11,040	6,578
Warranty provision	315,888	51,081	10,975	1,775
Accounts payable – PPE	180,483	222,896	6,271	7,744
Other payables and accrued expenses	528,623	1,153,284	18,366	40,070
	10,776,101	8,856,332	374,398	307,699

29 Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business.

(a) Credit risk

The Group does not require collateral in respect of financial assets. Credit evaluations are performed on all customers, other than related parties, requiring credit over a certain amount.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

At the balance sheet date there was a significant concentration of credit risk in respect of amounts receivable from related parties. The total amount receivable from related parties was RUR 789,959 / USD* 27,446 or 10% of the total receivables (2004: RUR 1,731,666 / USD* 60,164 thousand or 42% of the total receivables).

(b) Interest rate risk

The Group incurs interest rate risk primarily on loans and borrowings. The Group adopts a policy of ensuring that the major part of its exposure to changes in interest rates on secured bank loans is on a fixed rate basis.

(c) Foreign currency risk

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the respective Group entities. The currencies giving rise to this risk are primarily USD and Euro. Due to the fact that foreign currency risk is insignificant for the Group, management does not hedge it.

The Group has the following foreign-currency denominated financial assets and liabilities:

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

’000 RUR	USD-denominated 2005	Euro-denominated 2005	USD-denominated 2004	Euro-denominated 2004
Current assets				
Loans advanced	-	-	3,831,468	-
Receivables	291,213	131,960	875	60,346
Other receivables	43	281,836	-	-
Current liabilities				
Payables	(139,806)	(115,853)	(32,237)	(97,211)
Other payables	-	(5,571)	-	-
Loans and borrowings	(449,100)	-	(4,042,683)	-
Non-current liabilities				
Loans and borrowings	(402,955)	-	(693,718)	-
	(700,605)	292,372	(936,295)	(36,865)

’000 USD*	USD-denominated 2005	Euro-denominated 2005	USD-denominated 2004	Euro-denominated 2004
Current assets				
Loans advanced	-	-	133,118	-
Receivables	10,118	4,585	30	2,096
Other receivables	1	9,792	-	-
Current liabilities				
Payables	(4,857)	(4,025)	(1,120)	(3,377)
Other payables	-	(194)	-	-
Loans and borrowings	(15,603)	-	(140,456)	-
Non-current liabilities				
Loans and borrowings	(14,000)	-	(24,102)	-
	(24,341)	10,158	(32,530)	(1,281)

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

The following exchange rates applied at 31 December:

	USD 2005	Euro 2005	USD 2004	Euro 2004
RUR 1 equals	28.7825	34.1850	27.7487	37.8104

(d) Fair values

The fair value of unquoted equity investments is discussed in note 16. In other cases management believes that the fair value of its financial assets and liabilities approximates their carrying amounts except for the delayed taxes as described in note 25.

For receivables and payables with a maturity of less than one year fair value is not materially different from the carrying amount because the effect of the time value of money is not material. For other receivables and payables, expected future principal and interest cash flows were discounted at effective rate of 13%.

30 Operating leases

Non-cancellable operating lease relates to the rent of land plots from local authorities. The expected schedule of future payments for the lease of land plots is as follows:

	2005 '000 RUR	2004 '000 RUR	2005 '000 USD*	2004 '000 USD*
Less than one year	123,443	125,815	4,289	4,371
Between one and five years	483,308	466,810	16,792	16,219
More than five years	3,471,206	3,573,980	120,601	124,172
	4,077,957	4,166,605	141,682	144,762

The Group has numerous leases of land plots with local authorities. The schedule of lease payments to be made is disclosed above. The calculation of payments was made based on lease conditions effective on the financial statement date. These payments increase annually in accordance with a formula based on a correction coefficient established legitimately by Local authorities. This correction coefficient has not been reflected in the amounts above. These leases are typically for a term of 45 years, with an option to renew at the end of the lease term.

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

In addition, the Group has termless agreements for the use of land for which it pays land tax. The substance of the land tax payment is a lease payment. These land tax payments are expected to be payable as follows (based on the amount of expenses incurred during the current year):

	2005	2004	2005	2004
	’000 RUR	’000 RUR	’000 USD*	’000 USD*
Less than one year	64,125	43,557	2,228	1,513
Between one and five years	256,500	174,228	8,912	6,053
More than five years	2,565,005	1,742,280	89,116	60,533
	2,885,630	1,960,065	100,256	68,099

During the current year RUR 224,475 thousand / USD* 7,799 thousand was recognised as an expense in the income statement in respect of operating leases.

31 Commitments

The Group makes contributions to mandatory and voluntary social programs. The Group’s social assets, as well as local social programs, benefit the Group’s employees. The Group has transferred certain social operations and assets to local authorities. Management expects that the Group will continue to fund these social programs intended on the motivation of Group’s employees through the foreseeable future. These costs are expensed as incurred.

32 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group’s operations and financial position.

(b) Litigation

Certain legal proceedings against the Group on matters arising in the ordinary course of business are pending at the balance sheet date. Management is of the opinion that no losses, 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 characterised 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 regulating authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax

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

authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation demonstrate 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 in the consolidated financial statements of the Group based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements of the Group, if the authorities were successful in enforcing their interpretations, could be significant.

In 2005, the tax authorities performed a tax audit of the 2001 fiscal year and, as a result, have challenged certain transactions amounting to RUR 190 million/USD* 6.6 million on the basis that they lack commercial substance and are aimed exclusively at reduction of tax liabilities. Due to offset of tax losses previously reported in 2001 and the effect on the above transactions, the additional income tax claimed amounted to RUR 22 million/USD* 0.8 million, excluding penalties and interest. Under the relevant legislation, the tax authorities can impose penalties equal to the total transaction amounts. Similar transactions in larger volumes were carried out by the Group in subsequent periods although such transactions were not challenged by the recently completed tax audit for 2003 and 2004.

Management has assessed the Group's overall tax position with respect to the use of such arrangements based upon its understanding of the tax regulations and experience in working with tax authorities. Management has not provided any amounts in respect of such matters as it believes that it is not probable that an outflow of economic benefits will be required. It is not practicable to determine the amount of the maximum exposure.

Due to the volume of such transactions and taking into account the financial indicators of the Group outlined in Note 2(f), should the tax authorities be successful in challenging the commercial validity of all or a significant part of such transactions, the Group may require financial support from the Company's principal shareholder.

33 Related party transactions

(a) Control relationships

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

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

Related parties comprise the Shareholder Group and all other companies in which the Shareholder Group has a controlling interest or significant influence. In addition, the Group has a controlling relationship with all its subsidiaries (refer note 34 for a list of significant subsidiaries).

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

(b) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (see note 11):

	2005 '000 RUR	2005 '000 USD*
Salaries and bonuses	67,268	2,337
Contributions to State pension fund	4,008	139
	71,276	2,476

(c) Transactions with other related parties

The Group's other related party transactions are disclosed below.

(i) Revenue

Sales with fellow subsidiaries for the year were as follows:

	2005 '000 RUR	2005 '000 USD*
Sales of goods	5,272,869	183,197
Services provided	1,715,506	59,602
	6,988,375	242,799

(ii) Purchases of raw materials and services

Purchases of raw materials and services from fellow subsidiaries for the year were as follows:

	2005 '000 RUR	2005 '000 USD*
Purchase of raw materials	4,206,527	146,149
Purchase of services	178,936	6,217
	4,385,463	152,366

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

(iii) Trade and other receivables and other current investments

Trade and other receivables from fellow subsidiaries at the end of the year were as follows:

	2005 '000 RUR	2004 '000 RUR	2005 '000 USD*	2004 '000 USD*
Receivables	492,191	1,319,207	17,100	45,834
Advances paid	4,341	1,211	151	42
Other receivables	293,427	411,248	10,195	14,288
	789,959	1,731,666	27,446	60,164

(iv) Loans advanced

Loans advanced at the end of the period were as follows:

	2005 '000 RUR	2004 '000 RUR	2005 '000 USD*	2004 '000 USD*
Non-current				
Companies of Basic Element group:				
RUR – fixed at 12%	282,246	22,221	9,806	772
Current				
AKB Soyuz:				
RUR – fixed at 14%	1,450,513	713,914	50,396	24,804
Parent company:				
RUR – fixed at 1%	-	247,784	-	8,609
Parent company:				
RUR – fixed at 10%-15%	1,241,823	-	43,145	-
Companies of Basic Element Group:				
USD – fixed between 8.2%-8.7%	-	3,831,468	-	133,118
Companies of Russkie Mashiny Group:				
RUR – fixed at 1%	44,818	12,224	1,557	425
Companies of Russkie Mashiny Group:				
RUR – fixed between 10%-12%	233,409	151,000	8,109	5,246
	2,970,563	4,956,390	103,207	172,202

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

	3,252,809	4,978,611	113,013	172,974

The Group provided loans to the parent company in amount of RUR 1,471,971 thousand/ USD* 51,141 thousand repayable in 2006 and bearing 10% - 15% interest, refer note 18. In 2005 the Group has received RUR 9,202 thousand/ USD* 320 thousand of interest income on these loans.

During the year 2005 the Group provided loans to a fellow subsidiary OAO AKB Soyuz in amount of RUR 1,404,515 thousand / USD* 48,798 thousand repayable in 2006 and bearing 14% interest, refer note 18. In 2005 the Group has received RUR 89,946 thousand/ USD* 3,125 thousand of interest income on these loans.

In 2005 the Group has also received RUR 188,171 thousand / USD* 6,538 thousand of interest income on loans provided to other related parties.

The current investments include RUR 125,310 thousand / USD* 4,353 thousand of promissory notes of related parties (2004: RUR 114,100 thousand / USD* 3,964 thousand). Those promissory notes bear no interest and are repayable on demand, refer note 16. They were repaid in 2006.

(v) Trade and other payables

Trade and other payables owing to related parties at the end of the year were as follows:

	2005	**2004**	**2005**	**2004**
	’000 RUR	**’000 RUR**	**’000 USD***	**’000 USD***
Trade payables	334,441	948,925	11,620	32,969
Finance lease liability	118,474	20,467	4,116	712
Advances received	30,346	381,625	1,054	13,259
Other payables	236,081	608,343	8,202	21,136
	719,342	1,959,360	24,992	68,076

Interest free own promissory notes for RUR 27,658 thousand / USD* 961 thousand were issued to related parties and are due in 2015.

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

(vi) Loans received

Loans and borrowings owing to related parties at the end of the year were as follows:

	2005 '000 RUR	2004 '000 RUR	2005 '000 USD*	2004 '000 USD*
AKB Soyuz:				
RUR – fixed between 1% -3%	137,833	100,851	4,789	3,504
Companies of Consultrend Group RUR – fixed at 7.4%	495,318	495,318	17,209	17,209
Companies under control of ultimate shareholder:				
USD – fixed at 8.3%	719,562	869,784	25,000	30,219
Other related parties	90,355	-	3,139	-
	1,443,068	1,465,953	50,137	50,932

(d) Pricing policies

Prices for related party transactions are determined by the Group on an ongoing basis.

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

34 Significant subsidiaries

	Country of incorporation	Effective ownership 2005	Effective ownership 2004
OOO Avtomobilny zavod GAZ	Russia	100%	100%
OOO Zavod shtampov i pressform	Russia	100%	100%
OOO TZK GAZ	Russia	100%	100%
OOO TD Russkie mashiny	Russia	100%	100%
OOO Avtozavodskie Energeticheskie Seti	Russia	51%	51%
OOO RPAS	Russia	100%	100%
OAO Golicinskiy Avtobusny zavod	Russia	100%	100%
OOO Likinsky avtobus	Russia	100%	100%
OOO LIAZ	Russia	100%	100%
OOO KAVZ	Russia	100%	100%
OAO KAAZ	Russia	93%	90%
OAO Saranskiy Zavod Avtosamosvalov	Russia	62%	51%
OOO TsTD Russkie avtobusy	Russia	89%	77%
OOO UK RusPromAvto	Russia	100%	-
OAO PAZ	Russia	89%	77%
OOO Pavlovskiy avtobusny zavod	Russia	89%	77%
OAO YAZDA	Russia	86%	66%
OAO YAZTA	Russia	88%	65%
OOO TD TPS	Russia	86%	66%
OOO UPTK TPS	Russia	86%	-
OAO Autodiesel	Russia	57%	49%
OOO TD Dizel MTS	Russia	57%	49%
OOO TK Yardizel	Russia	57%	49%

35 Events subsequent to the balance sheet date

Subsequent to 31 December 2005, the Group issued long-term interest-bearing non-convertible bonds of RUR 5,000,000 thousand/USD*173,717 thousand with maturity date February 2011. The interest on the bonds is repayable on August and February each year starting from August 2006. Till August 2008 the interest will be accrued based on 8.49% interest rate. Subsequent interest rate will be agreed additionally.

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