

ОАО ГАЗ

Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2012

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Independent Auditors' Report on review of Condensed Consolidated Interim Financial Information

To the Board of Directors

ОАО ГАЗ

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of ОАО ГАЗ (the "Company") and its subsidiaries (the "Group") as at 30 June 2012, and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and notes to the condensed consolidated interim financial information (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed 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 condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed consolidated 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 condensed consolidated interim financial information as at 30 June 2012 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*.

Other Matter

The USD amounts in the accompanying condensed consolidated interim financial information, which are presented solely for the convenience of users as described in Note 2 (d), do not form part of the condensed consolidated interim financial information and are not reviewed.

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26 September 2012

	Note	For the six months ended 30 June Unaudited		For the six months ended 30 June Unaudited	
		2012	2011	2012	2011
		'000 RUB	'000 RUB	'000 USD*	'000 USD*
Revenue		57,560,307	52,105,525	1,753,984	1,587,765
Cost of sales		(46,267,094)	(42,142,292)	(1,409,856)	(1,284,164)
Gross profit		11,293,213	9,963,233	344,128	303,601
Distribution expenses		(2,195,217)	(2,125,033)	(66,893)	(64,754)
Administrative expenses		(3,816,611)	(3,844,814)	(116,300)	(117,159)
Other income	6	691,119	728,995	21,060	22,214
Other expenses	6	(671,870)	(643,992)	(20,473)	(19,624)
Financial income		344,016	207,112	10,483	6,311
Financial expenses		(1,544,349)	(2,346,269)	(47,060)	(71,496)
Net gain on foreign exchange differences		24,871	(206,260)	757	(6,285)
Profit before income tax		4,125,172	1,732,972	125,702	52,808
Income tax expense	7	(664,665)	(220,128)	(20,254)	(6,708)
Profit for the period		3,460,507	1,512,844	105,448	46,100
Other comprehensive income					
Foreign currency translation differences		(349)	(1,894)	(11)	(58)
Defined benefit plan actuarial losses		(29,018)	(3,060)	(884)	(93)
Other comprehensive income for the period		(29,367)	(4,954)	(895)	(151)
Total comprehensive income for the period		3,431,140	1,507,890	104,553	45,949
Profit attributable to:					
Owners of the Company		3,156,753	1,256,556	96,192	38,290
Non-controlling interests		303,754	256,288	9,256	7,810
Profit for the period		3,460,507	1,512,844	105,448	46,100
Total comprehensive income attributable to:					
Owners of the Company		3,127,386	1,251,602	95,297	38,139
Non-controlling interests		303,754	256,288	9,256	7,810
Total comprehensive income for the period		3,431,140	1,507,890	104,553	45,949

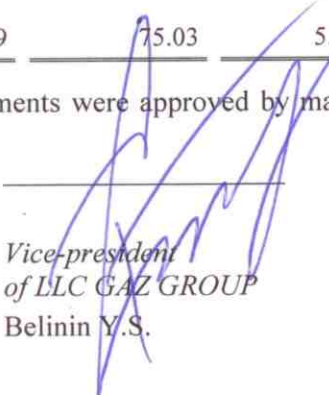
The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 13 to 33.

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

	Note	For the six months ended 30 June Unaudited		For the six months ended 30 June Unaudited	
		2012	2011	2012	2011
		'000 RUB	'000 RUB	'000 USD*	'000 USD*
Earnings per share					
Basic and diluted earnings per share	10	188.49	75.03	5.74	2.30

These condensed consolidated interim financial statements were approved by management on 26 September 2012 and were signed on its behalf by:


President
of LLC GAZ GROUP
 Bo Andersson


Vice-president
of LLC GAZ GROUP
 Belinin Y.S.

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 13 to 33.

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		30 June 2012	31 December	30 June 2012	31 December
	Note	Unaudited	2011	Unaudited	2011
		'000 RUB	'000 RUB	'000 USD*	'000 USD*
ASSETS					
Non-current assets					
Property, plant and equipment	8	25,722,584	22,771,096	783,821	693,883
Intangible assets		2,139,511	1,989,462	65,196	60,623
Other investments		1,295,788	481,409	39,485	14,670
Investment in equity accounted investees		4,990	4,990	152	152
Deferred tax assets		1,285,092	1,146,414	39,160	34,934
Loans issued		658,908	623,564	20,078	19,001
Other long-term financial assets		259,573	98,419	7,910	2,999
Total non-current assets		31,366,446	27,115,354	955,802	826,262
Current assets					
Inventories		12,857,660	10,932,294	391,800	333,130
Other investments		45	45	1	1
Loans issued		795,259	557,376	24,233	16,984
Accounts receivable		7,293,001	5,966,572	222,233	181,815
Prepayments for inventories and services		2,147,961	1,215,153	65,453	37,028
Other short-term assets		2,805,341	2,039,250	85,485	62,140
Income tax receivable		31,007	130,447	945	3,975
Cash and cash equivalents		7,642,644	9,844,128	232,887	299,971
Total current assets		33,572,918	30,685,265	1,023,037	935,044
Total assets		64,939,364	57,800,619	1,978,839	1,761,306

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 13 to 33.

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		30 June 2012	31 December	30 June 2012	31 December
	Note	Unaudited	2011	Unaudited	2011
		'000 RUB	'000 RUB	'000 USD*	'000 USD*
EQUITY AND LIABILITIES					
Equity					
Share capital		2,311,772	2,311,772	70,445	70,445
Share premium		9,891,737	9,765,532	301,422	297,576
Treasury shares		(7,304,782)	(7,304,782)	(222,592)	(222,592)
Foreign currency translation reserve		2,427	2,776	74	85
Retained earnings		(12,978,723)	(16,106,458)	(395,490)	(490,798)
Total equity attributable to shareholders of the Company		(8,077,569)	(11,331,160)	(246,141)	(345,284)
Non-controlling interests		2,523,344	1,938,805	76,892	59,079
Total equity		(5,554,225)	(9,392,355)	(169,249)	(286,205)
Non-current liabilities					
Loans and borrowings	11	34,778,950	33,839,813	1,059,788	1,031,170
Employee benefits		720,087	699,429	21,942	21,313
Deferred tax liabilities		299,968	280,879	9,141	8,559
Other long-term liabilities and deferred income		200,826	47,832	6,120	1,458
Total non-current liabilities		35,999,831	34,867,953	1,096,991	1,062,500
Current liabilities					
Loans and borrowings	11	9,993,422	9,049,058	304,521	275,744
Accounts payable		15,297,329	16,107,465	466,141	490,828
Other short-term liabilities		3,105,009	3,475,234	94,616	105,898
Advances received		5,177,351	2,957,899	157,765	90,133
Income tax payable		920,647	735,365	28,054	22,408
Total current liabilities		34,493,758	32,325,021	1,051,097	985,011
Total liabilities		70,493,589	67,192,974	2,148,088	2,047,511
Total equity and liabilities		64,939,364	57,800,619	1,978,839	1,761,306

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 13 to 33.

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

	Note	Six months ended 30 June Unaudited		Six months ended 30 June Unaudited	
		2012 '000 RUB	2011 '000 RUB	2012 '000 USD*	2011 '000 USD*
OPERATING ACTIVITIES					
Profit for the period		3,460,507	1,512,844	105,448	46,100
<i>Adjustments for:</i>					
Depreciation		942,460	913,650	28,719	27,841
Amortisation		44,742	34,352	1,363	1,047
Impairment losses / (reversal of) of property, plant, equipment	6	16,887	(15,363)	515	(468)
Gain on disposal of property, plant and equipment and intangible assets	6	(352,640)	(16,590)	(10,746)	(506)
Accrual of / (reversal of) fines and penalties	6	108,477	(123,849)	3,306	(3,774)
Gain on payables write -off	6	(33,514)	(19,364)	(1,021)	(590)
Accrual of warranty provision		195,949	4,787	5,971	146
Loss on / (reversal of) impairment of loans issued and other investments		168,283	(76,371)	5,128	(2,327)
Reversal of accrual of bad debt reserve, provision for inventory and VAT	6	(99,099)	(660,989)	(3,020)	(20,142)
Change in defined benefit plan		(2,405)	(535)	(73)	(16)
Interest expense		2,205,859	2,323,126	67,217	70,791
Interest income		(343,967)	(126,645)	(10,481)	(3,860)
Income tax expense	7	664,665	220,128	20,254	6,708
Cash from operating activities before changes in working capital		6,976,204	3,969,181	212,580	120,950
Change in inventories		(1,693,349)	(4,469,532)	(51,600)	(136,196)
Change in receivables and other assets		(1,818,932)	(1,991,938)	(55,427)	(60,699)
Change in prepayments for goods and services		(932,809)	(1,099,034)	(28,425)	(33,490)
Change in payables and other liabilities		(1,235,731)	2,460,392	(37,656)	74,973
Change in advances received		2,219,452	2,948,484	67,632	89,847
Cash flows from operations before income taxes and interest paid		3,514,835	1,817,553	107,104	55,385
Income taxes paid		(499,532)	(168,102)	(15,222)	(5,123)
Interest paid		(2,364,978)	(3,300,264)	(72,066)	(100,566)
Cash flows from /(used in) operating activities		650,325	(1,650,813)	19,816	(50,304)

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 13 to 33.

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	Note	Six months ended 30 June Unaudited		Six months ended 30 June Unaudited	
		2012 '000 RUB	2011 '000 RUB	2012 '000 USD*	2011 '000 USD*
INVESTING ACTIVITIES					
Proceeds from disposal of property, plant, equipment and intangible assets		10,773	22,526	329	686
Proceeds from repayment of loans issued		15,111	915,895	460	27,909
Loans issued		(233,717)	(905,877)	(7,122)	(27,604)
Interest received		165,251	35,161	5,036	1,071
Acquisition of property, plant and equipment		(3,667,757)	(1,131,628)	(111,764)	(34,483)
Acquisition of intangible assets		(211,617)	(64,958)	(6,448)	(1,979)
Acquisition of interest in subsidiaries		(814,366)	-	(24,816)	-
Cash flows used in investing activities		(4,736,322)	(1,128,881)	(144,325)	(34,400)
FINANCING ACTIVITIES					
Proceeds from borrowings		3,997,255	1,612,790	121,805	49,145
Repayment of borrowings		(2,372,990)	(1,967,565)	(72,310)	(59,956)
Cash inflow from holders of non-controlling interests in a new subsidiary	5(a)	293,077	-	8,931	-
Dividends paid	9	(32,829)	-	(1,001)	-
Cash flows from / (used in) financing activities		1,884,513	(354,775)	57,425	(10,811)
Net decrease in cash and cash equivalents		(2,201,484)	(3,134,469)	(67,084)	(95,515)
Cash and cash equivalents at the beginning of the period		9,844,128	4,780,059	299,971	145,658
Cash and cash equivalents at the end of the period		7,642,644	1,645,590	232,887	50,143

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 13 to 33.

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'000 RUB

Attributable to equity holders of the Company

	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2011	2,311,772	9,770,311	(7,304,782)	3,388	(24,293,065)	(19,512,376)	1,656,996	(17,855,380)
Profit for the period	-	-	-	-	1,256,556	1,256,556	256,288	1,512,844
Other comprehensive income								
Foreign currency translation reserve	-	-	-	(1,894)	-	(1,894)	-	(1,894)
Defined benefit plan actuarial losses	-	-	-	-	(3,060)	(3,060)	-	(3,060)
Total other comprehensive income for the period	-	-	-	(1,894)	(3,060)	(4,954)	-	(4,954)
Total comprehensive income for the period	-	-	-	(1,894)	1,253,496	1,251,602	256,288	1,507,890
Balance at 30 June 2011 (unaudited)	<u>2,311,772</u>	<u>9,770,311</u>	<u>(7,304,782)</u>	<u>1,494</u>	<u>(23,039,569)</u>	<u>(18,260,774)</u>	<u>1,913,284</u>	<u>(16,347,490)</u>
Balance at 1 January 2012	2,311,772	9,765,532	(7,304,782)	2,776	(16,106,458)	(11,331,160)	1,938,805	(9,392,355)
Profit for the period	-	-	-	-	3,156,753	3,156,753	303,754	3,460,507
Other comprehensive income								
Foreign currency translation differences	-	-	-	(349)	-	(349)	-	(349)
Defined benefit plan actuarial losses	-	-	-	-	(29,018)	(29,018)	-	(29,018)
Total other comprehensive income for the period	-	-	-	(349)	(29,018)	(29,367)	-	(29,367)
Total comprehensive income for the period	-	-	-	(349)	3,127,735	3,127,386	303,754	3,431,140
Transactions with non-controlling interests (Note 5(a))	-	126,205	-	-	-	126,205	280,785	406,990
Balance at 30 June 2012 (unaudited)	<u>2,311,772</u>	<u>9,891,737</u>	<u>(7,304,782)</u>	<u>2,427</u>	<u>(12,978,723)</u>	<u>(8,077,569)</u>	<u>2,523,344</u>	<u>(5,554,225)</u>

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to and forming part of the condensed consolidated interim financial statements set out on pages 13 to 33.

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'000 USD*

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Retained earnings	Total		
Balance at 1 January 2011	70,445	297,722	(222,592)	103	(740,261)	(594,583)	50,492	(544,091)
Profit for the period	-	-	-	-	38,290	38,290	7,810	46,100
Other comprehensive income								
Foreign currency translation reserve	-	-	-	(58)	-	(58)	-	(58)
Defined benefit plan actuarial losses	-	-	-	-	(93)	(93)	-	(93)
Total other comprehensive income for the period	-	-	-	(58)	(93)	(151)	-	(151)
Total comprehensive income for the period	-	-	-	(58)	38,197	38,139	7,810	45,949
Balance at 30 June 2011 (unaudited)	70,445	297,722	(222,592)	45	(702,064)	(556,444)	58,302	(498,142)
Balance at 1 January 2012	70,445	297,576	(222,592)	85	(490,798)	(345,284)	59,079	(286,205)
Profit for the period	-	-	-	-	96,192	96,192	9,256	105,448
Other comprehensive income								
Foreign currency translation differences	-	-	-	(11)	-	(11)	-	(11)
Defined benefit plan actuarial losses	-	-	-	-	(884)	(884)	-	(884)
Total other comprehensive income for the period	-	-	-	(11)	(884)	(895)	-	(895)
Total comprehensive income for the period	-	-	-	(11)	95,308	95,297	9,256	104,553
Transactions with non-controlling interests (Note5(a))	-	3,846	-	-	-	3,846	8,557	12,403
Balance at 30 June 2012 (unaudited)	70,445	301,422	(222,592)	74	(395,490)	(246,141)	76,892	(169,249)

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to and forming part of the condensed consolidated interim financial statements set out on pages 13 to 33.

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1 Background

(a) Organisation and its operations

OAO GAZ (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 incorporated in accordance with the Civil Code of the Russian Federation. The Company was established as a state-owned enterprise in July 1932. It was privatised as a joint stock company in December 1992, as part of the Russian Federation privatisation program. In 1995 in accordance with changes in Russian legislation the Company was reorganized into an open joint stock company. The Company’s shares are traded over-the-counter in the Open Joint Stock Company “MICEX-RTS” Exchange (“MICEX-RTS”).

The business activities of the Group are managed by LLC GAZ Group.

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 and minivans;
- Middle commercial vehicles and trucks;
- Buses of different types;
- Road construction and special purpose vehicles;
- Diesel engines and fuel injection equipment;
- Spare parts for all types of produced vehicles and various auto-components for produced cars.

These products are sold in the Russian Federation and abroad.

OOO Russkie Mashiny (the “Parent company”), a member of the Basic Element Limited Group (the “Basic Element Group”), owned 72.81% of Company’s shares as at 30 June 2012.

(b) Russian business environment

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

They do not include all the information required for full annual financial statements and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2011.

(b) Basis of measurement

The condensed consolidated interim financial statements are prepared on the historical cost basis; certain items of property, plant and equipment were revalued at 1 January 2002 to determine deemed cost as part of the adoption of IFRSs; and the carrying amounts of non-monetary 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.

(c) Functional and presentation currency

The functional currency of all the Group’s Russian entities is the Russian Rouble (“RUB”). Management has decided to use RUB as the presentation currency for the purposes of these condensed consolidated interim financial statements because a substantial majority of the Group’s operations are based in the Russian Federation. All financial information presented in RUB has been rounded to the nearest thousand.

(d) Convenience translation

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

All amounts of the condensed consolidated interim financial statements are translated from RUB to USD at the closing exchange rate at 30 June 2012 published by the Central Bank of the Russian Federation of RUB 32.8169 to USD 1.

3 Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2011.

4 Segment reporting

The Group’s policy in determination of reportable segments adopted in the preparation of the condensed consolidated interim financial statements is consistent with that followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2011.

Information regarding the results of each reportable segment is included below.

(i) **Reportable segments**

30 June 2012 '000 RUB	Autocomponents	Light commercial vehicles and cars	Buses	Diesel engines and fuel injection equipment	Trucks	Other segments	Total
Reportable segment assets	10,042,306	18,193,718	8,840,818	16,616,981	6,359,049	2,910,534	62,963,406
Reportable segment liabilities	4,949,108	10,534,678	4,558,884	2,662,701	3,060,348	3,231,458	28,997,177
31 December 2011 '000 RUB	Autocomponents	Light commercial vehicles and cars	Buses	Diesel engines and fuel injection equipment	Trucks	Other segments	Total
Reportable segment assets	11,103,804	12,507,838	9,437,294	19,653,224	4,300,063	10,727,805	67,730,028
Reportable segment liabilities	3,082,508	6,072,673	6,296,076	5,878,773	2,425,673	9,473,214	33,228,917

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30 June 2012 '000 USD*	<u>Autocomponents</u>	<u>Light commercial vehicles and cars</u>	<u>Buses</u>	<u>Diesel engines and fuel injection equipment</u>	<u>Trucks</u>	<u>Other segments</u>	<u>Total</u>
Reportable segments assets	306,010	554,401	269,398	506,354	193,774	88,690	1,918,627
Reportable segments liabilities	150,810	321,014	138,919	81,138	93,255	98,469	883,605
31 December 2011 '000 USD*	<u>Autocomponents</u>	<u>Light commercial vehicles and cars</u>	<u>Buses</u>	<u>Diesel engines and fuel injection equipment</u>	<u>Trucks</u>	<u>Other segments</u>	<u>Total</u>
Reportable segments assets	338,356	381,140	287,574	598,875	131,032	326,899	2,063,876
Reportable segments liabilities	93,931	185,047	191,855	179,139	73,915	288,668	1,012,555

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Six months ended 30 June 2012 (unaudited) '000 RUB	Autocomponents	Light commercial vehicles and cars	Buses	Diesel engines and fuel injection equipment	Trucks	Other segments	Total
Revenue from external customers	2,895,773	25,654,775	11,546,646	8,970,019	6,446,389	509,175	56,022,777
Inter-segment revenue	9,970,902	1,960,965	55,081	1,298,444	59,780	11,837,764	25,182,936
Total reportable segment revenue	12,866,675	27,615,740	11,601,727	10,268,463	6,506,169	12,346,939	81,205,713
Reportable segment result	1,082,573	1,959,026	1,249,307	1,277,236	188,169	(119,310)	5,637,001
Depreciation / amortisation	204,062	236,463	96,971	204,392	110,417	34,392	886,697
Capital expenditure	299,499	2,965,495	115,523	717,423	82,870	80,834	4,261,644

Six months ended 30 June 2011 (unaudited) '000 RUB	Autocomponents	Light commercial vehicles and cars	Buses	Diesel engines and fuel injection equipment	Trucks	Other segments	Total
Revenue from external customers	2,357,193	23,845,378	6,336,050	8,690,631	8,228,425	2,725,002	52,182,679
Inter-segment revenue	7,336,274	571,604	57,743	4,437,581	77,595	23,626,506	36,107,303
Total reportable segment revenue	9,693,467	24,416,982	6,393,793	13,128,212	8,306,020	26,351,508	88,289,982
Reportable segment result	1,071,692	715,624	(50,741)	394,245	331,809	647,460	3,110,089
Depreciation / amortisation	168,923	354,761	149,662	365,529	104,408	114,025	1,257,308
Capital expenditure	17,826	47,493	20,627	1,266,726	24,241	29,964	1,406,877

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

Six months ended 30 June 2012 (unaudited) '000 USD*	Autocomponents	Light commercial vehicles and cars	Buses	Diesel engines and fuel injection equipment	Trucks	Other segments	Total
Revenue from external customers	88,240	781,755	351,851	273,335	196,435	15,516	1,707,132
Inter-segment revenue	303,834	59,755	1,678	39,567	1,822	360,721	767,377
Total reportable segment revenue	392,074	841,510	353,529	312,902	198,257	376,237	2,474,509
Reportable segment result	32,988	59,696	38,069	38,920	5,734	(3,636)	171,771
Depreciation / amortisation	6,218	7,206	2,955	6,228	3,365	1,048	27,020
Capital expenditure	9,126	90,365	3,520	21,862	2,525	2,463	129,861

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

Six months ended 30 June 2011 (unaudited) '000 USD*	Autocomponents	Light commercial vehicles and cars	Buses	Diesel engines and fuel injection equipment	Trucks	Other segments	Total
Revenue from external customers	71,829	726,619	193,073	264,822	250,737	83,036	1,590,116
Inter-segment revenue	223,552	17,418	1,760	135,222	2,365	719,949	1,100,266
Total reportable segment revenue	295,381	744,037	194,833	400,044	253,102	802,985	2,690,382
Reportable segment result	32,657	21,807	(1,546)	12,013	10,111	19,729	94,771
Depreciation / amortisation	5,147	10,810	4,561	11,138	3,182	3,475	38,313
Capital expenditure	543	1,447	629	38,600	739	913	42,871

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

(ii) **Reconciliations of reportable segment revenues, profit or loss, assets and liabilities**

	Six months ended 30 June Unaudited		Six months ended 30 June Unaudited	
	2012 '000 RUB	2011 '000 RUB	2012 '000 USD*	2011 '000 USD*
Segment revenue	81,205,713	88,289,982	2,474,509	2,690,382
Inter-segment eliminations	(25,182,936)	(36,107,303)	(767,377)	(1,100,266)
External sales differences	1,537,530	(77,154)	46,852	(2,351)
Revenue in the condensed consolidated interim statement of comprehensive income	<u>57,560,307</u>	<u>52,105,525</u>	<u>1,753,984</u>	<u>1,587,765</u>
Reportable segment result	5,637,001	3,110,089	171,771	94,771
<i>Adjustments:</i>				
Change in unrealised profit	3,147	(76,954)	96	(2,345)
Differences in depreciation and amortisation of fixed assets and intangible assets	45,201	309,306	1,378	9,425
Reversal / (accrual) of provisions for impairment of fixed assets and intangible assets	4,175	15,363	127	468
Reversal of other provisions and reserves	160,150	1,110,772	4,880	33,848
Other adjustments	(549,040)	(390,187)	(16,730)	(11,889)
<i>Non-allocated items:</i>				
Financial income	344,016	207,112	10,483	6,311
Financial expenses	(1,544,349)	(2,346,269)	(47,060)	(71,496)
Net gain on foreign exchange differences	24,871	(206,260)	757	(6,285)
Profit before tax in the condensed consolidated interim statement of comprehensive income	<u>4,125,172</u>	<u>1,732,972</u>	<u>125,702</u>	<u>52,808</u>

	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	'000 RUB	'000 RUB	'000 USD*	'000 USD*
Reportable segment assets	62,963,406	67,730,028	1,918,627	2,063,876
Inter-segment assets	(5,977,480)	(11,596,141)	(182,146)	(353,359)
Non-allocated assets	11,973,306	12,886,792	364,851	392,687
<i>Adjustments:</i>				
Net difference in the cost of fixed assets and intangible assets	(4,594,780)	(8,465,019)	(140,013)	(257,947)
Accrued bad debt and inventory provisions	(1,551,399)	(960,196)	(47,274)	(29,259)
Other adjustments	2,126,311	(1,794,845)	64,794	(54,692)
Total assets in the condensed consolidated interim statement of financial position	64,939,364	57,800,619	1,978,839	1,761,306
Reportable segment liabilities	28,997,177	33,228,917	883,605	1,012,555
Inter-segment liabilities	(5,845,011)	(11,370,543)	(178,110)	(346,484)
Non-allocated liabilities	45,992,987	43,905,115	1,401,503	1,337,881
<i>Adjustments:</i>				
Accrued provisions	714,617	1,527,906	21,776	46,558
Other adjustments	633,819	(98,421)	19,314	(2,999)
Total liabilities in the condensed consolidated interim statement of financial position	70,493,589	67,192,974	2,148,088	2,047,511

5 Acquisitions and disposals

(a) Transactions with non-controlling interests

During the six months ended 30 June 2012 the Group established a new subsidiary Construction Equipment Corporation B.V. where the Group has 85% interest. This resulted in increase in share premium in the amount of RUB 126,205 thousand / USD* 3,846 thousand and in non-controlling interest in the amount of RUB 280,785 thousand / USD* 8,557 thousand. Contribution of holders of the non-controlling interests to the share capital of this company amounted to RUB 406,990 thousand / USD* 12,403 thousand, partially settled in cash in the amount of RUB 293,077 thousand / USD* 8,931 thousand.

6 Other income and expenses

	Six months ended 30 June Unaudited		Six months ended 30 June Unaudited	
	2012 '000 RUB	2011 '000 RUB	2012 '000 USD*	2011 '000 USD*
Income				
Change in provision for inventory	140,726	244,484	4,288	7,450
Change in bad debts provision and write-offs	-	243,974	-	7,434
Gain on disposal of property, plant and equipment and intangible assets	352,640	16,590	10,746	506
Gain on payables write-off	33,514	19,364	1,021	590
Gain on reversal of impairment losses of property, plant and equipment (Note 8(b))	-	15,363	-	468
Gain on disposal of inventories	47,705	49,647	1,454	1,513
Fines and penalties	-	123,849	-	3,774
Other income	116,534	15,724	3,551	479
	<u>691,119</u>	<u>728,995</u>	<u>21,060</u>	<u>22,214</u>
Expenses				
Social expenses and charity	(326,519)	(386,400)	(9,950)	(11,774)
Research and development costs	(50,762)	(209,366)	(1,547)	(6,380)
Fines and penalties	(108,477)	-	(3,306)	-
Impairment losses of property, plant and equipment (Note 8(b))	(16,887)	-	(515)	-
Change in bad debts provision and write-offs	(77,229)	-	(2,353)	-
Other expenses	(91,996)	(48,226)	(2,802)	(1,470)
	<u>(671,870)</u>	<u>(643,992)</u>	<u>(20,473)</u>	<u>(19,624)</u>

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7 Income tax expense

	Six months ended 30 June Unaudited		Six months ended 30 June Unaudited	
	2012 '000 RUB	2011 '000 RUB	2012 '000 USD*	2011 '000 USD*
Current tax expense				
Current period	(823,962)	(196,835)	(25,108)	(5,998)
Adjustments in respect of current income tax of previous years	39,706	20,362	1,210	620
	<u>(784,254)</u>	<u>(176,473)</u>	<u>(23,898)</u>	<u>(5,378)</u>
Deferred tax expense				
Reversal of temporary differences	(789,460)	(455,040)	(24,056)	(13,866)
Change in unrecognised deferred tax assets	909,049	411,385	27,700	12,536,
	<u>119,589</u>	<u>(43,655)</u>	<u>3,644</u>	<u>(1,330)</u>
Income tax expense reported in the statement of comprehensive income	<u>(664,665)</u>	<u>(220,128)</u>	<u>(20,254)</u>	<u>(6,708)</u>

The applicable tax rate for the Company and subsidiaries located in Russia is 20% (2011: 20%). The applicable rate for measuring deferred taxes is 20% both in 2012 and 2011.

Reconciliation of effective tax rate:

	Six months ended 30 June Unaudited		Six months ended 30 June Unaudited	
	2012 '000 RUB	%	2011 '000 RUB	%
Profit before tax	4,125,172	100	1,732,972	100
Income tax at applicable tax rate	(825,034)	(20)	(346,595)	(20)
Income tax at lower/(higher) rates, net	15,176	0	(17,504)	(1)
Change in unrecognised deferred tax assets	909,049	22	411,385	24
Adjustments in respect of current income tax of previous years	39,706	1	20,362	1
Non-deductible items, net	(803,562)	(19)	(287,776)	(17)
	<u>(664,665)</u>	<u>(16)</u>	<u>(220,128)</u>	<u>(13)</u>

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	2012		2011	
	'000 USD*	%	'000 USD*	%
Profit before tax	125,702	100	52,808	100
Income tax at applicable tax rate	(25,140)	(20)	(10,562)	(20)
Income tax at lower/(higher) rates, net	462	0	(533)	(1)
Change in unrecognised deferred tax assets	27,700	22	12,536	24
Adjustments in respect of current income tax of previous years	1,210	1	620	1
Non-deductible items, net	(24,486)	(19)	(8,769)	(17)
	(20,254)	(16)	(6,708)	(13)

8 Property, plant and equipment

(a) Acquisition of property, plant and equipment

During the reporting period the Group acquired property, plant and equipment of RUB 4,050,027 thousand / USD* 123,413 thousand (during the six months ended 30 June 2011: RUB 1,341,921 thousand / USD* 40,891 thousand) including capital expenditures in equipment for contract manufacturing of VW / Skoda cars in the amount of RUB 1,361,382 thousand / USD* 41,484 thousand (during the six months ended 30 June 2011: nil), contract manufacturing of Mercedes-Benz Sprinter cars and OM646 engines in the amount of RUB 644,253 thousand / USD* 19,632 thousand (during the six months ended 30 June 2011: nil), in equipment for production of engines under the EURO III and EURO IV standards under YaMZ-530 project of RUB 583,072 thousand / USD* 17,767 thousand (during the six months ended 30 June 2011: RUB 1,176,294 thousand / USD* 35,844 thousand), in equipment for production of Gazelle Next wagons in the amount of RUB 479,022 thousand / USD* 14,597 thousand (during the six months ended 30 June 2011: nil) and the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction of RUB 275,558 thousand / USD* 8,397 thousand (during the six months ended 30 June 2011: RUB 45,648 thousand / USD* 1,391 thousand). Acquisitions for the six months ended 30 June 2012 included capitalized interest cost in the amount of RUB 418,827 thousand / USD* 12,763 thousand (during the six months ended 30 June 2011: RUB 347,164 thousand / USD* 10,579 thousand).

During the six months ended 30 June 2012 fixed assets with a net book value of RUB 64,309 thousand / USD* 1,959 thousand were disposed of by the Group (during the six months ended 30 June 2011: RUB 5,931 thousand / USD* 181 thousand), resulting in a net gain on disposal of RUB 353,121 thousand / USD* 10,760 thousand (six months ended 30 June 2011: RUB 22,526 thousand / USD* 686 thousand).

(b) Write-off of specific items

Based on an assessment of the recoverable amount of property, plant and equipment, the carrying value of certain items was written down by RUB 16,887 thousand / USD* 515 thousand during the six months ended 30 June 2012 (six months ended 30 June 2011: reversal of impairment for RUB 15,363 thousand / USD* 468 thousand). The impairment loss is included in "Other expenses", reversal of impairment loss is included in "Other income" (refer to Note 6). The impairment loss during the six months ended 30 June 2012 refers to certain items of property, plant and equipment which the Group does not plan to use in future, the reversal of impairment during six months ended 30 June 2011 relates to items of property, plant and equipment which are now being used by the Group.

(c) Impairment test

As at 30 June 2012 no indicators of impairment of the Group's assets were discovered as a result of analysis of internal and external sources of information, as well as evidences of possible reversal of impairment loss, which was previously recognized. As a result no test of impairment of fixed assets was carried out.

(d) Pledged assets

Properties with a net book value of RUB 11,239,048 thousand / USD* 342,477 thousand (31 December 2011: RUB 10,648,672 thousand / USD* 324,487 thousand) are pledged to secure bank loans (refer to Note 11).

9 Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the amount of net profit as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2011, the Company had profit for the current period of RUB 2,162,656 thousand / USD* 65,901 thousand.

On 28 June 2011 the annual shareholders' meeting decided not to pay dividends for the year ended 31 December 2010.

On 28 June 2012 the annual shareholders' meeting decided not to pay dividends for the year ended 31 December 2011.

These condensed consolidated interim financial statements include a liability for payment of dividends to shareholders for 2007 which the Group gradually redeems.

10 Earnings per share

Earnings per share are calculated by dividing the profit attributable to ordinary and preference shareholders of RUB 3,156,753 thousand / USD* 96,192 thousand (30 June 2011: RUB 1,256,556 thousand / USD* 38,290 thousand) by the weighted average number of ordinary and preference shares outstanding during the year of 16,747,918 shares. (2011: 16,747,918 shares).

The Company has no potential dilutive ordinary shares.

11 Loans and borrowings

(a) Six months ended 30 June 2012

During the six months ended 30 June 2012, the Group capitalised RUB 418,827 thousand / USD* 12,763 thousand of bank interest expenses within the cost of property, plant and equipment (the six months ended 30 June 2011: RUB 347,164 thousand / USD* 10,579 thousand) (see Note 8(a)). The effective rate of capitalisation in 2012 was 11.24% (the six months ended 30 June 2011: 11.79%).

During the reporting period the Group received a short-term borrowing in the amount of RUB 3,000,000 thousand / USD* 91,416 thousand at a variable interest rate of MosPrime 3M increased by a margin and minimal interest income.

During the six months ended 30 June 2012 the Group received long-term loans for opening paid letters of credit in the amount of RUB 397,027 thousand / USD* 12,098 thousand at an interest rate of 1% under the agreement about a non-renewable credit line to finance investment expenses under contract manufacturing agreements.

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During the reporting period the Group received a long-term loan in the amount of RUB 287,878 thousand / USD* 8,772 thousand at an interest rate equal to the refinancing rate of the Central Bank of the Russian Federation increased by 3.25%, but not less than 11% under the loan agreement.

During the six months ended 30 June 2012 the Group received other loans and borrowings in the amount of RUB 312,350 thousand / USD* 9,518 thousand at interest rates of 7.75%-8%.

During the six months ended 30 June 2012 the Group repaid other loans and borrowing in the amount of RUB 372, 990 thousand / USD* 11,366 thousand.

On June 25 2012 the Group signed agreements about non-renewable credit lines with a total limit of indebtedness of RUB 2,336,920 thousand / USD* 71,211 thousand at a basic interest rate of 8.7% with repayment till 15 October 2018 to finance investment expenses.

During the reporting period the Group redeemed part of the syndicated bank loans in the amount of RUB 2,000,000 thousand / USD* 60,944 thousand.

(b) Six months ended 30 June 2011

During the six months ended 30 June 2011 the Group received a long-term loan in the amount of RUB 1,402,967 thousand / USD* 42,751 thousand at an interest rate equal to the refinancing rate of the Central Bank of the Russian Federation increased by 3.25%, but not less than 11% under the loan agreement. Besides the Group received short-term loans in the amount of RUB 209,823 thousand / USD* 6,394 thousand at a fixed interest rate of 8%..

During the six months ended 30 June 2011 the remaining bonds in the amount of RUB 1,808,788 thousand / USD* 55,118 thousand with the accrued interest, which were issued in February 2006, were fully redeemed by the Group.

Besides during the six months ended 30 June 2011 the Group repaid other loans and borrowings in the amount of RUB 278,705 thousand / USD* 8,493 thousand.

(c) Security of the loans

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of RUB 11,239,048 thousand / USD* 342,477 thousand (2011: RUB 10,648,672 thousand / USD* 324,487 thousand) – refer to Note 8(d).
- Inventory with a carrying amount of RUB 1,881,900 thousand / USD* 57,345 thousand (2011: RUB 1,603,062 thousand / USD*48,849 thousand).
- Treasury shares of the Company in the amount of 3,225,842 and shares of the Company's subsidiary OAO Autodiesel in the amount of 1,922,496 (2011: treasury shares of the Company in the amount of 3,225,842 and shares of the Company's subsidiary OAO Autodiesel in the amount of 1,922,496).

12 Commitments

(a) Capital commitments

As at 30 June 2012 the Group entered into a contract to purchase equipment for the production EURO III and EURO IV engines with Grob-Werke GmbH&Co.KG, Germany, RIKO d.o.o. Ljubljana, Slovenia, ThyssenKrupp Krause GmbH, Germany, and other companies for RUB 3,447,502 thousand / USD* 105,053 thousand (31 December 2011: RUB 4,493,620 thousand

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/ USD* 136,930 thousand), contracts for the development and production of EURO III and EURO IV engines with AVL List GmbH, Austria for RUB 96,059 thousand / USD* 2,927 thousand (31 December 2011: RUB 96,869 thousand / USD* 2,952 thousand). The Group has capital commitments under agreements for contract manufacturing of VW / Skoda cars in the amount of RUB 2,752,304 thousand / USD* 83,868 thousand (2011: RUB 1,175,517 thousand / USD* 35,820 thousand), contract manufacturing of Mercedes-Benz Sprinter cars and OM646 engines in the amount of RUB 2,761,958 thousand / USD* 84,163 thousand (31 December 2011: nil) and for arrangement of production of Gazelle Next wagons in the amount of RUB 1,431,118 thousand / USD* 43,609 thousand (31 December 2011: RUB 673,864 thousand / USD* 20,534 thousand). As at 30 June 2012 the Group had contractual commitments under the above mentioned contracts in the amount of RUB 4,921,886 thousand / USD* 149,980 thousand (31 December 2011: RUB 2,392,728 thousand / USD* 72,911 thousand).

At 30 June 2012 the Group had other capital commitments for RUB 133,417 thousand / USD* 4,065 thousand (31 December 2011: RUB 60,754 thousand / USD* 1,851 thousand).

13 Contingencies

(a) Litigation

Certain legal proceedings initiated by subsidiaries of the Group relating to tax authorities' assessments and matters arising 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, other than those recognised in these condensed consolidated interim financial statements, are likely to arise in respect of these matters.

(b) 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 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 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 condensed consolidated interim financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

As at 30 June 2012 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

14 Related party transactions

(a) Control relationships

The immediate parent company of OAO GAZ is OOO Russkie Mashiny which is controlled by Basic Element Limited - a member of the Basic Element Group. The activities of the Group are closely linked with the activities of the Basic Element Group. As a result, the Group's transactions with the Basic Element Group, or entities related to the Basic Element Group, are significant. Determination of the pricing of the Group's transactions with the Basic Element Group is undertaken in conjunction with other Basic Element Group companies.

The party with ultimate control over OAO GAZ is Mr. O.V. Deripaska.

Related parties comprise the Basic Element Group and all other companies in which the Basic Element Group and the ultimate controlling party have a controlling interest or which the Basic Element Group and the ultimate controlling party control by other means. In addition, the Group has a controlling relationship with all its subsidiaries.

No publicly available financial statements are produced by the Company's ultimate parent company or any other intermediate parent company.

(b) Management remuneration

Key management received the following remuneration during the period, which is included in personnel costs:

	Six months ended 30 June Unaudited		Six months ended June Unaudited	
	2012	2011	2012	2011
	'000 RUB	'000 RUB	'000 USD*	'000 USD*
Salaries and bonuses	95,821	125,887	2,920	3,836
Contributions to Social funds	15,245	3,579	464	109
	111,066	129,466	3,384	3,945

(c) Transactions with other related parties

Outstanding balances at the end of the period are unsecured, interest free and settlement occurs in cash. For the six months ended 30 June 2012, the Group has recorded reversal of impairment of receivables relating to amounts owed by related parties in the amount of RUB 59,210 thousand / USD* 1,804 thousand (the six months ended 30 June 2011: RUB 39,527 thousand / USD* 1,204 thousand) and accrued impairment of loans issued to related parties in the amount of RUB 136,249 thousand / USD* 4,152 thousand (the six months ended 30 June 2011: reversal of impairment of loans issued to related parties in the amount of RUB 44,131 thousand / USD* 1,345 thousand). Impairment assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

(i) **Revenue**

Sales to related parties were as follows:

	Six months ended 30 June Unaudited		Six months ended 30 June Unaudited	
	2012	2011	2012	2011
	'000 RUB	'000 RUB	'000 USD*	'000 USD*
Sale of goods				
Fellow subsidiaries	553,548	775,446	16,868	23,629
Equity accounted investees	10,453	-	318	-
Services provided				
Fellow subsidiaries	129,923	132,845	3,959	4,048
Equity accounted investees	3,778	-	115	-
	<u>697,702</u>	<u>908,291</u>	<u>21,260</u>	<u>27,741</u>

(ii) **Purchases**

Purchases of raw materials and services from related parties were as follows:

	Six months ended 30 June Unaudited		Six months ended 30 June Unaudited	
	2012	2011	2012	2011
	'000 RUB	'000 RUB	'000 USD*	'000 USD*
Purchase of raw materials				
Fellow subsidiaries	1,597,308	1,824,314	48,673	55,591
Equity accounted investees	108,236	-	3,298	-
Purchase of services				
<i>Electrical energy:</i>				
Fellow subsidiaries	1,727,669	2,407,452	52,646	73,360
<i>Consulting and other services:</i>				
Fellow subsidiaries	907,358	938,273	27,649	28,591
	<u>4,340,571</u>	<u>5,170,039</u>	<u>132,266</u>	<u>157,542</u>

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(iii) **Trade and other receivables**

Trade and other receivables owed by related parties were as follows:

	30 June 2012 Unaudited '000 RUB	31 December 2011 '000 RUB	30 June 2012 Unaudited '000 USD*	31 December 2011 '000 USD*
Receivables				
Fellow subsidiaries	388,801	888,967	11,847	27,088
Equity accounted investees	8,617	43	263	1
Advances issued				
Fellow subsidiaries	1,116,068	354,185	34,009	10,793
Other receivables				
Fellow subsidiaries	183,453	72,646	5,590	2,214
Equity accounted investees	100	-	3	-
	<u>1,697,039</u>	<u>1,315,841</u>	<u>51,712</u>	<u>40,096</u>

The Group signed a factoring agreement without rights of regress with a related company AKB "Soyuz". The turnover under this agreement during the 6 months ended 30 June 2012 amounted to RUB 3,089,079 thousand / USD* 94,131 thousand (6 months ended 30 June 2011: nil).

(iv) **Loans issued and other current investments**

Loans issued to related parties were as follows:

	30 June 2012 Unaudited '000 RUB	31 December 2011 '000 RUB	30 June 2012 Unaudited '000 USD*	31 December 2011 '000 USD*
Non-current				
Companies controlled by ultimate controlling party				
In RUB at a fixed interest rate of 12.5%	600,000	600,000	18,283	18,283
	<u>600,000</u>	<u>600,000</u>	<u>18,283</u>	<u>18,283</u>
Current				
Companies controlled by ultimate controlling party				
In RUB at a fixed interest rate of 1%-8.25%	210,310	164,310	6,409	5,007
In RUB at a fixed interest rate of 12%	200,000	200,000	6,094	6,094
In USD at a fixed interest rate of 1%	175,475	172,156	5,347	5,246
	<u>585,785</u>	<u>536,466</u>	<u>17,850</u>	<u>16,347</u>

All loans provided by the Group to related parties are unsecured.

During the six months ended 30 June 2012 the Group issued RUB 16,000 thousand / USD* 488 thousand of short-term loans at a fixed interest rate of 5%, RUB 35,692 thousand / USD* 1,088 at a fixed interest rate of 7.5-8% to the companies controlled by the Basic Element Group (the six months ended 30 June 2011: RUB 5,000 thousand / USD* 152 thousand).

During the six months ended 30 June 2012 the Group received RUB 157,638 thousand / USD* 4,804 thousand (the six months ended 30 June 2011: RUB 39,791 thousand / USD* 1,213 thousand) of interest income on loans issued to related parties.

(v) **Trade and other payables**

Trade and other payables owing to related parties were as follows:

	30 June 2012 Unaudited '000 RUB	31 December 2011 '000 RUB	30 June 2012 Unaudited '000 USD*	31 December 2011 '000 USD*
Trade payables				
Fellow subsidiaries	600,586	427,522	18,301	13,027
Equity accounted investees	76,841	-	2,341	-
Prepayments received				
Fellow subsidiaries	15,820	42,466	482	1,294
Equity accounted investees	261	-	8	-
Other payables				
Fellow subsidiaries	53,518	98,796	1,631	3,011
	<u>747,026</u>	<u>568,784</u>	<u>22,763</u>	<u>17,332</u>

(vi) **Loans received**

Loans and borrowings owing to related parties were as follows:

	30 June 2012 Unaudited '000 RUB	31 December 2011 '000 RUB	30 June 2012 Unaudited '000 USD*	31 December 2011 '000 USD*
Current				
Companies controlled by the Basic Element Group				
In RUB at a fixed interest rate of 1%-8%	27,399	30,330	835	924
	<u>27,399</u>	<u>30,330</u>	<u>835</u>	<u>924</u>

All loans received from related parties are unsecured.

During the six months ended 30 June 2012 the Group received short-term loans from companies controlled by the Basic Element Group in the amount of RUB 251,127 thousand / USD* 7,652 thousand at a fixed interest rate of 8% (the six months ended 30 June 2011: RUB 180,193 thousand / USD* 5,491 thousand).

During the six months ended 30 June 2012 the Group repaid loans received from companies controlled by the Basic Element Group in the amount of RUB 255,995 thousand / USD* 7,801 thousand (during the six months ended 30 June 2011: RUB 188,725 thousand / USD* 5,751 thousand).

During the six months ended 30 June 2012 the Group accrued RUB 543 thousand / USD* 17 thousand (during the six months ended 30 June 2011: RUB 578 thousand / USD* 18 thousand) of interest expense on loans received from other related parties.

(d) Transactions with a post-employment benefit plan

The Group makes contributions to a defined benefit plan, which is an entity under common control. During reporting period the Group paid RUB 29,018 thousand / USD* 884 thousand (6 months ended 30 June 2011: RUB 21,941 thousand / USD* 669 thousand).

15 Events subsequent to the reporting date

In July 2012 the Group redeemed the remaining part of the syndicated bank loans in the amount of RUB 540,164 thousand / USD*16,460 thousand.

In July 2012 the Group signed an agreement about a credit line with a limit of indebtedness of RUB 1,000,000 thousand / USD* 30,472 thousand to finance investment expenses under the project of contract manufacturing of Mercedes-Benz Sprinter cars and OM646 engines.

In July 2012 the Group signed an agreement about a credit line with a limit of indebtedness of RUB 1,500,000 thousand / USD* 45,708 thousand to finance current operations.