KAMAZ Group

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor’s Report

31 December 2009

Contents

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of OAO KAMAZ:

We have audited the accompanying consolidated financial statements of OAO KAMAZ and its subsidiaries (the "Group") which comprise the consolidated balance sheet as at 31 December 2009 and the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

31 May 2010
Moscow, Russian Federation

In millions of Russian Roubles	Note	31 December 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	9	30,160	29,481
Intangible assets	11	1,273	852
Investment in associates and joint ventures	10	1,028	508
Available-for-sale investments	10	435	1,246
Finance lease receivables	12	529	1,269
Deferred income tax assets	33	2,233	2,519
Other non-current assets	13	709	543
Total non-current assets		**36,367**	**36,418**
Current assets			
Inventories	14	13,305	21,770
Trade and other receivables	15	8,978	9,820
Current income tax prepayments		205	1,231
Finance lease receivables	12	1,460	2,294
Financial instruments at fair value through profit or loss		58	19
Term deposits	16	2,942	-
Cash and cash equivalents	16	7,203	6,769
Total current assets		**34,151**	**41,903**
TOTAL ASSETS		**70,518**	**78,321**
EQUITY			
Share capital	17	35,361	35,361
Accumulated deficit		(5,706)	(3,637)
Equity attributable to owners of the Company		**29,655**	**31,724**
Minority interest		**1,148**	**1,755**
TOTAL EQUITY		**30,803**	**33,479**
LIABILITIES			
Non-current liabilities			
Borrowings	18	10,124	3,447
Deferred income tax liabilities	33	1,264	1,994
Restructured taxes	20	1,359	1,173
Finance lease payables	23	1,050	603
Post-retirement benefit obligation	24	145	107
Total non-current liabilities		**13,942**	**7,324**
Current liabilities			
Borrowings	18	12,861	18,960
Trade and other payables	22	10,906	15,019
Finance lease payables	23	664	48
Current income tax payable		169	1,014
Other taxes payable	19	874	933
Restructured taxes	20	7	157
Provisions for liabilities and charges	21	225	1,336
Deferred income		67	51
Total current liabilities		**25,773**	**37,518**
TOTAL LIABILITIES		**39,715**	**44,842**
TOTAL EQUITY AND LIABILITIES		**70,518**	**78,321**

Approved for issue and signed on behalf of the Board of Directors on 31 May 2010.

S.A. Kogogin
General Director

G. Sh. Imanova
Deputy General Director

In millions of Russian Roubles	Note	2009	2008
Revenue	25	60,894	96,348
Cost of sales (excluding Impairment of property, plant and equipment)	26	(53,608)	(79,168)
Impairment of property, plant and equipment	9	(109)	(679)
Gross profit		**7,177**	**16,501**
Distribution costs	27	(3,500)	(5,311)
General and administrative expenses	28	(4,247)	(5,954)
Research and development costs	11	(98)	(117)
Share of profits/(losses) in associates and joint ventures	10	(64)	(22)
Gain from sale of available-for-sale investments	10	-	1,747
Other operating income	29	479	921
Other operating expenses	29	(1,514)	(1,469)
Operating (loss)/profit		**(1,767)**	**6,296**
Finance income	31	668	213
Finance costs	31	(2,644)	(4,097)
Gain on restructuring of taxes	20	218	714
(Loss)/Profit before income tax		**(3,525)**	**3,126**
Income tax benefit/(expense)	33	946	(2,061)
(Loss)/Profit for the year		**(2,579)**	**1,065**
(Loss)/Profit is attributable to:			
-equity holders of the Company		(2,267)	1,006
-minority interest		(312)	59
(Loss)/Profit for the year		**(2,579)**	**1,065**
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company, basic and diluted (expressed in Roubles per share)	32	(3.21)	1.43

In millions of Russian Roubles	Note	2009	2008
(Loss)/Profit for the period		**(2,579)**	**1,065**
Other comprehensive income/(loss)			
Financial assets available-for-sale:			
- Fair value gains less losses		-	(3)
- Disposals	10	-	(1,747)
- Income tax recorded in equity		-	420
Currency translation differences		(74)	(3)
Other comprehensive loss for the year		**(74)**	**(1,333)**
Total comprehensive loss after tax for the period		**(2,653)**	**(268)**
Total comprehensive (loss)/income after tax attributable to:			
- owners of the Company		(2,298)	(240)
- minority interest		(355)	(28)
Total comprehensive loss for the year		**(2,653)**	**(268)**

In millions of Russian Roubles	Note	2009	2008
Cash flows from operating activities			
(Loss)/Profit before income tax		(3,525)	3,126
Adjustments for:			
Depreciation of property, plant and equipment	9, 30	2,524	2,269
Amortization of intangible assets	11, 30	71	69
(Gain)/Loss on disposals of property, plant and equipment	29	(157)	211
Loss on write-off intangible assets	11	98	121
Loss on write-off property, plant and equipment	29	315	133
Gain on sale and other disposals of subsidiaries	29	(30)	-
Gains from sale of available-for-sale investments	10, 29	-	(1,747)
Share of losses of associates and joint ventures	10	64	22
Gain on restructuring of tax debts	20	(218)	(714)
Finance income	31	(668)	(213)
Finance expense	31	2,644	4,097
Provisions for tax liabilities and charges	28	(603)	(346)
Provisions/(reversal) for other liabilities and charges	21,26	(227)	285
Impairment of property, plant and equipment	9	109	679
Inventory provision	26	311	1,001
Impairment provision for receivables and loans issued	27	480	558
Impairment of investment in associates	10	-	56
Gain on disposal of associates	10	-	(85)
Operating cash flows before working capital changes		**1,188**	**9,522**
Decrease/(Increase) in trade and other receivables		(513)	831
Decrease in finance lease receivables		1,551	599
Decrease/(Increase) in inventories		8,103	(9,727)
Increase/(Decrease) in trade and other payables		(4,435)	2,002
Decrease in taxes payable		(157)	(293)
Increase in term deposits		(2,942)	-
Increase in other non-current liabilities		38	123
Cash generated from operations		**2,833**	**3,057**
Income taxes refunded/(paid)		683	(2,129)
Net cash from operating activities		**3,516**	**928**
Cash flows from investing activities			
Purchases of property, plant and equipment	9	(3,363)	(4,160)
Proceeds from sale of property, plant and equipment	9	1,196	374
Sales of financial assets		608	-
Purchase of financial assets		(601)	-
Acquisition of subsidiaries, net of cash acquired		-	(150)
Proceeds from sale of subsidiaries		36	-
Purchase of additional shares in subsidiaries		(23)	-
Acquisition of associates		(387)	(120)
Proceeds from sale of available-for-sale investments	10	1,241	2,203
Purchases of available-for-sale investments	10	(93)	(1,241)
Acquisition of financial instruments at fair value through profit or loss		(39)	325
Development cost incurred and purchases of intangible assets	11	(521)	(538)
Loans issued		(23)	(2,542)
Loans repaid		427	1,796
Interest received	31	668	213
Net cash used in investing activities		**(874)**	**(3,840)**

In millions of Russian Roubles	Note	2009	2008
Cash flows from financing activities			
Proceeds from borrowings	18	18,864	30,143
Repayment of borrowings	18	(18,865)	(23,189)
Interest paid		(2,006)	(1,145)
Repayment of restructured taxes	20	(9)	(117)
Repayment of finance lease		(192)	(176)
Dividends paid to minority interests		-	(144)
Net cash (used in)/from financing activities		**(2,208)**	**5,372**
Net increase in cash and cash equivalents		**434**	**2,460**
Cash and cash equivalents at the beginning of the year	16	**6,769**	**4,309**
Cash and cash equivalents at the end of the year	16	**7,203**	**6,769**

		Attributable to owners of the Company					
In millions of Russian Roubles	**Note**	**Share capital (Note 17)**	**Revaluation reserve for available-for-sale financial assets**	**Accumulated deficit**	**Total**	**Minority interest**	**Total Equity**
Balance at 31 December 2007		**35,361**	**1,330**	**(3,992)**	**32,699**	**1,783**	**34,482**
Profit for the year		-	-	1,006	1,006	59	**1,065**
Other comprehensive income/(loss): Financial assets available-for-sale							
Fair value gains less losses		-	(3)	-	(3)	-	**(3)**
Disposals	10	-	(1,747)	-	(1,747)	-	**(1,747)**
Income tax recorded in equity		-	420	-	420	-	**420**
Currency translation differences		-	-	(3)	(3)	-	**(3)**
Other comprehensive income/(loss) for the year			**(1,330)**	**(3)**	**(1,333)**	**-**	**(1,333)**
Total comprehensive income/(loss) for 2008		**-**	**(1,330)**	**1,003**	**(327)**	**59**	**(268)**
Adjustment to property, plant and equipment, net of taxes	3	-	-	(648)	(648)	-	**(648)**
Dividends declared to minority shareholders		-	-	-	-	(87)	**(87)**
Balance at 31 December 2008		**35,361**	**-**	**(3,637)**	**31,724**	**1,755**	**33,479**
Loss for the year				(2,267)	(2,267)	(312)	**(2,579)**
Other comprehensive loss:							
Currency translation differences		-	-	(31)	(31)	(43)	**(74)**
Other comprehensive loss for the year		**-**	**-**	**(31)**	**(31)**	**(43)**	**(74)**
Total comprehensive loss for 2009		**-**	**-**	**(2,298)**	**(2,298)**	**(355)**	**(2,653)**
Purchase of minority interest in existing subsidiaries		-	-	229	229	(252)	**(23)**
Balance at 31 December 2009		**35,361**	**-**	**(5,706)**	**29,655**	**1,148**	**30,803**

1 KAMAZ Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2009 for OAO KAMAZ (the "Company") and its subsidiaries (together referred to as the "Group" or "KAMAZ Group")." The Company and the Group primarily operate in the Russian Federation. The Company is an open joint stock company and was set up in accordance with Russian regulations.

There was no ultimate controlling party of the Company at 31 December 2009. At 31 December 2009 44.38% of shares in KAMAZ were owned by an institutional investor. These shares are subject to certain restrictions on rights to vote and sell which were imposed by an individual who is also a key member of management of the Company. This institutional investor is referred to in the notes to these consolidated financial statements as the "significant shareholder". The Russian Federation represented by the Federal Agent managing federal property (Rostechnologii) is also one of the largest shareholders owing 37.78%. 10% of the shares are owned by Daimler AG. Other shares are listed on RTS (Russian Trading System) and MICEX (Moscow Interbank Currency Exchange).

Operating activity. The Group's core operations are production and sale of trucks in the Russian Federation and abroad. The Group's manufacturing facilities are primarily based in Naberezhnye Chelny. The Group has a distribution and service network which covers the Russian Federation, the Commonwealth of Independent States and a number of other countries.

Registered address. The Company's registered address is 2 Avtozavodskiy pr., Naberezhnye Chelny, Republic of Tatarstan, Russia, 423827.

2 Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The global financial crisis has had a severe effect on the Russian economy since mid-2008:

(i) Lower commodity prices have resulted in lower income from exports and thus lower domestic demand. Russia's economy contracted in 2009.

(ii) The rise in Russian and emerging market risk premia resulted in a steep increase in foreign financing costs.

(iii) The depreciation of the Russian Rouble against hard currencies (compared to RR 25.3718 for 1 US Dollar at 1 October 2008) increased the burden of foreign currency corporate debt, which has risen considerably in recent years.

(iv) As part of preventive steps to ease the effects of the situation in financial markets on the economy, the Government incurred a large fiscal deficit in 2009.

Borrowers and debtors of the Group were adversely affected by the financial and economic environment, which in turn has had an impact on their ability to repay the amounts owed. Deteriorating economic conditions for borrowers and debtors were reflected in revised estimates of expected future cash flows in impairment assessments.

The volume of financing available in particular from overseas has significantly reduced since August 2007. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Management is unable to predict all developments in the economic environment which could have an impact on the Group's operations and consequently what effect, if any, they could have on the future financial position of the Group.

Going Concern. These consolidated financial statements has been prepared on a going concern basis, which assumes that the Group will continue to be able to meet its liabilities, when they fall due, for the foreseeable future.

As described more fully in Note 18, the Group has breached certain financial covenants under the terms of various loan agreements that may trigger cross-default provisions under other loan agreements. Because the covenant violations give the banks the right to demand early repayment of the loans, the long-term portions of these loans totalling RR 3,605 million (2008: 6,632) have been reclassified as short-term liabilities in the accompanying balance sheet. If all of the lenders that may become entitled to demand early repayment of the loan should require immediate repayment, the Group has sufficient borrowings capacity to repay all potentially callable debt.

2 Operating Environment of the Group (Continued)

The Company continues to negotiate with its lenders to restructure its debts and throughout the process none of lenders have expressed their intent to accelerate repayment of the Group's loans.

The Russian government's response to the current economic environment includes direct support to certain key industries, including the automotive industry. For KAMAZ, this support includes placing additional government orders for trucks, support in raising long-term (up to 10 years) credit facilities in the amount of RR 12 billion to fund the Group's capital investment program in 2009-2011, a deferral of payments under the tax restructuring agreement (Note 20) and provision of government guarantees of RR 3.6 billion on loans obtained from Russian banks.

Because of the actions identified above, management believes that the Group will be able to realise its assets and meet its obligations as they become due and continue as a going concern.

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented.

Presentation currency. All amounts in these financial statements are presented in millions of Russian Roubles ("RR million") unless otherwise stated.

Change in presentation and accounting policies. In 2008 the Company revised its accounting for certain properties. The revision resulted in an adjustment to decrease property, plant and equipment by RR 853 million at 1 January 2007, and an adjustment to retained earnings in 2008 of RR 648 million, net of deferred taxes of RR 205 million.

Adoption of IAS 1, Presentation of Financial Statements, revised in September 2007 and effective for annual periods beginning on or after 1 January 2009. The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Group has elected to present a separate income statement and a statement of comprehensive income.

The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Group's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the acquiree at each exchange transaction represents goodwill. The excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost ("negative goodwill") is recognised immediately in the income statement. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Inter-company transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated unless the carrying value of assets transferred cannot be recovered. The Company and all its subsidiaries use uniform accounting policies consistent with the Group's policies.

3 Summary of Significant Accounting Policies (Continued)

Minority interest is that part of the net results and of the net assets of a subsidiary, including the fair value adjustments, which is attributable to interests which are not owned, directly or indirectly, by the Company. Minority interest forms a separate component of the Group's equity.

Acquisition of minority interest. The difference, if any, between the carrying amount of a minority interest and the amount paid to acquire it is recorded as loss or gain directly in equity. Gains and losses on the disposal of interests in subsidiaries where the parent retains control are also reported within shareholders' equity.

Investments in associates. Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for by the equity method of accounting and initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any.

The Group's share of the post-acquisition profits or losses of associates is recorded in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in joint ventures. The Group's interests in jointly controlled entities are accounted for by the equity method. Jointly controlled entities are corporations, partnerships or other entities in which each venturer has an interest and for which there is a contractual arrangement between the venturers that establishes joint control over the economic activity of the entity. Investments in jointly controlled entities are initially recognised at cost. The carrying amount of jointly controlled entities includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group's share of the post-acquisition profits or losses of jointly controlled entities is recorded in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Property, plant and equipment. The Group decided to apply the exemption available to first time IFRS adopters and recorded property, plant and equipment in the opening IFRS balance sheet at deemed cost (fair value) calculated by professional appraisers. The difference between the fair value of property, plant and equipment and their carrying value under Russian Accounting Rules ("RAR") at 1 January 2005 is recorded in retained earnings at that date.

Property, plant and equipment are reported at cost (or at deemed cost for assets acquired prior to the date of transition to IFRS) net of accumulated depreciation and impairment provision, if any. Cost includes borrowing costs incurred on specific or general funds borrowed to finance construction of qualifying assets.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of property, plant and equipment items are capitalised and the carrying amount of the replaced part is derecognised.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. For the purpose of determining the impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows i.e. cash generating units. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in the statement of comprehensive income. Management assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. An impairment loss recognized in prior years is adjusted if there has been a change in the estimates used to determine the asset's recoverable amount.

3 Summary of Significant Accounting Policies (Continued)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized in profit or loss.

Depreciation. Land is not depreciated. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their cost (or deemed cost for assets acquired prior to the date of transition to IFRS) to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	40–60
Plant and equipment	10–20
Vehicles	5–10
Other fixed assets	3–10

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life and the asset has no scrap value. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are expensed on a straight-line basis over the period of the lease.

Finance lease payables. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalized in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of return on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to finance expense over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful lives or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Finance lease receivables. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as finance lease receivables and carried at the present value of the future lease payments. Finance lease receivables are initially recognized at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

Interest income earned on finance leases of the Group's own products is recorded as revenue from finance services using the effective interest method at interest rates implicit in the finance lease agreements.

The difference between the gross receivable and the present value represents unearned finance income. This income is recognized as revenue from operations over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognized over the lease term unless the Group acts as a manufacturer or dealer lessor, in which case such costs are expensed as part of the selling expense similarly to outright sales.

Impairment of finance lease receivables is recognized when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. Impairment losses are recognized through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Intangible assets. The Group's intangible assets have definite useful lives and primarily include capitalized development costs and computer software.

3 Summary of Significant Accounting Policies (Continued)

Research and development costs. Research expenditure is expensed as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when costs can be measured reliably and it is probable that the project will be successful considering management's ability and intention to complete or sell the project, and the project's commercial and technological feasibility. Other development expenditures are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit (3-10 years on average).

Intangible assets are amortised using the straight-line method over their useful lives:

	Useful lives in years
Patents	5-10
Software licenses	5
Capitalised internal development costs	3-10
Other licenses	3-7

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less cost to sell, based on cash generating unit level.

Classification of financial assets. The Group classifies its financial assets into the following measurement categories: financial instruments carried at fair value through profit or loss, loans and receivables, held-to-maturity assets and available-for-sale investments.

Financial instruments carried at fair value through profit or loss are securities or other financial assets, which are either acquired for generating profit from short-term fluctuations in price or trader's margin, or are included in a portfolio in which a pattern of short-term trading exists (trading instruments). The Group classifies financial assets into this category if it has an intention to sell them within a short period after acquisition that is within 3 months. The Group does not voluntarily designate other financial instruments as at fair value through profit or loss.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

Held-to-maturity classification includes non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. The Group did not hold any held-to-maturity investments during the reported periods.

Available-for-sale investments comprise all other financial assets not included in the previous categories.

Initial recognition of financial instruments. Financial instruments carried at fair value through profit or loss are initially recorded at fair value. All other financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

3 Summary of Significant Accounting Policies (Continued)

Financial instruments carried at fair value through profit or loss (trading investments). Trading investments are carried at fair value. Interest earned on debt trading investments calculated using the effective interest method is recorded as interest income. Dividends are included in dividend income when the Group's right to receive the dividend payment is established and collection of the dividend is probable. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss as gains less losses from trading investments in the period in which they arise.

Available-for-sale investments. Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to finance costs in profit or loss for the year. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit and loss.

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value was determined based on appropriate valuation methodologies.

Income tax. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge (credit) comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains at their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that Management expects the temporary differences to reverse in the foreseeable future.

Restructured taxes. Restructured taxes represent a liability for the expected outflows under decrees of the Government of the Russian Federation issued during 2009, 2007, 2006, 2002 and 2001 that allowed the Group to postpone payment of tax liabilities (unified social tax, VAT, fines and penalties). Restructured taxes are recognised as provision for future liabilities in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent assets". Changes in the balance sheet value are recorded in the statement of income in the period in which they arise.

Restructured taxes are recognised at their fair value (which is determined using the prevailing market rate of interest for a similar instrument).

3 Summary of Significant Accounting Policies (Continued)

Inventories. Inventories are measured at the lower of cost and net realizable value. Cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overhead (based on normal operating capacity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables. Trade and other receivables are carried at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised within distribution costs in the statement of income.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

Value added taxes. Value added tax related to sales is payable to tax authorities upon delivery of goods or collection of advances from customers. Input VAT is generally reclaimable against sales VAT upon delivery of goods and services. The tax authorities permit the settlement of VAT on a net basis.

VAT related to purchases which have not been settled at the balance sheet date (VAT recoverable) is recognised in the balance sheet on a gross basis and disclosed separately as an asset. Where a provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT. VAT paid to suppliers of property, plant and equipment is included in the cash flows for purchases of property, plant and equipment reported in the cash flows statement.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at every balance sheet date. Tax assets are written down or liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the balance sheet date and any known court or other rulings on such issues using a single best estimate of the most likely outcome. Liabilities for penalties, interest and taxes other than on income are recognised based on management 's best estimate of the expenditure required to settle the obligations at the balance sheet date.

Borrowings. Borrowings are carried at amortised cost using the effective interest method. Borrowings costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. Other borrowing costs are recognized in profit or loss using the effective interest method.

Financial liability (or a part of a financial liability) is derecognised from balance sheet when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

3 Summary of Significant Accounting Policies (Continued)

Low interest/interest-free loans received from the government and from any other counterparty are treated under International Accounting Standard (IAS) 39 “Financial Instruments: Recognition and Measurement” and recognized at inception at the present value of the future repayments, discounted using the market rate of interest for similar loans.

Trade and other payables. Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost using the effective interest method.

Provisions for liabilities and charges. Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provision is estimated by weighting all possible outcomes by their associated probabilities. Provision for taxes other than on income, fines and penalties are recognised in accordance with policy discussed in ”Uncertain tax position”.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The Group recognises the estimated liability to repair or replace products sold still under warranty at the balance sheet date. This provision is calculated based on past history of the level of repairs and replacements.

Foreign currency translation. The functional currency of each of the Group’s consolidated entities is the currency of the primary economic environment in which the entity operates. The Company’s functional currency and the Group’s presentation currency is the national currency of the Russian Federation, Russian Roubles (“RR”).

Monetary assets and liabilities are translated into the entity’s functional currency at the official exchange rate of the CBRF at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity’s functional currency at period-end official exchange rates of the CBRF are recognised in profit or loss. Translation at period-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity investments are reported as part of the fair value gain or loss.

Revenue recognition. Revenues from sales of trucks, spare parts and other products are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport products to a specified location, revenue is recognised when the products are passed to the customer at the destination point.

Sales are shown net of VAT and discounts, and after eliminating sales within the Group. Sales of services are recognised in the accounting period in which the services are rendered. Sales of trucks under the finance lease agreements are recorded at fair value at the shipment date. Interest income on the resulting finance lease receivables is recognised using the effective interest method.

Revenues are measured at the fair value of the consideration received or receivable.

Non-cash settlements. A portion of sales and purchases are settled by bills of exchange, which are negotiable debt instruments.

Sales and purchases that are expected to be settled by bills of exchange, mutual settlements or other non-cash settlements are recognised based on the management’s estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

Non-cash transactions have been excluded from the cash flows statement, so investing activities, financing activities and the total of operating activities represent actual cash flows.

Bills of exchange are issued by the Group entities as payment instruments, which carry a fixed date of repayment. Bills of exchange issued by the Group are carried at amortised cost using the effective interest method.

The Group also accepts bills of exchange from its customers (both issued by customers and third parties) as a settlement of receivables. Bills of exchange issued by customers or issued by third parties are carried at amortised cost using the effective interest method. A provision for impairment of bills of exchange is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

3 Summary of Significant Accounting Policies (Continued)

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the reporting period in which the associated services are rendered by the employees of the Group.

Pension costs. In the normal course of business Group companies contribute to the Russian Federation state pension scheme on behalf of their employees. Mandatory contributions to the governmental pension scheme are expensed when incurred.

The Company and its largest subsidiaries operate voluntary pension schemes, which include both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on one or more factors, such as age, years of service and average compensation by employee's grade. The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service costs.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of plan liabilities corridor are charged or credited to income over the employees' expected average remaining working lives.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plan, the Group pays fixed contributions into separate entity and has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Earnings per share. Basic earnings per share are determined by dividing the profit attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding during the reporting period. For the purpose of calculating diluted earnings per share, profit or loss attributable to the shareholders of the Company, and the weighted average number of ordinary shares outstanding are adjusted for the effects of an assumed conversion of all dilutive potential ordinary shares into ordinary shares.

Fair value. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. The Group estimates the tax provision on the basis of the following: tax claims resulting from the completion of tax audits are recognised and other tax risks are also estimated with the involvement of internal tax experts and lawyers. Judgement is applied in this process. Tax assets are written down or liabilities are recorded for income tax positions that are determined as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. Other tax exposures higher than remote are disclosed, but no provision or liability is recognised in the financial statements. See also Notes 20, 21 and 33.

Deferred income tax asset recognition. The deferred tax asset at 31 December 2009 of RR 2,233 million (at 31 December 2008: RR 2,519 million) represents income taxes recoverable through future deductions from taxable profits. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable, management makes judgments and applies estimates based on history of taxable profits and expectations of future income that are believed to be reasonable under the circumstances.

Key assumptions in the business plans are:

- the Group expects to generate sufficient taxable profits to utilize the accumulated tax losses, and
- the losses carried forward will be utilized before their expiration.

In particular the Group is planning to change its intercompany trading terms in order to utilise the losses carried forward in specific entities.

If management assumptions are different, the taxable profits would not be available for utilization of deferred tax assets, deferred tax assets would be lower by RR 2,233 million (at 31 December 2008: RR 2,519 million) and income expense would be higher by the same amount.

Related party transactions. Disclosures are made for transactions with state-controlled entities and government bodies of the Russian Federation that are considered to be related parties for the Group. Currently the Government of the Russian Federation does not provide to the general public or entities under its ownership/control a complete list of the entities which are owned or controlled directly or indirectly by the State. Judgment is applied by management in determining the scope of operations with related parties to be disclosed in the consolidated financial statements. Refer to Note 7.

Interest rates affecting fair values of liabilities. Interest rates used for calculation of the carrying values of the low interest/interest-free borrowings and restructured tax liabilities were determined for the Group at the date of the agreements on restructuring based on the cost of long-term rouble borrowings taking into account the restructuring period (Notes 18 and 20).

The interest rate used for the valuation of the borrowing denominated in Japanese Yen obtained from the Ministry of Finance which was restructured in December 2005 was estimated to be 6.62% per annum. The interest rate used for fair valuation of the provision for restructured taxes and penalties in 2009 was assumed to be equal to 15.5% per annum (2008: 19.8%). If applied interest rate were higher or lower by 1%, respective liabilities would be RR 66 million lower or RR 68 million higher (at 31 December 2008: RR 63 million lower or RR 37 million higher), respectively.

Useful lives of property, plant and equipment. Management determines the estimated useful lives and related depreciation charges for its plant and equipment (Note 9). This estimate is based on projected product lifecycles and past experience of usage of the similar equipment. Management will increase the depreciation charge where useful lives are less than previously estimated lives and consider whether the change in the useful life is an impairment indicator.

If the actual useful lives of the property, plant and equipment were lower or higher by 10% from management's estimates, the carrying amount of the plant and equipment and depreciation expense at 31 December 2009 would be approximately RR 1,171 million (at 31 December 2008: RR 892 million) higher or RR 1,124 million (at 31 December 2008: RR 895 million) lower, respectively. The impact on the income statement would be RR 279 million loss (2008: RR 253 million of loss) or RR 229 million of income (2008: RR 207 million of income), respectively.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Impairment losses on finance lease receivables. The Group regularly reviews its finance lease receivables for impairment. In determining whether an impairment for receivables, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a leasing portfolio before the decrease can be identified with an individual leasing contract in that portfolio. This evidence may include measurable data indicating that there has been an adverse change in the payment status of lessees in a company, or national or local economic conditions that correlate with defaults in the company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Two key assumptions used are net realisable value of the pledges and percent of collectability of the cash flows for overdue lease receivables. If the net realisable value of the pledges and percent of collectability of the cash flows higher or lower by 10% from management's estimates, the amount of lease receivable at 31 December 2009 would be approximately RR 68 million (at 31 December 2008: RR 79 million) higher or RR 77 million (at 31 December 2008: 67 million) lower. The impact on the income statement would be RR 68 million (2008: RR 79 million) higher or RR 77 million (2008: RR 67 million) lower.

Provision for trade and other receivables. The Group regularly reviews its trade and other receivables to assess if any provision is required. In determining whether a provision should be recorded, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from trade receivable. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. If recoverability of overdue receivables would be higher or lower by 10% from management estimates, the amount of trade and other receivables at 31 December 2009 would be approximately RR 11 million (at 31 December 2008: RR 49 million) higher or RR 6 million lower (at 31 December 2008: RR 35 million), respectively. The impact on the income statement would be RR 11 million (2008: RR 49 million) higher or RR 6 million (2008: RR 35 million) lower.

Provision for inventory. Group reviews net realisable value of its finished goods using judgment about future selling prices and related selling costs. The estimated impact on net realisable value of inventory of reasonably possible changes in these assumptions is that should the selling prices increase/decrease by 10%, the inventory would be RR 89 million (at 31 December 2008: RR 761 million) higher and RR 150 million (at 31 December 2008: RR 322 million) lower , with a respective impact of RR 150 million (at 31 December 2008: RR 322 million) to loss and RR 89 (at 31 December 2008: RR 761 million) to profit for the year with an offsetting decrease/increase of RR 30/18 million (at 31 December 2008: RR 64/152 million) to deferred tax liabilities.

Impairment of property, plant and equipment. At 31 December 2009 the Group performed an impairment test of property, plant and equipment. The recoverable amount of each cash-generating unit (CGU) was determined based on value-in-use calculations. The principal assumptions underlying the estimation of the value-in-use are those related to the production volumes, expected market prices for trucks, assembly kits and spare parts based on financial forecasts approved by management covering a five year period and according to the leading industry publications, which are broadly in line with 2007 average prices and appropriate discount rates. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates. The discount rate used of 17.8% is pre-tax and reflects specific risks relating to the relevant CGUs. The estimated impact on impairment of reasonably possible changes in these assumptions is that should the discount rate increase/decrease by 1%, volumes increase/decrease by 5%, prices increase/decrease by 2%, the carrying value of the relevant assets in case of the unfavourable changes would be RR 21 million lower and in case of the favourable changes would be RR 103 million higher, with an offsetting decrease/increase of RR 4 million to deferred tax liabilities, RR 16 million to profit for the year for unfavourable option, and RR 21 million to deferred tax liabilities, RR 83 million to profit for the year for favourable option.

5 Adoption of New or Revised Standards and Interpretations

Certain new standards and interpretations became effective for the Group from 1 January 2009:

IFRS 8, Operating Segments. The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. Operating segments are defined as components of the Group about which separate financial information is available and reported regularly to the chief operating decision maker represented by General Director, which decides how to allocate resources and assesses operational and financial performance. Prior periods have been restated to conform to the current period presentation.

IAS 23, Borrowing Costs, revised in March 2007. The main change is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009. Other borrowing costs are recognised as an expense using the effective interest method. The revised IAS 23 does not have impact on the Group's accounts as the Group already capitalizes borrowing costs.

IAS 1, Presentation of Financial Statements, revised in September 2007. The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Group has elected to present separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a balance sheet (Statement of Financial Position) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Group's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. Group has early adopted the provision related to government-related entities from 1 January 2009.

Improvements to International Financial Reporting Standards (issued in May 2008). In 2008, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The amendments did not have an impact on the Group.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures, issued in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The enhanced disclosures are included in these consolidated financial statements.

Unless otherwise stated above, the amendments and interpretations did not have any significant effect on the Group's consolidated financial statements. Other new standards and interpretations are not applicable for the activities of the Group.

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods and which the Group has not early adopted:

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Group's financial statements.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Group does not expect the amendments to have any material effect on its financial statements.

6 New Accounting Pronouncements (Continued)

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Unless otherwise described above, the new standards and interpretations did not significantly affect the Group's financial statements.

Other new accounting pronouncements are not applicable for the activities of the Group.

7 Balances and Transactions with Related Parties

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. An entity's joint venture or key management personnel are also considered as related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during the year ended 31 December 2009 and 2008 or had significant balances outstanding at 31 December 2009 and 31 December 2008 is detailed below:

	As of 31 December 2009		For the year ended 31 December 2009	
In millions of Russian Roubles	**Total assets**	**Total liabilities**	**Income**	**Expenses**
Balances and transactions with the Russian Federation and companies under state control				
Current income tax	207	169	-	122
Unified social tax	-	167	-	2,237
VAT recoverable/payable	1,040	494	-	-
Other taxes	740	210	-	861
Restructured taxes	-	1,366	218	245
Deferred income	-	67	-	-
Long-term loans and borrowings	-	9,580	-	-
Short-term loans and borrowings	-	3,530	-	-
Interest expense	-	-	-	1,307
Cash and cash equivalent	4,689	-	-	-
Term deposits	1,219	-	-	-
Trade and other receivables	1,696	-	-	-
Available-for-sale investments (Note 10)	76	-	1,241	-
Trade and other payables	-	2,192	-	-
Sales of goods	-	-	16,733	-
Purchases of goods	-	-	-	5,886
Reimbursement of interest expense	-	-	-	(95)
Reimbursement of the costs for temporary workers	-	-	-	(205)
Balances and transactions with shareholders with significant influence				
Cash and cash equivalent	1,700	-	-	-
Consulting services	-	-	-	23
Balances and transactions with a subsidiary, 49% owned by a key member of management				
Sales of goods to subsidiary	-	-	297	-
Net loss incurred by subsidiary	-	-	-	360
Balances and transactions with JV				
Trade and other receivables	125	-	-	-
Trade and other payables	-	219	-	-
Sales of goods	-	-	691	-
Purchases of goods	-	-	-	2,122
Balances and transactions with associates				
Trade and other receivables	88	-	-	-
Loans given	50	-	-	-
Trade and other payables	-	10	-	-
Sales of goods	-	-	425	-
Purchases of goods	-	-	-	34
Other related parties				
Sales of goods	-	-	3,199	-
Accounts receivable	1,424	-	-	-
Loan issued	100	-	-	-

7 Balances and Transactions with Related Parties (Continued)

	As of 31 December 2008		For the year ended 31 December 2008	
In millions of Russian Roubles	**Total assets**	**Total liabilities**	**Income**	**Expenses**
Balances and transactions with the Russian Federation and companies under state control				
Current income tax	289	1,014	-	1,188
Unified social tax	-	145	-	3,711
VAT recoverable/payable	1,152	562	-	-
Other taxes	2,874	225	-	815
Restructured taxes	-	1,330	539	-
Deferred income	-	51	-	-
Long-term loans and borrowings	-	3,173	-	-
Short-term loans and borrowings	-	8,540	-	-
Interest expense	-	-	-	705
Trade and other receivables	374	-	-	-
Available-for-sale investments (Note 10)	1,241	-	-	-
Trade and other payables	-	554	-	-
Sales of goods	-	-	5,793	-
Purchases of goods	-	-	-	3,362
Gain on disposals of associates	-	-	85	-
Balances and transactions with shareholders with significant influence				
Cash and cash equivalent	2,260	-	-	-
Sales of available-for-sale investments (Note 10)	-	-	1,747	-
Other expenses	-	-	-	12
Balances and transactions with a subsidiary, 49% owned by a key member of management				
Sales of goods to subsidiary	-	-	1,916	-
Net profit earned by subsidiary	-	-	247	-
Balances and transactions with minority shareholders of subsidiaries				
Dividends accrued	-	-	-	121
Interest expenses	-	-	-	-
Balances and transactions with JV				
Trade and other receivables	136	-	-	-
Trade and other payables	-	399	-	-
Sales of goods	-	-	236	-
Purchases of goods	-	-	-	3,040
Balances and transactions with associates				
Trade and other receivables	92	-	-	-
Sales of goods	-	-	593	-
Purchases of goods	-	-	-	12

In 2009, the amount of remuneration of the Board of Directors (11 people) and Management Board members (9 people) comprised salaries, discretionary bonuses and other short-term benefits totalling RR 22 million (year ended 31 December 2008: RR 178 million).

In August 2005, the Board of Directors approved a long-term remuneration plan for the members of the Management Board of KAMAZ. Under the plan, the total amount of remuneration was calculated as of 23 August 2009 based on the increase in the market capitalization of the Company over a four year period for the period ended 23 August 2009. This amount was determined to be RR 146 million, but the payment of this bonus has been deferred due to current economic conditions. The amount of remuneration accrued in 2009 was RR 34 million (2008: RR 40 million). The total liability accrued at 31 December 2009 was RR 146 million (31 December 2008: RR 112 million).

Long-term and short-term loans are issued by Sberbank, Vneshtorgbank, Ak Bars Bank, Gazprombank, Ministry of Finance of Russian Federation and other banks related to the government. Terms and conditions are disclosed in Note 18.

Guarantees received from Russian Federation Ministry of Finance and Tatarstan Ministry of Finance are disclosed in Note 35.

Details of cash and cash equivalents deposited with shareholders with significant influence, are presented in Note 16.

7 Balances and Transactions with Related Parties (Continued)

At 31 December 2009 Company had provided pledges of property for obligations of a joint venture in the amount of RR 91 million and pledges of finished goods in the amount of RR 212 million. The Group does not expect cash outflows related to the pledges provided.

At 31 December 2008 Company had guarantees issued to a subsidiary, 49% owned by a key member of management, amounting to RR 3,049 million.

In May 2009 a subsidiary, 49% owned by a key member of management, paid dividends in the amount of RR 332 million. As the dividend was paid to a key member of managerment, for accounting purposes, 49% of the dividend (RR 163 million) has been recorded as compensation expense.

In June 2009, the Group acquired all minority interest in Leasing company KAMAZ 49% for RR 23 million; carrying value of the minority interest at the date of the transaction was RR 252.

8 Segment Information

Management has determined the operating segments based on the management reports, which are primarily derived from statutory records. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the segment, has been identified as the General Director of OAO KAMAZ. To determine the operating segments management has considered the business activities and product perspective of the Group's companies.

The activity of the Group comprises two operating segments whose results are regularly reported to General Director. However, based on the requirements of the IFRS 8 "Operating segments", management identified an additional reportable segment "all others", which is driven from IFRS accounts and is not reviewed by chief operating decision-maker.

Management assesses the performance of the operating segments based on certain measures, which are presented to the General Director. The information comprises measures such as revenue, operating profit and current assets and liabilities of the segment.

The Group has following reportable segments:

- Trucks – production and sale of vehicles, assembly kits, automotive components, rendering of services and sold of goods consumed in course of production of trucks. The segment measures are driven from the statutory accounts with eliminations of sales within different stages of the production process.

- Buses and specialized trucks – production and sale of buses, mixer trucks and other special vehicles on the base of the standard trucks, production and resale of related components and rendering of the related services;

- Other – represents information, about the business activities that are not reportable. The nature of the activities is related to distribution of the goods and other auxiliary production activities.

Information in respect of revenue by geography is disclosed in Note 25. Substantially all of the Groups' assets are located, and capital expenditure are made, in the Russian Federation.

8 Segment Information (Continued)

Segment information for the year ended 31 December 2009 is as follows:

In millions of Russian Roubles	Trucks	Buses, trailers and specialized trucks	All Others	Intergroup eliminations	Reconciliation to IFRS	Total IFRS
External revenue		4,188				
Inter-segment revenue		2,767				
Total Segment revenue	**51,083**	**6,955**	**8,152**	**(5,657)**	**361**	**60,894**
Segment profit measure (operating loss)	**(1,969)**	**(167)**	**(441)**	**-**	**810**	**(1,767)**
Finance income						668
Finance costs						(2,644)
Gain on forgiveness and restructuring of taxes						218
Loss before tax						**(3,525)**
Segment assets (Inventories and Trade Receivable)	**20,197**		**3,888**	**(2,300)**	**(2,020)**	**19,765**
Segment's liability (Borrowings and Trade payable)	**29,737**		**3,629**	**(2,300)**	**(1,845)**	**29,221**

Detailed elimination and reconciliation items are provided below:

In millions of Russian Roubles	Segment profit measure	Segment assets	Segment liability
Difference in the valuation and useful life of the fixed assets	(767)	-	-
Reversal of amortization of intangible assets not recognised	345	-	-
Tax provision movements	844	-	(245)
Reclassification of charity donation from non-operating expenses	(634)	-	-
Impairment provision for receivables (including finance lease)	(415)	(165)	-
Other provisions	278	-	-
Difference in inventory recognition	-	(316)	375
Discount of loans fair valued	(123)	-	(2,500)
Inventory valuation adjustments	603	(1,103)	-
Adjustments for lease accounting	306	-	-
Dividends recognised as remuneration expense	(163)	-	-
Impairment of property, plant and equipment	(109)	-	-
Other adjustments and reclassification, net	645	(436)	525
Total elimination and reconciliation items	**810**	**(2,020)**	**(1,845)**

8 Segment Information (Continued)

Segment information for the year ended 31 December 2008 is as follows:

In millions of Russian Roubles	Trucks	Buses, trailers and specialized trucks	All Others	Intergroup eliminations	Reconciliation to IFRS	Total IFRS
External revenue		8,421				
Inter-segment revenue		5,758				
Total Segment revenue	**84,632**	**14,179**	**16,350**	**(19,578)**	**765**	**96,348**
Segment profit measure (operating profit)	**7,330**	**941**	**2,189**	**-**	**(4,164)**	**6,296**
Finance income						213
Finance costs						(4,097)
Gain on forgiveness and restructuring of taxes						714
Profit before tax						**3,126**
Segment assets (Inventories and Trade Receivable)	**24,632**	**-**	**6,805**	**(3,618)**	**(2,338)**	**25,481**
Segment's liability (Loans and Trade payable)	**33,519**	**-**	**3,835**	**(1,504)**	**(2,059)**	**33,791**

Detailed elimination and reconciliation items are provided below:

In millions of Russian Roubles	Segment profit measure	Segment assets	Segment liability
Reclassification of charity donation from non-operating expenses	(967)	-	-
Difference in the valuation and useful life of the fixed assets	(946)	-	-
Reversal of amortization of intangible assets not recognised	369	-	-
Tax provision movements	401	-	-
Impairment provision for receivables (including finance lease)	(201)	(206)	-
Other provisions	(285)	-	-
Difference in inventory recognition	-	(181)	214
Discounting of loans fair valued	(112)	-	(2,593)
Inventory valuation adjustments	(1,256)	(1,788)	-
Adjustments for lease accounting	(128)	-	-
Impairment of property, plant and equipment	(569)	-	-
Other adjustments and reclassification, net	(470)	(163)	320
Total elimination and reconciliation items	**(4,164)**	**(2,338)**	**(2,059)**

The elimination and reconciliation items mainly represent adjustments and reclassifications recorded in the consolidated financial statements for the fair presentation in accordance with IFRS. The revenue elimination and reconciliation items mainly represent leasing and consolidation adjustments. The IFRS reconciliations for the revenue represents leasing adjustment.

9 Property, Plant and Equipment

Property, plant and equipment book value movements are summarised below:

In millions of Russian Roubles	Land	Buildings	Plant and equipment	Other	Assets under construc-tion	Total
Cost						
Balance at 31 December 2007	1,642	18,073	10,669	1,750	2,360	34,494
Additions through business combinations	-	776	-	39	32	847
Additions	-	-	-	-	4,817	4,817
Disposals	(18)	(356)	(209)	(161)	(21)	(765)
Write-off	-	-	-	-	(133)	(133)
Adjustment to property, plant and equipment	-	(853)	-	-	-	(853)
Transfers	28	1,171	1,728	568	(3,495)	-
Balance at 31 December 2008	**1,652**	**18,811**	**12,188**	**2,196**	**3,560**	**38,407**
Additions	-	7	10	5	4,801	4,823
Disposals	(4)	(81)	(123)	(303)	(945)	(1,456)
Write-off	-	(224)	(159)	(12)	(43)	(438)
Transfers	25	1,265	2,980	154	(4,424)	-
Balance at 31 December 2009	**1,673**	**19,778**	**14,896**	**2,040**	**2,949**	**41,336**
Accumulated Depreciation						
Balance at 31 December 2007	-	(2,204)	(3,129)	(825)	-	(6,158)
Depreciation expense for the year 2008	-	(741)	(1,226)	(302)	-	(2,269)
Impairment of fixed assets	-	(456)	(222)	(1)	-	(679)
Disposals	-	37	80	63	-	180
Balance at 31 December 2008	**-**	**(3,364)**	**(4,497)**	**(1,065)**	**-**	**(8,926)**
Depreciation expense for the year 2009	-	(725)	(1,466)	(333)	-	(2,524)
Impairment of fixed assets	-	(82)	(27)	-	-	(109)
Disposals	-	23	53	184	-	260
Write-off	-	42	71	10	-	123
Balance at 31 December 2009	**-**	**(4,106)**	**(5,866)**	**(1,204)**	**-**	**(11,176)**
Net Book Value						
Balance at 31 December 2008	**1,652**	**15,447**	**7,691**	**1,131**	**3,560**	**29,481**
Balance at 31 December 2009	**1,673**	**15,672**	**9,030**	**836**	**2,949**	**30,160**

Interest capitalized during 2009 within the cost of acquired property, plant and equipment totaled RR 300 million (2008: RR 241 million). Interest rate used to determine the amount of borrowing costs eligible for capitalization was 10.1 % 2009 (2008: 8.4%).

Impairment losses relate to certain items of property, plant and equipment that were recognised as functionally obsolete in the respective financial year. In 2009, impairment losses include RR 109 million (2008: RR 679 million) identified as a result of the testing at the level of cash generating units.

The amount of plant and equipment includes the equipment received under leasing agreements totalling RR 1,871 million as of 31 December 2009 (31 December 2008: RR 670 million) at net book value (refer to Note 23).

10 Investment

The table below summarises the movements in the carrying amount of the Group's investments in associates and joint ventures.

In millions of Russian Roubles	**2009**	**2008**
Carrying amount at beginning of the year	**508**	**727**
Fair value of net assets of associates and joint ventures acquired	282	120
Additional contributions to existing associates and joint ventures	322	-
Share of results of associates and joint ventures, after tax	(64)	(22)
Reclassification from subsidiary to associate/(from associate to subsidiary)	-	(261)
Impairment of goodwill	-	(56)
Disposals of associates	(20)	-
Carrying amount at 31 December	**1,028**	**508**

a) *Investment in Associates*

The Group has shares in 22 associates, none of which is significant individually. A summary of the Group's share in associates and summarised financial information including assets, liabilities, revenues, profit or loss at 31 December 2009 and 31 December 2008 is set out below:

In millions of Russian Roubles	**Interest**	**Share of net asset**	**Share of net profit/ (loss)**	**Total assets**	**Total liabilities**	**Revenue**	**Profit/ (loss)**	**Country of incorporation**
For the year ended 31 December 2009								
KAMAZ VECTRA MOTORS LIMITED	51%	214	(10)	531	(111)	6	(19)	India
ZF KAMA	49%	169	(24)	661	(317)	803	(49)	Russia
KAMAZ-V-ITASCO AUTOMOBILE JSC	36%	59	3	271	(106)	275	8	Vietnam
VINACOMIN MOTOR INDUSTRY JSC	37.64%	24	2	137	(74)	362	5	Vietnam
Other	24%-50%	42	(4)	328	(233)	562	(15)	Russia
Total		**508**	**(33)**	**1,928**	**(841)**	**2,008**	**(70)**	
For the year ended 31 December 2008								
ZF KAMA	49.99%	29	(17)	873	(813)	1,767	(34)	Russia
VINACOMIN MOTOR INDUSTRY JSC	37.64%	22	2	155	(97)	307	6	Vietnam
Other	20%-50%	66	12	340	(174)	1065	24	Russia
Total		**117**	**(3)**	**1,368**	**(1,084)**	**3,139**	**(4)**	

In 2009 the Group acquired a non-controlling stake by terms of shareholder's agreement in KAMAZ VECTRA MOTORS LIMITED for RR 225 million.

In 2009 additional contributions to the charter capital of ZF KAMA was made in amount of RR 164 million.

10 Investment (Continued)

b) Investment in Joint Ventures

As at 31 December 2009 the Group has interests in the following jointly controlled entities: Cummins-KAMA, Federal-Mogul Powertrain Production, Knorr-Bremse KAMA. A summary of the Group's share in joint ventures and related financial information including total assets, liabilities, revenues, profit or loss at 31 December 2009 and 31 December 2008 is set out below:

In millions of Russian Roubles	Interest	Share of net assets	Share of net profit	Total assets	Total liabilities	Revenue	Profit/ (loss)	Country of incorporation
For the year ended 31 December 2009								
Federal Mogul	50%	255	(25)	735	(225)	3	(49)	Russia
CUMMINS KAMA	50%	232	(22)	1,633	(1,170)	671	(45)	Russia
Knorr-Bremse KAMA	50%	33	16	195	(129)	796	33	Russia
Total		**520**	**(31)**	**2,563**	**(1,524)**	**1,470**	**(61)**	
For the year ended 31 December 2008								
Federal Mogul	50%	120	12	242	(2)	-	24	Russia
CUMMINS KAMA	50%	254	(22)	1,302	(794)	1,519	(43)	Russia
Knorr-Bremse KAMA	50%	17	(9)	110	(76)	192	(18)	Russia
Total		**391**	**(19)**	**1,654**	**(872)**	**1,711**	**(37)**	

In 2009 the Group made an additional contribution to the charter capital of Federal Mogul joint venture in the form of property, plant and equipment with a carrying value of RR 41 million and fair value of RR 279 million. As the Group has a 50% interest in this entity, only 50% or RR 118 million of the RR 238 million gain was recognised in 2009; the balance was deferred and will be recognised as income over the remaining useful lives of the assets transferred.

Shares of the Group's associates and joint ventures are not listed on any stock exchange. Group associates and joint ventures have no contingencies. Available-for-sale Investments and Financial Instruments at Fair Value through Profit or Loss

At the end of 2009 JSC KAMAZ signed agreements with Daimler AG for establishment of two joint ventures Fuso Kamaz Trucks Rus for production and sale of light trucks, and Mercedes-Benz Trucks Vostok for production and sale of heavy trucks. The initial contribution of RR 436 million was made in 2010.

c) Available-for-sale investments

In millions of Russian Roubles	2009	2008
Name		
Related parties promissory notes	76	1,241
Other promissory notes	345	-
Other	14	5
Total	**435**	**1,246**

At 31 December 2007 OAO KAMAZ-Capital held 33.2% of the Company's share capital. The Company holds an investment in OAO KAMAZ-Capital representing 11.2% of its shares. This investment was acquired in exchange for 26,323 thousand shares of the Company (3.72% of Company share capital) in 2005. In December 2007 the Company transferred these shares to a trust operated by the significant shareholder. On 15 April 2008 these shares were sold to the significant shareholder for 83.7 RR per share for a total amount of RR 2,203 million. Gain from the sale of this available-for-sale investment in the amount of RR 1,747 million was recognised in the income statement in 2008.

Related parties promissory notes comprise promissory notes of Sberbank and Vneshtorgbank with interest rate of 11-13.25% per annum and maturity of up to one year. Other promissory notes comprise promissory notes of Avtovazbank in amount of RR 345 million with the interest rate of 8-8.36% which were pledged as collateral for the loans from this bank (see Note 35). These promissory notes were redeemed in April 2010.

11 Intangible Assets

Intangible assets comprise the following:

In millions of Russian Roubles	**Development costs**	**Other Intangible Assets**	**Total**
Cost			
Balance at 31 December 2007	**546**	**116**	**662**
Additions	369	169	538
Write-off	(83)	(38)	(121)
Balance at 31 December 2008	**832**	**247**	**1,079**
Additions	563	27	590
Write-off	(74)	(24)	(98)
Balance at 31 December 2009	**1,321**	**250**	**1,571**
Accumulated Amortisation			
Balance at 31 December 2007	**(109)**	**(49)**	**(158)**
Amortisation expense	(58)	(11)	(69)
Balance at 31 December 2008	**(167)**	**(60)**	**(227)**
Amortisation expense	(69)	(2)	(71)
Balance at 31 December 2009	**(236)**	**(62)**	**(298)**
Net Book Value			
Balance at 31 December 2008	**665**	**187**	**852**
Balance at 31 December 2009	**1,085**	**188**	**1,273**

Development costs capitalized comprise the following projects:

In millions of Russian Roubles	**Expected useful life**	**2009**	**2008**
New cab family	7-10 years	376	129
Engines Euro-5	5-10 years	208	98
Heavy truck family (KAMAZ-6520)	7 years	143	122
Long-haul truck (KAMAZ-6520)	7 years	67	37
Buses KAMAZ-NEFAZ	7 years	54	64
All-wheel-drive truck family	5 years	45	50
Light truck family	7 years	29	26
Gas engines	5-10 years	28	30
Engines Euro-3, Euro-4	5-10 years	18	28
Modernized cargo family	7 years	17	23
Light truck family (KAMAZ-4308)	7 years	11	12
Heavy truck family (KAMAZ-6XXX)	7 years	9	11
Others	3-7 years	80	35
Total		**1,085**	**665**

All development project costs were internally generated. The development costs includes interest capitalized during 2009 totalled RR 69 million (2008: RR 9 million). Interest rate used to determine the amount of borrowing costs eligible for capitalization was 10.1 % 2009 (2008: 8.4%).

Other intangible assets represent licences for software and other intangibles purchased outside the Group.

12 Finance Lease Receivables

Information on minimum finance lease payments and their present value is specified below:

In millions of Russian Roubles	Due within 1 year	Due between 2 and 5 years	Total
Minimum lease payments at 31 December 2008	2,623	1,930	4,553
Less future finance charges	(230)	(588)	(818)
Less impairment provision	(99)	(73)	(172)
Present value of minimum lease payments at 31 December 2008	**2,294**	**1,269**	**3,563**
Minimum lease payments at 31 December 2009	1,730	829	2,559
Less future finance charges	(127)	(248)	(375)
Less impairment provision	(143)	(52)	(195)
Present value of minimum lease payments at 31 December 2009	**1,460**	**529**	**1,989**

The Group provides leasing facilities to the buyers of trucks and buses. The common terms of leasing agreements include 30% advance payment and 2-3 years lease period. Effective interest rate for finance lease receivables is 24% in 2009 (2008: 26.8%). The fair value of finance lease receivables as at 31 December 2009 is not significantly different to their carrying values.

At 31 December 2009 and 31 December 2008 lease balances are as following:

In million of Russian Roubles	2009	2008
Current and not impaired	1,047	2,890
Past due but not impaired (less than 30 days overdue)	229	217
Individually impaired		
- 30 days to 90 days overdue	259	215
- 90 days to 120 days overdue	51	254
- more than 120 days overdue	598	159
Total individually impaired	908	628
Impairment loss provision	(195)	(172)
Total lease balances	**1,989**	**3,563**

The fair value of collateral (leased out trucks) for past due but not impaired and individually impaired balances comprised RR 1,164 million (2008: RR 1,032 million).

13 Other Non-Current Assets

Other non-current assets consist of the following:

In millions of Russian Roubles	31 December 2009	31 December 2008
Advances issued for equipment	375	257
Long term receivables	212	216
Other	122	70
Total non-current assets	**709**	**543**

14 Inventories

In millions of Russian Roubles	2009	2008
Raw materials and consumables	4,230	6,067
(Less net realizable value provision)	(603)	(680)
Raw materials and consumables, net	3,627	5,387
Work in progress	3,042	4,483
Finished goods	7,260	12,864
(Less net realizable value provision)	(624)	(964)
Finished goods, net	6,636	11,900
Total inventory	**13,305**	**21,770**

15 Trade and Other Receivables

In millions of Russian Roubles	2009	2008
Trade receivables	6,008	4,265
(less impairment provision for trade accounts receivable)	(528)	(554)
Trade receivables, net	5,480	3,711
Advances issued and prepayments	1,019	1,786
(less impairment provision for advances issued and prepayments)	(38)	(52)
Advances issued and prepayments, net	981	1,734
Other receivables	969	666
(less impairment provision for other receivables)	(365)	(32)
Other receivables, net	604	634
Loans issued	250	657
(less impairment provision for loans issued)	(117)	-
Loans issued, net	133	657
VAT recoverable	1,040	1,152
Other prepaid taxes	740	1,932
Total trade and other receivables	**8,978**	**9,820**

The Group's receivables include RR 250 million (at 31 December 2009: RR 657 million) loans issued to its dealers. Loans bear interest of 13 – 14 % per annum.

The fair value of each class of the trade and other receivables is not significantly differs from their carrying values.

15 Trade and other receivables (Continued)

Analysis of trade receivables is as following:

In millions of Russian Roubles	**2009**	**2008**
Current and not impaired	5,036	3,055
Past due but not impaired		
- less than 30 days overdue	178	312
- 30 days to 60 days overdue	109	275
- 60 days to 90 days overdue	76	28
- 90 days to 120 days overdue	14	-
- 120 days to 365 days overdue	10	-
- more than 1 year overdue	27	-
Total past due but not impaired	414	615
Individually impaired		
- less than 30 days overdue	16	11
- 30 days to 60 days overdue	23	15
- 60 days to 90 days overdue	23	17
- 90 days to 120 days overdue	54	218
- 120 days to 365 days overdue	122	33
- more than 1 year overdue	320	302
Total individually impaired	558	596
Impairment loss provision	(528)	(555)
Total trade receivables	**5,480**	**3,711**

Accounts receivable denominated in foreign currency:

In millions of Russian Roubles	**2009**	**2008**
USD	160	303
Euros	1,675	118
Other CIS currencies	222	330
Total	**2,057**	**751**

16 Cash and Cash Equivalents and Term Deposits

In millions of Russian Roubles	**2009**	**2008**
Deposits	5,725	5,077
Cash in bank	1,225	1,351
Bank promissory notes	253	341
Total cash and cash equivalents	**7,203**	**6,769**

As at 31 December 2009 on-demand deposits included a non interest-bearing investment account amounting to RR 1,700 million (at 31 December 2008: RR 2,260 million) deposited with a significant shareholder (see Note 7).

Other deposits bear interest in 2009 from 0.5% to 7% per annum depend on maturity and nominal currency. The other cash balances are not interest-bearing.

Term deposits, that are not included in cash and cash equivalents and disclosed in a separate balance sheet caption, consist of deposits with a maturity of 3 months to 1 year and interest rates from 8% to 14%.

Cash balances denominated in foreign currency:

In millions of Russian Roubles	**2009**	**2008**
USD	1,032	126
Euros	401	36
Other CIS currencies	65	95
Total	**1,498**	**257**

17 Share Capital

In millions of Russian Roubles	**Number of outstanding shares (in thousands)**	**Ordinary shares Nominal amount**
At 31 December 2008	**707,230**	**35,361**
At 31 December 2009	**707,230**	**35,361**

Total amount of authorised ordinary shares is 707,230 thousand (2008: 707,230 thousand shares) with a nominal value of RR 50 per share. All issued ordinary shares are fully paid. Each ordinary share carries one vote.

18 Borrowings

The Group's borrowings mature as follows:

In millions of Russian Roubles	**2,009**	**2,008**
Borrowings due: - within 1 year	12,861	18,960
- between 2 and 5 years	8,047	1,425
- after 5 years	2,077	2,022
Total borrowings	**22,985**	**22,407**

Borrowings payable after 5 years includes a 1% loan from the Ministry of Finance for RR 2,044 million (31 December 2008: RR 1,993 million). This loan matures in 2034.

18 Borrowings (Continued)

Long-term borrowings

The Group's long-term borrowings are as follows:

In millions of Russian Roubles		2009				2008			
	Currency	**Effective interest rate**	**Nominal interest rate**	**Carrying value**	**Fair value**	**Effective interest rate**	**Nominal interest rate**	**Carrying value**	**Fair value**
Term loans									
Syndicated loan	Euros	6%	3-month Euribor +3.5%	4,808	4,808	8%	3-month Euribor +3.5%	5,097	5,097
Sberbank	Roubles	17%	16.00%	4,623	4,623	13%	12.25%	440	404
RF Ministry of Finance	Yens	6.62%	1.00%	2,526	1,162	6.62%	1.00%	2,467	1,457
Ak Bars Bank	Roubles	16%	15%	683	683	14%	13.00%	1,251	1,163
EBRD	US Dollars	2%	6-month Libor+1%	609	609	4%	6-month Libor+1%	790	790
Kanematsu	Yens	2%	6-month Yen Libor +3%	148	148	4%	6-month Yen Libor +3%	232	232
Absolut bank	Roubles	-	-	-	-	16%	15%	150	143
Others		5%	5%	337	290	11%	11%	686	611
Total term loans				**13,734**	**12,323**			**11,113**	**9,897**
Revolving lines of credit									
Vneshtorgbank	Roubles	19%	17%	2,900	2,900	-	-	-	-
Commerzbank (Eurasija)	US Dollars	3%	3-month Libor +2.7%	1,499	1,499	8%	3-month Libor +4.75%	1,474	1,474
Vneshtorgbank	Euros	5%	6-month Euribor + 3.6%	1,019	1,019	-	-	-	-
AF Bank	Roubles	20%	18%	219	219	-	-	-	-
Akibank	Roubles	20%	18%	100	100	-	-	-	-
Others		20%	18%	141	141	14%	13%	15	14
Total revolving lines of credit				**5,878**	**5,878**			**1,489**	**1,488**
Total long-term borrowings				**19,612**	**18,201**			**12,602**	**11,385**
Less Current portion				**(9,488)**	**(9,475)**			**(9,155)**	**(9,074)**
Total long-term portion				**10,124**	**8,726**			**3,447**	**2,311**

Two new long-term loans were obtained by the Group in July and September 2009: a credit line from Sberbank with a limit of RR 4,300 million (at 16% interest rate per annum) and a credit line from Vneshtorgbank with a limit of RR 2,900 million RR (at 17.3% interest rate per annum).

Under requirements of the syndicated loan agreement, the Group entered into interest rate swap agreements. The total notional principal amount of the outstanding interest rate swap contracts at 31 December 2009 was EUR 96 million (2008: 0). The notional amount under these interested rate swaps matches the repayment schedule under syndicated loan agreement. Under the agreements the Group swapped the variable interest rate EUR-EURIBOR-Reuters to a fixed rate 2.322% for syndicated loan. The Group does not apply hedge accounting.

18 Borrowings (Continued)

Short-term borrowings

In millions of Russian Roubles		2009				2008			
	Currency	**Effective interest rate**	**Nominal interest rate**	**Carrying value**	**Fair value**	**Effective interest rate**	**Nominal interest rate**	**Carrying value**	**Fair value**
Term loans									
AvtoVazBank	Roubles	12%	12%	660	638	15%	14%	500	481
Vneshtorgbank	Roubles	8%	8%	350	326	12%	12%	375	351
Sberbank	Roubles	18%	16%	50	50	17%	16%	3,310	3,245
Others		12%	11%	868	838	14%	13%	1,538	1,464
Total term loans				**1,928**	**1,852**			**5,723**	**5,541**
Revolving lines of credit									
Vneshtorgbank	Roubles	20%	18%	650	650	-	-	-	-
Akibank	Roubles	6%	6%	350	321	-	-	-	-
Uralsib	Roubles	22%	20%	200	200	27%	24%	150	150
Gazprombank	Roubles	20%	18%	139	139	16%	15%	2,250	2,184
Vneshtorgbank	Euros	-	-	-	-	9%	6-month Euribor + 3.6%	1,423	1,423
Others		-	-	-	-	14%	13%	93	89
Total revolving lines of credit				**1,339**	**1,310**			**3,916**	**3,846**
Total short-term borrowings				**3,267**	**3,162**			**9,639**	**9,387**
Plus Current portion of long-term borrowings									
Syndicated loan	Euros	6%	3-month Euribor +3.5%	4,808	4,808	8%	3-month Euribor +3.5%	5,097	5,097
Vneshtorgbank	Roubles	19%	17%	1,213	1,213	-	-	-	-
Vneshtorgbank	Euros	5%	3-month Euribor +3,6%	460	460	-	-	-	-
Commerzbank (Eurasija)	US Dollars	3%	3-month Libor +2.70%	1,499	1,499	8%	3-month Libor +4.75%	1,474	1,474
EBRD	US Dollars	2%	6-month Libor +1%	609	609	4%	6-month Libor +1%	790	790
Ak Bars Bank	Roubles	17%	16%	523	523	14%	13%	962	916
Kanematsu	Yens	2%	6-month Yen Libor +3%	148	148	4%	6-month Yen Libor +3%	232	232
Absolut bank	Roubles	-	-	-	-	16%	15%	150	146
RF Ministry of Finance	Yens	6.6%	1%	92	85	6.6%	1%	97	87
ALFA Bank	Roubles	14%	13%	51	50	14%	13%	146	139
Others		11%	11%	85	81	12%	11%	207	193
Total current portion of long-term borrowings				**9,488**	**9,476**			**9,155**	**9,074**
Interest payable				106				166	
Current borrowings				**12,861**	**12,638**			**18,960**	**18,461**

18 Borrowings (Continued)

Short-term borrowings (Continued)

Under certain loan agreements with Vneshtorgbank, Sberbank, Avtovazbank, Akibank and Zenit bank, the Company received the bank's promissory notes instead of cash. Outstanding balance on these loans as of 31 December 2009 amounted RR 1,151 million (31 December 2009: RR 330 million) with interest rates varying in range of 5-8% (2008: 8%).

Most of the Group's loans and borrowings are secured by a property pledges and guarantees.

The syndicated loan is secured by a guarantee of 6 of the largest subsidiaries (Kamaz-Metallurgy, Kamaz-Diesel, Kamaz Foreign Trade Company, Kama Press and Stamping Plant, Finance Leasing Company, Kamaz Finance and Trading Company).

The loan from the Ministry of Finance is secured by a real estate pledge (RR 3,402 million) and by a pledge of subsidiaries' shares (at net assets value of RR 2,695 RR).

The newely obtained loan from Sberbank is secured by a guarantee from Ministry of Finance (RR 2,150 million) and by the Group's property pledge (RR 1,064 million).

The Vneshtorgbank loans are secured by a property pledge (RR 4,379 million) and by a guarantee from Ministry of Finance (RR 1,450 million).

The EBRD loan is secured by the Russian Federation Ministry of Finance's surety (RR 2,132 million) and by the Republic of Tatarstan Ministry of Finance's surety (RR 387 million).

The Leasing company's borrowings from Ak Bars Bank are secured by a pledge of finished goods (RR 1,456 million), Commerzbank's loan is secured by a property pledge (RR 1,581 million) and by pledge of right of demand of the payments under leasing agreement (RR 1,264 million).

Under the terms of its agreements, the Group is required to comply with a number of covenants and restrictions, including the maintenance of certain financial ratios, financial indebtedness and cross-default provisions.

The Group did not comply with certain financial covenants attached to EBRD, Commerzbank and syndicated loan agreements. Total liability under these agreements amounted RR 6,967 million (31 December 2008: RR 9,461 million), including current portion of RR 3,361 million (31 December 2008: RR 2,829 million). The lenders have the right to require early repayment of the whole amount of these loans. Due to the breach of covenants, the long-term part of the above mentioned loans, totaling RR 3,605 million (31 December 2008: RR 6,632 million) are included in the current portion of long-term borrowings and recognized as short-term in the balance sheet.

At 31 December 2009 Group's approved credit limits with Russian banks totaled RR 17,600 million (31 December 2008: RR 15,700 million); the unused portion was RR 7,281 million (31 December 2008: RR 8,173 million). These limits are denominated in Russian Roubles with interest rates ranging from 5 % to 18% (31 December 2008: 14% to 19% per annum). At 31 December 2009 out of the RR 17,600 million of approved credit, RR 1,300 million are for terms less than one year, and RR 16,300 million are for terms greater than one year (31 December 2008: RR 6,700 million are for terms less than one year and RR 9,000 million are for terms greater than one year).

Derivative Financial Instruments

In millions of Russian Roubles	**Note**	**31 December 2009**	**31 December 2008**
Interest rate swap		64	-
Total non-current liability on interest rate swap		**64**	**-**

Under requirements of the syndicated loan agreement, the Group entered into interest rate swap agreements with Citibank and Commerzbank. The total notional principal amount of the outstanding interest rate swap contracts at 31 December 2009 was EUR 96 million (2008: 0). The notional amount under these interested rate swaps matches the repayment schedule under syndicated loan agreement. Under the agreements the Group swapped the variable interest rate EUR-EURIBOR-Reuters to a fixed rate 2.322% for syndicated loan. The Group does not apply hedge accounting.

19 Other Taxes Payable

Taxes payable within one year comprise the following:

In millions of Russian Roubles	2009	2008
Value-added tax	494	562
Unified social tax	167	145
Personal income tax	92	85
Property tax	71	41
Tax penalties and interest	7	2
Other taxes	43	98
Total	**874**	**933**

20 Restructured Taxes

Restructured taxes represent a provision for the expected outflows under decrees of the Government of the Russian Federation issued during 2009, 2007, 2006, 2002 and 2001 that allowed the Group to postpone payment of tax liabilities (unified social tax, VAT, fines and penalties).

In the first half of 2009 the Group was granted a further deferral of payments under the tax restructuring agreement. As a result of amendments in the tax restructuring agreement a gain of RR 443 million was recognized in the financial statements. In addition, changes in the discount rate used resulted in a charge of RR 225 million (2008: RR 714 million of gain).

Movements in the liabilities for restructured taxes are as follows:

In millions of Russian Roubles	2009	2008
Carrying amount at beginning of the year	**1,330**	**1,987**
Gain from restructuring	(443)	-
Effect of change of discount rate	225	(714)
Payments	(9)	(117)
Interest expense	263	174
Carrying amount at 31 December	**1,366**	**1,330**
Current portion of tax restructured	7	157
Long-term portion of tax restructured	1,359	1,173

The above liability is carried at the present value of the amounts expected to be paid to settle the obligation, calculated by applying the discount rate of 15.5% (2008: 19.8%).

The gain from restructuring of the taxes and changes in the discount rate totalling RR 218 million were recognised in 2009 (2008: RR 714 million).

The liability for restructured taxes is denominated in Russian roubles and matures as follows:

In millions of Russian Roubles	2009	2008
- within 1 year	7	157
- between 2 and 5 years	569	576
- after 5 years	790	597
Total	**1,366**	**1,330**

In the event of the Company’s failure to make current tax payments and payments of restructured tax liabilities by the end of each quarter, the Ministry of Taxes and Duties may, within one month, recommend to the Russian Government to cancel the restructuring decree and call the entire liability.

21 Provisions for Liabilities and Charges

Provisions for liabilities and charges changed in the following manner:

In millions of Russian Roubles	Warranty provision	Taxes other than on income, fines and penalties	Other liabilities and charges	Total
Carrying value at 31 December 2007	**498**	**1,146**	**-**	**1,644**
Accruals charged to profit and loss	-	56	285	341
Utilized	(247)	(402)	-	(649)
Carrying value at 31 December 2008	**251**	**800**	**285**	**1,336**
Accruals charged to profit and loss	51	58	-	109
Reversal of unused provision	-	(661)	(278)	(939)
Utilised	(183)	(98)	-	(281)
Carrying value at 31 December 2009	**119**	**99**	**7**	**225**

Warranty. The Group provides warranties in respect of automotive trucks for a period of 12 months or 75,000 km of mileage and undertakes to repair or replace items that fail to perform satisfactorily. A provision of RR 119 million (2008: RR 251 million) has been recognised at the year-end for expected warranty claims based on past experience of the level of repairs and returns.

Taxes other than on income, fines and penalties: The Group has recorded provisions of RR 99 million (2008: RR 800 million). The balance at 31 December 2009 is expected to be either fully utilised or released by the end of 2012. Provision for tax liabilities relates to tax contingencies resulting from uncertain interpretation of tax legislation. The change in the provision results from the expiry of fiscal periods subject to review by the tax authorities.

Other liabilities and charges: The Group recognized a provision for other liabilities and charges of RR 7 million (2008: 285 million) in relation to cancellation penalties for contracts previously entered into for equipment purchase.

22 Trade and Other Payables

In millions of Russian Roubles	2009	2008
Trade payables	6,236	11,384
Advances received	2,701	1,642
Wages and salaries payable	1,164	1,412
Other	805	581
Trade and other payables	**10,906**	**15,019**

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

Trade and other payables denominated in foreign currency are as follows:

In millions of Russian Roubles	2009	2008
Euros	317	404
USD	79	159
Other CIS currencies	116	157
Total	**512**	**720**

23 Finance Lease Payables

Minimum lease payments under finance leases and their present values are as follows:

In millions of Russian Roubles	**Due within 1 year**	**Due between 2 and 5 years**	**Due more than 5 years**	**Total**
Minimum lease payments at 31 December 2008	94	295	498	887
Less future finance charges	(46)	(35)	(155)	(236)
Present value of minimum lease payments at 31 December 2008	**48**	**260**	**343**	**651**
Minimum lease payments at 31 December 2009	726	1,343	467	2,536
Less future finance charges	(62)	(615)	(145)	(822)
Present value of minimum lease payments at 31 December 2009	**664**	**728**	**322**	**1,714**

Leased assets with the carrying amount disclosed in Note 7 are effectively pledged for finance lease liabilities as the rights to the leased asset revert to the lesser in the event of default. The ownership of the leased assets and related risks remains with the lessor and transferred to lessee at the end of the repayment of the obligation under contracts. In case of early repayment the lessee should compensate to lessor bank penalties on termination of the related debt. The average effective interest rate under lease agreements is 26% for 2009 (2008: 10%).

24 Post-Retirement Benefit Obligation

Payments to state pension fund were RR 1,166 million for 2009 (2008: RR 1,928 million). At 31 December 2009 defined benefit liabilities recognised in the balance sheet as other non-current liabilities were RR 145 million (31 December 2008: RR 107 million), gross amount of defined benefit obligations 336 was RR million (31 December 2008: RR 340 million). The difference in the amount of RR 191 million (31 December 2008: RR 233 million) between the benefit obligation and the liability recognised is primarily due to the deferral of past service costs that are expensed over the remaining estimated periods of service.

25 Revenue

In millions of Russian Roubles	**2009**	**2008**
Trucks and assembly kits	39,507	61,995
Spare parts	9,011	15,209
Buses, truck trailers and truck mixers	5,454	9,500
Metallurgical products	1,337	3,176
Truck repair services	556	532
Finance lease income	361	766
Other sales of goods	3,516	3,211
Other services	1,152	1,959
Total	**60,894**	**96,348**

Sales of goods include RR 4,717 million (2008: RR 567 million) and purchase of the materials include RR 6,673 million (2008: RR 3,260 million) settled using bills of exchange.

During 2009 the Group sold under finance lease agreement trucks and buses on total amount RR 318 million (2008: RR 1,523 million).

25 Revenue (Continued)

In millions of Russian Roubles	**2009**	**2008**
Domestic sales		
Trucks and assembly kits	32,060	46,613
Spare parts	7,278	12,363
Buses, truck trailers and truck mixers	5,286	8,902
Leasing income	361	766
Other sales	6,557	8,449
Total domestic sales	**51,542**	**77,093**
Export sales		
Trucks and assembly kits	7,447	15,382
Spare parts	1,733	2,846
Buses, truck trailers and truck mixers	168	598
Other sales	4	429
Total export sales	**9,352**	**19,255**
Total	**60,894**	**96,348**

26 Cost of Sales (Excluding Impairment of Property, Plant and Equipment)

Cost of sales includes the following items:

In millions of Russian Roubles	**2009**	**2008**
Materials and components used	32,644	66,119
Labour costs	7,496	12,428
Fuel and energy	2,753	3,527
Depreciation of property, plant and equipment	2,265	1,951
Services	1,654	2,475
Warranty accruals	51	-
Provisions for other liabilities and charges	(278)	285
Inventory provision	311	1,020
Other costs	395	673
Changes in inventory of finished goods and work in progress	6,317	(9,310)
Total	**53,608**	**79,168**

27 Distribution Costs

Distribution costs comprise:

In millions of Russian Roubles	**2009**	**2008**
Labour costs	975	1,645
Transportation expenses	490	605
Materials consumed	488	839
Impairment provision for receivables	480	558
Advertising	174	273
Depreciation of property, plant and equipment	55	85
Other services	567	702
Other distribution costs	271	604
Total	**3,500**	**5,311**

28 General and Administrative Expenses

General and administrative expenses include the following items:

In millions of Russian Roubles	2009	2008
Labour costs	2,024	3,282
Taxes other than income tax	802	815
Services	691	878
Consulting and information services	471	209
Depreciation of property, plant and equipment	204	233
Insurance	163	238
Bank services	66	130
Provision (reversal of provision) for taxes other than income tax	(603)	(346)
Other expenses	429	515
Total	**4,247**	**5,954**

29 Other Operating Income and Expenses

Other operating income comprises:

In millions of Russian Roubles	2009	2008
Foreign exchange gains	-	408
Gain on disposal of property, plant and equipment	157	-
Gain on disposal of inventory	37	73
Gain on sale and other disposals of subsidiaries	30	-
Penalties received	20	114
Reimbursement of expenses related to leasing by lessees	8	113
Gain on disposals of associates	-	85
Other operating income	227	128
Total	**479**	**921**

Other operating expenses comprise:

In millions of Russian Roubles	2009	2008
Social expenditures and charity	675	996
Foreign exchange losses	349	-
Loss on write-off of property, plant and equipment	315	133
Loss on disposal of property, plant and equipment	-	211
Loss on acquisition of associates	-	56
Loss on sale and other disposals of subsidiaries	-	7
Other operating expenses	175	66
Total	**1,514**	**1,469**

30 Expenses by Nature

Materials and components in:

In millions of Russian Roubles	2009	2008
Cost of sales (excluding Impairment of property, plant and equipment)	32,644	66,119
Distribution costs	488	839
General and administrative expenses	95	128
Total	**33,227**	**67,086**

30 Expenses by Nature (Continued)

Wages and salaries in:

In millions of Russian Roubles	2009	2008
Cost of sales (excluding Impairment of property, plant and equipment)	7,496	12,428
General and administrative expenses	2,024	3,282
Distribution costs	975	1,645
Total	**10,495**	**17,355**

Depreciation of property, plant and equipment and amortisation of intangible assets in:

In millions of Russian Roubles	2009	2008
Cost of sales (excluding Impairment of property, plant and equipment)	2,265	1,951
General and administrative expenses	204	233
Distribution costs	55	85
Total depreciation of property, plant and equipment	**2,524**	**2,269**
Amortization of intangible assets	71	69
Total	**2,595**	**2,338**

31 Finance Income and Costs

Finance income comprises of the following:

In millions of Russian Roubles	2009	2008
Interest income on deposits, promissory notes and loans issued	668	213
Total	**668**	**213**

Finance cost comprises the following:

In millions of Russian Roubles		2009	2008
Foreign exchange loss		422	2,608
Interest on loans and borrowings		1,946	1,365
Less interest capitalized		(369)	(252)
Interest expenses		1,577	1,113
Amortisation of the discount on restructured loans		123	112
Bank services		69	85
Interest expense on finance leases where the Group is the lessee		126	5
Amortisation of the discount on restructured taxes		263	174
Interest rate swap	17	64	-
Total		**2,644**	**4,097**

32 Earnings per Share

Earnings per share are calculated as follows:

	2009	2008
Basic and diluted (loss)/earnings per share:		
(Loss)/Profit attributable to equity holders of the Company (RR million)	(2,267)	1,006
Weighted average number of ordinary shares in issue (thousands)	707,230	707,230
Basic and diluted (loss)/earnings per share (Roubles per share)	**(3.21)**	**1.43**

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of ordinary shares in issue during the year (Note 17). There were no potentially dilutive instruments outstanding during 2008 and 2009.

33 Income Taxes

Income tax expense comprises the following:

In millions of Russian Roubles	2009	2008
Current tax	122	1,063
Additional payments for previous periods	186	127
Deferred tax	(444)	1,078
Reversal of provisions for tax exposures	(810)	(207)
Income tax expense for the year	**(946)**	**2,061**

Reconciliation between the expected and the actual taxation charge is provided below.

In millions of Russian Roubles	2009	2008
Loss/Profit before tax	**(3,525)**	**3,126**
Theoretical tax (benefit)/charge at statutory rate (2009: 20%; 2008: 24%)	(705)	751
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-deductable expenses	396	793
Impairment of deferred tax asset	-	492
Additional payments for previous periods	186	127
Reversal of provisions for tax exposures	(810)	(207)
Previous years' losses utilization	(13)	-
Effect of the change in the tax rate from 24% to 20%	-	105
Income tax expense/(benefit) for the year	**(946)**	**2,061**

On 26 November 2008, the Russian Federation reduced the standard corporate income tax rate from 24% to 20% with effect with 1 January 2009. The impact of the change in tax rate presented above represents the effect of applying the reduced 20% tax rate to deferred tax balances at 31 December 2008.

Non-deductable expenses mainly consist of social expenses and other general and administrative expenses not included in the taxable profit in accordance with tax legislation. Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at a rate of 20% (2008: 20%).

33 Income Taxes (Continued)

Deferred tax movements for the year ended 31 December 2009 are as follows:

In millions of Russian Roubles	1 January 2009	Charged/ (credited) to profit or loss	31 December 2009
Tax effect of taxable temporary differences			
Property, plant and equipment	(1,329)	173	(1,156)
Loans and borrowings	(533)	23	(510)
Taxes payable and restructured taxes	(380)	6	(374)
Finance lease receivables	(187)	8	(179)
Finance lease payables	-	(208)	(208)
Accounts payable	(83)	(53)	(136)
Accounts receivable	(175)	36	(139)
Inventory	(244)	(90)	(334)
Gross deferred tax liability	**(2,931)**	**(105)**	**(3,036)**
Tax effect of deductible temporary differences and tax loss carried forward			
Property, plant and equipment	2,943	48	2,991
Accounts payable	103	27	130
Provisions	120	(58)	62
Intangible assets	93	(29)	64
Inventory	136	(34)	102
Accounts receivable	50	11	61
Tax loss carry forward	11	584	595
Gross deferred tax asset	**3,456**	**549**	**4,005**
Net deferred tax asset	**525**	**444**	**969**

Deferred tax movements for the year ended 31 December 2008 are as follows:

In millions of Russian Roubles	1 January 2008	Charged/ (credited) to profit or loss	Recog-nised in OCI	Effect of the change in the tax rate	Write-off of deferred income tax assets	31 December 2008
Tax effect of taxable temporary differences						
Property, plant and equipment	(1,808)	213	-	266	-	(1,329)
Investments	(431)	11	420	-	-	-
Loans and borrowings	(426)	(214)	-	107	-	(533)
Taxes payable and restructured taxes	(327)	(129)	-	76	-	(380)
Finance lease receivables	(195)	(29)	-	37	-	(187)
Accounts payable	(65)	(35)	-	17	-	(83)
Accounts receivable	-	(210)	-	35	-	(175)
Inventory	(21)	(272)	-	49	-	(244)
Gross deferred tax liability	**(3,273)**	**(665)**	**420**	**587**	**-**	**(2,931)**
Tax effect of deductible temporary differences and tax loss carried forward						
Property, plant and equipment	3,650	5	205	(589)	(328)	2,943
Accounts payable	196	(72)	-	(21)	-	103
Provisions	129	15	-	(24)	-	120
Intangible assets	111	1	-	(19)	-	93
Inventory	81	204	-	(27)	(122)	136
Accounts receivable	67	35	-	(10)	(42)	50
Tax loss carry forward	17	(4)	-	(2)	-	11
Gross deferred tax asset	**4,251**	**184**	**205**	**(692)**	**(492)**	**3,456**
Net deferred tax asset	**978**	**(481)**	**625**	**(105)**	**(492)**	**525**

33 Income Taxes (Continued)

In the context of the Group's current structure and Russian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

A deferred tax asset in the amount of RR 2,233 million (2008: RR 2,519 million) and a deferred tax liability in the amount of RR 1,264 million (2008: RR 1,994 million) have been recorded in the consolidated balance sheet after offsetting of the gross amounts presented above.

The Group has not recorded deferred tax liabilities in respect of taxable temporary differences of RR 920 million (2008: RR 1,091 million) associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

Income tax payable includes profit tax payable related to uncertain tax position in the amount of RR 152 million as at 31 December 2009 (2008: RR 961 million).

34 Contingencies and Commitments

Litigation. From time to time and in the normal course of business, claims against the Group are received. On the basis of their own estimates and both internal and external professional advice Management is of the opinion that no material losses will be incurred in respect of claims.

At 31 December 2009 and 2008 the Group was engaged in litigation proceedings as a defendant with a number of clients and customers. No provision has been made as the Group's Management believes that risks of these proceedings are remote.

Tax contingencies. Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Russian tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. This includes them following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purpose of transactions. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice with this respect has been contradictory.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

34 Contingencies and Commitments (Continued)

Russian tax legislation does not provide definitive guidance in certain areas. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

At 31 December 2009, total liabilities recorded for uncertain tax positions that are determined by management as more likely than not to result in additional taxes amounted to RR 246 million (2008: RR 1,762 million).

In addition, the Group estimates its uncertain tax positions other than remote that are determined by management as not likely to result in additional taxes of approximately RR 608 million (2008: RR 2,446 million). No provision has been recognised in relation to such uncertain tax positions.

Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax position will be sustained.

Contractual commitments. The Group has contractual commitments for the acquisition of property, plant and equipment as at 31 December 2009 totalling RR 1,916 million (31 December 2008: RR 2,332 million).

Guarantees. The Group received guarantees for the following liabilities:

		2009		2008	
In millions of Russian Roubles	**Notes**	**Guarantees received**	**Related liability**	**Guarantees received**	**Related liability**
Russian Federation Ministry of Finance (EBRD loan – nominated in US Dollars)	18	2,132	516	2,071	669
Russian Federation Ministry of Finance (Sberbank loan-nominated in RR)	18	2,150	2,150	-	-
Russian Federation Minisrty of Finance (Vneshtorgbank loan-nominated in RR)	18	1,450	1,450	-	-
Tatarstan Ministry of Finance (Kanematsu loan – nominated in Japanese Yens)	18	607	148	603	232
Tatarstan Ministry of Finance (EBRD loan – nominated in US Dollars)	18	387	94	376	121
Total guarantees		**6,726**	**4,358**	**3,050**	**1,022**

Assets pledged and restricted. The Group had the following assets pledged as collateral as at 31 December 2009 and 31 December 2008:

		2009		2008	
In millions of Russian Roubles	**Notes**	**Asset pledged**	**Related liability**	**Asset pledged**	**Related liability**
Inventory	14	5,327	3,272	15,100	6,558
Property, plant and equipment	9	8,415	8,763	3,262	3,999
Shares of subsidiary at net asset value		2,695	659	2,395	1,776
Leasing receivable		1,264	449	-	-
Bank promissory notes at nominal value		350	300	300	200
Total		**18,051**	**13,443**	**21,057**	**12,533**

At 31 December 2009 and 31 December 2008 12,000 thousand shares of OAO KAMAZ-Metallurgiya representing a controlling stake (52%) with total nominal value of RR 1,200 million were pledged as collateral for a loan issued by the Russian Federation Ministry of Finance.

Loan covenants. The covenants attached to some loans include provision of financial statements and other information about the Group's business to the lender. The EBRD, Syndicated loan and Commerzbank loan agreements included also a number of financial covenants. The details of a technical breach of covenants attached to these loans are disclosed in Note 18.

Loan commitments. In most cases the Group could repay its debts early, after notification of the borrower, without penalties. The exceptions are loans from EBRD (the penalty is 0.125% of the loan amount due), Vneshtorgbank (early repayment could be made only after receipt of written permission given by the bank) and AK Bars Bank (early repayment is forbidden for some loan agreements).

35 Financial Risk Management

The classification of the financial assets and liabilities fit classification by the balance sheet lines.

Financial risk factors

The risk management function within the Group is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The main risk management techniques in the Group are insurance, provisioning, regulation of transactions (development of regulatory documents), establishing limits on transactions and avoidance.

(a) Market risk

The Group takes on exposure to market risks. Market risks arise from changes in open positions in interest rate, currency and equity financial instruments, all of which are exposed to general and specific market movements. Group Management monitors the risk of negative changes in prices and interest rates. However, the use of this approach does not prevent losses in the event of significant market movements.

(i) Currency risk

The Group exports production to CIS countries and other countries and attracts a substantial amount of foreign currency denominated long-term borrowings and is thus exposed to foreign exchange risk. Foreign currency denominated assets (Notes 15, 16) and liabilities (Notes 18,22 and 23) give rise to foreign exchange exposure. Currency risk is monitored monthly.

The Group is exposed to currency risk arising on open loan positions denominated in Euro, US dollars and Japanese Yen obtained to finance purchases of equipment and working capital. Management considers hedging of these positions unsuitable.

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2009:

	Monetary financial assets			**Monetary financial liabilities**			
In millions of Russian Roubles	**Cash, cash equivalents and term deposits**	**Accounts Receivable**	**Finance lease receivables**	**Accounts Payable**	**Borrowings**	**Finance lease payables**	**Net balance sheet position**
US Dollars	1,032	1,660	-	(7)	(2,210)	-	475
Euros	401	95	-	(150)	(6,100)	(1,714)	(7,468)
Yen	-	-	-	-	(2,674)	-	(2,674)
Other CIS currencies	65	89	-	(92)	(92)	-	(30)
Total assets and liabilities subject to currency risk	**1,498**	**1,844**	**-**	**(249)**	**(11,076)**	**(1,714)**	**(9,697)**
Russian Roubles	8,647	4,373	1,989	(7,956)	(11,909)	-	(4,856)
Total monetary assets and liabilities	**10,145**	**6,217**	**1,989**	**(8,205)**	**(22,985)**	**(1,714)**	**(14,553)**

35 Financial Risk Management (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December 2008:

	Monetary financial assets			Monetary financial liabilities			
In millions of Russian Roubles	**Cash equivalents and term deposits**	**Accounts Receivable**	**Finance lease receivables**	**Accounts Payable**	**Borrowings**	**Finance lease payables**	**Net balance sheet position**
US Dollars	126	302	-	(7)	(2,280)	-	(1,859)
Euros	36	29	-	(390)	(7,295)	(651)	(8,271)
Yen	-	-	-	-	(2,701)	-	(2,701)
Other CIS currencies	95	40	-	(92)	(118)	-	(75)
Total assets and liabilities subject to currency risk	**257**	**371**	**-**	**(489)**	**(12,394)**	**(651)**	**(12,906)**
Russian Roubles	6,512	4,631	3,563	(12,888)	(10,013)	-	(8,195)
Total monetary assets and liabilities	**6,769**	**5,002**	**3,563**	**(13,377)**	**(22,407)**	**(651)**	**(21,101)**

The above analysis includes only monetary assets and liabilities included in the related balance sheet captions. No other financial assets and liabilities subject to currency risks exists at the dates. The Group does not hold any currency derivatives.

Investments in non-monetary assets are not considered to give rise to any material currency risk.

Group monitors exchange rates and market forecasts on foreign exchange rates regularly as well as prepares budgets for long-term, medium-term and short-term periods.

The following table presents sensitivities of profit and loss and equity to reasonable possible changes in exchange rates applied at the balance sheet date relative to the Group's functional currency, with all other variables held constant. When the Group has net liabilities in each foreign currency, a strengthening of the foreign currency against the Rouble would generate an exchange loss to the Group.

In millions of Russian Roubles	**2009**	**2008**
Pre-tax impact on profit or loss and on equity of:		
US Dollar strengthening / weakening by 10%	(48)	186
Euro strengthening / weakening by 10%	747	827
Yen strengthening / weakening by 10%	267	270

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

The Group's income and operating cash flows are exposed to changes in market interest rates. The Group is exposed to fair value interest rate risk through market value fluctuations of interest-bearing short-term and long-term borrowings the majority of which are at fixed interest rates.

Financial department is monitoring the market and makes decisions on about the loans conditions on on-going basis, when financing required.

35 Financial Risk Management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

The table below summarises the Group's exposure to interest rate risks. The table presents the amounts of the Group's financial liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In millions of Russian Roubles	On demand and less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
31 December 2009					
Fixed interest rate	1,235	3,695	7,023	-	11,953
Fixed interest rate, EURO	193	580	836	322	1,931
Fixed interest rate , USD	23	68	-	-	91
Fixed interest rate , Yen	-	92	390	2,044	2,526
EURIBOR based interest rates	1,317	3,951	559	-	5,827
LIBOR based interest rates,USD	-	2,108	-	-	2,108
LIBOR based interest rates ,Yen	-	148	-	-	148
MOSPRIME based interest rates	-	9	-	-	9
Total	**2,768**	**10,651**	**8,808**	**2,366**	**24,593**

In millions of Russian Roubles	On demand and less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
31 December 2008					
Fixed interest rate	2,338	7,331	1,077	-	10,746
Fixed interest rate, EURO	368	1,067	260	343	2,038
Fixed interest rate , Yen	-	97	377	1,993	2,467
EURIBOR based interest rates	1,274	3,823	-	-	5,097
LIBOR based interest rates. USD	-	2,264	-	-	2,264
LIBOR based interest rates ,Yen	-	232	-	-	232
MOSPRIME based interest rates	-	48	-	-	48
Total	**3,980**	**14,862**	**1,714**	**2,336**	**22,892**

At 31 December 2009, if market interest rates at that date had been 1% lower with all other variables held constant, interest expense for the year would have been RR 16 million (2008: RR 11 million) lower. If market interest rates had been 1% higher, with all other variables held constant, interest expense would have been RR 16 million (2008: RR 11 million) higher.

35 Financial Risk Management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

The Group monitors interest rates for its financial instruments. The table below summarizes interest rates:

	2009				2008			
In % p.a.	**RR**	**USD**	**Euros**	**Yen**	**RR**	**USD**	**Euros**	**Yen**
Assets								
Cash and cash equivalents	0-11%	0,1-0,98%	-	-	1-14%	-	-	-
Term deposits	6-14%	-	0,5-14,25%	-	-	-	-	-
Finance lease receivables	14-40%				15-40%			
Liabilities								
Borrowings	6%-22%	LIBOR + 1 to + 4,75	EURIBOR +2,65 to + 3,7	1%p.a. Yen LIBOR +3%	2.34-24%	USD LIBOR +1 to +4.75%	EURIBOR +2.65% to +3.7%	1%p.a. Yen LIBOR +3%;
Finance lease payables			4-48%				4-38%	

	2009				2008			
In % p.a.	**RR**	**USD**	**Euros**	**Yen**	**RR**	**USD**	**Euros**	**Yen**
Assets								
Cash and cash equivalents	1.5-14.5%	0.97-1.5%	0.5%	-	1-14%	-	-	-
Liabilities								
Borrowings	1.97-20%	LIBOR + 1 to + 4,75	EURIBOR +2,65 to + 3,7	1%p.a. Yen LIBOR +3%	2.34-24%	USD LIBOR +1 to +4.75%	EURIBOR +2.65% to +3.7%	1%p.a. Yen LIBOR +3% ;

During 2009 year the Group swapped variable interest rate EUR-EURIBOR-Reuters for syndicated loan agreement to a fixed rate 2.322% (see details in Note 18).

35 Financial Risk Management (Continued)

Financial risk factors (Continued)

(b) Credit risk

Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables, loans issued and balances with banks. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The carrying amount of monetary financial assets, net of provision for impairment, represents the maximum amount exposed to credit risk. Although collection of the financial assets could be influenced by economic factors, Management believes that there is no significant risk of loss to the Group beyond the provisions already recorded.

Cash is placed in financial institutions, which, at the time of deposit, are considered to have a minimal risk of default. However, the use of this approach does not prevent losses in the event of significant market movements.

The Group's maximum exposure to credit risk by class of assets is as follows:

In millions of Russian Roubles	**31 December 2009**	**31 December 2008**
Cash and cash equivalents (Note 16)	**7,203**	**6,769**
-BBB- to A-	4,463	2,377
-BB- to BB+	369	1,346
-B- to B+	1,996	2,358
-CCC+	2	2
-Other	373	686
Tem deposits (Note 16)	**2,942**	**-**
-BBB- to A-	1,104	-
-BB- to BB+	115	-
-B- to B+	400	-
-CCC+		-
-Other	1,322	-
Financial instruments at fair value through profit or loss	**58**	**19**
Promissory notes (related party) (Note 10)	**76**	**1,241**
Long term receivables – unrated (Note 13)	**212**	**216**
Finance lease receivables – unrated (Note 12)	**1,989**	**3,563**
Group 1 – Current finance lease receivables	1,460	2,294
Group 2 – Non-current finance lease receivables	529	1,269
Trade receivables (Note 15)	**5,480**	**3,711**
Group 1 – companies under state control	427	493
Group 2 – dealers	1,271	650
Group 3 – other customers	2,358	1,894
Group 4 – customers with extended payments terms	1,424	674
Loans issued (Note 15)	**133**	**657**
Other receivables and promissory notes receivable – unrated (Note 10, 15)	**963**	**634**
Total maximum exposure to credit risk	**19,056**	**16,810**

All of the financial assets of the Group, except for RR 58 million (2008: RR 19 million) in bonds and shares, categorised as assets at fair value through profit or loss and for RR 435 million (2008: RR 1,246 million) investment in promissory notes categorised as available for sale investments, are loans, receivables and cash.

The process of management of credit risk includes assessment of credit reliability of counterparties and reviewing payments received. All the leasing receivables from the Group customers are secured by the pledge of vehicles. The fair value of vehicles pledged at 31 December 2009 was RR 6,799 million (2008: RR 6,887 million). Term of collateral equals to the term of lease contract.

35 Financial Risk Management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in this Note.

Cash and cash equivalents are kept in stable Russian and regional banks. Management considers credit risk associated with these banks negligible.

Credit risks concentration

Group 4, trade accounts receivable, includes a single customer totalling RR 1,424 million, which represents about 7% of total credit risk exposure (2008: 4%).

In the normal course of business there is no concentration of credit risks: the Group does not have single trade debtor balance comprising more than 5% of the total credit risks exposures, except as mentioned above.

The Group's cash and cash equivalents are distributed among 39 banks (2008: 35 banks) consequently there is no significant exposure of the Group to a concentration of credit risk.

(c) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk with the objective of ensuring that funds will be available at all times for all cash flow obligations as they become due. The Group monitors the following financial ratios in order to ensure that no liquidity difficulties arise:

	Current ratio	Target ratio
Net debt/EBITDA	19.1	not more than 2.5
EBIT/Interest expense	-1.1	not less than 5

Management considers the targeted ratios sustainable in the foreseeable future. Management believes that the Group has access to additional credit facilities if required. At 31 December 2009 the Group had available credit limits totaling to RR 7,281 million (2008: RR 8,173 million) with Russian banks.

The analysis below represents management's assessment of the repayment schedule of monetary assets and liabilities of the Group in case all borrowings where the Group breached the covenants are classified as current as of 31 December 2009. Nevertheless, management believes that this scenario is unlikely and that the borrowings will be repaid in accordance with the initial contractual terms. The table below is based on the earliest possible repayment dates. Foreign currency cash flows are translated using spot exchange rates as of 31 December 2009 and 31 December 2008.

35 Financial Risk Management (Continued)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

In millions of Russian Roubles	Demand and less than 3 month	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
31 December 2009					
Cash, cash equivalents and term deposits	7,203	2,922	20	-	10,145
Trade receivables	4,542	928	7	3	5,480
Finance lease receivables	365	1,095	529	-	1,989
Future finance lease charges	32	95	248	-	375
Other receivables and loans issued	667	64	2	4	737
Long term receivables	-	-	334	-	334
Available-for-sale investments	5	415	15	-	435
Other financial assets	11	3	44	-	58
Total monetary financial assets	**12,825**	**5,522**	**1,199**	**7**	**19,553**
Borrowings	(1,728)	(11,027)	(8,047)	(2,077)	(22,879)
Future interest expenses on borrowings	(456)	(2,532)	(2,233)	(2,409)	(7,630)
Trade payables	(5,753)	(323)	(160)	-	(6,236)
Finance lease payables	(166)	(498)	(728)	(322)	(1,714)
Future finance lease charges	(15)	(47)	(615)	(145)	(822)
Other non-current liabilities	-	-	-	(145)	(145)
Other payables	(633)	(36)	(136)	-	(805)
Total monetary financial liabilities	**(8,751)**	**(14,463)**	**(11,919)**	**(5,098)**	**(40,231)**
Net balance of payments at 31 December 2009	**4,074**	**(8,941)**	**(10,720)**	**(5,091)**	**(20,678)**

Refer also to Going Concern disclosure in the Note 2.

In millions of Russian Roubles	Demand and less than 3 month	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
31 December 2008					
Cash and cash equivalents rates	6,769	-	-	-	6,769
Trade receivables	3,706	4	1	-	3,711
Finance lease receivables	573	1,721	1,269	-	3,563
Future finance lease charges	58	172	588	-	818
Other receivables and loans issued	1,291	-	-	-	1,291
Long term receivables	-	-	216	-	216
Available-for-sale investments	-	1,246	-	-	1,246
Other financial assets	12	-	7	-	19
Total monetary financial assets	**12,409**	**3,143**	**2,081**	**-**	**17,633**
Borrowings	(1,688)	(17,106)	(1,424)	(2,023)	(22,241)
Future interest expenses on borrowings	(498)	(1,781)	(1,578)	(2,563)	(6,420)
Trade payables	(10,538)	(796)	(50)	-	(11,384)
Finance lease payables	(12)	(36)	(260)	(343)	(651)
Future finance lease charges	(11)	(35)	(35)	(155)	(236)
Other non-current liabilities	-	-	-	(107)	(107)
Other payables	(537)	(44)	-	-	(581)
Total monetary financial liabilities	**(13,284)**	**(19,798)**	**(3,347)**	**(5,191)**	**(41,620)**
Net balance of payments at 31 December 2009	**(875)**	**(16,655)**	**(1,266)**	**(5,191)**	**(23,987)**

The interest rate swap is net-settled and therefore was not included in the liquidity analysis.

35 Financial Risk Management (Continued)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by the sum of total equity and net debt. The Group considers total capital under management to be RR 45,299 million (2008: RR 49,749 million).

The gearing ratios at 31 December 2009 and 31 December 2008 were as follows:

In millions of Russian Roubles	**31 December 2009**	**31 December 2008**
Long-term borrowings	10,124	3,447
Short-term borrowings	12,861	18,960
Non-current finance lease payables	1,050	603
Current finance lease payables	664	48
Less: cash and cash equivalents	(10,145)	(6,769)
Less: financial assets at fair value through profit and loss	(58)	(19)
Net debt	**14,496**	**16,270**
Equity	30,803	33,479
Gearing ratio	**47%**	**49%**

The Group management constantly monitors profitability ratios, market share price and debt/capitalization ratio. The targeted gearing ratio is 43%. In the current economic environment the gearing ratio may exceed the 43% target from time-to-time.

36 Events After the Balance Sheet Date

In 2010 the additional contributions were made to the charter capitals of LLC Federal Mogul JV and LLC ZF KAMA of RR 277 million and RR 313 million, respectively. Contributions were made in form of equipment for LLC Federal Mogul and cash for ZF KAMA.

In March 2010 CNH Global NV (part of FIAT Group) and JSC KAMAZ signed an agreement to establish a joint venture for production of agriculture and construction equipment.