Independent auditor's report
on the consolidated financial statements of
KAMAZ Publicly Traded Company
and its subsidiaries
for 2021

April 2022

Translation of the original Russian version

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To the Shareholders and the Board of Directors of
KAMAZ Publicly Traded Company

Opinion

We have audited the consolidated financial statements of KAMAZ Publicly Traded Company and its subsidiaries (the Group or KAMAZ PTC), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for 2021 in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue	
Revenue is one of the key indicators of the Group's performance. Sales agreements concluded by the Group with the customers contain various terms of control transfer, giving rise to a risk that revenue may be recognized in an incorrect period. Therefore, revenue recognition was one of our key audit matters. Information on revenue is disclosed in Note 27 to the consolidated financial statements.	We focused on analyzing agreements in terms of control transfer and provisions allowing for the return of goods. We compared dates of control transfer with the dates of revenue recognition. Among others, we performed procedures to identify significant returns arising after the reporting date. We analyzed balances of finished goods in the warehouses of dealers as at 31 December 2021 and compared movements in balances with the historical data.
Accounting for loans and borrowings	
The Group has significant balances of loans and borrowings on large number of loan agreements, including those with variable interest rates. In accordance with the concluded loan agreements the Group should maintain and comply with certain financial and non-financial covenants. Due to the significance of balances, complexity of calculation of interest expenses on the agreements with variable interest rates, and necessity to review classification of loans and borrowings as either current or non-current liabilities in the consolidated statement of financial position, this matter was one of our key audit matters. Information on the balances and movements of the Group's loans and borrowings is disclosed in Note 20 to the consolidated financial statements.	We reviewed the terms of the loan agreements, including the procedure for calculating interest expenses on loans and borrowings and determining ratios stipulated by covenants. We reconciled interest rates used to calculate interest expenses with contractual interest rates, including, in case of variable interest rates, the key interest rate of the Central Bank of Russia used in the period with rates quoted in official sources, and checked the arithmetic accuracy of calculations of interests on loans and borrowings. We reviewed the Group's calculations of ratios stipulated by covenants. We checked the arithmetic accuracy of covenant calculations and reconciled input data used in calculations with relevant accounting data. We compared the classification of loans as either current or non-current liabilities with an analysis of compliance with covenants under respective loans.

Emphasis of matter

We draw attention to Note 35 "Events after the reporting date" to the consolidated financial statements describing significant events after the reporting period that may affect the Group's business. Our opinion is not modified in respect of this matter.

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Other information included in the 2021 Annual report of KAMAZ PTC

Other information consists of the information included in the Annual report of KAMAZ PTC for 2021, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for other information. The 2021 Annual report of KAMAZ PTC is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Budget and Audit Committee of the Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease its operations, or has no realistic alternative but to do so.

The Budget and Audit Committee of the Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Budget and Audit Committee of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Budget and Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated with the Budget and Audit Committee of the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Dmitry Anatolievich Neverko.

D.A. NEVERKO
General director of Ernst &Young LLC,
partner in charge of the audit resulting in this independent auditor's report
(main registration number 22006013400)

4 April 2022

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002; State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya nab., 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Details of the audited entity

Name: KAMAZ Publicly Traded Company
Record made in the State Register of Legal Entities on 9 September 2002; State Registration Number 1021602013971.
Address: Russia 423827, Republic of Tatarstan, Naberezhnye Chelny, Avtozavodskiy pr., 2.

KAMAZ Group
Consolidated statement of financial position as at 31 December 2021

In millions of Russian rubles	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	9	65,832	59,221
Investment property	10	1,888	1,623
Intangible assets	12	11,771	12,112
Investments in associates and joint ventures	11	12,731	9,979
Finance lease receivables	13	33,330	28,386
Right-of-use assets		906	1,044
Deferred tax assets	31	3,109	2,919
Other non-current assets	15	1,169	4,202
Total non-current assets		**130,736**	**119,486**
Current assets			
Inventories	16	56,155	40,108
Trade and other receivables	17	37,669	25,668
Advances issued	17	5,869	2,668
Finance lease receivables	13	15,956	14,269
Financial instruments at fair value through profit or loss	14	7,116	8,008
Term deposits	18	2,980	6,371
Cash and cash equivalents	18	13,005	10,899
Other current assets		1,792	994
Total current assets		**140,542**	**108,985**
TOTAL ASSETS		**271,278**	**228,471**
Equity			
Share capital	19	35,361	35,361
Accumulated actuarial loss		(588)	(475)
Retained earnings		20,769	14,069
Equity attributable to equity holders of the Company		**55,542**	**48,955**
Non-controlling interests		2,049	1,274
TOTAL EQUITY		**57,591**	**50,229**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	20	76,041	65,934
Deferred tax liabilities	31	2,339	1,451
Post-retirement benefit obligations	24	399	301
Provisions for liabilities and charges	22	2,535	1,771
Pension accruals and provisions	25	7,541	7,616
Other non-current liabilities		3,488	4,866
Total non-current liabilities		**92,343**	**81,939**
Current liabilities			
Loans and borrowings	20	32,451	29,111
Trade and other payables	23	59,877	45,279
Contractual liabilities		14,465	10,919
Other taxes payable	21	4,825	2,517
Provisions for liabilities and charges	22	4,054	3,348
Income tax liabilities		88	50
Other current liabilities		5,584	5,079
Total current liabilities		**121,344**	**96,303**
TOTAL LIABILITIES		**213,687**	**178,242**
TOTAL EQUITY AND LIABILITIES		**271,278**	**228,471**

Authorized and signed on behalf of the Board of Directors on 4 April 2022.

S.A. Kogogin
General Director

T.I. Kinder
Chief Accountant

The accompanying notes on pages 14-65 are an integral part of these consolidated financial statements.

KAMAZ Group
Consolidated income statement for the year ended 31 December 2021

In millions of Russian rubles	Note	2021	2020
Revenue	27	269,238	213,341
Other proceeds		2,584	3,617
Cost of sales	28	(238,397)	(187,701)
Gross profit		**33,425**	**29,257**
Distribution costs	28	(10,572)	(7,411)
General and administrative expenses	28	(12,239)	(11,486)
Research and development costs	12	(2,475)	(2,098)
Share of income of associates and joint ventures	11	2,545	443
Other operating income	29	4,537	4,800
Other operating expenses	29	(2,902)	(4,254)
Operating profit		**12,319**	**9,251**
Finance income	30	750	1,152
Finance costs	30	(6,817)	(7,484)
Profit before income tax		**6,252**	**2,919**
Income tax (expense)/benefit	31	(1,619)	185
Profit for the year		**4,633**	**3,104**
Profit/(loss) attributable to:			
- equity holders of the Company		4,048	3,294
- non-controlling interests		585	(190)
Profit for the year		**4,633**	**3,104**
Earnings per share attributable to the equity holders of the Company, basic and diluted (in Russian rubles per share)	32	5.72	4.66

KAMAZ Group
Consolidated statement of comprehensive income for the year ended 31 December 2021

In millions of Russian rubles	Note	2021	2020
Profit for the year		**4,633**	**3,104**
Other comprehensive (loss)/income			
Currency translation difference, net of tax		(257)	422
Actuarial (losses)/gains on pension benefits plans, net of tax	24	(113)	85
Other comprehensive (loss)/income for the year		**(370)**	**507**
Total comprehensive income for the year		**4,263**	**3,611**
Total comprehensive income/(loss) attributable to:			
- equity holders of the Company		3,675	3,797
- non-controlling interests		588	(186)
Total comprehensive income for the year		**4,263**	**3,611**

KAMAZ Group
Consolidated statement of cash flows for the year ended 31 December 2021

In millions of Russian rubles	Note	2021	2020
Operating activities			
Profit before tax		6,252	2,919
Adjustments for:			
Depreciation of property, plant and equipment	9, 28	5,544	5,157
Amortization of intangible assets	12, 28	1,554	1,205
Depreciation of right-of-use assets	28	93	100
Loss/(gain) on disposals and write-off of property, plant and equipment	29	165	(63)
Loss on write-off of intangible assets	12	2,475	2,098
Share of income of associates and joint ventures	11	(2,545)	(443)
Finance income	30	(750)	(1,152)
Finance costs	30	6,817	7,484
Provisions for other liabilities and charges	22	3,446	3,387
Impairment provision for receivables and loans issued	17	1,797	437
Impairment provision for inventories	16	9	27
Finance lease income	27	(5,791)	(4,669)
Transfer of subsidiaries to associates	29	–	(2,289)
Other		45	(133)
Operating cash flows before working capital changes		**19,111**	**14,065**
Increase in trade and other receivables		(13,092)	(6,922)
Increase in finance lease receivables		(1,625)	(10,763)
Increase in inventories		(15,916)	(2,903)
Decrease/(increase) in pension plan assets		79	(439)
(Decrease)/increase in arrears on pension accruals and provisions		(74)	384
Increase in trade and other payables		14,909	18,160
Increase in taxes payable		2,255	258
Decrease in other liabilities		(15)	(27)
Cash flows from operating activities		**5,632**	**11,813**
Income tax paid		(1,011)	(1,045)
Net cash flows from operating activities		**4,621**	**10,768**
Investing activities			
Purchases of property, plant and equipment	9	(12,159)	(9,318)
Proceeds from sale of property, plant and equipment	9	469	408
Changes in term deposits		4,205	10,828
Additional contributions to joint ventures and associates	11	(373)	(83)
Development costs incurred and purchases of intangible assets	12	(3,400)	(4,501)
Interest received	30	412	1,072
Dividends received		162	79
Acquisition of a subsidiary	29	(660)	–
Other		7	(7)
Net cash flows used in investing activities		**(11,337)**	**(1,522)**

KAMAZ Group
Consolidated statement of cash flows for the year ended 31 December 2021 (continued)

In millions of Russian rubles	Note	2021	2020
Financing activities			
Proceeds from loans and borrowings	20	138,355	79,458
Repayment of loans and borrowings	20	(122,485)	(83,145)
Bonds issued	20	7,000	4,999
Bonds repurchased	20	(11,040)	–
Contribution to the Group's assets	7	4,180	4,000
Interest paid		(6,679)	(7,289)
Repayment of finance lease liabilities		(25)	(131)
Dividends paid to equity holders of the parent	19	(357)	–
Dividends paid to non-controlling interests		(24)	(8)
Net cash flows from / (used in) financing activities		**8,925**	**(2,116)**
Net increase in cash and cash equivalents		**2,209**	**7,130**
Effect of translation differences		(103)	(170)
Cash and cash equivalents at the beginning of the year	18	10,899	3,939
Cash and cash equivalents at the end of the year	18	**13,005**	**10,899**

KAMAZ Group
Consolidated statement of changes in equity for the year ended 31 December 2021

	Attributable to equity holders of the Company					
In millions of Russian rubles	Share capital	Accumulated actuarial (loss)/ gain	Retained earnings / (accumulated loss)	Total	Non-controlling interest	Total equity
Balance at 1 January 2020	**35,361**	**(560)**	**6,046**	**40,847**	**(2,092)**	**38,755**
Profit/(loss) for the year	**–**	**–**	**3,294**	**3,294**	**(190)**	**3,104**
Other comprehensive income						
Currency translation difference	–	–	418	**418**	4	**422**
Actuarial gain on pension plan	–	85	–	**85**	–	**85**
Other comprehensive income for the year	**–**	**85**	**418**	**503**	**4**	**507**
Total comprehensive income/(loss) for the year	**–**	**85**	**3,712**	**3,797**	**(186)**	**3,611**
Transfer of subsidiaries to associates	–	–	–	**–**	3,560	**3,560**
Contribution attributable to increase in equity	–	–	4,000	**4,000**	–	**4,000**
Loan from equity holder at fair value	–	–	311	**311**	–	**311**
Dividends declared for distribution to non-controlling interests	–	–	–	**–**	(8)	**(8)**
Balance at 31 December 2020	**35,361**	**(475)**	**14,069**	**48,955**	**1,274**	**50,229**
Profit for the year	**–**	**–**	**4,048**	**4,048**	**585**	**4,633**
Other comprehensive loss						
Currency translation difference	–	–	(260)	**(260)**	3	**(257)**
Actuarial loss on pension plan	–	(113)	–	**(113)**	–	**(113)**
Other comprehensive (loss)/income for the year	**–**	**(113)**	**(260)**	**(373)**	**3**	**(370)**
Total comprehensive (loss)/income for the year	**–**	**(113)**	**3,788**	**3,675**	**588**	**4,263**
Contribution attributable to increase in equity	–	–	4,180	**4,180**	–	**4,180**
Acquisition of a non-controlling interest	–	–	–	**–**	211	**211**
Loan from equity holder at fair value	–	–	(886)	**(886)**	–	**(886)**
Dividends declared for distribution to parent's shareholders (Note 19)	–	–	(382)	**(382)**	–	**(382)**
Dividends declared for distribution to non-controlling interests	–	–	–	**–**	(24)	**(24)**
Balance at 31 December 2021	**35,361**	**(588)**	**20,769**	**55,542**	**2,049**	**57,591**

The accompanying notes on pages 14-65 are an integral part of these consolidated financial statements.

1 KAMAZ Group and its operations

KAMAZ PTC (the "Company") and its subsidiaries (together referred to as the "Group" or "KAMAZ Group") primarily operate in the Russian Federation. The Company is a publicly traded company and was set up in accordance with Russian regulations.

There was no ultimate controlling party of the Company as at 31 December 2021. As at 31 December 2021, the State Corporation Rostec is one of the largest equity holders owning 47.1% of the share capital. Avtoinvest LLC owns 23.54% of the shares of KAMAZ PTC. 15% of the shares are owned by Daimler AG; KAMAZ International Management CO, LLP owns 4.25% of the shares. 3.72% and 2.8% of the shares are owned by Eurasian Development Bank and Sviazinvestneftekhim JSC. The remaining shares are free-floating.

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

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

2 Operating environment of the Group

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

While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting refinancing of foreign debt for Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group, which could affect the Group's financial position, results of operations and business prospects.

The Group is not able to influence the country's economic situation in general. However, in case changes in the country have an adverse effect, the Group will make every effort to mitigate negative implications on its financial position and financial performance.

Global economy for the second straight year functions in the pandemic mode amid the spread of the coronavirus (COVID-19) infection. Economies managed to overcome the acute phase of the COVID-19 crisis, survive related restrictions imposed on economic activities and start active recovery processes supported by the budget measures and loose monetary policy. Most of major global economies, including the Russian economy, restore the pre-pandemic levels, and certain industries will continue to recover in subsequent years. The year 2021 was characterized by the inflation acceleration globally. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

3 Summary of significant accounting policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including all adopted International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board and effective in the reporting period, and fully conform to them. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and financial liabilities. 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, unless otherwise stated.

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

3 Summary of significant accounting policies (continued)

Basis of consolidation. The consolidated financial statements comprise the financial statements of the parent and its subsidiaries as at 31 December 2021. The Group is considered to have control when it is entitled to variable benefit from investment or is exposed to the risk of change in the investment, and may affect the benefit as a result of its authority for the investee. In particular, the Group has control over the investee only when the following conditions are met:

- The Group has the power over the investee (existing rights securing the ability to control significant activity of the investee);
- The Group is entitled to variable benefit from the investment or is exposed to the risk of change in the investment;
- The Group may affect the benefit as a result of its authority for the investee.

If the Group controls an investee with less than a majority of voting rights or similar rights, the Group considers all relevant facts and circumstances when assessing the existence of the power over the investee:

- Agreement with other parties with voting rights in the investee;
- Rights arising from other agreements;
- Voting rights and potential voting rights held by the Group.

The Group reassesses the existence of control over the investee if the facts and circumstances evidence that one or more of three control components have been changed.

Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date such control ceases. Assets, liabilities, income and expenses of a subsidiary, acquisition and disposal of which occurred during the year, are included in the statement of comprehensive income from the date of acquisition of control by the Group and recognized till the date when the control over the subsidiary ceases.

Total comprehensive income or loss of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The financial statements of subsidiaries are prepared for the same reporting period as the parent's; where necessary, the financial statements of subsidiaries are adjusted to bring their accounting policies into line with those of the Group. All intra-group transactions, respective settlement balances, as well as gains and losses resulting from intra-group transactions are eliminated on consolidation.

Business combinations are recognized using the acquisition method excluding acquisitions of subsidiaries from parties under common control. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group chooses a method of measuring the non-controlling interests in the acquiree: either by fair value or by the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized as administrative expenses as incurred.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognized in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities assumed or incurred, including fair value of assets or liabilities from contingent consideration arrangements but excluding acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction acquisition costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the carrying amount of assets transferred cannot be recovered. The Company and all its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is the part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

3 Summary of significant accounting policies (continued)

Associates. An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not to control or jointly control them.

Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. Dividends received from associates reduce the carrying amount of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognized as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognized in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying amount of net assets of associates are recognized in profit or loss within the share of result of associates.

Joint arrangements. Joint arrangements of the Group are represented by joint operations and joint ventures.

Joint operations. Joint operation is a type of joint arrangement which implies that the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

With regard to its interest in a joint operation, the Group recognizes its assets including share in jointly held assets, liabilities including share in joint liabilities, revenue from the sales of its share of goods determined by joint operation, share in revenue from the sales of goods by joint operation, expenses including the share in joint expenses.

Joint ventures. Joint venture is a type of joint arrangement which implies that the parties that exercise joint control over the arrangement have rights to the net assets relating to the arrangement.

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 recognized at cost. The carrying amount of jointly controlled entities includes goodwill identified on acquisition less accumulated impairment losses, if any.

Post-acquisition changes in Group's share of net assets of jointly controlled entities are recognized as follows: (i) the Group's share of profits or losses of jointly controlled entities is recorded in the consolidated profit or loss for the year as share of result of jointly controlled entities, (ii) the Group's share of other comprehensive income is recognized in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying amount of net assets of jointly controlled entities are recognized in profit or loss within the share of result of jointly controlled entities.

When the Group's share of losses in a jointly controlled entity equals or exceeds its investment in the jointly controlled entity, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealized 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; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Property, plant and equipment. Property, plant and equipment are stated at acquisition cost, less accumulated depreciation and provision for impairment, where required. Cost includes borrowing costs incurred on specific or general funds borrowed to finance construction of qualifying assets.

Current repair and maintenance costs are included in current period expenses. Costs of replacing major parts or components of property, plant and equipment items are capitalized and the carrying amount of the replaced part is derecognized.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, 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 profit or loss for the year. Management assesses at each reporting date whether there is any indication that a loss from impairment of property, plant and equipment 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.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with the carrying amount of the respective assets and are recognized in profit or loss.

3 Summary of significant accounting policies (continued)

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
Specialized tooling and implements	1.5-5
Other property plant and equipment	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 reporting date.

Investment property. Investment property is initially recognized at historical acquisition cost including expenses directly related to the acquisition. Subsequent recognition is based on actual costs. This approach is applied to all items of investment properties. The period and method of investment property amortization is similar to the period and method of property, plant and equipment amortization.

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. Where the Group is a lessor, all substantial risks and benefits related to property lease are retained by the Group. Rental income arising from operating leases on investment properties is recorded in revenue proportionally over the lease terms.

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 recognized 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 recognized in the consolidated statement of financial position. The interest cost is charged to finance costs 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 products is recorded as income from finance leases 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.

3 Summary of significant accounting policies (continued)

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

Research and development costs. Research expenditure is expensed as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognized as intangible assets when costs can be measured reliably and it is probable that the project will be successful considering management's intention and ability to complete or sell the project, and the project's commercial and technological feasibility. Other development expenditures are expensed as incurred. Development costs previously recognized as an expense cannot be recognized as an asset in a subsequent period.

Development costs with a finite useful life that have been capitalized are amortized 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 amortized using the straight-line method over their useful lives:

	Useful lives in years
Patents	5-10
Software licenses	5
Capitalized 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. Financial assets subject to IFRS 9 *Financial Instruments*, are classified based on two criteria: the Group's business model for managing financial assets; and whether contractual cash flows from financial instruments represent "solely payments of principal and interest on the principal amount outstanding" (the "SPPI criterion").

In order to classify and measure a financial asset at amortized cost or at fair value through other comprehensive income, it is required that the contractual cash flows from the asset are "solely payments of principal and interest" on the principal amount outstanding. This assessment is called SPPI-testing and it is performed at the level of each instrument.

The Group classifies and measures financial assets based on the business model applied by the Group to manage financial assets or depending on the financial asset's characteristics associated with contractual cash flows. The Group checks whether its financial assets meet the holding criteria under the business model for the following purposes: (a) holding of financial assets in order to collect contractual cash flows, and (b) both to collect contractual cash flows and sell financial assets, and classifies financial assets into three categories:

- Measured at amortized cost;
- Measured at fair value through profit or loss;
- Measured at fair value through other comprehensive income.

The category of financial assets at amortized cost includes assets that are held to collect contractual cash flows that meet the SPPI criterion. The Group includes accounts receivable and loans and deposits recorded within other financial assets in this category.

The category of financial assets at fair value through profit or loss includes financial assets that do not qualify as financial assets at amortized cost or at fair value through other comprehensive income (OCI). These financial assets of the Group include equity financial instruments and debt financial instruments held for trading, for which the Group decided not to record changes in the fair value within other comprehensive income.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the income statement.

Fair values of financial assets. Fair value is the price that would have been received to sell an asset or paid to transfer a liability in a voluntary transaction between market participants at the measurement date. Subsequent to initial recognition, the Company measures financial instruments quoted in an active market at their fair values that are quoted market bid or ask prices for assets and liabilities, respectively, at the measurement date.

3 Summary of significant accounting policies (continued)

If the market for financial assets is not active, the Group estimates fair value using the following methods:

- Analysis of transactions with the same instrument performed recently between non-related parties;
- Current fair value of similar financial instruments;
- Discounting of future cash flows.

The discount rate reflects the minimum return on investment an investor is willing to accept before starting an alternative project, given its risk and the opportunity cost of forgoing other projects.

Financial instruments carried at fair value through profit or loss (trading investments). Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated by the Group at initial recognition as at fair value through profit or loss, and financial assets mandatory measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets with cash flows that do not meet the SPPI criterion are classified and measured at fair value through profit or loss regardless of the business model used. Regardless of criteria to classify debt instruments as at amortized cost or as at fair value through profit or loss at initial recognition, the Group may at its own discretion designate debt instruments as at fair value through profit or loss if this will result in liquidation or significant reduction of recognition inconsistency.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the income statement.

Impairment of financial assets. Adoption of IFRS 9 amended the procedure the Group used to account losses from impairment of financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit losses approach. Expected credit losses (ECL) are calculated as the difference between the contractual cash flows and the cash flows that the Group expects to receive, discounted at a rate that is equal to the financial asset's original effective interest rate.

For short-term trade receivables, the Group applies a simplified approach established by IFRS 9 and measures lifetime ECL. For all other financial assets (cash and deposits with banks, loans receivable, etc.), the Group applies the general approach.

According to the general approach, the Group differentiates losses expected during the next 12 months (12-months ECL) and losses expected over the remaining useful life of the instrument (lifetime ECL). Initially, an allowance is created in the amount of 12-months ECL, and in case the credit risk significantly increases since the date of initial recognition, the amount of allowance equals lifetime ECL.

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 recognized in profit or loss for the year as finance income. Dividends on available-for-sale equity financial instruments are recognized in profit or loss for the year 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 recognized in other comprehensive income until the investment is derecognized or impaired at which time the accumulated profit or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Losses on impairment of available-for-sale investments are recognized 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 such assets. A significant or prolonged decline in the fair value of an equity security below its acquisition 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 recognized 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 reporting 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 recognized in profit or loss, the impairment loss is reversed through current reporting period's profit and loss.

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 recognized in profit or loss for the year except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.

3 Summary of significant accounting policies (continued)

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 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 utilized. 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 utilized.

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 recognize deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

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 materials, direct labor, other direct costs and the related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs to sell.

Trade and other receivables. Trade and other receivables are carried at amortized cost using the effective interest method.

Impairment of financial assets carried at amortized cost. Impairment losses are recognized in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Impairment losses are always recognized through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset in part or in full have been completed and the final amount of the loss has been determined. Subsequent recoveries of amounts previously written off recorded within profit or loss for the year.

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.

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.

Where the Group purchases treasury shares, the consideration paid including any directly attributable transaction costs (net of income taxes) is deducted from total equity attributable to the shareholders of the Company until the shares are cancelled, reissued or disposed of. Any difference between the carrying amount of treasury shares and the consideration received from their subsequent sale is recorded as share premium.

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 date and before the consolidated financial statements are authorized for issue are disclosed in the subsequent events note.

3 Summary of significant accounting policies (continued)

Value added taxes. Value added tax related to sales is payable to tax authorities upon delivery of goods or collection of advances from customers. VAT on goods and services purchased 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 sales and purchases is recognized in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where a provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debt, including VAT. VAT paid to suppliers of property, plant and equipment is included in the cash flows for purchases of property, plant and equipment and reported in the statement of cash flows.

Borrowings. Borrowings are carried at amortized cost using the effective interest method. Borrowing 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 capitalized as part of the costs of those assets. Other borrowing costs are expensed using the effective interest method.

Financial liability (or a part of a financial liability) is derecognized from consolidated statement of financial position when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or canceled 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% 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 their terms is accounted for as an extinguishment, any costs or fees incurred are recognized 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 amortized over the remaining term of the modified liability.

Interest-free/low interest loans received from the government and from any other counterparty are treated under 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 performs its obligations under the contract and are carried at amortized cost using the effective interest method.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provision for taxes other than on income, fines and penalties is recognized in accordance with the policy discussed in “Contingencies and Commitments”.

Where there are a number of similar obligations, the probability that an outflow of resources will be required in settlement is determined by considering the class of obligations as a whole. The Group recognizes the estimated liability to repair or replace products sold still under warranty at the reporting 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 rubles (“RR”).

Monetary assets and liabilities are translated into a separate entity’s functional currency at the official exchange rate of the Central Bank of the Russian Federation (the “CBR”) at the respective reporting 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 CBR are recognized in profit or loss. Effects of exchange rate changes on the fair value of equity investments are reported as part of the fair value gain or loss.

Government grants. Government grants represent financial grants from the Government and state authorities. Government grants are recognized when there is a reasonable assurance that the Group will comply with the terms attaching to it, and that the financing will be received.

3 Summary of significant accounting policies (continued)

Government grants relating to interest on certain loans and borrowings are recorded as a separate component of finance costs reducing the amount of interest payable. Grants related to operating expenses are recognized as a decrease of respective items of the income statement. Grants related to expenses or losses incurred, or to providing immediate financial support to the company without future related costs are recognized as other operating income. Grants to compensate for expenses related to discounts are recognized on a separate line in the income statement. Asset-related grants are presented in the statement of financial position as deferred income in other non-current liabilities. These grants are subsequently recognized in the income statement over the expected useful life, as the asset is depreciated.

Revenue recognition. IFRS 15 provides for a model to recognize revenue from contracts with customers, i.e. from sales of trucks, spare parts and other products that includes five stages and requires that revenue should be recognized in an amount reflecting the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires that entities apply judgments and consider all relevant facts and circumstances while applying each stage of the model in respect of the contracts with customers. The standard also requires recognizing incremental costs of obtaining a contract and costs to fulfill a contract. Besides, the standard requires making more extensive disclosures.

The Group applied IFRS 15 retrospectively using the cumulative effect recognition method as at the date of initial recognition of 1 January 2018; however, it had no significant effect on the financial position and performance of the Company.

New terms and definitions introduced by IFRS 15 and used by the Group during the preparation of these consolidated financial statements are detailed below:

A contract asset represents an entity's right to consideration in exchange for goods or services that will be transferred to a customer. If the Group delivers goods or services to a customer before the customer pays the consideration or the consideration becomes payable, a contract asset is recognized in respect of the contingent consideration received.

A contract liability is the Group's obligation to transfer goods or services to a customer, for which the Group has received consideration (or consideration is due) from the customer. If the consideration is paid before the Group delivers goods or services to the customer, the Group recognizes a contract liability when the payment is made or becomes due, whichever comes first. Contract liabilities are recognized as revenue when the Group fulfills its contractual obligations.

Sales of goods

According to the Group's analysis of contracts, the revenue from sales of goods should be recognized at a certain moment of time when control over the asset is transferred to the buyer.

Rendering of services

The Group concludes agreements to provide services for transportation of products. According to the Group's analysis, pursuant to certain agreements, the Group assumes responsibilities to transport products after the date of transfer. Therefore, the transaction price is to be allocated to the respective performance obligations. The Group concluded that it transferred control over such services as performance obligations were fulfilled.

Variable consideration

Some contracts with customers provide a right of return and trade discounts. Currently, the Group recognizes revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns, rebates and discounts. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such contract provisions give rise to variable consideration under IFRS 15, and should be estimated at contact inception and subsequently updated.

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group assessed individual contracts to determine the estimated variable consideration and related constraint. The adoption of these constraints did not have any impact on the Group's consolidated financial statements.

Comprehensive contracts for sales and maintenance of products

The Group may conclude comprehensive contracts to supply and maintain its products during their entire life cycle. According to IFRS 15, the Group determined that a comprehensive contract for sales and maintenance of products implies two performance obligations. In that case, transaction price is to be allocated based on relative prices their separate sales.

3 Summary of significant accounting policies (continued)

Significant financing component

Several contracts engage the Group to perform manufacturing works related to research and development. Such works are performed based on advances equaling transaction price paid by the buyer at the conclusion of the contract. Under IFRS 15, the Group should determine whether there is a significant financing component in the contract.

The principle to recognize financing component will be applicable when its effect becomes significant.

Warranties

The Group provides warranties for regular repairs and does not provide any extended warranties or maintenance contracts to its customers. Therefore, the Group determines that such warranties are assurance-type warranties which will continue to be accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with the current practice.

Presentation and disclosure requirements

IFRS 15 contains more detailed requirements for presentation and disclosure than the IFRS, which are effective now. The Group applies IFRS 15 using the cumulative effect recognition method. Adoption of IFRS 15 did not have a significant impact on the Group's consolidated financial statements.

Non-cash settlements. A portion of non-cash settlements includes settlements 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 recognized based on the management's estimate of the fair value of assets to be received or supplied in non-cash settlements. The fair value is determined with reference to observable market information.

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

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

The Group also accepts bills of exchange from its customers (issued both by customers and by third parties) as a settlement of receivables. Bills of exchange issued by customers or issued by third parties are carried at amortized cost using the effective interest method. A provision for impairment of bills of exchange is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms.

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 Group's liability recognized in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognized actuarial gains or losses and past service costs.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in comprehensive income.

Current service costs, past service costs and net interest under obligation under defined benefit plan are recognized in profit or loss.

3 Summary of significant accounting policies (continued)

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/loss per share. Basic earnings/loss per share are determined by dividing the profit/loss 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.

4 Key accounting estimates and professional judgments in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognized 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 past 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 recognized in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Allowance for expected credit losses. 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 management 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 receivables. 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.

Provision for impairment of inventories. The Group regularly reviews its inventories to assess if any provision is required. The amount of the provision is measured based on the following key criteria: type, term of idleness and plans for further use of inventories.

Tax legislation. Russian tax, currency and customs legislation of the Russian Federation is subject to varying interpretations. The Group estimates the tax provisions on the basis of the following: tax claims resulting from the completion of tax audits are recognized and other tax risks are also estimated with the involvement of internal tax experts and lawyers. Professional judgment 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 recognized in the financial statements (Note 33).

Related party transactions. Disclosures are made in these consolidated financial statements for transactions with state-controlled entities and government bodies of the Russian Federation that are considered 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 the Group management in determining the scope of operations with related parties to be disclosed in the consolidated financial statements (Note 7).

Interest rates affecting fair values of liabilities. Interest rates used for calculation of the carrying values of the interest-free/low interest borrowings were determined by the Group management at the date of the initial recognition of the loan based on the cost of long-term ruble borrowings taking into account the loan maturity. The interest rate used for the valuation of the borrowing obtained from the Ministry of Finance was 11.82% (2020: 11.82%) (Note 20).

4 Key accounting estimates and judgments in applying accounting policies (continued)

Useful lives of property, plant and equipment. The Group management determines the estimated useful lives and related depreciation charges for its plant and equipment (Note 9). This estimate is based on projected product life cycles 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 property, plant and equipment at 31 December 2021 would be approximately RR 5,914 million (at 31 December 2020: RR 5,298 million) lower or RR 5,004 million (at 31 December 2020: RR 4,500 million) higher, respectively. The impact on the consolidated income statement would be RR 616 million of additional costs (2020: RR 573 million of) or RR 504 million of a decrease in costs (2020: RR 469 million), respectively.

5 Adoption of new or revised standards and interpretations

The Group applied for the first time certain standards and amendments that are effective for annual periods beginning on or after 1 January 2021 (unless otherwise indicated). The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- ► A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- ► Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- ► Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the Group's consolidated financial statements. The Group intends to use practical expedients in future periods, if necessary.

Amendment to IFRS 16 – COVID-19-Related Rent Concessions beyond 30 June 2021

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions* – amendment to IFRS 16 *Leases*. The amendment provides relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, the lessee may elect not to assess whether a rent concession granted by the lessor in relation to the COVID-19 pandemic is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.

The amendments apply to annual reporting periods beginning on or after 1 April 2021.

The Group has no COVID-19-related rent concessions but plans to apply the practical expedient within the allowed period of application, if necessary.

Standards issued but not yet effective

New standards, amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, amendments and interpretations (if relevant) when they become effective.

5 Adoption of new or revised standards and interpretations (continued)

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group expects that the new standard will not have a significant impact on the consolidated financial statements.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments may have on the current classification of liabilities and whether existing loan agreements may require renegotiation.

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018, without significantly changing its requirements.

The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*.

The amendments are effective for annual periods beginning on or after 1 January 2022 and apply prospectively.

Amendments to IAS 16 – Property, Plant and Equipment − Proceeds before Intended Use

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendments. The amendments are not expected to have a material impact on the Group.

5 Adoption of new or revised standards and interpretations (continued)

Amendments to IAS 37 – Onerous Contracts: Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual period in which it first applies the amendments.

Amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards: Subsidiary as a First-time Adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted.

Amendment to IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted. The Group will apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it first applies the amendment. The amendment is not expected to have a material impact on the Group.

Amendment to IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Early application is permitted. The amendment is not expected to have a material impact on the Group.

Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of “accounting estimates”. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

5 Adoption of new or revised standards and interpretations (continued)

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgments*, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their “material” accounting policies and adding guidance on how entities should apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted. Since the amendments to IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of materiality to accounting policy information, the effective date of these amendments is not required. The Group is currently assessing the impact of the amendments on the Group’s accounting policy disclosures.

6 Principal subsidiaries

Principal subsidiaries of the Group and related Group’s interests are as follows:

Company	Country of incorporation	Activity	31 December 2021 Interest, %	31 December 2020 Interest, %
KAMAZ FINANCE AND TRADING COMPANY JSC	Russia	Sales of trucks in Russia	100	100
Autozapchast KAMAZ LLC	Russia	Sale of spare parts in Russia	100	100
KAMAZ International Trade Company JSC	Russia	Sale of trucks and spare parts abroad	100	100
KAMAZ Leasing Company JSC	Russia	Leasing services to customers	100	100
NEFAZ PTC	Russia	Production and sale of buses, dump trucks, trailers and spare parts	50.02	50.02
TZA PTC	Russia	Production and sale of mixer trucks and spare parts	51.8	51.8
KAMAZ-Engineering JSC	Kazakhstan	Production and sale of trucks, specialized machinery and spare parts	75	75
Crane Center KAMAZ LLC	Russia	Production and sale of specialized machinery	51	51
Chelnyvodokanal LLC	Russia	Water supply	100	100
KAMAZ-Energo LLC	Russia	Electric power transmission	100	100
KIP Master JSC	Russia	Leases of non-residential premises	97.7	97.7
KAMAZzhilbyt LLC	Russia	Hotel and recreation resort services	100	100
NPF First Industrial Alliance JSC	Russia	Non-state pension fund, compulsory pension insurance	82.65	82.65
Tutaevsky Motor Plant PTC	Russia	Production and sale of engines	79.36	79.36
10 technical service centers	Russia, CIS, EU countries	Truck distribution and maintenance	50.1-100	50.1-100
38 other subsidiaries	Russia, CIS, EU countries	Other activities	50.1-100	50.1-100

The Group has interests in 43 associates and joint ventures (31 December 2020: 42). Details on the associates and joint ventures are disclosed in Note 11.

Financial information on subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interest holders:

Company	Country of incorporation and operation	2021	2020
Tutaevsky Motor Plant PTC	Russian Federation	20.64%	20.64%
NEFAZ PTC	Russian Federation	49.98%	49.98%

6 Principal subsidiaries (continued)

Summarized statement of financial position as at 31 December 2021:

In millions of Russian rubles	**Tutaevsky Motor Plant PTC**	**NEFAZ PTC**
Current assets	1,270	6,859
Non-current assets	1,282	2,011
Current liabilities	(757)	(7,273)
Non-current liabilities	(223)	(369)
Total equity	**1,572**	**1,228**
Attributable to:		
Equity holders of the parent	1,121	859
Non-controlling interests	451	369

Summarized statement of financial position as at 31 December 2020:

In millions of Russian rubles	**Tutaevsky Motor Plant PTC**	**NEFAZ PTC**
Current assets	999	6,348
Non-current assets	1,228	1,729
Current liabilities	(745)	(7,263)
Non-current liabilities	(24)	(375)
Total equity	**1,458**	**439**
Attributable to:		
Equity holders of the parent	1,031	356
Non-controlling interests	427	83

Summarized income statement for the year ended 31 December 2021:

In millions of Russian rubles	**Tutaevsky Motor Plant PTC**	**NEFAZ PTC**
Revenue	3,806	33,294
Cost of sales	(3,390)	(32,038)
Distribution, general and administrative expenses	(369)	(892)
Other income	118	538
Finance costs	(24)	(172)
Profit before tax	**141**	**730**
Income tax	(25)	(155)
Profit for the period	**116**	**575**
Other comprehensive income	–	–
Total comprehensive income	**116**	**575**
Attributable to:		
Equity holders of the parent	92	289
Non-controlling interests	24	286

6 Principal subsidiaries (continued)

Summarized income statement for the year ended 31 December 2020:

In millions of Russian rubles	Tutaevsky Motor Plant PTC	NEFAZ PTC
Revenue	3,092	27,316
Cost of sales	(2,676)	(25,936)
Distribution, general and administrative expenses	(311)	(581)
Other income/(expenses)	58	(200)
Finance costs	(47)	(175)
Profit before tax	**116**	**424**
Income tax	(10)	(300)
Profit for the period	**106**	**124**
Other comprehensive income	–	–
Total comprehensive income	**106**	**124**
Attributable to:		
Equity holders of the parent	84	62
Non-controlling interests	22	62

Summarized information on cash flows for the year ended 31 December 2021:

Indicator	Tutaevsky Motor Plant PTC	NEFAZ PTC
Operating activities	74	317
Investing activities	(187)	(114)
Financing activities	116	(442)
Net increase/(decrease) in cash and cash equivalents	**3**	**(239)**

Summarized information on cash flows for the year ended 31 December 2020:

Indicator	Tutaevsky Motor Plant PTC	NEFAZ PTC
Operating activities	150	858
Investing activities	(199)	(118)
Financing activities	45	(523)
Net (decrease)/increase in cash and cash equivalents	**(4)**	**217**

7 Balances and transactions with related parties

Parties are generally considered 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 ventures and key management personnel are also considered 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 in 2021 and 2020 or had significant balances outstanding as at 31 December 2021 and 31 December 2020 is detailed below.

	At 31 December 2021		For the year ended 31 December 2021	
In millions of Russian rubles	Total assets	Total liabilities	Income	Expenses
Balances and transactions with the state authorities of the Russian Federation and companies under state control other than current tax payments and balances				
Long-term loans and borrowings	–	14,951	–	–
Short-term loans and borrowings	–	13,898	–	–
Interest payable	–	1,408	–	1,920
Cash and cash equivalents	12,182	–	–	–
Term deposits	1,868	–	–	–
Interest receivable	–	–	102	–
Trade and other receivables	24,576	–	–	–
Trade and other payables	–	18,833	–	–
Government grants	–	–	41,307	–
Revenue and other income	–	–	26,309	
Purchases and other expenses	–	–	–	43,643
Long-term contracts	–	–	5,615	–
Balances and transactions with shareholders with significant influence				
Long-term loans and borrowings	–	3,121	–	–
Trade and other receivables	17	–	–	–
Trade and other payables	–	3,693	–	–
Purchases	–	–	–	17,579
Balances and transactions with joint ventures				
Trade and other receivables	172	–	–	–
Trade and other payables	–	315	–	–
Revenue	–	–	757	–
Purchases	–	–	–	1,618
Balances and transactions with associates				
Trade and other receivables	530	–	–	–
Trade and other payables	–	3,478	–	–
Revenue	–	–	846	–
Purchases	–	–	–	16,134
Other related parties				
Charity	–	–	–	205

7 Balances and transactions with related parties (continued)

In millions of Russian rubles	At 31 December 2020 Total assets	At 31 December 2020 Total liabilities	For the year ended 31 December 2020 Income	For the year ended 31 December 2020 Expenses
Balances and transactions with the state authorities of the Russian Federation and companies under state control other than current tax payments and balances				
Long-term loans and borrowings	–	10,743	–	–
Short-term loans and borrowings	–	16,861	–	–
Interest payable	–	832	–	1,705
Cash and cash equivalents	9,977	–	–	–
Term deposits	5,201	–	–	–
Interest receivable	–	–	598	–
Trade and other receivables	17,147	–	–	–
Trade and other payables	–	20,012	–	–
Government grants	–	–	35,157	–
Revenue and other income	–	–	28,331	
Purchases and other expenses	–	–	–	37,393
Long-term contracts	–	–	124	–
Balances and transactions with shareholders with significant influence				
Long-term loans and borrowings	–	2,452	–	–
Trade and other receivables	3	–	–	–
Trade and other payables	–	2,520	–	–
Purchases	–	–	–	11,598
Balances and transactions with joint ventures				
Trade and other receivables	196	–	–	–
Trade and other payables	–	175	–	–
Revenue	–	–	459	–
Purchases	–	–	–	840
Balances and transactions with associates				
Trade and other receivables	395	–	–	–
Trade and other payables	–	4,942	–	–
Revenue	–	–	307	–
Purchases	–	–	–	11,270
Other related parties				
Charity	–	–	–	94

In the ordinary course of business, the Group entities enter into various sale and purchase transactions and service agreements with the Government of the Russian Federation and other entities controlled, jointly controlled or significantly influenced by the Government. These transactions are effected on terms that are not always applicable to third party transactions. The payment terms related to these transactions are generally consistent with those related to third party transactions.

During 2021, the Group recognized income from government grants (as decrease in respective expenses in cost, administrative and financial expenses, as well as other operating income and other proceeds) in the amount of RR 41,307 million (2020: RR 35,157 million). As at 31 December 2021, the amount of government grants recognized by the Group in accounts receivable was RR 11,053 million (31 December 2020: RR 9,665 million). For these grants, the Group complied with respective terms and contingencies.

In 2021, the remuneration of the Board of Directors (12 persons) and Management Board members (6 persons) comprised salaries, one-off bonuses and other short-term benefits in the total amount of RR 195 million (2020: RR 140 million).

7 Balances and transactions with related parties (continued)

In August 2005, the Board of Directors approved a long-term remuneration plan for the members of the Management Board of KAMAZ JSC. Under the plan, the total amount of remuneration was calculated based on the increased market capitalization of the company during a four-year period starting from August 2005. The maximum bonus is RR 150 million for each four-year period. The current plan covers the period from August 2021 to August 2025. As at 31 December 2021, according to the plan, the current remuneration liability, including taxes accrued, amounted to RR 17 million (31 December 2020: RR 229 million).

In 2021, contribution to the Group's assets amounted to RR 4,180 million (2020: RR 4,000 million).

As at 31 December 2021, the guarantees provided by the Group for liabilities of the associates amounted to RR 2,653 million (31 December 2020: RR 2,160 million). The Group does not expect cash outflows related to these guarantees.

The Group has contractual commitments to sell goods and services to the companies under state control under long-term contracts in the amount of RR 33,652 million (31 December 2020: RR 27,721 million). In 2021, revenue from such contracts was recognized in the amount of RR 5,618 million (2020: RR 134 million).

8 Segment information

IFRS 8 requires identifying operating segments based on the internal reports on the Group's segments that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess their performance.

Due to the transfer of United Automobile Technologies group from subsidiaries to associates in December 2020, the financial information used by the General Director in making operating decisions and allocating resources is provided on a consolidated basis for the Group and prepared under International Financial Reporting Standards. Performance assessment is based on the consolidated revenue and EBITDA, operating profit or loss and net profit or loss of the Group. Information on assets and liabilities is not included in the information presented.

A reconciliation of EBITDA with net consolidated profit of the Group is shown below:

In millions of Russian rubles	**2021**	**2020**
EBITDA	19,510	15,713
Depreciation and amortization	(7,191)	(6,462)
Operating profit	12,319	9,251
Finance costs	(6,817)	(7,484)
Finance income	750	1,152
Profit before income tax	6,252	2,919
Income tax	(1,619)	185
Profit for the period	4,633	3,104

Segment information for 2020 is disclosed in the respective financial statements.

Revenue by type and market is disclosed in Note 27. Substantially all of the Groups' assets/capital expenditures are located/made in the Russian Federation.

9 Property, plant and equipment

Changes in the carrying amount of property, plant and equipment are presented below:

In millions of Russian rubles	Land	Buildings	Plant and equipment	Special tooling and implements	Other	Assets under construction	Total
Cost							
Balance at 31 December 2019	**3,361**	**31,945**	**35,484**	**7,963**	**6,541**	**4,324**	**89,618**
Disposal of subsidiaries	(908)	(2,355)	(1,053)	–	(511)	(74)	**(4,901)**
Additions	–	–	–	–	–	12,323	**12,323**
Disposals	(107)	(129)	(284)	(444)	(295)	–	**(1,259)**
Write-offs	–	(7)	(39)	–	(16)	–	**(62)**
Transfers	241	1,963	3,199	1,747	1,620	(8,770)	**–**
Currency translation difference	2	30	9	–	6	–	**47**
Reclassification from investment property	–	(100)	–	–	–	–	**(100)**
Reclassification of right-of-use assets	–	–	136	–	–	–	**136**
Balance at 31 December 2020	**2,589**	**31,347**	**37,452**	**9,266**	**7,345**	**7,803**	**95,802**
Acquisition of subsidiaries	–	513	166	–	22	25	**726**
Additions	–	–	–	–	–	12,507	**12,507**
Disposals	(240)	(265)	(94)	(1,078)	(296)	–	**(1,973)**
Write-offs	–	(34)	(57)	–	(52)	(81)	**(224)**
Transfers	146	2,542	4,501	1,573	3,156	(11,918)	**–**
Currency translation difference	(5)	52	12	–	4	–	**63**
Reclassification from investment property	(135)	(333)	(1)	–	–	–	**(469)**
Reclassification of right-of-use assets	–	–	(136)	–	–	–	**(136)**
Balance at 31 December 2021	**2,355**	**33,822**	**41,843**	**9,761**	**10,179**	**8,336**	**106,296**
Accumulated depreciation							
Balance at 31 December 2019	**–**	**(9,772)**	**(18,592)**	**(904)**	**(4,089)**	**–**	**(33,357)**
Disposal of subsidiaries	–	428	364	–	140	–	**932**
Depreciation charge	–	(1,544)	(2,175)	(622)	(816)	–	**(5,157)**
Impairment	–	–	–	–	–	–	**–**
Disposals	–	6	262	444	219	–	**931**
Write-offs	–	2	35	–	16	–	**53**
Currency translation difference	–	13	–	–	1	–	**14**
Reclassification from investment property	–	3	–	–	–	–	**3**
Balance at 31 December 2020	**–**	**(10,864)**	**(20,106)**	**(1,082)**	**(4,529)**	**–**	**(36,581)**
Acquisition of subsidiaries	–	(31)	(58)	–	(8)	–	**(97)**
Depreciation charge	–	(1,478)	(2,442)	(777)	(847)	–	**(5,544)**
Impairment	–	–	–	–	–	–	**–**
Disposals	–	70	94	1,078	185	–	**1,427**
Write-offs	–	34	49	–	46	–	**129**
Currency translation difference	–	3	(3)	–	4	–	**4**
Reclassification from investment property	–	198	–	–	–	–	**198**
Balance at 31 December 2021	**–**	**(12,068)**	**(22,466)**	**(781)**	**(5,149)**	**–**	**(40,464)**
Balance at 31 December 2019	**3,361**	**22,173**	**16,892**	**7,059**	**2,452**	**4,324**	**56,261**
Balance at 31 December 2020	**2,589**	**20,483**	**17,346**	**8,184**	**2,816**	**7,803**	**59,221**
Balance at 31 December 2021	**2,355**	**21,754**	**19,377**	**8,980**	**5,030**	**8,336**	**65,832**

9 Property, plant and equipment (continued)

Interest capitalized in 2021 within acquired property, plant and equipment amounted to RR 490 million (2020: RR 400 million). In 2021, interest rate used to determine the amount of borrowing costs eligible for capitalization was 6.89% (2020: 7.12%).

As at 31 December 2021, the amount of plant and equipment includes the equipment received under finance leases in the total amount of RR 13 million (31 December 2020: RR 89 million) recorded at net book value. Received assets are pledged as collateral for the respective obligations under finance lease agreements.

10 Investment property

Investment properties of the Group are represented by 171 (31 December 2020: 39) commercial properties in the Republic of Tatarstan, Ulyanovsk region and Stavropol krai. The Group leases these properties as production and office premises. Lease agreements have the term of up to 1 year.

As at 31 December 2021, the cost of investment properties was RR 2,963 million (31 December 2020: RR 2,494 million); as at 31 December 2021, accumulated depreciation of these properties amounted to RR 1,075 million (31 December 2020: RR 871 million). Depreciation charges on the investment property for the year 2021 were RR 112 million (2020: RR 71 million).

Rental income from investment properties amounts to RR 1,212 million for the year 2021 (2020: RR 988 million).

11 Investments

Changes in the carrying amount of the Group's investments in associates and joint ventures are shown in the table below.

In millions of Russian rubles	**2021**	**2020**
Carrying amount at 1 January	**9,979**	**7,389**
Additional contributions to existing associates and joint ventures	−	155
Contributions to new associates and joint ventures	392	1,908
Share of financial results of associates and joint ventures, after tax	2,545	443
Share of dividend income of associates and joint ventures, after tax	(108)	(73)
Translation difference in other comprehensive income	(77)	206
Disposal of associates and joint ventures	−	(50)
Transfer of subsidiaries to associates	−	1
Carrying amount at 31 December	**12,731**	**9,979**

11 Investments (continued)

(a) Investments in associates

The Group has interests in 32 associates (31 December 2020: 33), none of which is individually significant. The associates are mainly involved in manufacturing and distribution of trucks and components. A summary of the Group's interests in associates and summarized financial information, including assets, liabilities, revenues, profits and losses as at 31 December 2021 and 31 December 2020 are set out below:

In millions of Russian rubles	Interest	Share of net assets	Share of net profit/ (loss)	Dividends paid	Other compre-hensive income	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/ (loss)	Country of incorpo-ration
For the year ended 31 December 2021												
KamLitKZ LLP	39%	1,816	(26)	–	(66)	2,150	2,552	(26)	(20)	–	(68)	Kazakhstan
ZF KAMA LLC	49%	1,299	200	–	–	2,521	2,098	(501)	(1,466)	7,237	408	Russia
Kamaz Financial Services GMbH	50%	1,083	318	(92)	(8)	12	3,611	(156)	(1,301)	9,319	636	Austria
Energeticheskoye Partnerstvo LLC	25%	64	20	(3)	–	512	131	(166)	(221)	370	79	Russia
Vinacomin JSC	37.64%	43	6	(3)	(1)	141	365	–	(392)	1,127	15	Vietnam
Other	24%-50%	147	22	(8)	7	260	921	(19)	(631)	1,620	73	
Total		**4,452**	**540**	**(106)**	**(68)**	**5,596**	**9,678**	**(868)**	**(4,031)**	**19,673**	**1,143**	
For the year ended 31 December 2020												
KamLitKZ LLP	39%	1,908	(10)	–	8	1,448	3,568	(5)	(119)	–	(24)	Kazakhstan
ZF KAMA LLC	49%	1,100	198	–	–	1,848	1,823	(2)	(1,425)	5,966	404	Russia
Kamaz Financial Services GMbH	50%	865	180	(62)	185	14	2,718	–	(1,002)	5,997	361	Austria
Energeticheskoye Partnerstvo LLC	25%	44	10	–	–	660	137	(346)	(277)	325	41	Russia
Vinacomin JSC	37.64%	42	5	(3)	5	136	386	(2)	(408)	1,070	14	Vietnam
UAT Group (19 companies) (Note 29)*	49%	–	–	–	–	4,536	3,902	(8,917)	(6,478)	–	–	Russia
Other	24%-50%	126	5	(8)	4	273	762	(19)	(542)	1,259	26	
Total		**4,085**	**388**	**(73)**	**202**	**8,915**	**13,296**	**(9,291)**	**(10,251)**	**14,617**	**822**	

* Revenue and profit/(loss) of UAT Group for 2020 are presented from the date of transfer from subsidiaries to associates.

11 Investments (continued)

(b) Investments in joint ventures

Joint arrangements of the Group are represented by joint ventures and joint operations.

The joint ventures are mainly involved in manufacturing and distribution of trucks and components. A summary of the Group's interests in joint ventures and related financial information, including total assets, liabilities, revenues, profits and losses as at 31 December 2021 and 31 December 2020 are set out below:

In millions of Russian rubles	Interest	Share of net assets	Share of net profit/ (loss)	Unrecog-nized share in losses	Purchase of invest-ments	Contribu-tion to assets	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/ (loss)	Country of incorpora-tion
For the year ended 31 December 2021													
DK RUS LLC	50%	7,342	1,994	–	–	(51)	12,950	32,954	(1,975)	(29,195)	118,966	3,988	Russia
KAMA JSC	50%	360	–	–	–	–	124	614	(13)	(6)	–	–	Russia
KAMAZ WEICHAI LLC	50%	330	(44)	–	–	–	786	661	(73)	(715)	400	(88)	Russia
UAT Group (19 companies) (Note 29)**	45%	–	–	–	–	–	4,302	4,913	(285)	(5,829)	18,073	(2,394)	Russia
Other	50%	247	55	(2)	(9)	–	39	2,062	(1,018)	(790)	330	143	
Total		**8,279**	**2,005**	**(2)**	**(9)**	**(51)**	**18,201**	**41,204**	**(3,364)**	**(36,535)**	**137,769**	**1,649**	
For the year ended 31 December 2020													
DK RUS LLC	50%	5,348	55	–	–	(51)	13,918	28,374	(9,724)	(21,821)	63,185	110	Russia
KAMAZ WEICHAI LLC	50%	374	(6)	–	–	–	451	505	(24)	(185)	321	(12)	Russia
Other	50%	172	6	–	–	–	8	695	–	(359)	24	11	
Total		**5,894**	**55**	–	–	**(51)**	**14,377**	**29,574**	**(9,748)**	**(22,365)**	**63,530**	**109**	

** UAT Group was transferred to joint ventures in 2021 as a result of concluding a shareholders' agreement.

Shares of the Group's associates and joint ventures are not listed at stock exchanges.

11 Investments (continued)

(c) Joint operations

Joint operations of the Group are represented by production of auto components (engines, braking systems and details for cylinder-piston groups). Production facilities involved in joint operations are located in Naberezhnye Chelny, Russian Federation.

Joint operations of the Group and related Group's interests are as follows:

Entity	Country of incorporation	Activity	31 December 2021 Interest, %	31 December 2020 Interest, %
CUMMINS KAMA CJSC	Russia	Production of auto components	50	50
Knorr-Bremse KAMA LLC	Russia	Production of auto components	50	50
Federal-Mogul Naberezhnye Chelny LLC	Russia	Production of auto components	39.39	39.39

12 Intangible assets

Intangible assets comprise the following:

In millions of Russian rubles	Development costs	Other intangible assets	Total
Cost			
Balance at 31 December 2019	**10,558**	**5,295**	**15,853**
Additions	3,740	803	**4,543**
Write-offs and impairment	(2,098)	–	**(2,098)**
Disposals (Note 29)	–	(1,416)	**(1,416)**
Balance at 31 December 2020	**12,200**	**4,682**	**16,882**
Additions	2,702	986	**3,688**
Write-offs and impairment	(2,475)	–	**(2,475)**
Balance at 31 December 2021	**12,427**	**5,668**	**18,095**
Accumulated amortization			
Balance at 31 December 2019	**(1,661)**	**(1,904)**	**(3,565)**
Amortization charge	(699)	(506)	**(1,205)**
Balance at 31 December 2020	**(2,360)**	**(2,410)**	**(4,770)**
Amortization charge	(813)	(741)	**(1,554)**
Balance at 31 December 2021	**(3,173)**	**(3,151)**	**(6,324)**
Net book value			
Balance at 31 December 2020	**9,840**	**2,272**	**12,112**
Balance at 31 December 2021	**9,254**	**2,517**	**11,771**

12 Intangible assets (continued)

Capitalized development costs comprise the following projects:

In millions of Russian rubles	Expected useful life	2021	2020
New generation of K-5	5-10 years	3,907	3,247
Promising engines	5-10 years	3,487	3,330
Other	3-10 years	1,860	3,263
Total		**9,254**	**9,840**

The development costs include interest capitalized in 2021 in the total amount of RR 286 million (2020: RR 389 million). In 2021, interest rate used to determine the amount of borrowing costs eligible for capitalization was 6.89% (2020: 7.12%).

Other intangible assets represent licenses for software, technical documentation and other intangibles purchased from external suppliers.

13 Finance lease receivables

Information on minimum lease payments and their present value as at 31 December 2021 and 31 December 2020 is presented below:

In millions of Russian rubles	Due within 1 year	Due from 2 to 5 years	Due in more than 5 years	Total
Minimum lease payments at 31 December 2021	**18,021**	**45,872**	**171**	**64,064**
Less future finance income	(1,116)	(12,623)	(90)	**(13,829)**
Impairment provision	(949)	–	–	**(949)**
Present value of minimum lease payments at 31 December 2021	**15,956**	**33,249**	**81**	**49,286**
Minimum lease payments at 31 December 2020	**15,289**	**39,059**	**461**	**54,809**
Less future finance income	(856)	(10,963)	(171)	**(11,990)**
Impairment provision	(164)	–	–	**(164)**
Present value of minimum lease payments at 31 December 2020	**14,269**	**28,096**	**290**	**42,655**

The Group leases trucks and buses to its customers. Generally, lease agreements provide for a 20% advance payment and a 2-3-year lease period. In 2021, the effective interest rate for finance leases was 14% (2020: 15%). The fair value of finance lease receivables as at 31 December 2021 is not significantly different from their carrying amount.

13 Finance lease receivables (continued)

As at 31 December 2021 and 31 December 2020, finance lease receivable balances comprised the following:

In millions of Russian rubles	31 December 2021	31 December 2020
Current and not impaired	**48,645**	**40,424**
Current individually impaired	**48**	**–**
Past due but not impaired (less than 30 days overdue)	209	1,820
Past due but not impaired (30 to 90 days overdue)	160	63
Past due but not impaired (90 to 120 days overdue)	45	–
Past due but not impaired (more than 120 days overdue)	1	–
Individually impaired		
- less than 30 days overdue	4	–
- 30 to 90 days overdue	70	–
- 90 to 120 days overdue	54	416
- over 120 days overdue	999	96
Total individually impaired	**1,127**	**512**
Impairment loss provision	**(949)**	**(164)**
Total finance lease receivables	**49,286**	**42,655**

The fair value of collateral (leased out trucks) for past due but not individually impaired receivables amounted to RR 3,472 million (2020: RR 3,544 million).

The finance lease receivables are effectively secured by the leased assets, as the title to the asset reverts to the Group in case of a counterparty's default. In addition, receivables in the amount of RR 21,976 million are secured by the guarantees of third parties (31 December 2020: RR 18,831 million). Collateral value is equal or exceeds the carrying amount of receivables.

14 Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss comprise the following:

In millions of Russian rubles	31 December 2021	31 December 2020
Debt securities		
Corporate bonds	4,685	5,625
Russian government bonds	1,526	1,478
Bonds of constituent entities of the Russian Federation	581	569
Equity securities		
Quoted shares	324	336
Total financial instruments at fair value through profit or loss	**7,116**	**8,008**

15 Other non-current assets

Other non-current assets comprise the following:

In millions of Russian rubles	31 December 2021	31 December 2020
Advances for non-current assets	936	738
Trade receivables	44	3,392
Less provision for impairment	–	(333)
Trade receivables, net	**44**	**3,059**
Other	189	405
Total non-current assets	**1,169**	**4,202**

16 Inventories

In millions of Russian rubles	31 December 2021	31 December 2020
Raw materials and consumables	26,264	15,586
Work in progress	14,204	9,750
Finished goods	15,687	14,772
Total inventories, net	**56,155**	**40,108**

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

In millions of Russian rubles	2021	2020
At 1 January	**2,047**	**2,008**
Provision charged	1,184	1,849
Provision utilized	(1,175)	(1,537)
Reversal of provision	–	(273)
At 31 December	**2,056**	**2,047**

17 Receivables and prepayments

In millions of Russian rubles	31 December 2021	31 December 2020
Advances issued and prepayments	3,642	2,280
Less provision for impairment	(109)	(53)
Other taxes prepaid	2,336	441
Total advances issued and prepayments	**5,869**	**2,668**

17 Receivables and prepayments (continued)

In millions of Russian rubles	31 December 2021	31 December 2020
Trade receivables	26,160	13,319
Less provision for impairment	(1,630)	(910)
Trade receivables, net	**24,530**	**12,409**
Other receivables	13,445	14,307
Less provision for impairment	(1,797)	(2,310)
Other receivables, net	**11,648**	**11,997**
VAT receivable	1,491	1,262
Total receivables	**37,669**	**25,668**

The fair value of each class of receivables does not significantly differ from their carrying amount.

The analysis of trade receivables is as follows:

In millions of Russian rubles	31 December 2021	31 December 2020
Current and not impaired	**23,598**	**11,414**
Past due but not impaired		
- less than 30 days overdue	745	755
- 30 to 60 days overdue	75	77
- 60 to 90 days overdue	18	35
- 90 to 120 days overdue	1	4
- 120 to 365 days overdue	27	3
- over 1 year overdue	66	121
Past due but not impaired	**932**	**995**
Individually impaired	**1,630**	**910**
Impairment provision	**(1,630)**	**(910)**
Total trade receivables	**24,530**	**12,409**

Accounts receivable, advances issued and prepayments denominated in foreign currency

In millions of Russian rubles	31 December 2021	31 December 2020
US dollar	1,104	1,499
Euro	891	504
Kazakhstan tenge	289	255
Other foreign currency	99	36
Total	**2,383**	**2,294**

17 Receivables and prepayments (continued)

Movements in the provision for impairment of trade, other and finance lease receivables are as follows:

In millions of Russian rubles	2021	2020
At 1 January	**3,920**	**2,875**
Provision charged	2,149	1,954
Provision utilized	(189)	(124)
Amounts written off as uncollectible	(94)	(100)
Foreign exchange differences	(44)	141
Reversal of provision	(1,257)	(826)
At 31 December	**4,485**	**3,920**

The Group's receivables are secured by bank guarantees, pledges of property, letters of credit and other assets. The analysis of collateral is as follows:

In millions of Russian rubles	31 December 2021	31 December 2020
Receivables secured by:		
- bank guarantee	893	1,106
- real estate	621	533
- insurance against financial risks	217	284
- surety	21	93
- other	703	429
Unsecured receivables	22,075	9,964
Total	**24,530**	**12,409**

Collateral value is equal or exceeds the carrying amount of receivables.

Other receivables are not secured.

18 Cash and cash equivalents and term deposits

In millions of Russian rubles	31 December 2021	31 December 2020
Cash in bank	4,971	5,833
Deposits	78	420
Other cash equivalents	7,956	4,646
Total cash and cash equivalents	**13,005**	**10,899**
Term deposits	2,980	6,371
Total cash and cash equivalents and term deposits	**15,985**	**17,270**

As at 31 December 2021, interest rate on deposits included in cash and cash equivalents was 0-7% p.a. (2020: 0.04%-7% p.a.) depending on maturity and nominal currency. Other cash balances are non-interest bearing. The Group recognizes term deposits within cash only if they are subject to immediate demand.

18 Cash and cash equivalents and term deposits (continued)

Term deposits disclosed in a separate caption of the statement of financial position consist of deposits with a maturity from 1 to 12 months and interest rates from 1.75% to 9.32% (2020: 1.75%-6.2%).

As at 31 December 2021, cash and cash equivalents in the amount of RR 9,513 million (31 December 2020: RR 5,993 million) could be used by the Group only for their designated use. As at 31 December 2021, term deposits in the amount of RR 1,139 million (31 December 2020: RR 5,287 million) are represented by minimum balances on bank accounts.

Cash balances denominated in foreign currency

In millions of Russian rubles	**31 December 2021**	**31 December 2020**
Kazakhstan tenge	1,468	1,651
Euro	361	414
US dollar	142	556
Other foreign currency	81	103
Total	**2,052**	**2,724**

19 Share capital

In millions of Russian rubles	**Number of outstanding shares (thousand)**	**Ordinary shares nominal value**
At 31 December 2021	707,230	35,361
At 31 December 2020	707,230	35,361

Total number of authorized and registered ordinary shares is 707,230 thousand (2020: 707,230 thousand) with a nominal value of RR 50 per share. All issued ordinary shares have been fully paid. Each ordinary share carries one vote.

On 7 June 2021, the annual general shareholders' meeting decided to pay dividends on the Company's ordinary shares for 2020 in the amount of RR 382 million or RR 0.54 per share. As at 31 December 2021, payments amounted to RR 357 million. No dividends were paid for 2019.

20 Loans and borrowings

The Group's loans and borrowings mature as follows:

In millions of Russian rubles	**31 December 2021**	**31 December 2020**
Loans and borrowings due:		
- within 1 year	32,451	29,111
- from 2 to 5 years	36,486	26,917
- over 5 years	39,555	39,017
Total loans and borrowings	**108,492**	**95,045**

Loans and borrowings maturing in over 5 years include a 1% loan from the Ministry of Finance of the Russian Federation in the amount of RR 1,397 million (31 December 2020: RR 1,528 million). The loan matures in 2034. As at 31 December 2021, the fair value of the loan is estimated in the amount of RR 1,914 million (31 December 2020: RR 1,951 million).

20 Loans and borrowings (continued)

Long-term loans and borrowings

In millions of Russian rubles	Currency	31 December 2021 Effective interest rate	Nominal interest rate	Carrying amount	Fair value	31 December 2020 Effective interest rate	Nominal interest rate	Carrying amount	Fair value
Bonds	Russian ruble	from 7.8% to 11.24%	from 6.7% to 11.24%	45,000	45,191	from 7.8% to 11.24%	from 6.5% to 11.24%	51,940	53,002
Loans from banks	Russian ruble	from 9.08% to 10.46%	from 8.15% to 10.25%	23,782	22,938	from 6.6% to 11.6%	from 0% to 7.25%	7,926	8,752
Loans from non-banking organizations	Yen	12%	1%	1,914	1,914	12%	1%	1,951	1,951
Loans from non-banking organizations	Russian ruble	from 1% to 5% to 12%	from 1% to 5% to 23%	3,982	5,349	from 1% to 5% to 12%	from 1% to 5% to 23%	3,319	3,717
Interest payable				1,363	1,363			798	798
Total long-term loans and borrowings				**76,041**	**76,755**			**65,934**	**68,220**

Short-term loans and borrowings

In millions of Russian rubles	Currency	31 December 2021 Effective interest rate	Nominal interest rate	Carrying amount	Fair value	31 December 2020 Effective interest rate	Nominal interest rate	Carrying amount	Fair value
Loans from banks	Russian ruble	from 1% to 11%	from 1% to 11%	17,260	17,014	from 1% to 11.6%	from 1% to 11%	16,929	18,153
Loans from banks	Dong	–	–	–	–	2.9%	2.9%	139	150
Bonds	Russian ruble	from 7.75% to 9%	from 7.75% to 9%	13,940	14,089	from 6.5% to 12.10%	from 6.5% to 12.10%	11,040	11,493
Loans from non-banking organizations	Russian ruble	from 1% to 6.95%	from 1% to 6.95%	333	310	from 6.6% to 15%	from 0% to 15%	180	202
Interest payable				918	918			823	823
Total short-term loans and borrowings				**32,451**	**32,331**			**29,111**	**30,821**

As at 31 December 2021, the Group had bonds of the fourth, fifth, seventh, eighth, ninth, tenth, eleventh, twelfth, thirteenth, fourteenth and fifteenth tranches and bonds series BO-P01, BO-P02, BO-P03, BO-P04, BO-P05, BO-P06, BO-P07, BO-P08 and BO-P09.

As at 31 December 2021, the carrying amount of bonds of seventh, eighth, ninth, tenth, eleventh, twelfth, thirteenth, fourteenth and fifteenth tranches was RR 35,000 million (31 December 2020: RR 35,000 million). The bonds are secured by guarantee of the Russian Government in the amount of RR 35,000 million. Their fair value amounted to RR 35,155 million (31 December 2020: RR 35,424 million).

Bonds series BO-P01, BO-P02, BO-P03, BO-P04, BO-P05 with the carrying amount of RR 13,940 million (31 December 2020: RR 24,270 million) are unsecured. The fair value of these bonds was estimated at RR 14,089 million (31 December 2020: RR 25,278 million).

As at 31 December 2020, bonds series BO-P06, BO-P07 had the carrying amount of RR 3,710 million and the fair value of these bonds was estimated in the amount of RR 3,793 million. Bonds series BO-P06 were redeemed in August 2021. As at 31 December 2021 bonds series BO-P07 had the carrying amount of RR 3,000 million and the fair value of these bonds was estimated in the amount of RR 3,079 million.

In July-November 2021, the Group issued bonds series BO-P08 and BO-P09, their carrying amount was RR 7,000 million; the bonds are unsecured. As at 31 December 2021, the fair value of these bonds was estimated in the amount of RR 7,091 million.

20 Loans and borrowings (continued)

Loans from banks in the amount of RR 1,137 million (31 December 2020: RR 4,071 million) are secured by pledges of the Group's property in the amount of RR 5,694 million (31 December 2020: RR 5,272 million); loans in the amount of RR 39,905 million (31 December 2020: RR 20,923 million) are not secured.

Loans from non-banking organizations in the amount of RR 120 million (31 December 2020: RR 197 million) are secured by pledges of the Group's property in the amount of RR 269 million (31 December 2020: RR 324 million); loans in the amount of RR 3,454 million (31 December 2020: RR 2,806 million) are not secured.

The loan from the Ministry of Finance of the Russian Federation in the amount of RR 1,914 million (31 December 2020: RR 1,951 million) is secured by pledges of real estate in the amount of RR 2,117 million (31 December 2020: RR 1,410 million) and subsidiaries' shares with net assets value of RR 1,177 million (31 December 2020: RR 1,218 million).

The loan from Monocities Development Fund for RR 741 million is secured by pledge of a subsidiary's shares with net assets value of RR 3,513 million (31 December 2020: RR 3,402 million). The Group recognized this loan at fair value, which as at 31 December 2021 was RR 796 million (31 December 2020: RR 792 million).

In accordance with the agreements the Group is required to comply with certain covenants, including the maintenance of certain financial and non-financial ratios. As at 31 December 2021 and 31 December 2020, the Group was in compliance with such covenants.

21 Other taxes payable

Taxes payable within the next year comprise the following:

In millions of Russian rubles	**31 December 2021**	**31 December 2020**
Value added tax	3,392	1,293
Insurance contributions	958	826
Personal income tax	327	269
Other taxes	148	129
Total	**4,825**	**2,517**

22 Provisions for liabilities and charges

Movements in provisions for liabilities and charges are presented below:

In millions of Russian rubles	**Warranty provision**	**Other provisions**	**Total**
Carrying amount at 31 December 2019	**3,834**	**15**	**3,849**
Accrued	3,164	223	**3,387**
Utilized	(1,979)	(138)	**(2,117)**
Carrying amount at 31 December 2020	**5,019**	**100**	**5,119**
Accrued	3,445	1	**3,446**
Utilized	(1,930)	(46)	**(1,976)**
Carrying amount at 31 December 2021	**6,534**	**55**	**6,589**
Current portion	3,999	55	**4,054**
Non-current portion	2,535	–	**2,535**

Warranties. The Group generally provides warranties in respect of trucks mainly for a period of 24 months or 100,000 km of mileage. Certain categories of consumers are provided with a warranty over two years and over 100,000 km of mileage. The Group undertakes to repair or replace defective items. A provision for expected warranty claims determined based on statistical data on the number of repairs and returns in recent years was recognized in the financial statements.

23 Trade and other payables

In millions of Russian rubles	31 December 2021	31 December 2020
Trade payables	35,535	25,628
Wages and salaries payable	6,924	3,315
Other	17,418	16,336
Trade and other payables	**59,877**	**45,279**

The fair value of each class of financial liabilities within trade and other payables and advances received does not significantly differ from its carrying amount.

Information on trade and other payables and advances received denominated in foreign currency is presented below:

In millions of Russian rubles	31 December 2021	31 December 2020
Euro	9,725	8,905
US dollar	1,298	1,060
Other currencies	1,127	587
Total	**12,150**	**10,552**

24 Post-retirement benefit obligations

Some of the Group companies have defined benefit pension plans. At 31 December 2021 and 31 December 2020, defined benefit pension plan liabilities of the Group were assessed by an independent actuary.

Changes in the present value of the obligations recognized in the statement of financial position are presented below:

In millions of Russian rubles	31 December 2021	31 December 2020
Defined benefit pension plan obligations at the beginning of the year	**301**	**413**
Current service cost	17	16
Interest expense	17	23
Benefits paid	(49)	(66)
Actuarial loss/(gain) recognized in other comprehensive income	113	(85)
Defined benefit pension plan obligations at the end of the year	**399**	**301**

24 Post-retirement benefit obligations (continued)

Defined benefit plan amounts recognized in profit or loss and other comprehensive income are as follows:

In millions of Russian rubles	2021	2020
Defined benefit pension plan obligations at the beginning of the year	**301**	**413**
Current service cost	17	16
Interest cost on benefit obligation	17	23
Benefits paid	(49)	(66)
Actuarial changes arising from changes in demographic assumptions	(1)	–
Actuarial changes arising from changes in financial assumptions	58	(22)
Experience adjustments	56	(63)
Total losses on remeasurement charged to other comprehensive income	**113**	**(85)**
Defined benefit pension plan obligations at the end of the year	**399**	**301**

The present value of defined benefit obligations for the last five years is as follows:

In millions of Russian rubles	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
Present value of defined benefit obligation	399	301	413	339	365

The key assumptions used in actuarial estimations are as follows:

	31 December 2021	31 December 2020
Discount rate	8.43%	6.69%
Expected salary increase	5.6%	4.3%
Expected post-retirement benefit obligations increase	3.0%	4.3%
Mortality table	Tatarstan, 2016*0.80	Tatarstan, 2016*0.80
Life expectancy for pensioners, aged 65 years:		
Men, years	15	15
Women, years	19.6	19.6

Sensitivity analysis of significant assumptions at 31 December 2021 is as follows:

	Effect on defined benefit obligation	
In millions of Russian rubles	Increase in parameter	Decrease in parameter
Discount rate (increase by 0.5% / decrease by 0.5%)	(15)	(16)
Expected benefits growth (increase by 0.5% / decrease by 0.5%)	10	(10)
Change in intensity of dismissals (increase by 20% / decrease by 20%)	(17)	19
Life expectancy of men of retirement age (increase by 1 year / decrease by 1 year)	(1)	(6)
Life expectancy of women of retirement age (increase by 1 year / decrease by 1 year)	(2)	(4)

24 Post-retirement benefit obligations (continued)

The above sensitivity analysis was performed based on the approach, according to which the effect of justified changes in key assumptions on defined benefit obligations is determined by extrapolating their amounts as at the end of the reporting period. The sensitivity analysis is based on the change of a significant assumption while other assumptions remain unchanged. Sensitivity analysis may not reflect the real change in defined benefit obligation since it is highly unlikely that assumptions will change separately.

Within the next 12 months the Group plans to pay RR 163 million (2020: RR 160 million) as a settlement of defined benefit plan liability. The average term of defined benefit plan obligations at the end of the reporting period was 7.9 years (2020: 7.9 years).

The expected payments of the Group to settle defined benefit plan obligations are as follows:

In millions of Russian rubles	31 December 2021	31 December 2020
Within 1 year	163	160
From 2 to 5 years	227	160
From 5 to 10 years	399	362
Over 10 years	362	308

25 Pension accruals and provisions

In February 2015, Non-state Pension Fund “First Industrial Alliance” (the “Fund”) was incorporated in the Group. The Fund operates as non-state pension provider and mandatory pension insurer.

Compulsory pension insurance contracts

Compulsory pension insurance contracts are classified as insurance contracts with discretionary participation features at their initial recognition.

Non-government pension arrangements

According to Article 9.4 of Federal Law No. 75-FZ *On Non-Government Pension Funds*, the Fund has non-government pension arrangements based on various editions of the Pension rules.

The Fund uses the following pension plans for non-government pension arrangements:

- Pension plan No. 1 – “Scheme with defined benefit contributions. Lifetime non-government pension payments”.
- Pension plan No. 2 – “Scheme with defined benefit contributions. Non-government pension payments within a fixed period”.
- Pension plan No. 3 – “Scheme with defined benefit contributions. Joint accounting for obligations is permitted. Lifetime non-government pension payments”.
- Pension plan No. 4 – “Scheme with defined benefit contributions. Joint accounting for obligations is permitted. Non-government pension payments within a fixed period”.

Subject to these features, the Fund classified the non-government pension arrangements as follows:

- Pension plans No. 2 and 4 are not exposed to risks of death and (or) survival before or after accrual of non-government pension benefits. The Fund classifies such non-government pension arrangements as investment agreements with discretionary participation features.
- Pension plans No. 1 and 3 with lifetime pension payments provide for regular payment of non-government pension to participants during life time against pension contributions paid. The amount of non-government pension benefit to participants is defined using the annuity rates at the date of participant’s retirement. The Fund is not exposed to risk of death and (or) survival of the participant till pension benefits accrual. In accordance with IFRS 4, the Fund classifies such contracts as investment agreements with discretionary participation features at the accrual stage and as insurance contracts with discretionary participation features at the stage of benefit payment.

Details of the pension plans as related to the procedure for pension contributions, accrual and payment of non-government pension benefits, terms and conditions of the pension plan termination and etc. are disclosed in the Pension rules.

25 Pension accruals and provisions (continued)

Pension plan obligations comprised the following:

In millions of Russian rubles	Obligations on compulsory pension contributions under insurance contracts with discretionary participation features	Obligations on non-government pension arrangements under insurance contracts with discretionary participation features	Obligations on non-government pension arrangements under investment agreements with discretionary participation features	Total
Obligations at 31 December 2019	**1,900**	**45**	**5,287**	**7,232**
Increase in liabilities due to receipt of pension contributions	28	1	522	**551**
Decrease in liabilities due to pension payments	(23)	(3)	(538)	**(564)**
Change in liabilities due to accrual of investment income	103	3	308	**414**
Liabilities disposed due to pension transfer to another non-government pension fund	(14)	–	–	**(14)**
Other	9	–	(12)	**(3)**
Obligations at 31 December 2020	**2,003**	**46**	**5,567**	**7,616**
Increase in liabilities due to receipt of pension contributions	26	–	340	**366**
Decrease in liabilities due to pension payments	(27)	(3)	(565)	**(595)**
Change in liabilities due to accrual of investment income	38	1	122	**161**
Liabilities disposed due to pension transfer to another non-government pension fund	(4)	–	–	**(4)**
Other	5	(1)	(7)	**(3)**
Obligations at 31 December 2021	**2,041**	**43**	**5,457**	**7,541**

26 Fair value

Accounting policy of the Group and disclosures in the financial statements provide for measurement of fair value of assets and liabilities. Fair value is measured with the use of various market information and other valuation models.

Fair value hierarchy consists of three levels as follows:

Level 1. Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2. Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3. Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments to be recognized at fair value on a regular basis, the Group determines whether transfers between the levels of fair value hierarchy occurred through reassessment of classification by categories at the end of each reporting period (based on inputs referred to the lowest level of hierarchy and significant for overall measurement of fair value).

Information on financial instruments at fair value is disclosed in Note 14.

The fair value of cash and cash equivalents, accounts receivable and payable, loans issued does not differ significantly from their carrying amount. Fair value of loans and borrowings is disclosed in Note 20. The fair value of loans and borrowings was determined using the market information of Level 2 of the hierarchy.

27 Revenue

In millions of Russian rubles	2021	2020
Trucks and assembly kits	173,949	129,611
Buses, electric buses, truck trailers and mixer trucks	37,337	27,951
Spare parts	32,289	27,352
Long-term contracts	5,618	134
Metallurgical products	3,557	1,889
Components	–	14,053
Other	9,137	6,424
Total revenues from contracts with customers	**261,887**	**207,414**
Finance lease	5,791	4,669
Operating lease	1,560	1,258
Total revenue from lease contracts	**7,351**	**5,927**
Total revenue	**269,238**	**213,341**

Sales of goods in the amount of RR 0 million (2020: RR 61 million) and purchases of materials in the amount of RR 3,365 million (2020: RR 2,945 million) were settled using promissory notes.

The Company is engaged in a number of transactions under sale and repurchase agreements with the same counterparties. Revenue and cost of sales are shown net of the amount of RR 9,014 million (2020: RR 7,732 million) arising out of these transactions.

In 2021, the Group sold trucks and buses under finance lease agreements in the total amount of RR 23,213 million (2020: RR 26,470 million).

Revenue by market is as follows:

In millions of Russian rubles	2021	2020
Domestic sales		
Trucks and assembly kits	152,749	113,756
Buses, truck trailers and mixer trucks	36,605	27,531
Spare parts	28,655	24,348
Long-term contracts	5,618	134
Components	–	14,036
Other	12,360	7,991
Total revenues from contracts with customers	**235,987**	**187,796**
Finance lease	5,791	4,669
Operating lease	1,560	1,258
Total revenue from lease contracts	**7,351**	**5,927**
Total revenue from domestic sales	**243,338**	**193,723**
Export sales		
Trucks and assembly kits	21,200	15,855
Spare parts	3,634	3,004
Buses, truck trailers and mixer trucks	732	420
Other	334	339
Total revenues from export sales	**25,900**	**19,618**
Total revenue	**269,238**	**213,341**

In 2021, Kazakhstan and Uzbekistan were the largest export markets (2020: Kazakhstan and Turkmenistan).

28 Expenses by nature

Materials and components in:

In millions of Russian rubles	2021	2020
Cost of sales	191,466	139,363
Distribution costs	540	405
General and administrative expenses	274	251
Total	**192,280**	**140,019**

Payroll expenses in:

In millions of Russian rubles	2021	2020
Cost of sales	26,266	24,815
General and administrative expenses	7,195	7,014
Distribution costs	3,362	2,980
Total	**36,823**	**34,809**

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

In millions of Russian rubles	2021	2020
Cost of sales	5,206	4,877
General and administrative expenses	273	226
Distribution costs	65	54
Total depreciation of property, plant and equipment	**5,544**	**5,157**
Amortization of intangible assets	1,554	1,205
Depreciation of right-of-use assets	93	100
Total	**7,191**	**6,462**

Car scrapping fee within:

In millions of Russian rubles	2021	2020
Cost of sales	36,548	28,841
Total car scrapping fee	**36,548**	**28,841**

29 Other operating income and expenses

Other operating income comprises the following:

In millions of Russian rubles	2021	2020
Government grants	1,685	992
Gains on non-government pension fund activity	1,101	779
Foreign exchange gain	610	–
Fines, penalties, compensations received	513	245
Gains on disposal of inventories	290	–
Gains on transfer of subsidiaries to associates	–	2,289
Gains on disposal of property, plant and equipment	–	63
Other operating income	338	432
Total	**4,537**	**4,800**

In December 2020, the Group's option to purchase 2% interest in UAT JSC expired. The Group decided not to extend the option, therefore, it derecognized net liabilities in the amount of RR 7,150 million. (a), non-controlling interest in the amount of RR 3,560 million (b) and goodwill in the amount of RR 1,416 million (c) and recognized an investment in associates in the amount of RR 0 (d) (Notes 11 and 12). The result of the transaction is recognized in other income in the amount of RR 2,289 million ((a)-(b)-(c)-(d)) in the financial statements of 2020.

In December 2021, the measurement of fair value of assets and liabilities of AO UAT was completed. Based on the results of the completed evaluation, no adjustments were made to the financial statements.

Other operating expenses comprise the following:

In millions of Russian rubles	2021	2020
Social and charity expenses	1,217	615
Expenses related to non-government pension fund activity	916	576
Goodwill impairment	231	–
Loss on disposal and write-off of property, plant and equipment	165	–
Loss on disposal of accounts receivable	65	728
Loss from investments	52	–
Foreign exchange loss	–	1,419
Loss on litigations	–	631
Loss from disposal of inventories	–	113
Other operating expenses	256	172
Total	**2,902**	**4,254**

In June 2021, the Group acquired the business related to the lease of premises in Baltic industrial park "Master" LLC. The acquired net assets amounted to RR 429 million, the consideration transferred amounted to RR 660 million. Goodwill arising from the acquisition in the amount of RR 231 million was impaired based on testing results and included in other operating expenses.

30 Finance income and costs

Finance income comprises the following:

In millions of Russian rubles	2021	2020
Interest receivable on deposits, promissory notes and loans issued	412	1,072
Gain on discounting of long-term financial instruments	272	80
Gain on restructuring and forgiveness of debt	66	–
Total	**750**	**1,152**

Finance costs comprise the following:

In millions of Russian rubles	2021	2020
Interest expense	5,998	6,608
Recognition of financial instruments	356	269
Amortization of discount on non-current loans	192	206
Expense on operating lease liabilities	99	101
Bank services	98	44
Foreign exchange differences	66	87
Interest expense under finance leases where the Group is a lessee	6	25
Discounting of other financial instruments	2	144
Total	**6,817**	**7,484**

31 Income tax

Income tax expense comprises the following:

In millions of Russian rubles	2021	2020
Current income tax	887	855
Deferred tax	732	(1,040)
Income tax expense/(benefit) for the year	**1,619**	**(185)**

Reconciliation between the actual and theoretical income tax calculated from the accounting profit is provided below.

In millions of Russian rubles	2021	2020
Profit before tax	**6,252**	**2,919**
Theoretical income tax expense at the statutory rate (20%)	**1,250**	**584**
Tax effect of items which are not deductible for taxation purposes		
Non-deductible expenditures	510	329
Transfer to associates	–	(458)
Effect of application of SIC tax rate	(141)	(640)
Income tax expense/(benefit) for the year	**1,619**	**(185)**

31 Income tax (continued)

Non-deductible expenses mainly consist of social expenses and other general and administrative expenses not included in the income tax calculation in accordance with tax legislation. Differences between IFRS and Russian tax regulations give rise to temporary differences between the carrying amount of assets and liabilities and their tax value.

Movements in deferred taxes for the years ended 31 December 2021 and 31 December 2020 are as follows:

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
In millions of Russian rubles	**2021**	**2020**	**2021**	**2020**
Tax effect of taxable temporary differences				
Property, plant and equipment	(2,412)	(1,243)	1,167	569
Loans and borrowings	(801)	(1,189)	(388)	268
Current and non-current taxes payable	27	15	(11)	8
Finance lease receivables	(1,757)	(400)	1,356	48
Trade and other payables	115	914	799	(714)
Finance lease payables	–	–	–	4
Provisions	2,262	1,274	(989)	(583)
Trade and other receivables	100	(211)	(310)	277
Intangible assets	(671)	(1,153)	(482)	234
Inventories	8	412	402	(689)
Tax losses carried forward	3,899	3,049	(812)	(462)
Net deferred tax assets/(liabilities)	**770**	**1,468**	**732**	**(1,040)**

Reflected in the statement of financial position as:

	2021	**2020**
Deferred tax assets	3,109	2,919
Deferred tax liabilities	(2,339)	(1,451)
Net deferred tax assets	**770**	**1,468**

Reconciliation of net deferred tax assets/(liabilities):

In millions of Russian rubles	**2021**	**2020**
At 1 January	**1,468**	**(1,049)**
Income tax (expense)/benefit for the period recognized in profit or loss	(732)	1,040
Tax (expense)/benefit for the reporting period recognized in other comprehensive income	(4)	29
Disposal of subsidiaries	–	1,448
Deferred taxes acquired at business combination	(3)	–
Adjustments to previous declarations	41	–
At 31 December	**770**	**1,468**

In the context of the Group's current structure and Russian tax legislation, tax losses and current tax assets of certain Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes should be accrued 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.

As at 31 December 2021, a deferred tax asset in the amount of RR 3,109 million (31 December 2020: RR 2,919 million) and a deferred tax liability in the amount of RR 2,339 million (31 December 2020: RR 1,451 million) were recorded in the consolidated statement of financial position after offsetting the gross amounts presented above.

32 Earnings per share

Earnings per share are calculated as follows:

	2021	2020
Basic and diluted earnings per share		
Profit attributable to equity holders of the Company (RR million)	4,048	3,294
Weighted average number of ordinary shares in issue (thousand)	707,230	707,230
Basic and diluted earnings per share (rubles per share)	**5.72**	**4.66**

Basic earnings per share are calculated as profit attributable to equity holders of the Company to the weighted average number of ordinary shares in issue during the year (Note 19). There were no potentially dilutive instruments outstanding during 2021 and 2020.

Weighted average number of ordinary shares in issue represents the total number of authorized common shares including effect of change in number of treasury shares redeemed during the year.

33 Contingencies and commitments

Legal. In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial position or the results of future operations of the Group.

As at 31 December 2021, a provision for litigations amounted to RR 55 million (31 December 2020: RR 100 million).

Tax contingencies. Major part of the Group's business activity is carried out in the Russian Federation. Some provisions of the Russian tax, currency and customs legislation as currently in effect are vaguely drafted and are often subject to varying interpretations (which, in particular, may apply to legal relations retrospectively), selective and inconsistent application and changes which may occur frequently and, in some cases, at short notice. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation and application of this legislation and when running tax audits. Consequently, the tax authorities may challenge the transactions and operations of the Group which have not been challenged before at any time in the future. As a result, significant additional taxes, penalties and interest may be assessed by the relevant authorities. Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax audit is taken. Under certain circumstances, audits may cover longer periods.

Due to the changes in the tax legislation relating to special investment contracts (SIC) effective since 2020, various tax matters can actually arise, including issues concerning the period of the reduced income tax rate application and approach used to maintain separate accounting of income and expenses within and outside SIC.

Due to the uncertainty and absence of existing practice of application of transfer pricing legislation in the Russian Federation, tax authorities may challenge the level of prices under the controlled transactions and accrue additional tax liabilities unless the Group is able to demonstrate that the level of prices under transactions complies with the range of market prices with respect to the controlled transactions and has appropriate available transfer pricing documentation.

Management of the Group believes that its interpretation of the relevant legislation and industry practice is appropriate and the Group's tax, currency and customs positions will be sustained. However, the interpretations of the relevant authorities could differ, and the maximum effect of additional taxes, fines and penalties on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

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

Contractual commitments. As at 31 December 2021, the Group has contractual commitments for the acquisition of property, plant and equipment in total amount of RR 5,401 million (31 December 2020: RR 3,097 million).

Guarantees. Information on guarantees received and granted as at 31 December 2021 and 31 December 2020 is disclosed in Notes 7 and 34.

33 Contingencies and commitments (continued)

Pledged assets and restricted assets. As at 31 December 2021 and 2020, the Group had the following assets pledged as collateral:

		2021		2020	
In millions of Russian rubles	Note	Pledged assets	Related liabilities	Pledged assets	Related liabilities
Property, plant and equipment	20	8,080	2,487	7,006	5,315
Shares of subsidiaries at net assets value	20	4,690	1,426	4,620	1,642
Total		**12,770**	**3,913**	**11,626**	**6,957**

As at 31 December 2021 and 31 December 2020, 12,000 thousand shares of KAMAZ-Metallurgiya OJSC with the total nominal value of RR 1,200 million were pledged as collateral under a loan issued by the Russian Ministry of Finance. As at 31 December 2021, 3,837 thousand shares of KIP Master JSC with the total nominal value of RR 3,837 million were pledged as collateral under a loan issued by Monocities Development Fund (31 December 2020: 3,837 shares of the total nominal value of RR 3,837 million).

Loan covenants. Certain loan agreements include a number of financial covenants. Information regarding compliance with such loan covenants is disclosed in Note 20.

Loan commitments. In most cases, the loan agreements do not provide for penalties assessed for early repayment of loans.

COVID-19. Management is monitoring the situation with COVID-19 (the coronavirus infection) and is taking necessary measures to ensure the ability of the Group to continue as a going concern. The Group had no significant work stoppages or supply chain failures due to the coronavirus, except for several delays in the delivery of materials from contractors. The Group's key priority is to ensure the safety of its employees, customers and individuals in regions of its operation. The Group incurred expenses mainly related to safety wear for personnel. The Group follows the formal recommendations and continues to focus on the business management in the evolving environment.

34 Financial risk management

The classification of the financial assets and liabilities is aligned with the classification by the lines of the statement of financial position.

Financial risk factors

The risk management function within the Group is carried out in respect of financial risks (credit, market, currency, interest rate and liquidity risks), as well as operational and legal risks. The primary objectives of financial risk management are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management is intended to ensure proper functioning of internal policies and procedures to minimize 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 is exposed to market risks. Market risks arise from changes in open positions in interest rate, currency and equity financial instruments 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.

34 Financial risk management (continued)

(i) Currency risk

The Group exports production to CIS and non-CIS countries and is thus exposed to currency risk. Foreign currency denominated assets (Notes 17 and 18) and liabilities (Note 23) give rise to foreign exchange exposure. Currency risk is monitored monthly.

The Group is exposed to the currency risk arising from payables denominated in euro and US dollars under the contracts for purchase of equipment and components. Management believes hedging of these positions would not be appropriate.

The table below summarizes the Group's exposure to currency risk as at 31 December 2021:

	Monetary financial assets					Monetary financial liabilities			
In millions of Russian rubles	Cash, cash equiva-lents and term deposits	Accounts receivable	Financial instru-ments at fair value through profit or loss	Loans issued	Finance lease receiva-bles	Accounts payable	Loans and borro-wings	Other liabilities	Net balance sheet position
US dollar	142	915	–	–	–	(1,093)	–	–	**(36)**
Euro	361	279	–	–	–	(9,655)	–	–	**(9,015)**
Kazakhstan tenge	1,468	212	–	–	–	(76)	–	–	**1,604**
Other currencies	81	62	–	–	–	(137)	–	–	**6**
Russian ruble	13,933	34,943	7,116	1,381	49,286	(41,992)	(108,492)	(6,316)	**(50,141)**
Total monetary assets and liabilities	**15,985**	**36,411**	**7,116**	**1,381**	**49,286**	**(52,953)**	**(108,492)**	**(6,316)**	**(57,582)**

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December 2020:

	Monetary financial assets					Monetary financial liabilities			
In millions of Russian rubles	Cash, cash equiva-lents and term deposits	Accounts receivable	Financial instru-ments at fair value through profit or loss	Loans issued	Finance lease receiva-bles	Accounts payable	Loans and borro-wings	Other liabilities	Net balance sheet position
US dollar	556	1,251	–	–	–	(966)	–	–	**841**
Euro	414	351	–	–	–	(6,814)	–	–	**(6,049)**
Kazakhstan tenge	1,651	237	–	–	–	(120)	–	–	**1,768**
Other currencies	103	32	–	–	–	(167)	(138)	–	**(170)**
Russian ruble	14,546	25,723	8,008	750	42,655	(33,897)	(94,907)	(6,158)	**(43,280)**
Total monetary assets and liabilities	**17,270**	**27,594**	**8,008**	**750**	**42,655**	**(41,964)**	**(95,045)**	**(6,158)**	**(46,890)**

The above analysis includes only monetary assets and liabilities included in the related captions of the statement of financial position. As at the reporting dates, there are no other financial assets and liabilities exposed to currency risk. The Group does not hold any currency derivatives.

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

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

34 Financial risk management (continued)

The following table presents sensitivities of profit and loss and equity to possible changes in currency exchange rates applied at the reporting 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 ruble would generate an exchange loss to the Group.

In millions of Russian rubles	**2021**
Pre-tax impact on profit and equity of:	
US dollar strengthening/weakening by 15%/-15%	(5)/5
Euro strengthening/weakening by 15%/-15%	(1,352)/1,352
Kazakhstan tenge strengthening/weakening by 13%/-13%	209/(209)

In millions of Russian rubles	**2020**
Pre-tax impact on profit and equity of:	
US dollar strengthening/weakening by 11%/-11%	92/(92)
Euro strengthening/weakening by 16%/-16%	(968)/968
Kazakhstan tenge strengthening/weakening by 13%/-13%	230/(230)

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

(ii) Interest rate risk

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

Treasury department regularly monitors the market and makes decisions with regard to credit conditions, should the need for financing arise.

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

In millions of Russian rubles	**On demand and less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
31 December 2021					
Fixed interest rate, Russian ruble and other CIS currencies	773	19,668	23,145	36,436	**80,022**
Floating interest rate, Russian ruble	330	10,762	11,976	3,121	**26,189**
Total	**1,103**	**30,430**	**35,121**	**39,557**	**106,211**

In millions of Russian rubles	**On demand and less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
31 December 2020					
Fixed interest rate, Russian ruble and other CIS currencies	1,943	12,779	22,383	36,988	**74,093**
Floating interest rate, Russian ruble	1,572	11,856	3,313	2,452	**19,193**
Fixed interest rate, Vietnamese dong	–	138	–	–	**138**
Total	**3,515**	**24,773**	**25,696**	**39,440**	**93,424**

34 Financial risk management (continued)

If, as at 31 December 2021, the interest rates had been 1% lower, with all other variables held constant, interest payable for the year would have been RR 227 million (2020: RR 194 million) lower. If the interest rates had been 1% higher, with all other variables held constant, interest expense would have been RR 227 million (2020: RR 194 million) higher.

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

	2021		2020		
In % p.a.	**Russian ruble**	**Tenge**	**Russian ruble**	**Tenge**	**Dong**
Assets					
Cash and cash equivalents	–	7%	0.7%-4.5%	7%	–
Term deposits	1.75%-9.32%	–	1.75%-6.2%	–	–
Finance lease receivables	9%-23%	–	9%-29%	–	–
Liabilities					
Loans and borrowings	0%-12%	–	0%-16%	–	2.9%
Finance lease payables	18%-26%	–	11%-39%	–	–

(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 the maturity profile of financial assets could be influenced by economic factors, Group management believes that there is no significant risk of loss to the Group beyond the provisions already recorded.

Cash is placed with financial institutions, which, at the time of deposit, 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 rubles	**31 December 2021**	**31 December 2020**
Cash and cash equivalents (Note 18)	**13,005**	**10,899**
- BBB- to A-	10,645	8,558
- BB- to BB+	1,748	1,756
- B- to B+	193	222
- Other	419	363
Term deposits (Note 18)	**2,980**	**6,371**
- BBB- to A-	1,393	1,106
- BB- to BB+	1,556	5,133
- B- to B+	31	132
Financial instruments at fair value through profit or loss (Note 14)	**7,116**	**8,008**
Long-term receivables – unrated (Note 15)	**44**	**3,059**
Finance lease receivables – unrated (Note 13)	**49,286**	**42,655**
Group 1 – Current finance lease receivables	15,956	14,269
Group 2 – Non-current finance lease receivables	33,330	28,386
Trade receivables (Note 17)	**24,530**	**12,409**
Group 1 – companies under state control	13,527	3,481
Group 2 – joint ventures and associates	448	353
Group 3 – large corporate clients	1,575	1,099
Group 4 – dealers and specialized machinery manufacturers	7,036	6,117
Group 5 – other clients	1,944	1,359
Loans issued	**1,381**	**750**
Other receivables – unrated (Note 17)	**11,648**	**11,997**
Total maximum exposure to credit risk	**109,990**	**96,148**

34 Financial risk management (continued)

The process of credit risk management 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 2021 was RR 49,066 million (31 December 2020: RR 42,071 million). The term of collateral equals the term of the lease agreement.

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

Cash and cash equivalents are deposited with stable Russian and regional banks. Management believes that credit risk associated with these banks is very insignificant.

Credit risk concentration

As at 31 December 2021, the Group had one debtor (31 December 2020: two debtors) with the debt exceeding 5% of total credit risk exposure.

The Group's cash and cash equivalents are deposited with 27 banks (2020: 33 banks); therefore, the Group has no significant concentrations of credit risk. All cash concentrations in banks are below 25%.

(c) Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in discharging its financial liabilities.

The Group manages liquidity risk in order to ensure that funds are available at all times for all payment obligations as they become due. The Group monitors the ratio of operating profit to interest payable and other liquidity ratios in order to ensure that no liquidity difficulties arise. Actual ratios differ from target ratios due to economic crisis.

Management believes that the target ratios are reasonable and feasible for the foreseeable future. Management believes that the Group has access to additional sources of funding if required.

The analysis below represents management's assessment of the repayment schedule for monetary assets and liabilities of the Group as at 31 December 2021 and 2020:

In millions of Russian rubles	**On demand and less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
31 December 2021					
Cash and cash equivalents and term deposits	15,170	815	–	–	**15,985**
Trade receivables	24,224	306	–	–	**24,530**
Finance lease receivables	3,989	11,967	33,249	81	**49,286**
Future finance lease charges	279	837	12,623	90	**13,829**
Other receivables and loans issued	11,188	1,841	–	–	**13,029**
Financial instruments at fair value through profit or loss	7,116	–	–	–	**7,116**
Other non-current financial assets	–	–	142	91	**233**
Total monetary financial assets	**61,966**	**15,766**	**46,014**	**262**	**124,008**
Loans and borrowings	(1,103)	(30,430)	(35,121)	(39,557)	**(106,211)**
Future interest expenses on loans and borrowings	(4,389)	(5,676)	(20,209)	(18,082)	**(48,356)**
Trade payables	(34,885)	(650)	–	–	**(35,535)**
Finance lease payables	(3)	(9)	–	–	**(12)**
Future finance lease charges	–	(1)	–	–	**(1)**
Operating lease payables	(40)	(119)	(490)	(356)	**(1,005)**
Future operating lease charges	(2)	(6)	(158)	(1,099)	**(1,265)**
Other payables	(17,300)	(118)	–	–	**(17,418)**
Other current liabilities	–	(4,477)	–	–	**(4,477)**
Non-current payables	–	–	(13)	–	**(13)**
Other non-current liabilities	(216)	(631)	(2,393)	(4,301)	**(7,541)**
Total monetary financial liabilities	**(57,938)**	**(42,117)**	**(58,384)**	**(63,395)**	**(221,834)**
Guarantees issued for obligations of associates (Note 7)	–	(2,653)	–	–	**(2,653)**
Net balance of payments at 31 December 2021	**4,028**	**(29,004)**	**(12,370)**	**(63,133)**	**(100,479)**

34 Financial risk management (continued)

In millions of Russian rubles	On demand and less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
31 December 2020					
Cash and cash equivalents and term deposits	16,768	502	–	–	**17,270**
Trade receivables	11,420	989	–	–	**12,409**
Finance lease receivables	3,595	10,780	27,989	291	**42,655**
Future finance lease charges	214	642	10,963	171	**11,990**
Other receivables and loans issued	11,412	1,328	–	–	**12,740**
Financial instruments at fair value through profit or loss	8,008	–	–	–	**8,008**
Other non-current financial assets	–	–	3,103	92	**3,195**
Total monetary financial assets	**51,417**	**14,241**	**42,055**	**554**	**108,267**
Loans and borrowings	(3,515)	(24,773)	(25,696)	(39,440)	**(93,424)**
Future interest expenses on loans and borrowings	(3,301)	(5,270)	(16,567)	(22,798)	**(47,936)**
Trade payables	(25,023)	(605)	–	–	**(25,628)**
Finance lease payables	(7)	(23)	(9)	–	**(39)**
Future finance lease charges	(1)	(3)	(4)	–	**(8)**
Operating lease payables	(39)	(116)	(481)	(401)	**(1,037)**
Future operating lease charges	(2)	(6)	(161)	(1,207)	**(1,376)**
Other payables	(15,736)	(600)	–	–	**(16,336)**
Other current liabilities	–	(4,122)	–	–	**(4,122)**
Non-current payables	–	–	(101)	–	**(101)**
Other non-current liabilities	(234)	(655)	(2,533)	(4,194)	**(7,616)**
Total monetary financial liabilities	**(47,858)**	**(36,173)**	**(45,552)**	**(68,040)**	**(197,623)**
Guarantees issued for obligations of associates (Note 7)	–	(2,160)	–	–	**(2,160)**
Net balance of payments at 31 December 2020	**3,559**	**(24,092)**	**(3,497)**	**(67,486)**	**(91,516)**

(d) Insurance risk

The risk under insurance contracts is the risk of an insured event associated with uncertainty of the amount and timing of any resulting claim. The risks, which the Fund considers as insurance risks, include the risk of death of a participant or insured person within a fixed period of time, or risk of survival to certain date, and future adverse event represents death or survival, respectively.

The principal risk the Fund faces under such contracts is that the actual benefit payments exceed the carrying amount of insurance liabilities. Thus, the Fund aims to ensure sufficient reserves to cover such liabilities.

The Fund's pension plans under the non-government pension arrangements mainly provide for lifetime pension payments. The Fund's obligation to pay the funded part of labor pensions to an insured person during the lifetime after its accrual under the compulsory pension insurance contracts is stipulated by the Russian legislation. Therefore, the Fund's principal risk is the risk of longevity that is the risk of losses due to higher longevity as compared to the life expectancy.

For lifetime pension agreements, the most significant insurance risk is medical advances and improvement in social conditions that lead to increase of longevity. Provisions for lifetime pension payments are determined based of the assumption of future longevity increase.

In addition to the specific risks listed above, the Company is exposed to behavioral and expense risks. Behavioral risk (risk of contract termination) is mitigated by conditions of the contract that match revenue and expenses associated with the contract as closely as possible. Expense risk is mitigated by control of expenses and by regular expense analyses and allocation exercises.

34 Financial risk management (continued)

Main assumptions used by the Fund for testing the adequacy of pension liabilities under the insurance contracts related to compulsory pension contributions are as follows:

Actuarial assumptions	31 December 2021	31 December 2020
Yield at the accrual stage	6.08%	4.08%
Yield at the stage of payments	6.08%	4.08%
Contributions to compulsory pension insurance	none	none
Discount rate	8.41%	6.31%
Eligibility by age	60 years for men 55 years for women	60 years for men 55 years for women
Mortality table	Rosstat mortality table for 2019 mortality rates decreased by 30% in each group of men and women	Rosstat mortality table for 2019 mortality rates decreased by 10% in each group of men and women
Service costs, rubles per year	639	388
Inflation	4.4%	4.0%

Main assumptions used by the Fund for testing the adequacy of pension liabilities under the insurance contracts related to non-government pension arrangements are as follows:

Actuarial assumptions	31 December 2021	31 December 2020
Yield at the accrual stage	6.38%	4.55%
Yield at the stage of payments	6.38%	4.55%
Growth rate of contributions to non-government pension funds	no contributions	no contributions
Discount rate	8.41%	6.31%
Eligibility by age	63 years for men 59 years for women	63 years for men 58 years for women
Mortality table	Mortality table recommended by the Association of Professional Actuaries for NPA life expectancy for men of 63 years old and women of 59 years old is 18.40 years and 26.13 years, respectively	Mortality table recommended by the Association of Professional Actuaries for NPA life expectancy for men of 62 years old and women of 58 years old is 18.47 years and 25.2 years, respectively
Service costs, rubles per year	610	370
Inflation	4.4%	4.0%

Sensitivity of post-retirement obligations under non-government pension arrangements and compulsory pension contribution agreements to various factors

The effect of changes in the assumptions are analyzed below. These changes are within the reasonable range of possible changes in the assumptions taking into consideration the uncertainties inherent to the assessment.

The effect of changes in key assumptions are analyzed with other assumptions held constant. Correlation between the assumptions will significantly impact the total amount of liabilities under the pension benefits agreements, however, changes in the assumptions are presented on an individual basis to show the effect of each assumption on the liabilities.

34 Financial risk management (continued)

Sensitivity analysis of the value of liabilities under the contracts related to compulsory pension insurance to changes in key assumptions is as follows:

	31 December 2021			31 December 2020		
Actuarial assumptions	**Change in the value of liabilities, absolute**	**Change in the value of liabilities, %**	**Surplus**	**Change in the value of liabilities, absolute**	**Change in the value of liabilities, %**	**Surplus**
Discount rate +1%	(205)	-10.75%	322	(214)	-11.14%	275
Discount rate -1%	248	12.99%	(132)	262	13.62%	(114)
Investment income rate +1%	222	11.61%	(106)	231	12.01%	(86)
Investment income rate -1%	(192)	-10.05%	308	(196)	-10.17%	259
Inflation +1%	11	0.57%	105	15	0.81%	88
Inflation -1%	(9)	-0.49%	126	(13)	-0.66%	109
Service costs +10%	13	0.68%	103	16	0.83%	86
Service costs -10%	(13)	-0.68%	129	(15)	-0.80%	113
Mortality rate +10%	(10)	-0.54%	126	(12)	-0.63%	108
Mortality rate -10%	12	0.63%	104	15	0.76%	88

Sensitivity analysis of the value of liabilities under the contracts related to non-government pension arrangements to changes in key assumptions is as follows:

	31 December 2021			31 December 2020		
Actuarial assumptions	**Change in the value of liabilities, absolute**	**Change in the value of liabilities, %**	**Surplus**	**Change in the value of liabilities, absolute**	**Change in the value of liabilities, %**	**Surplus/ (deficit)**
Discount rate +1%	(377)	-6.93%	442	(507)	-9.10%	667
Discount rate -1%	443	8.16%	(378)	(616)	11.05%	(509)
Contribution growth rate +1%	–	–	–	–	–	–
Contribution growth rate -1%	–	–	–	–	–	–
Investment income rate +1%	380	7.01%	(314)	518	9.32%	(407)
Investment income rate -1%	(344)	-6.35%	409	(471)	-8.46%	632
Inflation +1%	17	0.64%	49	23	2.32%	116
Inflation -1%	(15)	-0.57%	81	(21)	-1.67%	159
Service costs +10%	26	0.95%	40	28	1.30%	108
Service costs -10%	(26)	-0.94%	91	(20)	-0.79%	167
Mortality rate +10%	0	1.44%	65	–	0.00%	139
Mortality rate -10%	(0)	-1.80%	66	–	0.00%	139

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.

34 Financial risk management (continued)

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 total equity. The Group considers that capital under management totals RR 151,115 million (2020: RR 129,080 million).

The gearing ratios as at 31 December 2021 and 31 December 2020 were as follows:

In millions of Russian rubles	31 December 2021	31 December 2020
Long-term loans and borrowings	76,041	65,934
Short-term loans and borrowings	32,451	29,111
Non-current lease payables	846	892
Current lease payables	171	184
Less: cash and cash equivalents and term deposits	(15,985)	(17,270)
Net debt	**93,524**	**78,851**
Equity	57,591	50,229
Gearing ratio	**38%**	**39%**

The Group management constantly monitors profitability ratios, market share price and debt/capitalization ratio. The target gearing ratio is 43%. In the current economic environment the gearing ratio may at times differ from the 43% target ratio.

35 Events after the reporting date

In February 2022, the aggravation of geopolitical tensions and the conflict related to Ukraine had a negative impact on the economy of the Russian Federation. The European Union, the United States, and several other countries have imposed new sanctions against certain Russian state and commercial organizations, including banks, individuals and certain sectors of the economy, as well as restrictions on certain types of transactions. Certain international companies announced the suspension of activities in Russia or the termination of the supply of products to Russia. This led to increased volatility in the stock and currency markets. The ruble has significantly devalued against foreign currencies. The Bank of Russia has increased the key rate to 20%. In March 2022, temporary restrictive economic measures were introduced in the Russian Federation, including a ban on residents providing loans to non-residents in foreign currency and on residents transferring foreign currency to their accounts in foreign banks, restrictions on payments on securities to foreign investors, restrictions on transactions with counterparties in a number of foreign countries.

These events may significantly affect the activities of Russian enterprises in various sectors of the economy.

On 25 February 2022, the European Union (EU) imposed sanctions against KAMAZ PTC and a number of other Russian companies. The sanctions are intended to restrict the ability to attract financing in EU countries, EU sales and supply of components from the respective countries.

As a result of the above events related to the overall economic situation and sanctions imposed against KAMAZ PTC, the Group may scale back its business operations and manufacturing of certain product types involving supplies of foreign components.

These events represent events after the reporting period, the effect of which cannot be estimated at the moment with a sufficient degree of confidence.

Currently, The Group’s management is analyzing the possible impact of changing micro- and macroeconomic conditions on the Group’s financial position and results of operations, and implementing measures to ensure business sustainability and development, supported by the Russian Government.