KAMAZ Group

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

31 December 2010

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Independent Auditor's Report

To the Shareholders and Board of Directors of OAO KAMAZ:

1 We have audited the accompanying consolidated financial statements of OAO KAMAZ and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as of 31 December 2010 and the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2 Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

3 Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

6 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers

26 May 2011
Moscow, Russian Federation

ZAO PricewaterhouseCoopers Audit
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In millions of Russian Roubles	Note	31 December 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	9	28,143	30,160
Intangible assets	11	1,698	1,273
Investment in associates and joint ventures	10	2,150	1,028
Available-for-sale investments		46	435
Finance lease receivables	12	357	529
Deferred income tax assets	33	1,987	2,233
Other non-current assets	13	461	709
Total non-current assets		**34,842**	**36,367**
Current assets			
Inventories	14	14,925	13,305
Trade and other receivables	15	8,049	8,978
Current income tax prepayments		93	205
Finance lease receivables	12	864	1,460
Financial instruments at fair value through profit or loss		62	58
Term deposits	16	7,147	2,942
Cash and cash equivalents	16	4,087	7,203
Total current assets		**35,227**	**34,151**
TOTAL ASSETS		**70,069**	**70,518**
EQUITY			
Share capital	17	35,361	35,361
Accumulated deficit		(6,509)	(5,706)
Equity attributable to owners of the Company		**28,852**	**29,655**
Non-controlling interests		**1,031**	**1,148**
TOTAL EQUITY		**29,883**	**30,803**
LIABILITIES			
Non-current liabilities			
Borrowings	18	9,572	10,124
Deferred income tax liabilities	33	884	1,264
Restructured taxes	20	1,789	1,359
Finance lease payables	23	928	1,050
Post-retirement benefit obligation	24	150	145
Total non-current liabilities		**13,323**	**13,942**
Current liabilities			
Borrowings	18	12,562	12,861
Trade and other payables	22	12,069	10,906
Finance lease payables	23	431	664
Current income tax payable		68	169
Other taxes payable	19	1,184	874
Restructured taxes	20	173	7
Provisions for liabilities and charges	21	212	225
Deferred income		164	67
Total current liabilities		**26,863**	**25,773**
TOTAL LIABILITIES		**40,186**	**39,715**
TOTAL EQUITY AND LIABILITIES		**70,069**	**70,518**

Approved for issue and signed on behalf of the Board of Directors on 25 May 2011.

S.A. Kogogin
General Director

G. Sh. Imanova
Deputy General Director

In millions of Russian Roubles	**Note**	**2010**	**2009**
Revenue	25	73,773	60,894
Cost of sales (excluding Impairment of property, plant and equipment)	26	(63,288)	(53,608)
Impairment of property, plant and equipment	9	(305)	(109)
Gross profit		**10,180**	**7,177**
Distribution costs	27	(2,969)	(3,500)
General and administrative expenses	28	(4,988)	(4,247)
Research and development costs	11	(93)	(98)
Share of results of associates and joint ventures	10	(152)	(64)
Other operating income	29	565	479
Other operating expenses	29	(953)	(1,514)
Operating profit/(loss)		**1,590**	**(1,767)**
Finance income	31	335	668
Finance costs	31	(2,260)	(2,644)
Gain on restructuring of taxes and effect of change of discount rate	20	(407)	218
Loss before income tax		**(742)**	**(3,525)**
Income tax (expense)/benefit	33	(147)	946
Loss for the year		**(889)**	**(2,579)**
Loss is attributable to:			
- equity holders of the Company		(763)	(2,267)
- non-controlling interests		(126)	(312)
Loss for the year		**(889)**	**(2,579)**
Loss per share for loss attributable to the equity holders of the Company, basic and diluted (expressed in Roubles per share)	32	(1.08)	(3.21)

In millions of Russian Roubles	Note	2010	2009
Loss for the year		**(889)**	**(2,579)**
Other comprehensive loss			
Currency translation differences		(2)	(74)
Other comprehensive loss for the year		**(2)**	**(74)**
Total comprehensive loss after tax for the year		**(891)**	**(2,653)**
Total comprehensive loss after tax attributable to:			
- owners of the Company		(765)	(2,298)
- non-controlling interests		(126)	(355)
Total comprehensive loss for the year		**(891)**	**(2,653)**

In millions of Russian Roubles	Note	2010	2009
Cash flows from operating activities			
Loss before income tax		(742)	(3,525)
Adjustments for:			
Depreciation of property, plant and equipment	9, 30	2,637	2,524
Amortization of intangible assets	11, 30	84	71
Gain on disposals of property, plant and equipment	29	(40)	(157)
Loss on write-off intangible assets	11	93	98
(Gain)/Loss on write-off property, plant and equipment	29	37	315
Gain on sale and other disposals of subsidiaries	29	-	(30)
Share of losses of associates and joint ventures	10	152	64
Loss/(Gain) on restructuring of tax debts and effect of change of discount rate	20	407	(218)
Finance income	31	(335)	(668)
Finance expense	31	2,260	2,644
Provisions for taxes other than income tax	28	(50)	(603)
Provisions/(reversal) for other liabilities and charges	21, 26	157	(227)
Impairment of property, plant and equipment	9	305	109
Inventory (reversal)/provision	14, 26	33	311
Impairment (reversal)/provision for receivables and loans issued	27	(372)	480
Other		58	-
Operating cash flows before working capital changes		**4,684**	**1,188**
Decrease/(Increase) in trade and other receivables		1,008	(513)
Decrease in finance lease receivables		885	1,551
(Increase)/Decrease in inventories		(1,653)	8,103
Increase/(Decrease) in trade and other payables		1,006	(4,435)
Increase/(Decrease) in taxes payable		310	(157)
Increase in other non-current liabilities		5	38
Cash generated from operations		**6,245**	**5,775**
Income taxes (paid)/refunded		(270)	683
Net cash from operating activities		**5,975**	**6,458**
Cash flows from investing activities			
Purchases of property, plant and equipment	9	(1,449)	(3,363)
Proceeds from sale of property, plant and equipment	9	281	1,196
Term deposits		(4,205)	(2,942)
Proceeds from government grant		187	-
Sales of financial assets		-	608
Purchase of financial assets		(4)	(601)
Additional contributions to joint ventures and associates		(690)	(387)
Proceeds from sale of available-for-sale investments		405	1,241
Purchases of available-for-sale investments		(18)	(93)
Development cost incurred and purchases of intangible assets	11	(499)	(521)
Loans issued		(145)	(23)
Loans repaid		221	427
Interest received	31	290	668
Other		(10)	(26)
Net cash used in investing activities		**(5,636)**	**(3,816)**

In millions of Russian Roubles	Note	2010	2009
Cash flows from financing activities			
Proceeds from borrowings	18	14,315	18,864
Repayment of borrowings	18	(17,317)	(18,865)
Bonds issued	18	2,000	-
Interest paid		(1,753)	(2,006)
Repayment of restructured taxes	20	(21)	(9)
Repayment of finance lease		(679)	(192)
Net cash used in financing activities		**(3,455)**	**(2,208)**
Net increase in cash and cash equivalents		**(3,116)**	**434**
Cash and cash equivalents at the beginning of the year	16	**7,203**	**6,769**
Cash and cash equivalents at the end of the year	16	**4,087**	**7,203**

	Attributable to owners of the Company				
In millions of Russian Roubles	Share capital (Note 17)	Accumulated deficit	Total	Non-controlling interest	Total Equity
Balance at 31 December 2008	**35,361**	**(3,637)**	**31,724**	**1,755**	**33,479**
Loss for the year		(2,267)	(2,267)	(312)	**(2,579)**
Other comprehensive loss:					
Currency translation differences	-	(31)	(31)	(43)	**(74)**
Other comprehensive loss for the year	**-**	**(31)**	**(31)**	**(43)**	**(74)**
Total comprehensive loss for 2009	**-**	**(2,298)**	**(2,298)**	**(355)**	**(2,653)**
Purchase of non-controlling interests in existing subsidiaries	-	229	229	(252)	**(23)**
Balance at 31 December 2009	**35,361**	**(5,706)**	**29,655**	**1,148**	**30,803**
Loss for the year		(763)	(763)	(126)	**(889)**
Other comprehensive loss:					
Currency translation differences	-	(2)	(2)	-	**(2)**
Other comprehensive loss for the year	**-**	**(2)**	**(2)**	**-**	**(2)**
Total comprehensive loss for 2010	**-**	**(765)**	**(765)**	**(126)**	**(891)**
Dividends to non-controlling interests	-	-	-	(2)	**(2)**
Purchase of non-controlling interests in existing subsidiaries	-	(38)	(38)	11	**(27)**
Balance at 31 December 2010	**35,361**	**(6,509)**	**28,852**	**1,031**	**29,883**

1 KAMAZ Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2010 for OAO KAMAZ (the "Company") and its subsidiaries (together referred to as the "Group" or "KAMAZ Group"). The Company and the Group primarily operate in the Russian Federation. The Company is an open joint stock company and was set up in accordance with Russian regulations.

There was no ultimate controlling party of the Company at 31 December 2010. At 31 December 2010 27.3% of shares in KAMAZ were owned by an institutional investor. These shares are subject to certain restrictions on rights to vote and sell which were imposed by an individual who is also a key member of management of the Company. This institutional investor is referred to in the notes to these consolidated financial statements as the "significant shareholder". The Russian Federation represented by the Federal Agent managing federal property (Rostechnologii) is also one of the largest shareholders owing 49.9%. 11% of the shares are owned by Daimler AG and 4% of the shares are owned by EBRD. The shares of the Company are listed on MICEX (Moscow Interbank Currency Exchange). The remaining shares are free-floating on this stock exchange.

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

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

2 Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The recent global financial crisis has had a severe effect on the Russian economy and the financial situation in the Russian financial and corporate sectors significantly deteriorated since mid-2008. In 2010, the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased liquidity levels in the banking sector.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. The Group recognizes provisions for trade receivables, inventories and finished goods, using the models required by the applicable accounting standards (Refer to Notes 3, 14, 15).

Management is unable to predict all developments which could have an impact on the Russian economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

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

Change in presentation. In 2010 the Company reclassified term deposits from operating to investing activities in the statement of cash flows as they represent short-term investments (other than those regarded as cash equivalents).

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

3 Summary of Significant Accounting Policies (Continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

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 recognised 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 incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

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

Non-controlling interest is that 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.

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

Associates. Associates are entities over which the Company has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised 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 recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates.

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

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

Investments in joint ventures. The Group's interests in jointly controlled entities are accounted for by the equity method. Jointly controlled entities are corporations, partnerships or other entities in which each venturer has an interest and for which there is a contractual arrangement between the venturers that establishes joint control over the economic activity of the entity. Investments in jointly controlled entities are initially recognised at cost. The carryingamount of jointly controlled entities includes goodwill identified on acquisition less accumulated impairment losses,if any.

3 Summary of Significant Accounting Policies (Continued)

Post-acquisition changes in Group's share of net assets of a jointly controlled entities are recognised 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 recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of jointly controlled entities are recognised 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 interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

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

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

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

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

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

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

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

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

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

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.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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

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

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, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

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

Restructured taxes. Restructured taxes represent a liability for the expected outflows under decrees of the Government of the Russian Federation issued during 2009, 2007, 2006, 2002 and 2001 that allowed the Group to postpone payment of tax liabilities (unified social tax, VAT, fines and penalties). Restructured taxes are recognised as provision for future liabilities in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent assets”.

Restructured taxes are recognised at their fair value (which is determined using the prevailing market rate of interest for a similar instrument). Changes in the period end value are recorded in the income statement in the period in which they arise.

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

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

Impairment of financial assets carried at amortised cost. Impairment losses are recognised 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 recognised 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 future cash flows of a collateralised 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 recognised (such as an improvement in the debtor’s credit rating), the previously recognised 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 have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the 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. Cash and cash equivalents are carried at amortised cost using the effective interest method.

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

3 Summary of Significant Accounting Policies (Continued)

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

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

VAT related to sales and purchases is recognised 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 debtor, including VAT. VAT paid to suppliers of property, plant and equipment is included in the cash flows for purchases of property, plant and equipment reported in the cash flows statement.

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

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

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

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

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

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

Provisions for liabilities and charges. Provisions for liabilities and charges are 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 are recognised in accordance with policy discussed in ”Uncertain tax position”.

Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. The Group recognises the estimated liability to repair or replace products sold still under warranty at the end of each reporting period. This provision is calculated based on past history of the level of repairs and replacements.

3 Summary of Significant Accounting Policies (Continued)

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

Monetary assets and liabilities are translated into the entity's functional currency at the official exchange rate of the CBRF at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at period-end official exchange rates of the CBRF are recognised in profit or loss. Effects of exchange rate changes on the fair value of equity investments are reported as part of the fair value gain or loss.

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

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Sales are shown net of VAT and discounts, and after eliminating sales within the Group.

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

Sales of trucks under the finance lease agreements are recorded at fair value at the shipment date. Interest income on the resulting finance lease receivables is recognised using the effective interest method.

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

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

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

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

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

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

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

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

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

3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

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

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. The Group estimates the tax provision on the basis of the following: tax claims resulting from the completion of tax audits are recognised and other tax risks are also estimated with the involvement of internal tax experts and lawyers. Judgement is applied in this process. Tax assets are written down or liabilities are recorded for income tax positions that are determined as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. Other tax exposures higher than remote are disclosed, but no provision or liability is recognised in the financial statements. See also Notes 21 and 34.

Deferred income tax asset recognition. The deferred tax asset represents income taxes recoverable through future deductions from taxable profits. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable, management makes judgments and applies estimates based on history of taxable profits and expectations of future income that are believed to be reasonable under the circumstances.

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

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

The interest rate used for the valuation of the borrowing denominated in Japanese Yen obtained from the Ministry of Finance which was restructured in December 2005 was estimated to be 6.62% per annum. The interest rate used for fair valuation of the provision for restructured taxes and penalties in 2010 was estimated to be 10.5% per annum (2009: 15.5%).

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

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

If the actual useful lives of the property, plant and equipment were lower or higher by 10% from management's estimates, the carrying amount of the plant and equipment and depreciation expense at 31 December 2010 would be approximately RR 1,464 million (at 31 December 2009: RR 1,171 million) higher or RR 1,364 million (at 31 December 2009: RR 1,124 million) lower, respectively. The impact on the income statement would be RR 293 million loss (2009: RR 279 million of loss) or RR 240 million of income (2009: RR 229 million of income), respectively.

Impairment losses on finance lease receivables. The Group regularly reviews its finance lease receivables for impairment. In determining whether an impairment for receivables is required, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a leasing portfolio before the decrease can be identified with an individual leasing contract in that portfolio. This evidence may include measurable data indicating that there has been an adverse change in the payment status of lessees in a company, or national or local economic conditions that correlate with defaults in the company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

Provision for trade and other receivables. The Group regularly reviews its trade and other receivables to assess if any provision is required. In determining whether a provision should be recorded, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from trade receivable. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

***Provision for inventory*.** Group reviews net realisable value of its finished goods using judgment about future selling prices and related selling costs. The estimated impact on net realisable value of inventory of reasonably possible changes in these assumptions is that should the selling prices increase/decrease by 10%, the inventory would be RR 63 million (at 31 December 2009: RR 89 million) higher and RR 63 million (at 31 December 2009: RR 150 million) lower, with a respective impact of RR 50 million (at 31 December 2009: RR 120 million) to loss net of deferred tax effect and RR 50 (at 31 December 2009: RR 71 million) to profit for the year net of deferred tax effect.

5 Adoption of New or Revised Standards and Interpretations

(a) Standards effective for annual periods beginning on or after 1 January 2010

The following new standards and interpretations became effective for the Group from 1 January 2010:

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

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

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010. Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings. The Group has applied the new accounting policies prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

5 Adoption of New or Revised Standards and Interpretations (Continued)

(a) Standards effective for annual periods beginning on or after 1 January 2010 (continued)

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 allows entities to choose to measure non-controlling interests using the previous IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer has to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer has to recognise a liability for any contingent purchase consideration at the acquisition date. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 did not have impact on the Group's financial statements.

Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment did not have any impact on the Group's financial statements.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment

before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. In addition, the amendments clarifying classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary published as part of the *Annual Improvements to International Financial Reporting Standards,* which were issued in May 2008, are effective for annual periods beginning on or after 1 July 2009. The amendments did not have an impact on the Group.

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

(b) Amendments to standards adopted before their effective date

The Group adopted the amendment to IAS 1, *Presentation of Financial Statements*, which was issued in May 2010 as part of the Annual Improvements to International Financial Reporting Standards. The amendment clarifies the requirements for the presentation and content of the statement of changes in equity. A reconciliation between the carrying amount at the beginning and the end of the period for each component of equity must be presented in the statement of changes in equity, but its content is simplified by allowing an analysis of other comprehensive income by item for each component of equity to be presented in the notes.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods and which the Group has not early adopted.

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

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

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity (this amendment was early adopted by the Group); IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The Group does not expect the amendments to have any material effect on its financial statements, except the amendment to IAS 1 which was early adopted by the Group.

6 New Accounting Pronouncements (Continued)

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.

IFRS 10, Consolidated financial statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation – special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

IFRS 11, Joint arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of "types" of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

IFRS 12, Disclosure of interest in other entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity; it replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

The Group is considering the implications of the standards.

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

7 Balances and Transactions with Related Parties

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions during the year ended 31 December 2010 and 2009 or had significant balances outstanding at 31 December 2010 and 31 December 2009 is detailed below:

	As of 31 December 2010		For the year ended 31 December 2010	
In millions of Russian Roubles	**Total assets**	**Total liabilities**	**Income**	**Expenses**
Balances and transactions with the Russian Federation and companies under state control				
Current income tax	93	68	-	404
Unified social tax	-	249	-	2,849
VAT recoverable/payable	883	615	-	-
Other taxes	913	314	-	614
Restructured taxes	-	1,962	-	617
Deferred income	-	64	-	-
Government grant	-	100	-	-
Long-term loans and borrowings	-	6,433	-	-
Short-term loans and borrowings	-	7,187	-	-
Interest expense	-	-	-	1,243
Cash and cash equivalents	1,182	-	-	-
Term deposits	6,870	-	-	-
Interest income	-	-	172	-
Trade and other receivables	344	-	-	-
Available-for-sale investments	25	-	63	12
Trade and other payables	-	1,306	-	-
Sales of goods	-	-	14,679	-
Purchases of goods	-	-	-	4,536
Charity	-	-	-	68
Reimbursement of interest expense	-	-	-	(53)
Reimbursement of the costs for temporary workers	-	-	-	(34)
Balances and transactions with shareholders with significant influence				
Cash and cash equivalents	1,700	-	-	-
Consulting services	-	-	-	31
Balances and transactions with JV				
Trade and other receivables	366	-	-	-
Trade and other payables	-	354	-	-
Sales of goods	-	-	200	-
Purchases of goods	-	-	-	2,109
Balances and transactions with associates				
Trade and other receivables	302	-	-	-
Trade and other payables	-	415	-	-
Sales of goods	-	-	778	-
Purchases of goods	-	-	-	1,443
Loans issued	10	-	-	-
Other related parties				
Sales of goods	-	-	167	-
Accounts receivable	486	-	-	-
Charity	-	-	-	73

7 Balances and Transactions with Related Parties (Continued)

	As of 31 December 2009		For the year ended 31 December 2009	
In millions of Russian Roubles	**Total assets**	**Total liabilities**	**Income**	**Expenses**
Balances and transactions with the Russian Federation and companies under state control				
Current income tax	207	169	-	122
Unified social tax	-	167	-	2,237
VAT recoverable/payable	1,040	494	-	-
Other taxes	740	210	-	861
Restructured taxes	-	1,366	218	245
Deferred income	-	67	-	-
Long-term loans and borrowings	-	9,580	-	-
Short-term loans and borrowings	-	3,530	-	-
Interest expense	-	-	-	1,307
Cash and cash equivalents	4,689	-	-	-
Term deposits	1,219	-	-	-
Interest income	-	-	239	-
Trade and other receivables	1,696	-	-	-
Available-for-sale investments (Note 10)	76	-	1,241	-
Trade and other payables	-	2,192	-	-
Sales of goods	-	-	16,733	-
Purchases of goods	-	-	-	5,886
Reimbursement of interest expense	-	-	-	(95)
Reimbursement of the costs for temporary workers	-	-	-	(205)
Balances and transactions with shareholders with significant influence				
Cash and cash equivalents	1,700	-	-	-
Consulting services	-	-	-	23
Balances and transactions with a subsidiary, 49% owned by a key member of management				
Sales of goods to subsidiary	-	-	297	-
Net loss incurred by subsidiary	-	-	-	360
Balances and transactions with JV				
Trade and other receivables	125	-	-	-
Trade and other payables	-	219	-	-
Sales of goods	-	-	691	-
Purchases of goods	-	-	-	2,122
Balances and transactions with associates				
Trade and other receivables	88	-	-	-
Loans given	50	-	-	-
Trade and other payables	-	10	-	-
Sales of goods	-	-	425	-
Purchases of goods	-	-	-	34
Other related parties				
Sales of goods	-	-	3,199	-
Accounts receivable	1,424	-	-	-
Loan issued	100	-	-	-
Charity	-	-	-	342

In 2010, the amount of remuneration of the Board of Directors (11 people) and Management Board members (8 people) comprised salaries, discretionary bonuses and other short-term benefits totalling RR 44 million (year ended 31 December 2009: RR 22 million).

In August 2005, the Board of Directors approved a long-term remuneration plan for the members of the Management Board of KAMAZ. Under the plan, the total amount of remuneration was calculated as of 23 August 2009 based on the increase in the market capitalization of the Company over the four year period ended 23 August 2009. This amount was determined to be RR 146 million, but the payment of this bonus has been deferred due to current economic conditions. The amount of remuneration accrued in 2010 was nil (2009: RR 34 million). The total liability accrued at 31 December 2010 was RR 146 million (31 December 2009: RR 146 million).

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

7 Balances and Transactions with Related Parties (Continued)

Guarantees received from Russian Federation Ministry of Finance and Tatarstan Ministry of Finance are disclosed in Note 34.

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

At 31 December 2010 Company had provided pledges of property for obligations of a joint venture in the amount of RR 88 million (31 December 2009: RR 91 million), issued guarantees for obligations of the joint ventures in the amount of RR 456 million (31 December 2009: nil) and pledges of finished goods in the amount of RR nil (31 December 2009: RR 212 million). The Group does not expect cash outflows related to the pledges provided and guarantees issued.

8 Segment Information

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

The activity of the Group comprises two operating segments whose results are regularly reported to General Director. However, based on the requirements of the IFRS 8 "Operating segments", management identified other business activities which are not reviewed by the chief operating decision-maker. Information about these other business activities, that has been derived from IFRS accounts, have been included in an "all other segment" category.

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

The Group has following reportable segments:

- Trucks – production and sale of vehicles, assembly kits, automotive components, rendering of services and sale of goods consumed in connection of the production of trucks. The segment measures are driven from the statutory accounts with eliminations of sales within different stages of the production process.
- Buses, trailers and specialized trucks – production and sale of buses, trailers, mixer trucks and other special vehicles using the base of a standard truck, and production and resale of related components and rendering of related services;
- Other – represents information, about the business activities that are not reportable. The nature of the activities is related to distribution of the goods and other auxiliary production activities.

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

Segment information for the year ended 31 December 2010 is as follows:

In millions of Russian Roubles	**Trucks**	**Buses, trailers and specialized trucks**	**All Others**	**Intergroup eliminations**	**Reconciliation to IFRS**	**Total IFRS**
External revenue		4,914				
Inter-segment revenue		2,720				
Total Segment revenue	**64,691**	**7,634**	**10,837**	**(8,608)**	**(781)**	**73,773**
Segment profit measure	**743**	**55**	**636**	**-**	**156**	**1,590**
Finance income						335
Finance costs						(2,260)
Loss on restructuring of taxes						(407)
Loss before tax						**(742)**
Segment assets (Inventories and Trade and other receivables)	**21,230**		**5,280**	**(3,100)**	**(436)**	**22,974**
Segment's liability (Borrowings and Trade payable)	**29,078**		**3,607**	**(1,694)**	**(1,591)**	**29,400**

8 Segment Information (Continued)

Detailed elimination and reconciliation items are provided below:

In millions of Russian Roubles	Segment revenue measure	Segment profit measure	Segment assets	Segment liability
Difference in the valuation and useful life of the fixed assets	-	(286)	-	-
Reversal of amortization of intangible assets not recognised	-	421	-	-
Tax provision movements	-	45	-	-
Loss on write-off VAT	-	(142)	-	-
Reclassification of VAT	-	-	836	-
Reclassification of loans issued	-	-	47	-
Reclassification of charity donation from non-operating expenses	-	(540)	-	-
Impairment provision for receivables (including finance lease)	-	298	(416)	-
Other provisions	-	85	-	-
Elimination of revenue, accounts receivable and accounts payable with joint ventures	(1,101)	-	(101)	101
Difference in inventory recognition	-	-	476	541
Discount of loans fair valued	-	-	-	(2,713)
Inventory valuation adjustments		(81)	(726)	-
Reclassification and adjustments for lease accounting	320	396	-	-
Difference in allocation of overheads to work-in-progress and finished goods	-	371	371	-
Impairment of property, plant and equipment	-	(305)	-	-
Other adjustments and reclassification, net	-	(106)	(923)	480
Total elimination and reconciliation items	**(781)**	**156**	**(436)**	**(1,591)**

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

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

8 Segment Information (Continued)

Detailed elimination and reconciliation items are provided below:

In millions of Russian Roubles	Segment revenue measure	Segment profit measure	Segment assets	Segment liability
Difference in the valuation and useful life of the fixed assets	-	(767)	-	-
Reversal of amortization of intangible assets not recognised	-	345	-	-
Tax provision movements	-	844	-	(245)
Reclassification of charity donation from non-operating expenses	-	(634)	-	-
Impairment provision for receivables (including finance lease)	-	(415)	(165)	-
Other provisions	-	278	-	-
Difference in inventory recognition	-	-	(316)	375
Discount of loans fair valued	-	(123)	-	(2,500)
Inventory valuation adjustments	-	603	(1,103)	-
Reclassification and adjustments for lease accounting	361	306	-	-
Dividends recognised as remuneration expense	-	(163)	-	-
Impairment of property, plant and equipment	-	(109)	-	-
Other adjustments and reclassification, net	-	645	(436)	525
Total elimination and reconciliation items	**361**	**810**	**(2,020)**	**(1,845)**

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

9 Property, Plant and Equipment

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

In millions of Russian Roubles	Land	Buildings	Plant and equipment	Other	Assets under construc-tion	Total
Cost						
Balance at 31 December 2008	1,652	18,811	12,188	2,196	3,560	38,407
Additions	-	7	10	5	4,801	4,823
Disposals	(4)	(81)	(123)	(303)	(945)	(1,456)
Write-off	-	(224)	(159)	(12)	(43)	(438)
Transfers	25	1,265	2,980	154	(4,424)	-
Balance at 31 December 2009	**1,673**	**19,778**	**14,896**	**2,040**	**2,949**	**41,336**
Additions	-				1,851	1,851
Disposals	(5)	(373)	(888)	(145)	(6)	(1,417)
Write-off	(10)	(164)	(59)	(60)	-	(293)
Transfers	10	982	2,140	601	(3,733)	-
Impairment of fixed assets	-	(226)	-	-	(119)	(345)
Currency translation differences	-	-	(45)	-	-	(45)
Balance at 31 December 2010	**1,668**	**19,997**	**16,044**	**2,436**	**942**	**41,087**
Accumulated Depreciation						
Balance at 31 December 2008	-	(3,364)	(4,497)	(1,065)	-	(8,926)
Depreciation expense for the year 2009	-	(725)	(1,466)	(333)	-	(2,524)
Impairment of fixed assets	-	(82)	(27)	-	-	(109)
Disposals	-	23	53	184	-	260
Write-off	-	42	71	10	-	123
Balance at 31 December 2009	**-**	**(4,106)**	**(5,866)**	**(1,204)**	**-**	**(11,176)**
Depreciation expense for the year 2010	-	(748)	(1,543)	(346)	-	(2,637)
Disposals	-	81	389	103	-	573
Write-off	-	141	59	56	-	256
Impairment of fixed assets	-	40	-	-	-	40
Balance at 31 December 2010	**-**	**(4,592)**	**(6,961)**	**(1,391)**	**-**	**(12,944)**
Net Book Value						
Balance at 31 December 2009	**1,673**	**15,672**	**9,030**	**836**	**2,949**	**30,160**
Balance at 31 December 2010	**1,668**	**15,405**	**9,083**	**1,045**	**942**	**28,143**

Interest capitalized during 2010 within the cost of acquired property, plant and equipment totalled RR 182 million (2009: RR 300 million). Interest rate used to determine the amount of borrowing costs eligible for capitalization was 8.9% 2010 (2009: 10.1%).

Impairment losses relate to certain items of property, plant and equipment that were recognised as functionally obsolete in the respective financial year and relate to Trucks segment. In 2010, impairment losses include RR 305 million identified as a result of the testing for specific impairment. Impairment losses for 2009 RR 109 million were identified as a result of the testing at the level of cash generating units.

The amount of plant and equipment includes the equipment received under leasing agreements totalling RR 1,892 million as of 31 December 2010 (31 December 2009: RR 1,871 million) at net book value.

10 Investment

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

In millions of Russian Roubles	2010	2009
Carrying amount at beginning of the year	**1,028**	**508**
Fair value of net assets of associates and joint ventures acquired	-	282
Additional contributions to existing associates and joint ventures	577	322
Contributions to new joint ventures	697	-
Share of results of associates and joint ventures, after tax	(152)	(64)
Disposals of associates	-	(20)
Carrying amount at 31 December	**2,150**	**1,028**

a) Investment in Associates

The Group has shares in 19 associates, none of which is significant individually. A summary of the Group's share in associates and summarised financial information including assets, liabilities, revenues, profit or loss at 31 December 2010 and 31 December 2009 is set out below:

In millions of Russian Roubles	Interest	Share of net asset	Share of net profit/ (loss)	Total assets	Total liabilities	Revenue	Profit/ (loss)	Country of incorporation
For the year ended 31 December 2010								
KAMAZ VECTRA MOTORS LIMITED	51%	256	(29)	790	(288)	70	(56)	India
ZF KAMA	49%	363	44	1,595	(855)	1,573	90	Russia
KAMAZ-V-ITASCO AUTOMOBILE JSC	36%	64	4	523	(346)	286	10	Vietnam
VINACOMIN MOTOR INDUSTRY JSC	37.64%	26	2	175	(106)	375	6	Vietnam
CNH-KAMAZ Commerce LLC	49%	29	-	122	(62)	-	(1)	Russia
Other	24%-50%	15	(30)	1,080	(1,017)	1,159	(65)	Russia
Total		**753**	**(9)**	**4,285**	**(2,674)**	**3,463**	**(16)**	
For the year ended 31 December 2009								
KAMAZ VECTRA MOTORS LIMITED	51%	214	(10)	531	(111)	6	(19)	India
ZF KAMA	49%	169	(24)	661	(317)	803	(49)	Russia
KAMAZ-V-ITASCO AUTOMOBILE JSC	36%	59	3	271	(106)	275	8	Vietnam
VINACOMIN MOTOR INDUSTRY JSC	37.64%	24	2	137	(74)	362	5	Vietnam
Other	24%-50%	42	(4)	328	(233)	562	(15)	Russia
Total		**508**	**(33)**	**1,928**	**(841)**	**2,008**	**(70)**	

10 Investment (Continued)

b) Investment in Joint Ventures

As at 31 December 2010 the Group has interests in the following jointly controlled entities: Cummins-KAMA, Federal-Mogul Naberezhnye Chelny, Knorr-Bremse KAMA, Fuso KAMAZ Trucks Rus, Mercedes-Benz Trucks Vostok, CNH-KAMAZ Industry. A summary of the Group's share in joint ventures and related financial information including total assets, liabilities, revenues, profit or loss at 31 December 2010 and 31 December 2009 is set out below:

In millions of Russian Roubles	Interest	Share of net assets	Share of net profit/ (loss)	Total assets	Total liabilities	Revenue	Profit/ (loss)	Country of incorporation
For the year ended 31 December 2010								
Federal Mogul	50%	510	(80)	1,324	(305)	659	(160)	Russia
CUMMINS KAMA	50%	212	(20)	2,515	(2,091)	1040	(40)	Russia
Knorr-Bremse KAMA	50%	99	43	418	(220)	1,420	86	Russia
Fuso KAMAZ Trucks Rus	50%	118	(58)	912	(677)	351	(116)	Russia
Mercedes-Benz Trucks Vostok	50%	251	1	2,343	(1,842)	2,338	2	Russia
CNH-KAMAZ Industry LLC	50%	209	(27)	1,988	(1,571)	608	(54)	Russia
Other	50%	-	(2)	4	(4)	-	(4)	Austria
Total		**1,399**	**(143)**	**9,504**	**(6,710)**	**6,416**	**(286)**	
For the year ended 31 December 2009								
Federal Mogul	50%	255	(25)	735	(225)	3	(49)	Russia
CUMMINS KAMA	50%	232	(23)	1,633	(1,170)	671	(45)	Russia
Knorr-Bremse KAMA	50%	33	17	195	(129)	796	33	Russia
Total		**520**	**(31)**	**2,563**	**(1,524)**	**1,470**	**(61)**	

In 2010 OJSC KAMAZ established two joint ventures with Daimler AG - Fuso KAMAZ Trucks Rus for production and sale of light trucks, and Mercedes-Benz Trucks Vostok for production and sale of heavy trucks. The Group made contributions to the charter capitals in form of cash in amount of RR 427 million.

Also in 2010 CNH Global NV (part of FIAT Group) and OJSC KAMAZ established a joint venture CNH-KAMAZ Industry LLC for production of agriculture and construction equipment. Contributions to the charter capital were made in form of cash in amount of RR 30 million and at nominal value of RR 138 million in the form of property, plant and equipment.

The additional contribution to the charter capital of CNH-KAMAZ Industry joint venture in the form of property, plant and equipment with a carrying value of RR 138 million has the fair value of RR 274 million. As the Group has a 50% interest in this entity, only 50% or RR 68 million of the RR 136 million gain was recognised in 2010; the balance was eliminated against the investment and will be recognised as income over the remaining useful lives of the assets transferred. Other party made contribution in the form of cash at nominal value of it's share in the charter capital.

During 2010 the Group made additional contributions to the charter capitals of ZF KAMA LLC of RR 150 million in the form of cash and Federal Mogul Naberezhnye Chelny LLC at nominal value of RR 463 million in the form of property, plant and equipment.

The additional contribution to the charter capital of Federal Mogul joint venture in the form of property, plant and equipment with a carrying value of RR 463 million has the fair value of RR 204 million. As the Group has a 50% interest in this entity, only 50% or RR 130 million of the RR 259 million loss was recognised in 2010; the balance was eliminated against the investment and will be recognised as loss over the remaining useful lives of the assets transferred. Other party made contribution in the form of cash at nominal value of it's share in the charter capital.

Shares of the Group's associates and joint ventures are not listed on any stock exchange.

11 Intangible Assets

Intangible assets comprise the following:

In millions of Russian Roubles	Development costs	Other Intangible Assets	Total
Cost			
Balance at 31 December 2008	**832**	**247**	**1,079**
Additions	563	27	590
Write-off	(74)	(24)	(98)
Balance at 31 December 2009	**1,321**	**250**	**1,571**
Additions	519	83	602
Write-off	(54)	(39)	(93)
Balance at 31 December 2010	**1,786**	**294**	**2,080**
Accumulated Amortisation			
Balance at 31 December 2008	**(167)**	**(60)**	**(227)**
Amortisation expense	(69)	(2)	(71)
Balance at 31 December 2009	**(236)**	**(62)**	**(298)**
Amortisation expense	(82)	(2)	(84)
Balance at 31 December 2010	**(318)**	**(64)**	**(382)**
Net Book Value			
Balance at 31 December 2009	**1,085**	**188**	**1,273**
Balance at 31 December 2010	**1,468**	**230**	**1,698**

Development costs capitalized comprise the following projects:

In millions of Russian Roubles	Expected useful life	2010	2009
New cab family	7-10 years	450	376
Engines Euro-5	5-10 years	330	208
Heavy truck family (KAMAZ-6520)	7 years	140	143
Light truck family	7 years	134	29
Long-haul truck (KAMAZ-6520)	7 years	129	67
Others	3-10 years	285	262
Total		**1,468**	**1,085**

The development costs includes interest capitalized during 2010 totalled RR 103 million (2009: RR 69 million). Interest rate used to determine the amount of borrowing costs eligible for capitalization was 8.9% 2010 (2009: 10.1%).

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

12 Finance Lease Receivables

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

In millions of Russian Roubles	Due within 1 year	Due between 2 and 5 years	Total
Minimum lease payments at 31 December 2010	998	546	1,544
Less future finance charges	(79)	(166)	(245)
Less impairment provision	(55)	(23)	(78)
Present value of minimum lease payments at 31 December 2010	**864**	**357**	**1,221**

The Group provides leasing facilities to the buyers of trucks and buses. The common terms of leasing agreements include 30% advance payment and 2-3 years lease period. Effective interest rate for finance lease receivables is 24% in 2010 (2009: 24%). The fair value of finance lease receivables as at 31 December 2010 is not significantly different to their carrying values.

12 Finance Lease Receivables (Continued)

At 31 December 2010 and 31 December 2009 lease balances are as following:

In million of Russian Roubles	31 December 2010	31 December 2009
Current and not impaired	841	1,047
Past due but not impaired (less than 30 days overdue)	143	229
Past due but not impaired (30 days to 90 days overdue)	75	
Individually impaired		
- 30 days to 90 days overdue	13	259
- 90 days to 120 days overdue	113	51
- more than 120 days overdue	114	598
Total individually impaired	240	908
Impairment loss provision	(78)	(195)
Total lease balances	**1,221**	**1,989**

The fair value of collateral (leased out trucks) for past due but not impaired and individually impaired balances comprised RR 357 million (2009: RR 1,164 million).

13 Other Non-Current Assets

Other non-current assets consist of the following:

In millions of Russian Roubles	31 December 2010	31 December 2009
Long term receivables	153	212
Long term loans issued	123	72
Advances issued for equipment	176	375
Other	9	50
Total non-current assets	**461**	**709**

14 Inventories

In millions of Russian Roubles	31 December 2010	31 December 2009
Raw materials and consumables	5,094	4,230
(Less net realizable value provision)	(519)	(603)
Raw materials and consumables, net	4,575	3,627
Work in progress	3,914	3,042
Finished goods	6,812	7,260
(Less net realizable value provision)	(376)	(624)
Finished goods, net	6,436	6,636
Total inventory	**14,925**	**13,305**

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

	2010		2009	
In millions of Russian Roubles	Inventories	Finished goods	Inventories	Finished goods
As of 1 January	**603**	**624**	**680**	**964**
Provision charged	33	-	48	263
Provision utilised	(117)	(248)	(125)	(603)
As of 31 December	**519**	**376**	**603**	**624**

15 Trade and Other Receivables

In millions of Russian Roubles	31 December 2010	31 December 2009
Trade receivables	4,623	6,008
(less impairment provision for trade accounts receivable)	(284)	(528)
Trade receivables, net	4,339	5,480
Advances issued and prepayments	1,271	1,019
(less impairment provision for advances issued and prepayments)	(41)	(38)
Advances issued and prepayments, net	1,230	981
Other receivables	988	969
(less impairment provision for other receivables)	(351)	(365)
Other receivables, net	637	604
Loans issued	164	250
(less impairment provision for loans issued)	(117)	(117)
Loans issued, net	47	133
VAT recoverable	883	1,040
Other prepaid taxes	913	740
Total trade and other receivables	**8,049**	**8,978**

The Group's receivables include RR 164 million (at 31 December 2009: RR 250 million) loans issued to its dealers. Loans bear interest of 18-19 % per annum (2009:13-14% per annum).

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

Analysis of trade receivables is as following:

In millions of Russian Roubles	31 December 2010	31 December 2009
Current and not impaired	3,274	5,036
Past due but not impaired		
- less than 30 days overdue	240	178
- 30 days to 60 days overdue	76	109
- 60 days to 90 days overdue	28	76
- 90 days to 120 days overdue	206	14
- 120 days to 365 days overdue	118	10
- more than 1 year overdue	396	27
Total past due but not impaired	1,064	414
Individually impaired		
- less than 30 days overdue	6	16
- 30 days to 60 days overdue	3	23
- 60 days to 90 days overdue	10	23
- 90 days to 120 days overdue	16	54
- 120 days to 365 days overdue	31	122
- more than 1 year overdue	219	320
Total individually impaired	285	558
Impairment loss provision	(284)	(528)
Total trade receivables	**4,339**	**5,480**

Accounts receivable denominated in foreign currency:

In millions of Russian Roubles	31 December 2010	31 December 2009
USD	1,046	1,675
Euros	298	160
Other foreign currencies	217	222
Total	**1,561**	**2,057**

15 Trade and Other Receivables (Continued)

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

In millions of Russian Roubles	2010	2009
As of 1 January	**1,243**	**810**
Provision charged	179	779
Provision reversed	(548)	(299)
Amounts written off as uncollectible	(3)	(47)
As of 31 December	**871**	**1,243**

16 Cash and Cash Equivalents and Term Deposits

In millions of Russian Roubles	31 December 2010	31 December 2009
Deposits	2,306	5,725
Cash in bank	1,314	1,225
Bank promissory notes	467	253
Total cash and cash equivalents	**4,087**	**7,203**

As at 31 December 2010 on-demand deposits included a non interest-bearing investment account amounting to RR 1,700 million (at 31 December 2009: RR 1,700 million) deposited with a significant shareholder (see Note 7).

Other deposits bear interest in 2010 from 0.01% to 5.75% per annum (2009: from 0.5% to 7% per annum) depend on maturity and nominal currency. The other cash balances are not interest-bearing.

Term deposits, that are not included in cash and cash equivalents and disclosed in a separate caption of the statement of financial position, consist of deposits with a maturity from 1 to 12 months and interest rates from 2.8% to 14.5% (2009: from 8% to 14%).

Cash balances denominated in foreign currency:

In millions of Russian Roubles	31 December 2010	31 December 2009
Euros	146	401
USD	28	1,032
Other foreign currencies	195	65
Total	**369**	**1,498**

17 Share Capital

In millions of Russian Roubles	Number of outstanding shares (in thousands)	Ordinary shares Nominal amount
At 31 December 2009	**707,230**	**35,361**
At 31 December 2010	**707,230**	**35,361**

Total amount of authorised ordinary shares is 707,230 thousand (2009: 707,230 thousand shares) with a nominal value of RR 50 per share. All issued ordinary shares are fully paid. Each ordinary share carries one vote.

18 Borrowings

The Group's borrowings mature as follows:

In millions of Russian Roubles	31 December 2010	31 December 2009
Borrowings due: - within 1 year	12,562	12,861
- between 2 and 5 years	7,166	8,047
- after 5 years	2,406	2,077
Total borrowings	**22,134**	**22,985**

18 Borrowings (Continued)

Borrowings payable after 5 years includes a 1% loan from the Ministry of Finance for RR 2,370 million (31 December 2009: RR 2,044 million). This loan matures in 2034.

Long-term borrowings

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

In millions of Russian Roubles		31 December 2010				31 December 2009			
	Currency	**Effective interest rate**	**Nominal interest rate**	**Carrying value**	**Fair value**	**Effective interest rate**	**Nominal interest rate**	**Carrying value**	**Fair value**
Term loans									
Sberbank	Roubles	10%	9.5%	4,354	4,321	17%	16.00%	4,623	4,623
RF Ministry of Finance	Yens	6.6%	1.00%	2,921	2,037	6.62%	1.00%	2,526	1,162
Syndicated loan	Euros	4%	3-month Euribor +3.5%	2,240	2,240	6%	3-month Euribor +3.5%	4,808	4,808
Domestic bonds	Roubles	9%	9%	2,000	2,020	-	-	-	-
Ak Bars Bank	Roubles	8%	8%	867	867	16%	15%	683	683
Commerzbank (Eurasija)	US Dollars	5%	3-month Libor +4.75%	761	761	3%	3-month Libor +2.7%	1,499	1,499
EBRD	US Dollars	2%	6-month Libor+1%	410	410	2%	6-month Libor+1%	609	609
Kanematsu	Yens	3%	6-month Yen Libor +3%	72	72	2%	6-month Yen Libor +3%	148	148
Others		4%	4%	236	222	5%	5%	337	290
Total term loans				**13,861**	**12,950**			**15,233**	**13,822**
Revolving lines of credit									
Vneshtorgbank	Roubles	10%	9,6%	1,695	1,687	19%	17%	2,900	2,900
Vneshtorgbank	Euros	5%	6-month Euribor + 3.6%	528	528	5%	6-month Euribor + 3.6%	1,019	1,019
Bank severniy	Euros	13%	12%	304	304	-	-	-	-
NOMOS bank	Roubles	13%	12%	250	250	-	-	-	-
Others		11%-12%	11%-12%	994	994	20%	18%	460	460
Total revolving lines of credit				**3,771**	**3,763**			**4,379**	**4,379**
Total long-term borrowings				**17,632**	**16,713**			**19,612**	**18,201**
Less Current portion				**(8,060)**	**(7,992)**			**(9,488)**	**(9,475)**
Total long-term portion				**9,572**	**8,721**			**10,124**	**8,726**

In December 2010 the Company issued Rouble denominated non-convertible coupon bearer bonds for RR 2,000 million maturing in three years time with a 9% per annum through December 2012. After this date the Company can change the interest rate for the period of the bonds, if any of the bondholders do not accept the new rate they can require the Company to repurchase the bonds. As at 31 December 2010, the fair value of these bonds was estimated to be RR 2,020 million.

18 Borrowings (Continued)

Short-term borrowings

In millions of Russian Roubles		31 December 2010				31 December 2009			
	Currency	**Effective interest rate**	**Nominal interest rate**	**Carrying value**	**Fair value**	**Effective interest rate**	**Nominal interest rate**	**Carrying value**	**Fair value**
Term loans									
Vneshtorgbank	Roubles	10%	10%	910	906	8%	8%	350	326
Akibank	Roubles	8%	9%	505	495	-	-	-	-
Ak Bars Bank	Roubles	8%	9%	500	490				
AvtoVazBank	Roubles	-	-	-	-	12%	12%	660	638
Others		14-15%	14-15%	301	301	18-12%	16-11%	918	888
Term loans				**2,216**	**2,192**			**1,928**	**1,852**
Revolving lines of credit									
Sberbank	Roubles	2%	3.5%	1,783	1,650	-	-	-	-
Zenit	Roubles	9%	8.5%	302	296	-	-	-	-
Vneshtorgbank	Roubles	-	-	-	-	20%	18%	650	650
Akibank	Roubles	-	-	-	-	6%	6%	350	321
Others		11%	11%	114	114	20-22%	18-20%	339	339
Revolving lines of credit				**2,199**	**2,060**			**1,339**	**1,310**
Total short-term borrowings				**4,415**	**4,252**			**3,267**	**3,162**
Total current portion of long-term borrowings				**8,060**	**7,992**			**9,488**	**9,476**
Interest payable				87				106	
Current borrowings				**12,562**	**12,244**			**12,861**	**12,638**

Under certain loan agreements with Vneshtorgbank, Sberbank, Avtovazbank, Akibank and Zenit bank, the Company received the bank's promissory notes instead of cash. Outstanding balance on these loans as of 31 December 2010 amounted RR 2,050 million (31 December 2009: RR 1,151 million) with interest rates varying in range of 3.5-8.5% (2009: 5-8%).

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

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

The loan from the Ministry of Finance is secured by a real estate pledge RR 871 million (31 December 2009: RR 1,043 million) and by a pledge of subsidiaries' shares RR 2,383 million (31 December 2009: at net assets value of RR 2,695 million).

Loan from Sberbank is secured by a guarantee from Ministry of Finance 2,150 million (31 December 2009: RR 2,150 million) and by the Group's property pledge RR 1,050 million (31 December 2009: RR 1,064 million).

The Vneshtorgbank loans are secured by a property pledge 5,083 million (31 December 2009: RR 4,379 million) and by a guarantee from Ministry of Finance RR 1,450 million (31 December 2009: RR 1,450 million).

The EBRD loan is secured by the Russian Federation Ministry of Finance's surety RR 2,149 million (31 December 2009: RR 2,132 million) and by the Republic of Tatarstan Ministry of Finance's surety RR 390 million (31 December 2009: RR 387 million).

18 Borrowings (Continued)

The Leasing company's borrowings from Ak Bars Bank are secured by a pledge of finished goods 1,473 million (31 December 2009: RR 1,456 million), Commerzbank's loan is secured by a property pledge RR 768 million (31 December 2009: RR 1,581 million) and by pledge of right of demand of the payments under leasing agreement RR 860 million (31 December 2009: RR 1,264 million).

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

The Group did not comply with certain financial covenants attached to EBRD, Commerzbank, Russian bank for development and syndicated loan agreements. Total liability under these agreements amounted RR 3,484 million (31 December 2009: RR 6,967 million), including current portion of RR 2,738 million (31 December 2009: RR 3,361 million). The lenders have the right to require early repayment of the whole amount of these loans. Due to the breach of covenants, the long-term part of the above mentioned loans, totaling RR 746 million (31 December 2009: RR 3,605 million) are included in the current portion of long-term borrowings and recognized as short-term in the statement of financial position.

Derivative Financial Instruments

In millions of Russian Roubles	**31 December 2010**	**31 December 2009**
Interest rate swap	18	64
Total non-current liability on interest rate swap	**18**	**64**

Under requirements of the syndicated loan agreement, the Group entered into interest rate swap agreements with Citibank and Commerzbank. The total notional principal amount of the outstanding interest rate swap contracts at 31 December 2010 was EUR 55 million (2009: 96). The notional amount under these interested rate swaps matches the repayment schedule under syndicated loan agreement. Under the agreements the Group swapped the variable interest rate 3-month EUR-EURIBOR-Reuters to a fixed rate 2.322% for syndicated loan. The Group does not apply hedge accounting.

19 Other Taxes Payable

Taxes payable within one year comprise the following:

In millions of Russian Roubles	**31 December 2010**	**31 December 2009**
Value-added tax	615	494
Unified social tax	249	167
Personal income tax	156	92
Other taxes	164	121
Total	**1,184**	**874**

20 Restructured Taxes

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

In the first half of 2009 the Group was granted a further deferral of payments under the tax restructuring agreement. As a result of amendments in the tax restructuring agreement a gain of RR 443 million was recognized in the financial statements. In addition, changes in the discount rate used resulted in a charge of RR 515 million (2009: RR 225 million of gain).

20 Restructured Taxes (Continued)

Movements in the liabilities for restructured taxes are as follows:

In millions of Russian Roubles	2010	2009
Carrying amount at beginning of the year	**1,366**	**1,330**
Gain from restructuring	-	(443)
Effect of change of discount rate	407	225
Payments	(21)	(9)
Interest expense	210	263
Carrying amount at 31 December	**1,962**	**1,366**
Current portion of tax restructured	173	7
Long-term portion of tax restructured	1,789	1,359

The above liability is carried at the present value of the amounts expected to be paid to settle the obligation, calculated by applying the discount rate of 10.5% (2009: 15.5%).

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

In millions of Russian Roubles	31 December 2010	31 December 2009
- within 1 year	173	7
- between 2 and 5 years	750	569
- after 5 years	1,039	790
Total	**1,962**	**1,366**

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

21 Provisions for Liabilities and Charges

Provisions for liabilities and charges changed in the following manner:

In millions of Russian Roubles	Warranty provision	Taxes other than on income, fines and penalties	Other liabilities and charges	Total
Carrying value at 31 December 2008	**251**	**800**	**285**	**1,336**
Accruals charged to profit and loss	51	58	-	109
Reversal of unused provision	-	(661)	(278)	(939)
Utilized	(183)	(98)	-	(281)
Carrying value at 31 December 2009	**119**	**99**	**7**	**225**
Accruals charged to profit and loss	164	63	-	227
Reversal of unused provision	-	(113)	(7)	(120)
Utilised	(120)	-	-	(120)
Carrying value at 31 December 2010	**163**	**49**	**-**	**212**

Warranty. The Group provides warranties in respect of automotive trucks for a period of 12 months or 75,000 km of mileage and undertakes to repair or replace items that fail to perform satisfactorily. A provision of RR 163 million (2009: RR 119 million) has been recognised at the year-end for expected warranty claims based on past experience of the level of repairs and returns.

Taxes other than on income, fines and penalties. The Group has recorded provisions of RR 49 million (2009: RR 99 million). The balance at 31 December 2010 is expected to be fully utilised by the end of 2011. Provision for tax liabilities relates to tax contingencies resulting from uncertain interpretation of tax legislation. The change in the provision results from the expiry of fiscal periods subject to review by the tax authorities.

22 Trade and Other Payables

In millions of Russian Roubles	31 December 2010	31 December 2009
Trade payables	7,266	6,236
Advances received	2,872	2,701
Wages and salaries payable	1,439	1,164
Other	492	805
Trade and other payables	**12,069**	**10,906**

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

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

In millions of Russian Roubles	31 December 2010	31 December 2009
Euros	568	317
USD	60	79
Other CIS currencies	144	116
Total	**772**	**512**

23 Finance Lease Payables

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

In millions of Russian Roubles	Due within 1 year	Due between 2 and 5 years	Due more than 5 years	Total
Minimum lease payments at 31 December 2010	488	1,005	418	1,911
Less future finance charges	(57)	(376)	(119)	(552)
Present value of minimum lease payments at 31 December 2010	**431**	**629**	**299**	**1,359**

Leased assets with the carrying amount disclosed in Note 7 are effectively pledged for finance lease liabilities as the rights to the leased asset revert to the lessor in the event of default. The ownership of the leased assets and related risks remains with the lessor and transferred to lessee at the end of the repayment of the obligation under contracts. In case of early repayment the lessee should compensate to lessor bank penalties on termination of the related debt. The average effective interest rate under lease agreements is 25% for 2010 (2009: 26%).

24 Post-Retirement Benefit Obligation

Payments to state pension fund were RR 2,680 million for 2010 (2009: RR 1,166 million). At 31 December 2010 defined benefit liabilities recognised in the statement of financial position as other non-current liabilities were RR 150 million (31 December 2009: RR 145 million), gross amount of defined benefit obligations was RR 336 million (31 December 2009: RR 336 million). The difference in the amount of RR 186 million (31 December 2009: RR 191 million) between the benefit obligation and the liability recognised is primarily due to the deferral of past service costs that are expensed over the remaining estimated periods of service.

25 Revenue

In millions of Russian Roubles	2010	2009
Trucks and assembly kits	47,841	39,507
Spare parts	11,836	9,011
Buses, truck trailers and truck mixers	5,664	5,454
Metallurgical products	2,111	1,337
Truck repair services	1,645	556
Finance lease income	320	361
Other sales of goods	3,214	3,516
Other services	1,142	1,152
Total	**73,773**	**60,894**

25 Revenue (Continued)

Sales of goods include RR 884 million (2009: RR 4,717 million) and purchase of the materials include RR 6,410 million (2009: RR 6,673 million) settled using bills of exchange.

The Company conducts certain transactions under sale and repurchase agreements with the same counterparties. Revenue and Cost of Sales are shown net of amounts of RR 1,101 million (2009: nil) arising out of these transactions.

During 2010 the Group sold under finance lease agreement trucks and buses on total amount RR 458 million (2009: RR 318 million).

In millions of Russian Roubles	**2010**	**2009**
Domestic sales		
Trucks and assembly kits	41,856	32,060
Spare parts	9,851	7,278
Buses, truck trailers and truck mixers	5,522	5,286
Leasing income	320	361
Other sales, services	7,973	6,557
Total domestic sales	**65,522**	**51,542**
Export sales		
Trucks and assembly kits	5,985	7,447
Spare parts	1,985	1,733
Buses, truck trailers and truck mixers	142	168
Other sales, services	139	4
Total export sales	**8,251**	**9,352**
Total	**73,773**	**60,894**

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

Cost of sales includes the following items:

In millions of Russian Roubles	**2010**	**2009**
Materials and components used	44,602	32,065
Labour costs	9,596	7,496
Fuel and energy	4,690	3,332
Depreciation of property, plant and equipment	2,377	2,265
Services	2,218	1,654
Warranty accruals	164	51
Provisions for other liabilities and charges	(7)	(278)
Inventory provision	33	311
Other costs	288	395
Changes in inventory of finished goods and work in progress	(673)	6,317
Total	**63,288**	**53,608**

27 Distribution Costs

Distribution costs comprise:

In millions of Russian Roubles	**2010**	**2009**
Labour costs	1,082	975
Transportation expenses	606	490
Materials consumed	529	488
Impairment provision for receivables (utilisation)/charge	(369)	480
Advertising	302	174
Depreciation of property, plant and equipment	55	55
Other services	569	567
Other distribution costs	195	271
Total	**2,969**	**3,500**

28 General and Administrative Expenses

General and administrative expenses include the following items:

In millions of Russian Roubles	**2010**	**2009**
Labour costs	2,647	2,024
Taxes other than income tax	614	802
Services	724	691
Consulting and information services	164	471
Depreciation of property, plant and equipment	205	204
Insurance	130	163
Bank services	66	66
Net reversal of provision for taxes other than income tax	(50)	(603)
Other expenses	488	429
Total	**4,988**	**4,247**

29 Other Operating Income and Expenses

Other operating income comprises:

In millions of Russian Roubles	**2010**	**2009**
Foreign exchange gains	132	-
Gain on write-off payables	129	-
Penalties received	65	20
Gain on disposal of property, plant and equipment	40	157
Reimbursement of expenses related to leasing by lessees	22	8
Gain on disposal of inventory	13	37
Gain on sale and other disposals of subsidiaries	-	30
Other operating income	164	227
Total	**565**	**479**

Other operating expenses comprise:

In millions of Russian Roubles	**2010**	**2009**
Social expenditures and charity	598	675
Foreign exchange losses	-	349
Loss on write-off of property, plant and equipment	37	315
Loss on write-off VAT	142	-
Loss on transfer of debt claim	73	-
Other operating expenses	103	175
Total	**953**	**1,514**

30 Expenses by Nature

Materials and components in:

In millions of Russian Roubles	**2010**	**2009**
Cost of sales (excluding Impairment of property, plant and equipment)	44,602	32,065
Distribution costs	529	488
General and administrative expenses	103	95
Total	**45,234**	**32,648**

30 Expenses by Nature (Continued)

Wages and salaries in:

In millions of Russian Roubles	2010	2009
Cost of sales (excluding Impairment of property, plant and equipment)	9,596	7,496
General and administrative expenses	2,647	2,024
Distribution costs	1,082	975
Total	**13,325**	**10,495**

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

In millions of Russian Roubles	2010	2009
Cost of sales (excluding Impairment of property, plant and equipment)	2,377	2,265
General and administrative expenses	205	204
Distribution costs	55	55
Total depreciation of property, plant and equipment	**2,637**	**2,524**
Amortization of intangible assets	84	71
Total	**2,721**	**2,595**

31 Finance Income and Costs

Finance income comprises of the following:

In millions of Russian Roubles	2010	2009
Interest income on deposits, promissory notes and loans issued	290	668
Interest rate swap	45	-
Total	**335**	**668**

Finance cost comprises the following:

In millions of Russian Roubles	2010	2009
Foreign exchange loss	128	422
Interest on loans and borrowings	1,733	1,946
Less interest capitalized	(284)	(369)
Interest expenses	1,449	1,577
Interest expense on finance leases where the Group is the lessee	284	126
Amortisation of the discount on restructured taxes	210	263
Amortisation of the discount on restructured loans	126	123
Bank services	63	69
Interest rate swap	-	64
Total	**2,260**	**2,644**

32 Earnings per Share

Loss per share are calculated as follows:

	2010	2009
Basic and diluted loss per share:		
Loss attributable to equity holders of the Company (RR million)	(763)	(2,267)
Weighted average number of ordinary shares in issue (thousands)	707,230	707,230
Basic and diluted loss per share (Roubles per share)	**(1.08)**	**(3.21)**

Basic loss per share is calculated by dividing the loss attributable to the Company's shareholders by the weighted average number of ordinary shares in issue during the year (Note 17). There were no potentially dilutive instruments outstanding during 2010 and 2009.

33 Income Taxes

Income tax expense comprises the following:

In millions of Russian Roubles	2010	2009
Current tax	403	122
Additional payments for previous periods	30	186
Deferred tax	(134)	(444)
Reversal of provisions for tax exposures	(152)	(810)
Income tax expense/(benefit) for the year	**147**	**(946)**

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

In millions of Russian Roubles	2010	2009
Loss before tax	**(742)**	**(3,525)**
Theoretical tax (benefit)/charge at statutory rate (2010: 20%; 2009: 20%)	(148)	(705)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-deductable expenses	417	396
Additional provision for previous periods	30	186
Reversal of provisions for tax exposures	(152)	(810)
Previous years' losses utilization	-	(13)
Income tax expense/(benefit) for the year	**147**	**(946)**

Non-deductable expenses mainly consist of social expenses and other general and administrative expenses not included in the taxable profit in accordance with tax legislation. Differences between IFRS and Russian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at a rate of 20% (2009: 20%).

Deferred tax movements for the year ended 31 December 2010 are as follows:

In millions of Russian Roubles	1 January 2010	Charged/ (credited) to profit or loss	31 December 2010
Tax effect of taxable temporary differences			
Property, plant and equipment	(1,156)	233	(923)
Loans and borrowings	(510)	(46)	(556)
Taxes payable and restructured taxes	(374)	124	(250)
Finance lease receivables	(179)	91	(88)
Finance lease payables	(208)	65	(143)
Accounts payable	(136)	42	(94)
Accounts receivable	(139)	16	(123)
Inventory	(334)	25	(309)
Gross deferred tax liability	**(3,036)**	**550**	**(2,486)**
Tax effect of deductible temporary differences and tax loss carried forward			
Property, plant and equipment	2,991	(158)	2,833
Accounts payable	130	35	165
Provisions	62	(7)	55
Intangible assets	64	(43)	21
Inventory	102	(34)	68
Accounts receivable	61	(8)	53
Tax loss carry forward	595	(201)	394
Gross deferred tax asset	**4,005**	**(416)**	**3,589**
Net deferred tax asset	**969**	**134**	**1,103**

33 Income Taxes (Continued)

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

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

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

A deferred tax asset in the amount of RR 1,987 million (2009: RR 2,233 million) and a deferred tax liability in the amount of RR 884 million (2009: RR 1,264 million) have been recorded in the consolidated statement of financial position after offsetting of the gross amounts presented above.

The Group has not recorded deferred tax liabilities in respect of taxable temporary differences of RR 764 million (2009: RR 920 million) associated with investments in subsidiaries and associates as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

Income tax payable includes profit tax payable related to uncertain tax position in the amount of RR 30 million as at 31 December 2010 (2009: RR 152 million).

34 Contingencies and Commitments

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

At 31 December 2010 and 2009 the Group was engaged in litigation proceedings as a defendant with a number of clients and customers. No provision has been made as the Group's Management believes that risks of these proceedings are remote.

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

34 Contingencies and Commitments (Continued)

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

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

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

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

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

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

At 31 December 2010, total liabilities recorded for uncertain tax positions that are determined by management as more likely than not to result in additional taxes amounted to RR 79 million (2009: RR 246 million).

In addition, the Group estimates its uncertain tax positions other than remote that are determined by management as not likely to result in additional taxes of approximately RR 194 million (2009: RR 608 million). No provision has been recognised in relation to such uncertain tax positions.

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

Contractual commitments. The Group has contractual commitments for the acquisition of property, plant and equipment as at 31 December 2010 totalling RR 676 million (31 December 2009: RR 1,916 million).

Guarantees. The Group received guarantees for the following liabilities:

		2010		2009	
In millions of Russian Roubles	**Notes**	**Guarantees received**	**Related liability**	**Guarantees received**	**Related liability**
Russian Federation Ministry of Finance (EBRD loan – nominated in US Dollars)	18	2,149	347	2,132	516
Russian Federation Ministry of Finance (Sberbank loan-nominated in RR)	18	2,150	2,150	2,150	2,150
Russian Federation Ministry of Finance (Vneshtorgbank loan-nominated in RR)	18	1,450	1,450	1,450	1,450
Tatarstan Ministry of Finance (Kanematsu loan – nominated in Japanese Yens)	18	692	72	607	148
Tatarstan Ministry of Finance (EBRD loan – nominated in US Dollars)	18	390	63	387	94
Total guarantees		**6,831**	**4,082**	**6,726**	**4,358**

34 Contingencies and Commitments (Continued)

Assets pledged and restricted. The Group had the following assets pledged as collateral as at 31 December 2010 and 31 December 2009:

		2010		2009	
In millions of Russian Roubles	**Notes**	**Asset pledged**	**Related liability**	**Asset pledged**	**Related liability**
Inventory	14	3,123	1,702	5,327	3,272
Property, plant and equipment	9	7,176	8,973	6,056	8,070
Shares of subsidiary at net asset value		2,383	1,692	2,695	1,352
Leasing receivable		860	402	1,264	449
Bank promissory notes at nominal value		-	-	350	300
Total		**13,542**	**12,769**	**15,692**	**13,443**

At 31 December 2010 and 31 December 2009 12,000 thousand shares of OAO KAMAZ-Metallurgiya representing a controlling stake (52%) with total nominal value of RR 1,200 million were pledged as collateral for a loan issued by the Russian Federation Ministry of Finance.

Loan covenants. The EBRD, Syndicated loan, Commerzbank and Russian bank for development loan agreements include a number of financial covenants. The details of a technical breach of covenants attached to these loans are disclosed in Note 18.

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

35 Financial Risk Management

The classification of the financial assets and liabilities fit classification by the 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, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

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

(a) Market risk

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

(i) Currency risk

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

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

35 Financial Risk Management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2010:

	Monetary financial assets			Monetary financial liabilities			
In millions of Russian Roubles	**Cash, cash equivalents and term deposits**	**Accounts Receivable**	**Finance lease receivables**	**Accounts Payable**	**Borrowings**	**Finance lease payables**	**Net balance sheet position**
US Dollars	28	1,014	-	(20)	(1,337)	(534)	(849)
Euros	146	46	-	(504)	(3,366)	(775)	(4,453)
Yen	-	-	-	-	(2,993)	-	(2,993)
Other CIS currencies	195	176	-	(80)	(87)	-	204
Russian Roubles	10,865	3,787	1,221	(7,154)	(14,351)	(50)	(5,682)
Total monetary assets and liabilities	**11,234**	**5,023**	**1,221**	**(7,758)**	**(22,134)**	**(1,359)**	**(13,773)**

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

	Monetary financial assets			Monetary financial liabilities			
In millions of Russian Roubles	**Cash equivalents and term deposits**	**Accounts Receivable**	**Finance lease receivables**	**Accounts Payable**	**Borrowings**	**Finance lease payables**	**Net balance sheet position**
US Dollars	1,032	1,660	-	(7)	(2,210)	(557)	(82)
Euros	401	95	-	(150)	(6,100)	(1,157)	(6,911)
Yen	-	-	-	-	(2,674)	-	(2,674)
Other CIS currencies	65	89	-	(92)	(92)	-	(30)
Russian Roubles	8,647	4,373	1,989	(7,956)	(11,909)	-	(4,856)
Total monetary assets and liabilities	**10,145**	**6,217**	**1,989**	**(8,205)**	**(22,985)**	**(1,714)**	**(14,553)**

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

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

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

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

35 Financial Risk Management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

In millions of Russian Roubles	**2010**	**2009**
Pre-tax impact on profit or loss and on equity of:		
US Dollar strengthening/weakening by 10%	(86)/86	(48)/48
Euro strengthening/weakening by 10%	(448)/448	747/(747)
Yen strengthening/weakening by 10%	(299)/299	267/(267)

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

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

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

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

In millions of Russian Roubles	**On demand and less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
31 December 2010					
Fixed interest rate	608	7,453	6,304	36	14,401
Fixed interest rate, EURO	91	617	665	-	1,373
Fixed interest rate , USD	13	104	285	298	700
Fixed interest rate , Yen	-	117	434	2,370	2,921
EURIBOR based interest rates	2,240	420	108	-	2,768
LIBOR based interest rates, USD	1,171	-	-	-	1,171
LIBOR based interest rates ,Yen	72	-	-	-	72
Total	**4,195**	**8,711**	**7,796**	**2,704**	**23,406**

In millions of Russian Roubles	**On demand and less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
31 December 2009					
Fixed interest rate	1,235	3,695	7,023	-	11,953
Fixed interest rate, EURO	153	568	652	-	1,373
Fixed interest rate , USD	36	107	184	322	649
Fixed interest rate , Yen	-	92	390	2,044	2,526
EURIBOR based interest rates	4,808	460	559	-	5,827
LIBOR based interest rates. USD	2,108	-	-	-	2,108
LIBOR based interest rates ,Yen	148	-	-	-	148
MOSPRIME based interest rates	-	9	-	-	9
Total	**8,488**	**4,931**	**8,808**	**2,366**	**24,593**

At 31 December 2010, if market interest rates at that date had been 1% lower with all other variables held constant, interest expense for the year would have been RR 61 million (2009: RR 79 million) lower. If market interest rates had been 1% higher, with all other variables held constant, interest expense would have been RR 61 million (2009: RR 79 million) higher.

35 Financial Risk Management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

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

	2010				2009			
In % p.a.	**RR**	**USD**	**Euros**	**Yen**	**RR**	**USD**	**Euros**	**Yen**
Assets								
Cash and cash equivalents	0,01-3,62 %	-	5,75%	-	0-11%	0,1-0,98%	-	-
Term deposits	2,79-14,5 %	-	-	-	6-14%	-	0,5-14,25%	-
Finance lease receivables	17-40%	-	-	-	14-40%	-	-	-
Liabilities								
Borrowings	3,5-15%	LIBOR + 1 max 12% p.a.	EURIBOR + 2,65 max 12% p.a.	1%p.a. max Yen LIBOR +3%	6%-22%	LIBOR + 1 to + 4,75	EURIBO R +2,65 to + 3,7	1%p.a. Yen LIBOR +3%
Finance lease payables	13%	5%	20-48%	-	-	5%	28-48%	-

During 2010 year the Group swapped variable interest rate EUR-EURIBOR-Reuters for syndicated loan agreement to a fixed rate 2.322% (see details in Note 18).

(b) Credit risk

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

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

35 Financial Risk Management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

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

In millions of Russian Roubles	**31 December 2010**	**31 December 2009**
Cash and cash equivalents (Note 16)	**4,087**	**7,203**
-BBB- to A-	1,260	4,463
-BB- to BB+	238	369
-B- to B+	1,946	1,996
-CCC+	-	2
-Other	643	373
Term deposits (Note 16)	**7,147**	**2,942**
-BBB- to A-	6,715	1,104
-BB- to BB+	155	115
-B- to B+	211	400
-CCC+	-	
-Other	66	1,323
Financial instruments at fair value through profit or loss	**62**	**58**
Promissory notes (related party) (Note 7)	**25**	**76**
Long term receivables – unrated (Note 13)	**153**	**212**
Finance lease receivables – unrated (Note 12)	**1,221**	**1,989**
Group 1 – Current finance lease receivables	864	1,460
Group 2 – Non-current finance lease receivables	357	529
Trade receivables (Note 15)	**4,339**	**5,480**
Group 1 – companies under state control	253	427
Group 2 – medium to small sized companies	1,048	1,271
Group 3 – other companies	2,342	2,358
Group 4 – customers with extended payments terms	696	1,424
Loans issued (Note 15)	**47**	**133**
Long-term loans issued (Note 13)	**123**	**72**
Other receivables – unrated (Note 15)	**637**	**604**
Guarantees issued for obligations of the joint ventures (Note 7)	**456**	-
Total maximum exposure to credit risk	**18,297**	**18,769**

All of the financial assets of the Group, except for RR 62 million (2009: RR 58 million) in bonds and shares, categorised as assets at fair value through profit or loss and for RR 46 million (2009: RR 435 million) investment in promissory notes categorised as available for sale investments, are loans, receivables and cash.

The process of management of credit risk includes assessment of credit reliability of counterparties and reviewing payments received. All the leasing receivables from the Group customers are secured by the pledge of vehicles. The fair value of vehicles pledged at 31 December 2010 was RR 1,398 million (2009: RR 2,165 million). Term of collateral equals to the term of lease contract.

35 Financial Risk Management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

Credit risks concentration

Group 4, trade accounts receivable, includes two customer totalling RR 696 million, which represents about 4% of total credit risk exposure (2009: 7%).

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

The Group's cash and cash equivalents are distributed among 44 banks (2009: 39 banks) consequently there is no significant exposure of the Group to a concentration of credit risk.

(c) Liquidity risk

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

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

	Current ratio	**Target ratio**
Net debt/EBITDA	2.8	not more than 2.5
EBIT/Interest expense	0.9	not less than 5

Although these financial ratios are targets, due to economic crisis the Company has exceeded these ratios.

Management considers the targeted ratios sustainable in the foreseeable future. Management believes that the Group has access to additional credit facilities if required.

The analysis below represents management's assessment of the repayment schedule of monetary assets and liabilities of the Group in case all borrowings where the Group breached the covenants are classified as current as of 31 December 2010. Nevertheless, management believes that this scenario is unlikely and that the borrowings will be repaid in accordance with the initial contractual terms. The table below is based on the earliest possible repayment dates. Foreign currency cash flows are translated using spot exchange rates as of 31 December 2010 and 31 December 2009.

35 Financial Risk Management (Continued)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

In millions of Russian Roubles	Demand and less than 3 month	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
31 December 2010					
Cash, cash equivalents and term deposits	4,087	7,086	61	-	11,234
Trade receivables	3,620	315	404	-	4,339
Finance lease receivables	216	648	357	-	1,221
Future finance lease charges	20	59	166	-	245
Other receivables and loans issued	547	87	50	-	684
Long-term receivables	-	-	285	-	285
Available-for-sale investments	-	-	32	14	46
Other financial assets	5	6	51	-	62
Total monetary financial assets	**8,495**	**8,201**	**1,406**	**14**	**18,116**
Borrowings	(4,087)	(8,388)	(7,166)	(2,406)	(22,047)
Future interest expenses on borrowings	(433)	(1,909)	(1,469)	(2,545)	(6,356)
Trade payables	(6,949)	(222)	(95)	-	(7,266)
Finance lease payables	(108)	(323)	(629)	(299)	(1,359)
Future finance lease charges	(14)	(43)	(376)	(119)	(552)
Other non-current liabilities	-	-	-	(150)	(150)
Other payables	(410)	(74)	(8)	-	(492)
Total monetary financial liabilities	**(12,001)**	**(10,959)**	**(9,743)**	**(5,519)**	**(38,222)**
Guarantees issued for obligations of the joint ventures (Note 7)	**-**	**-**	**(456)**	**-**	**(456)**
Net balance of payments at 31 December 2010	**(3,506)**	**(2,758)**	**(8,793)**	**(5,505)**	**(20,562)**

In millions of Russian Roubles	Demand and less than 3 month	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
31 December 2009					
Cash, cash equivalents and term deposits	7,203	2,922	20	-	10,145
Trade receivables	4,542	928	7	3	5,480
Finance lease receivables	365	1,095	529	-	1,989
Future finance lease charges	32	95	248	-	375
Other receivables and loans issued	667	64	2	4	737
Long-term receivables	-	-	334	-	334
Available-for-sale investments	5	415	15	-	435
Other financial assets	11	3	44	-	58
Total monetary financial assets	**12,825**	**5,522**	**1,199**	**7**	**19,553**
Borrowings	(8,322)	(4,433)	(8,080)	(2,044)	(22,879)
Future interest expenses on borrowings	(456)	(2,532)	(2,233)	(2,409)	(7,630)
Trade payables	(5,753)	(323)	(160)	-	(6,236)
Finance lease payables	(166)	(498)	(728)	(322)	(1,714)
Future finance lease charges	(15)	(47)	(615)	(145)	(822)
Other non-current liabilities	-	-	-	(145)	(145)
Other payables	(633)	(36)	(136)	-	(805)
Total monetary financial liabilities	**(15,345)**	**(7,869)**	**(11,952)**	**(5,065)**	**(40,231)**
Net balance of payments at 31 December 2009	**(2,520)**	**(2,347)**	**(10,753)**	**(5,058)**	**(20,678)**

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

35 Financial Risk Management (Continued)

Capital management

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total equity. The Group considers total capital under management to be RR 42,080 million (2009: RR 45,299 million).

The gearing ratios at 31 December 2010 and 31 December 2009 were as follows:

In millions of Russian Roubles	**31 December 2010**	**31 December 2009**
Long-term borrowings	9,572	10,124
Short-term borrowings	12,562	12,861
Non-current finance lease payables	928	1,050
Current finance lease payables	431	664
Less: cash, cash equivalents and term deposits	(11,234)	(10,145)
Less: financial assets at fair value through profit and loss	(62)	(58)
Net debt	**12,197**	**14,496**
Equity	29,883	30,803
Gearing ratio	**41%**	**47%**

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

36 Events After the Reporting Period

In February 2011 the Company issued the second tranche of rouble-denominated non-convertible bonds for RR 3,000 million maturing in three years time with 8.6% per annum.

New credit line from Vnesheconombank was obtained by the Group in May 2011 with a limit of RR 1,742 million. The first tranche was obtained of RR 1,092 million (at 10.7% interest rate per annum). The funds received were used for financing the Group's joint venture development projects and purchasing of production equipment.