AVTOVAZ GROUP

INTERNATIONAL FINANCIAL REPORTING STANDARDS INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

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Report on review of interim condensed consolidated financial statements

To the shareholders of JSC AVTOVAZ

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC AVTOVAZ and its subsidiaries ("the Group"), comprising the interim consolidated statement of financial position as at 30 June 2011 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLC

30 September 2011

AVTOVAZ GROUP
Interim Consolidated Statement of Financial Position
at 30 June 2011
(In millions of Russian Roubles)

	Note	30 June 2011 Unaudited	31 December 2010 Audited
ASSETS			
Current assets:			
Cash and cash equivalents	4	**10,813**	12,689
Trade receivables	5	**4,089**	3,487
Financial assets	6	**7,672**	7,420
Inventories	7	**25,235**	22,782
Other current assets	8	**6,874**	5,005
		54,683	51,383
Long-term assets:			
Property, plant and equipment	9	**51,228**	53,452
Financial assets	11	**2,122**	2,138
Investments in associates	12	**3,899**	3,572
Development costs	10	**10,259**	10,353
Deferred tax assets		**-**	981
Other long-term assets	13	**3,859**	2,167
		71,367	72,663
Total assets		**126,050**	124,046
LIABILITIES AND EQUITY			
Current liabilities:			
Trade payables		**16,744**	16,905
Other payables and accrued expenses	14	**6,275**	8,063
Income tax liability		**53**	33
Taxes other than income tax	16	**3,381**	2,122
Provisions		**1,292**	1,000
Loans and borrowings	15	**12,418**	41,397
Advances from customers		**1,825**	1,478
Lease payables		**108**	299
		42,096	71,297
Long-term liabilities:			
Loans and borrowings	15	**44,507**	34,477
Taxes other than income tax		**1,169**	1,169
Provisions		**698**	837
Deferred tax liabilities		**1,052**	196
Advances received		**2,426**	826
		49,852	37,505
Total liabilities		**91,948**	108,802
Equity attributable to equity holders of the Company			
Share capital	17	**37,001**	37,001
Shares paid but not registered	17	**12,656**	-
Currency translation adjustment		**159**	315
Accumulated losses		**(16,338)**	(22,801)
		33,478	14,515
Non-controlling interests		**624**	729
Total equity		**34,102**	15,244
Total liabilities and equity		**126,050**	124,046

O.V.Lobanov
Executive Vice-President, Chief Financial Officer
JSC AVTOVAZ
30 September 2011

S.A.Kochetkova
Chief Accountant, JSC AVTOVAZ

AVTOVAZ GROUP
Interim Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2011
(In millions of Russian Roubles except for earnings per share)

	Note	Six months ended 30 June Unaudited 2011	2010
Continuing operations			
Sales	18	**82,207**	58,979
Cost of sales	19	**(71,520)**	(53,310)
Gross profit		**10,687**	5,669
Administrative expenses	20	**(6,040)**	(5,257)
Distribution costs	21	**(3,969)**	(2,876)
Research expenses		**(369)**	(191)
Idle time costs		**-**	(387)
Share of associates' profit	12	**458**	407
Other operating income	22	**12,441**	10,851
Other operating expenses	23	**(2,181)**	(861)
Operating profit		**11,027**	7,355
Finance income		**534**	1,524
Finance costs		**(3,301)**	(5,424)
Gain from forgiveness of tax debt		**71**	-
Profit before taxation		**8,331**	3,455
Income tax expense	24	**(1,960)**	(703)
Profit from continuing operations		**6,371**	2,752
Discontinued operations			
Profit after tax from discontinued operations	25	**-**	305
Profit for the period		**6,371**	3,057
Currency translation adjustment		**(156)**	(308)
Total other comprehensive loss for the period, net of taxes		**(156)**	(308)
Total comprehensive income for the period, net of taxes		**6,215**	2,749
Profit attributable to:			
Equity holders of the Company		**6,458**	3,034
Non-controlling interests		**(87)**	23
		6,371	3,057
Total comprehensive income attributable to:			
Equity holders of the Company		**6,302**	2,726
Non-controlling interests		**(87)**	23
Total comprehensive income for the period, net of taxes		**6,215**	2,749
Weighted average number of shares outstanding during the period (thousands)		**1,979,742**	1,850,054
Earnings per share, basic (in RR):			
-for profit for the period attributable to ordinary/preference equity holders of the Company		**3.26**	1.64
-for profit for the period from continuing operations attributable to ordinary/preference equity holders of the Company		**3.26**	1.48

The accompanying notes on pages 6 to 16 are an integral part of these consolidated financial statements.

(In millions of Russian Roubles)

	Note	Six months ended 30 June Unaudited 2011	2010
Cash flows from operating activities:			
Profit before taxation from continuing operations		**8,331**	3,455
Profit before taxation from discontinued operations	25	**-**	363
Profit before taxation		**8,331**	3,818
Adjustments for:			
Depreciation and amortization	9, 10	**4,482**	4,583
Research expenses		**369**	191
Reversal of provision for impairment of trade receivables from continuing operations	20	**(23)**	(77)
Reversal of provision for impairment of trade receivables from discontinued operations		**-**	(34)
Provision for impairment of other current assets from continuing operations	20	**49**	244
Accrual/(reversal) of provision for impairment of current financial assets from continuing operations	22, 23	**12**	(195)
Provision for impairment of long-term financial assets from continuing operations	23	**293**	-
Provision for impairment of other long-term assets from continuing operations	23	**855**	-
Provision for impairment of assets of subsidiary - real estate developer	23	**-**	85
Interest expense		**2,877**	5,424
Loss on extinguishment of debt	15	**412**	-
Accrual/(reversal) of provision for impairment of property, plant and equipment	22, 23	**248**	(113)
Gain from forgiveness of tax debt		**(71)**	-
Loss on disposal of property, plant and equipment	23	**370**	296
Share of associates' income	12	**(458)**	(407)
Government grant on discounting of interest-free loan	15, 22	**(11,332)**	(8,392)
(Gain)/loss on disposal of long-term financial assets		**(53)**	1
Unrealised foreign exchange effect on non-operating balances		**22**	(1,087)
Operating cash flows before working capital changes		**6,383**	4,337
Change in trade receivables		**(579)**	(2,312)
Change in current financial and other assets		**(3,036)**	(1,575)
Change in inventories		**(2,453)**	4,335
Change in trade payables and other payables and accrued expenses		**(2,010)**	(84)
Change in tax liabilities other than income tax		**1,298**	1,685
Change in advances from customers		**347**	674
Cash (used in)/generated from operations		**(50)**	7,060
Income tax paid		**(102)**	(151)
Interest received		**391**	431
Interest paid		**(278)**	(2,698)
Net cash (used in)/generated from operating activities		**(39)**	4,642
Cash flows from investing activities:			
Purchase of property, plant and equipment and capitalised development costs		**(3,939)**	(1,922)
Proceeds from the sale of property, plant and equipment		**108**	40
Purchase of financial assets		**(1,381)**	(5,300)
Proceeds from the sale of financial assets		**425**	106
Dividends received	12	**29**	102
Net cash used in investing activities		**(4,758)**	(6,974)
Cash flows from financing activities:			
Proceeds from loans and borrowings		**156**	43,040
Repayment of loans and borrowings		**(1,404)**	(39,307)
Shares paid but not registered		**3,261**	-
Prepayment for non-controlling interest		**(660)**	-
Acquisition of non-controlling interest		**(13)**	-
Long-term advances received		**1,600**	-
Net cash generated from financing activities		**2,940**	3,733
Effect of exchange rate changes		**(19)**	(6)
Net (decrease) / increase in cash and cash equivalents		**(1,876)**	1,395
Cash and cash equivalents at the beginning of the period	4	**12,689**	9,864
Cash and cash equivalents at the end of the period	4	**10,813**	11,259

AVTOVAZ GROUP
Interim Consolidated Statement of Changes in Equity
for the six months ended 30 June 2011
(In millions of Russian Roubles)

	Equity attributable to equity holders of the Company						
	Share capital	Shares paid but not registered	Currency translation adjustment	Accumu-lated losses	Total	Non-controlling interests	Total equity
Balance at 31 December 2009	**37,001**	**-**	**506**	**(26,327)**	**11,180**	**688**	**11,868**
Profit for the period	-	-	-	3,034	3,034	23	3,057
Other comprehensive loss	-	-	(308)	-	(308)	-	(308)
Total comprehensive income/ (loss) for the period	**-**	**-**	**(308)**	**3,034**	**2,726**	**23**	**2,749**
Balance at 30 June 2010 (Unaudited)	**37,001**	**-**	**198**	**(23,293)**	**13,906**	**711**	**14,617**
Balance at 31 December 2010	**37,001**	**-**	**315**	**(22,801)**	**14,515**	**729**	**15,244**
Profit for the period	-	-	-	6,458	6,458	(87)	6,371
Other comprehensive loss	-	-	(156)	-	(156)	-	(156)
Total comprehensive income/(loss) for the period	**-**	**-**	**(156)**	**6,458**	**6,302**	**(87)**	**6,215**
Acquisition of non-controlling interest	-	-	-	5	5	(18)	(13)
Shares paid	-	12,656	-	-	12,656	-	12,656
Balance at 30 June 2011 (Unaudited)	**37,001**	**12,656**	**159**	**(16,338)**	**33,478**	**624**	**34,102**

The accompanying notes on pages 6 to 16 are an integral part of these consolidated financial statements.

1. Corporate information

JSC AVTOVAZ and its subsidiaries' (the "Group") principal activities include the manufacture and sale of passenger automobiles. The Group's manufacturing facilities are primarily based in the Samara region of the Russian Federation. The Group has a sales and service network spanning the Commonwealth of Independent States and some other countries. The parent company, JSC AVTOVAZ ("the Company" or JSC AVTOVAZ), was incorporated as an open joint stock company in the Russian Federation on 5 January 1993. At 30 June 2011 the Group employed 92,148 employees (31 December 2010: 99,393 employees). The registered office of JSC AVTOVAZ is in Yuzhnoye Shosse, 36, Togliatti, Samara region, 445024, the Russian Federation.

These interim condensed consolidated financial statements were authorised for issue by the Executive Vice-President, Chief Financial Officer on 30 September 2011.

2. Basis of preparation of the interim condensed consolidated financial statements and changes to significant accounting policies

2.1 Basis of preparation of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with AVTOVAZ Group's annual consolidated financial statements as at 31 December 2010.

2.2 Adopted accounting standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

IAS 24 Related Party Transactions (Amendment)
The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. The amendment also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position on performance of the Group.

IAS 32 Financial instruments: Presentation (Amendment)
The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The Group is not subject to minimum funding requirements in the Russian Federation. The amendment to the interpretation therefore had no effect on the financial position or performance of the Group.

Improvements to IFRSs (issued May 2010)
In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

IFRS 7 Financial instruments - Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

IAS 1 Presentation of Financial Statements: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements.

(In millions of Russian Roubles)

2. Basis of preparation of the interim condensed consolidated financial statements and changes to significant accounting policies (continued)

2.2 Adopted accounting standards and interpretations (continued)

IAS 34 Interim Financial Statements: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies financial position or performance of the Group:

IFRS 3 Business Combinations - Clarification that contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008) are accounted for in accordance with IFRS 3 (2005).

IFRS 3 Business Combinations - Unreplaced and voluntarily replaced share-based payment awards and its accounting treatment within a business combination.

IAS 27 Consolidated and Separate Financial Statements - Applying the IAS 27 (as revised in 2008) transition requirements to consequentially amended standards.

IFRIC 13 Customer Loyalty Programmes - In determining the fair value of award credits, an entity shall consider discounts and incentives that would otherwise be offered to customers not participating in the loyalty programme.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3 Reclassification of comparative information

In the second half of 2010 the Group sold 100% shares in certain subsidiaries. Therefore, the Group reclassified corresponding comparative amounts to discontinued operations in the interim consolidated statement of comprehensive income related to the six-month period ended 30 June 2010, see Note 25.

3. Balances and transactions with related parties

3.1 Balances with related parties

For the purpose of these interim condensed consolidated financial statements, parties are 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. 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 transactions or had balances outstanding at 30 June 2011 and 31 December 2010 are detailed below.

Consolidated statement of financial position caption	Relationship	**Unaudited 30 June 2011**	31 December 2010
Cash and cash equivalents	Associate bank	**4,862**	6,945
Trade receivables before provision accrual	Associates	**684**	604
Prepaid expenses - short-term	Subsidiary of a major shareholder	**1,382**	-
Other current assets before provision accrual	Associates	**100**	84
Provision for impairment of other current assets	Associates	**(72)**	(61)
Financial assets before provision accrual	Associates	**865**	544
Provision for impairment of financial assets	Associates	**(395)**	(394)
Financial assets - long-term	Associate bank	**2,000**	2,000
Prepaid expenses - long-term	Subsidiary of a major shareholder	**446**	-
Trade payables	Associates	**365**	429
Loans and borrowings	Shareholder	**47,723**	65,723
Collateral issued by the Company	Associate bank	**1,250**	1,142
Advances received	Associate of a major shareholder	**2,426**	826

As at 30 June 2011 the Group received a long-term interest-free advance payment of RR 2,426 from Nissan Manufacturing RUS LLC (hereinafter “Nissan”). According to the terms of the advance payment, proceeds from this advance can be used only to finance purchase of equipment. This advance payment will be settled by future deliveries of vehicles. Alternatively, the Group has an option to settle this advance by cash. If the Group is not in compliance with certain terms and provisions agreed with Nissan, the advance should be repaid within 30 days. In exchange for the advance the Group agrees to make available to Nissan the reserved capacity at a new production line.

(In millions of Russian Roubles)

3. Balances and transactions with related parties (continued)

3.2 Transactions with related parties

The income and expense items with related parties for the six months ended 30 June 2011 and 30 June 2010 were as follows:

Consolidated statement of comprehensive income caption	Relationship	Unaudited Six months ended 30 June 2011	Six months ended 30 June 2010
Sales	Associates	**3,479**	3,018
Purchases of goods and inventory	Associates	**2,414**	1,337
Purchases of services	Subsidiary of a major shareholder	**137**	-
Interest income	Associate bank	**119**	77
Interest expenses	Associate bank	**-**	2
Administrative expenses	Short-term employee benefits - compensation of the Key Management	**97**	60

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Long-term financial assets issued to an associate bank relate to a loan issued to the associate bank of RR 700 at the interest rate of 6.4%, loan issued to the associate bank of RR 300 at the interest rate of 8% and deposit held in the associate bank of RR 1,000 at the interest rate of 8%.

Major shareholders owning ordinary shares of the Company are Renault s.a.s., the Russian Technologies State Corporation and Troika Dialog Investments Limited. As at 30 June 2011 loans with the book value of RR 47,723 (as at 31 December 2010: RR 65,723) were due to the Russian Technologies State Corporation, see Note 15

As at 30 June 2011 the Group issued 314,497,433 ordinary shares for the consideration with the fair value of RR 12,656 mainly to the Russian Technologies State Corporation and Renault s.a.s., see Note 17.

4. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Unaudited 30 June 2011	31 December 2010
Short-term bank promissory notes and deposits	**5,979**	6,933
Rouble-denominated cash on hand and balances with banks	**4,834**	5,756
	10,813	12,689

5. Trade receivables

The ageing analysis of trade receivables is as follows:

	Trade receivables	Neither past due nor impaired	Past due but not impaired: < 3 months	Past due but not impaired: 3 to 6 months	Past due but not impaired: 6 to 12 months
31 December 2010	3,487	3,379	31	29	48
30 June 2011	**4,089**	**3,937**	**36**	**80**	**36**

As at 30 June 2011 provision for impairment of trade receivables was RR 1,415 (31 December 2010: RR 1,570). For the six months ended 30 June 2011 reversal of provision for impairment of trade receivables was RR 23 (reversal of provision for impairment for the six months ended 30 June 2010: RR 77), see Note 20.

6. Financial assets – current

Current financial assets consisted of the following:

	Unaudited 30 June 2011	31 December 2010
Available-for-sale financial assets:		
Bank promissory notes (with original maturities of more than three months)	**5,470**	6,123
Deposit accounts	**1,532**	704
Rouble-denominated loans less provision	**635**	540
Financial assets at fair value through profit or loss	**35**	53
	7,672	7,420

(In millions of Russian Roubles)

6. Financial assets – current (continued)

As at 30 June 2011 provision for impairment of current financial assets was RR 3,075 (31 December 2010: RR 3,391). For the six months ended 30 June 2011 accrual of provision for impairment of current financial assets was RR 12 (reversal of provision for impairment for the six months ended 30 June 2010: RR 195), see Notes 22 and 23.

7. Inventories

Inventories consisted of the following:

	Unaudited 30 June 2011	31 December 2010
Raw materials	**11,044**	10,345
Work in progress	**4,250**	3,016
Finished goods	**9,941**	9,421
	25,235	22,782

Inventories are recorded net of obsolescence provision of RR 1,208 at 30 June 2011 (31 December 2010: RR 1,109). The carrying amount of finished goods recorded at net realisable value as at 30 June 2011 was RR 107 (31 December 2010: RR 172).

The write-down of inventories recognised as an expense for the six months ended 30 June 2011 was RR 99 (reversal of write-down recognised as an income for the six months ended 30 June 2010: RR 813).

8. Other current assets

Other current assets consisted of the following:

	Unaudited 30 June 2011	31 December 2010
Prepaid expenses and other receivables less provision	**4,024**	2,294
Value added tax	**1,347**	1,703
Receivables from the government under the car scrappage programme	**1,314**	750
Construction in progress in relation to real estate for resale	**189**	258
	6,874	5,005

As at 30 June 2011 provision for impairment of other current assets was RR 4,253 (31 December 2010: RR 3,857). For the six months ended 30 June 2011 accrual of provision for impairment of other current assets was RR 49 (for the six months ended 30 June 2010: RR 275), see Notes 20 and 23.

9. Property, plant and equipment

Property, plant and equipment and related accumulated depreciation and impairment consisted of the following:

	Unaudited
Balance at 31 December 2009	**60,065**
Additions	1,551
Disposals	(336)
Depreciation and impairment	(4,339)
Balance at 30 June 2010	**56,941**
Balance at 31 December 2010	**53,452**
Additions	2,795
Disposals	(478)
Depreciation and impairment	(4,541)
Balance at 30 June 2011	**51,228**

(In millions of Russian Roubles)

10. Development costs

	Capitalised cost for products under development	Capitalised development cost for products currently in use	Total
Cost			
Balance at 31 December 2009	9,502	4,616	14,118
Additions	180	-	180
Balance at 30 June 2010	**9,682**	**4,616**	**14,298**
Amortization			
Balance at 31 December 2009	-	(3,777)	(3,777)
Amortization	-	(131)	(131)
Balance at 30 June 2010	**-**	**(3,908)**	**(3,908)**
Carrying amount at 30 June 2010	**9,682**	**708**	**10,390**
Cost			
Balance at 31 December 2010	9,959	4,620	14,579
Additions	305	-	305
Write-off	(210)	-	(210)
Balance at 30 June 2011	**10,054**	**4,620**	**14,674**
Amortization			
Balance at 31 December 2010	-	(4,226)	(4,226)
Amortization	-	(189)	(189)
Balance at 30 June 2011	**-**	**(4,415)**	**(4,415)**
Carrying amount at 30 June 2011	**10,054**	**205**	**10,259**

11. Financial assets – long-term

Long-term financial assets consisted of the following:

	Unaudited 30 June 2011	31 December 2010
Financial assets held to maturity	**1,049**	1,049
Loans issued	**1,046**	1,057
Available-for-sale financial assets	**27**	32
	2,122	2,138

As at 30 June 2011 provision for impairment of long-term financial assets was RR 618 (31 December 2010: nil). For the six months ended 30 June 2011 accrual of provision for impairment of long-term financial assets was RR 293 (for the six months ended 30 June 2010: nil), see Note 23.

12. Investments in associates

	Unaudited
Balance at 31 December 2009	**2,972**
Share of profit	407
Dividends received	(102)
Balance at 30 June 2010	**3,277**
Balance at 31 December 2010	**3,572**
Share of profit	458
Disposals	(102)
Dividends received	(29)
Balance at 30 June 2011	**3,899**

(In millions of Russian Roubles)

12. Investments in associates (continued)

Investments in associates consisted of the following:

	Unaudited 30 June 2011	31 December 2010
ZAO GM-AVTOVAZ	**2,136**	1,783
ZAO CB NOVIKOMBANK	**1,341**	1,271
Other	**422**	518
	3,899	3,572

13. Other long-term assets

Other long-term assets included the following:

	Unaudited 30 June 2011	31 December 2010
Prepayments	**2,775**	989
Long-term rent of property	**796**	806
Long-term receivables	**134**	229
Software	**119**	133
Other	**35**	10
	3,859	2,167

As at 30 June 2011 provision for impairment of other long-term assets was RR 1,037 (31 December 2010: RR 463). For the six months ended 30 June 2011 accrual of provision for impairment of other long-term assets was RR 855 (for the six months ended 30 June 2010: RR 54), see Note 23.

14. Other payables and accrued expenses

Other payables and accrued expenses included the following:

	Unaudited 30 June 2011	31 December 2010
Salaries payable and vacation accrual	**3,075**	3,185
Advances received by the subsidiary-real estate developer	**982**	1,169
Settlements on promissory note transactions	**961**	961
Dividends payable	**176**	176
Accrued interest	**148**	148
Unearned insurance premiums and reserves for claims	**130**	454
Government grants	**29**	717
Other	**774**	1,253
	6,275	8,063

The majority of the above balances are rouble-denominated and not interest bearing.

15. Loans and borrowings

	Unaudited 30 June 2011	31 December 2010
Short-term loans and borrowings	**12,418**	41,397
Long-term loans and borrowings	**44,507**	34,477
	56,925	75,874

In January 2011 the Company signed the second amendment to the loan agreement with the Russian Technologies State Corporation which prolongs the period of repayment of the loan in the amount of RR 25,000 from 3 to 10 years from the date of the first prolongation, i.e. the maturity date is changed from July 2012 to June 2019. This change in the loan terms was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The new loan was recorded at fair value determined as future cash flows discounted at the current market rate of 9.2%. The difference between the carrying amount of the extinguished financial liability and the fair value of the new financial liability as of the date of the extinguishment was accounted for in accordance with IAS 20 and treated as a government grant as the loan was received from a Russian state corporation. Fair value of the government grant in the amount of RR 7,828 was recognised immediately as income, see Note 22.

(In millions of Russian Roubles)

15. Loans and borrowings (continued)

In March 2011 the Company signed a loan set-off agreement to extinguish liability with nominal value of RR 7,503 being a part of the original loan of RR 12,000 by issuing ordinary shares to the Russian Technologies State Corporation, see Note 17. At the same date the Company signed an amendment to the original loan agreement with the Russian Technologies State Corporation to prolong the repayment period of the remaining part of the original loan in the amount of RR 4,497 from 18 to 42 months from the date of issue on 31 December 2009. This change in the loan terms was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The new financial liability was recorded at fair value determined as future cash flows discounted at the current market rate of 9.2%. The difference between the carrying amount of the extinguished financial liability and the fair value of the new financial liability as of the date of the extinguishment was accounted for in accordance with IAS 20 and treated as a government grant as the loan was received from a Russian state corporation. Fair value of the government grant in the amount of RR 311 was recognised immediately as income, see Note 22.

In June 2011 the Company signed the second loan set-off agreement to extinguish liability with nominal value of RR 1,892 being a part of the original loan of RR 12,000 by issuing ordinary shares to the Russian Technologies State Corporation, see Note 17.

As a result of both set-off transactions, carrying amount of extinguished liabilities and fair value of shares issued at extinguishment dates comprised RR 8,983 and RR 9,395, respectively. The difference of RR 412 arisen on extinguishment of the loan between its carrying amount and fair value of own equity instruments issued was recognized as finance cost.

In June 2011 the Company signed an amendment to the loan agreement with the Russian Technologies State Corporation which prolongs the period of repayment of the loan in the amount of RR 28,000 from 18 to 36 months from the date of issue on 30 April 2010. This change in the loan terms was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The new financial liability was recorded at fair value determined as future cash flows discounted at the current market rate of 9.2%. The difference between the carrying amount of the extinguished financial liability and the fair value of the new financial liability as of the date of the extinguishment was accounted for in accordance with IAS 20 and treated as a government grant as the loan was received from a Russian state corporation. Fair value of the government grant in the amount of RR 3,193 was recognised immediately as income, see Note 22.

Other short-term and long-term loans and borrowings comprise loans and borrowings at fixed interest rates.

16. Taxes other than income tax

Taxes payable other than income tax – current

Current taxes payable comprise the following:

	Unaudited 30 June 2011	31 December 2010
Value added tax	**1,853**	672
Property and other taxes	**728**	716
Social taxes	**696**	484
Penalties and interest on property and other taxes	**53**	65
Current portion of restructured taxes	**51**	185
	3,381	2,122

17. Share capital

The carrying value of share capital and the legal share capital value subscribed, authorised, issued and fully paid up, consists of the following classes of shares:

	30 June 2011			31 December 2010		
	No. of shares	**Legal statutory value**	**Carrying amount**	No. of shares	Legal statutory value	Carrying amount
Class A preference	461,764,300	2,309	9,235	461,764,300	2,309	9,235
Ordinary	1,388,289,720	6,941	27,766	1,388,289,720	6,941	27,766
Total outstanding share capital	**1,850,054,020**	**9,250**	**37,001**	**1,850,054,020**	**9,250**	**37,001**

In June 2011 the Annual Shareholders Meeting made a decision not to pay dividends on ordinary and preference shares of the Company in respect of 2010.

(In millions of Russian Roubles)

17. Share capital (continued)

In January 2011 the Federal Financial Markets Service ("FFMS") registered the Prospectus of additional share issue of JSC AVTOVAZ. Under the terms of the additional issue 434,173,411 ordinary shares at par value of 5 Russian roubles can be placed among existing shareholders at the price of 40.24 Russian roubles per share during 12 months after registration. As the first stage of the above issue, in March 2011 JSC AVTOVAZ placed 251,809,613 ordinary shares among the existing shareholders. As a result of the placement, Renault s.a.s. paid RR 2,575 by cash, the Russian Technologies State Corporation extinguished the liability with fair value of RR 7,503 existing under a loan agreement in the amount of RR 12,000 and other shareholders paid RR 55 by cash. As the second stage of the above issue, in June 2011 JSC AVTOVAZ placed 62,687,820 ordinary shares among the existing shareholders. As a result of the placement, Renault s.a.s. paid RR 631 by cash and the Russian Technologies State Corporation extinguished the liability with fair value of RR 1,892 existing under a loan agreement in the amount of RR 12,000.

Shares already placed among shareholders under the additional shares issue described above are not officially registered until the FFMS registers a report on results of shares issue. These procedures are expected to be completed by February 2012.

18. Sales

The components of sales revenue were as follows:

	Unaudited	
	Six months ended 30 June 2011	Six months ended 30 June 2010
Finished vehicles and assembly kits of own production	**74,163**	52,605
Dealership sales of other producers' vehicles	**495**	534
Automotive components of own production	**4,209**	2,861
Other sales	**3,340**	2,979
	82,207	58,979
Domestic sales	**75,856**	53,613
Sales in EU countries	**723**	687
Other sales	**5,628**	4,679
	82,207	58,979

19. Cost of sales

The components of cost of sales were as follows:

	Unaudited	
	Six months ended 30 June 2011	Six months ended 30 June 2010
Materials and components, goods for resale	**53,219**	33,876
Labour costs	**11,807**	7,504
Depreciation and amortization	**4,288**	4,140
Production overheads and other expenses	**3,401**	3,133
Social expenses	**559**	432
Changes in inventories of finished goods and work in progress	**(1,754)**	4,225
	71,520	53,310

20. Administrative expenses

The components of administrative expenses were as follows:

	Unaudited	
	Six months ended 30 June 2011	Six months ended 30 June 2010
Labour costs	**3,034**	2,541
Local and regional taxes	**948**	900
Third parties services	**667**	516
Transportation	**372**	289
Materials	**344**	278
Depreciation	**178**	221
Bank services	**82**	98
Provision for impairment of other current assets (Note 8)	**49**	244
Rent	**48**	63
Reversal of provision for impairment of trade receivables (Note 5)	**(23)**	(77)
Others	**341**	184
	6,040	5,257

(In millions of Russian Roubles)

21. Distribution costs

Distribution costs were as follows:

	Unaudited	
	Six months ended 30 June 2011	Six months ended 30 June 2010
Transportation	**1,830**	1,117
Labour costs	**836**	610
Advertising	**516**	355
Materials	**369**	262
Depreciation	**16**	27
Other	**402**	505
	3,969	2,876

22. Other operating income

The components of other operating income were as follows:

	Unaudited	
	Six months ended 30 June 2011	Six months ended 30 June 2010
Government grant on discounting of interest-free loan (Note 15)	**11,332**	8,392
Government subsidy	**415**	1,048
Foreign exchange gain	**-**	298
Reversal of provision for impairment of current financial assets (Note 6)	**-**	195
Reversal of provision for impairment of property, plant and equipment	**-**	113
Gain on refund of loan interest from the Federal Budget	**-**	51
Other operating income	**694**	754
	12,441	10,851

23. Other operating expenses

The components of other operating expenses were as follows:

	Unaudited	
	Six months ended 30 June 2011	Six months ended 30 June 2010
Provision for impairment of other long-term assets (Note 13)	**855**	-
Loss on disposal of property, plant and equipment	**370**	296
Provision for impairment of long-term financial assets (Note 11)	**293**	-
Provision for impairment of property, plant and equipment	**248**	-
Provision for impairment of current financial assets (Note 6)	**12**	-
Provision for impairment of assets of subsidiary - real estate developer (Notes 8 and 13)	**-**	85
Other operating expenses	**403**	480
	2,181	861

24. Income tax expense

	Unaudited	
	Six months ended 30 June 2011	Six months ended 30 June 2010
Income tax expense – current	**122**	43
Deferred tax expense	**1,838**	660
	1,960	703

(In millions of Russian Roubles)

25. Discontinued operations

In 2010 the Group sold 100% shares in subsidiaries OAO TEVIS, OAO Elektroset, OAO TEK and ZAO Commercial Bank LADA-CREDIT.

Operating results of discontinued operations for the six months ended 30 June 2010 are presented below.

	OAO TEVIS, OAO Elektroset, OAO TEK	ZAO Commercial Bank LADA-CREDIT	Total
Sales	3,005	355	3,360
Cost of sales	(2,538)	(31)	(2,569)
Gross profit	**467**	**324**	**791**
Administrative expenses	(119)	(100)	(219)
Other operating (expenses)/income, net	(64)	(146)	(210)
Operating profit	**284**	**78**	**362**
Finance (costs)/income, net	1	-	1
Profit before taxation from discontinued operations	**285**	**78**	**363**
Income tax expense	(49)	(9)	(58)
Profit from discontinued operations	**236**	**69**	**305**

Revenue and expenses items related to discontinued operations of OAO TEVIS, OAO Elektroset, and OAO TEK were reclassified in the interim consolidated statement of comprehensive income for the six months ended 30 June 2010 for comparative purposes.

26. Contingencies, commitments and guarantees

As at 30 June 2011 the Group had contractual commitments for the purchase of property, plant and equipment from third parties of RR 2,555 (31 December 2010: RR 775). In addition, the Group issued financial guarantees to third parties in the amount of RR 66 (31 December 2010: RR 1,008). There are no other commitments and guarantees in favour of third parties or related companies that are not disclosed in these consolidated financial statements.

The future aggregate minimum lease payments under non-cancellable operating leases of land at nominal amount are as follows:

	Unaudited 30 June 2011	31 December 2010
Not later than 1 year	**376**	268
Later than 1 year and not later than 5 years	**1,505**	1,074
Later than 5 years	**12,985**	9,394
	14,866	10,736

The amount of lease payments recognised as an expense for the six months ended 30 June 2011 was RR 188 (for the six months ended 30 June 2010: RR 119).

27. Segment information

For management purposes, the Group is organized into business units based on their products and services, and has the following reportable operating segments:

- automotive - production and sale of vehicles, assembly kits and automotive components of own production done by the Company;
- dealership network - sales and services provided by technical centres;
- other segments - information about other business activities and operating segments that are not reportable based on quantitative thresholds was combined and disclosed as “Other segments”. Other segments include activities of insurance companies and other subsidiaries that are engaged in non-core activities.

Management monitors operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on financial information prepared in accordance with statutory accounting rules which in a number of respects, as explained in the table below, differs from the consolidated financial statements.

Transactions between the business segments are done on normal commercial terms and conditions.

(In millions of Russian Roubles)

27. Segment information (continued)

The following table presents revenue, profit and assets information regarding the Group's operating segments:

Six months ended 30 June	Automotive		Dealership network		Other segments		Eliminations		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue										
Sales to external customers	56,895	40,025	20,415	15,169	4,897	3,785			82,207	58,979
Inter-segment sales	25,971	18,737	608	405	2,164	1,679	(28,743)	(20,821)	-	-
Total revenue	82,866	58,762	21,023	15,574	7,061	5,464	(28,743)	(20,821)	82,207	58,979
Results										
Depreciation and amortization	(3,463)	(3,470)	(83)	(90)	(79)	(48)	-	-	(3,625)	(3,608)
Impairment of assets	78	1,405	(31)	-	4	(3)	-	-	51	1,402
Interest expense	(170)	(2,271)	(135)	(196)	(72)	(98)	-	-	(377)	(2,565)
Income tax (expense)/ benefit	(544)	637	(111)	38	(56)	17	-	-	(711)	692
Statutory profit/(loss) for the period	2,065	(612)	156	(408)	277	(222)	-	-	2,498	(1,242)
IFRS adjustments, net of deferred tax										
Government grant on discounting of interest-free loan, net of interest expense									6,884	4,680
Additional expense for fixed assets recognised in accordance with IFRS									(1,198)	(857)
Adjustments attributable to development expenses									(223)	(125)
(Accrual)/reversal of provision for impairment of assets									(860)	899
Dividends received from associates									(26)	(93)
Profit from discontinued operations									-	301
Others									(704)	(506)
IFRS profit for the period									**6,371**	**3,057**

Inter-segment revenues are eliminated on consolidation.

	Automotive		Dealership network		Other segments		Eliminations		Total	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Segment assets	136,733	126,781	13,307	12,791	9,149	9,048	(16,310)	(11,214)	142,879	137,406
IFRS adjustments										
Adjustment of fixed assets in accordance with IFRS									(7,496)	(6,114)
Adjustment related to deferred tax assets									(4,891)	(4,603)
Impairment of other assets									(3,934)	(2,954)
Capitalization of development costs									(354)	(303)
Others									(154)	614
IFRS total assets									**126,050**	**124,046**

Major part of non-current assets other than financial instruments of the Group is located in the Russian Federation.