



AVTOVAZ GROUP

**INTERNATIONAL FINANCIAL REPORTING STANDARDS
INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

30 June 2012



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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 2012 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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



28 September 2012

AVTOVAZ GROUP
Interim Consolidated Statement of Financial Position
at 30 June 2012
(In millions of Russian Roubles)



| | Note | 30 June 2012 | 31 December 2011 |
|--|------|-----------------|---------------------|
| | | Unaudited | Audited |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents..... | 4 | 10,652 | 7,563 |
| Trade receivables..... | 5 | 7,133 | 4,305 |
| Financial assets..... | 6 | 3,729 | 7,001 |
| Inventories..... | 7 | 22,691 | 24,345 |
| Other current assets..... | 8 | 3,897 | 5,783 |
| | | 48,102 | 48,997 |
| Long-term assets: | | | |
| Property, plant and equipment..... | 9 | 61,342 | 61,673 |
| Financial assets..... | 11 | 68 | 125 |
| Investments in associates..... | 12 | 3,775 | 2,992 |
| Intangible assets..... | 10 | 11,392 | 11,225 |
| Deferred tax assets..... | | 475 | 322 |
| Other long-term assets..... | 13 | 3,779 | 3,243 |
| | | 80,831 | 79,580 |
| Assets of disposal group classified as held for sale..... | 25 | 2,801 | - |
| Total assets | | 131,734 | 128,577 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities: | | | |
| Trade payables..... | | 17,608 | 19,551 |
| Other payables and accrued expenses..... | 14 | 4,976 | 6,642 |
| Income tax liability..... | | 38 | 43 |
| Taxes other than income tax..... | 16 | 2,340 | 2,172 |
| Provisions..... | | 1,183 | 1,071 |
| Loans and borrowings..... | 15 | 9,466 | 7,296 |
| Advances from customers..... | | 2,106 | 1,270 |
| | | 37,717 | 38,045 |
| Long-term liabilities: | | | |
| Loans and borrowings..... | 15 | 14,607 | 46,373 |
| Taxes other than income tax..... | | 1,172 | 1,169 |
| Provisions..... | | 905 | 861 |
| Deferred tax liabilities..... | | 8,289 | 1,189 |
| Advances received..... | | 2,461 | 2,426 |
| | | 27,434 | 52,018 |
| Liabilities directly associated with disposal group classified as held for sale..... | 25 | 713 | - |
| Total liabilities | | 65,864 | 90,063 |
| Equity attributable to equity holders of the Company | | | |
| Share capital..... | 17 | 39,172 | 37,001 |
| Share premium..... | | 15,300 | - |
| Shares paid..... | 17 | - | 17,471 |
| Currency translation adjustment..... | | 256 | 275 |
| Retained earnings/(accumulated losses)..... | | 10,705 | (16,680) |
| | | 65,433 | 38,067 |
| Non-controlling interests | | 437 | 447 |
| Total equity | | 65,870 | 38,514 |
| Total liabilities and equity | | 131,734 | 128,577 |

I.A.Komarov
President, JSC AVTOVAZ

S.A.Kochetkova
Chief Accountant, JSC AVTOVAZ

28 September 2012

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

AVTOVAZ GROUP
Interim Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2012
(In millions of Russian Roubles except for earnings per share)



| | Note | Six months ended 30 June | |
|---|------|--------------------------|-----------|
| | | Unaudited | |
| | | 2012 | 2011 |
| Sales | 18 | 89,220 | 82,207 |
| Cost of sales | 19 | (79,790) | (71,520) |
| Gross profit | | 9,430 | 10,687 |
| Administrative expenses | 20 | (6,800) | (6,040) |
| Distribution costs | 21 | (3,985) | (3,969) |
| Research expenses | | (668) | (369) |
| Share of associates' profit | 12 | 880 | 458 |
| Government grant on discounting of an interest-free loan | 15 | 34,387 | 11,332 |
| Other operating income | 22 | 3,149 | 1,109 |
| Other operating expenses | 23 | (780) | (2,181) |
| Operating profit | | 35,613 | 11,027 |
| Finance income | | 401 | 534 |
| Finance costs | | (1,691) | (3,301) |
| Gain from forgiveness of tax debt | | - | 71 |
| Profit before taxation | | 34,323 | 8,331 |
| Income tax expense | 24 | (6,933) | (1,960) |
| Profit for the period | | 27,390 | 6,371 |
| Currency translation adjustment | | (19) | (156) |
| Total other comprehensive loss for the period, net of taxes | | (19) | (156) |
| Total comprehensive income for the period, net of taxes | | 27,371 | 6,215 |
| Profit attributable to: | | | |
| Equity holders of the Company | | 27,394 | 6,458 |
| Non-controlling interests | | (4) | (87) |
| | | 27,390 | 6,371 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | | 27,375 | 6,302 |
| Non-controlling interests | | (4) | (87) |
| Total comprehensive income for the period, net of taxes | | 27,371 | 6,215 |
| Weighted average number of shares outstanding during the period (thousands) | | 2,284,227 | 1,979,742 |
| Earnings per share, basic/diluted (in RR): | | | |
| -for profit for the period attributable to ordinary/preference equity holders of the Company | | 11.99 | 3.26 |

AVTOVAZ GROUP
Interim Consolidated Statement of Cash Flows
for the six months ended 30 June 2012
(In millions of Russian Roubles)



| | Note | Six months ended 30 June | |
|--|--------|--------------------------|----------------|
| | | Unaudited | |
| | | 2012 | 2011 |
| Cash flows from operating activities: | | | |
| Profit before taxation..... | | 34,323 | 8,331 |
| Adjustments for: | | | |
| Depreciation and amortization..... | 9, 10 | 4,155 | 4,482 |
| Charge to/(reversal of) provision for impairment of trade receivables..... | 20 | 43 | (23) |
| (Reversal of)/ charge to provision for impairment of other current assets | 20 | (85) | 49 |
| Provision for impairment of current financial assets..... | 23 | 48 | 12 |
| Provision for impairment of long-term financial assets | 23 | 202 | 293 |
| Provision for impairment of other long-term assets..... | 23 | - | 855 |
| Interest expense..... | | 1,600 | 2,877 |
| Loss on extinguishment of debt..... | | - | 412 |
| Provision for impairment of property, plant and equipment..... | 23 | 42 | 248 |
| Gain from forgiveness of tax debt | | - | (71) |
| (Gain)/loss on disposal of property, plant and equipment..... | 22, 23 | (33) | 370 |
| Share of associates' income..... | 12 | (880) | (458) |
| Government grant on discounting of an interest-free loan..... | 15 | (34,387) | (11,332) |
| Gain on disposal of subsidiaries and associates | 22 | (2,510) | (53) |
| Unrealised foreign exchange effect on non-operating balances | | 79 | 22 |
| Operating cash flows before working capital changes..... | | 2,597 | 6,014 |
| Change in trade receivables | | (3,187) | (579) |
| Change in current financial and other assets | | 1,118 | (3,036) |
| Change in inventories..... | | 446 | (2,453) |
| Change in trade payables and other payables and accrued expenses..... | | (1,508) | (2,010) |
| Change in tax liabilities other than income tax | | 314 | 1,298 |
| Change in advances from customers | | 931 | 347 |
| Cash generated from/(used in) operations | | 711 | (419) |
| Income tax paid | | (124) | (102) |
| Interest received | | 340 | 391 |
| Interest paid | | (370) | (278) |
| Net cash generated from/(used in) operating activities | | 557 | (408) |
| Cash flows from investing activities: | | | |
| Purchase of property, plant and equipment and capitalised development costs..... | | (6,749) | (3,570) |
| Proceeds from the sale of property, plant and equipment | | 85 | 108 |
| Purchase of financial assets..... | | (1,850) | (1,381) |
| Acquisition of a subsidiary, net of cash acquired..... | | (146) | - |
| Proceeds from the sale of financial assets | | 5,104 | 425 |
| Proceeds from the sale of subsidiaries less cash disposed of..... | | 508 | - |
| Dividends received | | - | 29 |
| Net cash used in investing activities | | (3,048) | (4,389) |
| Cash flows from financing activities: | | | |
| Proceeds from loans and borrowings..... | | 7,975 | 156 |
| Repayment of loans and borrowings | | (2,349) | (1,404) |
| Shares paid | | - | 3,261 |
| Prepayment for non-controlling interest..... | | - | (660) |
| Acquisition of non-controlling interests | | (13) | (13) |
| Dividends paid to non-controlling interests..... | | (14) | - |
| Long-term advances received..... | | 35 | 1,600 |
| Net cash generated from financing activities | | 5,634 | 2,940 |
| Effect of exchange rate changes | | 12 | (19) |
| Net increase/(decrease) in cash and cash equivalents | | 3,155 | (1,876) |
| Cash and cash equivalents at the beginning of the period | 4 | 7,563 | 12,689 |
| Cash and cash equivalents at the end of the period | 4 | 10,718 | 10,813 |

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

AVTOVAZ GROUP
Interim Consolidated Statement of Changes in Equity
for the six months ended 30 June 2012
(In millions of Russian Roubles)



| | Equity attributable to equity holders of the Company | | | | | | Non-controlling interests | Total equity |
|--|--|---------------|---------------|---------------------------------|---|---------------|---------------------------|---------------|
| | Share capital | Share premium | Shares paid | Currency translation adjustment | Retained earnings/ (accumulated losses) | Total | | |
| 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) | - | - | - | (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 | 37,001 | - | 12,656 | 159 | (16,338) | 33,478 | 624 | 34,102 |
| Balance at 31 December 2011 | 37,001 | - | 17,471 | 275 | (16,680) | 38,067 | 447 | 38,514 |
| Profit for the period | - | - | - | - | 27,394 | 27,394 | (4) | 27,390 |
| Other comprehensive loss | - | - | - | (19) | - | (19) | - | (19) |
| Total comprehensive income/(loss) | - | - | - | (19) | 27,394 | 27,375 | (4) | 27,371 |
| Dividends | - | - | - | - | - | - | (2) | (2) |
| Acquisition of non-controlling interests | - | - | - | - | (9) | (9) | (4) | (13) |
| Shares registered (Note 17) | 2,171 | 15,300 | (17,471) | - | - | - | - | - |
| Balance at 30 June 2012 | 39,172 | 15,300 | - | 256 | 10,705 | 65,433 | 437 | 65,870 |

**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. 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 President on 28 September 2012.

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 2012 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 2011.

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 2011, except for the adoption of new standards and interpretations as of 1 January 2012, noted below.

IAS 12 - Deferred Tax: Recovery of Underlying Assets (Amendment)

This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

The Group has no investment property or assets valued under IAS 16 using the revaluation model. As a result, the amendment has no impact on the financial statement of the Group.

IFRS 7 - Disclosures - Transfers of financial assets (Amendment)

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)

When an entity's date of transition to IFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011 with early adoption permitted.

The above amendments to IFRSs standards did not have any impact on the accounting policies, financial position or performance of the Group.

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



(In millions of Russian Roubles)

3. Balances and transactions 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. The Group entered into transactions with the following related parties: shareholders, subsidiaries of major shareholders, associates and key management.

In addition, transactions with companies directly or indirectly controlled by the Russian Government are considered to be transactions with related parties, as one of the major shareholders of the Company, the Russian Technologies State Corporation is owned by the Russian Government.

3.1 Balances and transactions with companies directly or indirectly controlled by the Russian Government

As at 30 June 2012 and 31 December 2011 the Company had balances with the companies controlled by the Russian Government, which are detailed below.

| | Unaudited | |
|--|-----------------|---------------------|
| | 30 June 2012 | 31 December 2011 |
| <hr/> Consolidated statement of financial position caption <hr/> | | |
| Cash and cash equivalents | 2,370 | 1,239 |
| Trade receivables before provision charge | 516 | 296 |
| Provision for impairment of trade receivables | (212) | (215) |
| Advances issued | 1,468 | 1,740 |
| Other current assets | 1,589 | 1,626 |
| Provision for impairment of other current assets | (1,572) | (1,572) |
| Current financial assets before provision charge | 1,927 | 4,681 |
| Provision for impairment of current financial assets | (626) | (639) |
| Trade payables | 474 | 957 |
| Other payables | 20 | 252 |
| Loans and borrowings | 8,154 | 3,590 |
| Letters of credit | 418 | 584 |
| Collateral issued by the Company | 5,303 | 4,285 |
| Loans received from the Russian Technologies State Corporation | 7,352 | 42,182 |

During the six months ended 30 June 2012 and 30 June 2011 the Company entered into transactions with the companies controlled by the Russian Government, which are detailed below.

| | Unaudited | |
|--|-------------------------------------|-------------------------------------|
| | Six months ended 30 June 2012 | Six months ended 30 June 2011 |
| <hr/> Consolidated statement of comprehensive income caption <hr/> | | |
| Sales | 627 | 127 |
| Purchases of services, goods and inventory | 11,044 | 9,036 |
| Interest income | 133 | 154 |
| Interest expenses | 194 | 11 |

In the course of its ordinary business, the Group enters into transactions with the companies controlled by the Russian Government. In the Russian Federation, electricity and transport tariffs are regulated by the Federal Tariff Service, an authorized governmental agency of the Russian Federation. Bank loans are recorded based on the market interest rates. Taxes are accrued and paid in accordance with the applicable tax law.

For details of loans received from the Russian Technologies State Corporation see Note 15.

3.2 Balances and transactions with other related parties

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 2012 and 31 December 2011, except for companies directly or indirectly controlled by the Russian Government, are detailed below.

| Consolidated statement of financial position caption | Relationship | Unaudited | |
|---|-------------------------------------|-----------------|---------------------|
| | | 30 June 2012 | 31 December 2011 |
| Trade receivables | Associates | 818 | 978 |
| Advances issued | Subsidiary of a major shareholder | 1,103 | 1,352 |
| Trade payables | Associates | 249 | 246 |
| Trade payables | Associates of a major shareholder | 104 | 480 |
| Trade payables | Subsidiaries of a major shareholder | 222 | 28 |
| Advances received | Associate of a major shareholder | 2,461 | 2,426 |


3. Balances and transactions with related parties (continued)
3.2 Balances and transactions with other related parties (continued)

The transactions with related parties for the six months ended 30 June 2012 and 30 June 2011 were as follows:

| | Relationship | Unaudited | |
|--|---|----------------------------------|----------------------------------|
| | | Six months ended 30 June 2012 | Six months ended 30 June 2011 |
| Sales | Associates | 4,066 | 3,479 |
| Sales | Associates of a major shareholder | 33 | - |
| Purchases of goods and inventory | Associates | 1,042 | 2,414 |
| Purchases of inventory | Associates of a major shareholder | 46 | - |
| Purchases of equipment | Associates of a major shareholder | 1 | - |
| Purchases of services | Associates of a major shareholder | 3 | 137 |
| Purchases of inventory | Subsidiaries of a major shareholder | 759 | - |
| Purchases of equipment | Subsidiaries of a major shareholder | 321 | - |
| Purchases of intangible assets | Subsidiaries of a major shareholder | 59 | - |
| Purchases of services | Subsidiaries of a major shareholder | 178 | - |
| Reversal of provision for impairment of assets | Associates | 2 | - |
| Interest income | Associate bank | - | 119 |
| Other services | Shareholder | 8 | 2 |
| Administrative expenses | Short-term employee benefits - compensation of the Key Management | 92 | 97 |

4. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

| | Unaudited 30 June 2012 | 31 December 2011 |
|---|------------------------------|---------------------|
| Short-term bank promissory notes and deposits | 5,398 | 3,650 |
| Rouble-denominated cash on hand and balances with banks | 5,254 | 3,913 |
| | 10,652 | 7,563 |

For the purpose of the consolidated cash flow statement, cash and cash equivalents consisted of the following:

| | Unaudited 30 June 2012 | 31 December 2011 |
|---|------------------------------|---------------------|
| Short-term bank promissory notes and deposits | 5,398 | 3,650 |
| Rouble-denominated cash on hand and balances with banks | 5,254 | 3,913 |
| Rouble-denominated cash on hand and balances with banks attributable to assets of disposal group classified as held for sale | 66 | - |
| | 10,718 | 7,563 |

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 | 3 to 6 months | 6 to 12 months |
| 31 December 2011 | 4,305 | 4,149 | 55 | 5 | 96 |
| 30 June 2012 (unaudited) | 7,133 | 6,997 | 64 | 33 | 39 |

As at 30 June 2012 provision for impairment of trade receivables was RR 1,323 (31 December 2011: RR 1,440). For the six months ended 30 June 2012 charge to provision for impairment of trade receivables was RR 43 (reversal of provision for impairment for the six months ended 30 June 2011: RR 23), see Note 20.


6. Financial assets – current

Current financial assets consisted of the following:

| | Unaudited | |
|---|------------------|--------------|
| | 30 June | 31 December |
| | 2012 | 2011 |
| Deposit accounts | 2,423 | 5,743 |
| Rouble-denominated loans less provision | 1,306 | 1,237 |
| Financial assets at fair value through profit or loss | - | 21 |
| | 3,729 | 7,001 |

As at 30 June 2012 provision for impairment of current financial assets was RR 2,663 (31 December 2011: RR 2,802). For the six months ended 30 June 2012 charge to provision for impairment of current financial assets was RR 48 (for the six months ended 30 June 2011: RR 12), see Note 23.

7. Inventories

Inventories consisted of the following:

| | Unaudited | |
|------------------|------------------|---------------|
| | 30 June | 31 December |
| | 2012 | 2011 |
| Raw materials | 11,854 | 12,641 |
| Work in progress | 3,576 | 3,890 |
| Finished goods | 7,261 | 7,814 |
| | 22,691 | 24,345 |

As at 30 June 2012 inventories are recorded net of obsolescence provision of RR 1,404 (31 December 2011: RR 1,474). As at 30 June 2012 the carrying amount of finished goods recorded at net realisable value was RR 1,197 (31 December 2011: RR 280).

For the six months ended 30 June 2012 the reversal of write-down of inventories recognised as income was RR 70 (for the six months ended 30 June 2011 the cost of write-down of inventories recognised as an expense: RR 99).

8. Other current assets

Other current assets consisted of the following:

| | Unaudited | |
|--|------------------|--------------|
| | 30 June | 31 December |
| | 2012 | 2011 |
| Value added tax | 1,471 | 2,228 |
| Construction in progress in relation to real estate for resale | 183 | 1,088 |
| Prepaid expenses and other receivables less provision | 2,243 | 2,467 |
| | 3,897 | 5,783 |

As at 30 June 2012 provision for impairment of other current assets was RR 3,243 (31 December 2011: RR 3,357). For the six months ended 30 June 2012 reversal of provision for impairment of other current assets was RR 85 (charge to provision for impairment for the six months ended 30 June 2011: RR 49), see Note 20.

9. Property, plant and equipment

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

| | Unaudited |
|--|------------------|
| Balance at 31 December 2010 | 53,452 |
| Additions | 2,795 |
| Disposals | (478) |
| Depreciation and impairment | (4,541) |
| Balance at 30 June 2011 | 51,228 |
| Balance at 31 December 2011 | 61,673 |
| Additions | 5,490 |
| Assets of disposal group classified as held for sale | (1,040) |
| Disposals | (773) |
| Depreciation and impairment | (4,008) |
| Balance at 30 June 2012 | 61,342 |



10. Intangible assets

Intangible assets included development costs and licenses and consisted of the following:

| | Unaudited |
|------------------------------------|------------------|
| Balance at 31 December 2010 | 10,353 |
| Additions | 305 |
| Write-off | (210) |
| Amortization | (189) |
| Balance at 30 June 2011 | 10,259 |
| Balance at 31 December 2011 | 11,225 |
| Additions | 356 |
| Amortization | (189) |
| Balance at 30 June 2012 | 11,392 |

11. Financial assets – long-term

Long-term financial assets consisted of the following:

| | Unaudited | |
|-------------------------------------|------------------|------------------|
| | 30 June | 31 December 2011 |
| | 2012 | |
| Loans issued | 43 | 50 |
| Available-for-sale financial assets | 25 | 26 |
| Financial assets held to maturity | - | 49 |
| | 68 | 125 |

As at 30 June 2012 provision for impairment of long-term financial assets was RR 441 (31 December 2011: RR 237). For the six months ended 30 June 2012 charge to provision for impairment of long-term financial assets was RR 202 (for the six months ended 30 June 2011: RR 293), see Note 23.

12. Investments in associates

| | Unaudited |
|--|------------------|
| Balance at 31 December 2010 | 3,572 |
| Share of profit | 458 |
| Disposals | (102) |
| Dividends received | (29) |
| Balance at 30 June 2011 | 3,899 |
| Balance at 31 December 2011 | 2,992 |
| Share of profit | 880 |
| Disposals | (30) |
| Assets of disposal group classified as held for sale | (67) |
| Balance at 30 June 2012 | 3,775 |

Investments in associates consisted of the following:

| | Unaudited | |
|----------------|------------------|-------------|
| | 30 June | 31 December |
| | 2012 | 2011 |
| ZAO GM-AVTOVAZ | 3,531 | 2,663 |
| Other | 244 | 329 |
| | 3,775 | 2,992 |



(In millions of Russian Roubles)

13. Other long-term assets

Other long-term assets consisted of the following:

| | Unaudited | |
|--------------------------------------|------------------|--------------|
| | 30 June | 31 December |
| | 2012 | 2011 |
| Prepayments for long-term assets | 1,401 | 700 |
| Prepayments for technical assistance | 1,103 | 1,352 |
| Long-term rent of property | 777 | 786 |
| Software | 221 | 262 |
| Long-term receivables | 137 | 129 |
| Other | 140 | 14 |
| | 3,779 | 3,243 |

As at 30 June 2012 provision for impairment of other long-term assets was RR 507 (31 December 2011: RR 857). For the six months ended 30 June 2012 charge to provision for impairment of other long-term assets was nil (for the six months ended 30 June 2011: RR 855), see Note 23.

14. Other payables and accrued expenses

Other payables and accrued expenses consisted of the following:

| | Unaudited | |
|---|------------------|--------------|
| | 30 June | 31 December |
| | 2012 | 2011 |
| Salaries payable and vacation accrual | 2,695 | 3,295 |
| Settlements on promissory note transactions | 961 | 961 |
| Accrued interest | 259 | 155 |
| Dividends payable | 162 | 174 |
| Advances received by the subsidiary-real estate developer | 79 | 1,056 |
| Government grants | 10 | 10 |
| Unearned insurance premiums and reserves for claims | - | 81 |
| Other | 810 | 910 |
| | 4,976 | 6,642 |

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

15. Loans and borrowings

Loans and borrowings consisted of the following:

| | Unaudited | |
|---------------------------------|------------------|---------------|
| | 30 June | 31 December |
| | 2012 | 2011 |
| Short-term loans and borrowings | 9,466 | 7,296 |
| Long-term loans and borrowings | 14,607 | 46,373 |
| | 24,073 | 53,669 |

In June 2012 the Company signed amendments to the loan agreements with the Russian Technologies State Corporation for total nominal value of RR 52,388 and prolonged the repayment period of these loans up to 2032. These changes in loans terms were considered by the Company as substantial modification of the terms of existing financial liability and accounted for as extinguishment of the original financial liability and recognition of a new financial liability. This new financial liability was discounted using the prevailing market rate of interest for a similar instrument of 12.6%. Gain from discounting was recorded in the statement of comprehensive income for the six months ended 30 June 2012 in the amount of discounting less related costs which the grant is intended to compensate.

The Russian Technologies State Corporation extinguished a loan of RR 1,965 that had been previously provided to the Company in exchange for 100% of OOO ZIP.


(In millions of Russian Roubles)
16. Taxes other than income tax
Taxes payable other than income tax – current

Current taxes payable consisted of the following:

| | Unaudited | |
|---------------------------------|-------------------------|---------------------|
| | 30 June 2012 | 31 December 2011 |
| Value added tax | 1,008 | 771 |
| Property and other taxes | 680 | 693 |
| Social taxes | 649 | 673 |
| Penalties and interest on taxes | 3 | 35 |
| | 2,340 | 2,172 |

17. Share capital

The carrying value and the legal value of share capital subscribed, authorised, issued and fully paid up, as represented by classes of shares, were as follows:

| | Unaudited | | | 31 December 2011 | | |
|--|----------------------|--------------------------------------|----------------------------|------------------|-----------------------------|--------------------|
| | 30 June 2012 | | | | | |
| | 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 | 1,822,463,131 | 9,112 | 29,937 | 1,388,289,720 | 6,941 | 27,766 |
| Total outstanding share capital | 2,284,227,431 | 11,421 | 39,172 | 1,850,054,020 | 9,250 | 37,001 |

In June 2012 the Annual Shareholders' Meeting made a decision not to pay dividends on ordinary and preference shares of the Company in respect of 2011.

During 2011 434,173,411 ordinary shares at par value of 5 Russian roubles were placed among existing shareholders at the price of 40.24 Russian roubles per share. All registration procedures were completed in February 2012.

18. Sales

The components of sales revenue were as follows:

| | Unaudited | |
|---|--|----------------------------------|
| | Six months ended 30 June 2012 | Six months ended 30 June 2011 |
| Finished vehicles and assembly kits of own production | 75,846 | 74,163 |
| Dealership sales of other producers' vehicles | 877 | 495 |
| Automotive components | 7,059 | 4,209 |
| Other sales | 5,438 | 3,340 |
| | 89,220 | 82,207 |
| Domestic sales | 80,908 | 75,856 |
| Sales in EU countries | 821 | 723 |
| Other sales | 7,491 | 5,628 |
| | 89,220 | 82,207 |

19. Cost of sales

The components of cost of sales were as follows:

| | Unaudited | |
|---|--|----------------------------------|
| | Six months ended 30 June 2012 | Six months ended 30 June 2011 |
| Materials and components, goods for resale | 58,386 | 53,219 |
| Labour costs | 11,968 | 11,807 |
| Production overheads and other expenses | 4,018 | 3,401 |
| Depreciation and amortization | 3,943 | 4,288 |
| Social expenses | 608 | 559 |
| Changes in inventories of finished goods and work in progress | 867 | (1,754) |
| | 79,790 | 71,520 |


20. Administrative expenses

The components of administrative expenses were as follows:

| | Unaudited | |
|---|----------------------------------|----------------------------------|
| | Six months ended 30 June 2012 | Six months ended 30 June 2011 |
| Labour costs | 3,602 | 3,034 |
| Third parties' services | 851 | 667 |
| Local and regional taxes | 849 | 948 |
| Materials | 361 | 344 |
| Transportation | 347 | 372 |
| Depreciation | 194 | 178 |
| Rent | 83 | 48 |
| Bank services | 61 | 82 |
| Charge to/(reversal of) provision for impairment of trade receivables (Note 5) | 43 | (23) |
| (Reversal of)/charge to provision for impairment of other current assets (Note 8) | (85) | 49 |
| Other | 494 | 341 |
| | 6,800 | 6,040 |

21. Distribution costs

The components of distribution costs were as follows:

| | Unaudited | |
|----------------|----------------------------------|----------------------------------|
| | Six months ended 30 June 2012 | Six months ended 30 June 2011 |
| Transportation | 1,872 | 1,830 |
| Labour costs | 878 | 836 |
| Materials | 385 | 369 |
| Advertising | 352 | 516 |
| Depreciation | 18 | 16 |
| Other | 480 | 402 |
| | 3,985 | 3,969 |

22. Other operating income

The components of other operating income were as follows:

| | Unaudited | |
|---|----------------------------------|----------------------------------|
| | Six months ended 30 June 2012 | Six months ended 30 June 2011 |
| Gain on disposal of subsidiaries and associates | 2,510 | 53 |
| Foreign exchange gain | 81 | - |
| Gain on disposal of property, plant and equipment | 33 | - |
| Government subsidy | - | 415 |
| Other operating income | 525 | 641 |
| | 3,149 | 1,109 |

23. Other operating expenses

The components of other operating expenses were as follows:

| | Unaudited | |
|--|----------------------------------|----------------------------------|
| | Six months ended 30 June 2012 | Six months ended 30 June 2011 |
| Provision for impairment of long-term financial assets (Note 11) | 202 | 293 |
| Provision for impairment of current financial assets (Note 6) | 48 | 12 |
| Provision for impairment of property, plant and equipment | 42 | 248 |
| Provision for impairment of other long-term assets (Note 13) | - | 855 |
| Loss on disposal of property, plant and equipment | - | 370 |
| Other operating expenses | 488 | 403 |
| | 780 | 2,181 |


24. Income tax expense

| | Unaudited | |
|------------------------------|--|--|
| | Six months ended 30 June 2012 | Six months ended 30 June 2011 |
| Income tax expense – current | 119 | 122 |
| Deferred tax expense | 6,814 | 1,838 |
| | 6,933 | 1,960 |

25. Assets of disposal group classified as held for sale

In 2012 management of the Group decided to sell 100% of the subsidiaries OAO AvtoVAZtrans and OOO VMZ. The subsidiaries' activities related to Other segments.

The following amounts represent the major classes of assets and liabilities of OAO AvtoVAZtrans and OOO VMZ as at 30 June 2012:

| | Unaudited 30 June 2012 |
|---------------------------|---------------------------------------|
| Assets: | |
| Long-term assets | 1,240 |
| Cash and cash equivalents | 66 |
| Current assets | 1,495 |
| Total assets | 2,801 |
| Liabilities: | |
| Long-term liabilities | 50 |
| Current liabilities | 663 |
| Total liabilities | 713 |

26. Contingencies, commitments and guarantees

As at 30 June 2012 the Group had contractual commitments for the purchase of property, plant and equipment from third parties of RR 3,414 (31 December 2011: RR 8,219). In addition, the Group issued financial guarantees to third parties in the amount of RR 16 (31 December 2011: RR 89). 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 2012 | 31 December 2011 |
|--|-----------------------------------|-------------------------|
| Not later than 1 year | 233 | 233 |
| Later than 1 year and not later than 5 years | 931 | 931 |
| Later than 5 years | 7,797 | 7,913 |
| | 8,961 | 9,077 |

The amount of lease payments recognised as an expense for the six months ended 30 June 2012 was RR 116 (for the six months ended 30 June 2011: RR 188).

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 produced by the Company and OOO OAG, which was acquired in October 2011;
- dealership network - sales and services provided by technical centres; and
- 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 other subsidiaries that are engaged in non-core activities.

Management monitors operating results of the 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.


27. Segment information (continued)

The following table represents information about revenue, profit and assets of the Group's operating segments:

| Unaudited Six months ended 30 June | Automotive | | Dealership network | | Other segments | | Eliminations | | Total | |
|---|------------|---------|-----------------------|--------|----------------|-------|--------------|----------|---------------|--------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenue | | | | | | | | | | |
| Sales to external customers | 65,822 | 56,895 | 13,768 | 20,415 | 9,630 | 4,897 | | | 89,220 | 82,207 |
| Inter-segment sales | 22,339 | 25,971 | 299 | 608 | 4,474 | 2,164 | (27,112) | (28,743) | - | - |
| Total revenue | 88,161 | 82,866 | 14,067 | 21,023 | 14,104 | 7,061 | (27,112) | (28,743) | 89,220 | 82,207 |
| Results | | | | | | | | | | |
| Depreciation and amortization | (3,033) | (3,463) | (68) | (83) | (426) | (79) | - | - | (3,527) | (3,625) |
| Impairment of assets | 1,189 | 78 | (18) | (31) | 106 | 4 | - | - | 1,277 | 51 |
| Interest expense | (334) | (170) | (96) | (135) | (86) | (72) | - | - | (516) | (377) |
| Income tax (expense)/benefit | (34) | (544) | (65) | (111) | 19 | (56) | - | - | (80) | (711) |
| Statutory (loss)/profit for the period | (1,063) | 2,065 | 152 | 156 | (501) | 277 | - | - | (1,412) | 2,498 |
| IFRS adjustments, net of deferred tax | | | | | | | | | | |
| Discounting of loan received from Russian Technologies State Corporation, net of interest expense | | | | | | | | | 26,744 | 6,884 |
| Adjustments attributable to property, plant and equipment | | | | | | | | | (550) | (1,198) |
| Adjustments attributable to research and development expenses | | | | | | | | | (124) | (223) |
| Provision for impairment of assets | | | | | | | | | (747) | (860) |
| Dividends received from an associate company | | | | | | | | | - | (26) |
| Reversal of provision for one-off payment to employees | | | | | | | | | 664 | - |
| Gain on disposal of subsidiaries and associates | | | | | | | | | 1,931 | - |
| Other | | | | | | | | | 884 | (704) |
| IFRS profit for the period | | | | | | | | | 27,390 | 6,371 |

Inter-segment revenues are eliminated on consolidation.

| | Automotive | | Dealership network | | Other segments | | Eliminations | | Total | |
|---|-----------------|------------------------|--------------------|------------------------|-----------------|------------------------|-----------------|------------------------|-----------------|------------------------|
| | Unaudited | | Unaudited | | Unaudited | | Unaudited | | Unaudited | |
| | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 | 30 June 2012 | 31 December 2011 |
| Segment assets | 141,398 | 138,948 | 12,589 | 12,144 | 18,299 | 16,321 | (31,240) | (26,659) | 141,046 | 140,754 |
| IFRS adjustments | | | | | | | | | | |
| Adjustments attributable to fixed assets | | | | | | | | | (6,154) | (6,663) |
| Adjustment related to deferred tax assets | | | | | | | | | (2,484) | (4,796) |
| Charge to provision for impairment of assets | | | | | | | | | (1,574) | (1,632) |
| Adjustment attributable to development expenses | | | | | | | | | 410 | (50) |
| Others | | | | | | | | | 490 | 964 |
| IFRS total assets | | | | | | | | | 131,734 | 128,577 |

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



28. Events after the reporting period

In June 2012 the Company and Renault s.a.s. signed a loan agreement in the amount of Euro 52,070 thousand (or RR 2,152) at the interest rate of 5.7% p.a. with the maturity date on 1 December 2023. In July 2012 the cash was transferred to the Company's bank account.