

SOLLERS GROUP

**CONSOLIDATED CONDENSED
INTERIM FINANCIAL INFORMATION
AND REVIEW REPORT**

30 JUNE 2015

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Report on Review of Consolidated Condensed Interim Financial Information

To the Shareholders and Board of Directors of Public Joint Stock Company “Sollers”:

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Joint Stock Company Sollers and its subsidiaries (the “Group”) as of 30 June 2015 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 information 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

28 August 2015
Moscow, Russian Federation

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This version of our report is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation."

Sollers Group
Consolidated Condensed Interim Statement of Financial Position at 30 June 2015
(Amounts translated into US Dollars for convenience purposes, Note 2)

	Note	Russian Roubles million		Supplementary information US\$ million (Note 2)	
		At 30 June 2015	At 31 December 2014	At 30 June 2015	At 31 December 2014
ASSETS					
Non-current assets:					
Property, plant and equipment	5	10,377	9,602	187	171
Goodwill		1,484	1,484	27	26
Development costs	6	485	434	9	8
Other intangible assets		184	149	3	3
Deferred income tax assets		891	616	16	11
Investments in joint ventures and associates	7	2,723	9,756	49	173
Financial instruments	7	6,969	-	126	
Other financial assets		31	51	1	1
Other non-current assets		119	869	2	15
Total non-current assets		23,263	22,961	420	408
Current assets:					
Inventories	8	7,225	5,675	130	100
Trade and other receivables	9	3,696	6,050	67	108
Other current assets		5	10	-	-
Cash and cash equivalents	10	1,024	6,484	18	115
Total current assets		11,950	18,219	215	323
TOTAL ASSETS		35,213	41,180	635	731
LIABILITIES AND EQUITY					
Equity					
Share capital	11	530	530	10	9
Share premium	11	4,538	4,538	82	81
Additional paid-in capital	11	1,438	1,438	26	26
Retained earnings		7,220	5,862	130	104
Equity attributable to the Company's owners		13,726	12,368	248	220
Non-controlling interest		475	1,092	8	19
Total equity		14,201	13,460	256	239
Non-current liabilities:					
Long-term borrowings	13	3,306	3,396	60	60
Deferred income tax liabilities		624	947	11	17
Other long-term liabilities		6	2	-	-
Total non-current liabilities		3,936	4,345	71	77
Current liabilities:					
Trade accounts payable		6,924	9,560	125	170
Advances received and other payables	12	3,457	2,741	62	48
Taxes payable		1,490	2,034	27	36
Warranty and other provisions		559	526	10	10
Short-term borrowings	13	4,646	8,514	84	151
Total current liabilities		17,076	23,375	308	415
Total liabilities		21,012	27,720	379	492
TOTAL LIABILITIES AND EQUITY		35,213	41,180	635	731

Approved and signed 28 August 2015:


 General Director
 V.A. Shvetsov


 Chief Financial Officer
 N.A. Sobolev

Sollers Group

Consolidated Condensed Interim Statement of Comprehensive Income for the six-month period ended 30 June 2015

(Amounts translated into US Dollars for convenience purposes, Note 2)

	Note	Russian Roubles million		Supplementary information US\$ million (Note 2)	
		Six-months ended 30 June		Six-months ended 30 June	
		2015	2014	2015	2014
Sales	14	15,690	23,596	273	674
Cost of sales		(12,506)	(19,560)	(218)	(559)
Gross profit		3,184	4,036	55	115
Distribution costs		(765)	(990)	(13)	(28)
General and administrative expenses		(1,160)	(1,395)	(20)	(40)
Other operating income, net		(19)	685	-	20
Operating profit		1,240	2,336	22	67
Finance costs, net		(382)	(411)	(7)	(12)
Financial instrument recognition	7	6,969	-	121	-
Share of loss of impaired joint venture, including impairment	7	(6,973)	(1,712)	(121)	(49)
Share of profit of joint ventures and associates	7	8	375	-	11
Profit before income tax		862	588	15	17
Income tax income / (expense)		76	(332)	1	(10)
Profit for the period		938	256	16	7
Total comprehensive income for the period		938	256	16	7
Profit is attributable to:					
Owners of the Company		940	184	16	5
Non-controlling interest		(2)	72	-	2
Profit for the period		938	256	16	7
Total comprehensive income is attributable to:					
Owners of the Company		940	184	16	5
Non-controlling interest		(2)	72	-	2
Total comprehensive income for the period		938	256	16	7
Weighted average number of shares outstanding during the period (in thousands of shares) – basic		34,270	34,270	34,270	34,270
Weighted average number of shares outstanding during the period (in thousands of shares) – diluted		34,270	34,270	34,270	34,270
Earnings per share (in Russian Roubles and US\$) – basic		27.44	5.35	0.48	0.15
Earnings per share (in Russian Roubles and US\$) – diluted		27.44	5.35	0.48	0.15

Other than as presented above, the Group did not have any items to be recorded as other comprehensive income in the statement of comprehensive income (six months ended 30 June 2014: no items).

Sollers Group
Consolidated Condensed Interim Statement of Cash Flows
for the six-month period ended 30 June 2015
(Amounts translated into US Dollars for convenience purposes, Note 2)

	Russian Roubles million		Supplementary information US\$ million (Note 2)	
	Six months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
Cash flows from operating activities				
Profit before income tax	862	588	15	17
Adjustments for:				
Depreciation	455	407	8	12
Amortisation	94	115	2	3
Research and development cost write-off	-	5	-	-
Provision for impairment of receivables	62	10	1	-
Interest expense	556	462	10	13
Financial instrument recognition	(6,969)	-	(121)	-
Share of loss of joint ventures and associates, including impairment	6,965	1,337	121	38
Other provision movements	(199)	(484)	(3)	(14)
Expenses financed by government grant	3	(2)	-	-
Gain on sale of property, plant and equipment and other non-current assets	(8)	(717)	-	(20)
Loss on disposal of investments	-	(7)	-	-
Inventory provision movement	163	(23)	3	(1)
Operating cash flows before working capital changes	1,984	1,691	36	48
Decrease/(increase) in accounts receivable and prepayments	2,521	(2,435)	44	(70)
Increase in inventories	(1,680)	(333)	(30)	(10)
(Increase)/decrease in other current assets	(1)	31	-	1
(Decrease)/increase in accounts payable, advances received and other payables	(1,598)	861	(28)	25
(Decrease)/increase in taxes payable, other than income tax	(445)	516	(8)	15
Cash provided from operations	781	331	14	9
Income tax paid	(772)	(569)	(14)	(16)
Interest paid	(656)	(449)	(11)	(13)
Net cash used in operating activities	(647)	(687)	(11)	(20)
Cash flows from investing activities:				
Purchase of property, plant and equipment	(594)	(832)	(10)	(24)
Proceeds from the sale of property, plant and equipment	44	1,058	1	30
Development costs	(96)	(54)	(2)	(1)
Purchase of intangibles and other non-current assets	(83)	(29)	(1)	(1)
Sale of subsidiaries, net of cash disposed	-	4	-	-
Dividends received from joint ventures	72	40	1	1
Net cash (used in)/from investing activities	(657)	187	(11)	5
Cash flows from financing activities				
Proceeds from borrowings	7,678	4,351	134	124
Repayment of borrowings	(11,637)	(4,911)	(203)	(140)
Purchase of non-controlling interest in Group's subsidiary	(197)	(554)	(3)	(16)
Dividends paid to the Group's shareholders	-	(1,733)	-	(49)
Net cash used in financing activities	(4,156)	(2,847)	(72)	(81)
Net decrease in cash and cash equivalents	(5,460)	(3,347)	(94)	(96)
Effect of exchange rate changes on cash and cash equivalents	-	-	(3)	(8)
Cash and cash equivalents at the beginning of the period	6,484	6,020	115	184
Cash and cash equivalents at the end of the period	1,024	2,673	18	80

The accompanying notes on page 8 to 17 are an integral part of this consolidated condensed interim financial information.

Sollers Group**Consolidated Condensed Interim Statement of Changes in Equity for the six-month period ended 30 June 2015***(in millions of Russian Roubles)*

	Share capital	Share premium	Additional paid-in-capital	Retained earnings	Attributable to equity shareholders of the Company	Non-controlling interest	Total equity
Balance at 31 December 2013	530	4,538	1,438	9,187	15,693	5,083	20,776
Profit for the period	-	-	-	184	184	72	256
Total recognised income for the reporting period	-	-	-	184	184	72	256
Change of interest in subsidiary (Note 17)	-	-	-	567	567	(567)	-
Purchase of non-controlling interest in subsidiary	-	-	-	(62)	(62)	(492)	(554)
Dividends	-	-	-	(1,801)	(1,801)	-	(1,801)
Balance at 30 June 2014	530	4,538	1,438	8,075	14,581	4,096	18,677
Balance at 31 December 2014	530	4,538	1,438	5,862	12,368	1,092	13,460
Profit for the period	-	-	-	940	940	(2)	938
Total recognised income for the reporting period	-	-	-	940	940	(2)	938
Change of interest in subsidiary (Note 17)	-	-	-	309	309	(309)	-
Purchase of non-controlling interest in subsidiary	-	-	-	109	109	(306)	(197)
Balance at 30 June 2015	530	4,538	1,438	7,220	13,726	475	14,201

The accompanying notes on page 8 to 17 are an integral part of this consolidated condensed interim financial information.

1 The Sollers Group and its operations

This consolidated condensed interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” for the six-month period ended 30 June 2015 for Sollers JSC (the “Company”) and its subsidiaries (the “Group”).

The Company and the Group’s principal activity are the manufacture and sale of vehicles, including automotive components, assembly kits and engines. The Group’s manufacturing facilities are primarily based in Ulyanovsk and the Nizhniy Novgorod region in the Russian Federation.

Since February 2013 the Group relocated SsangYong SUVs’ production from the Group’s subsidiary site to JV Mazda-Sollers’ production facilities. During the first half 2015 the Group continues exclusive distribution of the SsangYong SUVs.

In 2011 the Group established the joint venture with Ford. Joint venture’s production assets are located in Vsevolozhsk in the St.Petersburg region, Naberezhnye Chelny and Elabuga in the Republic of Tatarstan. Ford-Sollers joint venture is exclusive manufacturer and distributor of Ford branded vehicles in Russia.

By the end of 2011 the Group established the joint venture with Japanese Mitsui&Co., Ltd located in Vladivostok. Toyota vehicles production started in February 2013.

During the second half 2012 the Group finalized the foundation of the joint venture with Mazda Motor Corporation in Vladivostok also for production of Mazda SUVs and passenger cars. Mazda-Sollers joint venture launched the production of Mazda SUVs in September 2012 and of passenger cars in April 2013.

In August 2012 the Group disposed 16% stake in joint venture Sollers-Isuzu and recognised the remained investment as 50%-50% joint venture. The Sollers-Isuzu production of lights-duty trucks is located in Ulyanovsk.

The Company was incorporated as an open joint stock company in the Russian Federation in March 2002 by OAO “Severstal” (the predecessor) by contributing its controlling interests in OAO “Ulyanovsky Avtomobilny Zavod” (OAO “UAZ”) and OAO “Zavolzhskiy Motor Works” (OAO “ZMZ”), which were acquired through purchases close to the end of 2000, in exchange for the Company’s share capital.

The immediate parent company is ERFIX LLC. The ultimate controlling party of the Group is Vadim Shvetsov.

The Company’s shares are listed on MICEX-RTS.

The registered office of the Company is Testovskaya street, 10, Moscow, Russian Federation.

This consolidated condensed interim financial information was approved for issue by the General Director and Chief Financial Officer on 28 August 2015.

31 July 2015 Sollers OJSC was renamed to Sollers PJSC. This fact was registered in revised edition of the Company’s Charter and approved by the General Shareholders’ Meeting. The name was changed to comply with Civil Code of Russia requirements.

Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations (Note 16).

During 2014-2015 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result during 2014:

- the CBRF exchange rate increased from RR 32.7292 per USD at the beginning of the reporting period to RR 56.2584 per USD at the end of the reporting period;
- the CBRF key refinancing interest rate increased from 5.5% p.a. to 17.0% p.a. including an increase from 12.0% p.a. to 17.0% p.a. on 16 December 2014;

1. The Sollers Group and its operations (continued)

Operating Environment of the Group (continued)

- the RTS stock exchange index ranged between 1 443 and 791;
- access to international financial markets to raise funding was limited for certain entities; and
- capital outflows increased compared to prior years.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. In January-June 2015:

- the CBRF exchange rate changed from RR 56,2584 per USD to RR 55,5240 per USD by 30 June 2015;
- the CBRF key refinancing interest rate decreased from 17.0% p.a. to 11.5% p.a. by 30 June 2015;
- Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+, putting it below investment grade for the first time in a decade. Moody's Investors Service and Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible.
- the RTS stock exchange index ranged between 791 and 940 by 30 June 2015; and
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict.

Given macroeconomic factors resulted in certain operational cost reduction measures implemented by management in order to maintain short to medium-term profitability. Management is confident that long-term business plans of the joint ventures are sustainable.

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

Management is unable to predict all developments 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.

2 Basis of preparation and significant accounting policies

2.1 Basis of preparation

This consolidated condensed interim financial information has been prepared in accordance with International Accounting Standard No. 34 "Interim financial reporting" ("IAS 34"). This consolidated condensed interim financial information does not contain all the information required for the preparation of the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards ("IFRS").

2.2 Significant accounting policies

The accounting policies adopted and critical accounting estimates are consistent with those of the annual consolidated financial statements for the year ended 31 December 2014. The Group has adopted all new standards and interpretations that were effective from 1 January 2015. The impact of the adoption of these new standards and interpretations has not been significant with respect to this consolidated condensed interim financial information.

2 Basis of preparation and significant accounting policies (continued)**2.3 Supplementary information**

U.S. Dollar (“US\$”) amounts shown in the primary statements are translated from the RR as a matter of arithmetic computation only, at the official rate of the Central Bank of the Russian Federation at 30 June 2015 of Russian Rouble 55.5240 = US\$ 1 (at 31 December 2014 of Russian Rouble 56.2584 = US\$ 1). The statements of income and cash flow have been translated at the average exchange rates during the six-month period ended 30 June 2015 of Russian Rouble 57.40 = US\$ 1 and 30 June 2014 of Russian Rouble 34.98 = US\$ 1. The US\$ amounts are presented solely for the convenience of the reader, and should not be treated as a representation that RR amounts have been or could have been converted to the US\$ at this rate, nor that the US\$ amounts present fairly the financial position and results of operations and cash flows of the Group in accordance with IFRS.

Exchange restrictions and currency controls exist relating to converting the RR into other currencies. The RR is not freely convertible in most countries outside of the Russian Federation.

3 Adoption of New or Revised Standards and Interpretations and New Accounting Pronouncements

There are no new IFRSs or IFRICs that are effective for the first time for this interim period that would be expected to have a material impact on this Group.

4 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 with, or exercises significant influence over the other party in making financial and operational decisions as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

4.1 Balances and transactions with related parties

Balances with related parties of the Group as at 30 June 2015 and 31 December 2014 consist of the following:

Balances

Nature of relationship	Parent company	Associates and joint ventures	Other related parties	Total
As at 30 June 2015				
Accounts receivable	-	13	140	153
Trade and other payables	-	1,942	340	2,282
As at 31 December 2014				
Accounts receivable	-	23	45	68
Trade and other payables	-	3,688	370	4,058

4 Balances and transactions with related parties (continued)**4.1 Balances and transactions with related parties (continued)**

Transactions with related parties of the Group for the six-month periods ended 30 June 2015 and 30 June 2014 consist of the following:

Transactions

Nature of relationship	Parent company	Associates and joint ventures	Other related parties	Total
Six-month period ended 30 June 2015				
Sales of vehicles and components	-	13	-	13
Sales of non-current assets and services	-	52	108	160
Purchases of goods and services	-	791	636	1,427
Dividends	-	-	-	-
Six-month period ended 30 June 2014				
Sales of vehicles and components	-	74	-	74
Sales of non-current assets and services	-	66	-	66
Purchases of goods and services	-	7,374	18	7,392
Dividends	969	-	-	969

4.2 Directors' compensation

The compensation paid to the nine members of key management (2014: nine people) for their services in full or part time executive management positions is made up of a contractual salary and a performance bonus depending on operating results. Each director receives a fee for serving in that capacity and is reimbursed reasonable expenses in conjunction with their duties. No additional fees, compensation or allowances are paid.

Total key management and directors' compensation included in expenses in the statement of income comprises:

- short-term employee benefits amounting to RR 223 for the six-month period ended 30 June 2015 (RR 258 for the six-month period ended 30 June 2014).

5 Property, plant and equipment

Acquisitions of property, plant, and equipment for the period amounted to RR 1,299 (for six-month period ended 30 June 2014: RR 588). Disposals of property, plant, and equipment for the period amounted to RR 38 (for six-month period ended 30 June 2014: RR 362).

Bank borrowings are secured on properties at 30 June 2015 to the value of RR 2,216 (31 December 2014: RR 2,310); see Note 13.

During six-month period ended 30 June 2015 the Group capitalised borrowing costs of RR 43 (six-month period ended 30 June 2014: RR 28) in the cost of the qualifying assets, annual capitalisation rate was 11% (six-month period ended 30 June 2014: 10%).

The Group owns the land on which factories and buildings, comprising the principal manufacturing facilities of the Group, are situated. At 30 June 2015, the cost of the land amounted to RR 640 (31 December 2014: RR 635).

Sollers Group**Notes to the Consolidated Condensed Interim Financial Information at 30 June 2015***(in millions of Russian Roubles – RR)***6 Development costs**

	30 June 2015	30 June 2014
Cost		
Balance at the beginning of the period	1,755	1,568
Additions	96	54
Disposals	-	(5)
Balance at the end of the period	1,851	1,617
Accumulated amortisation and impairment		
Balance at the beginning of the period	(1,321)	(1,207)
Amortisation charge	(45)	(54)
Balance at the end of the period	(1,366)	(1,261)
Net book value	485	356

7 Investments in joint ventures

Investments in joint ventures and associates are presented by followings assets:

	30 June 2015	31 December 2014
Ford-Sollers JV	-	6,973
Mazda-Sollers JV	701	1,015
Sollers-Isuzu JV	919	1,036
Sollers-Bussan JC	682	282
Sollers-Finance JV	421	450
Total investments in joint ventures	2,723	9,756

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

	30 June 2015	30 June 2014
Carrying amount at 1 January	9,756	14,947
Share of loss of Ford-Sollers JV, including impairment	(6,973)	(1,712)
Share of profit of joint ventures and associates	8	375
Unrealised profit adjustment on sale of non-current assets to joint venture	4	4
Dividends received	(72)	(40)
Carrying amount at the end of the reporting period	2,723	13,574

Sollers-Finance JV

During the 6 month ended 30 June 2015 the dividends of RR 72 were received from the Sollers-Finance JV (6 month ended 30 June 2014: RR 40).

Sollers-Isuzu JV

During 2013 the additional shares issue was performed by the joint venture. In December 2013 the Group paid its contribution amounted to RR 100. The JV structure remained 50%-50%.

In 2012 the Group disposed of its 16% stake of ZAO Sollers-Isuzu to the other venture and the Group's share declined to 50%.

Sollers-Bussan JV

By the end of 2011 the Group established 50%-50% joint venture with Japanese Mitsui&Co., Ltd located in Vladivostok.

Since February 2013 the project of the Toyota vehicles production started. In June 2015 the project was completed according to its initial schedule.

7 Investments in joint ventures

Ford-Sollers JV

During the 6 month ended 30 June 2015 management have revealed indicators of potential impairment of Group's investments in Ford-Sollers JV such as negative tendencies in macroeconomic environment and the operating losses the JV incurred. Management tested the JV for impairment using value-in-use calculations. The calculations use business plan and cash flows projections developed and approved by the JV management. The discounting rate used amounted to 16,7% and was based on weighted average cost of capital, which is post-tax and reflects specific risks related to the JV and time value of money. At the reporting date the carrying value of the investment in Ford-Sollers JV on the Group's balance amounts to null.

During the 6 month ended 30 June 2015 the Group and Ford Motor Company agreed on certain changes to the joint venture structure and shareholders agreement to support the Ford Sollers business in the near term and provide a platform for future growth. Under these agreements, Ford Motor Company will provide additional financial support to Ford Sollers and will obtain a controlling interest in the joint venture through the acquisition of preferred shares. Ford Motor Company and the Group will each retain 50 percent of the ordinary shares in the joint venture. In addition the agreements provide for certain future rights for the partners to redeem Sollers 50% interest in the joint venture at a minimum amount valued at USD 135 mln. payable at the date of redemption. The share in Ford-Sollers JV hold by the Group declined from 50% at the beginning of the reporting period to 49.9% at 30 June 2015.

As a result of the agreements reached a financial instrument of RR 6 969 was recognised in the Group's balance sheet. The value of the financial instrument was determined using the Monte Carlo stochastic model which implies valuation of the underlying asset, expected expiration date and exercise price of the instrument, volatility and risk-free rate estimations as well as respective credit risks of the parties.

At 30 June 2015 and 31 December 2014, the Group held 50% interest in joint ventures Mazda Sollers, Sollers-Isuzu, Sollers-Bussan and Sollers-Finance. The summarised financial information of the Joint ventures, including full amounts of total assets and liabilities, is as follows:

	Total assets	Total liabilities
Total at 30 June 2015	19,513	13,743
Mazda-Sollers JV	8,468	6,703
Sollers-Isuzu JV	4,000	2,111
Sollers-Bussan JV	5,131	3,768
Sollers-Finance JV	1,914	1,161
Total at 31 December 2014	104 061	84 326
Ford-Sollers JV	80 582	66 764
Mazda-Sollers JV	12 550	10 146
Sollers-Isuzu JV	4 227	2 103
Sollers-Bussan JV	4 474	3 909
Sollers-Finance JV	2 228	1 404

The summarised financial information of the Joint ventures, including full amounts of revenues, operating and net profit/(loss), is as follows:

	Revenue	Operating profit/(loss)	Net profit/ (loss)
Six-month period ended 30 June 2015	24,967	306	16
Mazda-Sollers JV	11,258	(647)	(637)
Sollers-Isuzu JV	1,650	(131)	(234)
Sollers-Bussan JV	11,793	974	800
Sollers-Finance JV	266	110	87
Six-month period ended 30 June 2014	56,194	(1,956)	(2,675)
Ford-Sollers JV	25,483	(3,167)	(3,425)
Mazda-Sollers JV	19,927	639	363
Sollers-Isuzu JV	1,141	115	3
Sollers-Bussan JV	9,360	428	364
Sollers-Finance JV	283	29	20

Sollers Group**Notes to the Consolidated Condensed Interim Financial Information at 30 June 2015***(in millions of Russian Roubles – RR)***8 Inventories**

	30 June 2015	31 December 2014
Raw materials	2,873	2,018
Less: provision	(59)	(39)
Total raw materials	2,814	1,979
Work in progress	969	378
Total work in progress	969	378
Finished products	4,034	3,767
Less: provision	(592)	(449)
Total finished products	3,442	3,318
Total	7,225	5,675

9 Trade and other receivables

	30 June 2015	31 December 2014
Trade receivables	1,122	2,633
Less: provision for impairment	(127)	(113)
Total financial assets	995	2,520
Other receivables	667	2,416
Less: provision for impairment	(14)	(61)
Total other receivables	653	2,355
Advances to suppliers, other than for equipment	623	501
Less: provision for impairment	(3)	(3)
Total advances to suppliers, other than for equipment	620	498
Taxes prepayments	324	221
VAT recoverable, net	1,097	443
Other prepayments	7	13
Total	3,696	6,050

The carrying value of trade accounts receivable and other receivables as at 30 June 2015 and 31 December 2014 is approximately equal to their fair value.

At 30 June 2015, trade receivables arising from revenue contracts of RR 178 were pledged as a security for working capital facility related to SsangYong business (at 31 December 2014: RR 887).

10 Cash and cash equivalents

	30 June 2015	31 December 2014
Cash on hand and balances with banks	739	581
Cash deposits	285	5,903
Total	1,024	6,484

The carrying value of cash and cash equivalents as at 30 June 2015 and 31 December 2014 is approximately equal to their fair value.

11 Shareholders' equity

The value of share capital issued and fully paid up consists of the following shares:

	Number of outstanding ordinary shares (thousands)	Share capital, RR	Share premium, RR	Additional paid-in capital, RR
At 30 June 2015	34,270	530	4,538	1,438
At 31 December 2014	34,270	530	4,538	1,438

The total authorised number of ordinary shares is 82,074 thousand (31 December 2014: 82,074 thousand). The nominal value of all shares is 12.5 roubles per share.

11 Shareholders' equity (continued)

In accordance with Russian legislation, the Company distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. For the six-month ended 30 June 2015, the net statutory profit for the Company as reported in the published interim statutory reporting forms was RR 374 (for the six-month period ended 30 June 2014: RR 1,609) and the closing balance of the accumulated profit including the current reporting period net statutory profit as of 30 June 2015 totalled to RR 3,975 (31 December 2014: RR 3,601). However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present that it would not be appropriate to disclose an amount for the distributable reserves in this consolidated condensed interim financial information.

No dividends were declared at the General Shareholders' Meetings during the six-month period ended 30 June 2015.

In May 2014, the General Shareholders' Meeting declared dividends of RR 1,800 for the year ended 31 December 2013, or 52.52 Roubles per ordinary share.

12 Advances received and other payables

	30 June 2015	31 December 2014
Liabilities for purchased property, plant and equipment	17	49
Dividend payable	40	41
Accrued liabilities and other creditors	31	51
Total financial liabilities within advances and other payables	88	141
Advances received	2,731	1,902
Accrued employee benefit costs	261	90
Vacation accrual	295	266
Bonus accrual	82	342
Total advances received and other payables	3,457	2,741

13 Short and long-term borrowings

At 30 June 2015, short-term borrowings totalled RR 4,646 (31 December 2014: RR 8,514), including short-term loans of RR 4,550 (31 December 2014: loans of RR 8,420) and interest accrued on loans of RR 96 (31 December 2014: RR 94). The carrying amounts of short-term borrowings approximates to their fair values as at 30 June 2015 and 31 December 2014.

At 30 June 2015, long-term borrowings totalled RR 3,306 (31 December 2014: RR 3,396), included bank loans only. The carrying amounts of long-term borrowings approximates to their fair values as at 30 June 2015 and 31 December 2014.

Property, plant and equipment of RR 2,216 (31 December 2014: RR 2,310) are pledged as collateral for long-term and short-term borrowings see Note 5.

At 30 June 2015 long-term borrowings of 729 (31 December 2014: RR 663) were secured by 100% share in the Group's subsidiary OOO Rosalit, besides property, plant and equipment.

14 Sales

	Six-month period ended 30 June 2015	Six-month period ended 30 June 2014
Vehicles	12,409	20,291
Automotive components	2,008	2,227
Engines	506	552
Services	532	352
Other sales	235	174
Total	15,690	23,596

15 Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group which are regularly reviewed by the 'chief operating decision maker' in order to allocate resources to segments and to assess their performance. The Group's operating segments are reported based on the financial information provided to the Group's Chief Executive Officer and that are used to make strategic decisions.

At 30 June 2015 and at 31 December 2014 the Group activities are considered as one reporting segment: vehicles.

The Group's production facilities are wholly located within the Russian Federation, and almost all sales are domestic.

The Chief Executive Officer reviews financial information prepared on the basis of Russian accounting standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards, including in relation to inventory provisions; receivables provisions and other adjustments.

Performance is evaluated on the basis of operating profit or loss. Accordingly, foreign currency gains/ losses, interest income/expenses and income tax charges are excluded. No balance sheet information is regularly reviewed and accordingly no information on assets or liabilities is included as part of the segment information presented.

Revenues from external customers are presented in Note 14. Management considers that across the range of vehicles and models produced; these are considered as similar products. During the six months ended 30 June 2015 and 30 June 2014 the Group did not have transactions with a single external customer that amounted to ten per cent or more of the Group's revenues.

16 Contingencies, commitments and operating risks

16.1 Contractual commitments and guarantees

As at 30 June 2015, the Group had contractual commitments of RR 208 including contractual obligations to purchase of property, plant and equipment from third parties (31 December 2014: RR 367).

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

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. The Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authority's scrutiny.

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.

Different interpretations and applications of the Russian Tax Code are possible. For example, in relation to Russian taxpayers where outstanding loans are controlled by a foreign company owning directly or indirectly more than 20% of the charter capital of the Russian entity, thin capitalisation limits could be applied to the respective loan interest under certain circumstances even where loans are with other subsidiaries or Russian banks for the purpose of financing Russian business activities. As Russian tax legislation does not provide definitive guidance in certain areas, other tax matters including assessment of tax bases could also have different interpretations. Nonetheless management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained.

Amended Russian transfer pricing legislation took effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to be in compliance with the new transfer pricing legislation and do not anticipate any tax exposures will arise in practice.

16 Contingencies, commitments and operating risks (Continued)

16.1 Contractual commitments and guarantees (continued)

Russian transfer pricing legislation is also applicable to all the Joint ventures in which the Group participates. Management of respective companies has also implemented internal controls to be in compliance with the new transfer pricing regulations and do not anticipate any tax exposures will arise in practice. The impact of any such exposure cannot be reliably estimated but may have a material effect on the joint ventures' financial results.

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims.

Covenants. For certain borrowing agreements, the Group is subject to covenant requirements. Breaches of these requirements could give a lender the right to accelerate the repayment period of the borrowings and demand immediate repayment.

As at 30 June 2015 the Group was in full compliance with all covenants (31 December 2014: no exceptions).

Environmental matters. Environmental regulation in the Russian Federation is evolving and the enforcement posture of Government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

17 Principal subsidiaries

During the reporting period ended 30 June 2015 the Group acquired 3.6% stake in PAO "UAZ" (previously OAO "UAZ") for RR 197. The Group's result (profit) of RR 109 was recognised in the Statement of Changes in Equity.

During the reporting period ended 30 June 2014 the Group acquired 6.5% stake in OAO "UAZ" for RR 554. The Group's result (loss) of RR 62 was recognised in the Statement of Changes in Equity.

Following the PAO "UAZ" (previously OAO "UAZ") stake acquisition during the reporting period ended 30 June 2015 the Group's effective interest in PAO "ZMZ" (previously OAO "ZMZ") has changed with no changes in voting rights. As a result, an amount of RR 309 is recognised in the Statement of Changes in Equity.

Following the OAO "UAZ" stake acquisition during the reporting period ended 30 June 2014 the Group's effective interest in OAO "ZMZ" has changed with no changes in voting rights. As a result, an amount of RR 567 is recognised in the Statement of Changes in Equity.