

SOLLERS GROUP

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

30 JUNE 2013

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Report on Review of Consolidated Condensed Interim Financial Information for the six-month period ended 30 June 2013

To the Shareholders and Board of Directors of Open Joint Stock Company "Sollers":

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Open Joint Stock Company Sollers and its subsidiaries (the "Group") as of 30 June 2013 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".

ZAO PricewaterhouseCoopers Audit

29 August 2013
Moscow, Russian Federation

Sollers Group

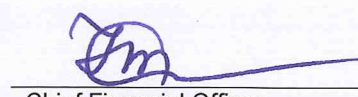
Consolidated Condensed Interim Statement of Financial Position at 30 June 2013

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

	Note	Russian Roubles million		Supplementary information US\$ million (Note 2)	
		At 30 June 2013	At 31 December 2012	At 30 June 2013	At 31 December 2012
ASSETS					
Non-current assets:					
Property, plant and equipment	5	11,097	11,539	339	380
Goodwill		1,484	1,484	45	49
Development costs	6	355	393	11	13
Other intangible assets		173	182	5	6
Deferred income tax assets		343	276	10	9
Investments in joint ventures and associates	7	14,716	14,492	451	477
Other financial assets		19	20	1	1
Other non-current assets		267	677	8	22
Total non-current assets		28,454	29,063	870	957
Current assets:					
Inventories	8	6,057	4,503	185	148
Trade and other receivables	9	8,803	9,816	269	323
Other current assets		50	231	2	8
Cash and cash equivalents	10	3,859	2,560	118	84
Total current assets		18,769	17,110	574	563
TOTAL ASSETS		47,223	46,173	1,444	1,520
LIABILITIES AND EQUITY					
Equity					
Share capital	11	530	530	16	17
Share options	11	-	50	-	2
Share premium	11	4,538	4,480	139	148
Additional paid-in capital	11	1,438	1,438	44	47
Retained earnings		5,321	6,340	163	209
Equity attributable to the Company's owners		11,827	12,838	362	423
Non-controlling interest		7,962	7,042	243	232
Total equity		19,789	19,880	605	655
Non-current liabilities:					
Long-term borrowings	13	5,007	3,742	153	123
Deferred income tax liabilities		697	854	22	28
Other long-term liabilities		7	31	-	1
Total non-current liabilities		5,711	4,627	175	152
Current liabilities:					
Trade accounts payable		9,898	10,454	303	344
Advances received and other payables	12	4,235	2,865	129	94
Taxes payable		529	1,045	16	34
Warranty and other provisions		1,011	604	31	20
Short-term borrowings	13	6,050	6,698	185	221
Total current liabilities		21,723	21,666	664	713
Total liabilities		27,434	26,293	839	865
TOTAL LIABILITIES AND EQUITY		47,223	46,173	1,444	1,520

Approved for issue and signed on behalf of the Board of Directors on 29 August 2013:


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 2013***(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	
		2013	2012	2013	2012
Sales	14	27,418	30,967	884	1,011
Cost of sales		(21,794)	(24,356)	(703)	(795)
Gross profit		5,624	6,611	181	216
Distribution costs		(996)	(1,110)	(32)	(36)
General and administrative expenses		(2,068)	(2,105)	(66)	(69)
Other operating income, net		55	43	2	1
Operating profit		2,615	3,439	85	112
Finance costs, net		(672)	(641)	(22)	(21)
Share of profit of joint ventures and associates	7	246	461	8	15
Profit before income tax		2,189	3,259	71	106
Income tax expense		(498)	(650)	(16)	(21)
Profit for the period		1,691	2,609	55	85
Total comprehensive income for the period		1,691	2,609	55	85
Profit is attributable to:					
Owners of the Company		1,543	2,378	50	77
Non-controlling interest		148	231	5	8
Profit for the period		1,691	2,609	55	85
Total comprehensive income is attributable to:					
Owners of the Company		1,543	2,378	50	77
Non-controlling interest		148	231	5	8
Total comprehensive income for the period		1,691	2,609	55	85
Weighted average number of shares outstanding during the period (in thousands of shares) – basic		34,270	34,033	34,270	34,033
Weighted average number of shares outstanding during the period (in thousands of shares) – diluted		34,291	34,177	34,291	34,177
Earnings/(loss) per share (in Russian Roubles and US\$) – basic		45.02	69.87	1.46	2.26
Earnings per share (in Russian Roubles and US\$) – diluted		45.00	69.58	1.46	2.25

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 2012: no items).

Sollers Group
Consolidated Condensed Interim Statement of Cash Flows
for the six-month period ended 30 June 2013
(Amounts translated into US Dollars for convenience purposes, Note 2)

	Russian Roubles million		Supplementary information US\$ million (Note 2)	
	Six months ended 30 June 2013	2012	Six months ended 30 June 2013	2012
Cash flows from operating activities				
Profit before income tax	2,189	3,259	71	106
Adjustments for:				
Depreciation	425	402	14	13
Amortisation	78	92	3	3
Share options	8	9	-	-
Provision for impairment of receivables	-	20	-	1
Interest expense	529	812	17	27
Share of profit of joint ventures and associates	(246)	(449)	(8)	(15)
Other provision movements	(463)	(171)	(15)	(6)
Expenses financed by government grant	(25)	(8)	(1)	-
(Gain)/loss on sale of property, plant and equipment and other non-current assets	(51)	53	(2)	2
Loss on disposal of investments	31	-	1	-
Inventory provision movement	(11)	4	-	-
Operating cash flows before working capital changes	2,464	4,023	80	131
Decrease in accounts receivable and prepayments	1,046	1,258	34	41
(Increase)/decrease in inventories	(1,528)	628	(50)	20
Decrease in other current assets	181	22	6	1
Decrease in accounts payable, advances received and other payables	(336)	(1,234)	(11)	(40)
Decrease in taxes payable, other than income tax	(448)	(1,155)	(14)	(38)
Cash provided from operations	1,379	3,542	45	115
Income tax paid	(727)	(960)	(24)	(31)
Interest paid	(648)	(804)	(21)	(26)
Net cash from operating activities	4	1,778	-	58
Cash flows from investing activities:				
Purchase of property, plant and equipment	(451)	(342)	(15)	(11)
Proceeds from the sale of property, plant and equipment	1,067	497	34	16
Development costs	(27)	(36)	(1)	(1)
Purchase of intangibles and other non-current assets	(4)	(10)	-	-
Sale of subsidiaries, net of cash disposed	42	-	1	-
Additional investments in joint ventures	-	(65)	-	(2)
Dividends received from joint ventures	22	12	1	-
Net cash from investing activities	649	56	20	2
Cash flows from financing activities				
Proceeds from borrowings	5,224	4,236	168	138
Repayment of borrowings	(4,578)	(6,598)	(148)	(215)
Sale/(purchase) of treasury shares, net	-	182	-	6
Dividends paid to the Group's shareholders	-	(17)	-	(1)
Net cash from/(used in) financing activities	646	(2,197)	20	(72)
Net increase/(decrease) in cash and cash equivalents	1,299	(363)	40	(12)
Effect of exchange rate changes on cash and cash equivalents	-	-	(6)	(1)
Cash and cash equivalents at the beginning of the period	2,560	2,957	84	92
Cash and cash equivalents at the end of the period	3,859	2,594	118	79

The accompanying notes on page 8 to 16 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 2013***(in millions of Russian Roubles)*

	Share capital	Treasury shares	Share options	Share premium	Additional paid-in-capital	Retained earnings	Attributable to equity shareholders of the Company	Non-controlling interest	Total equity
Balance at 31 December 2011	530	(653)	77	4,893	1,438	1,092	7,377	6,177	13,554
Profit for the period	-	-	-	-	-	2,378	2,378	231	2,609
Total recognised income for the reporting period	-	-	-	-	-	2,378	2,378	231	2,609
Change of interest in subsidiary (Note 17)	-	-	-	-	-	(304)	(304)	304	-
Treasury shares disposal	-	733	-	(458)	-	-	275	-	275
Treasury shares acquisition	-	(80)	-	-	-	-	(80)	-	(80)
Share options	-	-	(21)	31	-	-	10	-	10
Balance at 30 June 2012	530	-	56	4,466	1,438	3,166	9,656	6,712	16,368
Balance at 31 December 2012	530	-	50	4,480	1,438	6,340	12,838	7,042	19,880
Profit for the period	-	-	-	-	-	1,543	1,543	148	1,691
Total recognised income for the reporting period	-	-	-	-	-	1,543	1,543	148	1,691
Change of interest in subsidiary (Note 17)	-	-	-	-	-	(772)	(772)	772	-
Dividends	-	-	-	-	-	(1,790)	(1,790)	-	(1,790)
Share options	-	-	(50)	58	-	-	8	-	8
Balance at 30 June 2013	530	-	-	4,538	1,438	5,321	11,827	7,962	19,789

The accompanying notes on page 8 to 16 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 2013 for Sollers OJSC (the “Company”) and its subsidiaries (the “Group”).

The Company and the Group’s principal activity is 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 Nizhny Novgorod region in the Russian Federation.

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.

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

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 Newdeal Investments Limited. The ultimate controlling party of the Group is Vadim Shvetsov who is the principal shareholder of the Company.

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 29 August 2013.

Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The recent global financial crisis has had a severe effect on the Russian economy and the financial situation in the Russian financial and corporate sectors significantly deteriorated since mid-2008. Starting from 2011 the Russian economy demonstrated a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased liquidity levels in the banking sector. In particular, a number of these factors have helped the automotive industry in general to recover and sales of new vehicles in Russia have significantly increased during the recent two years to date compared to the previous periods and in the most of market segments achieved the pre-crisis peak levels. In the first half of the year 2013 there was a slight slowdown in the automotive market. The slowdown was driven mostly by the increase in interest rates for individual auto loans together with negative changes in foreign currency exchange rates. However, the Group has not experienced significant negative effect. The stocks remain under control and sustainable cash flows are maintained. The Group managed to improve its net debt position and maintain profitability level. Management considers the current market situation as expected and is able to plan and perform accordingly.

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 2012 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 2012. The Group has adopted all new standards and interpretations that were effective from 1 January 2013. The impact of the adoption of these new standards and interpretations has not been significant with respect to this consolidated condensed interim financial information.

2.3 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 2013 of Russian Rouble 32.7090 = US\$ 1 (at 31 December 2012 of Russian Rouble 30.3727 = 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 2013 of Russian Rouble 31.0165 = US\$ 1 and 30 June 2012 of Russian Rouble 30.6390 = 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 2013 and 31 December 2012 consist of the following:

Balances

Nature of relationship	Parent company	Associates and joint ventures	Other related parties	Total
As at 30 June 2013				
Accounts receivable	-	405	8	413
Advances received	-	750	315	1,065
Trade and other payables	-	5,980	100	6,080
As at 31 December 2012				
Accounts receivable	-	157	-	157
Loans issued	-	-	203	203
Advances received	-	961	-	961
Trade and other payables	-	553	-	553

Sollers Group**Notes to the Consolidated Condensed Interim Financial Information at 30 June 2013***(in millions of Russian Roubles – RR)***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 2013 and 30 June 2012 consist of the following:

Transactions

Nature of relationship	Parent company	Associates and joint ventures	Other related parties	Total
Six-month period ended 30 June 2013				
Sales of vehicles and components	-	296	-	296
Sales of non-current assets and services	-	1,216	91	1,307
Purchases of goods and services	-	7,920	11	7,931
Six-month period ended 30 June 2012				
Sales of vehicles and components	-	113	-	113
Sales of non-current assets and services	-	-	-	-
Purchases of goods and services	-	5	-	5
Share options	-	-	14	14
Capital transaction	247	-	-	247

4.2 Directors' compensation

The compensation paid to the nine members of key management (2012: 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 161 for the six-month period ended 30 June 2013 (RR 71 for the six-month period ended 30 June 2012); and
- expenses recognised under equity-settled, share based compensation amounting to RR 8 for the six-month period ended 30 June 2013 (RR 9 for the six-month period ended 30 June 2012).

During the reporting period ended 30 June 2013 nil options were exercised (the reporting period ended 30 June 2012: 150,000 options at an exercise price US\$ 3) by members of key management.

On 16 May 2013 share option programme for the key management was ceased. All expenses related to share options were recognised immediately with the corresponding change in equity.

5 Property, plant and equipment

Acquisitions of property, plant, and equipment for the period amounted to RR 1,201 (for six-month period ended 30 June 2012: RR 345). Disposals of property, plant, and equipment for the period amounted to RR 1,203 (for six-month period ended 30 June 2012: RR 546).

Bank borrowings are secured on properties at 30 June 2013 to the value of RR 2,784 (31 December 2012: RR 2,845); see Note 13.

During six-month period ended 30 June 2013 the Group capitalised borrowing costs of RR 45 (six-month period ended 30 June 2012: RR 55) in the cost of the qualifying assets, annual capitalisation rate was 10% (six-month period ended 30 June 2012: 9%).

The Group owns the land on which factories and buildings, comprising the principal manufacturing facilities of the Group, are situated. At 30 June 2013, the cost of the land amounted to RR 823 (31 December 2012: RR 689).

Sollers Group**Notes to the Consolidated Condensed Interim Financial Information at 30 June 2013***(in millions of Russian Roubles – RR)***6 Development costs**

	30 June 2013	30 June 2012
Cost		
Balance at the beginning of the period	1,479	1,401
Additions	26	36
Balance at the end of the period	1,505	1,437
Accumulated amortisation and impairment		
Balance at the beginning of the period	(1,086)	(877)
Amortisation charge	(64)	(57)
Balance at the end of the period	(1,150)	(934)
Net book value	355	503

7 Investments in joint ventures and associates

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

	30 June 2013	31 December 2012
Ford-Sollers JV	12,613	12,597
Mazda-Sollers JV	901	797
Sollers-Isuzu JV	708	674
Sollers-Bussan JC	107	45
Sollers-Finance JV	353	345
DaeWon-SeverstalAuto Elabuga	34	34
Total other financial assets	14,716	14,492

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

	30 June 2013	30 June 2012
Carrying amount at 1 January	14,492	11,921
Share of profit of joint venture and associates	246	461
Cash contribution to joint ventures	-	65
Dividends received	(22)	(12)
Carrying amount at the end of the reporting period	14,716	12,435

At 30 June 2013 and 31 December 2012, the Group held 50% interest in joint ventures Ford-Sollers, Mazda Sollers, Sollers-Isuzu, Sollers-Bussan and Sollers-Finance and also held 30% interest in OOO DaeWon-SeverstalAuto Elabuga. 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 2013	84,828	55,580
Ford-Sollers JV	63,574	38,475
Mazda-Sollers JV	11,913	10,110
Sollers-Isuzu JV	2,617	1,151
Sollers-Bussan JV	4,544	4,330
Sollers-Finance JV	2,180	1,514
Total at 31 December 2012	64,955	35,983
Ford-Sollers JV	56,166	30,934
Mazda-Sollers JV	3,731	2,136
Sollers-Isuzu JV	2,454	1,056
Sollers-Bussan JV	520	429
Sollers-Finance JV	2,084	1,428

Sollers Group**Notes to the Consolidated Condensed Interim Financial Information at 30 June 2013***(in millions of Russian Roubles – RR)***7 Investments in joint ventures and associates (continued)**

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 2013			
Ford-Sollers JV	39,522	(441)	33
Mazda-Sollers JV	15,764	637	208
Sollers-Isuzu JV	656	3	68
Sollers-Bussan JV	2,833	160	124
Sollers-Finance JV	290	74	59
Six-month period ended			
30 June 2012			
Ford-Sollers JV	47,016	2,551	884
Sollers-Bussan JV	-	(10)	(8)
Sollers-Finance JV	153	58	47

The comparative information for revenues, operating and net profit/(loss) for Mazda-Sollers JV and Sollers-Isuzu JV is not presented as these assets were recognized as investments in joint ventures in the second half of 2012.

8 Inventories

	30 June 2013	31 December 2012
Raw materials	2,095	2,067
Less: provision	(105)	(111)
Total raw materials	1,990	1,956
Work in progress	651	709
Total work in progress	651	709
Finished products	3,464	1,891
Less: provision	(48)	(53)
Total finished products	3,416	1,838
Total	6,057	4,503

9 Trade and other receivables

	30 June 2013	31 December 2012
Trade receivables	8,099	8,608
Less: provision for impairment	(46)	(60)
Total financial assets	8,053	8,548
Other receivables	269	706
Less: provision for impairment	(16)	(21)
Total other receivables	253	685
Advances to suppliers, other than for equipment	198	432
Less: provision for impairment	(3)	(9)
Total advances to suppliers, other than for equipment	195	423
Taxes prepayments	66	75
VAT recoverable, net	223	68
Other prepayments	13	17
Total	8,803	9,816

The carrying value of trade accounts receivable and other receivables as at 30 June 2013 and 31 December 2012 is approximately equal to their fair value.

At 30 June 2013, trade receivables arising from revenue contracts of RR 4,116 were pledged as a security for the related party's bill of credit. At 31 December 2012, trade receivables of RR 5 021 were pledged as a security for a bill of credit.

Sollers Group**Notes to the Consolidated Condensed Interim Financial Information at 30 June 2013***(in millions of Russian Roubles – RR)***10 Cash and cash equivalents**

	30 June 2013	31 December 2012
Cash on hand and balances with banks	1,500	1,436
Cash deposits	2,359	1,124
Total	3,859	2,560

The carrying value of cash and cash equivalents as at 30 June 2013 and 31 December 2012 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 2013	34,270	530	4,538	1,438
At 31 December 2012	34,270	530	4,480	1,438

The total authorised number of ordinary shares is 82,074 thousand (31 December 2012: 82,074 thousand). The nominal value of all shares is 12.5 roubles per share.

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 2013, the net statutory profit for the Company as reported in the published interim statutory reporting forms was RR 672 (loss for the six-month period ended 30 June 2012: RR 857) and the closing balance of the accumulated profit including the current reporting period net statutory profit as of 30 June 2013 totalled to RR 1,306 (31 December 2012: RR 2,423). 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.

In May 2013, the General Shareholders' Meeting declared dividends of RR 1,800 for the year ended 31 December 2012, or 52.52 Roubles per ordinary share. No dividends were declared at the General Shareholders' Meetings during the year ended 31 December 2012.

During the six-month period ended 30 June 2013, there were no changes in Groups treasury shares (six month ended 30 June 2012 the Group disposed of 1,047 thousand ordinary shares and acquired 248 thousand ordinary shares).

Share based compensation

On 10 March 2009, the Group granted to members of key management and other employees options to acquire 855,000 of the Group's ordinary shares at an exercise price of US\$ 3 that represented the average market share price for the three months preceding the grant date. The market share price at the grant date was US\$ 3. The vesting period for the options is one year for 285,000 options; two years for 285,000 options and three years for 285,000 options. These options are exercisable until 1 March 2013 subject to an employee meeting certain conditions, including remaining in employment in the Group up until the date of vesting. 761,000 share options were exercised out of the programme and 94,000 share options were forfeited, thus all the programme was executed in 2010-2012.

During the six-month period ended 30 June 2013 nil options were exercised (six-month period ended 30 June 2012, 248,000 options were exercised and 94,000 options were forfeited).

12 Advances received and other payables

	30 June 2013	31 December 2012
Liabilities for purchased property, plant and equipment	29	34
Dividend payable	1,806	17
Accrued liabilities and other creditors	112	237
Total financial liabilities within advances and other payables	1,947	288
Advances received	1,626	1,290
Accrued employee benefit costs	283	300
Vacation and bonus accrual	379	987
Total advances received and other payables	4,235	2,865

Sollers Group

Notes to the Consolidated Condensed Interim Financial Information at 30 June 2013

(in millions of Russian Roubles – RR)

13 Short and long-term borrowings

At 30 June 2013, short-term borrowings totalled RR 6,050 (31 December 2012: RR 6,698), including short-term loans of RR 3,402 and bonds of RR 2,485 (31 December 2012: loans of RR 3,320 and bonds of RR 3,185) and interest accrued on loans of RR 163 (31 December 2012: RR 193).

At 30 June 2013 the fair value of short-term borrowings amounted to RR 6,056, comprising bonds RR 2,491 and bank loans and interests payable RR 3,565. At 31 December 2012 the fair value of short-term borrowings amounted to RR 6,735, comprising bonds RR 3,222 and bank loans and interests payable RR 3,513.

At 30 June 2013, long-term borrowings totalled RR 5,007 (31 December 2012: RR 3,742), included bank loans only. The carrying amounts of long-term borrowings approximates to their fair values as at 30 June 2013 and 31 December 2012.

Property, plant and equipment of RR 2,784 (31 December 2012: RR 2,845) are pledged as collateral for long-term and short-term borrowings see Notes 5.

14 Sales

	Six-month period ended 30 June 2013	Six-month period ended 30 June 2012
Vehicles	22,893	26,130
Automotive components	2,634	2,507
Engines	747	820
Services	572	682
Other sales	572	828
Total	27,418	30,967

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 2013 and at 31 December 2012 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 2013 and 30 June 2012 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 2013, the Group had contractual commitments of RR 249 for the purchase of property, plant and equipment from third parties (31 December 2012: RR 185).

16 Contingencies, commitments and operating risks (continued)

16.2 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.

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.

Management is in process of preparation of the required documentation on the transfer pricing by the date required by current legislation, which will provide sufficient evidence to support the Group's tax positions and related tax returns. Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated. However, management do not anticipate any tax exposures will arise in practice.

16.3. 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.

16.4. 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 2013 the Group was in full compliance with all covenants (31 December 2012: no exceptions).

16.5. 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 2013, as part of an internal Group reorganisation, the Group's effective interest in OAO "Zavolzhskiy Motor Works" was reduced although the Group retained a majority effective interest and there were no changes in voting rights. As a result of this reorganisation, an amount of RR 772 is recognised in the Statement of Changes in Equity.

During the reporting period ended 30 June 2012, as part of an internal Group reorganisation, the Group's effective interest in OAO "Zavolzhskiy Motor Works" was reduced although the Group retained a majority effective interest and there were no changes in voting rights. As a result of this reorganisation, an amount of RR 304 is recognised in the Statement of Changes in Equity.

18 Subsequent events

Borrowings

In July 2013 the Group entered into the long-term loan agreement with Sberbank of Russian Federation for RR 1bln.

In July 2013 the Group utilised the credit line for RR 3 bln opened earlier in VTB for refinancing of short-term borrowings due in July 2013.