

SOLLERS GROUP

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

30 JUNE 2011

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Report on Review of Consolidated Condensed Interim Financial Information

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

Introduction

We have reviewed the accompanying consolidated condensed interim balance sheet of Open Joint Stock Company "Sollers" and its subsidiaries (together, the "Sollers Group" or the "Group") as at 30 June 2011 and the related consolidated condensed interim statements of income, cash flows and changes in equity for the six-month period then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed 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 consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

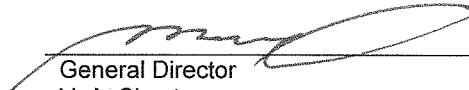
23 September 2011

Moscow, Russian Federation

Sollers Group
Consolidated Condensed Interim Balance Sheet at 30 June 2011
(Amounts translated into US Dollars for convenience purposes, Note 2)

	Note	Russian Roubles million		Supplementary information US\$ million (Note 2)	
		At 30 June 2011	At 31 December 2010	At 30 June 2011	At 31 December 2010
ASSETS					
Non-current assets:					
Property, plant and equipment	5	22,457	23,223	800	762
Goodwill		1,484	1,484	53	49
Development costs	6	766	775	27	25
Other intangible assets		733	787	26	26
Deferred income tax assets		1,449	1,489	51	49
Investments in associates and joint ventures		269	269	9	9
Other non-current assets		1,377	1,425	49	47
Other financial assets		30	35	2	1
Total non-current assets		28,565	29,487	1,017	968
Current assets:					
Inventories	7	12,864	13,334	458	438
Trade and other receivables	8	9,282	7,458	331	245
Other current assets		29	45	1	1
Cash and cash equivalents	9	3,796	3,089	135	101
Total current assets		25,971	23,926	925	785
TOTAL ASSETS		54,536	53,413	1,942	1,753
LIABILITIES AND EQUITY					
Equity					
Share capital	10	530	530	19	17
Treasury shares		(394)	(724)	(14)	(24)
Share options		70	77	2	3
Share premium		4,786	5,062	171	166
Additional paid-in capital		1,438	1,438	51	47
Retained earnings		(2,337)	(3,144)	(84)	(103)
Total capital and reserves attributable to the Company's equity holders		4,093	3,239	145	106
Non-controlling interest		5,809	5,719	207	188
Total equity		9,902	8,958	352	294
Non-current liabilities:					
Long-term borrowings	12	14,565	17,053	519	560
Trade accounts payable		-	1,318	-	43
Deferred income tax liabilities		1,027	997	37	33
Other long-term liabilities		58	68	2	2
Total non-current liabilities		15,650	19,436	558	638
Current liabilities:					
Trade accounts payable		13,349	14,684	476	482
Advances received and other payables	11	2,193	1,940	78	64
Taxes payable		1,158	576	41	19
Warranty and other provisions		367	341	13	11
Short-term borrowings	12	11,917	7,478	424	245
Total current liabilities		28,984	25,019	1,032	821
Total liabilities		44,634	44,455	1,590	1,459
TOTAL LIABILITIES AND EQUITY		54,536	53,413	1,942	1,753

Approved for issue and signed on behalf of the Board of Directors on 23 September 2011:


General Director
V. A. Shvetsov


Chief Financial Officer
N. A. Sobolev

Sollers Group

Consolidated Condensed Interim Statement of Income for the six-month period ended 30 June 2011
(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	
		2011	2010	2011	2010
Sales	13	31,550	20,258	1,104	674
Cost of sales		(25,746)	(17,388)	(901)	(578)
Gross profit		5,804	2,870	203	96
Distribution costs		(1,228)	(848)	(43)	(28)
General and administrative expenses		(2,416)	(2,202)	(85)	(73)
Other operating expenses		(163)	(118)	(6)	(4)
Operating profit/(loss)		1,997	(298)	69	(9)
Finance costs, net		(777)	(995)	(27)	(33)
Profit/(loss) before income tax		1,220	(1,293)	42	(42)
Income tax (expense)/credit		(323)	155	(11)	5
Profit/(loss) for the period		897	(1,138)	31	(37)
Attributable to:					
Equity holders of the Company		807	(1,259)	28	(41)
Non-controlling interest		90	121	3	4
Profit/(loss) for the period		897	(1,138)	31	(37)
Weighted average number of shares outstanding during the period (in thousands of shares) – basic					
		33,692	33,628	33,692	33,628
Weighted average number of shares outstanding during the period (in thousands of shares) – diluted					
		34,197	n/a	34,197	n/a
Earnings/(loss) per share (in Russian Roubles and US\$) – basic					
		23.95	(37.44)	0.84	(1.22)
Earnings per share (in Russian Roubles and US\$) - diluted					
		23.59	n/a	0.83	n/a

Other than as presented above, the Group did not have any items to be recorded in the statement of comprehensive income and accordingly no such statement has been presented (six months ended 30 June 2010: no items).

Sollers Group
Consolidated Condensed Interim Statement of Cash Flows
for the six-month period ended 30 June 2011

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

	Russian Roubles million		Supplementary information US\$ million (Note 2)	
	Six months ended 30 June 2011	2010	Six months ended 30 June 2011	2010
Cash flows from operating activities				
Profit/(loss) before income tax	1,220	(1,293)	42	(42)
Adjustments for:				
Depreciation	733	782	26	26
Amortisation	132	182	5	6
Share options	12	22	-	1
Provision for impairment of receivables	22	2	1	-
Interest expense	1,344	1,459	47	49
Other provision movements	(12)	38	-	1
Development expenses write-off	23	6	1	-
Expenses financed by government grant	(9)	(44)	-	(1)
Foreign exchange on borrowings	(187)	(435)	(7)	(15)
Loss on sale of property, plant and equipment and other non-current assets	109	99	4	4
Inventory provision movement	19	(76)	1	(3)
Operating cash flows before working capital changes	3,406	742	120	26
(Increase)/decrease in accounts receivable and prepayments	(1,691)	6	(59)	-
Decrease in inventories	493	1,652	17	55
Decrease/(increase) in other current assets	16	(174)	1	(6)
Increase/(decrease) in accounts payable, advances received and other payables	(2,536)	3,148	(89)	105
Increase/(decrease) in taxes payable, other than income tax	594	(570)	21	(19)
(Increase)/decrease in other long-term liabilities	4	(1,659)	-	(55)
Cash provided from operations	286	3,145	11	106
Income tax paid	(266)	(174)	(9)	(6)
Interest paid	(1,161)	(1,520)	(41)	(51)
Net cash (used in)/from operating activities	(1,141)	1,451	(39)	49
Cash flows from investing activities:				
Purchase of property, plant and equipment	(494)	(794)	(17)	(27)
Proceeds from the sale of property, plant and equipment	483	78	17	2
Development costs	(84)	(102)	(3)	(3)
Purchase of intangibles and other non-current assets	(17)	(102)	(1)	(3)
Net cash used in investing activities	(112)	(920)	(4)	(31)
Cash flows from financing activities				
Proceeds from borrowings	5,202	6,774	183	224
Repayment of borrowings and long-term taxes payable	(3,117)	(6,088)	(109)	(203)
Purchase/sale of treasury shares, net	(121)	25	(5)	1
Dividends paid to the Group's shareholders	(4)	(415)	-	(14)
Net cash from financing activities	1,960	296	69	8
Net increase in cash and cash equivalents	707	827	26	26
Effect of exchange rate changes on cash and cash equivalents	-	-	8	(4)
Cash and cash equivalents at the beginning of the period	3,089	3,990	101	132
Cash and cash equivalents at the end of the period	3,796	4,817	135	154

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 2011
(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 2009	530	(892)	57	5,337	1,438	(1,394)	5,076	5,210	10,286
Loss for the period	-	-	-	-	-	(1,259)	(1,259)	121	(1,138)
Share options	-	318	4	(275)	-	-	47	-	47
Balance at 30 June 2010	530	(574)	61	5,062	1,438	(2,653)	3,864	5,331	9,195
Balance at 31 December 2010	530	(724)	77	5,062	1,438	(3,144)	3,239	5,719	8,958
Profit for the period	-	-	-	-	-	807	807	90	897
Treasury shares disposal	-	465	-	-	-	-	465	-	465
Treasury shares acquisition	-	(135)	-	-	-	-	(135)	-	(135)
Share options	-	-	(7)	(276)	-	-	(283)	-	(283)
Balance at 30 June 2011	530	(394)	70	4,786	1,438	(2,337)	4,093	5,809	9,902

The accompanying notes on page 8 to 16 are an integral part of this consolidated condensed interim financial information.

1 The Group and its operations

The 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 2011 for OJSC Sollers (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, the Nizhny Novgorod region, Naberezhnye Chelny, Elabuga and Vladivostok in the Russian Federation.

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 "Ulyanovskiy 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.

In February 2011, the Group announced signing of a memorandum of understanding with Ford to establish a Joint Venture in Russia. Ford and the Group plan to launch a 50:50-owned joint venture in Russia. The proposed joint venture called Ford Sollers will manufacture and distribute Ford vehicles. The Joint Venture will include Ford and the Group's local production facilities in the St. Petersburg region and in the Republic of Tatarstan. Ford and the Group have signed the agreement with the Russian government for participation in the new Industrial Assembly policy framework and are working towards the finalisation of the Joint Venture.

In May 2011, following the above arrangements, the Company has signed a shareholders' agreement with Ford to establish a Joint Venture in Russia. The shareholders' agreement establishes the joint control of the parties over the Joint Venture and sets out major business arrangements. The details of the transactions are subject to definitive agreements which are to be finalised in the second half of 2011. The Group has considered whether the requirements of IFRS 5 ("Non-current assets held for sale and discontinued operations") have been met and have concluded that they have not and consequently have not recorded any assets and liabilities as held for sale.

In February 2011, the Group and FIAT Group Automobiles S.p.A (FGA) announced the mutually agreed intention to pursue independent strategies to further develop their respective presence in Russia. The Group retains its existing licences to continue manufacturing FIAT vehicles in Russia.

In March 2011, the Group announced the establishment of a Joint Venture with Mitsui&Co. Ltd. This 50:50-owned Joint Venture, OOO Sollers-Bussan, will produce vehicles in the Far East with technical support provided from Toyota Motor Corporation.

The Company's shares are listed on RTS and MICEX.

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 23 September 2011.

Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The recent global financial crisis has had a severe effect on the Russian economy and the financial situation in the Russian financial and corporate sectors significantly deteriorated since mid-2008. In 2010, the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased liquidity levels in the banking sector. 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 year ended 31 December 2010 and 2011 to date compared to the previous periods, although volumes are yet to return to the peak levels achieved prior to the onset of the financial crisis.

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 have been prepared in accordance with International Accounting Standard No.34, Interim financial reporting ("IAS 34"). This consolidated condensed interim financial information do 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 2010 prepared in accordance with International Financial Reporting Standards ("IFRS"). The 31 December 2010 consolidated balance sheet data has been derived from audited financial statements for the year ended 31 December 2010.

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 2010. The Group has adopted all new standards and interpretations that were effective from 1 January 2011. 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 2011 of Russian Rouble 28.0758 = US\$1 (at 31 December 2010 of Russian Rouble 30.4769 = 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 2011 of Russian Rouble 28.58 = US\$1 and 30 June 2010 of Russian Rouble 30.07 = US\$1. The difference was recognised in equity. 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

The following new standards and amendments to standards effective from 1 January 2011 have been adopted but did not affect the Group's consolidated condensed interim financial information:

- Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011).
- Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13.
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010).
- Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010).
- Classification of Rights Issues – Amendment to IAS 32 (issued on 8 October 2009; effective for annual periods beginning on or after 1 February 2010).
- Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 30 June 2011 or later and which the Group have not been early adopted:

- IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities. The Group is considering implications of the standard, the impact on the Group and the timing of its adoption by the Group.

3 Adoption of New or Revised Standards and Interpretations and New Accounting Pronouncements (Continued)

- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.
- Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). The Group does not expect the amendments to have any material effect on its financial statements.
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011). The Group does not expect the amendments to have any effect on its financial statements.
- IFRS 10, Consolidated financial statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.
- IFRS 11, Joint arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Ventures”. Changes in the definitions have reduced the number of “types” of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.
- IFRS 12, Disclosure of interest in other entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity; it replaces the disclosure requirements currently found in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.
- IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.
- Amendments to IAS 1, Presentation of financial statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income (OCI). The amendments require entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. The suggested title used by IAS 1 has changed to ‘statement of profit or loss and other comprehensive income’. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.
- Amended IAS 19, Employee benefits (issued June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The changes will affect most entities that apply IAS 19 and may significantly change performance indicators and the volume of disclosures. The Group does not expect the amendments to have any material effect on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group’s financial statements.

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 2011:

Nature of the relationship	Newdeal Investments Limited	Members of the Board of Directors and Management	Other related parties	Total
	Parent company	Significant influence	Significant influence	
At 30 June 2011				
Accounts receivable	144	5	9	158
Advances received	-	-	61	61
Accounts payable	-	-	38	38

Balances with related parties of the Group as at 31 December 2010:

Nature of relationship	Newdeal Investments Limited	Other related parties	Total
	Parent company	Significant influence	
As 31 December 2010			
Accounts receivable	-	1	1
Advances received	-	7	7
Trade accounts payable	-	336	336

Transactions with related parties of the Group for the six-month periods ended 30 June 2011 and 30 June 2010 consist of the following:

Nature of relationship	Newdeal Investments Limited	Members of the Board of Directors and Management	Other related parties	Total
	Parent company	Significant influence	Significant influence over subsidiary	
Six-month period ended 30 June 2011				
Sales revenue	-	-	123	123
Share options	-	12	-	12
Capital transaction	150	-	-	150
Six-month period ended 30 June 2010				
Sales revenue	-	-	12	12
Share options	-	22	-	22

4.2 Directors' compensation

The compensation paid to the nine members of key management (2010: 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 140 for the six-month period ended 30 June 2011 (RR 52 for the six-month period ended 30 June 2010); and
- expenses recognised under equity-settled, share based compensation amounting to RR 9 for the six-month period ended 30 June 2011 (RR 15 for the six-month period ended 30 June 2010).

Sollers Group**Notes to the Consolidated Condensed Interim Financial Information at 30 June 2011***(in millions of Russian Roubles - RR)***5 Property, plant and equipment**

Acquisitions of property, plant, and equipment for the period amounted RR 591 (for six-month period ended 30 June 2010: RR 704). Disposals of property, plant, and equipment for the period amounted RR 583 (for six-month period ended 30 June 2010: RR 55).

Bank borrowings are secured on properties as at 30 June 2011 to the value of RR 12,695 (31 December 2010: RR 12,649); see Note 12.

During six-month period ended 30 June 2011 the Group capitalised borrowing costs of RR 120 (six-month period ended 30 June 2010: RR 124) in the cost of the qualifying assets, annual capitalisation rate was 10% (six-month period ended 30 June 2010: 14%).

The Group owns the land on which factories and buildings, comprising the principal manufacturing facilities of the Group, are situated. At 30 June 2011, the cost of the land amounted to RR 861 (31 December 2010: RR 861).

6 Development costs

	30 June 2011	30 June 2010
Cost		
Balance at the beginning of the period	1,748	1,606
Additions	85	102
Disposal	(23)	(32)
Balance at the end of the period	1,810	1,676
Accumulated amortisation and impairment		
Balance at the beginning of the period	(973)	(777)
Amortisation charge	(71)	(93)
Disposal	-	24
Balance at the end of the period	(1,044)	(846)
Net book value	766	830

7 Inventories

	30 June 2011	31 December 2010
Raw materials	6,302	7,760
Less: provision	(62)	(46)
Total raw materials	6,240	7,714
Work in progress	1,088	916
Total work in progress	1,088	916
Finished products	5,588	4,753
Less: provision	(52)	(49)
Total finished products	5,536	4,704
Total	12,864	13,334

Inventories of RR 1,176 (31 December 2010: RR 3,261) have been pledged as security for borrowings, see Note 12.

8 Trade and other receivables

	30 June 2011	31 December 2010
Trade receivables	7,693	5,831
Less: provision for impairment	(182)	(161)
Total financial assets	7,511	5,670
Other receivables	719	625
Less: provision for impairment	(33)	(26)
Total other receivables	686	599
Advances to suppliers, other than for equipment	645	792
Less: provision for impairment	(17)	(22)
Total advances to suppliers, other than for equipment	628	770
Taxes prepayments	22	17
VAT recoverable, net	391	366
Other prepayments	44	36
Total	9,282	7,458

The carrying value of accounts receivable and prepayments as at 30 June 2011 and 31 December 2010 is approximately equal to their fair value.

Sollers Group**Notes to the Consolidated Condensed Interim Financial Information at 30 June 2011***(in millions of Russian Roubles - RR)***9 Cash and cash equivalents**

	30 June 2011	31 December 2010
Cash on hand and balances with banks	1,920	2,664
Cash deposits	1,801	425
Letters of credit	75	-
Total	3,796	3,089

Foreign currency denominated cash balances consist of the following:

Currency	30 June 2011	31 December 2010
US Dollars	105	118
Euro	15	366
Korean won	34	22
Japanese yens	-	82
Total	154	588

The carrying value of cash and cash equivalents as at 30 June 2011 and 31 December 2010 is approximately equal to their fair value.

10 Shareholders' equity

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

	Number of outstanding ordinary shares (thousands)	Number of treasury shares (thousands)	Share capital, RR	Treasury shares	Share premium, RR	Additional paid-in capital, RR
At 31 December 2010	34,270	799	530	(724)	5,062	1,438
At 30 June 2011	34,270	514	530	(394)	4,786	1,438

The total authorised number of ordinary shares is 82,074 thousand (31 December 2010: 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 period ended 30 June 2011, the net statutory loss for the Company as reported in the published interim statutory reporting forms was RR 769 (profit for the six-month period ended 30 June 2010: RR 6,581) and the closing balance of the accumulated profit including the current reporting period net statutory profit as of 30 June 2011 totalled to RR 7,641 (31 December 2010: RR 8,432). 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 the consolidated condensed interim financial information.

No dividends were declared at the General Shareholders' Meetings during the six-month period ended 30 June 2011 or during the year ended 31 December 2010.

During the six-month period ended 30 June 2011, the Group disposed of 513 thousand ordinary shares and acquired 228 thousand ordinary shares (six month ended 30 June 2010 the Group disposed of 285 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.

10 Shareholders' equity (continued)**Share based compensation (continued)**

On 30 May 2007, the Group granted to members of key management and other employees options to acquire 790,000 of the Group's ordinary shares at an exercise price of US\$ 30.50 which represented the average market share price for the three months preceding the grant date. The market share price at the grant date was US\$ 30. Options on 150,000 shares are exercisable for three years after a one-year vesting period, subject to certain conditions, including the employee remaining in employment in the Group up until the vesting date. Options on 640,000 shares were exercisable for two years after a two-year vesting period, although this option to exercise was cancelled by the Group on 10 March 2009. During the six-month period ended 30 June 2011, 228,000 options were exercised (six-month period ended 30 June 2010, 290,000 options were exercised).

11 Advances received and other payables

	30 June 2011	31 December 2010
Liabilities for purchased property, plant and equipment	219	291
Dividend payable	51	47
Accrued liabilities and other creditors	98	97
Total financial liabilities within advances and other payables	368	435
Accrued employee benefit costs	313	260
Vacation accrual	223	239
Bonus accrual	86	108
Advances received	1,203	898
Total advances received and other payables	2,193	1,940

12 Short and long-term borrowings

As at 30 June 2011, short-term borrowings totalled RR 11,917 (31 December 2010: RR 7,478), including short-term loans of RR 11,589 (31 December 2010: 7,200) and interest accrued on loans of RR 328 (31 December 2010: RR 278).

As at 30 June 2011, long-term borrowings totalled RR 14,565 (31 December 2010: RR 17,053), including bank loans of RR 12,212 (31 December 2010: RR 13,088); bonds of RR 2,353 (31 December 2010: 3,965).

Property, plant and equipment and inventories of RR 13,871 (31 December 2010: RR 15,910) are pledged as collateral for long-term and short-term borrowings see Notes 5 and 7.

13 Sales

	Six-month period ended 30 June 2011	Six-month period ended 30 June 2010
Vehicles	26,899	16,561
Engines	634	537
Automotive components	2,733	1,944
Services	578	591
Other sales	706	625
Total	31,550	20,258

14 Segment information

The Group has implemented IFRS 8, Operating segments with effect from 1 January 2009. 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.

In 2010, the Group began to restructure its retail network following changes to the Group's distribution strategy. As a result of these changes, in 2010 the retail segment has become immaterial for review by the Chief Executive Officer and thus is no longer disclosed as a separate segment but instead included within the automotive segment.

14 Segment information (continued)

In 2011 the Group began to restructure its automotive and engine segments after UAZ has become the major customer of ZMZ. The sales of engine segment became immaterial in terms of segment reporting and thus is no longer disclosed separately.

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; warranty 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 13. Management considers that across the range of vehicles and models produced, these are considered as similar products. During the six months ended 30 June 2011 and 30 June 2010 the Group did not have transactions with a single external customer that amounted to ten per cent or more of the Group's revenues.

Inter-group transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

15 Contingencies, commitments and operating risks

15.1 Contractual commitments and guarantees

As at 30 June 2011, the Group had contractual commitments of RR 576 for the purchase of property, plant and equipment from third parties (31 December 2010: RR 727).

15.2 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 proceeding 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. Management do not anticipate any tax exposures will arise in practice.

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

The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded on the balance sheet. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management's expectations that are believed to be reasonable under the circumstances.

15 Contingencies, commitments and operating risks (continued)

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 2011 the Group was in full compliance with all covenants (31 December 2010: 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.

16 Subsequent events

In July 2011 Sollers and FIAT Group Automobiles S.p.A (FGA) signed an agreement concerning the future development of the distribution of FIAT automobiles and spare parts as well as warranty cover and service maintenance of FIAT automobiles in Russia. Effective 1 January 2012, the agreement calls for the Group to transfer the import and distribution rights of FIAT automobiles in the Russian Federation to FIAT Group Automobiles SpA. From this date, FGA will additionally honour warranty policies and provide spare parts and service for all FIAT cars sold by the Group since 2006 through the official dealer network.

In the third quarter 2011 the Group agreed further credit facilities of RR 3,300 with reduced interest rates available until 2013 and RR 500 available until 2012.