SOLLERS GROUP

CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

30 JUNE 2018

(UNAUDITED)

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REPORT ON REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

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

Details of auditor

Name: Baker Tilly Rus JSC

State Registration number: 1027700115409

Address: Russia, 125284, Moscow, Khoroshevskoye Shosse 32A

Baker Tilly Rus JSC is a member of Self-regulated organization of auditors “Russian Union of auditors” (Association) (“SRO RUA”). Baker Tilly Rus JSC is included in the control copy of the register of auditors and audit organizations, main registration number 11603076265.

Details of the audited entity

Name: SOLLERS Public Joint Stock Company

Address: Russia, 123317, Moscow, Testovskaya str, 10

State Registration number: 1023501244524

BAKER TILLY
RUSSIA

REPORT ON REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of SOLLERS PJSC and its subsidiaries (the Group) as of June 30, 2018 and the related consolidated condensed statement of profit and loss and other comprehensive income, in equity and cash flows 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”.

The engagement partner on the review
resulting in this report on review
of consolidated condensed interim financial information Z.B. Shalumov

Moscow, Russian Federation

August 28, 2018

		Russian Roubles million		Supplementary information US$ million (Note 2)	
	Note	**At 30 June 2018**	**At 31 December 2017**	**At 30 June 2018**	**At 31 December 2017**
ASSETS					
Non-current assets:					
Property, plant and equipment	5	11 030	11 181	176	194
Goodwill		1 484	1 484	24	26
Development costs	6	2 528	2 179	40	38
Other intangible assets		485	438	8	8
Deferred income tax assets		685	690	11	12
Investments in joint ventures and associates	7	2 347	2 261	37	39
Financial instruments	7	8 210	7 620	131	132
Other financial assets		38	37	1	1
Other non-current assets		139	122	2	2
Total non-current assets		**26 946**	**26 012**	**430**	**452**
Current assets:					
Inventories	8	5 577	5 442	89	94
Trade and other receivables	9	8 360	9 216	133	160
Restricted cash	10	732	876	12	15
Cash and cash equivalents	10	403	2 306	6	40
Total current assets		**15 072**	**17 840**	**240**	**309**
TOTAL ASSETS		**42 018**	**43 852**	**670**	**761**
LIABILITIES AND EQUITY					
Equity					
Share capital	11	530	530	8	9
Share premium	11	4 538	4 538	73	79
Additional paid-in capital	11	1 438	1 438	23	25
Retained earnings		12 449	12 007	199	208
Equity attributable to the Company's owners		**18 955**	**18 513**	**303**	**321**
Non-controlling interest		465	464	7	8
Total equity		**19 420**	**18 977**	**310**	**329**
Non-current liabilities:					
Long-term borrowings	13	2 050	2 830	33	49
Deferred income tax liabilities		1 441	1 359	23	24
Deferred income		878	923	14	16
Total non-current liabilities		**4 369**	**5 112**	**70**	**89**
Current liabilities:					
Trade accounts payable	12	6 894	7 609	110	132
Advances received and other payables	12	2 007	950	32	17
Taxes payable		2 509	2 427	40	42
Warranty and other provisions		894	816	14	14
Short-term borrowings	13	5 925	7 961	94	138
Total current liabilities		**18 229**	**19 763**	**290**	**343**
Total liabilities		**22 598**	**24 875**	**360**	**432**
TOTAL LIABILITIES AND EQUITY		**42 018**	**43 852**	**670**	**761**

Approved and signed on 28 August 2018:

First Deputy General Director
N.A. Sobolev

Chief Financial Officer
E.A. Frolova

		Russian Roubles million		Supplementary information US$ million (Note 2)	
		Six-months ended 30 June		Six-months ended 30 June	
	Note	**2018**	**2017**	**2018**	**2017**
Sales	14	14 132	16 012	238	276
Cost of sales		(10 551)	(12 567)	(178)	(217)
Gross profit		**3 581**	**3 445**	**60**	**59**
Distribution costs		(1 184)	(1 194)	(20)	(21)
General and administrative expenses	17	(1 911)	(1 245)	(32)	(21)
Other operating (expenses)/income, net		(70)	6	(1)	-
Operating profit		**416**	**1 012**	**7**	**17**
Finance costs, net		(522)	(254)	(9)	(4)
Financial instrument change in fair value	7	590	(125)	10	(2)
Share of profit/(loss) of joint ventures and associates	7	66	195	1	3
Profit before income tax		**550**	**828**	**9**	**14**
Income tax expense		(107)	(253)	(2)	(4)
Profit for the period		**443**	**575**	**7**	**10**
Total comprehensive income for the period		**443**	**575**	**7**	**10**
Profit is attributable to:					
Owners of the Company		442	574	7	10
Non-controlling interest		1	1	-	-
Profit for the period		**443**	**575**	**7**	**10**
Total comprehensive income is attributable to:					
Owners of the Company		442	574	7	10
Non-controlling interest		1	1	-	-
Total comprehensive income for the period		**443**	**575**	**7**	**10**
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$) – basic		12.88	16.75	0.22	0.29
Earnings per share (in Russian Roubles and US$) – diluted		12.88	16.75	0.22	0.29

Other than as presented above, the Group did not have any items to be recorded as other comprehensive income in the statement of profit and loss and other comprehensive income (six months ended 30 June 2017: no items).

	Russian Roubles million		Supplementary information US$ million (Note 2)	
	Six months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
Cash flows from operating activities				
Profit before income tax	**550**	**828**	**9**	**14**
Adjustments for:				
Depreciation	552	611	9	11
Amortisation	173	67	3	1
Provision for impairment of receivables	9	20	-	-
Interest expense	387	243	7	4
Financial instrument change in fair value	(590)	125	(10)	2
Share of profit of joint ventures and associates, including impairment	(66)	(195)	(1)	(3)
Other provision movements	67	(326)	1	(5)
Gain on sale of property, plant and equipment and other non-current assets	15	(13)	-	-
Loss on disposal of investments and other assets	(1)	1	-	-
Amortization of government grants	(40)	-	(1)	-
Inventory provision movement	25	4	-	-
Operating cash flows before working capital changes	**1 081**	**1 365**	**17**	**24**
Decrease in accounts receivable and prepayments	832	3,389	14	58
Increase in inventories	(124)	(1,898)	(2)	(33)
Increase/(decrease) in accounts payable, advances received and other payables	332	(1,524)	6	(26)
Increase/(decrease) in taxes payable, other than income tax	82	(906)	2	(16)
Cash provided from operations	**2 203**	**426**	**37**	**7**
Income tax paid	(16)	(97)	-	(2)
Interest paid	(410)	(374)	(7)	(6)
Net cash from/(used in) operating activities	**1 777**	**(45)**	**30**	**(1)**
Cash flows from investing activities:				
Purchase of property, plant and equipment	(446)	(499)	(8)	(8)
Proceeds from the sale of property, plant and equipment	27	4	1	-
Development costs	(492)	(279)	(8)	(5)
Purchase of intangibles and other non-current assets	(93)	(12)	(2)	-
Proceeds from government R&D subsidies	28	18	1	-
Depositing of special funds on special accounts	144	-	2	-
Investment in joint venture	(15)	-	-	-
Dividends received from joint ventures	-	50	-	1
Net cash used in investing activities	**(847)**	**(718)**	**(14)**	**(12)**
Cash flows from financing activities				
Proceeds from borrowings	12 664	6,594	213	114
Repayment of borrowings	(15 477)	(7 125)	(261)	(123)
Dividends paid to the Group’s shareholders	-	(1)	-	-
Net cash used in financing activities	**(2 833)**	**(532)**	**(48)**	**(9)**
Net decrease in cash and cash equivalents	**(1 903)**	**(1 295)**	**(32)**	**(22)**
Effect of exchange rate changes on cash and cash equivalents	-	-	(2)	2
Cash and cash equivalents at the beginning of the period	**2 306**	**2 336**	**40**	**38**
Cash and cash equivalents at the end of the period	**403**	**1 041**	**6**	**18**

(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 2016	**530**	**4 538**	**1 438**	**11 018**	**17 524**	**454**	**17 978**
Profit for the period	-	-	-	574	**574**	1	**575**
Total comprehensive income for the reporting period	**-**	**-**	**-**	**574**	**574**	**1**	**575**
Balance at 30 June 2017	**530**	**4 538**	**1 438**	**11 592**	**18 098**	**455**	**18 553**
Balance at 31 December 2017	**530**	**4 538**	**1 438**	**12 007**	**18 513**	**464**	**18 977**
Profit for the period	-	-	-	442	**442**	1	**443**
Total comprehensive income for the reporting period	**-**	**-**	**-**	**442**	**442**	**1**	**443**
Balance at 30 June 2018	**530**	**4 538**	**1 438**	**12 449**	**18 955**	**465**	**19 420**

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 2018 for Sollers JSC (the “Company”) and its subsidiaries (the “Group”).

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 “Zawolzhskiy Motorny Zawod” (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. As of 30 June 2018 and 31 December 2017 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.

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.

In 2011 the Group established the joint venture with Ford Motor Company. 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.

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 the first half 2018 the Group established the joint venture with ISUZU Motors Limited. The new joint venture Isuzu-Sollers will develop the technological cooperation in Russia and design, produce and distribute medium-duty trucks.

During the six-month period ended 30 June 2018 the Group continued exclusive distribution of the SsangYong SUVs.

This consolidated condensed interim financial information was approved for issue by the First Deputy General Director and Chief Financial Officer on 28 August 2018.

Operating Environment of the Group

Russian Federation. 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 frequent changes and varying interpretations (Note 16). During the first half of 2018 the Russian economy continued to be negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. This operating environment has a significant impact on the Group’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Group’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results.

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 2017 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 2017. The Group has adopted all new standards and interpretations that were effective from 1 January 2018. 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$") amounts shown in the primary statements are translated from the RR as a matter of arithmetic computation only, at the official rate of the Central Bank of the Russian Federation at 30 June 2018 of Russian Rouble 62.7565 = US$ 1 (at 31 December 2017 of Russian Rouble 57.6002 = US$ 1). The statements of profit and loss and other comprehensive income and cash flows have been translated at the average exchange rates during the six-month period ended 30 June 2018 of Russian Rouble 59.3536 = US$ 1 and 30 June 2017 of Russian Rouble 57.9862 = 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

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. The application of the standards had no significant impact on the consolidated financial information for the period. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Sale of goods

The Group's contracts with customers for the sale of vehicles generally include one performance obligation. The Group has concluded that revenue from sale of vehicles should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Variable consideration

Some contracts with customers provide a right of return and discounts. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances and discounts. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contact inception and updated thereafter.

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group assessed individual contracts to determine the estimated variable consideration a related constraint. Application of the constraint did not have an impact on the Group's interim condensed consolidated financial information.

Warranty obligations

The Group provides warranties for general repairs and does not provide extended warranties or maintenance services in its contracts with customers. As such, the Group determines that such warranties are assurance-type warranties under IFRS 15, which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

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

Rendering of services

The Group recognised service revenue in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Presentation and disclosure requirements

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. Information required by IFRS 15 is provided above. Adoption of IFRS 15 did not have an impact on the Group's interim condensed consolidated financial information.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and without adjusting the comparative information for the period beginning 1 January 2017.

Classification and measurement

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9.

Impairment model

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis.

The Group performed detailed analysis and has not determined significant effects from moving from an incurred loss model under IAS 39 to an expected loss model as required by IFRS 9. As a result of this analysis, the Group concluded that IFRS 9 did not have an impact on the Group's interim condensed consolidated financial information.

Application of Interpretations and Amendments to existing Standards

A number of interpretations and amendments to current IFRSs became effective for the periods beginning on or after 1 January 2018:

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued in December 2016) provides requirements for recognising a non-monetary asset or a non-monetary obligation arising from a result of committing or receiving prepayment until the recognition of the related asset, income or expense.

- The amendments to IFRS 2 Share-based Payment (issued in June 2016). These amendments clarify accounting for a modification to the terms and conditions of a share-based payment and for withholding tax obligations on share-based payment transactions.

- The amendments to IAS 40 Investment Property (issued in December 2016). These amendments clarify the criteria for the transfer of objects in the category or from the category of investment property. The Group has reviewed these interpretations and amendments to standards while preparing consolidated interim condensed financial information. The interpretations and amendments to standards have no significant impact on the Group's consolidated interim condensed financial information.

(in millions of Russian Roubles – RR)

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

Standards, Interpretations and Amendments to existing Standards that are not yet effective and have not been early adopted by the Group

Certain new standards, interpretations and amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2019. In particular, the Group has not early adopted the standards and amendments:

- IFRS 16 Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard replaces the previous IAS 17 Leases and establishes a general accounting model for all types of lease agreements in financial statements. All leases should be accounted in accordance with applicable principles of the financial lease accounting. Lessees are required to recognise assets and liabilities under lease agreements except cases specifically mentioned. Insignificant changes in the applicable accounting required IAS 17 Leases are implemented for lessors.

- IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019) provides requirements in respect of recognising and measuring of a tax liability or a tax asset when there is uncertainty over income tax treatments.

- The amendments to IAS 28 Investments in Associates and Joint Ventures (issued in October 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify that long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture should be accounted in accordance with IFRS 9 Financial Instruments.

- The amendments to IAS 23 Borrowing Costs (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify which borrowing costs are eligible for capitalisation in particular circumstances.

The Group is currently assessing the impact of the amendments on its financial position and results of operations.

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 2018 and 31 December 2017 consist of the following:

Balances

Nature of relationship	Board of directors	Joint ventures	Other related parties	Total
As at 30 June 2018				
Accounts receivable	-	59	424	**483**
Trade and other payables	-	2	203	**205**
As at 31 December 2017				
Accounts receivable	-	30	68	**98**
Trade and other payables	-	2	160	**162**

Transactions with related parties of the Group for the six-month periods ended 30 June 2018 and 30 June 2017 consist of the following:

Transactions

Nature of relationship	Parent company	Joint ventures	Other related parties	Total
Six-month period ended 30 June 2018				
Sales of vehicles, components and services	-	183	3	**186**
Purchases of goods and services	-	2	1 675	**1 677**
Six-month period ended 30 June 2017				
Sales of vehicles, components and services	-	177	7	**184**
Purchases of goods and services	-	45	1 219	**1 264**

(in millions of Russian Roubles – RR)

4 Balances and transactions with related parties (continued)

4.2. Key managements' and directors' compensation

The compensation paid to the nine members of key management (2017: 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 153 for the six-month period ended 30 June 2018 (RR 189 for the six-month period ended 30 June 2017).

5 Property, plant and equipment

Acquisitions of property, plant, and equipment for the period amounted to RR 517 (for six-month period ended 30 June 2017: RR 519). Disposals of property, plant, and equipment for the period amounted to RR 60 (for six-month period ended 30 June 2017: RR 18).

Bank borrowings are secured on properties at 30 June 2018 to the value of RR 2,381 (31 December 2017: RR 2,599); see Note 13.

During six-month period ended 30 June 2018 the Group capitalised borrowing costs of RR 39 (six-month period ended 30 June 2016: RR 24) in the cost of the qualifying assets, annual capitalisation rate was 13% (six-month period ended 30 June 2017: 15%).

The Group owns the land on which factories and buildings, comprising the principal manufacturing facilities of the Group, are situated. At 30 June 2018, the cost of the land amounted to RR 607 (31 December 2017: RR 610).

6 Development costs

	30 June 2018	30 June 2017
Cost		
Balance at the beginning of the period	3,848	3,005
Additions	492	279
Disposals	(7)	(1)
Balance at the end of the period	**4,333**	**3,283**
Accumulated amortisation and impairment		
Balance at the beginning of the period	(1,669)	(1,524)
Amortisation charge	(136)	(52)
Balance at the end of the period	**(1,805)**	**(1,576)**
Net book value	**2,528**	**1,707**

7 Investments in joint ventures

Investments in joint ventures are presented by followings assets:

	30 June 2018	30 June 2017
Mazda-Sollers JV	1,399	1,431
Sollers-Bussan JV	318	326
Sollers-Finance JV	617	504
Isuzu-Sollers JV	13	-
Total investments in joint ventures	**2,347**	**2,261**

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

	30 June 2018	30 June 2017
Carrying amount at 1 January	**2,261**	**1,914**
Share of profit of joint ventures	66	195
Unrealised profit adjustment on sale of non-current assets to joint venture	5	5
Investment in Isuzu-Sollers JV	15	-
Dividends received	-	(50)
Carrying amount at the end of the reporting period	**2,347**	**2,064**

7 Investments in joint ventures (continued)

Sollers-Finance JV

During the 6 month ended 30 June 2018 no dividends were received from the Sollers-Finance JV (6 month ended 30 June 2017: RR 50).

As of June 30, 2018 Sollers-Finance JV had contractual commitments to acquire the lease objects amounting to RR 370 (31 December 2017: RR 225).

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.

As of the date of approval of the financial information Group management is considering alternative ways of Sollers-Bussan assets utilisation.

The carrying value of Sollers-Bussan JV investment have been tested by management for impairment. As of 30 June 2018 no impairment was identified (31 December 2017: nil).

Mazda-Sollers JV

In August 2012 the Group paid its contribution to share capital of 50%-50% joint venture with Mazda Motor Corporation in amount of RR 750 and finalized the foundation. The production of Mazda SUVs and passenger cars was launched in September 2012.

In September 2016, Mazda-SOLLERS JV signed a Special investment contract with the Ministry of Industry and Trade of the Russian Federation. Under the contract, Mazda SOLLERS JV commits to create a new engine production capacity in the Far East with investments of RR 2,000. In the year 2017, the contract was amended and the investment commitment was enhanced to RR 2,800.

Ford-Sollers JV

On 31 March 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% to 49.9% starting from 31 March 2015.

As a result of the agreements reached a financial instrument of RR 8,210 was recognised in the Group’s balance sheet (31 December 2017: RR 7,620). 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.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. Level three measurements were applied for the valuation of the financial instrument recognised due to received right to sell the share in the JV.

Isuzu-Sollers JV

In the first half of 2018 the Group established the joint venture with ISUZU Motors Limited. The new joint venture Isuzu-Sollers will develop the technological cooperation in Russia and design, produce and distribute medium-duty trucks.

(in millions of Russian Roubles – RR)

7 Investments in joint ventures (continued)

At 30 June 2018 the Group held 50% interest in joint ventures Mazda-Sollers, Sollers-Bussan, Sollers-Finance and Isuzu-Sollers (31 December 2017: 50% interest in joint ventures Mazda-Sollers, 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 2018	**15,525**	**10,616**
Mazda-Sollers JV	9,559	6,461
Sollers-Bussan JV	652	16
Sollers-Finance JV	5,286	4,138
Sollers-Isuzu JV	28	1
Total at 31 December 2017	**13,184**	**8,431**
Mazda-Sollers JV	8,081	4,909
Sollers-Bussan JV	671	19
Sollers-Finance JV	4,432	3,503

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 2018	**18,104**	**119**	**133**
Mazda-Sollers JV	17,472	(131)	(73)
Sollers-Bussan JV	-	(28)	(16)
Sollers-Finance JV	632	281	225
Sollers-Isuzu JV	-	(3)	(3)
Six-month period ended 30 June 2017	**10,785**	**412**	**389**
Mazda-Sollers JV	10,384	308	298
Sollers-Bussan JV	-	(40)	(23)
Sollers-Finance JV	401	144	114

8 Inventories

	30 June 2018	31 December 2017
Raw materials	3,143	2,956
Less: provision	(54)	(52)
Total raw materials	**3,089**	**2,904**
Work in progress	1,138	942
Total work in progress	**1,138**	**942**
Finished products	1,625	1,848
Less: provision	(275)	(252)
Total finished products	**1,350**	**1,596**
Total	**5,577**	**5,442**

(in millions of Russian Roubles – RR)

9 Trade and other receivables

	30 June 2018	31 December 2017
Trade receivables	1,278	3,210
Less: provision for impairment	(49)	(50)
Total financial assets	**1,229**	**3,160**
Other receivables	6,375	5,548
Less: provision for impairment	(19)	(28)
Total other receivables	**6,356**	**5,520**
Advances to suppliers, other than for equipment	562	147
Less: provision for impairment	(4)	(3)
Total advances to suppliers, other than for equipment	**558**	**144**
Taxes prepayments	146	147
VAT recoverable, net	65	239
Other prepayments	6	6
Total	**8,360**	**9,216**

The carrying value of trade accounts receivable and other receivables as at 30 June 2018 and 31 December 2017 is approximately equal to their fair value.

In the first half of 2018 the Group recognised VAT of RR 446 (six months ended 30 June 2017: nil) as an expense in the General and administrative expenses. The VAT was irrecoverable as referred to subsidised expenses.

The new amendments to the Tax Code were adopted on 3 August 2018 by 303-FZ. According to the amended Tax Code, VAT on subsidised expenses that was previously expensed, is allowed for recovery. (see Note 17).

The group receives government subsidies which partially compensate production, administrative, distribution and finance cost. During the six month ended 30 June 2018 the subsidies recognised in the Cost of sales totaled RR 5,866 (six months ended 30 June 2017: RR 4,592), in the General and administrative expenses RR 390 (six months ended 30 June 2017: RR 629), in the Distribution costs RR 67 (six months ended 30 June 2017: 82) and in the Finance cost RR 0 (six months ended 30 June 2016: RR 105).

10 Cash and cash equivalents

	30 June 2018	31 December 2017
Cash on hand and balances with banks	398	362
Cash deposits	5	1,944
Total	**403**	**2,306**

The carrying value of cash and cash equivalents as at 30 June 2018 and 31 December 2017 is approximately equal to their fair value.

At 30 June 2018, restricted cash consisted of RR 498, acquired under the contracts for special-purpose funding with state fund for industrial development (31 December 2017: RR 542) and RR 234 acquired under state defense order (31 December 2017: RR 334).

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 2018	34,270	530	4,538	1,438
At 31 December 2017	34,270	530	4,538	1,438

The total authorised number of ordinary shares is 82,074 thousand (31 December 2017: 82,074 thousand). The nominal value of all shares is 12.5 roubles per share.

(in millions of Russian Roubles – RR)

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 2018, the net statutory loss for the Company as reported in the published interim statutory reporting forms was RR 4 (for the six-month period ended 30 June 2017 net profit amounted to RR 870) and the closing balance of the accumulated profit including the current reporting period net statutory profit as of 30 June 2018 totalled to RR 10,528 (31 December 2017: RR 10,532). 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 2018 or during the year ended 31 December 2017.

12 Trade payables, advances received and other payables

At 30 June 2018 trade accounts payable amounts to RR 6,894 (31 December 2017: RR 7,609). The amount includes trade payables with the reverse factoring settlement in the amount of RR 1,634 (31 December 2017: RR 273).

	30 June 2018	31 December 2017
Accrued liabilities and other creditors	202	85
Liabilities for purchased property, plant and equipment	25	37
Dividend payable	-	-
Total financial liabilities within advances and other payables	**227**	**122**
Advances received	1,245	273
Bonus accrual	79	56
Accrued employee benefit costs	264	275
Vacation accrual	192	224
Total advances received and other payables	**2,007**	**950**

13 Short and long-term borrowings

The Group's long-term borrowings consisted of bank loans amounted to RR 1,596 (31 December 2017: RR 2,408) and funding from federal and regional funds for industrial development amounted to RR 454 (31 December 2017: RR 422).

The Group's long-term borrowings are denominated in Russian Roubles at 30 June 2018 and 31 December 2017. The carrying amounts of long-term borrowings approximates to their fair values at 30 June 2018 and at 31 December 2017.

At 30 June 2018, short-term borrowings totalled RR 5,925 (31 December 2017: RR 7,961), including short-term loans of RR 5,885 (31 December 2017: loans of RR 7,905) and interest accrued on loans of RR 40 (31 December 2017: RR 56). The carrying amounts of short-term borrowings approximates to their fair values as at 30 June 2018 and 31 December 2017.

Property, plant and equipment of RR 2,381 (31 December 2017: RR 2,599) are pledged as collateral for long-term and short-term borrowings (see Note 5).

14 Sales

	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017
Vehicles	10,067	12,399
Automotive components	2,837	2,452
Engines	517	463
Services	325	316
Other sales	386	382
Total	**14,132**	**16,012**

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 General Director and that are used to make strategic decisions.

At 30 June 2018 and at 31 December 2017 the Group activities are considered as one reporting segment: production and sale of vehicles.

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

The General Director 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 2018 and 30 June 2017 the Group did not have transactions with a single external customer that amounted to 10% or more of the Group's revenues.

16 Contingencies, commitments and operating risks

Contractual commitments and guarantees. As at 30 June 2018, the Group had contractual commitments of RR 585 including contractual obligations to purchase of property, plant and equipment from third parties (31 December 2017: RR 377).

Taxation. Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by the tax authorities. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This 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. Tax liabilities arising from transactions between companies within the Group are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. 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 control procedures to identify controlled transactions and test prices / profit margins in controlled transactions, and ensure compliance with the TP legislation. Management takes all necessary steps to maintain this internal control system.

At the moment management believes that the Group's interpretation of tax legislation could be proved, nevertheless, there is a risk that the Group will be subject to additional tax expenses, if management understanding is successfully challenged by tax authorities.

16 Contingencies, commitments and operating risks (continued)

The impact of any such exposures cannot be reliably estimated but may have a material effect on the Group's 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 the Group's contingent liabilities on legal proceedings amount to RR 50 as of 30 June 2018 (31 December 2017: nil). Management considers risks associated with the legal proceedings as possible. Management believes there are no other legal proceedings or claims that may cause material effect on Group's results or financial position except those disclosed in this consolidated condensed interim financial information.

Guarantees. Guarantees are irrevocable assurance that the Group will make payments in the event that another party cannot meet its obligations. As of 30 June 2018, the Group has issued financial guarantees for other related parties for RR 51 (31 December 2017: RR 90).

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 2018 the Group was in full compliance with all covenants (31 December 2017: full compliance with all covenants).

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 Post balance sheet date events

The new amendments to the Tax Code were adopted on 3 August 2018 by 303-FZ. According to the amended Tax Code, VAT on subsidised expenses that was previously expensed, is allowed for recovery. Thus, in the second half of 2018 the Group plans to recover VAT of RR 446 that was charged to the General and administrative expenses in the first half 2018.

There were no other significant events after the balance sheet date requiring disclosures.