

SOLLERS AUTO GROUP

**CONSOLIDATED CONDENSED
INTERIM FINANCIAL INFORMATION
PREPARED UNDER INTERNATIONAL
FINANCIAL REPORTING STANDARDS**

30 JUNE 2021

(UNAUDITED)

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REPORT ON REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of SOLLERS Auto PJSC and its subsidiaries (the Group) as of June 30, 2021 and the related consolidated condensed interim 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 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.



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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 27, 2021

The Russian original signed by
Z.B. Shalumov, Director
JSC "Baker Tilly Rus"

Moscow, Russian Federation

Details of auditor

Name: Baker Tilly Rus JSC

State Registration number: 1027700115409

Address: Office 57, Premise VII, 32 A Khoroshevskoye
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Member of Self-regulatory Organization of Auditors
Association "Sodruzhestvo" (SRO AAS)
Main registration number 12006010438.

Details of the audited entity

Name: Public Joint-Stock Company SOLLERS Auto

State Registration number: 1023501244524

Address: 1, Build. 1,2, Kiyevskoye MZD, 5 km,
Moscow, Russia, 119590

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

SOLLERS Auto Group
Consolidated Condensed Interim Statement of Financial Position at 30 June 2021
(in millions of Russian Roubles)
(amounts translated into US Dollars for convenience purposes, Note 2)

	Note	Russian Roubles million		Supplementary information US\$ million (Note 2)	
		At 30 June 2021	At 31 December 2020	At 30 June 2021	At 31 December 2020
ASSETS					
Non-current assets					
Property, plant and equipment	5	21,201	22,521	293	305
Right of use assets	5	574	626	8	9
Goodwill	-	1,484	1,484	21	20
Development costs	6	4,328	4,090	60	55
Other intangible assets	-	2,102	2,236	29	30
Deferred income tax assets	-	1,355	1,164	19	16
Investments in joint ventures	7	1,664	1,890	23	26
Other financial assets	-	97	96	1	1
Other non-current assets	-	93	93	1	1
Total non-current assets		32,898	34,200	455	463
Current assets					
Inventories	8	12,382	6,700	171	90
Trade and other receivables	9	11,432	15,383	158	208
Other current assets	-	32	-	-	-
Restricted cash	10	328	1,443	5	20
Cash and cash equivalents	10	10,452	9,825	144	133
Total current assets		34,626	33,351	478	451
TOTAL ASSETS		67,524	67,551	933	914
LIABILITIES AND EQUITY					
Equity					
Share capital	11	530	530	7	7
Treasury shares	11	(457)	-	(6)	-
Share premium	11	4,538	4,538	63	62
Additional paid-in capital	11	1,438	1,438	20	19
Retained earnings	-	10,396	10,119	143	137
Equity attributable to the Company's owners		16,445	16,625	227	225
Non-controlling interest	11	8,109	8,606	112	117
Total equity		24,554	25,231	339	342
Non-current liabilities					
Long-term borrowings	13	4 825	5 539	67	75
Deferred income tax liabilities	-	356	400	5	5
Long-term lease liabilities	5	501	546	7	8
Deferred income	-	1 499	1 799	21	24
Total non-current liabilities		7 181	8 284	100	112
Current liabilities					
Trade accounts payable	12	17,833	17,392	246	235
Advances received and other payables	12	2,553	2,078	35	28
Short-term lease liabilities	5	90	86	1	1
Taxes payable	-	4,772	6,091	66	82
Warranty and other provisions	-	1,559	1,623	22	22
Short-term borrowings	13	8,982	6,766	124	92
Total current liabilities		35,789	34,036	494	460
Total liabilities		42,970	42,320	594	572
TOTAL LIABILITIES AND EQUITY		67,524	67,551	933	914

Approved and signed on 27 August 2021

General Director
N.A. Sobolev

Chief Financial Officer
E.A. Frolova

The accompanying notes on page 5 to 14 are an integral part of this consolidated condensed interim financial information.

SOLLERS Auto Group
Consolidated Condensed Interim Statement of Comprehensive Income for the six-month period
ended 30 June 2021
(in millions of Russian Roubles)
(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	
		2021	2020	2021	2020
Sales	14	36,812	23,140	495	334
Cost of sales	9	(30,914)	(19,476)	(416)	(281)
Gross profit		5,898	3,664	79	53
Distribution costs	9	(1,739)	(1,630)	(23)	(24)
General and administrative expenses	9	(2,291)	(2,597)	(31)	(37)
Other operating (expenses)/ income, net	-	(246)	67	(3)	1
Operating profit/ (loss)		1,622	(496)	22	(7)
Finance costs, net	-	(275)	(1,058)	(4)	(15)
Share of (loss)/ profit of joint ventures	7	(256)	112	(3)	2
Profit/ (loss) before income tax		1,091	(1,442)	15	(20)
Income tax (expense)/ income	-	(271)	384	(4)	6
Profit/ (loss) for the period		820	(1,058)	11	(14)
Total comprehensive income/ (loss) for the period		820	(1,058)	11	(14)
Profit/ (loss) is attributable to:					
Owners of the Company	-	277	(1,161)	4	(15)
Non-controlling interest	-	543	103	7	1
Profit/ (loss) for the period		820	(1,058)	11	(14)
Total comprehensive income/ (loss) is attributable to:					
Owners of the Company	-	277	(1,161)	4	(15)
Non-controlling interest	-	543	103	7	1
Total comprehensive income/ (loss) for the period		820	(1,058)	11	(14)
Weighted average number of shares outstanding during the period (in thousands of shares) – basic	11	32,699	34,270	32,699	34,270
Weighted average number of shares outstanding during the period (in thousands of shares) – diluted	11	32,699	34,270	32,699	34,270
Earnings/ (loss) per share (in Russian Roubles and US\$) – basic	-	8.48	(33.89)	0.11	(0.49)
Earnings/ (loss) per share (in Russian Roubles and US\$) – diluted	-	8.48	(33.89)	0.11	(0.49)

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 2020: no items).

SOLLERS Auto Group**Consolidated Condensed Interim Statement of Cash Flows for the six-month period ended 30 June 2021***(in millions of Russian Roubles)**(amounts translated into US Dollars for convenience purposes, Note 2)*

	Russian Roubles million		Supplementary information US\$ million (Note 2)	
	Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
Cash flows from operating activities				
Profit/ (loss) before income tax	1,091	(1,442)	15	(20)
Adjustments for:				
Depreciation	1,147	1,167	16	17
Amortisation	392	469	5	7
Provision for impairment of receivables	(7)	15	-	-
Interest expense and discounting	414	741	6	11
Profit from other long-term investments	(1)	(8)	-	-
Share of loss/ (profit) of joint ventures and associates	256	(112)	3	(2)
Other provision movements	51	(460)	1	(7)
Loss/(profit) on sale of property, plant and equipment and other non-current assets	301	(35)	4	(1)
The result from subsidiary disposal	(7)	(9)	-	-
Amortization of government grants	(51)	(75)	(1)	(1)
Deferred income movement	234	133	3	2
Inventory provision movement	6	(36)	-	(1)
Operating cash flows before working capital changes	3,826	348	52	5
Decrease in accounts receivable, prepayments and other short-term assets	4,174	1,648	56	24
Increase in inventories	(5,621)	(2,168)	(76)	(31)
Increase/ (decrease) in accounts payable, advances received and other payables	1,229	(5,329)	17	(77)
Increase/ (decrease) in taxes payable, other than income tax	(1,687)	120	(23)	2
Cash from operations	1,921	(5,381)	26	(77)
Income tax paid	(405)	(224)	(5)	(3)
Interest paid	(1,002)	(686)	(14)	(10)
Net cash from operating activities	514	(6,291)	7	(90)
Cash flows from investing activities:				
Purchase of property, plant and equipment	(62)	(437)	(1)	(6)
Proceeds from the sale of property, plant and equipment	153	23	2	-
Development costs	(482)	(368)	(7)	(5)
Purchase of intangibles and other non-current assets	(16)	(65)	-	(1)
Withdrawal of special funds on special accounts	1,114	2,888	15	41
Cash from disposal of the subsidiary	20	23	-	-
Investment in joint venture	(25)	-	-	-
Dividends received from joint ventures	-	50	-	1
Net cash from investing activities	702	2,114	9	30
Cash flows from financing activities				
Lease payments	(62)	(13)	(1)	-
Proceeds from borrowings	7,797	7,021	105	101
Repayment of borrowings	(6,827)	(3,856)	(92)	(56)
Treasury shares purchase	(457)	-	(6)	-
Distribution of earnings to non-controlling shareholders	(1,040)	-	(14)	-
Net cash from financing activities	(589)	3,152	(8)	45
Net increase/(decrease) in cash and cash equivalents	627	(1,025)	8	(15)
Effect of exchange rate changes on cash and cash equivalents	-	-	3	(12)
Cash and cash equivalents at the beginning of the period	9,825	6,689	133	108
Cash and cash equivalents at the end of the period	10,452	5,664	144	81

The accompanying notes on page 5 to 14 are an integral part of this consolidated condensed interim financial information.

SOLLERS Auto Group**Consolidated Condensed Interim Statement of Changes in Equity for the six-month period ended 30 June 2021***(in millions of Russian Roubles)*

	Share capital	Treasury shares	Share premium	Additional paid-in-capital	Retained earnings	Attributable to equity shareholders of the Company	Non-controlling interest	Total equity
Balance at 31 December 2019	530		4,538	1,438	12,244	18,750	8,226	26,976
Loss for the period	-	-	-	-	(1,161)	(1,161)	103	(1,058)
Total comprehensive loss for the reporting period	-	-	-	-	(1,161)	(1,161)	103	(1,058)
Balance at 30 June 2020	530	-	4,538	1,438	11,083	17,589	8,329	25,918
Balance at 31 December 2020	530	-	4,538	1,438	10,119	16,625	8,606	25,231
Profit for the period	-	-	-	-	277	277	543	820
Distribution of earnings to non-controlling shareholders	-	-	-	-	-	-	(1,040)	(1,040)
Treasury shares purchase	-	(457)	-	-	-	(457)	-	(457)
Total comprehensive income/ (loss) for the reporting period	-	(457)	-	-	277	(180)	(497)	(677)
Balance at 30 June 2021	530	(457)	4,538	1,438	10,396	16,445	8,109	24,554

The accompanying notes on page 5 to 14 are an integral part of this consolidated condensed interim financial information.

1 The 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 2021 for PJSC “SOLLERS Auto” (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 OJSC “Severstal” (the “Predecessor”) by contributing its controlling interests in LLC “Ulyanovsky Avtomobilny Zavod” (LLC “UAZ”) and PJSC “Zavolzhskiy Motorny Zavod” (PJSC “ZMZ”), which were acquired at the end of 2000, in exchange for the Company’s share capital.

The immediate parent company of the Group is LLC “SOLLERS Group” (prior LLC “ERFIX”). As of 30 June 2021 and 31 December 2020 the ultimate controlling party of the Group is Vadim Shvetsov, the main participant of LLC “SOLLERS Group”.

On June 10, 2021 the company was renamed PJSC “SOLLERS Auto” on Uniform State Register of Legal Entities.

The Company’s shares are listed on the MOEX.

The registered office of the Company is Kiyevskoye MZD, 5 km, 1, Build. 1, 2, Moscow.

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, the Republic of Tatarstan and the Nizhniy Novgorod region in the Russian Federation.

The Group established a number of joint ventures with huge global automakers for manufacturing and distribution of vehicles.

SOLLERS Auto PJSC owns 51% of the shares of SOLLERS Ford (Ford-SOLLERS JV), Ford Motor Company’s share is 49%. The joint venture is involved in the production and distribution of Ford Transit commercial vehicles, as well as the localization and further development of the line of the special vehicles. SOLLERS Ford is based in Elabuga and inherited a residence of the ALABUGA Special Economic Zone.

SOLLERS Auto PJSC owns 50% of the shares of the joint venture with Mazda Motor Corporation in Vladivostok for production of Mazda SUVs and passenger cars. Mazda-SOLLERS joint venture also exports locally produced engines for Mazda vehicles to Japan.

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

This consolidated condensed interim financial information was approved for issue by the General Director and Chief Financial Officer on 27 August 2021.

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). 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.

Due to the recent rapid spread of coronavirus COVID-19 pandemic, the Russian Federation introduced quarantine measures that significantly affected the level and scope of business activity of market participants.

In the first half of 2021 the sales of passenger and light commercial vehicles in Russia grew by 37% year-on-year and totalled 871 k units according to Automotive Committee of Association of European Businesses. The consensus sales forecast amounts to 1.76 mln vehicles in 2021, 10% over 2020 sales. Also, the increase in the USD-RUB foreign exchange rate and a decrease in real disposable income can be attributed as negative effects.

The influence of coronavirus COVID-19 pandemic on the Group’s financial results depends on the development of epidemiological situation and corresponding restrictions, their impact on customers, dealers and suppliers, macroeconomic conditions and business activity, the rates of the demand rebound.

The Group’s management is constantly evaluating the influence of coronavirus infection and the economic consequences associated on the going concern and financial position of the Group. The 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 2020 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 2020. The Group has adopted all new standards and interpretations that were effective from 1 January 2021. 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 2021 of Russian Rouble 72.3723 = US\$ 1 (at 31 December 2020 of Russian Rouble 73.8757 = US\$ 1). The statements of comprehensive income and cash flows have been translated at the average exchange rates during the six-month period ended 30 June 2021 of Russian Rouble 74.2781 = US\$ 1 and 30 June 2020 of Russian Rouble 69.3714 = 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 New standards, interpretations and amendments adopted by the Group

During the preparation of these interim condensed consolidated financial information, the Group followed the same accounting policies and methods of computation as compared with those applied in the annual consolidated financial statements for the year ended December 31, 2020, except for the adoption of new standards and interpretations effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of the adoption of new and amended standards, which became effective on January 1, 2021, are described below.

Applying changes to standards

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases interest rate - stage 2 (issued in August 2020 and applicable for annual reporting periods beginning on or after January 1, 2021). The amendments provide temporary exemptions that are applied to address financial reporting implications in cases where the interbank offer rate (IBOR) is replaced by an alternative virtually risk-free interest rate. The amendments provide the following:

- a practical expedient according to which changes in contract or changes in cash flows directly required by the reform should be treated as changes in the floating interest rate equivalent to a change in the market interest rate;
- allows changes required by the IBOR reform to the definition of hedging relationships and hedging documentation without termination of the hedging relationship;
- entities are granted a temporary exemption from the requirement for separately identifiable components when an instrument with a risk-free interest rate is designated as a risk component in a hedging relationship at the entity's discretion.

The Group considered these amendments to standards in preparing the consolidated interim condensed financial statements. The amendments to standards did not have a significant impact on the Group's consolidated interim condensed financial statements.

3 New standards, interpretations and amendments adopted by the Group (continued)

Changes to existing standards that have not come into force and are not early adopted by the Group

A number of changes to the standards are effective for annual periods beginning on or after January 1, 2021. In particular, the Group has not early adopted the following amendments to standards:

- amendments to IFRS 16 Leases (issued in March 2021 and applicable for annual periods beginning on or after 1 April 2021). The changes extend previously existing COVID-19 lease concessions that were issued in May 2020 and are effective for annual reporting periods beginning on or after June 1, 2020, and allow tenants as practicable not assess whether specific lease concessions that are a direct consequence of the COVID-19 pandemic count as lease modifications, and instead treat those lease concessions as if they were not lease modifications. The changes do not affect landlords.
- amendments to IAS 1 Presentation of Financial Statements (issued in January 2020 and applicable for annual periods beginning on or after 1 January 2023). The amendments clarify the criteria for classifying liabilities as current or non-current.
- amendments to IFRS 9 Financial Instruments (issued in May 2020 and applicable for annual periods beginning on or after 1 January 2022). The amendments clarify what costs are included in assessing whether the terms of the new or modified financial liability differ materially from the terms of the original financial liability.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendments clarify what costs are included in the estimate of the costs of fulfilling contract obligations in order to identify it as onerous.
- amendments to IAS 16 Property, Plant and Equipment (issued in May 2020 and applicable for annual periods beginning on or after 1 January 2022). The amendments prohibit the deduction from the historical cost of property, plant and equipment for amounts received from the sale of products manufactured during the period when the asset was prepared for its intended use. Instead, such sales revenue and related costs are recognized in profit or loss.
- amendments to IAS 1 Presentation of Financial Statements (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments clarify how the concept of materiality should be applied when deciding on the disclosure of accounting policies.
- amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023). The changes clarify how to distinguish changes in accounting estimates from changes in accounting policies.
- amendments to IAS 12 Income Taxes (issued in May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments clarify that the exemption from recognition does not apply to transactions that, upon initial recognition, give rise to the same taxable and deductible temporary differences.

The Group is currently assessing how these changes will affect 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 2021 and 31 December 2020 consist of the following:

Balances					
Nature of relationship	Board of directors	Parent company	Other related parties	Associates and joint ventures	Total
As at 30 June 2021					
Accounts receivable		-	25	58	83
Trade and other payables	4	-	667	-	671
Loans issued (including interest receivable)	-	-	33	-	33
As at 31 December 2020					
Accounts receivable	-	-	29	10	39
Trade and other payables	-	-	528	1	529

4 Balances and transactions with related parties (continued)

Transactions with related parties of the Group for the six-month periods ended 30 June 2021 and 30 June 2020 consist of the following:

Transactions

Nature of relationship	Parent company	Other related parties	Associates and joint ventures	Total
Six-month period ended 30 June 2021				
Sales of vehicles, components and services	-	2	1	3
Purchases of goods and services net of discounts	-	2,024	-	2,024
Contribution to equity	-	-	25	25
Loans issued and interest accrued	-	33	-	33
Six-month period ended 30 June 2020				
Sales of vehicles, components and services	1	9	-	10
Purchases of goods and services net of discounts	-	1,382	-	1,382
Dividends received	-	-	50	50

4.2. Key managements' and directors' compensation

The compensation paid to the nine members of the key management (2020: 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 comprehensive income comprises short-term employee benefits amounting to RR 361 for the six-month period ended 30 June 2021 (RR 258 for the six-month period ended 30 June 2020).

5 Property, plant and equipment and right-of-use assets

Acquisitions of property, plant, and equipment for the period amounted to RR 301 (for six-month period ended 30 June 2020: RR 414). Disposals of property, plant, and equipment for the period amounted to RR 441 (for six-month period ended 30 June 2020: RR 121).

Bank borrowings are secured on properties at 30 June 2021 to the value of RR 4 855 (31 December 2020: RR 5 287); see Note 13.

During six-month period ended 30 June 2021 the Group capitalized borrowing costs of RR 11 (six-month period ended 30 June 2020: RR 13) in the cost of the qualifying assets, the annual capitalization rate was 7% (six-month period ended 30 June 2020: 7%).

The Group owns the land on which factories and buildings, comprising the principal manufacturing facilities of the Group, are located. At 30 June 2021, the cost of the land amounted to RR 650 (31 December 2020: RR 654).

At 30 June 2021, the Group had right-of-use assets in the amount of RR 574 (RR 626 as of 31 December 2020). Long-term and short-term lease liabilities amounted to RR 501 and RR 90 respectively (RR 546 and RR 86 as of 31 December 2020 respectively).

5 Property, plant and equipment and right-of-use assets (continued)

Right-of-use assets and liabilities movements under the lease contracts were the following:

Right-of-use assets at 1 January 2021	626
Additions (initial measurement)	1
Depreciation charge	(53)
Disposal	-
Right-of-use asset at 30 June 2021	574
Lease liabilities at 1 January 2021	632
Additions (initial measurement)	1
Interest expense	21
Lease payments	(62)
Disposal	(1)
Lease liabilities at 30 June 2021	591
Right-of-use assets at 1 January 2020	145
Additions (initial measurement)	4
Depreciation charge	(18)
Disposal	(6)
Right-of-use asset at 30 June 2020	125
Lease liabilities at 1 January 2020	143
Additions (initial measurement)	4
Interest expense	8
Lease payments	(13)
Disposal	(13)
Lease liabilities at 30 June 2020	129

During the six-month period ended 30 June 2021 total cash outflow for leases, including advance payments equalled RR 62 (during the six-month period ended 30 June 2020 – RR 13).

During the six-month period ended 30 June 2021 the Group recognized in the cost of sales and general and administrative expenses costs relating to short-term leases and leases of low-value assets which amounted to RR 37 (RR 95 - during the six-month period ended 30 June 2020).

6 Development costs

	30 June 2021	30 June 2020
Cost		
Balance at the beginning of the period	6,942	6,164
Additions	494	388
Disposal of the subsidiary	(15)	(58)
Disposals	-	(1)
Balance at the end of the period	7,421	6,493
Accumulated amortisation and impairment		
Balance at the beginning of the period	(2,852)	(2,366)
Amortisation charge	(241)	(247)
Disposal of the subsidiary	-	1
Balance at the end of the period	(3,093)	(2,612)
Net book value at the beginning of the period	4,090	3,798
Net book value at the end of the period	4,328	3,881

7 Investments in joint ventures

Investments in joint ventures are presented by followings assets:

	30 June 2021	31 December 2020
Mazda-SOLLERS JV	1,400	1,651
SOLLERS-Bussan JV	189	194
Isuzu-SOLLERS JV	75	45
Total investments in joint ventures	1,664	1,890

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

	30 June 2021	30 June 2020
Carrying amount at 1 January	1,890	1,949
Share of profit of joint ventures	(256)	112
Unrealized profit adjustment on sale of assets to the joint venture	5	5
Investment in the JV	25	-
Dividends received	-	(50)
Carrying amount at the end of the reporting period	1,664	2,016

SOLLER-Bussan JV

By the end of 2011 the Group established 50%-50% joint venture with Japanese Mitsui&Co., Ltd located in Vladivostok. 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 2021 no impairment was identified (31 December 2020: nil).

In the six months ended 30 June 2020 SOLLERS-Bussan JV distributed the dividends and the Group received RR 50.

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. Since 2019 the joint venture exports locally produced Mazda engines to Japan.

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.

At 30 June 2021 the Group held 50% interest in joint ventures Mazda-SOLLERS, SOLLERS-Bussan and Isuzu-SOLLERS (31 December 2020: 50% interest in joint ventures Mazda-SOLLERS, SOLLERS-Bussan and Isuzu-SOLLERS). 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 2021	13,927	10,373
Mazda-SOLLERS JV	13,403	10,365
SOLLERS-Bussan JV	380	2
Isuzu-SOLLERS JV	144	6
Total at 31 December 2020	20,045	16,006
Mazda-SOLLERS JV	19,508	15,957
SOLLERS-Bussan JV	390	1
Isuzu-SOLLERS JV	147	48

7 Investments in joint ventures (continued)

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

	Revenue	Operating (loss)/ profit	Net (loss)/ profit
Six-month period ended 30 June 2021	21,125	(468)	(512)
Mazda-SOLLERS JV	21,125	(442)	(513)
SOLLERS-Bussan JV	-	(13)	(10)
Isuzu-SOLLERS JV	-	(13)	11
Six-month period ended 30 June 2020	15,495	255	225
Mazda-SOLLERS JV	15,495	289	249
SOLLERS-Bussan JV	-	(14)	(9)
Isuzu-SOLLERS JV	-	(20)	(15)

8 Inventories

	30 June 2021	31 December 2020
Raw materials	7,522	4,712
Less: provision for impairment	(302)	(281)
Total raw materials	7,220	4,431
Work in progress	1,658	1,111
Total work in progress	1,658	1,111
Finished products	3,664	1,333
Less: provision for impairment	(160)	(175)
Total finished products	3,504	1,158
Total	12,382	6,700

9 Trade and other receivables

	30 June 2021	31 December 2020
Trade receivables	3,620	6,055
Less: expected credit losses	(28)	(41)
Total financial assets	3,592	6,014
Other receivables, including subsidies receivable	6,721	8,939
Less: expected credit losses	(72)	(73)
Total other receivables	6,649	8,866
Advances to suppliers, other than for equipment	499	292
Less: expected credit losses	(7)	(5)
Total advances to suppliers, other than for equipment	492	287
Taxes prepayments	276	126
VAT recoverable, net	408	84
Other prepayments	15	6
Total	11,432	15,383

The carrying value of trade accounts receivable and other receivables for the 30 June 2021 and 31 December 2020 is approximately equal to their fair value.

Tax prepayments include profit tax prepayments in amount of RR 98 (31 December 2020: RR 121).

The Group receives government subsidies, which partially compensate production, administrative, distribution and finance cost. During the six month ended 30 June 2021 the subsidies recognised in the Cost of sales totalled RR 6,607 (six months ended 30 June 2020: RR 5,352), and in the Distribution costs – RR 38 (six months ended 30 June 2020: 98).

10 Cash and cash equivalents

	30 June 2021	31 December 2020
Cash on hand and balances with banks	2,274	3,580
Cash deposits	8,178	6,245
Total	10,452	9,825

The carrying value of cash and cash equivalents as at 30 June 2021 and 31 December 2020 is approximately equal to their fair value.

The table below summarises the restricted cash balances:

	30 June 2021	31 December 2020
Restricted cash acquired under state defense order	313	1,433
Other restricted cash	15	10
Total	328	1,443

11 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, RR	Share premium, RR	Additional paid-in capital, RR
At 30 June 2021	34,270	1,713	530	458	4,538	1,438
At 31 December 2020	34,270	-	530	-	4,538	1,438

The total authorised number of ordinary shares is 82,074 thousand (31 December 2020: 82,074 thousand). The nominal value of all shares is 12.5 roubles per share.

On 23 October 2020 the Board of Directors approved the acquisition of the Company's shares under para. 2 article 72 of Federal Law #208-FZ at 26.12.1995 "On Joint Stock Companies" in the amount of 1 713 507 shares on the price of RR 267 per share. The buy-back programme was completed on 15 January 2021 when the Group acquired 1 713 499 (4.99997%) of treasury shares total value of RR 457.

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 2021, the net statutory profit for the Company as reported in the published interim statutory reporting forms was RR 769 (for the six-month period ended 30 June 2020 net loss amounted to RR 380) and the closing balance of the accumulated profit including the current reporting period net statutory loss as of 30 June 2021 totalled to RR 10,953 (31 December 2020: RR 10,184). However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly, at present, management believes that it would not be appropriate to disclose an amount for the distributable reserves in this consolidated condensed interim financial information.

During the six-month period ended 30 June 2021 the profits of the subsidiary company Ford Sollers Holding LLC were distributed. Payment to non-controlling shareholders amounted to RR 1,040.

12 Trade payables, advances received and other payables

At 30 June 2021 trade accounts payable amounts to RR 17,833 (31 December 2020: RR 17,392). The amount includes trade payables with the reverse factoring settlement in the amount of RR 2,948 (31 December 2020: RR 3,102).

	30 June 2021	31 December 2020
Accrued liabilities and other creditors	80	174
Liabilities for purchased property, plant and equipment	193	14
Total financial liabilities within advances and other payables	273	188
Advances received	1,497	1,231
Vacation accrual	394	289
Accrued employee benefit costs	265	237
Bonus accrual	124	133
Total advances received and other payables	2,553	2,078

There were no overdue payables as at 30 June 2021, including in respect of trade payables (31 December 2020: nil).

13 Short and long-term borrowings

The Group's long-term borrowings were the following:

	30 June 2021	31 December 2020
Bank loans	4,250	5,001
Funding from federal and regional funds	413	415
Other loans	162	123
Total long-term borrowings	4,825	5,539

The Group's long-term borrowings are denominated in Russian Roubles at 30 June 2021 and 31 December 2020. The carrying amounts of long-term borrowings approximates to their fair values at 30 June 2021 and at 31 December 2020.

The Group's short-term borrowings were the following:

	30 June 2021	31 December 2020
Bank loans	8,881	6,699
Funding from federal and regional funds	-	10
Other loans	4	7
Interest accrued	97	50
Total short-term borrowings	8,982	6,766

The Group's short-term borrowings are denominated in Russian Roubles at 30 June 2021 and 31 December 2020. The carrying amounts of short-term borrowings approximates to their fair values as at 30 June 2021 and 31 December 2020.

Property, plant and equipment of RR 4,855 (31 December 2020: RR 5,287) are pledged as collateral for long-term and short-term borrowings (see Note 5).

14 Sales

	Six-month period ended 30 June 2021	Six-month period ended 30 June 2020
Vehicles	29,992	18,658
Automotive components	5,082	3,606
Engines	579	344
Services	801	292
Other sales	358	240
Total	36,812	23,140

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.

Since 2011, the Group restructured its automotive, engine and auto-component segments after PJSC UAZ has become the major customer of PJSC ZMZ. Since the acquisition of Ford-SOLLERS JV, whose main activity is the production and sale of commercial vehicles, it was fully integrated into the Group structure, and as the other Group's segments subordinates to the Group's General Director. As at 30 June 2021 the Group activities are considered as one reporting segment: vehicles production.

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 current range of vehicles and models produced, they can be considered analogous products.

16 Contingencies, commitments and operating risks

Contractual commitments and guarantees. As at 30 June 2021, the Group had contractual commitments of RR 629 including contractual obligations to purchase of property, plant and equipment from third parties (31 December 2020: RR 336).

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. 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 believes there are no 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 2021, the Group has not issued any financial guarantees for other related parties (31 December 2020: zero).

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 2021 the Group was in full compliance with all covenants (31 December 2020: full compliance with all covenants).

As of the approval date for the current consolidated condensed interim financial information the management believes that the Group is in 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

There were no events after the reporting date requiring disclosure.