

SOLLERS AUTO GROUP

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

30 JUNE 2022

(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, 2022 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.

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”.

Acting on behalf of Baker Tilly Rus JSC on the basis of a power of attorney

No. 21-01 dated January 01, 2022,

The engagement partner on the audit resulting in this report on review
of consolidated condensed interim financial information

(Main registration number 22006010147)

M.S. Bogatyrev

Moscow, Russian Federation

August 29, 2022

The Russian original signed by

M.S. Bogatyrev, 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 2022
(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 2022	At 31 December 2021	At 30 June 2022	At 31 December 2021
ASSETS					
Non-current assets					
Property, plant and equipment	5	20 057	20 933	392	282
Right of use assets	5	495	539	10	8
Goodwill	-	1 484	1 484	29	20
Development costs	6	3 966	4 962	78	67
Other intangible assets	-	395	1 973	8	26
Deferred income tax assets	-	1 752	998	34	13
Investments in joint ventures	7	1 216	1 503	24	20
Other financial assets	-	69	91	1	1
Other non-current assets	-	1 432	400	28	5
Total non-current assets		30 866	32 883	604	442
Current assets					
Inventories	8	11 974	8 609	234	116
Trade and other receivables	9	2 315	14 905	45	201
Other current assets	-	6	-	-	-
Restricted cash	10	424	502	8	7
Cash and cash equivalents	10	10 615	15 343	207	207
Total current assets		25 334	39 359	494	531
TOTAL ASSETS		56 200	72 242	1 098	973
LIABILITIES AND EQUITY					
Equity					
Share capital	11	509	530	10	7
Treasury shares	11	(412)	(457)	(8)	(6)
Share premium	11	4 538	4 538	89	61
Additional paid-in capital	11	1 438	1 438	28	19
Retained earnings	-	11 021	12 548	215	170
Equity attributable to the Company's owners		17 094	18 597	334	251
Non-controlling interest	11	9 123	9 133	178	123
Total equity		26 217	27 730	512	374
Non-current liabilities					
Long-term borrowings	13	1 190	1 905	23	26
Deferred income tax liabilities	-	148	229	3	3
Long-term lease liabilities	5	415	465	8	6
Long-term payables for fixed assets	-	154	170	3	2
Deferred income	-	1 636	1 668	32	23
Total non-current liabilities		3 543	4 437	69	60
Current liabilities					
Trade accounts payable	12	8 305	20 700	162	279
Advances received and other payables	12	2 467	3 050	48	41
Short-term lease liabilities	5	104	96	2	1
Taxes payable	-	5 002	6 879	98	93
Warranty and other provisions	-	1 381	1 445	27	19
Short-term borrowings	13	9 181	7 905	180	106
Total current liabilities		26 440	40 075	517	539
Total liabilities		29 983	44 512	586	599
TOTAL LIABILITIES AND EQUITY		56 200	72 242	1 098	973

Approved and signed on 29 August 2022

General Director
N.A. Sobolev

Deputy General Director
T.V. Goy

SOLLERS Auto Group
Consolidated Condensed Interim Statement of Comprehensive Income for the six-month period
ended 30 June 2022

(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	
		2022	2021	2022	2021
Sales	14	26 200	36 812	343	495
Cost of sales	9	(21 742)	(30 914)	(285)	(416)
Gross profit		4 458	5 898	58	79
Distribution costs	9	(1 215)	(1 739)	(14)	(23)
General and administrative expenses	9	(2 625)	(2 291)	(36)	(31)
Other operating (expenses)/ income, net	15	(3 196)	(246)	(42)	(3)
Operating (loss)/profit		(2 578)	1 622	(34)	22
Finance income/(expenses), net	15	1 695	(275)	22	(4)
Share of loss of joint ventures	7	(248)	(256)	(3)	(3)
(Loss)/profit before income tax		(1 131)	1 091	(15)	15
Income tax income/(expense)	-	30	(271)	-	(4)
(Loss)/profit for the period		(1 101)	820	(15)	11
Total comprehensive (loss)/income for the period		(1 101)	820	(15)	11
(Loss)/profit is attributable to:					
Owners of the Company	-	(1 091)	277	(15)	4
Non-controlling interest	-	(10)	543	-	7
(Loss)/profit for the period		(1 101)	820	(15)	11
Total comprehensive (loss)/income is attributable to:					
Owners of the Company	-	(1 091)	277	(15)	4
Non-controlling interest	-	(10)	543	-	7
Total comprehensive (loss)/income for the period		(1 101)	820	(15)	11
Weighted average number of shares outstanding during the period (in thousands of shares) – basic	11	31 307	32 699	31 307	32 699
Weighted average number of shares outstanding during the period (in thousands of shares) – diluted	11	31 307	32 699	31 307	32 699
(Loss)/earnings per share (in Russian Roubles and US\$) – basic	-	(34,85)	8,48	(0,46)	0,11
(Loss)/earnings per share (in Russian Roubles and US\$) – diluted	-	(34,85)	8,48	(0,46)	0,11

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 2021: no items).

SOLLERS Auto Group**Consolidated Condensed Interim Statement of Cash Flows for the six-month period ended 30 June 2022***(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	
	2022	2021	2022	2021
Cash flows from operating activities				
(Loss)/profit before income tax	(1 131)	1 091	(15)	15
Adjustments for:				
Depreciation	925	1 147	12	16
Amortisation	361	392	5	5
Provision for impairment of receivables	(6)	(7)	-	-
Interest (income) / expense and discounting	(52)	414	(1)	6
Profit / (loss) from other long-term investments	65	(1)	1-	-
Share of loss of joint ventures and associates	248	256	3	3
Other provision movements	(226)	51	(3)	1
Loss on sale of property, plant and equipment and other non-current assets	151	301	2	4
Impairment of non-current assets	2 715	-	36	-
The result from subsidiary disposal	-	(7)	-	-
Amortization of government grants	(11)	(51)	-	(1)
Deferred income movement	46	234	-	3
Inventory provision movement	77	6	1	-
Operating cash flows before working capital changes	3 162	3 826	41	52
Decrease in accounts receivable, prepayments and other short-term assets	12 448	4 174	163	56
Increase in inventories	(3 258)	(5 621)	(45)	(76)
(Decrease)/increase in accounts payable, advances received and other payables	(12 650)	1 229	(166)	17
Decrease in taxes payable, other than income tax	(1 841)	(1 687)	(24)	(23)
Cash from operations	(2 139)	1 921	(31)	26
Income tax paid	(716)	(405)	(10)	(5)
Interest paid	(89)	(1 002)	(1)	(14)
Net cash from operating activities	(2 944)	514	(42)	7
Cash flows from investing activities:				
Purchase of property, plant and equipment	(1 513)	(62)	(20)	(1)
Proceeds from the sale of property, plant and equipment	137	153	2	2
Development costs	(489)	(482)	(7)	(7)
Purchase of intangibles and other non-current assets	(33)	(16)	-	-
Withdrawal of special funds on special accounts	78	1 114	1	15
Cash from disposal of the subsidiary	-	20	-	-
Investment in joint venture	-	(25)	-	-
Net cash from investing activities	(1 820)	702	(24)	9
Cash flows from financing activities				
Lease payments	(69)	(62)	(1)	(1)
Proceeds from borrowings	7 804	7 797	102	105
Repayment of borrowings	(7 287)	(6 827)	(96)	(92)
Treasury shares purchase	(412)	(457)	(5)	(6)
Distribution of earnings to non-controlling shareholders	-	(1 040)	-	(14)
Net cash from financing activities	36	(589)	-	(8)
Net (decrease)/increase in cash and cash equivalents	(4 728)	627	(62)	8
Effect of exchange rate changes on cash and cash equivalents	-	-	136	3
Cash and cash equivalents at the beginning of the period	15 343	9 825	133	133
Cash and cash equivalents at the end of the period	10 615	10 452	207	144

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 2022***(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 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 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
Balance at 31 December 2021	530	(457)	4 538	1 438	12 548	18 597	9 133	27 730
Loss for the period	-	-	-	-	(1 091)	(1 091)	(10)	(1 101)
Treasury shares purchase	-	(412)	-	-	-	(412)	-	(412)
Redemption of own shares	(21)	457	-	-	(436)	-	-	-
Total comprehensive income/ (loss) for the reporting period	(21)	45	-	-	(1 527)	(1 503)	(10)	(1 513)
Balance at 30 June 2022	509	(412)	4 538	1 438	11 021	17 094	9 123	26 217

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 2022 for SOLLERS Auto PJSC (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 PJSC Severstal (the “Predecessor”) by contributing its controlling interests in Ulyanovsky Avtomobilny Zavod LLC and PJSC Zavolzhiyskiy Motorny Zavod, which were acquired at the end of 2000, in exchange for the Company's share capital.

As of 30 June 2022 the immediate parent company of the Group is Alter Invest LLC, the ultimate controlling parties of the Group are Adil Shirinov and Nikolay Sobolev.

As of 31 December 2021 the immediate parent company of the Group was SOLLERS Group LLC (previously ERFIX LLC). As of 31 December 2021 and 31 December 2020 the ultimate controlling party of the Group was Vadim Shvetsov. In June 2022 SOLLERS Group LLC, which owned 76.7% of the shares of Sollers Auto PJSC, sold its entire block of shares to a new owner, Alter Invest LLC. The company's ownership structure has changed as a result of a management buy out, according to which as at 30 June 2022 key top managers of the Group exercise ultimate control over the Group.

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 global automakers for manufacturing and distribution of vehicles.

SOLLERS Auto PJSC owns 51% of the shares of SOLLERS Ford (SOLLERS Ford JV), Ford Motor Company's share is 49%. The activities of SOLLERS Ford began on July 1, 2019. 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, Mazda-SOLLERS JV. Since September 2012, the company has been manufacturing SUVs, since April 2013 - passenger cars, since 2019 it exports locally produced engines for Mazda vehicles to Japan. Mazda-SOLLERS joint venture is located in Vladivostok.

This consolidated condensed interim financial information was approved for issue by the General Director and Chief Financial Officer on 29 August 2022.

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 17).

Political tension in the region, international sanctions against some Russian legal entities and citizens have a negative impact on the Russian economy and lead to financial destabilization at the present time.

These negative consequences include the following:

- significant fluctuations in exchange rates;
- downgrading of Russia's credit ratings. The forecast of all agencies is negative, which means that the situation is likely to worsen further;
- cyber attacks and instability of information systems and sources of economic information;
- significant fluctuations in the national stock index;
- increasing the key rate of the Bank of Russia to 20%, with a subsequent decrease from 10.06.2022 to 9.5%, from 22.07.2022 to 8%.

The effect of these factors contributed to the economic recession in the country, characterized by a decline in the gross domestic product indicator. The Ministry of Economic Development and Trade expects the Russian economy to decline by 4.2% and 2.7% in 2022 and 2023 respectively, followed by a 3.7% growth in 2024.

1 The Group and its operations (continued)

The financial markets continue to be volatile and are characterized by frequent and significant price movements and increased trading spreads. The rating of the Russian Federation has been downgraded to "below investment grade". 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.

At the end of the first half of 2022, sales of new cars, light commercial vehicles and pickup trucks in Russia decreased by more than 55% relative to the same period in 2021 and amounted to 370 k units according to Automotive Committee of Association of European Businesses.

Joint Ventures. As a result of changes in the geopolitical situation, difficulties appeared with the supply of imported components, as well as the threat of cyber attacks. The supply of components to the joint ventures SOLLERS Ford and Mazda-SOLLERS was suspended.

SOLLERS Ford was forced to suspend production activities from 3 March 2022 due to non-availability of components, however is continuing to fulfil its social obligations to the employees and its warranty obligations to its customers during the downtime period. SOLLERS Ford continues after sales service activities and the sales of vehicles, which were remaining in stock as at 30 June 2022 (Note 2.4)

On 30 April 2022, Mazda-SOLLERS joint venture suspended production due to a shortage of components caused by supply chains disruptions. The supply of components was temporarily suspended. Mazda-SOLLERS joint venture continues to fulfil its social obligations to the employees during the downtime period.

Currently, the group's management is negotiating with partners on interaction issues within the joint ventures, and is also working on alternative business projects to use the capacities of joint ventures.

These events may have a significant impact on the Group's future results of operations and financial position, the effect of which is difficult to predict as significant economic and financial indicators for such assessments will become available later due to the inherent time lag. The future economic and regulatory environment and its impact on the Group's performance may differ from management's current expectations.

Meanwhile, the Group is not inclined to consider the global economic pressure on Russia as a reason to discontinue business, since its main and key focus is on the domestic market. The Group considers it possible to maintain production processes at the Group-controlled entities and distribution of products manufactured by the Group in the domestic market, Asian countries and other countries that refrain from imposing sanctions against the Russian economy.

Covid-19 Disclosure. On March 11, 2020, the World Health Organization (WHO) declared the outbreak of the new coronavirus a pandemic. The complex epidemiological situation around the world has affected the global economy. The response of many Governments around the world to contain the pandemic has led to significant disruptions in the operating cycles of many companies and has had a significant impact on their business in various sectors of the economy, including consequences such as disruption of operations as a result of suspension, supply disruptions, the transfer of staff to quarantine or remote operation, reduced demand and difficulties in attracting financing.

The Group's management continues to closely monitor the development of the pandemic, taking active measures to minimize risks to staff and business in general. Currently, there is uncertainty in assessing the impact of Covid-19 in the medium and long term.

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 2021 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 2021. The Group has adopted all new standards and interpretations that were effective from 1 January 2022. 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 2022 of Russian Rouble 51.1580 = US\$ 1 (at 31 December 2021 of Russian Rouble 74.2926 = 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 2022 of Russian Rouble 76.2778 = US\$ 1 and 30 June 2021 of Russian Rouble 74.2781 = 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.

2.4. Key accounting estimates and judgments in applying accounting policies

Fixed assets and intangible assets are regularly tested for impairment. At each reporting date, the Group's management assesses whether there is any indication of impairment of property, plant and equipment and intangible assets. If any such indication is identified, management estimates the recoverable amount, which is determined as the higher of the asset's fair value less costs to sell and its value in use. The carrying amount of the asset is reduced to its recoverable amount; an impairment loss is recognized in consolidated profit or loss for the year. An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

SOLLERS Auto Group tested the company's assets for impairment as of June 30, 2022. As a result of the analysis, a decision was made to recognize an impairment loss for intangible assets in the amount of RUB 1 435 and for capitalized development costs in the amount of RUB 1 280 relating to the activities of JV SOLLERS Ford (Note 6).

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, 2021, except for the adoption of new standards and interpretations effective as of 1 January 2022. 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, 2022, are described below.

Applying changes to standards

The following amended standards became mandatory for the Group on 1 January 2022:

- Property, Plant and Equipment - Proceeds before Intended Use – Amendments to IAS 16 (the Amendments are effective for annual periods beginning on or after 1 January 2022).
- Reference to the Conceptual Framework - Amendments to IFRS 3 (the Amendments are effective for annual periods beginning on or after 1 January 2022).
- Onerous Contracts — Cost of Fulfilling a Contract - Amendments to IAS 37 (the Amendments are effective for annual periods beginning on or after 1 January 2022).
- Annual Improvements to IFRS Standards 2018–2020 - Amendments to IFRS 1, IFRS 9 and IFRS 16 (released May 14, 2020 and are effective for annual periods beginning on or after 1 January 2022).

The Group has considered these amendments in preparing the interim condensed consolidated financial information. These amendments had no impact on the interim condensed consolidated financial information of the Group.

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

The following standards and interpretations, which have not been adopted in the interim condensed consolidated financial information have been issued but are not yet effective:

- Amendments to IFRS 10 and IAS 28 - Sales or Contributions of Assets between an investor and its Associate or Joint Venture (issued on 11 September 2014 and are effective for annual periods beginning on or after a date to be determined by the IASB);
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (issued on 15 July 2020 and are effective for annual periods beginning on or after 1 January 2023).
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (issued on 12 February 2020 and are effective for annual periods beginning on or after 1 January 2023).

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

- Amendments to IAS 8 - "Definition of Accounting Estimates" (issued on 12 February 2021 and are effective for annual periods beginning on or after 1 January 2023).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (issued on 7 May 2021 and are effective for annual periods beginning on or after 1 January 2023).

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 2022 and 31 December 2021 consist of the following:

Balances				
Nature of relationship	Parent company	Other related parties	Associates and joint ventures	Total
As at 30 June 2022				
Accounts receivable	-	124	-	124
Trade and other payables	-	229	-	229
As at 31 December 2021				
Accounts receivable	1	24	11	36
Trade and other payables	-	201	-	201

Transactions with related parties of the Group for the six-month periods ended 30 June 2022 and 30 June 2021 consist of the following:

Transactions				
Nature of relationship	Parent company	Other related parties	Associates and joint ventures	Total
Six-month period ended 30 June 2022				
Sales of vehicles, components and services	-	1	-	1
Purchases of goods and services net of discounts	-	1 271	1	1 272
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

4.2. Key managements' and directors' compensation

The compensation paid to the nine members of the key management (2021: 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 269 for the six-month period ended 30 June 2022 (RR 361 for the six-month period ended 30 June 2021).

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

Acquisitions of property, plant, and equipment for the period amounted to RR 428 (for six-month period ended 30 June 2021: RR 301). Disposals of property, plant, and equipment for the period amounted to RR 156 (for six-month period ended 30 June 2021: RR 441).

Bank borrowings are secured on properties at 30 June 2022 to the value of RR 7 053 (31 December 2021: RR 7 111); see Note 13.

During six-month period ended 30 June 2022 the Group capitalized borrowing costs of RR 50 (six-month period ended 30 June 2021: RR 11) in the cost of the qualifying assets, the annual capitalization rate was 2% (six-month period ended 30 June 2021: 7%).

The Group owns the land on which factories and buildings, comprising the principal manufacturing facilities of the Group, are located. At 30 June 2022, the cost of the land amounted to RR 635 (31 December 2021: RR 618).

At 30 June 2022, the Group had right-of-use assets in the amount of RR 495 (RR 539 as of 31 December 2021). Long-term and short-term lease liabilities amounted to RR 415 and RR 104 respectively (RR 465 and RR 96 as of 31 December 2021 respectively).

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

	Six-month period ended 30 June 2022	Six-month period ended 30 June 2021
Right-of-use assets		
Balance at the beginning of the year	539	626
Additions (initial measurement)	8	1
Depreciation charge	(52)	(53)
Balance at the end of the period	495	574
Lease liabilities		
Balance at the beginning of the year	561	632
Additions (initial measurement)	6	1
Interest expense	18	21
Lease payments	(66)	(62)
Disposal	-	(1)
Balance at the end of the period	519	591

During the six-month period ended 30 June 2022 total cash outflow for leases, including advance payments equalled RR 69 (during the six-month period ended 30 June 2021 - RR 62).

During the six-month period ended 30 June 2022 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 90 (during the six-month period ended 30 June 2021 – RR 37).

6 Development costs

	30 June 2022	30 June 2021
Cost		
Balance at the beginning of the period	8 252	6 942
Additions	496	494
Disposal of the subsidiary	-	(15)
Disposals	(9)	-
Impairment of assets	(1 302)	-
Balance at the end of the period	7 437	7 421
Accumulated amortisation and impairment		
Balance at the beginning of the period	(3 290)	(2 852)
Amortisation charge	(203)	(241)
Impairment of assets	22	-
Balance at the end of the period	(3 471)	(3 093)
Net book value at the beginning of the period	4 962	4 090
Net book value at the end of the period	3 966	4 328

7 Investments in joint ventures

Investments in joint ventures are presented by followings assets:

	30 June 2022	31 December 2021
Mazda-SOLLERS JV	1 216	1 459
SOLLERS-Bussan JV	-	44
Isuzu-SOLLERS JV	-	-
Total investments in joint ventures	1 216	1 503

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

	30 June 2022	30 June 2021
Carrying amount at 1 January	1 503	1 890
Share of loss of joint ventures	(248)	(256)
Unrealized profit adjustment on sale of assets to the joint venture	5	5
Investment in the JV	-	25
Disposal of interests in joint ventures	(44)	-
Carrying amount at the end of the reporting period	1 216	1 664

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.

In 2021, the management of the Group made a decision to liquidate JV SOLLERS-Bussan due to the termination of business activities. On 7 July 2022, JV SOLLERS-Bussan was liquidated.

As part of the distribution of the remaining property between the participants of the joint venture, SOLLERS-Bussan transferred 48 rubles in 2021.

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 2019, Mazda SOLLERS JV started serial assembly and export shipment of Mazda SkyActiv-G engines.

On 30 April 2022, Mazda-SOLLERS joint venture suspended production due to a shortage of components caused by supply chains disruptions. The supply of components was suspended (Note 1).

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 2022, the management of the Group made a decision to liquidate JV Isuzu-SOLLERS due to the termination of business activities.

At 30 June 2022 the Group held 50% interest in joint ventures Mazda-SOLLERS (31 December 2021: 50% interest in joint ventures Mazda-SOLLERS, SOLLERS-Bussan and Isuzu- SOLLERS).

The sale of 50% share in UAZ-Autocomponent LLC

In March 2022, the Group entered into a preliminary sale agreement for a 50% share in UAZ-Autocomponent LLC, a subsidiary, to an independent buyer. According to the agreement, the rights to the share will be transferred to the buyer after passing the approval procedure of the Federal Antimonopoly Service of Russia. The acquisition price of the company depends on the results of its future activities (Note 18).

7 Investments in joint ventures (continued)

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 2022	10 616	7 965
Mazda-SOLLERS JV	10 616	7 965
Total at 31 December 2021	18 626	15 389
Mazda-SOLLERS JV	18 531	15 383
SOLLERS-Bussan JV	92	4
Isuzu-SOLLERS JV	3	2

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 2022	9 633	(616)	(497)
Mazda-SOLLERS JV	9 633	(616)	(497)
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

8 Inventories

	30 June 2022	31 December 2021
Raw materials	5 121	5 920
Less: provision for impairment	(387)	(300)
Total raw materials	4 734	5 620
Work in progress	4 443	1 245
Total work in progress	4 443	1 245
Finished products	2 939	1 896
Less: provision for impairment	(142)	(152)
Total finished products	2 797	1 744
Total	11 974	8 609

9 Trade and other receivables

	30 June 2022	31 December 2021
Trade receivables	1 085	5 714
Less: expected credit losses	(41)	(67)
Total financial assets	1 044	5 647
Other receivables, including subsidies receivable	242	8 588
Less: expected credit losses	(76)	(66)
Total other receivables	166	8 522
Advances to suppliers, other than for equipment	672	182
Less: expected credit losses	(1)	(1)
Total advances to suppliers, other than for equipment	671	181
Taxes prepayments	204	327
VAT recoverable, net	224	223
Other prepayments	6	5
Total	2 315	14 905

9 Trade and other receivables (continued)

The carrying value of trade accounts receivable and other receivables for the 30 June 2022 and 31 December 2021 is approximately equal to their fair value.

Tax prepayments include profit tax prepayments in amount of RR 175 (31 December 2021: RR 315).

The Group receives government subsidies, which partially compensate production, administrative, distribution and finance cost. During the six month ended 30 June 2022 the subsidies recognised in the Cost of sales totalled RR 1 707 (six months ended 30 June 2021: RR 6 607), and in the Distribution costs – RR 189 (six months ended 30 June 2021: 38).

10 Cash and cash equivalents

	30 June 2022	31 December 2021
Cash on hand and balances with banks	2 616	1 364
Cash deposits	7 999	13 979
Total	10 615	15 343

The carrying value of cash and cash equivalents as at 30 June 2022 and 31 December 2021 is approximately equal to their fair value.

The table below summarises the restricted cash balances:

	30 June 2022	31 December 2021
Restricted cash under the contracts for special-purpose funding with state fund for industrial development	100	212
Restricted cash acquired under state defense order	295	290
Other restricted cash	29	-
Total	424	502

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 2022	32 557	1 713	509	(412)	4 538	1 438
At 31 December 2021	34 270	1 713	530	(457)	4 538	1 438

The total authorised number of ordinary shares is 82 074 thousand (31 December 2021: 82 074 thousand). The nominal value of all shares is 12.5 roubles per share.

All issued ordinary shares are fully paid. Each ordinary share carries one vote.

Share premium represents the excess of contributions received over the nominal value of shares issued.

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. Financial results and accumulated profits under Russian Accounting Rules are presented below.

	Six-month period ended 30 June 2022	Six-month period ended 30 June 2021
The total comprehensive profit/(loss) for the Company reported in the interim statutory reporting financial statements	(444)	769

	30 June 2022	31 December 2021
The closing balance of the accumulated profit at the end of the period, including the current reporting period net statutory profit	10 959	11 403

11 Shareholders' equity (continued)

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.

Share buyback as of 23 October 2020. 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 dated 26 December 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.

On 03 February 2022, an extraordinary meeting of shareholders of the Company decided to reduce the authorized capital of the Company by redemption of 1 713 499 ordinary shares. On 17 February 2022, in accordance with Part 3 of Article 72 of Federal Law No. 208-FZ dated 26 December 1995 "On Joint Stock Companies", 1 713 499 ordinary shares were redeemed and an adjustment was made for a decrease in the Company's authorized capital in the amount of RR 21 and a decrease of own shares repurchased from shareholders in the amount of RR 457.

Share buyback as of 8 December 2021. On 08 December 2021, the Board of Directors decided to acquire the Company's own shares in accordance with paragraph 2 of Article 72 of Federal Law No. 208-FZ dated 26 December 1995 "On Joint Stock Companies" in the amount of 1 713 507 shares. The purchase price is 240.5 rubles per share. The buyback was completed and on 18 February 2022 the Group became the owner of 1 713 469 (5.263%) of its own shares for a total value of RUB 412.

During the six-month period ended 30 June 2022 no dividends were declared nor paid.

12 Trade payables, advances received and other payables

At 30 June 2022 trade accounts payable amounts to RR 8 305 (31 December 2021: RR 20 700). The amount includes trade payables with the reverse factoring settlement in the amount of RR 479 (31 December 2021: RR 2 867).

	30 June 2022	31 December 2021
Accrued liabilities and other creditors	411	278
Liabilities for purchased property, plant and equipment	149	231
Total financial liabilities within advances and other payables	560	509
Advances received	1 166	1 731
Vacation accrual	388	303
Accrued employee benefit costs	229	51
Bonus accrual	124	455
Total advances received and other payables	2 467	3 050

There were no overdue payables as at 30 June 2022, including in respect of trade payables (31 December 2021: nil).

13 Short and long-term borrowings

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

	30 June 2022	31 December 2021
Bank loans	739	997
Funding from federal and regional funds	210	656
Other loans	241	252
Total long-term borrowings	1 190	1 905

The Group's long-term borrowings are denominated in Russian Roubles at 30 June 2022 and 31 December 2021. The carrying amounts of long-term borrowings approximates to their fair values at 30 June 2022 and at 31 December 2021.

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

	30 June 2022	31 December 2021
Bank loans	8 485	7 814
Funding from federal and regional funds	590	-
Other loans	43	25
Interest accrued	63	65
Total short-term borrowings	9 181	7 905

13 Short and long-term borrowings (continued)

The Group's short-term borrowings are denominated in Russian Roubles at 30 June 2022 and 31 December 2021. The carrying amounts of short-term borrowings approximates to their fair values as at 30 June 2022 and 31 December 2021.

Property, plant and equipment of RR 7 053 (31 December 2021: RR 7 111) are pledged as collateral for long-term and short-term borrowings (see Note 5).

14 Sales

	Six-month period ended 30 June 2022	Six-month period ended 30 June 2021
Vehicles	19 955	29 992
Automotive components	5 002	5 082
Engines	204	579
Services	584	801
Other sales	455	358
Total	26 200	36 812

15 Other operating (expenses)/income and financial income (expenses), net

Other operating (expense)/income, net

	Six-month period ended 30 June 2022	Six-month period ended 30 June 2021
Impairment of other intangible assets	(1 435)	-
Impairment of capitalized development costs	(1 280)	-
Costs caused by production downtime	(261)	-
Other	(220)	(246)
Total	(3 196)	(246)

Financial income/(expense), net

	Six-month period ended 30 June 2022	Six-month period ended 30 June 2021
Foreign exchange gains	1 642	139
Interest income	664	187
Interest expense	(697)	(617)
Other	86	16
Total	1 695	(275)

16 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 2022 and 31 December 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.

16 Segment information (continued)

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.

17 Contingencies, commitments and operating risks

Contractual commitments and guarantees. As at 30 June 2022, the Group had contractual commitments of RR 1 372 including contractual obligations to purchase of property, plant and equipment from third parties (31 December 2021: RR 943).

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 the Group and 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 2022, the Group has issued financial guarantees for related parties in the amount of RR 21 (31 December 2021: RR 21).

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 2022 the Group was in full compliance with all covenants (31 December 2021: 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.

18 Post balance sheet date events

Conclusion of an agreement for the sale and purchase of a share in a subsidiary. In March 2022, the Group entered into a preliminary sale agreement for a 50% share in UAZ-Autocomponent LLC, a subsidiary, to an independent buyer. According to the agreement, the rights to the share will be transferred to the buyer after passing the approval procedure of the Federal Antimonopoly Service of Russia. The acquisition price of the company depends on the results of its future activities.

On 11 July 2022, following the completion of the approval procedure of the Federal Antimonopoly Service of Russia, the Group concluded an agreement for the sale of a 50% share in the subsidiary UAZ-Avtocomponent LLC. The sale price of the share in the company depends on the results of the future activities of the company within three years and will not exceed RR 340 (RR 210 is a fixed part and RR 60 downwards or RR 130 upwards is a variable part of the remuneration, depending on the results of the company's future activities).