SOLLERS GROUP

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION AND REPORT ON REVIEW

30 June 2008

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PRICEWATERHOUSECOOPERS

ZAO PricewaterhouseCoopers Audit
Kosmodamianskaya Nab. 52, Bldg. 5
115054 Moscow
Russia
Telephone +7 (495) 967 6000
Facsimile +7 (495) 967 6001
www.pwc.com

Report on the Review of the Interim Financial Information for the Six Months Ended 30 June 2008

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

Introduction
We have reviewed the accompanying consolidated condensed balance sheet of Open Joint Stock Company "Sollers" and its subsidiaries (together, the "Group") as at 30 June 2008 and the related consolidated condensed statements of income, cash flows and changes in equity for the six month period then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

16 September 2008
Moscow, Russian Federation

(in millions of Russian Roubles)

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

	Note	RUB million At 30 June 2008	RUB million At 31 December 2007	Supplementary information US$ million (Note 2) At 30 June 2008	Supplementary information US$ million (Note 2) At 31 December 2007
ASSETS					
Non-current assets:					
Property, plant and equipment	6	20,874	17,861	890	729
Development costs	7	917	870	39	35
Goodwill		1,484	1,484	63	60
Other intangible assets		806	481	34	20
Financial assets		57	54	3	2
Investments accounted under equity method		34	-	1	-
Deferred tax asset		45	-	2	-
Other non-current assets		533	496	22	20
Total non-current assets		**24,750**	**21,246**	**1,054**	**866**
Current assets:					
Inventories	9	10,749	7,770	458	317
Accounts receivable and prepayments	10	9,818	6,970	419	284
Other current assets		24	16	1	1
Cash and cash equivalents	11	2,756	2,030	118	82
Total current assets		**23,347**	**16,786**	**996**	**684**
Total assets		**48,097**	**38,032**	**2,050**	**1,550**
LIABILITIES AND EQUITY					
Equity:					
Capital and reserves attributable to the Company's equity holders:	12				
Share capital		530	530	23	22
Treasury shares		(904)	(735)	(39)	(30)
Share option		67	39	3	2
Share premium		6,019	6,019	257	245
Additional paid-in capital		1,438	1,438	61	59
Retained earnings		7,105	6,697	302	273
Total capital and reserves attributable to the Company's equity holders		**14,255**	**13,988**	**607**	**571**
Minority interest		4,910	4,426	209	180
Total equity		**19,165**	**18,414**	**816**	**751**
Non-current liabilities:					
Long-term borrowings	13	7,170	6,146	306	250
Long-term taxes payable		4	4	-	-
Post-retirement benefit obligation		61	53	3	2
Deferred income on government grant and other non-current liabilities		307	327	13	13
Deferred income tax liabilities		1,250	1,180	53	48
Total non-current liabilities		**8,792**	**7,710**	**375**	**313**
Current liabilities:					
Trade accounts payable		10,403	6,094	444	248
Advances received and other payables	14	2,103	2,605	90	106
Income tax payable		203	125	9	5
Other taxes payable		745	454	31	19
Warranty and other provisions		163	139	7	6
Short-term borrowings	15	6,523	2,491	278	102
Total current liabilities		**20,140**	**11,908**	**859**	**486**
Total liabilities		**28,932**	**19,618**	**1,234**	**799**
Total liabilities and equity		**48,097**	**38,032**	**2,050**	**1,550**

General Director
V. A. Shvetsov

Chief Financial Officer
N. A. Sobolev

16 September 2008

The accompanying notes on page 6 to 19 are an integral part of this condensed consolidated interim financial information.

(in millions of Russian Roubles)

		RUB million		Supplementary information US$ million (Note 2)	
		Six months ended 30 June		Six months ended 30 June	
	Note	**2008**	**2007**	**2008**	**2007**
Sales	16	30,211	23,361	1,262	896
Cost of sales		(24,054)	(18,340)	(1,005)	(703)
Gross profit		**6,157**	**5,021**	**257**	**193**
Distribution costs		(973)	(908)	(41)	(35)
General and administrative expenses		(2,157)	(1,508)	(90)	(58)
Other operating expenses		(84)	(229)	(3)	(9)
Operating profit		**2,943**	**2,376**	**123**	**91**
Interest expense		(237)	(181)	(10)	(7)
Foreign exchange gain - net		28	8	1	-
Profit before tax		**2,734**	**2,203**	**114**	**84**
Income tax expense		(789)	(576)	(33)	(22)
Profit for the period		**1,945**	**1,627**	81	**62**
Attributable to:					
Equity holders of the Company		1,408	1,289	59	49
Minority interest		537	338	22	13
		1,945	**1,627**	**81**	**62**
Weighted average number of shares outstanding during the period – basic (thousands)		33,416	34,210	33,416	34,210
Weighted average number of shares outstanding during the period – diluted (thousands)		33,804	34,270	33,804	34,270
Earnings per share for profit attributable to the equity holders of the Company during the period (in RUB and US$) – basic		42.14	37.68	1.77	1.43
Earnings per share for profit attributable to the equity holders of the Company during the period (in RUB and US$) – diluted		41.65	37.61	1.75	1.43

The accompanying notes on page 6 to 19 are an integral part of this condensed consolidated interim financial information.

(in millions of Russian Roubles)

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

		RUB million		Supplementary information US$ million (Note 2)	
		Six months ended 30 June		Six months ended 30 June	
	Note	**2008**	**2007**	**2008**	**2007**
Cash flows from operating activities					
Profit before tax		**2,734**	**2,203**	**114**	**84**
Adjustments for:					
Depreciation		703	521	29	20
Share option		27	6	1	-
Provision for impairment of receivables		5	14	-	1
Gain (loss) on transactions with Minority interests	8	8	(33)	-	(1)
Interest expense		237	181	10	7
Provisions movements		24	(51)	1	(2)
Post-employment benefit obligation		8	(9)	-	-
Development expenses write-off	7	18	93	1	4
Expenses financed by government grant		(20)	(23)	(1)	(1)
Loss on sale of property, plant and equipment and other non-current assets		23	74	1	3
Operating cash flows before working capital changes		**3,767**	**2,976**	**156**	**115**
Increase in accounts receivable and prepayments		(2,853)	(1,687)	(119)	(65)
Increase in inventories		(2,979)	(690)	(124)	(26)
(Increase)/decrease in other current assets		(8)	7	-	-
Increase in accounts payable, advances received and other payables		4,361	423	182	16
Increase (Decrease) in taxes payable, other than income tax		303	(149)	13	(6)
Cash generated from operations		**2,591**	**880**	**108**	**34**
Income tax paid		(701)	(419)	(29)	(16)
Interest paid		(378)	(189)	(16)	(7)
Net cash from operating activities		**1,512**	**272**	**63**	**11**
Cash flows from investing activities:					
Purchase of property, plant and equipment		(4,359)	(1,312)	(182)	(50)
Proceeds from the sale of property, plant and equipment		22	58	1	2
Acquisition of minority interest, net of cash acquired	8	(61)	(311)	(3)	(12)
Development costs	7	(150)	(136)	(6)	(5)
Purchase of intangibles and other non-current assets		(434)	(963)	(18)	(37)
Net cash used in investing activities:		**(4,982)**	**(2,664)**	**(208)**	**(102)**
Cash flows from financing activities:					
Proceeds from borrowings		10,952	11,400	457	437
Repayment of borrowings and long-term taxes payable		(5,907)	(8,087)	(247)	(310)
Purchase of treasury shares	12	(169)	(243)	(7)	(9)
Dividends paid		(680)	(549)	(28)	(21)
Net cash generated from financing activities		**4,196**	**2,521**	**175**	**97**
Net increase in cash and cash equivalents		**726**	**129**	**30**	**6**
Effect of exchange rate changes on cash & cash equivalents		**-**	**-**	**6**	**1**
Cash and cash equivalents at the beginning of the period		**2,030**	**1,033**	**82**	**38**
Cash and cash equivalents at the end of the period	11	**2,756**	**1,162**	**118**	**45**

The accompanying notes on page 6 to 19 are an integral part of this condensed consolidated interim financial information.

(in millions of Russian Roubles)

	Note	Share capital	Treasury shares	Share option	Share premium	Additional paid-in-capital	Retained earnings	Attributable to equity shareholders of the Company	Minority interest	Total equity
Balance at 31 December 2006		**530**	**-**	**-**	**6,019**	**1,438**	**4,769**	**12,756**	**4,008**	**16,764**
Profit for the period		-	-	-	-	-	1,289	1,289	338	1,627
Acquisition of minority interest	8	-	-	-	-	-	-	-	(344)	(344)
Share option	12	-	-	6	-	-	-	6	-	6
Treasury shares acquisition	12	-	(243)	-	-	-	-	(243)	-	(243)
Dividends	12	-	-	-	-	-	(675)	(675)	-	(675)
Balance at 30 June 2007		**530**	**(243)**	**6**	**6,019**	**1,438**	**5,383**	**13,133**	**4,002**	**17,135**
Balance at 31 December 2007		**530**	**(735)**	**39**	**6,019**	**1,438**	**6,697**	**13,988**	**4,426**	**18,414**
Profit for the period		-	-	-	-	-	1,408	1,408	537	1,945
Acquisition of minority interest		-	-	-	-	-	-	-	(53)	(53)
Share option	12	-	-	28	-	-	-	28	-	28
Treasury shares acquisition	12	-	(169)	-	-	-	-	(169)	-	(169)
Dividends	12	-	-	-	-	-	(1,000)	(1,000)	-	(1,000)
Balance at 30 June 2008		**530**	**(904)**	**67**	**6,019**	**1,438**	**7,105**	**14,255**	**4,910**	**19,165**
Supplementary information US$ million (Note 2)										
Balance at 30 June 2007		**21**	**(9)**	**-**	**233**	**56**	**210**	**511**	**155**	**666**
Balance at 30 June 2008		**23**	**(39)**	**3**	**257**	**61**	**302**	**607**	**209**	**816**

1 The Sollers Group and its operations

OAO “Sollers”, previously called OAO “Severstal-auto”, (the “Company”) and its subsidiaries’ (the “Group”) principal activities are the manufacture and sale of vehicles, including automotive components, assembly kits, and engines. The Group’s manufacturing facilities are primarily based in the city of Ulyanovsk, the Nizhniy Novgorod region, the city of Naberezhnye Chelny and Elabuga in the Russian Federation.

OAO “Severstal-auto” was incorporated as an open joint stock company in the Russian Federation in March 2002 by OAO “Severstal” (the predecessor) by contributing its controlling interests in OAO “UAZ” and OAO “ZMZ”, which were acquired through purchases close to the end of 2000, in exchange for the Company’s share capital.

The ultimate controlling party of the Group is Vadim Shvetsov being the principal shareholder of the Company.

In April 2008 the Group adopted its new name “Sollers” and OAO “Severstal-auto” was renamed.

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

During the six months ended 30 June 2008 the Group incorporated 6 subsidiaries: OOO Severstalavto-Finance, Aviaction Incorporated, PDL Supervisory Assistance, Severstalauto-FPT, OOO “Automobiles of Italy”, where the Group controls 100% of voting rights and OOO Severstalauto-Stola, where the Group controls 51% of voting rights. OOO Severstalauto-Finance is intended for providing customers with financial services. Aviaction Incorporated and PDL Supervisory Assistance are logistic companies. Severstalauto-FPT is intended for engine production. OOO Severstalauto-Stola is intended for stamping and sub-assembly. OOO “Automobiles of Italy” is intended for passenger car assembly and distribution in cooperation with FIAT.

During the six months ended 30 June 2008 the Group incorporated an associate company with Korean OEM DaeWon – OOO DaeWon Severstal-Auto Elabuga, where the Group controls 30% of voting rights. OOO DaeWon Severstal-Auto Elabuga will produce some vehicle components.

During the six months ended 30 June 2008, the Group acquired 100% stakes in 3 new subsidiaries for own dealership network development (Note 8).

The registered office of the Company is Kolpachniy Pereulok, 6, building 2, Moscow, 101000, Russian Federation.

These condensed consolidated interim financial information were approved for issue by the General Director and Chief Financial Officer on 16 September 2008.

2 Basis of preparation and significant accounting policies

2.1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard No.34, Interim financial reporting (“IAS 34”). These condensed consolidated interim financial statements do not contain all the information required for the preparation of the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2007 prepared in accordance with International Financial Reporting Standards (‘IFRS’). Except as discussed below, the 31 December 2007 consolidated balance sheet data has been derived from audited financial statements.

2.2. Significant accounting policies

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2007, as described in the annual consolidated financial statements of the Group for the year ended 31 December 2007.

Investments in associates. Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group’s share of the post-acquisition profits or losses of associates is recorded in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2 Basis of preparation and significant accounting policies (continued)

2.3. Supplementary information

U.S. Dollar ("US$") amounts shown in the consolidated financial statements are translated from the RUB as a matter of arithmetic computation only, at the official rate of the Central Bank of the Russian Federation at 30 June 2008 of RUB 23,46 = US$1 (at 31 December 2007 of RUB 24,55 = US$1). The statements of income and cash flow have been translated at the average exchange rates during the six months ended 30 June 2008 of 23.94 RUB per $1 and 30 June 2007 of 26.08 RUB per $1. The difference was recognised in equity. The US$ amounts are presented solely for the convenience of the reader, and should not be treated as a representation that RUB 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 RUB into other currencies. The RUB is not freely convertible in most countries outside of the Russian Federation.

3 Adoption of new and revised standards and interpretations

Certain new IFRS became effective for the Group from 1 January 2008. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Group's operations and the nature of their impact on the Group's accounting policies. All changes in accounting policies were applied retrospectively with adjustments made to the retained earnings at 1 January 2007, unless otherwise described below.

IFRIC 11, IFRS 2**,** Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007).

IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).

IFRIC 14, IAS 19, The limit on a Defined Benefit Asset, Minimum Funding requirements and their Interactions (effective for annual periods beginning on or after 1 January 2008).

These new standards have no affect on the Group's financial statements.

4 New accounting pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the entity has not early adopted:

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organization for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. Management is currently assessing what impact the Standard will have on segment disclosures in the Group's financial statements. Management does not expect IFRS 8 to affect significantly the Group's financial statements.

Puttable financial instruments and obligations arising on liquidation – IAS 32 and IAS 1 Amendment (effective from 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability. This amendment will not have any impact on Company's financial statements.

IAS 23, Borrowing costs (Revised). IAS 23 removes the option of immediately recognizing as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is one that takes a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalize such borrowing costs as part of the cost of the asset. The revised Standard does not require the capitalization of borrowing costs relating to assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale. The revised Standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009. The Group has a policy of capitalisation of these borrowing costs. The change will not affect financial statements of the Group.

IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

4 New accounting pronouncements (continued)

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or on the same basis as US GAAP (at fair value). The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The application of the standard is prospective and will affect only future acquisitions.

Vesting Conditions and Cancellations – Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2009). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

Improvements to International Financial Reporting Standards (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments issued in May 2008 consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – IFRS 1 and IAS 27 Amendment (revised May 2008; effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

IFRIC 13, Customer Loyalty Programmes (issued in June 2007; effective for annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

(in millions of Russian Roubles - RUB)

4 New accounting pronouncements (continued)

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 does not have an impact on these consolidated financial statements as the Group does not apply hedge accounting.

5 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.

5.1. Balances and transactions with related parties

There were no balances with related parties of the Group as at 30 June 2007.

Balances with related parties of the Group as at 30 June 2008:

	Other related parties	Total
Nature of the relationship	Significant influence over subsidiary	
Balances		
At 30 June 2008		
Accounts receivable and prepayments	4	4
Accounts payable	15	14

Transactions with related parties of the Group for the years ended 30 June 2008 and 30 June 2007 consist of the following:

	Newdeal Investments Limited	Other Severstal group companies	Members of the Board of Directors and Management	Other related parties	Total
Nature of relationship	Parent company	Significant influence of through common shareholder	Significant influence	Significant influence over subsidiary	
Transactions					
Six months ended 30 June 2008					
Purchases	-	-	-	-	
Sales revenue	-	-	-	277	167
Share option	-	-	28	-	28
Dividends paid	580	-	-	-	580
Six months ended 30 June 2007					
Purchases	-	91	-	-	91
Sales revenue	-	3	-	-	3
Share option	-	-	6	-	6
Dividends paid	411	-	-	-	411

5.2. Directors' compensation

Compensation paid to 9 key managers and directors (six months ended 30 June 2007: 9 people) is made up of a contractual salary, a performance bonus depending on operating results and share options bonuses.

Additional fees, compensation and allowances to directors for their services in that capacity, and also for attending board meetings and board committees' meetings were not paid.

On 30 May 2007 the Group granted senior management options to acquire in total 790,000 of the Company's ordinary shares at an exercise price of $30.5 which represents the average market share price for the 3 months preceding the grant date. Market share price at grant date equals $30. The options are exercisable during 3 years after a 1 year vesting period for the members of the Board of directors (150,000 shares) and during 2 years after a 2 years vesting period for the senior management (640,000 shares), subject to certain conditions, including remaining in employment in the Group up until the vesting date.

(in millions of Russian Roubles - RUB)

5 Balances and transactions with related parties (continued)

5.2. Directors' compensation (continued)

On May 30 2008 the Group additionally granted Board of Directors options to acquire in total 80,000 of the Company's ordinary shares at an exercise price of $60.86 which represents average market share price for 3 month preceding grant date. Market share price at grant date equals $63.25. The options are exercisable during 3 years after a 1 year vesting period subject to certain conditions, including remaining in employment in the Group up until the vesting date.

During the six months ended 30 June 2008 one director exercised an option for 20,000 ordinary shares at an exercise price of US$ 30.50. See note 12.

Total key management and directors' compensation included in expenses in the statement of income comprises:

short-term employee benefits amounting to RUB 68 for the six months ended 30 June 2008 (RUB 47 for the six months ended 30 June 2007);

expenses recognized under equity-settled, share based compensation amounting to RUB 28 (RUB 6 for the six months ended 30 June 2007).

6 Property, plant and equipment

Acquisitions of property, plant, and equipment for the period amounted RUB 3,638 (for six months ended 30 June 2007 – RUB 1,313), see also Note 8. Disposals of property, plant, and equipment for the period amounted RUB 41 (for six months ended 30 June 2007 – RUB 132).

Bank borrowings are secured on properties as at 30 June 2008 to the value of RUB 729 (31 December 2007: RUB 785); see Note 15.

During six months ended 30 June 2008 the Group capitalized borrowing costs of RUB 152 (six months ended 30 June 2007: RUB 49) in the cost of the qualifying assets, annual capitalization rate was 8% (six months ended 30 June 2007: 8%).

The Group owns the land on which factories and buildings, comprising the principal manufacturing facilities of the Group, are situated. At 30 June 2008 cost of the land amounts to RUB 1,031 (31 December 2007: RUB 931).

7 Development costs

	30 June 2008	30 June 2007
Cost		
Balance at the beginning of the year	1,161	870
Additions	150	136
Disposal	(33)	(93)
Balance at the end of the period	**1,278**	**913**
Accumulated amortisation and impairment		
Balance at the beginning of the year	(291)	(67)
Amortisation charge	(88)	(46)
Disposal	18	-
Balance at the end of the period	**(361)**	**(113)**
Net Book Value	**917**	**800**

The write-off consists of costs that will not result in future economic benefits to the Group.

Development costs comprise:

	30 June 2008	31 December 2007
Development of diesel engine funded by government grant	197	206
Expenditures related to establishing production of diesel engine	128	134
Development of new off-road vehicle (UAZ Patriot)	127	153
Improvement of vehicles to satisfy Euro-2 requirements	15	22
Improvement of vehicles to satisfy Euro-3 requirements	51	67
Development of SYMC production process	68	64
Improvement of some vehicle component parts	23	25
Development of new light commercial vehicle (UAZ-2360)	25	23
Improvement of diesel engine funded by internal financing	5	7
Development of Fiat production process	49	39
ISUZU light trucks	1	1
Development of FIAT Ducato production	55	21
Development of stamping	66	51
Improvement of vehicles to satisfy Euro-4 requirements	20	-
Other	87	57
Total	**917**	**870**

(in millions of Russian Roubles - RUB)

8 Acquisitions

Increase in controlling stake over OAO "ZMZ"

The controlling stake in OAO "ZMZ" was further increased by step acquisition from 78.84% to 79.33% of total share capital in the six month period ended 30 June 2008.

	Six month ended 30 June 2008
Step increase in % of ownership	0.49%
Purchase consideration	61
Share of net assets acquired from minority shareholders	(53)
Loss on acquisition of minority interest	**8**

The controlling stake in OAO "ZMZ" was further increased by step acquisition from 75.04% to 78.84% of total share capital in six month period ended 30 June 2007.

	Six month ended 30 June 2007
Step increase in % of ownership	3.80%
Purchase consideration	311
Share of net assets acquired from minority shareholders	(344)
Gain on acquisition of minority interest	**(33)**

Acquisition of OOO "Autocentre na Kolomyazhskom"

In March 2008, the Group completed the purchase of a 100% stake of equity of OOO "Autocentre no Kolomyazhskom" (St. Petersburg) for a total consideration of RUB 288. The purchase consideration comprises cash paid of RUB 288.

This acquisition of net assets which did not comprise a business was accounted for by allocating the cost of the net assets between the identifiable assets and liabilities in the group based on their relative fair values at the date of acquisition.

The assets and liabilities arising from the acquisition are as follows:

	Fair value
Property, plant and equipment	623
VAT recoverable	41
Short-term borrowings	(376)
Net identifiable assets acquired	**288**

Acquisition of OOO "Saport"

In May 2008, the Group completed the purchase of a 100% stake of equity of OOO "Saport" (Moscow) for a total consideration of RUB 115. The purchase consideration comprises cash paid of RUB 115.

This acquisition of net assets which did not comprise a business was accounted for by allocating the cost of the net assets between the identifiable assets and liabilities in the group based on their relative fair values at the date of acquisition.

The assets and liabilities arising from the acquisition are as follows:

	Fair value
Property, plant and equipment	16
Intangible assets	98
Accounts receivable	1
Net identifiable assets acquired	**115**

Acquisition of OOO "Transportnik-12"

In February 2008, the Group completed the purchase of a 100% stake of equity of OOO "Transportnik-12" (Nizhniy Novgorod) for a total consideration of RUB 179. The purchase consideration comprises cash paid of RUB 179.

This acquisition of net assets which did not comprise a business was accounted for by allocating the cost of the net assets between the identifiable assets and liabilities in the group based on their relative fair values at the date of acquisition.

(in millions of Russian Roubles - RUB)

8 Acquisitions (continued)

Acquisition of OOO "Transportnik-12" (continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value
Cash and cash equivalents	-
Property, plant and equipment	150
Intangible assets	41
Accounts receivable	1
Trade and other accounts payable	(3)
Short-term borrowings	(10)
Net identifiable assets acquired	**179**

9 Inventories

	30 June 2008	**31 December 2007**
Raw materials	6,420	4,935
Less: provision	(75)	(43)
	6,345	4,892
Work in progress	1,044	836
	1,044	836
Finished products	3,361	2,043
Less: provision	(1)	(1)
	3,360	2,042
Total	**10,749**	**7,770**

Inventories of RUB 212 (31 December 2007: RUB 221) have been pledged as security for borrowings, see Note 15.

10 Accounts receivable and prepayments

	30 June 2008	**31 December 2007**
Trade receivables	7,613	5,238
Less: provision for impairment	(48)	(46)
Total financial assets	**7,565**	**5,192**
Other receivables	424	224
Less: provision for impairment	(12)	(7)
	412	217
Advances to suppliers	818	612
Less: provision for impairment	(6)	(13)
	812	599
Taxes	632	492
VAT recoverable, net	375	455
Prepayments	22	15
Total	**9,818**	**6,970**

Foreign currency denominated net trade receivables:

Currency	**30 June 2008**	**31 December 2007**
Russian rouble	7,474	5,075
Euro	-	10
US$	91	107
Total	**7,565**	**5,192**

The carrying value of accounts receivable and prepayments as at 30 June 2008 and 30 June 2007 is approximately equal to their fair value.

(in millions of Russian Roubles - RUB)

11 Cash and cash equivalents

	30 June 2008	31 December 2007
Cash on hand and balances with banks	2,393	784
Cash deposits	354	1,226
Short-term bank promissory notes	9	20
Total	**2,756**	**2,030**

Short term cash deposits of RUB 172 held by the Group at 30 June 2008 bear interest of 2.5% per annum, of RUB 93 bear interest of 4.5%, of RUB 89 bear interest of 6.25%-7.75% (31 December 2007: RUB 531 bear interest of 4%-4.6% per annum, RUB 605 bear interest of 5%-5.42%, RUB 90 bear interest of 6%-7.75%). Cash and cash equivalents of RUB 336 bear interest less than 3%, RUB 635 bear interest of 4%-5% , RUB 10 bear interest 6%-8% (31 December 2007: RUB 252 bear interest of 1%-3%, RUB 363 bear interest of 4%-5% per annum), RUB 1,421 held by the Group are not interest bearing (31 December 2007: RUB 189).

Foreign currency denominated cash balances consist of the following:

Currency	30 June 2008	31 December 2007
Euro	1	17
Japanese yen	3	-
US$	42	9
Total	**46**	**26**

The carrying value of cash and cash equivalents as at 30 June 2008 and 31 December 2007 is approximately equal their fair value.

12 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, RUB	Treasury shares	Share premium, RUB	Additional paid-in capital, RUB
At 31 December 2007	34,270	750	530	(735)	6,019	1,438
At 30 June 2008	34,270	888	530	(904)	6,019	1,438

The total authorised number of ordinary shares is 82,074 thousand (31 December 2007: 82,074 thousand). Nominal value of all shares is 12.5 roubles per share. Statutory share capital of the Company totalled RUB 428 (31 December 2007: RUB 428).

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 months ended 30 June 2008, the net statutory loss for the Company as reported in the published annual statutory reporting forms was RUB 11 (profit for the six months ended 30 June 2007: RUB 204) and the closing balance of the accumulated profit including the current reporting period net statutory profit totaled to RUB 7,029 (as at 30 June 2007: RUB 7,085). However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present that it would not be appropriate to disclose an amount for the distributable reserves in these consolidated financial information.

In June 2007, the General Shareholders' Meeting decided to pay dividends of RUB 675 for 2006, or 19.7 roubles per ordinary share. In May 2008, the General Shareholders' Meeting decided to pay dividends of RUB 1,000 for 2007, or 29.18 roubles per ordinary share.

In May 2008, the General Shareholders' Meeting approved the split of ordinary shares in proportion: one share will be converted into ten shares.

During the six months ended 30 June 2007 the Group acquired 308 thousands of ordinary shares of the Company on the market for RUB 243 at average price of 786 roubles per share (market price at the date of agreement was $30 per share). During the six months ended 30 June 2008 the Group additionally acquired 138 thousands of ordinary shares of the Company on the market for RUB 169 at average price of 1,220 roubles per share.

The Company reserved these treasury shares for a share option program for senior management and members of the Board of directors (see Note 5.2).

(in millions of Russian Roubles - RUB)

12 Shareholders' equity (continued)

On 30 May 2007 the Group granted senior management options to acquire in total 790,000 of the Company's ordinary shares at an exercise price of US$ 30.5 (see Note 5.2).

At 30 June the Group had 770,000 outstanding options with exercise price of US$ 30.5 per share.

During the six months ended 30 June 2008 the Group additionally granted Board of Directors option in total 80,000 of the Company's ordinary shares at an exercise price of US$ 60.86 (see Note 5.2).

The fair value of options granted during the six months ended 30 June 2008 was determined using the Black-Scholes valuation model. The significant inputs into the model were share prices at the grant date, exercise price shown above, standard deviation of expected share price returns of 30%, option life disclosed above, and an annual risk-free interest rate of 5.7%. Historical three year volatility of Russian stock exchange index adjusted for the Company's beta was used as a proxy for the expected volatility of the share price.

In the six month ended 30 June 2008 the Group also recognized an expense in the amount of RUB 28 (for the six months ended 30 June 2007 ; RUB 6) for equity-settled share based compensation plan.

As at 30 June 2008 the total carrying amount of the share option in the balance sheet amounts to RUB 67.

13 Long-term borrowings

As at 30 June 2008 long-term debt comprises:

(a) rouble denominated non-convertible bonds for RUB 1,495 (31 December 2007: RUB 1,495) payable in six years time with a coupon payable every six months issued in January 2004. Initially the coupon rate was 11.25% per annum. In January 2007 the Group changed the bond interest rate from 11.25% to 8%. As a result the holders of a part of the bonds in the amount of RUB 762 requested early redemption of the bonds and all the amount was subsequently placed at the secondary market.

(b) rouble-denominated non-convertible bonds for RUB 2,990 (31 December 2007: RUB 2,990) payable in six years time with a coupon payable every six month of 7.7% per annum issued in July 2007. The Group has a right to change interest in 3 years time with possibility of early redemption request.

(c) rouble and foreign currency denominated loans at floating rates of EURIBOR +0.25%-2.375%, MOSPRIME +1.5% of RUB 2,685 (31 December 2007: RUB 1,661).

As at 30 June 2008 and 31 December 2007 the carrying value of these liabilities approximates their fair value. No significant or special covenants were issued during the year ended 30 June 2008 (year ended 31 December 2007: none).

Long-term debt is repayable as follows:

	30 June 2008	**31 December 2007**
1 to 5 years	6,545	5,897
more than 5 years	625	249
Total	**7,170**	**6,146**

As at 30 June 2008 and 31 December 2007 the carrying value of these liabilities approximates their fair value.

14 Advances received and other payables

	30 June 2008	**31 December 2007**
Payable for equipment	230	1,103
Other	184	232
Total financial assets	**414**	**1,335**
Advances from customers	594	517
Salaries payable	359	303
Bonus accrual	83	175
Divident payable	464	155
Vacation accrual	189	120
Total non-financial items	**1,689**	**1,270**
Total	**2,103**	**2,605**

(in millions of Russian Roubles - RUB)

15 Short-term borrowings

As at 30 June 2008 and 31 December 2007 short-term borrowings consist of bank loans amounting to RUB 6,523 and RUB 2,491 respectively. That amount included a short-term part of long-term loans of RUB 425 (31 December 2007: RUB 298); and interest accrued on loans amounting to RUB 181 (31 December 2007: RUB 172).

As at 30 June 2008 short-term debt comprises a total of rouble and foreign currency denominated loans at effective interest rates of 1-5% of RUB 453, 5-10% of RUB 5,603 and floating rates of EURIBOR +0.25%-2.38% of RUB 115 and LIBOR +1.75% RUB 352. As at 31 December 2007 short-term debt comprises a total of rouble and foreign currency denominated loans at effective fixed interest rates of 6.8%-7% of RUB 1,401, 7%-8% of RUB 418 and floating rates of EURIBOR +0.25%-2.38% of RUB 303 and LIBOR +1.75% RUB 369.

As at 30 June 2008 and 31 December 2007, loans for RUB 1,015 and RUB 1,141 respectively, are guaranteed by collateral of inventories and equipment; see Notes 6 and 9.

16 Sales

	Six months ended 30 June 2008	Six months ended 30 June 2007
Vehicles	22,076	15,785
Engines	4,434	4,387
Automotive components	2,272	2,018
Assembly kits	3	-
Other sales	1,426	1,171
Total	**30,211**	**23,361**

17 Segment information

Primary reporting format – business segments

At 30 June 2008 the Group is organised as two main business segments:
(1) manufacture and sale of vehicles and
(2) manufacture and sale of engines.

Other Group operations are not sufficiently significant to be recorded as separate reportable segments.

The segment results for the six months ended and balances at 30 June 2008 are as follows:

	Vehicles segment	Engines segment	Unallocated	Group
Sales	23,908	7,003		30,911
Inter-segmental sales	(25)	(675)		(700)
Net sales	**23,883**	**6,328**	**-**	**30,211**
Segment results / operating income	1,910	1,033	-	2,943
Interest expense				(237)
Net foreign exchange gain				28
Segment result				**2,734**
Income tax expense				(789)
Income for the year				**(1,945)**
Segment assets	36,622	8,828	2,647	48,097
Segment liabilities	(21,166)	(2,511)	(5,255)	(28,932)
Capital expenditures	4,494	449	-	4,943
Depreciation	502	201	-	703
Non-cash gains/(losses) other than depreciation	39	(19)	(8)	12

(in millions of Russian Roubles - RUB)

17 Segment information (continued)

The segment results for the six months ended 30 June 2007 and balances at 31 December 2007 are as follows:

	Vehicles segment	Engines segment	Unallocated	Group
Sales	17,199	6,871		24,070
Inter-segmental sales	(26)	(683)		(709)
Net sales	**17,173**	**6,188**	**-**	**23,361**
Segment results / operating income	1,241	1,135	-	2,376
Interest expense				(181)
Net foreign exchange loss				8
Segment result				**2,203**
Income tax expense				(576)
Income for the year				**1,627**
Segment assets	27,528	8,067	2,437	38,032
Segment liabilities	12,240	2,426	4,952	19,618
Capital expenditures	2,232	179	-	2,411
Depreciation	350	167	4	521
Non-cash gains/(losses) other than depreciation	(242)	(144)	79	(307)

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

18 Contingencies, commitments and operating risks

18.1. Contractual commitments and guarantees

As at 30 June 2008, the Group had contractual commitments of RUB 358 for the purchase of property, plant and equipment from third parties (31 December 2007: RUB 942).

18.2. Taxation

Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. The Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authority's scrutiny.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods.

The Group's Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, at 30 June 2008 no other provision for potential tax liabilities had been recorded except for those recorded at 31 December 2007.

18.3. Dependency on a limited number of suppliers and customers

The Group is dependent on a relatively limited number of suppliers for several raw materials and components used in the manufacturing of its products. Consequently, there is a risk that the Group may not be able to negotiate favourable terms, ensure adequate quality of its raw material and components and the performance of its business segments could be affected.

The engine business segment sells 57% (six months ended 30 June 2007: 60%) of its production of engines to one customer – OAO "GAZ". Consequently, the segment performance, results of the operation and prospects of the engine business are highly dependent on the continued relationship with this customer. In 2005 the Group signed a 3 year contract with OAO "GAZ" for delivery of engine supplies.

18 Contingencies, commitments and operating risks (continued)

18.4. Insurance policies

The Group holds insurance policies in relation to its operating assets and vehicles and all events subject to mandatory insurance. The Group does not have business interruption insurance. The Group is subject to political, legislative, tax and regulatory developments and risks, which are not covered by insurance.

18.5. Environmental matters

The enforcement of 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 enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

18.6. Legal proceedings

During the year ended 30 June 2008 the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial information.

18.7. Operating environment of the Group

Whilst there have been improvements in the economic trends in the country, the Russian Federation continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, restrictive currency controls, and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the government, together with tax, legal, regulatory, and political developments.

(in millions of Russian Roubles - RUB)

19 Principal subsidiaries

The principal subsidiaries consolidated within the Group and the degree of control exercised by OAO "Sollers" are as follows:

Entity	Country of incorporation	Activity	30 June 2008 % of total share capital	30 June 2008 % of ordinary shares	31 December 2007 % of total share capital	31 December 2007 % of ordinary shares
OAO "Ulyanovsky Avtomobilny Zavod"	Russia	Manufacture and sale of passenger automobiles, light trucks and minibuses	66	68	66	68
OAO "Zavolzhskiy Motor Works"	Russia	Manufacture and sale of engines for passenger automobiles, trucks and buses	79	88	79	88
OAO "Sollers - Naberegnie Chelny" (previously "Small Car Plant")	Russia	Manufacture and sale of passenger automobiles	100	100	100	100
OOO "Sollers-Elabuga" (previously OOO "Severstalavto-Elabuga")	Russia	Manufacture and sale of commercial vehicles	100	-	100	-
OOO «Severstalavto»	Russia	Auto trading	100	-	100	-
ZAO "Severstalauto-Isuzu"	Russia	Manufacture and sale of commercial vehicles	66	-	66	-
OOO Torgoviy dom Severstalauto	Russia	Auto trading	100	-	100	-
OOO Severstalauto-Invest	Russia	Auto trading	100	-	100	-
OOO "Turin-Auto"	Russia	Auto trading	100	-	100	-
OOO "UAZ-Metallurgia"	Russia	Manufacture and sale of metal products	66	-	66	-
OOO "UAZ-Autotrans"	Russia	Transport services	66	-	66	-
OOO "UAZ-Tekhinstrument"	Russia	Manufacture and sale of tooling equipment	66	-	66	-
OOO "RosALit"	Russia	Manufacture and sale of metals products	79	-	79	-
OOO "Zavod "Metalloform"	Russia	Manufacture and sale of metals products	79	-	79	-
OOO "Specinstrument"	Russia	Manufacture and sale of tooling equipment	79	-	79	-
OOO "ZMZ-Transservice"	Russia	Transport services	79	-	79	-
OOO "Remservis"	Russia	Repair services	79	-	79	-
ZAO "Kapital"	Russia	Rent services	100	100	100	72
OOO "Severstalauto-Kama"	Russia	Manufacture and sale of commercial vehicles	100	-	100	-
OOO "Severstalauto-Chelny"	Russia	Manufacture and sale of commercial vehicles	100	-	100	-
OOO "Severstalauto-ST"	Russia	Auto trading	100	-	100	-

OOO "ZMZ - Transservice", OOO "RosALit", OOO "Zavod "Metalloform", OOO "Specinstrument" are 100% owned by the Company's subsidiary OAO "ZMZ". OOO "UAZ – Autotrans", OOO "UAZ-Tekhinstrument" and OOO "UAZ-Metallurgia" are 100% owned by the Company's subsidiary OAO "UAZ". Share in OOO "ZMZ - Transservice", OOO "UAZ-Metallurgia", OOO "UAZ-Autotrans", OOO "UAZ-Tekhinstrument", OOO "RosALit", OOO "Zavod "Metalloform", OOO "Specinstrument", OOO "Severstalauto-Elabuga", OOO "Severstalauto", OOO "Torgovy Dom Severstal-auto", OOO "Severstalauto-invest", OOO "Turin-Auto" represent stockholders' stakes, not number of shares held.

20 Financial risks

20.1. Credit risk

Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The carrying amount of cash and cash equivalents, non-current financial assets, financial receivables, represents the maximum amount exposed to credit risk. The Group has no other significant concentrations of credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded. Cash is placed in financial institutions, which are considered at the time of deposit to have minimal risk of default.

20.2. Foreign exchange risk

The Group's manufacturing operations are located within the Russian Federation with limited imports of raw materials and components. Revenue from export of the Group's automotive production is 7% (for six months ended 30 June 2007: 9%) of total revenue, most of these sales are denominated in hard currency. Net foreign currency receivables amount to RUB 91 (31 December 2007; RUB 117). Hence, the Group is exposed to the related foreign exchange risk primarily with respect to US dollar. However, management believes that any related foreign exchange risk is not significant.

20.3. Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk through market value fluctuations of interest bearing borrowings. The Group has short term cash deposits bearing the interest rate of 2.5-7.75% (see Note 11). The Group has mostly fixed rate interest bearing borrowings; however the Group has a long term loans with floating interest rates of EURIBOR (see Note 13 and Note 15).

20.4. Fair values

In assessing the fair value of non-traded financial instruments the Group uses a variety of methods including estimated discounted value of future cash flows, and makes assumptions that are based on market conditions existing at each balance sheet date.

At 30 June 2008 and 31 December 2007 the carrying value of financial assets and cash deposits approximates their fair value.

21 Seasonality

The manufacture and sale of vehicles, including automotive components, assembly kits, and engines is subject to insignificant seasonal fluctuations with peak demand in spring being approximately equal that of autumn.

22 Post balance sheet events

29 July 2008 the Board of directors approved issuance of bonds in the amount of RUB 5,000, to be placed on MICEX.