SOLLERS GROUP

CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

30 JUNE 2020

(UNAUDITED)

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REPORT ON REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

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

Details of auditor

Name: Baker Tilly Rus JSC

State Registration number: 1027700115409

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Baker Tilly Rus JSC is a member of Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). Baker Tilly Rus JSC is included in the control copy of the register of auditors and audit organizations, main registration number 12006010438.

Details of the audited entity

Name: SOLLERS Public Joint Stock Company

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REPORT ON REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of SOLLERS PJSC and its subsidiaries (the Group) as of June 30, 2020 and the related consolidated condensed 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”.

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

Moscow, Russian Federation

November 25, 2020

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.

(in millions of Russian Roubles)

		Russian Roubles million		Supplementary information US$ million (Note 2)	
	Note	At 30 June 2020	At 31 December 2019	At 30 June 2020	At 31 December 2019
ASSETS					
Non-current assets					
Property, plant and equipment	6	22,191	23,160	317	374
Right of use assets	6	125	145	2	2
Goodwill	3	1,484	1,484	21	24
Development costs	7	3,881	3,798	56	61
Other intangible assets	-	2,439	2,597	33	42
Deferred income tax assets	-	863	653	12	11
Investments in joint ventures	8	2,016	1,949	29	32
Other financial assets	-	78	70	1	1
Other non-current assets	-	101	79	1	1
Total non-current assets		**33,178**	**33 935**	**472**	**548**
Current assets					
Inventories	9	9,758	7,475	140	121
Trade and other receivables	10	11,682	12,941	167	209
Restricted cash	11	1,030	3,918	15	63
Cash and cash equivalents	11	5,664	6,689	81	108
Total current assets		**28,134**	**31,023**	**403**	**501**
TOTAL ASSETS		**61,312**	**64,958**	**875**	**1,049**
LIABILITIES AND EQUITY					
Equity					
Share capital	12	530	530	8	9
Share premium	12	4,538	4,538	65	73
Additional paid-in capital	12	1,438	1,438	20	23
Retained earnings	-	11,083	12,244	158	198
Equity attributable to the Company's owners		**17,589**	**18,750**	**251**	**303**
Non-controlling interest	-	8,329	8,226	119	133
Total equity		**25,918**	**26,976**	**370**	**436**
Non-current liabilities					
Long-term borrowings	14	326	586	5	10
Deferred income tax liabilities	-	375	695	5	11
Long-term lease liabilities	6	103	116	1	2
Deferred income	-	1,034	1 058	15	17
Total non-current liabilities		**1,838**	**2,455**	**26**	**40**
Current liabilities					
Trade accounts payable	13	15,416	20,440	220	330
Advances received and other payables	13	1,547	2,082	22	34
Short-term lease liabilities	6	26	27	-	-
Taxes payable	-	4,761	4,368	68	70
Warranty and other provisions	-	1,737	2,036	25	33
Short-term borrowings	14	10,069	6,574	144	106
Total current liabilities		**33,556**	**35,527**	**479**	**573**
Total liabilities		**35,394**	**37,982**	**505**	**613**
TOTAL LIABILITIES AND EQUITY		**61,312**	**64,958**	**875**	**1,049**

Approved and signed on 25 November 2020

General Director
N.A. Sobolev

Chief Financial Officer
E.A. Frolova

		Russian Roubles million		**Supplementary information US$ million (Note 2)**	
		Six-months ended 30 June		**Six-months ended 30 June**	
	Note	**2020**	**2019**	**2020**	**2019**
Sales	15	23,140	15,107	334	231
Cost of sales	10	(19,476)	(11,518)	(281)	(176)
Gross profit		**3,664**	**3,589**	**53**	**55**
Distribution costs	10	(1,630)	(1,558)	(24)	(24)
General and administrative expenses	10	(2,597)	(875)	(37)	(13)
Other operating expenses, net	-	67	(70)	1	(1)
Operating (loss)/profit		**(496)**	**1,086**	**(7)**	**17**
Finance costs, net	-	(1,058)	(489)	(15)	(7)
Financial instrument change in fair value	-	-	(645)	-	(10)
Share of profit of joint ventures	8	112	278	2	4
(Loss)/profit before income tax		**(1,442)**	**230**	**(20)**	**4**
Income tax income/ (expense)	-	384	(366)	6	(6)
Loss for the period		**(1,058)**	**(136)**	**(14)**	**(2)**
Total comprehensive loss for the period		**(1,058)**	**(136)**	**(14)**	**(2)**
(Loss)/profit is attributable to:					
Owners of the Company	**-**	(1,161)	(130)	(15)	(2)
Non-controlling interest	**-**	103	(6)	1	-
Loss for the period		**(1,058)**	**(136)**	**(14)**	**(2)**
Total comprehensive (loss)/income is attributable to:					
Owners of the Company	**-**	(1,161)	(130)	(15)	(2)
Non-controlling interest	**-**	103	(6)	1	-
Total comprehensive loss for the period		**(1,058)**	**(136)**	**(14)**	**(2)**
Weighted average number of shares outstanding during the period (in thousands of shares) – basic	12	34,270	34,270	34,270	34,270
Weighted average number of shares outstanding during the period (in thousands of shares) – diluted	12	34,270	34,270	34,270	34,270
(Loss)/earnings per share (in Russian Roubles and US$) – basic	-	(33.89)	(3.80)	(0.49)	(0.06)
(Loss)/earnings per share (in Russian Roubles and US$) – diluted	-	(33.89)	(3.80)	(0.49)	(0.06)

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 2019: no items).

(in millions of Russian Roubles)

	Russian Roubles million		Supplementary information US$ million (Note 2)	
	Six months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Cash flows from operating activities				
(Loss)/profit before income tax	**(1,442)**	**230**	**(20)**	**4**
Adjustments for:				
Depreciation	1 167	574	17	9
Amortisation	469	164	7	2
Provision for impairment of receivables	15	(19)	-	-
Interest expense and discounting	741	547	11	8
Financial instrument change in fair value	-	645	-	10
Profit from other long-term investments	(8)	(4)	-	-
Share of profit of joint ventures and associates	(112)	(278)	(2)	(4)
Other provision movements	(460)	(237)	(7)	(4)
Loss/(profit) on sale of property, plant and equipment and other non-current assets	(35)	62	(1)	1
The result from subsidiary disposal	(9)	-	-	-
Amortization of government grants	(75)	(22)	(1)	-
Deferred income movement	133	-	2	-
Inventory provision movement	(36)	129	(1)	2
Operating cash flows before working capital changes	**348**	**1,791**	**5**	**28**
Decrease in accounts receivable and prepayments	1,648	2,799	24	42
Increase in inventories	(2,168)	(1,644)	(31)	(25)
Decrease in accounts payable, advances received and other payables	(5,329)	(2,115)	(77)	(32)
Increase/(decrease) in taxes payable, other than income tax	120	(3,054)	2	(47)
Cash used in operations	**(5,381)**	**(2,223)**	**(77)**	**(34)**
Income tax paid	(224)	(303)	(3)	(5)
Interest paid	(686)	(590)	(10)	(10)
Net cash used in operating activities	**(6,291)**	**(3,116)**	**(90)**	**(49)**
Cash flows from investing activities:				
Purchase of property, plant and equipment	(437)	(478)	(6)	(7)
Proceeds from the sale of property, plant and equipment	23	101	-	1
Development costs	(368)	(482)	(5)	(7)
Purchase of intangibles and other non-current assets	(65)	(87)	(1)	(1)
Proceeds from government R&D subsidies	-	24	-	-
Withdrawal/ (depositing) of special funds on special accounts	2,888	(1,662)	41	(25)
Cash from disposal of the subsidiary	23	-	-	-
Investment in joint venture	-	(25)	-	-
Result from option sale	-	6,469	-	99
Dividends received from joint ventures	50	100	1	1
Net cash from investing activities	**2,114**	**3,960**	**30**	**61**
Cash flows from financing activities				
Lease payments	(13)	(8)	-	-
Proceeds from borrowings	7,021	5,461	101	84
Repayment of borrowings	(3,856)	(4,000)	(56)	(61)
Net cash from financing activities	**3,152**	**1,453**	**45**	**23**
Net increase/(decrease) in cash and cash equivalents	**(1,025)**	**2,297**	**(15)**	**35**
Effect of exchange rate changes on cash and cash equivalents	-	-	(12)	2
Cash and cash equivalents at the beginning of the period	**6,689**	**226**	**108**	**3**
Cash and cash equivalents at the end of the period	**5,664**	**2,523**	**81**	**40**

(in millions of Russian Roubles)

	Share capital	Share premium	Additional paid-in-capital	Retained earnings	Attributable to equity shareholders of the Company	Non-controlling interest	Total equity
Balance at 31 December 2018	**530**	**4,538**	**1,438**	**12,099**	**18,605**	**364**	**18,969**
Loss for the period	-	-	-	(130)	**(130)**	(6)	**(136)**
Total comprehensive loss for the reporting period	**-**	**-**	**-**	**(130)**	**(130)**	**(6)**	**(136)**
Balance at 30 June 2019	**530**	**4,538**	**1,438**	**11,969**	**18,475**	**358**	**18,833**
Balance at 31 December 2019	**530**	**4,538**	**1,438**	**12,244**	**18,750**	**8,226**	**26,976**
Loss for the period				(1,161)	**(1,161)**	103	**(1,058)**
Total comprehensive loss for the reporting period	**-**	**-**	**-**	**(1,161)**	**(1,161)**	**103**	**(1,058)**
Balance at 30 June 2020	**530**	**4,538**	**1,438**	**11,083**	**17,589**	**8,329**	**25,918**

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 2020 for PJSC "SOLLERS" (the "Company") and its subsidiaries (the "Group").

The Company was incorporated as an open joint stock company in the Russian Federation in March 2002 by OJSC "Severstal" (the "Predecessor") by contributing its controlling interests in LLC "Ulyanovsky Avtomobilny Zavod" (LLC "UAZ") and PJSC "Zavolzhskiy Motorny Zavod" (PJSC "ZMZ"), which were acquired at the end of 2000, in exchange for the Company's share capital.

The immediate parent company of the Group is LLC "ERFIX". As of 30 June 2020 and 31 December 2019 the ultimate controlling party of the Group is Vadim Shvetsov, the main participant of LLC "ERFIX".

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.

In 2011 the Group established the joint venture with Ford Motor Company to manufacture Ford branded vehicles in Russia.

In March 2019 the Group and Ford Motor Company announced the plans for strategic restructuring of Ford-SOLLERS JV. On July 1, 2019 the Group obtained 51% of the shares of Ford-SOLLERS (Ford-SOLLERS JV), Ford Motor Company's share is 49%. Ford-SOLLERS JV 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.

New Ford-SOLLERS JV was set up on the basis of the existing Ford SOLLERS Elabuga plant, which is a resident of the ALABUGA Special Economic Zone. The new joint venture started its operations on July 1, 2019.

During the second half 2012 the Group finalized the foundation of the joint venture with Mazda Motor Corporation in Vladivostok for production of Mazda SUVs and passenger cars. Mazda-SOLLERS joint venture launched the production of Mazda SUVs in September 2012 and production of passenger cars in April 2013. Since 2019 the joint venture exports locally produced engines for Mazda vehicles to Japan.

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

This consolidated condensed interim financial information was approved for issue by the General Director and Chief Financial Officer on 25 November 2020.

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). The Russian economy continued to be negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. This operating environment has a significant impact on the Group's operations and financial position.

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

In the first half of 2020 the sales of passenger and light commercial vehicles in Russia dropped by 23.3% year-on-year and totalled 636 k units according to Automotive Committee of Association of European Businesses. The consensus sales forecast amounts to 1.5 mln vehicles in 2020, 13% lower 2019 sales. Also, the increase in the USD-RUB foreign exchange rate and a decrease in real disposable income can be attributed as negative effects.

The Group's management is constantly evaluating the influence of coronavirus infection and the economic consequences associated on the going concern and financial position of the Group (Note 3). The management reviewed 2020 financial plan and believes that the deterioration of macroeconomic environment does not threaten the going concern assumption.

The management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

2 Basis of preparation and significant accounting policies

2.1. Basis of preparation

This consolidated condensed interim financial information has been prepared in accordance with International Accounting Standard No. 34 "Interim financial reporting" ("IAS 34"). This consolidated condensed interim financial information does not contain all the information required for the preparation of the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2019 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 2019. The Group has adopted all new standards and interpretations that were effective from 1 January 2020. The impact of the adoption of these new standards and interpretations has not been significant with respect to this consolidated condensed interim financial information.

2.3. Supplementary information

U.S. Dollar ("US$") amounts shown in the primary statements are translated from the RR as a matter of arithmetic computation only, at the official rate of the Central Bank of the Russian Federation at 30 June 2020 of Russian Rouble 69.9513 = US$ 1 (at 31 December 2019 of Russian Rouble 61.9057 = 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 2020 of Russian Rouble 69.3714 = US$ 1 and 30 June 2019 of Russian Rouble 65.3384 = US$ 1. The US$ amounts are presented solely for the convenience of the reader, and should not be treated as a representation that RR amounts have been or could have been converted to the US$ at this rate, nor that the US$ amounts present fairly the financial position and results of operations and cash flows of the Group in accordance with IFRS.

Exchange restrictions and currency controls exist relating to converting the RR into other currencies. The RR is not freely convertible in most countries outside of the Russian Federation.

3 Critical accounting estimates and judgements in applying accounting policies

Impairment of assets (including goodwill)

The management tested the Group's non-current assets (including property, plant and equipment, intangible assets and goodwill) for impairment as of 30 June 2020. The Group includes two cash generating units (CGU): UAZ CGU and Ford-SOLLERS CGU. The goodwill is attributed to UAZ CGU.

Goodwill allocated to UAZ CGU have been tested by management for impairment using value-in-use calculations. The calculations use business plans and cash flow projections developed and approved by management. The discounting rate used was estimated based on weighted average cost of capital, which is pre-tax and reflects specific risks related to the CGU and time value of money.

The cash flow projections cover an initial five-year period. Cash flows beyond five-year period are extrapolated using basic assumptions such as potential sales volumes, EBITDA margin level and discounting rate specific for the particular CGU. Management determined budgeted EBITDA margin on the basis of the past performance of the CGU and its expectations for the market development.

Cash flows beyond the five-year period are extrapolated using estimated growth rate of 3% (31 December 2019: 3%); these growth rates do not exceed the forecasted inflation rates and account for specific Groups' opportunities in the current market environment described above. The discount rate used of 16% (31 December 2019: 16% for both CGUs) is pre-tax and reflects specific risks related to the CGU.

The assessment of the COVID-19 influence on the financial position of the Group, including management assumptions, is based on a number of factors and the estimates could differ from actual results.

The inherence of no impairment is sensitive to the level of future revenues. With all other assumptions held constant, a reduction in revenues by 10% in each future period would result in a need to reduce the carrying value of goodwill by RR 1,484 and other assets by RR 1,049.

The inherence of no impairment is sensitive to the discount rate used in the model. With all other assumptions held constant, an increase of the discount rate by 3% would result in a need to reduce the carrying value of goodwill by RR 1,484 and other assets by RR 731.

4 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, 2019, except for the adoption of new standards and interpretations effective as of 1 January 2020. 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, 2020, are described below.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework. The amendments are effective from January 1, 2020.

Definition of a Business (Amendments to IFRS 3)

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments in *Definition of Material (Amendments to IAS 1 and IAS 8)* clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments in *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)* clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

The Group reviewed these clarifications and amendments to the standards in preparing the interim consolidated financial statements. Clarifications and amendments to the standards did not have a material effect on the interim consolidated financial statements of the Group.

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

Certain new standards, interpretations and amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2020. In particular, the Group has not early adopted the standards and amendments:

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021. The Group is currently assessing the impact of the amendments on its financial position and results of operations.

(in millions of Russian Roubles – RR)

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

Balances with related parties of the Group as at 30 June 2020 and 31 December 2019 consist of the following:

Balances

Nature of relationship	Board of directors	Parent company	Other related parties	Associates and joint ventures	Total
As at 30 June 2020					
Accounts receivable	-	-	51	5	**56**
Trade and other payables	-	-	302	9	**311**
As at 31 December 2019					
Loans received	-	15	-	-	**15**
Accounts receivable		2	73	5	**80**
Trade and other payables	-	-	484	9	**493**

Transactions with related parties of the Group for the six-month periods ended 30 June 2020 and 30 June 2019 consist of the following:

Transactions

Nature of relationship	Parent company	Other related parties	Associates and joint ventures	Total
Six-month period ended 30 June 2020				
Sales of vehicles, components and services	1	9	-	**10**
Purchases of goods and services	-	1,382	-	**1,382**
Dividends received	-	-	50	**50**
Six-month period ended 30 June 2019				
Sales of vehicles, components and services	1	8	83	**92**
Purchases of goods and services	-	1,804	37	**1,841**
Loans received	15	-	-	**15**
Interest expenses	1	-	-	**1**

5.2. Key managements' and directors' compensation

The compensation paid to the nine members of the key management (2019: 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 258 for the six-month period ended 30 June 2020 (RR 193 for the six-month period ended 30 June 2019).

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

Acquisitions of property, plant, and equipment for the period amounted to RR 414 (for six-month period ended 30 June 2019: RR 461). Disposals of property, plant, and equipment for the period amounted to RR 121 (for six-month period ended 30 June 2019: RR 77).

Bank borrowings are secured on properties at 30 June 2020 to the value of RR 310 (31 December 2019: RR 319); see Note 14.

During six-month period ended 30 June 2020 the Group capitalized borrowing costs of RR 13 (six-month period ended 30 June 2018: RR 43) in the cost of the qualifying assets, the annual capitalization rate was 7% (six-month period ended 30 June 2019: 22%).

(in millions of Russian Roubles – RR)

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

The Group owns the land on which factories and buildings, comprising the principal manufacturing facilities of the Group, are located. At 30 June 2020, the cost of the land amounted to RR 564 (31 December 2019: RR 600).

At 30 June 2020, the Group had right-of-use assets in the amount of RR 125 (RR 145 as of 31 December 2019). Long-term and short-term lease liabilities amounted to RR 103 and RR 26 respectively (RR 116 and RR 27 as of 31 December 2019 respectively).

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

Right-of-use assets at 1 January 2020	**145**
Additions (initial measurement)	4
Depreciation charge	(18)
Disposal	(6)
Right-of-use asset at 30 June 2020	**125**
Lease liabilities at 1 January 2020	**143**
Additions (initial measurement)	4
Interest expense	8
Lease payments	(13)
Disposal	(13)
Lease liabilities at 30 June 2020	**129**
Right-of-use assets at 1 January 2019	**-**
Additions (initial measurement)	60
Depreciation charge	(1)
Disposal	-
Right-of-use asset at 30 June 2019	**59**
Lease liabilities at 1 January 2019	-
Additions (initial measurement)	52
Interest expense	-
Disposal	-
Lease liabilities at 30 June 2019	**52**

During the six-month period ended 30 June 2020 total cash outflow for leases, including advance payments equalled RR13 (during the six-month period ended 30 June 2019 – RR 8).

During the six-month period ended 30 June 2020 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 95 (RR 80 - during the six-month period ended 30 June 2019).

7 Development costs

	30 June 2020	31 December 2019
Cost		
Balance at the beginning of the period	6,164	5,106
Additions	388	1,058
Disposals	(1)	-
Disposals of the subsidiary	(58)	-
Balance at the end of the period	**6,493**	**6,164**
Accumulated amortisation and impairment		
Balance at the beginning of the period	(2,366)	(1,902)
Amortisation charge	(247)	(464)
Disposals of the subsidiary	1	-
Balance at the end of the period	**(2,612)**	**(2,366)**
Net book value	**3 881**	**3,798**

(in millions of Russian Roubles – RR)

8 Investments in joint ventures

Investments in joint ventures are presented by followings assets:

	30 June 2020	31 December 2019
Mazda-SOLLERS JV	1,765	1,636
SOLLERS-Bussan JV	199	254
Isuzu-SOLLERS JV	52	59
Total investments in joint ventures	**2,016**	**1,949**

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

	30 June 2020	30 June 2019
Carrying amount at 1 January	**1,949**	**2,438**
Share of profit of joint ventures	112	278
Unrealized profit adjustment on sale of assets to the joint venture	5	5
Investment in the JV	-	25
Dividends received	(50)	(100)
Carrying amount at the end of the reporting period	**2,016**	**2,646**

SOLLER-Bussan JV

By the end of 2011 the Group established 50%-50% joint venture with Japanese Mitsui&Co., Ltd located in Vladivostok.

Since February 2013 the project of the Toyota vehicles production started. In June, 2015 the project was completed according to its initial schedule.

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

The carrying value of SOLLERS-Bussan JV investment have been tested by management for impairment. As of 30 June 2020 no impairment was identified (31 December 2019: nil).

In the six months ended 30 June 2020 SOLLERS-Bussan JV distributed the dividends and the Group received RR 50 (six months ended 30 June 2019 – RR 0).

Mazda-SOLLERS JV

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

In September 2016, Mazda-SOLLERS JV signed a Special investment contract with the Ministry of Industry and Trade of the Russian Federation. Under the contract, Mazda SOLLERS JV commits to create a new engine production capacity in the Far East. Since 2019 the joint venture exports locally produced Mazda engines to Japan.

SOLLERS-Finance JV

In November 2010, the Group established a 50% – 50% joint venture with a bank for the development of leasing services and contributed OOO SOLLERS-Finance, a previously wholly owned subsidiary, to the joint venture.

During the six months ended 30 June 2019, dividends of RR 100 were received from the SOLLERS-Finance JV.

In December 2019, the Group sold 50% of SOLLERS-Finance JV shares to the JV partner for 1,228. The result from the sale of investment in SOLLERS-Finance JV was recognised in other operating income and expenses in the amount of RR 504.

Ford-SOLLERS JV

In March 2019 the Group and Ford Motor Company announced the plans for strategic restructuring of Ford-SOLLERS JV. In the first half of 2019 the Group has exercised the option to sale its share in the Ford-SOLLERS JV for USD 135 mln. payable on the commencement date.

On 1 July 2019 SOLLERS PJSC acquired the controlling share of 51% in Ford-SOLLERS JV, the share of Ford Motor Company is 49%. New joint venture is involved in the production and distribution of Ford Transit commercial vehicles, as well as the localization and further development of the special vehicles.

(in millions of Russian Roubles – RR)

8 Investments in joint ventures (continued)

New Ford-SOLLERS JV was set on the basis of the existing Ford SOLLERS Elabuga, which is a resident of the ALABUGA Special Economic Zone. The Group consolidates Ford-SOLLERS JV starting from July 1, 2019, the date when the JV started its operations. The joint venture has undertaken the warranty service and spare parts supply for all Ford vehicles, previously sold in Russia.

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.

During the 6 month ended 30 June 2019 the Group has made additional contribution of RR 25 to the Isuzu-SOLLERS joint venture.

At 30 June 2020 the Group held 50% interest in joint ventures Mazda-SOLLERS, SOLLERS-Bussan and Isuzu-SOLLERS (31 December 2019: 50% interest in joint ventures Mazda-SOLLERS, SOLLERS-Bussan and Isuzu-SOLLERS). The summarised financial information of the Joint ventures, including full amounts of total assets and liabilities, is as follows:

	Total assets	Total liabilities
Total at 30 June 2020	**10,397**	**3,046**
Mazda-SOLLERS JV	9,836	2,993
SOLLERS-Bussan JV	402	4
Isuzu-SOLLERS JV	159	49
Total at 31 December 2019	**14,184**	**10,016**
Mazda-SOLLERS JV	13,500	9,959
SOLLERS-Bussan JV	513	6
Isuzu-SOLLERS JV	171	51

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

	Revenue	Operating profit/ (loss)	Net profit/ (loss)
Six-month period ended 30 June 2020	**15,495**	**255**	**225**
Mazda-SOLLERS JV	15,495	289	249
SOLLERS-Bussan JV	-	(14)	(9)
Isuzu-SOLLERS JV	-	(20)	(15)
Six-month period ended 30 June 2019	**23,190**	**547**	**557**
Mazda-SOLLERS JV	22,458	234	300
SOLLERS-Bussan JV	-	(20)	(10)
SOLLERS-Finance JV	732	365	292
Isuzu-SOLLERS JV	-	(32)	(25)

(in millions of Russian Roubles – RR)

9 Inventories

	30 June 2020	31 December 2019
Raw materials	4,980	4,071
Less: provision for impairment	(327)	(311)
Total raw materials	**4,653**	**3,760**
Work in progress	1,713	1,256
Total work in progress	**1,713**	**1,256**
Finished products	3,583	2,703
Less: provision for impairment	(191)	(244)
Total finished products	**3,392**	**2,459**
Total	**9,758**	**7,475**

10 Trade and other receivables

	30 June 2020	31 December 2019
Trade receivables	4,254	4,513
Less: expected credit losses	(130)	(128)
Total financial assets	**4,124**	**4,385**
Other receivables, including subsidies receivable	6,300	7,960
Less: expected credit losses	(44)	(37)
Total other receivables	**6,256**	**7,923**
Advances to suppliers, other than for equipment	442	371
Less: expected credit losses	(5)	(13)
Total advances to suppliers, other than for equipment	**437**	**358**
Taxes prepayments	495	134
VAT recoverable, net	358	138
Other prepayments	12	3
Total	**11,682**	**12,941**

The carrying value of trade accounts receivable and other receivables for the 30 June 2020 and 31 December 2019 is approximately equal to their fair value.

Tax prepayments include profit tax prepayments in amount of RR 248 (31 December 2019: RR 127).

The Group receives government subsidies, which partially compensate production, administrative, distribution and finance cost. During the six month ended 30 June 2020 the subsidies recognised in the Cost of sales totalled RR 5,352 (six months ended 30 June 2019: RR 5,642), in the General and administrative expenses – RR 0 (six months ended 30 June 2019: RR 1,014) and in the Distribution costs – RR 98 (six months ended 30 June 2019: 37).

11 Cash and cash equivalents

	30 June 2020	31 December 2019
Cash on hand and balances with banks	1,495	1,338
Cash deposits	4,169	5,351
Total	**5,664**	**6,689**

The carrying value of cash and cash equivalents as at 30 June 2020 and 31 December 2019 is approximately equal to their fair value.

The table below summarises the restricted cash balances:

	30 June 2020	31 December 2019
Restricted cash acquired under the contracts for special-purpose funding with state fund for industrial development	-	375
Restricted cash acquired under state defense order	1,002	3,413
Other restricted cash	28	130
Total	**1,030**	**3,918**

(in millions of Russian Roubles – RR)

12 Shareholders' equity

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

	Number of outstanding ordinary shares (thousands)	Share capital, RR	Share premium, RR	Additional paid-in capital, RR
At 30 June 2020	34,270	530	4,538	1,438
At 31 December 2019	34,270	530	4,538	1,438

The total authorised number of ordinary shares is 82,074 thousand (31 December 2019: 82,074 thousand). The nominal value of all shares is 12.5 roubles per share.

In accordance with Russian legislation, the Company distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. For the six-month ended 30 June 2020, the net statutory loss for the Company as reported in the published interim statutory reporting forms was RR 380 (for the six-month period ended 30 June 2019 net loss amounted to RR 141) and the closing balance of the accumulated profit including the current reporting period net statutory loss as of 30 June 2020 totalled to RR 10,598 (31 December 2019: RR 10,978). 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.

No dividends were declared at the General Shareholders' Meetings during the six-month period ended 30 June 2020 or during the year ended 31 December 2019.

13 Trade payables, advances received and other payables

At 30 June 2020 trade accounts payable amounts to RR 15,416 (31 December 2019: RR 20,440). The amount includes trade payables with the reverse factoring settlement in the amount of RR 3,269 (31 December 2019: RR 6,499).

	30 June 2020	31 December 2019
Accrued liabilities and other creditors	88	121
Liabilities for purchased property, plant and equipment	33	116
Total financial liabilities within advances and other payables	**121**	**237**
Advances received	814	1,108
Bonus accrual	77	238
Accrued employee benefit costs	250	254
Vacation accrual	285	245
Total advances received and other payables	**1,547**	**2,082**

There were no overdue payables as at 30 June 2020, including in respect of trade payables (31 December 2019: nil).

14 Short and long-term borrowings

The Group's long-term borrowings consisted of bank loans amounted to RR 326 (31 December 2019: RR 121) and there were no funding from federal and regional funds of industrial development (31 December 2019: RR 465).

The Group's long-term borrowings are denominated in Russian Roubles at 30 June 2020 and 31 December 2019. The carrying amounts of long-term borrowings approximates to their fair values at 30 June 2020 and at 31 December 2019.

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

	30 June 2020	31 December 2019
Bank loans	9,961	6,505
Funding from federal and regional funds	20	21
Interest accrued	88	48
Total short-term borrowings	**10,069**	**6,574**

The carrying amounts of short-term borrowings approximates to their fair values as at 30 June 2020 and 31 December 2019.

Property, plant and equipment of RR 310 (31 December 2019: RR 319) are pledged as collateral for long-term and short-term borrowings (see Note 6).

(in millions of Russian Roubles – RR)

15 Sales

	Six-month period ended 30 June 2020	Six-month period ended 30 June 2019
Vehicles	18,658	11,324
Automotive components	3,606	2,599
Engines	344	528
Services	292	331
Other sales	240	325
Total	**23,140**	**15,107**

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 2020 the Group activities are considered as one reporting segment: vehicles production.

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

The Chief Executive Officer reviews financial information prepared on the basis of Russian accounting standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards, including in relation to inventory provisions; receivables provisions and other adjustments.

Performance is evaluated on the basis of operating profit or loss. Accordingly, foreign currency gains/ losses, interest income/ expenses and income tax charges are excluded. No balance sheet information is regularly reviewed and accordingly no information on assets or liabilities is included as part of the segment information presented.

Revenues from external customers are presented in Note 15. 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 2020, the Group had contractual commitments of RR 411 including contractual obligations to purchase of property, plant and equipment from third parties (31 December 2019: RR 326).

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

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Tax liabilities arising from transactions between companies within the Group are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. Russian transfer pricing legislation is also applicable to all the Joint ventures in which the Group participates.

Management of respective companies has also implemented internal control procedures to identify controlled transactions and test prices / profit margins in controlled transactions, and ensure compliance with the TP legislation. Management takes all necessary steps to maintain this internal control system.

17 Contingencies, commitments and operating risks (continued)

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 2020, the Group has not issued any financial guarantees for other related parties (31 December 2019: RR 18).

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 2020 the Group was in full compliance with all covenants (31 December 2019: 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

PJSC Sberbank established a RR 4,000 credit line with sponsored terms to finance UAZ. The funding is available under the state support programme for automakers, endorsed by the Federal Decree #1035 as of 11 July 2020. The credit line is available till December 2022 with zero-interest rate and will be used to purchase raw materials and parts to supply federal authorities and state companies with UAZ vehicles.

On 23 October 2020 SOLLERS' Board of Directors approved the Company's shares buyout in the amount of 1,713,507 shares for RR 267 each. The buyout is executed under the paragraph 2 to the article 72 of the Federal Law #298-FZ as of 26.12.1995 "Joint Stock Companies Act".

There were no other events after the reporting date requiring disclosure.