AVTOVAZ GROUP

INTERNATIONAL FINANCIAL REPORTING STANDARDS
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

Contents **Section page number**

Совершенствуя бизнес,
улучшаем мир

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Report on review of interim condensed consolidated financial statements

To the shareholders of JSC AVTOVAZ

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC AVTOVAZ and its subsidiaries ("the Group"), comprising the interim consolidated statement of financial position as at 30 June 2013 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 statements 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLC

1 October 2013

AVTOVAZ GROUP
Interim Consolidated Statement of Financial Position
as at 30 June 2013
(In millions of Russian Roubles)

	Note	30 June 2013 Unaudited	31 December 2012 Audited
ASSETS			
Current assets:			
Cash and cash equivalents	4, 29	**8,600**	8,372
Trade receivables	5, 29	**9,141**	9,223
Financial assets	6, 29	**223**	1,383
Inventories	7	**25,663**	25,479
Other current assets	8	**3,755**	4,963
		47,382	49,420
Long-term assets:			
Property, plant and equipment	9	**71,757**	71,183
Financial assets	11, 29	**89**	66
Investments in associates	12	**239**	267
Interest in a joint venture	13	**3,247**	3,264
Intangible assets	10	**12,716**	12,533
Deferred tax assets		**537**	372
Other long-term assets	14	**2,878**	2,508
		91,463	90,193
Assets of disposal group classified as held for sale	26	**3,257**	2,165
Total assets		**142,102**	141,778
LIABILITIES AND EQUITY			
Current liabilities:			
Trade payables	29	**16,633**	23,468
Other payables and accrued expenses	15	**3,487**	4,832
Income tax liability		**8**	27
Taxes other than income tax	17	**1,795**	1,546
Provisions		**1,029**	1,103
Loans and borrowings	16, 29	**18,445**	8,237
Advances from customers		**1,163**	537
		42,560	39,750
Long-term liabilities:			
Loans and borrowings	16, 29	**21,161**	20,989
Taxes other than income tax	29	**1,098**	1,172
Provisions		**842**	859
Deferred tax liabilities		**7,575**	8,399
Advances received		**2,906**	2,462
		33,582	33,881
Liabilities directly associated with disposal group classified as held for sale	26	**1,026**	641
Total liabilities		**77,168**	74,272
Equity attributable to equity holders of the Company			
Share capital	18	**39,172**	39,172
Share premium		**15,300**	15,300
Currency translation adjustment		**152**	106
Retained earnings		**9,834**	12,413
		64,458	66,991
Non-controlling interests		**476**	515
Total equity		**64,934**	67,506
Total liabilities and equity		**142,102**	141,778

I.A.Komarov
President, JSC AVTOVAZ
01 October 2013

S.A.Kochetkova
Chief Accountant, JSC AVTOVAZ

(In millions of Russian Roubles except for earnings per share)

	Note	Six months ended 30 June Unaudited 2013	2012
Sales	19	**82,980**	89,220
Cost of sales	20	**(77,167)**	(79,790)
Gross profit		**5,813**	9,430
Administrative expenses	21	**(6,556)**	(6,800)
Distribution costs	22	**(3,628)**	(3,985)
Research expenses		**(963)**	(668)
Share of associates' (loss)/profit	12	**(10)**	880
Share of profit from joint venture	13	**848**	-
Government grant on discounting of an interest-free loan		**-**	34,387
Other operating income	23	**3,236**	3,149
Other operating expenses	24	**(860)**	(780)
Operating (loss)/profit		**(2,120)**	35,613
Finance income		**168**	401
Finance costs		**(1,770)**	(1,691)
(Loss)/profit before taxation		**(3,722)**	34,323
Income tax benefit/(expense)	25	**1,104**	(6,933)
(Loss)/profit for the period		**(2,618)**	27,390
(Loss)/profit attributable to:			
Equity holders of the Company		**(2,579)**	27,394
Non-controlling interests		**(39)**	(4)
		(2,618)	27,390
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Currency translation adjustment		**46**	(19)
Total other comprehensive income/(loss) for the period to be reclassified to profit or loss in subsequent periods, net of taxes		**46**	(19)
Total comprehensive (loss)/income for the period, net of taxes		**(2,572)**	27,371
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(2,533)**	27,375
Non-controlling interests		**(39)**	(4)
Total comprehensive (loss)/income for the period, net of taxes		**(2,572)**	27,371
Weighted average number of shares outstanding during the period (thousands)		**2,284,227**	2,284,227
(Loss)/earnings per share, basic/diluted (in RR):			
-for (loss)/profit for the period attributable to ordinary/preference equity holders of the Company		**(1.13)**	11.99

(In millions of Russian Roubles)

	Note	Six months ended 30 June Unaudited 2013	2012
Cash flows from operating activities:			
(Loss)/profit before taxation		**(3,722)**	34,323
Adjustments for:			
Depreciation and amortization	9, 10	**4,796**	4,155
Charge to provision for impairment of trade receivables	21	**42**	43
Charge to/(reversal of) provision for impairment of other current assets	21	**41**	(85)
(Reversal of)/charge to provision for impairment of current financial assets	23, 24	**(257)**	48
(Reversal of)/charge to provision for impairment of long-term financial assets	23, 24	**(5)**	202
Interest expense		**1,139**	1,600
Provision for impairment of property, plant and equipment	24	**119**	42
Gain on disposal of property, plant and equipment	23	**(62)**	(33)
Share of associates' loss/(profit)	12	**10**	(880)
Share of profit from joint venture	13	**(848)**	-
Government grant on discounting of an interest-free loan		**-**	(34,387)
Gain on derecognition of financial liability	23	**(2,276)**	-
Gain on disposal of subsidiaries and other investments	23	**(48)**	(2,510)
Foreign exchange effect on non-operating balances		**593**	79
Operating cash flows before working capital changes		**(478)**	2,597
Change in trade receivables		**353**	(3,187)
Change in current financial and other assets		**(76)**	1,118
Change in inventories		**(612)**	446
Change in trade payables and other payables and accrued expenses		**(5,321)**	(1,508)
Change in tax liabilities other than income tax		**222**	314
Change in advances from customers		**558**	931
Cash (used in)/generated from operations		**(5,354)**	711
Income tax paid		**(73)**	(124)
Interest received		**285**	340
Interest paid		**(905)**	(370)
Net cash (used in)/generated from operating activities		**(6,047)**	557
Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets		**(7,519)**	(6,749)
Proceeds from the sale of property, plant and equipment		**321**	85
Purchase of financial assets		**(150)**	(1,850)
Acquisition of a subsidiary, net of cash acquired		**-**	(146)
Proceeds from the sale of financial assets		**1,581**	5,104
Proceeds from the sale of subsidiaries less cash disposed of		**15**	508
Dividends received		**865**	-
Net cash used in investing activities		**(4,887)**	(3,048)
Cash flows from financing activities:			
Proceeds from loans and borrowings		**12,895**	7,975
Repayment of loans and borrowings		**(2,443)**	(2,349)
Acquisition of non-controlling interests		**-**	(13)
Dividends paid to non-controlling interests		**-**	(14)
Long-term advances received		**748**	35
Net cash generated from financing activities		**11,200**	5,634
Effect of exchange rate changes		**38**	12
Net increase in cash and cash equivalents		**304**	3,155
Cash and cash equivalents at the beginning of the period	4	**8,398**	7,563
Cash and cash equivalents at the end of the period	4	**8,702**	10,718

(In millions of Russian Roubles)

	Equity attributable to equity holders of the Company							
	Share capital	Share premium	Shares paid	Currency translation adjustment	Retained earnings/ (accumu-lated losses)	Total	Non-controlling interests	Total equity
Balance at 31 December 2011	**37,001**	**-**	**17,471**	**275**	**(16,680)**	**38,067**	**447**	**38,514**
Profit for the period	-	-	-	-	27,394	27,394	(4)	27,390
Other comprehensive loss	-	-	-	(19)	-	(19)	-	(19)
Total comprehensive income/(loss)	**-**	**-**	**-**	**(19)**	**27,394**	**27,375**	**(4)**	**27,371**
Dividends	-	-	-	-	-	-	(2)	(2)
Acquisition of non-controlling interests	-	-	-	-	(9)	(9)	(4)	(13)
Shares registered	2,171	15,300	(17,471)	-	-	-	-	-
Balance at 30 June 2012 (Unaudited)	**39,172**	**15,300**	**-**	**256**	**10,705**	**65,433**	**437**	**65,870**
Balance at 31 December 2012	**39,172**	**15,300**	**-**	**106**	**12,413**	**66,991**	**515**	**67,506**
Loss for the period	-	-	-	-	(2,579)	(2,579)	(39)	(2,618)
Other comprehensive income	-	-	-	46	-	46	-	46
Total comprehensive income/(loss)	**-**	**-**	**-**	**46**	**(2,579)**	**(2,533)**	**(39)**	**(2,572)**
Balance at 30 June 2013 (Unaudited)	**39,172**	**15,300**	**-**	**152**	**9,834**	**64,458**	**476**	**64,934**

1. Corporate information

JSC AVTOVAZ and its subsidiaries' (the "Group") principal activities include the manufacture and sale of passenger automobiles. The Group's manufacturing facilities are primarily based in the Samara region of the Russian Federation. The Group has a sales and service network spanning the Commonwealth of Independent States and some other countries. The parent company, JSC AVTOVAZ ("the Company" or JSC AVTOVAZ), was incorporated as an open joint stock company in the Russian Federation on 5 January 1993. The registered office of JSC AVTOVAZ is in Yuzhnoye Shosse, 36, Togliatti, Samara region, 445024, the Russian Federation.

In December 2012 the major shareholders of the Company singed a partnership agreement. This agreement created an entity named Alliance Rostec Auto B.V. This entity was formed to hold all the interests in the Company owned by Renault s.a.s., Nissan and State Corporation «Rostechnologii». As a result of transactions with equity shares of the Company among the shareholders that took place in the six months ended 30 June 2013, Alliance Rostec Auto B.V. held 74.51% of total equity shares of the Company as of the end of that period.

These interim condensed consolidated financial statements were authorised for issue by the President on 1 October 2013.

2. Basis of preparation of the interim condensed consolidated financial statements and changes to significant accounting policies

2.1 Basis of preparation of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with AVTOVAZ Group's annual consolidated financial statements as at 31 December 2012.

2.2 Adopted accounting standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations as of 1 January 2013, noted below.

IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 *Clarification of the Requirement for Comparative Information* (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IAS 32 *Tax Effects of Distributions to Holders of Equity Instruments* (Amendment)

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

2. Basis of preparation of the interim condensed consolidated financial statements and changes to significant accounting policies (continued)

2.2 Adopted accounting standards and interpretations (continued)

IAS 34 *Interim Financial Reporting and Segment Information for Total Assets and Liabilities* (Amendment)
The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the Group's previous annual consolidated financial statements for that reportable segment. The Group does not provide the disclosure of total segment liabilities because they are not reported to the chief operating decision maker (CODM).

IAS 19 *Employee Benefits* (Revised 2011) (IAS 19R)
IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as the Group does not have any defined benefit plans.

IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7*
The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 29.

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Balances and transactions with related parties

For the purpose of these interim condensed consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. The Group entered into transactions with the following related parties: shareholders, subsidiaries of major shareholders, associates, associates of major shareholder, joint venture and key management.

In addition, transactions with companies directly or indirectly controlled by the Russian Government are considered to be transactions with related parties, as one of the major shareholders of the Company, State Corporation «Rostechnologii» is owned by the Russian Government.

(In millions of Russian Roubles)

3. Balances and transactions with related parties (continued)

3.1 Balances and transactions with companies directly or indirectly controlled by the Russian Government

As at 30 June 2013 and 31 December 2012 the Group had balances with the companies controlled by the Russian Government, which are detailed below.

Consolidated statement of financial position caption	**Unaudited 30 June 2013**	31 December 2012
Cash and cash equivalents	**2,974**	1,411
Trade receivables before provision charge	**457**	733
Provision for impairment of trade receivables	**-**	(210)
Other current assets before provision charge	**535**	834
Provision for impairment of other current assets	**(1)**	(720)
Other long-term assets before provision charge	**512**	1,126
Provision for impairment of other long-term assets	**-**	(847)
Current financial assets before provision charge	**39**	764
Provision for impairment of current financial assets	**(32)**	(759)
Financial assets - long-term before provision charge	**-**	215
Provision for impairment of financial assets - long-term	**-**	(215)
Trade payables	**1,624**	2,000
Other payables	**1,539**	978
Loans and borrowings	**18,175**	13,432
Collateral issued by the Group	**6,725**	7,318
Loans received from State Corporation «Rostechnologii»	**5,448**	5,137

As at 30 June 2013 the Group had balances of assets held for sale with the companies controlled by the Russian Government, which are detailed below.

Consolidated statement of financial position caption	**Unaudited 30 June 2013**
Trade receivables before provision charge	210
Provision for impairment of trade receivables	(208)
Other current assets before provision charge	608
Provision for impairment of other current assets	(579)
Financial assets – long-term before provision charge	202
Provision for impairment of financial assets – long-term	(202)
Current financial assets before provision charge	773
Provision for impairment of current financial assets	(773)
Other long-term assets before provision charge	847
Provision for impairment of other long-term assets	(847)

During the six months ended 30 June 2013 and 30 June 2012 the Group entered into transactions with the companies controlled by the Russian Government, which are detailed below.

Consolidated statement of comprehensive income caption	**Unaudited Six months ended 30 June 2013**	Six months ended 30 June 2012
Sales	**387**	627
Purchases of services, goods and inventory	**12,598**	11,044
Interest income	**93**	133
Interest expenses	**746**	194
Reversal of provision for impairment of current financial assets	**250**	-

In the course of its ordinary business, the Group enters into transactions with the companies controlled by the Russian Government. In the Russian Federation, electricity and transport tariffs are regulated by the Federal Tariff Service, an authorized governmental agency of the Russian Federation. Bank loans are provided based on the market interest rates. Taxes are accrued and paid in accordance with the applicable tax law.

(In millions of Russian Roubles)

3. Balances and transactions with related parties (continued)

3.2 Balances and transactions with other related parties

The nature of the related party relationships for those related parties with whom the Group entered into transactions or had balances outstanding at 30 June 2013 and 31 December 2012, except for companies directly or indirectly controlled by the Russian Government, are detailed below.

Consolidated statement of financial position caption	Relationship	**Unaudited 30 June 2013**	31 December 2012
Trade receivables before provision charge	Joint venture	**664**	861
Trade receivables before provision charge	Associate of a major shareholder	**498**	134
Current financial assets before provision charge	Subsidiary of a major shareholder	**-**	282
Provision for impairment of current financial assets	Subsidiary of a major shareholder	**-**	(282)
Other current assets before provision charge	Shareholder	**94**	173
Trade receivables before provision charge	Subsidiary of a major shareholder	**185**	90
Trade payables	Shareholder	**1,446**	236
Trade payables	Associates	**160**	405
Trade payables	Joint venture	**27**	20
Trade payables	Associate of a major shareholder	**55**	272
Trade payables	Subsidiary of a major shareholder	**5**	33
Other payables	Shareholder	**18**	13
Other payables	Joint venture	**4**	-
Loans and borrowings	Shareholder	**5,382**	2,961
Advances received short-term	Associate of a major shareholder	**286**	-
Advances received long-term	Associate of a major shareholder	**2,906**	2,462

As at 30 June 2013 the Group had balances of assets held for sale with a joint venture of RR 8 and with a subsidiary of a major shareholder of RR 20.

The transactions with related parties for the six months ended 30 June 2013 and 30 June 2012 were as follows:

Consolidated statement of comprehensive income caption	Relationship	**Unaudited**	
		Six months ended 30 June 2013	Six months ended 30 June 2012
Sales	Joint venture	**3,727**	-
Sales	Associates	**1**	4,066
Sales	Associates of a major shareholder	**1,642**	33
Sales	Subsidiaries of a major shareholder	**789**	-
Purchases of goods and inventory	Associates	**618**	1,042
Purchases of equipment	Associates	**2**	-
Purchases of services	Associates	**4**	-
Purchases of inventory	Associates of a major shareholder	**526**	46
Purchases of equipment	Associates of a major shareholder	**-**	1
Purchases of services	Associates of a major shareholder	**107**	3
Purchases of inventory	Subsidiaries of a major shareholder	**-**	759
Purchases of equipment	Subsidiaries of a major shareholder	**341**	321
Purchases of intangible assets	Subsidiaries of a major shareholder	**-**	59
Purchases of services	Subsidiaries of a major shareholder	**79**	178
Purchases of inventory	Shareholder	**6,720**	-
Purchases of services	Shareholder	**552**	-
Purchases of goods and inventory	Joint venture	**337**	-
Purchases of services	Joint venture	**16**	-
Reversal of provision for impairment of assets	Associates	**-**	2
Other services	Shareholder	**-**	8
Administrative expenses	Short-term employee benefits - compensation of the Key Management	**78**	92

(In millions of Russian Roubles)

4. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	Unaudited 30 June 2013	31 December 2012
Short-term bank promissory notes and deposits	**5,505**	6,211
Rouble-denominated cash on hand and balances with banks	**3,095**	2,161
	8,600	8,372

For the purpose of the consolidated cash flow statement, cash and cash equivalents consisted of the following:

	Unaudited 30 June 2013	31 December 2012
Short-term bank promissory notes and deposits	**5,505**	6,211
Rouble-denominated cash on hand and balances with banks	**3,095**	2,161
Rouble-denominated cash on hand and balances with banks of disposal group classified as held for sale	**102**	26
	8,702	8,398

Following the liquidity crisis in Cyprus in the beginning of 2013, Cyprus government and the Eurogroup (together with the International Monetary Fund) reached an agreement on 25 March 2013 on a package of measures intended to restore the viability of the financial sector. The Cypriot authorities introduced a set of measures, including the closure of one of the leading banks, mandatory conversion of certain deposits into shares in another bank, temporary restrictions on cash withdrawals, compulsory renewal of maturing deposits and restrictions on capital movements.

The Group will be affected by restrictions described above. Management concluded that cash and cash equivalents with carrying amount of RR 405 were impaired (Note 24).

5. Trade receivables

The ageing analysis of trade receivables is as follows:

			Past due but not impaired		
	Trade receivables	Neither past due nor impaired	< 3 months	3 to 6 months	6 to 12 months
31 December 2012	9,223	9,179	40	1	3
30 June 2013 (unaudited)	**9,141**	**9,050**	**47**	**11**	**33**

Movements in provision for impairment of trade receivables were as follows:

	Unaudited
Balance at 31 December 2011	1,440
Charge	90
Unused amounts reversed	(47)
Utilized	(89)
Disposal of a subsidiary	(28)
Transfer to assets of disposal group classified as held for sale	(43)
Balance at 30 June 2012	**1,323**
Balance at 31 December 2012	1,125
Charge	69
Unused amounts reversed	(27)
Utilized	(13)
Transfer to assets of disposal group classified as held for sale	(243)
Balance at 30 June 2013	**911**

(In millions of Russian Roubles)

6. Financial assets – current

Current financial assets consisted of the following:

	Unaudited 30 June 2013	31 December 2012
Deposit accounts	**130**	520
Available-for-sale financial assets (bank promissory notes with original maturities of more than three months)	**80**	850
Rouble-denominated loans less provision	**13**	13
	223	1,383

Movements in provision for impairment of short-term financial assets were as follows:

	Unaudited
Balance at 31 December 2011	2,802
Charge	214
Unused amounts reversed	(166)
Utilized	(148)
Transfer to assets of disposal group classified as held for sale	(39)
Balance at 30 June 2012	**2,663**
Balance at 31 December 2012	3,017
Unused amounts reversed	(257)
Utilized	(28)
Transfer to assets of disposal group classified as held for sale	(759)
Balance at 30 June 2013	**1,973**

7. Inventories

Inventories consisted of the following:

	Unaudited 30 June 2013	31 December 2012
Raw materials	**14,152**	13,684
Work in progress	**3,615**	3,618
Finished goods	**7,896**	8,177
	25,663	25,479

As at 30 June 2013 inventories are recorded net of obsolescence provision of RR 543 (31 December 2012: RR 461). As at 30 June 2013 the carrying amount of inventories recorded at net realisable value was RR 806 (31 December 2012: RR 776).

During the six months ended 30 June 2013 the cost of write-down of inventories recognised as an expense was RR 5 (for the six months ended 30 June 2012: RR 29).

The accrual of obsolescence provision of inventories recognised as an expense for the six months ended 30 June 2013 was RR 82 (for the six months ended 30 June 2012 the reversal of write-down of inventories recognised as income was RR 70).

8. Other current assets

Other current assets consisted of the following:

	Unaudited 30 June 2013	31 December 2012
Prepaid expenses and other receivables less provision	**1,995**	1,978
Value added tax	**1,760**	2,768
Construction in progress in relation to real estate for resale	**-**	217
	3,755	4,963

(In millions of Russian Roubles)

8. Other current assets (continued)

Movements in provision for impairment of other current assets were as follows:

	Unaudited
Balance at 31 December 2011	3,357
Charge	24
Unused amounts reversed	(109)
Utilized	(232)
Disposal of a subsidiary	(118)
Reclassification from provision for impairment of other long-term assets	350
Transfer to assets of disposal group classified as held for sale	(29)
Balance at 30 June 2012	**3,243**
Balance at 31 December 2012	2,392
Charge	92
Unused amounts reversed	(51)
Utilized	(123)
Transfer to assets of disposal group classified as held for sale	(1,304)
Balance at 30 June 2013	**1,006**

9. Property, plant and equipment

Property, plant and equipment and the related accumulated depreciation and impairment consisted of the following:

	Unaudited
Balance at 31 December 2011	61,673
Additions	5,490
Assets of disposal group classified as held for sale	(1,040)
Disposals	(773)
Depreciation and impairment	(4,008)
Balance at 30 June 2012	**61,342**
Balance at 31 December 2012	71,183
Additions	5,340
Assets of disposal group classified as held for sale	(13)
Disposals	(259)
Depreciation and impairment	(4,494)
Balance at 30 June 2013	**71,757**

10. Intangible assets

Intangible assets included development costs and licenses and consisted of the following:

	Unaudited
Balance at 31 December 2011	11,225
Additions	356
Amortization	(189)
Balance at 30 June 2012	**11,392**
Balance at 31 December 2012	12,533
Additions	604
Amortization	(421)
Balance at 30 June 2013	**12,716**

11. Financial assets – long-term

Long-term financial assets consisted of the following:

	Unaudited	
	30 June 2013	31 December 2012
Loans issued	**39**	46
Financial assets held to maturity	**31**	-
Available-for-sale financial assets	**19**	20
	89	66

(In millions of Russian Roubles)

11. Financial assets – long-term (continued)

Movements in provision for impairment of long-term financial assets were as follows:

	Unaudited
Balance at 31 December 2011	237
Charge	204
Unused amounts reversed	(2)
Utilized	2
Balance at 30 June 2012	**441**
Balance at 31 December 2012	443
Unused amounts reversed	(5)
Transfer to assets of disposal group classified as held for sale	(216)
Balance at 30 June 2013	**222**

12. Investments in associates

	Unaudited
Balance at 31 December 2011	2,992
Share of profit	880
Disposals	(30)
Assets of disposal group classified as held for sale	(67)
Balance at 30 June 2012	**3,775**
Balance at 31 December 2012	267
Share of loss	(10)
Assets of disposal group classified as held for sale	(18)
Balance at 30 June 2013	**239**

13. Interest in a joint venture

ZAO GM-AVTOVAZ produces the Chevrolet NIVA vehicles from the assembly kits supplied by the Group. JSC AVTOVAZ and GM Auslandsprojekte GMBH each hold 50% of shares in ZAO GM-AVTOVAZ.

	Unaudited
Balance at 31 December 2012	3,264
Share of profit from the joint venture	848
Dividends received	(865)
Balance at 30 June 2013	**3,247**

14. Other long-term assets

Other long-term assets consisted of the following:

	Unaudited 30 June 2013	31 December 2012
Prepayments for long-term assets	**1,924**	1,593
Long-term rent of property	**757**	767
Long-term receivables	**197**	148
	2,878	2,508

Movements in provision for impairment of other long-term assets were as follows:

	Unaudited
Balance at 31 December 2011	857
Reclassification to provision for impairment of other current assets	(350)
Balance at 30 June 2012	**507**
Balance at 31 December 2012	847
Transfer to assets of disposal group classified as held for sale	(847)
Balance at 30 June 2013	**-**

(In millions of Russian Roubles)

15. Other payables and accrued expenses

Other payables and accrued expenses consisted of the following:

	Unaudited 30 June 2013	31 December 2012
Salaries payable and vacation accrual	**2,688**	2,724
Accrued interest	**399**	159
Dividends payable	**6**	6
Settlements on promissory note transactions	**-**	961
Advances received by the subsidiary - real estate developer	**-**	147
Other	**394**	835
	3,487	4,832

The majority of the above balances are rouble-denominated and not interest-bearing.

16. Loans and borrowings

Loans and borrowings consisted of the following:

	Unaudited 30 June 2013	31 December 2012
Short-term loans and borrowings	**18,445**	8,237
Long-term loans and borrowings	**21,161**	20,989
	39,606	29,226

During the six months ended 30 June 2013 the Company and Renault s.a.s. signed loan agreements. The loans mature in 2023 and bear annual interest rates ranging between 4.7% and 5.1%. The amount of Euro 52,398 thousand (or RR 2,238 at the exchange rate as of 30 June 2013) has been received under terms of these agreements.

During the six months ended 30 June 2013 the Company and VTB Bank signed loan agreements. The loans mature in 2018 and bear annual interest rates ranging between 9.5% and 10.7%. The amount of RR 4,401 has been received under terms of these agreements.

In March 2013 the Company signed an agreement with a financial institution for the factoring of trade receivables. During the six months ended 30 June 2013 the Company received cash from the financial institution in the amount of RR 4,772 and debtors of the Company remitted cash in the amount of RR 3,336 directly to the financial institution. As at 30 June 2013 the liability under the factoring agreement is RR 1,436. Cash flows raised on factoring of receivables are reported net of cash remitted by debtors directly to the financial institution in the consolidated statement of cash flows as proceeds from loans and borrowings under financing activities. The amount of cash payments by debtors directly to the financial institution is included as cash inflow in net change in trade receivables in the consolidated statement of cash flows under operating activities.

As of 30 June 2013 the Group was not in compliance with financial covenants set by the long-term loan agreements with certain banks which include EBITDA to short-term debt ratio, debt to EBITDA ratio and EBITDA to interest payable ratio. As at 30 June 2013, the Group had RR 8,926 of bank loans with breached covenants including RR 7,086 of long-term debt which was classified as short-term liabilities as at that date because of the covenant violations.

As of the date of the authorization for issue of these financial statements the events of covenant non-compliance were not remedied and the terms of the loans were not renegotiated.

As at 30 June 2013 the Group had available RR 6,830 of undrawn committed borrowing facilities, including RR 1,514 falling due after 30 June 2014. In addition, one of the Group's credit line agreements allowed the Group, after the repayment of a short-term debt of RR 2,000 scheduled for August 2013, to draw a new loan for RR 2,000 falling due after 30 June 2014.

17. Taxes other than income tax

Current taxes payable consisted of the following:

	Unaudited 30 June 2013	31 December 2012
Property and other taxes	**739**	623
Social taxes	**653**	601
Value added tax	**403**	322
	1,795	1,546

(In millions of Russian Roubles)

18. Share capital

The carrying value and the legal value of share capital subscribed, authorised, issued and fully paid up, as represented by classes of shares, were as follows:

	Unaudited 30 June 2013			31 December 2012		
	No. of shares	**Legal statutory value**	**Carrying amount**	No. of shares	Legal statutory value	Carrying amount
Class A preference	**461,764,300**	**2,309**	**9,235**	461,764,300	2,309	9,235
Ordinary	**1,822,463,131**	**9,112**	**29,937**	1,822,463,131	9,112	29,937
Total outstanding share capital	**2,284,227,431**	**11,421**	**39,172**	2,284,227,431	11,421	39,172

In June 2013 the Annual Shareholders' Meeting made a decision not to pay dividends on ordinary and preference shares of the Company in respect of 2012.

19. Sales

The components of sales revenue were as follows:

	Unaudited **Six months ended 30 June 2013**	Six months ended 30 June 2012
Finished vehicles and assembly kits of own production	**71,789**	75,846
Dealership sales of other producers' vehicles	**671**	877
Automotive components	**6,171**	7,059
Other sales	**4,349**	5,438
	82,980	89,220

20. Cost of sales

The components of cost of sales were as follows:

	Unaudited **Six months ended 30 June 2013**	Six months ended 30 June 2012
Materials and components, goods for resale	**55,693**	58,386
Labour costs	**12,093**	11,968
Depreciation and amortization	**4,500**	3,943
Production overheads and other expenses	**4,043**	4,018
Social expenses	**554**	608
Changes in inventories of finished goods and work in progress	**284**	867
	77,167	79,790

21. Administrative expenses

The components of administrative expenses were as follows:

	Unaudited **Six months ended 30 June 2013**	Six months ended 30 June 2012
Labour costs	**3,501**	3,602
Local and regional taxes	**921**	849
Third parties' services	**623**	851
Materials	**343**	361
Transportation	**289**	347
Depreciation	**219**	194
Bank services	**68**	61
Charge to provision for impairment of trade receivables (Note 5)	**42**	43
Charge to/(reversal of) provision for impairment of other current assets (Note 8)	**41**	(85)
Other	**509**	577
	6,556	6,800

(In millions of Russian Roubles)

22. Distribution costs

The components of distribution costs were as follows:

	Unaudited	
	Six months ended 30 June 2013	Six months ended 30 June 2012
Transportation	**1,675**	1,872
Labour costs	**882**	878
Materials	**377**	385
Advertising	**207**	352
Depreciation	**77**	18
Other	**410**	480
	3,628	3,985

23. Other operating income

The components of other operating income were as follows:

	Unaudited	
	Six months ended 30 June 2013	Six months ended 30 June 2012
Gain on derecognition of financial liability	**2,276**	-
Reversal of provision for impairment of current financial assets (Note 6)	**257**	-
Rental income	**68**	44
Gain on disposal of property, plant and equipment	**62**	33
Gain on disposal of subsidiaries and other investments	**48**	2,510
Reversal of provision for impairment of long-term financial assets (Note 11)	**5**	-
Other operating income	**520**	562
	3,236	3,149

In June 2013 financial liabilities of OOO Eleks-Polyus, a subsidiary of the Group, in the amount of RR 2,276 were extinguished because the subsidiary had been legally released from the responsibility under its liabilities by court decision as a part of bankruptcy procedures.

24. Other operating expenses

The components of other operating expenses were as follows:

	Unaudited	
	Six months ended 30 June 2013	Six months ended 30 June 2012
Impairment of cash and cash equivalents held in Cypriot banks (Note 4)	**405**	-
Provision for impairment of property, plant and equipment	**119**	42
Provision for impairment of long-term financial assets (Note 11)	**-**	202
Provision for impairment of current financial assets (Note 6)	**-**	48
Other operating expenses	**336**	488
	860	780

25. Income tax (benefit)/expense

	Unaudited	
	Six months ended 30 June 2013	Six months ended 30 June 2012
Income tax expense – current	**54**	119
Deferred tax (benefit)/expense	**(1,158)**	6,814
	(1,104)	6,933

(In millions of Russian Roubles)

26. Assets of disposal group classified as held for sale

In 2012 management of the Group decided to sell 100% of OOO VMZ, a subsidiary of the Group. In May 2013 management of the Group decided to sell 100% shares in ZAO FSC Lada-Dom, a subsidiary of the Group. The activities of those two subsidiaries related to Other segments.

The following amounts represent the major classes of assets and liabilities of OOO VMZ and ZAO FSC Lada-Dom as at 30 June 2013 and OOO VMZ as at 31 December 2012:

	Unaudited 30 June 2013	31 December 2012
Assets:		
Long-term assets	1,438	1,144
Cash and cash equivalents	102	26
Current assets	1,717	995
Total assets	**3,257**	2,165
Liabilities:		
Long-term liabilities	15	-
Current liabilities	1,011	641
Total liabilities	**1,026**	641

27. Contingencies, commitments and guarantees

As at 30 June 2013 the Group had contractual commitments for the purchase of property, plant and equipment from third parties of RR 11,670 (31 December 2012: RR 2,223). In addition, the Group issued financial guarantees to third parties in the amount of RR 170 (31 December 2012: RR 940). There are no other commitments and guarantees in favour of third parties or related companies that are not disclosed in these consolidated financial statements.

The future aggregate minimum lease payments under non-cancellable operating leases of land at nominal amount are as follows:

	Unaudited 30 June 2013	31 December 2012
Less than 1 year	**50**	75
1 to 5 years	**199**	300
Over 5 years	**1,614**	2,479
	1,863	2,854

The amount of lease payments recognised as an expense for the six months ended 30 June 2013 was RR 25 (for the six months ended 30 June 2012: RR 116).

28. Segment information

For management purposes, the Group is organized into business units based on their products and services, and has the following reportable operating segments:

- automotive - production and sale of vehicles, assembly kits and automotive components produced by the Company and OOO OAG, which was acquired in October 2011;
- dealership network - sales and services provided by technical centres; and
- other segments - information about other business activities and operating segments that are not reportable based on quantitative thresholds was combined and disclosed as “Other segments”. Other segments include activities of other subsidiaries that are engaged in non-core activities.

Management monitors operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on financial information prepared in accordance with statutory accounting rules, which in a number of respects, as explained in the table below, differs from the consolidated financial statements.

Transactions between the business segments are done on normal commercial terms and conditions.

(In millions of Russian Roubles)

28. Segment information (continued)

The following table represents information about revenue, profit and assets of the Group's operating segments:

Unaudited	Automotive		Dealership network		Other segments		Eliminations		Total	
Six months ended 30 June	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Revenue										
Sales to external customers	63,632	65,822	11,430	13,768	7,918	9,630	-	-	82,980	89,220
Inter-segment sales	24,331	22,339	426	299	3,693	4,474	(28,450)	(27,112)	-	-
Total revenue	87,963	88,161	11,856	14,067	11,611	14,104	(28,450)	(27,112)	82,980	89,220
Results										
Depreciation and amortization	(3,806)	(3,033)	(82)	(68)	(347)	(426)	-	-	(4,235)	(3,527)
Impairment of assets	148	1,189	(433)	(18)	(37)	106	-	-	(322)	1,277
Interest expense	(991)	(334)	(103)	(96)	(39)	(86)	-	-	(1,133)	(516)
Income tax benefit/ (expense)	1,015	(34)	7	(65)	(36)	19	-	-	986	(80)
Statutory (loss)/profit for the period	(4,082)	(1,063)	(538)	152	(143)	(501)	-	-	(4,763)	(1,412)

	2013	2012
IFRS adjustments, net of deferred tax		
Adjustments attributable to loan received from State Corporation «Rostechnologii» and related interest expense	(196)	26,744
Adjustments attributable to property, plant and equipment	(358)	(550)
Adjustments attributable to intangible assets	(3)	(124)
Provision for impairment of assets	(18)	(747)
Provision for one-off payment to employees	-	664
Gain on derecognition of financial liability	2,276	-
Adjustments related to disposal of subsidiaries and other investments	46	1,931
Other	398	884
IFRS (loss)/profit for the period	**(2,618)**	**27,390**

Inter-segment revenues are eliminated on consolidation.

	Automotive		Dealership network		Other segments		Eliminations		Total	
	Unaudited		Unaudited		Unaudited		Unaudited		Unaudited	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Segment assets	151,512	151,494	10,269	11,629	19,795	17,308	(28,538)	(28,030)	153,038	152,401
IFRS adjustments										
Adjustments attributable to property, plant and equipment									(5,250)	(5,290)
Adjustments related to deferred tax assets									(3,979)	(3,492)
Charge to provision for impairment of assets									(2,038)	(1,900)
Adjustments attributable to intangible assets									154	146
Others									177	(87)
IFRS total assets									**142,102**	**141,778**

Major part of non-current assets other than financial instruments of the Group is located in the Russian Federation.

(In millions of Russian Roubles)

29. Financial instruments

Set out below is a comparison by category of carrying amounts and fair values of financial instruments:

	Carrying amount		Fair values	
	30 June 2013	31 December 2012	**30 June 2013**	31 December 2012
FINANCIAL ASSETS:				
Cash and cash equivalents	**8,600**	8,372	**8,600**	8,372
Financial assets – current	**223**	1,383	**223**	1,383
Financial assets – long-term	**70**	46	**70**	46
Trade receivables	**9,141**	9,223	**9,141**	9,223
FINANCIAL LIABILITIES:				
Short-term loans and borrowings	**18,445**	8,237	**18,445**	8,237
Long-term loans and borrowings	**21,161**	20,989	**22,640**	22,451
Trade payables	**16,633**	23,468	**16,633**	23,468
Long-term taxes other than income tax	**1,098**	1,172	**1,325**	1,353

The fair value of the financial assets and liabilities is included in the amount for which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Cash and short-term deposits, financial assets, trade receivables and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long-term receivables and borrowings are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 30 June 2013, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

Fair value of quoted securities recorded within financial assets at fair value through profit or loss is based on price quotations at the reporting date.

The fair value of unquoted instruments, loans from banks, long-term promissory notes issued, obligations under finance leases as well as other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Discount rate used for assessment of fair value of long-term borrowings was 12.6% (2012: 12.6%). To assess the fair value of long-term taxes liabilities they were discounted at 8.25% rate (2012: 8.25%).

Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2013 and 31 December 2012 the Group held the following financial instruments measured at fair value.

Assets measured at fair value	**30 June 2013**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale current financial assets - Bank promissory notes (Note 6)	80	-	80	-

Assets measured at fair value	**31 December 2012**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale current financial assets - Bank promissory notes (Note 6)	850	-	850	-

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

30. Events after the reporting period

On 2 August 2013 the Company and Vnesheconombank signed an agreement on opening a credit line with the limit of RR 25,225 and annual interest rate of 10.92%. The loan can be used only to finance investment projects of the Group. It is payable by equal quarterly installments in the period from 2017 to 2023.

In July-August 2013 the Group signed new loan agreements for the amount of RR 3,500, including RR 700 falling due after 30 June 2014.

In the third quarter of 2013 the Group signed additional factoring arrangements with the limit of financing of RR 3,000.

In September 2013 the Group sold 100% of shares in the subsidiary ZAO FSC Lada-Dom and 100% share in the subsidiary OOO VMZ.