SOLLERS GROUP

INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2013

CONTENTS

Independent Auditor's Report

CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements pwc

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Open Joint Stock Company Sollers and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

4 April 2014
Moscow, Russian Federation

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Sollers Group
Consolidated Statement of Financial Position at 31 December 2013
(in millions of Russian Roubles)
(Amounts translated into US Dollars for convenience purposes, Note 2)

		RR million		Supplementary information US$ million (Note 2)	
	Note	**At 31 December 2013**	**At 31 December 2012**	**At 31 December 2013**	**At 31 December 2012**
ASSETS					
Non-current assets					
Property, plant and equipment	7	9,451	11,539	289	380
Goodwill	8	1,484	1,484	45	49
Development costs	9	361	393	11	13
Other intangible assets	10	167	182	5	6
Deferred income tax assets	27	196	276	6	9
Investments in associates and joint ventures	11	14,947	14,492	456	477
Other financial assets		20	20	1	1
Other non-current assets	12	515	677	16	22
Total non-current assets		**27,141**	**29,063**	**829**	**957**
Current assets					
Inventories	13	4,526	4,503	138	148
Trade and other receivables	14	6,894	9,816	211	323
Other current assets		40	231	1	8
Cash and cash equivalents	15	6,020	2,560	184	84
Total current assets		**17,480**	**17,110**	**534**	**563**
TOTAL ASSETS		**44,621**	**46,173**	**1,363**	**1,520**
LIABILITIES AND EQUITY					
Equity					
Share capital	16	530	530	16	17
Share options	16	-	50	-	2
Share premium	16	4,538	4,480	139	148
Additional paid-in capital	16	1,438	1,438	44	47
Retained earnings	16	9,187	6,340	280	209
Equity attributable to the Company's owners		**15,693**	**12,838**	**479**	**423**
Non-controlling interest	32	5,083	7,042	155	232
Total equity		**20,776**	**19,880**	**634**	**655**
Liabilities					
Non-current liabilities					
Long-term borrowings	17	5,716	3,742	175	123
Deferred income tax liabilities	27	514	854	16	28
Other long term liabilities		2	31	-	1
Total non-current liabilities		**6,232**	**4,627**	**191**	**152**
Current liabilities					
Trade accounts payable		10,115	10,454	309	344
Advances received and other payables	18	1,362	2,865	42	94
Taxes payable	19	1,376	1,045	42	34
Warranty and other provisions	20	965	604	29	20
Short-term borrowings	17	3,795	6,698	116	221
Total current liabilities		**17,613**	**21,666**	**538**	**713**
Total liabilities		**23,845**	**26,293**	**729**	**865**
TOTAL LIABILITIES AND EQUITY		**44,621**	**46,173**	**1,363**	**1,520**

Approved for issue and signed on behalf of the Board of Directors on 4 April 2014.

General Director
V.A. Shvetsov

Chief Financial Officer
N.A. Sobolev

The accompanying notes on pages 5 to 48 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2013

(in millions of Russian Roubles)

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

		RR million		**Supplementary information US$ million (Note 2)**	
		Year ended 31 December		**Year ended 31 December**	
	Note	**2013**	**2012**	**2013**	**2012**
Sales	21	61,317	65,549	1,925	2,108
Cost of sales	22	(49,878)	(51,475)	(1,566)	(1,656)
Gross profit		**11,439**	**14,074**	**359**	**452**
Distribution costs	23	(2,554)	(2,551)	(80)	(82)
General and administrative expenses	24	(4,167)	(5,205)	(130)	(167)
Net result on formation of joint venture	11	-	922	-	30
Other operating income, net	25	523	5	16	-
Operating profit		**5,241**	**7,245**	**165**	**233**
Finance costs, net	26	(1,144)	(810)	(36)	(26)
Share of result of joint ventures and associates	11	574	1,149	18	37
Profit before income tax		**4,671**	**7,584**	**147**	**244**
Income tax expense	27	(1,093)	(1,703)	(34)	(55)
Profit for the year		**3,578**	**5,881**	**113**	**189**
Total comprehensive income for the year		**3,578**	**5,881**	**113**	**189**
Profit is attributable to:					
Owners of the Company		3,625	5,843	114	188
Non-controlling interest	32	(47)	38	(1)	1
Profit for the year		**3,578**	**5,881**	**113**	**189**
Total comprehensive income is attributable to:					
Owners of the Company		3,625	5,843	114	188
Non-controlling interest		(47)	38	(1)	1
Total comprehensive income for the year		**3,578**	**5,881**	**113**	**189**
Weighted average number of shares outstanding during the period (in thousands of shares) – basic	28	34,270	34,152	34,270	34,152
Weighted average number of shares outstanding during the period (thousands) - diluted	28	34,281	34,275	34,281	34,275
Profit per share (in RR and US$) – basic	28	105.78	171.1	3.32	5.50
Profit per share (in RR and US$) - diluted	28	105.75	170.5	3.32	5.48

Other than as presented above, the Group did not have in year 2013 any items to be recorded as other comprehensive income in the statement of comprehensive income (2012: no items).

(in millions of Russian Roubles)

		RR million		Supplementary information US$ million (Note 2)	
		Year ended 31 December		Year ended 31 December	
	Note	**2013**	**2012**	**2013**	**2012**
Cash flows from operating activities					
Profit before income tax		**4,671**	**7,584**	**147**	**244**
Adjustments for:					
Depreciation		985	839	31	27
Amortisation		161	274	5	9
Share options		8	18	-	1
Provision for impairment of receivables and write-offs		2	172	-	6
Provision for inventories	13	19	71	1	2
Other provision movements		(153)	439	(5)	14
Loss on disposal of other non-current assets		-	28	-	1
Amortisation of Government grants		(29)	(16)	(1)	(1)
Development expenses write-off		-	7	-	-
Net (gain)/losses on disposal of property, plant and equipment		(563)	220	(18)	7
Loss on disposal of investments		31	-	1	-
Net result on formation of joint venture	11	-	(922)	-	(30)
Share of result of JV and associates	11	(574)	(1,149)	(18)	(37)
Finance costs, net		1,003	1,438	32	47
Operating cash flows before working capital changes		**5,561**	**9,003**	**175**	**290**
(Increase)/decrease in inventories		(91)	1,424	(3)	46
Decrease in trade and other receivables		3,210	945	101	30
Decrease in other current assets		192	25	6	1
(Decrease) in trade accounts payable, advances received and other payables		(499)	(584)	(16)	(19)
Increase /(decrease) in taxes payable		262	(1,200)	8	(39)
Cash provided from operations		**8,635**	**9,613**	**271**	**309**
Income taxes paid		(1,220)	(1,755)	(38)	(56)
Interest paid		(1,252)	(1,424)	(39)	(46)
Net cash from operating activities		**6,163**	**6,434**	**194**	**207**
Cash flows from investing activities:					
Purchase of property, plant and equipment		(1,162)	(917)	(36)	(30)
Proceeds from the sale of property, plant and equipment and advances received		2,072	1,626	65	53
Development costs	9	(88)	(86)	(3)	(3)
Purchase of other non-current assets		(25)	(52)	(1)	(2)
Investment in joint venture	11	(100)	(951)	(3)	(30)
Dividends received from participation in joint venture		22	13	1	-
Proceeds from sale of subsidiary net of cash disposed		41	(320)	1	(10)
Net cash from /(used in) investing activities		**760**	**(687)**	**24**	**(22)**
Cash flows from financing activities					
Proceeds from borrowings		15,141	6,995	475	225
Repayment of borrowings		(15,943)	(13,305)	(501)	(428)
Dividends paid to the Group's shareholders		(1,761)	(16)	(55)	(1)
Change in non-controlling interest in subsidiaries		(900)	-	(28)	-
Change in treasury shares		-	182	-	6
Net cash used in financing activities		**(3,463)**	**(6,144)**	**(109)**	**(198)**
Net increase/(decrease) in cash and cash equivalents		**3,460**	**(397)**	**109**	**(13)**
Effect of exchange rate changes on cash and cash equivalents		-	-	(9)	5
Cash and cash equivalents at the beginning of the year		**2,560**	**2,957**	**84**	**92**
Cash and cash equivalents at the end of the year		**6,020**	**2,560**	**184**	**84**

The accompanying notes on pages 5 to 48 are an integral part of these consolidated financial statements.

(in millions of Russian Roubles)

	Note	Share capital	Treasury shares	Share options	Share premium	Additional paid-in-capital	Retained earnings	Total Attributable to equity holders of the Group	Non-controlling interest	Total equity
Balance at 1 January 2012		**530**	**(653)**	**77**	**4,893**	**1,438**	**1,092**	**7,377**	**6,177**	**13,554**
Profit for the year		-	-	-	-	-	5,843	**5,843**	38	**5,881**
Total comprehensive income for 2012		**-**	**-**	**-**	**-**	**-**	**5,843**	**5,843**	**38**	**5,881**
Change of interest in subsidiary	32	-	-	-	-	-	(595)	**(595)**	595	**-**
Disposal of subsidiary	11	-	-	-	-	-	-	**-**	232	**232**
Treasury shares acquisition			(80)	-	-	-	-	**(80)**	-	**(80)**
Treasury shares disposal		-	559	-	(312)	-	-	**247**	-	**247**
Share options	6, 16	-	174	(27)	(101)	-	-	**46**	-	**46**
Balance at 31 December 2012		**530**	**-**	**50**	**4,480**	**1,438**	**6,340**	**12,838**	**7,042**	**19,880**
Profit for the year		-	-	-	-	-	3,625	**3,625**	(47)	**3,578**
Total comprehensive income for 2013		**-**	**-**	**-**	**-**	**-**	**3,625**	**3,625**	**(47)**	**3,578**
Change of interest in subsidiary	32	-	-	-	-	-	774	**774**	(774)	**-**
Purchase of non-controlling interest in subsidiary	32	-	-	-	-	-	238	**238**	(1,138)	**(900)**
Dividends	16	-	-	-	-	-	(1,790)	**(1,790)**	-	**(1,790)**
Share options	6, 16	-	-	(50)	58	-	-	**8**	-	**8**
Balance at 31 December 2013		**530**	**-**	**-**	**4,538**	**1,438**	**9,187**	**15,693**	**5,083**	**20,776**

1. The Sollers Group and its operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2013 for Sollers OJSC, previously called OAO "Severstal-auto", (the "Company") and its subsidiaries (the "Group"). The Group adopted its new name "Sollers" in 2008.

The Company and the Group's principal activity is the manufacture and sale of vehicles, including automotive components, assembly kits and engines. The Group's manufacturing facilities are primarily based in Ulyanovsk and the Nizhniy Novgorod region in the Russian Federation.

Since February 2013 the Group relocated SsangYong SUVs' production from the Group's subsidiary site to JV Mazda-Sollers' production facilities. The Group continues exclusive distribution of the SsangYong SUVs.

In 2011 the Group established the joint venture with Ford. Joint venture's production assets are located in Vsevolozhsk in the St.Petersburg region, Naberezhnye Chelny and Elabuga in the Republic of Tatarstan. Ford-Sollers joint venture is exclusive manufacturer and distributor of Ford branded vehicles in Russia.

By the end of 2011 the Group established the joint venture with Japanese Mitsui&Co., Ltd located in Vladivostok. Toyota vehicles production started in February 2013.

During the second half 2012 the Group finalized the foundation of the joint venture with Mazda Motor Corporation in Vladivostok also for production of Mazda SUVs and passenger cars. Mazda-Sollers joint venture launched the production of Mazda SUVs in September 2012 and of passenger cars in April 2013.

In August 2012 the Group disposed 16% stake in joint venture Sollers-Isuzu and recognised the remained investment as 50%-50% joint venture. The Sollers-Isuzu production of lights-duty trucks is located in Ulyanovsk.The Company was incorporated as an open joint stock company in the Russian Federation in March 2002 by OAO "Severstal" (the predecessor) by contributing its controlling interests in OAO "Ulyanovsky Avtomobilny Zavod" (OAO "UAZ") and OAO "Zavolzhskiy Motor Works" (OAO "ZMZ"), which were acquired through purchases close to the end of 2000, in exchange for the Company's share capital.

The immediate parent company is Newdeal Investments Limited. The ultimate controlling party of the Group is Vadim Shvetsov who is the principal shareholder of the Company.

The Company's shares are listed on MICEX-RTS.

The registered office of the Company is Testovskaya street, 10, Moscow, Russian Federation.

These consolidated financial statements were approved for issue by the General Director and Chief Financial Officer on 4 April 2014.

Operating Environment of the Group

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 varying interpretations (Note 31). The political and economic turmoil witnessed in the region, including the developments in Ukraine have had and may continue to have a negative impact on the Russian economy, including weakening of the Rouble and making it harder to raise international funding. At present, there is an ongoing threat of sanctions against Russia and Russian officials the impact of which, if they were to be implemented, are at this stage difficult to determine. The financial markets are uncertain and volatile.

In 2014 Rouble exchange rates deteriorated by more than 8% reaching the level of 48.8834 roubles/Euro on 4 April 2014. Given the substantial volume of imports, these events alongside with a decline in customer demand observed in the beginning of 2014 and forecasted to continue throughout 2014 resulted in certain operational cost reduction measures implemented by management in order to maintain short to medium-term profitability. Management is confident that long-term business plans of the joint ventures are sustainable.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Management is unable to predict all developments which could have an impact on the Russian economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

2. Basis of preparation and significant accounting policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and by the revaluation of available for sale securities. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 4, Adoption of New or Revised Standards and Interpretations). These financial statements are prepared on a going concern basis.

The Group companies maintain their accounting records in Russian Roubles ("RR") and prepare their statutory financial statements in accordance with the Federal Law on Accounting of the Russian Federation. The consolidated financial statements are based on the statutory records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

2.1 Presentation currency

All amounts in these consolidated financial statements are presented in millions of Russian Roubles ("RR millions"), unless otherwise stated.

2.2 Supplementary information

US Dollar ("US$") amounts shown in the consolidated financial statements are translated from the Russian Rouble ("RR") amounts as a matter of arithmetic computation only, at the official rate of the Central Bank of the Russian Federation at 31 December 2013 of RR 32.7292 = US$1 (31 December 2012: RR 30.3727 = US$1). The profit or loss statement and cash flow statement have been translated at the average exchange rates during the years ended 31 December 2013 of RR 31.8478 = US$1 (2012: RR 31.0930 = US$1). The US$ amounts are presented solely for the convenience of the reader, and should not be construed 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.

2.3 Consolidated financial statements

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

2 Basis of preparation and significant accounting policies (continued)

2.3 Consolidated financial statements (continued)

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value. Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

2.4 Consolidated financial statements

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

2.5 Purchases and sales of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

2.6 Purchases of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the pooling of interest method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to other reserves within equity.

2 Basis of preparation and significant accounting policies (continued)

2.7 Associates and joint ventures

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables; the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Joint ventures are those joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. When a joint venture is created through loss of control of a subsidiary, the initial carrying amount is recognised at fair value. Subsequently, they are accounted for using the equity method of accounting. The share of joint ventures' results is recognised in the consolidated financial statements from the date that joint control commences until the date at which it ceases.

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

2.8 Disposals of subsidiaries, associates or joint ventures

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.9 Financial instruments – key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Group may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these consolidated financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit or loss, sales, total assets or total liabilities.

2 Basis of preparation and significant accounting policies (continued)

2.9 Financial instruments – key measurement terms (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related consolidated balance sheet items.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

2.10 Classification of financial assets

The Group classifies its financial assets into the following measurement categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit and loss. Financial assets at fair value through profit and loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Other financial assets at fair value through profit and loss are financial assets designated irrevocably, at initial recognition, into this category. Management designates financial assets into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's key management personnel. Recognition and measurement of this category of financial assets is consistent with the accounting policy for trading investments.

Trading investments are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading investments if it has an intention to sell them within a short period after purchase, i.e. within 12 months The Group may choose to reclassify a non-derivative trading financial asset out of the fair value through profit and loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the fair value through profit and loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

2 Basis of preparation and significant accounting policies (continued)

2.10 Classification of financial assets (continued)

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

Held-to-maturity assets include quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each reporting date.

All other financial assets are included in the available-for-sale category, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

2.11 Classification of financial liabilities

Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year in the period in which they arise. Other financial liabilities are carried at amortised cost.

2.12 Initial recognition of financial instruments

Trading investments, derivatives and other financial instruments at fair value through profit and loss are initially recorded at fair value. All other financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Group uses discounted cash flow valuation techniques to determine the fair value of options and bonds that are not traded in an active market. Differences may arise between the fair value at initial recognition which is considered to be the transaction price and the amount determined at initial recognition using the valuation technique. Any such differences are amortised on a straight line basis over the term of the options and bonds.

2.13 Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2 Basis of preparation and significant accounting policies (continued)

2.14 Valuation of investments

Available-for-sale investments. The Group classifies investments as available for sale at the time of purchase. Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit and loss. Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payment is established and inflow of benefits is probable. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Impairment losses are recognised in profit and loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit and loss – is reclassified from other comprehensive income to finance costs in profit or loss for the year. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment loss is reversed through current period's profit and loss.

Held-to-maturity investments. Held-to-maturity investments are carried at amortised cost using the effective interest method, net of a provision for incurred impairment losses.

Trading investments. Trading investments are carried at fair value. Interest earned on trading investments calculated using the effective interest method is presented in the consolidated profit or loss as finance income. Dividends are included in dividend income within other operating income when the Group's right to receive the dividend payment is established and inflow of benefits is probable. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit and loss as gains less losses from trading investments in the period in which they arise.

Embedded derivatives. Foreign currency forwards embedded into sales-purchase contracts are separated from the host contracts and accounted for separately unless the contract is denominated in the functional currency of any substantial party to the contract or in a currency that is commonly used in the economic environment in which the transaction takes place, such as in US Dollars and Euros for contracts within the Russian Federation.

2.15 Property, plant and equipment

Property, plant and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2003 for assets acquired prior to 1 January 2003, less accumulated depreciation and provision for impairment, where required. Cost includes borrowing costs incurred on specific or general funds borrowed to finance construction of qualifying assets.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing or renewing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

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

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit and loss.

2 Basis of preparation and significant accounting policies (continued)

2.16 Depreciation

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	35 to 45
Plant and machinery	15 to 25
Equipment and motor vehicles	5 to 12

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

2.17 Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit and loss on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Leases embedded in other agreements are separated if (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets and (b) the arrangement conveys a right to use the asset. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

2.18 Finance lease receivables

Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at the date from which the lessee is entitled to exercise its right to use the leased asset, using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within other operating income in profit or loss for the year.

Impairment losses are recognised in profit and loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

2 Basis of preparation and significant accounting policies (continued)

2.19 Share based compensation

Until May, 16, 2013 the Group operated equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated profit or loss for the year, and with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.20 Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

2.21 Other intangible assets

The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software, patents, trademarks, licences and clips.

Acquired computer software licenses, patents and trademarks are capitalised on the basis of the costs incurred to acquire and bring them to use.

Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Intangible assets are amortised using the straight-line method over their useful lives:

	Useful lives in years
Trademarks	3 to 10
Production licences	5 to 10
Computer software licences	3 to 5

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

2 Basis of preparation and significant accounting policies (continued)

2.22 Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. Inventories at the reporting date include expected sales returns subsequent to the period end, where the related sales, profit margin and receivables balance are reversed. Inventories are initially recognised when the Group has control of the inventory, expects it to provide future economic benefits and the cost of the inventory can be measured reliably. For components imported from outside of the Russian Federation, this is typically at the point of delivery to the Group's warehouse and accepted by the Group.

2.23 Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different periods, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains at their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

The Group's uncertain tax positions are reassessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting date.

2.24 Trade and other receivables

Trade and other receivables are carried at amortised cost using the effective interest method.

2 Basis of preparation and significant accounting policies (continued)

2.25 Impairment of financial assets carried at amortised cost

Impairment losses are recognised in profit and loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment has incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit and loss.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in the profit or loss for the year.

2.26 Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit and loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit and loss.

2 Basis of preparation and significant accounting policies (continued)

2.27 Cash and cash equivalents

Sales of services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in other non-current assets.

2.28 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

2.29 Treasury shares

Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's equity holders until the equity instruments are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and are included in equity attributable to the Company's equity holders.

2.30 Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting date and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note.

2.31 Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

2.32 Borrowings

Borrowings are carried at amortised cost using the effective interest method. Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

2.33 Government grants and subsidies

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated profit or loss for the year on a straight line basis over the expected lives of the related assets.

Government grants and subsidies relating to costs are deferred and recognised in the consolidated profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2 Basis of preparation and significant accounting policies (continued)

2.34 Trade and other payables

Trade and other payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost using the effective interest method.

2.35 Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The Group recognises the estimated liability to repair or replace products sold still under warranty at the end of each reporting period. This provision is calculated based on past history of the level of repairs and replacements and recognised in costs of sale.

2.36 Foreign currency translation

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Group's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles.

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit and loss. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

At 31 December 2013, the principal rate of exchange used for translating foreign currency balances was US$ 1 = RR 32.7292, Euro 1 = RR 44.9699 (2012: US$ 1 = RR 30.3727, Euro 1 = RR 40.2286). The principal average rate of exchange used for translating income and expenses was US$ 1 = RR 31.8478 (2012: US$ 1 = RR 31.0930).

2.37 Revenue recognition

Revenues from sales of vehicles, engines and automotive components are recognised at the point of transfer of the major of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. The group generally retains physical possession of the vehicle ownership document ("PTS') until cash is collected from the dealer, however, it considers that substantially all risks and rewards are transferred upon shipment.

An estimate is made for vehicles that are returned to the Group subsequent to the period end where a dealer is not able to settle receivables owed to the Group. In such instances, the related sales revenue, profit margin and trade receivable balances are reversed during the period and the vehicles are included as inventories as at the period end date.

2 Basis of preparation and significant accounting policies (continued)

2.37 Revenue recognition (continued)

Sales are shown net of VAT, excise, discounts and other bonuses to dealers.

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up. Interest income is recognised on a time-proportion basis using the effective interest method.

2.38 Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, on average over ten years.

2.39 Employee benefits

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group.

Labour expenses include state pension contributions of RR 1,795 for the year ended 31 December 2013 (2012: RR 1,670). In addition, labour expenses include payments under share based compensation of RR 8 (2012: RR 18).

2.40 Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during period.

If applicable, diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential ordinary shares under the share based compensation programme. For the share options used in the share based compensation programme a calculation is done to determine the number of shares that would have been issued at the reporting date if this date was the vesting date.

2.41 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 Basis of preparation and significant accounting policies (continued)

2.42 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately where they do not have similar economic characteristics.

3. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

3.1 Remaining useful life of property, plant and equipment

Management has assessed the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and estimated period when these assets will bring economic benefit to the Group. The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

3.2 Impairment of assets (including goodwill)

Management have used judgement when evaluating any indicators of potential impairment of the Group's non-current assets (including property, plant and equipment, intangibles and goodwill), or, when testing for impairment as at 31 December 2013 as required. Management have determined that there are two cash-generating units ("CGU") within the Group: OAO "UAZ" and OAO "ZMZ".

No indicators in respect of impairment of assets were identified in 2013 due to favourable Group's financial position.

During the year 2013 there was a slight slowdown of 6% in the Russian automotive market. The total market sales amounted to 2.8 mln. units. The slowdown was driven mostly by macroeconomic factors, such as an increase in interest rates together with negative changes in foreign currency exchange rates escalated at the end of the year. However, the Group has not experienced significant negative effect. The stocks remain under control and sustainable cash flows are maintained. The Group managed to improve its net debt position and maintain profitability level. Management considers the current market situation as expected and is able to plan and perform accordingly.

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

3 Critical accounting estimates and judgements in applying accounting policies (continued)

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 each CGU and its expectations for the market development. For the OAO “UAZ” these include continued stable demand for quality vehicles in the niche markets in which the units operate, and the CGU’s sales price advantage over its foreign competition in those markets. For the OAO “ZMZ” these include expansion of its position as a supplier to the Russian market, development further the production of spare parts and components and ability to upgrade its products in line with expected increases in regulations over emission levels.

Cash flows beyond the five-year period are extrapolated using estimated growth rate of 3.0% for both CGUs (31 December 2012: 3.5% for both CGUs); these growth rates do not exceed the long-term average growth rate for the automotive business in which CGUs operate. The discount rate used of 15% for OAO “ZMZ” and 15% for OAO “UAZ” (31 December 2012: 14.8% and 14.9% respectively) are pre-tax and reflect specific risks related to the relevant CGU.

The inherence of no impairment of OAO "UAZ" CGU is sensitive to the level of future revenues. With all other assumptions held constant, a reduction in revenues of 20% in each future period would result in a need to reduce the carrying value of goodwill by RR 219.

The inherence of no impairment of OAO "ZMZ" CGU is sensitive to the level of future revenues. With all other assumptions held constant, a reduction in revenues of 10% in each future period would result in a need to reduce the carrying value of goodwill by RR 277 and other non-current assets in aggregate by RR 45.

For each of the CGUs identified for impairment testing, management consider that there have not been any significant changes in any of the businesses during the year. For all CGUs, the recoverable amount in the valuation performed as at 31 December 2013 exceeded the carrying amount by a substantial margin and based on an analysis of events, the likelihood that the current recoverable amount would be lower that the carrying amount is remote.

Management believes that any reasonably possible change in the key assumptions described above would not cause the carrying amount of goodwill related to OAO “UAZ” and OAO “ZMZ” to exceed their recoverable amounts.

3.3 Tax legislation and deferred income tax recognition

Russian tax, currency and customs legislation is subject to varying interpretations. Related accounting treatment requires the use of estimates and judgements as further detailed in Note 31.

Deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded on the balance sheet. Deferred income tax assets are recorded to the extent that realisation of the tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimation based on taxable profits earned in the past three years; the possibility of challenges to the deductibility of expenses; the time period available in order to utilise the losses and expectations of future taxable income that are believed to be reasonable under the circumstances. For details of the deferred tax assets recognised as at 31 December 2013, see Note 27. The balance includes RR 196 (2012: RR 276). Management expects the losses to be utilised in the next few years based on current profit forecasts.

4. Adoption of new or revised standards and interpretations

The following new standards and interpretations became effective for the Group from 1 January 2013:

IFRS 10 "Consolidated Financial Statements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Standard did not have any material impact on the Group's consolidated financial statements.

IFRS 11 "Joint Arrangements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Venturers". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Standard did not have any material impact on the Group's consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements previously found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Standard resulted in additional disclosures in these consolidated financial statements. Refer to Note 32.

IFRS 13 "Fair Value Measurement" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) improved consistency and reduced complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Standard did not have any material impact on the Group's consolidated financial statements.

IAS 27 "Separate Financial Statements" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013) was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 "Consolidated Financial Statements". The amended standard did not have any material impact on the Group's consolidated financial statements.

IAS 28 "Investments in Associates and Joint Ventures" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The amended standard did not have any material impact on the Group's consolidated financial statements.

4 Adoption of new or revised standards and interpretations (continued)

Amended IAS 19 "Employee Benefits" (issued in June 2011, effective for periods beginning on or after 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Standard did not have any impact on the Group's consolidated financial statements.

"Disclosures – Offsetting Financial Assets and Financial Liabilities" – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that enable users of an entity's consolidated financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The Standard didn't result in additional disclosures in these consolidated financial statements.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 "Borrowing costs", retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 now requires disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual consolidated financial statements. The amended standards did not have any material impact on the Group's consolidated financial statements.

"Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12" (issued in June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 "Consolidated Financial Statements". Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The amended standards did not have any material impact on the Group's consolidated financial statements other than application of the relief from disclosure of certain comparative information in the notes to the financial statements.

Other revised standards and interpretations: IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", considers when and how to account for the benefits arising from the stripping activity in mining industry. The interpretation did not have an impact on the Group's consolidated financial statements. Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards - Government Loans", which were issued in March 2012 and are effective for annual periods beginning 1 January 2013, give first-time adopters of IFRSs relief from full retrospective application of accounting requirements for loans from government at below market rates. The amendment is not relevant to the Group.

5. New accounting pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later and which the Group has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement". Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Group does not intend to adopt the existing version of IFRS 9.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group is considering the implications of the amendment and its impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The Group does not expect the amendment to have any impact on its financial statements.

(in millions of Russian Roubles – RR)

5 New accounting pronouncements (continued)

IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Group does not expect the amendment to have any impact on its financial statements.

Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The Group is currently assessing the impact of the amendments on the disclosures in its financial statements.

Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014).The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Group is currently assessing the impact of the amendments on the disclosures in its financial statements.

Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendment is not expected to have any material impact on the Group's financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's financial statements.

6. Balances and transactions with related parties

Related parties are defined in IAS 24, *Related Party Disclosures*. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Group's immediate parent and ultimate controlling party are disclosed in Note 1.

6.1 Balances and transactions with related parties

Balances with related parties of the Group as at 31 December 2013 and 31 December 2012 consist of the following:

Balances

Nature of relationship	Parent company	Other related parties	Associates and joint ventures	Total
As at 31 December 2013				
Accounts receivable	-	-	539	539
Trade and other accounts payable	-	2	5,708	5,710
As at 31 December 2012				
Accounts receivable	-	-	157	157
Loans issued	-	203	-	203
Advances received	-	-	961	961
Trade and other accounts payable	-	-	553	553

(in millions of Russian Roubles – RR)

6. Balances and transactions with related parties (continued)

6.1 Balances and transactions with related parties (continued)

Transactions with related parties of the Group for the years ended 31 December 2013 and 31 December 2012 consist of the following:

Transactions

Nature of relationship	Parent company	Other related parties	Associates and joint ventures	Total
Year ended 31 December 2013				
Sales of vehicles and components	-	-	207	207
Sale of non-current assets and services	-	931	2,975	3,906
Purchases	-	342	18,872	19,214
Dividends paid	920	-	-	920
Year ended 31 December 2012				
Sales of vehicles and components	-	-	210	210
Sale of non-current assets and services	-	-	195	195
Purchases	-	-	488	488
Capital transaction	247	-	-	247

6.2 Key management compensation

The compensation paid to the nine members of key management (year ended 31 December 2012: 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 compensation included in expenses in the consolidated profit or loss for the year ended 31 December 2013 comprises:

- short-term employee benefits amounting to RR 670 (2012: RR 613); and

- expenses recognised under equity-settled, share based compensation amounting to RR 8 (2012: RR 16).

For information on the share based compensation, refer Note 16.

During the year ended 31 December 2013 nil options were exercised (2012: 150,000 options at an exercise price US$ 3) by members of key management.

On 16 May 2013 share option programme for the key management was ceased. All expenses related to share options were recognised immediately with the corresponding change in equity. The compensation for termination of the option programme amounted to RR 40 and recognised in labour costs of the reporting period.

(in millions of Russian Roubles – RR)

7. Property, plant and equipment

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

	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Cost					
Balance at 1 January 2012	**7,184**	**8,700**	**2,661**	**1,477**	**20,022**
Additions	-	-	-	897	897
Disposals	(772)	(331)	(242)	(19)	(1,364)
Transfers	660	340	265	(1,265)	-
Balance at 31 December 2012	**7,072**	**8,709**	**2,684**	**1,090**	**19,555**
Additions	-	-	-	1,725	1,725
Disposals	(1,650)	(422)	(239)	(985)	(3,296)
Transfers	876	198	266	(1,340)	-
Balance at 31 December 2013	**6,298**	**8,485**	**2,711**	**490**	**17,984**
Accumulated depreciation					
Balance at 1 January 2012	**(1,972)**	**(3,926)**	**(1,597)**	**-**	**(7,495)**
Depreciation expense for year	(174)	(422)	(284)	-	(880)
Disposals	77	140	142	-	359
Balance at 31 December 2012	**(2,069)**	**(4,208)**	**(1,739)**	**-**	**(8,016)**
Depreciation expense for year	(172)	(383)	(384)	-	(939)
Disposals	104	116	202	-	422
Balance at 31 December 2013	**(2,137)**	**(4,475)**	**(1,921)**	**-**	**(8,533)**
Net book value					
Balance at 31 December 2012	**5,003**	**4,501**	**945**	**1,090**	**11,539**
Balance at 31 December 2013	**4,161**	**4,010**	**790**	**490**	**9,451**

As at 31 December 2013, bank borrowings are secured on land and buildings and plant and equipment. The value of these items of property, plant and equipment included above is RR 2,790 (31 December 2012: RR 2,845). See Note 17.

Construction in progress consists mainly of equipment. Upon completion, assets are transferred to plant and equipment. During the year ended 31 December 2013, the Group capitalised borrowing costs of RR 36 (2012: RR 80) as part of the cost of the qualifying assets (see Note 2.14). The annual capitalisation rate was 11.7% (2012: 10.0%).

The Group owns the land on which factories and buildings, comprising the principal manufacturing facilities of the Group, are situated. At 31 December 2013, the cost of the land amounted to RR 678 (2012: RR 689).

(in millions of Russian Roubles – RR)

8. Goodwill

Goodwill arose first on the original purchase of the controlling stake in OAO “UAZ” and OAO “ZMZ” and then on the increase of the holding stake in OAO “UAZ” in 2003 and OAO “ZMZ” in 2004.

	31 December 2013	**31 December 2012**
OAO “UAZ”	1,207	1,207
OAO “ZMZ”	277	277
Total goodwill	**1,484**	**1,484**

Impairment tests for goodwill

Management have tested goodwill for impairment at 31 December 2013. Goodwill is allocated to two of the Group’s CGUs: OAO “UAZ” and OAO “ZMZ”. See details of impairment testing in Note 3.2.

As a result of the assessment performed by management, no impairment loss has been identified as at 31 December 2013 (31 December 2012: nil).

9. Development costs

Following an assessment of future economic benefits to the Group for each individual project, as at 31 December 2013, RR 3 of development costs were written off (31 December 2012: RR 7). Management do not consider that the write-off would be materially different in the event of applying reasonable changes to the underlying assumptions used in reaching this conclusion.

	31 December 2013	**31 December 2012**
Cost		
Balance at the beginning of the year	1,479	1,401
Additions	92	86
Write-off	(3)	(8)
Balance at the end of the year	**1,568**	**1,479**
Accumulated amortisation		
Balance at the beginning of the year	(1,086)	(877)
Amortisation charge	(121)	(210)
Write-off	-	1
Balance at the end of the year	**(1,207)**	**(1,086)**
Net book value		
Balance at the end of the year	**361**	**393**

Breakdown of development costs

	31 December 2013	**31 December 2012**
Development of new off-road vehicle (UAZ Patriot)	26	59
Development of Euro-4 engine for UAZ	51	67
Development of new light commercial vehicle (UAZ-2360)	3	3
Improvement of selected vehicle component parts	65	40
Improvement of vehicles and engines to satisfy Euro-2 requirements	2	2
Vehicles with ABS	7	15
Improvement of vehicles and engines to satisfy Euro-4 requirements	96	130
Other	111	77
Total development costs	**361**	**393**

(in millions of Russian Roubles – RR)

10. Other intangible assets

Other intangible assets mainly comprise of exclusive licences, which were provided for a period of 4 to 10 years:

	31 December 2013	31 December 2012
Cost		
Balance at the beginning of the year	559	573
Additions	25	52
Disposals	-	(66)
Balance at the end of the year	**584**	**559**
Accumulated amortisation		
Balance at the beginning of the year	(377)	(374)
Amortisation charge	(40)	(64)
Disposals	-	61
Balance at the end of the year	**(417)**	**(377)**
Net book value		
Balance at the end of the year	**167**	**182**

11. Investments in joint ventures and associates

Investments in joint ventures and associates are presented by followings assets:

	31 December 2013	31 December 2012
Ford-Sollers JV	12,438	12,597
Mazda-Sollers JV	961	797
Sollers-Isuzu JV	887	674
Sollers-Bussan JV	213	45
Sollers-Finance JV	414	345
DaeWon-SeverstalAuto Elabuga	34	34
Total	**14,947**	**14,492**

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

	31 December 2013	31 December 2012
Carrying amount at 1 January	**14,492**	**11,921**
Share of profit of joint venture and associates	574	1,149
Unrealised profit from sales to joint venture	(197)	-
Fair value of net assets of joint venture and associate acquired	-	214
Cash contribution to joint ventures	100	951
Non-cash contribution in joint venture	-	257
Dividends received from joint venture	(22)	-
	14,947	**14,492**

Sollers-Finance JV

In November 2010, the Group established a 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 year ended 31 December 2013 the dividends of RR 22 were received from the Sollers-Finance JV.

(in millions of Russian Roubles – RR)

11 Investments in joint ventures and associates (continued)

Sollers-Isuzu JV

During 2013 the additional shares issue was performed by the joint venture. In December 2013 the Group paid its contribution amounted to RR 100.

In May 2012 the Group entered to the agreement with intention of partial shares disposal in ZAO Sollers-Isuzu. On 30 August 2012 the deal was finalised and 16% stake of ZAO Sollers-Isuzu was sold to the other venturer for RR 257 and the Group's share declined to 50%. The negative net assets of the subsidiary at the date of disposal amounted to RR 683, including non-controlling interest of RR 232.

The Group recognised the retained investment as 50%-50% joint venture with fair value of RR 214. The portion of the gain related to the remeasurement of the retained non-controlling investment to fair value:

Fair value of recognised share in joint venture	214
The Group's retained share of negative carrying value of subsidiary	342
The Gain on retained non-controlling investment, joint venture	**556**

The gain from the subsidiary disposal for RR 922 is recognised within operating income in the profit or loss for the year.

After the recognition of 50%-50% joint venture the Group provided additional cash contribution to the joint venture for RR 136 and non-cash contribution in the form of debt forgiveness for RR 257.

Mazda-Sollers JV

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

The Group has pledged it's share in OOO "DC SanYong" as a collateral for working capital facility related to SsangYong business at Mazda-Sollers JV.

Sollers-Bussan JV

By the end of 2011 the Group established 50%-50% joint venture with Japanese Mitsui&Co., Ltd located in Vladivostok, where Toyota vehicles are produced. During 2012 additional RR 65 were contributed to the JV.

Ford-Sollers JV

In February 2011, the Group announced cancellation of the alliance with FIAT SPA and the signing of Memorandum of understanding to establish a new joint venture in Russia with Ford. In May 2011 Sollers and Ford signed an Agreement to establish a joint venture for exclusive production and distribution of Ford vehicles in the Russian Federation.

On 1 October 2011 the Group completed formation of 50%-50% Ford-Sollers JV and the commencement of the joint venture was announced. Ford Sollers JV will manufacture a range of Ford passenger cars and light commercial vehicles in the St. Petersburg region and in the Republic of Tatarstan. The project implies development of large-scale production facilities with a high level of localization as well as maintaining of R&D activities.

At 31 December 2013 the Ford-Sollers JV has contractual capital expenditure commitments in respect of property, plant and equipment amounted to RR 12,490 (2012: RR 6,087 million) and operating lease commitments for RR 298 (2012: RR 322).

The financing for the joint ventures Mazda-Sollers, Sollers-Bussan and Ford-Sollers have been agreed and obtained from Vnesheconombank (further "VEB"). The borrowings are secured by joint ventures' property, plant and equipment. Additionally the Group together with the co-investors Mazda Motor Co, Mitsui&Co and Ford, respectively, have pledged 100% interest in the joint ventures to the VEB.

For Joint ventures' contingencies refer to note 31.

(in millions of Russian Roubles – RR)

11 Investments in joint ventures and associates (continued)

At 31 December 2013 and 2012, the Group held 50% interest in joint ventures Ford-Sollers, Mazda Sollers, Sollers-Isuzu, Sollers-Bussan and Sollers-Finance and also held 30% interest in OOO DaeWon-SeverstalAuto Elabuga. The summarised financial information of the Joint ventures and the associates, including full amounts of total assets, liabilities, revenues, operating and net profit/(loss), is as follows:

	Total assets	Total liabilities	Revenue	Operating profit/(loss)	Profit/ (loss)
Joint ventures:					
Total at 31 December 2013	**85,988**	**55,912**	**134,248**	**2,596**	**1,148**
Ford-Sollers JV	64,048	39,302	82,362	400	(319)
Mazda-Sollers JV	12,276	9,961	39,068	1,376	722
Sollers-Isuzu JV	3,154	1,329	1,987	170	227
Sollers-Bussan JV	4,176	3,749	10,232	425	336
Sollers-Finance JV	2,334	1,571	599	225	182
Total at 31 December 2012	**64,955**	**35,983**	**94,468**	**3,507**	**2,298**
Ford-Sollers JV	56,166	30,934	90,960	3,284	1,983
Mazda-Sollers JV	3,731	2,136	2,625	133	95
Sollers-Isuzu JV	2,454	1,056	448	(16)	134
Sollers-Bussan JV	520	429	-	(42)	(37)
Sollers-Finance JV	2,084	1,428	435	148	123
Associates:					
Total at 31 December 2013	105	18	(-)	(15)	(15)
Total at 31 December 2012	120	27	-	(16)	(12)

12. Other non-current assets

	31 December 2013	31 December 2012
Advances for construction in progress and equipment	449	675
Other non-current assets	66	2
Total other non-current assets	**515**	**677**

13. Inventories

	31 December 2013	31 December 2012
Raw materials	1,655	2,067
Less: provision	(120)	(111)
Total raw materials	**1,535**	**1,956**
Work in progress	398	709
Less: provision	-	-
Total work in progress	**398**	**709**
Finished products	2,657	1,891
Less: provision	(64)	(53)
Total finished products	**2,593**	**1,838**
Total	**4,526**	**4,503**

At 31 December 2013 and 31 December 2012 there were no any pledged inventories.

(in millions of Russian Roubles – RR)

14. Trade and other receivables

	31 December 2013	31 December 2012
Trade receivables	6,045	8,608
Less: provision for impairment	(39)	(60)
Total trade receivables	**6,006**	**8,548**
Other receivables	217	706
Less: provision for impairment	(13)	(21)
Total other receivables	**204**	**685**
Advances to suppliers, other than for equipment	357	432
Less: provision for impairment	(3)	(9)
Total advances to suppliers, other than for equipment	**354**	**423**
Taxes prepayments	162	75
VAT recoverable, net	155	68
Other prepayments	13	17
Total	**6,894**	**9,816**

At 31 December 2013, trade receivables arising from revenue contracts of RR 2,913 were pledged as a security for a working capital facility related to SsangYong business (at 31 December 2012: RR 5,021).

Trade receivables are represented by currency as follows:

Currency	31 December 2013	31 December 2012
Russian Roubles	6,003	8,463
US Dollars	3	85
Total	**6,006**	**8,548**

The analysis by credit quality of trade receivables outstanding are as follows:

	31 December 2013	31 December 2012
Current and not impaired – exposure to		
- Group 1 – large corporate clients	300	621
- Group 2 – dealers	4,733	7,444
- Group 3 – other clients	877	371
Total current and not impaired	**5,910**	**8,436**
Past due but not impaired		
- less than 30 days overdue	37	-
- 30 to 90 days overdue	36	36
- 90 to 180 days overdue	9	65
- 180 to 360 days overdue	5	10
- over 360 days overdue	9	1
Total past due but not impaired	**96**	**112**
Individually determined to be impaired (gross)		
- over 360 days overdue	39	60
Total individually impaired	**39**	**60**
Less impairment provision	**(39)**	**(60)**
Total	**6,006**	**8,548**

The Group retains the PTS (vehicle registration certificate representing the certificate of title of a vehicle) as a pledge when other documents are transferred to the dealer in conjunction with a sale. Management considers that this serves as collateral in relation for the trade receivables in Group 2 and Group 3. The fair value of the collateral for the past due but not impaired receivables as at 31 December 2013 was RR 96 (31 December 2012: RR 112) and the fair value of the collateral for the individually determined to be impaired receivables was RR 39 (31 December 2012: RR 60).

(in millions of Russian Roubles – RR)

14 Trade and other receivables (continued)

Movements in the impairment provision for trade and other receivables are as follows:

	31 December 2013			31 December 2012		
	Trade receivables	Other financial receivables	Advances to suppliers	Trade receivables	Other financial receivables	Advances to suppliers
Provision for impairment at start of year	**60**	**21**	**9**	**151**	**70**	**3**
Amounts written off during the year as uncollectible	(18)	-	-	(71)	(54)	-
Provision for impairment during the year	(3)	(8)	(6)	(20)	5	6
Provision for impairment at end of year	**39**	**13**	**3**	**60**	**21**	**9**

15. Cash and cash equivalents

	31 December 2013	31 December 2012
Cash on hand and balances with banks	1,657	1,436
Cash deposits	4,363	1,124
Total	**6,020**	**2,560**

Cash and cash equivalents held by the Group earned the following interest rates per annum:

	<1%	1%-3%	3%-5%	5%-7%	non-interest bearing	Total
As at 31 December 2013						
Cash on hand and balances with banks	702	387	-	-	568	1,657
Cash deposits	-	-	503	3,860	-	4,363
Total	**702**	**387**	**503**	**3,860**	**568**	**6,020**
As at 31 December 2012						
Cash on hand and balances with banks	14	243	-	-	1,179	1,436
Cash deposits	157	-	69	898	-	1,124
Total	**171**	**243**	**69**	**898**	**1,179**	**2,560**

The following cash and cash equivalents held by the Group are denominated in foreign currencies:

Currency	31 December 2013	31 December 2012
US Dollars	78	831
Euro	5	1
Korean won	-	6
Total	**83**	**838**

(in millions of Russian Roubles – RR)

15. Cash and cash equivalents (continued)

The carrying value of cash and cash equivalents as at 31 December 2013 and 31 December 2012 is approximately equal to their fair value. The Group holds cash and cash equivalents in the top-20 Russian banks. Credit ratings of the banks where accounts were held as at the year-end date are set out in the analysis below:

	31 December 2013	31 December 2012
Rating by Fitch		
- A-	-	59
- A	-	100
- BBB+	-	7
- BBB	5,326	2,138
- BBB-	59	-
- BB+	-	-
- BB	513	23
- B+	16	16
- B	-	24
Rating by Moody's	-	
- B2	90	183
Rating by S&P		
- B	13	-
Other		
- Unrated	2	4
- Cash on hand	1	6
Total	**6,020**	**2,560**

(in millions of Russian Roubles – RR)

16. Shareholders' equity

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

	Number of outstanding ordinary shares (thousands)	**Share capital**	**Share premium**	**Additional paid-in capital**
At 31 December 2013	34,270	530	4,538	1,438
At 31 December 2012	34,270	530	4,480	1,438

The total authorised number of ordinary shares is 82,074 thousand (31 December 2012: 82,074 thousand). The nominal value of all shares is 12.5 roubles per share. All issued ordinary shares are fully paid. Each ordinary share carries one vote.

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

In accordance with Russian legislation, the Group 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 accumulated profit. For the year ended 31 December 2013, the net statutory profit for the Company reported in the published annual statutory reporting financial statements was RR 1,786 (2012: net loss RR 2,601) and the closing balance of the accumulated profit including the current reporting period net statutory profit was RR 2,399 (31 December 2012: RR 2,423). However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present that it would not be appropriate to disclose an amount for the distributable reserves in these consolidated financial statements.

By the date of approval of these consolidated financial statements, no dividends were proposed by the Board of Directors for the year ended 31 December 2013. In May 2013 the General Shareholders' Meeting declared the dividends per results of the year ended 31 December 2012 totally amounted to RR 1,800, or 52.52 Roubles per ordinary share. No dividends were declared at the General Shareholders' Meetings during the year ended 31 December 2012.

During the year ended 31 December 2013 the Group did not perform any transactions with treasury shares. During the year ended 31 December 2012, the Group disposed of 1,047 thousand of ordinary shares and acquired an additional 248 thousand shares.

Share based compensation

On 10 March 2009, the Group granted to members of key management and other employees options to acquire 855,000 of the Group's ordinary shares at an exercise price of US$3 that represented the average market share price for the three months preceding the grant date. The market share price at the grant date was US$3. The vesting period for the options is one year for 285,000 options; two years for 285,000 options and three years for 285,000 options. These options are exercisable until 1 March 2013 subject to an employee meeting certain conditions, including remaining in employment in the Group up until the date of vesting.

During the year ended 31 December 2012 248,000 options were exercised at an exercise price of US$ 3 by the members of key management and other employees.

On 16 May 2013 share option programme was ceased. For further details please see Note 6.2.

(in millions of Russian Roubles – RR)

17. Borrowings

The Group's long-term borrowings consisted of bank loans amounted to RUB 5,716 (31 December 2012: RUB 3,742).

The Group's long-term borrowings are denominated in Russian Roubles at 31 December 2013 and 31 December 2012. The carrying amounts of long-term borrowings approximates to their fair values as at 31 December 2013 and 31 December 2012.

The Group's short-term borrowings consisted of the following:

	31 December 2013	31 December 2012
Bank loans	3,730	3,320
Bonds	-	3,185
Interest payable	65	193
Total short-term borrowings	**3,795**	**6,698**

The Group's short-term borrowings are denominated in Russian Roubles at 31 December 2013 and 31 December 2012. The carrying amounts of short-term borrowings approximates to their fair values at 31 December 2013. At 31 December 2012 the fair value of short-term borrowings amounted to RR 6,737, comprising bonds RR 3,222 and bank loans and interests payable RR 3,513.

Certain of the Group's borrowings are subject to covenant requirements that the Group is required to comply with, or otherwise could result in an acceleration of the repayment period. See Note 31.

Property, plant and equipment of RR 2,790 (31 December 2012: RR 2,845) are pledged as collateral for long-term and short-term borrowings. See Note 7.

The short-term borrowings from Repurchase agreement for RR 250 are secured by 9.6% shares of the Group's subsidiary OAO "UAZ".

18. Advances received and other payables

	31 December 2013	31 December 2012
Dividends payable	56	17
Liabilities for purchased property, plant and equipment	38	34
Accrued liabilities and other creditors	94	237
Total financial liabilities within other payables	*188*	*288*
Advances received	197	1,290
Accrued employee benefit costs	244	300
Vacation accrual	214	266
Bonus accrual	519	721
Total advances received and other payables	**1,362**	**2,865**

There were no overdue payables as at 31 December 2013, including in respect of trade payables (31 December 2012: nil).

The bonus accrual relates to performance based on productivity of employees at a subsidiary during the year ended 31 December 2013 of RR 519 (31 December 2012: RR 721).

(in millions of Russian Roubles – RR)

19. Taxes payable

	31 December 2013	31 December 2012
Value-added tax	755	557
Payments to the State Pension Fund and other social taxes	183	156
Income tax	353	210
Property tax	26	20
Personal income tax	36	15
Other taxes	23	87
Total	**1,376**	**1,045**

The Group had no tax liabilities past due at 31 December 2013 or 31 December 2012.

20. Warranty and other provisions

During the year ended 31 December 2013 and 31 December 2012, the following movements in warranty and other provisions were recorded:

	Warranty	Tax and other claims	Total
Balance at 1 January 2012	**318**	**27**	**345**
Additional provision	426	68	494
Utilised in the year	(213)	(22)	(235)
Balance at 31 December 2012	**531**	**73**	**604**
Additional provision	459	261	720
Utilised in the year	(358)	(1)	(359)
Balance at 31 December 2013	**632**	**333**	**965**

The Group provides a one-year warranty on most UAZ vehicles, except a three-year warranty on the UAZ Patriot; one and two-year warranty on ZMZ engines; and a three-year warranty period on sport utility vehicles. The Group undertakes to repair or replace items that fail to perform satisfactorily. A provision has also been recognised for SsangYong vehicles based on expected costs to be incurred that are not covered by warranties provided by the supplier.

All of the above provisions have been classified as current liabilities as the Group does not have an unconditional right to defer settlement beyond one year.

21. Sales

	Year ended 31 December 2013	Year ended 31 December 2012
Vehicles	51,704	55,071
Automotive components	5,595	5,841
Engines	1,845	1,684
Services	1,145	1,788
Other sales	1,028	1,165
Total	**61,317**	**65,549**

(in millions of Russian Roubles – RR)

22. Cost of sales

	Year ended 31 December 2013	Year ended 31 December 2012
Materials and components	41,438	40,877
Labour costs	5,485	5,501
Other production costs	2,401	2,200
Depreciation and amortisation	998	884
Change in finished goods and work in progress	(444)	2,013
Total	**49,878**	**51,475**

23. Distribution costs

	Year ended 31 December 2013	Year ended 31 December 2012
Transportation	1,284	1,415
Advertising	488	470
Labour costs	401	337
Check and inspection performed by dealers	63	113
Materials	44	106
Commission fee	174	35
Other	100	75
Total	**2,554**	**2,551**

24. General and administrative expenses

	Year ended 31 December 2013	Year ended 31 December 2012
Labour costs	2,776	3,058
Services provided by third parties	317	497
Depreciation and amortisation	157	192
Rent	120	228
Taxes other than income	203	193
Business travel	150	155
Fire brigade and security costs	136	144
Repairs and maintenance	130	130
Transportation	17	73
Materials	38	72
Insurance	19	46
Training costs	30	19
Movement in the provision for impairment of receivables	3	172
Other	71	226
Total	**4,167**	**5,205**

25. Other operating income – net

	Year ended 31 December 2013	Year ended 31 December 2012
Net (income)/losses on disposals of property, plant, equipment and investments	(557)	220
Accounts payables written-off	(7)	(197)
Charitable donations	111	43
Social expenses	70	36
Loss on disposal of materials	93	60
Research and development expenses	-	7
Government grant amortisation	(29)	(16)
Other	(204)	(158)
Total	**(523)**	**(5)**

(in millions of Russian Roubles – RR)

26. Finance costs, net

	Year ended 31 December 2013	Year ended 31 December 2012
Interest expense, net	1,039	1,574
Government subsidy of interest expenses	(18)	(369)
Foreign exchange losses/(gain), net	159	(315)
Total finance costs, net	**1,180**	**890**
Less capitalised finance costs	(36)	(80)
Total finance costs, net	**1,144**	**810**

The Group's capitalised borrowing costs of RR 36 mainly arising on financing attributable to the construction of property, plant and equipment (2012: RR 80).

Interests paid during 2013 and 2012 to State banks were partly compensated under Government Decrees #640 dated 1 August 2011 and #357 dated 6 June 2005. The compensation was recognised within finance costs of the consolidated profit or loss of the reporting periods to match it with the costs that they are intended to compensate.

27. Income tax expense

The income tax expense recorded in the consolidated statement of comprehensive income for the year comprises the following:

	Year ended 31 December 2013	Year ended 31 December 2012
Current income tax expense	1,358	1,681
Deferred tax charge	(265)	22
Income tax expense	**1,093**	**1,703**

The income tax rate applicable to the majority of the Group's income is 20% (2012: 20%). A reconciliation between the expected and the actual taxation charge is provided below:

	Year ended 31 December 2013	Year ended 31 December 2012
Profit before income tax	**4,671**	**7,584**
Theoretical tax charge at statutory rate (2013: 20%; 2012: 20%)	925	1,480
Theoretical tax charge/(benefit) at different statutory rate (2013: 16%; 2012: 16%)	9	36
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses/(income) at 20%	158	50
- Non-deductible expenses at 16%	1	137
Income tax expense	**1,093**	**1,703**

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (31 December 2012: 20%)

The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded on the balance sheet. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management's expectations that are believed to be reasonable under the circumstances.

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Deferred tax assets may be realised in different periods than the deferred tax liabilities may be settled. Management believes that there will be sufficient taxable profits available at the time the temporary differences reverse to utilise the deferred tax assets. See Note 3.3.

(in millions of Russian Roubles – RR)

27. Income tax expense (continued)

The recognised tax losses carried forward generally expire in the period to 2023, being ten years after the end of the fiscal period when the losses were generated.

	1 January 2012	**Movement in the year ended 31 December 2012**	**31 December 2012**	**Movement in the year ended 31 December 2013**	**31 December 2013**
Tax effects of deductible temporary differences:					
Losses carried forward	1,243	(1,182)	61	60	121
Accounts payable and provisions	262	(38)	224	106	330
Taxes payable	159	(85)	74	(74)	-
Inventories	1,099	(21)	1,078	(347)	731
Total	**2,763**	**(1,326)**	**1,437**	**(255)**	**1,182**
Tax effects of taxable temporary differences:					
Property, plant and equipment	(1,027)	57	(970)	114	(856)
Accounts receivable	(1,332)	287	(1,045)	401	(644)
Equity investments	(738)	738	-	-	-
Total	**(3,097)**	**1,082**	**(2,015)**	**515**	**(1,500)**
Recognised deferred tax asset, net	874	(598)	276	(80)	196
Recognised deferred tax liability, net	(1,208)	354	(854)	340	(514)
Total net deferred tax assets/(liabilities)	**(334)**	**(244)**	**(578)**	**260**	**(318)**

During the year ended 31 December 2013 movement of RR 5 (31 December 2012: RR 222) was due to disposal of subsidiaries.

The Group has not recorded a deferred tax liability in respect of temporary differences associated with investments in subsidiaries and joint ventures as the Group is able to control the timing of the reversal of these temporary differences and does not intend for them to reverse in the foreseeable future. Un-remitted earnings from subsidiaries and joint ventures were RR 15,882 at 31 December 2013 (31 December 2012: RR 13,776), mostly being subject to tax rate on dividends of 0%.

28. Earning per share

Basic earning per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

	Year ended 31 December 2013	**Year ended 31 December 2012**
Basic earnings per share (in RR per share)	105.78	171.1
Diluted earnings per share (in RR per share)	105.75	170.5
Profit attributable to equity holders of the Company	3,625	5,843
Basic weighted average number of shares outstanding (thousands)	34,270	34,152
− Adjustment for share options (thousands)	11	123
Diluted weighted average number of shares outstanding (thousands)	34,281	34,275

29. 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 Chief Executive Officer and that are used to make strategic decisions.

Since 2011 the Group restructured its automotive and engine segments after OAO UAZ has become the major customer of OAO ZMZ. The sales of engine segment became immaterial in terms of segment reporting and are no longer disclosed separately. As at 31 December 2013 the Group activities are considered as one reporting segment: vehicles.

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 21. Management considers that across the range of vehicles and models produced, these are considered as similar products. During the year ended 31 December 2013 and 31 December 2012 the Group did not have transactions with a single external customer that amounted to 10% or more of the Group’s revenues.

30. Financial risk management

30.1 Financial risk factors

The risk management function within the Group is carried out in respect of financial risks (market, currency, price, interest rate, credit and liquidity), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

(a) Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity investments, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

(in millions of Russian Roubles – RR)

30 Financial risk management (continued)

30.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Currency risk

The Group is exposed to currency risk from changes in the exchange rate of following currencies: Euro and US Dollars. The risks arise on purchase agreements for delivery of major production components denominated in foreign currencies. Management believes that the nature of its business enables the Group to offset currency risk by changing related Rouble denominated retail prices.

The Group did not expose to currency risk arising on open loan positions denominated in Euros and US Dollars.

The positions are monitored monthly. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2013:

	Monetary financial assets		Monetary financial liabilities		
	Cash and cash equivalents	**Accounts receivable**	**Accounts payable**	**Bonds and borrowings**	**Net balance sheet position**
US Dollars	78	3	(874)	-	**(793)**
Euros	5	-	(116)	-	**(111)**
Total foreign currencies	**83**	**3**	**(990)**	**-**	**(904)**
Russian Roubles	5,937	6,167	(9,313)	(9,511)	**(6,720)**
Total	**6,020**	**6,170**	**(10,303)**	**(9,511)**	**(7,624)**

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2012:

	Monetary financial assets		Monetary financial liabilities		
	Cash and cash equivalents	**Accounts receivable**	**Accounts payable**	**Bonds and borrowings**	**Net balance sheet position**
US Dollars	831	85	(6,389)	-	**(5,473)**
Euros	1	-	(191)	-	**(190)**
Korean Won	6	-	(61)	-	**(55)**
Total foreign currencies	**838**	**85**	**(6,641)**	**-**	**(5,718)**
Russian Roubles	1,722	8,711	(4,101)	(10,440)	**(4,108)**
Total	**2,560**	**8,796**	**(10,742)**	**(10,440)**	**(9,826)**

The above analysis includes only monetary assets and liabilities. The Group does not hold any currency derivatives. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

Management monitors exchange rates and market forecasts on foreign exchange rates regularly as well as prepares budgets for long-term, medium-term and short-term periods.

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the reporting date relative to the Group's functional currency, with all other variables held constant:

	2013	**2012**
Impact on profit and loss and on equity of:		
US Dollar strengthening by 10% (10% for 2012)	(79)	(547)
US Dollar weakening by 10% (10% for 2012)	79	547
Euro strengthening by 10% (10% for 2012)	(11)	(19)
Euro weakening by 10% (10% for 2012)	11	19
Korean Won strengthening by 10% (10% for 2012)	-	(5)
Korean Won weakening by 10% (10% for 2012)	-	5

The exposure was calculated only for monetary assets and liabilities denominated in currencies other than the functional currency of the respective entity of the Group.

(in millions of Russian Roubles – RR)

30 Financial risk management (continued)

30.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is not exposed to equity securities price risk because it does not hold a material portfolio of equity securities.

(iii) Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Group's exposure to interest rate risks. The table below presents the Group's financial liabilities at their carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

	Demand and less than 3 month	**From 3 to 12 months**	**More than 1 year**	**More than 5 years**	**Total**
31 December 2013					
Fixed interest rates	130	3,600	5,716	-	**9,446**
Total	**130**	**3,600**	**5,716**	**-**	**9,446**

	Demand and less than 3 month	**From 3 to 12 months**	**More than 1 year**	**More than 5 years**	**Total**
31 December 2012					
Fixed interest rates	800	5,135	3,742	-	**9,677**
EURIBOR based interest rates	-	-	-	-	**-**
CB RF refinancing rate based	-	570	-	-	**570**
Total	**800**	**5,705**	**3,742**	**-**	**10,247**

At 31 December 2013, if interest rates at that date had been 200 basis points lower (31 December 2012: 200 basis points lower) with all other variables held constant, the interest expense for the year would have been RR 196 lower (2012: RR 270 lower). If interest rates at that date had been 100 basis points higher (31 December 2012: 100 basis points higher) with all over variables held constant, the interest expense for the year would have been RR 98 higher (31 December 2012: RR 135 higher).

The Group monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

In % p.a.	**2013**	**2012**
Assets		
Cash and cash equivalents	0%-7.4%	0%-6.4%
Liabilities		
Borrowings	8.6%-12%	7.5%-12.5%, CB RF refinancing rate + 4%

(in millions of Russian Roubles – RR)

30 Financial risk management (continued)

30.1 Financial risk factors (continued)

(b) Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk by class of assets is as follows:

	31 December 2013	31 December 2012
Cash and cash equivalents	6,020	2,560
Accounts receivable, including long-term accounts receivable	6,072	8,548
Other receivables	68	203
Other financial assets	30	45
Total on-balance sheet exposure	**12,190**	**11,356**
Financial guarantees, Note 31	5,404	-
Total maximum exposure to credit risk	**17,594**	**11,356**

All of the financial assets of the Group, except for RR 20 (31 December 2012: RR 20) in shares, categorised as available for sale, are loans and receivables.

The process of management of credit risk includes assessment of credit reliability of the counterparties and reviewing payments received. All the receivables from the Group's dealers are secured through the Group retaining the PTS of vehicles dispatched until payment has been made.

Management reviews the ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 14.

The credit quality of each new customer is analysed before the Group enters into contractual agreements. The credit quality of customers is assessed taking into account their financial position and past experience.

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions already recorded.

The Group's cash and cash equivalents are held with over 17 banks (31 December 2012: 18 banks) thus there is no significant exposure of the Group to a concentration of credit risk. Management monitor Moody's, Fitch and S&P ratings of the banks used to manage the level of credit risk that the Group is exposed to. Management considers that the credit risk associated with these banks is negligible.

Credit risks concentration

No single debtor of the Group accounts for more than 2.1% (31 December 2012: 4.1%) of the trade accounts receivable of the Group. However, the majority of the Group's trade receivables represent dealers who sell the Group's vehicles to consumers, and therefore are exposed in similar ways to reductions in the demand from consumers for new vehicle sales, and their ability to obtain access to credit in the financial markets in order to finance their businesses. As the Group maintains the PTS registration certificates to each vehicle and has insurance arrangements in place covering the vehicles held by the dealers, this mitigates the potential exposure of the Group in the event that a number of dealers are impacted in similar ways and are not able to repay amounts owed.

Management does not consider any requirement to enter into hedging arrangements in relation to the credit risks to which the Group is exposed.

(in millions of Russian Roubles – RR)

30 Financial risk management (continued)

30.1 Financial risk factors (continued)

(c) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk with the objective of ensuring that funds will be available at all times for all cash flow obligations as they become due by preparing long-term, medium-term and short-term budgets, continuously monitoring forecast and actual cash flows.

The Group monitors the range of financial ratios (net debt/EBITDA, EBIT/Interest expense) in order to ensure that the Group maintains sufficient liquidity in order to meet its obligations as they fall due. Management review the targeted ratios in order to ensure that targets are in line with the market and take actions to ensure that the Group is able to maintain sufficient liquid resources to ensure that the Group continues to meet its liabilities as they fall due.

Management monitors compliance with covenant requirements on a monthly basis, or more frequently as appropriate. A schedule of covenant requirements that the Group is subject to is maintained by the Head of Treasury, and management are proactive to obtain revised agreements or waivers to the extent that requirements would otherwise not be achieved.

Management considers the targeted ratios sustainable for the foreseeable future. Management believes that the Group has access to additional credit facilities if required.

The analysis below represents management expectations of repayment schedule of monetary assets and liabilities of the Group as of 31 December 2013 and 31 December 2012. The table below is based on the earliest possible repayment dates and on nominal cash flows including future interest payments. Foreign currency cash flows are translated using spot exchange rates as of 31 December 2013 and 31 December 2012.

	Demand and less than 3 months	From 3 to 12 months	More than 1 year	More than 5 years	Total
31 December 2013					
Total monetary financial assets	**12,127**	**-**	**63**	**-**	**12,190**
Cash and cash equivalents	6,020	-	-	-	**6,020**
Trade receivables	6,009		63		**6,072**
Other receivables	68	-	-	-	**68**
Other financial assets	30	-	-	-	**30**
Total monetary financial liabilities	**(10,423)**	**(3,675)**	**(5,716)**	**-**	**(19,814)**
Loans and bonds	(195)	(3,600)	(5,716)	-	**(9,511)**
Trade payables	(10,040)	(75)	-	-	**(10,115)**
Other payables	(188)	-	-	-	**(188)**
Future interest payments	**(237)**	**(642)**	**(322)**	**-**	**(1,201)**
Net monetary financial assets / (liabilities) at 31 December 2013	**1,467**	**(4,317)**	**(5,975)**	**-**	**(8,825)**
31 December 2012					
Total monetary financial assets	**11,356**	**-**	**-**	**-**	**11,356**
Cash and cash equivalents	2,560	-	-	-	**2,560**
Trade receivables	8,548	-	-	-	**8,548**
Other receivables	45	-	-	-	**45**
Other financial assets	203	-	-	-	**203**
Total monetary financial liabilities	**(11,706)**	**(5,731)**	**(3,745)**	**-**	**(21,182)**
Loans and bonds	(993)	(5,705)	(3,742)	-	**(10,440)**
Trade payables	(10,425)	(26)	(3)	-	**(10,454)**
Other payables	(288)	-	-	-	**(288)**
Future interest payments	**(270)**	**(536)**	**(357)**	**-**	**(1,163)**
Net monetary financial liabilities at 31 December 2012	**(620)**	**(6,267)**	**(4,102)**	**-**	**(10,989)**

(in millions of Russian Roubles – RR)

30 Financial risk management (continued)

30.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The Group did not have any derivative financial instruments issued/held during the year ended 31 December 2013 or the year ended 31 December 2012.

In the year ended 31 December 2013 SsangYong distributor issued a financial guarantee for working capital facility at its joint venture operations related to SsangYong business in amount of RR 5,404 (Note 31).

30.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by a sum of total equity and net debt. The Group considers total capital under management at 31 December 2013 to be RR 24,267 (31 December 2012: RR 27,760).

The gearing ratios at 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	**31 December 2012**
Long-term borrowings	5,716	3,742
Short-term borrowings	3,795	6,698
Less: cash and cash equivalents	(6,020)	(2,560)
Net debt	**3,491**	**7,880**
Equity	20,776	19,880
Total net debt and equity	24,267	27,760
Gearing ratio	**14%**	**28%**

Management constantly monitor profitability ratios, market share price and debt/capitalisation ratio. The level of dividends is also monitored by the Board of Directors of the Group.

Fair value of financial instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

The fair value of long-term and short-term borrowings is disclosed in Note 17. The carrying value of other financial instruments approximates to their fair value. Level three measurements were applied.

31. Contingencies, commitments and operating risks

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Group may be received. On the basis both of its own estimates and external and internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims.

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

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

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

Different interpretations and applications of the Russian Tax Code are possible. For example, in relation to Russian taxpayers where outstanding loans are controlled by a foreign company owning directly or indirectly more than 20% of the charter capital of the Russian entity, thin capitalisation limits could be applied to the respective loan interest under certain circumstances even where loans are with other subsidiaries or Russian banks for the purpose of financing Russian business activities. As Russian tax legislation does not provide definitive guidance in certain areas, other tax matters including assessment of tax bases could also have different interpretations. Nonetheless management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained.

Amended Russian transfer pricing legislation took effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new 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. Management has implemented internal controls to be in compliance with the new transfer pricing legislation and do not anticipate any tax exposures will arise in practice.

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 controls to be in compliance with the new transfer pricing regulations and do not anticipate any tax exposures will arise in practice. The impact of any such exposure cannot be reliably estimated but may have a material effect on the joint ventures' financial results.

Capital commitments. Company's commitments totalled RR 1,694 at 31 December 2013 (31 December 2012: RR 185) including contractual obligations to purchase, construct or develop property, plant and equipment.

Guarantees. Guarantees are irrevocable assurance that the Group will make payments in the event that another party cannot meet its obligations. SsangYong distributor has issued a financial guarantee for working capital facility at its joint venture operations related to SsangYong business in amount of RR 5,404.

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.

Management have validated that the Group was in full compliance with all covenants attached to contracts entered into, including borrowing agreements with lenders, as at 31 December 2013 (31 December 2012: no exceptions).

As at the date of approval of these consolidated financial statements, management considers that the Group is in full compliance with all covenant requirements.

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.

(in millions of Russian Roubles – RR)

32. Principal subsidiaries

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

		31 December 2013	31 December 2012
Entity	**Activity**	**% of effective interest (total share capital)**	**% of effective interest (total share capital)**
OOO “DC SanYong”	Auto trading	100	100
OOO “Torgoviy dom Sollers”	Auto components trading	100	100
OAO “Zavolzhskiy Motor Works” (further “ZMZ”)	Manufacture and sale of engines for passenger automobiles, trucks and buses	68	64
OAO “Ulyanovsky Avtomobilny Zavod” (further “UAZ”)	Manufacture and sale of passenger automobiles, light trucks and minibuses	79	66
OOO “Sollers-Dal’niy Vostok”	Vehicle production	100	100
OOO DC UAZ	Auto trading	100	100

The table presents the Group’s effective interest in total share capital comprising of ordinary shares and preference shares.

During the year ended 31 December 2013, as part of an internal Group reorganisation, the Group’s effective interest in OAO “Zavolzhskiy Motor Works” was increased in comparison with prior year although the Group retained a majority effective interest and there were no changes in voting rights. As a result of this reorganisation, an amount of RR 774 is recognised in the Statement of Changes in Equity.

During the year ended 31 December 2012, as part of an internal Group reorganisation, the Group’s effective interest in OAO “Zavolzhskiy Motor Works” was reduced although the Group retained a majority effective interest and there were no changes in voting rights. As a result of this reorganisation, an amount of RR 595 is recognised in the Statement of Changes in Equity.

At 31 December 2013 and 2012 the Group has two subsidiaries with non-controlling interests that are material:

	31 December 2013		31 December 2012	
	Carrying amount	**The non-controlling interest’s share**	**Carrying amount**	**The non-controlling interest’s share**
ZMZ	3,320	32%	3,630	36%
UAZ	1,763	21%	3,412	34%
Total	**5,083**		**7,042**	

The table below summarises the movements in the carrying amount of the non-controlling interest in the Group’s subsidiaries:

	ZMZ	**UAZ**
Carrying amount at 1 January 2012	**2,889**	**3,527**
Non-controlling interest in current year result	(242)	273
Dilution factor effect	983	(388)
Carrying amount at 31 December 2012	**3,630**	**3,412**
Non-controlling interest in current year result	(60)	13
Dilution factor effect	(250)	(524)
Decrease of non-controlling interest due purchase by the Group	-	(1,138)
Carrying amount at 31 December 2013	**3,320**	**1,763**

In November 2013 the Group bought-out 13% of UAZ shares from the State for RR 900. The Group’s result amounted to RR 238 was recognised in equity.

The summarised financial information of the Group’s subsidiaries with significant non-controlling interest, including full amounts of total assets, liabilities, revenues and profit/(loss), is as follows:

(in millions of Russian Roubles – RR)

32. Principal subsidiaries (continued)

	Total assets	Total liabilities	Revenue	Profit/ (loss)	Net cash flows
Total at 31 December 2013					
ZMZ	11,908	(1,564)	6,583	(176)	(170)
UAZ	23,483	(14,892)	28,304	38	1,477
Total at 31 December 2012					
ZMZ	12,381	(2,303)	7,508	(889)	308
UAZ	24,299	(14,198)	31,530	807	(109)