AVTOVAZ GROUP

INTERNATIONAL FINANCIAL REPORTING STANDARDS
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

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Совершенствуя бизнес,
улучшаем мир

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Report on review of interim condensed consolidated financial statements

To the shareholders of JSC AVTOVAZ

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC AVTOVAZ and its subsidiaries ("the Group"), comprising the interim consolidated statement of financial position as at 30 June 2015 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLC

28 August 2015
Togliatti, Russia

AVTOVAZ GROUP
Interim Condensed Consolidated Statement of Financial Position
as at 30 June 2015
(In millions of Russian Roubles unless otherwise stated)

	Note	30 June 2015 Unaudited	31 December 2014 Audited
ASSETS			
Current assets:			
Cash and cash equivalents	4, 29	**3,143**	8,798
Trade receivables	5, 29	**11,274**	16,548
Financial assets	6, 29	**837**	1,954
Inventories	7	**35,453**	21,161
Other current assets	8	**9,709**	6,568
		60,416	55,029
Long-term assets:			
Property, plant and equipment	9	**82,334**	77,045
Financial assets	11, 29	**643**	52
Investments in associates	12	**242**	337
Interest in a joint venture	13	**3,142**	3,092
Intangible assets	10	**14,892**	14,541
Deferred tax assets		**285**	553
Other long-term assets	14	**16,142**	14,047
		117,680	109,667
Total assets		**178,096**	164,696
LIABILITIES AND EQUITY			
Current liabilities:			
Trade payables	29	**40,088**	40,384
Other payables and accrued expenses	15	**7,298**	4,462
Income tax liability		**49**	39
Other taxes	17	**3,958**	4,293
Provisions		**1,153**	1,238
Loans and borrowings	16, 29	**33,166**	39,482
Advances from customers		**2,439**	1,728
		88,151	91,626
Long-term liabilities:			
Loans and borrowings	16, 29	**50,316**	29,116
Other taxes	29	**524**	727
Provisions		**628**	700
Deferred tax liabilities		**4,662**	5,238
Advances received		**2,340**	2,368
		58,470	38,149
Total liabilities		**146,621**	129,775
Equity attributable to equity holders of the Company			
Share capital	18	**39,172**	39,172
Share premium		**15,300**	15,300
Currency translation adjustment		**338**	468
Accumulated losses		**(23,770)**	(20,388)
		31,040	34,552
Non-controlling interests		**435**	369
Total equity		**31,475**	34,921
Total liabilities and equity		**178,096**	164,696

Bo Inge Andersson
President, JSC AVTOVAZ

D.G.Blyumin
Director, Accounting and Reporting

28 August 2015

(In millions of Russian Roubles unless otherwise stated)

	Note	Six months ended 30 June Unaudited 2015	2014
Sales	19	**91,872**	90,648
Cost of sales	20	**(88,147)**	(85,496)
Gross profit		**3,725**	5,152
Administrative expenses	21	**(6,191)**	(5,754)
Distribution costs	22	**(2,240)**	(1,991)
Research and development expenses		**(635)**	(681)
Other operating income	23	**239**	110
Other operating expenses	24	**(58)**	(1,190)
Operating loss		**(5,160)**	(4,354)
Net interest income and expenses		**(2,047)**	(1,477)
Interest income		***638***	*324*
Interest expenses		***(2,685)***	*(1,801)*
Other financial income and expenses	25	**3,579**	(175)
Share of profit from joint venture	13	**50**	182
Share of associates' profit/(loss)	12	**4**	(6)
Loss before taxation		**(3,574)**	(5,830)
Income tax benefit	26	**258**	954
Loss for the period		**(3,316)**	(4,876)
(Loss)/profit attributable to:			
Equity holders of the Company		**(3,382)**	(4,863)
Non-controlling interests		**66**	(13)
		(3,316)	(4,876)
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Currency translation adjustment		**(130)**	35
Total other comprehensive (loss)/income for the period to be reclassified to profit or loss in subsequent periods, net of taxes		**(130)**	35
Total comprehensive loss for the period, net of taxes		**(3,446)**	(4,841)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(3,512)**	(4,828)
Non-controlling interests		**66**	(13)
Total comprehensive loss for the period, net of taxes		**(3,446)**	(4,841)
Weighted average number of shares outstanding during the period (thousands)		**2,284,227**	2,284,227
Loss per share, basic/diluted (in RR):			
- loss for the period attributable to ordinary/preference equity holders of the Company		**(1.48)**	(2.13)

(In millions of Russian Roubles unless otherwise stated)

	Note	Six months ended 30 June Unaudited 2015	2014
Cash flows from operating activities:			
Loss before taxation		**(3,574)**	(5,830)
Adjustments for:			
Depreciation and amortization	9, 10	**5,502**	5,607
Charge to provision for impairment of trade receivables	5, 22	**255**	122
Charge to/(reversal of) provision for impairment of other current assets	8, 22	**198**	(237)
Charge to provision for impairment of current financial assets	6	**1,468**	39
Charge to provision for impairment of long-term financial assets	11	**30**	-
Interest income		**(638)**	(324)
Interest expense		**3,493**	2,370
Charge to provision for impairment of long-term assets	9, 10	**653**	53
Gain on disposal of property, plant and equipment	23	**(95)**	(1)
Share of associates' (profit)/loss	12	**(4)**	6
Share of profit from joint venture	13	**(50)**	(182)
Gain on derecognition of the liability on promissory notes	25	**(1,837)**	-
Gain on derecognition of financial liability	25	**(113)**	(205)
Gain on disposal of subsidiaries and other investments	23	**(144)**	(109)
Foreign exchange effect		**(1,507)**	307
Operating cash flows before working capital changes		**3,637**	1,616
Change in trade receivables		**4,863**	(8,398)
Change in current financial and other assets		**(3,510)**	(1,480)
Change in inventories		**(14,370)**	2,331
Change in trade payables and other payables and accrued expenses		**4,883**	7,433
Change in other taxes		**(523)**	3,146
Change in advances from customers		**821**	262
Cash (used in)/generated from operations		**(4,199)**	4,910
Income tax paid		**(40)**	(40)
Interest received		**533**	298
Interest paid		**(3,319)**	(1,927)
Net cash (used in)/generated from operating activities		**(7,025)**	3,241
Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets		**(15,649)**	(10,046)
Proceeds from the sale of property, plant and equipment		**165**	186
Purchase of financial assets		**(989)**	(51)
Proceeds from the sale of financial assets		**22**	146
Proceeds from the sale of subsidiaries less cash disposed of		**190**	51
Net cash used in investing activities		**(16,261)**	(9,714)
Cash flows from financing activities:			
Proceeds from loans and borrowings		**26,336**	14,828
Repayment of loans and borrowings		**(8,698)**	(5,837)
Net cash generated from financing activities		**17,638**	8,991
Effect of exchange rate changes		**(7)**	(3)
Net increase in cash and cash equivalents		**(5,655)**	2,515
Cash and cash equivalents at the beginning of the period	4	**8,798**	3,384
Cash and cash equivalents at the end of the period	4	**3,143**	5,899

(In millions of Russian Roubles unless otherwise stated)

	Equity attributable to equity holders of the Company						
	Share capital	Share premium	Currency translation adjustment	(Accumu-lated losses)/ retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2013	**39,172**	**15,300**	**257**	**4,723**	**59,452**	**308**	**59,760**
Loss for the period	-	-	-	(4,863)	(4,863)	(13)	(4,876)
Other comprehensive income	-	-	35	-	35	-	35
Total comprehensive income/(loss)	**-**	**-**	**35**	**(4,863)**	**(4,828)**	**(13)**	**(4,841)**
Balance at 30 June 2014 (Unaudited)	**39,172**	**15,300**	**292**	**(140)**	**54,624**	**295**	**54,919**
Balance at 31 December 2014	**39,172**	**15,300**	**468**	**(20,388)**	**34,552**	**369**	**34,921**
Loss for the period	-	-	-	(3,382)	(3,382)	66	(3,316)
Other comprehensive loss	-	-	(130)	-	(130)	-	(130)
Total comprehensive income/(loss)	**-**	**-**	**(130)**	**(3,382)**	**(3,512)**	**66**	**(3,446)**
Balance at 30 June 2015 (Unaudited)	**39,172**	**15,300**	**338**	**(23,770)**	**31,040**	**435**	**31,475**

1. Corporate information

JSC AVTOVAZ and its subsidiaries' ("the Group") principal activities include the manufacture and sale of passenger automobiles. The Group's manufacturing facilities are primarily based in the cities of Togliatti and Izhevsk (OOO OAG 100% subsidiary) of the Russian Federation. The Group has a sales and service network spanning the Commonwealth of Independent States and some other countries. The parent company, JSC AVTOVAZ ("the Company" or JSC AVTOVAZ), was incorporated as an open joint stock company in the Russian Federation on 5 January 1993. The registered office of JSC AVTOVAZ is in Yuzhnoye Shosse, 36, Togliatti, Samara region, 445024, the Russian Federation.

In December 2012 the major shareholders of the Company singed a partnership agreement. This agreement created an entity named Alliance Rostec Auto B.V. This entity was formed to hold all the interests in the Company owned by Renault s.a.s., Nissan International Holding B.V. and State Corporation Rostechnologii. As a result of transactions with equity shares of the Company among the shareholders that took place in 2013, Alliance Rostec Auto B.V. held 74.51% of total equity shares of the Company. As at 30 June 2015 50% less one share of equity interest in Alliance Rostec Auto B.V. belonged to Renault s.a.s., 32.87% to State Corporation Rostechnologii and 17.13% to Nissan International Holding B.V.

These interim condensed consolidated financial statements were authorised for issue by the president of JSC AVTOVAZ on 28 August 2015.

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

2.1 Basis of preparation of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with AVTOVAZ Group's annual consolidated financial statements as at 31 December 2014.

2.2 Adopted accounting standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle
These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 2 *Share-based Payment*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
- a performance condition must contain a service condition;
- a performance target must be met while the counterparty is rendering service;
- a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- a performance condition may be a market or non-market condition;
- if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

These amendments have no impact on the Group.

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

2.2 Adopted accounting standards and interpretations (continued)

IFRS 3 *Business Combinations*
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

IFRS 8 *Operating Segments*
The amendments are applied retrospectively and clarify that:
- an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 28 in these interim condensed consolidated financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of decision making.

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. These amendments have no impact on the Group .

IAS 24 *Related Party Disclosures*
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 3 *Business Combinations*
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
- joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

This amendment is not relevant for the Group.

IFRS 13 *Fair Value Measurement*
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

IAS 40 *Investment Property*
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

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

2.3 Comparatives

In order to achieve consistency of presentation with the current reporting period, changes have been made to the comparative figures in the interim condensed consolidated statement of comprehensive income related to rental income, transportation costs, expenses on taxes and other income and expenses. As a result of reclassifications comparative figures for six months ended 30 June 2014 were changed and sales increased by RR 221, cost of sales increased by RR 1,761, administrative expenses decreased by RR 208, distribution costs decreased by RR 1,460, research and development expenses increased by RR 251, other operating income decreased by RR 988, other operating expenses decreased by RR 413, finance costs decreased by RR 698.

(In millions of Russian Roubles unless otherwise stated)

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

2.3 Comparatives (continued)

In order to achieve consistency of presentation with the current reporting period, changes have been made to the comparative figures related to certain captions in the consolidated statement of financial position related to classification of prepayments for long-term assets, interest payable, contingent liability provision and liability for government grants. As a result of reclassifications comparative figures as of 31 December 2014 were changed and property, plant and equipment increased by RR 3,300, intangible assets increased by RR 1, other long-term assets decreased by RR 3,498, other payables decreased by RR 558, provisions increased by RR 127, loans and borrowings increased by RR 234.

2.4 Impairment of non-financial assets

As at 31 December 2014 the Group assesses whether there is any indication that non-financial assets may be impaired. The Group identified that certain indicators of impairment existed at that date and performed impairment test in accordance with IAS 36. As a result of impairment test made as at 31 December 2014, the Group recognized an impairment loss of RR 2,577.

Based on the assessment of developments in the Groups' operating and financial performance since 31 December 2014, stock price fluctuations and future projections made by management, the Group concluded that there are no new indicators of impairment and no objective evidence of impairment affecting non-financial assets. During the six months ended 30 June 2015 the following improvements were achieved: revenue of the Group increased, the Group was able to cut certain expenses and improve its operating cash flow. The Group launched new models in line with the time schedule used in the business plan. As a result, there are no indicators of decline in the recoverable amount of non-financial assets tested for impairment since 31 December 2014. The book value of non-financial assets tested for impairment did not change significantly from 31 December 2014. As a result, no impairment provision was recognized at 30 June 2015.

3. Balances and transactions with related parties

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

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

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

As at 30 June 2015 and 31 December 2014 the Company had balances with the companies controlled by the Russian Government, which are detailed below:

	Unaudited	
	30 June 2015	31 December 2014
Cash and cash equivalents	**2,496**	4,350
Trade receivables before provision charge	**1,274**	565
Provision for impairment of trade receivables	**(78)**	(2)
Other current assets before provision charge	**1,397**	927
Provision for impairment of other current assets	**(69)**	(88)
Prepayments for fixed assets before provision charge	**675**	352
Current financial assets before provision charge	**2,301**	1,941
Provision for impairment of current financial assets	**(1,465)**	-
Financial assets – long-term, before provision charge	**628**	-
Trade payables	**2,389**	2,688
Advances received short-term	**17**	19
Other payables	**10**	7
Loans and borrowings	**60,863**	44,542
Loans received from State Corporation Rostechnologii	**6,907**	6,513

As at 30 June 2015 collateral issued by the Group to the companies controlled by the Russian Government was RR 13,153 (31 December 2014: RR 12,983).

(In millions of Russian Roubles unless otherwise stated)

3. Balances and transactions with related parties (continued)

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

During the six months ended 30 June 2015 and 30 June 2014 the Company entered into transactions with the companies controlled by the Russian Government, which are detailed below:

	Unaudited	
	Six months ended 30 June 2015	Six months ended 30 June 2014
Sales	**1,043**	434
Purchases of services, goods and inventory	**13,520**	12,756
Interest income	**592**	94
Interest expenses	**2,860**	1,447
Charge of provision for impairment of current financial assets	**1,465**	9
Charge of provision for impairment of trade receivables	**45**	38
Reversal of provision for impairment of long-term assets	**-**	83
Charge of provision for impairment of other current assets	**-**	2
Reversal of provision for impairment of other current assets	**17**	-

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

3.2 Balances and transactions with other related parties

The nature of the related party relationships for those related parties with whom the Group entered into transactions or had balances outstanding at 30 June 2015 and 31 December 2014, except for companies directly or indirectly controlled by the Russian Government, are detailed below:

		Unaudited	
	Relationship	**30 June 2015**	31 December 2014
Trade receivables before provision charge	Associates	**2**	-
Provision for impairment of trade receivables	Associates	**(1)**	-
Trade receivables before provision charge	Joint venture	**677**	782
Trade receivables before provision charge	Significant influence via shareholder	**4,477**	10,104
Other current assets before provision charge	Significant influence via shareholder	**114**	289
Provision for impairment of other current assets	Significant influence via shareholder	**(28)**	-
Other current assets before provision charge	Associates	**46**	1
Other current assets before provision charge	Joint venture	**1**	-
Other long-term assets before provision charge	Significant influence via shareholder	**16,132**	14,037
Prepayments for fixed assets before provision charge	Associates	**21**	5
Prepayments for fixed assets before provision charge	Significant influence via shareholder	**101**	-
Trade payables	Associates	**214**	320
Trade payables	Joint venture	**29**	23
Trade payables	Significant influence via shareholder	**12,547**	8,737
Other payables	Associates	**26**	-
Other payables	Joint venture	**-**	2
Other payables	Significant influence via shareholder	**-**	164
Loans and borrowings	Significant influence via shareholder	**6,455**	7,594
Advances received short-term	Associates	**14**	-
Advances received short-term	Joint venture	**14**	-
Advances received short-term	Significant influence via shareholder	**548**	602
Advances received long-term	Significant influence via shareholder	**2,340**	2,368

(In millions of Russian Roubles unless otherwise stated)

3. Balances and transactions with related parties (continued)

3.2 Balances and transactions with other related parties (continued)

The transactions with related parties for the six months ended 30 June 2015 and 30 June 2014 were as follows:

		Unaudited	
	Relationship	**Six months ended 30 June 2015**	Six months ended 30 June 2014
Sales	Joint venture	**3,001**	3,249
Sales	Associates	**974**	-
Sales	Significant influence via shareholder	**28,736**	14,442
Interest expenses	Significant influence via shareholder	**183**	46
Purchases of goods, inventory and services	Associates	**968**	679
Purchases of equipment	Associates	**8**	26
Purchases of inventory	Significant influence via shareholder	**20,870**	13,687
Purchases of equipment	Significant influence via shareholder	**112**	637
Purchases of services	Significant influence via shareholder	**730**	267
Purchases of intangible assets	Significant influence via shareholder	**32**	1,483
Purchases of goods, inventory and services	Joint venture	**328**	374
Charge of provision for impairment of other current assets	Significant influence via shareholder	**29**	-
Administrative expenses	Short-term employee benefits - compensation of the Key Management	**213**	160

4. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	Unaudited	
	30 June 2015	31 December 2014
Cash on hand and balances with banks	**2,761**	3,133
Short-term deposits and bank promissory notes	**382**	5,665
	3,143	8,798

As at 30 June 2015 cash and cash equivalents denominated in Euro were RR 332, in US dollar were RR 89, in other foreign currency were RR 159 (31 December 2014: in Euro – RR 622, in US dollar – RR 95, other foreign currency – RR 151).

5. Trade receivables

The ageing analysis of trade receivables is as follows:

			Past due but not impaired		
	Trade receivables	Neither past due nor impaired	< 3 months	3 to 6 months	6 to 12 months
31 December 2014	16,548	16,163	171	43	171
30 June 2015 (unaudited)	**11,274**	**10,896**	**328**	**12**	**38**

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

	Unaudited
Balance at 31 December 2013	1,197
Charge	136
Unused amounts reversed	(14)
Utilized	(13)
Disposal of subsidiary	(19)
Reclassification to provision for impairment of other current assets	(44)
Balance at 30 June 2014	**1,243**
Balance at 31 December 2014	384
Charge	270
Unused amounts reversed	(15)
Utilized	(2)
Disposal of subsidiary	(29)
Balance at 30 June 2015	**608**

(In millions of Russian Roubles unless otherwise stated)

6. Financial assets – current

Current financial assets consisted of the following:

	Unaudited 30 June 2015	31 December 2014
Rouble-denominated loans less provision	**837**	1,954
	837	1,954

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

	Unaudited
Balance at 31 December 2013	892
Charge	96
Unused amounts reversed	(57)
Utilized	(1)
Balance at 30 June 2014	**930**
Balance at 31 December 2014	811
Charge	1,478
Unused amounts reversed	(10)
Balance at 30 June 2015	**2,279**

7. Inventories

Inventories consisted of the following:

	Unaudited 30 June 2015	31 December 2014
Raw materials	**16,507**	13,749
Work in progress	**3,655**	2,704
Finished goods	**15,291**	4,708
	35,453	21,161

As at 30 June 2015 inventories are recorded net of obsolescence provision of RR 1,614 (31 December 2014: RR 1,458). As at 30 June 2015 the carrying amount of inventories recorded at net realisable value was RR 3,779 (31 December 2014: RR 193).

During the six months ended 30 June 2015 the cost of write-down of inventories recognized as an expense was RR 35 (for the six months ended 30 June 2014: RR 30).

The provision of inventories recognized as an expense for the six months ended 30 June 2015 was RR 156 (for the six months ended 30 June 2014: RR 38).

8. Other current assets

Other current assets consisted of the following:

	Unaudited 30 June 2015	31 December 2014
Value added tax	**4,865**	2,023
Prepaid expenses and other receivables less provision	**4,844**	4,545
	9,709	6,568

(In millions of Russian Roubles unless otherwise stated)

8. Other current assets (continued)

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

	Unaudited
Balance at 31 December 2013	696
Charge	39
Unused amounts reversed	(276)
Utilized	(24)
Reclassification from provision for impairment of trade receivable	44
Disposal of subsidiary	(9)
Balance at 30 June 2014	**470**
Balance at 31 December 2014	433
Charge	240
Unused amounts reversed	(42)
Utilized	(7)
Disposal of subsidiary	(8)
Balance at 30 June 2015	**616**

9. Property, plant and equipment

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

	Unaudited
Balance at 31 December 2013	81,166
Additions	8,037
Disposals	(235)
Depreciation charge	(4,582)
Impairment	(53)
Balance at 30 June 2014	**84,333**
Balance at 31 December 2014	77,045
Additions	10,584
Disposals	(195)
Depreciation charge	(4,473)
Impairment	(627)
Balance at 30 June 2015	**82,334**

10. Intangible assets

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

	Unaudited
Balance at 31 December 2013	13,296
Additions	2,300
Amortization charge	(994)
Balance at 30 June 2014	**14,602**
Balance at 31 December 2014	14,541
Additions	1,406
Amortization charge	(1,029)
Impairment	(26)
Balance at 30 June 2015	**14,892**

In 2008 the Group and Renault s.a.s. signed license agreements in relation to production, assembling and sale of licensed cars and engines. As at 30 June 2015 intangible assets included licenses for production, assembling and sale of cars with net book value of RR 3,306 and engines with net book value of RR 3,816.

(In millions of Russian Roubles unless otherwise stated)

11. Financial assets – long-term

Long-term financial assets consisted of the following:

	Unaudited 30 June 2015	31 December 2014
Loans issued	**628**	37
Available-for-sale financial assets	**15**	15
	643	52

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

	Unaudited
Balance at 31 December 2013	228
Utilized	(228)
Balance at 30 June 2014	-
Balance at 31 December 2014	42
Charge	30
Balance at 30 June 2015	**72**

12. Investments in associates

	Unaudited
Balance at 31 December 2013	238
Share of loss	(6)
Balance at 30 June 2014	**232**
Balance at 31 December 2014	337
Share of profit	4
Currency translation adjustment	(71)
Disposals	(28)
Balance at 30 June 2015	**242**

13. Interest in a joint venture

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

	Unaudited
Balance at 31 December 2013	2,865
Share of profit from joint venture	182
Balance at 30 June 2014	**3,047**
Balance at 31 December 2014	3,092
Share of profit from joint venture	50
Balance at 30 June 2015	**3,142**

14. Other long-term assets

Other long-term assets consisted of the following:

	Unaudited 30 June 2015	31 December 2014
Long-term receivables	**16,133**	14,038
Other long-term assets	**9**	9
	16,142	14,047

(In millions of Russian Roubles unless otherwise stated)

15. Other payables and accrued expenses

Other payables and accrued expenses consisted of the following:

	Unaudited 30 June 2015	31 December 2014
Salaries payable and vacation accrual	**4,036**	2,962
Deferred income	**1,266**	-
Other	**1,996**	1,500
	7,298	4,462

16. Loans and borrowings

Loans and borrowings consisted of the following:

	Unaudited 30 June 2015	31 December 014
Short-term loans and borrowings	**33,166**	39,482
Long-term loans and borrowings	**50,316**	29,116
	83,482	68,598

In 2014 the Company and Vnesheconombank signed addendum to the agreement on opening a credit line, which increased the limit from RR 25,225 to RR 45,142 and set the annual interest rate between 10.92% and to 11%. The loan can be used only to finance investment projects of the Company. The loan is repayable by equal quarterly instalments from 2017 to 2023. As at 30 June 2015 outstanding principal balance under this credit line amounted to RR 18,532 (31 December: RR 9,653).

In April 2015 the OOO OAG and Vnesheconombank signed agreement on opening a credit line with the limit of RR 14,857, maturity date in 2024 and annual interest rate of 11%. As at 30 June 2015 outstanding principal balance under this credit line amounted to RR 4,980.

In June 2015 the Company and Sberbank of Russia signed agreement on opening a credit line with the limit of RR 2,000, maturity dates in 2016 and annual interest rates of 14.5% - 15.2%. As at 30 June 2015 outstanding principal balance under this credit line amounted to RR 2,000.

During the six months ended 30 June 2015 the Company and Globex Bank signed agreements on opening a credit line with the limit of RR 4,000, maturity dates in 2016 and annual interest rates of 16.5% - 17.5%. As at 30 June 2015 outstanding principal balance under this credit line amounted to RR 3,000.

During the six months ended 30 June 2015 the Company and Novikombank signed agreements on opening a credit line with the limit of RR 2,200, maturity date in 2016 and annual interest rates of 16% - 17%. As at 30 June 2015 outstanding principal balance under this credit line amounted to RR 2,200.

Rouble-denominated interest-free bearer promissory notes have a maturity dates in 2020. These notes were initially recorded at fair value calculated using effective interest rate of 22.5%. Their nominal value as at 30 June 2015 was RR 1,481 (31 December 2014: RR 9,129).

In June 2015 the Company derecognized liability on promissory notes with nominal value of RR 7,648. At the date of derecognition the carrying amount of the promissory notes was RR 1,837, gain from derecognition of the liability amounted to RR 1,837.

In 2013 the Company signed agreements with financial institutions for factoring of trade receivables. During the six months ended 30 June 2015 the Company received cash from the financial institutions in the amount of RR 6,278 and debtors of the Company remitted cash in the amount of RR 3,961 directly to the financial institutions. As at 30 June 2015 the liability under the factoring agreements amounted to RR 2,185. For the six months ended 30 June 2015 interest expenses related to these agreements amounted to RR 49. Cash flows raised on factoring of receivables are reported net of cash remitted by debtors directly to the financial institutions in the consolidated statement of cash flows as proceeds from loans and borrowings under financing activities. The amount of cash payments by debtors directly to the financial institutions is included as cash inflow in net change in trade receivables in the consolidated statement of cash flows under operating activities.

(In millions of Russian Roubles unless otherwise stated)

16. Loans and borrowings (continued)

As at 30 June 2015 the Company was not in compliance with financial covenants set by loan agreements with certain banks which include ratios as follows: ratio of EBITDA to interest and coupon ratio, ratio of EBITDA to short-term debt service, ratio of share capital to loans and borrowings, ratio of current assets to short-term liabilities, breakeven results of the Company for the last 12 months, failure to meet payment obligations in the amount of more than 10% of net assets, and cross-default. As at 30 June 2015 the Company had RR 20,168 of bank loans with breached covenants including RR 6,838 of long-term debt which was classified as short-term liabilities as at that date because of the covenant violations.

As at 30 June 2015 the Company received waivers in the amount of RR 2,657 from Rosbank, Garanti Bank-Moscow and Societe Generale in relation to breached loan covenants, including RR 265 of long-term debt. The period of the waivers is less than 12 months after the reporting period therefore, respective balances in amount of RR 265 were classified as short-term liabilities.

In June 2015 the Company and Sberbank of Russia signed an addendum to the loan agreements, according to which the loan covenants were changed and became more favorable for the Company.

As of the date of approval of these interim condensed consolidated financial statements the credit institutions have brought no claims to the Company to demand early payment of the debt.

As at 30 June 2015 the Group had available RR 46,489 (31 December 2014: RR 42,701) of undrawn committed borrowing facilities.

17. Other taxes

Current taxes payable consisted of the following:

	Unaudited 30 June 2015	31 December 014
Property and other taxes	**2,811**	2,802
Social taxes	**625**	885
Value added tax	**522**	606
	3,958	4,293

18. Share capital

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

	Unaudited 30 June 2015			31 December 2014		
	No. of shares	**Legal statutory value**	**Carrying amount**	No. of shares	Legal statutory value	Carrying amount
Class A preference	**461,764,300**	**2,309**	**9,235**	461,764,300	2,309	9,235
Ordinary	**1,822,463,131**	**9,112**	**29,937**	1,822,463,131	9,112	29,937
Total outstanding share capital	**2,284,227,431**	**11,421**	**39,172**	2,284,227,431	11,421	39,172

In June 2015 the Annual Shareholders' Meeting made a decision not to pay dividends on ordinary and preference shares of the Company in respect of 2014.

(In millions of Russian Roubles unless otherwise stated)

19. Sales

The components of sales revenue were as follows:

	Unaudited	
	Six months ended 30 June 2015	Six months ended 30 June 2014
Vehicles and assembly kits	**81,416**	81,633
Dealership sales of other producers' vehicles	**496**	525
Automotive components	**5,970**	5,531
Other sales	**3,990**	2,959
	91,872	90,648

20. Cost of sales

Cost of sales comprises of expenses incurred in the manufacturing of vehicles, assembly kits and spare parts, mainly the cost of materials and components. The remaining costs principally include labour costs in amount of RR 11,933 (for six months ended 30 June 2014: RR 12,508) as well as depreciation and amortization amounted to RR 4,847 (for six months ended 30 June 2014: RR 4,886).

Based on Government regulations on utilization fee effective from January 2014 the Group incurred costs of utilization fee for six months ended 30 June 2015 in the amount of RR 4,627 as part of cost of sales (for six months ended 30 June 2014: 5,547).

21. Administrative expenses

The components of administrative expenses were as follows:

	Unaudited	
	Six months ended 30 June 2015	Six months ended 30 June 2014
Labour costs	**3,526**	3,589
Third parties' services	**1,287**	526
Depreciation	**287**	415
Transportation	**240**	271
Local and regional taxes	**205**	237
Materials	**129**	193
Bank services	**127**	131
Other	**390**	392
	6,191	5,754

22. Distribution costs

The components of distribution costs were as follows:

	Unaudited	
	Six months ended 30 June 2015	Six months ended 30 June 2014
Labour costs	**907**	829
Advertising	**272**	510
Materials	**200**	264
Depreciation	**51**	55
Charge to provision for impairment of trade receivables (Note 5)	**255**	122
Charge to/(reversal of) provision for impairment of other current assets (Note 8)	**198**	(237)
Other	**357**	448
	2,240	1,991

(In millions of Russian Roubles unless otherwise stated)

23. Other operating income

The components of other operating income were as follows:

	Unaudited	
	Six months ended 30 June 2015	Six months ended 30 June 2014
Gain on disposal of subsidiaries and other investments	**144**	109
Gain on disposal of property, plant and equipment	**95**	1
	239	110

24. Other operating expenses

The components of other operating expenses were as follows:

	Unaudited	
	Six months ended 30 June 2015	Six months ended 30 June 2014
Provision for restructuring costs and termination payments to employees	**58**	1,190
	58	1,190

25. Other financial income and expenses

The components of other financial income and expenses were as follows:

	Unaudited	
	Six months ended 30 June 2015	Six months ended 30 June 2014
Gain on derecognition of the liability on promissory notes (Note 16)	**1,837**	-
Foreign exchange effect and other financial income and expenses	**1,629**	(380)
Gain on derecognition of financial liability	**113**	205
	3,579	(175)

26. Income tax benefit

	Unaudited	
	Six months ended 30 June 2015	Six months ended 30 June 2014
Income tax expense – current	**50**	31
Deferred tax benefit	**(308)**	(985)
	(258)	(954)

27. Contingencies, commitments and guarantees

27.1 Contractual commitments and guarantees

As at 30 June 2015 the Group had contractual commitments for the purchase of property, plant and equipment from third parties of RR 19,736 (31 December 2014: RR 33,658). In addition, the Group issued financial guarantees to third parties in the amount of RR 7 (31 December 2014: RR 40). There are no other commitments and guarantees in favour of third parties or related companies that are not disclosed in these interim condensed consolidated financial statements.

27.2 Operating lease commitments

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

	Unaudited	
	30 June 2015	31 December 2014
Not later than 1 year	**75**	71
Later than 1 year and not later than 5 years	**293**	282
Later than 5 years	**2,664**	2,611
	3,032	2,964

The amount of lease payments recognized as an expense for the six months ended 30 June 2015 was RR 40 (for the six months ended 30 June 2014: RR 25).

27. Contingencies, commitments and guarantees (continued)

27.3 Operating environment in Russia

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

In 2015, the Russian economy continued to be negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian Rouble, as well as sanctions imposed on Russia by several countries in 2014. The Rouble interest rates remained high after the Central Bank of Russia raised its key rate in December 2014, with subsequent gradual decrease in 2015. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects.

The management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances and offset expected further negative effects by the anti-crisis plan containing a series of measures to optimize production costs, restructure the supply base and support sales in and outside Russia.

27.4 Management's plans

The operating performance of the Group as well as its liquidity position was affected by economic conditions and other business factors described in the Note 27.3 above. For the six months ended 30 June 2015 the Group incurred losses of RR 3,316 (six months ended 30 June 2014: RR 4,876). As at 30 June 2015 net current liabilities of the Group increased to RR 27,735 (31 December 2014: RR 36,597), which mainly resulted from reclassification of the Group's long-term debt with covenant restrictions to short-term liabilities, as disclosed in Note 16. As at 30 June 2015 the Group had RR 26,328 of loans that need to be refinanced till 30 June 2016. The management is aware of this situation, and currently developing agreements with relevant banks to ensure re-financing throughout 2015.

To address the current economic and market environment and to further improve the Group's performance management is implementing an anti-crisis plan, including revenue improvements, cost reduction measures and sales of non-core assets.

In the second half of 2015 the Group is planning to start production of LADA Vesta and LADA XRAY models. The Group is confident that it will have sufficient funds to finance capital expenditure for new projects and tracks production readiness on a daily basis to ensure compliance with plans.

The management expects that those objectives will be achieved and the Group continues as a going concern and has no plans or need to discontinue or significantly reduce its operations.

28. Segment information

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

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

Management monitors operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment.

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

(In millions of Russian Roubles unless otherwise stated)

28. Segment information (continued)

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

Unaudited	Automotive		Dealership network		Other segments		Eliminations		Total	
Six months ended 30 June	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Revenue										
Sales to external customers	78,692	74,359	6,434	9,369	7,712	6,920	-	-	92,838	90,648
Inter-segment sales	11,409	13,935	650	272	2,660	2,010	(14,719)	(16,217)	-	-
Intra-segment sales	18,380	10,464	10	46	20	146	(18,410)	(10,656)	-	-
Adjustment to revenue in accordance with IFRS 11	(966)	-	-	-	-	-	-	-	(966)	-
Total revenue	107,515	98,758	7,094	9,687	10,392	9,076	(33,129)	(26,873)	91,872	90,648
Results										
Depreciation and amortization	(5,614)	(4,833)	(48)	(65)	(214)	(163)	-	-	(5,876)	(5,061)
Impairment of assets	(3,398)	113	(3)	-	24	(41)	-	-	(3,377)	72
Interest expense	(3,173)	(1,786)	(67)	(96)	(83)	(15)	-	-	(3,323)	(1,897)
Income tax (expense)/ benefit	(870)	600	(40)	16	54	92	-	-	(856)	708
Statutory profit/ (loss) for the period	2,021	(3,163)	116	(174)	(482)	(499)	-	-	1,655	(3,836)

	2015	2014
IFRS adjustments		
Adjustments on gain on derecognition of liabilities for promissory notes	(5,810)	-
Adjustments attributable to the jointly controlled assets	(644)	-
Adjustments attributable to loan received from State Corporation Rostechnologii	(339)	(305)
Adjustments attributable to deferred tax	1,129	243
Adjustments attributable to property, plant and equipment	38	(207)
Provisions for impairment of assets	785	(10)
Adjustments on gain on derecognition of financial liability	91	205
Adjustments attributable to restructuring costs and termination payments to employees	-	(894)
Others	(221)	(72)
IFRS loss for the period	**(3,316)**	**(4,876)**

Inter-segment revenues are eliminated on consolidation.

(In millions of Russian Roubles unless otherwise stated)

28. Segment information (continued)

	Automotive		Dealership network		Other segments		Eliminations		Total	
	Unaudited		Unaudited		Unaudited		Unaudited		Unaudited	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Segment assets	200,570	188,644	5,839	6,311	12,403	12,345	(25,001)	(26,999)	193,811	180,301
IFRS adjustments										
Adjustments attributable to property, plant and equipment									(8,638)	(8,499)
Adjustments attributable to deferred tax assets									(5,505)	(6,101)
Adjustments attributable to the jointly controlled assets									(1,559)	(1,349)
Charge to provisions for impairment of assets									(1,517)	(1,103)
Adjustments attributable to intangible assets									(658)	(726)
Adjustments attributable to investments in associates and joint venture									2,764	2,840
Others									(602)	(667)
IFRS total assets									**178,096**	**164,696**

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

29. Financial instruments and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

	Carrying amount		Assets and liabilities for which fair values are disclosed (Level 2)	
	30 June 2015	31 December 2014	**30 June 2015**	31 December 2014
FINANCIAL ASSETS:				
Cash and cash equivalents	**3,143**	8,798	**3,143**	8,798
Financial assets – current	**837**	1,954	**837**	1,954
Financial assets – long-term	**628**	37	**628**	37
Trade receivables	**11,274**	16,548	**11,274**	16,548
FINANCIAL LIABILITIES:				
Short-term loans and borrowings	**33,166**	39,482	**33,166**	39,482
Long-term loans and borrowings	**50,316**	29,116	**52,537**	32,789
Trade payables	**40,088**	40,384	**40,088**	40,384
Other long-term taxes	**524**	727	**533**	746

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

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

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

Long-term receivables and borrowings are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 30 June 2015, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

29. Financial instruments and fair value hierarchy (continued)

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

Discount rate used for assessment of fair value of long-term borrowings was 11% (for the six months ended 30 June 2014: 12.6%). To assess the fair value of long-term tax liabilities they were discounted at 8.25% rate (for the six months ended 30 June 2014: 8.25%).

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