AVTOVAZ GROUP

INTERNATIONAL FINANCIAL REPORTING STANDARDS
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

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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, which comprise the interim condensed consolidated statement of financial position as at 30 June 2016 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes. Management of JSC AVTOVAZ is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*. 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.

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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 *Interim Financial Reporting*.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 2 in the interim condensed consolidated financial statements, which indicates that JSC AVTOVAZ and its subsidiaries incurred a net loss of 27,037 million rubles during the six-month period ended 30 June 2016 and, as of that date, JSC AVTOVAZ and its subsidiaries' current liabilities exceeded their current assets by 74,559 million rubles. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt on JSC AVTOVAZ and its subsidiaries' ability to continue as a going concern.

Ernst & Young LLC

27 July 2016

Togliatti, Russia

AVTOVAZ GROUP
Interim Condensed Consolidated Statement of Financial Position
as at 30 June 2016
(In millions of Russian Roubles unless otherwise stated)

	Note	30 June 2016	31 December 2015
ASSETS		**Unaudited**	Audited
Current assets:			
Cash and cash equivalents	6, 29	**6,892**	4,987
Trade receivables	7, 29	**12,856**	9,173
Financial assets	8, 29	**533**	717
Inventories	9	**27,792**	24,237
Other current assets	10, 29	**8,881**	8,415
		56,954	47,529
Long-term assets:			
Property, plant and equipment	11	**38,997**	54,707
Intangible assets	12	**8,078**	12,668
Investments in associates and a joint venture	13	**2,740**	2,072
Receivables for jointly controlled assets	14	**15,815**	16,087
Financial assets	8, 29	**900**	909
Deferred tax assets		**1,687**	1,301
		68,217	87,744
Total assets		**125,171**	135,273
LIABILITIES AND EQUITY			
Current liabilities:			
Trade payables	29	**52,160**	43,285
Loans and borrowings	17, 29	**50,718**	44,864
Other payables and accrued expenses	15, 29	**17,965**	17,281
Income tax liability		**66**	68
Other taxes	18	**5,106**	4,540
Provisions	16	**3,091**	2,211
Advances received		**2,407**	3,060
		131,513	115,309
Long-term liabilities:			
Loans and borrowings	17, 29	**53,209**	48,893
Other taxes	29	**158**	312
Provisions	16	**554**	521
Deferred tax liabilities		**3,630**	6,723
Advances received		**2,014**	2,242
		59,565	58,691
Total liabilities		**191,078**	174,000
Equity attributable to equity holders of the Company			
Share capital	19	**39,172**	39,172
Share premium		**15,300**	15,300
Currency translation adjustment		**547**	654
Accumulated losses		**(121,477)**	(94,328)
		(66,458)	(39,202)
Non-controlling interests		**551**	475
Total equity		**(65,907)**	(38,727)
Total liabilities and equity		**125,171**	135,273

Nicolas Maure
President, JSC AVTOVAZ

D.G.Blyumin
Director, Accounting and Reporting

27 July 2016

(In millions of Russian Roubles unless otherwise stated)

	Note	Six months ended 30 June Unaudited 2016	2015
Sales	20	**87,130**	91,872
Cost of sales	21	**(88,666)**	(88,147)
Gross (loss)/profit		**(1,536)**	3,725
Administrative expenses	22	**(3,792)**	(6,191)
Distribution costs	23	**(2,583)**	(2,240)
Research and development expenses		**(959)**	(635)
Other operating income and expenses	24	**271**	181
Operating loss before impairment		**(8,599)**	(5,160)
Impairment provisions	4	**(18,963)**	-
Operating loss		**(27,562)**	(5,160)
Net interest income and expenses		**(4,726)**	(2,047)
Interest income		***338***	*638*
Interest expenses		***(5,064)***	*(2,685)*
Other financial income and expenses	25	**1,115**	3,579
Share of profit of associates and a joint venture	13	**712**	54
Loss before taxation		**(30,461)**	(3,574)
Income tax benefit	26	**3,424**	258
Loss for the period		**(27,037)**	(3,316)
(Loss)/profit attributable to:			
Equity holders of the Company		**(27,149)**	(3,382)
Non-controlling interests		**112**	66
		(27,037)	(3,316)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Currency translation adjustment		**(143)**	(130)
Total other comprehensive loss for the period to be reclassified to profit or loss in subsequent periods, net of taxes		**(143)**	(130)
Total comprehensive loss for the period, net of taxes		**(27,180)**	(3,446)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(27,256)**	(3,512)
Non-controlling interests		**76**	66
Total comprehensive loss for the period, net of taxes		**(27,180)**	(3,446)
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		**(11.89)**	(1.48)

(In millions of Russian Roubles unless otherwise stated)

	Note	Six months ended 30 June Unaudited 2016	2015
Cash flows from operating activities:			
Loss before taxation		**(30,461)**	(3,574)
Adjustments for:			
Depreciation and amortisation	11, 12	**4,638**	5,502
Impairment loss	11, 12	**18,017**	-
Specific impairment	11, 12	**946**	653
Write-off of capitalised development costs and other intangible assets	12	**118**	-
Charge to provision for impairment of financial assets	8	**175**	1,498
Movements in provisions	16	**913**	(157)
Interest income		**(338)**	(638)
Interest expense		**5,373**	3,493
Share of profit of associates and a joint venture	13	**(712)**	(54)
Gain on disposal of property, plant and equipment	24	**(64)**	(95)
Gain on derecognition of financial liability and liability on promissory notes	25	**(128)**	(1,950)
Gain on disposal of subsidiaries and associates		**(9)**	(144)
Loss on sale of financial assets		**3**	-
Foreign exchange effect		**(956)**	(1,507)
Operating cash flows before working capital changes		**(2,485)**	3,027
Net change in trade receivables		**(3,688)**	5,118
Net change in other assets		**(131)**	(3,312)
Net change in inventories		**(3,589)**	(14,370)
Net change in trade payables, other payables and accrued expenses		**12,202**	5,040
Net change in other taxes		**406**	(523)
Net change in advances received		**(812)**	821
Cash generated from/(used in) operations		**1,903**	(4,199)
Income tax paid		**(57)**	(40)
Interest received		**432**	533
Interest paid		**(4,786)**	(3,319)
Net cash used in operating activities		**(2,508)**	(7,025)
Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets		**(6,071)**	(15,649)
Proceeds from the sale of property, plant and equipment		**99**	165
Purchase of financial assets		**(15)**	(989)
Proceeds from the sale of financial assets		**25**	22
Proceeds from the sale of subsidiaries less cash disposed of		**50**	190
Net cash used in investing activities		**(5,912)**	(16,261)
Cash flows from financing activities:			
Proceeds from loans and borrowings		**14,994**	26,336
Repayment of loans and borrowings		**(4,631)**	(8,698)
Net cash generated from financing activities		**10,363**	17,638
Effect of exchange rate changes		**(38)**	(7)
Net increase/(decrease) in cash and cash equivalents		**1,905**	(5,655)
Cash and cash equivalents at the beginning of the period	6	**4,987**	8,798
Cash and cash equivalents at the end of the period	6	**6,892**	3,143

(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	Total	Non-controlling interests	Total equity
Balance at 31 December 2014	**39,172**	**15,300**	**468**	**(20,388)**	**34,552**	**369**	**34,921**
Profit/(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**
Balance at 31 December 2015	**39,172**	**15,300**	**654**	**(94,328)**	**(39,202)**	**475**	**(38,727)**
Profit/(loss) for the period	-	-	-	(27,149)	(27,149)	112	(27,037)
Other comprehensive loss	-	-	(107)	-	(107)	(36)	(143)
Total comprehensive income/(loss)	**-**	**-**	**(107)**	**(27,149)**	**(27,256)**	**76**	**(27,180)**
Balance at 30 June 2016 (Unaudited)	**39,172**	**15,300**	**547**	**(121,477)**	**(66,458)**	**551**	**(65,907)**

1. Corporate information

JSC AVTOVAZ and its subsidiaries' ("the Group") principal activities include manufacture and sale of passenger automobiles. The Group's manufacturing facilities are primarily based in the cities of Togliatti and Izhevsk of the Russian Federation. The Group has a sales and service network spanning the Commonwealth of Independent States ("CIS") 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 at Yuzhnoye Shosse, 36, Togliatti, Samara region, 445024, the Russian Federation.

In December 2012 major shareholders of the Company signed a partnership agreement. According to the agreement a new entity Alliance Rostec Auto B.V. was established. 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 Rostec. As a result of transactions with equity shares of the Company between 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 2016 50% less one share of equity interest in Alliance Rostec Auto B.V. belonged to Renault s.a.s., 32.87% to State Corporation Rostec 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 27 July 2016.

2. Going concern

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 17 and 27.3 below. For the six months ended 30 June 2016 the Group incurred losses of RR 27,037 (for the six months ended 30 June 2015: RR 3,316). As at 30 June 2016 the Group's current liabilities exceeded its current assets by RR 74,559 (31 December 2015: RR 67,780).

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.

The Group is currently negotiating various financing options for the current activity, including the following:
- obtaining additional loans from shareholders;
- negotiating deferrals of payments to related suppliers;
- signing additional factoring agreements for accounts receivable.

Significant dependence on the shareholders' support, the financial and market conditions discussed in Notes 17 and 27.3 below create a material uncertainty that gives rise to significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The management of the Group is confident that the Group will receive support from the shareholders at a level required to finance its operations in the foreseeable future and will continue as a going concern in the foreseeable future and has no plans to discontinue or significantly reduce its activities.

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

3.1 Basis of preparation of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements for the six months ended 30 June 2016 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 2015.

3.2 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 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. 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 2016, 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.

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

3.2 Adopted accounting standards and interpretations (continued)

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

IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income ("OCI"). The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27: *Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

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

3.2 Adopted accounting standards and interpretations (continued)

IFRS 7 *Financial Instruments: Disclosures*

Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 *Employee Benefits*

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 *Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group.

Amendments to IAS 1 *Disclosure Initiative*

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

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

3.3 Comparatives

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 payables for intangible assets. As a result of reclassifications comparative figures as of 31 December 2015 were changed and trade payables decreased by RR 4,015 and other payables and accrued expenses increased by RR 4,015.

4. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flows model ("DCF model"). The cash flows are derived from the budget for the next years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit's ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows. The key assumptions used to determine the recoverable amount for non-financial assets, including a sensitivity analysis, are disclosed and further explained below.

The Group performed impairment test in June 2016. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. The overall decline in Russian economy, as well as the ongoing economic uncertainty, has led to a decreased demand in the automotive market in Russia.

The recoverable amount of non-financial assets has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management. The projected cash flows have been updated to reflect the decreased demand for vehicles. The discount rate applied to cash flow projections is 15.9%. It was concluded that the fair value less costs of disposal was less than the value in use. As a result of this analysis, management has recognised an impairment charge of RR 18,017 in the current period. The impairment charge is recorded in a separate line "Impairment provisions" in the interim condensed consolidated statement of comprehensive income. In addition management made a decision to impair specific property, plant and equipment in the amount of RR 513 and intangible assets in the amount of RR 433 that are not expected to be used in opreating activity.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use for cash-generating units is most sensitive to the following assumptions:

- Market share and sales volume during the forecast period;
- Receipt of government subsidies;
- Discount rate;
- Raw materials and components price inflation.

Market share and sales volume during the forecast period – This assumption is based on the forecast that domestic sales of LADA vehicles will increase by 31% from 2015 to 2019. The Company's market share projections do not exceed 20% of total Russian automotive market.

Receipt of government subsidies – In accordance with Government resolutions ## 31, 32 issued in 2014 and # 244 issued in 2015, automotive manufacturers may apply for the subsidies to compensate expenses for personnel, electricity, research and development and other production costs. Receipt of the subsidies is subject to approval of a budget for the purposes set out in the Government resolutions by the Ministry of Industry and Trade of the Russian Federation for each financial year. The management made an assumption that the Group will continue to receive government subsidies during the forecast period and included cash inflows from subsidies in DCF model.

Discount rate – Discount rate of 15.9% represent the current market assessment of the risks specific to cash-generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Raw materials and components price inflation – Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise past actual raw material and components price movements are used as an indicator of future price movements.

(In millions of Russian Roubles unless otherwise stated)

4. Impairment of non-financial assets (continued)

Sensitivity to changes in assumptions

While assessing value in use, management expects that a change in key assumptions may result in a different impairment loss. Implications of the key assumptions for the recoverable amount are discussed below.

Market share and sales volume during the forecast period – With all other assumptions held constant, if the Group fails to fulfil the planned sales volume of LADA brand vehicles by 2%, a further impairment loss will be approximately RR 8,128.

Receipt of government subsidies – If the Group does not continue to receive subsidies, it would lead to further significant impairment loss.

Discount rate – With all other assumptions held constant, a decrease in the discount rate by 0.9% (discount rate equal to 15.0%) would lead to reversal of impairment loss of approximately RR 3,171 and increase in the discount rate by 1.1% (discount rate equal to 17.0%) would lead to further impairment loss of approximately RR 3,614.

Raw materials and components price inflation – Management has considered the possibility of greater-than-forecast increases in raw material and components price inflation. This may occur if Russian economy continues to be negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian Rouble. Forecast price inflation depends on the country from which materials and components are purchased. If prices of raw materials and components increase by 1% greater than the forecast price inflation and the Group is unable to pass on or absorb these increases through efficiency improvements, then the Group will have a further impairment in the amount of RR 9,196.

5. 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, entities under 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 Rostec is owned by the Russian Government.

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

As at 30 June 2016 and 31 December 2015 the Group had balances with the companies controlled by the Russian Government, which are detailed below:

	Unaudited	
	30 June 2016	31 December 2015
Cash and cash equivalents	**4,379**	3,893
Trade receivables before provision charge	**2,843**	2,112
Provision for impairment of trade receivables	**(1,343)**	(600)
Other current assets before provision charge	**2,054**	2,455
Provision for impairment of other current assets	**(629)**	(193)
Current financial assets before provision charge	**2,301**	2,309
Provision for impairment of current financial assets	**(1,779)**	(1,598)
Long-term financial assets before provision charge	**899**	894
Prepayments for PPE before provision charge	**533**	530
Total assets	**9,258**	9,802
Trade payables	**2,347**	2,066
Other payables	**45**	43
Short-term advances received	**75**	77
Long-term advances received	**42**	87
Provision for lawsuits and claims	**1,236**	1,065
Loans and borrowings	**75,573**	71,089
Loans received from State Corporation Rostec	**7,780**	7,333
Total liabilities	**87,098**	81,760

As at 30 June 2016 carrying value of assets pledged as collateral by the Group to the companies controlled by the Russian Government amounted to RR 10,328 (31 December 2015: RR 12,770).

(In millions of Russian Roubles unless otherwise stated)

5. Balances and transactions with related parties (continued)

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

During the six months ended 30 June 2016 and 30 June 2015 the Group entered into transactions with the companies controlled by the Russian Government, which are detailed below:

	Unaudited	
	Six months ended 30 June 2016	Six months ended 30 June 2015
Sales	**1,663**	1,043
Purchases of services, goods and inventory	**(9,285)**	(13,520)
Interest income	**212**	592
Interest expenses	**(4,421)**	(2,860)
Charge to provision for impairment of current financial assets	**(181)**	(1,465)
Charge to provision for impairment of trade receivables	**(783)**	(45)
(Charge to)/reversal of provision for impairment of other current assets	**(471)**	17
Charge to provision for lawsuits and claims	**(186)**	-

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 Antimonopoly Service. Bank loans are provided based on market interest rates. Taxes are accrued and paid in accordance with the applicable tax law.

5.2 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 2016 and 31 December 2015, except for companies directly or indirectly controlled by the Russian Government, are detailed below:

		Unaudited	
	Relationship	**30 June 2016**	31 December 2015
Trade receivables before provision charge	Associates	**346**	27
Provision for impairment of trade receivables	Associates	**-**	(1)
Trade receivables before provision charge	Joint venture	**665**	507
Trade receivables before provision charge	Significant influence via shareholder	**3,828**	2,869
Other current assets before provision charge	Associates	**35**	14
Provision for impairment of other current assets	Associates	**(4)**	(1)
Other current assets before provision charge	Joint venture	**1**	5
Other current assets before provision charge	Significant influence via shareholder	**66**	659
Provision for impairment of other current assets	Significant influence via shareholder	**(41)**	(35)
Receivables for jointly controlled assets	Significant influence via shareholder	**15,815**	16,087
Prepayments for PPE before provision charge	Associates	**3**	3
Prepayments for PPE before provision charge	Significant influence via shareholder	**20**	48
Total assets		**20,734**	20,182
Trade payables	Associates	**137**	122
Trade payables	Joint venture	**28**	15
Trade payables	Significant influence via shareholder	**29,149**	23,772
Other payables	Associates	**26**	21
Other payables	Significant influence via shareholder	**4,184**	4,730
Loans and borrowings	Significant influence via shareholder	**14,897**	7,978
Provision for lawsuits, claims and warranty	Significant influence via shareholder	**792**	-
Short-term advances received	Associates	**6**	4
Short-term advances received	Joint venture	**11**	13
Short-term advances received	Significant influence via shareholder	**616**	498
Long-term advances received	Significant influence via shareholder	**1,972**	2,155
Total liabilities		**51,818**	39,308

(In millions of Russian Roubles unless otherwise stated)

5. Balances and transactions with related parties (continued)

5.2 Balances and transactions with other related parties (continued)

Transactions with other related parties for the six months ended 30 June 2016 and 30 June 2015 were as follows:

	Relationship	Unaudited **Six months ended 30 June 2016**	Six months ended 30 June 2015
Sales	Joint venture	**2,829**	3,001
Sales	Associates	**1,363**	974
Sales	Significant influence via shareholder	**23,062**	28,736
Interest expenses	Significant influence via shareholder	**(383)**	(183)
Purchases of goods, inventory and services	Associates	**(517)**	(968)
Purchases of equipment	Associates	**-**	(8)
Purchases of inventory	Significant influence via shareholder	**(20,088)**	(20,870)
Purchases of equipment	Significant influence via shareholder	**-**	(112)
Purchases of services	Significant influence via shareholder	**(17)**	(730)
Purchases of intangible assets	Significant influence via shareholder	**(175)**	(32)
Purchases of goods, inventory and services	Joint venture	**(224)**	(328)
Charge to provision for impairment of other current assets	Significant influence via shareholder	**(6)**	(29)
Charge to provision for lawsuits, claims and warranty	Significant influence via shareholder	**(792)**	-
Administrative expenses	Short-term employee benefits - compensation of the Key Management	**(131)**	(213)

6. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	Unaudited **30 June 2016**	31 December 2015
Cash on hand and balances with banks	**3,921**	4,272
Short-term deposits	**2,971**	715
	6,892	4,987

As at 30 June 2016 cash in banks denominated in Euro was RR 80, in US dollar was RR 8, in other foreign currencies was RR 1 (31 December 2015: in Euro – RR 217, in US dollar – RR 46, in other foreign currencies – RR 4).

As at 30 June 2016 cash deposits denominated in roubles were RR 2,971 (31 December 2015: RR 715) and bore interest of 9.5% - 13% (31 December 2015: 8.21% - 13%).

7. Trade receivables

The ageing analysis of trade receivables was as follows:

			Past due but not impaired		
	Trade receivables	Neither past due nor impaired	< 3 months	3 to 6 months	6 to 12 months
30 June 2016 (unaudited)	**12,856**	**12,397**	**306**	**153**	**-**
31 December 2015	9,173	8,568	419	172	14

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

	Unaudited
Balance at 31 December 2014	384
Charge to/(reversal of unused amounts)	255
Utilised	(2)
Disposal of subsidiary	(29)
Balance at 30 June 2015	**608**
Balance at 31 December 2015	1,043
Charge to/(reversal of unused amounts)	804
Utilised	(127)
Disposal of subsidiary	(30)
Balance at 30 June 2016	**1,690**

(In millions of Russian Roubles unless otherwise stated)

8. Financial assets

Financial assets consisted of the following:

	Unaudited 30 June 2016	31 December 2015
Loans issued less provision	**1,432**	1,602
Other	**1**	24
	1,433	1,626
Short-term portion	**533**	717
Long-term portion	**900**	909
	1,433	1,626

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

	Unaudited
Balance at 31 December 2014	853
Charge to/(reversal of unused amounts)	1,498
Balance at 30 June 2015	**2,351**
Balance at 31 December 2015	2,449
Charge to/(reversal of unused amounts)	175
Utilised	(81)
Disposal of subsidiary	(11)
Balance at 30 June 2016	**2,532**

9. Inventories

Inventories consisted of the following:

	Unaudited 30 June 2016	31 December 2015
Raw materials	**15,825**	13,851
Work in progress	**3,322**	2,706
Finished goods	**8,645**	7,680
	27,792	24,237

As at 30 June 2016 inventories were recorded net of obsolescence and net realisable value provision of RR 2,214 (31 December 2015: RR 2,614).

The reversal of provision for inventories recognized as an income for the six months ended 30 June 2016 was RR 400 (for the six months ended 30 June 2015 the provision for inventories recognized as an expense: RR 156).

10. Other current assets

Other current assets consisted of the following:

	Unaudited 30 June 2016	31 December 2015
Prepayments and other receivables less provision	**5,515**	4,877
Value added tax	**2,170**	2,291
Assets of the non-state pension fund	**1,196**	1,247
	8,881	8,415

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

	Unaudited
Balance at 31 December 2014	433
Charge to/(reversal of unused amounts)	198
Utilised	(7)
Disposal of subsidiary	(8)
Balance at 30 June 2015	**616**
Balance at 31 December 2015	728
Charge to/(reversal of unused amounts)	501
Utilised	(132)
Disposal of subsidiary	(12)
Balance at 30 June 2016	**1,085**

(In millions of Russian Roubles unless otherwise stated)

11. Property, plant and equipment

Movements in property, plant and equipment were as follows:

	Unaudited
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**
Balance at 31 December 2015	54,707
Additions	2,862
Disposals	(62)
Depreciation charge	(3,482)
Impairment	(15,028)
Balance at 30 June 2016	**38,997**

12. Intangible assets

Movements in intangible assets, which included development costs and licenses, were as follows:

	Unaudited
Balance at 31 December 2014	14,541
Additions	1,406
Amortisation charge	(1,029)
Impairment	(26)
Balance at 30 June 2015	**14,892**
Balance at 31 December 2015	12,668
Additions	619
Write-off	(118)
Amortisation charge	(1,156)
Impairment	(3,935)
Balance at 30 June 2016	**8,078**

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 2016 intangible assets included licenses for production, assembling and sale of cars with net book value of RR 1,276 and engines with net book value of RR 1,365.

13. Investments in associates and a joint venture

Movements in investments in associates were as follows:

	Unaudited
Balance at 31 December 2014	337
Share of profit from associates	4
Currency translation adjustment	(71)
Disposal of investment	(28)
Balance at 30 June 2015	**242**
Balance at 31 December 2015	292
Share of loss from associates	(2)
Currency translation adjustment	(29)
Disposal of investment	(2)
Dividends received	(13)
Balance at 30 June 2016	**246**

(In millions of Russian Roubles unless otherwise stated)

13. Investments in associates and a joint venture (continued)

Interest in a joint venture consisted of investment in a joint venture ZAO GM-AVTOVAZ located in Togliatti, the Samara region of the Russian Federation. ZAO GM-AVTOVAZ produces the Chevrolet NIVA vehicles from the assembly kits supplied by the Group. JSC AVTOVAZ and GM Auslandsprojekte GMBH equally hold 50% in share capital of ZAO GM-AVTOVAZ.

	Unaudited
Balance at 31 December 2014	3,092
Share of profit from the joint venture	50
Balance at 30 June 2015	**3,142**
Balance at 31 December 2015	1,780
Share of profit from the joint venture	714
Balance at 30 June 2016	**2,494**

14. Receivables for jointly controlled assets

Assembly agreements with Nissan and Renault s.a.s. contain characteristics of joint arrangements and have been classified as joint operations in accordance with IFRS 11. Receivables for jointly controlled assets as at 30 June 2016 amounted to RR 15,815 (31 December 2015: RR 16,087). During the six months ended 30 June 2016 Nissan and Renault's shares in additions to property, plant and equipment in the amount of RR 188 (for the six months ended 30 June 2015: RR 1,867) and intangible assets of nil (for the six months ended 30 June 2015: RR 50) were classified as long-term receivables under IFRS 11. During the six months ended 30 June 2016 the Group received RR 460 (for the six months ended 30 June 2015: RR 255) of cash from Renault and Nissan to redeem a part of these receivables.

15. Other payables and accrued expenses

Other payables and accrued expenses consisted of the following:

	Unaudited	
	30 June 2016	31 December 2015
Payables for PPE and intangible assets	**8,527**	11,364
Deferred income on government subsidies	**3,747**	-
Salaries payable, vacation and other accruals	**2,457**	2,621
Liabilities of the non-state pension fund	**1,517**	1,558
Bonuses to dealers	**1,343**	1,316
Other	**374**	422
	17,965	17,281

16. Provisions

Movements in provisions were as follows:

	Lawsuits and claims	**Restructuring**	**Warranty**	**Total**
Balance at 31 December 2015	**1,094**	**193**	**1,445**	**2,732**
Charge	893	-	648	1,541
Utilised	(24)	(59)	(507)	(590)
Reversal of unused amounts	(5)	(33)	-	(38)
Balance at 30 June 2016 (unaudited)	**1,958**	**101**	**1,586**	**3,645**
Short-term portion	1,958	101	1,032	3,091
Long-term portion	-	-	554	554
	1,958	**101**	**1,586**	**3,645**

During the six months ended 30 June 2016 the Company accrued provisions for lawsuits and claims received from suppliers in the amount of RR 810 and other provisions in the amount of RR 83.

(In millions of Russian Roubles unless otherwise stated)

17. Loans and borrowings

Loans and borrowings consisted of the following:

	Unaudited 30 June 2016	31 December 2015
Short-term loans and borrowings	**50,718**	44,864
Long-term loans and borrowings	**53,209**	48,893
	103,927	93,757

Average interest rate was 12.18% (31 December 2015: 12.55%) on outstanding rouble-denominated bank loans and 3.93% (31 December 2015: 4.83%) on foreign currency denominated bank loans. Foreign currency denominated bank loans are in Euro and Yen. As at 30 June 2016 the Group had RR 395 (31 December 2015: RR 630) of bank loans with floating interest rate.

As at 30 June 2016 the Company had an open credit line in Vnesheconombank with a limit of RR 45,142. 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 2016 an outstanding principal balance under this credit line amounted to RR 28,806 (31 December 2015: RR 25,114).

As at 30 June 2016 OOO OAG had an open credit line in Vnesheconombank with a limit of RR 14,857 and a maturity date in 2024. As at 30 June 2016 an outstanding principal balance under this credit line amounted to RR 6,917.

In 2015 the Company signed an agreement with Renault s.a.s. on receiving a borrowing of RR 3,400 with a maturity date on 29 December 2016. During the six months ended 30 June 2016 the Company received cash in the amount of RR 3,400 under this agreement. As at 30 June 2016 an outstanding principal balance of the borrowing amounted to RR 3,400.

In May 2016 AO LADA-Image signed an agreement with Renault s.a.s. on receiving a borrowing of RR 4,000 with a maturity date on 29 December 2016. As at 30 June 2016 an outstanding principal balance of the borrowing amounted to RR 4,000.

As at 30 June 2016 the Company was not in compliance with covenants set by loan agreements with banks, which include gearing, EBITDA, profitability and liquidity ratios and cross-default, as well as maximum amount of all claims, for which JSC AVTOVAZ is a defendant. As at 30 June 2016, the Company had RR 35,130 of bank loans with breached covenants. Credit institutions are able to claim for early repayment of the debts. Therefore, RR 20,751 of a long-term debt with breached covenants was classified as short-term liabilities. As at 30 June 2016 the Company received a waiver in the amount of RR 1,003 from Rosbank in relation to breached loan covenants. As of the date of these interim condensed consolidated financial statements approval, credit institutions have brought no claim to the Company to demand early repayment of debts.

As at 30 June 2016 the Group had RR 32,897 (31 December 2015: RR 38,591) of undrawn committed borrowing facilities, of which RR 193 was available for future operating activities and RR 32,704 for investment activities.

As at 30 June 2016 the Group's loans and borrowings of RR 56,659 (31 December 2015: RR 51,700), including short-term, were secured by property, plant and equipment in the amount of RR 9,109 (31 December 2015: RR 12,953) and finished goods in the amount of RR 4,504 (31 December 2015: RR 3,009).

18. Other taxes

Current taxes payable consisted of the following:

	Unaudited 30 June 2016	31 December 2015
Utilisation fee	**3,181**	1,720
Value added tax	**562**	843
Social taxes	**537**	1,032
Property and other taxes	**826**	945
	5,106	4,540

(In millions of Russian Roubles unless otherwise stated)

19. 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 2016			31 December 2015		
	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 2016 the Annual Shareholders' Meeting made a decision not to pay dividends on ordinary and preference shares of the Company in respect of 2015.

20. Sales

The components of sales revenue were as follows:

	Unaudited Six months ended 30 June 2016	Six months ended 30 June 2015
Vehicles and assembly kits	**77,016**	81,416
Automotive components	**6,210**	5,970
Dealership sales of other producers' vehicles	**633**	496
Other sales	**3,271**	3,990
	87,130	91,872

21. Cost of sales

Cost of sales comprised expenses incurred in the manufacturing of vehicles, assembly kits and spare parts, mainly the cost of materials and components. The remaining costs principally included labour costs in the amount of RR 9,594 (for the six months ended 30 June 2015: RR 11,933) as well as depreciation and amortisation amounting to RR 3,436 (for the six months ended 30 June 2015: RR 4,847).

During the six months ended 30 June 2016 in accordance with Government resolutions on utilisation fee the Group incurred utilisation fee costs in the amount of RR 6,013 (for the six months ended 30 June 2015: RR 4,627).

22. Administrative expenses

The components of administrative expenses were as follows:

	Unaudited Six months ended 30 June 2016	Six months ended 30 June 2015
Labour costs	**2,219**	3,526
Third parties' services	**713**	1,287
Depreciation and amortisation	**237**	287
Transportation	**179**	240
Maintenance and servicing of office buildings	**158**	153
Bank services	**82**	127
Local and regional taxes	**74**	205
Other	**130**	366
	3,792	6,191

(In millions of Russian Roubles unless otherwise stated)

23. Distribution costs

The components of distribution costs were as follows:

	Unaudited	
	Six months ended 30 June 2016	Six months ended 30 June 2015
Advertising	**1,227**	272
Labour costs	**591**	907
Depreciation and amortisation	**165**	51
Charge to provision for impairment of trade receivables and other current assets	**156**	453
Other	**444**	557
	2,583	2,240

24. Other operating income and expenses

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

	Unaudited	
	Six months ended 30 June 2016	Six months ended 30 June 2015
Gain on disposal of property, plant and equipment	**64**	95
Other operating income and expenses	**207**	86
	271	181

25. Other financial income and expenses

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

	Unaudited	
	Six months ended 30 June 2016	Six months ended 30 June 2015
Foreign exchange effect	**994**	1,514
Gain on derecognition of financial liability and liability on promissory notes	**128**	1,950
Other financial income and expenses	**(7)**	115
	1,115	3,579

26. Income tax benefit

	Unaudited	
	Six months ended 30 June 2016	Six months ended 30 June 2015
Income tax expense – current	**55**	50
Deferred tax benefit	**(3,479)**	(308)
	(3,424)	(258)

27. Contingencies, commitments and guarantees

27.1 Contractual commitments and guarantees

As at 30 June 2016 the Group had contractual commitments for the purchase of property, plant and equipment from third parties of RR 11,214 (31 December 2015: RR 13,308).

27.2 Operating lease commitments

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

	Unaudited 30 June 2016	31 December 2015
Not later than 1 year	**74**	72
Later than 1 year and not later than 5 years	**282**	281
Later than 5 years	**2,511**	2,526
	2,867	2,879

The amount of lease payments recognized as an expense for the six months ended 30 June 2016 was RR 37 (for the six months ended 30 June 2015: RR 40).

(In millions of Russian Roubles unless otherwise stated)

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 2016, the Russian economy is impacted by consequences of a financial crisis, 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.

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.

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, OOO OAG, OAO PSA VIS-AVTO and OOO LADA Sport;
- dealership network - sales and services provided by technical centres;
- other segments - information about other business activities and operating segments that are not reportable based on quantitative thresholds was combined and disclosed as "Other segments". Other segments include activities of other subsidiaries that are engaged in non-core activities.

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

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

The following table represents information about revenue, profit/(loss), assets and liabilities of the Group's operating segments:

Unaudited	**Automotive**		**Dealership network**		**Other segments**		**Eliminations**		**Total**	
Six months ended 30 June	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Revenue										
Sales to external customers	**74,560**	78,451	**5,791**	6,803	**6,779**	6,618	**-**	-	**87,130**	91,872
Inter-segment sales	**6,153**	8,186	**472**	1,431	**596**	1,147	**(7,221)**	(10,764)	**-**	-
Intra-segment sales	**29,370**	20,127	**10**	11	**2**	17	**(29,382)**	(20,155)	**-**	-
Total revenue	**110,083**	106,764	**6,273**	8,245	**7,377**	7,782	**(36,603)**	(30,919)	**87,130**	91,872
Results										
Depreciation and amortisation	**(4,266)**	(5,310)	**(110)**	(86)	**(128)**	(106)	**-**	-	**(4,504)**	(5,502)
Impairment of assets	**(19,684)**	(2,787)	**(18)**	(45)	**(476)**	5	**-**	-	**(20,178)**	(2,827)
Interest expense	**(4,964)**	(2,639)	**(49)**	(46)	**(51)**	-	**-**	-	**(5,064)**	(2,685)
Interest income	**267**	591	**70**	24	**1**	23	**-**	-	**338**	638
Income tax benefit/(expense)	**3,467**	261	**(82)**	(21)	**39**	18	**-**	-	**3,424**	258
Share of profit of associates and a joint venture	**712**	54	**-**	-	**-**	-	**-**	-	**712**	54
IFRS profit/(loss) for the period	**(25,964)**	(3,424)	**(483)**	440	**(590)**	(332)	**-**	-	**(27,037)**	(3,316)

(In millions of Russian Roubles unless otherwise stated)

28. Segment information (continued)

Inter-segment and intra-segment revenues from sales are eliminated on consolidation.

	Automotive		Dealership network		Other segments		Total	
	30 June 2016	31 December 2015	**30 June 2016**	31 December 2015	**30 June 2016**	31 December 2015	**30 June 2016**	31 December 2015
Segment assets	**157,263**	151,610	**5,118**	6,129	**11,811**	11,290	**174,192**	169,029
Intra-segment eliminations	**(33,434)**	(15,074)	**(826)**	(1,521)	**(23)**	(28)	**(34,283)**	(16,623)
Inter-segment eliminations	**(10,962)**	(13,332)	**(716)**	(800)	**(3,060)**	(3,001)	**(14,738)**	(17,133)
Total assets	**112,867**	123,204	**3,576**	3,808	**8,728**	8,261	**125,171**	135,273
Segment liabilities	**(214,458)**	(182,811)	**(3,426)**	(3,776)	**(9,390)**	(8,272)	**(227,274)**	(194,859)
Intra-segment eliminations	**29,872**	11,512	**539**	1,288	**5**	13	**30,416**	12,813
Inter-segment eliminations	**3,275**	3,153	**1,700**	1,250	**805**	3,643	**5,780**	8,046
Total liabilities	**(181,311)**	(168,146)	**(1,187)**	(1,238)	**(8,580)**	(4,616)	**(191,078)**	(174,000)

Major part of non-current assets 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)		Assets measured at fair value (Level 2)	
	30 June 2016	31 December 2015	**30 June 2016**	31 December 2015	**30 June 2016**	31 December 2015
FINANCIAL ASSETS:						
Cash and cash equivalents	**6,892**	4,987	**6,892**	4,987	-	-
Trade receivables	**12,856**	9,173	**12,856**	9,173	-	-
Short-term assets of the non-state pension fund – deposit accounts	**894**	938	**894**	938	-	-
Short-term assets of the non-state pension fund at fair value through profit or loss	**302**	309	-	-	**302**	308
Financial assets – current	**533**	717	**533**	717	-	-
Financial assets – long-term	**900**	894	**900**	894	-	-
Other current assets	**7,685**	7,168	**7,685**	7,168	-	-
FINANCIAL LIABILITIES:						
Short-term loans and borrowings	**50,718**	44,864	**50,718**	44,864	-	-
Long-term loans and borrowings	**53,209**	48,893	**55,496**	51,150	-	-
Trade payables	**52,160**	43,285	**52,160**	43,285	-	-
Other payables and accrued expenses	**17,965**	17,281	**17,965**	17,281	-	-
Other taxes – long-term	**158**	312	**158**	315	-	-

29. Financial instruments and fair value hierarchy (continued)

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, trade payables, other payables and accrued expenses 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 2016, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

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% (2015: 11%). To assess the fair value of long-term taxes liabilities they were discounted at 10.5% rate (2015: 8.25%).

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

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.