

Press release
February, 10th, 2017
Moscow

AVTOVAZ Group increased revenue by +4.8% in 2016 and reduced operating loss by 37%, before impairment and restructuring costs

- › **LADA achieved a 20.1% market share of the Russian passenger car market in 2016 (+2.2 pts vs. 2015).**
- › **AVTOVAZ Group (AVG) revenue amounted to RUR 184.9 B in 2016 (+4.8% vs. 2015).**
- › **AVG's operating loss before impairment and restructuring costs amounted to RUR -15.6 B in 2016. The loss was reduced by -36.8% compared to 2015 (-24.7 B).**
- › **AVG's net loss amounted to RUR -44.8 B in 2016, including impairment and restructuring costs of RUR -25.0 B.**
- › **AVG's Dec 31st 2016 balance sheet reflects a share capital increase of RUR 26.1 B performed in December.**
- › **AVG confirms plans to reach operating break-even in 2018.**

AVTOVAZ Group (AVG) announced 2016 financial results. A high market share achievement in the Russian passenger car market linked to commercial success of LADA's new models, ongoing restructuring activities, pro-active cost reduction and more favorable foreign currency exchange rates helped to improve the Group's financials.

Despite an 12% drop of the Russian passenger car market in 2016, AVG succeeded to increase its revenue by +4.8% to RUR 184.9 B in comparison to 2015. High customer demand for new models LADA Vesta and LADA XRAY and a smart pricing policy were the main drivers for this revenue growth. The LADA retail sales on the Russian market in 2016 amounted to 266,296 cars (1% less than in 2015). The LADA domestic passenger car market share increased by 2.2 points to 20.1%. The LADA retail sales in export markets amounted to 18,511 cars (based on local registrations in 32 countries) leading to total retail sales of 284,807 cars worldwide.

The production volume of vehicles under the 4 brands (LADA, Renault, Nissan and Datsun) in the Togliatti and Izhevsk plants amounted to more than 408,000 units, including assembly kits.

The operating loss before impairment and restructuring costs amounted to RUR - 15.6 B, reduced by 36.8% compared to 2015 (RUR -24.7 B). Impairment and restructuring costs

amounted to RUR 25.0 B. AVG's net loss amounted to RUR -44.8 B in 2016, including impairment and restructuring costs.

AVG's Dec 31st 2016 balance sheet reflects the RUR 26.1 B share capital increase performed in December.

The financial improvements in 2016 were achieved through intensive recovery measures:

- › **Purchasing cost reductions through additional localization and Monozukuri** activities with suppliers. Monozukuri is a Japanese approach to optimize product and process costs with all relevant functions from AVG and suppliers;
- › **Production footprint optimization** in Togliatti through shifting of production from 5 to 3 vehicle lines that led to an increase in utilization levels;
- › **Manufacturing efficiency increase** of labor and equipment, applying the Alliance Production Way and other lean manufacturing best practices;
- › **Reduction of G&A** all across AVG Group, including the cut of consulting costs;
- › **Reduction of inventories** and optimization of other working capital items. Year-end inventories have been reduced by RUR 3.6 B (-15%) compared to 2015, despite 20% higher sales in Q4.

The President of AVTOVAZ Group Nicolas Maure stated that “the Company’s intensive recovery measures are showing first positive financial trends thanks to the active contribution of every employee and partner of AVTOVAZ. Our goal is to reach the break-even of operating results in 2018. The company is fully committed to the recovery of AVTOVAZ and to the development of the LADA brand, keeping the leadership in the Russian market, and increasing export volumes”, stressed Mr. Maure.

Sergey Skvortsov, Chairman of the AVTOVAZ Board of Directors, stated: “In December 2016 the Board unanimously approved AVTOVAZ’s Mid-Term Plan and gave full support to the Company’s management. Beyond that, we acknowledge that the Russian market is changing to a positive trend, and that the Russian Government extends support programs to the automotive industry: fleet renewal program, subsidized loan interest, export subsidies...”

Denis Le Vot, Vice-chairman of the Board, representing the Renault-Nissan Alliance, expressed clear support to AVTOVAZ’s recovery activities. “The Alliance is sharing with AVTOVAZ all best practices in production, quality, and engineering as well as new technologies. Renault is supporting AVTOVAZ in the fulfillment of its Mid-Term Plan, and is committed to develop the LADA brand”, added Mr. Le Vot.

Additional information:

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AVTOVAZ



PJSC AVTOVAZ is the largest manufacturer of the Renault-Nissan Alliance in Russia, and its Togliatti plant is one of the largest car plants worldwide, producing cars in full cycle under 4 brands (LADA, Renault, Nissan and Datsun). AVTOVAZ's Izhevsk plant produces cars under the LADA and Nissan brands. Today LADA is represented by 20 models and variants in the segments B, B+, SUV and LCV priced from 389 to 850 K rub in the Russian Federation. The brand has a share of an average 20% of the Russian passenger car market, and has the largest dealership network in the country – 331 centers.

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