



Press release
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Togliatti, Moscow

In 2017, AVTOVAZ increased LADA domestic vehicle sales by 17%, and Group revenues by 22%. The Group posted a positive operating margin of 0.7%, and a positive free cash flow

AVTOVAZ Group (AVG) announces 2017 full-year IFRS results. The growth of the LADA sales volume in the Russian and export markets, and intensive recovery and restructuring activities led to a considerable improvement of the Company's financials.

In 2017, retail sales of the new LADA passenger cars (PC) and light commercial vehicles (LCVs) reached 311,588 units which is 17% more than in 2016. This exceeds the growth of the overall car market (which grew by 12%). LADA's domestic market share (PC+LCV) increased by 1 point to 19.5% (20.5% for PC only). This growth is largely driven by the success of the new LADA models – the LADA Vesta (including SW and SW Cross launched in October 2017), the LADA XRAY, and sustained sales volumes of the other LADA models. Four LADA cars are in the TOP10 of the Russian bestsellers in 2017: the LADA Granta (2nd), the LADA Vesta (3rd), the LADA Largus (8th) and the LADA XRAY (9th). The start of sales of the newest LADA Vesta SW/SW Cross is extending the market coverage of the LADA brand in Russia into more premium-price segments.

In 2017, AVG also increased export shipments of LADA cars (including KDs) by 44.5 % compared to 2016, including new countries like China, Cuba, and Jordan.

AVG reached consolidated revenue of 225.6 B-RUB, which is 22% better than in 2016. In terms of financial results, the Group became much healthier than in the past few years. It reached a positive operating margin of 1.6 B-RUB (0.7% of revenues). Furthermore, it achieved a positive free-cash flow, and paid back 12.6 B RUB of loans. This financial improvement is not only driven by the improved automotive market and more favorable foreign exchange rates – but also by an excellent commercial and industrial performance. It over-exceeded the target set within our long-term plan to reach positive operating margin by 2018.

The net result however remained negative (- 9.7 B-RUB), largely because of restructuring cost of -2.2 B RUB, interest expenses (-7.3 B-RUB) for our still high financial debt burden, and an impairment by a joint-venture company.

For 2018, AVG underlines ongoing risks that may negatively affect the Group's commercial and financial performance. Raw material price increases, changing foreign exchange rates, and uncertainty about the state tax and automotive industry support policies are

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among them. To offset these, the Group continues its cost optimization plan and the renewal of the LADA brand's model line-up.

AVTOVAZ Group President and CEO Nicolas Maure said: *“AVTOVAZ Group teams made an excellent job in 2017. We launched the Vesta SW/SW Cross and many new derivatives, increased overall efficiency, and strengthened our cooperation with Renault and the Alliance. We fulfilled our cost reduction plan, keeping a favorable social climate and increasing the cooperation with our suppliers. The financials of the Company are much healthier, but we must overcome the 2018 headwinds and achieve further development of the AVTOVAZ Group and of the LADA vehicle line up. Given the 2018 Russian market growth outlook and continued export opportunities, we maintain our forecast to have positive operating margin in 2018, and to further improve the net result.”*

Additional information:

AVTOVAZ Group is the largest manufacturer of the Renault-Nissan-Mitsubishi 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 brand. Today LADA is represented by 20 models and variants in the segments B, B+, SUV and LCV. The brand has an average share of more than 20% of the Russian passenger car market, and has the largest dealership network in the country with more than 300 centers.