

[Logo: KPMG]

Independent Auditor's Report

on Financial Statements of
Jaguar Land Rover
Limited Liability Company
for 2019

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Independent Auditor's Report

For the attention of the Member of Jaguar Land Rover Limited Liability Company

Opinion

We have audited financial statements of Jaguar Land Rover LLC (the "Company") consisting of the balance sheet as at 31 December 2019, the statement of profit and loss, the statement of changes in equity, the statement of cash flows for the year ended on that date, and the notes to the balance sheet and the statement of profit and loss consisting of the main provisions of the accounting policy and other explanatory information.

In our opinion, the financial statements attached reflect, accurately and in all material aspects, the Company's financial position as at 31 December 2019, its profit and loss and cash flows for the year ended on that date according to the Russian Accounting Standards (RAS).

Basis for the Opinion

We have performed the audit according to the International Standards on Auditing. Our responsibility according to these standards is set out below in the section "*Auditor's Responsibility for Auditing the Financial Statements*" of our report. We are independent from the Company according to independence requirements applicable to our audit of financial statements in Russia and the Code of Ethics for professional accountants of the International Ethics Standards Board for Accountants (IESBA Code) (including the international independence standards), and we have fulfilled our other ethical obligations according to the requirements applicable in Russia and the specified Code. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for us to express our opinion.

Audited entity: Jaguar Land Rover LLC
Entered in the Unified State Register of Legal Entities under No. 1085047006549.
Moscow, Russia.

Independent auditor: KPMG JSC, a company registered under the laws of the Russian Federation, an independent member firm of the KPMG network, affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Entered in the Unified State Register of Legal Entities under No. 1027700125628.

A member of the Self-Regulatory Organisation of Auditors Association "Sodruzhestvo" (SRO AAS). Primary registration number of the entry in the register of auditors and audit companies 12006020351.

The Responsibility for the Financial Statements of the Management and of the Persons Responsible for the Corporate Governance

The management is responsible for preparing and fairly presenting those financial statements according to the RAS and for the internal control system that, as the management deems, is needed for the financial statements to be prepared free from any material misstatement due to fraud or error.

When the financial statements are being prepared, the management is responsible for assessing whether the Company is able to continue as a going concern, for disclosing data in relevant cases regarding the Company's going concern and for preparing the statements based on the Company's going concern assumption unless the management intends to liquidate or to wind up the Company or when it has no other real alternative than to liquidate it or to wind it up.

The persons responsible for the corporate governance are in charge of exercising supervision over the preparation of the Company's financial statements.

Auditor's Responsibility for Auditing the Financial Statements

Our goal is to have reasonable assurance that the financial statements are free from material misstatement due to fraud or error and to issue an auditor's report containing our opinion. The reasonable assurance is a high level of assurance but is not a guarantee that the audit performed according to the International Standards on Auditing always reveals material misstatements if any. Misstatements may result from fraud or error and are considered material if it may be reasonably assumed that, taken individually or all together, they may influence users' business decisions made based on those financial statements.

Within the scope of the audit performed according to the International Standards on Auditing we exercise professional judgement and maintain professional scepticism throughout the audit. In addition, we perform the following:

- identify and assess risks of the financial statements being materially misstated due to fraud or error; develop and carry our audit procedures to respond to these risks; obtain audit evidence that is sufficient and appropriate to serve as a basis for us to express our opinion. A risk of failing to reveal a material misstatement that is due to fraud as mentioned above is higher than the risk of failing to reveal a material misstatement that is due to error since fraud may involve conspiracy, forgery, deliberate omission, misrepresentation of information or actions taken to circumvent the internal control system.

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Jaguar Land Rover LLC
Independent Auditor's Report
Page 4

- get an understanding of the internal control system that is relevant for the audit with a view to developing the audit procedures corresponding to the circumstances rather than expressing an opinion about the effectiveness of the Company's internal control system.
- assess whether the accounting policy applied is adequate and whether the accounting estimates and the relevant information disclosed which is prepared by the management are justified;
- draw a conclusion on whether the management lawfully applies the going concern assumption, and based on the audit evidence obtained we conclude whether there is a material uncertainty relating to events or conditions that may cast a significant doubt that the Company is able to continue as a going concern. If we arrive to a conclusion that there is the material uncertainty, in our auditor's report we should draw attention to the relevant information being disclosed in the financial statements or, if such disclosure is improper, to modify our opinion. Our conclusions are based on the audit evidence obtained before the date of this auditor's report. However future events or conditions may result in the Company losing its ability to continue as a going concern;
- assess how the financial statements are presented in general, what their structure and contents are, including the information being disclosed, and whether the financial statements present the underlying transactions and events in such a way that ensures their accurate presentation.

We exchange information with people responsible for corporate governance and notify them, among other things, of the planned scope and timeframes of the audit, and of material audit observations including any considerable drawbacks of the internal control system which we have identified during the audit.

Manager in charge of the task that resulted in this independent auditor's report being issued:

[Signature]

[Seal: JOINT STOCK COMPANY

Principal State Registration Number (OGRN) 1027700125628 * MOSCOW *

KPMG]

A.A. Bezverkhaya

KPMG Joint-Stock Company

Moscow, Russia

7 May 2020

Jaguar Land Rover LLC

Financial statements for the year 2019
and the auditor's report

**Balance Sheet
as at 31 December 2019**

Company **Jaguar Land Rover LLC**
 Taxpayer's identification number
 Line of business **Vehicles wholesale**
 Form of incorporation/form of ownership **Limited Liability Company/Property of foreign legal entities**
 Unit of measurement **RUB thousand**
 Address **Bld. 2, 28B Mezhdunarodnoye Shosse
 Moscow, 141411
 Russian Federation**

	Codes
OKUD Form	0710001
Date (day, month, year)	31.12.2019
OKPO	86658358
TIN	5047095543
OKVED 2	45.11.1
OKOPF/ OKFS	12300 / 23
OKEI	384

The financial statements are subject to compulsory audit YES NO

Name of the auditor organisation/full name of the individual auditor **KPMG JSC**

Taxpayer's identification number of the auditor organisation/ of the individual auditor

TIN 7702019950

Principal State Registration Number of the auditor organisation/ of the individual auditor

OGRN/OGRNIP p1027700125628

Item	Code	Note	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
Assets					
I. NON-CURRENT ASSETS					
Intangible assets	1110		25,677	29,533	35,842
Fixed assets	1150	4.1	876,931	893,667	1,259,169
Deferred tax assets	1180	4.3	509,215	521,645	546,230
Other non-current assets	1190		2,663	7,681	3,420
Long-term accounts receivable	1195	4.5	-	36,000	84,000
Total Section I	1100		1,414,486	1,488,526	1,928,661
II. CURRENT ASSETS					
Inventories	1210	4.4	5,239,701	6,101,195	6,710,714
Value-added tax on acquired inventory items	1220		7,558	11,002	8,835
Accounts receivable	1230	4.5	1,765,080	1,442,255	1,709,171
Financial investments (except for cash equivalents)	1240		-	-	-
Cash and cash equivalents	1250	4.6	5,951,269	2,560,064	3,455,641
Other current assets	1260		1,841	6,166	11,054
Total section II	1200		13,019,449	10,120,682	11,895,415
BALANCE	1600		14,433,935	11,609,208	13,824,076
LIABILITIES					
III. CAPITAL AND RESERVES					
Authorised capital	1310	4.7	48,345	48,345	48,345
Additional capital (excluding revaluation)	1350		608,993	608,993	608,993
Retained earnings	1370		6,949,759	4,947,116	6,550,529
Total Section III	1300		7,607,097	5,604,454	7,207,867
IV. LONG-TERM LIABILITIES					
Long-term accounts payable	1415	4.8	1,200,696	1,021,395	723,952
Deferred tax liabilities	1420	4.3	2,631	3,003	3,314
Provisions	1430	4.9	1,291,801	1,252,298	1,285,103
Total Section IV	1400		2,495,128	2,276,696	2,012,369

V. SHORT-TERM LIABILITIES

Accounts payable, including:	1520	4.8	3,363,845	2,749,621	3,438,418
Deferred income	1530		1,382	3,751	6,120
Provisions	1540	4.9	966,483	974,686	1,159,302
Total Section V	1500		<u>4,331,710</u>	<u>3,728,058</u>	<u>4,603,840</u>
BALANCE	1700		<u>14,433,935</u>	<u>11,609,208</u>	<u>13,824,076</u>

CEO

[Signature]

V.V. Kuzyakov

Chief Accountant

6 May 2020

[Signature]

O.P. Bukreeva

[Seal:
Limited Liability Company
Principal State Registration Number (OGRN) 1085047006549 * Moscow *
Jaguar Land Rover]

6 May 2020

**Statement of Profit and Loss
for 2019**

Company Jaguar Land Rover LLC
 Taxpayer's identification number _____
 Line of business Vehicles wholesale
 Form of incorporation/form of ownership Limited Liability Company/Property of
foreign legal entities
 Unit of measurement RUB thousand

	Codes
OKUD Form	0710002
Date (day, month, year)	31.12.2019
OKPO	86658358
TIN	5047095543
OKVED 2	45.11.1
OKOPF/ OKFS	12300 / 23
OKEI	384

Item	Code	Note	2019	2018
Revenue	2110	5.1	53,538,662	55,976,019
Cost of sales	2120	5.2	(45,943,903)	(48,154,145)
Gross profit	2100		7,594,759	7,821,874
Business expenses	2210	5.2	(5,176,810)	(5,503,312)
Profit from sales	2200		2,417,949	2,318,562
Interest receivable	2320		165,260	124,697
Other income	2340	5.3	1,642,835	1,667,042
Other expenses	2350	5.4	(1,648,135)	(1,785,380)
Profit before tax	2300		2,577,908	2,324,921
Current profit tax	2410		(563,207)	(502,451)
including permanent tax liabilities	2421	4.3	59,683	61,741
Changes in deferred tax assets	2430	4.3	(12,430)	(24,585)
Changes in deferred tax liabilities	2450	4.3	372	311
Other	2460	4.3	(-)	(-)
Net profit	2400		2,002,643	1,798,196

CEO [Signature] V.V. Kuzyakov

Chief Accountant [Signature] O.P. Bukreeva

6 May 2020

[Seal:
 Limited Liability Company
 Principal State Registration Number (OGRN) 1085047006549 * Moscow *
 Jaguar Land Rover]
 6 May 2020

**STATEMENT OF CHANGES
IN EQUITY**

for 2019

Company
Taxpayer's identification number
Line of business
Form of incorporation/form of ownership
Unit of measurement

Jaguar Land Rover LLC
Vehicles wholesale
**Limited Liability Company/Property
of foreign legal entities**
RUB thousand

	Codes
OKUD Form	0710004
Date (day, month, year)	31.12.2019
OKPO	86658358
TIN	5047095543
OKVED 2	45.11.1
OKOPF/ OKFS	12300 / 23
OKEI	384

Item	Code	Additional capital			Total
		Authorised capital	(excluding revaluation)	Retained earnings	
Equity as at 31 December 2017	3100	48,345	608,993	6,550,529	7,207,867
Net profit	3211	-	-	1,798,196	1,798,196
Dividends	3227	-	-	(3,401,609)	(3,401,609)
Equity as at 31 December 2018	3200	48,345	608,993	4,947,116	5,604,454
Net profit	3311	-	-	2,002,643	2,002,643
Dividends	3327	-	-	-	-
Equity as at 31 December 2019	3300	48,345	608,993	6,949,759	7,607,097

FOR REFERENCE	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
Net assets	7,608,479	5,608,205	7,213,987

CEO [Signature] V.V. Kuzyakov

Chief Accountant

6 May 2020 [Signature] O.P. Bukreeva

[Seal:
Limited Liability Company
Principal State Registration Number (OGRN) 1085047006549 * Moscow *
Jaguar Land Rover]

6 May 2020

**STATEMENT OF CASH FLOWS
for 2019**

Company	Jaguar Land Rover LLC
Taxpayer's identification number	
Line of business	Vehicles wholesale
Form of incorporation/form of ownership	Limited Liability Company/Property of foreign legal entities
Unit of measurement	RUB thousand

	Codes
OKUD Form	0710005
Date (day, month, year)	31.12.2019
OKPO	86658358
TIN	5047095543
OKVED	45.11.1
OKOPF/ OKFS	12300 / 23
OKEI	384

Item	Code	for 2019	for 2018
Cash flows relating to current operating activities			
Income - total	4110	57,395,811	61,518,975
including:			
from sale of products, goods, work and services	4111	56,887,617	60,493,120
rent, licence payments, royalties, charges and other similar payments	4112	20,091	20,500
from resale of financial investments	4113	-	-
other income	4119	488,103	1,005,356
Payments - total	4120	(54,094,717)	(59,253,841)
including:			
to suppliers (contractors) for raw materials, materials, work and services	4121	(40,717,300)	(43,893,401)
payroll	4122	(314,870)	(375,256)
interest on debt obligations	4123	(-)	(-)
company profit tax	4124	(727,097)	(399,092)
other payments	4129	(12,335,450)	(14,586,092)
Net cash flows relating to current operating activities	4100	3,301,094	2,265,134
Cash flows relating to investing activities			
Income - total	4210	900,771	1,258,249
including:			
from sale of non-current assets (except for financial investments)	4211	900,771	1,258,249
from sale of shares of other companies (membership interests)	4212	-	-
from repayment of loans provided and from sale of debt securities (rights to claim monetary fuds from other parties)	4213	-	-
dividends and interest on debt-based financial investments and similar income from interest membership of other companies	4214	-	-
other income	4219	-	-
Payments - total	4220	(810,660)	(1,017,351)
including:			
for acquisition, creation, modernisation, reconstruction of and preparation for using non-current assets	4221	(810,660)	(1,017,351)
for acquisition of shares of other companies (membership interests)	4222	(-)	(-)
for acquisition of debt securities (rights to claim monetary fuds from other parties), granting loans to other parties and interest on debt obligations included in the value of an investment asset	4224	(-)	(-)
other payments	4229	(-)	(-)
Net cash flows relating to investing activities	4200	90,111	240,898
Cash flows relating to financing activities			
Income - total	4310	-	-
including:			
obtaining credits and loans	4311	-	-
owners' (members') cash deposits	4312	-	-
from issue of shares and increase in membership interests	4313	-	-
from issue of bonds, notes and other debt-based securities	4314	-	-
other income	4319	-	-

Item		for 2019	for 2018
Payments - total	4320	(-)	(3,401,609)
including:			
to the owners (members) for the repurchase of shares of (membership interests in) companies or for cessation of membership	4321	(-)	(-)
dividends and other payments to distribute the profit for the benefit of the owners (members)	4322	(-)	(3,401,609)
for the repayment (repurchase) of notes and other debt-based securities, repayment of credits and loans	4323	(-)	(-)
other payments	4329	(-)	(-)
Net cash flows relating to financing activities	4300	<u>-</u>	<u>(3,401,609)</u>
Net cash flows for the reporting period	4400	<u>3,391,205</u>	<u>(895,577)</u>
Balance of cash and cash equivalents as at the beginning of the reporting period	4450	<u>2,560,064</u>	<u>3,455,641</u>
Balance of cash and cash equivalents as at the end of the reporting period	4500	<u>5,951,269</u>	<u>2,560,064</u>
Effect of the changes in the rouble to foreign currency exchange rate	4490	<u>-</u>	<u>-</u>

CEO

[Signature]

V.V. Kuzyakov

Chief Accountant

[Signature]

O.P. Bukreeva

6 May 2020

[Seal:
Limited Liability Company
Principal State Registration Number (OGRN) 1085047006549 * Moscow *
Jaguar Land Rover]

6 May 2020

**NOTES TO FINANCIAL STATEMENTS OF
JAGUAR LAND ROVER LLC for the year 2019**

1. GENERAL INFORMATION

Jaguar Land Rover Limited Liability Company was established in May 2008 (certificate of state registration No. 1085047006549 dated 22 May 2008).

Legal and mailing address: Bld. 2, 28B Mezhdunarodnoye Shosse, Moscow, 141411, Russian Federation.

The executive body is the CEO, Kuzyakov Vyacheslav Vladimirovich.

The Sole Member is Jaguar Land Rover Holdings Limited, a limited liability company established under the laws of the United Kingdom.

As at 31 December 2019 the shares of Jaguar Land Rover Holdings Limited (consecutively through Jaguar Land Rover Automotive PLC and TML Holdings Pte Limited) are owned by Tata Motors Limited, a public company listed on the stock exchanges of Bombay (India) and New York (USA), the largest beneficiary of which is Tata Sons Private Limited.

1.1. The core business lines of Jaguar Land Rover LLC are as follows:

- import, export, purchase, marketing and sale of vehicles, components and spare parts (code under OKVED2 45.11.1);
- providing dealers and the parent company with the information on the import, export, purchase, marketing, sale of vehicles, servicing of vehicles, components and spare parts;
- consulting, marketing and any other services related to the import, export, purchase, marketing, sale of vehicles, components and spare parts;
- any other lines of business that are not prohibited by the current laws of the Russian Federation.

The activities of the Company are regulated by the laws of the Russian Federation.

1.2. Number of employees

The average headcount of the staff working at the Company in 2019 and 2018 amounted to 84 and 115 and employees respectively.

1.3. Main customers

The sales of vehicles and spare parts are carried out via the network of authorized dealers.

In the reporting period, the following dealers achieved the largest volumes of sales (% of the total volume of sales):

Dealer	2019	2018
Musa Motors JLR LLC	12%	13%
Branch of Avilon. Avilon AG JSC, Jaguar Land Rover's official dealer	8%	7%
ROLF Estate St. Petersburg LLC	8%	8%
The Branch "JLR Yasenevo" of ROLF LLC	6%	7%
Avtobiografiya Pulkovo LLC	6%	7%

2. ACCOUNTING POLICIES

The Company maintains its accounting records in accordance with the requirements of the legislation of the Russian Federation on accounting and regulations of the Ministry of Finance of the Russian Federation.

In 2019 the accounting records were maintained in accordance with the methods specified in the Company's Accounting Policy approved by the CEO's order dated 31 December 2017.

The financial statements of the Company are prepared in accordance with the current accounting and reporting rules of the Russian Federation.

Financial and tax accounting is maintained by using corporate information systems SAP and 1C.

2.1. Applicability of the Company's going concern assumption

When developing the accounting policy for the reporting period, the management proceeded based on the assumption that the Company will be able to continue as a going concern in the near future and that it neither intends nor is it obliged to liquidate or significantly curtail its activities, and, therefore, its liabilities will be duly discharged.

2.2. Chart of accounts

The Company has developed and applies a working chart of accounts based on the standard chart of accounts for the financial and business activities of companies approved by Order No. 94n of the Ministry of Finance of the Russian Federation dated 31 October 2000, with the use of separate subaccounts that allow financial statements to be prepared that meet the requirements of accounting and tax legislation in terms of the Russian and international standards, as well as the requirements for separate cost accounting.

2.3. Materiality criteria

The Company records the indicators that it considers material, the non-disclosure of which can affect the economic decisions of interested users taken based on the reporting information.

The Company decides whether an indicator is material based on the assessment of the indicator, its nature and the specific circumstances of its origination. The Company decides that an amount is material if it constitutes at least 10 (ten) % of the account balance for the reporting period, except for the group of balance sheet items "Retained earnings (accumulated losses)" that includes retained earnings and accumulated losses both for the current year and for the previous years.

A qualitative indicator of materiality depends on the nature of the indicator and specific circumstances of its origination. The Company discloses the data by including relevant indicators, tables and breakdowns directly into the forms of financial statements or notes to the financial statements.

2.4. Inventory taking

An inventory is taken in accordance with the "Methodological Guidelines for Taking an Inventory of Property and Financial Liabilities" approved by Order No. 49 of the Ministry of Finance of the Russian Federation dated 13 June 1995.

An inventory of fixed assets that are not vehicles is taken for individual units and individual classes of fixed assets at least once every 3 years. The last inventory of fixed assets that are not vehicles was taken as at 18 December 2019. An inventory of fixed assets that are vehicles is taken on an annual basis separately from other fixed assets. An inventory of fixed assets that are vehicles was taken as at 19 November 2019.

An inventory of spare parts was taken as at 8 November 2019, an inventory of vehicles (inventories) was taken as at 19 November 2019, and an inventory of all other assets and liabilities was taken as at 31 December 2019.

2.5. Assets and liabilities denominated in foreign currency

Transactions in foreign currency are recorded using the official Rouble exchange rate as determined by the Central Bank of the Russian Federation (CBR) effective as at the date of the relevant transaction. Assets and liabilities denominated in foreign currency are recorded the accounting balance sheet in the amounts calculated based on the official Rouble exchange rate as determined by the CBR effective as at 31 December 2019, 2018 and 2017.

The procedure for the accounting of assets and liabilities denominated in foreign currency is governed by Regulation on accounting PBU 3/2006 "Accounting of assets and liabilities

denominated in foreign currency". In accordance with Regulation PBU 3/2006, liabilities denominated in foreign currency are subject to recalculation in Roubles as at:

- the reporting date;
- the date of the relevant transaction (acceptance for accounting and settlement of the liability).

Foreign currency differences are presented in detail in the statement of profit and loss as other income or other expenses.

2.6. Current and non-current assets and liabilities

Assets recognised in the financial statements as current are to be used in operating and other activities during 12 months after the reporting date. Liabilities recorded in the financial statements as short-term are to be discharged within 12 months after the reporting date. All other assets and liabilities are presented as long-term.

2.7. Fixed assets accounting

The Company maintains the accounting of fixed assets in accordance with Regulation on accounting PBU 6/01 "Fixed assets accounting" approved by Order No. 26n of the Ministry of Finance of the Russian Federation dated 30 March 2001 and Methodological Guidelines for Fixed Assets Accounting approved by Order No. 91n of the Ministry of Finance of the Russian Federation dated 13 October 2003.

The historical cost of the fixed assets acquired for a fee is recognised as the actual amount spent by the Company on the acquisition, construction and manufacturing of an asset net of the value-added tax and other recoverable taxes (except for the cases stipulated by the legislation of the Russian Federation).

The historical cost of fixed assets includes the actual costs of delivery of items and bringing them into a condition suitable for use.

The useful life of fixed assets is determined based on Resolution No. 1 of the Government of the Russian Federation dated 1 January 2002 "On classification of fixed assets by depreciation groups" and Resolution No. 526 of the Government of the Russian Federation dated 28 April 2018 "On amending the classification of fixed assets by depreciation groups".

Fixed assets depreciation rates used for the depreciation accrual are as follows:

Fixed asset groups	Depreciation rates (% of the historical cost per year)	
	From (min)	To (max)
Vehicles	14	32
Other fixed assets	3	48

Fixed assets are not revaluated.

Assets with the value of up to RUB 40 thousand, corresponding to the conditions stipulated in item 4 of PBU 6/01 are recognised as inventories.

Depreciation of fixed assets accrues on a straight-line basis by using the historical cost of fixed assets and the depreciation rate calculated on the basis of the useful life of the relevant fixed assets. The straight-line basis for the depreciation accrual is applied during the entire useful life of the fixed assets.

Actual costs of current and major repairs of fixed assets are recorded as manufacturing and selling expenses for the period when they were incurred.

The value of a fixed asset that is disposed of or is unable to generate economic benefits (income) for the Company in the future is subject to writing off.

The income and expenses from the disposal and sale of fixed assets are presented in detail in the statement of profit and loss as other income and expenses.

Fixed assets leased out are recognised on the balance sheet of the Company, on account 01.5 "CSV Vehicles" ("Corporate Service Vehicles" - vehicles used by the Company).

Leased fixed assets are recognised off the balance sheet, and lease costs are written off as expenses for the current period.

2.8. Intangible assets accounting

The Company maintains the accounting of intangible assets in accordance with Regulation on accounting PBU 14/2007 "Intangible assets accounting" approved by Order No. 153n of the Ministry of Finance of the Russian Federation dated 27 December 2007.

The historical cost of intangible assets is based on the actual costs of acquisition. The depreciation of intangible assets accrues based on their useful lives.

The depreciation of intangible assets accrues on a straight-line basis.

A company determines an intangible asset's useful life independently when accepting an item for accounting; the useful life is established by the company manager's order.

A company annually verifies an intangible asset's useful life to determine whether it should be reassessed.

Intangible assets are not revaluated.

2.9. Inventories accounting

The Company maintains the accounting of inventories in accordance with Regulation on accounting PBU 05/01 "Inventories accounting" approved by order No. 44n of the Ministry of Finance dated 9 June 2001 and the Methodological Guidelines for Inventories Accounting approved by Order No. 119n of the Ministry of Finance of the Russian Federation dated 28 December 2001.

The actual cost price of the inventories acquired for a fee is recognised as the actual amount paid by the Company to acquire them net of the value-added tax and other recoverable taxes (except for the cases stipulated by the legislation of the Russian Federation).

The acquisition and procurement of materials are recorded in the accounting by using account 10 "Materials", on which the actual cost price of materials is formed and their movement is recorded.

When the materials are put into production or disposed of in another way, their value assessment is performed at the average moving cost.

Average estimates of the actual cost of materials are calculated by determining the actual cost at the time when they are put into production.

The purchase of goods for resale is recorded as follows:

- Vehicles - at the purchase price plus customs duties, fees, excises (if applicable);
- Spare parts - at the purchase price. Customs duties, fees, excises (if applicable) are accumulated on a separate subaccount for the accounting of the goods without binding to an item.

To record the operations of procurement and acquisition of inventories and other similar resources, the Company applies account 15 "Procurement and Acquisition of Tangible Assets" and account 16 "Deviation in the Value of Tangible Assets".

The inventories that are obsolete, completely or partially lost their original quality, or the current market value of which has decreased, or which are highly likely to be destroyed, or potentially unsuitable for sale, are recorded in the balance sheet at the end of the reporting year less the inventory items impairment provisions. The amount of the inventories impairment provisions is determined for each inventory item based on the information about the change in the current demand for certain items and is determined on the basis of the assessment of unclaimed stock items, and also on the information about the change in the current price for certain items with respect to their value.

2.10. Cash and cash equivalents accounting

Highly liquid financial investments that can be easily converted into a known amount of cash and are subject to an insignificant risk of changes in value are recognised in the line "Cash and cash equivalents" of the balance sheet.

2.11. Revenue accounting

The Company maintains the accounting of the revenue and other income in accordance with Regulation on accounting PBU 9/99 "Revenues of a company" approved by Order No. 32n of the Ministry of Finance of the Russian Federation dated 6 May 1999.

Income from the main lines of business includes income from sales of vehicles, spare parts, consulting services, sales of brochures and services for their delivery.

All the remaining income is treated as other income.

Revenue is recorded in the accounting as follows:

- from the sale of spare parts – at the time when the ownership rights are transferred under an agreement (usually at the time when the goods are transferred to the first carrier);
- from the sale of vehicles to the dealers in the Russian Federation:
 1. in the event of the sales to which the factoring agreement does not apply – at the time when the ownership rights are transferred under an agreement (usually after the Company has received the payment for a vehicle and the authorisation procedure has been completed in accordance with the conditions of the relevant bulletin, provided that such vehicle has undergone customs clearing and the vehicle licence has been served on the buyer);
 2. in the event of the sales with respect to which the Company's rights in action with regard to the Dealer are assigned to the bank under the factoring agreement – at the time when the ownership rights are transferred under a sales agreement (usually on the 2nd business day after the dealer's vehicle was delivered, subject to the additional conditions set out in the agreements with the dealer and with the bank). The dealer's accounts receivable are considered as having been settled if the money has been received from the bank (non-recourse factoring).
- from the sale of vehicles to the dealers in the Republic of Belarus and the Republic of Kazakhstan (JLR TERRA MOTORS Limiter Liability Partnership) – at the time when the ownership rights are transferred under an agreement (usually at the time when the Company receives the payment for a vehicle and the authorisation procedure is completed in accordance with the conditions of the relevant bulletin, provided that such vehicle has undergone customs clearing and the vehicle licence has been served on the buyer);
- from the sale of vehicles to the dealers in the Republic of Armenia and the Republic of Kazakhstan (Almaty Motors Premium Limiter Liability Partnership) - at the time when the ownership rights are transferred under an agreement (usually at the time when a vehicle is transferred to the carrier);
- from the supply of services – upon the supply of such services;
- the sale of brochures and services to deliver them is recorded at the time when the ownership rights are transferred under an agreement.

The revenue from the sale of vehicles is reduced by the amount of dealer bonuses.

A penalty paid by dealers in case of the late payment for the vehicles is included in other income.

2.12. Expenses accounting

The Company maintains the accounting of expenses in accordance with Regulation on accounting PBU 10/99 "Expenses of a Company" approved by Order No. 33n of the Ministry of Finance of the Russian Federation dated 6 May 1999.

General expenses generated as follows:

- When vehicles are sold, the cost price is determined for each unit of goods. Transportation and procurement expenses are included in the cost price of a sold vehicle in the amount determined by the ratio of sold vehicles (in quantitative terms) to the total number of vehicles available during the reporting period;
- When spare parts are sold, the cost price is determined on the weighted average basis. Transportation and procurement expenses are included in the cost price of spare parts in the amount determined by the ratio of sold spare parts (in monetary terms) to the total number for the spare parts available during the reporting period. Customs duties, fees, excise duties (if applicable) are included in the cost price of spare parts in the amount determined by the ratio of sold spare parts (in monetary terms) to the total number of spare parts available for the reporting period.

Business expenses include:

- expenses on advertising and marketing;
- expenses on warranty repair and warranty servicing;
- transportation and procurement expenses;
- payroll expenses;
- lease of premises;
- FA depreciation;
- taxes on vehicles;
- other expenses.

Other expenses include:

- stamp duty;
- property tax;
- losses associated with the write-off of irreparable spoilage;
- penalties and fines for contract terms violation;
- insignificant losses incurred in previous years, but recognised in the reporting year;
- accounts receivable, limitation period of which has expired, and other debts impossible to collect;
- foreign exchange differences;
- other similar expenses.

2.13. Provisions accounting

The Company maintains the accounting of provisions and contingent liabilities in accordance with Regulation on accounting PBU 8/2010 "Provisions, Contingent Liabilities and Contingent Assets" approved by Order No. 167n of the Ministry of Finance of the Russian Federation dated 13 December 2010.

The following types of provisions accrue in the accounting:

- inventories impairment provisions (see description in note 2.9);
- bad debt provisions (is the best estimate made by the management of the Company of the portion of the debt that probably will not be repaid).

The following types of provision are recorded in the accounting and financial statements:

- for unused vacations;
- for warranty servicing;
- other provisions that meet the criteria of items 4 and 5 of Regulation PBU 8/2010 "Provisions, Contingent Liabilities and Contingent Assets" ("PBU 8/2010").

A **provision for unused vacations** is determined as follows:

The amount of the provision is determined separately for each employee. The amount of the provision is increased by the amount of insurance contributions. As employees use vacations (the compensation for the unused vacations), the amount of the provision decreases.

The percentage of the **provision for warranty servicing** is determined for each model of a vehicle on the basis of historical data on guarantee payments and is adjusted for the forecast indicators of improving the quality of a vehicle, changes in the cost of work, inflation, changes in production technology and other similar indicators. As at each reporting date, a long-term part corresponding to the estimated cost of warranty servicing of vehicles, which have been previously sold, is singled out in the amount of the provision 12 months after the reporting date.

2.14. Deferred expenses accounting

Deferred expenses are recorded on account 97 "Deferred expenses" based on the actually incurred expenses. Deferred expenses are written off on a monthly basis to the debit of the expense accounts during the period specified in the relevant documents (licenses, agreements, etc.). If the period cannot be determined based on the relevant documents, such period it is determined by a committee, members of which are approved by the CEO of the Company.

Deferred expenses are recorded in the balance sheet as other current assets and other non-current assets depending on the useful life as at the reporting date.

2.15. Profit tax

In accordance with Regulation for accounting PBU 18/02 "Profit tax accounting" approved by Order No. 114n of the Ministry of Finance of the Russian Federation dated 19 November 2003, the Company records in the accounting and in the financial statements the difference between the tax on the accounting profit (loss) which is recognised in the accounting, and the tax on taxable profit which is formed in the tax accounting and disclosed in an profit tax return.

Deferred tax assets and liabilities are recorded in the balance sheet as non-current assets and long-term liabilities respectively; deferred tax assets are recorded in the accounting on separate control account 09, deferred tax liabilities are recognised in the accounting on separate control account 77. When preparing financial statements, the amounts of deferred tax assets and deferred tax liabilities are disclosed separately in the balance sheet.

Permanent tax liabilities, changes in deferred tax assets, changes in deferred tax liabilities and current profit tax are recorded in the statement of profit and loss of the Company.

The value of the current profit tax of the Company is the tax payable to the budget determined on the basis of the amount of the contingent expense (income) adjusted for the amount of the permanent tax liability for the reporting period, changes in deferred tax assets and changes in deferred tax liabilities.

3. CHANGES IN CLASSIFICATIONS

In 2019 the classification of the indicators of the Statement of Cash Flows was changed. The below changes in the classification are the most substantial:

- Withholding tax on the dividends paid which used to be included in the line "Other payments" of the section "Cash flows relating to current operating activities" was reclassified to be included in the section "Cash flows relating to financing activities";
- The indicators which used to be included in the line "For customs settlements", "For the payment of bonuses and discounts" were reclassified to be included in the line "For other payments";
- The indicator of the line "Interest received" was reclassified to be included in the line "Other income".

The comparative indicators of the Statement of Cash Flows for 2018 were adjusted to ensure comparability with the indicators for 2019 as follows:

(RUB thousand)

Item	Indicators for 2018 in the reports for 2018	Indicators for 2018 in the reports for 2019	Reclassification
CASH FLOWS RELATING TO CURRENT OPERATING ACTIVITIES			
From sale of products, goods, work and services	60,513,619	60,493,120	(20,499)
Interest received	150,139	(-)	(150,139)
Other income	850,217	1,005,356	155,139
Rent, licence payments, royalties, charges and other similar payments	(-)	20,500	20,500
Payments under an agency agreement	(6,958)	(-)	6,958
For the payment of goods, work and services	(43,893,401)	(43,893,401)	(-)
For payroll payments	(375,256)	(375,256)	(-)
For profit tax settlements	(399,092)	(399,092)	(-)
For other tax and levies settlements	(388,104)	(-)	388,104
For customs settlements (duties, charges and excises)	(10,545,834)	(-)	10,545,834
For the payment of bonuses and discounts	(3,764,740)	(-)	3,764,740
For other payments and transfers	(215,617)	(14,586,092)	(14,370,475)
Net cash flows relating to current operating activities	1,924,973	2,265,134	340,161
CASH FLOWS RELATING TO INVESTING ACTIVITIES			
For the acquisition of fixed assets and intangible assets	(1,017,351)	(1,017,351)	(-)
From the sale of fixed assets and other property	1,258,249	1,258,249	(-)
Net cash flows relating to investing activities	240,898	240,898	(-)
CASH FLOWS RELATING TO FINANCING ACTIVITIES			
Cash for the payment of dividends	(3,061,488)	(3,401,609)	(340,161)
Net cash flows relating to financing activities	(3,061,488)	(3,401,609)	(340,161)
Net cash flows for the reporting period	(895,577)	(895,577)	(-)
Balance of cash and cash equivalents as at the beginning of the reporting period	3,455,641	3,455,641	(-)
Balance of cash and cash equivalents as at the end of the reporting period	2,560,064	2,560,064	(-)

In 2019 the classification in section 5.4 "Other expenses" of the notes to financial statements was changed: the new line "Retrospective discounts on vehicles" was included. With regard to the indicators for 2018, the line "Claims received" was reclassified as the line "Other". The comparative indicators of "Other expenses" for 2018 were adjusted to ensure comparability with the indicators for 2019 as follows:

(RUB thousand)

Other expenses	Indicators for 2018 in the reports for 2018	Indicators for 2018 in the reports for 2019	Reclassification
Retrospective discounts on vehicles	-	78,199	78,199
Other	12,822	104,913	92,091
Claims received	225,251	54,961	(170,290)
Total	238,073	238,073	-

4. BREAKDOWN OF INDIVIDUAL BALANCE SHEET ACCOUNTS

4.1. Fixed assets

Movements in the historical cost by groups of fixed assets are as follows:

(RUB thousand)

Item	As at 31 December 2018	Entered	Disposed of	As at 31 December 2019
Vehicles	876,672	1,021,241	(1,046,705)	842,208
Production and organisational stock	191,965	21,627	(22,640)	190,952
Total	1,068,637	1,033,868	(1,069,345)	1,033,160

(RUB thousand)

Item	As at 31 December 2017	Entered	Disposed of	As at 31 December 2018
Vehicles	1,293,081	997,040	(1,413,449)	876,672
Production and organisational stock	163,347	30,242	(1,624)	191,965
Total	1,456,428	1,027,282	(1,415,073)	1,068,637

With respect to the fixed assets leased out, the historical cost as at 31 December 2019 amounted to RUB 113,659 thousand (as at 31 December 2018 it was RUB 160,210 thousand, as at 31 December 2017 it was RUB 406,812 thousand), and the accumulated depreciation as at 31 December 2019 was RUB 4,238 thousand (as at 31 December 2018 it was RUB 16,031 thousand, as at 31 December 2017 it was RUB 44,787 thousand) and the depreciated value as at 31 December 2019 was RUB 109,421 thousand (as at 31 December 2018 it was RUB 144,179 thousand, as at 31 December 2017 it was RUB 362,025 thousand).

The accumulated depreciation by fixed assets groups as at 31 December 2019, 2018 and 2017 is as follows:

(RUB thousand)

Item	As at 31 December 2018	Amount written off for disposed items	Amount accrued	As at 31 December 2019
Vehicles	74,020	(164,039)	138,536	48,517
Production and organisational stock	100,950	(21,736)	28,498	107,712
Total	174,970	(185,775)	167,034	156,229

Item	As at 31 December 2017	Amount written off for disposed items	Amount accrued	As at 31 December 2018
Vehicles	128,582	(249,778)	195,216	74,020
Production and organisational stock	68,667	(1,060)	33,333	100,950
Total	197,259	(250,838)	228,549	174,970

4.2. Leased fixed assets

(RUB thousand)

Item	31 December 2019 and 2018
Non-residential premises at Bld. 2, 28B Mezhdunarodnoye Shosse (basement, 1, 2, 3), the Landlord is OTDELSTROY-INVEST.	132,596
A land plot with a complex of temporary structures and elements (JLR BEC), the Landlord is AGALAROV ESTATE	637,200

As at 31 December 2019, the Company leases the real estate: premises in buildings that are used for administrative purposes. The cost of leasing the premises in the buildings amounts to RUB 55,945 thousand per year (excluding VAT). This amount includes fixed and variable rental payments, operating costs, leasing of land and underground parking spaces.

The Company leases a land plot (127,600 sq. m.) from AGALAROV ESTATE LLC for commercial purposes. The cost of leasing amounts to RUB 108,000 thousand per year (excluding VAT).

The leased fixed assets are recorded on the off-balance sheet account "Leased fixed assets". The cost of the leased fix assets is specified above according to the cost of the assets in lease agreements.

4.3. Profit tax

The current profit tax is determined based on the tax accounting data for 2019 and 2018 as follows:

(RUB thousand)

	2019	2018
Profit before tax	2,577,908	2,324,921
Contingent profit tax expense	515,582	464,984
Permanent tax liabilities:		
expenses not recognised for tax purposes	50,186	59,267
income not recognised for accounting purposes	8,993	1,310
standardised expenses	504	1,164
Total	59,683	61,741
Increase / (decrease) in deferred tax assets:		
on inventor items impairment provisions	(6,592)	10,366
on provisions for warranty repair and servicing	4,697	(41,815)
other	(10,535)	6,864
Total	(12,430)	(24,585)
Decrease / (increase) in deferred tax liabilities:		
supplier bonus	(65)	(322)
difference on property not recognised as depreciable in tax accounting	458	627
other	(21)	6
Total	372	311
Other	-	-
Total current profit tax	563,207	502,451

Breakdown of deferred tax assets (DTA):

(RUB thousand)

Item	Year	Opening balance	Closing balance
DTA of the inventory items impairment provisions	2019	49,476	42,884
	2018	39,110	49,476
DTA of the provision for warranty repair and servicing	2019	435,592	440,289
	2018	477,407	435,592
DTA of other items	2019	36,577	26,042
	2018	29,713	36,577
Total	2019	521,645	509,215
	2018	546,230	521,645

4.4. Inventories

The Company's inventories as at 31 December 2019, 2018 and 2017 are as follows:

(RUB thousand)

	<u>31 December 2019</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
Inventories			
Vehicles	4,200,993	4,963,800	5,192,278
Spare parts	1,118,629	1,275,592	1,489,098
Spare parts in transit	33,893	43,401	72,255
Vehicles in transit	123,615	17,157	109,890
Accumulated transportation and procurement expenses	15,893	19,365	23,508
Other	6,637	21,885	11,859
Inventory items impairment provisions	<u>(205,959)</u>	<u>(240,005)</u>	<u>(188,174)</u>
Total	<u>5,293,701</u>	<u>6,101,195</u>	<u>6,710,714</u>

As at 31 December 2019, the Company did not have any pledged inventories.
As at 31 December 2018, the Company did not have any pledged inventories.
As at 31 December 2017, the Company did not have any pledged inventories.

Movements in inventory items impairment provisions are as follows:

(RUB thousand)

Balance as at 31 December 2017	<u>188,174</u>
Increase in provisions	55,360
Decrease in provisions	(3,529)
Balance as at 31 December 2018	<u>240,005</u>
Increase in provisions	0
Decrease in provisions	(34,046)
Balance as at 31 December 2019	<u>205,959</u>

4.5. Accounts receivable

Accounts receivable as at 31 December 2019, 2018 and 2017 are as follows:

(RUB thousand)

	<u>31 December 2019</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
Short-term accounts receivable:	1,765,080	1,442,255	1,709,171
Buyers and customers, including:			
settlements with dealers for vehicles	235,642	29,547	44,698
settlements with dealers for spare parts	759,964	639,965	582,536
settlements on other sales	112,891	119,846	16,067
Short-term advances paid	139,219	187,881	143,820
Taxes and duties	310,875	145,753	431,471
Settlements with customs authorities	10,284	141,576	30,429
Settlement with the parent company for reimbursement of expenses for warranty repair and servicing	26,617	104,517	327,697
Interest receivable under loans granted	26,379	-	26,101
Other	148,640	80,107	121,453
Bad debt provisions	<u>(5,431)</u>	<u>(6,937)</u>	<u>(15,101)</u>
Long-term accounts receivable:	-	36,000	84,000
Advances paid	<u>-</u>	<u>36,000</u>	<u>84,000</u>
Total	<u>1,765,080</u>	<u>1,478,255</u>	<u>1,793,171</u>

4.6. Cash and cash equivalents – short-term bank deposits

Cash and cash equivalents as at 31 December 2019, 2018 and 2017 are as follows:

(RUB thousand)

	31 December 2019	31 December 2018	31 December 2017
Cash and cash equivalents			
Current bank accounts	7,269	460,064	105,641
Cash equivalents – short-term deposit	1,644,000	2,100,000	1,650,000
Cash equivalents – short-term loan on demand for Jaguar Land Rover Limited (UK)	4,300,000	-	1,700,000
Total	<u>5,951,269</u>	<u>2,560,064</u>	<u>3,455,641</u>

As at 31 December 2019, 2018 and 2017, short-term overnight bank deposits were placed, including:

as at 31 December 2019:

- a deposit of RUB 662,000 thousand from 30 December 2019 to 9 January 2020 at the interest rate 5.25% per annum, and
- a deposit of RUB 982,000 thousand from 31 December 2019 to 9 January 2020 at the interest rate 5.00% per annum.

as at 31 December 2018:

- a deposit of RUB 2,100,000 thousand from 29 December 2018 to 9 January 2019 at the interest rate 5.65% per annum.

as at 31 December 2017:

- a deposit of RUB 1,650,000 thousand from 29 December 2017 to 9 January 2018 at the interest rate 3.5% per annum.

The loans granted to the related party Jaguar Land Rover Limited (UK) as at 31 December 2019 are presented below:

Agreement	Loan amount including interest	Currency	Annual interest rate	On demand
Revolving loan agreement dated 20 September 2019	4,236,379	RUB	5.6%	On demand

The line "Other income" of the Statement of Cash Flows is presented as follows:

(RUB thousand)

Item	2019	2018
Settlements on guarantees with Jaguar Land Rover Limited	198,081	545,664
Interest received	166,140	150,139
VAT compressed	89,053	257,908
Other	34,829	46,645
Total	488,103	1,005,356

The line "Other payments" of the Statement of Cash Flows is presented as follows:

(RUB thousand)

Item	2019	2018
For customs settlements (duties, charges and excises)	8,695,658	10,545,834
For the payment of bonuses and discounts	3,516,804	3,764,740
Other	122,988	275,518
Total	12,335,450	14,586,092

4.7. Share capital and allocation of net profit

In 2019 no dividends were paid.

On 18 May 2018, the sole member of the Company made decision No. 22 on allocation of retained earnings of the Company for the first six months of 2016 in the amount of RUB 3,401,609 thousand.

The authorised capital of the Company as at 31 December 2019, 2018 and 2017 amounted to RUB 48,345 thousand.

4.8. Accounts payable

Accounts payable as at 31 December 2019, 2018 and 2017 are presented as follows:

(RUB thousand)

	31 December 2019	31 December 2018	31 December 2017
Short-term accounts payable:	3,363,845	2,749,621	3,438,418
Suppliers and contractors, including:			
settlements for vehicles	425,709	50,492	934,068
settlements for spare parts	394,442	99,109	588,393
settlements for other goods and services	385,470	464,715	458,873
settlements with dealers on the guarantee reimbursement	126,799	63,339	88,519
Advances received	227,756	182,617	80,897
Taxes and duties payable	614,991	599,569	454,383
Settlements with dealers on bonuses and other liabilities	1,188,678	1,289,780	833,285
Long-term accounts payable:	1,200,696	1,021,395	723,952
Advances received	1,200,696	1,021,395	723,952
Total	4,564,541	3,771,016	4,162,370

Advances received include mostly the amounts of the received advance payment under the Service Package Programme for the services of technical maintenance.

4.9. Provisions

Movements in provisions for 2019 and 2018 are presented as follows:

(RUB thousand)

	Warranty servicing	Unused vacations	Other provisions	Total
Balance as at 31 December 2017	2,387,044	34,858	22,503	2,444,405
Increase in provisions	1,080,856	21,032	670	1,102,558
Use of provisions	(1,289,932)	(30,047)	-	(1,319,979)
Balance as at 31 December 2018	2,177,968	25,843	23,173	2,226,984
Increase in provisions	1,440,428	26,084	36,929	1,503,441
Use of provisions	(1,416,943)	(30,293)	(24,905)	(1,472,141)
Balance as at 31 December 2019	2,201,453	21,634	35,197	2,258,284

5. BREAKDOWN OF CERTAIN ACCOUNTS IN THE STATEMENT OF PROFIT AND LOSS

5.1. Revenue

The revenue for 2019 and 2018 is as follows:

(RUB thousand)

	2019	2018
Revenue (net) from sale of goods, products, works and services		
Sale of vehicles	50,945,513	53,689,705
Sale of spare parts	5,847,297	5,950,884
Sale of other goods and services	95,987	47,692
	56,888,797	59,688,281
Less dealer bonuses	(3,350,135)	(3,712,262)
Total	53,538,662	55,976,019

5.2. General expenses

General expenses broken down by elements for 2019 and 2018 are as follows:

(RUB thousand)

	2019	2018
Cost price of goods, products, work and services sold	45,943,903	48,154,145
Sale of vehicles	32,116,500	33,262,428
Customs duties and vehicle recycling fee	8,581,050	9,646,656
Customs duties for spare parts	283,619	276,317
Sale of spare parts	4,925,968	4,923,484
Sale of other goods and services	36,766	45,260
Business expenses	5,176,810	5,503,312
Expenses on advertising and marketing	1,871,860	2,490,553
Expenses on warranty repair and servicing	1,325,537	1,080,856
Transportation and procurement expenses	486,935	556,746
Lease of premises	270,415	284,098
Payroll expenses	264,469	312,464
Fixed assets depreciation	148,696	180,847
Expenses on vehicles maintenance	92,635	136,700
Insurance contributions	55,475	66,839
Travel expenses	14,853	43,892
Expenses on products certification	14,764	26,564
Expenses on consulting services	86,404	24,262
Provision for future expenses for the roadside assistance system	36,929	19,908
Expenses on communication services	8,839	11,659
Other expenses	498,999	267,924
Total	51,120,713	53,657,457

5.3. Other income

Other income for 2019 and 2018 are as follows:

(RUB thousand)

	<u>2019</u>	<u>2018</u>
Other income		
Income from sale of fixed assets	894,865	1,261,422
Payment for a commercial loan in the event vehicles are supplied on a deferred-payment basis	192,118	96,688
Income from lease of depreciable property	12,223	25,159
Claims, fines, penalties	104,711	57,215
Income from the Service package programme	208,536	108,482
Income from the roadside assistance system	(-)	532
Income from the Finance programme	31,588	24,255
Income associated with the recognition of inventory results	7,240	16,987
Foreign exchange gain	990	367
Income – reimbursement of guarantee expenses	114,891	-
Other	75,664	75,935
Total	<u>1,642,835</u>	<u>1,667,042</u>

As disclosed in note 4.1, the Company's fixed assets are mainly represented by vehicles used for own needs. In accordance with the internal policy, the Company uses these vehicles during 15 months on an average (with a mileage of no more than 20,000 kilometres) and then sells them. For the Company's business purposes changes in the period of use of vehicles can be agreed that are subject to approval by the Company's CFO, Administrative Director and the CEO.

5.4. Other expenses

Other expenses for 2019 and 2018 are as follows:

(RUB thousand)

	<u>2019</u>	<u>2018</u>
Other expenses		
Expenses for the sale and disposal of fixed assets	881,722	1,156,043
Expenses associated with the increase in the inventory items impairment provisions	1,087	55,360
Expenses for leasing out of depreciable property	25,589	30,563
Claims received	22,883	24,961
Expenses for the Service package programme	367,862	175,622
Expenses – reimbursement of guarantee expenses	114,891	-
Taxes and duties	17,176	34,612
Expenses associated with the recognition of inventory results	12,843	16,626
Expenses for the sale and disposal of other property – write-off of other assets	36,786	33,762
Expenses for banking services	23,386	20,801
Expenses for the Finance programme	29,234	22,588
Foreign exchange loss	603	1,070
Losses on foreign exchange transactions	229	260
Retrospective discounts on vehicles	81,794	78,199
Other	32,050	104,913
Total	<u>1,648,135</u>	<u>1,785,380</u>

6. INFORMATION ABOUT RELATED PARTIES

The information about related parties is available on the website at www.tatamotors.com. During 2019, 2018 and 2017 the Company conducted transactions with the following related parties:

- Jaguar Land Rover Limited, UK, the Group company and a member of the Company:
 - since 1 April 2013, the Company has imported Land Rover and Jaguar brand vehicles, as well as Land Rover and Jaguar brand spare parts for sale in the Russian Federation;
 - since 1 January 2014, importing Jaguar brand spare parts for sale in the Russian Federation;
 - since 1 April 2014, granting the right to use and supporting the software for maintaining the accounting of spare parts movement (IPOS);
 - since 25 March 2014, obtaining short-term loans from the Company;
 - since 1 January 2015, granting the right to use the information resource TOPIx;
 - since 22 October 2015, the Company has exported spare parts;
 - since 1 June 2017, granting the right to access the electronic catalogue of spare parts (JLR EPC);
 - since 2016, a licence agreement for granting the right to use trademarks.

The Company's transactions with related parties during 2019 included:

(RUB thousand)

	Acquisition of goods, work and services, 2019	Sale of goods, work and services, 2019	Loans granted, including interest, 31.12.2019	Interest on loans granted, 2019	Accounts receivable, 31.12.2019	Accounts payable, 31.12.2019
Jaguar Land Rover Limited	36,994,404	58,069	4,326,379	87,784	38,405	852,872
Total	36,994,404	58,069	4,326,379	87,784	38,405	852,872
Total for goods	36,961,514					
Total for services		32,889				

In 2019 the Company granted a loan to Jaguar Land Rover Limited in monetary funds of RUB 7,100,000 thousand. In 2019 Jaguar Land Rover Limited repaid the monetary funds as follows: RUB 2,800,000 thousand (the principal amount of the loan) and RUB 61,405 thousand (interest on the loan).

The Company's transactions with related parties during 2018 included:

(RUB thousand)

	Acquisition of goods, work and services, 2018	Sale of goods, work and services, 2018	Loans granted, including interest, 31.12.2018	Interest on loans granted, 2018	Accounts receivable, 31.12.2018	Accounts payable, 31.12.2018
Jaguar Land Rover Limited	38,133,681	83,140	0,00	61,342	118,740	154,685
Total	38,133,681	83,140	0,00	61,342	118,740	154,685

In 2018 the Company granted a loan to Jaguar Land Rover Limited in monetary funds of RUB 1,500,000 thousand. In 2018 Jaguar Land Rover Limited repaid the monetary funds as follows: RUB 3,284,995 thousand (the principal amount of the loan) and RUB 2,448 thousand (interest on the loan).

Cash flows with related parties during 2019 and 2018:
(RUB thousand)

	2019	2018
Cash flows relating to the current operating activities		
From sale of products, goods, work and services	336,820	649,515
For payment for goods, works and services	(36,322,206)	(39,515,590)
Cash flows relating to the financing activities		
Payment of dividends, including tax	(-)	3,401,609

7. KEY MANAGEMENT PERSONNEL

The Company's key management personnel includes the Chief Executive Officer (CEO), the Chief Financial Officer and the Administrative Director, as well as the Chief Accountant.

(RUB thousand)

	<u>2019</u>	<u>2018</u>
Payroll	22,008	24,114
Bonuses	1,379	2,739
Other benefits	<u>962</u>	<u>1,274</u>
Total	<u>24,349</u>	<u>28,127</u>

There were no long-term remunerations (post-employment benefits under contracts with insurance companies (non-state pension funds) concluded in favour of the key management personnel, or other payments ensuring the payment of pensions, or other social guarantees to the key management personnel upon the termination of employment) during 2019 and 2018.

8. FOREIGN EXCHANGE RATES AND FOREIGN EXCHANGE DIFFERENCES

Foreign exchange rates of the Central Bank of the Russian Federation effective as at the date of the financial statements are as follows:

Currency	<u>31 December 2019</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
USD	61.9057	69.4706	57.6002
EUR	69.3406	79.4605	68.8668

(RUB thousand)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
The amount of foreign exchange differences on translation of the value of assets and liabilities payable in foreign currency	387	(538)	(195)

9. RISKS

9.1. Business environment

Economy and financial markets in Russia, which have distinctive features of emerging economy, influence the Company's business. The legal, tax and regulatory systems continue to develop, yet present a risk of controversial interpretation of their requirements. Moreover, these requirements are changed frequently. Together with other legal and fiscal barriers, this creates additional challenges for companies doing business in Russia.

Starting from 2014, the USA, the European Union and some other countries have introduced and gradually tightened economic sanctions with respect to a number of Russian individuals and legal entities. The sanctions being introduced led to the increase in economic uncertainty, including higher volatility on capital markets, drop in the Russian rouble exchange rate, lower amount of foreign and domestic direct investments and substantially reduced availability of debt financing sources. In particular, some Russian companies may experience difficulties when getting access to the international stock market and debt capital market. It is difficult to evaluate long-term consequences of the sanctions that have been introduced and may be introduced further.

The financial statements provided reflect the management's opinion on how the business environment in Russia influences the Company's business and financial position. The actual influence of the future conditions of doing business may differ from how the management evaluates them.

9.2. Taxation

Russian legislation that regulates business continues to change rapidly. The management's interpretation of such legislation with respect to the activities of the Company may be challenged by the relevant regional and federal authorities. At present the tax authorities often take a more assertive position to the interpretation of legislation. As a result, previously unchallenged approaches to calculation of taxes can be challenged during future tax audits. As a rule, three years preceding the reporting year are open for inspection by tax authorities. Under certain circumstances, audits may cover longer periods. Based on its interpretation of the tax legislation, the management of the Company believes that all applicable taxes have been accrued. Nevertheless, tax authorities can differently interpret the provisions of the current tax legislation and differences in interpretation can significantly affect the financial statements.

In its activity, the Company purchases goods from foreign suppliers. The management believes that the Company has calculated and assessed the relevant customs duties and fees in accordance with applicable laws. However, there is a risk that the controlling bodies will take a position different from the position of the Company. The Company believes that there is a low probability of the risk of a decrease in economic benefits associated with these events as hardly probable.

9.3. Legal risks

Legal risks are associated with frequent changes in tax, currency and customs legislation and with controversial interpretation of it. The Company's management believes that it has interpreted the relevant provisions of the legislation correctly and the Company's position will be stable. At the same time, the Company acts as a defendant in a number of court cases with an insignificant total amount of claims as at 31 December 2019. The Company's management does not agree with the claims of the plaintiffs and will challenge their validity and lawfulness.

9.4. Credit risks

Credit risks are associated with possible unfavourable consequences for the Company in case of improper performance of the obligations to pay for goods delivered or services rendered by purchasers.

As at 31 December 2019 the Company has overdue accounts receivable. The bad debt provision of RUB 24,337 thousand is created with respect to overdue accounts receivable.

9.5. Market risk

A market risk is a risk that changes in market prices, for instance, foreign exchange rates, interest rates and prices of shares, will have an adverse effect on the Company's profit or the value of its financial instruments. The objective of the market risk management is to control market risk exposures and keep them within acceptable limits, while optimizing the return on investments.

Foreign-exchange and interest rate fluctuations are inherent in the Company. However, the Company's management assess the level of such risk as low:

- the Company does not have any loans issued or obtained at variable interest rates;
- the Company has limited volume of business in foreign currency (the basic purchase and sale transactions are carried out in roubles).

10. EVENTS AFTER THE REPORTING DATE

On 11 March 2020 the World Health Organisation announced that the spread of the new coronavirus infection has become pandemic. In response to the potentially serious threat which the COVID-19 virus presents to people's health, the Russian state authorities have taken measures to prevent the spread of the coronavirus infection, which includes introducing restrictions on crossing the Russian borders and entry restrictions for foreign citizens, and issuing recommendations for companies to switch to the remote work regime. In March 2020

the local authorities were gradually introducing further measures to ensure social distancing, which included closing schools, universities and colleges, restaurants, cinemas, theatres, museums and sports facilities. In order to ensure the sanitary and epidemiological safety of the citizens, the Russian President announced non-working days with full pay retained for the period between 30 March and 30 April 2020 for all categories of employees except for the employees of medical and pharmaceutical organisations and employees of emergency services, companies providing citizens with food and essential goods and businesses with pressing continuity.

Owing to the disruption to the business activity and the self-isolation regime that has been introduced in many countries, the global oil demand has dropped abruptly resulting in excessive supply and a sharp fall in oil prices. On 12 April 2020 the world's major oil producers including Russia agreed to carry out a record crude oil production cut with a view to stabilizing the oil market. However, this has not eased the pressure on the oil prices. An abrupt decline in the oil prices and output results in a relevant decline in the income of oil companies and a reduction in contributions to the public purse, which is likely to entail serious economic and social consequences and to trigger a reduction in the public sector's spending.

The specified events will produce a more significant negative impact on the economy which includes causing:

- Disruption to the business and economic activity resulting in supply failures and breaches of contract obligations;
- Material failures in the operation of both domestic enterprises in individual sectors and export-focused enterprises highly dependent on the external markets. The most affected sectors include retail trade, tourism, entertainment and hospitality, transportation, oil industry, construction, automotive sector, insurance and financial sector;
- A material decline in the demand for the goods and services which are not of emergency or vital significance;
- A growing economic uncertainty which manifests itself in the increasing assets value and currency exchange rate volatility.

The Company carries out activity in the area of vehicle trade which is traditionally considered to be vulnerable in the periods of economic recession owing to a possible decline in buying activity.

The spread of the coronavirus infection and the rouble devaluation have not affected the Company's profit and loss for Q1 2020.

Starting from 30 March 2020, in accordance with the social isolation requirements of the state authorities, the dealer centers in many Russian regions which are the Company's major buyers have suspended their operating activity. The production at the plants of Jaguar Land Rover in the UK and other European countries has also been suspended. Starting from 18 May 2020 the plants are planned to be gradually brought into operation.

However, the Company is carrying out logistic activities delivering the goods that had been ordered before the production was suspended, to the dealers that are operating in the regions where more flexible social isolation requirements were in effect in April 2020.

In the end of March 2020 a significant part of administrative employees as well as the employees of the sales and procurement departments were transferred to remote working.

The Company's management is expecting a deterioration of the Company's financial performance in 2020 as compared with the budget data and indicators of the previous year. However, as at the date when these financial statements were approved, performing an accurate assessment of the effect of the current events did not appear to be practicable.

As at the date when this financial statements were approved the Company revised the plans for Q2 2020 in which a reduction of the sales volumes by 47% of the initial budget is provided for. The budgets for Q3-4 2020 and Q1 2021 have not been revised yet. The Company's plans and budgets will be further revised in accordance with the instructions received from a company member. However, as at the date when these financial statements were approved no such instructions were provided.

Meanwhile, as at the date when these financial statements were approved, the management assessed the Company's short-term financial standing as stable, based on the following factors:

- The Company's management carries out an assessment of the accounts receivable on a regular basis to minimize the overdue accounts receivable.
- The Company's management believes that the Company has minimized the effect of the rouble devaluation on the profit and loss, since the purchases and sales are carried out in roubles and the rouble prices for the Company's goods have not been revised yet.
- The Company's management is monitoring the dealers' financial standing and is planning to support the dealers, if necessary, with a view to preserving the existing business structure; in particular an adjusted discount and bonus programme is provided for taking into account a material reduction in the sales in April 2020. Nevertheless, the management is forecasting a general reduction in the expenses for 2020 on the discounts, bonuses and compensations for the dealers, as compared with the budget.
- The Company has a sufficient amount of spare money to settle its current liabilities.

At the same time, it cannot be ruled out that the extension of the self-isolation regime for a longer period, further toughening of the measures to prevent the spread of the infection or an adverse effect of such measures on the economic environment in which the Company is carrying out its activity, will not have any mid-term or long-term adverse effect on the Company's activity. The Company will analyse the possible negative situation development scenarios and is ready to appropriately adapt its operation plans. The management continues to closely monitor the situation and will take the necessary measures to mitigate the consequences of possible negative events and circumstances once they arise.

CEO [Signature] V.V. Kuzyakov
6 May 2020

Chief Accountant [Signature] O.P. Bukreeva
Jaguar Land Rover LLC
6 May 2020

[Seal:
Limited Liability Company
Principal State Registration Number (OGRN) 1085047006549 * Moscow *
Jaguar Land Rover]