

Jaguar Land Rover LLC

Financial statements for the year 2017



Independent Auditors' report

Financial statement of LLC Jaguar Land Rover for 2017

(Unofficial translation)



Independent Auditor's report

To the Shareholder of LLC Jaguar Land Rover

Opinion

We have audited the financial statements of *LLC Jaguar Land Rover (hereafter –«the Company»)*, which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Russian Accounting Principles (RAP).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the *LLC Jaguar Land Rover* in accordance with the independence requirements that are relevant to our audit of the financial statements in the Russian Federation and with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audited entity: LLC «Jaguar Land Rover »
Registration No. in the Unified State Register of Legal Entities
№ 012594695.
Moscow, Russia

Independent auditor: JSC «KPMG», a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative («KPMG International»), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities 1027700125628.

Member of the Self-regulated organization of auditors «Russian Union of auditors» (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 11603053203.



Other information

The audit of the Company's financial statements as at 31 December 2016 and for the year then ended was carried out by the other auditors whose opinion dated 31 March 2017 contained an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with RAP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our



conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditors' report is:

Markina N.V
JSC "KPMG"
Moscow, Russia
30 March 2018

**Statement of Financial Position
as at 31 December 2017**

Organization Jaguar Land Rover LLC
 Taxpayer 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 28B bld. 2 Mezhdunarodnoye Shosse,
Moscow, 141411, Russian Federation

Date (date, month, year)

Codes	
31.12.2017	OKPO
86658358	TIN
5047095543	OKVED
50.10.1	OKOPF/OKFS
12300 / 23	OKEI
384	

Item	Code	Note	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
ASSETS					
I. NON-CURRENT ASSETS					
Intangibles assets	1110		35,842	30,895	25,539
Fixed assets	1150	4.1	1,259,169	1,111,880	602,785
Deferred tax assets	1180	4.3	546,230	700,753	735,440
Other non-current assets	1190		3,420	11,619	9,145
Long-term accounts receivable	1195	4.5	84,000	132,000	180,000
Total Section I	1100		1,928,661	1,987,147	1,552,909
II. CURRENT ASSETS					
Inventories	1210	4.4	6,710,714	5,574,163	4,835,339
Value-added tax on acquired goods, works, services	1220		8,835	10,653	79,264
Accounts receivables, including:	1230	4.5	1,709,171	1,202,969	1,502,442
Cash and cash equivalents	1250	4.6	3,455,641	3,096,338	5,191,545
Other current assets	1260		11,054	11,021	8,821
Total Section II	1200		11,895,415	9,895,144	11,617,411
BALANCE	1600		13,824,076	11,882,291	13,170,320
LIABILITIES					
III. CAPITAL AND RESERVES					
Share capital	1310	4.7	48,345	48,345	48,345
Additional capital (excluding revaluation)	1350		608,993	608,993	608,993
Retained earnings	1370		6,550,529	4,938,140	5,168,137
Total Section III	1300		7,207,867	5,595,478	5,825,475
IV. NON-CURRENT LIABILITIES					
Long-term accounts payable	1415	4.8	723,952	186,944	0
Provisions	1430	4.9	1,285,103	1,495,641	1,293,915
Deferred tax liabilities	1420	4.3	3,314	2,242	268
Total Section IV	1400		2,012,369	1,684,827	1,294,183
V. CURRENT LIABILITIES					
Accounts payable, including:	1520	4.8	3,438,418	3,014,798	3,806,276
Deferred income	1530		6,120	0	0
Provisions	1540	4.9	1,159,302	1,587,188	2,244,386
Total Section V	1500		4,603,840	4,601,986	6,050,662
BALANCE	1700		13,824,076	11,882,291	13,170,320

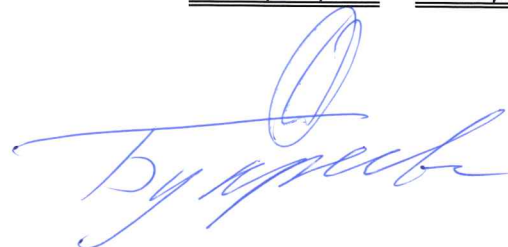
CEO

V.V. Kuzyakov

Chief Accountant

O.P. Bukreeva

30 March 2018



**Statement of Profit or Loss
for the year 2017**

Organization Jaguar Land Rover LLC
 Taxpayer 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

Date (date, month, year)

Codes	
31.12.2017	
OKPO	86658358
TIN	5047095543
OKVED	50.10.1
OKOPF/OKFS	12300 / 23
OKEI	384

Item	Code	Note	2017	2016
Revenue	2110	5.1	47,373,140	51,403,889
Cost of sales	2120	5.2	(40,142,735)	(40,176,758)
Gross profit	2100		7,230,405	11,227,131
Selling expenses	2210	5.2	(5,413,170)	(5,785,979)
Profit from sales	2200		1,817,235	5,441,152
Interest receivable	2320		210,428	553,723
Other income	2340	5.3	1,661,766	1,082,859
Other expenses	2350	5.4	(1,553,425)	(821,731)
Profit before tax	2300		2,136,004	6,256,003
Current income tax including permanent tax liabilities	2410		(367,677)	(1,277,033)
	2421	4.3	96,414	66,662
Changes in deferred tax assets	2430	4.3	(154,523)	(34,687)
Changes in deferred tax liabilities	2450	4.3	(1,073)	(1,974)
Other	2460	4.3	(342)	(4,169)
Net profit	2400		1,612,389	4,938,140

CEO

V.V. Kuzyakov

Chief Accountant

O.P. Bukreeva

30 March 2018



**STATEMENT OF CHANGES IN EQUITY
for the year 2017**

Organization
Taxpayer 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

Date (date, month, year)
OKPO
TIN
OKVED
OKOPF/OKFS
OKEI

Codes	
31.12.2017	
86658358	
5047095543	
50.10.1	
12300 / 23	
384	

Item	Code	Additional capital			Total
		Share capital	(excluding revaluation)	Retained earnings	
Equity as at 31 December 2015	3100	48,345	608,993	5,168,137	5,825,475
Net profit	3211	-	-	4,938,140	4,938,140
Dividends	3227	-	-	(5,168,137)	(5,168,137)
Equity as at 31 December 2016	3200	48,345	608,993	4,938,140	5,595,478
Net profit	3311	-	-	1,612,389	1,612,389
Dividends	3327	-	-	-	-
Equity as at 31 December 2017	3300	48,345	608,993	6,550,529	7,207,867

PERIOD	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
Net assets	7,207,867	5,595,478	5,825,475

CEO

V.V. Kuzyakov

Chief Accountant

O.P. Bukreeva

30 March 2018

**STATEMENT OF CASH FLOWS
for the year 2017**

Organization Jaguar Land Rover LLC
 Taxpayer 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

Date (date, month, year)

Codes	
31.12.2017	
OKPO	86658358
TIN	5047095543
OKVED	50.10.1
OKOPF/OKFS	12300 / 23
OKEI	384

Item	Code	For 2017	For 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
From sale of products, goods, works and services		49,718,703	53,540,367
Interests received		269,773	481,531
Other inflows		341,666	665,350
Payments under the Agency Agreement		(12,524)	(29,291)
For goods, works and services		(36,392,336)	(36,738,146)
For labor remunerations		(348,929)	(350,621)
For income tax		(701,211)	(1,073,816)
For other taxes and duties		(45,690)	(546,341)
For customs duties (dues, fees, excise duties)		(9,430,102)	(10,113,350)
For bonuses and discounts		(2,744,597)	(2,530,688)
For other payments, transfers		(218,215)	(171,942)
Net cash flows from operating activities	4100	436,538	3,133,053
CASH FLOWS FROM INVESTING ACTIVITIES			
For purchase of fixed assets and intangible assets		(1,347,750)	(1,255,859)
From sale of fixed assets and other property		1,270,515	678,922
Net cash flows from investing activities	4200	(77,235)	(576,937)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash for distribution of dividends		-	(4,651,323)
Net cash flows from financing activities	4300	-	(4,651,323)
Net cash flows for the reporting period	4400	359,303	(2,095,207)
Cash and cash equivalents at the beginning of the reporting period	4450	3,096,338	5,191,545
Cash and cash equivalents at the end of the reporting period	4500	3,455,641	3,096,338

CEO

V.V. Kuzyakov

Chief Accountant

O.P. Bukreeva

30 March 2018

NOTES TO FINANCIAL STATEMENTS OF JAGUAR LAND ROVER LLC for the year 2017

1. GENERAL INFORMATION

Jaguar Land Rover LLC was established by Ford Motor Company CJSC in May 2008 (certificate of state registration No. 1085047006549 dated 22 May 2008). In May 2009, Ford Motor Company CJSC sold its 100% stake in the authorized capital of Jaguar Land Rover LLC to Jaguar Cars Limited, a limited liability company that was established and currently operates under the laws of the Great Britain.

Legal and actual address: 28B bld. 2 Mezhdunarodnoye Shosse, Moscow, 141411, Russian Federation.

Executive body – CEO – Kuzyakov Vyacheslav Vladimirovich.

The Sole Participant – Jaguar Land Rover Holdings Limited, a limited liability company established under the laws of the Great Britain.

Shares of Jaguar Land Rover Holdings Limited (consistently 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 the company Tata Sons Limited with the ownership interest of 31.057%.

1.1. The core business lines of Jaguar Land Rover LLC are the following:

- import, export, purchase, marketing and sale of vehicles, components and spare parts (code for OKVED2 45.11.1);
- provision of dealers and the parent company with the information on the import, export, purchase, marketing, sale of vehicles, servicing of vehicles, components and spare parts;
- performance of activities as a commercial agent on its behalf, on behalf of Russian legal entities with respect to servicing, purchase, sale and general marketing of vehicles, components and spare parts;
- consultations, 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 laws of the Russian Federation.

Activities of the Company are regulated by the legislation of the Russian Federation.

1.2. Number of employees

The average amount of staff working at the Company for 2017 and 2016 amounted to 114 and 110 employees respectively.

1.3. The main customers

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:

ROLF Estate St. Petersburg LLC – 10% (2016: 11%);

Musa Motors Jlr LLC – 10% (2016: 9%);

The Branch "JLR Yasenevo" of ROLF LLC - 8% (2016 - 7%);

Avtobiografiya Pulkovo LLC - 6% (2016 - 5%)

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 2017, the accounting records were maintained in accordance with the procedures specified in the Accounting Policy of the Company approved by the Order of the General Director dated 31 December 2016.

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 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 from the assumption that the Company will be able to continue as a going concern in the foreseeable future and that it is neither intends nor has 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 organizations approved by the Order of the Ministry of Finance of the Russian Federation dated 31 October 2000 No. 94n, with the use of separate sub-accounts that allow to prepare financial statements that meet the requirements of accounting and tax legislation of Russian and international standards, as well as the requirements for separate cost accounting.

2.3. Materiality criteria

The organization 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 decision of the company on whether the indicator is material depends on the assessment of the indicator, its nature, specific circumstances of occurrence. The organization 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 loss both for the current year and previous years.

Qualitative indicator of materiality depends on the nature of an indicator and specific circumstances of occurrence. The organization discloses the data by including the relevant indicators, tables, breakdowns directly into the forms of the financial statements and notes to the financial statements.

2.4. Inventory taking

Inventory taking is performed in accordance with the "Methodological Guidelines for Inventories of Property and Financial Liabilities" approved by the Order of the Ministry of Finance of the Russian Federation dated 13 June 1995 No. 49.

The inventory taking of fixed assets that are not vehicles is performed for individual units and individual classes of fixed assets at least once every 3 years. The last inventory taking of fixed assets that are not vehicles was performed as at 22 November 2016. The inventory taking of

fixed assets that are vehicles is performed on the annual bases separately from other fixed assets. The inventory taking of fixed assets that are vehicles was performed as at 21 November 2017.

The inventory taking of spare parts was performed as at 17 November 2017, vehicles (inventories) - as at 21 November 2017, all other assets and liabilities - as at 31 December 2017.

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 in the amounts calculated based on the official Rouble exchange rate as determined by the CBR effective as at 31 December 2017, 2016 and 2015.

The procedure for accounting of assets and liabilities denominated in foreign currency is regulated by PBU 3/2006 "Accounting for assets and liabilities denominated in foreign currency". In accordance with 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 separately in the statement of financial results in other income or other expenses.

2.6. Current and non-current assets and liabilities

Assets recognized in the financial statements as current are expected to be used in operating and other activities during 12 months after the reporting date. Liabilities recognized in the financial statements as current are expected to be discharged within 12 months after the reporting date. All other assets and liabilities are presented as non-current.

2.7. Fixed assets accounting

Fixed assets accounting is maintained by the Company in accordance with the Regulation on the accounting PBU 6/01 "Fixed assets accounting" approved by the Order of the Ministry of Finance of the Russian Federation dated 30.03.01. No. 26n and Methodological Guidelines for Fixed Assets Accounting approved by the Order of the Ministry of Finance of the Russian Federation dated 13.10.2003 No. 91n.

The historical cost of acquired fixed assets is recognized as the actual amount spent by the Company on acquisition, construction and manufacturing of an asset net of 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 to a condition suitable for use.

To determine the useful life of fixed assets, the Resolution of the Government of the Russian Federation dated 1 January 2002 No.1 "On classification of fixed assets by depreciation groups" is applied.

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

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

Fixed assets revaluation is not performed.

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

Depreciation of fixed assets is accrued on a straight-line basis using the historical cost of fixed assets items and the depreciation rate calculated on the basis of the useful life of that item. The straight-line basis for depreciation accrual is applied during the whole useful life of the item.

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 assets item that is disposed or unable to bring economic benefits (income) to the Company in the future is subject to write-off.

Income and expenses from disposal or sale of fixed assets are presented separately in the statement of financial results as other income and expenses.

Leased fixed assets are recognized on the balance sheet of the Company, on the account 01.5 "CSV Vehicles" ("Corporate Service Vehicles" - vehicles used by the Company).

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

2.8. Intangible assets accounting

Intangible assets accounting is maintained by the Company in accordance with the Provision for accounting PBU 14/2007 "Intangible assets accounting" approved by the Order of the Ministry of Finance of the Russian Federation dated 27.12.07. No. 153n.

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

Intangible assets amortization is accrued on a straight-line basis.

The intangible asset useful life is individually determined by the organization when accepting an item for accounting and determined by the order of a head of an organization.

The intangible asset useful life is annually verified by an organization to determine whether it is necessary to reassess it.

Intangible assets revaluation is not performed.

2.9. Inventories accounting

Inventories accounting is maintained by the Company in accordance with the Provision for accounting PBU 05/01 "Inventories accounting" approved by the order of the Ministry of Finance dated 09.06.01 No. 44n and Methodological Guidelines for inventories accounting approved by the Order of the Ministry of Finance of the Russian Federation dated 28.12.2001 No. 119n.

The historical cost of acquired inventories is recognized as the actual amount paid by the Company to acquire an asset net of value-added tax and other recoverable taxes (except for the cases stipulated by the legislation of the Russian Federation).

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

When the inventories are put into production or disposed of in other way, their estimation is performed at the average moving cost.

Calculation of average estimates of the actual cost of materials is made by determining the actual cost at the moment 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 provided);
- Spare parts - at the purchase price. Customs duties, fees, excises (if provided) are accumulated on a separate subaccount of the goods account without binding to an item.

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

The inventories that are obsolete, completely or partially lost their original quality, or the current market value of which has decreased, or which are likely to be destroyed, or potentially unsuitable for sale, are recorded in the balance sheet at the end of the reporting year less the inventories impairment allowance. The amount of the inventories impairment allowance is determined for each inventory item based on information on the change in the current demand for certain items and is determined on the basis of the assessment of unrequired stock items, and also on information on 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 recognized in the line "Cash and cash equivalents" of the balance sheet.

2.11. Revenue accounting

The Company accounts for revenue and other income in accordance with the Regulation for accounting PBU 9/99 "Revenues of the organization" approved by the Order of the Ministry of Finance of 06.05.99. No. 32n.

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 other income is considered to be other.

Revenue is recognized in the accounting as follows:

- from sale of spare parts – at the moment of transfer of ownership rights under the contract (namely, at the moment of transfer of goods to the first carrier);
- from sale of vehicles to dealers in the Russian Federation, the Republic of Belarus, the Republic of Kazakhstan – at the moment of transfer of ownership rights under the contract (namely, at the moment the Company receives payment for a vehicle and the moment of completion of the authorization procedure in accordance with the conditions of the relevant certificate, provided that this vehicle is cleared and the Vehicle Certificate of Title is transferred to a buyer);
- from sale of vehicles to dealers in the Republic of Armenia - at the moment of transfer of ownership rights under the contract (namely, at the moment of transfer of a vehicle to a carrier);
- from services rendering – upon their rendering;
- sale of brochures and services for their delivery is recognized at the moment of transfer of ownership rights under the contract.

Revenue from sale of vehicles and spare parts is reduced by the amount of dealer bonuses.

Penalty paid by dealers in case of late payment of vehicles is included in other income.

2.12. Expenses accounting

Accounting for expenses is maintained by the Company in accordance with the Provision for accounting PBU 10/99 "Expenses of the organization" approved by the Order of the Ministry of Finance of the Russian Federation dated 06.05.99. No. 33n.

Cost of sales is generated as follows:

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

amount of spare parts available for the reporting period. Customs duties, fees, excise duties (if applicable) are included in the cost of spare parts in the amount determined by the ratio of sold spare parts (in monetary terms) to the total amount of spare parts available for the reporting period.

Selling expenses include the follows:

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

Other expenses include the following:

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

2.13. Allowances and provisions accounting

Accounting for estimates and contingent liabilities is maintained by the Company in accordance with the Provision for accounting PBU 8/2010 "Estimated liabilities, contingent liabilities and contingent assets" approved by the Order of the Ministry of Finance of the Russian Federation dated 13.12.10 No. 167n.

The following types of allowances are accrued in the accounting:

- inventories impairment allowance (see description in note 2.9);
- allowance for bad debt (is the best estimate made by the Management of the Company on the amount of debt that, probably, would not be repaid).

The following provisions are recognized in the accounting:

- for unused vacations;
- for warranty servicing;
- other provisions that meet the criteria of p. 4, 5 PBU 8/2010 "Estimated liabilities, contingent liabilities and contingent assets" ("PBU 8/2010").

Provision for unused vacations is determined as follows:

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

The percentage of the **provision for warranty repair** is determined for each model of a vehicle on the basis of historical data on guarantee payments and is adjusted for the forecast indicators for improving the quality of a vehicle, changes in the cost of work, inflation, changes in production technology and other similar indicators.

2.14. Deferred expenses accounting

Deferred expenses accounting is maintained on the account 97 "Deferred expenses" based on the actually incurred expenses. Deferred expenses are monthly written-off to the debit of the expense accounts during the period specified in the relevant documents (licenses, contracts, etc.). If the conclusion on the term can not be drawn from the relevant documents, then it is determined by a

Committee, members of which are approved by the CEO of the Company. Deferred expenses are recognized in the balance sheet as current assets and other non-current assets depending on the useful life as at the reporting date.

2.15. Income tax

In accordance with the Provision for accounting PBU 18/02 "Income tax accounting" approved by the Order of the Ministry of Finance of the Russian Federation dated 19 November 2003 No. 114n, the Company records the difference between the accounting income (loss) tax, recognized in the accounting, and the taxable income tax, formed in the tax accounting and recognized in the new tax return, in the accounting and financial statements,.

Deferred tax assets and liabilities are recorded in the balance sheet as non-current assets and liabilities respectively: deferred tax assets are recognized in the accounting on a separate control account 09, deferred tax liabilities are recognized in the accounting on a separate control account 77. When preparing financial statements, the amounts of deferred tax assets and deferred tax liabilities are presented separately in the balance sheet.

Permanent tax liabilities, changes in deferred tax assets, changes in deferred tax liabilities and current income tax are recognized in the statement of financial results of the Company.

The value of the current income 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 CLASSIFICATION

Accounts payable for 2016 amounted to RUB 3,201,742 thousand was divided into the short-term and long-term parts: RUB 3,014,798 thousand and RUB 186,944 thousand respectively. Due to changes in the approach, reclassification in the amount of RUB 186,944 thousand was carried out from "Payments for goods and services" to "Long-term advances received".

A part of aviso rebates on vehicles sold in 2015 was recognized as revenue in the financial statements for 2016. Due to this fact, reclassification in the amount of RUB 42,046 thousand was carried out from "Revenue" to "Other expenses".

Due to the error, the amounts of transactions with the Company's related parties in 2016 were adjusted:

	Before adjustment: (RUB thousand)					
	Acquisition of goods, works and services, 2016	Sale of goods, works and services, 2016	of Loans granted, and including interests 31.12.2016	Interests on loans granted, 2016	Accounts receivable, 31.12.2016	Accounts payable, 31.12.2016
Jaguar Land Rover Limited	38,004,393	87,423	1,585,249	411,966	140,600	696,521
Total	38,004,393	87,423	1,585,249	411,966	140,600	696,521

	After adjustment: (RUB thousand)					
	Acquisition of goods, works and services, 2016	Sale of goods, works and services, 2016	of Loans granted, and including interests 31.12.2016	Interests on loans granted, 2016	Accounts receivable, 31.12.2016	Accounts payable, 31.12.2016
Jaguar Land Rover Limited	38,003,563	77,124	1,585,249	411,966	140,600	696,521
Total	38,003,563	77,124	1,585,249	411,966	140,600	696,521

A part of transportation and procurement expenses and expenses for products certification was recognized as other expenses in the financial statements for 2016. Due to this fact, reclassification in the amount of RUB 169,672 thousand was carried out from other expenses to transportation and procurement expenses, expenses for products certification, vehicles maintenance expenses.

	(RUB thousand)	
	Before adjustment	After adjustment
Selling expenses	5,785,979	5,785,979
Expenses for advertising and marketing	2,389,681	2,389,681
Expenses for warranty repair and warranty servicing	1,531,430	1,531,430
Transportation and procurement expenses	347,980	441,266
Payroll expenses	300,984	300,984
Lease of premises	303,627	303,627
Fixed assets depreciation	189,078	189,078
Vehicles maintenance expenses	96,364	139,404
Travel expenses	40,309	40,309
Expenses for consulting services	19,939	19,939
Insurance contributions	59,892	59,892
Expenses for products certification		33,346
Expenses for communication services	14,258	14,258
Provision for future expenses for the roadside assistance system	-	-
Other expenses	492,437	322,765

A loan granted was recognized as financial investments in the financial statements for 2016 and 2015. Due to the change in classification, the amount of the loan of RUB 1,500,000 thousand for 2016 and RUB 2,300,300 thousand for 2015 was transferred from financial investments to the line "Cash and cash equivalents", and interests in the amount of RUB 85,249 thousand and RUB 12,162 thousand for 2016 and 2015 respectively to accounts receivable.

The line Penalties and fines in the amount of RUB 183,739 thousand in 2016 in the breakdowns of other income was divided into penalties and fines in the amount of RUB 24,692 thousand and Payment for commercial loan in the amount of RUB 159,047 thousand.

Income from the Service package program in the amount of RUB 338 thousand which was previously recorded as Other in other income for 2016 was shown as separate line in other income.

Expenses from the Service package program in the amount of RUB 677 thousand which was previously recorded as Other in other expenses for 2016 was shown as separate line in other expenses.

Indicators in the statement of cash flows for 2016 were adjusted considering the following:

The amount of payments for vehicles – RUB 1,186,456 thousand recognized as fixed assets, is excluded from the line "For payment of goods, works and services" and included in the line "For purchase of fixed assets and intangible assets".

The amount of VAT – RUB 1,708,395 thousand recorded in the line "Other inflows" is netted off with the amount of RUB 1,410,818 thousand in the line "For payments of the value-added tax", and the result in the amount of RUB 297,577 thousand is recorded in the line "other inflows".

The amount of interest received on the loan recognized as cash and cash equivalents, initially recorded in the line "Interest on financial investments" in the amount of RUB 481,531 thousand is recorded in the line "Interests received".

4. BREAKDOWN OF CERTAIN BALANCE SHEET ACCOUNTS

4.1. Fixed assets

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

Item	(RUB thousand)			
	As at 31 December 2016	Added	Disposed	As at 31 December 2017
Vehicles	1,211,558	1,322,284	(1,240,761)	1,293,081
Production and organizational stock	122,933	42,827	(2,413)	163,347

Total	<u>1,334,491</u>	<u>1,365,111</u>	<u>(1,243,174)</u>	<u>1,456,428</u>
				(RUB thousand)
Item	As at 31 December 2015	Added	Disposed	As at 31 December 2016
Vehicles	642,711	1,198,269	(629,422)	1,211,558
Production and organizational stock	68,709	54,296	(72)	122,933
Total	<u>711,420</u>	<u>1,252,565</u>	<u>(629,494)</u>	<u>1,334,491</u>

With respect to the leased fixed assets, the historical cost as at 31 December 2017 amounted to RUB 406,812 thousand (as at 31 December 2016 – RUB 479,960 thousand, as at 31 December 2015 – RUB 41,182 thousand), and the amount of accumulated depreciation as at 31 December 2017 amounted to RUB 44,787 thousand (as at 31 December 2016 – RUB 87,268 thousand, as at 31 December 2015 – RUB 6,160 thousand).

The amount of accumulated depreciation per fixed assets group as at 31 December 2017, 2016 and 2015 is as follows:

	(RUB thousand)		
	31 December		
Item	2017	2016	2015
The amount of accumulated depreciation			
Vehicles	128,582	181,716	84,976
Production and organizational stock	68,677	40,895	23,659
Total	<u>197,259</u>	<u>222,611</u>	<u>108,635</u>
Total fixed assets leased out	362,025	392,692	35,022

As at 31 December 2017, the Company leases the property - premises in buildings that are used for administrative purposes. The cost of lease of premises in buildings amounts to RUB 57,947 thousand per year (excluding VAT). This amount includes permanent and floating lease payments, operating costs, lease of land and underground parking.

The Company leases land (229,524 sq.m.) from AGALAROV ESTATE LLC for commercial purposes. The lease payment 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".

4.2. Income tax

Current income tax is determined based on the tax accounting data for 2017 and 2016 and is as follows:

	(RUB thousand)	
	2017	2016
Profit before tax	2,136,004	6,256,003
Contingent income tax expense	427,201	1,251,201
Permanent tax liabilities:		
expenses not accounted for tax purposes	87,953	53,061
income not accounted for accounting purposes	203	4,058
standardized expenses	8,258	9,543
Total	<u>96,414</u>	<u>66,662</u>
Increase / (decrease) in deferred tax assets:		
on inventories impairment allowance	20,860	(917)
on provision for warranty repair and servicing	(126,980)	(82,795)
Other	(48,403)	49,025
Total	<u>(154,523)</u>	<u>(34,687)</u>
(Increase) / decrease in deferred tax liabilities:		
supplier bonus	281	(150)
difference on property not recognized as depreciable in tax accounting	(829)	(1,824)
other	(525)	-
Total	<u>(1,073)</u>	<u>(1,974)</u>
Other	<u>(342)</u>	<u>(4,169)</u>
Total current income tax	<u>367,677</u>	<u>1,277,033</u>

Breakdown of deferred tax assets (DTA):

(RUB thousand)					
Item	Year	Total at the beginning of the reporting period	Accrued (Dr09 Cr68)	Written-off (Dr68 Cr09)	Total at the end of the reporting period
DTA on inventories impairment allowance	2017	18,250	21,031	(171)	39,110
	2016	19,167	2,538	(3,455)	18,250
DTA on provision for warranty repair and servicing	2017	604,387	-	(126,980)	477,407
	2016	687,182	5,828	(88,623)	604,387
DTA on other	2017	78,116	22,810	(71,213)	29,713
	2016	29,091	72,767	(23,742)	78,116
Total	2017	700,753	43,841	(198,364)	546,230
	2016	735,440	81,133	(115,820)	700,753

4.3. Inventories

Inventories of the Company as at 31 December 2017, 2016 and 2015 are as follows:

	(RUB thousand)		
	2017	31 December 2016	2015
Inventories			
Vehicles	5,192,278	3,959,227	3,374,863
Spare parts	1,489,098	1,530,051	1,337,893
Spare parts in transit	72,255	89,302	171,521
Vehicles in transit	109,890	27,168	26,800
Accumulated transportation and procurement expenses	23,508	17,769	20,003
Other	11,859	34,522	949
Inventory impairment allowance	(188,174)	(83,876)	(96,690)
Total	6,710,714	5,574,163	4,835,339

As at 31 December 2017, the Company did not have any pledged inventories. As at 31 December 2016 the carrying amount of pledged goods and finished products (vehicles) was RUB 36,268 thousand. As at 31 December 2015, the Company did not have any pledged inventories.

Movements in inventory impairment allowances are as follows:

	(RUB thousand)
Balance as at 31 December 2015	96,690
Increase in allowances	41,662
Decrease in allowances	(54,476)
Balance as at 31 December 2016	83,876
Increase in allowances	178,463
Decrease in allowances	(74,165)
Balance as at 31 December 2017	188,174

4.4. Accounts receivable

Accounts receivables as at 31 December 2017, 2016 and 2015 is as follows:

	(RUB thousand)		
	31 December		
	2017	2016	2015
Short-term accounts receivable:	1,709,171	1,202,969	1,502,442
Buyers and customers, including:			
settlements with dealers for vehicles	44,698	43,546	54,898
settlements with dealers for spare parts	582,536	574,761	615,066
settlements on other sales	16,067	45,092	32,767
Short-term advances paid	143,820	166,745	196,720
Taxes and duties	431,471	97,530	304,548
Settlements with customs authorities	30,429	49,106	19,840
Settlement with the parent company for reimbursement of expenses for warranty repair and servicing	327,697	138,496	231,596
Interests receivable on the loan granted	26,101	85,249	12,162
Other	121,453	26,565	45,986
Allowance for bad debt	(15,101)	(24,121)	(11,141)
Long-term accounts receivable:	84,000	132,000	180,000
Advances paid	84,000	132,000	180,000
Total	1,793,171	1,334,969	1,682,442

4.5. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2017, 2016, 2015 are as follows:

	(RUB thousand)		
	31 December		
	2017	2016	2015
Cash and cash equivalent			
Due from banks	105,641	169,338	137,545
Cash equivalents – short-term deposit	1,650,000	1,427,000	2,754,000
Cash equivalents – short-term loan on demand of Jaguar Land Rover Limited (Great Britain)	1,700,000	1,500,000	2,300,000
Total	3,455,641	3,096,338	5,191,545

As at 31 December 2017, 2016, 2015, overnight deposits were placed: deposit in the amount of RUB 1,650,000 thousand for the term from 29 December 2017 to 09 January 2018 at interest rate 3.5% per annum; deposit in the amount of RUB 969,000 thousand from 29 December 2016 to 09 January 2017 and RUB 458,000 thousand from 30 December 2016 to 09 January 2017 at interest rate 8% per annum; deposit in the amount of RUB 2,754,000 thousand from 30 December 2015 to 11 January 2016 at interest rate 9.4% per annum.

4.6. Share capital and allocation of net profit

On 29 November 2016, the Sole participant of the Company made the decision No.20 on allocation of retained earnings of the Company for the 4th quarter of 2014 and 12 months of 2015 in the amount of RUB 5,168,137 thousand.

The share capital of the Company as at 31 December 2017, 2016 and 2015 amounted to RUB 48,345 thousand.

4.7. Accounts payable

Accounts payable as at 31 December 2017, 2016 and 2015 is as follows:

(RUB thousand)

	31 December		
	2017	2016	2015
Short-term accounts payable:	3,438,418	3,014,798	3,806,276
Suppliers and contractors, including:			
payments for vehicles	934,068	351,846	605,081
payments for spare parts	588,393	337,429	825,308
payments for other goods and services	458,873	518,888	493,753
settlement with dealers on guarantee reimbursement	88,519	63,791	120,156
Advances received	80,897	108,198	55,675
Taxes and duties payable	454,383	646,270	645,370
Settlements with dealers on bonuses and other circumstances	833,285	988,376	1,060,933
Long-term accounts payable:	723,952	186,944	-
Advances received	723,952	186,944	-
Total	<u>4,162,370</u>	<u>3,201,742</u>	<u>3,806,276</u>

Advances received include the amount of received advance payment under the Service package program for the services of technical maintenance during five years or up to the reach of 120,000 km (whichever comes first) from the moment of vehicle acquisition in the amount of RUB 788,198 thousand, including a short-term part in the amount of RUB 64,247 thousand and a long-term part in the amount of RUB 723,952 thousand for 2017 and RUB 203,240 thousand, including a short-term part in the amount of RUB 16,296 thousand and a long-term part in the amount of RUB 186,944 thousand for 2016. The amount of a short-term part of the advance payment received under the Service package program is calculated as the cost of the following technical maintenance necessary after 12 months during the year following the reporting year.

4.8. Provisions

Movements in provisions for 2017 and 2016 are as follows:

(RUB thousand)

	Warranty servicing	Unused vacations	Other reserves	Total
Balance as at 31 December 2015	<u>3,442,242</u>	<u>24,589</u>	<u>71,470</u>	<u>3,538,301</u>
Increase in provisions	1,531,430	27,767	-	1,559,197
Use of provisions	<u>(1,950,234)</u>	<u>(21,478)</u>	<u>(42,957)</u>	<u>(2,014,669)</u>
Balance as at 31 December 2016	<u>3,023,438</u>	<u>30,878</u>	<u>28,513</u>	<u>3,082,829</u>
Increase in provisions	614,346	26,587	-	640,933
Use of provisions	<u>(1,250,740)</u>	<u>(22,607)</u>	<u>(6,010)</u>	<u>(1,279,357)</u>
Balance as at 31 December 2017	<u>2,387,044</u>	<u>34,858</u>	<u>22,503</u>	<u>2,444,405</u>

5. BREAKDOWNS OF CERTAIN ACCOUNTS IN THE STATEMENT OF FINANCIAL RESULTS

5.1. Revenue

Revenue for 2017 and 2016 is as follows:

	(RUB thousand)	
	2017	2016
Revenue (net) from sale of goods, products, works and services		
Sale of vehicles	44,634,945	47,913,539
Sale of spare parts	5,833,001	6,333,065
Sale of other goods and services	63,272	75,435
	50,531,218	54,322,039
Less dealer bonuses	(3,158,078)	(2,918,150)
Total	47,373,140	51,403,889

5.2. Cost of sales

Cost of sales by elements for 2017 and 2016 are as follows:

	(RUB thousand)	
	2017	2016
Cost of goods, products, works and services sold	40,142,735	40,176,758
Sale of vehicles	27,143,932	26,472,168
Customs duties and vehicle recycling fee	8,079,355	8,710,545
Sale of spare parts	4,878,471	4,913,077
Sale of other goods and services	40,977	80,968
Selling expenses	5,413,170	5,785,979
Advertising and marketing	2,549,878	2,389,681
Expenses on warranty repair and servicing	1,007,038	1,531,430
Transportation and procurement expenses	425,463	441,266
Lease of premises	296,862	303,627
Payroll expenses	291,503	300,984
Fixed assets depreciation	201,134	189,078
Expenses on vehicles maintenance	133,488	139,404
Insurance contributions	64,026	59,892
Travel expenses	48,469	40,309
Expenses on products certification	36,104	33,346
Expenses on consultation services	19,096	19,939
Provision on future expenses for roadside assistance system	15,613	-
Expenses on communication services	11,928	14,258
Other expenses	312,568	322,765
Total	45,555,905	45,962,737

5.3. Other income

Other income for 2017 and 2016 is as follows:

	(RUB thousand)	
	2017	2016
Other income		
Income from sale of fixed assets	1,273,468	679,590
Payment for commercial loan	154,878	159,047
Income from lease of depreciable property	66,676	18,644
Claims, fines, penalties	44,117	24,692
Income from Service package program	30,276	338
Income from roadside assistance system	18,168	68,907
Income from Finance program	17,632	32,671
Income associated with the results of inventory taking	19,509	18,245
Foreign exchange gain	621	321
Income associated with the decrease in inventories impairment allowance	-	5,438
Other	36,421	74,966
Total	1,661,766	1,082,859

As disclosed in note 4.1, fixed assets of the Company are mainly represented by vehicles used for own needs. In accordance with the internal policy, the Company uses these vehicles during

15 months (with the run of not more than 20,000 kilometers) and then sells them. Changes in the term of use of vehicles can be agreed with the business purposes and subject to approval by the CFO, Administrative Director and the CEO of the Company.

5.4. Other expenses

Expenses for 2017 and 2016 are as follows:

	<u>2017</u>	<u>(RUB thousand)</u> <u>2016</u>
Other expenses		
Expenses on sale and disposal of fixed assets	909,432	454,339
Expenses associated with the increase in inventories impairment allowance	104,298	-
Expenses on lease of depreciable property	91,713	96,338
Claims received	55,202	39,260
Expenses on Service package program	43,975	677
Taxes and duties	34,991	30,452
Expenses associated with the recognition of inventory taking results	33,209	23,254
Expenses on sale and disposal of other property – write-off of other assets	26,674	28,143
Expenses on banking services	17,542	19,349
Expenses on Finance program	15,933	28,988
Foreign exchange loss	816	377
Losses on foreign exchange transactions	288	156
Other	<u>219,352</u>	<u>100,398</u>
Total	<u>1,553,425</u>	<u>821,731</u>

6. RELATED PARTIES

Information on related parties is available on the website www.tatamotors.com. During 2017, 2016 and 2015 the Company conducted transactions with the following related parties:

- Jaguar Land Rover Limited, the Group's company, Great Britain:
 - since 01 April 2013, import of Land Rover and Jaguar brand vehicles, as well as Land Rover and Jaguar brand spare parts by the Company for sale on the territory of the Russian Federation;
 - since 01 January 2014, import of Jaguar brand spare parts for sale on the territory of the Russian Federation;
 - since 30 January 2013, the right to use intellectual property placed on the Jaguar и Land Rover brand Hub on the territory of the Russian Federation;
 - since 01 April 2014, granting the right to use and support of software for spare parts movements accounting (IPOS);
 - since 25 March 2014, receipt of short-term loans from the Company;
 - since 01 January 2015, granting the right to use the information resource TOPIx;
 - since 01 June 2015, granting the right to access the electronic catalogue of spare parts (Microcat);
 - since 22 October 2015, export of spare parts by the Company,
 - since 01 June 2017, granting the right to access the electronic catalogue of spare parts (JLR EPC);

Company's transactions with related parties during 2017 include:

	(RUB thousand)					
	<u>Purchase of goods, works and services, 2017</u>	<u>Sale of goods, works and services, 2017</u>	<u>of Loans granted, and including interests 31.12.2017</u>	<u>Interests on loans granted, 2017</u>	<u>Accounts receivable, 31.12.2017</u>	<u>Accounts payable, 31.12.2017</u>
Jaguar Land Rover Limited	39,659,291	24,041	1,726,101	124,992	329,523	1,534,953
Total	<u>39,659,291</u>	<u>24,041</u>	<u>1,726,101</u>	<u>124,992</u>	<u>329,523</u>	<u>1,534,953</u>

Company's transactions with related parties during 2016 include:

	<u>Purchase of goods, works and services, 2016</u>	<u>Sale of goods, works and services, 2016</u>	<u>of Loans granted, and including interests 31.12.2016</u>	<u>Interests on loans granted, 2016</u>	<u>Accounts receivable, 31.12.2016</u>	<u>Accounts payable, 31.12.2016</u>
Jaguar Land Rover Limited	38,003,563	77,124	1,585,249	411,966	140,600	696,521
Total	<u>38,003,563</u>	<u>77,124</u>	<u>1,585,249</u>	<u>411,966</u>	<u>140,600</u>	<u>696,521</u>

Cash flows with related parties during 2017 and 2016:

	(RUB thousand)	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
From sale of goods, products, works and services	344,518	421,494
For payment for goods, works and services	(33,081,082)	(33,441,009)
Cash flows from financing activities		
Distribution of dividends	0,00	(4,651,323)

7. KEY MANAGEMENT PERSONNEL

Key management personnel includes the General Director, CFO and Administrative Director, as well as Chief Accountant.

	(RUB thousand)	
	<u>2017</u>	<u>2016</u>
Remuneration	22,698	18,696
Bonuses	4,917	6,099
Other benefits	1,426	969
Total	<u>29,041</u>	<u>25,764</u>

There were no long-term remunerations (post-employment benefits under contracts with insurance organizations (non-state pension funds) concluded in favor of key management personnel, and other payments ensuring payment of pensions and other social guarantees to key management personnel upon termination of employment) during 2017 and 2016.

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 financial statements are as follows:

Currency	<u>31 December 2017</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
USD	57.6002	60.6569	72.8827
EUR	68.8668	63.8111	79.6972
	<u>2017</u>	<u>2016</u>	(RUB thousand) 2015

The amount of foreign exchange differences on translation of assets and liabilities in foreign currency

(195)	(56)	(1,470)
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9. RISKS

9.1. Business environment

Markets of developing countries, including Russia, are subject to economic, political, social, litigation and legislative risks, different from those of more developed markets. Laws and regulations, governing business in Russia, can change rapidly and subject to varying interpretations. The future economic directions of the Russian Federation largely depend on the tax and monetary policy, laws and regulations adopted, as well as changes in the political situation in the country.

Due to the fact that Russia extracts and exports large volumes of oil and gas, the Russian economy is particularly sensitive to changes in world prices for oil and gas. During 2014 and 2015 there was a significant reduction in energy prices.

Starting from March 2014, the United States and the European Union have introduced several packages of sanctions with respect to a number of Russian officials, businessmen and organizations.

In 2017, the economic situation in Russia is more stable, but these events made it difficult for Russian business to access international capital markets, led to higher inflation, slow economic growth and other negative economic consequences. At the moment, the impact of changes in the economic situation on the future results of operations and financial position of the Company is difficult to determine.

9.2. Taxation

Russian legislation that regulates business continues to change rapidly. Management's interpretation of such legislation with respect to the activities of the Company may be challenged by the relevant regional and federal authorities. Currently, tax authorities often take a more assertive position in 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 the course of its activities, the Company purchases goods from foreign suppliers. The management believes that the Company has calculated and accrued the relevant customs duties and fees in accordance with applicable law. However, there is a risk that the controlling bodies will take a position different from the position of the Company. The Company assesses the risk of decrease in economic benefits associated with these events as not probable.

9.3. Legal risks

Legal risks are associated with frequent changes in tax, currency and customs legislation and its controversial interpretation. In the opinion of the management of the Company, the relevant provisions of the legislation are interpreted correctly, and the Company's position will be stable. At the same time, the Company acts as a defendant in a number of cases, the total amount of claims for which is insignificant as at 31 December 2017. The management of the Company does not agree with the claims of the plaintiffs and will challenge their validity.

9.4. Credit risks

Credit risks are associated with possible unfavorable consequences for the Company in case of improper performance of obligations to pay for goods delivered or services rendered by purchasers. The allowance for bad debt in the amount of RUB 34,007 thousand is created with respect to overdue accounts receivable.

9.5. Market risk

Market risk is the 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 income or the value of its financial instruments. The objective of market risk management is to control market risk exposures within acceptable limits, while optimizing the return on investments.

In the reporting year, there were no changes in the market risk of the Company, as well as risk management and assessment methods.

The main risks associated with the Company's activities are the risks of foreign exchange and interest rates fluctuations.

10. EVENTS AFTER THE REPORTING DATE

There were no significant events with respect to the activities of the Company after the reporting date.

General Director

Chief Accountant
Jaguar Land Rover LLC

30 March 2018

A handwritten signature in blue ink, appearing to be 'V.V. Kuzyakov', is written over a horizontal line. The signature is stylized and cursive.

V.V. Kuzyakov

O.P. Bukreeva