Russian passenger car and commercial vehicle market
2016 results and outlook

February 2017
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Overview of the Russian passenger car market
By the end of 2016, the Russian economy began to stabilise

GDP growth rates and consumer price index (CPI)
1Q 2014 – 4Q 2016

Average nominal exchange rate of the rouble to US dollar
1Q 2014 – 4Q 2016

Consumer confidence index
1Q 2014 – 4Q 2016

Brent oil price, USD
1Q 2014 – 4Q 2016

Source: Ministry of Economic Development of the Russian Federation, Rosstat

Source: Central Bank of the Russian Federation

Source: Rosstat

Source: Bloomberg

Overview of the Russian passenger car market | Overview of the Russian commercial vehicle market | Export potential of Russian vehicle manufacturers | Conclusions | About PwC

By the end of 2016, the Russian economy began to stabilise
Following the results of 2016, the sales of new passenger cars\(^1\) in quantitative terms dropped by 12%  

2016 became the fourth year in succession for the Russian market to demonstrate a drop in sales; however, as compared to the previous year, the drop rates decreased (12% reduction in quantitative terms in 2016 compared to 36% in 2015).

In spite of the fact that many car manufacturers faced a decrease in sales compared to the previous year, some of them showed a growth in sales month-over-month, which was particularly notable in 4Q 2016. Among the sales volume leaders, LADA, Hyundai and Renault showed the best positive dynamics with an increase in their December sales by 18%, 12% and 17% respectively, as compared to December 2015.

Government incentive programmes substantially supported the market. One of the most popular programmes is a subsidised car loans programme. According to the Ministry of Industry and Trade, in 2016, under the programme, 324,000 passenger cars were sold, while 270,000 were planned. Thus the plan was exceeded by 20%.

In monetary terms, in 2016 the passenger car market remained almost on the same level as in 2015, despite the drop in sales in quantitative terms.

Against the background of low sales of new cars, there is an ongoing growth of demand for used cars. Presently, dealers are actively developing this line. According to the Autostat agency, following the results of 2016, the volume of the Russian market of used cars is 5.19 million cars, which is 6% higher than the previous year.

<table>
<thead>
<tr>
<th>Passenger car groups (exclusive of LCV)</th>
<th>Sales*, thousand units</th>
<th>Sales*, RUB bn</th>
<th>Sales*, USD bn</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Jan-Dec 2016</td>
<td>Jan-Dec 2015</td>
<td>Change</td>
</tr>
<tr>
<td>Domestic brands</td>
<td>284</td>
<td>288</td>
<td>-1%</td>
</tr>
<tr>
<td>Foreign brands assembled in Russia</td>
<td>754</td>
<td>842</td>
<td>-11%</td>
</tr>
<tr>
<td>New imported cars</td>
<td>273</td>
<td>361</td>
<td>-24%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,311</td>
<td>1,491</td>
<td>-12%</td>
</tr>
</tbody>
</table>

* Shipment data exclusive of light commercial vehicles.
Source: AEB, RF Federal Customs Service, PwC analysis
Among the leaders of the growth in sales in 2016 there are brands offering new or updated models

In 2016, some of the top 20 brands in the volume of sales of passenger cars in the Russian market showed a positive growth in sales including Lexus, Lifan, Ford, Skoda and BMW.

The leader of the growth in sales among the top-20, Lexus, was successful in 2016 due to a renovation of its product line and development of the dealer network.

A positive growth in sales of Chinese manufacturer Lifan was due to the implementation of financial programmes and promotional programmes enabling the purchase of cars with maximum benefit, as well as a popular product range including crossovers.

In 2016, Ford finished a complete renovation of its product line for the Russian market, which, along with a well-balanced price policy, helped it strengthen its positions.

The attractiveness of Skoda for consumers was also mainly due to the attractive product line. In addition, the company is anticipating an even greater growth in sales in 2017, as this year a new crossover Skoda Kodiaq will be launched, as well as the updated Skoda Octavia.

The sales volume of BMW remained practically the same as in 2015 with a slight growth in sales. Measures for the reduction of a financial load on dealer centres taken in 2016, investments in the enhancement of the quality of all processes, and attractive credit programmes offered by BMW Bank contributed to the stable development of the company in the Russian market.
In 2017, the extension of the traditional state support programmes and introduction of new more target-oriented measures is planned

Anticipated Russian car industry support programmes in 2017

<table>
<thead>
<tr>
<th>Programme</th>
<th>Financing</th>
<th>Expected outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidies to Russian organisations for partial compensation of expenses</td>
<td><strong>RUB 17.5bn</strong></td>
<td>Providing for the additional manufacture of 250,000 vehicles and the preservation of jobs in car manufacturing companies and related sectors</td>
</tr>
<tr>
<td>connected with the manufacturing of wheeled vehicles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programmes including First Car, Family Car, Russian Tractor, Russian</td>
<td><strong>RUB 17.4bn</strong></td>
<td>Sales of 90,720 cars in 2017</td>
</tr>
<tr>
<td>Farmer, Private Business, the support of sales of natural gas-engine</td>
<td></td>
<td></td>
</tr>
<tr>
<td>vehicles and public city electric transport, the purchase of school buses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and ambulance cars</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supporting wheeled vehicles leasing</td>
<td><strong>RUB 10bn</strong></td>
<td>Sales of 41,500 cars in 2017</td>
</tr>
<tr>
<td>Compensation for some expenses for interest payments on the credits</td>
<td><strong>RUB 7.4bn</strong></td>
<td>Compensation for some expenses for the servicing of investment credits of more than 32 car manufacturers and car part manufacturers due to a degradation of crediting terms</td>
</tr>
<tr>
<td>received for the implementation of investment projects, and payment of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>coupon profit of bonds issued for the same purposes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidies to Russian credit organisations for the compensation of a short</td>
<td><strong>RUB 7.0bn</strong></td>
<td>Sales of 270,000 cars</td>
</tr>
<tr>
<td>fall in income from credits granted by Russian credit organisations in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015–2016 to individuals for the purchase of cars</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidies to Russian credit organisations for the compensation of a short</td>
<td><strong>RUB 3.0bn</strong></td>
<td>Sales of 350,000 cars in 2017</td>
</tr>
<tr>
<td>fall in income from credits granted by Russian credit organisations in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015–2017 to individuals for the purchase of cars (2017 liabilities)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: List of measures aimed at providing the stable social and economic development of the Russia in 2017, dated 19 January 2017, PwC analysis
New car market is expected to see growth in 2017

In 2017, sales of new passenger cars in Russia could grow 7% and reach 1.4 million cars.

One of the main factors to be considered when forecasting the volume of car sales in Russia in 2017 is the forecasted crude oil price. According to GI, the average Brent crude oil price amounted to USD 43.3 per barrel following the results of 2016, while in 2017, according to a consensus forecast by Bloomberg, the price could grow to USD 55 per barrel, which is to promote the sales of new cars.

The consumer confidence level will also influence the market development. Following the results of 2016, the consumer confidence index is still quite low (-18% in 4Q 2016); however, there is a positive dynamic to be observed.

The implementation of the state-demanded promotion measures in the volume stated will also give material support to the Russian car market.

New car market forecast, thousand cars (exclusive of LCV)

<table>
<thead>
<tr>
<th>Passenger car groups (exclusive of LCV)</th>
<th>2016 (actual shipment)</th>
<th>2017 (forecast)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic brands</td>
<td>284</td>
<td>300</td>
<td>6%</td>
</tr>
<tr>
<td>Foreign brands assembled in Russia</td>
<td>754</td>
<td>810</td>
<td>7%</td>
</tr>
<tr>
<td>Imported cars</td>
<td>273</td>
<td>290</td>
<td>6%</td>
</tr>
<tr>
<td>The market as a whole</td>
<td>1,311</td>
<td>1,400</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: PwC analysis

(*) Dealer sales data, excluding light commercial vehicles (LCV).
Long-term development of the Russian car market will depend on the economic situation in Russia and on measures to support supply and demand in the car market

According to the current forecast, in 2017, the new passenger car market is expected to grow by about 7%. The average annual market growth rate in 2016-2021 will be about 11%.

Forecast for the new passenger car market in Russia, 2017-2021, million units

Crude oil price forecast, USD/barrel (the crude oil price forecast is based on a consensus forecast by Bloomberg).

Source: PwC analysis
Considering the car manufacturers’ plans for increasing the production capacities in Russia and the current market forecast, the capacity utilisation is expected to reach 57% by 2021

Following the results of 2016, the production of new passenger cars in Russia reduced by 7.4% and amounted to 1.1 million cars.

Considering that the current production capacities of Russian and localised car manufacturers amount to about 3.1 million cars per year, following the results of the year, the production capacities were utilised by 36%.

Presently, several foreign car manufacturers are preparing to start manufacturing their cars in the territory of Russia.

Particularly, within the next five years, the production capacities are scheduled to be increased by 0.2 million cars to 3.3 million cars. This is due to the anticipated opening of three car plants:
- Great Wall in Tula region (150 thousand cars/year);
- Lifan in Lipetsk region (60 thousand cars/year);
- Mercedes-Benz in Moscow region (25 thousand cars/year).

According to the forecast based on the forecasts of sales, export and import of passenger cars in Russia, in 2017 the production of passenger cars in Russia is to grow by 7%, reaching 1.2 million cars. In the next few years, the production volumes are expected to recover, reaching 1.8 million cars by 2021, providing there are no external shocks.
Overview of the Russian commercial vehicle market
**The gradual recovery of the economy and state support have a positive influence on the category of light commercial vehicles**

The category of light commercial vehicles comprises vehicles with a gross vehicle weight of up to 3.5 tonnes.

Among the 2016 leaders, the following brands showed a growth in sales: Volkswagen (51%), Hyundai (30%), Ford (17%), Lada (11%), GAZ (9%), and IVECO (9%).

In 2017, the total LCV sales volume is expected to grow by 5%, reaching 97,000 vehicles.

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**The main factors influencing the market of light commercial vehicles:**

During 2016, some of the important indices grew, including oil price, which increased from USD 34.7/barrel in the beginning of the year to USD 56.82/barrel at the year end, the consumer confidence index, which improved from −30 to 18%, and the national currency exchange rate, which grew from 72.9 RUB/USD to 60 RUB/USD.

Various state support measures, i.e. fleet renewal, concessional lending, industrial subsidies, continued subsidising of the purchase of ambulances and emergency care cars.

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**Forecast of LCV sales, thousand units**

<table>
<thead>
<tr>
<th>Brand</th>
<th>Market share, 2015</th>
<th>Market share, 2016</th>
<th>Change in market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAZ</td>
<td>41.5%</td>
<td>45.1%</td>
<td>↑</td>
</tr>
<tr>
<td>UAZ</td>
<td>21.9%</td>
<td>20.3%</td>
<td>↓</td>
</tr>
<tr>
<td>Lada</td>
<td>7.6%</td>
<td>8.4%</td>
<td>↑</td>
</tr>
<tr>
<td>Mercedes-Benz</td>
<td>9.6%</td>
<td>7.1%</td>
<td>↓</td>
</tr>
<tr>
<td>Ford</td>
<td>4.6%</td>
<td>5.4%</td>
<td>↑</td>
</tr>
<tr>
<td>Volkswagen</td>
<td>3.3%</td>
<td>5.0%</td>
<td>↑</td>
</tr>
<tr>
<td>Fiat</td>
<td>4.0%</td>
<td>2.2%</td>
<td>↓</td>
</tr>
<tr>
<td>Hyundai</td>
<td>1.3%</td>
<td>1.7%</td>
<td>↑</td>
</tr>
<tr>
<td>Peugeot</td>
<td>1.5%</td>
<td>1.3%</td>
<td>↓</td>
</tr>
<tr>
<td>IVECO</td>
<td>1.1%</td>
<td>1.2%</td>
<td>↑</td>
</tr>
<tr>
<td>Other</td>
<td>3.5%</td>
<td>2.3%</td>
<td>↓</td>
</tr>
</tbody>
</table>

Source: Autostat, PwC analysis
In 2016, the growth of sales in the truck segment was largely driven by deferred demand and government support.

The truck market includes medium (from 3.5 up to 16 tonnes) and large (more than 16 tonnes) commercial vehicles.

Among the top ten brands of trucks, the following showed a growth in sales compared to the results from the previous year: KAMAZ (15%), GAZ (3%), Ural (2%), MAN (20%), ISUZU (0.2%) Mercedes-Benz (4%), NEFAZ (29%) and Volvo (60%).

In 2017, the total truck sales volume is expected to grow by 5%, reaching 56,000 vehicles.

The main factors influencing the truck market:

- There has been a decrease in sales since 2012, and companies will have to renew their fleets realising the so-called deferred demand accumulated during the previous years.
- The state support measures including fleet renewal programmes, concessional lending, industrial subsidies, etc.
- The growth of crude oil prices from USD 34.7/barrel in the beginning of the year to USD 56.82/barrel at the year end coupled with the improvement of the consumer confidence index from ~30 to ~18%.
- The increase of transport service costs including credit rates, increased rates of fully comprehensive motor insurance (KASKO) and compulsory third-party insurance (OSAGO), the necessity to install tachographs and ERA-GLONASS sensors, and the increase of Platon system rates.

Truck sales forecast, thousand units

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>41</td>
<td>60</td>
<td>111</td>
<td>129</td>
<td>111</td>
<td>88</td>
<td>51</td>
<td>53</td>
<td>56</td>
<td>63</td>
<td>72</td>
<td>82</td>
<td>91</td>
</tr>
</tbody>
</table>

Forecast period

Source: Autostat, PwC analysis

Brand | Market share, 2015 | Market share, 2016 | Change in market share
---|-------------------|-------------------|-------------------
KAMAZ | 34.3% | 37.9% | ↑
GAZ | 13.8% | 13.6% | ↓
MAZ | 7.1% | 6.2% | ↓
Ural | 5.1% | 5.0% | ↓
SCANIA | 5.0% | 4.7% | ↓
ISUZU | 4.9% | 4.7% | ↓
MAN | 3.6% | 4.2% | ↑
Mercedes-Benz | 3.9% | 3.9% | ↓
NEFAZ | 2.9% | 3.6% | ↑
Volvo | 2.1% | 3.2% | ↑
Other | 17.3% | 13.1% | ↓

Source: Autostat, PwC analysis

*NEFAZ produces trucks based on the KAMAZ chassis. Reference of the car depends on designation in VIN-code. If designation is absent, the car is referenced according to the name to KAMAZ.
Fleet renewal, preparation for big sports events and state purchase of buses provide for stable demand in the category

The bus segment includes all transport vehicles designed for the transportation of passengers and baggage that are equipped with more than eight seats exclusive of the driver’s seat, except when the transport vehicles fall within the category of light commercial vehicles.

Of all the category leaders, only Marcopolo showed a drop in sales in absolute terms (–29%) and IVECO (–18%); other brands increased the volume of sales compared to 2015.

In 2017, the total bus sales volume is expected to grow by 8%, reaching 11,200 vehicles.

The main factors influencing the market of buses:

- 900 million roubles are to be allocated, in addition to the school bus update programme amounting to 3 billion roubles. The natural gas-engine transport support programme is extended and the bus fleet still needs to be updated.
- As part of the preparation for the 2017 Confederations Cup and 2018 World Cup, the programme for expanding the bus fleets in the World Cup host cities continues. About 3,000 new buses are to be purchased under the programme.
- The development will be restricted by the growth in the number of private cars and the growth in competition with other types of public transport.

Bus sales forecast, thousand units

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>10.3</td>
<td>12.4</td>
<td>16.4</td>
<td>17.1</td>
<td>15.2</td>
<td>11.2</td>
<td>9.0</td>
<td>10.4</td>
<td>11.2</td>
<td>11.6</td>
<td>11.7</td>
<td>12.4</td>
<td>13.6</td>
</tr>
<tr>
<td>Forecast period</td>
<td>+15%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>

Source: Autostat, PwC analysis

Overview of the Russian passenger car market | Overview of the Russian commercial vehicle market | Export potential of Russian vehicle manufacturers | Conclusions | About PwC
Export potential of Russian vehicle manufacturers
Adapting to local conditions and a proper investment policy will determine the export potential of Russian car manufacturers

In Russia, there is under-utilisation of production capacities; thus exporting cars to foreign markets can become one of the sources for partial utilisation of free capacities. The realisation of an export strategy will enable car manufacturers not only to provide for the additional utilisation of their capacities but also to improve brand recognition and develop their client base.

Presently, the products of Russian car manufacturers are likely to be popular in the developing markets, in which there are high car market growth rates, a demand for medium and low price cars, and comparatively favourable market access conditions.

The main competitors of Russian car manufacturers in the developing markets are Asian manufacturers, primarily, Chinese, which have a considerable price advantage over other market participants. Offering products with expressed technological advantages as compared to the products of Chinese brands while preserving an optimal price–quality ratio can help improve the potential of Russian manufacturers in export markets.

Choosing a strategy to enter the developing markets depends on the capabilities of a manufacturer, its ultimate goals and the particular features of the export market. When entering a new market, companies can choose indirect export when products are sold through independent intermediaries, or direct export when a company performs export operations independently, i.e. establishes a trade representative office or engages foreign distributors. An important component of success in foreign markets is the availability of appropriate partners and contractors. Irrespective of the strategy selected, the solution to the task generally requires investment and a good assessment of the potential outcome.

It is not only necessary to build a sales network but also to provide for the availability of spare parts and maintenance services. A substantial share of many developing markets belongs to unofficial dealers and service centres, with which it is also necessary to compete.

Tariff and non-tariff foreign trade regulation methods used in different countries can hinder export development; however, they can be partially removed if the state and car manufacturers join together in their efforts (see more details below).
When entering export markets, Russian car manufacturers face a number of tariff and non-tariff foreign trade regulation methods

**Tariff regulation methods**

- Tariff regulation methods imply the necessity of paying customs duties when importing cars into a country's territory.
- In many developing countries including BRIC* and ASEAN* member-states there are high import duties limiting export from other countries, which is mainly aimed at protecting local car manufacturers and promoting the localisation of production. Thus, import duty on a passenger car in India and Thailand is 60% and 80%, respectively.

**Non-tariff regulation methods**

- Non-tariff regulation methods imply the application of foreign trade regulation tools different from customs duties.
- The most popular regulation methods are licensing and quantitative restrictions of products (i.e. in Algeria and Ecuador), compulsory certification of products to confirm the compliance with technical and ecological standards applicable in a country (i.e. Euro-6 in the EU), and providing export subsidies.

- Among the measures able to ease the regulatory mode and have a positive impact on the volume of export by Russian manufacturers there are execution of free-trade agreements and special intergovernmental agreements.
- Thus, for instance, to extend the economic relations, a free-trade agreement between the Eurasian Economic Union (EEU) and Vietnam was concluded on 5 October 2016. One of the main provisions of the agreement deals with a gradual reduction of import duties for passenger cars manufactured in Russia and other EEU countries from 50–70% to 0% and from 17% to 0% for trucks within ten years.
- Also, in October 2016, a Russian-Vietnamese intergovernmental protocol on the support of motor vehicles in the territory of Vietnam came into force, providing authorised companies (Groups GAZ, KAMAZ and Sollers) with the right to import motor vehicles and vehicle sets to the country within the quota limits.

- Non-tariff regulation methods often result in the need to adapt the products of car manufacturers to local specifics, which, in turn, requires substantial investment and optimisation of operation costs.
- Therefore, it is very important for car manufacturers to track global car production trends to consider all present and future requirements of car products.
- Thus, Russian car manufacturers have the potential to expand their presence in export markets; however, to preserve and strengthen their competitive ability, it is necessary to introduce technologies and innovations and maintain quality standards.

*) BRIC – Brazil, Russia, India, China; ASEAN (Association of South-East Asian Nations) – Brunei, Vietnam, Indonesia, Cambodia, Laos, Malaysia, Myanmar, Singapore, Thailand, Philippines.

*Source: PwC analysis*
The main development lines with export potential of Russian car manufacturers are aimed at developing financial and non-financial support tools

In November 2016, a passport of the priority project International Cooperation and Export in Industry was approved, including a set of the industrial sector’s state support measures. Particularly, the support measures will be focused on four sectors, i.e. car production, agricultural machinery industry, railway machinery industry and aircraft industry. The project is aimed at creating conditions for the sustainable growth of the export of Russian industrial non-resource products.

It is expected that the amount of funds in the federal budget earmarked for priority sectors (including the manufacturing of automobiles, agricultural machinery, railway machinery, and aircraft) could reach RUB 70bn over the period of 2017-2019.

The main car production support programmes for 2017-2019

<table>
<thead>
<tr>
<th>Non-financial export support measures</th>
<th>Financial export support measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Compensation of expenses for the transportation of exported products, certification of products in foreign markets and export R&amp;D activities (homologation of products, design and development of new export products);</td>
<td>• Crediting foreign buyers of the products with a subsidised interest rate through Vnesheconombank and Roseximbank.</td>
</tr>
<tr>
<td>• Compensation of expenses for the registration of intellectual property objects in foreign markets;</td>
<td></td>
</tr>
<tr>
<td>• Assistance in the conduction of exhibitions and trade fair activities;</td>
<td></td>
</tr>
<tr>
<td>• Subsidising the creation of an aftersales service system;</td>
<td></td>
</tr>
<tr>
<td>• Compensation for some expenses for participating in the activities of international organisations in order to protect the interests of the national car industry.</td>
<td></td>
</tr>
</tbody>
</table>

Conclusions
Conclusions

In 2016, falling rates in the Russian economy slowed, but the consumer confidence index still remains at a low level.

In 2016, the sales of new passenger cars in quantitative terms dropped by 12%. In rouble terms, the market remained practically unchanged while in dollar terms it dropped by 9%.

Among the market leaders in the growth of sales in 2016 there are brands offering new or updated models.

In 2017, the extension of the traditional state support programmes and introduction of new more target-oriented measures is planned.

In 2017, growth of the new passenger car market is anticipated in quantitative terms up to 1.4 million cars. According to the forecast, by 2021, the new passenger car sales volume will reach 2.18 cars per year, providing there are no external shocks.

The total new car production volume in Russia dropped by 7.4% in 2016. Considering the car manufacturers’ plans for increasing the production capacities in Russia and the current market forecast, the capacity utilisation is expected to reach 57% by 2021, reaching a production volume of 1.8 million cars.

The sales of light commercial vehicles in 2016 actually remained at the level of the previous year, amounting to 93,000 vehicles. In 2017, the total LCV sales volume is expected to grow by 5% to reach 97,000 vehicles. The gradual recovery of the economy and the state support have a positive influence on the category of light commercial vehicles.

Following the results of 2016, the truck market grew by 4% compared to the same period of the previous year amounting to 53,300 vehicles. In 2017, the total truck sales volume is expected to grow by 5% amounting to 56,000 vehicles. Among the main factors of growth in the next few years are the growing deferred demand and state-supported measures, while a constraining factor is the increasing vehicle maintenance cost.

Following the results of 2016, the bus market grew by 15.4% compared to 2015 and amounted to 10,400 buses. In 2017, the growth is expected to be 8% with the sales reaching 11,200 buses. Fleet renewal, preparation for big sports events and the state purchase of buses provide for a stable demand in the category.

Russian car manufacturers have the potential to expand their presence in export markets; however, to preserve and strengthen their competitive ability, it is necessary to introduce technologies and innovations and maintain quality standards.
We are proud that experts recognise us as leaders in our field.

- In 2016, PwC was named the strongest brand in the Business for Business category by Brand Finance and was ranked among the world’s top ten most influential global brands in the annual rating.
- PwC global network holds the first place in the international rating by a reputable professional publication, International Accounting Bulletin, as the world’s largest international network.
- According to Vault, PwC network holds:
  1. among auditing organisations in forensic;
  2. in the rating of top 50 consulting firms in the field of financial consulting for 2016;
  3. in the rating of top 50 consulting firms for 2016.
- PwC network was recognised as the world leader in the field of business consulting according to IDC.
- According to Kennedy Information, PwC network was recognised as the world leader in the field of M&A transactions consulting.
- In 2015, PwC was ranked No.2 among major audit and consulting groups in Russia by the Expert RA ratings agency.
- In 2015, PwC was named for the sixth time as Russian Tax Consulting Firm of the Year in an annual competition held by International Tax Review magazine.
- PwC Legal was among the top ten legal firms in Russia according to the Pravo.Ru-300 rating.

Facts about PwC:
- The PwC network of firms is the world’s largest network rendering professional services.
- PwC network includes over 223,000 employees in 157 countries.
- For more than 25 years, PwC has been rendering services in Russia and over 2,500 professionals help us reach success.
- PwC consists of specialised sectoral subdivisions, which enables us to render services of maximum quality fitting each particular client.
- In Russia, more than 3,000 companies are our clients, 270 of which are included in the Expert-600 rating of top Russian companies.
- In Russia, PwC is a member of many professional organisations, business unions and business associations.
PwC experience of rendering services to car industry companies

The market share of PwC in all types of services rendered to car industry companies in Russia
(by the number of clients)
49 companies included in the rating

The market share of audit services rendered to car industry companies in Russia
(by the number of clients)
49 companies included in the rating

A non-exhaustive list of PwC clients in Russia representing the car industry

| PwC | 65% |

Source: PwC; rating Expert-600, October 2015

Overview of the Russian passenger car market | Overview of the Russian commercial vehicle market | Export potential of Russian vehicle manufacturers | Conclusions | About PwC
We offer a wide range of services to automotive companies

<table>
<thead>
<tr>
<th>Market analysis and strategy development;</th>
<th>Solutions to tax and customs issues</th>
<th>Solutions to legal issues</th>
<th>Fundraising</th>
</tr>
</thead>
<tbody>
<tr>
<td>• analysis of market potential, key players and trends, analysis of a new product market prospects (feasibility study);</td>
<td>• finding ways to reduce the tax burden;</td>
<td>• legal assistance in the development of structure and the establishment of production and trade companies in Russia and CIS including the preparation of corporate documents;</td>
<td>• audit of IFRS statements;</td>
</tr>
<tr>
<td>• elaboration of a company’s development strategy in the domestic market;</td>
<td>• procedure for accounting of operations typical for dealers, distributors and manufacturers of cars;</td>
<td>• legal support in the matters of establishment and operation of joint ventures;</td>
<td>• consulting services for bringing management statements into compliance with the IFRS requirements;</td>
</tr>
<tr>
<td>• development of a foreign markets access strategy;</td>
<td>• regional tax breaks;</td>
<td>• support of investment projects including the conclusion of investment agreements with public authorities;</td>
<td>• improving internal control systems</td>
</tr>
<tr>
<td>• conducting financial and economical, tax and legal examination (due diligence) of partners and acquisition targets;</td>
<td>• matters of international taxation, matters connected with intercompany transactions including financing;</td>
<td>• consulting and legal support in the matters of the construction of plants and other real estate issues;</td>
<td>• preparation for IPO;</td>
</tr>
<tr>
<td>• assistance with fundraising, including the development of a business plan, evaluation of a pledge object and assistance in negotiations with partners and banks;</td>
<td>• support in tax disputes including in court;</td>
<td>• legal assistance in the creation of dealer networks and interactions with them, including the development of standards in the field of the selection of potential dealers and introduction of dealer financing programmes.</td>
<td>• financial modelling</td>
</tr>
<tr>
<td>• M&amp;A transactions support: search for buyers or acquisition targets, business value assessments and preparation of transaction documents.</td>
<td>• support of projects connected with industrial assembly regime;</td>
<td>• VAT consulting services (VAT refund, tax remissions, import and export operations);</td>
<td>• assistance in the organisation of a customs clearance process, assistance in the interaction with customs authorities and support in court.</td>
</tr>
</tbody>
</table>
We conduct automotive market research and understand all its trends

PwC strives to be at the centre of events in the automotive industry and to offer the most relevant information and analysis to our clients.

For this purpose, PwC:

- Conducts **detailed research** devoted to the current state of the automotive industry and to development issues;
- Holds **specialised seminars** for our car industry clients on industry and business development matters;
- Participates in **key industry events and activities**;
- Sponsors key industry events and activities.

**The cost of car ownership in Russia, 2016**

**Reinventing the wheel: car industry potential development scenarios**

**Automotive M&A deals insights – first half of 2016**

**Global research into information security trends for 2016: results of car industry companies survey**

**Driving value: automotive M&A insights**

**Auto industry trends in 2016**