

Jaguar Land Rover LLC

Financial statements for the year 2018
and the auditor's report

[Logo: KPMG]

Independent Auditor's Report

on Financial Statements of
Jaguar Land Rover
Limited Liability Company
for the year 2018

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Independent Auditor's Report

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

Opinion

We have audited financial statements of Jaguar Land Rover LLC (the "Company") consisting of the balance sheet as at 31 December 2018, the statement of profit and loss, the statement of changes in equity, the statement of cash flows for the year ended on that date, and the notes to the balance sheet and the statement of profit and loss consisting of the main provisions of the accounting policy and other explanatory information.

In our opinion, the financial statements attached reflect, accurately and in all material aspects, the Company's financial position as at 31 December 2018, its profit and loss and cash flows for the year ended on that date according to the Russian Accounting Standards (RAS).

Basis for the Opinion

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

Audited entity: Jaguar Land Rover LLC

Entered in the Unified State Register of Legal Entities under No. 1085047006549.

Moscow, Russia.

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

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

A member of the Russian union of auditors (Association), Self-Regulatory Organization. Primary registration number of the entry in the register of auditors and audit companies 11603053203.

Other Details

The Company's financial statements as at 31 December 2016 and for the year ended on that date were audited by other auditors that provided a report dated 31 March 2017 containing an unqualified opinion about those statements.

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibility for Auditing the Financial Statements

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

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

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

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Jaguar Land Rover LLC
Independent Auditor's Report
Page 4

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

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

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

[Signature]

[Seal: JOINT STOCK COMPANY

Principal State Registration Number (OGRN) 1027700125628 * MOSCOW *

KPMG]

A.A. Bezverkhaya

KPMG Joint-Stock Company

Moscow, Russia

28 March 2019

**Balance Sheet
as at 31 December 2018**

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

Date (day, month, year)

Codes
31.12.2018
OKPO 86658358
TIN 5047095543
OKVED 45.11.1
OKOPF/OKFS 12300 / 23
OKEI 384

Item	Code	Note	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
Assets					
I. NON-CURRENT ASSETS					
Intangible assets	1110		29,533	35,842	30,895
Fixed assets	1150	4.1	893,667	1,259,169	1,111,880
Deferred tax assets	1180	4.3	521,645	546,230	700,753
Other non-current assets	1190		7,681	3,420	11,619
Long-term accounts receivable	1195	4.5	36,000	84,000	132,000
Total Section I	1100		1,488,526	1,928,661	1,987,147
II. CURRENT ASSETS					
Inventories	1210	4.4	6,101,195	6,710,714	5,574,163
Value-added tax on acquired goods, works, services	1220		11,002	8,835	10,653
Accounts receivable, including:	1230	4.5	1,442,255	1,709,171	1,202,969
Cash and cash equivalents	1250	4.6	2,560,064	3,455,641	3,096,338
Other current assets	1260		6,166	11,054	11,021
Total section II	1200		10,120,682	11,895,415	9,895,144
BALANCE	1600		11,609,208	13,824,076	11,882,291
Liabilities					
III. CAPITAL AND RESERVES					
Authorised capital	1310	4.7	48,345	48,345	48,345
Additional capital (excluding revaluation)	1350		608,993	608,993	608,993
Retained earnings	1370		4,947,116	6,550,529	4,938,140
Total Section III	1300		5,604,454	7,207,867	5,595,478
IV. LONG-TERM LIABILITIES					
Long-term accounts payable	1415	4.8	1,021,395	723,952	186,944
Provisions	1430	4.9	1,252,298	1,285,103	1,495,641
Deferred tax liabilities	1420	4.3	3,003	3,314	2,242
Total Section IV	1400		2,276,696	2,012,369	1,684,827
V. SHORT-TERM LIABILITIES					
Accounts payable, including:	1520	4.8	2,749,621	3,438,418	3,014,798
Deferred income	1530		3,751	6,120	0
Provisions	1540	4.9	974,686	1,159,302	1,587,188
Total Section V	1500		3,728,058	4,603,840	4,601,986
BALANCE	1700		11,609,208	13,824,076	11,882,291

CEO [Signature]

V.V. Kuzyakov

Chief Accountant [Signature]

O.P. Bukreeva

[Seal:

Limited Liability Company

Principal State Registration Number (OGRN) 1085047006549 * Moscow *
Jaguar Land Rover]

28 March 2019

Statement of Profit and Loss for the year 2018

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

Date (day, month, year)

Codes	
31.12.2018	
OKPO	86658358
TIN	5047095543
OKVED	45.11.1
OKOPF/ OKFS	12300 / 23
OKEI	384

Item	Code	Note	2018	2017
Revenue	2110	5.1	55,976,019	47,373,140
Cost of sales	2120	5.2	(48,154,145)	(40,142,735)
Gross profit	2100		7,821,874	7,230,405
Selling expenses	2210	5.2	(5,503,311)	(5,413,170)
Profit from sales	2200		2,318,563	1,817,235
Interest receivable	2320		124,697	210,428
Other income	2340	5.3	1,667,042	1,661,766
Other expenses	2350	5.4	(1,785,380)	(1,553,425)
Profit before tax	2300		2,324,922	2,136,004
Current income tax	2410		(502,451)	(367,677)
including permanent tax liabilities	2421	4.3	61,741	96,414
Changes in deferred tax assets	2430	4.3	(24,585)	(154,523)
Changes in deferred tax liabilities	2450	4.3	311	(1,073)
Other	2460	4.3	(-)	(342)
Net profit	2400		1,798,197	1,612,389

CEO [Signature]

V.V. Kuzyakov

Chief Accountant [Signature]

O.P. Bukreeva

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

28 March 2019

**STATEMENT OF CHANGES IN EQUITY
for the year 2018**

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

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

Date (day, month, year)

Codes	
	31.12.2018
OKPO	86658358
TIN	5047095543
OKVED	45.11.1
OKOPF/ OKFS	12300 / 23
OKEI	384

Item	Code	Additional capital (excluding revaluation)			
		Authorised capital	Retained earnings	Total	
Equity as at 31 December 2016	3100	<u>48,345</u>	<u>608,993</u>	<u>4,938,140</u>	<u>5,595,478</u>
Net profit	3211	-	-	1,612,389	1,612,389
Dividends	3227	-	-	-	-
Equity as at 31 December 2017	3200	<u>48,345</u>	<u>608,993</u>	<u>6,550,529</u>	<u>7,207,867</u>
Net profit	3311	-	-	1,798,196	1,798,196
Dividends	3327	-	-	(3,401,609)	(3,401,609)
Equity as at 31 December 2018	3300	<u>48,345</u>	<u>608,993</u>	<u>4,947,116</u>	<u>5,604,454</u>

PERIOD	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
Net assets	5,608,205	7,213,987	5,595,478

CEO [Signature] V.V. Kuzyakov

Chief Accountant [Signature] O.P. Bukreeva

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

28 March 2019

**STATEMENT OF CASH FLOWS
for the year 2018**

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

Date (day, month, year)

Codes
31.12.2018
OKPO 86658358
TIN 5047095543
OKVED 45.11.1
OKOPF/OKFS 12300 / 23
OKEI 384

Item	Code	for 2018	for 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
from sale of products, goods, work and services		60,513,619	49,718,703
Interest received		150,139	269,773
Other inflows		850,217	341,666
Payments under the Agency Agreement		(6,958)	(12,524)
For goods, works and services		(43,893,401)	(36,691,962)
For labour remuneration		(375,256)	(348,929)
For income tax		(399,092)	(701,211)
For other taxes and duties		(388,104)	(45,690)
For customs duties (dues, fees, excise duties)		(10,545,834)	(9,130,476)
For bonuses and discounts		(3,764,740)	(2,744,597)
For other payments and transfers		(215,617)	(218,215)
Net cash flows from operating activities	4100	1,924,973	436,538
CASH FLOWS FROM INVESTING ACTIVITIES			
For purchase of fixed assets and intangible assets		(1,017,351)	(1,347,750)
From sale of fixed assets and other property		1,258,249	1,270,515
Net cash flows from investing activities	4200	240,898	(77,235)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash for distribution of dividends		(3,061,448)	-
Net cash flows from financing activities	4300	(3,061,448)	-
Net cash flows for the reporting period	4400	(895,577)	359,303
Cash and cash equivalents at the beginning of the reporting period	4450	3,455,641	3,096,338
Cash and cash equivalents at the end of the reporting period	4500	2,560,064	3,455,641

CEO [Signature] V.V. Kuzyakov

Chief Accountant [Signature] O.P. Bukreeva

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

28 March 2019

NOTES TO FINANCIAL STATEMENTS OF JAGUAR LAND ROVER LLC for the year 2018

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).

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

The executive body is the CEO, Kuzyakov Vyacheslav Vladimirovich.

The Sole Participant is 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 Tata Sons Limited with the ownership interest of 33.609%.

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 under 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;
- 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 current laws of the Russian Federation.

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

1.2. Number of employees

The average headcount of the staff working at the Company for 2018 and 2017 amounted to 115 and 114 employees respectively.

1.3. 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:

Musa Motors Jlr LLC – 13% (2017: 10 %);

ROLF Estate St. Petersburg LLC – 8% (2017: 10 %);

The Branch "JLR Yasenevo" of ROLF LLC - 7% (2017 - 8%);

Avtobiografiya Pulkovo LLC - 7% (2017 - 6%)

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 2018, the accounting records were maintained in accordance with the procedures specified in the Accounting Policy of the Company approved by the order of the CEO dated 31 December 2017.

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

Financial and tax accounting is maintained 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 near 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 companies approved by Order No. 94n of the Ministry of Finance of the Russian Federation dated 31 October 2000, with the use of separate subaccounts that allow financial statements be prepared that meet the requirements of accounting and tax legislation regarding Russian and international standards, as well as the requirements for separate cost accounting.

2.3. Materiality criteria

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

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

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

2.4. Inventory taking

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

An inventory of fixed assets that are not vehicles is taken for individual units and individual classes of fixed assets at least once every 3 years. The last inventory of fixed assets that are not vehicles was taken as at 22 November 2016. An inventory of fixed assets that are vehicles is taken on an annual basis separately from other fixed assets. An inventory of fixed assets that are vehicles was taken as at 21 November 2018.

An inventory of spare parts was taken as at 22 October 2018, an inventory of vehicles (inventories) was taken as at 21 November 2018, and an inventory of all other assets and liabilities was taken as at 31 December 2018.

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 2018, 2017 and 2016.

The procedure for accounting of assets and liabilities denominated in foreign currency is governed by Regulation on accounting PBU 3/2006 "Accounting for assets and liabilities denominated in foreign currency". In accordance with Regulation PBU 3/2006, liabilities denominated in foreign currency are subject to recalculation in Roubles as at:

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

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

2.6. Current and non-current assets, long-term and short-term 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 short-term are expected to be discharged within 12 months after the reporting date. All other assets are presented as non-current and all other liabilities are presented as long-term.

2.7. Fixed assets accounting

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

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

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

To determine the useful life of fixed assets, Resolution No. 1 of the Government of the Russian Federation dated 1 January 2002 "On classification of fixed assets by depreciation groups" and Resolution No. 526 of the Government of the Russian Federation dated 28 April 2018 "On amending the classification of fixed assets by depreciation groups" are applied.

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

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

Fixed assets are not revaluated.

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

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

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

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

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

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

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

2.8. Intangible assets accounting

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

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

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

An intangible asset useful life is individually determined by the company when accepting an item for accounting and determined by the order of a chief executive officer of the company.

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

Intangible assets are not revaluated.

2.9. Inventories accounting

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

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

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

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

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

The purchase of goods for resale is recorded as follows:

- Vehicles - at the purchase price plus customs duties, fees, excises (if applicable);
- Spare parts - at the purchase price. Customs duties, fees, excises (if applicable) are accumulated on a separate subaccount 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 account 15 "Procurement and Acquisition of Tangible Assets" and account 16 "Deviation in the Value of Tangible Assets".

The inventories that are obsolete, completely or partially lost their original quality, or the current market value of which has decreased, or which are 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 unclaimed 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 Regulation on accounting PBU 9/99 "Revenues of a company" approved by Order No. 32n of the Ministry of Finance of the Russian Federation dated 6 May 1999.

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

All other income is considered to be other.

Revenue is recognized in the accounting as follows:

- from sale of spare parts – at the time of transfer of ownership rights under the contract (namely, at the time 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 time of transfer of ownership rights under the contract (namely, at the time when the Company receives the payment for a vehicle and the time 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 the buyer);
- from sale of vehicles to dealers in the Republic of Armenia - at the time of transfer of ownership rights under the contract (namely, at the time of transfer of a vehicle to the carrier);
- from services rendering – upon their rendering;
- the sale of brochures and services for their delivery is recognized at the time of transfer of ownership rights under the contract.

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

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

2.12. Expenses accounting

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

The cost of sales is generated as follows:

- When vehicles are sold, 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 during the reporting period;
- When spare parts are sold, 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 for the spare parts available during 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 following:

- 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 has expired, and other debts impossible to collect;
- foreign exchange differences;
- other similar expenses.

2.13. Allowances and provisions accounting

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

The following types of 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 of 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 items 4 and 5 of Regulation PBU 8/2010 "Provisions, Contingent Liabilities and Contingent Assets" ("PBU 8/2010").

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

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

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

2.14. Deferred expenses accounting

Deferred expenses are recorded on account 97 "Deferred expenses" based on the actually incurred expenses. Deferred expenses are 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 cannot 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 other current assets and other non-current assets depending on the useful life as at the reporting date.

2.15. Income tax

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

Deferred tax assets and liabilities are recorded in the balance sheet as non-current assets and long-term liabilities respectively: deferred tax assets are recognized in the accounting on separate control account 09, deferred tax liabilities are recognized in the accounting on 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 profit and loss 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

To book customs duties correctly, indicators of the Statement of Cash Flows for the year 2017 were adjusted as follows:

Indicator	Before the adjustment, in the statements for 2017	After the adjustment, in the statements for 2018	Change
Payment for goods, work and services	(36,392,336)	(36,691,962)	(299,626)
Settlements for customs duties (dues, fees, excise duties)	(9,430,102)	(9,130,476)	299,626

The adjustments did not influence indicators contained in lines 4100 and 4200.

4. BREAKDOWN OF CERTAIN BALANCE SHEET ACCOUNTS

4.1. Fixed assets

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

(RUB thousand)

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

(RUB thousand)

Item	As at 31 December 2016	Entered	Disposed	As at 31 December 2017
Vehicles	1,211,558	1,322,284	(1,240,761)	1,293,081
Production and organisational stock	122,933	42,827	(2,413)	163,347
Total	1,334,491	1,365,111	(1,243,174)	1,456,428

With respect to the fixed assets leased out, the historical cost as at 31 December 2018 amounted to RUB 160,210 thousand (as at 31 December 2017 it was RUB 406,812 thousand, as at 31 December 2016 it was RUB 479,960 thousand), and the accumulated depreciation as at 31 December 2018 was RUB 16,031 thousand (as at 31 December 2017 it was RUB 44,787 thousand, as at 31 December 2016 it was RUB 87,268 thousand) and the depreciated value as at 31 December 2018 was RUB 144,179 thousand (as at 31 December 2017 it was RUB 362,025 thousand, as at 31 December 2016 it was RUB 392,692 thousand).

The accumulated depreciation by fixed assets groups as at 31 December 2018, 2017 and 2016 is as follows:

(RUB thousand)

Item	As at 31 December 2017	Amount written off for disposed items	Amount accrued	As at 31 December 2018
Vehicles	128,582	(249,778)	195,216	74,020
Production and organisational stock	68,677	(1,060)	33,333	100,950
Total	197,259	(250,838)	228,549	174,970

Item	As at 31 December 2016	Entered	Disposed	As at 31 December 2017
Vehicles	181,716	(330,951)	277,817	128,582
Production and organisational stock	40,895	(1,975)	29,756	68,677
Total	222,611	(332,926)	307,573	197,259

4.2. Leased fixed assets

(RUB thousand)

Item	31 December 2018 and 2017
Non-residential premises at Bld. 2, 28B Mezhdunarodnoye Shosse (basement, 1, 2, 3), the Landlord is OTDELSTROY-INVEST.	132,596
A land plot with a complex of temporary structures and elements (JLR BEC), the Landlord is AGALAROV ESTATE	637,200

As at 31 December 2018, the Company leases the real estate: premises in buildings that are used for administrative purposes. The cost of leasing of the premises in the buildings amounts to RUB 55,945 thousand per year (excluding VAT). This amount includes fixed and variable rental payments, operating costs, leasing of land and underground parking spaces.

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

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

4.3. Income tax

The current income tax is determined based on the tax accounting data for 2018 and 2017 is as follows:

(RUB thousand)

	2018	2017
Profit before tax	2,324,921	2,136,004
Contingent income tax expense	464,984	427,201
Permanent tax liabilities:		
expenses not recognized for tax purposes	59,267	87,953
income not recognized for accounting purposes	1,310	203
standardized expenses	1,164	8,258
Total	61,741	96,414
Increase / (decrease) in deferred tax assets:		
on inventories impairment allowance	10,366	20,860
on provision for warranty repair and servicing	(41,815)	(126,980)
Other	6,864	(48,403)
Total	(24,585)	(154,523)
Decrease / (increase) in deferred tax liabilities:		
supplier bonus	(322)	281

difference on property not recognized as depreciable in tax accounting	627	(829)
Other	6	(525)
Total	311	(1,073)
Other	-	(342)
Total current income tax	502,451	367,677

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)	Balance at the end of the reporting period
DTA of the inventories impairment allowance	2018	39,110	21,333	(10,967)	49,476
	2017	18,250	21,031	(171)	39,110
DTA of the provision for warranty repair and servicing	2018	477,407	25,979	(67,794)	435,592
	2017	604,387	-	(126,980)	477,407
DTA of other items	2018	29,713	29,864	(23,000)	36,577
	2017	78,116	22,810	(71,213)	29,713
Total	2018	546,230	77,176	(101,761)	521,645
	2017	700,753	43,841	(198,364)	546,230

4.4. Inventories

Inventories of the Company as at 31 December 2018, 2017 and 2016 are as follows:

(RUB thousand)

	<u>31 December 2018</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Inventories			
Vehicles	4,963,800	5,192,278	3,959,227
Spare parts	1,275,592	1,489,098	1,530,051
Spare parts in transit	43,401	72,255	89,302
Vehicles in transit	17,157	109,890	27,168
Accumulated transportation and procurement expenses	19,365	23,508	17,769
Other	21,885	11,859	34,522
Inventories impairment allowance	(240,005)	(188,174)	(83,876)
Total	6,101,195	6,710,714	5,574,163

As at 31 December 2018, the Company did not have any pledged inventories. As at 31 December 2017, the Company did not have any pledged inventories. As at 31 December 2016 the carrying amount of pledged goods and finished products (vehicles) was RUB 36,268 thousand.

Movements in inventory impairment allowances are as follows:

(RUB thousand)

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
Increase in allowances	55,360
Decrease in allowances	(3,529)
Balance as at 31 December 2018	240,005

4.5. Accounts receivable

Accounts receivable as at 31 December 2018, 2017 and 2016 are as follows:

(RUB thousand)

	<u>31 December</u> <u>2018</u>	<u>31 December</u> <u>2017</u>	<u>31 December</u> <u>2016</u>
Short-term accounts receivable:	1,442,255	1,709,171	1,202,969
Buyers and customers, including:			
settlements with dealers for vehicles	29,547	44,698	43,546
settlements with dealers for spare parts	639,965	582,536	574,761
settlements on other sales	119,846	16,067	45,092
Short-term advances paid	187,881	143,820	166,745
Taxes and duties	145,753	431,471	97,530
Settlements with customs authorities	141,576	30,429	49,106
Settlement with the parent company for reimbursement of expenses for warranty repair and servicing	104,517	327,697	138,496
Interest receivable under loans granted	-	26,101	85,249
Other	80,107	121,453	26,565
Allowance for bad debt	(6,937)	(15,101)	(24,121)
Long-term accounts receivable:	36,000	84,000	132,000
Advances paid	36,000	84,000	132,000
Total	<u>1,478,255</u>	<u>1,793,171</u>	<u>1,334,969</u>

4.6. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2018, 2017 and 2016 are as follows:

(RUB thousand)

	<u>31 December</u> <u>2018</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents			
Due from banks	460,064	105,641	169,338
Cash equivalents – short-term deposit	2,100,000	1,650,000	1,427,000
Cash equivalents – short-term loan on demand of Jaguar Land Rover Limited (Great Britain)	-	1,700,000	1,500,000
Total	<u>2,560,064</u>	<u>3,455,641</u>	<u>3,096,338</u>

As at 31 December 2018, 2017 and 2016, overnight deposits were placed: a deposit in the amount of RUB 2,100,000 thousand from 29 December 2018 to 9 January 2019 at interest rate 5.65% per annum; a deposit in the amount of RUB 1,650,000 thousand from 29 December 2017 to 9 January 2018 at interest rate 3.5% per annum; a deposit in the amount of RUB 969,000 thousand from 29 December 2016 to 9 January 2017 and RUB 458,000 thousand from 30 December 2016 to 9 January 2017 at interest rate 8% per annum; a 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.

The line "Other inflows" of the Statement of Cash Flows is presented as follows:
(RUB thousand)

Item	<u>2018</u>	<u>2017</u>
Settlements on guarantees with Jaguar Land Rover Limited	545,664	285,973
VAT compressed	257,908	-
Other	46,645	55,693
Total	<u>850,217</u>	<u>341,666</u>

The line "For other taxes and duties" of the Statement of Cash Flows for 2018 includes the tax on dividends.

The line "For other payments and transfers" of the Statement of Cash Flows for 2018 mostly includes payments under claims.

4.7. Share capital and allocation of net profit

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

The authorised capital of the Company as at 31 December 2018, 2017 and 2016 amounted to RUB 48,345 thousand.

4.8. Accounts payable

Accounts payable as at 31 December 2018, 2017 and 2016 are as follows:

(RUB thousand)

	31 December		
	2018	2017	2016
Short-term accounts payable:	2,749,621	3,438,418	3,014,798
Suppliers and contractors, including:			
payments for vehicles	50,492	934,068	351,846
payments for spare parts	99,109	588,393	337,429
payments for other goods and services	464,715	458,873	518,888
settlement with dealers on the guarantee reimbursement	63,339	88,519	63,791
Advances received	182,617	80,897	108,198
Taxes and duties payable	599,569	454,383	646,270
Settlements with dealers on bonuses and other circumstances	1,289,780	833,285	988,376
Long-term accounts payable:	1,021,395	723,952	186,944
Advances received	1,021,395	723,952	186,944
Total	3,771,016	4,162,370	3,201,742

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

4.9. Provisions

Movements in provisions for 2018 and 2017 are as follows:

(RUB thousand)

	Warranty servicing	Unused vacations	Other reserves	Total
Balance as at 31 December 2016	3,023,438	30,878	28,513	3,082,829
Increase in provisions	1,008,217	26,587	-	1,034,804
Use of provisions	(1,644,611)	(22,607)	(6,010)	(1,673,228)
Balance as at 31 December 2017	2,387,044	34,858	22,503	2,444,405
Increase in provisions	1,080,856	21,032	670	1,102,558
Use of provisions	(1,289,932)	(30,047)	-	(1,319,979)
Balance as at 31 December 2018	2,177,968	25,843	23,173	2,226,984

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

5.1. Revenue

The revenue for 2018 and 2017 is as follows:

(RUB thousand)

	2018	2017
Revenue (net) from sale of goods, products, works and services		
Sale of vehicles	53,689,705	44,634,945
Sale of spare parts	5,950,884	5,833,001
Sale of other goods and services	47,692	63,272
	59,688,281	50,531,218
Less dealer bonuses	(3,712,262)	(3,158,078)
Total	55,976,019	47,373,140

5.2. Cost of sales

The cost of sales broken down by elements for 2018 and 2017 is as follows:

(RUB thousand)

	2018	2017
Cost of goods, products, works and services sold	48,154,145	40,142,735
Sale of vehicles	33,262,428	27,143,932
Customs duties and vehicle recycling fee	9,646,656	7,803,181
Customs duties of spare parts	276,317	276,175
Sale of spare parts	4,923,484	4,878,471
Sale of other goods and services	45,260	40,977
Selling expenses	5,503,312	5,413,170
Advertising and marketing	2,490,553	2,549,878
Expenses on warranty repair and servicing	1,080,856	1,007,038
Transportation and procurement expenses	556,746	425,463
Lease of premises	284,098	296,862
Payroll expenses	312,464	291,503
Fixed assets depreciation	180,847	201,134
Expenses on vehicles maintenance	136,700	133,488
Insurance contributions	66,839	64,026
Travel expenses	43,892	48,469
Expenses on products certification	26,564	36,104
Expenses on consultation services	24,262	19,096
Provision for future expenses for the roadside assistance system	19,908	15,613
Expenses on communication services	11,659	11,928
Other expenses	267,924	312,568
Total	53,657,457	45,555,905

5.3. Other income

Other income for 2018 and 2017 is as follows:

(RUB thousand)

	2018	2017
Other income		
Income from sale of fixed assets	1,261,422	1,273,468
Payment for commercial loan	96,688	154,878
Income from lease of depreciable property	25,159	66,676
Claims, fines, penalties	57,215	44,117
Income from the Service package program	108,482	30,276
Income from the roadside assistance system	532	18,168
Income from the Finance program	24,255	17,632
Income associated with the recognition of inventory results	16,987	19,509
Foreign exchange gain	367	621
Other	75,935	36,421
Total	1,667,042	1,661,766

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 (of not more than 20,000 kilometres travelled) and then sells them. For the Company's business purposes changes in the period of use of vehicles can be agreed that are subject to approval by the CFO, Administrative Director and the CEO of the Company.

5.4. Other expenses

Other expenses for 2018 and 2017 are as follows:

(RUB thousand)

	<u>2018</u>	<u>2017</u>
Other expenses		
Expenses for the sale and disposal of fixed assets	1,156,043	909,432
Expenses associated with the increase in the allowance for inventories impairment	55,360	104,298
Expenses for leasing out of depreciable property	30,563	91,713
Claims received	225,251	55,202
Expenses for the Service package program	175,622	43,975
Taxes and duties	34,612	34,991
Expenses associated with the recognition of inventory results	16,626	33,209
Expenses for the sale and disposal of other property – write-off of other assets	33,762	26,674
Expenses for banking services	20,801	17,542
Expenses for the Finance program	22,588	15,933
Foreign exchange loss	1,070	816
Losses on foreign exchange transactions	260	288
Other	12,822	219,352
Total	<u>1,785,380</u>	<u>1,553,425</u>

6. RELATED PARTIES

Information on related parties is available on the website at www.tatamotors.com. During 2018, 2017 and 2016 the Company conducted transactions with the following related parties:

- Jaguar Land Rover Limited, the Group's company, Great Britain:
 - since 1 April 2013, the Company has imported Land Rover and Jaguar brand vehicles, as well as Land Rover and Jaguar brand spare parts for sale on the territory of the Russian Federation;
 - since 1 January 2014, importing Jaguar brand spare parts for sale on the territory of the Russian Federation;
 - since 30 January 2013, granted the right to use intellectual property located at the Jaguar and Land Rover brand Hub on the territory of the Russian Federation (valid until 31 December 2017);
 - since 1 April 2014, granting the right to use and support of the software to account for spare parts movement (IPOS);
 - since 25 March 2014, obtaining short-term loans from the Company;
 - since 1 January 2015, granting the right to use the information resource TOPIx;
 - since 1 June 2015, granted the right to access the electronic catalogue of spare parts (Microcat) (valid until 31 August 2017);
 - since 22 October 2015, the Company has exported spare parts;
 - since 1 June 2017, granting the right to access the electronic catalogue of spare parts (JLR EPC);
 - since 2016, a licence agreement for granting a right to use trademarks.

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

(RUB thousand)

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

Total for goods 38,105,640
Total for services 28,041

In 2008 the Company granted a loan to Jaguar Land Rover Limited in money amounting to RUB 1,500,000; in 2018 Jaguar Land Rover Limited repaid the loan in full, the repaid amount being equal to RUB 3,284,995 thousand.

In 2017 the Company granted a loan of RUB 1,700,000 thousand to Jaguar Land Rover Limited and received the loan repayment of RUB 1,500,000 thousand.

The Company's transactions with related parties during 2017 included:

	Purchase of goods, works and services, 2017	Sale of goods, works and services, 2017	of Loans granted, and including interest, 31.12.2017	Interest on loans granted, 2017	Accounts receivable, 31.12.2017	Accounts payable, 31.12.2017
Jaguar Land Rover Limited	39,659,291	24,041	1,726,101	124,992	329,523	1,534,837
Total	39,659,291	24,041	1,726,101	124,992	329,523	1,534,837

Cash flows with related parties during 2018 and 2017:
(RUB thousand)

	2018	2017
Cash flows from operating activities		
from sale of products, goods, work and services	649,515	344,518
For payment for goods, works and services	(39,515,590)	(33,081,082)
Cash flows from financing activities		
Distribution of dividends	3 061 448,00	0,00

7. KEY MANAGEMENT PERSONNEL

Key management personnel includes the Chief Executive Officer (CEO), the Chief Financial Officer and the Administrative Director, as well as the Chief Accountant.

(RUB thousand)

	2018	2017
Remuneration	24,114	22,698
Bonuses	2,739	4,917
Other benefits	1,274	1,426
Total	28,127	29,041

There were no long-term remunerations (post-employment benefits under contracts with insurance companies (non-state pension funds) concluded in favour of the key management personnel, and other payments ensuring the payment of pensions and other social guarantees to the key management personnel upon the termination of its employment) during 2018 and 2017.

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	31 December 2018	31 December 2017	31 December 2016
USD	69.4706	57.6002	60.6569
EUR	79.4605	68.8668	63.8111
(RUB thousand)			
	2018	2017	2016
The amount of foreign exchange differences on translation of assets and liabilities into foreign currency	(538)	(195)	(56)

9. RISKS

9.1. Business environment

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

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

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

9.2. Taxation

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

In 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 laws. 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 hardly 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 court proceedings, the total amount of claims for which is insignificant as at 31 December 2018. 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 unfavourable consequences for the Company in case of improper performance of the obligations to pay for goods delivered or services rendered by purchasers.

As at 31 December 2018 the Company has overdue accounts receivable. The allowance for bad debt in the amount of RUB 25,844 thousand is created with respect to overdue accounts receivable.

9.5. Market risk

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

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

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

10. EVENTS AFTER THE REPORTING DATE

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

CEO	[Signature]	V.V. Kuzyakov
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Chief Accountant Jaguar Land Rover LLC	[Signature]	O.P. Bukreeva
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28 March 2019

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