

Russian automotive market 2020 results and outlook

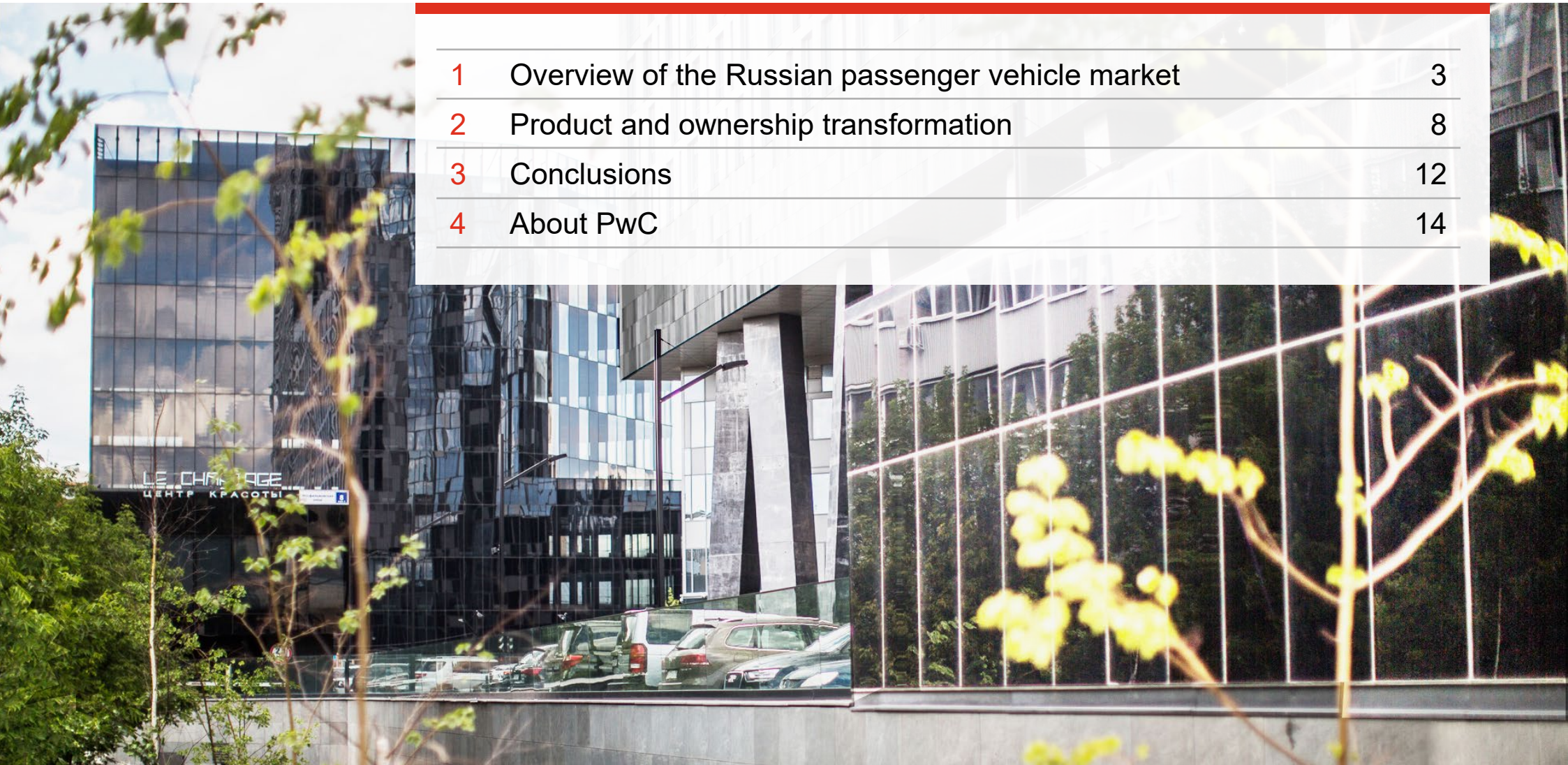
Passenger vehicles | Motor Vehicle and Ownership
Transformation Special Issue

October 2021



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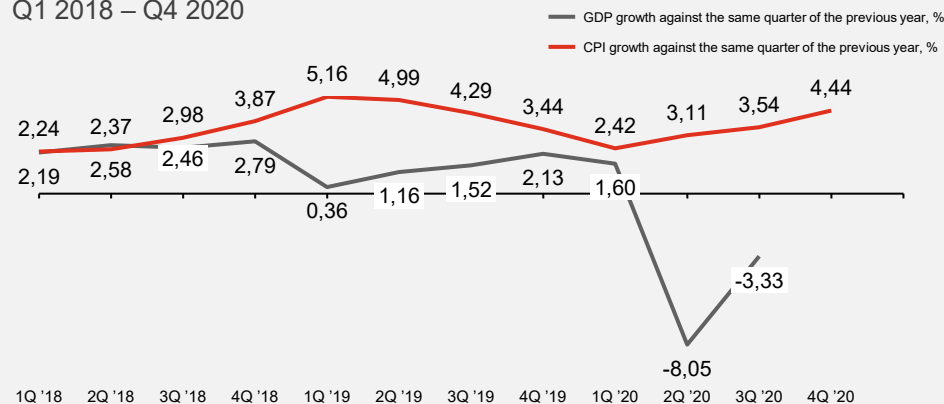
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Overview of the Russian passenger vehicle market

Macroeconomic indicators have stabilised following the increase of the oil prices

GDP growth rates* and consumer price index (CPI),

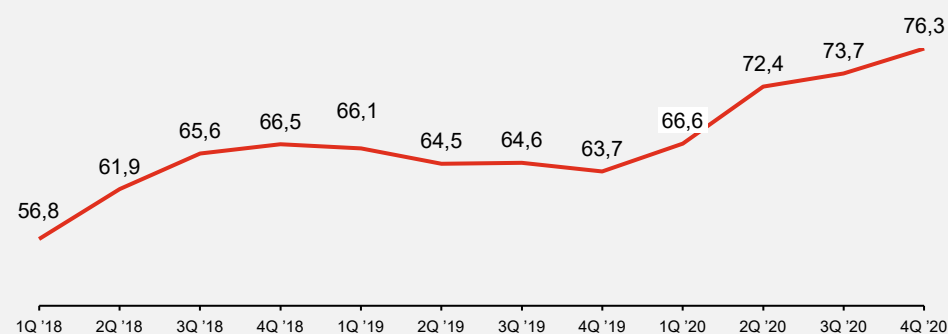
Q1 2018 – Q4 2020



Source: Rosstat

Average nominal RUB/USD exchange rate,

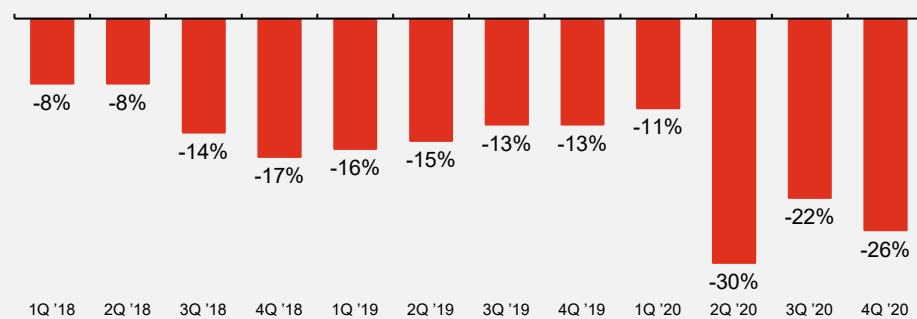
Q1 2018 – Q4 2020



Source: CBR

Consumer confidence index,

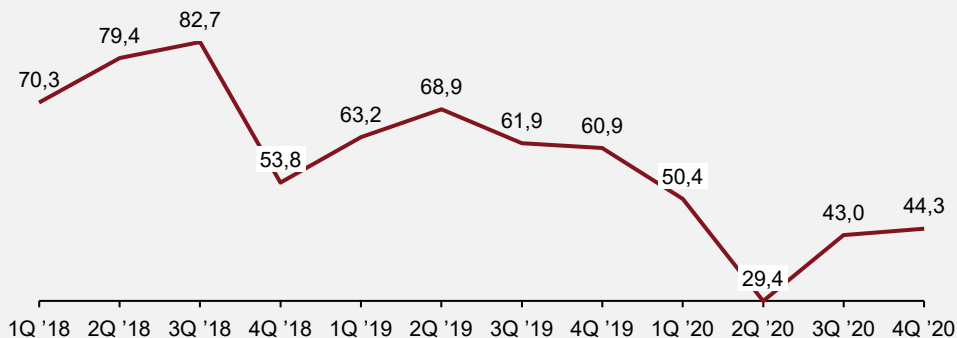
Q1 2018 – Q4 2020



Source: Rosstat

Q-end Brent oil price behaviour, USA

Q1 2018 – Q4 2020

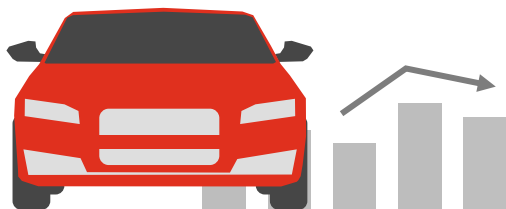


Source: IHS Markit (GI), Bloomberg

The GDP related data for the period from 2016 to 2018 provided in the analysis were revised by the Federal State Statistics Service in March 2019 and are not comparable with the previously published data.

In 2020, sales declined both in quantitative and monetary terms, despite the price increase

In 2020, sales of new passenger cars in Russia dropped to 1,486,000 vehicles, showing a 8.9% decrease comparing to the respective period in 2019 (1,631,000 vehicles)



Russian car manufacturers' sales decreased by 15.5%.

However, their market share remained close to the past year's result and amounted to 21.1%.

During the year, sales of Lada passenger vehicles dropped 16.6%, while UAZ sales grew 4.8% and its market share remained at 1.4%.

Foreign brands assembled in Russia remain the biggest market segment which accounts for 62.6% of all new passenger car sales. In 2020, total sales in this segment decreased by 5.2%, thus affecting the overall developments in the new passenger

cars market.

The share of imported vehicles segment in the total sales slightly decreased by 1% to 16.3%.

The segment showed a decrease by 12.9% in quantitative terms. While in monetary terms, it demonstrated growth by 24.6% through the price increase of 43% on average across the segment.

In monetary terms, the market was down 3.7% in RUB and 13.3% in USD.

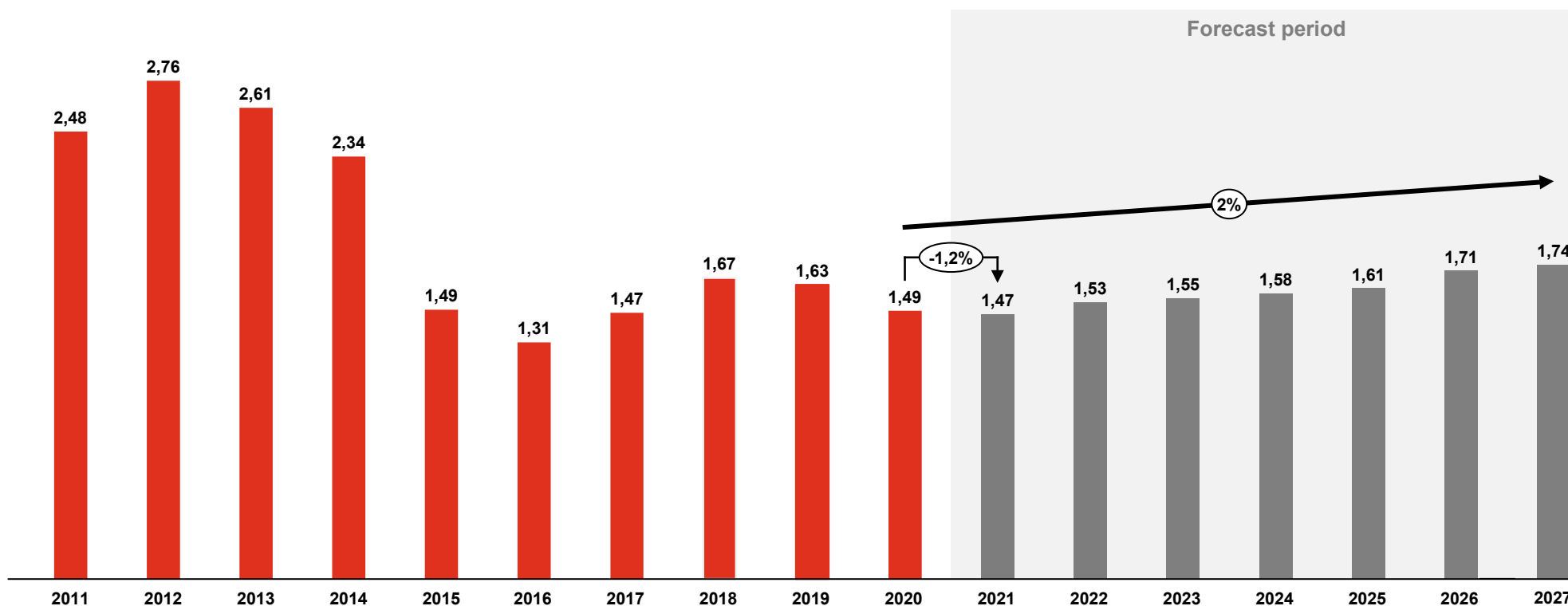
Passenger car categories (exclusive of LCV)	Sales*, thousand cars			Sales*, RUB billion			Sales*, USD billion		
	Jan-Dec	Jan-Dec	Change	Jan-Dec	Jan-Dec	Change	Jan-Dec	Jan-Dec	Change
	2020	2019		2020	2019		2020	2019	
Domestic brands	314	371	-15.5%	219	247	-11.3%	3.0	3.8	-20.2%
Foreign car models assembled in Russia	930	982	-5.2%	1,016	1,320	-23.0%	14.1	20.4	-30.8%
Imported new cars	242	278	-12.9%	1,212	973	24.6%	16.8	15.0	12.1%
TOTAL	1,486	1,631	-8.9%	2,447	2,540	-3.7%	34.0	39.2	-13.3%

* Passenger vehicle shipments

Source: AEB, Russian Federal Customs Service, Autostat, PwC analysis

Further market development will depend on effectiveness of the economy stimulus package

New passenger car market outlook for Russia, 2021-2027, million cars



*CAGR – Compound annual growth rate
Source: PwC analysis

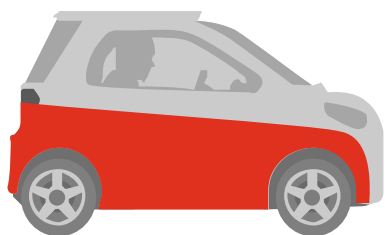
Sales are expected to slightly decrease in 2021 if the existing environment remains unchanged

In 2021, sales are expected to slightly decrease by 1.2% to 1,47 million cars.

Whether the forecast will materialise depends primarily on the macroeconomic environment and continuing government support.

Key potential factors:

- A disruption of the global component supply chains as a result of the pandemic;
- No growth in the household purchasing power;
- Continuing government support.



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

Passenger car categories	2020 (actual)	2021 (projected)
Domestic brands	314	310
Foreign brands assembled in Russia	930	919
Imported cars	242	239
Total market	1,486	1,468

Source: PwC analysis





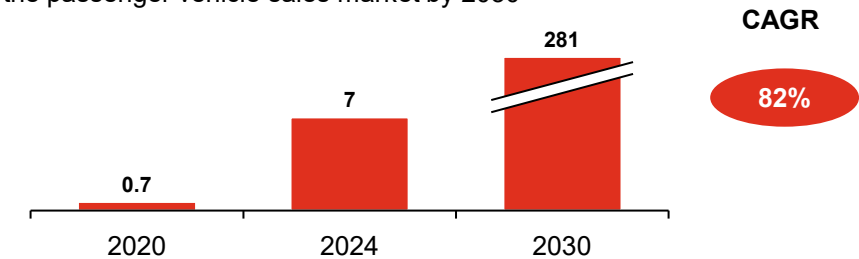
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Motor vehicle and ownership transformation

Average annual growth rates of Russia’s electric vehicle market may reach 82% by 2030

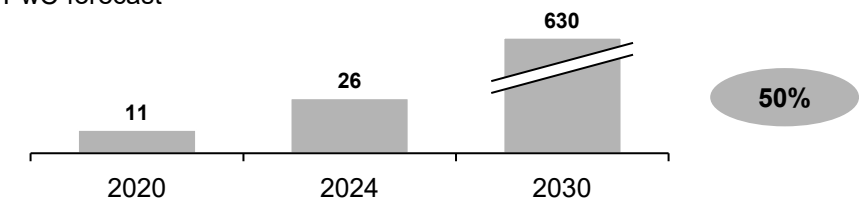
Passenger vehicle sales, thousand cars

PwC’s forecast based on the EV share (15% according to the Concept) of the passenger vehicle sales market by 2030



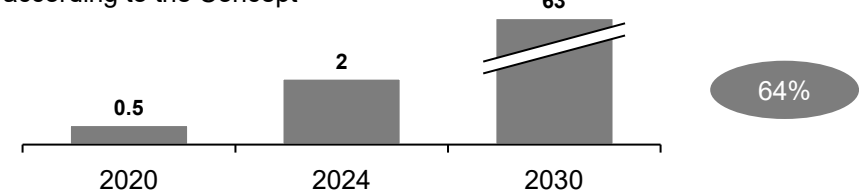
Passenger vehicle fleet, thousand cars

PwC forecast



EV charging stations, thousand stations




PwC forecast based on EV charging stations put into operation according to the Concept

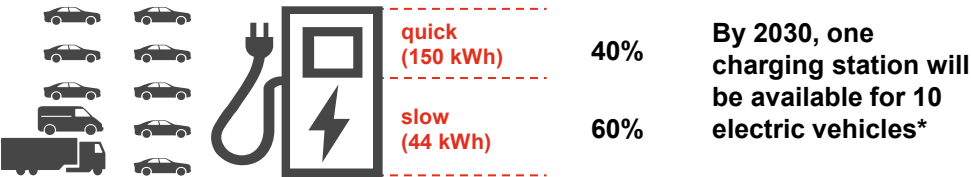


Source: PwC; Autostat; Concept of Electric Transport Development to 2030

The key factor boosting the EV development in Russia is the Concept of Electric Transport Development to 2030

The key objectives of the Concept are to develop the production capacity for manufacturing electric vehicles, to build the required engineering and transport infrastructure and to review the related laws and regulations.

To-be	by 2024	by 2030
 Commissioning EV charging station network	at least 9,400 charging stations, including at least 2,900 quick charging stations	at least 72,000 charging stations including at least 28,000 quick charging stations
 Launching production in Russia	manufacturing at least 25,000 electric vehicles	EVs accounting for at least 10% share of all new cars
 Developing production of EV components	-	launching production of cells for traction accumulator battery, cathode and anode materials



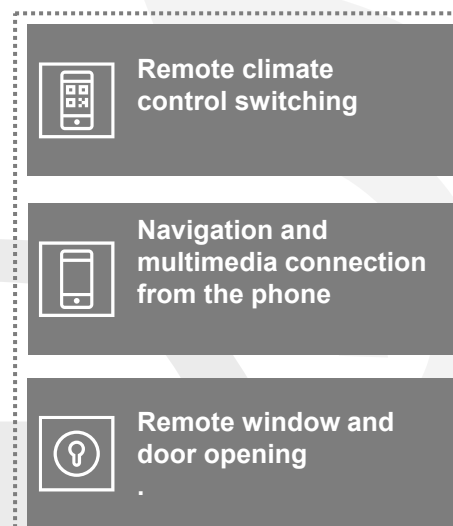
*including passenger vehicles, LCV, HCV

Russian companies are actively developing technologies required to create connected and driverless cars

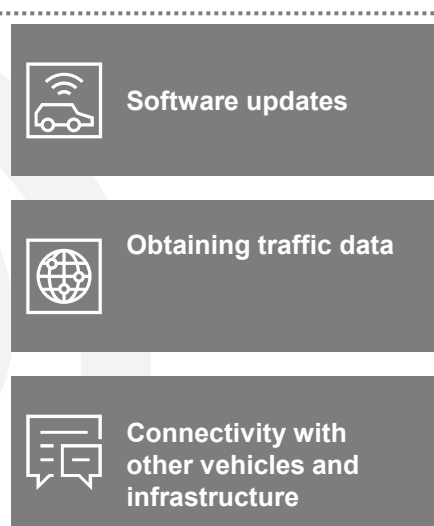
Connected cars

Vehicle data exchange services

Remote vehicle control



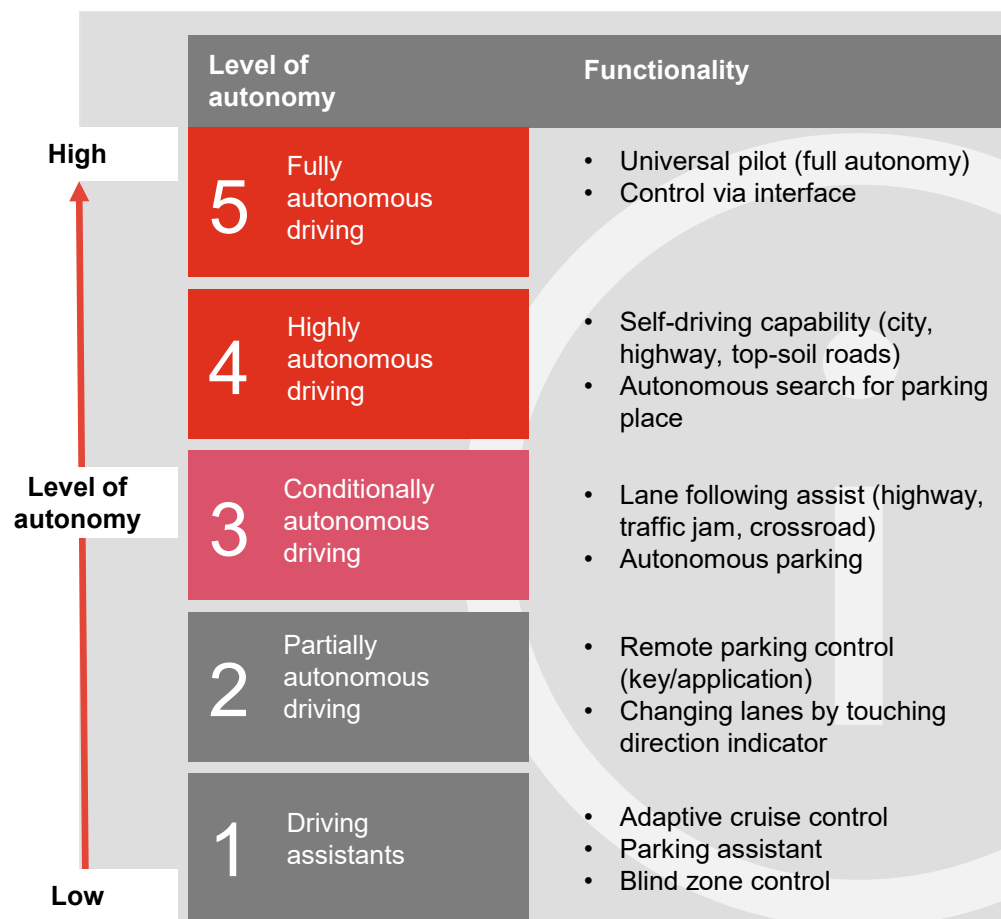
Vehicle connectivity to the global network



Car manufacturers offer connected services of various levels: from the remote engine start feature to pothole warning systems.

Technology companies offering telematics systems, alarm and tracking systems, smart emergency call systems, etc. are also represented in the market.

Autonomous driving



Driverless car developers in Russia

- Yandex SDG
- KAMAZ
- MADI
- Starline
- Smart Vision Tomsk
- SberAutoTech

Source: PwC analysis; PwC Strategy& Digital Auto Report 2021

* key market players are included. The list is not exhaustive.

Russian consumers become less attached to the traditional model – car ownership – and increasingly use different types of mobility



Service providers*	Carsharing (minutely)	Rent (daily)	Subscription (monthly)	Bike hire	Kick sharing
Rent-a-car companies		RentMotors, Pilot Avto, Rentcars, Alliance Rental, AVIS, Eurocar, Hertz	Arenter, AVIS		
Dealers		AvtoGermes, Major, ROLF	AvtoGermes, alarmmotors, ROLF, AVTODOM, BN motors		
Car manufacturers		Hyundai, KIA, UAZ	KIA, Genesis, Sollers, Chery, Volvo, Hyundai		
Carsharing operators	Delimobil, Bumerang, Yandex.Drive, TimCar, Citydrive, BelkaCar	Anytimeprime, Yandex.Drive, BelkaCar, Citydrive, TimCar	Anytimeprime, Yandex.Drive		Delisamokat
Leasing companies			Europlan, VTB Leasing, Alfa-Leasing, Major Leasing		
Other / Specialised players			Mycar, Sber-Autopodpiska, Mashina	Velobike, Lucky Bike, Urent**, Smart Bike	Urent**, Whoosh, Karusel, Lite, Samocat Sharing, E-Motion

* key market players are included. The list is not exhaustive.

** partner programme with City-mobil

In the modern world a personal car competes not only with hire and subscription services but also with alternative means of transport such as micro mobility solutions (kick sharing - scooter and bike hire)



3

Conclusions

Conclusions

- 
- 1 Macroeconomic indicators have stabilised following the increase of the oil prices.
 - 2 In 2020, sales declined both in quantitative and monetary terms, despite the price increase.
 - 3 Further market development will depend on effectiveness of the economy stimulus package.
 - 4 Sales are expected to slightly decrease in 2021 if the existing environment remains unchanged.
 - 5 Average annual growth rates of Russia's electric vehicle market may reach 82% by 2030.
 - 6 Russian companies are actively developing technologies required to create connected and driverless cars.
 - 7 Russian consumers become less attached to the traditional model – car ownership – and increasingly use different types of mobility.



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About PwC

PwC has experience in providing services to automotive industry across the globe

We are proud that experts recognise PwC as leaders in the audit and consulting services market:



- In 2019, **PwC was named the strongest brand** in the Business to Business category by Brand Finance and was ranked among the world's top ten most influential brands in their annual rating.
- PwC's global network holds the **first place** in the international rating by the reputable professional publication International Accounting Bulletin as **the technology-driven audit firm of the year**.
- According to Vault, the PwC network ranks:



among auditing organisations **in forensic services**



in the rating of the **most prestigious audit firms in 2021**



among top 10 in the rating of **50 best financial consulting firms in 2021**.

- The PwC network is **the world leader in business consulting** according to IDC.
- ALM Vanguard considers the PwC network **the world leader in the field of M&A transactions consulting**.
- PwC Russia **tops the Valuation** ranking conducted by RAEX 2020;
- In 2019, PwC Russia ranked **third among major audit and consulting groups** in Russia, according to RAEX ratings agency;
- Year after year PwC Russia leads the ratings conducted by **International Tax Review** together with **TP Week**;
- PwC Russia's legal practices are recommended among Russia's leading law firms by the reputable ratings: **The Legal 500, Chambers and Partners, Pravo.ru-300, Kommersant Publishing and Best Lawyers**.

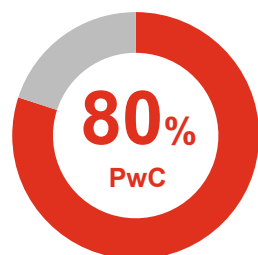
Facts about PwC:

- The PwC network of firms is **the world's largest** in the professional services market.
- The global network encompasses more than **284,000** people in **155** countries.
- For more than **30** years, PwC has been rendering services in Russia – over **3,000** professionals help us achieve the success.
- PwC consists of **specialised sectoral subdivisions** that enables us to render services of maximum quality tailored to meet each client's needs.
- Our client base in Russia comprises over **3,000** companies, including **273** companies from the RAEX-600 rating of leading companies.
- They account for **78%** of revenues of all the companies included in the rating.
- **PwC Russia is a member** of many professional organisations, business unions and business associations.

PwC has experience in providing services to automotive industry in Russia

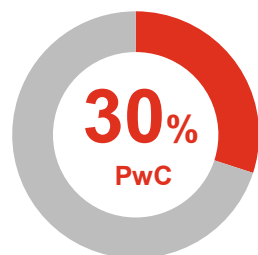
PwC Russia's market share in all types of services rendered to automotive industry companies

(by number of clients) includes 10 companies from the top 100 rating



PwC's market share in audit services rendered to automotive industry companies in Russia

(by number of clients) includes 10 companies from the top 100 rating



Source: PwC; Expert-600 rating, October 2020

A non-exhaustive list of PwC's automotive clients in Russia

Avilon Automobile Group*	Cominvest-AKMT	SP BUSINESS CAR*
Avtovaz	Magna Automotive Holding*	SUZUKI MOTOR Rus
AgroCentre Holding	Mazda Motor Rus	Tenneco Automotive Volga*
Asia Auto Ust-Kamenogorsk	MAZDA SOLLERS Manufacturing Rus	Toyo Tires Rus
Automotive Glass Alliance Rus	MAHLE RUS*	Toyota Boshoku*
Automotive Lighting	MAN Trucks and Bus Rus*	Toyota Tsusho Technics*
BMW Russland Trading	Mercedes-Benz RUS	Federal Mogul Powertrain Vostok
Bosch Rexroth*	Mitsubishi Corporation	Volkswagen Group Rus*
Brembo Russia	MMC Rus	Ford Motor Company*
Bridgestone CIS	NVH RUS	Ford Sollers Automotive Components*
Bridgestone Tire Manufacturing CIS	NGK Spark Plugs (Eurasia)	Ford Sollers Elabuga*
Brose Togliatti Automotive	Nizhnekamskshina*	Ford-Sollers Holding*
Volvo Vostok*	Nissan Manufacturing Rus	Faurecia Group*
Voronezh tire plant	NorautoRus*	Fujikura Automotive Rus Cheboksary
Goodyear Russia*	Peugeot Citroen Rus	Fuyao Glass Rus*
DAIMLER KAMAZ Rus	Pirelli Russia*	Hankook Tire Rus
JCB Russia	Porsche Russland*	Hyundai Motor CIS*
Johnson Controls*	Renault	Hyundai Truck and Bus Rus*
Ingersoll-Rand Services and Trading*	ROLF*	Hyva Russia*
Inchcape Holding*	Skania-Peter*	Zeppelin Russland*
KAMAZ	Scania-Rus*	ZF KAMA*
Caterpillar Eurasia*	SCF*	Schmitz Cargobull Russland*
Caterpillar Tosno*	SOLLERS*	Unipress Rus
KIA Motors Rus	Sollers-Bussan*	Jaguar Land Rover

* - audit clients over the past five years

We have the leading automotive practice in Russia

How we can help automotive companies



What should my company's strategy look like to ensure success in the market? How can I achieve my shareholders' objectives? What is my business worth?



Market analytics: where is the market heading and what will the demand for cars and other vehicles be in the future?



Searching for sources of financing and partners: how do I negotiate the best terms for my deal?



Driving business efficiency: what is the best organisational structure and headcount for my company? Which business processes are most feasible to automate?



Business impact analysis of the latest and anticipated amendments in tax and customs legislation



Legal issues arising from business incorporation, restructuring and protection



Ensuring the transparency of financial reporting and improving trust among creditors, investors, shareholders and business partners in the information provided to them

Our competitive edge

1

With our industry-based capabilities, we can focus our resources, knowledge and experience on particular activities and lines of service. Our team has gained profound expertise in the specifics of the automotive industry.

2

We are familiar with the best practices in the industry, have access to a global network of databases and can engage leading subject matter experts. This helps us find the most effective solutions for our clients.

3

The automotive industry is one of PwC's key priorities in Russia. We work with a variety of Russian and global automobile, vehicle and spare parts manufacturers, as well as with importers and dealers.

4

Our activities in the automotive sector go beyond providing advisory services to our clients. We also engage extensively in professional conferences, network with industry associations and publish our expert opinions and research findings in the mass media.

5

We have comprehensive knowledge of our clients: PwC Russia provides auditing and advisory services to 65% of the country's automotive leaders.

We conduct automotive market research and keep up on all the main trends

PwC strives to be at the centre of events in the automotive industry and to provide relevant information and research to our clients

To do this, PwC:

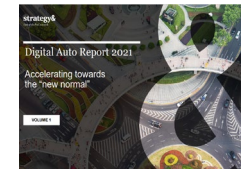
- Conducts **detailed research** devoted to the current state of the automotive industry and to its development issues
- Holds **specialised workshops and seminars** for our automotive industry clients on the industry and business development issue;
- Participates in **key industry events**
- **Sponsors**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

PwC works with the Russian Automobile Dealers Association (RADA) and participates in its annual conferences.

PwC has partnered with the State Scientific Centre of the Russian Federation (NAMI).



Regular overview of Russia's automotive market (H1 2019)



Digital Auto Report 2021
Accelerating towards the "new normal"



Regular automotive M&A overview



Reinventing the wheel:
potential development scenarios for the automotive industry



The Future of the Automotive Industry



How do you define business success in an ever-changing world?
Suggesting a new definition

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