



Association of
Institutional Investors (API)

05/05/2017

Attn:
Mr. Sergey Skvortsov,
Chairman of the Board of Directors, PJSC AVTOVAZ

Mr. Denis Le Vot,
Senior Vice President of Renault Group,
Deputy Chairman of the Board of Directors, PJSC AVTOVAZ

Mr. Joseph Peter,
Executive Vice President, Chief Financial Officer,
Nissan Motor Co., Ltd.

Dear Sirs,

the Association of Institutional Investors uniting a number of major Russian and international institutional investors operating in Russia hereby points out to the Board of Directors of PJSC AVTOVAZ, including representatives of Renault Group and Nissan Motor Co., certain issues concerning the process of Renault Group increasing corporate control over PJSC AVTOVAZ (hereinafter also referred to as the Company) which triggered a negative response from the investment community.

In December 2016, Alliance Rostec Auto B.V., a joint venture between Renault Group and ROSTEC Group (where the Renault - Nissan Alliance holds a 73.30% equity stake representing 57.30% of the votes) acquired 1.654 billion additionally issued common shares at a price of RUB 9 per share. At the same time, Renaissance Securities (Cyprus), a company affiliated with the Renaissance Capital investment bank, purchased 1.25 billion additionally issued shares.

According to Renault Group's statements,¹ Alliance Rostec Auto B.V. owns a financial instrument "substantially conferring economic interest" in AVTOVAZ, the purchase of which was financed by a loan provided from Renault Group, which enables Alliance Rostec Auto B.V. to "own 88.69% of the capital of AVTOVAZ."

As obviously follows from the above, Alliance Rostec Auto B.V. established control over 92.7513% of the Company's common shares resulting, inter alia, from the liabilities of Renaissance Capital Group to Alliance Rostec Auto B.V. for the Company's shares.

Therefore, both the acquisition by Renaissance Securities (Cyprus) of some of the shares in the follow-on offering and the financial instrument purchase by Alliance Rostec Auto B.V. aimed, among other things, at avoiding making a mandatory offer to the shareholders for the purchase of the outstanding shares in PJSC AVTOVAZ following the acquisition of more than 75% of its shares, as provided for by article 84.2. clause 7 of the federal law "On Joint-Stock Companies," which actually violates the legal rights and economic interests of the minority shareholders of PJSC AVTOVAZ and negatively affects the

¹ Groupe Renault Consolidated Financial Statements 2016, page 36, section 4.2.6.2, note 3

perception of Renault Group's corporate practices by the investment community.

On April 17, 2017, another step was made towards increasing Renault Group's control in the Company as the issue of 9,250,000,000 common shares of PJSC AVTOVAZ intended for private placement in favor of Alliance Rostec Auto B.V. was registered, with an option of swapping the Company's debt for equity. The average stock market price being RUB 9.3 per share as of April 21, 2017, the price of placement (including the placement to the pre-emptive right holders) was RUB 10.30 per share. The pre-emptive right exercise period was announced on April 21, 2017.

In case Renaissance Securities (Cyprus) waives the exercise of its pre-emptive right, the maximum stake of Alliance Rostec Auto B.V. can reach 83.8% of the common shares exceeding the threshold of 75% of the total number of AVTOVAZ shares.

In view of the above, we call on Renault Group, the controlling shareholder of Alliance Rostec Auto B.V., to take a decision, jointly with ROSTEC, on Alliance Rostec Auto B.V. making a voluntary offer to the minority shareholders of PJSC AVTOVAZ to purchase from them the Company's shares, even if the stake of Alliance Rostec Auto B.V. does not reach the level stipulated by the law for making a mandatory offer upon completion of the subscription.

The making of a voluntary offer would be fully consistent with the principles and recommendations of the Corporate Governance Code as regards acquisition of corporate control (items 336-337, 339). Also, the price of voluntary offer and the possible mandatory offer (depending on the results of the last share issue) must be equal to the price of the last issue (RUB 13.6 per share) and commensurate with the market-based valuation of the Company's capital before the corporate actions referred to above.

This step will definitely produce a positive impression on the Russian and international investment community, demonstrate Renault Group's commitment to corporate governance standards, its respect for interests of the minority shareholders of the Group's controlled companies.

Best regards,
API Executive Director



Alexander Shevchuk