



**AEB North-Western regional committee
Post-Crisis visions for the Automotive Industry**

**David Thomas
Chairman of Automotive Manufacturers Committee
AEB Executive Board member**

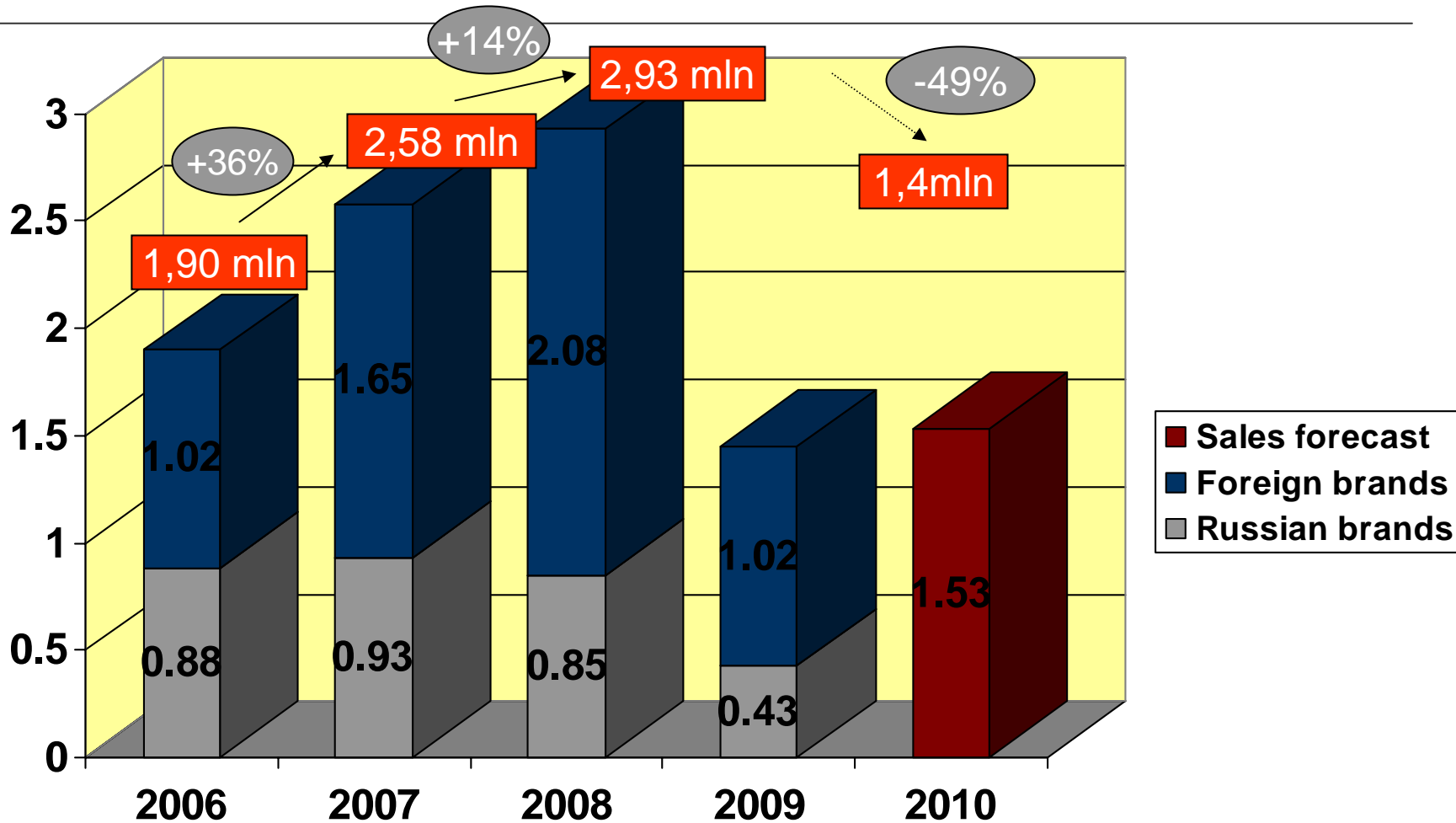
May 20, 2010



CONTENT

- ❖ Overview of development of the automotive industry in Russia
Actuals to 2009, Forecast 2010
- ❖ Government support measures in 2009/10
- ❖ Level on investment from foreign brands in Russia
- ❖ Future view of market
- ❖ Specifics of industry in North West Russia

New Passenger Cars and LCV Sales Forecast 2010



Source: AEB AMC forecast



GOVERNMENT SUPPORT FOR THE AUTO INDUSTRY IN 2009/10

- ❖ Increase of Customs duties on imported cars
- ❖ Increase of Customs duties on used cars
- ❖ Include in the sphere of government support measures all new industrially assembled vehicles in Russia, irrespective of their price;
- ❖ Introduction of beneficial loans program on locally produced cars
- ❖ Launch of scrappage programme March 2010. Very strong initial impact on domestic brands.



FOREIGN OEM'S MANUFACTURING IN RUSSIA, OVERVIEW

❖ OEMs* :



- ❖ **Investment in production:** exceeded \$2,4B (excl. of \$1B in AvtoVAZ)
- ❖ **Location:** North – West of Russia, Togliatti, Moscow, Kaluga
- ❖ **Manufacturing capacity:** exceeds 580K, plans to expand
- ❖ **CKD and SKD products:** 37 models, plans to expand the range
- ❖ **Number of employees:** exceeds 10 000
- ❖ **Dealers:** over 750 throughout the country
- ❖ **Typical foreign brand dealer facility investment:** \$8M
- ❖ **Average number of dealer facility employees:** 100

***Peugeot-Citroen will open a plant in Kaluga in 2010**



FUTURE VIEW OF MARKET DEVELOPMENT

- ❖ Russia still has the potential to be a larger market than any of the EU markets (+ 4.0 million) but the recovery will take several years.
- ❖ Even at 1.5+ million Russia is an important strategic market with the requirements for future growth present
- ❖ Speed of market recovery relies on some key areas of Government support and intervention; credit availability, infrastructure, support of new entrants especially in supplier base
- ❖ Progress made in Governmental relations with industry in last year but much still to be done.



AUTOMOTIVE INDUSTRY IN NORTH WEST RUSSIA

- ❖ North West region represents 12 – 15% of the car and LCV market in Russia so this year will be more than 200,000 new vehicle sales.
- ❖ Proximity to EU means there is a strong long term preference for foreign brands and a large number of vehicles in use.
- ❖ Well established production operations and a developing supplier base combined with new port facilities make it a compelling location for the automotive industry.
- ❖ Scale and location of the market opportunity also means that there is high investment in the North West from automotive retailers.
- ❖ In Summary the Region is important for the automotive industry and the automotive industry is important for the Region.



QUESTIONS