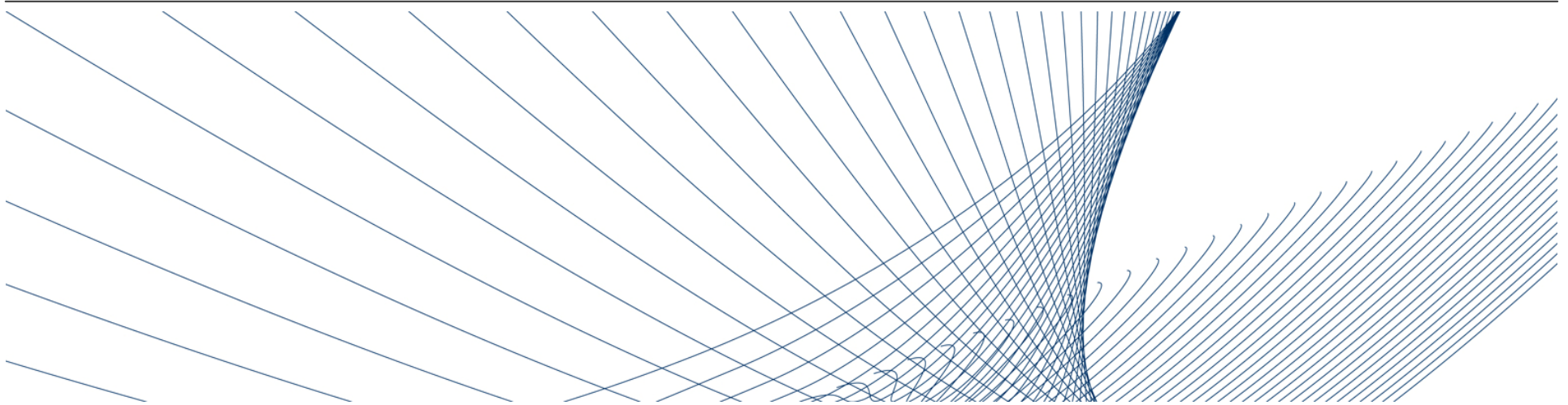


**VOLKSWAGEN**

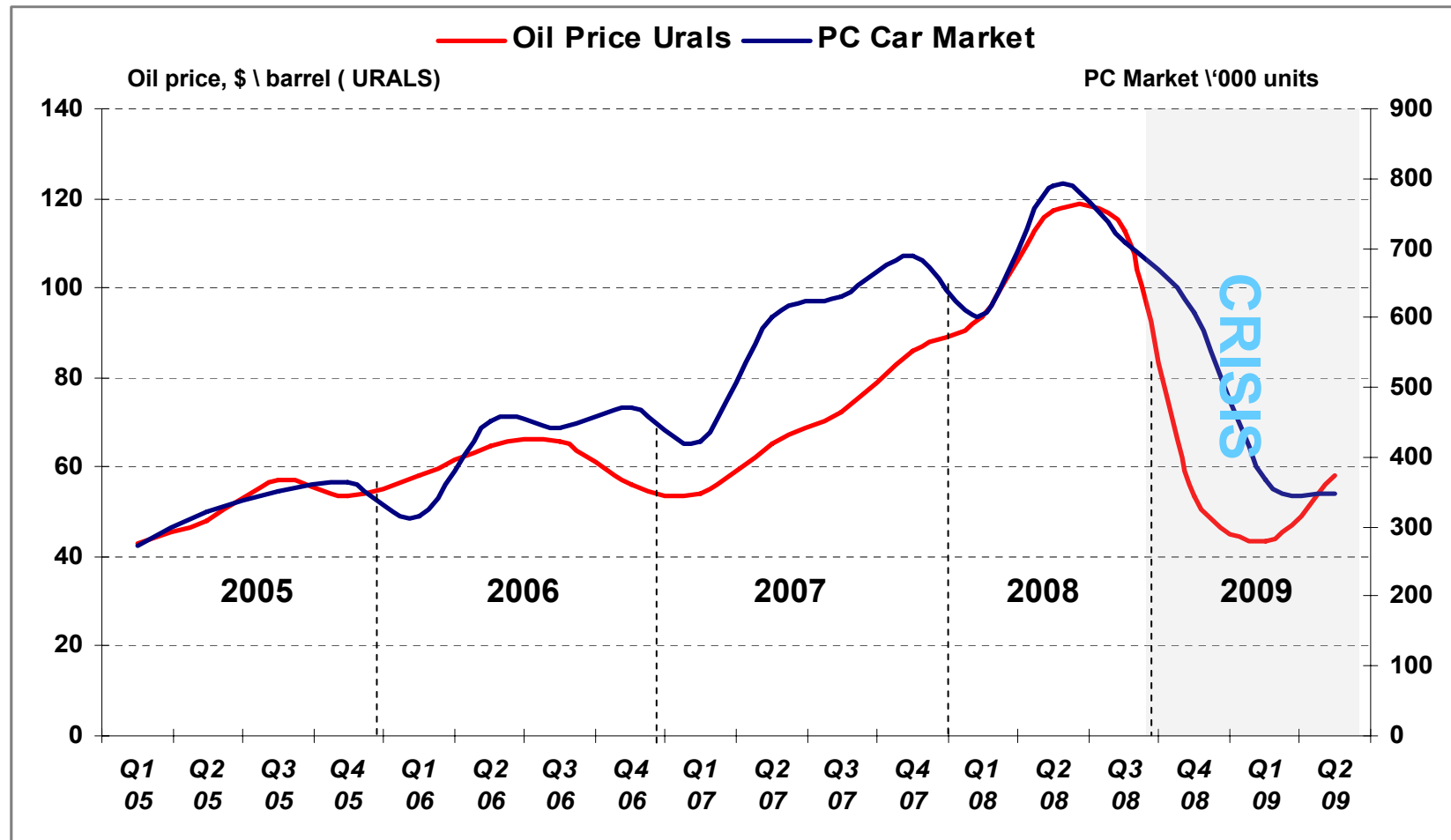
GROUP RUS



# Russian Car Market

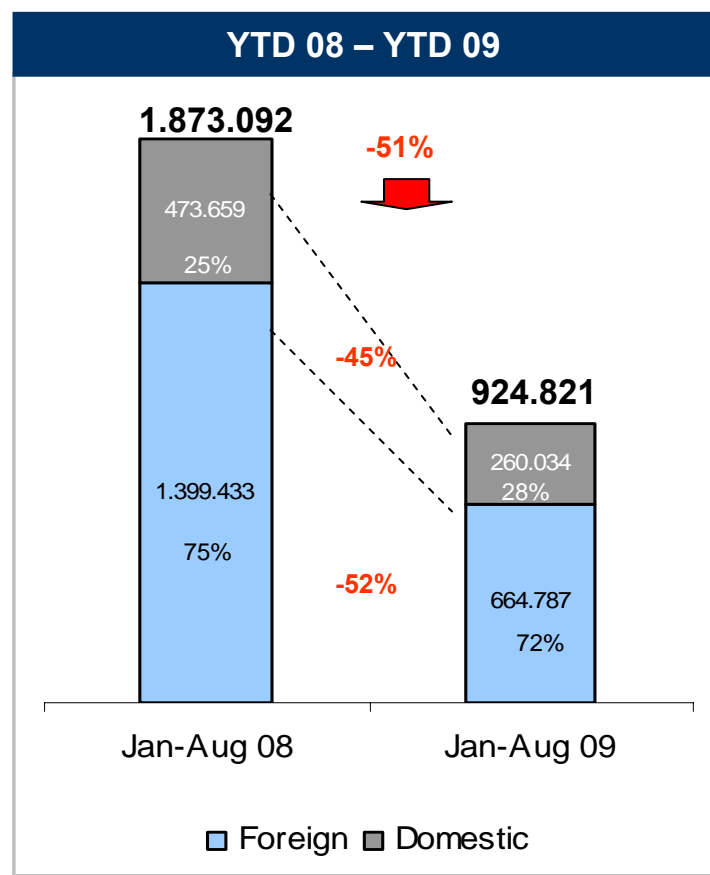
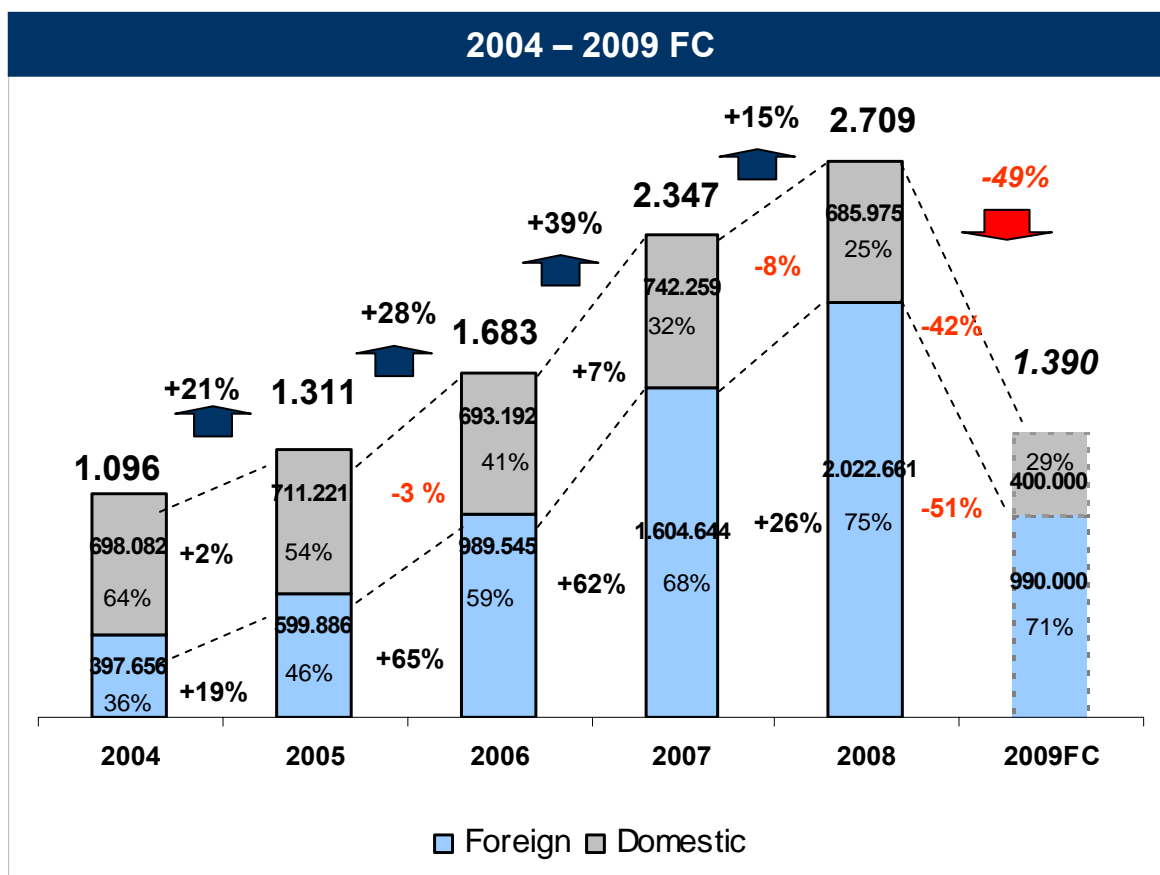
**GORELIKOVA Natalia**  
**VOLKSWAGEN Group Rus**  
**Group Marketing**  
**15.09. 2009**

## Russian car market is highly dependent on oil price



# Total PC Market Dynamics, 2004-2009 FC

Dropdown of the market by 51% YTD vs. same period of last year. Forecast for 2009 (8+4)  
= 1.390.000 units

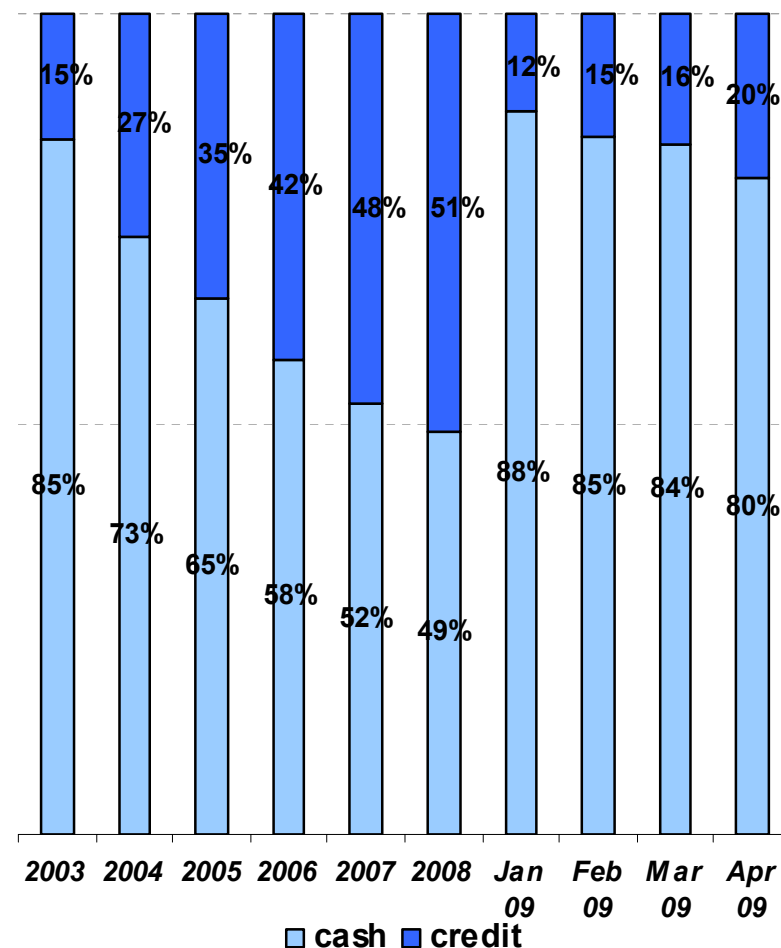


# Economic situation and automotive market

## Summary

- ❑ Less access to financing due to high interest rates. Although first positive signs observed in April:
  - Declining MOSPIME and re-financing rate of CB ( 10,75%)
  - Growing share of credit sales ( ~25% in August )
  - Slightly growing trend of Ruble up from March
- ❑ Price jump (above 20%) for foreign brands in Jan.-Apr.09 due to Ruble devaluation and customs tax increase (+ 5% for new PC from 01\09). Adaptation period on the market
- ❑ Further drop of sales in Jan.-August'09 despite heavy discounts\ sales out actions for stocks from the last year ( -51% to YTD'08)
- ❑ Lack of liquidity \ overstock in the network. Optimization of profit \ cost structure. Sometimes changing ownership in dealer groups
- ❑ Stabilization starter from summer mainly due government measures in automotive sector
- ❑ Slight reveal is expected in Autumn

## Sales structure ( cash \ credit )



Source: AUTOSTAT \ PWC & VGR Monitoring

## Concern ranking Jan. – Aug. 2009 ( inklusive LCV)

kum. 08/09	vs. kum. 08/08			Veränderung AaKs zu 2008
1(1)		AVTOVAZ	241.405	-43,6%
2(2)		GM Group	104.167	-55,2%
3(8)		VW Group	65.335	-21,2%
4(3)		FORD Group	64.073	-55,3%
5(5)		TOYOTA Group	52.421	-61,9%
6(6)		NISSAN Group	50.820	-53,4%
7(10)		RENAULT	48.829	-35,4%
8(4)		HYUNDAI	46.475	-67,6%
9(12)		KIA	41.452	-37,4%
10(7)		GAZ Group	37.485	-59,5%
11(11)		DAEWOO	34.928	-51,0%
12(15)		PSA	30.182	-19,6%
13(9)		MITSUBISHI	27.937	-64,8%
14(13)		MAZDA	23.850	-54,6%
15(16)		UAZ	18.871	-48,5%
16(14)		HONDA	17.792	-64,8%
17(17)		SUZUKI	13.580	-49,9%
18(19)		FIAT GROUP	10.908	-36,6%
19(23)		BMW Group	10.768	-16,6%
20(22)		MERCEDES	7.932	-39%

# CONTENT

1. AUTOMOTIVE MARKET OVERVIEW

**2. INDUSTRIAL ENGAGEMENT OF FOREIGN OEM'S IN RUSSIA**

3. GOVERNMENT SUPPORT MEASURES

4. VOLKSWAGEN GROUP PERFORMANCE IN RUSSIA

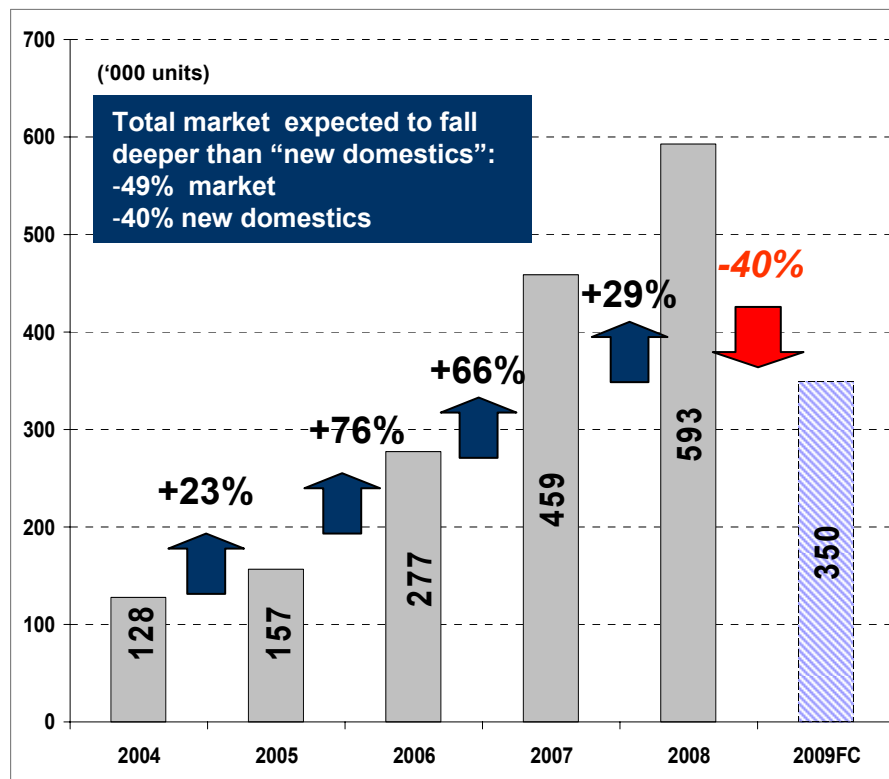
5. RUSSIAN AUTOMOTIVE MARKET FORECAST

# Production of foreign brands in Russia 2004-2009FC

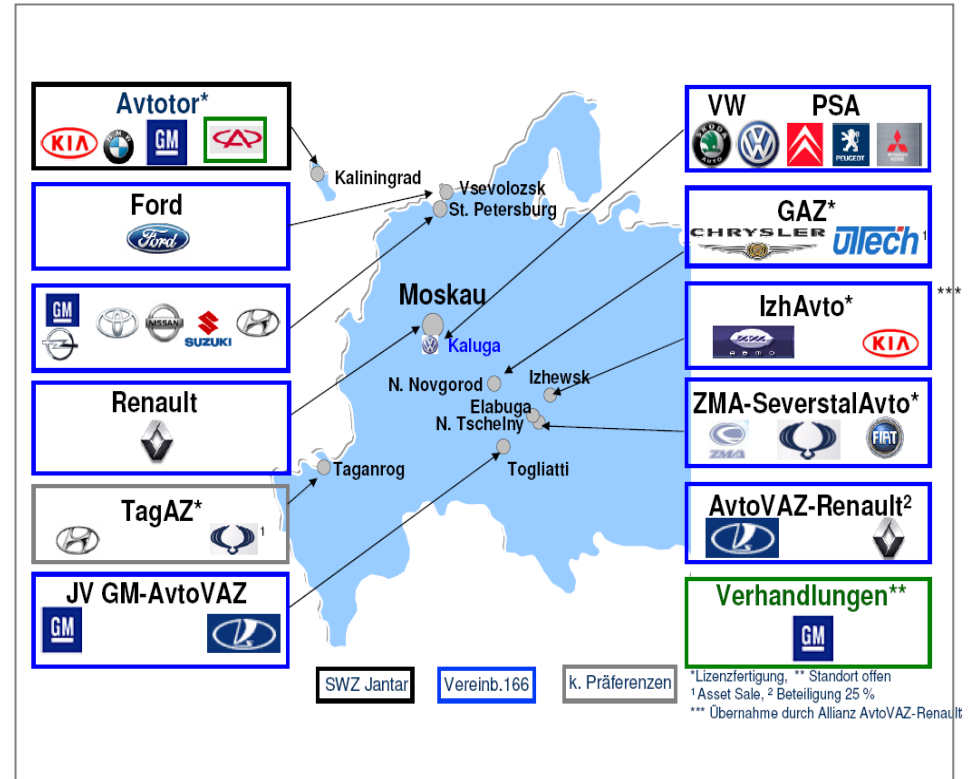
## Local production is the main success factor for foreign brands in Russia

- Customs preferences for OEMs, acting under decree #166 let minimize import tariff on components
- Regions create attractive investment climate for foreign OEM's
- Import tax increase by 5% ( 15% for LCV) contributes better pricing of "new domestics"

### Local production of foreign brands



### Main Automotive Clusters



# Overview production facilities of foreign brands

**Total volume in '08 about 600.000 units. Total investments (plan) ~ 5 Bio. \$**

Factory	City	Brands	Start	Investments, Mio. \$		production 2008 tsd. units	Customs regime
				innitial	Plan		
Avtotor	Kaliningrad	Kia, BMW, Hummer, General Motors	1994	250	250	104	FEZ
Avtoframos	Moscow	Renault	1999	230	380	72	Decree#166
Ford	Vsevolozhsk	Ford	2002	230	330	65	Decree#166
СП GM AvtoVaz	Togliatti	Chevrolet	2001	338	338	55	-
TagAz	Taganrog	Hyundai	1997	270	320	99	-
IzhAvto	Izhevsk	Kia	2003	90	90	59	Decree#166
Sollers	Nab. Chelni	Ssang Yong, Fiat	2006	180	180	36	FEZ
Sollers	Elabuga	Fiat	2008	180	180	0	FEZ
Toyota	St. Pete	Toyota	2008	180	220	0	Decree#166
GM	St. Pete	Chevrolet, Opel	2007	115	300	41	Decree#166
Volkswagen	Kaluga	Volkswagen, Skoda	2008	450	1.200	62	Decree#166
Nissan	St. Pete	Nissan	2009	200	200	0	Decree#166
PSA-Mitsubishi	Kaluga	Mitsubish, Peugeot	2010	243	400	0	Decree#166
Hyundai	St.Pete	Hyundai	2010	400	400	0	Decree#166
Suzuki	St.Pete	Suzuki	2009	120	120	0	Decree#166
Others						0	-
<b>Total</b>				<b>3.138</b>	<b>4.908</b>	<b>593</b>	



# Influence of crisis on Russian automotive industry

## Frozen industrial projects

- ❑ SUZUKI and MITSUBISHI postponed industrial projects
- ❑ Great Wall refused to build factory in Tatarstan

## Drop of sales

- ❑ Key manufactures reduced working schedule at the factories  
⇒ AVTOVAZ, GAZ, TAGAZ, Renault, GM (3-4 days week)
- ❑ Temporary suspension of production, prolonged holidays  
⇒ Ford, Toyota, GM, Renault, AVTOVAZ, IZH-AVTO
- ❑ Personnel cuts planned  
⇒ GM-AVTOVAZ (400) and IZH-AVTO (5000)

## Overstock \ Production cuts

- ❑ VOLGA SIBER project is under threat
- ❑ AUTOFRAMOS announced volume reduction of Logan  
(from 80 to 50 thousand cars p.a.)

## Obvious liquidity problems of Russian manufacturers

- ❑ Government support of AVTOVAZ ( 25 bill Rub)
- ❑ GAZ should get 4 bill Rub from Russian authorities
- ❑ IZH-AVTO is close to bankruptcy, no government support

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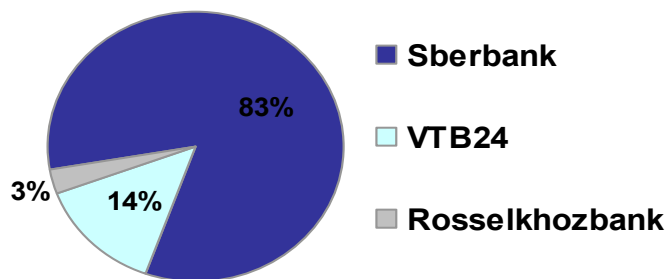
5. RUSSIAN AUTOMOTIVE MARKET FORECAST

# Government credit program

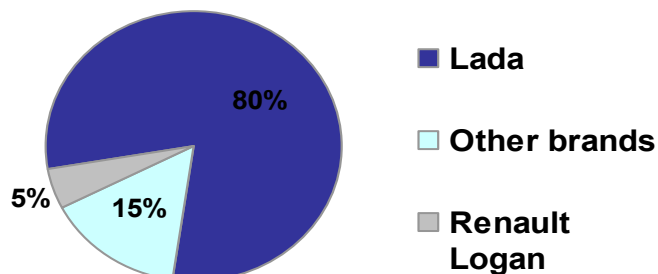
## TOTAL SALES (from Apr. to Aug.)

# of application	# of approved credits	sales per month average
42. 372	23. 411	5. 500

## SHARE OF BANKS



## SHARE OF BRANDS



## KEY HIGHLIGHTS

- ❑ Demand for subsidized credits is not so high as was expected by Russian authorities. Share of cars bought using program is 5-6% from total sales of new cars;
- ❑ According to Government estimations till the end of 2009 up to 100.000 of subsidized loans will be provided (initially was expected up to 120.000);
- ❑ Government measures to increase amount of applications:
  - Car cost was increased from 350K Rub up to 600K Rub
  - List of models was expanded (up to 50 models)
  - LCV models were also included
  - Down-payment was decreased from 30% to 15%
  - List of banks was expanded: GAZPROMBANK (state bank) and non commercial banks could provide credits: Bank of Moscow, Alfa bank, UNICREDIT

## Government support of local automotive industry

- ❑ Subventions 2\3 of refinancing rate ( 7,1%) for locally manufactured cars, priced below 600.000 Rub ( traditional locals + new domestic ) –23,5 thousand approved applications ( ~5% of total sales volume Apr-Jul '09)
- ❑ Increase of customs tax for new imported cars from 01\09 ( PC by 5% , LCV by 15% ) + protective taxes against second hand import
- ❑ Procurement program for 12,5 bn. Rub. ( State purchases)
- ❑ Direct support of AUTOVAZ (25 bn. Rub) and other locals (GAZ, SOLLERS)
- ❑ Renewal of municipal car park in regions ( additional 20 bn. Rub. from State budget)
- ❑ Free transport of locally manufactured cars to Far East Federal District
- ❑ Prolongation decree #166 “Industrial assembly”
- ❑ Delay of Euro 3 introduction till 2011
- ❑ Withdrawal of double VAT for trade in of used cars
- ❑ Reduction re-financing rate of Central bank from 13%( Nov '08) to 10,75%
- ❑ The environment ministry and MINPROMTORG work on the idea of special certificate, which will be given after utilizing an old car. This certificate gives an opportunity to spend 50 000 Rubles for buying a new locally produced car – PILOT PROJECT FROM JAN'10

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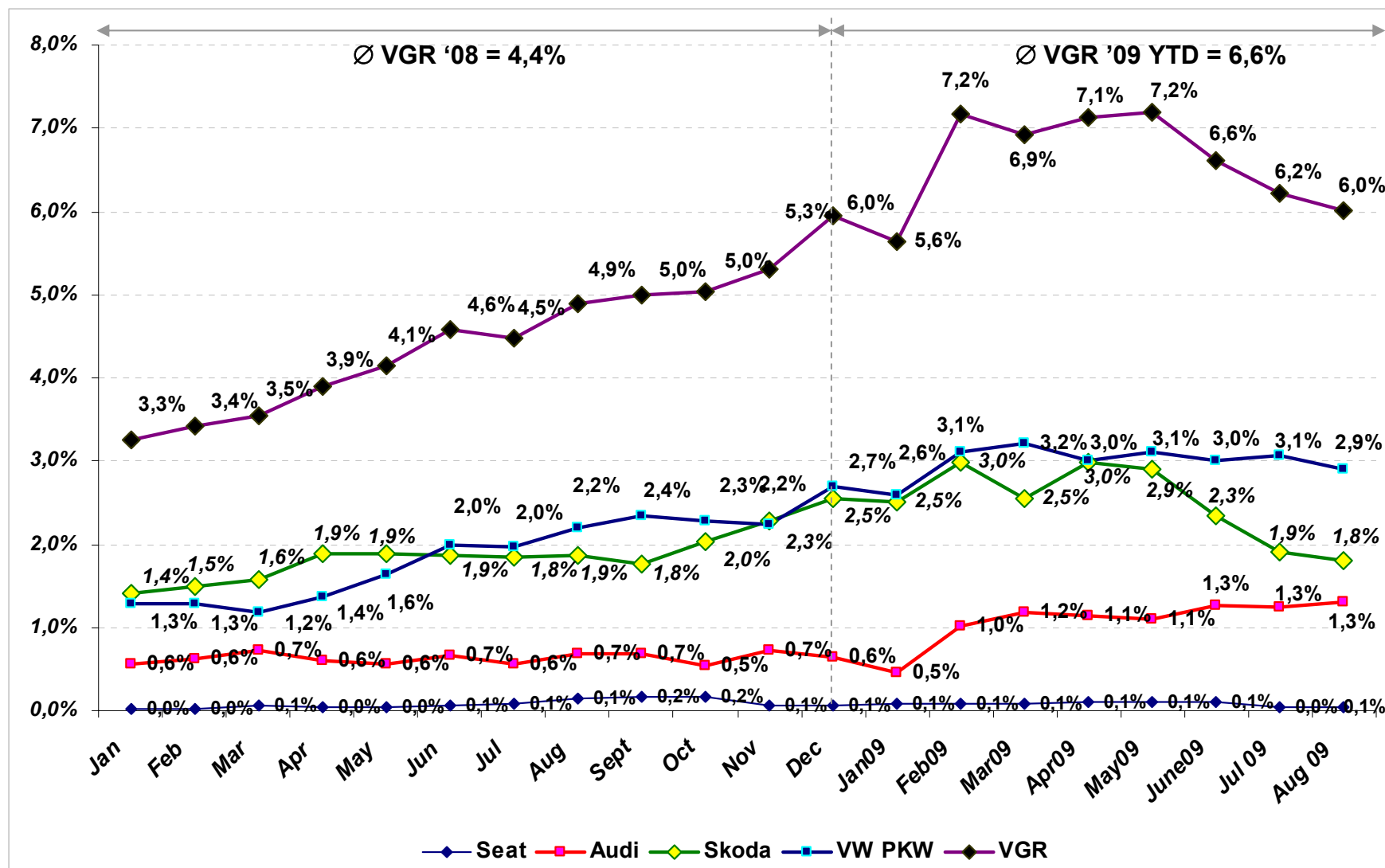
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# VGR monthly market share development 2008-09 (PC only)



## Strategy and key success factors VGR in crisis

- ❑ Local production in Kaluga, wide range of locally manufactured models
- ❑ Up-to-date portfolio. Fresh models of all Volkswagen group brands
- ❑ Presence in all important price segments. Diversified portfolio – less risk in crisis situation
- ❑ Strong brand heritage / expertise of VW brands in terms of product quality
- ❑ Inter-brand synergies: Lower product development-, structure costs, single back office etc.

Healthy and well-balanced financial situation, good risk management (i.e. dealer network policy )

- ❑ Shifting profit center towards spare parts & service. Loyalty & after sales programs



# Portrait VGR Factory in Kaluga

The biggest foreign investor in own capacities in the automotive industry in Russia

## KEY FACTS



**Investments:** 774 Mio Euro project,  
thereof 570 Mio. Euro factory

**Capacity:** 150.000 units/year ( 2010 )

**Staff:** about 3.000 employees

**Prod. Plan 2009:** 85.592 units

## MODEL RANGE



**VW PASSAT/  
PASSAT CC**



**VW JETTA /  
GOLF**



**VW TIGUAN /  
TOUAREG**



**SKODA OCTAVIA/  
OCTAVIA TOUR**



**SKODA FABIA**

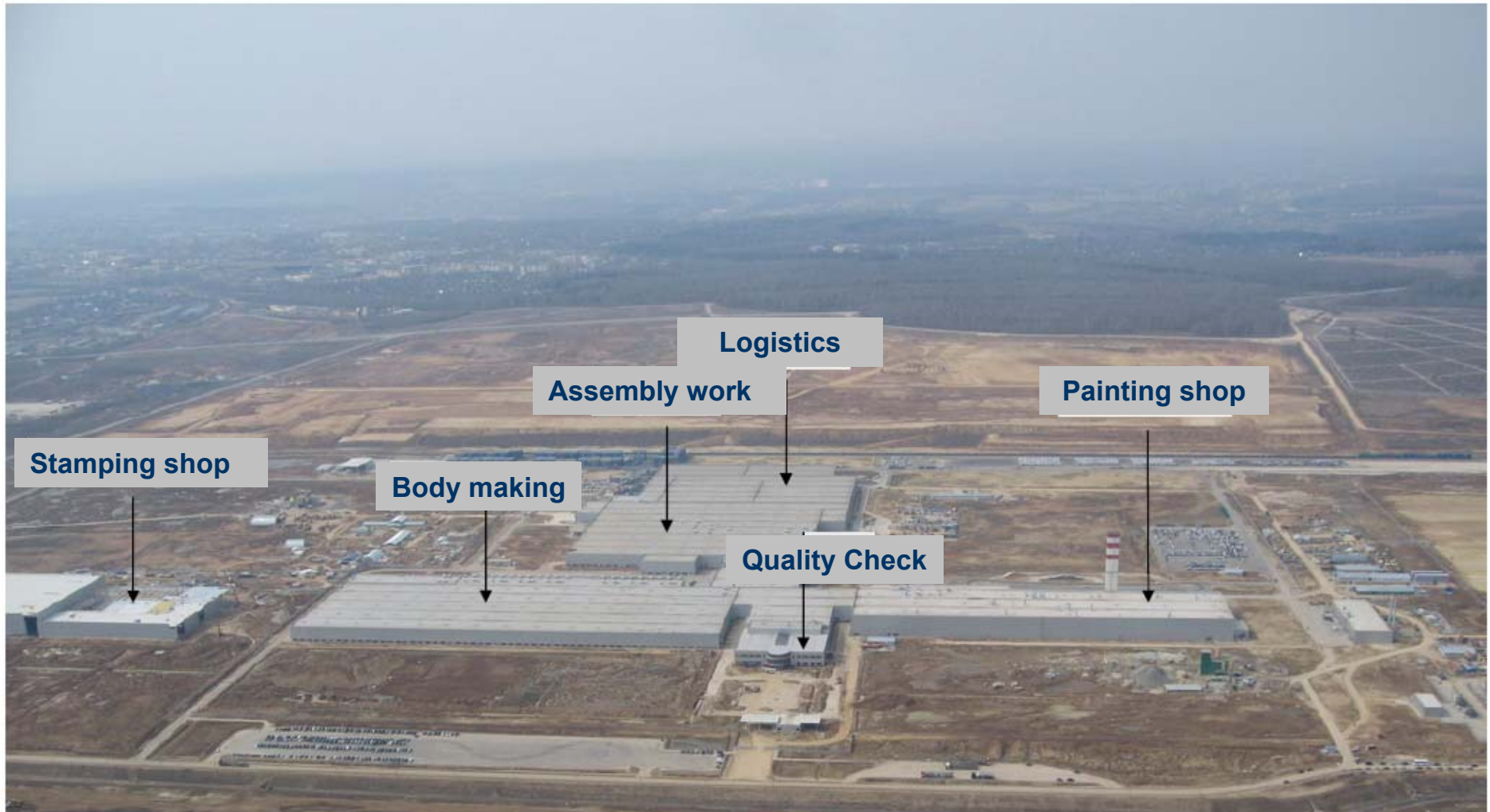


**Other models**

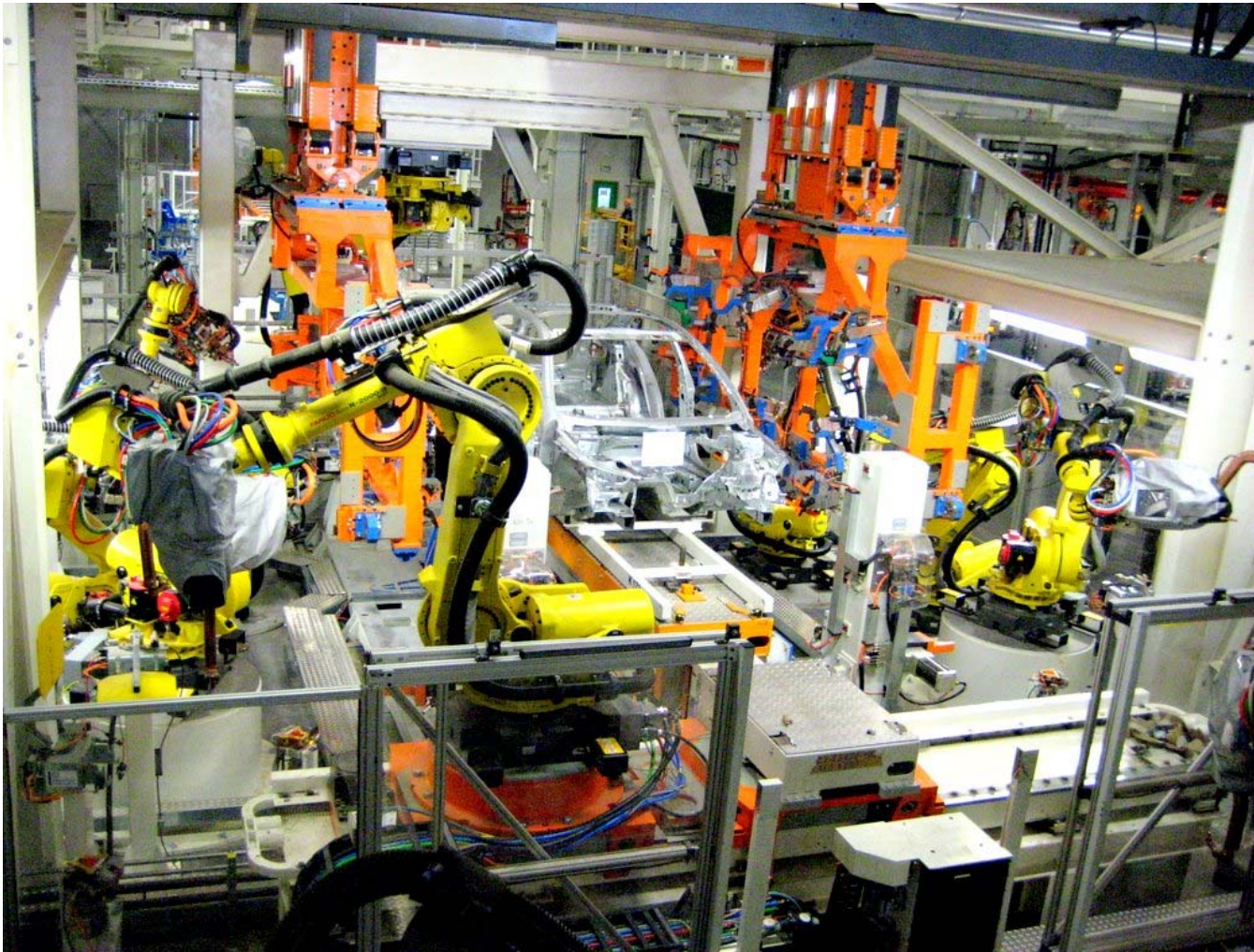




# Factory in Kaluga

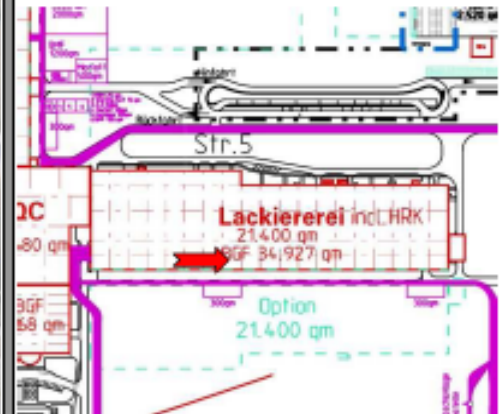


# Factory in Kaluga: Body Making





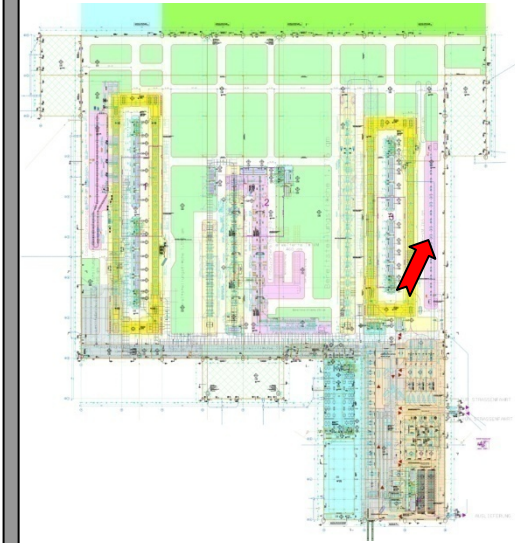
# Factory in Kaluga: Painting



Blickrichtung



## Factory in Kaluga: Assembly





## Brands of the Volkswagen Group in Russia

### Volkswagen – Das Auto.

16 models



### Audi – Vorsprung durch Technik

17 models



### Škoda – Simply clever

9 models



### Volkswagen Nutzfahrzeuge

7 models



## Future Brands of the Volkswagen Group in Russia

**Bentley – "The Sporting Grand Tourer"**

**6 models**



**SEAT – auto emoción**

**9 models**



**Lamborghini –  
"The ultimate sports car"**

**3 models**



**SCANIA – „Pride & Trust“**

**7 variants  
of trucks  
and buses**



# CONTENT

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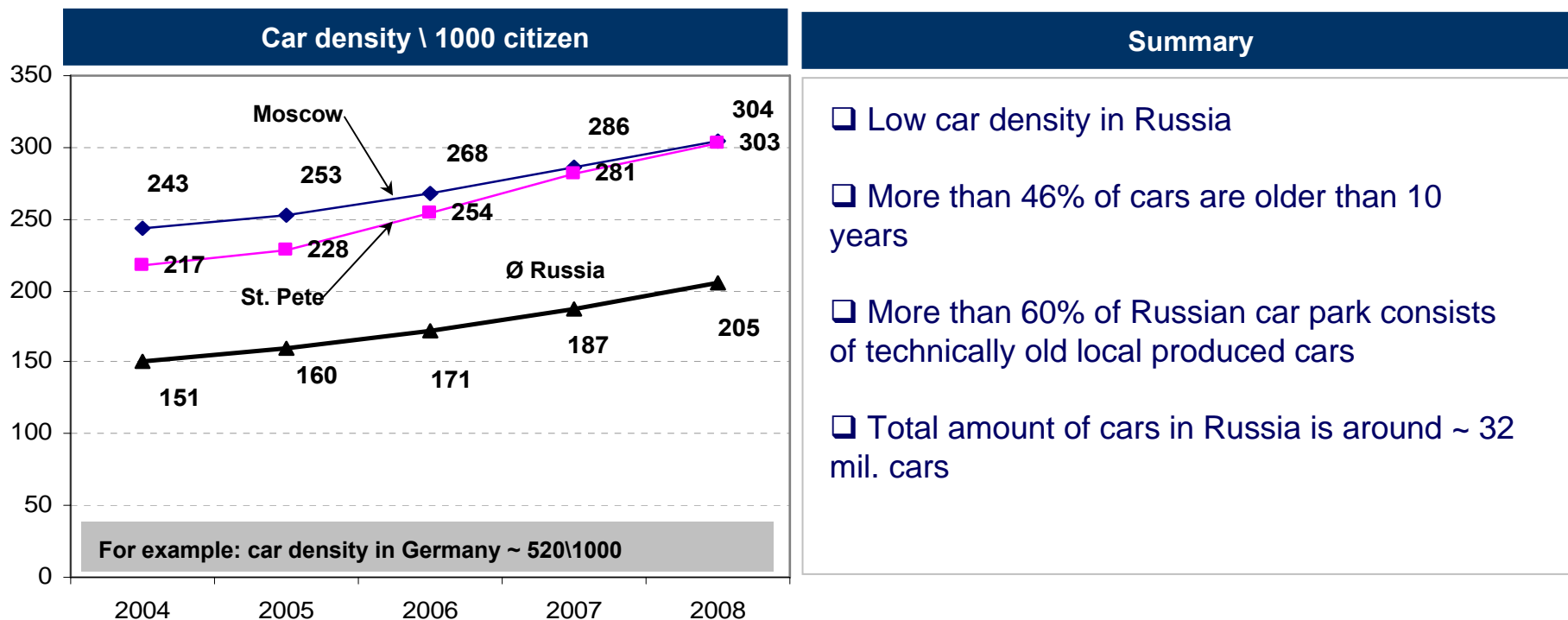
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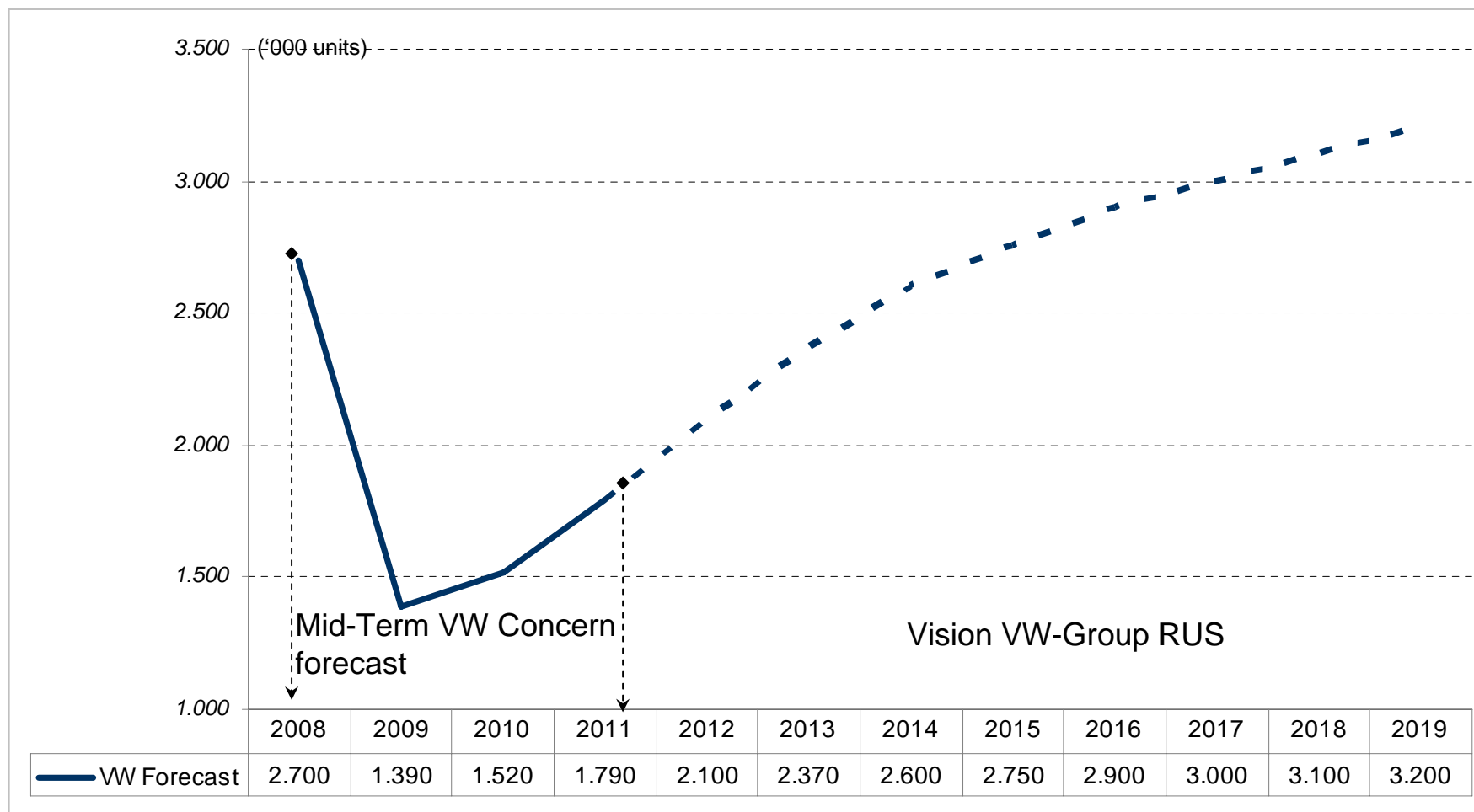
## Russian Market has high potential in future even though it is decreasing now





# Forecast VGR: PC market development 2009-2019

Russian market will reach the level of the last year only by 2015



**THANK YOU !**