Overview of Russian Automotive Market

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October 22nd 2008

Automobile Manufacturers Committee (AMC) in AEB

Consolidates 19 automotive companies (35 brands) and solves strategic tasks of automotive business

Objectives:

- ❑ Create conditions for development of civilised automotive market
- ❑ Timely reveal and eliminate “bottle necks” and problems in automotive sphere
- ❑ Set common and fair playing rules for automotive importers\manufacturers
- ❑ Consolidate and represent common interests companies-members of AMC
- ❑ Ensure constructive partnership between members of AMC
- ❑ Contacts with Russian authorities, public organizations and media

Sub Committees of (AMC)

Statistics

At the moment the only 100% accurate and reliable source of information about retail sales

Used Cars \ Trade-In

Contributes development of civilized used cars market. At the moment strongly lobbying withdrawal of double VAT law for used cars

Marketing \ Exhibitions

Participated in organization of MIAS 2008. Exposition of AMC members ca. 44.000. sq. m.

Consumer Legislation \ Customer Relation

At the moment lobbying at authorities the review of consumer rights protection law

PR

Coordinates press activities of AMC at events on the national level. Exchange information between members about changes on the Russian press- and media market

Fuel quality

Protects interests of AMC members concerning regulations of fuel quality issues

Certification \ Homologation

Works for a transparent and efficient car certification system in Russia. At the moment in discussion with authorized bodies about car utilization (ELV)

Customs

Constant contacts with customs authorities aimed to optimize procedures

Sub Committees operating structure

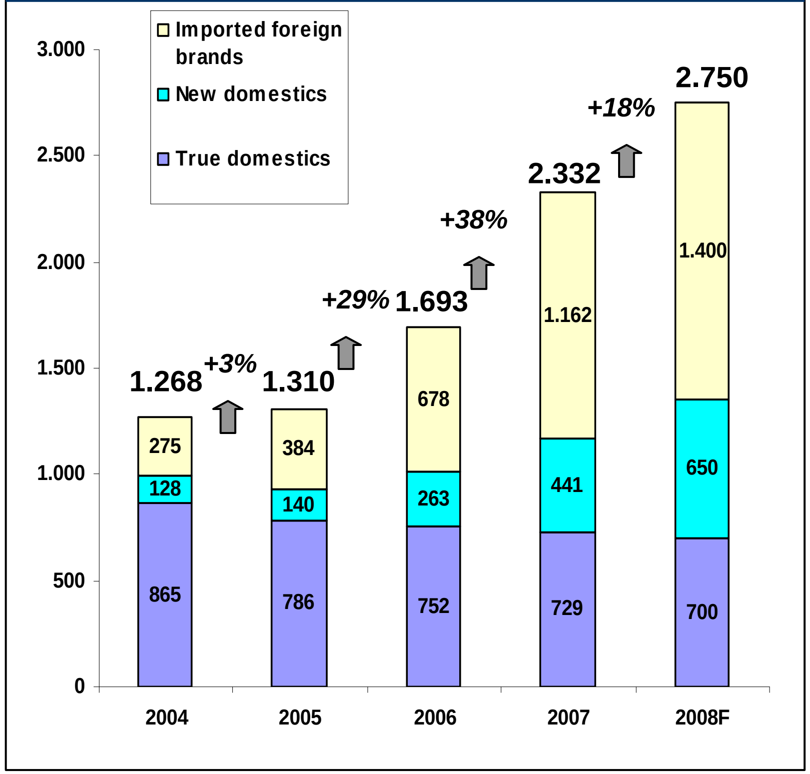
- Some key committees meet on a near monthly basis due to the nature of their subject; Statistics, Marketing and Exhibitions.
- Other committees meet on a more ad-hoc basis to address issues as they arise.
- We have also identified a need to address certain topics on a ‘project’ basis rather than an ongoing committee; Used cars and trade in policy.
- All committees report to the main AMC meeting which is held every 6 -8 weeks and is attended by MDs/GDs/CEOs.
- With Russia’s position as number one automotive market in Europe it is vital that the automotive market matures in behavior and the available data on the market improves in quality.

AEB

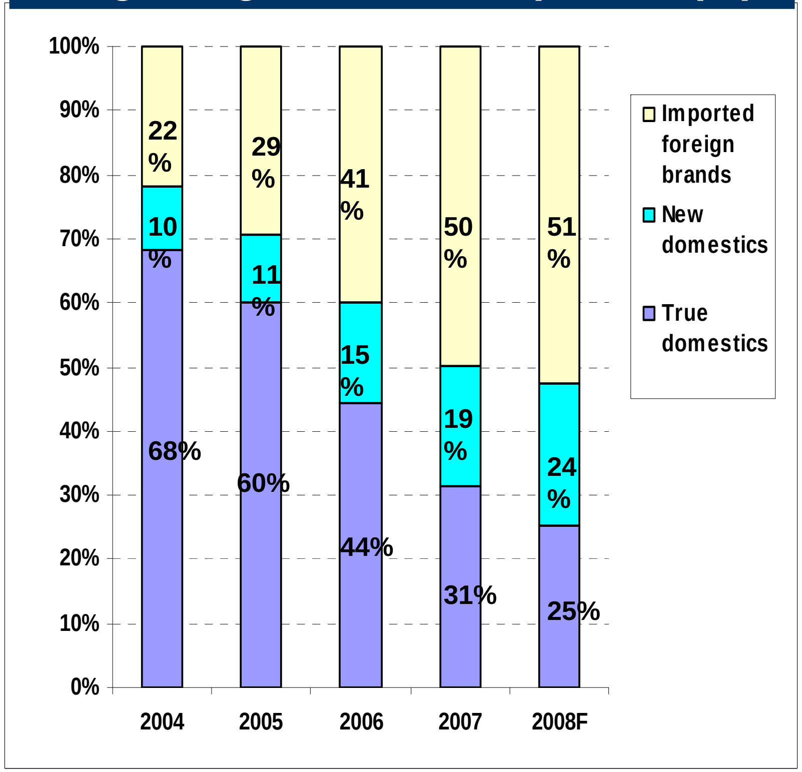
New passenger cars market development 2004-2008F

Sales forecast of new PC in 2008 = 2,75 Mio. units (new PC without LCV)

Origin segments development* (vol.)



Origin segments development* (%)



** Retail sales of new passenger cars without LCV, «grey» and used car import according to AEB statistics*

Source: AEB\ AUTOSTAT \ Forecast VGR

Trends from last 5 years in Automotive

- Growth of overall market, +120% since 2004
- Increase in overall foreign brands share of market from 32% to 75% since 2004
- Increase from 128k to 650k in locally produced foreign brands (New domestics)
- Unpredictability of market, significantly ahead of GDP and consumer demand
- Despite the last 5 years Russia still has a low car ownership per capita (40% of EU average) and an elderly car parc (vehicles in use)
- The future opportunities for Automotive in Russia remain very exciting but continued volatility and the scale of the market mean that the AMC must play a key role in helping members manage these challenges.

Development of Distribution network (Martin or David)

- ❑ The last five years have seen very positive development of the distribution (dealer) network in Russia.
- ❑ Rapid sales growth has led to a large number of dealers and a high level of real estate and facility investment.
- ❑ This was supported by strong new vehicle sales and good margins.
- ❑ The market slowdown has affected vehicle volume and margin before some dealerships have developed a broader business model.
- ❑ There is now a need for dealers to focus on the aftersales and used vehicle business to ensure a stable future.
- ❑ The pace and scale of facilities development is also being limited by the availability of funding for the sector.