Perspectives of the Russian automotive industry

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The Russian automotive market has far-reaching prospectives

Car fleet

The Russian car fleet makes 33 M cars, of which 45% are aged >10 years. The market growth will be driven by a need to replace the obsolete fleet.

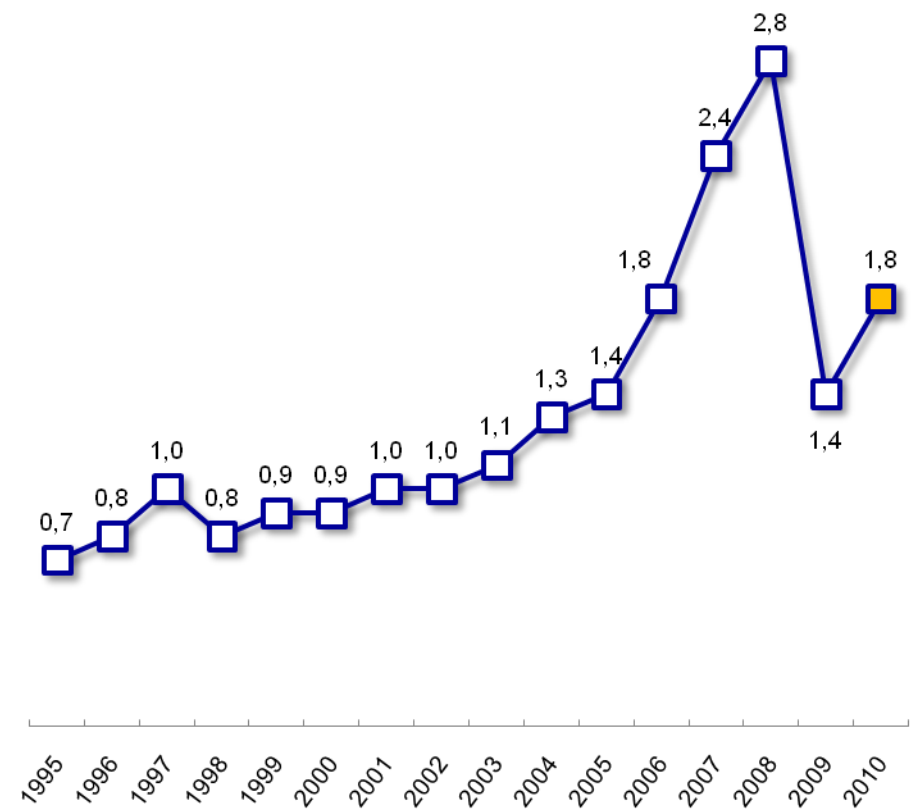
Penetration level

Such indicators, as GDP per Capita and a number of cars per thousand people in Russia, are behind not only the USA and leading European countries, but also the countries of Eastern Europe. Thus the market growth will be stimulated by a growth in welfare of people.

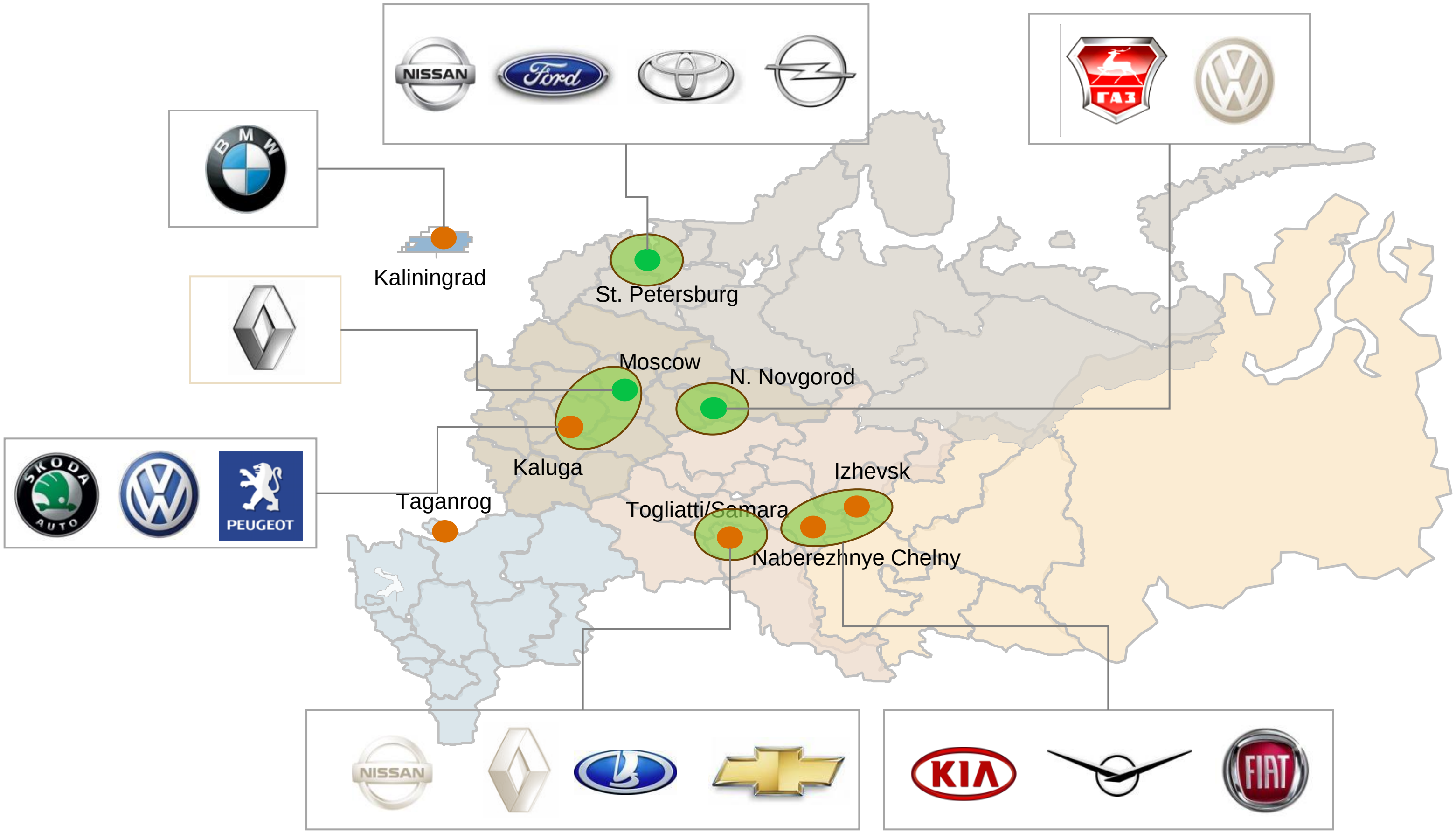
Road construction

The market growth is also promoted by the state program of road construction

New car market behaviour (M units)



Market players: domestic OEMs and global OEMs



The "industrial assembly" mode helped attract many leading global OEMs

Plans to set up production in:

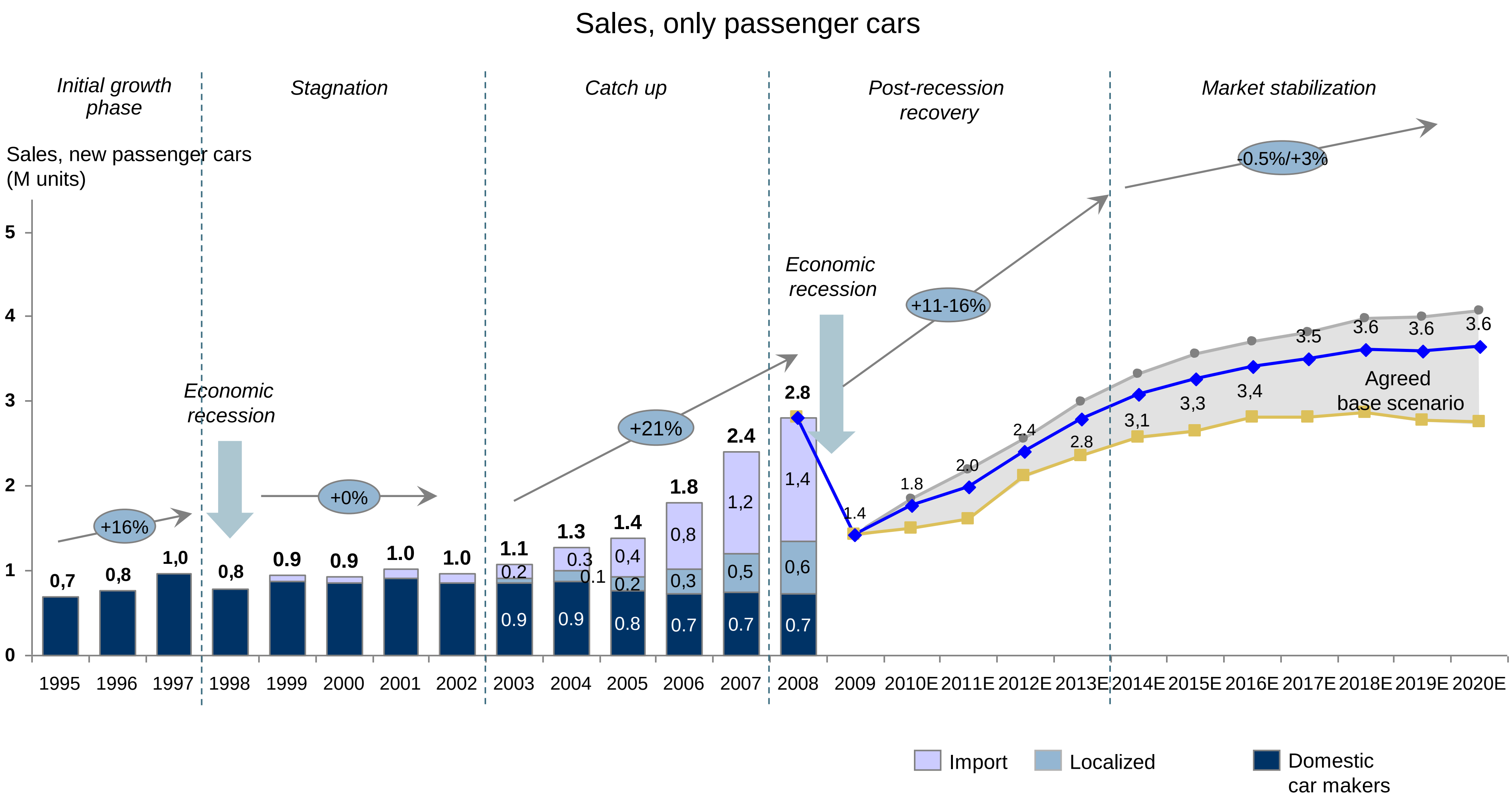
Renault Togliatti - 2012

Volkswagen N.Novgorod – 2012

Nissan Togliatti - 2012

The automotive clusters are located in: 1) St.Petersburg; 2) Kaluga; 3) Povolzhski; 4) Nizhni Novgorod

This market development forecast lays the basis for the state porgram of the automotive industry development



AVTOVAZ: the leader of Russian automotive industry

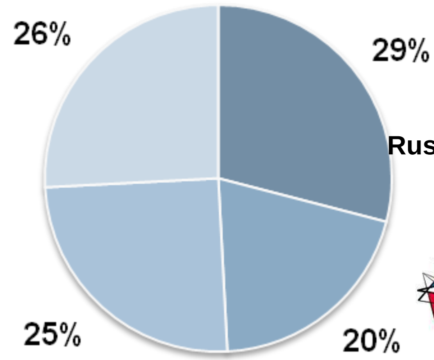
- The biggest OEM in Russia, its share in GDP is 0.5%
- Production capacities capable to produce > one million cars per year (1)
- Complete automotive production cycle (welding, painting, assembly), plus blank/component making (stamping, foundry, machining, plastic parts) shops and supporting production divisions
- Headcount: 70 K people (in beginning of 2009: 100 K people)
- Gives jobs - directly and indirectly - to 70% of population in Togliatti (2)
- Gives jobs - directly and indirectly - to ~1 million people in Russia

(1) - in case of 3-shift operation
(2) – Togliatti population is 700 K people

AVTOVAZ: ownership structure, operational and financial results

Equity capital structure

Others



Russian Technologies State Corporation

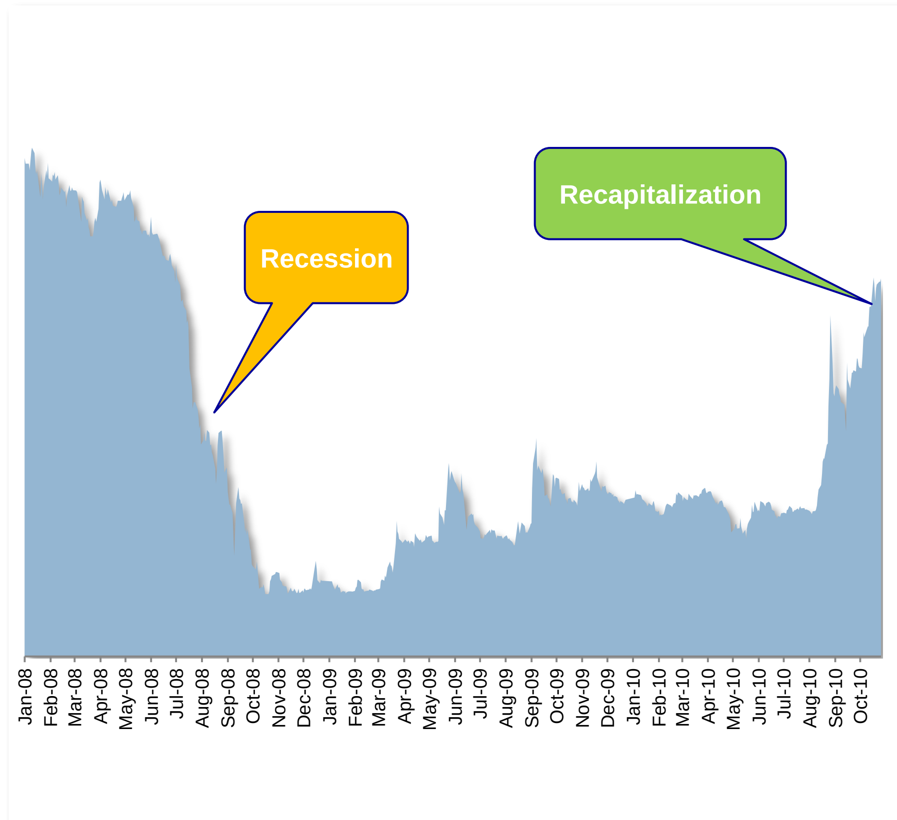
Тройка Диалог

RENAULT

Financial and operational results

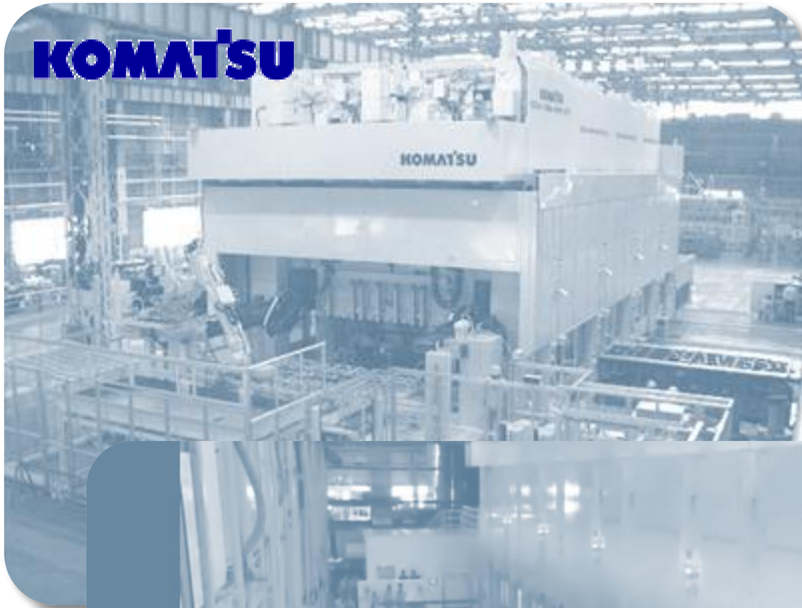
	2008	2009	2010 (e)
Output of cars and CKDs, K units	943	417	650
Proceeds, M rub.	160 263	84 183	145 800
Net profit, M Rub.	- 6 684	-38 468	1 200

Market capitalization behaviour (MICEX: AVAZ)



AVTOVAZ's cooperation with Japanese companies

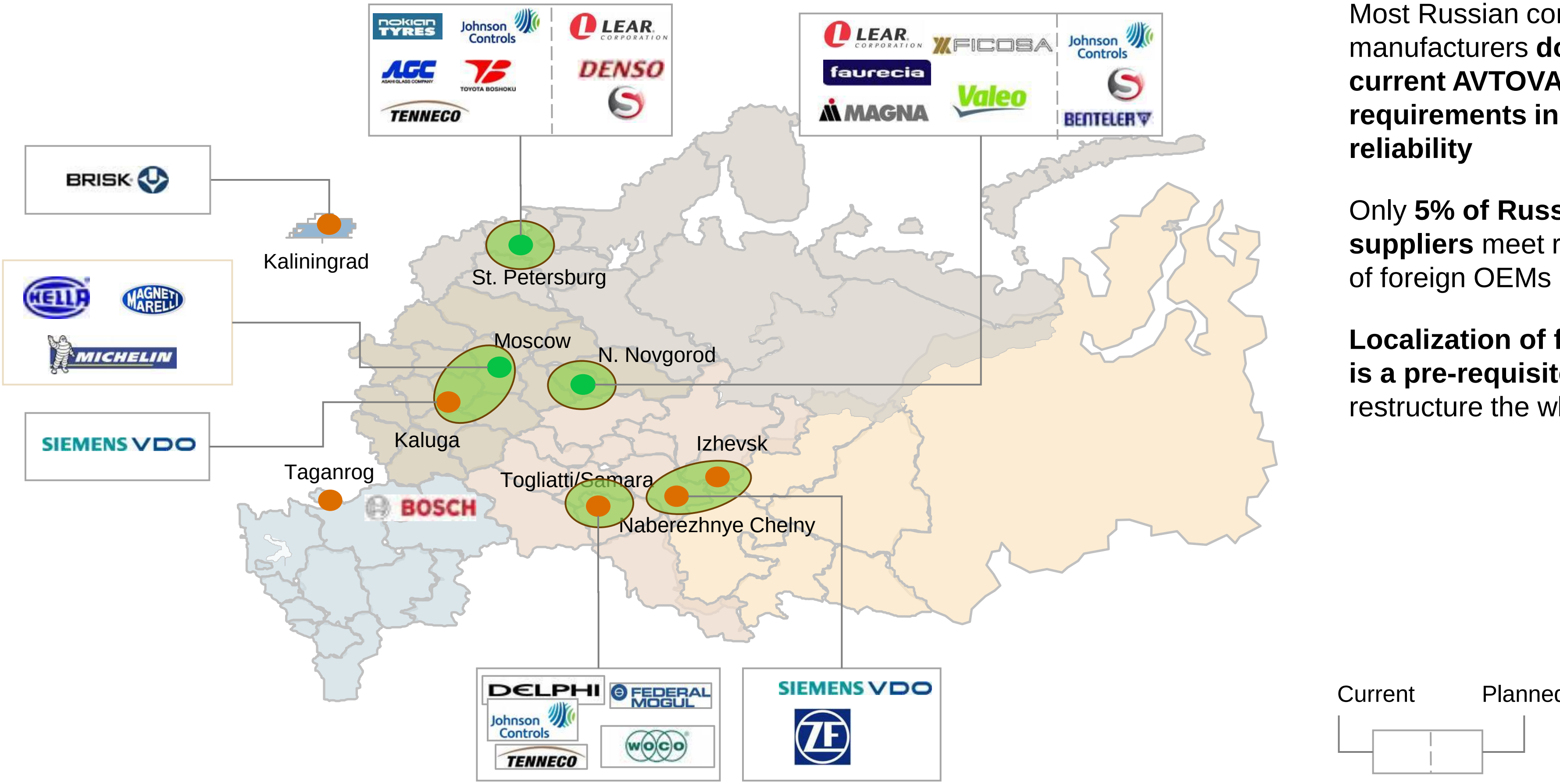
New stamping line manufactured by KOMATSU



Nissan: a technological partner of AVTOVAZ

- Joint project of building Nissan-branded cars at AVTOVAZ's capacities
- Possibilities of using the Kalina platform by Nissan to develop an ultra low cost car
- Common engineering and optimization of AVTOVAZ development processes

Automotive components industry in Russia has a big potential for development, but requires considerable investments and partnerships



Most Russian components manufacturers **do not meet current AVTOVAZ's requirements in quality and reliability**

Only **5% of Russian suppliers** meet requirements of foreign OEMs

Localization of foreign OES is a pre-requisite to restructure the whole industry

Most suppliers locate their production in existing automotive industry's centers

The government supports localization of components production

Tariff policy

- Keeping customs duties for car components at the level of 15-20%
- Possibility to obtain customs privileges in case of components' localization

Free economic zone Togliatti (2012)

- Modern infrastructure
- Minimum bureaucratic barriers
- Fiscal incentives
- Location close to AVTOVAZ

Direct obligations

- Production localization for particular axle and powertrain components
- Necessity to organize Engineering Centers

THANK YOU FOR ATTENTION!