# Russian Automotive - Selected News 07.10 - 14.10.2014

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#### Lifan has chosen Lipetsk Region for car factory

14.10.2014 / Russian Automotive Market Research

An agreement, proposing the establishment of a car factory in the region, has been signed between Lifan and the Governorship of Lipetsk. All Lifan models will be manufactured at the factory, which will have an initial annual production capacity of 60,000 automobiles. Painting and welding processes will also be carried out at the factory.

Lifan plans to sell the automobiles manufactured in Lipetsk in different countries, alongside Russia. The company will invest \$300 million in the factory.

#### The net loss of AVTOVAZ has exceeded 5 billion rubles

10.10.2014 / AutoBusiness Review

AVTOVAZ has declared 5.1 billion rubles net loss for the first three quarters of 2014. On the other hand, when third quarter-only is taken into consideration, the company has generated a profit of 320 million from sales.

The market share of Lada has risen to 19.4% thanks to the utilisation programme, which commenced in September, according to the statement made by AVTOVAZ. This ratio was lower in August.

AVTOVAZ president Bo Andersson has told that under the current conditions of instability, the company needs to continue cutting expenses. Andersson has added that making maximum use of the opportunities offered by the utilisation programme, new models such as; Lada Kalina Cross, Lada Largus Cross and Lada 4x4 Urban have to be put on the market successfully.

#### Russian Ministry of Industry and Commerce: "We have no intention to ban car imports from EU and USA"

10.10.2014 / Interfaks

Upon a question from the press, Russian deputy minister of industry and commerce Andrei Dutov has replied that the banning of car imports from the European Union and the United States is not on the government agenda.

The deputy minister has commented: "This topic is definitely not on our agenda. Why should we ban the imports? We need to take measures in order to support and boost our market." Dutov has added that 75% of the vehicles, which are currently on the roads, are made in Russia.

As one may remember, an imports ban on European and American automobiles, with price tags up to 800,000 rubles, was discussed at the Russian parliament "Duma", in response to western sanctions, in August.

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#### GAZ will reduce contrat manufacturing for GM and Daimler

13.10.2014 / Vedomosti

GAZ has announced that the working schedule will be reduced to four-days-a-week for Daimler and GM, in between 13.10.2014 -12.04.2015 and 14.11.2014 - 13.05.2015, respectively. As is known, GAZ manufactures Mercedes-Benz Sprinter Classic for Daimler and Chevrolet Aveo for GM. The factory has not given any specific information about the production figures of the aforementioned models, however an annual production capacity of 30,000 vehicles has been allocated for GM and 25,000 for Daimler.

Russian LCV market had shrunk by nearly 30% by the end of the January-August period. As assessed by Avtostat, the market is expected to shrink by 15%-20% this year. In contrast with the general trend, the LCV sales of Mercedes-Benz is on the rise. The January-September sales figure of the brand is 5617 vehicles (+64%). This sharp rise in sales is explained by the low base effect, taking into consideration the recent start of Sprinter Classic production at GAZ, during the Summer of 2013.

The Russian sales of GM is on the decline, on the other hand. Year-on-year, the sales of the brand has declined by 26.7% during the January-September period, with 138,404 vehicles.

GAZ makes contracted production for Volkswagen, alongside Daimler and GM. The Group's Skoda Octavia, Skoda Yeti and VW Jetta models are being manufactured at the factory. Despite the decline in Volkswagen sales (-13.4%), the company representatives have stated that at the moment there are no amendment plans for production numbers at GAZ.

#### GAZ Group will start the production of gas-powered GAZel Next and GAZon Next in 2015

09.10.2014 / Avtostat

GAZ Group has displayed the prototypes of compressed natural gas-powered and Euro-5 standard "Next" family vehicles for the first time. The serial production of GAZel Next and GAZon Next will start during the second half of 2015, according to plans.

Euro-5-compliant Evotech 2.7 engines, manufactured by Ulyanovsk Engine Factory, are being used in GAZel Next CNG light commercial vehicles. GAZon Next CNG's are equipped with Euro-5-compliant YaMZ CNG engines, developed in cooperation with Canadian Westport.

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#### Russian new car and LCV market has shrunk by 20.1% in September

09.10.2014 / OIB Russia

According to the Association of European Businesses (AEB) data, 197,233 new cars and light commercial vehicles have been sold in Russia in September. This amount is equivalent to a 20.1% decline, year-on-year. The number of vehicles sold within the January-September period has thereby reached 1,779,947. The shrinkage rate observed in sales by the end of the first eight months is 13%.

Joerg Schreiber, Chairman of the AEB Automobile Manufacturers Committee commented: "September sales show a visible improvement over August, reflecting the end of the holiday season and quarter closing efforts by the market participants. Industry baseline performance however remains weak, demonstrated in the ongoing significant volume erosion compared to prior year. Until year end, the negative sales trend should be mitigated somewhat as a result of government measures in support of domestic vehicle production. We do not expect however a fundamental trend reversal for the total market during the fourth quarter of the year. Considering also the weaker than expected market performance in the third quarter, we are maintaining our full year outlook for the sales of PC and LCV in 2014 at a level of 2.45 million units, equivalent to a 12% drop compared to 2013 result of 2.77 million units".

On the other hand, as of 5 October, 36,000 automobiles have been sold within the scope of the utilisation programme, which started in September. The minister of Industry and Commerce Denis Manturov has told that 13,000 of these vehicles have been sold within the last week. Manturov has added that as long as the pace continues, the year-end sales figure is expected to reach 170,000 vehicles.

#### Car imports to Russia have fallen by 18.6% during the January-August period

08.10.2014 / Avtostat

According to Russian Federal Customs House data, the car imports to the country have fallen by 18.6% within the first eight months of the year, with 485,000 vehicles. The monetary value of the aforementioned imports has been calculated as \$9.4514 billion.

46,400 trucks have been imported to Russia within the January-August period (-18.6%). The monetary value of the truck imports is \$1.4857 billion.

On the other hand, Russia has exported 87,500 automobiles (+7.1%) and 13,300 buses (-17.4%), during the first eight months. The monetary values of automobile and truck imports are \$999.3 million and \$299.4 million, respectively.

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### GAZ Group has started the sales of modernised Ural trucks

08.10.2014 / Avtostat

GAZ Group affiliate Ural factory has started the serial production of Ural-M model trucks. The sales of the modernised trucks has started in Russia, as of today.

Over fifty alterations and technological improvements have been made during the modernisation of Ural-M trucks, designed on Ural-4320 bodyworks. While the maximum load on the front axle driveshaft has been increased to 6.5 tonnes from 5.3 tonnes and the load-carrying capacity of the bodywork from 12 tonnes to 13 tonnes, the periodical service distance for the vehicle has been extended to 15,000 km and the guarantee period to two years or 100,000 km.

#### Hawtai Motor intends to establish a car factory in Russia

06.10.2014 / Vedomosti

Officials from Chinese car manufacturer Hawtai Motor have announced their intention to invest \$1.1 billion in the establishment of a factory in Russia, with an annual vehicle production capacity of 100,000. The company is on the search for a 100 hectares premises in regions such as; Tatarstan, Karachai-Cherkessia, Samara and Sverdlov, for this purpose.

The ongoing contracted production at Derways factory, established in Cherkessk/Republic of Karachai-Cherkessia, since August has also been mentioned in the company statement. The sales of Hawtai B35 model automobiles, manufactured at Derways, will start this October, according to plans.

#### Only a quarter of Russian secondhand car market will be formed of domestic brands in 2018

07.10.2014 / Kommersant

According to Avtostat survey, in 2018 the share of domestic brands in Russian secondhand car market will be maximum 25%. In accordance with different scenarios, the volume of the secondhand car market will be between 5-7 million vehicles.

Half of the Russian second hand market belonged to domestic brands in 2009. The ratio went down to 40% in 2012 and to 35% in 2014. Avtostat predicts that the ratio will be maximum 25% in 2018. According to the survey, nine out of the ten most popular secondhand brands in Russia are domestic brands. Jiguli models occupy the top three spots (2106, 2107, 2101). There are 14 million Lada and Jiguli registered in Russia. The only foreign model in the top ten is Toyota Corolla (726,000 vehicles).

# Meeting place for the automobile sector

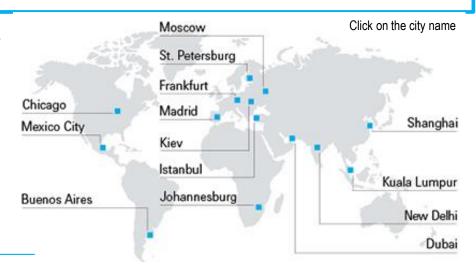
into the Chinese and overseas markets.

North West Russia and the Baltic States

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