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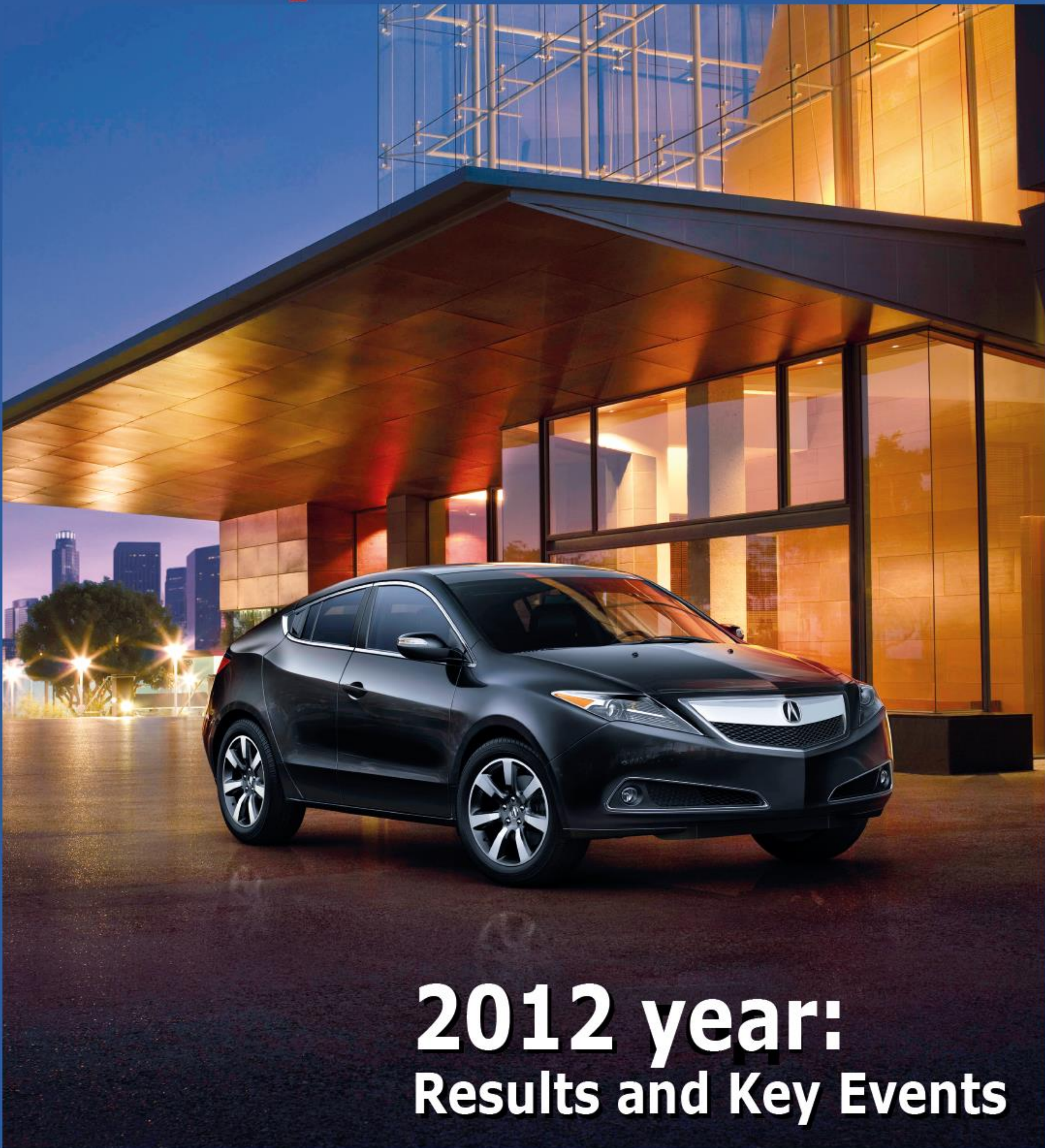
FINANCE | YEAR RESULTS | LEGISLATION | COMPONENTS



2012 year:
Results and Key Events

Content

Results and Key Figures 2012

2012 was characterized by an intensive development of the Russian automotive market despite some decrease in GDP growth rates. Due to protective measures of the Government of the Russian Federation Russia's accession to the WTO did not influence the automotive market significantly. In 2012 leading automobile manufacturers of Russia were actively developing the cooperation with foreign partners and mastering the production of new vehicle models.

Macroeconomic Indices 2012

According to Rosstat, in 2012 the volume of Russia's GDP reached 62356.9 billion rubles and the index of actual volume of the GDP amounted to 103.4% in relation to 2011. Thus, in 2012 the GDP growth was lower than that in 2011, which amounted to 104.3%. At the same time, in 2012, GDP growth rates were consistently slowing down from quarter to quarter.

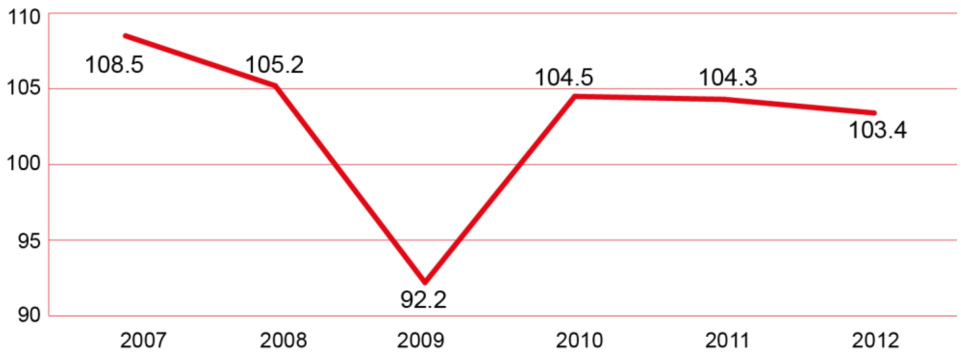
In 2012 the average price of Urals oil was 110.52 dollars per barrel, which was a 1% increase on 2011 (109.34 dollars per barrel). The oil price in 2012 was just over the initial forecast of the Ministry of Economic Development and Trade of the Russian Federation (109 dollars per barrel).

In general, in 2012 the economic situation in Russia was characterized by moderate economic growth rates. A key factor of the decrease in the industrial production volume in Russia was the lack of investments, caused by the instability of world markets and investors' concerns, related to the possibility of a new economic crisis.

In 2012, in Russia, unemployment rate continued to decrease. This process has been observed since 2010. In 2012 the number of the unemployed amounted to 4.1 million people, or 5.7% of the economically active population of Russia. For comparison, in 2011 in Russia the number of the unemployed was 5 million people, or 6.6% of the economically active population.

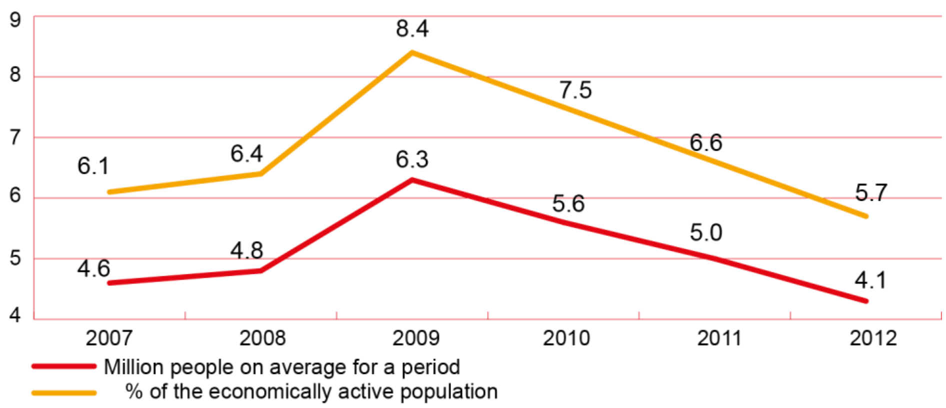
In 2012 the average income per capita in Russia increased by 9.7% to 22.7 thousand rubles, with an annual inflation of 6.6%.

Real GDP in Russia, % on the previous period, 2007-2012



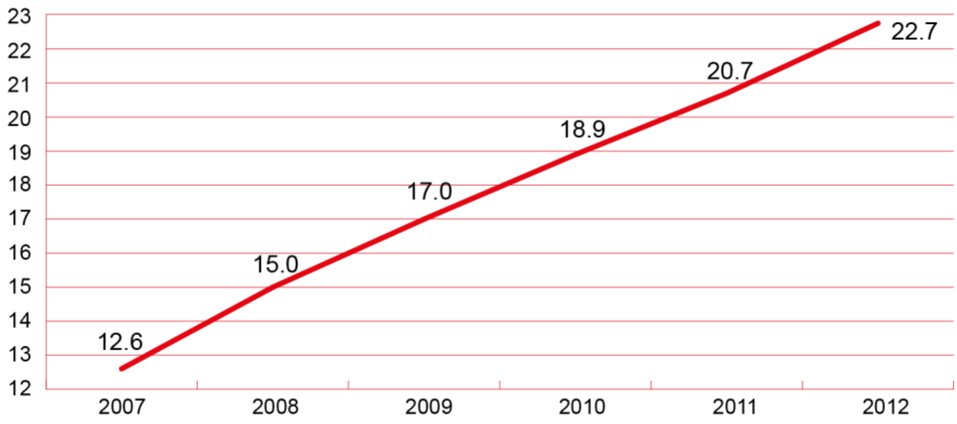
Source: data by Federal State Statistics Service

Unemployment Rate in Russia, 2007-2012



Source: data by Federal State Statistics Service

Average Per Capita Income in Russia, Thousand Rubles, 2007-2012



Source: data by Federal State Statistics Service

Event of the Year: Accession to the WTO

Russia's accession to the World Trade Organization was the most significant event of 2012. A range of documents on Russia's accession to the WTO was approved on December 16, 2011 in Geneva, after which, according to the rules, Russia's national parliament had 220 days to ratify the WTO accession documents.

In July 2012, a Protocol on Russia's accession to the WTO was approved by the State Duma and the Federation Council of the Russian Federation, and at the end of August 2012 Russia became a full-fledged WTO member.

For the Russian automobile market accession to the WTO meant reduction of duties on new and used vehicles, imported to Russia. As a consequence, a large number of affordable foreign vehicles were expected to come to the Russian market, which, would undoubtedly have a negative impact on the position of Russian manufacturers and foreign companies, which had opened their production in Russia.

According to the terms of Russia's accession to the WTO, the new car market appeared to be the most protected: the import duty on new cars decreased from 30% to 25% from the date of the accession to the WTO, and will continue to decrease gradually during seven years and will amount to 15% by 2019.

As for used cars aged under 5 years and from 5 to 7 years, duty rates decreased from 35% to 25% from the moment of the accession to the WTO. Beginning 2019, the customs rate on these categories of cars will be reduced to 20%.

The customs duties on cars aged 7+ are calculated on the basis of the engine volume and varied from 2.5 to 5.8 Euros per 1 cm^3. The duty on these cars decreased twofold from the moment of the accession to the WTO (1.4 – 3.2 Euros per 1 cm^3 of the engine volume).

Import duties on commercial vehicles fell more sharply. So, from the date of the accession to the WTO, rates on new diesel trucks with GVW under 5 tons decreased from 25% to 10%, on those with GVW from 5 to 20 tons - from 25% to 15%.

The further reduction of duties on these categories of trucks is not provided. As for diesel trucks with GVW over 20 tons, import duties on them decreased from 25% to 10% from the moment of the accession to the WTO, and beginning 2015 they will be reduced to 5%.

Customs rates on used diesel trucks aged under 5 years and from 5 to 7 years decreased from 25-30% to 10-15% from the moment of the accession to the WTO. As for used petrol trucks of these age categories, in 2012 rates on them decreased from 25% to 20%, and in 2017 they will fall to 15%.

The customs duties on used trucks aged 7+ are calculated depending on the engine volume. In 2012 it decreased from 2 Euros per 1 cm^3 to 1 Euro (trucks with GVW under 5 tons) and from 4.4 Euros per 1 cm^3 to 1 Euro (trucks with GVW over 5 tons) for diesel trucks. Rates for all petrol trucks aged 7+ decreased from 2 to 1 Euro per 1 cm^3 in 2012.

In 2017 import duties on the new diesel buses with a capacity up to 120 people will be reduced from 20% to 10%, and on the new petrol buses - to 15%. Customs duties on the new petrol buses with a capacity over 120 people did not change, and rates on similar diesel buses fell from 20% to 10% in 2012 (the engine volume up to 2.5 liters).

In 2012, duties on the used diesel buses aged under 7 years with a capacity up to 120 people decreased from 30% to 20%. Rates on the used diesel buses aged under 7 years with a capacity over 120 people have been reduced from 30% to 15%, from the date of the accession to the WTO, and beginning 2015 - to 10%.

Thus, the accession to the WTO had a maximum effect on the commercial segment of the automobile market. There was an obvious need for protective measures of the state, and almost simultaneously with Russia's complete accession to the World Trade Organization the law on the recycling tax came into force.

Market Protection

The recycling tax was introduced by the Federal Law No. 128-FZ «On introduction of amendments to the Federal Law «On Production and Consumption Wastes» and article No. 51 of the Budget Code of the Russian Federation». Since September 1, 2012 the recycling tax has been levied on vehicles, imported and manufactured in Russia.

A tax is imposed on both new and used vehicles of different classes: cars, commercial vehicles, trucks and buses. The rate of the recycling tax is calculated from the formula U=B x K, where B is a base rate of recycling tax and K - coefficient.

For individuals the amount of the recycling tax does not depend on the vehicle class and the engine volume (2 thousand rubles for a new vehicle, 3 thousand rubles for a vehicle older than three years), for companies (legal entities) the value of the coefficient, which is multiplied by the base rate, depends on these parameters. At that, the more powerful and older the vehicle is, the higher the coefficient is. Basic rates amount to 20 thousand rubles for cars, 150 thousand rubles - for trucks and buses.

The Federal Customs Service (FCS), which issues certificates for imported vehicles, collects the recycling tax. It should be noted that only those vehicles which have received certificates since September 1, 2012 fall within the scope of the vehicle recycling law.

Manufacturers, producing vehicles on the territory of the Russian Federation, were given an opportunity to ensure a safe utilization of their products in the future. After such guarantees had been provided, Russian manufacturers were exempted from the payment of the recycling tax in cash.

The recycling tax became such an effective measure of the Russian market protection, first of all, from used imported vehicles that trailer and semitrailer manufacturers applied for its introduction for their products. The requirement on the recycling tax payment in respect of trailers and semitrailers was not specified in the recycling law.

Trailer and semitrailer manufacturers justified their request by the fact that their products are actually a part of a vehicle, as trailers and semitrailers have certificates of vehicles and, in addition, they are an integral part of such transport units as a truck tractor-semitrailer and chassis-trailer.

It should be noted that, initially, along with the recycling tax, the introduction of age restrictions for the operation of different commercial vehicles was considered as a measure of the Russian market protection from used imported vehicles. At the moment the final decision on this question is not made.

The state also took a step towards automotive concerns, which import components for the production of vehicles in Russia on the basis of the agreement on industrial assembly.

Since, because of the accession to the WTO, customs privileges, provided under agreements on industrial assembly of vehicles in Russia will expire on July 1, 2018, the Russian Government promises to compensate these companies for their costs to the extent of import duties on auto components.

The Law «On state support for manufacturers of motor vehicles, their components and parts», ensuring the compensation from the federal budget for additional costs of companies in 2018-2020 , was adopted in September 2012.

Vehicle Inspection: new regulations

At the beginning of 2012, in Russia, new rules for vehicle technical inspection (Law No. 170-FZ «On the Technical Inspection of Motor Vehicles and on the Amendments to Individual Legislative Acts of the Russian Federation», dated July 1, 2011,) came into force.

The most significant change was that the inspection got beyond STSI's competence: non-state technical inspection operators entered the market, and RAMI, Russian Association of Motor Insurers, took over the control of the inspection system as a whole. However, old inspection points on the basis of STSI departments will work the usual way till 2014.

The procedure for technical inspection certificate and mandatory third party liability (MTPL) insurance policy receipt has also changed. If earlier it was necessary to present the effective insurance policy to pass the state technical inspection, now, on the contrary, the valid technical inspection certificate is necessary to get the MTPL policy.

The possibility to pass the technical inspection in any region of the country and not only in the region of vehicle registration is among other changes. The law also establishes the new schedule for the technical inspection for different types of vehicles.

Passenger taxis, buses, and trucks, designed and equipped for the carriage of passengers, with the number of seats over eight (apart from the driver seat), must pass the technical inspection every six months. In addition, specialized vehicles and trailers to them, intended and equipped for hazardous cargo transportations, must be inspected on the same periodic base.

Vehicles, produced more than seven years ago (including the year of their manufacture) must pass the technical inspection every year. These are cars, trucks, trailers and semitrailers with GVWR up to 3.5 tons, as well as motor transport vehicles.

The other categories of vehicles, which must pass the technical inspection every year, include trucks with GVWR over 3.5 tons, vehicles, designed for driver training, and vehicles, equipped for giving out special light and sound signals in accordance with the legislation of the Russian Federation.

Vehicles, produced from three to seven years ago, including the year of their manufacture, must pass the technical inspection once every two years. This requirement covers cars, trucks, trailers and semitrailers with GVWR up to 3.5 tons, as well as the motor transport vehicles of a specified age.

Cars, trucks, trailers and semitrailers of the gross weight up to 3.5 tons, as well as the motor transport vehicles do not have to pass the technical inspection during the first three years of operation, including the year of manufacture.

The purpose of the change in technical inspection rules was to create a competitive market of inspection operators. At that the state established that technical inspection tariffs cannot exceed a certain limit, which is determined depending on the vehicle type and the region of Russia. Thus, the new market cannot be called free from state regulation.

So, in 2012, in Moscow the cost of the car technical inspection amounted to 720 rubles, in Saint Petersburg - 881 rubles.

According to the new law, all automobile companies, which want to become inspection operators, should be accredited in RAMI. The key requirements for accreditation include premises and diagnostic equipment owned or leased, and at least one technical expert on the staff.

RAMI as a supervisory authority checks the applicants' compliance with specified accreditation requirements. However, the technical inspection operator is responsible for the quality of inspection services to the vehicle owner.

The reform of the inspection was intended to solve the problem of corruption in this field; however, the new system is also subject to criticism, as the inspection in STSI before. The problem lies in the accreditation procedure, which, according to the law, is of a formal nature: it provides only for documentary check to determine whether the applicant meets accreditation requirements. Complaints about various violations committed by the accredited operator while carrying out inspection give grounds for a field check.

As such a system leads to the emergence of unscrupulous inspection operators and development of the black market of technical inspection certificates, many experts express opinions on the need to toughen the accreditation procedure of inspection operators or the new reform.

It should be noted that a number of comments on the new law appeared almost immediately after it came into effect. As early as the spring of 2012, they were included in a bill which stipulates the number of amendments to the technical inspection law. These were both changes, connected with terms of the MTPL receipt, for example, the possibility of concluding the MTPL contract without submitting a technical inspection certificate for a period up to 15 days, and changes in the composition of inspection operators, namely - the possibility of official dealers to carry out a technical inspection of vehicles of particular brands.

Official dealers were interested in this opportunity, not only from the viewpoint of the financial benefits but also from the standpoint of provision of additional services to customers. However, according to the original version of the law on the technical inspection, official dealers could not be operators, as they serviced only vehicles of particular brands, but not any, as it was specified in the law.

Amendments to Law No. 170-FZ were adopted in July 2012, and then official dealers began to apply for accreditation as inspection operators. Until December 2012, they underwent the accreditation procedure according to the common rules.

In December the Ministry of Economic Development of the Russian Federation issued a decree, which specified special requirements for dealers in getting the accreditation as the inspection operator. So, in the application for accreditation the dealer must specify vehicle brands, in respect of which he is going to carry out technical inspection, as well as provide a copy of the contract with a manufacturer or importer of these brands, which confirms that he can service them indeed.

Dealers and Distributors

In 2012, auto dealers of the Russian Automobile Dealers Association continued to consider controversial issues of relationships with vehicle distributors. This subject was raised in 2011, when ROAD sent a letter to the Federal Antimonopoly Service of the Russian Federation with an appeal to help in the elimination of points, which infringe upon the official dealers rights, from dealer contracts.

The problem was that contracts between representatives of vehicle manufacturers (distributors) and sellers of vehicles and services to end users (official dealers) did not ensure a protection of investments of the latter.

From the ROAD's viewpoint, the main issue in relations with distributors was the term on the right of the distributor to abrogate a dealer contract unilaterally without giving reasons and compensation, which made the dealers business unpredictable and risky.

In addition, distributors often established too short duration of the dealer contract, which practically did not take account of the investment payback period; therefore, from the dealers' viewpoint, it would be expedient to increase the validity of the dealer agreement to 5-7 years.

In addition, auto dealers sought to achieve a revision of such clauses of dealer contracts, as the unilateral change by the distributor of the delivery plan of vehicles and spare parts to the dealer, absence of the condition for redemption of spare parts upon the dealer contract termination and etc.

Independent service centers, which complained about limitations of original spare parts supplies on the part of official distributors, also had claims to auto distributors.

Recommendations of the Federal Antimonopoly Service of the Russian Federation to distributors and automakers, published on September 7, 2012, resulted from negotiations of FAS, ROAD and auto distributors on behalf of the European Businesses Association on these issues.

In this document FAS recommends distributors and manufacturers to establish the duration of dealer agreements not less than 5 years or for an indefinite period for official dealers, who invested significant funds in the dealer business development with long pay back periods, and in cases of termination of dealer agreements it recommends the initiator to motivate in detail the reasons for termination in writing.

In addition, FAS recommends distributors not to create discriminatory conditions for certain dealers within one dealer network (the short supply of vehicles, supply of only least popular models, unilateral change of delivery terms, demand for additional investments in equipment, facilities, 100% pre-payment, etc.). These problems were also relevant for dealers.

To protect rights of the dealers FAS recommended separating sales and service in dealer centers. FAS called on auto distributors not to impede the organization of sales free service centers meeting the automaker standards, as well as the organization of service free vehicle sales centers under standards of the automaker (division of sales and service).

The recommendations also raised the issue of restrictions of supplies of original spare parts to independent auto services. FAS claimed that refusals to supply original spare parts, accessories and consumables or discriminatory pricing policy are inacceptable (except for cases, when different prices are economically reasonable).

In order to avoid such conflicts in future, FAS recommended auto distributors to develop detailed regulations covering all aspects of work with potential contractors, - requirements for potential contractors, the procedure for filing contractors' documents, procedures and terms of making a decision to enter into a dealer contract or not. From the FAS's viewpoint, free access to such documentation could make relations between distributors and dealers transparent.

New Environmental Standards for Petrol

2012 was the last year when calss-2 petrol was consumed in Russia: since January 1, 2013, supply of petrol of this class is banned.

Russian authorities tried to cease production of calss-2 petrol for a long time. Technical regulations «On the requirements to automobile and aviation petrol, diesel and marine fuel, jet fuel and residual oil», approved in 2008, set the deadline for the supply of petrol of this class - the end of 2008.

However, subsequently, the deadline for class-2 petrol supply was postponed twice, in 2008 and in 2011. The inadequate equipment of the Russian oil processing industry for the production of petrol of higher environmental classes was said to be the main reason for extending the deadline.

It should be noted that in 2012 there were calls to continue class 2 petrol production for a year, on the same grounds. A further deadline extension did not follow, however, despite the risks implied, such as shortages of class-3 petrol and, as a consequence, growth of prices for it.

Many experts believe, shortages of class-3 petrol may become apparent in 2013 only at a local level, not covering the whole country. In addition, in 2013 Russia will be able to compensate for the possible shortage of this petrol by the increase in its imports volume, in particular, from Belarus or Ukraine.

In Russia class 3 petrol supply is allowed until the end of 2014. Then class-4 petrol consumption is planned until the end of 2015. Beginning 2016 Russia must fully switch to class-5 petrol, whose supply is not restricted.

As for the growth of gasoline prices, according to Rosstat, over 2012, the price for the gasoline increased on average by 7.6%, as compared to 2011. However, the diesel fuel showed the biggest growth in prices - by 13.3%.

It should be noted that in November 2012, the Law «On introducing amendments to articles No. 181 and 193 of Part II of the Tax code of the Russian Federation», which adjusted the excise rates on fuel in 2013-2015, was adopted.

According to the law, in the second half of 2013 excise rates on the gasoline and diesel fuel of «Euro-4» and «Euro-5» classes will be increased by 6% on average, which, in turn, will result in the growth of prices for automobile fuel in 2013.

New Environmental Standards for Engines

Changes, concerning the environmental standards influenced not only the gasoline market, but also the vehicles themselves. Since January 1, 2013, automobile plants of Russia have switched to the production of engines, which meet environmental class 4. The transition to the production of engines of this class also has a long history of deadline extensions: initially, it was scheduled for the beginning of 2010, then - for the beginning of 2012.

The transition to the production of vehicles, equipped with class-4 engines caused an increase in their price. At the end of 2012, leading manufacturers of Russia announced that they were ready to switch to the engines of the new ecological class, and that they were going to increase prices in this connection.

So, Ulyanovsk Automobile Plant announced the increase of prices for UAZ Patriot and UAZ Pickup cars since January 2013 by 10 thousand rubles, for UAZ Hunter - by 25 thousand rubles, for UAZ commercial vehicles - by 25-30 thousand rubles, depending on the version.

Prices for KAMAZ trucks will be increased by 200-250 thousand rubles. The prices for the majority of models of GAZ Group are expected to grow within 5%, AVTOVAZ products are expected to see a slight increase in prices - by 1 thousand rubles, that is less than 1%.

Insurance of Passenger Transportation

On January 1, 2013, another Law «On compulsory insurance of third party liability of the carrier for causing harm to the lives, health or property of passengers and on the procedure for compensation for the damage, caused during the carriage of passengers in the underground transport», adopted in 2012, came into force.

According to the new law, all companies, engaged in passenger transportation, must conclude the contract of the compulsory third party liability insurance of the carrier (OSGOP). The compulsory third party liability insurance of carriers does not cover legal entities, engaged in transportation of passengers by underground and taxi owners.

The liability insurance of the carrier is recognized all over the world and is used not only in European countries but also in Kazakhstan, Belarus and Moldova. The practice of these countries shows that this type of insurance, firstly, provides a prompt compensation for damage to the injured and, secondly, regulates the financial solvency of carriers.

According to forecasts of the Ministry of Finance, about 60 companies will work in the market of compulsory insurance of carriers.

According to the law on the third party liability of the carrier, in case of damage caused to life of the injured, the insurance claim recovery will be equal to the sum insured, or 2.025 million rubles. In case of damage caused to health, the single insurance payment, whose amount is determined depending on the nature and severity of the damage according to standards, is provided. In case of damage caused to property, the insurance claim recovery will be equal to 600 rubles per 1 kg of the luggage weight and 11 thousand rubles for other property (but not more than 23 thousand rubles for each injured person).

The highest insurance rates are set for the sea transport, where the insurance premium per one passenger will amount to 22.48-45.25 rubles. For air travel the insurance premium will amount to 9.87-19.87 rubles per passenger, for intercity and international bus transportation - 9.14-18.40 rubles, for suburban bus transportation - 1.34-2.70 rubles, for long-distance train transportation– 1.05-2.11 rubles, for city bus transportation – 0.43-0.87 rubles, by trolley bus – 0.33-0.67 rubles, by tram - 0.15-0.31 rubles, by suburban trains and off street transport – 0.07-0.15 rubles.

A compensation fund will be formed through deductions from insurance companies, whence they will make payments, the case the insurer goes bankrupt included. The mechanism of compensation payments will be effective beginning July 1, 2013.

As for the transportation cost increase, experts do not expect a significant growth of prices, as the majority of transportation tariffs are regulated by the state.

The law also provides for the liability of the carrier for the absence of insurance policy since April 1, 2013. On this basis the Federal Transportation Inspection Service will get the right to take administrative action against carriers. According to amendments to the Administrative Offences Code, the penalty for the passenger transportation without the insurance policy will amount from 40 to 50 thousand rubles for officials, from 500 thousand to 1 million rubles - for legal entities.

In addition, if the carrier does not provide passengers with information about the insurer and OSGOP policy, he will be charged an administrative fine of 1-3 thousands rubles for officials; 10-30 thousand rubles - for legal entities.

GLONASS for Buses

Since January 1, 2013, all vehicles, intended for transportation of over eight people, must be equipped with GLONASS or GLONASS/GPS satellite navigation systems.

This requirement is set in Resolution of the Government of the Russian Federation No. 280 «On approval of the regulation on licensing of passenger transportation via transport, equipped for the transportation of over eight people (excluding the cases when the activity is conducted to order or for provision of personal needs of the legal entity or sole trader) », dated April 2, 2012.

Equipping of such transport with the satellite navigation system, as well as technical means of control over the driver's compliance with driving, work and rest schedules is now one of the passenger transportation licensing terms.

Since January 1, 2013 trucks, carrying special and dangerous cargoes, must be also equipped with the GLONASS satellite system. Passenger taxis and buses, designed for up to eight passengers, must be equipped with satellite navigators beginning January 1, 2014.

MTPL Appreciation

At the end of 2012, the Government of the Russian Federation prepared a draft law on the change of payments on the compulsory third party liability insurance (MTPL). This draft law, which may be adopted at the beginning of 2013, provides for an increase of the sums insured. So, the minimal insurance coverage for the vehicle repair will increase from 120 thousand rubles to 400 thousand rubles, and compensation for the damage to health - from 160 thousand to 500 thousand rubles.

An increase in the so called “europrotocol” payments (sorting of minor road accidents without calling the traffic police) is planned: from 25 to 50 thousand rubles. For drivers in Moscow and Saint Petersburg this limit will be increased to 400 thousand rubles, provided the photo and video materials of the accident are submitted to the insurer.

Increase of insurance amounts will lead to the rise in MTPL prices by 25-30%, according to estimates of the Ministry of Finance, which, along with the growth of prices for fuel, will significantly increase the cost of vehicle ownership.

Meanwhile, in Moscow there is an additional tax burden for vehicle owners: on January 1, 2013, rates of the transport tax for vehicle owners in Moscow were changed. The new tax rate on a vehicle with engine capacity up to 100 HP amounts to 12 rubles per horse power, instead of 7 rubles.

For vehicles with engine capacity from 100 to 125 HP, the new transport tax is 25 rubles, instead of 20 rubles; from 125 to 150 HP - 35 rubles, instead of 30 rubles; from 150 to 175 HP - 45 rubles, instead of 38 rubles; from 175 to 200 HP - 50 rubles, instead of 45 rubles; from 200 to 225 HP inclusive - 65 rubles, instead of 60 rubles.

At the same time, an increase of rates does not cover the more powerful vehicles (more than 225 HP), the tax for them remain unchanged and amounts to 75 rubles per each horse power for vehicles with capacity from 225 to 250 HP, and 150 rubles for vehicles with a capacity over 250 HP.

Automakers: Major Events in 2012

2012 was rich in important events for Russian automakers.

For AVTOVAZ, 2012 was marked by the completion of the era of «classic» models and the transition to the production of new car models in cooperation with Renault-Nissan Alliance. Volzhsky Automobile Plant stopped production of Lada 2105 cars in December, 2010, and Lada 2107 and Lada 2104 cars were abandoned in April and September of 2012 respectively.

In addition, production of Lada Samara sedans came to an end in December, 2012. AVTOVAZ is planning to produce Lada Samara hatchbacks till December, 2013 inclusively.

Thus, by 2014, the product line of AVTOVAZ will include only Lada Priora, Lada Kalina, Lada Granta, Lada 4x4 cars and models, manufactured or planned for production in cooperation with Renault-Nissan. Production of the first of them - Lada Largus – was launched in April 2012 and in July 2012 AVTOVAZ started to sell them.

El Lada electric car, produced by AVTOVAZ, was another novelty of 2012. El Lada is based on the Lada Kalina model. The Russian electric car can gain a speed of 130 km/h, a single charge distance is 150 km, and charging from electric main takes eight hours. All special components for El Lada are produced abroad.

In September AVTOVAZ announced the launch of cars in serial production and by the end of 2012 the first batch of cars, intended for work as a taxi, was sent to the Stavropol territory.

In 2012, AVTOVAZ started production of models of its partners, Renault-Nissan Alliance. In December the plant launched production of Nissan Almera cars. This car came out second after Lada Largus, which AVTOVAZ produces on the new B0 production line.

Five car models under three brands, Lada, Nissan and Renault, are going to be produced on this line. In 2013 AVTOVAZ plans to produce an upgraded Renault Logan at the B0 production line in order to release «Avtoframos» capacities for the production of a popular Renault Duster.

In addition, in 2012 AVTOVAZ and Nissan Manufacturing Rus signed an agreement on the development, production preparation and assembly of cars under the Datsun brand at AVTOVAZ own platform 2190 with the use of technical base, resources and capacities of Togliatti. Thus, in this case AVTOVAZ is a donor of the platform for the Alliance.

December 2012 was marked by the key event for AVTOVAZ: Renault-Nissan and the Russian state company «Rostechnologies» established a JV Alliance Rostec Auto BV.

This company will be the only Renault Nissan and «Rostechnologies» shareholder in the authorized capital of JSC «AVTOVAZ» and become its long-term supervisory shareholder. The controlling stake of the joint venture, in turn, will belong to Renault-Nissan alliance.

According to the terms of the transaction the Renault-Nissan Alliance is to invest 23 billion rubles in the joint venture. By the mid 2014 the alliance will get 67.13% of the joint venture capital. After that the Alliance Rostec Auto BV joint venture will own 74.5% of AVTOVAZ.

Renault invests about 11.3 billion rubles in the joint venture, therefore will get 50.1% of the joint venture by June, 2014. Nissan will invest 11.7 billion rubles and get 17.03% of the joint venture by the same time. 32.87% of the joint venture will belong to «Rostechnologies» to the specified term.

2012 was also rich in projects for GAZ Group, another Russian automaker. In July, 2012 GAZ Group and Turkish company Mersa Otomotiv announced plans on development of sales and SKD assembly at the production facilities of the Turkish partner. At that, Mersa Otomotiv will carry out distribution of GAZ vehicles within the territory of Turkey.

Assembly production of GAZ light commercial vehicles in Turkey was opened in December 2012.

At the first stage of the project partners plan to begin assembly of onboard vehicles «Gazel-Business» with a standard and extended platform, with single-row and two-row cabins, and also different variants of special vehicles on the basis of chassis «Gazelle». At the second stage, in 2013, production of vehicles «Sobol-Business» - onboard version and all-metal van will begin.

In November 2012, GAZ Group announced the launch of another project - organization of an assembly enterprise in Belarus, on the premises of the GAZ service center in the industrial zone near Minsk. BelGAZAvtoService, the Belarusian dealer of the company, will assemble the vehicles. Medium-duty trucks GAZ-3307 and GAZ-3309, as well as GAZ-33104 Valdai are going to be assembled there.

GAZ Group continues to develop its projects in the field of contract assembly. So, in summer of 2012 GAZ Group and Daimler AG launched a project on the organization of production of Mercedes-Benz Sprinter commercial vehicles at Gorky Automobile Plant in Nizhny Novgorod.

The parties plan to localize the production of the Mercedes-Benz Sprinter T1N, as well as the engine and other components. In this joint project Daimler plans to invest over 100 million Euros in the product adaptation, production processes and sales network.

GAZ Group will invest over 90 million Euros in the project. In the framework of the companies' cooperation Mercedes-Benz engines are going to be produced at the production site of GAZ Group in Yaroslavl.

In addition, in December 2012, in Nizhny Novgorod, GAZ launched Skoda Yeti for the Russian market. Up to this point GAZ Group carried out Škoda Yeti SKD assembly. In 2013, the plant also will organize the complete production process of new Škoda Octavia and Volkswagen Jetta.

The launch of the contract assembly of Chevrolet Aveo cars at the GAZ facilities, planned for the end of 2012, was postponed till February 2013.

Gazelle Next, presented at the Moscow motor show in August 2012, was the novelty of the year. Start of mass production of «Gazelle Next» is planned for 2013. The vehicle will be produced in the form of a van, minibus and vehicle with cargo bed.

2012 was difficult for Taganrog Automobile Plant. In spite of the fact that at the end of 2011 the company managed to settle relationships with all creditors, in April 2012 TAGAZ filed for bankruptcy. The company was monitored and investigated and an insolvency practitioner was appointed in the company.

In 2012, the company did not stop its activities, but curtailed production. Despite this fact, TAGAZ carried out trestyling of some models, brought a new model, low-duty truck TAGAZ HARDY, produced in collaboration with a Chinese company Changan Kuayue Automobile Co. Ltd., to the market, and also completed the development of its own model, sedan Aquilla, which will enter the Russian market in March 2013.

New Productions

In 2012, Sollers was developing cooperation with the Mazda Company. At the end of 2011 Sollers and Mazda signed the Memorandum on the establishment of a joint venture in Vladivostok and in spring of 2012 companies entered into cooperation agreement.

The joint venture Mazda Sollers Manufacturing Rus was opened in Vladivostok in September 2012 and in October the company launched car production.

The plant produces CX-5 crossover, and in spring of 2013 it plans to launch the production of Mazda 6 sedan of the new generation. The declared annual production capacity of the plant is about 50 thousand cars, with a potential increase up to 70 thousand cars.

In 2012 Sollers continued to cooperate with Mitsui & Co in the framework of the joint venture «Sollers-Bussan», however, it launched the production of Toyota Land Cruiser Prado cars in Vladivostok only at the end of January 2013.

In 2012 AMO ZIL also organized the partnership with a foreign manufacturer. In May, the Government of Moscow and Sberbank of Russia concluded an agreement on the plant development, which provided for the organization of the contract assembly at its facilities. Within the framework of the agreement they created «MosAvtoZIL» LLC, the company-operator, in which Sberbank got a controlling interest.

With the purpose to organize production with a foreign partner «MosAvtoZIL» LLC purchased Himeks group, which had a «sleeping» agreement about industrial assembly.

ZIL organized the partnership with Hyundai Company, which signed an agreement on a contract assembly at the facilities of the Moscow enterprise in November 2012. Mass production of Hyundai at ZIL starts in the first quarter of 2013. SKD assembly is planned as the first stage of cooperation, and 2015 will see a complete production process. As for a model range, both LCV and medium trucks and buses Hyundai can be assembled at ZIL platform.

In autumn of 2012 «Autotor» and the company Magna International announced the organization of a joint venture. It is not an overstatement to say that the project is very ambitious, as it provides for the creation of an automobile cluster with the capacity not less than 250 000 cars per year in the Kaliningrad region.

Totally up to 6 full-profile automobile plants of different automakers and not fewer than 15 plants for automotive components production are going to be set up in the cluster. Auto components producers will supply components for the cluster's own needs, to other enterprises of the automotive industry of Russia, as well as for export to other countries.

The first stage of the cluster is expected to be launched by 2016. «Avtotor» expects to raise the production localization level to 48 % by 2018, to 50 % - by 2022.

The total amount of investments into creation of the autocluster will amount to more than 118 billion rubles. «Avtotor» own funds will comprise 21 billion rubles in the total investment..

Car Market 2012

In 2012 the Russian market of new cars and light commercial vehicles increased by 11%, in comparison with 2011. The Russian market with its sales volume of 2.94 million units became the second largest market in Europe.

If in 2011 the Russian car market was characterized by the rapid growth, which was caused by the low base effect, 2012 can be called the year of stabilization for it. At that, during 2012, the nature of the market development was changing gradually.

Market Dynamics

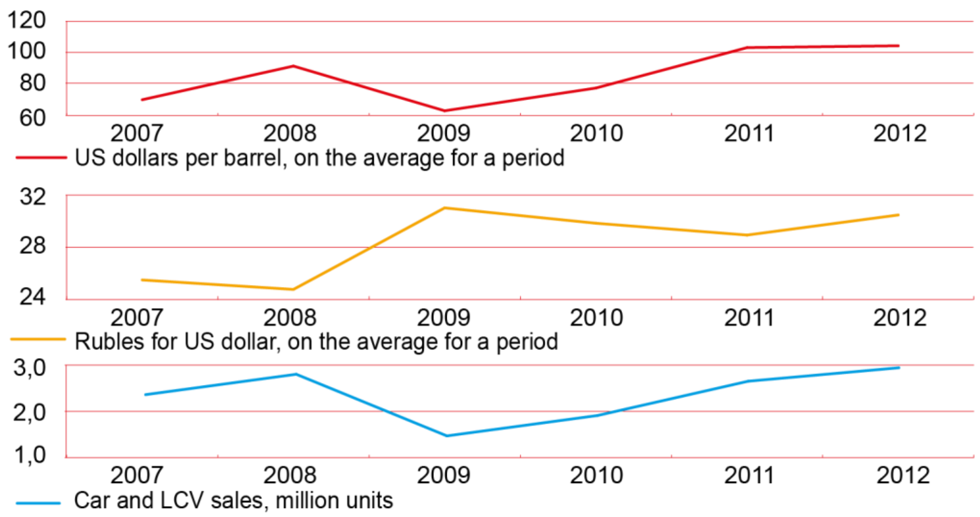
The first quarter of 2012 was a period of the most intensive growth both in quantitative and relative terms for the market. So, in January and February 2012, it showed a 20% and a 25% growth on the same period of 2011, respectively. In quantitative terms, the market also made a jump: if in January 154.4 thousand cars were sold, in March – 252.8 thousand cars.

Beginning the second quarter of 2012, rates of the market growth decreased and during the second and third quarters they varied from 10% to 15%. As for the number of cars sold during this period, it can be said that the market became stabilized. From April till the end of 2012, monthly sales of new cars and light commercial vehicles were in the range from 250 to 270 thousand units, except for November 2012, when they decreased to 240.3 thousand units.

The last quarter of 2012 was characterized by a sharp decrease in rates of the market growth. At that, if in October the growth amounted to 5%, having decreased in two times, in comparison with the previous month, in November the market showed no increase on the corresponding month of 2011. In December the growth made 1%.

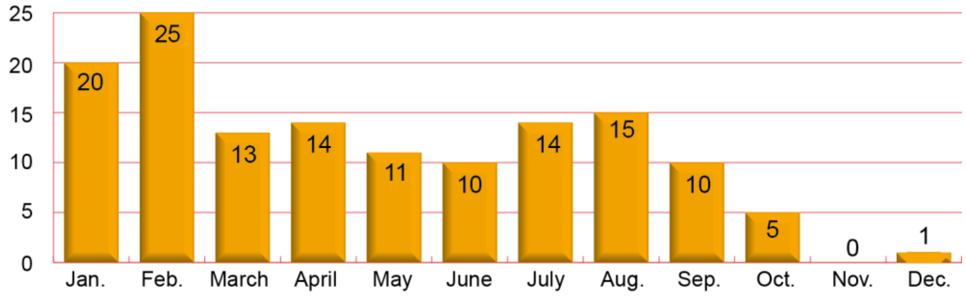
Thus, by the end of 2012, the market stabilized, both in quantitative and relative terms.

The Ratio of Economic Indices and Car and LCV Sales in Russia, 2007-2012



Source: data by AEB Automobile Manufacturers Committee, Institute for Complex Strategic Studies, analysis by Russian Automotive Market Research (NAPI).

Car and LCV Sales Growth in Russia, 2012/2011, %



Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Important Factors

Economic stability in Russia is among primary factors of the Russian car market growth.

Economic stability was of great importance both for banks (commercial and captive), which offered a wide range of programs of auto lending in 2012, as well as for consumers, who actively used these programs. The availability of auto loans also contributed to the market growth.

It is also important to note the development of the production of foreign companies in Russia. More and more brands open their own productions or enter into arrangements on organization of a contract assembly with Russian automakers. In addition, foreign automakers increase their production capacities in Russia and begin to assemble more and more models.

As for factors, constraining the market growth, the high cost of vehicle ownership in Russia is the most important factor among them.

It is formed by the constantly rising fuel prices, which are much higher than those abroad, auto loan interest rates, heavy expenses for insurance and maintenance.

At that, in 2013, this factor will be even more important as a result of the planned increase of MTPL limit payments, as well as the growth of excise duty rates on the gasoline.

Financial Programs

In 2012 foreign manufacturers offered a wide range of different financial products, insurance and lending programs, to their consumers. Lending programs were developed most actively. On the whole, general terms and conditions of these programs remained unchanged. The interest rate was mainly determined by a size of the initial installment and the loan term.

The financial strength of a customer also played an important role. In some cases, manufacturers paid a special attention to it. A way of income data submittal was one of the criteria to confirm the reliability. With the officially confirmed income the interest rate on the loan was lower than that with a stated income.

As for the terms of lending programs, the minimum interest rate most often varied from 14 to 15% per annum in rubles. There were even offers with an interest rate of 10-11% per annum. The large initial installment, for example, 60% of a car value, was the main condition to receive these loans.

Loan terms, as a rule, varied from 1 to 5 years, offers with loan terms of 6-7 years were less common. The initial installment could be different. Its minimum size was often within 15% and higher. Loan amounts also varied within different limits, depending on the particular financial programs. The minimum loan amount could amount to 0.7 million rubles, the maximum loan amount could reach 5 million rubles, and in some cases - 6.5 million rubles.

Financial Programs of Foreign Manufacturers, Q III-IV, 2012			
Manufacturer/ Brand	Announcement Date	Program/Action	Notes
Chevrolet	Q III, 2012	A special offer under the Chevrolet Finance program, carried out together with Raiffeisen JSC.	Lending terms under the «2 document standard» product (a passport + copy of a work book): the minimum initial installment - 15% or 40%; maximum loan amount - 1500000 rubles; loan term - from 1 to 6 years; interest rate - from 14% to 16% per annum in rubles (from 12.5% to 14.5% for the life insurance). Lending terms under the «2 document light» product (a passport + driver's license, foreign passport, or military card): the minimum initial installment - 15%*; maximum loan amount - 700000 rubles; loan term - from 1 to 6 years; interest rate - from 16% to 18% per annum in rubles (from 14.5% to 16.5% for the life insurance).

			Lending terms under the «Chevrolet Avtoexpress» program (a passport + driver's license, passport, or military card): the minimum initial installment - 15% or 40%; maximum loan amount - 700000 or 1500000 rubles; loan term - from 1 to 5 years; interest rate - from 15% to 17% per annum in rubles (from 15.5% to 15.5% for the life insurance). * In order to increase the loan amount to 3000000 rubles it is necessarily to provide for a certified copy of a work book. The action was carried out from July 1, 2012 to December 31, 2012.
	Q III, 2012	A special offer under the Chevrolet Finance program, carried out together with Sberbank of Russia JSC.	Lending terms: the minimum initial installment - 15%; maximum loan amount - 5000000 rubles / 150000 US dollars / 120 000 Euros; loan term - from 1 to 5 years, interest rate - from 14.5% to 16% per annum in rubles, from 11.5% to 13.0% in US dollars or Euros. This lending program, carried out together with «Sberbank of Russia» JSC, was available at Chevrolet authorized dealer centers throughout Russia and covered all new cars of Chevrolet brand, except for the Niva model. The action was carried out from July 1, 2012 to December 31, 2012.
Volvo	Q III, 2012	A special price for the motor hull insurance policy.	The motor hull insurance policy at a low rate of 3.33 % of a car value. These terms were provided for purchasers of the Volvo XC90 SUV with the Volvo on Call system. The offer was developed jointly with the «Alpha Insurance» company and was effective under the «Volvo Car Insurance» program. The action covered car owners older than 33 years with a driver's experience over 10 years. The offer was effective from July 1, 2012 to December 31, 2012.
	Q III, 2012	A «Volvo Car Leasing» special program.	Features of the program: the term of a leasing contract - up to 60 months; a simplified approval procedure: the «JUST leasing» program without the customer’s financial state estimation; the minimum application response time (preliminary decision during 15 min, final decision - 1 workday). Flexible transaction parameters, in particular, a discount of up to 10% on all Volvo cars. Requirements to the clients: any business type, business period - from six months. Partners of a program: «CARCADE Leasing» («CARCADE» LLC) and «FB-LEASING» LLC.
	Q III, 2012	Special terms for the purchase of a new Volvo at the reduced interest rates.	Under the «Volvo Car Credit» program the interest rate on a loan was reduced to 10.9 % per annum in rubles, with the initial installment of 60% of a car value. The partner of a program:

			«Raiffeisen Bank» JSC.
	Q IV, 2012	Expansion of the list of banks-partners under the «Volvo Car Credit» program.	«UniCredit Bank» JSC became a new partner. Under the «Volvo Car Credit» program a buyer could take out a bank loan for a term from 3 to 84 months to purchase a new or used (according to the Selekt program) Volvo car. The interest rate - from 11.5 % per annum in rubles. Maximum loan amount - 6.5 million rubles, the initial installment - 10 % of a car value. It is possible to receive a loan with the redemption on a deferred basis, when a part of the car value (from 35% to 50%) can be repaid with this loan terminated. Maximum loan term with the deferment - 3 years, interest rate - from 11.5 % per annum in rubles, minimum amount of the initial installment - from 20 % of a car value.
Hyundai	Q III, 2012	Increase of the number of partners- participants of the Hyundai Finance program.	Since August 1, 2012, «UniCredit Bank» JSC has become an official partner of «Hyundai Motor CIS» LLC.
	Q III, 2012	A special program for the purchase of Hyundai i30 cars on credit for 267 rubles per day under the Hyundai Finance program (as of August 1, 2012).	This level of costs was achieved by the discount of 30000 rubles on a car. Special conditions covered all loan terms, with the initial installment of 15% in case of the credit agreement signing in August 2012. When buying a car, the discount on a loan was provided by one of the following five banks: VTB 24, Credit Europe Bank, Rusfinance Bank**, Sberbank, UniCredit Bank. ** A subsidy covered «Standard», «Express», and «Multifinance» tariffs. There is no subsidy for tariffs with the insurance premiums included in the principal (SA, SG, ST, ST2).
Kia	Q III, 2012	A new partner of Kia Motors Rus under the KIA Finance program from Credit Europe Bank.	Credit Europe Bank became the fifth participant of the KIA Finance partner program. The program provided for the possibility to receive a loan in the amount up to 4.5 million rubles at a rate of 12.9% per annum, without additional commission. The loan term - from 1 to 5 years. It was allowed to pay back a loan either in part or in full ahead of schedule.
	Q III, 2012	Announcement of the new leasing program launch for corporate clients.	The KIA Leasing program is intended for small and medium sized business representatives. Main terms: the minimum initial installment – 4.8%, accelerated term of a leasing transaction - from 1 work day, maximum lease term - up to 5 years, or the possibility of concluding a lease agreement without a financial evaluation of the lessee, in case of a minimum package of documents are provided. «VEB-Leasing» JSC is a partner of Kia Motors RUS in the

			implementation of this program.
Renault	Q III, 2012	Launch of the own Renault Leasing leasing program in Russia.	–
Toyota	Q III, 2012	Launch of the new «Camry Garant» lending program by Toyota Bank JSC.	The auto loan for a new Toyota Camry car, guaranteed for the repurchase. The product is based on the model of a loan with a residual payment, which enables the client to reduce monthly payments due to the repayment of only a part of the principal during the term of the loan agreement. The borrower makes one time payment to pay back the remaining amount of a loan, which is equal to 60% of a value of the new purchased Toyota Camry car, at the end of the loan term. The client can pay the residual payment from his own funds by the transfer of a loan car under the Toyota Trade-in program, or refinance it. When the «Camry Garant» program conditions are satisfied, the redemption value of a car, transferred under the Toyota Trade-in program to the Toyota dealer center, will be not less than the amount of residual payment.
BMW	Q III, 2012	Launch of the lending program with the participation of BMW Bank and «Independence» company.	Object of the lending: a new BMW 1 series 116i. Lending terms: the initial installment - 37% of a car value; residual payment - 40%; interest rate – 8.95% per annum; loan term - 36 months. The action was effective till December 31, 2012.
	Q III, 2012	Implementation of a «M-Credit» special program of the lending of new cars.	Object of the lending: a new or demo BMW 1 series M coupe, M3, M5, M6, X5M, X6M. Features of the lending program: the initial installment - from 15% (the initial installment in case of the motor hull insurance policy execution under the «BMW Insurance» program - from 10%); interest rate (without life insurance) - from 5.7% to 13% in rubles; loan term - from 1 to 5 years; minimum loan amount - 200 thousand rubles, maximum loan amount - 5250 thousand rubles. The program was effective from July 1, 2012 to December 31, 2012.
	Q III, 2012	Implementation of a «Standard» special lending program.	Features of the lending program: the initial installment - from 15% (in case of the motor hull insurance policy execution in «Alliance» insurance company - from 10%); not less than 10% when purchasing the insurance policy under the «BMW Insurance» program. The loan amount could also include the value of car insurance for the first year of the loan service, bank's commission for the issue of a loan. Loan term - from 1 to 7 years (in

			Russian rubles, US dollars and Euro); up to 5 years (with the life insurance). Interest rates (with the official or approved income) - from 8.5% to 15.5% in rubles, with the initial installment up to 40%; from 8.0% to 15.0%, with the initial installment from 40%. Interest rates (with a stated income) - from 9.5% to 16.5% in rubles, with the initial installment up to 40%; from 8.0% to 15.0%, with the initial installment from 40%. Minimum loan amount: 200000 rubles, 4500 US dollars, 3000 Euros. Maximum loan amount: 5250 thousand rubles, 225 thousand dollars, 150 thousand Euros. With the initial installment from 40% the loan was provided with a minimum package of documents. The program was effective from July 1, 2012 to December 31, 2012.
	Q III, 2012	Implementation of a «Standard Plus» special lending program.	Features of the lending program: the initial installment - from 15% (in case of the motor hull insurance policy execution under the «BMW Insurance» program - from 10%). Loan term - from 1 to 7 years (in Russian rubles, US dollars and Euro). Interest rates (with the official or approved income) - from 9.0% to 16.0% in rubles. Interest rates (with a stated income) - from 10.0% to 17.0% in rubles. Minimum loan amount: 200000 rubles, 4500 US dollars, 3000 Euros. Maximum loan amount: 5250 thousand rubles, 225 thousand dollars, 150 thousand Euros. The program was effective from July 1, 2012 to December 31, 2012.
	Q III, 2012	Implementation of a «By two documents» special lending program.	The program enabled to buy a car on credit without the official confirmation of employment and income. Features of the lending program: the initial installment - from 15% (in case of the motor hull insurance policy execution in «Alliance» insurance company - from 10%); loan term - up to 7 years in rubles, US dollars and Euros (up to 5 years with the life insurance); interest rates - from 10.5% to 17.5% in rubles, with the initial installment up to 40%; if the initial installment is over 40% it is possible to use any program of lending of new BMW cars. Minimum loan amount: 200000 rubles, 4500 US dollars, 3000 Euros. Maximum loan amount: 5250 thousand rubles, 225 thousand dollars, 150 thousand Euros. The program was effective from July 1, 2012 to December 31, 2012.
	Q III, 2012	Implementation of a «By	The program enabled to buy a used

		two documents» special lending program for used cars.	car on credit without the official confirmation of employment and income. Features of the lending program: the initial installment - from 15% (in case of the motor hull insurance policy execution in «Alliance» insurance company - from 10%); loan term - up to 5 years in rubles, US dollars and Euros; interest rates - from 10.5% to 15.5% in rubles, with the initial installment up to 40%; if the initial installment is over 40% it is possible to use any program of lending of new BMW cars. Minimum loan amount: 200 thousand rubles, 4500 US dollars, 3000 Euros. Maximum loan amount: 5250 thousand rubles, 225 thousand dollars, 150 thousand Euros. The program was effective from July 1, 2012 to December 31, 2012.
	Q III, 2012	Implementation of a «BMW Select» special lending program.	Features of the lending program: the initial installment - from 15% (in case of the motor hull insurance policy execution under the «BMW Insurance» program without life insurance - from 10%); the residual payment by the end of the loan term - from 30 to 40%. The loan term - 3 years. Interest rates (with the official or approved income) - 10% in rubles, with the initial installment up to 40%; 9.5%, with the initial installment from 40%. Interest rates (with a stated income) - 11.0% in rubles, with the initial installment up to 40%; 9.5%, with the initial installment from 40%. With the initial installment from 40% the loan was provided with a minimum package of documents. Minimum loan amount - 200 thousand rubles, maximum loan amount - 5250 thousand rubles. The program was effective from July 1, 2012 to December 31, 2012.
	Q III, 2012	Implementation of a «BMW Vector» special lending program.	The program enabled to buy the new BMW and Mini cars at official BMW dealer centers, with a minimum amount of monthly payment. Features of the lending program: the initial installment - from 15% (in case of the motor hull insurance policy execution in «Alliance» insurance company - from 10%); the residual payment by the end of the loan term - up to 60%. Loan term - up to 5 years (with a possibility of prolongation up to 7 years). Interest rates (with the official or approved income) - from 8.5% to 13.5% in rubles, with the initial installment up to 40%; from 8.0% to 13.0%, with the initial installment from 40%. Interest rates (with a stated income) - from 9.5% to 14.5% in rubles, with the initial

			installment up to 40%; from 8.0% to 13.0%, with the initial installment from 40%. With the initial installment from 40% the loan was provided with a minimum package of documents. Minimum loan amount - 200 thousand rubles, maximum loan amount - 5250 thousand rubles. The program was effective from July 1, 2012 to December 31, 2012.
	Q III, 2012	Implementation of an «Individual» special lending program.	The program enabled to buy a new or a demo car at BMW or Rolls-Royce official dealer centers with the increased loan amount. Features of the lending program: the initial installment - from 15%; loan term - up to 7 years. Interest rates (with the official or approved income) - from 8.5% to 15.5% in rubles, with the initial installment up to 40%; from 8.0% to 15.0%, with the initial installment from 40%. Interest rates (with a stated income) - from 9.5% to 16.5% in rubles, with the initial installment up to 40%; from 8.0% to 15.0%, with the initial installment from 40%. Minimum loan amount: 5250 thousand rubles, 225 thousand dollars, 150 thousand Euros. Maximum loan amount is not limited. The program was effective from July 1, 2012 to December 31, 2012.
	Q IV, 2012	Launch of the «50/50» special lending program for BMW 7 Series.	According to the program terms, all credit costs of the customer were compensated for by the providing of a discount on a purchased car. Special conditions covered the purchase of both new and demo cars. The «50/50» lending program for BMW 7 series was distinguished by the residual payment, which was paid at the end of the loan term and amounted to 40% of the recommended retail price for the car. At that, the client could pay the residual payment from his own funds, refinance it (to receive a new loan in the amount of residual payment) or exchange the car under the trade-in system. Loan term - 24 months. The interest rate on a loan - 6.75% (with the life insurance) or 7 % (without life insurance). The initial installment - 50 % of a car value. The program was effective till December 31, 2012.
Nissan	Q III, 2012	Implementation of a Nissan Finance special program.	In July 2012, favorable offers were effective for the model line-up of Nissan cars. The interest rate on the purchase of Nissan Juke, Qashqai, Qashqai+2, X-Trail, Teana cars of the 2012 year of manufacture on credit - from 2.9%*. A special rate for Nissan Navara - from 4.9%. The rate on a loan decreased in the case of enhanced equipment. For

			other Nissan models a special offer was valid - from 7.9% per annum, with the initial installment from 10%*. * The bank offered base interest rates for Nissan GT-R. Under the Nissan Finance program interest rate is a rated value, which is achieved due to the reduction of a car value, purchased under this program, for the customer. Lending is carried out by «UniCredit Bank» JSC. Insurance services are provided by «ALICO» JSC. The procedure and amount of insurance payments are determined in each specific case in accordance with policy insurance terms. Insurance of life, disability and in the event of job loss is not a term to receive a loan. The offer from 2.9% covers cars of the 2012 year of manufacture, namely Nissan Juke of LE, SHIRO, KURO versions; Nissan Qashqai, Qashqai +2 of SV+, LE+ versions; Nissan Teana of Luxury (3.5 l), Luxury+, Premium versions, Nissan X-trail of LE (2.5 l), LE (2 liters, diesel) versions; the offer from 4.9% covers Nissan Navara of the LE version.
Fiat	Q III, 2012	Implementation of a special retail lending program for Fiat and Fiat Punto cars.	A special program was implemented under the Fiat Finance program (loans were provided by «Rusfinance Bank» LLC). Features of the lending program: loan term - from 2 to 5 years; interest rates, with the initial installment from 45% and higher (with the life insurance and motor hull insurance) - from 6.9% to 10.9%. Interest rates, with the initial installment from 45% and higher (with the life insurance), - from 7.9% to 11.9%. Interest rates, with the initial installment from 45% and higher (without insurance) - from 8.9% to 12.9%. The program was effective from August 8 to December 31, 2012.
Honda	Q III, 2012	Implementation of special terms (with motor hull insurance from 3.9 %*) for the purchase of Honda Pilot and Crosstour crossovers. * Motor hull insurance charges from 3.9% are the actual expenses of the buyer (percentage of a car value) for the motor hull insurance of new Honda Pilot, Crosstour cars, purchased at the authorized dealer centre or a candidate for a Honda dealer in Russia.	This offer of «Alliance» insurance company is based on certain conditions. For Honda Pilot and Crosstour cars: a new car of the 2012 year of manufacture; loan term - 1 year; the age of the youngest driver, admitted to drive, is over 40 years, his driving experience - more than 15 years; at the occurrence of an insured accident the franchise is not deducted (for Saint Petersburg an unconditional franchise of 5% of the sum insured is deducted). The action was carried out from June 1 to December 31, 2012.
Jaguar Land Rover	Q III, 2012	Implementation of a «Privilege» special financial offer under the Selected used car program.	According to the offer, the owner could choose a used car from a Jaguar/ Land Rover model line-up under the Selected program and make the initial installment in the amount of 50% of a car value, and then within 2 years could pay the minimum monthly payments. The residual payment, as a fixed

			amount, is not paid during the term of the loan use, but at the end of it. When the loan term expires the car owner can choose whether he wants to exchange a car for a new model (trade-in), repay the loan from his own funds or extend the loan for the remaining debt.
	Q III, 2012	Implementation of a «Business-Auto» special lending program for legal entities and individual entrepreneurs.	Features of the lending program: the low amount of initial installment– only 10%; the absence of requirements to the additional pledge, the purchased car is a subject of pledge; the loan amount could also included full or partial cost of the purchased car insurance for the first year. Also under the program a special price offer was effective: a discount of 6% of the recommended retail price for a car, which covered all new cars of Jaguar or Land Rover brands (except for Land Rover Freelander of E configuration, Range Rover Evoque and Range Rover New of the 2013 model year).
Lifan	Q IV, 2012	Implementation of a «LIFAN Finance» special lending program (with the interest rate up to 0%).	Program terms in the framework of the partnership with «URALSIB» Bank. Minimum initial installment - 15%. It is possible to purchase a LIFAN Solano car of DX configuration on credit with zero interest rate. This offer is valid with the initial installment of 50% and the loan term of 12 months. Program terms in the framework of the partnership with «Credit Europe Bank». It is possible to receive the «Avtoexpress credit» in the amount from 100 thousand rubles to 1 million rubles. The term of Express loan - up to 5 years. The interest rate depends on the loan term and the initial installment, in each case it is calculated individually. The program was effective till March 31, 2013.
Chery	Q IV, 2012	Expansion of a loan offer from URALSIB Bank for the whole Chery model line-up.	Initially, only purchasers of Chery Bonus and Chery Very could receive a loan on favorable terms. Since October 2012, the loan (at a rate from 10.5% to 13.5% per annum in rubles) has been available for the purchase of any Chery car. Loan terms - from 1 to 5 years. The interest rate depended on the loan term and the initial installment, as well as on the execution of a contract of life and disability insurance. Loan was issued without one-time commissions.
FAW	Q IV, 2012	Launch of FAW Finance special lending programs.	Banks-partners of «Queen Group» under FAW Finance programs: SberBank, Rusfinance Bank, Credit Europe Bank, ROSBANK, Gazprombank. The FAW Finance program enabled to receive a loan at a rate of 9% per annum. The loan was issued for a term of up to 5 years.

Opel	Q IV, 2012	Launch of a new «Light Credit» lending program by Raiffeisen Bank and Opel Finance.	The list of documents: a passport and the second document for choice (driver's license, foreign passport, military card). The initial installment - from 15%. Interest rates (under the classic program): 9.9% with the loan term of 12 months; 11.9% - with the loan term of 13-60 months. Interest rates (under the Express program): 12.9% - with the loan term of 12 months, 13.9% - with the loan term of 13-60 months.
Mitsubishi	Q IV, 2012	A special loan offer for Pajero IV model.	This model could be purchased on credit at a rate of 8,99%* per annum in rubles for a term of up to 3 years, subject to pay not less than 30% of a car value. For those who paid over 40% of the model value when receiving a loan for the purchase of Mitsubishi Pajero IV, the company gave the opportunity to return it within 12 months at a rate of 0.9%** in rubles. The offer was effective in the forth quarter of 2012. * The rate of 8.99% is a marketing interest rate under the Mitsubishi Motors Finance program, carried out jointly with «UniCredit Bank» JSC. This marketing rate is not the interest rate on a loan and reflects actual costs for the financing of the purchase of the new Mitsubishi Pajero IV, Mitsubishi Pajero Sport cars, without any additional equipment. Minimum / maximum loan amount - 100 thousand rubles / 6.5 million rubles; the interest rate on a loan in the credit contract – 14.5%. ** The rate of 0.9% is a marketing interest rate under the Mitsubishi Motors Finance program, carried out jointly with «Raiffeisenbank» JSC. Minimum / maximum loan amount - 80 thousand rubles / 3 million rubles; the interest rate on a loan, specified in the credit agreement, - 11.4% per annum; the commission for the loan issue is 5.5 thousand rubles.
Peugeot	Q IV, 2012	Launch of a Peugeot Finance special lending program for the purchase of Peugeot 408 cars.	Rates amounted to: 4.08%* - for 24 months, 9.9% - for 36 months, 11.9% - for 46 months. The initial installment - from 50%, with the loan term from 12 to 24 months, from 35% for 36 months, from 30% for 48 months. Loans were issued in rubles, and there was no one time commission. * When buying Peugeot 408, costs of the borrower are comparable with the loan at a 4.08% interest rate for a period of 12 or 24 months. Loan currency - Russian roubles. The initial installment - from 50%. It is obligatory to execute the MTPL and motor hull insurance. The

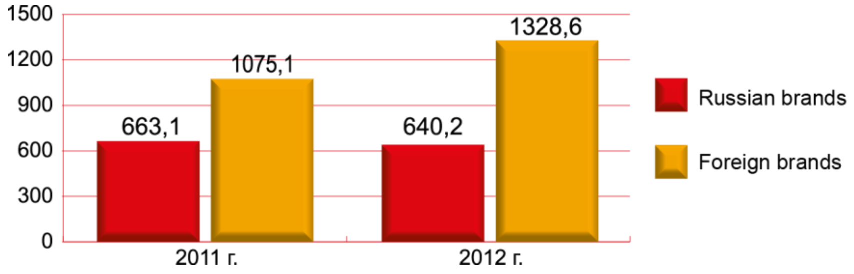
			interest rate for a period of 12 months will amount to 16.72 %, for a period of 24 months - 15.57%. Minimum loan amount - 50 thousand roubles. Maximum loan amount - 5 million roubles.

Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Car Production in Russia

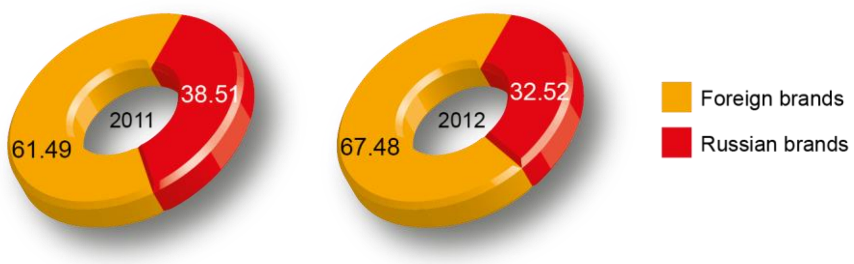
In 2012, in Russia, 1.97 million cars were produced, which is a 1.88% increase on the production figure of 2011. At that, the production growth was due to foreign-branded cars: in 2012, their production increased by 22.8%, and the production of cars of Russian brands decreased by 3.31%.

Car Production Dynamics in Russia, 2011-2012, Thousand Units



Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Car Production Structure in Russia, 2011-2012, %



Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

The share of cars of Russian brands amounted to 32.52% or 640.2 thousand units of the total car production volume in Russia. In comparison with 2011, the share of Russian-branded cars decreased by 6%.

In 2012, the production at AVTOVAZ, the largest Russian car manufacturer, decreased slightly - by 1.69% and amounted to 552.2 thousand units. The production termination of «classic» models was balanced both by an increase in the production of the latest developments of Volga Automobile Plant, in particular, Lada Granta cars, and the launch of a new Lada Largus in cooperation with Renault-Nissan.

The production decrease of «OAG» LLC («IzhAvto») by 25.52% was much more significant, as the manufacture of «classic» models of Lada cars at this enterprise made the main production volume. In 2012, capacities of the plant were reoriented to the production of Lada Granta cars. According to the results of 2012, 46.6 thousand cars rolled off the production line of «IzhAuto», Lada Granta cars accounted for half of them.

In 2012, Ulyanovsk Automobile Plant, the other major Russian car manufacturer, produced 32.4 thousand units of cars. In comparison with 2011, the share of UAZ Patriot cars in the production structure increased by 8.36%, to 67.87%. The share growth of this model was due to the decrease in the production of UAZ Hunter, another key model of the plant. By the results of 2012, the share of Hunter in the UAZ production structure amounted to 31.14%.

In 2012, in Russia, 1328.6 thousand cars of foreign brands were produced, which amounted to 67.48% of the car production in Russia. Leningrad, Moscow, Kaliningrad and Kaluga regions are the largest centers of production of foreign cars in Russia.

Automobile Clusters in Russia, 2012

Region	Manufacturer	Brand	Total Production in Region in 2012, Units	Total Production in Region in 2011, Units	Production Dynamics, %
Samara region*	AVTOVAZ	Lada, Nissan	622 981	623 793	– 0.13
	GM-AVTOVAZ	Chevrolet			
Kaliningrad region	Avtotor	Kia, BMW, Chevrolet, Cadillac, Opel	249635	222 081	12.41
Moscow region	Avtoframos	Renault	192003	160926	19.31
	«IMS» LLC	GreatWall			
Leningrad region	GM, Toyota, Hyundai, Nissan	Chevrolet, Opel, Toyota, Hyundai, Kia, Nissan	497055	357480	39.04
	Ford	Ford			
Kaluga region	Volkswagen Group Rus	Volkswagen, Skoda	219475	181429	20.97
	PSMA Rus	Peugeot, Citroen, Mitsubishi			
Republic of Udmurtia	«OAG» LLC	Lada	46634	65 091	-28.36
Rostov region	TagAZ (Taganrogsky Subsidiary of TagAZ LLC, «TagAZ International LLC, «HT Avto» LLC)	TAGAZ, Hyundai, Vortex, BYD	17740	26 384	-32.76
Ulyanovsk region	«UAZ» LLC	UAZ	32469	30 394	6.83
Republic of Tatarstan	«Sollers – Naberezhnye Chelny» JSC	-	207	18558	-98.88
	«Sollers – Yelabuga» LLC**				
	«Ford Sollers Holding» LLC	Ford	6992	649	977.35
	«Ford Sollers – Yelabuga» LLC**				
Primorye Territory ***	«Sollers – Far East» LLC	SsangYong	35881	25 127	42.80
	Mazda Manufacturing Rus	Mazda			
Karachay Cherkess Republic	Derways Automobile Company	Lifan, Haima, Geely	46646	31 503	48.07
Chechen Republic	Chechenavto	Lada	1070	678	57.82
Total			1 968 788	1 744 095	12.88

**Including the production of special purpose vehicles by Super-Avto and PSA Bronto companies.*
*** A production result for 2012 of only these Sollers companies is known.*
**** In January 2013, «Sollers-Bussan» launched its production (manufactures Toyota Land Cruiser Prado).*

Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Car Brands and Models Produced in Russia, 2012

Manufacturer	Brand	Models
GM (Saint Petersburg)	Chevrolet	Captiva, Cruze
	Opel	Antara, Astra
Toyota (Saint Petersburg)	Toyota	Camry
Hyundai (Saint Petersburg)	Hyundai	Solaris
	Kia	Rio
Nissan (Saint Petersburg)	Nissan	Teana, X-Trail, Murano, Infiniti FX и M
Avtoframos (Moscow)	Renault	Logan, Sandero, Megane, Fluence, Duster, Koleos, Latitude
Avtotor (Kaliningrad)	Kia	Sorento, Mohave, Sportage, Carens, Cee'd, Soul, Venga, Cerato, Optima
	BMW	X1, X3, X5, X6, new X3, 3 series, new 3 series, new 5 series, 7 series
	Chevrolet	Tahoe, Aveo, Lacetti, Epica, Malibu, Orlando, Captiva, Cruze
	Cadillac	CTS, SRX, Escalade
	Opel	Antara, Astra, Mokka, Zafira, Insignia, Meriva
Ford (Vsevolzhsk)	Ford	Focus, Mondeo
Ford Sollers (Yelabuga)	Ford	Kuga, S-Max, Galaxy, Explorer
GM-AVTOVAZ (Togliatti)	Chevrolet	Niva
Derways Automobile Company (Karachay Cherkess Republic)	Lifan	Breez, Solano, Smily
	Haima	Haima 3
	Geely	MK, MK Cross, Emgrand
PSMA Rus (Kaluga)	Peugeot	Peugeot 308, 408, 4007
	Citroen	Citroen C4, C-Crosser
	Mitsubishi	Outlander
Volkswagen Group Rus (Kaluga, Nizhny Novgorod)	Volkswagen	Polo, Tiguan
	Skoda	Fabia, Octavia A5, Yeti
Sollers – Far East (Vladivostok)	SsangYong	NewActyon, Kyron, Rexton, Actyon Sports New
«IMS» LLC (Gzhel of the Moscow region)	GreatWall	Hover H5
«Mazda Sollers Manufacturing Rus» (Vladivostok)	Mazda	CX-5
TagAZ (Rostov region)	Hyundai	Sonata, SantaFe, Accent
	Vortex	Corda, Estina, Tingo
	BYD	BYD F3

Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Car Sales

Lada is the most saleable car brand in Russia. In 2012, 537.6 thousand Lada cars were sold, which is a 7% decrease on 2011. The market share of the brand amounted to 18.32% in 2012.

The total share of Russian brands in the Russian car market is 23.71%, from which Lada brand accounts for 77.27%, UAZ brand – 8.72%.

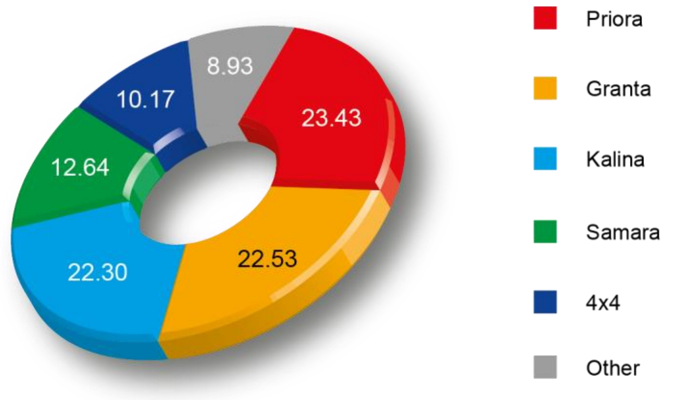
Priora, Granta and Kalina models make over two-thirds of Lada sales. Their shares are almost similar and amount to 23.43%, 22.53% and 22.30%, respectively.

Car and LCV Sales Structure, By Origin, 2012, %

Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

In 2012, the share of Samara model decreased significantly, from 21.17% to 12.64%. The share of Lada Largus model in sales is still small and amounts to 2.89%.

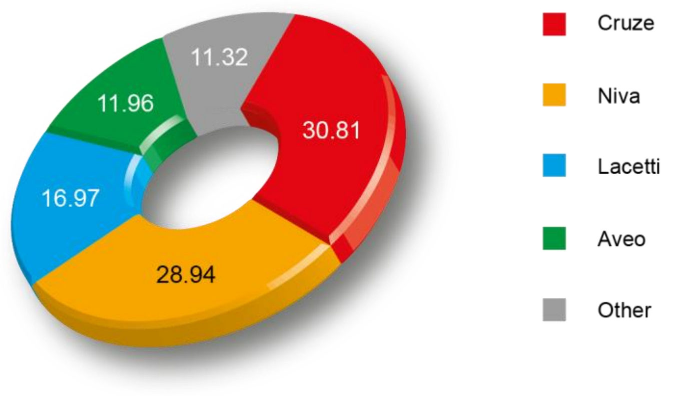
Lada Sales Structure, By Model, 2012, %



Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Chevrolet brand took the second place by the sales volume in 2012. Chevrolet sold 205 thousand cars, which is an 18% increase on 2011. Cruze and Niva were the most popular models of the brand in 2012; their shares in sales amounted to 30.81% and 28.94%, respectively.

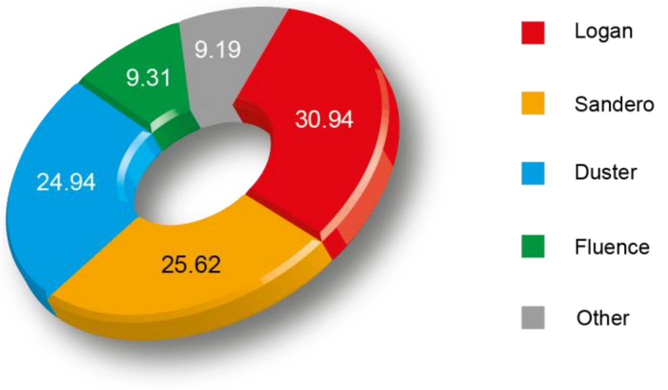
Chevrolet Sales Structure, By Model, 2012, %



Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

In 2012, Renault was on the third place by the car sales volume. If, in quantitative terms Renault yielded to Chevrolet, having sold 189.9 thousand cars in 2012, according to the annual growth the French brand took the lead over the American one: in 2012, the growth of Renault's sales amounted to 23%.

Renault Sales Structure, By Model, 2012, %

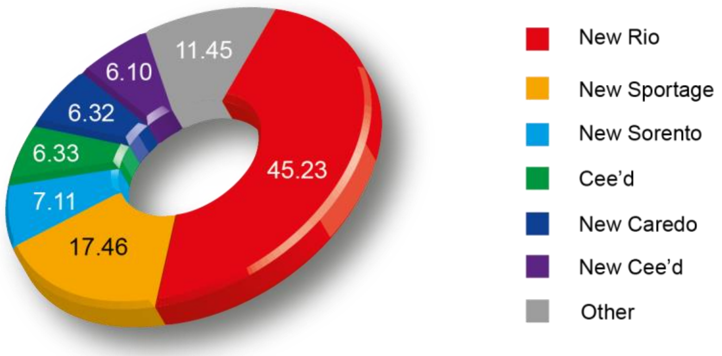


Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

The most saleable Renault models in 2012 are: Logan, which accounted for 30.94% of sales in 2012, Sandero – 25.26%, and Duster – 24.94%.

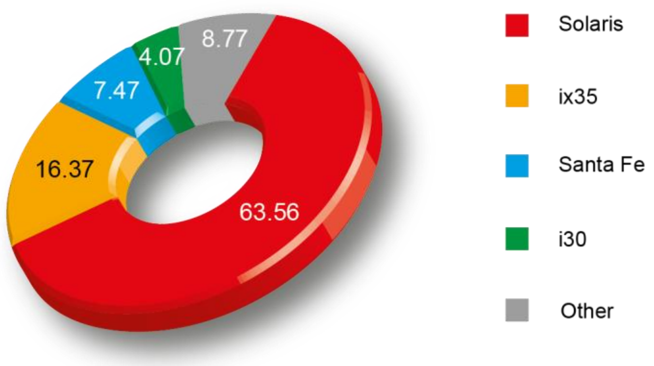
Kia and Hyundai brands with the results of 187.3 thousand and 174.3 thousand sold cars, respectively, are also among the five leaders in 2012 by their sales volumes. These brands differ significantly in annual sales growth. If in 2012 Kia sales increased by 23%, Hyundai - only by 7%. This is the lowest annual growth both in the TOP-5 and in the TOP-10 lists of market leaders (except for the Lada brand, which showed a negative annual growth).

Kia Sales Structure, By Model, 2012, %



Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Hyundai Sales Structure, By Model, 2012, %



Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

New Rio with 45.23% of brand's sales in Russia was the most popular Kia model in 2012. Hyundai Solaris (63.56% of sales) was a leader of sales in Russia.

On the whole, according to the results of 2012, the TOP-5 list of car brands remained unchanged, in contrast to positions of some brands. So, Hyundai moved down from the third position in 2011 (after Lada and Chevrolet) to the fifth one in 2012, and Renault and KIA brands, on the contrary, strengthened their positions, in comparison with the fourth and the fifth places in 2011, respectively.

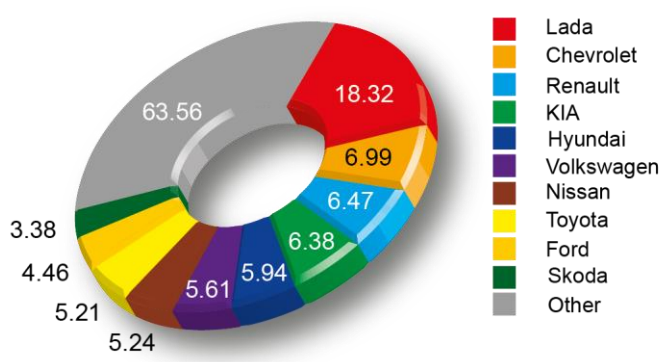
In addition to the above mentioned brands, Volkswagen, Nissan, Toyota, Ford, and Skoda are also in the TOP 10 list of the most saleable cars, which accounts for two thirds of sales of new cars in the Russian market.

Concerning the composition of the TOP-10, the success of Volkswagen Group in the Russian market in 2012 is noteworthy.

If in 2011 Volkswagen brand was at the end of the TOP 10, in 2012 it was very close to the TOP-5, having taken the sixth position in the rating of car sales. Skoda, another model of the company, which did not find itself in the TOP-10 list of the most saleable brands in 2011, entered it in 2012. Daewoo brand, which was on the 12-th position by sales volume according to the results of 2012, did not get into the TOP-10 list.

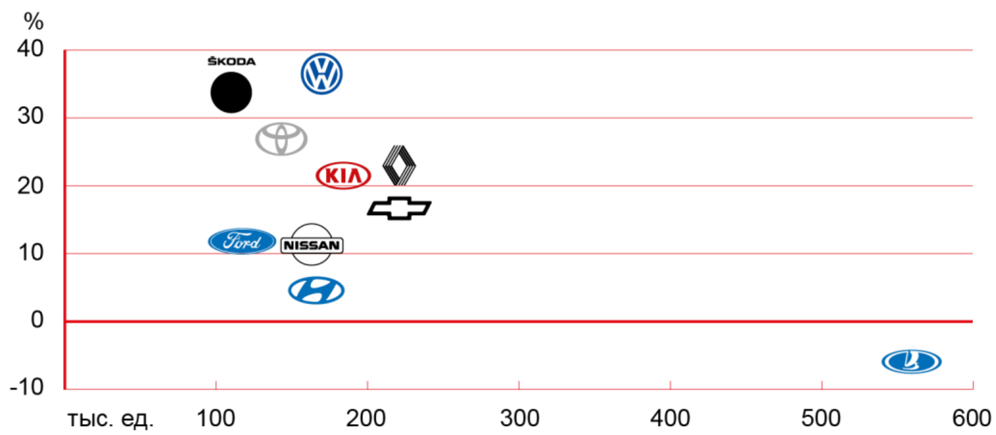
Both brands of Volkswagen Group showed the highest sales growths in the TOP 10 by the results of 2012: Volkswagen - by 40%, and Skoda - by 34%.

New Car and LCV Sales Structure, TOP-10 Brands, 2012, %



Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Annual Growth - Sales Volume Ratio for TOP-10 Brands, 2012



Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

TOP-10 Brands with The Highest Annual Sales Growth, 2012 year results

Rating	Brand	Sales Volume, 2011, Thousand Units	Sales Volume, 2012, Thousand Units	Sales Growth, 2012/2011, %
1	Geely	6.1	17.6	189.87
2	Chery	7.3	19	161.12
3	Chrysler	0.08	0.2	155.26
4	Jeep	2.1	4.7	124.75
5	SEAT	1.1	2.5	121.83
6	Great Wall	6.8	14.4	112.08
7	Porsche	2.2	3.6	64.08
8	Land Rover	13.2	19	44.45
9	Audi	23.3	33.5	44.14
10	VW	118	164.7	39.57

Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

TOP-10 Brands with Negative Annual Sales Growth, 2012 year results

Rating	Brand	Sales Volume, 2011, Thousand Units	Sales Volume, 2012, Thousand Units	Sales Growth, 2012/2011, %
1	Haima	3.1	0.6	-81.02
2	FIAT	28.3	8.6	-69.48
3	Vortex	12.1	6	-50.81
4	ZAZ	20	10	-50.30
5	TagAZ	1.8	1.3	-27.66
6	Bogdan	8.7	7.5	-13.49
7	Cadillac	2.2	2	-9.07
8	Suzuki	35.5	2.7	-7.85
9	Lada	578.4	537.6	-7.05
10	Daewoo	92.8	88.2	-4.90

Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

In general, according to the results of 2012, Geely, Chery, Chrysler, Jeep, SEAT and Great Wall brands showed the highest sales growth. In 2012, sales of each of these brands increased by over 100%.

Results of Geely and Chery Chinese brands are the most outstanding: sales of these brands showed the jump in 2012, having increased in 2.9 and 2.6 times, respectively. Sales of the Chrysler brand increased significantly only in percentage and in absolute terms they are not so high.

Haima, FIAT, Vortex and ZAZ brands showed negative results in 2012: sales of these brands decreased in more than two times. TagAZ, Bogdan, Cadillac, Suzuki, Lada and Daewoo brands also showed negative annual growth.

New Car and LCV Sales Volume Dynamics* in Russia, 2012

2012 Ranking	2011 Ranking	Brands	Sales Volume, 2012, Units	Sales Volume, 2011, Units	Sales Dynamics, 2012/2011, Units	Sales Growth, 2012/2011, %	Share in Sales Structure, 2012, %	Share in Sales Structure, 2011, %	Share Change 2012/2011, %
1	1	Lada	537625	578387	-40762	-7.05	18.32	21.80	-3.48
2	2	Chevrolet	205042	173484	31558	18.19	6.99	6.54	0.45
3	4	Renault	189852	154734	35118	22.70	6.47	5.83	0.64
4	5	KIA	187330	152873	34457	22.54	6.38	5.76	0.62
5	3	Hyundai	174286	163447	10839	6.63	5.94	6.16	-0.22
6	9	Volkswagen	164702	118003	46699	39.57	5.61	4.45	1.16

7	6	Nissan	153747	138827	14920	10.75	5.24	5.23	0.01
8	7	Toyota	153047	119505	33542	28.07	5.21	4.50	0.71
9	8	Ford	130809	118031	12778	10.83	4.46	4.45	0.01
10	13	Skoda	99062	74074	24988	33.73	3.38	2.79	0.59
11	11	GAZ	90247	90034	213	0.24	3.07	3.38	-0.31
12	10	Daewoo	88232	92778	-4546	-4.90	3.01	3.50	-0.49
13	14	Opel	81242	67555	13687	20.26	2.77	2.55	0.22
14	12	Mitsubishi	74294	74166	128	0.17	2.53	2.80	-0.27
15	15	UAZ	60653	57148	3505	6.13	2.07	2.15	-0.08
16	17	Mazda	44443	39718	4725	11.90	1.51	1.50	0.01
17	16	Peugeot	44420	44304	116	0.26	1.51	1.67	-0.16
18	21	BMW	37515	28165	9350	33.20	1.28	1.06	0.22
19	19	Mercedes-Benz	37436	29058	8378	28.83	1.28	1.10	0.18
20	23	Audi	33512	23250	10262	44.14	1.14	0.88	0.26
21	22	Citroen	32859	27638	5221	18.89	1.12	1.04	0.08
22	18	Suzuki	32684	35469	-2785	-7.85	1.11	1.34	-0.23
23	24	SsangYong	31198	22692	8506	37.48	1.06	0.86	0.20
24	27	Honda	21512	19101	2411	12.62	0.73	0.72	0.01
25	28	Lifan	20544	17916	2628	14.67	0.70	0.67	0.03
26	26	Volvo	20364	19209	1155	6.01	0.69	0.72	-0.03
27	30	LandRover	19043	13183	5860	44.45	0.65	0.50	0.15
28	35	Chery	19004	7278	11726	161.12	0.65	0.27	0.38
29	38	Geely	17566	6060	11506	189.87	0.60	0.23	0.37
30	32	VW Commercial Vehicles	16161	12345	3816	30.91	0.55	0.47	0.08
31	29	Lexus	15653	13698	1955	14.27	0.53	0.52	0.01
32	37	GreatWall	14373	6777	7596	112.08	0.49	0.26	0.23
33	31	Subaru	14296	12371	1925	15.56	0.49	0.47	0.02
34	25	ZAZ*******	9964	20049	-10085	-50.30	0.34	0.76	-0.42
35	36	Infiniti	9209	7042	2167	30.77	0.31	0.27	0.04
36	20	FIAT	8623	28254	-19631	-69.48	0.29	1.06	-0.77
37	34	Bogdan	7512	8683	-1171	-13.49	0.26	0.33	-0.07
38	33	Vortex**	5953	12103	-6150	-50.81	0.20	0.46	-0.26
39	44	Jeep	4704	2093	2611	124.75	0.16	0.08	0.08
40	41	Mercedes-Benz Commercial Vehicles	3974	2702	1272	47.08	0.14	0.10	0.04
41	43	Porsche	3613	2202	1411	64.08	0.12	0.08	0.04
42	45	BYD****	2630	2004	626	31.24	0.09	0.08	0.01
43	46	MINI	2629	2002	627	31.32	0.09	0.08	0.01
44	49	SEAT	2500	1127	1373	121.83	0.09	0.04	0.05
45	39	Izh	2465	5163	-2698	-52.26	0.08	0.19	-0.11
46	42	Cadillac	2024	2226	-202	-9.07	0.07	0.08	-0.01
47	-	BAW*****	1845	-	-	-	0.06	-	-
48	48	Jaguar	1506	1182	324	27.41	0.05	0.04	0.01
49	47	TagAZ***	1331	1840	-509	-27.66	0.05	0.07	-0.02
50	40	Haima	591	3114	-2523	-81.02	0.02	0.12	-0.10

51	-	FAW*********	560	-	-	-	0.02	-	-
52	51	Dodge	206	158	48	30.38	0.01	0.01	0.00
53	52	Chrysler	194	76	118	155.26	0.01	0.00	0.01
54	50	Isuzu	156	371	-215	-57.95	0.01	0.01	0.00
55	-	Foton******	141	134	7	5.22	0.00	-	-
56	-	Smart********	28	-	-	-	0.00	-	-
Total			2935111	2653803	281308	10.60	100.00	100.00	0.00

**LCV sales, if any in the brand's product line, are included in the total sales (marked with*); for some brands they are separately indicated. LCV<3.5 tons (in some cases, the gross weight reaches the upper limit of 6 tons). LCV data are subject to minor adjustments.*
*** VORTEX vehicles are manufactured by TagAZ LLC (Taganrog Automobile Plant).*
**** TAGAZ cars and LCVs are manufactured by TagAZ LLC (Taganrog Automobile Plant).*
***** BYD F3 vehicles are assembled by Taganrog Automobile Plant from October 2010 and sold through the TagAZ dealer network (BYD authorized distributor in Russia).*
****** BAW vehicles and buses are assembled by the factory «BAW-RUS Motor Corporation» LLC in Ulyanovsk from 2008 (from 2006 to 2008, the company was the exclusive distributor of BAW LCV in Russia).*
******* Foton vehicles are manufactured in China by the BEIQI FOTON MOTOR Co., LTD plants and are represented in Russia from 2009 by the distributor «FOTON MOTOR» LLC.*
******** ZAZ distributor changed in April 2012 in Russia.*
*********Sales of Smart vehicles in Russian are carried out by «Mercedes-Benz Rus» JSC from July 2012.*
********** Sales of FAW vehicles in Russian are carried out by «Queen Group» LLC, its official distributor in Russia, from August 2012.*

Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Market Segments

As for classes of new cars and light commercial vehicles in the market, according to the results of 2012, C class with the share of 27.54% was the largest.

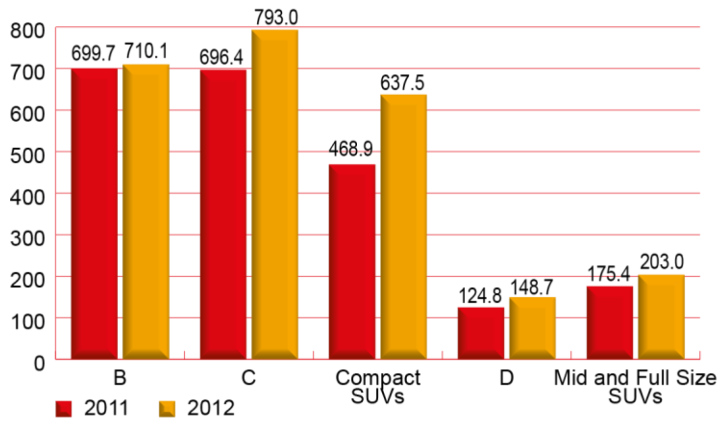
In 2011, B and C classes had almost the same shares of the market, and in 2012 B class became the second by the sales volume. Compact SUVs are on the third place by sales volume.

The share growth of the compact SUVs class and the decrease in the B class share were the main changes of 2012.

In 2012, the market share of compact SUVs increased by 3.38% to 22.14%, due to the share reduction of B class cars, sold over 2012, from 27.99% in 2011 to 24.66%, by the results of 2012.

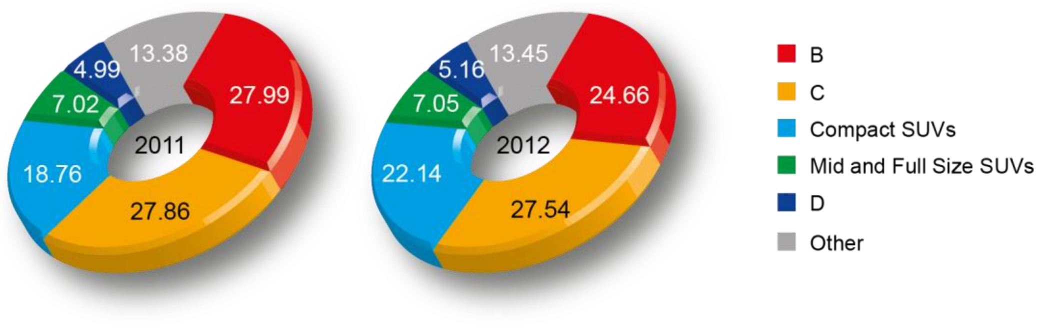
The rest of segments did not change significantly. In 2012, the market share of D class cars amounted to 5.16%, mid and full size SUVs - 7.05%.

Car and LCV Sales, By Class, 2011-2012, Thousand Units



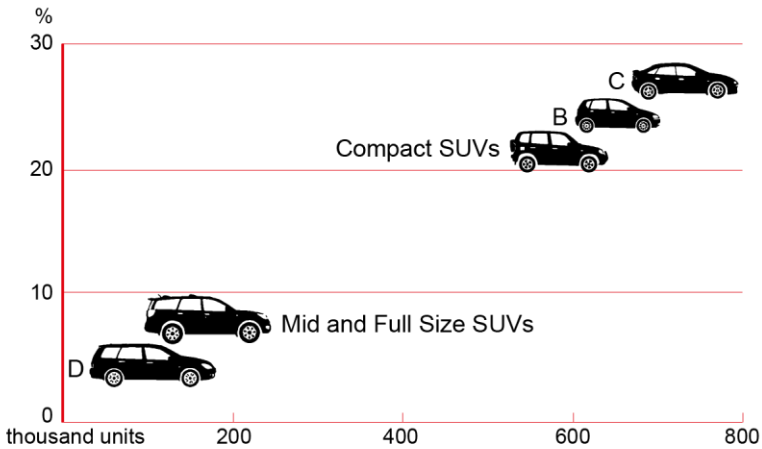
Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Car and LCV Sales Structure, By Class, 2011-2012, %



Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Car Share - Sales Volume Ratio, By Class, 2012



Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

TOP-10 Most Saleable Cars of B Class

Rating	Brand	Model	Share in the Class, 2012, %	Sales Volume, 2012, Thousand Units
1	Lada	Granta	17.06	121.2
2	Lada	Kalina	16.88	119.9
3	KIA	New Rio	11.93	84.7
4	VW	Polo	9.77	69.4
5	Lada	Samara	9.57	68
6	Renault	Logan	8.27	58.7
7	Renault	Sandero	6.85	48.6
8	Lada	2104/2105/2107	4.57	32.4
9	Chevrolet	Aveo	3.45	24.5
10	Skoda	Fabia	3.24	23

Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

TOP-10 Most Saleable Cars of C Class

Rating	Brand	Model	Share in the Class, 2012, %	Sales Volume, 2012, Thousand Units
1	Lada	Priora	15.88	126
2	Hyundai	Solaris	13.97	110.8
3	Ford	Focus	11.63	92.2
4	Chevrolet	Cruze	7.97	63.2
5	Opel	Astra	6.60	52.3
6	Daewoo	Nexia	5.22	41.4
7	Chevrolet	Lacetti	4.39	34.8
8	Toyota	Corolla	4.19	33.3
9	Renault	Fluence	2.23	17.7
10	VW	Jetta	1.86	14.8

Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

TOP-10 Most Saleable Compact SUVs

Rating	Brand	Model	Share in Class, 2012, %	Sales Volume, 2012, Thousand Units
1	Chevrolet	Niva	9.31	59.3
2	Lada	4x4	8.57	54.7
3	Renault	Duster	7.43	47.3
4	KIA	New Sportage	5.13	32.7
5	Nissan	Qashqai	4.93	31.4
6	Volkswagen	Tiguan	4.91	31.3
7	Nissan	Juke	4.80	30.6
8	Hyundai	ix35	4.41	28.1
9	Toyota	RAV 4	4.26	27.2
10	Nissan	New X-Trail	4.09	26.1

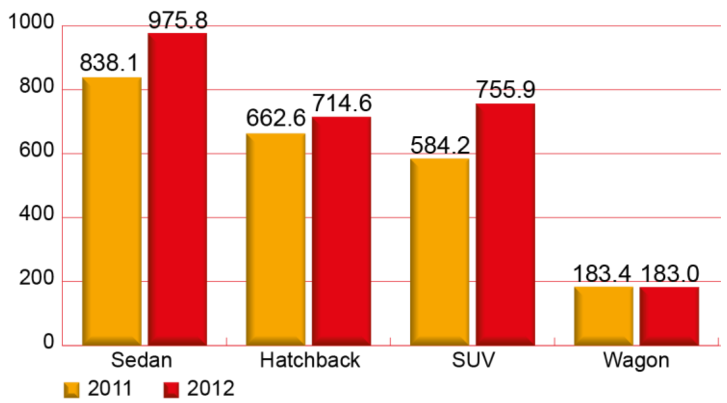
Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Market shares of cars with different body types reflect these trends, too .

The share of sedans slightly changed and amounted to 33.89%, according to the results of 2012. Sales of cars with this body type represent the largest market segment. SUVs, whose share increased by 2.88% to 26.25% in 2012, are on the second place by the sales volume, while in 2011 SUVs occupied the third position.

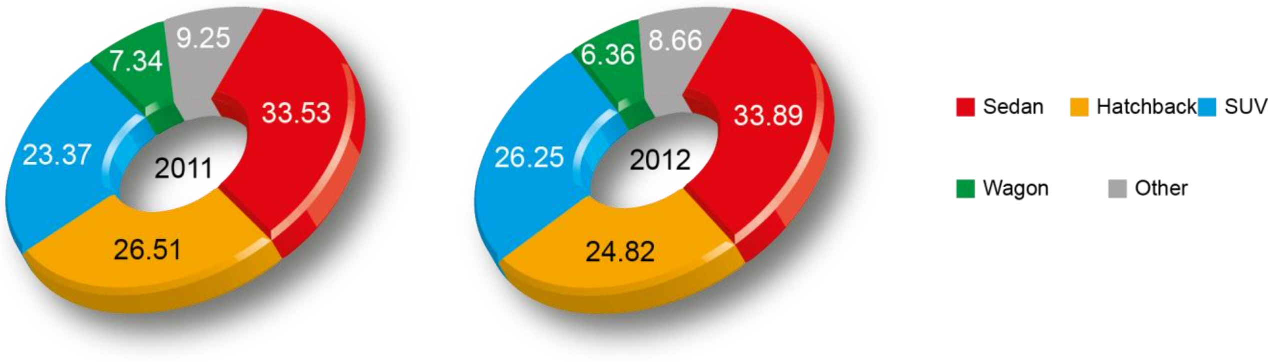
The share of hatchbacks, which occupied the third place by sales of new cars in 2011, decreased by 1.69% to 24.82%. The market share of wagons decreased slightly.

Car and LCV Sales, By Body Type, 2011-2012, Thousand Units



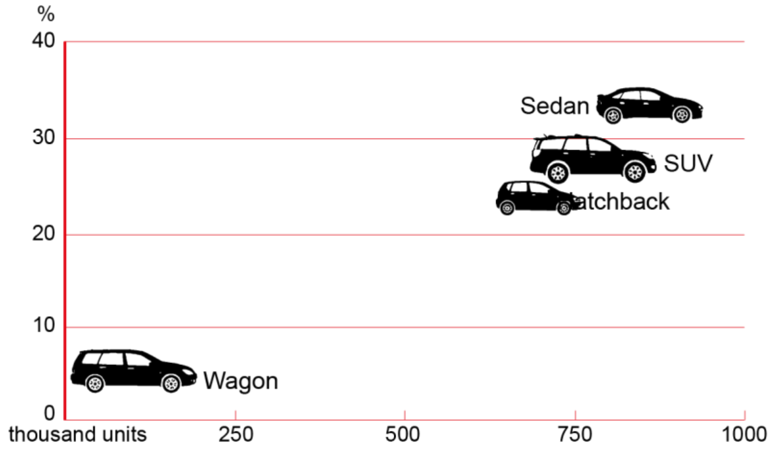
Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Car and LCV Sales Structure, By Body Type, 2011-2012, %



Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Car Share - Sales Volume Ratio, By Body Type, 2012



Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Car Class - Body Type Ratio, 2012

Body Type/Class	B	C	Compact SUVs	D	Mid and Full Size SUVs
Hatchback	32.24%	37.15%	13.51%	34.77%	-
Sedan	52.95%	55.06%	-	56.40%	-
SUV	-	-	86.15%	-	99.68%
Wagon	14.81%	7.21%	0.25%	4.66%	0.32%
Other	0.00%	0.59%	0.09%	4.17%	-
Total, units	710.1 thousand units	792.9 thousand units	637.5 thousand units	148.7 thousand units	203.0 thousand units

Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

It should be noted that according to the results of 2012, sedans account for more than half of sold cars of B and C classes, the largest classes in the market, except for the class of compact SUVs.

A hatchback is the second most common type of cars in each of these classes. The greatest number of hatchbacks, sold in 2012, belongs to C class: 37.15% of the number of sold cars of this class. B class accounts for 32.24% of hatchbacks.

In 2012, B and C classes differed significantly in the number of wagons, presented in them. The number of wagons in B class is twice as large as that in C class, and amounts to 14.81%.

Engine Type

The overwhelming majority of cars, sold in Russia, are equipped with petrol engines. However, the market share of cars with diesel engines grows gradually. In spite of the weak growth rates, by 1% per year on the average, from 2007 to 2012 in Russia the market share of diesel cars doubled and reached 8.99%, or 258.9 thousand units.

Diesel engines are the most popular in the class of SUVs. According to the results of 2012, the share of diesel cars amounted to 10.81% in the class of compact SUVs, and 38.16% in the class of mid and full size SUVs. D class, where the share of diesel cars made 4.31% in 2012, should be noted among the other major classes of cars.

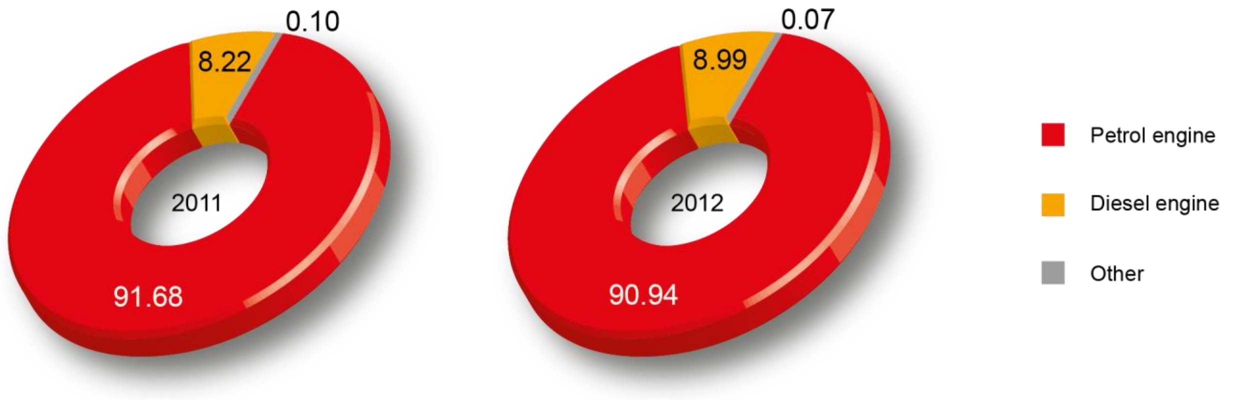
There are no diesel models in B class of the Russian market, and their sales in C class are very small.

Among Russian brands, UAZ and TagAZ sell diesel versions of cars. In general, more than half of brands, represented in the Russian market, have diesel cars in their model line-ups.

The following brands showed the highest percentage of sales of cars with diesel engines in 2012: Land Rover – 81.54%, Ssang Yong - 60.7% and Volvo – 55.01%. A number of other foreign brands, mainly those of the premium segment, can also boast of a high level of sales of diesel cars.

As for the other engine types, a hybrid engine is a main alternative to petrol and diesel engines in the Russian car market. In 2012, its market share amounted to only 0.07% (1.9 thousand units). In Russia, Audi, BMW, Cadillac, Lexus, Porsche, Toyota and Volkswagen brands sell cars with hybrid engines.

Car and LCV Sales Structure, by Engine Type, 2011-2012, %



Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Car Class - Engine Type Ratio, 2012

Engine Type	B	C	D	Compact SUVs	Mid and Full Size SUVs
Petrol engine	100%	99.74%	95.68%	89.19%	61.21%
Diesel engine	-	0.20%	4.31%	10.81%	38.16%
Other	-	0.06%	0.01%	0.00%	0.63%
Total, Units	710.1 thousand units	792.9 thousand units	637.5 thousand units	148.7 thousand units	203 thousand units

Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Car Sales Structure, By Engine Type, in TOP-10 of Brands, 2012, %

Brand	Petrol Engine	Diesel Engine	Other	Total
Lada	100.00	-	-	100.00
Chevrolet	100.00	-	-	100.00
Renault	97.47	2.53	-	100.00
KIA	97.20	2.80	-	100.00
Hyundai	93.31	6.69	-	100.00

VW	86.26	13.71	0.03	100.00
Nissan	93.06	6.94	-	100.00
Toyota	81.11	18.81	0.08	100.00
Ford	86.52	13.48	-	100.00
Skoda	98.93	1.07	-	100.00

Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Sales Structure of Cars with Diesel Engine in Russia, By Brand, 2012, %

Brand	Sales Share of Cars with Diesel Engine	Sales Share of Cars with Petrol Engine	Sales Share of Cars with Other Engine Types	Total
LandRover	81.54	18.46	-	100.00
SsangYong	60.70	39.30	-	100.00
Volvo	55.01	44.99	-	100.00
BMW	39.57	60.40	0.03	100.00
Jaguar	36.99	63.01	-	100.00
Jeep	35.12	64.88	-	100.00
Porsche	34.46	63.49	2.05	100.00
Mercedes-Benz	24.96	75.04	-	100.00
Peugeot	22.76	77.24	-	100.00
Toyota	18.81	81.11	0.08	100.00
Audi	18.49	81.50	0.01	100.00
Mitsubishi	17.38	82.55	0.07	100.00
Citroen	13.91	86.09	-	100.00
Volkswagen	13.71	86.26	0.03	100.00
Ford	13.48	86.52	-	100.00
Infiniti	8.42	91.58	-	100.00
UAZ	7.15	92.85	-	100.00
Nissan	6.94	93.06	0.001	100.00
Hyundai	6.69	93.31	-	100.00
MINI	4.83	95.17	-	100.00
Opel	4.50	95.50	-	100.00
KIA	2.80	97.20	-	100.00
Renault	2.53	97.47	-	100.00
Skoda	1.07	98.93	-	100.00
TagAZ	0.75	99.25	-	100.00
Mazda	0.19	99.81	-	100.00

Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Premium Segment

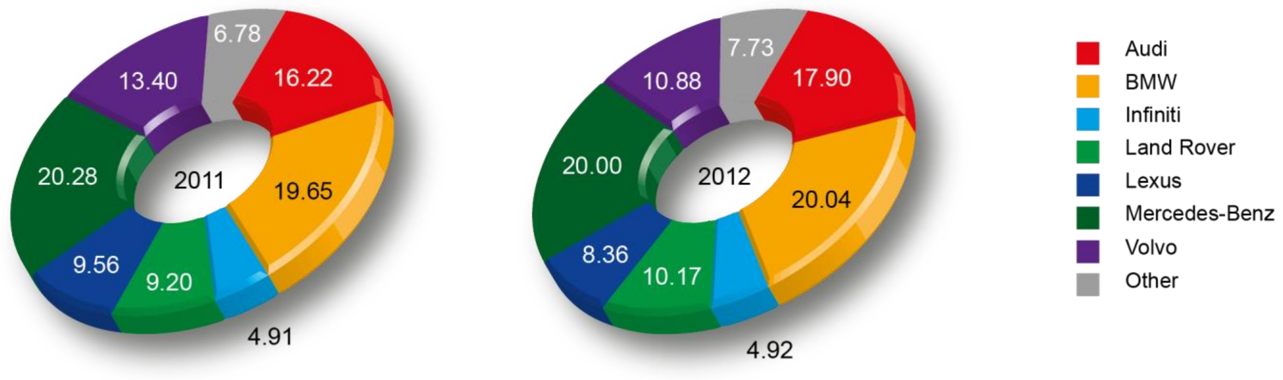
In 2012, a segment of premium cars amounted to 6.5% of the total sales volume of new cars and light commercial vehicles. In comparison with 2011, the premium segment increased by 0.77% and reached 187.2 thousand units.

In 2012, BMW brand was a leader of the premium segment: its share amounted to 20.04% of the total sales volume of premium cars. The gap in the sales share with the closest competitor, Mercedes-Benz brand, was very insignificant, only 0.04%. It should be noted that Mercedes-Benz was a leader of the premium segment in 2011, however, in 2012 the share of the brand in this segment decreased by 0.28%.

In 2012, as in 2011, Audi brand occupied the third place by the sales volume of premium segment cars. These three German brands are far ahead of their competitors in the segment of premium cars.

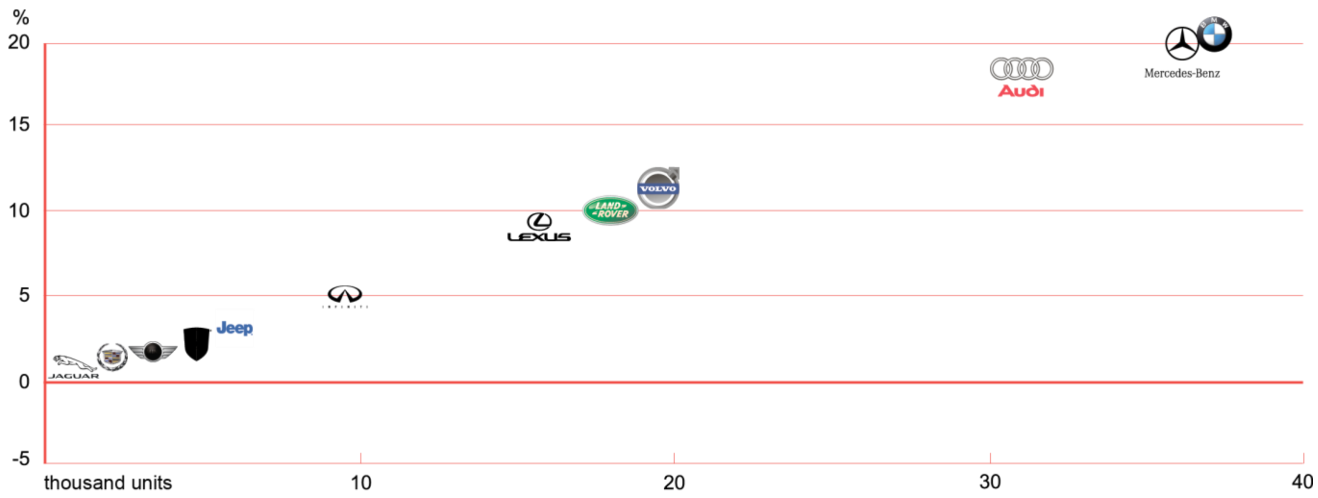
Among other brands in the premium segment, in 2012, Volvo, Land Rover and Lexus had the most considerable shares of 10.88%, 10.17% and 8.36%, respectively. At that, in 2012, the share of Volvo brand in the premium segment decreased by 2.52%, and the share of Lexus brand - by 1.2%. The share of Land Rover brand in this segment grew by 0.97%. The share increase of Jeep brand in the premium segment from 1.55% to 2.51% also should be noted.

Sales Structure of New Premium Segment Cars, By Brand, 2011-2012, %



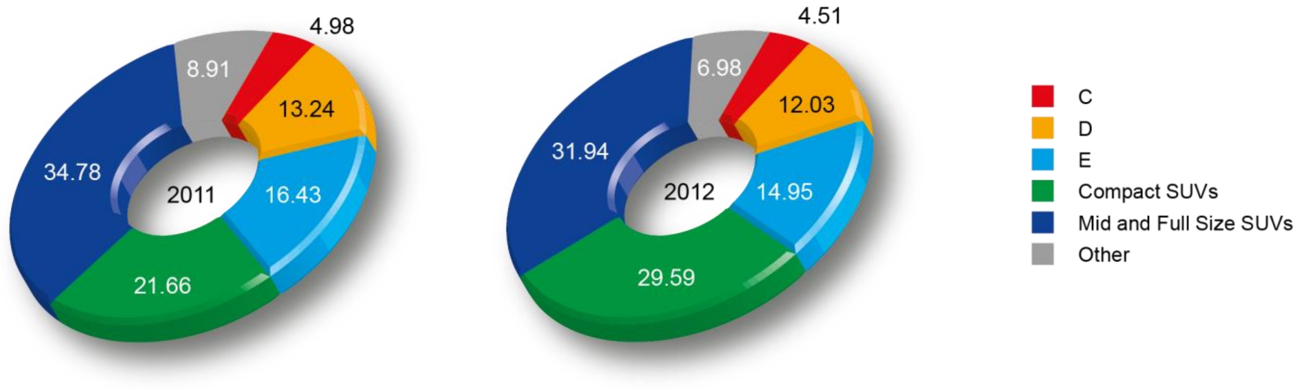
Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Car Share - Sales Volume Ratio, By Brand, Premium Segment, 2012



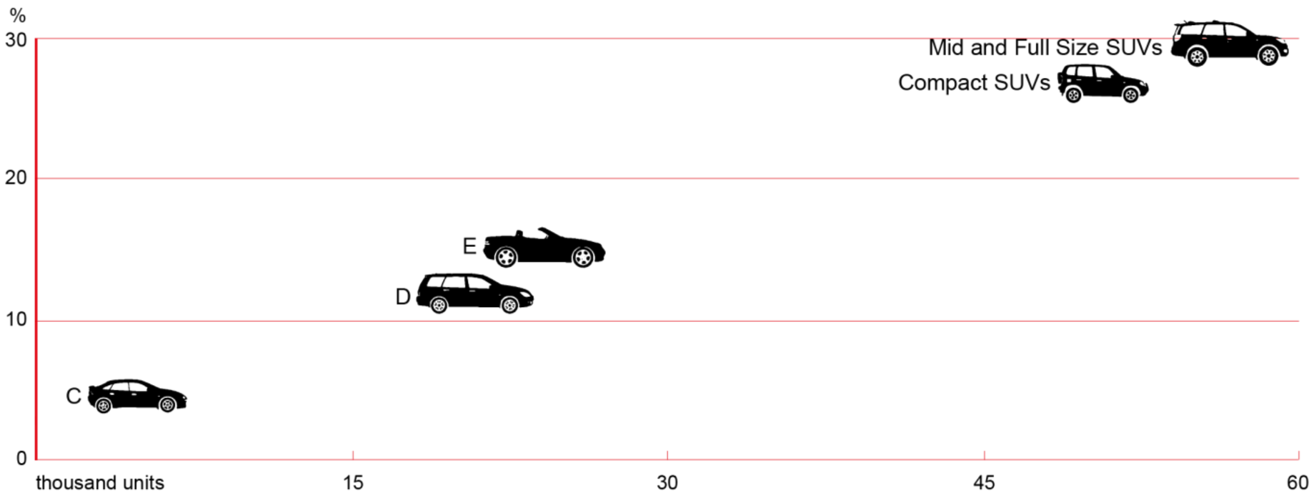
Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Sales Structure of Premium Segment Cars, By Class, 2011-2012, %



Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Car Share - Sales Volume Ratio, By Class, Premium Segment, 2012



Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

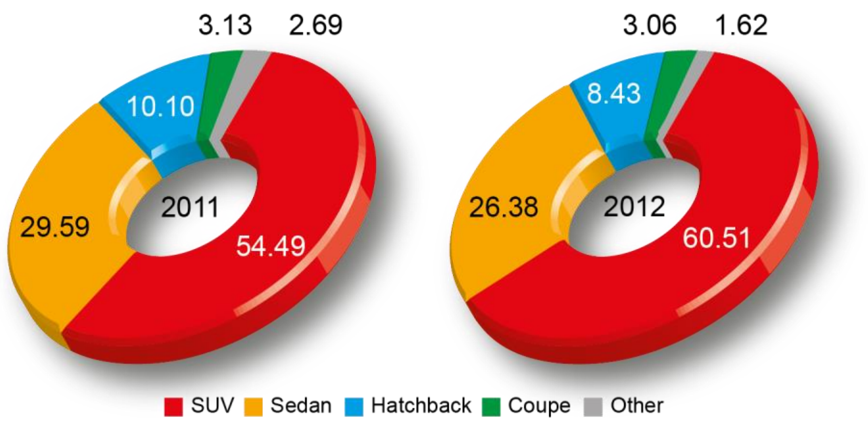
The structure of sales in the premium segment differs significantly from that in the market as a whole, firstly, in terms of the car distribution by class. If B, C and compact SUVs classes dominate the market as a whole, SUVs are in the lead in the premium segment.

According to the results of 2012, there are two largest classes in the premium segment: a class of mid and full size SUVs, whose share in the segment amounts to 31.94%, and a class of compact SUVs with a share of 29.59%.

E and D classes with shares of 14.95% and 12.03%, respectively, are the other major classes in the premium segment.

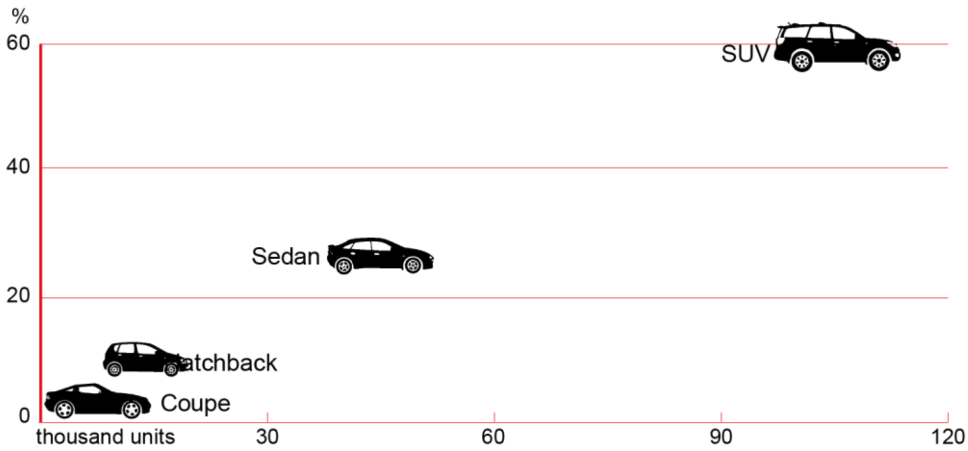
It should be noted that, in comparison with 2011, the class of mid and full size SUVs decreased by 2.84%, and the class of compact SUVs increased by 7.93%. The growth of this class was due to not only the reduction of the share of «full size» SUVs, but also due to the decrease in the share of premium cars of E and other small classes.

Sales Structure of Premium Segment Cars, By Body Type, 2011-2012, %



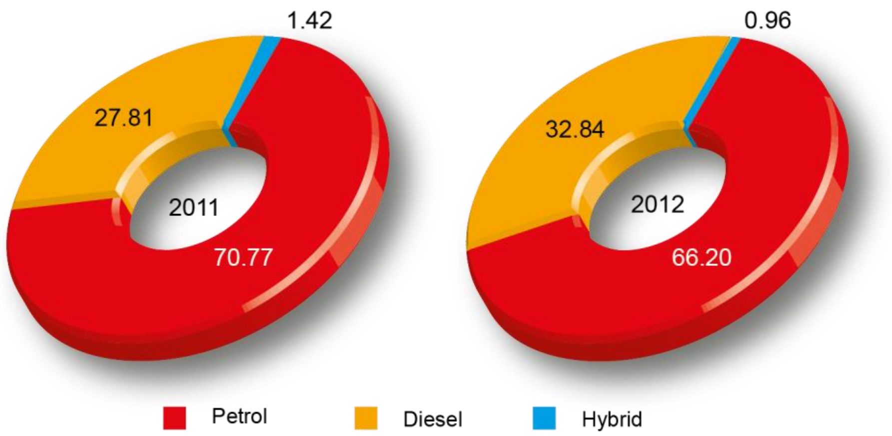
Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Car Share - Sales Volume Ratio, By Class, Premium Segment, 2012



Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Sales Structure of Premium Segment Cars, By Engine Type, 2011-2012, %



Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Accordingly, if to consider the premium segment by body types, SUVs (60.51%) dominate it. The share of sedans in this segment is close to a similar indicator for the market as a whole and amounts to 26.38%, and the share of hatchbacks is almost three times lower than that for the market as a whole, and accounts for only 8.43%.

As for the dynamics of shares of car body types in the premium segment, according to the results of 2012, only the share of SUVs increased by 6.02%. The share of sedans fell by 3.21% and the share of hatchbacks - by 1.67%.

The share of cars with diesel engines, which amounts to 32.84%, is significantly higher in the premium segment than in the market as a whole. Over 2012, the share of these cars in the premium segment increased by 5%.

As in the market as a whole, in the premium segment diesel cars are the most common among SUVs, both compact and mid and full size.

It is interesting that the share of diesel cars in the class of mid and full size SUVs of a premium segment virtually does not differ from the similar indicator for the market as a whole and amounts to 37.23%, and in the class of compact SUVs of a premium segment the share of diesel cars is over 50% (this indicator for the market as a whole is equal to 10.81%).

Among other car classes of the premium segment the share of diesel cars is significant in E class and amounts to almost 15%. In general, the following brands have the highest sales of cars with diesel engines: Land Rover – 81.54%, Volvo – 55.06%, Porsche – 40.6%, BMW – 40.26%.

As for cars with hybrid engines, only 3.87% of C class cars and 2.08% of mid and full size SUVs in the premium segment are equipped with them.

Premium Car Class - Engine Type Ratio, 2012

Engine Type/Class	C	D	E	Compact SUVs	Mid and Full Size SUVs
Diesel Engine	0.60%	8.72%	14.90%	56.82%	37.23%
Hybrid Engine	3.87%	-	0.63%	-	2.08%
Petrol Engine	95.53%	91.28%	84.47%	43.18%	60.69%
Total, units	8.4 thousand units	22.5 thousand units	28.0 thousand units	55.4 thousand units	59.8 thousand units

Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Sales Structure of Premium Segment Cars with Diesel Engines, By Brand, 2012, %

Brands	Sales Share of Cars with Diesel Engine, %	Sales Share of Cars with Petrol Engine, %	Sales Share of Cars with Other Engine Types, %	Total, %
Audi	20.00	79.99	0.01	100.00
BMW	40.27	59.72	0.01	100.00
Cadillac	0.00	98.22	1.78	100.00
Infiniti	8.43	91.57	0.00	100.00
Jaguar	33.81	66.19	0.00	100.00
Jeep	35.12	64.88	0.00	100.00
LandRover	81.54	18.46	0.00	100.00
Lexus	0.00	89.43	10.57	100.00
Mercedes-Benz	27.40	72.60	0.00	100.00
MINI	7.69	92.31	0.00	100.00
Porsche	40.59	57.06	2.35	100.00
Volvo	55.06	44.94	0.00	100.00

Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Major Events for Russian and Foreign Car Manufacturers in 2012

Manufacturer	Announcement Date	Major Events in Q IV, 2012	Notes
AVTOVAZ	October 2012	Production launch of the cars with the upgraded manual gear box.	LADA Granta (except for the standard version) and LADA Kalina of the first generation (further new manual gear box will be mounted on LADA Kalina of the second generation) are equipped with a new gear box. In addition, instead of rigid rods, the manual gear box has got cable linkage of the Japanese company Atsumitec.
	October 2012	Announcement of the production termination of Lada Samara sedans in December 2012.	It is planned to produce Lada Samara hatchbacks till December 2013 inclusively. In 2014, cars of the Lada Samara family will be completely abandoned.
	October 2012	Sales launch of Lada Granta cars in a Lux version.	A Lux version includes: an automatic gear box, 16-valve 1.6 L engine of the 98 HP capacity, electric power steering, air conditioner, ABS + BAS, rear park system, multimedia system, dual airbags, indication of the driver's unbuckled seat belt, anti-theft alarm system with remote control, on board computer, front and rear power windows, power control and heating of mirrors, front seats heating, fog lights, heat absorbing glasses, 14-inch alloy wheels, etc. The recommended retail price: 406.1 thousand rubles.
	December	Production launch of Nissan Almera cars in	The total length of the car - 4656 mm, wheelbase - 2700 mm, trunk capacity - 550 liters. The new Nissan

	2012	Togliatti.	Almera will be equipped with a 1, 6 L engine of the 102 HP capacity and a torque of 145 Nm. The car can be equipped on a choice with a five-speed manual or four-speed automatic gear box. The model is available in three configurations: Welcome, Comfort and Tekna. Nissan Almera is the second car after Lada Largus, which AVTOVAZ began to produce at a new B0 line.
	December 2012	Renault-Nissan and the Russian state company "Rostechnologies" established Alliance Rostec Auto BV JV.	Alliance Rostec Auto BV JV will own all stocks of Renault Nissan and «Rostechnologies» in authorized capital of «AVTOVAZ» JSC and become its long-term supervisory shareholder. The controlling stake of the joint venture, in turn, will belong to alliance Renault-Nissan.
	December 2012	«AVTOVAZ» and Nissan Manufacturing Rus signed an agreement about development, production preparation and assembly of cars under the Datsun brand at the platform of «AVTOVAZ» 2190.	«AVTOVAZ» will produce Datsun cars at its platform in Togliatti. Design and general stylistics of the car are created by design-center Nissan in Japan. Development of a body design is conducted jointly by AVTOVAZ and Nissan Motor engineers. Special dealer network will be created for sales and service of cars in Russia. The beginning of mass production of Datsun cars is planned for the first half of 2014.
	December 2012	Announcement of supplies of Lada Granta cars to Europe.	Cars were got by importers in Germany, France, Serbia, Bulgaria and Baltic states. The European version of Granta will meet the «Euro-5» environmental standard; «standard» version will include ABS with BAS (Emergency Brake Assist), Electric Stability Program (ESP) and two airbags.
GM-AVTOVAZ	November 2012	«GM-AVTOVAZ» JSC acquired the residency status of a special economic zone «Togliatti».	The company will build press and body shops as well as engineering and logistics support facilities, provided for the production of the new generation of Chevrolet Niva SUVs in the territory of the Special Economic Zone «Togliatti». The total investment volume in the project will make 6.2 billion rubles. Construction of engineering building in the territory of SEZ will begin in the spring of 2013. Production startup is planned for the end of 2015.
Sollers	October 2012	Announcement of the industrial park creation in Zavolzhye	According to the new development strategy of Zavolzhsky Engine Plant, the enterprise will become a base platform for the formation of industrial park with the involvement of foreign auto components producers for support of localization of automobile productions in Russia.
Avtotor	November 2012	«Avtotor» and Magna International announced about the creation of a joint venture.	The project stipulates a creation of automobile cluster of the capacity not less than 250 000 cars per year in the Kaliningrad region. It is planned that in total the cluster will include up to 6 full-profile automobile plants of different automakers and not less than 15 plants engaged in the production of auto components.
	November 2012	Production termination of Chevrolet Lacetti cars for the Russian market.	Production termination of Chevrolet Lacetti cars is connected with the fact that a new model, Chevrolet Cobalt, will come to the Russian market.
	November 2012	«Avtotor» and BMW announced about the cooperation expansion.	According to preliminary arrangements, it is a question of output of 50 thousand BMW cars per year at localization level in 48 %. Investments into the project will make about 350 million euros. Within its implementation, capacities for welding, painting and assembly, and also a test complex will be created in the region. Joint ventures with producers of components, for example with Magna, Johnson Controls and Lear will be also established.

TagAZ	October 2012	Production launch of the restyled version of Vortex Estina sedan.	The exterior and interior of the car changed. Estina FL is equipped with a new 1.5 L engine of the 109 HP capacity, developed by Chery together with the Austrian AVL.
	October 2012	Sales launch of Vortex Tingo FL cars with the robotized gear box.	The full name of the version: 1.8 AT Comfort (AT6). This version of a car is priced at 614.9 thousand rubles.
	October 2012	New superstructures on chassis TAGAZ HARDY.	TAGAZ HARDY vehicle with new superstructures on chassis (freight, isothermal van, etc.) is available in Moscow. Manufacturing enterprise «Istok» JSC is engaged in installation of superstructures in the capital.
Renault	November 2012	Acceptance of orders for Renault Duster with the ESP system.	A serial production of Renault Duster with the ESP system will be launched in December 2012 at Renault plant in Moscow. Electronic Stability Program ESP is available with all Duster power units - diesel and petrol engines of 1.6 and 2.0 liters.
	November 2012	Renault company won an auction for the sale of 5.9 % shares of «Avtoframos» JSC.	5.9% of the company's shares belonged to the government of Moscow. By results of the auction, 100 % shares of «Avtoframos» JSC will belong to Renault Group».
Toyota	October 2012	Opening of an authorized dealer center «Toyota» in Cheboksary.	«Toyota Center Cheboksary» is situated in a building of the 3316 m^2 area. The center consists of a show room and the customer premises with a total area of 677 m^2, a service zone and a warehouse of spare parts and accessories of the total area of 1679 m^2, under roof parking of five parking slots for clients' cars. In a service zone there are 9 posts of the bench repair, 9 posts of the body repair, 1 paint spraying booth, 3 washing posts.
	October 2012	Sales launch of Toyota Camry cars with the 3.5 L derated engine.	Derating of the engine caused the reduction of engine capacity from 277 to 249 HP. The price for a car with the 3.5 L derated engine will amount to 1479 thousand rubles.
	November 2012	Opening of a dealer center «Toyota» in Yaroslavl.	Toyota center consists of a show room and a rest area for customers of the 957 m^2 total area, as well as a service zone of the 720 m^2 area. In a service zone there are 15 posts of the bench repair, 3 washing posts, 3 stations of direct car acceptance. Paint and body shop of the 1250 m^2 total area has 13 posts of the body repair and 1 paint spraying booth.
	November 2012	Opening of an authorized dealer center «Toyota» in Noyabrsk (Yamal Nenets autonomous district)	«East Motors Noyabrsk» LLC was an authorized partner of «Toyota» in Noyabrsk from 2007 to November 2012, when it became an official dealer. The total area of «Toyota Center Noyabrsk» is 6613.5 m^2. The center consists of a show room and the customer premises with a total area of 1287 m^2, and also a service zone and a warehouse of spare parts and accessories of the total area of 1925 m^2. In a service zone there are 15 posts of the bench repair, 9 posts of the body repair, 1 paint spraying booth, 3 washing posts.
	November	Acceptance of orders for a	The Auris engine line-up includes two petrol engines (1.33 and 1.6 L) with Toyota Optimal Drive, Dual VVT-i

	2012	new Toyota Auris.	and Valvematic systems. The new model will be available in five configurations in the Russian market: «Comfort» (735 thousand rubles), «Comfort Plus» (from 774 thousand rubles), «Elegance» (859 thousand rubles), «Sport» (from 845 thousand rubles) and «Prestige» (944 thousand rubles).
	November 2012	Acceptance of orders for a new Toyota Verso.	The range of engines available for Toyota Verso consists of 1.6 L and 1.8 L petrol engines with the Valvematic system of 132 HP and 147 HP capacities, respectively. They are equipped with a 6-speed manual gear box. Verso model is available in four configurations in the Russian market: «Comfort» (from 820 thousand rubles), «Comfort Plus» (920 thousand rubles), «Elegance» (999.5 thousand rubles) and «Prestige» (1 090 thousand rubles).
	November 2012	Opening of the second dealer center «Toyota» in Ufa.	The total area of «Toyota Center Ufa North» is 3586 m^2. The center consists of a show room and the customer premises with a total area of 1282 m^2, and also a service zone and a warehouse of spare parts and accessories of the total area of 1250 m^2. In the service zone of a centre there are 15 posts of the bench repair, the tire fitting shop, 3 washing posts. «Toyota Center Ufa North» has 2 posts of the direct car acceptance, one of which is equipped with a line of diagnostics.
	December 2012	Launch of the Toyota Tested certification program of used cars.	The program provides for a comprehensive inspection of a car in 136 items, cleaning, basic maintenance, and post warranty technical support. The program of certified used cars sales Toyota Tested was launched at 5 dealer centers in Moscow, Saint Petersburg and Perm. In 2013, it is planned to extend the program to a greater number of official Toyota dealers in Russia.
Lexus	November 2012	Opening of a new dealer center in Yaroslavl.	In the «Lexus-Yaroslavl» dealer center there are: a show room of a 781 m^2 area, a rest area for customers with an access point to Wi-Fi. In a service zone of the 378 m^2 area there are 5 posts of the bench repair, 2 washing posts, 3 posts of the direct car acceptance, where the inspection of the car is performed in the presence of the client in a heated room with the help of professional equipment. Paint and body shop of a total area of 1250 m^2 has 13 posts of the body repair and 1 paint spraying booth.
	November 2012	Sales launch of a new Lexus LS 460 sedan with a petrol engine.	The price for the rear wheel drive LS 460 starts at 4275000 rubles, in F SPORT Luxury configuration – at 4698000 rubles. Four-wheel drive versions of LS 460 with a short base are priced from 4499000 to 4965000 rubles. Long wheel base LS 460 cars are available at a price from 5220000 to 5420000 rubles, depending on the configuration.
Volkswagen	December 2012	Construction launch of the new engine plant in Kaluga.	The new plant will be built on the area of 30,000 m^2 in the immediate vicinity to Volkswagen Automobile Plant in Kaluga. The expected annual production volume is 150000 engines. The new plant will produce 1.6 L petrol engines of the EA211 series according to the technology of Volkswagen concern. The opening of the enterprise is planned for the beginning of 2015.
	December	Production launch of a full	The full production cycle of the car (SKD) includes the

	2012	cycle of Skoda Yeti in Nizhny Novgorod.	body welding, painting and assembly. The SKD of Skoda Yeti model started at GAZ plant in Nizhny Novgorod at the end of 2011.
	December 2012	Opening of a dealer center Skoda in Moscow.	The total area of a new dealer center is 1855 m^2. The area of a show room is 389 m^2. A service zone occupies 646 m^2 and has 10 posts, which enable to service more than 30 cars per day.
Nissan	December 2012	Special terms for the purchase of Nissan cars.	According to the offer of the company, the saving on the purchase of a car in December will amount up to 200 thousand rubles. In addition, a special loan offer from Nissan Finance «The richer is the equipment, the lower is the interest rate on a loan» covers Juke, Qashqai, X-trail and Teana models.
	December 2012	Sales launch of the upgraded Nissan Tiida.	The car is equipped with a new sound system, the Electronic Stability Program (ESP), 16-inch alloy wheels and rear spoiler (for hatchbacks).
	December 2012	Opening of the authorized dealer center Nissan in Vladivostok.	The center total area is 6500 m^2, including a show room and a service zone (13 technical posts and a warehouse of spare parts).
Hyundai	October 2012	Opening of a dealer center Hyundai in Yekaterinburg.	The total area of a new dealer center is 7400 m^2, from which a show room occupies 1106 m^2 and service premises - 1239 m^2.
	November 2012	A special action for the purchase of Sonata model.	A discount of 60 thousand rubles is provided for all versions of Hyundai Sonata: Classic, Style, Style+Navi, Prestige, Prestige+Navi, irrespective of the engine volume and gear box type.
	November 2012	Opening of a dealer center Hyundai in Kazan.	A show room of a dealer center of the 800 m^2 area can accommodate 15 clients' cars. A service center occupies the area of over 1225 m^2.
	November 2012	Opening of a dealer center Hyundai in Moscow.	The area of the new dealer center is 1 517.4 m^2.
	December 2012	Announcement of the sales termination of Hyundai Sonata in the Russian market.	According to Hyundai, problems with deliveries of cars became the reason for closing up of Sonata sales as the model enjoys popularity at the markets of the USA and South Korea, which absorb practically all quotas. In Russia in a Hyundai line another sedan of middle class - i40 will have to replace Sonata.
KIA	October 2012	Sales launch of Kia cee'd_sw of the second generation.	The new generation of CEE'd _sw is available in 5 configurations: Classic, Comfort, Luxe, Prestige and Premium at a price from 679900 rubles.
	November 2012	Acceptance of orders for a new Kia Sorento.	A new Kia Sorento is available in 8 versions with a 2.4 L petrol engine of the 175 HP capacity and in 4 versions with a 2.2 L diesel engine of the 197 HP capacity. Both engines can be equipped with a 6-speed manual or automatic gear box. Petrol versions are available both with the front and all-wheel drive. Prices for the new Sorento start at 1069.9 thousand rubles.
	November 2012	New configurations of KIA Optima sedan.	New configurations of the model: Prestige with a 2.0 L engine of the 150 HP capacity and Luxe with a 2.4 L engine of the 180 HP capacity. The price for Prestige configuration starts at 1179900 rubles, and Luxe - at 1119900 rubles.
	November 2012	Announcement of the Kia Quoris market launch.	Sales launch of the model in Russia is planned for the first quarter of 2013.

Peugeot	October 2012	Sales launch of Peugeot 408 with a diesel engine.	The price for the Access base configuration of Peugeot 408, equipped with a diesel engine, amounts to 637 thousand rubles. The price for the Active configuration starts at 664 thousand rubles, for the Allure configuration - at 734 thousand rubles.
	November 2012	Announcement of the Peugeot 208 hatchback Russian market launch.	The car is available in 2 body types: 3 - and 5-door hatchback. At the same time, Peugeot 208 will be available in 3 configurations: Access, Active and Allure. 3 versions of petrol engines are provided for a car: a 1.0 L engine of the 68 HP capacity with a manual gear box, a 1.2 L engine of the 82 HP capacity with a manual gear box, a 1.6 L engine of the 120 HP capacity with a automatic gear box, as well as a 1.6 L diesel engine of the 92 HP capacity with a manual gearbox. The price for Peugeot 208 in Russia will start at 499000 rubles.
Mitsubishi	November 2012	A special action for Pajero Sport, L200, ASX cars.	In November 2012, a discount of 100 thousand rubles is provided for Mitsubishi Pajero Sport and Mitsubishi L200 cars, and a discount of 80 thousand rubles – for Mitsubishi ASX cars.
	December 2012	Launch of a «Saving up to 150000 rubles» special action for Pajero IV.	The price for Pajero IV version with a 3.0 L engine and a manual gear box was reduced by 150000 rubles. When buying other versions of the legendary off-roader a saving will amount up to 100000 rubles.
	November 2012	Production launch of a full cycle of a new Mitsubishi Outlander in Kaluga.	As of November 2012, the level of localization is 10% - these are glasses, exhaust system details, small body parts, seats, as well as some details of the interior. According to development plans, the level of localization should reach 30% by 2014.
Great Wall	November 2012	Opening of a new dealer center Great Wall in Perm.	The total area of «Tandem-Auto» (Perm) is 1600 m^2, from which a show room occupies 450 m^2, and a service zone - over 1000 m^2. The maintenance area has 6 service posts.
	December 2012	Opening of a new dealer center Great Wall in Tyumen.	«UGA-Auto» (Tyumen) is the second largest auto center of the Chinese brand in Russia. The total area of a center is 2200 m^2. The area of a show room is 400 m^2, and the area of a service zone with 12 posts - 750 m^2. In addition, the auto center includes the body shop (400 m^2) and a warehouse of spare parts (325 m^2).
Mazda	November 2012	Presentation of a new Mazda CX-9 in Russia.	Mazda CX-9 will be available with a V6 3.7 L engine (277 HP) and a 6-speed automatic gear box. The price for the car starts at 1.919 million rubles.
	December 2012	Opening of a new dealer center Mazda in Volgograd.	The territory of a new auto center includes a show room of the 320 m^2 area and a service zone with 9 posts. A service zone can serve up to 40 cars per day on the average.
Opel	November 2012	Production launch of the Opel Astra sedan at GM Avto plant in Saint Petersburg.	The car is available for customers with 3 engine versions: 1 – an atmospheric 1.6 L 85 kW engine of the 115 HP capacity, with a 5-speed manual and automatic gear box, and 2 turbo 1,4 L (140 HP/103 kW) and 1.6 L (180 HP/132 kW) engines, which are equipped only with a 6-speed automatic gear box. The price for the car starts at 674.9 thousand rubles.
Chevrolet	October 2012	Production termination of Chevrolet Lacetti in Russia.	Lacetti model was produced on capacities of the Kaliningrad enterprise «Avtotor». Chevrolet Lacetti in Russia will be replaced by the Cobalt model.
	December 2012	Announcement of prices for the Cobalt sedan for the Russian market.	In Russia, Chevrolet Cobalt will be put on sale in the beginning of 2013, and will be available in 3 configurations, priced from 444 000 rubles: a 1.5 L petrol engine and a 5-speed gear box (LT configuration) - 444 thousand rubles; a 1.5 L petrol engine and a 6-speed automatic gear box (LT configuration) - 503 thousand rubles; a 1.5 L petrol engine and a 6-speed automatic gear box (LTZ configuration) - 530 thousand

			rubles.
Audi	October 2012	Launch of the Audi Fleet Service program for corporate clients.	Special services, offered to corporate clients under the program, include: services of the particular manager, who is responsible for the accompaniment of each client; extended working hours of a service center; a priority when making an appointment to the service; special conditions for performed works and the order of spare parts; deferral of payments for the repair and maintenance; provision of cars for temporary replacement for the whole repair period; fixed value of a standard hour; free storage of summer and winter wheels; the delivery of a car to a service center and back.
	December 2012	Opening of a new dealer center in Moscow.	–
Suzuki	October 2012	Opening of a new dealer center in Nizhny Novgorod.	The area of a new dealer center is 2650 m^2. The area of a show room is 620 m^2. A technical unit of a centre is able to service up to 1 thousand cars per month (35 per day). In a service zone of the 830 m^2 total area there are 8 posts and 7 hoists with a full range of diagnostic equipment and tools. The dealer centre also has its own warehouse of spare parts of 200 m^2 area.
	November 2012	Opening of a new dealer center in Chelyabinsk.	The area of a new auto center is 1420 m^2, from which a show room, designed for 9 cars, occupies 396 m^2. A service center occupies an area of 435 m^2 and has 10 posts. The capacity of a zone is up to 50 cars per day. Also there is a warehouse of spare parts in the auto center building.
	December 2012	Opening of a new dealer center in Kirov.	The area of a new dealer center Suzuki in Kirov is 1134 m^2. A show room occupies a total area of 565 m^2 and is designed for 6 cars. A service center occupies an area of 434 m^2 and consists of 7 posts: 3 bench posts, 1 alignment post, 1 post of interactive acceptance, diagnostic and washing posts.
	December 2012	Opening of a new dealer center in Nizhny Novgorod.	The total area of a new center Suzuki in Nizhny Novgorod is over 3 thousand m^2, from which a show room, designed for 8 cars, occupies 620 m^2. The bench service occupies the area of 1462 m^2, and the body shop - 1169 m^2. A service zone consists of 16 posts: 6 bench posts, alignment post (Hunter/Oma), quality control post (Videoline euroline), the post of interactive acceptance, diagnostics post, 3 posts of additional equipment installation, 3 posts of washing/polishing (Karcher). The capacity of a zone is up to 60 cars per day for maintenance and repair.
	December 2012	Opening of a new dealer center in Tambov.	The total area of a dealer center is 500 m^2, from which a show room occupies 450 m^2. The service center, located separately, occupies 200 m^2 and has 4 posts. The capacity of a service zone is up to 15 cars per day. There is a warehouse of spare parts in a service center.
Lifan	October 2012	Sales launch of Lifan X60.	Lifan X60 will go on sale in LX configuration with a 1.8 VVT engine and a manual gearbox. The price for the base configuration will amount to 499 900 rubles.

	November 2012	Opening of a dealer center in Moscow.	Mono-brand dealer center Lifan Motors belongs to the official distributor of the Chinese brand «Lifan Motors Rus». The total area of a dealer center is 2028 m^2, the area of a show room - 300 m^2.
	December 2012	Announcement of sales launch of Lifan Solano with a 1.8 L petrol engine and the Delphi electronic fuel injection system.	Earlier this model was available only with a 1.6 L engine. The maximum capacity of a 1.8 L engine is 125 HP (at 6000 revolutions per minute), a torque of 160 Nm (at 4200 revolutions per minute). With this engine the maximum speed of Solano is 200 km/h, and the fuel consumption - at the level of 8.2 liters per 100 km (at a speed of 90 km/hour). The price for Lifan Solano with a 1.8 L engine in CX configuration will amount to 459.9 thousand rubles.
Volvo	October 2012	Presentation of Volvo V40 Cross Country in the Russian market.	A crossover with a T4 engine will be available at a price from 1189 thousand rubles, with a T5 AWD engine — from 1279 thousand rubles.
Jaguar Land Rover	October 2012	Opening of a dealer center in Krasnodar.	The area of a show room is 1100 m^2, a service zone has 12 service posts, 4 washing posts, 2 posts of the diagnostics, a park of 12 Jaguar and Land Rover test cars, as well as 15 cars for temporary replacement.
	October 2012	Opening of a dealer center in Saint Petersburg.	The total area of the auto center is 4 200 m^2, from which a show room, designed for up to 10 cars, occupies 642 m^2. A service zone of a new dealer center of the 808 m^2 area has 18 posts for repair works, 3 posts of the car interactive acceptance.
	October 2012	Opening of a dealer center in Barnaul.	The area of a show room of the auto center is 574 m^2.
	November 2012	Opening of a new dealer center in Moscow.	The area of a show room is 2070 m^2; there are 23 service posts in a service zone.
	November 2012	Opening of a new dealer center in Rostov-on-Don.	The total area of 3250 m^2 includes a show room of the 970 m^2 area for 16 cars and a service zone of the 1980 m^2 area, where there are 19 service posts and a diagnostic line.
Chery	October 2012	Opening of a new dealer center in Nizhny Novgorod.	The area of a dealer center is over 1700 m^2.
	November 2012	Opening of a new dealer center in Rostov-on-Don.	The area of a new dealer center is 750 m^2, of the maintenance station - 450 m^2.
	December 2012	Opening of a new authorized dealer center in Pskov.	–
	December 2012	Opening of a new dealer center in Rostov-on-Don.	About 100 cars can be serviced at the ground of a center; the area of a show room is 400 m^2. The area of a service centre with 11 diagnostic posts is 600 m^2. The service center has the paint and body shop with the area of 400 m^2.
	December 2012	Opening of a new authorized dealer center in Almetyevsk (Republic of Tatarstan).	A new dealer center Chery has a total area of 1000 m^2. A show room of a dealer center can accommodate 11 cars. A service center occupies almost a half of the total area of a dealer center in 450 m^2 and includes 4 hoists, 2 posts of electricians and a tire fitting shop.
	December	Opening of a new	The total area of a dealer center is 1500 m^2. There is a

	2012	authorized dealer center in Taganrog.	ground for the car storage of the 1205 m^2 area. The area of premises for repair and maintenance is 650 m^2.
	December 2012	Opening of new dealer centers in Kaluga and Penza.	–
Geely	November 2012	Sales launch of Geely Emgrand hatchback.	Earlier the car was presented only in a body «sedan». Geely Emgrand hatchback is equipped with a 1.8 L petrol engine of the 126 HP capacity.
	December 2012	Opening of a new dealer center in Ufa.	–
Subaru	October 2012	Sales launch of Subaru Forester tS at dealer centers.	«Subaru Engine» LLC stopped the acceptance of orders for the purchase of Subaru Forester tS cars via a form of online reservation, as the model became available to order directly through the authorized dealer centers.
	November 2012	Opening of a new dealer center Subaru in Chelyabinsk.	–
	November 2012	Opening of a new dealer center Subaru in Kemerovo.	–
Chrysler	October 2012	Announcement of the opening of a sales center of Mopar spare parts in Russia.	In Russia a central warehouse of the 4,500 m^2 area with an assortment of over 35 thousand spare parts, will provide almost 140 Chrysler Jeep Dodge and Fiat dealer centers. The warehouse is situated in Moscow suburbs in the territory of large logistics park.
	November 2012	«Chrysler Rus» JSC and the «ROLF» retail division announced about the cooperation in sale of Chrysler, Jeep and Dodge brands.	The official opening of a dealer enterprise and the launch of sales are scheduled for December 2012. Operations will begin in a temporary show room in the territory of one of the already existing dealer centers. The permanent show room of a total area of 800 m^2 will be opened in the second quarter of 2013.
FAW	November 2012	Announcement of sales launch of FAW V2.	The car is equipped with a 1.3 L engine of the 91 HP capacity, a 5-speed manual or 5-speed automatic gear box. The price for the Comfortable base version of the hatchback will amount to 399 thousand rubles. The second Deluxe configuration is priced at 415 thousand rubles. It is planned, that cars will enter the Russian market in January 2013.

Source: data by AEB Automobile Manufacturers Committee, analysis by Russian Automotive Market Research (NAPI).

Truck Market

According to the results of 2012, the truck market in Russia showed positive dynamics. The number of registrations of new trucks increased by 16.2% and reached almost 250 thousand units. However, the market is growing mainly due to foreign brands: the production of foreign trucks increased by more than 30% and the number of registrations – by more than 60%.

Major Events

In 2012, Russian and foreign manufacturers of trucks continued to cooperate actively. Leading Russian manufacturers of trucks realized a number of important projects in 2012.

In June 2012, Daimler AG and GAZ Group started the implementation of a project on the organization of Mercedes-Benz vans contract assembly in Russia. Daimler AG will invest more than 100 million Euros, GAZ - over 90 million Euros. Plans also call for local production of engines (at the production site of GAZ Group in Yaroslavl) and other Mercedes-Benz Sprinter components.

The companies are cooperating under the terms of the agreement that came into force in May 2012 after a number of prerequisites, agreed upon by partners had been met. The signing brought the negotiations, which had commenced after a Memorandum of Understanding was signed at the end of 2010, to a successful conclusion.

Start of Mercedes-Benz Sprinter production at GAZ in Nizhny Novgorod is scheduled for the first half of 2013, at the moment it starts the preparation of its production facilities for the joint project.

Daimler AG also develops the cooperation with Kamsky Automobile Plant. So, in June 2012 Daimler AG and KAMAZ announced the signing of a licensing agreement that will result in greater collaboration on the production of truck cabs. Under this agreement, Mercedes-Benz will supply Axor cabs to KAMAZ, which the Russian company will incorporate into its trucks of the new generation.

The agreement is based on a Memorandum of Understanding concluded between Daimler Trucks and KAMAZ in September 2011. This contract provides for the production of 20 thousand cabins of the same dimension type for trucks with standard and high roofs and with sleeper cabs.

In addition, in November 2012, as a part of their strategic partnership, KAMAZ and Daimler AG signed a contract covering the supply of engines and axles for the Russian company's trucks and buses. It is expected that the delivery volume will exceed 7000 engines and 15000 axles per year.

In 2012, Sollers Company launched two projects on the production of trucks. In the framework of its cooperation with Ford motor company, in the beginning of the year, Sollers started the production of Ford Transit vehicles in Elabuga (Republic of Tatarstan), and in May it resumed the assembly of Isuzu trucks at the production sites of Ulyanovsk Automobile Plant.

During 2012 it produced 11 thousand of Ford Transit commercial vehicles and 1.6 thousand of Isuzu trucks.

In September 2012 Kaliningrad Plant «Autotor» launched the production of Hyundai commercial vehicles. Both parties invested about 23 million dollars in the project.

It is planned that the created production capacities at the first stage (till 2015) will amount to 10 thousand vehicles a year, with a possibility of the production from three to seven models of Hyundai trucks. In the long term it is expected the finishing to 25 thousand vehicles a year and the production of a whole model range of Hyundai.

In 2012 commercial electric vehicles entered the Russian market for the first time. Revolta Company, an importer of commercial electromobiles, has got a certificate of Transport Vehicle Type Approval (TVTA) for a model range of Smith Edison. These light commercial electromobiles, built at the Ford Transit platform, are produced by the Smith Electric Vehicles company in Newcastle.

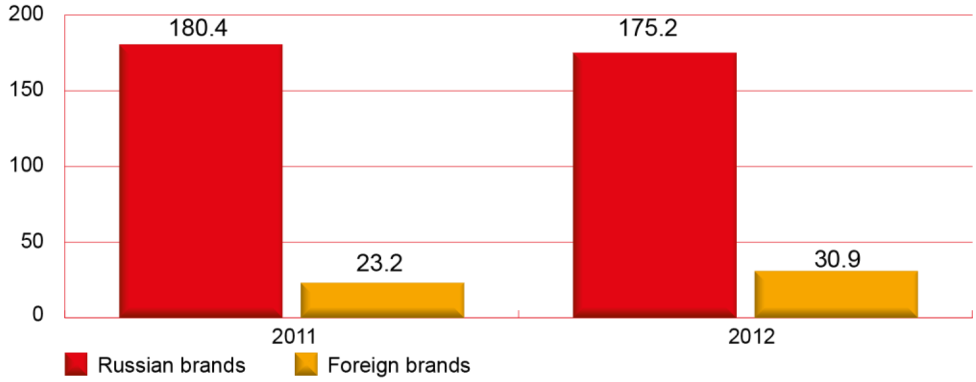
According to plans of Revolta Company, all variants of Smith Edison will be available in Russia: passenger buses to 17 places, passenger and freight vans, as well as cargo chassis.

Truck Production

In 2012, in Russia, 206.1 thousand trucks were produced, which was a slight increase on the same indicator of 2011 (by 1.23%). The overwhelming majority of trucks, 85.01%, was manufactured under the Russian brands.

At that, in 2012, the production of trucks of Russian brands decreased by 2.88% and amounted to 175.2 thousand units. Production of foreign trucks increased by 33.19% and reached 30.9 thousand units.

Truck Production in Russia, By Origin, 2011-2012, Thousand Units



Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

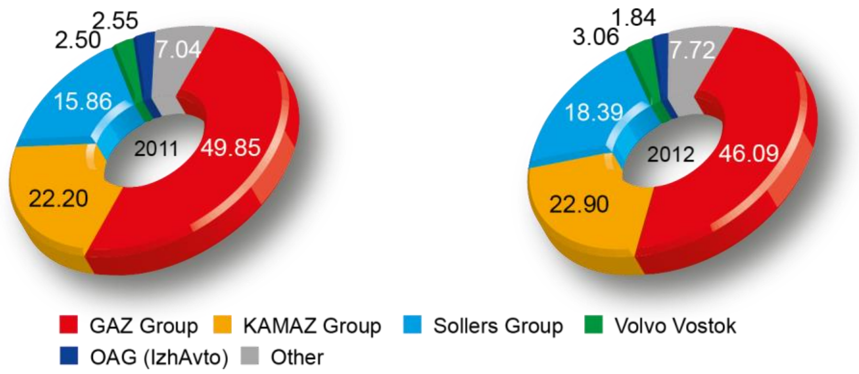
GAZ Group with 46.09% of all trucks, produced in Russia, dominates the truck production structure in Russia. In 2012 GAZ Group produced 95 thousand trucks. Almost all trucks, 93.17%, were produced at GAZ Automobile Plant in Nizhny Novgorod, the rest of them – at Ural Automobile Plant. It should be noted that in 2012 the total truck production of GAZ Group decreased by 6.4%.

In 2012 KAMAZ Group produced 47.2 thousand trucks, which was a 4.42% increase on the production results of the previous year. In 2012, the share of KAMAZ Group in the truck production structure in Russia amounted to 22.90%.

In 2012 the production of Sollers Group increased significantly, by 17.34% to 37.9 thousand trucks. According to the results of the year, Sollers Group with its share of 18.39% in the truck production structure is the third largest manufacturer of trucks in Russia.

In 2012, the truck production at the production sites of foreign companies increased significantly. Volvo Vostok JSC increased the production of trucks by 23.53%, Mercedes-Benz Trucks Vostok LLC - by 108.33%, Fuso KAMAZ Trucks Rus LLC - by 57.14%, Scania-Piter LLC - by 18.18%.

Truck Production Structure in Russia, 2011-2012, %



Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Truck Production in Russia, 2011-2012, By Manufacturer

Manufacturer	Production in 2012, thousand units	Production in 2011, thousand units	Production Dynamics, %
GAZ Group	95	101.5	-6.40
KAMAZ Group	47.2	45.2	4.42
Sollers Group	37.9	32.3	17.34
Volvo Vostok	6.3	5.1	23.53
OAG (IzhAvto)	3.8	5.2	-26.92
Mercedes-Benz Trucks Vostok	2.5	1.2	108.33
Fuso KAMAZ Trucks Rus	2.2	1.4	57.14
BAW Motor Corporation	2.1	1.4	50.00
TAGAZ	1.4	3.3	-57.58
Scania-Piter	1.3	1.1	18.18
ZIL Group	1	1.2	-16.67
Other	5.4	4.7	14.89
Total	206.1	203.5	1.23

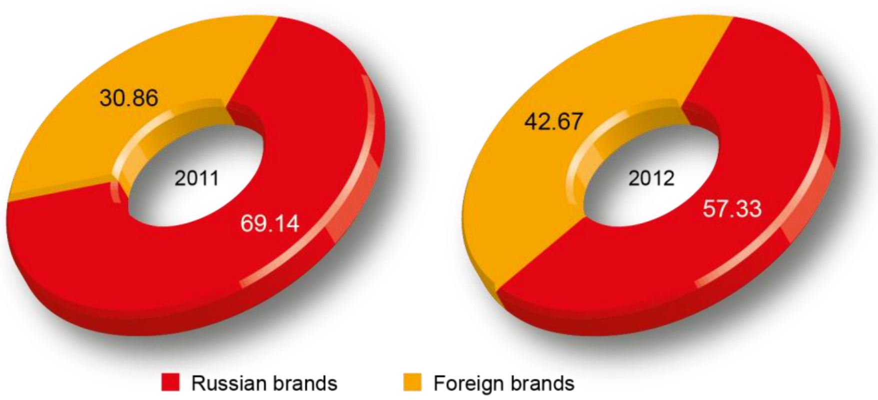
Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Truck Registrations

In 2012, in Russia, 249.4 thousand of new trucks were registered, which is a 16.17% increase on the same indicator of 2011. The growth was due to trucks of foreign brands, whose number of registrations increased by 60.66% in 2012. At the same time, the number of registrations of Russian trucks decreased by 3.68%.

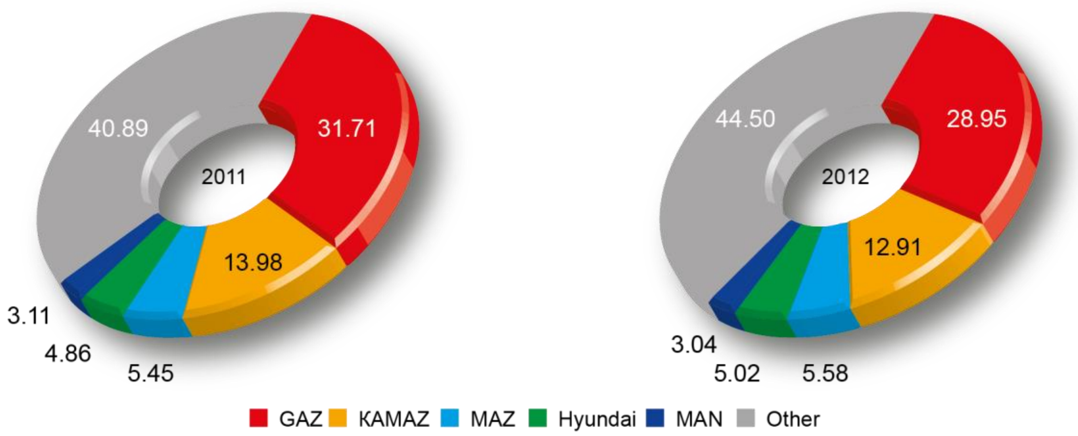
As a result, the ratio of truck shares of Russian and foreign brands also changed. In spite of the fact that in 2012 trucks of Russian brands kept the numerical superiority in the registration structure (143 thousand trucks, or 57.33%), in comparison with 2011, their share decreased by 11.81%.

New truck registration structure, by brand origin, 2011-2012, %



Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

New truck registration structure, by brand, 2011-2012, %



Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

As a year earlier, in 2012, GAZ and KAMAZ were the leaders in the number of new registrations of trucks in Russia. In 2012 the number of registrations of new GAZ trucks amounted to 72.4 thousand units or 28.95% of all registrations of new trucks. In 2102, 32.3 thousand of new KAMAZ trucks were registered, which amounted to 12.91% of all registrations.

MAZ, Hyundai, MAN, Volvo, Shaanxi, Scania, Mercedes-Benz and DAF brands are also in the TOP-10 list of brands by the number of registrations of new trucks in 2012.

All of them, except for Scania, showed the more significant growth in registrations, than GAZ and KAMAZ, the market leaders. Results of Shaanxi and DAF were especially impressive: in 2012 the number of registrations of new trucks of these brands increased by 167% and 156%, respectively.

As for Scania, the number of registrations of new trucks of this brand decreased by 4.76%, as compared to 2011.

TOP-10 List of brands by the number of new truck registrations in Russia, 2012

Brand	Registrations in 2012, thousand units	Registrations in 2011, thousand units	Registrations dynamics, %
GAZ	72.4	68.1	6.31
KAMAZ	32.3	30	7.67
MAZ	14	11.7	19.66
HYUNDAI	12.6	10.4	21.15
MAN	7.6	6.7	13.43
VOLVO	7.2	5.2	38.46
SHAANXI	6.4	2.4	166.67
SCANIA	6	6.3	-4.27
MERCEDES-BENZ	6	3.4	76.47
DAF	4.1	1.6	156.25

Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

In 2012, all segments of the truck market showed the growth. The most significant growths of registrations were observed in segments of trucks with the gross weight from 8 to 12 tons (38.46%), as well as in segments of trucks with the gross weight over 16 tons (22.1%). The annual growth in other segments made 15% on average.

Segments of trucks with the gross weight up to 5 tons and with the gross weight over 16 tons are the largest in the truck market. In 2012, their market shares amounted to 50.19% and 36.79%.

A segment of trucks with the gross weight up to 5 tons is mainly represented by GAZ and UAZ brands with the market shares of 48.03% and 20.57%, respectively. As for the foreign brands, trucks of the Ford, Hyundai and Peugeot brands have the largest shares in this segment.

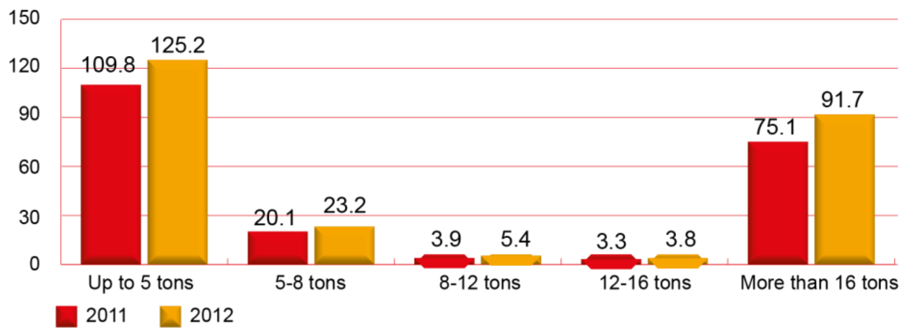
KAMAZ brand with a share of 31.22% dominates the segment of heavy trucks with the gross weight over 16 tons. MAZ Belarusian brand with a registrations share of 13.82% is on the second place in this segment. Among other foreign brands, MAN (7.98%), Volvo (7.76%), Shaanxi (6.99%), Scania (6.59%) have the most significant shares.

The segment of trucks with the gross weight from 5 to 8 tons is the third segment of the truck market by the number registrations; in 2012 its share amounted to 9.31%. Over half of registrations of new trucks of this segment belongs to the GAZ brand, Hyundai with a share of 23.56% is the other most common brand in this segment.

Segments of trucks with the gross weight from 8 to 12 tons and with the gross weight from 12 to 16 tons are not so numerous: their shares in the market structure amount to only 2.18% and 1.53%, respectively.

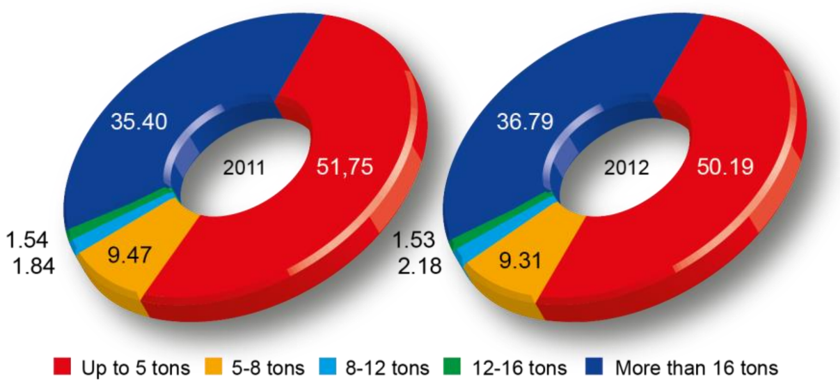
There is a significant variety of brands among trucks with the gross weight from 8 to 12 tons: MAZ, Foton, ZIL, KAMAZ, Hino, and Hyundai. KAMAZ is the key brand in the segment of trucks with the gross weight from 12 to 16 tons (78.11% of registrations).

New truck registrations by segment, 2011-2012, thousand units



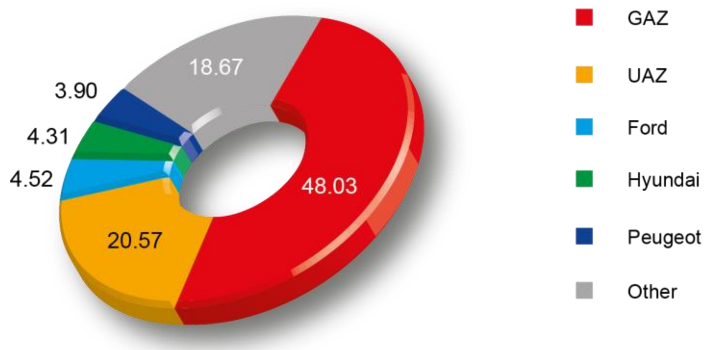
Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

New truck registration structure by segment, 2011-2012, %



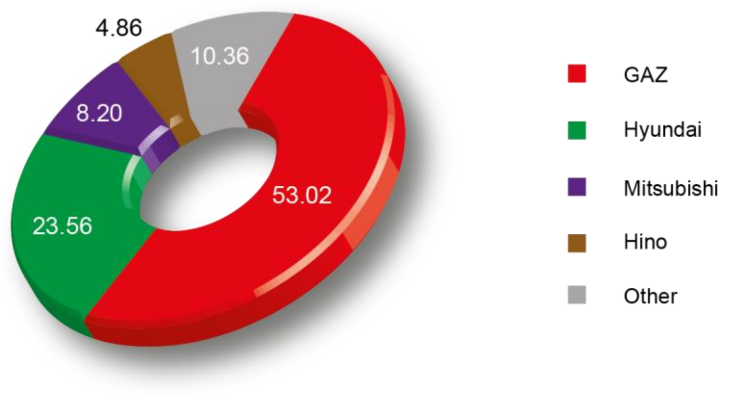
Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Registration structure of new trucks with GVW under 5 Tons, by brand, 2012, %



Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Registration structure of new trucks with GVW from 5 to 8 tons, by brand, 2012, %

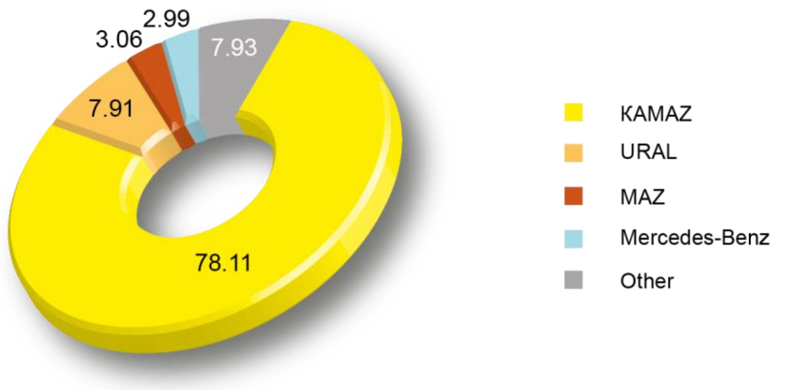


Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Registration structure of new trucks with GVW from 8 to 12 tons, by brand, 2012, %

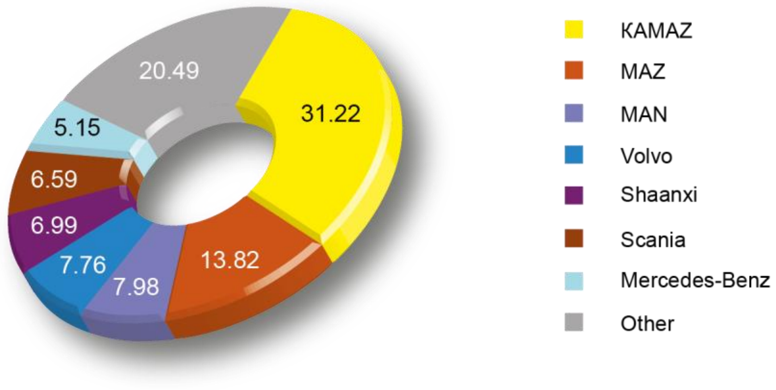
Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Registration structure of new trucks with GVW from 12 to 16 tons, by brand, 2012, %



Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Registration structure of new trucks with GVW over 16 tons, by brand, 2012, %



Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Major Events For Russian and Foreign Truck Manufacturers in Russia, Q IV, 2012

Manufacturer	Period	Event	Notes
GAZ Group	October 2012	Opening of a new dealer center of GAZ Group in Sterlitamak (Republic of Bashkortostan).	A center with an area of 5.5 thousand m^2 includes the show room, clients' area, spare parts and accessories sales department, maintenance station with 11 service posts. This is the third corporate sales center on the territory of the Republic of Bashkortostan.
	October 2012	GAZ Group and Russian Automobile Assosiation launched the «GAZ Assistance» joint program.	The program provides the buyers of GAZelle Business and Sobol Business light commercial vehicles with round the clock free technical assistance, as well as discounts on services, spare parts and related products in the company's sales network. Road assistance services are available in 61 regions of the Russian Federation. The discount program for holders of «GAZ Assistance» cards is effective throughout Russia.
	October 2012	Launch of sales of GAZelle Business vehicles, equipped with gas-petrol engine of «Euro-4» ecological class.	Bi-fuel engines (UMZ-421647) are available for three versions of «GAZelle» - minibus, all-metal van and onboard vehicle with a double cabin. Onboard «GAZelle» with lengthened base is equipped with gas cylinders in capacity of 120 liters. Cylinders on standard onboard version have capacity in 100 liters. Vans and minibuses got by two cylinders in general capacity of 88 liters. Factory setting of compressed gas equipment costs 26-30 thousand rubles and keeps full guarantee on a vehicle.
	October 2012	GAZ Group and industrial corporation Eaton announced the start of production of GAZelle Business and Sobol Business with ELocker electronic locking differential.	System ELocker helps to significantly increase the vehicle cross-country ability on bad roads. It is developed for the markets of countries with difficult climatic and road conditions and specially improved in view of the Russian climate. Differential will be installed on rear-drive vehicles as an option, and will be included into basic configuration of all-wheel-drive modifications.
	December 2012	GAZ Group and Mersa Otomotiv announced the official opening of an assembly facility and the	The project provides organization of SKD of some models of «GAZelle Business» and «Sobol Business» light ommercial vehicles, and also

		market launch of GAZ light commercial vehicles in Turkey.	creation of a dealer and service network in all regions of Turkey.
	December 2012	Opening of a dealer center GAZ in Yaroslavl.	The total area of a centre is 2.5 thousand m^2. The center is certified for sale and maintenance of all types of power units, installed on GAZ vehicles, including diesel and gas-petrol engines. The maintenance station includes 16 service posts.
	December 2012	At the «Russian Forest» exhibition Ural Automobile Plant presented a special purpose vehicle for the forest industry–URAL-43204 logging truck and trailer unit.	Logging truck and trailer unit on the Ural-43204-1112-40 chassis (wheel formula 6x6) is equipped with OMTL-97 hydraulic manipulator and the logging pole trailer. The gross weight of a truck, equipped with a YaMZ-236 engine of the 230 HP capacity is 38 tons. The logging truck and trailer unit is equipped with the additional power take off and Kama 1260 tyres.
KAMAZ Group	November 2012	Daimler Trucks and KAMAZ signed a contract covering the supply of engines and axles for the Russian company's trucks and buses.	KAMAZ will receive OM 457 truck diesel engines and M 906 bus natural gas engines. The contract also encompasses the delivery of front and rear axles for trucks and buses to the Russian manufacturer. It is expected that the delivery volume will exceed 7000 engines and 15000 axles per year.
	November 2012	Modernization of the ATZ-66062 bowser on the KAMAZ-43118 all-wheel-drive chassis.	Consumer properties of the truck were significantly improved.
	December 2012	NEFAZ announced the price reduction for NEFAZ-9509-30 and NEFAZ-9509-32 dump semitrailers.	Semitrailers of oval cross section of a 30 m3 volume and the cargo tonnage of 33 and 33.7 tons, respectively, may be bought for 1.07 million rubles. The offer was effective within 2 weeks.
Mercedes-Benz Trucks Vostok LLC	November 2012	Sberbank Leasing JSC and Mercedes-Benz Trucks Vostok LLC signed a strategic partnership agreement and began to implement a special program.	Special offer has come into force since October 1, 2012, and enabled to significantly expand the range of financial instruments for the purchase of Mercedes-Benz trucks. Partners plan to engage 36 dealer centers and 64 branch of subsidiary company of «Sberbank of Russia» JSC.
Volvo	October 2012	Presentation of the new series of Volvo FH trucks.	The truck has the new design, working and sleeping places of the driver. The company also increased the cabin space without prejudice to aerodynamic characteristics of the truck, offered a number of decisions related to the efficiency and safety of the truck.
Iveco	November 2012	The company presented a new Kaoussis CRV 1600 rotor type waste disposal truck on the basis of Iveco Stralis.	CRV 1600 is produced on the basis of the IVECO Stralis AD190S27/P CNG chassis and has a gas 6-cylinder engine of the 270 HP capacity, which meets the «Euro-6» standard. The truck is equipped with the 16-speed manual gearbox ZF16 S 1620 DT.
Scania	October 2012	Opening of a dealer center Scania in Yekaterinburg.	Center is built by «Stroykomplect» company, a dealer of Scania in the Sverdlovsk region and Perm territory.
	December 2012	Scania's official dealer supplied a special scrap hauling truck to the customer.	The truck is a metal carrier with the Palfinger manipulator on the basis of Scania chassis.
MAN	October 2012	Opening of a fire and salvage station in Saint Petersburg, equipped with fire fighting vehicles on the basis of MAN trucks − fire extinguishing tanker and hose reel vehicle.	This is the first experience of the production of fire trucks on the MAN basis. The chassis of trucks are equipped with the engine of the 330 HP capacity and with an additional motor brake of the «Euro-3» ecological class. Double cab of the tanker DK is designed for transportation of 7 fire

			fighters, including the driver. There are air-conditioners and autonomous heaters for the cold time of the year in the cabs of both models. The chassis are equipped with a «cold» package: the heater of rear view mirrors, heater of the air dryer, heater of the fuel filter, additional heated fuel dewatering filter, storage battery with a capacity of 175 a/h.
Fuso KAMAZ Trucks Rus LLC	November 2012	Presentation of the upgraded Mitsubishi Fuso CANTER of the «Euro-4» ecological class	The upgraded engine of the «Euro-4» ecological class became 20% more powerful than its predecessor. The upgraded CANTER is equipped with certified tow hitch, which makes it possible to use trailers.
Isuzu	November 2012	Opening of a dealer center Isuzu in Naberezhnye Chelny.	The area of the showroom of a dealer center is 500 m^2. Service area with 8 posts is equipped with alignment stands, brake endfloatmeter.
HINO	November 2012	Presentation of the new model line-up HINO of 500 Series (medium duty truck)	Beginning 2013 medium duty truck GD (with the gross weight of 12 tons) will be presented by 7 models with 4 variants of the length of the chassis frame, 3 of which are available with a spring or air suspension of the rear axle. Modification GH (with the gross weight of 17.5 tons), new for the Russian market, will be available in 3 variants of the length of the chassis frame, with a spring or air suspension. In addition, customers will be able to choose the gearbox: a 6-speed HINO and 9-speed EATON.
BAW	December 2012	«BAW-Rus Motor Corporation» announced the «Tent as a gift» action.	Under the terms of the action all buyers of the Fenix 33462 truck from December 5 to December 31, 2012, received a tent as a gift from the plant.
Foton	October 2012	Opening of the first dealer center for sale and maintenance of Foton commercial trucks	A center was opened by BLOCK Motors company.

Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Bus Market

For the bus market, 2012 was marked by the strengthening of positions of the Russian brands, which showed a much higher production growth than foreign ones. The reduction of registration number, which was noted in the bus market in 2012, affected only foreign brands.

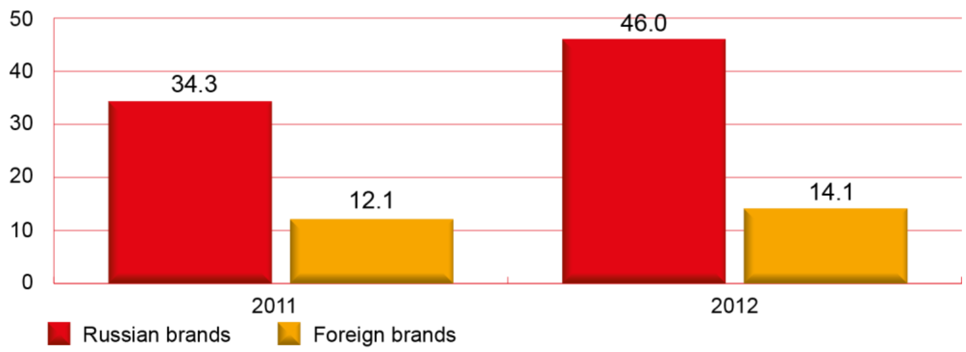
Bus Production

In 2012, in Russia, 60.1 thousand buses were produced. The production growth amounted to 29.8%, in comparison with 2011.

Russian brands dominate the production structure of buses in Russia: according to the results of 2012, their share grew by 2.6% and amounted to 76.6%.

In 2012, Russian brands showed the higher production growth: 34.3% against 16.7% of the production growth of buses of foreign brands.

Bus production in Russia, by brand origin, 2011-2012, thousand units



Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

In 2012, as in 2011, enterprises of GAZ Group produced the half of all buses in Russia. Not only enterprises of the «Buses» Division (PAZ LLC, LiAZ LLC, GolAZ JSC, KAVZ LLC), but also GAZ and Ural Automobile Plants manufacture buses.

Among these enterprises, in 2012 GAZ Automobile Plant produced the largest number of buses, 51% in the bus production structure of GAZ Group, as well as PAZ LLC - 38%.

It should be noted that in 2011 PAZ LLC with a share of 43.6% was a leader among enterprises of GAZ Group by the number of produced buses.

Sollers Group, producing buses under UAZ brand in Ulyanovsk region and Ford brand in the Republic of Tatarstan, is on the second place by the bus production volume in Russia. In 2012, the share of Sollers in the bus production structure amounted to 23.3%, which was a 0.8% decrease on 2011.

Companies, specializing in the production of various modifications of buses on the basis of foreign commercial vehicles, such as ST Nizhegorodets LLC and PKF Luidor, occupy significant shares in the bus production structure. In 2012, their shares in the total volume of bus production amounted to 12.3% and 6.2%, respectively.

In comparison with 2011, the share of ST Nizhegorodets LLC in the bus production structure in Russia grew by 3.5%, and the share of PKF Luidor - by 0.2%.

As for the production growth in 2012, ST Nizhegorodets LLC showed the greatest increase in 80.4%.

In general, almost all bus manufacturers showed the high production growth in 2012. So, for example, the growth of Volzhanin amounted to 75%, «NefAZ» - 40%, PKF Luidor – 32.1%.

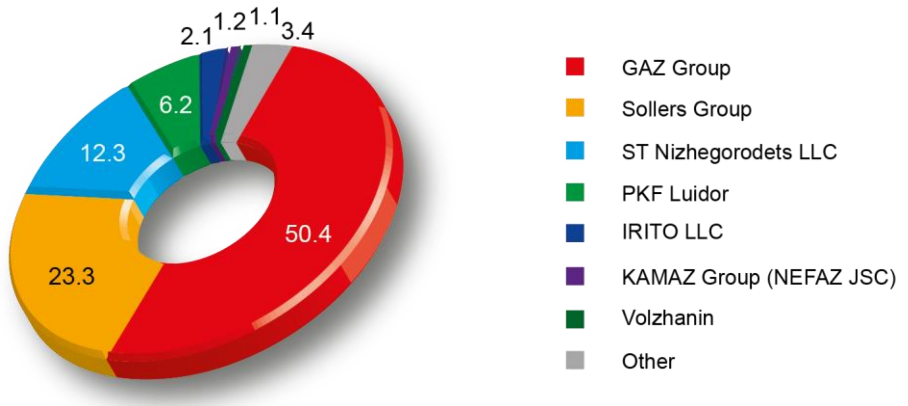
In 2012, production volumes of TagAZ and IRITO LLC decreased by 72.7% and 42.9%, respectively. The production of buses of some enterprises of GAZ Group, such as Ural Automobile Plant, LiAZ LLC, GolAZ JSC, KAVZ LLC, also declined, but, due to the production increase of the other plants, the total production volume of GAZ Group did not decrease.

Bus production in Russia, by manufacturer, 2011-2012

Manufacturer	2012, thousand units	2011, thousand units	Production Dynamics 2012/2011, %
GAZ Group	30,3	23	31,7
Sollers Group	13	11,1	26,1
ST Nizhegorodets LLC	7,4	4,1	80,4
PKF Luidor	3,7	2,8	32,1
IRITO LLC	1,2	2,1	-42,9
KAMAZ Group (NEFAZ JSC)	0,7	0,5	40,2
Volzhanin	0,7	0,4	75,0
TAGAZ (TAGAZ LLC, Taganrogsky subsidiary of TAGAZ LLC, HT Avto LLC)	0,3	1,1	-72,7
KuzbasAvto LLC	0,1	0,1	0,0
Other	1,6	1,1	54,5
Total	60,1	46,3	29,8

Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Bus production structure in Russia, by company, 2012, %



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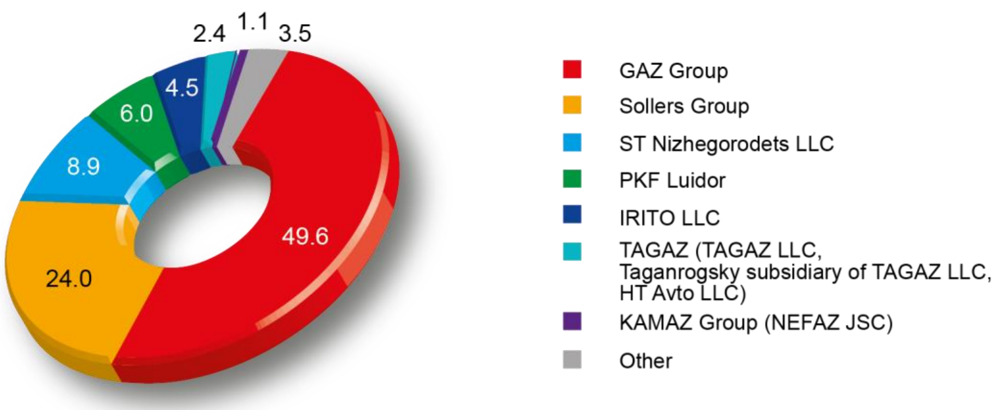
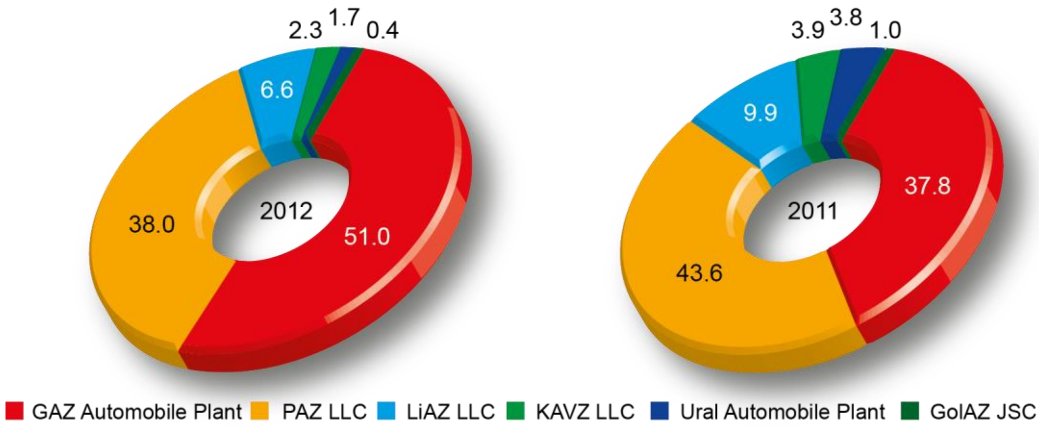
Bus production structure in Russia, by company, 2011, %



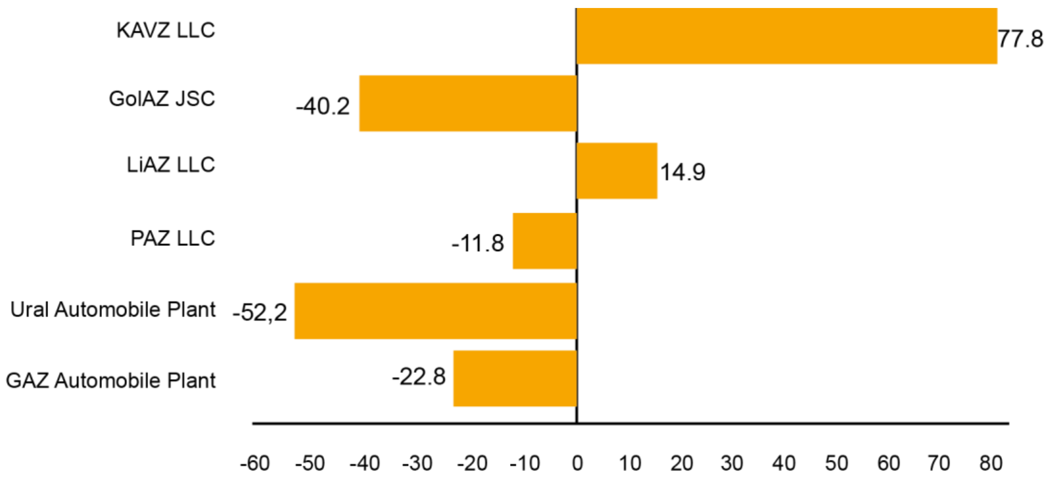
Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Bus production structure, by enterprise of GAZ Group, 2011-2012, %



Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Bus Production Dynamics at Enterprises of GAZ Group, 2012, %



Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

New Bus registrations in 2012

In 2012, in Russia, 52.4 thousand of new buses were registered. In comparison with 2011, the number of registrations decreased by 5.9%, or 3.3 thousand units.

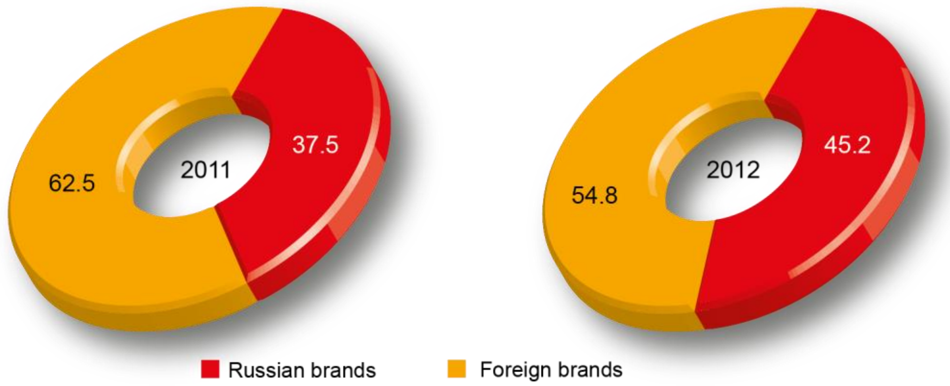
The reduction of the registration number by 17.5%, from 34.8 thousand units in 2011 to 28.7 thousand units in 2012, was due to buses of foreign brands. In 2012, the registration number of buses of Russian brands, on the contrary, increased by 13.6% to 23.7 thousand units.

As a result, in 2012, the ratio of registrations of Russian and foreign buses changed significantly. If in 2011 registrations of buses of Russian brands accounted for 37.5% of the total volume of registrations of new buses, in 2012, their share amounted to 45.2%.

In 2012, GAZ and PAZ brands were the most popular Russian brands in the market of new buses, Fiat, Hyundai, Ford, and Volkswagen - among foreign brands. Russian brands with their registration shares of 17.9% and 16.3%, respectively, are the leaders. Fiat brand with its 13% is on the third place by the number of registrations of new buses.

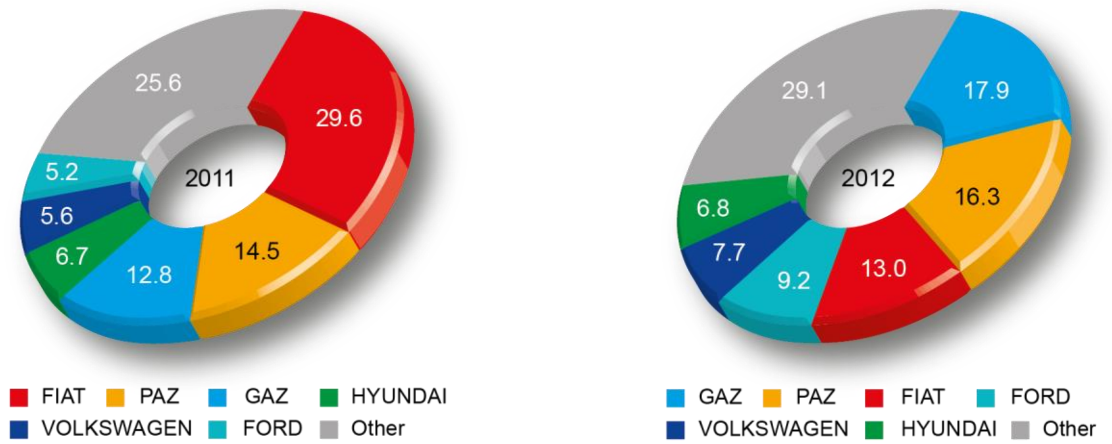
It should be noted that in 2011 Fiat brand was on the first place by the number of registrations of new buses, as it accounted for 29.6% of their total volume. However, in 2012, the registration number of Fiat buses declined by 58.8% to 6.8 thousand units, which resulted in the sharp decrease of its share in the registration structure.

New bus registration structure, by brand origin, 2011-2012, %



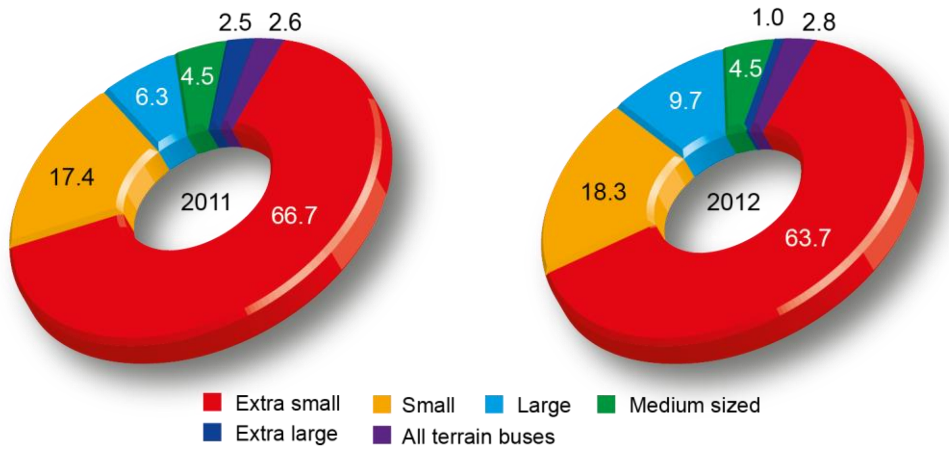
Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

New bus registration structure, by brand, 2011-2012, %



Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

New bus registration structure, by class, 2011-2012, %



Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Registration dynamics of TOP-10 Russian and foreign brands, 2011-2012

TOP-10 Russian Brands				TOP-10 Foreign Brands			
Brand	New bus registrations by brand in 2012, Units	New bus registrations by brand in 2011, Units	Registration dynamics 2012/2011, %	Brand	New bus registrations by brand in 2012, Units	New bus registrations by brand in 2011, Units	Registration dynamics 2012/2011, %
GAZ	9401	7139	31,7	Fiat	6807	16512	-58,8
PAZ	8548	8098	5,6	Ford	4803	2888	66,3
LiAZ	2269	1976	14,8	Volkswagen	4045	3113	29,9
NEFAZ	1096	1188	-7,7	Hyundai	3557	3725	-4,5
UAZ	789	772	2,2	Peugeot	2551	2215	15,2
Ural	426	791	-46,1	Mercedes-Benz	1321	514	157,0
KAVZ	390	518	-24,7	MAZ	1127	465	142,4
KAMAZ	298	166	79,5	IVECO	880	694	26,8
Volzhanin	240	196	22,4	Citroen	796	17	4582,4
GolAZ	27	20	35,0	Toyota	695	773	-10,1

Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Other foreign brands also showed a significant dynamics of the registration number. Thus, in 2012, the registration number of new buses of the Ford brand increased by 66.3%, of the Volkswagen brand – by 29.9%, and the number of registrations of Hyundai buses, on the contrary, decreased by 4.5%.

As for segments of the bus market, in 2012 extra small, medium sized and extra large classes of buses decreased their registration numbers.

The class of extra small buses (up to 5 meters length) is the largest segment of the bus market: in 2012 its share in the registration structure amounted to 63.7%. The registration number of new buses of this class reached 33.3 thousand units, which is a 6.7% decrease on 2011.

GAZ and Fiat brands dominate this segment. The registration shares of new buses of these brands in an extra small class amount to 27.7% and 20.6%, respectively.

A small class, which includes buses of 6-7.5 meters length, is the second largest segment of buses. In 2012, it increased by 2.3%, and its share in the registration structure of new buses amounted to 18.3%, or 9.5 thousand units. In 2012, the overwhelming majority of this class, 77.5%, was presented by PAZ buses.

The medium sized buses (8-9.5 m length) decreased by 3% in 2012. According to the results of the year, its share in the registration structure of new buses amounted to 4.5%, or 2.3 thousand units.

As in the small class, PAZ brand is a leader in this segment, in 2012 it accounted for the half of registrations of new buses of this segment. Shares of KAVZ and MAZ brands in the medium sized class of buses were also significant and amounted to 16.6% and 12.4%, respectively.

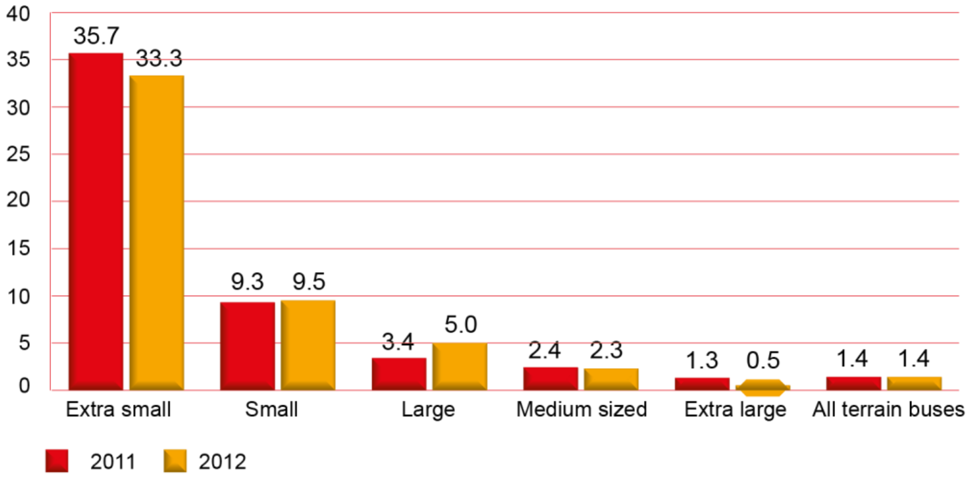
The class of large buses showed the most intensive growth in 2012, by 50.7%. This class consists of buses with the length from 10.5 to 12 meters. In quantitative terms, the growth in the segment amounted to 1.7 thousand units, having reached 5 thousand units. The share of this segment in the registration structure of new buses increased by 3.4% to 9.7%. LIAZ, MAZ, Hyundai, NEFAZ are the main brands of this segment.

The class of extra large buses (16.5 meters and more) was the smallest segment of the bus market in 2012. Its share in the registration structure of new buses declined from 2.5% in 2011 to 1% in 2012. In quantitative terms, registrations accounted for only 500 units, which is a 60.4% decrease on 2011.

LIAZ brand with its 52.8% dominates this class of buses; however, the share of MAN buses is also significant and amounts to 15.2%.

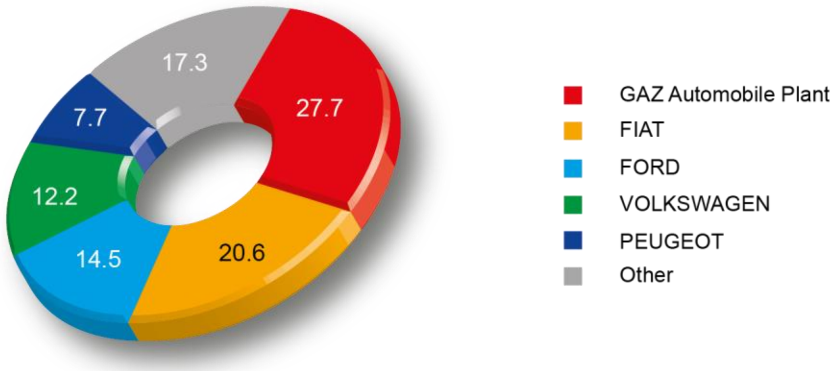
In 2012, the segment of all terrain buses increased by 4% and amounted to 1.4 thousand units. These are buses of NEFAZ, URAL, KAMAZ, GAZ brands. According to the results of 2012, its share in the registration structure of new buses made 2.8%.

New bus registrations, by class, 2011-2012, thousand units



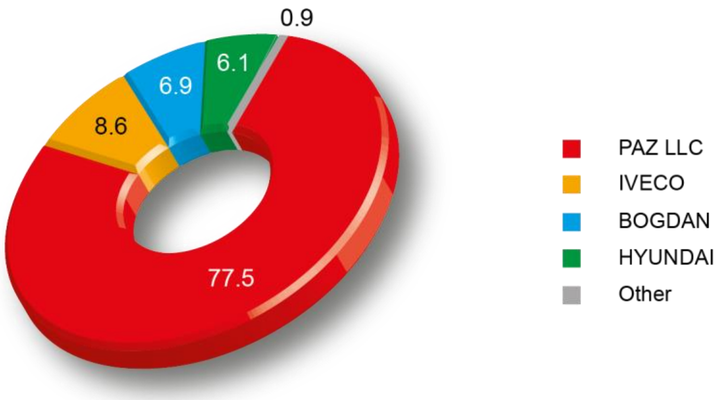
Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Extra Small bus registration structure, by brand, 2012, %



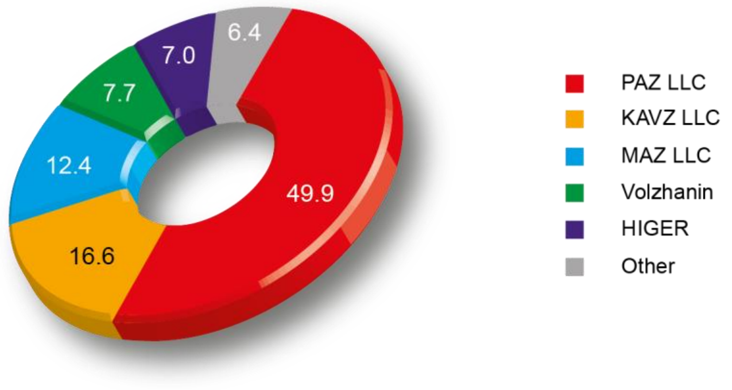
Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Small bus registration structure, by brand, 2012, %



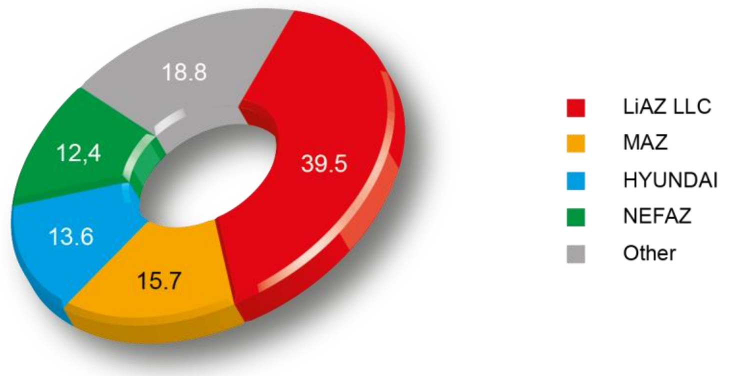
Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Medium Size bus registration structure, by brand, 2012, %



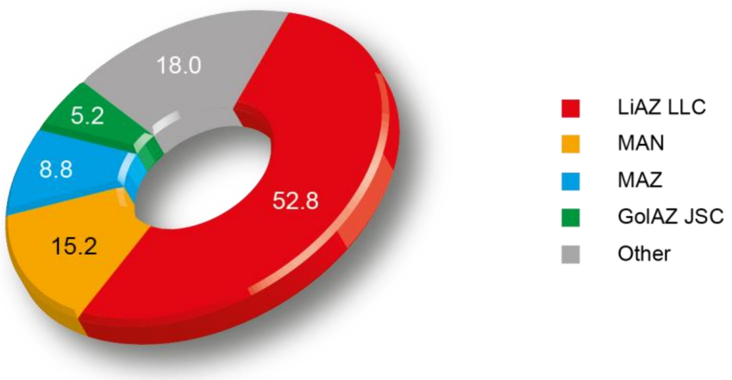
Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Large bus registration structure, by brand, 2012, %



Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Extra Large bus registration structure, by brand, 2012, %



Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Major Events For Bus Manufacturers in Russia, Q IV, 2012

Manufacturer	Period	Major Events	Notes
GAZ Group	October 2012	GAZ group won a tender of the Sochi Administration for the supply of 108 LIAZ-52935293 buses.	The total cost of the delivered buses exceeds 680 million rubles. LIAZ-5293 buses are equipped with engines of the new YaMZ-530 family of the «Euro-4» ecological standard.
	November 2012	GAZ group announced about the delivery of 45 buses of a large class to Saint Petersburg: 15 LIAZ-5293 buses and 30 «Voyage» GOLAZ-5251 buses.	Buses were delivered under a trilateral agreement between GAZ Group, State Transport Leasing Company (GTLK) and Piteravto. The total transaction value exceeds 260 million rubles.
	November 2012	GAZ group announced about the delivery of PAZ buses to Saint Petersburg.	Ten buses PAZ-320412, intended for the delivery in Saint Petersburg, are equipped with YaMZ-5341 4-cylinder diesel engines with a capacity of 170 HP of the «Euro-4» ecological class.
	November 2012	GAZ group modernized the production and the model line-up of Golitsyno Bus Plant.	In the framework of GolAZ modernization GAZ Group renewed the equipment stock of the enterprise: the company purchased a new welding and paint equipment, new tools and equipment, organized areas of priming and straightening of the body frame, established areas of the quality control and pre-sale preparation according standards of Scania. Since the beginning of 2012, investments in the technical re-equipment and development of GolAZ new products amounted to about 260 million rubles. The new product range of the enterprise is presented by GOLAZ-6228.10 intercity buses of the extra large class and «Voyage» GOLAZ-5251 buses of the large class, as well as the «Cruise» GOLAZ-5291 tourist bus on the new aggregate basis.
	December 2012	GAZ group supplied 200 PAZ-3204 buses in Saint Petersburg.	The total value of the contract is about 300 million rubles. PAZ-3204 buses are produced in an urban version (21 seats, the total passenger capacity of 50 people) and equipped with Cummins ISF engines of the «Euro-3» ecological standard, ZF gearboxes.
NEFAZ JSC	October 2012	Announcement of the delivery of 208 NEFAZ buses of the large capacity, working on the methane, to the Republic of Tatarstan.	The price for buses due to programs of the financing of the new equipment procurement will be reduced from 5.8 million rubles to 2 million 140 thousand rubles.
	December 2012	Launch of a serial production of BRAVIS buses of small class.	BRAVIS bus is the result of a joint project of KAMAZ JSC and Brazilian concern «Marcopolo». This is the 8-meter bus with 21 seats. The company uses the KAMAZ-3297 base chassis and a Brazilian body for its production. The model meets technical requirements of «Euro-4», and is equipped with the Cummins engine, ZF gearbox, Daimler axle, Knorr-Bremse brake system. It is planned that at the first stage the level of localization will be up to 40%. The price for the bus is about 3 million rubles.
Volzhanin	December 2012	Launch of a serial production of ZF-Ecolife buses with automatic gearbox.	The second generation of «City Rhythm» low-floor city buses is equipped with the new automatic gearbox with the improved consumer properties.
	December 2012	Delivery of the first batch of articulated buses of extra large capacity to Saint Petersburg.	Supply of a new model of the «City Rhythm - 18» articulated bus, equipped with the MAN engine of the «Euro-5» standard in Saint Petersburg.
ST Nizhegorodets LLC	October 2012	Opening of a plant for the reequipment of commercial vehicles on the basis of Fiat Ducato and Iveco Daily.	The area of the production capacity of the new plant is 30 thousand m^2, including administrative and production premises.

			Capacities of the new enterprise enable to produce up to 400 vehicles per month. The first line up of the new complex comprises over 15 modifications of vans and special vehicles on the basis of Fiat Ducato and Iveco Daily.
	November 2012	Delivery of 87 vehicles for the rendering of emergency medical assistance to the Republic of Tatarstan.	Vehicles for for the rendering of emergency medical assistance of B class were produced on the basis of Ford Transit.

Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

ROAD: events and prospects

In February this year Orlando hosted the 96th American auto dealer convention (NADA). The ROAD delegation has already made it a tradition to attend the world's largest auto dealer forum. An event similar to the NADA convention will take place in Moscow the coming April. Andrey Petrenko, ROAD President, speaks on the preparation for the First Russian auto dealer convention.

Andrey Petrenko, ROAD President

— This time in the USA we did not only take up business management tools and get to know new technologies, but also paid close attention to the forum organization structure: registration, reception zone, the industries presented by the exhibitors, the topics which evoke interest etc.

Undoubtedly, NADA is greatly experienced in holding such large-scale events, while we are just toddling; nevertheless I am sure that in some ways our convention promises to be more interesting for Russian auto dealers than the American one.

— Could you give an example?

— First of all the convention program includes seminars given by auto business practitioners, the seminars are based on long-term experience and they take into consideration the specific features of business in Russia. More often than not NADA workshops seem to be very far from our current problems and that's why it is hardly possible to adopt their methods and tools in out dealer centers. For example, the used car sales systems in Russia and the US are poles apart. May be one day we will also adopt an auction system or catalogue sales, but today our used car market is totally different and NADA seminars provide information rather to broaden the mind than to serve as a ready-to-use tool.

Let me underline it again: our seminars will be based on the experience of Russian dealers. The compulsory requirement to all the speakers is the seminar must be practice-focused and result-oriented. For example, Joe Verde's seminar will overview the tools that allow you to have a 2.5-fold sales growth. Vladimir Mozhenkov will speak on dealer center management with KPI, which allows to efficiently revolutionize business processes in the whole company.

It is important to note that our invitation sales system (paying for two invitations only, two more company representatives can attend free) will let us attract not only business-owners or General managers, but also department managers – finance manager, sales manager, marketing manager, customer service manager etc.

By the way, non-Moscow attendees will be provided with accommodation at the hotel which is part of the exhibition center on most favourable conditions.

— In the US there is a NADA University. Is ROAD going to launch any educational projects?

— We also want to teach and train dealers systematically. We are going to set up ROAD Academy - a permanent educational body. The Academy will target various staff ranging from sales people and mechanics to top managers.

We are launching this project together with «Business Car» company (the training center of this dealer group will teach staff working in sales, service stations and customer service) and «Ernst and Young» (training targeting back-office staff and management). The Academy will be presented to the audience at the convention on the first day. The forum participants will get the curriculum for the current year.

— Will the training be accessible for dealers ROAD-members only?

— On the contrary. The price of the training course, however, will differ significantly for our full members. Moreover, the courses at the Academy will also be open for those who are not engaged in dealer business, but want to receive knowledge and skills in this sphere.

As we all know, today there is no educational establishment which puts emphasis on training students for working in a dealership. The staff are trained on the premises. There is no doubt that not every dealer can organize a full training system, sometimes it is unreasonable in terms of costs. But there is a steady demand for qualified workforce: in the capital city and in regions, in big dealer groups and dealer centers.

In the last 20 years automotive business has gained a lot of experience and professionals are ready to share their knowledge with colleagues. The ROAD Academy will help consolidate the related experience and offer high quality systematic training to all categories of dealer center employees.

— Which topics will the convention seminars tackle?

— I have already mentioned Vladimir Mozhenkov, «Audi Center Taganka» General Manager, who will be speaking on dealership management based on KPI. Last autumn Vladimir gave a two-day seminar on this topic. Some of those interested, however, failed to attend. I am sure that this short-term workshop will attract a great audience.

There will also be an encore to another seminar. It is a seminar on service marketing. The speaker is Tatiana Semyonova, «Rolf» Brand Manager. The topic of the seminar – winning customer loyalty at the service center – is truly acute. Today not so many dealers have mastered service marketing methods so skillfully as «Rolf» has. So marketing specialists and after sales manager have a chance to get to know «Rolf»'s best practice.

Sergey Litvinenko, PwC, will give a seminar which is sure to attract dealership owners. The seminar is called "Mergers and Acquisitions on the Auto Retail Market". We believe that very soon these questions will be asked often enough and the workshop will provide answers to the questions of buying and selling a dealership at a profit.

Another seminar – «Joe Verde Methods» - does not require any explanation. The seminar will be given by Vassiliy Zhegalov, President «Autodealer training center» (ADTC), and Jay Rose, Joe Verde Group coach.

The workshop on effective customer relationship will be given by Konstantin Gordienko, General Manager «Gorod (City) Auto» from Mineralnye Vody. The choice of the speaker was evident: for two years in a row dealer centers of this group (first Audi and then Ford) won the "Best Service" award.

Maksim Timofeyev and Sergey Kozhuhov from «Business Car» will give a seminar on staff performance appraisal system.

Or partner – Sameta company - will overview particularities of taxation in the automotive business and Sergey Bersenev, the consultancy center «Mercury», Director, will speak on stress management.

Marketing will be covered by the portal «Automarketolog», which holds professional events for marketing and advertising specialists. Evgeniy Shakirov and his colleagues will speak on marketing system construction in a dealer center, as well as on new approaches to customer relationship development, on automotive marketing in social networks.

— You mentioned the "Best Service" award. And the event program has the ad for the third survey...

— It's true. «AutoBusiness-Review» representatives will speak about this year survey. Just over two years the project has become really popular. Only premium brand dealers entered the first survey, whereas the second survey comprised other brands too. In fact, today it is the only award for dealers, and it's is only natural that ROAD supports the project.

— Will ROAD traditionally assess car makers?

— The 8 DSI results will be summarized on the first day of the convention. As usual «Ernst and Young» will be our partner in this project. The survey which is planned for March will be open for all dealers in Russia. The information on the voting launch will be posted on ROAD site.

The convention program will also include a round table discussion raising the issues of dealer network construction and development. Importers and dealers will take part in it.

— Is the conference part formed yet?

— Yes, it is. The first day will see the session «Major trends in Russian automotive market development» with Aleksey Rakhmanov (Ministry of Industry and Trade of the RF), Albert Gallegos (NADA), Йорга Шрайбера (АЕБ), Konstantin Bocharov (AVTOVAZ), Tatyana Arabadzhi (Russian Automotive Market Research), Edward Markman (Dealer Association Renault), and «Gazprom-neft» representative (since February 2013 ROAD's golden partner) among the speakers.

The second day will be devoted to the overview of best dealer practices. The speaker list includes Andrey Blokhin («Genser» Group), Oleg Moseyev (LegeArtis automotive Group), Aleksey Podschekoldin («BN Motors»), Oskar Akhmedov («Nezavisimost»), Vladimir Miroshnikov («Rolf»).

We are also developing round tables and panel discussions – we would like to choose the topics which would be interesting for all market players.

I would also like to draw the reader's attention to ROAD Expo. The exhibition will demonstrate new service and repairwork technologies; consultancy companies, marketing and IT agencies will show their products and services, ensuring productivity growth and better quality customer service.

The exhibition provides an opportunity to see new offers on the market. It often happens so that we just have no time to familiarize ourselves with new products and business solutions. ROAD Expo is an excellent chance to gather in one place those who offer goods and services and their target customers. The exhibitor list still has a few vacancies. A company can apply for participation till the end of March.

— Are you expecting any foreign delegates?

— We are expecting participation of Albert Gallegos, NADA Vice President in charge of international cooperation, he will also see to the formation of the seminar program. Dealer organizations from Poland and Italy are expected to come too. ROAD Expo will host booths of the companies which participated in NADA expo.

So, let me invite all the companies engaged in the automotive business to our convention – as a participant, exhibitor, or an attendee. For further information, please visit ROAD site.

Looking forward to our meeting at the First Russian auto dealer convention!

An Important Part

The production of auto components remains one of the difficult areas in the Russian market. Imperfection of a technological base and the lack of sufficient financial resources for the technical level improvement are still the main factors, which hinder the development of the Russian auto component sector. Russia's accession to the WTO was also a difficult moment.

Russian manufacturers of auto components understood the inevitability of accession to the WTO and at the same time clearly evaluate the low level of their readiness for future changes. Only the metallurgical production could be an exception.

At the same time, the preparation for the Russia's accession to the WTO encouraged manufacturers of auto components to introduce new technologies, improve the management system, including in the field of quality, to a certain extent.

However, really significant technological changes of in the work of Russian manufacturers, which could bring them to a level, close to world standards, and enable them to freely compete with foreign companies, were the exception rather than the rule.

In 2012, Russian manufacturers paid much attention to ordinary technological innovations, expansion and renewal of a range. At that, auto component manufacturers continued to create and develop new products not only for Russian vehicles, but also for foreign vehicles, assembled in Russia. These processes were typical both for the production of small and technically simple parts, and for a segment of large, technologically complex and energy-cost components, including those connected with the metallurgical production.

In 2012, «Severstal» JSC developed its auto component direction rather actively, announcing about the change in the product range, including due to the development of new steel grades, both for Russian automobile plants, and for manufacturers of foreign vehicles, who localized their production in Russia, almost every month. The work of other metal manufacturers was not so active for the automotive industry.

Some Russian manufacturers of auto components, as a rule, small and technologically simple productions, started to develop radically new directions, not connected with the production activity, in an attempt to diversify their business in order to make an additional profit.

These companies began to sell finished products in other directions, previously not developed in the company. To a greater extent, it concerns auto components for the market of after-sales service, especially spare parts for foreign vehicles.

Another way of diversification was connected with the development of entirely new production areas. These areas had a quite indirect relation to the automotive business and focused on such fields of activity, as housing and communal services, construction and the production of consumer goods.

This fact can be evidence of the decrease in the attractiveness of auto component sector in the Russian market. Not only consequences of the crisis but also the difficulties of the auto component business in Russia in general are the reasons for it.

The problem of counterfeit goods remained one of the most important problems in the market of after-sale service. In 2012, many manufacturers of auto components carried out an active information work, drawing the attention of potential customers on differences of their own original products from possible counterfeit.

Russian manufacturers continued to introduce various measures to protect their own products from actions of unfair competitors. For this purpose, they used a special package with a holographic protection, different special protective layers and other techniques, which helped to establish the product authenticity.

In particular, they continued to apply the variant of using mobile communications. The consumer could check the product authenticity by sending the SMS-message with a numeric code from the package to a special number. The authenticity of the product was determined with the help of a reply SMS-message from the automaker.

To increase the work efficiency in the market of after-sale service, manufacturers of auto components began to more actively use a system of e commerce in 2012. Many companies opened online shops.

To improve the quality of customers' service throughout Russia, nuances of the work adjusted for different time zones were taken into account. In regions, considerably remote from the direct production, some online-shops were opened and warehouses were specially created, in order to exclude possible disruptions in the long distance product transportation.

In order to increase the loyalty of customers-vehicle owners, in 2012 some Russian manufacturers were reducing prices periodically. However, most often, this decrease covered not only the whole assortment or range of products, but only some of their items.

The opposite trend, connected with an increase in prices, was more common in the market of after-sales service. During the year, some manufacturers repeatedly announced about the forthcoming increase of prices, sometimes up to four-five times per year and more often. At that, each of these increases could amount from 1 to 4%. The growth of tariffs for major resources was the main reason for such increase.

In 2012, almost all leading Russian automakers brisked up their work in the market of after-sales service. At the same time, a special attention was paid to the development of the corporate trade of spare parts. In April 2012, the first brand name shop for the retail sale of spare parts «LADA Detail» was opened.

In August 2012, KAMAZ launched a similar project: the company started to create a network of brand name shops «KAMAZ original spare parts».

In 2012, Russian manufacturers of auto components continued to develop the cooperation with foreign companies. At that, the part of projects was implemented together with partners, selected earlier. To a greater degree, it concerns KAMAZ. Other projects were carried out jointly with independent producers of components and were green field.

So, in June 2012, GAZ Group and BOSAL announced about the opening of a joint venture for the exhaust system production. In December 2012, GAZ Group and Bulten Company (Sweden) signed an agreement on the establishment of a joint enterprise for the production of fixing arrangements.

In 2012, some foreign manufacturers of auto components showed a special interest in Russian assets and sometimes became their rightful owners. In July 2012, Yazaki Corporation announced about a 100% share acquisition of the Russian wire harness company «Industrial Volga Company» LLC (IVC LLC), located in Gorodets of the Nizhny Novgorod region. IVC LLC is a company which has about 1000 employees.

Another example, which is although connected with structural changes in the work of Russian automakers, can also be an evidence of the interest of foreign companies in Russian assets. In January 2012, AVTOVAZ JSC completed the sale of its existing die welded wheels production business to the German group Mefro Wheels. The German company acquired 100% shares in the wheel production.

In response to the interest of foreign manufacturers of auto components, industrial parks received a large development effort in the Russian market. One of examples in this regard concerns the creation and expansion of such a park on the basis of Zavolzhsky Motor Plant with a number of foreign manufacturers of auto components among its participants.

In 2012, there were some changes in the management system of auto component productions, which belong to Russian automakers. These changes were mainly connected with the introduction of a clearer management structure.

In October 2012, foundry and forge plants of KAMAZ, which were previously parts of the metallurgical complex, became independent units again. This step was inspired by a desire to increase the responsibility of each of these enterprises.

Another change concerns Zavolzhsky Motor Plant, when in October 2012 a new general director began to manage it. At that, the temporary function of general director of UAZ-holding, introduced earlier, was terminated.

Major Events for Russian Auto Component Manufacturers, 2012

Company	Region	Announcement Date/Event Date	Content	Notes
AVTOVAZ	Samara region, Togliatti	January 2012	Completion of the transaction on a sale of the die welded wheels production business to the German group Mefro Wheels.	The business sale was carried out in the framework of the program on the development and restructuring continuation of the company. In accordance with the agreement, through its Russian holding company Mefro Wheels Russia LLC, the German side acquired a 100% share in Mefro Wheels Russia Plant Togliatti LLC, founded by AVTOVAZ to implement the transaction. The acquirer obtained

				the approval of the Federal Antimonopoly Service of Russia in 2011. After the transaction is completed, Mefro Wheels Russia Plant Togliatti LLC will meet 100% of AVTOVAZ demand for steel wheels. In addition, the company may supply products to other automakers, including foreign ones, who localized their production in Russia.
		February 2012	Signing of an agreement about strategic partnership with Rosneft JSC.	The agreement provided for the joint implementation of a program on the introduction of perspective products of Rosneft JSC in the production technology of Lada cars. In particular, it assumed the long-term cooperation in the range of deliveries of high-quality oils, gasolines and diesel fuels as well as engineering of new greasing substances and modern oils.
		March 2012	An agreement about strategic partnership with Tatneft JSC.	The agreement provided for tires delivery, produced by Nizhnekamskshina JSC, the asset of Tatneft, to Togliatti Automobile Plant during three years (2012 - 2014). The planned volume of deliveries by «KAMA» Trade house: in 2012 – 2.0-2.5 million tires; in 2013 – 2.5-3.0 million tires; in 2014 – 3.0-3.5 million tires.
		April 2012	Opening of the first brand name shop for the sale of spare parts «LADA Detail».	The first shop was opened in Togliatti with the participation of «LADA-Image» JSC, an AVTOVAZ subsidiary and its official distributor on sales of spare parts. Within 2012-2014, it is planned to increase the number of retail shops «LADA Detail» to 2500. Shops will be opened in Russian cities with the population over 50 thousand people.
		June 2012	Opening of a logistics center for the Lada spare parts shipment.	A new complex was opened by «LADA Image» JSC. The total area of a logistics complex is over 10 thousand m^2. A shelf complex of over 18 thousand storage cells occupies more than half of them, 6.5 thousand m^2. The center is ready to receive and ship a total of 50 eurovans per day.
		October 2012	Production launch of cars with an upgraded gear box.	AVTOVAZ began to upgrade its manual gear box in September 2012, with the use of a multicone synchronizer of the first and second gear. The new manual gear box (factory index «2181») has an overhead gear selector, due to which the quality of changes doesn't depend on oil

				temperature in a case. Also the volume of oil fill in the gear box was reduced from 3.3 to 2.2 liters. In addition, the mineral oil was replaced with the semi-synthetic one. The development of the gear selector was completed (engineering was carried out by Schaeffler group of companies). An upgraded gear box is more reliable and is characterized by the higher quality of gear changes (dut to original gear selector). Also the manual gear box has got cable instead of rigid rods, which increases the vibrocomfort of a car. Specialists of the «Riccardo» company and engineers of Renault-Nissan Alliance confirmed the high quality of the work of a new manual gear box.
KAMAZ	Republic of Tatarstan, Naberezh-nye Chelny	January 2012	«KAMAZ-Metallurgy» JSC developed the production of crankshafts for Cummins engines, assembled at the joint venture CUMMINS KAMA.	At the end of 2011, the plant was audited by Cummins Inc. The inspection showed that forgings, produced by KAMAZ's forge plant, meet all the requirements, established for components for Cummins engines.
		March 2012	Expansion of production capacities of the Metallurgical Complex of KAMAZ JSC.	A new machining center for the production of foundry equipment was purchased. A supplier of the equipment - Okuma (Japan). This equipment is used to manufacture tools under the project «Euro-4».
		April 2012	Announcement of signing of an agreement with the company Timoney Technology Ltd (Ireland).	Timoney Technology company specializes in the production of systems of independent suspension, steering systems, transfer gear boxes, power take-off, dynamic stability control systems, etc. It was planned that the Timoney company will be engaged in the development and production of systems of independent suspension for all KAMAZ vehicles with two–, three- and four axial chassis. The contract also provides for the development and production of transfer gear boxes and steering systems.
		June 2012	Transition to the mass use of KAMA solid metal cord tires.	KAMA tires are manufactured at the production facilities of Nizhnekamskshina.
		June 2012	Daimler Trucks and KAMAZ signed a license agreement, directed on strengthening of cooperation in the field of	The agreement is based on a Memorandum of Understanding, concluded between Daimler Trucks and KAMAZ in September 2011. The license agreement, signed in summer of 2012, provided a transfer of several

			cabins production.	prototypes of cabins to KAMAZ in 2012. Next years, certain components will be supplied to vehicle assembly production of KAMAZ in Naberezhnye Chelny. Also it is planned to localize their production.
		July 2012	Technical reequipping of the iron castings production of the foundry.	The program covers the whole processor chain: from a stock yard to finishing operations. Contracts on the supply of import foundry equipment for the metallurgical complex were signed at the end of 2011. Deliveries of the equipment were launched in spring of 2012, installation works - in summer of 2012. The first works were carried out at the HVS-1 molding line, which was partially modernized, in particular, a new press-head and a new SIEMENS-7 control system were installed, the Otto Junker priming furnace was mounted. In addition, the new equipment includes kneading and mixing machinery of DISA company, as well as the Otto Junker induction melting furnace and a stripping machine of Auto Grinding LTD. The launch of the updated production of iron castings is planned for autumn of 2012.
		August 2012	Launch of a project to organize a network of brand name shops «Original KAMAZ spare parts».	«AvtoZapchast KAMAZ» LLC is the main participant of a project. The first brand name shop «Original KAMAZ spare parts» was opened in Stavropol on the basis of KAMAZ’s authorized dealer – KAMAZ’s automobile service center in Stavropol. The company plans to open up to 10 brand name stores till the end of 2012.
		October 2012	Introduction of a new management structure of the blanking production.	The company abolished the metallurgical complex, previously consisting of the foundry and the forge plants. Since October 1, 2012, foundry and forge plants have been operating as separate independent divisions of «KAMAZ» JSC. The purpose of reorganization is to optimize and improve the management structure of the blanking production, to increase the responsibility for the product output of each of the plants.
		November 2012	Modernization of the iron castings production.	The new equipment was installed. The company prepared the ground for the mounting of new induction melting furnaces in the casting workshop №1 and provided the supervised installation of the new core making machine in the casting shop №3. The equipment is used in the production of cores for large projects: the production

				of cast cores for vehicles with engines of the «Euro-4» environmental standard; the production of cores for castings of «CUMMINS-Kama» JV. In addition, a new stripping machine of P.S. Auto Grinding, LTD company was purchased. The equipment is used in the manufacture of Cummins cylinder blocks and head castings, as well as the treatment of castings of other KAMAZ parts, in particular, «transfer housing», «chock 6520» and etc.
GAZ Group	Nizhny Novgorod	March 2012	GAZ Group summarized the results of 2011 financial year.	In 2011, income of auto component division of GAZ Group exceeded 21.7 billion rubles, which was a 30% increase on 2012.
		June 2012	The 45th anniversary of the die and mold plant.	There are over 700 units of the basic equipment at production capacities of the plant, including unique high-speed five coordinate machining centers with the working area dimensions of 6000x4000x3000 mm. There are over 30 presses with table dimensions of 5000x2600 and a power up to 1.5 thousand tons per second for the fitting and adjustment of dies at the factory. In 2011, QUINTUS FlexForm elastic press system was put into operation.
		June 2012	Opening of a JV on the production of exhaust systems with Bosal company.	General investments of parties into joint venture made 160 million rubles. The production capacity of exhaust emissions systems (an exhaust pipe, an exhaust silencer, a converter) exceeds 300 thousand systems a year. The production is made according to requirements of environmental classes «Euro-3» and «Euro-4» with finishing possibility to norms of «Euro-5» and «Euro-6». Products of a joint venture are used in the manufacturing of commercial vehicles of the GAZ brand, including «Gazelle Business», and also supplies for contract assembly of foreign branded cars at GAZ. In addition, it is possible to supply products for other foreign companies, localized their production in Russia.
		August 2012	Presentation of the new product of the GAZ component production.	The presentation was held in the framework of the Automechanika-MIMS 2012 exhibition in Moscow. The list of presented products: parts of Bosal-GAZ exhaust systems, the whole range of clutch disk castings, bainitic cast iron products, engine block of a new YaMZ-530 family, hypoid steams

				for Russian cars, etc.
		December 2012	Signing of the agreement on the creation of a joint venture with Bulten company (Sweden).	Bulten is one of the companies of the international industrial group FinnvedenBulten. The joint venture will be engaged in the development and production of fixing arrangements for automotive industry of Russia and the CIS. It is located in Nizhny Novgorod, at capacities of Gorky Automobile Plant. Investments from the company Bulten will make about 7 million euro. Launch of the production is planned for the end of 2013.
Sollers (Zavolzhsky Motor Plant)	Nizhny Novgorod region, Zavolzhye	February 2012	Sollers summarized the results of the «Complex program of costs decrease» for 2011.	In the framework of this program the savings amounted to over 96 million rubles and was achieved due to the introduction of 123 organizational and technical actions into production, directed on the decrease of all types of costs: power saving, transfer to alternative purchases complying to principle «price-quality», optimization of technological processes, use of more progressive tooling, decrease of costs for repair and maintenance of equipment, transfer of railway delivery to vehicle delivery.
		March 2012	Agreement on the development of a new manufacturing on the base of ZMZ industrial site with LEONI Company.	«Lik Avto» company of the Gorodetsky district, Nizhniy Novgorod region, is a Russian production of LEONI company. A new LEONI manufacturing will be located in the modernized production building, area of which is equal to 32 thousand m^2 with perspective area for construction in 2012 up to 50 thousand m^2. The Sale–Purchase Contract on this ZMZ production building was concluded between «Zavolzhsky Motor Plant» and LEONI. The transfer of the production of «Lik Avto» company from the Gorodetsky district to ZMZ industrial park is planned for the second quarter of 2012.
		March 2012	Launch of serial supplies of a new range of automotive parts for Knorr Bremse Company.	In accordance with the order from «Knorrr Bremse», ZMZ JSC implemented projects on mastering of technological process on machining of two new types of crankshafts: for compressor of «Avodisel» diesel engines and for compressor of «KAMMINS-KAMA» engine, and also cases of «KAMAZ» compressors.
		May 2012	Manufacture of the first production run of diesel engines of a new design ZMZ-51432 (2,2L) with a	Products were manufactured in April 2012. Then ZMZ produced and supplied 359 diesel engines of a new design with Common Rail system for kitting of «UAZ-Patriot», «UAZ-Hunter»,

			fuel supply system Common Rail.	«Cargo» vehicles under orders of«UAZ» JSC.
		August 2012	Signing of a contract on serial supplies of aluminum castings of cases for gear boxes, which are installed in «KAMAZ» vehicles, between RosALit Foundry LLC and ZF KAMA LLC.	RosALit Foundry LLC is a subsidiary company of «ZMZ» JSC. Contract validity period is from 2013 till 2016. The launch of serial industrial supplies is planned for 2013. The total annual volume of supplies of all names of casting workpieces will amount to about 100 thousand units at the initial stage with a perspective to increase up to 130 thousand units.
		October 2012	Planned allocation of ZMZ in a separate management structure for a creation of industrial park on the basis of its platform.	These changes were stipulated by a new development strategy of Zavolzhsky Motor Plant, which was approved by Strategic Committee of «Sollers» JSC. According to the development concept, ZMZ is to become a base platform for formation of industrial park with involvement of foreign auto components producers. «Daido Metal Rus» (production of plain bearings), Trelleborg Automotive (production of anti-vibration components), LEONI company (production of cables and optical fiber) are the first residents of the park at ZMZ industrial site. In addition, in September 2012, the company signed an agreement with Flaig+Hommel company (production of standard small parts).
		October 2012	Change of the top-management structure. The termination of a temporary function of general director of UAZ holding, introduced earlier. Appointment of a new general director of ZMZ.	Beginning October 1, 2012, Matyushin A.A, the former manager of engineering department of«ZMZ» JSC, director of subsidiary company «RosALit», who managed the direction on diversification of production and development of industrial park, was appointed as a general director of «ZMZ» JSC.
		November 2012	Introduction of organization management system (OMS), meeting the requirements of international automotive standard ISO/TS 16 949: 2009 in ZMZ Auto Component LLC.	ZMZ Auto Component LLC is a subsidiary company of Zavolzhsky Motor Plant.
Sollers (Metalloform Plant LLC/ «UAZ-	Nizhny Novgorod region,	January 2012	Metalloform Plant LLC is reorganized into «UAZ-Techinstrument» LLC.	The reorganization was carried out in the form of accession to «UAZ-Techinstrument» LLC (according to the Decision №33, dated September 01,

Techinstrument» LLC)	Zavolzhye			2011).
		July 2012	Signing of an agreement on the production preparation for the supply of die tooling and molded parts under the Renault Logan project with «Trelleborg Automotive» LLC.	The deadline for the production preparation: December 2012. The launch of serial supplies is planned for January 2013.
Severstal	Vologda region, Cherepovets	March 2012	«Gestamp Severstal Vsevolozhsk» LLC was awarded the highest status among suppliers of components- Q1 by Ford.	«Gestamp Severstal Vsevolozhsk» LLC is a joint project of «Severstal» and Gestamp Automocion for the production of metal components for the automotive industry. Apart from stamping, plant operates a present-day fully automated line for assembly of vehicle units. The plant operates a robotized stamping line comprising 5 presses, 12 automated workcells Ford for rolling and assembly of doors, hoods, trunks, and also 5 automated GM workcells for the assembly of side members and floor braces. The press line annual capacity is 2 million punches. The plant's clients are Ford (Ford Focus) and General Motors (Opel Astra, Chevrolet Cruze).
		April 2012	Announcement of the launch of serial supplies of rolled metal products for the Volkswagen car production in Russia.	Deliveries of rolled metal products for use in the production of chassis, bumpers, suspension and body segments in the Volkswagen Polo Sedan range were approved. Also rolled metal products of the plant will be used in the production of Volkswagen Tiguan, Volkswagen Polo Sedan, as well as the Skoda Octavia and Skoda Fabia cars.

		May 2012	Startup of the pilot deliveries of new steel grades for «KAMAZ» JSC.	Severstal developed new steel grades for «KAMAZ» JSC. The new steel S500MC is identical to Sweden's high-quality steel DOMEX-500. A fundamentally new two-phase steel DP600 is a high-strength metal (effect: the reduction of metal consumption of the car due to decrease of the thickness of the parts). At the same time, DP600 steel is characterized by the high malleability, which ensures a good formability of otherwise tough-to-shape component parts. The new promising grades of rolled metal products are being developed and implemented as a part of the joint Severstal-Kamaz program to be carried out in 2012-2013. Also Severstal and «KAMAZ» JSC decided an issue of cutting strips for the production of frame side members of a KAMAZ vehicle, made of steel CHerMK 20GUT, to «Severstal SMZ-Kolpino».
		June 2012	The increase in supplies of «Severstal SMZ-Kolpino» LLC for KOMATSU.	Part blanks of «Severstal SMZ-Kolpino» are used in the assembly of hydraulic diggers, meeting the needs of the oil and gas and construction industries. Since 2012, «SMZ-Kolpino» has been carrying out regular supplies of the body blanks for the mine dump trucks KOMATSU.
		July 2012	Announcement about plans to increase deliveries of hot dip galvanized rolled products to GAZ Group, in 2012.	GAZ uses the Cherepovets Steel Mill's hot dip galvanized rolled stock in the manufacturing of 56 parts of the GAZelle-Business underbody. There are plans to increase the number of these parts, as well as parts for «GAZelle NEXT», LIAZ, PAZ, GOLAZ buses.
		July 2012	«Severstal SMZ-Kolpino» pilot delivery of part blanks for the production of KAMAZ vehicles.	Strips of the 400 cm width and 6 m length are intended for the production of frame side mambers of a KAMAZ vehicle. Strips are made of the new steel grade 20GUT of the Cherepovets plant.
		August 2012	«Severstal-metiz» group of enterprises launched the production of wires according to GOST 17305-91, taking account of additional requirements of automakers.	The wire is used for the manufacture of cars' welded seat frames. The planned volume of wire deliveries - about 200 tons per year.
		November 2012	Startup of deliveries of metal roll products for a new Chevrolet Cobalt car (production of GM	These metal roll products are used in a stamping of both front and not front details of the car, and also wheels. Production of new brands of cold and

			Uzbekistan).	hot-dip-galvanized rolled metal was mastered specially for a new Chevrolet Cobalt at the Cherepovets iron and steel works.
		November 2012	Severstal summarized the intermediate results on supplies for the automotive segment in Russia and the CIS.	Over 10 months of 2012, the growth of deliveries of CHerMK products for enterprises of the automotive industry in Russia and in the CIS amounted to 15%, in comparison with the same period of 2011. Supplies to enterprises of KAMAZ, GAZ Group, Renault-Nissan, Hyundai-Kia companies also increased.
		December 2012	Announcement of the forthcoming metal deliveries for vehicles of the «Gazelle NEXT» family.	With the launch of a new model line-up of «Gazelle NEXT» vehicles CHerMK mastered new brands of cold-rolled, galvanized and high-strength hot-rolled pickled products. Products were developed to meet the stricter requirements of European metal roll quality standards. Launch of sales is planned for March 2013.
		December 2012	Severstal-Gonvarri-Kaluga passed the certification according to ISO/TS 16949, as well as ISO 14001 and OHSAS 18001 standards.	ISO/TS 16949 (ISO/TU 16949) is an international industry standard, developed for the automotive industry on the basis of ISO 9000 standards. ISO 14001 is an international standard for the creation of the environmental management system. OHSAS 18001 is a complex of international standards for the development of the occupational health and safety system.
Magnitogorsk Iron and Steel Works JSC (MMK)	Magnito-gorsk	March 2012	MMK summarized the results on supplies of the products for the Russian automotive industry in 2011.	The volume of deliveries of metal products amounted to 461 thousand tons, which was a 13.5% increase on the same indicator of 2010. In 2011, the share of the automotive industry in MMK's structure of shipments to the Russian domestic market increased by 0.6% to 7%. «AVTOVAZ» JSC, «KAMAZ» JSC and GAZ Group are the largest consumers of MMK's production.
		July 2012	Expansion of production capacities, oriented to the needs of automotive and some other industries.	The second stage of the new cold rolling complex capable of producing 2 million tons of products per year was implemented. The new cold rolling facility is equipped with a continuous turbulent pickling line linked to a five-stand cold-rolling mill with a capacity of 2.1 million tons per year, a continuous hot galvanizing unit (450 thousand tons per year), a combined annealing/hot-galvanizing unit (650 thousand tons per year), a working roll grinding and

				texturing unit, a coil inspection and slitting line, as well as cold-worked and galvanized coil packaging lines.
		December 2012	Development of the production of hot-dip-galvanized metal roll with a C type surface quality of the highest category.	Launch of sales of this metal roll is planned for 2013. In 2013, MMK plans to start the production of the pilot hot-dip-galvanized rolled products of «C» category for Renault, Ford, Hyundai, Volkswagen and other companies.
Avtoagregat JSC	Orel region, Livny	March 2012	Resumption of the production of the coarse fuel filtering element EFT 019-1105040-10 (analogue of Separ 00530/50).	Product features: the use of the filter paper of «Ahlstrom» company (Italy) in a filter; filtering capacity is up to 50 mcm, not less than 98%; increased contaminant capacity and moisture repelling properties of the filter material. Filtering element was tested by KAMAZ STC, and was approved by «KAMAZ» JSC.
		April 2012	Production of interior dust filters EFV 151.1109080 for UAZ Patriot vehicles.	Product features: purification efficiency of the vehicle air from dust, soot, fuzz, etc., which get into the air intake device, is 90-99%.
		June 2012	Production launch of upgraded oil filters of the improved design FOM 2101.1012005-50 and FOM 2105.1012005-50 for VAZ vehicles.	Product features: the use of the upgraded oil overflow and antidrain valve, the filter paper of «Ahlstrom» company (filtering capacity is up to 22 mcm); rubber sealed unit design «cover - amplifier»; corrosion-resistant coat of all parts. The filter body withstands the pressure of 18 ATM.
		October 2012	Production launch of the coarse fuel filtering element EFT 026.1105040 for Separ 2000 filter, which is mounted on Russian and foreign vehicles with engines of up to 500 HP capacity.	Product features: The use of the filter paper of «Ahlstrom» company (Italy) in a filter; filtering capacity is up to 50 mcm, not less than 98%; increased contaminant capacity and moisture repelling properties of the filter material. It is used for vehicles of foreign brands, namely MAN, Mercedes, Volvo, Scania, DAF, Iveco, CASE, FENDT vehicles, as well as for trucks, buses, autocranes, construction machinery and equipment, agricultural vehicles, loaders, compressor units.
		October 2012	Production launch of the budget versions of air purification filtering elements for VAZ injector vehicles.	Application: injection cars Lada 2105, 2107, 2108-2109, 2113-2115, 2110-2112, Kalina, Priora, Granta, Chevrolet Niva.
		November 2012	Sales launch of the oil filter of a new design FM	FM 054.1012005 corresponds to design parameters of Cummins ISF 2.8.

			054.1012005 (analogue of LF 17356).	
		November 2012	Sales launch of air purification filtering elements EFV 122.1109080 (analogue of GB 9434 M) for GAZelle vehicles with Cummins ISF2.8 engines.	Product features: The use of the filter paper of Western European manufacturers; increase of the operational life of the filtering element to 25% (due to the use of a special filter paper); radial seal with a filter body, which excludes the ingress of crude airflow in the air clearing system; the use of galvanised steel for the spiral suture inner frame, which helps to achieve an increased strength and rule out the probability of corrosion.
		December 2012	Production launch of interior dust filters EFV 151.1109080 и interior charcoal filters EFV 151.1109080-10.	–
«AvtoVAZ-agregat»	Samara region, Togliatti	January 2012	Implementation of a project regarding front seat frames production for Lada LARGUS vehicle.	In the framework of the preparation to the project implementation, a new production line for welding of the front seat frames was installed. It is capable to produce standard front seat frames and frames with option of height-adjustment. The line comprises equipment for contact and arc (manual) welding.
		–	Completion of the preparation to the serial production launch of covers for Lada LARGUS vehicle.	Production is carried out in «PoshivAvtoVAZagregat» LLC.
		–	AvtoVAZagregat finished renovation of the production site of the total area of over 1000 m^2.	Renovation was conditioned by creation of production complex for components output intended for joint venture Eberspaecher AvtoVAZagregat Exhaust Systems. The renovated area will consolidate the equipment for tubes production, designated for series and prospective models of exhaust systems including such projects as RENAULT and NISSAN.
Avtocompo-nent Group	Nizhny Novgorod	February 2012	Announcement of the planned supplies of components for Lada Largus vehicles.	«Faukom» JSC (Togliatti), created by Avtocomponent Group for the production of components for Renault and AVTOVAZ, is a supplier. It is planned to supply such auto components as dashboards and door panels.
		May 2012	Opening of «Avtplastcomponent	Production, offices and warehouse in Togliatti are located on the territory of

			Plant» JSC, a new production site of Avtocomponent Group in Togliatti.	the total area of over 10.5 thousand m^2. Avtocomponent invested 400 million rubles in the creation of a production. By 2013, it is planned to invest 500 million rubles more (the purpose of investment is to organize the production of engine splash guards, parts of the interior and exterior of Lada Granta cars and parts of the interior of the Nissan LB1A car).
		June 2012	Rugasco JV supplied a test model of the new gas pressure system for Likino Bus Plant.	The Russian-Norwegian company Rugasco is registered in Nizhny Novgorod. 51% of shares belong to Avtocomponent Group, 49% - to Hexagon Composites ASA. The system, supplied to LIAZ, consists of high-pressure cylinders (CNG) and is intended for use with gas fuel on the basis of compressed methane. Advantages of TUFFSHELL z CNG Fuel Storage systems, consisting of high-pressure polymer composite cylinders (in comparison with metal and metal composite cylinders): the lower weight, lack of corrosion, long service life, maximum gas load, minimum number of pipe joints and valves, high toughness, explosion safety. The gas pressure system, delivered by Rugasco company, consists of 6 polymer-composite cylinders CNG. The total volume of gas in a system is 1284 liters (the volume of one cylinder - 214 liters), working pressure - 200 bar, cylinder diameter - 465 mm, the length of cylinder - 1818 mm. Systems are produced by Raufoss Fuel Systems company (Norway), cylinders – by Lincoln Composites (USA). Both companies, as Rugasco, are the members of the Berkshire holding company. Nowadays, TUFFSHELL z CNG Fuel Storage systems are used in passenger buses in the countries of Europe, North and South America. In Russia the first set was delivered to «DVS Eco» company, which adaptates LIAZ buses for operation on gas fuel. The production launch of high-pressure cylinders (CNG) in Russia is planned for 2014.
		August 2012	Molds setup for the production of interior parts of Nissan LB1A vehicle.	The planned launch of the production and serial deliveries to AVTOVAZ: till the end of 2012.
		October 2012	One year passed from the date of the establishment of the Russian-Norwegian	The company was established to produce polymer-composite gas cylinders of low and high pressure for various purposes, including for use in

			joint venture Rugasco.	road transport in Russia.
Avtoelektronika JSC	Kaluga	December 2012	Development of the production of the digit tachograph TCA-02.	Tachograph complies with requirements of the Decree of the Government of the Russian Federation No. 720 «On approval of the technical safety regulations for wheeled vehicles» (certificate No. C-RU.MT3O.A.29154), dated September 10, 2009. The Ministry of Transport of the Russian Federation included this tachograph in the list of digital devices for the control of work and rest schedules of drivers, which had passed the mandatory certification procedure and recommended for installation on vehicles. Advantages: the cost reduction of transport enterprise due to the integration of subscriber telematics terminals of GLONASS/GPS-navigation in the control device; an ability to monitor the location of the vehicle in real time through GPRS; a wide range of supply voltage from 8 to 35 V.
AKOM JSC	Samara region, Togliatti	June 2012	The 10th anniversary of the company.	–
		August 2012	Announcement of the next stage of the production modernization.	Modernization is being carried out in accordance with strategic purposes to increase production volumes till 2015. In the framework of modernization the company purchased the new equipment: a new model of expander SOVEMA «New Expander Unit 500 Plus 2» for the performer. The practical effect is to increase a speed of production of the grille to 30 m/min, to get the more accurate sizes of perforated grilles, to exclude defects and technological problems in the next operations. Also the KOS-machine for the production of components for truck storage batteries was purchased. «VATEK» company (Turkey) is a supplier of KOS-machine. The purchase of this machine enables to automate the production process (previously units for truck storage batteries on KOS-posts were assembled by hand). The practical effect from the introduction of the KOS-machine is a tripling increase in productivity, the reduction of labor intensiveness of operations, improvement in the production quality.
		December 2012	Announcement of the	Since January 2013, «AKOM» JSC has

			AKOM's accession to the Assosiation of European Storage Battery Manufacturers EUROBAT.	been a member of this Association.
Balakovorezi-notekhnika JSC	Saratov region, Balakovo	February 2012	Announcement of the plans to manufacture new products in 2012.	Development of the manufacture of new products was carried out in the framework of the development perspective plan. It is planned to produce 217 items of new products in 2012. New products are designed for conveying equipment: for AVTOVAZ, GAZ Group, as well as allied enterprises. New products for the market of after-sales service were also developed. In particular, the company mastered the production of cab carpets for Lada Kalina cars, as well as the production of pilot batches of ribbed belts for Ford Focus and Hyundai Accent foreign cars.
		October 2012	Development of the production of vibration dampers, used in the assembly of VAZ-21214 cars.	Details are produced on presses of the Czech manufacture. First vibration dampers were delivered to AVTOVAZ in September 2012.
BelMag JSC	Chelyabinsk region, Magnito-gorsk	February 2012	Resumption of the production of rear brake cylinders for GAZ vehicles.	Brake cylinders are available in a version «Original». Product features: additional anti-corrosion coating of the casing; special cold-resistant rubber, etc. Product usage: all «Volga», «GAZelle», «Sobol» vehicles (due to the use of a special reducing sleeve M10*M12). Warranty - 3 years, or 125000 km of mileage.
		March 2012	Development of the production of new rod ends.	Previously rod ends were produced only for the conveying equipment of AVTOVAZ. Now universal rod ends of a new design (for «2110», «Priora», «Kalina», «Granta») known as «Conveyor 2190» are also produced for the market of after-sales service. For Lada Granta and Lada Kalina cars the company developed a new design of tie rods (RF patent No. 2440517). A new design of BelMag JSC provides for the use of ball pins with a precision sphere machining, the exclusion of a spring in a joint, the use of the new more advanced solid structure of the bearing. The effect is a significant friction

				reduction in a joint; decrease of the axial elasticity (movement of the ball pin relative to the body under load) in more than 10 times; reduction of the radial elasticity (in almost 4 times).
		March 2012	Launch of a batch manufacture of the new type of products– shock absorbers and pillars for VAZ vehicles.	Absorber rod is made of the high-quality alloy steel, passes multistage mechanical machinng on NC turning centers and at a line of 6 centerless grinding machines, produced by «Cincinnati» company (USA). Also the absorber rod undergoes hard chromium plating and fine grinding up to the 12-th surface finish class. O-rings are made of the advanced polymeric material of the Japanese manufacture. Product warranty - 1 year, or 50000 km of mileage.
		May 2012	Production launch of universal clutch sets for GAZ vehicles.	Product usage: GAZ vehicles (with ZMZ 402, 405, 406 engines) - GAZ-24, 24-10, 3102, 3110, 31105, 3302, 2705, 2217, 2752. Warranty - 1 year.
		August 2012	Development of the production of ball joints and tie rods for foreign vehicles.	Product usage: Daewoo vehicles (Matiz, Nexia, Lanos, Espero), Renault/Dacia vehicles (Logan, Sandero), Lada vehicles (Largus), Ford vehicles (Focus), Hyundai vehicles (Accent, Elantra, Matrix), Chevrolet vehicles (Lacetti, Aveo) and other.
		December 2012	Development of the production of shock absorbers for «GAZelle» and «Sobol» vehicles.	Product usage: «GAZelle» (GAZ 3302, 2705, 3221), «Sobol» (GAZ 2217, 2310, 2752). Warranty — 1 year, or 50000 km of mileage.
Beloretsk Plant of Springs	Republic of Bashkor-tostan, Beloretsk	July 2012	The 70th anniversary of the company.	–
		July 2012	Launch of the first stage of the line for the production of variable profile few leaf parabolic springs.	The enterprise plans to master the production of springs for light-duty trucks of Russian and foreign manufacturers.
		Q II-III 2012	Purchase and installation of the modern foreign equipment.	The equipment is designed for the production of springs of the compression, tension, torsion, metal rakes of any configuration from 1.8 mm to 5 mm. It is planned to replace the winding and grinding equipment, intended for the production of cold winding springs, with the new Italian equipment.
		December 2012	Launch of the new equipment automatic card programmed mill for the	The effect from the equipment introduction: reduction of employee involvement in the work process,

			rolling of parabolic sheets of the few leaf springs.	minimization of a human factor. The full technological cycle of rolling is carried out by one operator. All technological processes (heating, unloading, blanks delivery, rolling, displacement, edging straightening, storage) are performed automatically.
Vazinter-service JSC	Samara region, Togliatti	November 2012	Creation of a joint venture for the clutch production for cars.	The name of a joint venture: EXEDY VIS Rus LLC. The location of a joint venture: Togliatti. Partner company: EXEDY Corporation. Specialization: the production of clutches for cars and dual purpose vehicles. The market orientation: conveying equipment, the market of after-sales service. The production launch is planned for December 2012. Beginning January 2013, all components of the clutch, previously known as «VIS clutches», must be produced and sold under the new joint brand EXEDY VIS Rus.
Volzhsky Plant of Asbestos Technical Products JSC	Volgograd region, Volzhsky	2012	Launch of the manufacture of new products.	In 2012, the plant launched the manufacture of 6 new types of products: asbestos free repair gasket kit under the «EZATI» brand, metal gaskets of the gas exhaust system of VAZ vehicles, repair kits with higher sealing properties of the parts, asbestos packing material was replaced with non-asbestos one, disk brake shoe, made of a new material, with improved properties VATI-D2, the new line-up of cylinder head gaskets of «STANDARD» class with the antistick coating.
European Bearing Corporation (EPK)	Moscow, Head Office	August 2012	«EPK Saratov», one of the production assets, was certified according to ISO/TS 16949:2009.	The main consumers of the EPK Saratov are enterprises of motor-car, agricultural engineering, aircraft, machine tool and other industries.
Kamsk Motor Plant	Republic of Tatarstan, Naberezh-nye Chelny	January 2012	Manufacture of new products– fuel tank for KAMAZ vehicles.	There are several types of caps to the fuel tanks of trucks (KAMAZ and Mercedes).
		February 2012	Change in prices for some types of products.	Reduction of prices for fuel tanks and increase of prices for piston kits «Dalnoboishik» for engines of KAMAZ trucks. Reduction of prices for vehicle tents and bed curtains.
		Q I, II, III 2012	Announcement of the future increase of prices.	–
SKAD Plant	Krasnoyarsk territory, Divnogorsk	February 2012	Production of the new model of disks «Monolit».	The size of a disk - 16 inches. Variants of painting: «Selena», «Galvanic» and «Diamond». Disks are designed for crossovers.

		February 2012	Production of new disks «Volna».	The size of a disk - 14 inches. Product usage: Kia Rio, Huindai Getz, Lada Kalina cars, etc.
Motordetal JSC	Kostroma	January 2012	Improvement of part kits of the cylinder piston group.	These measures were carried out in the framework of a new concept of the trade mark promotion «Motordetal - a new stage of development». These improvements include: change in the composition of kits, package design, special coating of all liners and pistons.
		November 2012	Completion of commissioning works at a new line for the production of pistons for K4M engines of «Renault».	The company completed the main works on installation and adjustment of the processing chain, manufactured several batches of prototypes, intended for testing by the customer (Renault RTR and «AVTOVAZ» JSC). Installation, adjustment and startup of the equipment were carried out jointly with specialists of KS Kolbenschmidt GmbH company (Germany). The launch of serial production of finished pistons K4M is planned for 2013.
Production Assosiation «Nachalo»	Republic of Tatarstan, Naberezh-nye Chelny	March 2012	Expansion of the range of spare parts for Russian vehicles.	The list of new products: clutch disks for vehicles, produced in Russia, rear brake pads TOOH-3501090-10, interchangeable with truck pads 3501090-10. Also a range of body parts for Russian vehicles was expanded: wings, hoods, front plates, front end carriers, sills, underframe cross members, the oil pan protection, trim panels and etc.
		May 2012	Production launch of the head lamp case extension for Russian commercial vehicles GAZ-3302.	In future, it is planned to expand the line-up of produced body parts for Russian commercial vehicles.
		June 2012	Expansion of the range of body parts for Russian cars of the VAZ-2110 family.	The launch of retail sales of the right sill 2110-5401064 and the left sill 2110-5401065 is planned for July 2012. In future, it is planned to expand the line-up of produced body parts for VAZ-2110 cars.
		December 2012	Expansion of the range of produced spare parts for Russian commercial vehicles GAZ-3302.	The launch of sales of the arch extension of the right side panel 3302-5401416 and the arch extension of the left side panel 3302-5401417 is planned for December 2012. The launch of sales of the front bumper foundation (art. 3302-2803112-20) is planned for January 2013. In future, it is planned to expand the line-up of produced body parts for Russian commercial vehicles GAZ-3302.
PLAZA LLC	Saint Petersburg	2012	Installation of shock absorbers of the new line «PLAZA TROFI» for a	The test vehicle was equipped with components of high rigidity. In addition, shock absorbers, which increase the release stroke of suspension, were

			control operation.	selected.
		June 2012	Development of the production of shock absorbers for all terrain vehicles.	The company mastered the production of the front gas single tube shock absorber (AV 321.00.00) and rear gas single tube shock absorber (AV 322.00.00) for the all terrain vehicle RM-500.
		August 2012	Development of the production of shock absorbers for Toyota FJ Cruiser vehicle.	The company mastered the production of the front gas single tube shock absorber (AV 317.00.00) and rear gas single tube shock absorber (AV 318.00.00).
		August 2012	Development of the production of shock absorbers for Nissan Patrol vehicle.	The company mastered the production of the front gas single tube shock absorber (AV 330.00.00) and rear gas single tube shock absorber (AV 332.00.00).
		August 2012	Development of the production of shock absorbers for Mitsubishi Pajero III vehicle.	The company mastered the production of the front gas single tube shock absorber (AV 333.00.00) and rear gas single tube shock absorber (AV 331.00.00).
		August 2012	Development of the production of shock absorbers for Hyundai Solaris car.	The company mastered the production of rear gas single tube shock absorber AV 312.00.00.
		August 2012	Development of the production of shock absorbers for Volkswagen LT and Mercedes-Benz Sprinter vehicles.	The company mastered the production of rear gas single tube shock absorber (AB 329.00.00) for Volkswagen LT 28-35 I, as well as rear gas single tube shock absorber (AB 328.00.00) for Volkswagen LT 28-35 II and Mercedes-Benz Sprinter (901, 902, 903).
		August 2012	Development of the production of shock absorbers for Toyota Land Cruiser 80 vehicle.	In addition to standard front and rear gas single tube shock absorbers, the company mastered the production of shock absorbers with a stroke up to 100 mm. Stroke indexes – 50, 70 and 100 mm, a total of 6 models of front and rear shock absorbers.
		August 2012	Development of the production of shock absorbers for Nissan Terrano II Sport vehicle.	The company mastered the production of the front gas single tube shock absorber (AV 341.00.00 SP) and rear gas single tube shock absorber (AV 342.00.00 SP).
		November 2012	Development of the production of single tube shock absorber for Lada Granta car.	Shock absorbers are produced in «Standard», X-Drive, Extreme and Sport versions.
Plastic JSC	Samara region, Syzran	March 2012	Development of the product electroplating for Lada Largus vehicle.	–
		March 2012	Development of the production of new	The company mastered the production of seat padding, air intake and air duct.

			components for Lada Granta car.	
Proma Light Alloy Wheels LLC	Moscow	February 2012	Production launch of cast wheel disks «Gefest».	Product usage: Hyundai Starex (H1) vehicles.
		February 2012	Production launch of RSs wheel disks (16 inches).	Product usage: Hyundai Solaris cars.
		May 2012	Ride tests of the power driven parking caliper.	VAZ-2112 was tested.
		December 2012	Expansion of the wheel disk range for new foreign cars.	Product usage: RSs and «Extreme» wheel disks – for Renault Duster and Nissan Teana; «Dimos» wheel disks – for Chevrolet Aveo and Chery Ignis.
K&K LLC	Krasnoyarsk	March 2012	Production of new light alloy wheel disks «Okinava».	Product usage: new models of cars such as Toyota Land Cruiser Prado, Lexus GX 460, Mitsubishi Pajero Sport, Toyota Hilux Pick Up and other. Maximum static Okinava disk load– 900 ku per wheel. Drilling parameters (LZxPCD): 6x139.7, 6x114.3 and 6x127.
		March 2012	New variant of painting – «Diamond White».	«Diamond White» is a white glossy color with diamond polishing.
		March 2012	Opening of a brand-name online-shop for the sale of cast K&K's wheel disks for consumers in Moscow.	Effect: improvement of serviceability, including in view of different time zones, increase of logistic efficiency dut to the working warehouse in Moscow.
		April 2012	Production of new light alloy wheel disks «Mustang».	Product usage: vehicles with four and five mounting holes, popular in Russia: Citroen C1, Renault Logan, Renault Sandero, Hyundai Accent, VW Polo Sedan, Hyundai i20 and other. The light alloy wheel disk «Mustang» is sold under the K&K and Rapid brands in the «Black Platinum» and «Diamond Black» variants of painting.
		April 2012	Development and production launch of the new light alloy wheel disk «Volcano».	K&K LLC concluded an agreement on the supply of cast wheel disks to Arctic Trucks company, the largest tuning studio of Toyota offroaders. Dimensions of the new wheel disk «Volkano» – 10x17; LZxPCD 5x150; DIA 110.1; ET -8. Arctic Trucks Russia («Krepost AT» LLC) is an exclusive distributor and the only seller of new wheel disks «Volkano».
		April 2012	Production of the new cast wheel disk «Onegin» 8x18.	A disk is characterized by a classic 5-spoke design with decorative elements, diamond machining and other features. Maximum load – 950 kg per wheel. Product usage: Lexus RX 350, RX 400h; BMW X5; Volkswagen Tiguan, Touareg 2.5TDI; Nissan Qashqai, X-

				Trail; Ssang Yong Kyron, Rexton, Action; Volvo XC90; Subaru Forester, Outback and other.
		May 2012	Production of the new light alloy wheel disk «Siesta» 5.5x14. The novelty production coincided wth the beginning of a summer season.	Features of construction and design: 12 thin spokes with diamond polishing, variants of painting – «Black Platinum» and «Diamond Black». Product usage: Renault Logan, VW Polo sedan, Chevrolet Spark New, Lada Priora, Granta and other cars with 4 and 5 mounting holes.
		May 2012	Production of the new light alloy wheel disk «Gemini».	Features of construction and design: 8 relief spokes, variants of painting – «Black Platinum» and «Diamond Black». Product usage: budget sedans and hatchbacks with four mounting holes: Hyundai Solaris, Accent; Renault Logan, Sandero; KIA Rio; Chevrolet Spark; Lada Kalina, Priora, Samara and other.
		May 2012	Production of the new light alloy wheel disk «M56» 7x16.	Features of construction: a new disk «M56» is equipped with a plastic cap Off road, which prevents the ingress of dirt in the mounting holes. Product usage: Mitsubishi Pajer, Tagaz Tager, Great Wall Hover and other offroaders.
		June 2012	Production of the new light alloy wheel disk «Pandora».	Features of construction and design: 5 split spokes, original geometry; variants of painting – «Black Platinum» and «Diamond Black». Product usage: Audi Q7, Mercedes GL-class, BMW X5,VOLVO XC90,VW Touareg, Porsche Cayenne, SsangYong Rexton II, Land Rover Discovery 3, Range Rover Sport, Infiniti FX and other vehicles.
		July 2012	Intension of Volkswagen Group Rus to cooperate with K&K LLC.	According to K&K LLC, this decision was made as a result of concern-audit, carried out by Volkswagen's specialists in K&K LLC.
		July 2012	Opening of the online-shop for residents of Saint Petersburg.	Effect: improvement of serviceability, including in view of different time zones. Cost of a city delivery – 450 rubles. Also it is possible to receive disks in the collection point.
		July 2012	Expansion of the wheel disk range for Renault Duster vehicles.	–
		July 2012	Production of the new light alloy wheel disk «Baikonur».	Features of construction and design: a disk is equipped with a matel cap KX02 or KX03 (depending on the version); variants of painting – «Black Platinum», «Diamond Mat» and «Diamond Silver». Maximum static Okinava disk load – 925 kg per wheel. Product usage: Kia Sorento, Sportage; Nissan Patrol (GR

				Y61, Y60A), Suzuki Grand Vitara (GT), UAZ Hunter, Patriot, Ssang Yong Korando (KJ), Rexton (RJ, Rexton-RJ), Mitsubishi Pajero (K90), Toyota Land Cruiser Prado (j7, j8), Chevrolet Niva, Lada 4x4.
		July 2012	Expansion of a wheel range of the «Replica» series.	«Replica» series includes light alloy wheel disks, which replicate design and dimensions of original wheel disks, mounted by the automaker. Usage of new wheel disks: Hyundai Solaris, KIA Rio, Ford Focus, Volkswagen Polo, Renault Logan cars.
		August 2012	Production of the new light alloy wheel disk «Don».	Features of construction and design: 5 split spokes. Product usage: Lada 4x4 and Chevrolet Niva vehicles.
		November 2012	Production of the new light alloy disk «Palermo».	Features of construction and design: 5 split spokes, wide slots between spokes; variants of painting – «Diamond Black», «Black Platinum», «Binario», «Venge». Product usage: Nissan Qashqai, Opel Astra, Hyundai ix35, Subaru Forester, Toyota Rav4, Kia Cee`d, Suzuki Grand Vitara, Ssangyong New Actyon, Volkswagen Polo and other vehicles.
		December 2012	Production of the new light alloy disk «Redan».	Variants of painting – «Black Platinum», «Diamond Mat», «Diamond Argentum», «Diamond Black» and «Silver». Product usage: Daihatsu Terios, Hyundai Avante, Hyundai i30, Kia Cee`d, Kia Cerato, Kia Cerato koup and other car models with 5 mounting holes.
		December 2012	Production of the new wheel disk «Sportline».	Features of construction and design: 14 inches size, 8 spokes in contrast colors, supplemented by the relief rim spokes.
		December 2012	Updating of the «Black Platinum» variant of painting.	Technology of the «Black Platinum» painting, namely the floor material, was changed. Technology was changed on December 10, 2012. Effect: increase of service life of the lacquer coating, due to increase of adhesion and improvement of strength; enhancement of the coating color indexes.
		December 2012	Production of the new light alloy wheel disk «Breeze».	Features of construction and design: 8 light spokes; Variants of painting – «Black Platinum». Product usage: Opel Astra, Opel Corsa, Renault Logan, Renault Sandero, Hyindai Solaris, Kia Rio, Lada Granta, Citroen C3 (SC), Chevrolet Lachetti and other car models with 4 mounting holes.

Cordiant JSC	Moscow, Head Office	January 2012	Announcement of a shareholder change of «SIBUR – Russian Tires» JSC («Cordiant» JSC subsequently).	A group of investors repurchased the main assets of SIBUR tire production from Sibur. As the transaction neared completion, the restructuring of «SIBUR – Russian Tires» JSC was cariied out. The result of structure change: formation of the asset structure, optimal for the tire manufacturer, withdrawal of non-core assets.
		April 2012	Renaming of SIBUR – Russian Tires as Cordiant JSC.	A legal renaming as Cordiant JSC was also connected with the introduction of a new corporate style.
		May 2012	Implementation of a project on the creation of a network of branded tire centers Cordiant under a franchise system.	It is planned that the number of centers on the territory of the Russian Federation will amount to about 30 centers till the end of 2012 and over 200 centers in 2015. An approximate amount of investments exceeds 250 million rubles. An all round support is provided for participants of a network: provision with the finished business model, initial capital, advertising support, free staff training. Not only new but already operating tire centers can be network participants. A multibrand strategy of the tire center is allowed.
		May 2012	Cordiant JSC was awarded an A rating by Volkswagen concern.	During an audit Volkswagen group evaluated production processes and organization of the quality management, products themselves. Obtaining of this status ensures the inclusion of Cordiant's products in the plant equipment of Volkswagen's vehicles.
		December 2012	A science and technology centre «Intire» underwent an examination to obtain the status of a participant of «SKOLKOVO» innovation center.	«Intire» STC represented an advanced project «Development of innovative fuel efficient automobile tires of the new generation». The successful passing of the examination by «Intire» STC gives an opportunity to obtain the official status of the participant of «SKOLKOVO» innovation center, to receive an access to the infrastructure of a fund, information and scientificand technical support, tax benefits, provided by the legislation.
Skopinskiy Avtoagregat-niy Zavod JSC (SAAZ JSC)	Ryazan region, Skopino district	April 2012	Planned modernization of the rear shock absorbers for Lada Samara and Lada Priora cars.	Effect: an improvement of reliability of a seal assembly and welded joints, reduction of the shock absorber friction, weight loss of products and increase of durability. An improved seal assembly was developed together with SKF

				company, the piston seal – with participation of Trelletborg company, a special composition of teflon was used, and welded seams of the lug were strengthened. The application of the new piston design enabled to exclude the risk of metal particles occuring in the shock absorber fluid due to the high friction of the piston - cylinder pair and increase the valve stability.The launch of supplies of shock absorbers to the market of after-sale service is planned for the second half of 2012. This construction was certified, tested at AVTOVAZ and supplied serially to the conveyor.
«SPZ-Group» (Samara Bearing Plant JSC)	Samara	February 2012	Samara Bearing Plant passed an estimated audit of alliance Renault-Nissan and AUTOVAZ.	Audit was made by experts of incorporated structure on quality and development of suppliers (CSQSD) and representatives of the united purchasing organisation of alliance Renault-Nissan and AVTOVAZ.
		July 2012	Introduction of new quality certificates for bearings.	The purpose of the introduction of new certificates is to strengthen the protection of original products from counterfeit ones. New certificates are introduced for all bearings, produced beginning February 1, 2012.
		July 2012	An abrasive jetting unit under the «INTECH» brand in the heat treating shop was put into the trial operation.	Advantages of an abrasive jetting: decontamination without the original surface damage, washing of contaminants out of micropores and microcracks, cleaning of thin sheets (up to 0.3 mm) without warping, obtaining of roughness up to RA 0.5 mcm.
Stavropol Plant of Piston Rings (STAPRI JSC)	Stavropol	July 2012	Creation of a special production unit for the manufacture of piston rings on customer's requests.	It is possible to produce piston rings on a small scale, including one set. At that, it is necessary to provide for drafts, designs or product samples.
«TNK-Oil» LLC	Ulyanovsk	March 2012	Approval for the synthetic oil ТНК ATF III Synt.	Approval was received from Voith Turbo company. The oil may be used in gear boxes, produced by Voith Turbo DIWA and Midimat, with a service intervals of 120 thousand km.
		April 2012	Production of the motor oil ТНК Revolux D5 with the viscosity class 15W-40.	This product belongs to the line-up of all-season motor oils with high operating characteristics, developed on the basis of high-quality low sulphur base oils and a mesotrophic additives package «Mid SAPS». This composition enables to use the oil in modern engines, produced in Europe,

				which meet the requirements of «Euro-4» and «Euro-5», and in those, produced in America, which comply with CAFE (US 2007). A series of oils TNK Revolux D5 is completely compatible with the engine after treatment system with the use of diesel particulate filters (DPF), catalyst converters, as well as exhaust gas recirculation systems (EGR). The oil TNK Revolux D5 was approved by Volvo company. The oil Revolux D5 15W-40 conforms to the quality level VOLVO VDS-4, Renault VI RLD 3, Mack EO-O Premium Plus.
		May 2012	Production of the motor oil TNK Motor Rail SAE 40.	THK Motor Rail SAE 40 is a multipurpose oil and may be used for lubricating of different mechanism and units, where oils of a particular viscosity are necessary (reduction gears, air blowers, compressors and other).
		May 2012	Approval for the motor oil TNK Revolux D5 15W-40.	Approval was received from Daimler concern. The motor oil TNK Revolux D5 15W-40 may be used in «Euro-4» and «Euro-5» diesel engines, produced by Daimler, as well as in Daimler gas engines, where oils of 228.31 category are necessary.
		July 2012	New approvals for gear box oils TNK Catran SAE 10W and TNK Catran SAE 30.	Approval was received from ZF AG concern, a large manufacturer of gear boxes and equipment for the running gear. Approvals cover the transmission/torque converter oils for off road vehicles, produced by ZF company (construction and special purpose vehicles, autoloaders and etc.).
		August 2012	Approval for the oil TNK Revolux D4 10W-40.	Approval was received from Daimler concern. The oil TNK Revolux D4 10W-40 may be used in Daimler diesel engines, where extended life oils are necessary.
		September 2012	Approval of DDC 93K218 for the motor oil TNK Revolux D5 15W-40 for diesel engines, produced by Detroit Diesel Corporation (DDC), USA.	Oils with this specification enable to increase the oil change intervals in engines DDC of series 60, MBE 900 and MBE 4000.
Togliatti Automobile Units Plant	Samara region, Togliatti	February 2012	Development of the production of the clutch release bearing sleeve VAZ 21230-1601180 for	Along with the manufacture of this type of products, the company mastered the whole range of clutches of VAZ cars.

LLC			Chevrolet Niva vehicle.	
		April 2012	Expansion of the product range due to the water pump 21116-1307010 for Lada Granta cars.	A pump is equipped with the high performance original plastic impeller and upgraded face seal with a friction pair ceramics - graphite. In comparison with other front drive pumps, a pulley is characterized by other dimensions: h-30.5-31.1; d-63, 67.
		June 2012	Reduction of prices for oil receivers to VAZ oil pumps.	A new price* for the oil receiver 21010-1011070-75 amounts to 77 rubles inclusive VAT, a new price * for the oil receiver 21210-1011070-75 – 87 rubles inclusive VAT. * As of June 2012.
Tosol-Sintez LLC	Nizhny Novgorod region, Dzerzhinsk	February 2012	Approval for antifreeze FELIX CARBOX for the first filling and service of all Lada cars.	FELIX CARBOX is a professional antifreeze with extended operating life. Antifreeze meets the requirements of specifications of foreign automakers and international standards ASTM D 3306 and ASTM D 4985, ASTM D 6210, KSM 2142, BS 6580, SAE J 1034, JIS K 2234.
		February 2012	Development of the production of the new antifreeze Professional Antifreeze FELIX® EXPERT.	Antifreeze FELIX® EXPERT can be used for the cooling of petrol and diesel internal combustion of cars, trucks and special purpose vehicles, including those operated under severe conditions. Antifreeze FELIX® EXPERT meets the requirements of leading automakers and complies with international standards ASTM D 3306, ASTM D 4340, SAE J 1034.
		February 2012	Approval for the motor oil FELIX for supplies to the conveyor of «Chechenavto» JSC (the production of AVTOVAZ).	In February 2012, Tosol-Sintez LLC was supplying the following products to enterprises of AVTOVAZ JSC: antifreeze FELIX® CARBOX®; synthetic blend motor oil FELIX®; brake fluid ROSDOT® 4.
		March 2012	Approval for the motor oil FELIX for the first filling of Lada Priora cars.	Tosol-Sintez LLC has been a strategic partner of AVTOVAZ JSC since 2004.
		March 2012	Manufacture of a new product automobile cosmetics line-up FELIX – multi purpose lubricant PROFESSIONAL UNIVERSAL PENETRATION LUBRICANT «FELIX».	The multi purpose penetrating lubricant FELIX has a high penetrating capacity. Lubricant can be used to free stick parts, corroded, jamed or freezed mechanisms. Lubricant forms a stable protective film, protects metal surfaces from the corrosion, and displaces moisture. Lubricant leaves no unctuous and sticky marks on a surface; it is nonhazardous for the lacquer coat, rubber, plastic.

		April 2012	Continuous admission of the brake fluid ROSDOT to the conveyor of«GM-UZBEKISTAN» JSC.	Brake fluid ROSDOT is manufactured according to the patented formula, which includes a special plasticizing additive, extending the lifetime of cuffs and brake hoses. ROSDOT can be used in the following models of vehicles: Daewoo Matiz M150, Daewoo Damas B150 and Daewoo Nexia N150. Since 2005, there has been only a temporary technical approval for the brake fluid ROSDOT. In addition to «GM-UZBEKISTAN» JSC, the brake fluid ROSDOT is supplied to: AVTOVAZ JSC, GM-AVTOVAZ, OAG LLC (IzhAvto), KAMAZ JSC, UAZ JSC, «TZK GAZ» JSC, PAZ LLC, Rostselmash LLC.
		April 2012	Official admission of the windscreen washing liquid «Clean mile» to the conveyor of AVTOVAZ JSC.	The windscreen washing liquid «Clean mile», in the manufacture of which technology with the use of dehydrated isopropyl alcohol with addition of detergent was applied, effectively removes dirt from the windscreens, including organic and oil, does not leave stains and a «rainbow».
		June 2012	Presentation of a new product– fluid for SCR systems of diesel engines AWM DEF BLUE.	The production is under the control of the AWM Group LLC, engaged in the research and development of auto components, automobile chemical goods and consumables. The SCR technology is based on the injection strictly measured amount of reagent DEF (Diesel Exhaust Fluid) into the exhaust flow over a catalyst (vanadic pentoxide). As a result of a chemical reaction, toxic nitrogen oxides (NOx) turn into harmless substances, nitrogen and water. The use of SCR technology in the exhaust system of the heavy truck engines is necessary to comply with environmental standards «Euro-4,-5» on the emission of harmful substances.
		June 2012	Expansion of the line-up of plugs AUTOLITE due to 4 new models.	AUTOLITE spark plugs are supplied to many conveyors of the leading world automakers. The list of novelties: A 5224 – a plug with a copper electrode for Hyundai, Kia, Mazda, Opel, Toyota models popular in Russia; AP 3923 – a platinum tipped spark plug, a complete analogue of the popular plug A 3923 for 16-valve VAZ engines, with the operational life increased by 200%; AP 3924 - a platinum tipped spark plug, a complete analogue of the popular plug A3924 for 16-valve VAZ engines, with the operational life increased by 200%; AP64 - a platinum tipped spark plug, a complete analogue of the popular plug

				A 64 for 8-valve VAZ engines, with the operational life increased by 200%.
Trek JSC	Chelyabinsk region, Miass	February 2012	Change of the production technology of used raw materials and supplies.	Since March 2012, the grease of the Shell company in the production of ball joints, tie rod ends, stabilizer links under the Trek brand has been applied. The use of Shell lubricants was caused by the desire to improve the product quality.
		March 2012	Market launch of several perspective products.	The list of novelties includes: CV joint boots for the family of front wheel and four wheel drive Lada and Chevrolet Niva vehicles, as well as coupling mount fuel filters for vehicles with inject engines.
		August 2012	Launch of the «Prepare your suspension for a winter» action!	When buying Trek auto components in a wholesale and retail network «Asiat» and «Interval» LLC in Chelyabinsk or retail network of shops «Aspect» in Miass, their installation was carried out for free. The list of these components included: stabilizer links, brake disks, ball joint or a set of tie rod ends for Hyundai, Daewoo, Chevrolet, Ford and other vehicles. The action was continued in October 2012.
		September 2012	Significant expansion of the product range.	Line-up of ball joints for foreign vehicles was replenished with ball joints Chevrolet and Hyundai. The list of stabilizer links of the front suspension was supplemented by the stabilizer link for Ford Transit commercial vehicles. A range of engine protective covers TRS for VAZ-2101, 2108, 2110, 1118, 2190 cars was expanded. A range of Trek control arms of the front suspension for VAZ-2101-07 cars was significantly increased. New products: upper left and right control arms of the front suspension for VAZ-2101 cars in the «Classic» assembly, as well as lower left and right arms in the «Classic» assembly.
		September 2012	Obtaining of a patent for a utility model - stabilizer bar silent-block for a car.	Advantages of a model: structural strength, corrosion resistance, reduction of the product weight in 1.5-2 times, in comparison with metal analogues, achieved due to the use of polymer composite and optimal design. Design features: block has a case with mutually perpendicular cylindrical holes for installation of damping elements in them. To increase the strength and minimize the weight of a structure there

				are longitudinal and transverse stiffeners. To ensure the balanced life of a structure and exclude shrinkage stresses, case walls have the same thickness with a slot formation in the case.
		October 2012	The 17th anniversary of the company.	–
«Turbo-Technika»	Moscow region, Protvino	December 2012	Production of turbocharges TCR 700.	Turbocharges TCR 700 are interchangeable with turbocharges, produced by «KAMAZ-Diesel» and foreign analogues of BorgWarner, CZ, CTT companies. Turbocharge usage: KAMAZ 740.11, 740.13, 740.14, 740.30.260, 740.31.240, 740.35-400, 740.37-400, 740.60-360, 740.61-320, 740.62-280, 740.63-400 engines.
Tyumen Battery Plant JSC	Tyumen	April 2012	Production of the new storage battery of the «Siberia Magic EYE» series.	In the framework of this series the production of storage batteries 6ST-60L «Siberia», 6ST-62L «Siberia» was launched. The battery has digital LED charge indicator.
		May 2012	Announcement of the warranty extension and serviceability improvement of starter storage batteries.	Since May 10, 2012 the warranty on storage batteries of the capacity from 66 to 220 ampere hours has been extended to 24 months. A serviceability improvement was due to the launch of the new import equipment and introduction of new technological processes.
		June 2012	Commissioning of the torch electrothermal melting furnace (PFETP-100).	This equipment is used for the lead bearing raw processing by a method of high-temperature reduction smelting, followed by a further obtaining of the finished product – a pure refined lead of C0, C1, C2C, C2 grades and alloys by customers' requests.
«UralATI»	Sverdlovsk region, Asbest	October 2012	The 70th anniversary of the company.	–
Fritex JSC	Yaroslavl	February 2012	Launch of a serial production of the new asbestos free sealing material «Fritex -765» for the market of after-sales service.	Multi purpose material is the own development of «Friteks» JSC. Sealing gaskets, which are used in the medium of motor and transmission oils, cooling fluid and fuel mixture, are made of «Friteks-765» material. Maximum working temperature - 180 C. Field of application: sealing gaskets of engine flange joints and gear box assemblies of vehicles: engine covers, inlets of oil

				mist systems, fuel feed systems, gear box flanges, transfer cases and chassis assemblies. «Friteks-765» can replace asbestos free gasket boards, produced by specialized companies of the USA and Germany, as well as asbestos paronites of PON and PMB grades.
		May 2012	Completion of the production preparation of sealing gaskets for YaMZ-530 engines.	Specialists of Fritex JSC developed gaskets, which comply with high operational requirements: assurance of a reliable seal during the whole operational life of engines till the engine overhaul – 700000 km. At that, sealing gaskets can be used in various mediums and conditions: exhaust gases, motor oil, fuel and cooling fluid, temperature loads and vibration. Fritex JSC continues to cooperate with Avtodiesel JSC in respect of the development of sealing gaskets for new engines.
		September 2012	Manufacture of new products – brake lining 53212-3501105 for KAMAZ engines, as well as brake disk sets 70-3502040-02, 85-3502040-02 for tractors of Minsk Tractor Works (MTZ).	Since September 2012, in addition to the inner surface treatment, brake lining 53212-3501105 for KAMAZ engines has been undergoing an outer finishing for dimensions T 18.5±0,5/ 13.5±0,5 mm. The use of these linings enables the ultimate customer to replace brake linings and install them in the brake assembly of a car with no additional processing. The lining set 53212-3501105 consists of 8 units. Brake disk sets 70-3502040-02, 85-3502040-02 for MTZ tractors include 4 brake disks each.
		October 2012	Preparation for the production of brake pad sets under the «Mountain streamer» brand for KAMAZ trucks.	The set consists of 2 brake pads under the «Mountain streamer» brand for KAMAZ trucks (fall in the category «Premium»).
«Hors»	Saint Petersburg	September 2012	Presentation of auto care products with nanoparticles of the new generation.	Auto polish Nanotech « Shine Protection» has a high stability, under keeping of the polish coating recommendations; nanocoating keeps good on the vehicle surface and does not lose its properties after 15 vehicle washings. Polish is available in aerosol cans of the 400 ml volume. Multipurpose grease Nanotech. When using it, the unique fluorosilicic film forms on a surface. Grease can be used for the lubricating of loaded friction assemblies, in frictionless and plain bearings of all types, joints, tooth and other gears in the industrial mechanisms and electric machines. Grease is available in aerosol cans of 210 ml and 400 ml volume.

				Penetrating lubricant Nanotech is intended to free rusted parts, lubricate friction pairs and protect metal surfaces from corrosion. This lubricant is a mixture of oil menstruums, mineral oils, silicone fluids, corrosion inhibitor, mineral additives and hydrocarbon propellant. Lubricant is available in aerosol cans of 210 ml and 400 ml volume. Multipurpose grease «Litol» can be used for the lubricating of loaded friction assemblies, in frictionless and plain bearings of all types, joints, tooth and other gears in the industrial mechanisms and electric machines. Processing by the «Litol» grease can be performed without disassembly of parts and mechanisms. Grease is available in aerosol cans of the 210 ml volume. Body polish has an improved composition due to the high concentration of polymers. Polish is available in aerosol cans of the 400 ml volume.
Tsitron	Moscow	February 2012	Opening of the retail and small scale wholesale client service department.	–
		August 2012	Reduction of prices for filters.	–
Chelyabinsk Forge and Press Plant	Chelyabinsk	January 2012	Announcement of the expansion of the mechanical machining direction.	Chelyabinsk Forge and Press Plant opened the machine workshop in 2007. Recently, about 15 machines have been installed there. It is plланed to purchase the new equipment and upgrade the existing one. The approximate volume of investments will amount to over 30 villion rubles.
		January 2012	Announcement of plans to expand the production of bearing rings to the full direction.	Chelyabinsk Forge and Press Plant mastered the production of two types of rings, with the annual output of about 200 thousand units. It is planned to increase the production volumes to 2 million units in 2012. To develop a new direction it is planned to expand the machine workshop, as well as to purchase the new equipment for the forging production. The approximate volume of investments will amount to about 200 million rubles.
		March 2012	Renovation of production capacities of the wheel production of Chelyabinsk Forge and Press Plant.	The plant purchased NC machines, produced by Haas company (the USA). With the installation of this equipment the company swithched over to the full production cycle (without outsourcing). The effect: a significant increase in

				productivity in the manufacture of «heavy» disks - large wheels for road and construction vehicles: graders, truck tractors, etc. The cost of equipment amounted to over 6 million rubles.
		September 2012	Modernization of production capacities of «Russian forge plants» LLC (Saint Petersburg) by specialists of Chelyabinsk Forge and Press Plant.	«Russian forge plants» LLC is a joint venture of Chelyabinsk Forge and Press Plant and Kirov Plant, created in autumn of 2010, when the management of forging production of the Petersburg's enterprise was transferred to specialists of Chelyabinsk Forge and Press Plant. Development program of «Russian forge plants» LLC implies a gradual modernization of a production base of the enterprise.
		November 2012	Insertion of the enterprise in the federal list of sole suppliers of forestry equipment.	The launch of supplies of towed vehicles of Chelyabinsk Forge and Press Plant is planned for the end of 2012 – the beginning of 2013. By the beginning of the fire season purchased equipment must be tested and prepared for a work.
		November 2012	Preparation for the launch of the new equipment– nitriding furnace for the die tooling tempering.	When operating at this equipment the technology of catalytic gas nitriding tempering is used. Effect: increase of dies resistance in 1.5-2.5 times in relation to specific norms.
		December 2012	Announcement of the results of cooperation in the field of auto component supplies for Scania company.	Chelyabinsk Forge and Press Plant carried on negotiations with Scania company for more than a year. The launch of supplies of products (parts for engines) is planned for 2013.
		December 2012	Announcement of the preparation for the production of tire wheels.	At the end of 2012, a tender for the supply of necessary tire fitting equipment was announced. The work startup in this direction is planned for the first quarter of 2012. The enterprise plans to carry out the balancing of truck wheels, to equip the produced special purpose vehicles with finished tire wheels.
		December 2012	Summing up of the results on the technical reequipment of Chelyabinsk Forge and Press Plant.	In 2012, the volume of investments in the technical reequipment and production modernization exceeded 360 million rubles. A significant part of investments, over 100 million rubles, was allocated to the renovation of the forge production. The company invested about 23 million rubles in the expansion of capacities of the machine workshop; in particular, it purchased two turning machining centers of the Hyundai and Victor Taiching production

				and a new Haas vertical milling machine for product machining for Scania plant. The volume of investments in the die production– 42 million rubles, whose part was allocated to the installation of the vertical milling machine Litz for the production of molded dies (effect – increase of production volumes in almost 1.5 times in comparison with 2011). Also the plant purchased shaft furnace for die tooling nitriding (expected effect - an increase in die life cycle in 3-4 times). In addition, the machine Skoda, priced at 1.5 million Euros, which enables to carry out the precision machining of parts with the weight up to 80 tons, was purchased. The planned volume of investments in the technical reequipment is over 330 million rubles.
Chusovoy Metallurgical Works JSC	Perm territory, Chusovoy	December 2012	Announcement of the results on the production modernization.	One of the largest investment projects «Purchase and installation of a milling complex» was implemented in the autospring shop of the spring production. Effect: the possibility to increase the volume of springs, whose design requires the milling after or prior to the assembly. Modernization of the filling equipment for the furnace No.1 was completed. In particular, three additional bins, whose commissioning will enable to use automatically the multicomponent mixture, were established.

Source: data by companies, analysis by Russian Automotive Market Research (NAPI).

Russian Automotive Forum 2013

The 16th annual international Russian automotive forum (RAF) is to be held on April 9-1, 2013 in Moscow. The forum organizer is Adam Smith Conferences. It is one of the key events of the Russian automotive industry which gathers top managers and experts of Russian and world's industry leaders. Anastasia Varnavskaya, RAF Director, Head of Adam Smith automotive department speaks on the particularities of the 2013 Forum.

Anastasia Varnavskaya

RAF Director, *Head of Adam Smith automotive department*

– What problems is the RAF going to raise this year?

– In 2013 the discussions will center around Russia's accession to the WTO and its impact on the automotive market. Many experts do not believe the automotive industry will gain anything from Russia's membership in the WTO, moreover they expect it might bring about negative consequences. The forum participants will have an opportunity to form their opinion on this question when they see the first results of the Russian government measures taken to smooth the negative consequences and the sales results in the new market conditions.

The forum includes 16 sessions devoted to various aspects of the automotive industry in Russia. The list of questions to be discussed is very broad. As an example, the agenda includes the following sessions:

– «OEM and OES strategy for 2013» - the top management of leading automakers and auto component makers will speak on the operational goals and strategic priorities.

– «Projecting the future: R&D and innovations» - the session will focus on the measures taken by the leading OEM and OES to support scientific research potential in production they run, according to the new version of Decree № 1661, new materials, technologies, vehicle design will make another topic of the session;

– «Marketing and Sales» - the session will be devoted to automotive market trends and market development forecasts for 2013-2014, new and used vehicles price, demand and supply dynamics in the capital city and regions. Besides, the session will raise the issues of dealer network development, customer satisfaction, and particularities of brand promotion in Russia. The new topic is traditional and new export markets for the Russian automotive industry.

The forum will also arrange the sessions devoted to auto components secondary market development prospects (in particular problems of distribution), automotive logistics, efficiency of raw materials and parts purchasing departments.

Besides, the attendees will be informed on changes in legislation related to the automotive industry, foreign trade, the Customs Union, as well as on the government measures taken to support and ensure innovative development of the Russian automotive industry (the session «Government hour»).

The RAF 2013 will hold a traditional interactive discussion whose participants will include CEOs of leading enterprises. It is one of the most popular forum formats which provides the participants with an opportunity to get to know the views of industry leaders on the most acute questions.

As usual, the forum offers various formats: these are not only traditional sessions, but also interactive discussions, master-classes, workshops, one-on-one meetings.

It is important to note that in 2013 one-one-one meetings will be held not only by Purchasing Department managers, but also by CTOs, Quality Managers from auto makers as well as from first-tier suppliers, localization project leaders, representatives of the regions-auto clusters. In 2012 the popularity of one-on-one meetings surpassed all expectations, that's why we are planning to significantly increase the number of such meetings.

– What new sessions will be organized in 2013?

– We are planning to run four new sessions this year – «Engine and transmission parts production», «Regional development with the focus on the Far East and Kaliningrad», «Human resources for the Russian automotive industry development» and «Niche segments».

The more companies produce engines and transmission parts in Russia, the more acute the questions of component production become.

This session will also raise the problems of growing demand for suppliers and criteria for their selection, engine production optimization, engine and transmission testing, prospects of Euro-4 and Euro-5 fuel in Russia, development of fuel efficiency technologies, development of engines for hybrid and electrical vehicles.

In the session «Regional development with the focus on the Far East and Kaliningrad» the local government officials and local manufacturers will provide the attendees with detailed information on the investment structure of the regions, with a special focus on Far-Eastern and Kaliningrad projects and the advantages of setting up production in the far-off regions.

The session «Niche segments» will bring up new issues - bus market, heavy-duty vehicles, road and construction vehicles, agricultural vehicles. The session «Human resources for the Russian automotive industry development» will be devoted to staff attraction, training and retention.

– in what other ways will RAF 2013 differ from the previous events?

– This year the Russian automotive forum will have a new format - «a conference + an exhibition».

The goal of the exhibition is to provide exhibitors - auto components suppliers, government bodies, industrial parks, service providers, equipment and tool producers – with an opportunity to come up with offers to their potential customers.

– Who makes up RAF 2013 entry list?

– In 2013 more than 400 participants representing OES and OEM, service and equipment suppliers are expected to come to the Russian automotive forum.

We are expecting 80 presentations delivered by the leading industry experts. They are top-managers from automakers-AUTOVAZ (Igor Komarov), GAZ Group (Bo Andersson), Russian subsidiaries of international automakers в – James Bovenzi, President and Managing Director, General Motors Russia and CIS; Ted Cannis, President and CEO Ford Sollers; Bernd Schantz, General Director PSA Peugeot Citroen Russia, Ukraine and CIS; Jan K.Madeja, General Manager «Mercedes-Benz RUS»; Denis Petrunin, Managing Director «Hyundai Motor CIS».

Anatoliy Artamonov, Kaluga region Governor, and Alfiya Kogogina, Chairperson of Expert Council on innovative industry and special vehicles development in the State Duma Industry Committee are also among the forum speakers.

– What, do you think, such a great interest in the forum can be attributed to?

– I believe, one of the reasons is the importance of the automobile industry for a country's economy. Even the most economically developed countries – The USA, Japan, Germany – consider the automotive industry a strategic one; they fully understand its contribution to the economic development and take the necessary measures to protect it and lobby the interests of the domestic automotive industry.

Another reason is that the Russian automotive forum differs from year to year in terms of its participants, structure, contents. There are some events which change very little from year to year, which is connected with a static nature if the industry they are devoted to. The Russian automotive forum is totally different. Changes in legislation, new technologies, new products, new business models, the introduction of new development strategies – our forum covers all the particularities of the modern automotive industry. And it is an honour and pleasure for us to realize that our forum is part of the Russian automotive industry recovery process.

– What makes the Russian automotive forum stand out among other events like this?

– Indeed, there are quite a few events devoted to this topic and their number is growing with the economic recovery. Many of them wear out when the industry is having a difficult time, and the recent economic crisis is a good illustration of it.

Many of our competitors decided to wait for better times and halted their event organizing activities. Not us! If you consider yourself part of the industry, its platform, you just can't wash your hands of it when the industry is worse off.

Our motto is – «Stay together whatever happens!» A lot has changed in the industry since Adam Smith Conferences held the first Russian automotive forum 16 years ago. We are in for even more changes, but the fact that our forum is the oldest and most representational even on the automotive industry is a constant, mathematically speaking.

To answer your question what makes us stand out, I will list the major features: a profound in-depth study of the industry, which gives us the basis for the program, a unique selection of speakers including global scale experts, and our loyal participants some of whom have been attending the forum for more than 10 years. Another typical feature of Adam Smith forum which participants particularly appreciate is our independence which is an achievement of its own.

Vehicle Manufacturing: Changes in Legislation Made in 2012

The forecasts regarding the changes in the vehicle market of the last year were essentially related to Russia's accession to the WTO followed by the introduction of the car recycling tax . These changes as well as other legislative changes significant for the automotive industry of Russia and the Customs Union are commented on by the counselor, the Head of Foreign Trade Regulation Practice of the international legal firm DLA Piper, Saint Petersburg University Assistant Professor, PhD in Jurisprudence, a member of the Expert Council of Budget and Taxation Committee of the Russian Federation State Duma, Wilhelmina Shavshina.

Wilhelmina Shavshina

PhD in Jurisprudence, a member of the Expert Council of Budget and Taxation Committee of the Russian Federation State Duma, the Head of DLA Piper Foreign Trade Regulation Practice.

Disputable Car Recycling Tax

Evidently, in 2012 the most significant event for the automotive industry was the introduction of the car recycling tax.

The car recycling tax introduced by Federal Law No. 128-FZ dated July 28, 2012 and Regulation of the Government of the Russian Federation No. 870 dated August 30, 2012 adopted in accordance therewith affects the interests of both the vehicle manufacturers and importers.

In accordance with the laws, Russian vehicle manufacturers may be exempted from the car recycling tax if they undertake the obligation on ensuring safe recycling. Similar rules are stipulated for the companies registered in the territory of the Republic of Belarus and the Republic of Kazakhstan and included into the list maintained by the Ministry of Industry and Trade of Russia.

Introduction of the car recycling tax like it is represents a rather controversial issue with relation to compliance with the WTO rules. Particularly, the regulation, when there is no the possibility for the importers to be exempted from the car recycling tax provided that they ensure recycling of vehicles in the future, may be considered the discriminating one.

There have already been complaints from EU, Japan and the USA regarding the car recycling tax and the attempts of the Russian Federation to settle them by negotiations. If the settlement of this issue by negotiations is impossible, the WTO members may be expected to initiate the official proceeding: the WTO against Russia.

As for other consequences of the car recycling tax introduction, it will most probably be followed by the reduction of vehicle import. According to the Deputy Minister of Industry and Trade, Alexey Rakhmanov, monthly revenue receipts from the car recycling tax amount to 3.5-4 billion rubles.

At the same time, there is no yet a well-defined program for creation of the industry on recycling of vehicles and the regulatory element does not ensure complete regulation. Thus, for example, the technical regulation draft of the Customs Union On the Requirements to Vehicles on Ensuring Their Safe Recycling is still at the stage of public discussion.

Changes in the Sphere of Subsidy Assistance of Vehicle Manufacturers

In 2012 the amount of budget funds allocated for provision of subsidies to the vehicle manufacturers was reduced by 2 billion rubles.

This refers to the subsidies on interest payments on credits granted for implementation of investment and innovation projects or payment of coupon yield on bonds issued for the expenses of investment nature as well as for compensation of a part of expenses for interest payments on credits received in 2009-2010 and secured on state guarantees.

In addition, Regulation of the Government of the Russian Federation No. 1401 dated December 27, 2012 introduced a new type of subsidies for vehicle manufacturers – on transportation of vehicles produced in the territory of Far Eastern Federal District to other regions of the country. These subsidies shall be provided in the amount of actually incurred expenses on transportation of vehicles by railroad within the territory of the Russian Federation.

Customs Union: major changes

Besides, at the end of 2012 the Board of Eurasian Economic Commission approved the draft of recommendations of the Council of Eurasian Economic Commission On Approaches to Establishment and Development of Industrial Vehicle Assembly Manufacturing Facilities.

This document contains general approaches which are recommended to be governed for the countries – the Customs Union members when establishing the vehicle assembly manufacturing facilities.

Particularly, the draft of recommendations stipulates promotion of deepening (to the extent of the Common Economic Space) of production cooperation among the vehicle assembly enterprises and the organizations manufacturing the vehicle components, localization of vehicle assembly manufacturing facilities, establishment of joint ventures dealing in production of vehicles within the territories of the country-members.

According to the recommendations, the conditions for establishment of new vehicle assembly manufacturing facilities shall be elaborated before July 1, 2013.

On December 31, 2012 the technical regulation of the Customs Union (CU) On the Requirements to Automotive and Aviation Petrol, Diesel and Marine Fuel, Fuel for Jet Engines and Black Oil was enacted. This regulation stipulates the mandatory requirements in relation to the fuel located and put into circulation within the single customs territory of the Customs Union.

In spite of the fact that the date of entry into force of the technical regulation is December 31, 2012 the document stipulates a transition period during which there is assumed production and release for free circulation of the products corresponding to the previously operating mandatory requirements (upon availability of the documents proving the correspondence). This transition period is provided for up to June 30, 2014.

It is important to note the actions of the regulator affecting the interests of the vehicle manufacturers. In the sphere of customs tariff regulation there is a remarkable classification decision (EEC Decision No. 8 dated March 15, 2012) of the Eurasian Economic Commission made in relation to classification of the car body frame.

Following the Commission’s decision, the body frame shall be classified under commodity heading 8707 FEACC CU (Foreign Economic Activity Commodity Classification of the Customs Union) as the body in incomplete form. This measure was aimed at prevention of the practice to declare the car body frames under the pretence of the car body parts.

In the sphere of protection of the domestic market it is necessary to pay attention to the continuing (to the extent of the Customs Union) antidumping investigation in relation to the cars produced in Germany, Italy, Poland and Turkey and imported to the single customs territory of the Customs Union. On November 16, 2012 the investigation period was extended for six months.

Changes in Taxation

2012 saw entry into force of a range of important regulatory acts in the sphere of tax policy and the continuation of the court proceedings regarding the issues of VAT charges on bonuses and good faith of counterparties forming the legislative practice in these spheres. Maria Rudakova, a Tax Practice Lawyer of Sameta legal firm, speaks on the main changes in taxation.

Maria Rudakova

Tax Practice Lawyer of Sameta legal firm

Transfer Pricing

On January 1, 2012 Federal Law No. 227-FZ On Introduction of Amendments to Separate Legislative Acts of the Russian Federation due to Improvement of the Principles of Price Determination for Taxation Purposes was enacted.

It is necessary to note that the provisions of the Law are based on the international principles of transfer price regulation formulated by the Committee on Tax Issues of the Organization for Economic Cooperation and Development in the Transfer Pricing Guidelines for Multinational Companies and Tax Authorities (the enactment date is June 25, 1995).

In accordance with the Law, the companies belonging to the category of the largest taxpayers, including the automotive companies, are entitled to conclude pricing agreements with FNS (Federal Taxation Service).

The procedure for conclusion, execution and termination of the agreements between the taxpayer and FNS regarding application of pricing methods in the transactions under control was explained by FNS of the Russian Federation in Letter No. OA-4-13/85@ On Conclusion of Pricing Agreements for Taxation Purposes dated January 12, 2012.

Afterwards, the tax authority published another set of comments particularly referring to:

— forms of notification on the transactions under control, procedure for their filling in as well as the format of their submission in electronic form (Order of FNS of Russia No. MMB-7-13/524@ dated July 27, 2012) and certain issues related to filling in of these notifications (Letter of the Ministry of Finance No. OA-4-13/18182 dated October 26, 2012) and a package of documents which are required to be submitted to the tax body (letter of FNS of Russia No. OA-4-13/14433@ dated August 30, 2012);

— issues related to establishment of the actual mutual dependence of the parties and acknowledgement of a transaction as the transaction under control (Letter of FNS of Russia No. ЕД-4-3/ 18615@ dated November 2, 2012 and Letter of the Ministry of Finance of Russia No. 03-01-18/8-149 dated October 26, 2012);

— issues related to determination of the amount of revenue under the transactions among the mutually dependent persons (Letter of the Ministry of Finance of Russia No. 03-01-18/7-133 dated October 1, 2012; Letter of the Ministry of Finance of Russia No. 03-01-18/7-139 dated October 8, 2012; Letter of the Ministry of Finance of Russia No. 03-01-18/5-97 dated July 18, 2012) and others.

Let us recall that Order of the Ministry of Finance of Russia No. 43н dated April 5, 2012 approved the provision on Interregional Inspectorate of the Federal Tax Service on pricing for taxation purposes. The new Interregional Inspectorate directly subordinates to FNS of the Russian Federation and is under control of the same.

Carrying out of new examinations for compliance of the prices under transactions performed in 2012 may start not earlier than on December 31, 2012; and for the moment, the representatives of the tax service apply new knowledge while performing regular examinations for compliance of the taxpayers' prices with article 40 of the Tax Code of the Russian

Federation (Ruling of the Presidium of the Supreme Arbitration Court of the Russian Federation No. ВАС — 8277/ 2012 dated December 11, 2012 under case No. A29-5132/2011 of Bitran OOO (Limited Liability Company)).

VAT Adjustment due to Provision of Premiums (Bonuses) Reducing the Cost of Products

On February 7, 2012 the Presidium of the Supreme Arbitration Court of the Russian Federation reconsidered the case on the tax dispute between Leroy Merlin Vostok and the tax inspectorate regarding the accounting procedure for the purposes of VAT assessment on the bonuses collected by retail companies from the suppliers for ensuring of availability of their products in shops.

In the statement of reasons the court stated that the premiums paid by the suppliers to the public based on supply contracts reduce the cost of supplied products that leads to the necessity to change the VAT taxation base of the suppliers and the amounts of VAT deductions of the public (Ruling of the Presidium of the Supreme Arbitration Court of the Russian Federation No. 11637/11 dated February 7, 2012).

In spite of the fact that this decision was made under the case against a retailer it is also rather appropriate in respect of VAT in case of payment of motivating premiums or bonuses to the dealers.

Thus, for example, in the Resolution of the Fourteenth Arbitration Appeal Court dated June 4, 2012 under case No. A05-11837/2011 the court pointed out the fact that occurrence of the suppliers' obligations to pay premiums to the dealers for achievement of a certain volume of sales or sales at reduced prices recommended by the supplier does not relate to occurrence of the obligation to render any services on promotion of products in the market. Accordingly, there is no VAT assessment object (the case of Avtomir-Arkhangelsk OOO, Nissan dealer).

Therefore, the necessity to reduce the cost of earlier supplied products by the amount of the paid premium (remuneration) corresponding to the seller's VAT taxation base adjustment and the tax deductions of the buyer of products primarily depends on the conditions of payment of these premiums (remunerations) by the seller to the buyer.

This treatment is confirmed by the position of the Ministry of Finance of Russia (see Letter No. 03-07-11/364 dated September 7, 2012; Letter of the Ministry of Finance of Russia No. 03-03-06/1/414 dated August 17, 2012).

Forms and rules of preparation of the adjusting invoices are stipulated in Regulation of the Government of the Russian Federation No. 1137 dated December 26, 2011. Thereat, in case of payment of premiums (bonuses) there may be prepared a single adjusting invoice in respect to all the products which were subject to premiums but not in the number of initial invoices (Decision of the Supreme Arbitration Court of the Russian Federation No. 13825/12 dated January 11, 2013 under the case of Avtoframos and others against the Government of the Russian Federation).

Electronic Document Flow

Together with entry into force of Order of FNS of Russia No. MMB-7-6/ 138 dated March 5, 2012 which approved the formats of electronic invoices, purchase and sales ledgers and log book of issued and received invoices, Russia entered a new technological era of electronic document flow, and the companies, including the automotive ones, began to actively utilize the novelty.

The law permits to exchange the electronic invoices in compliance with the Procedure approved by Order of FNS of the Russian Federation No. 50н dated April 25, 2011 in the formats stipulated by Order No. MMB-7-6/36@ through the specialized operators of electronic document flow whose activity shall be governed by Order No. MMB-7-6/253@.

Thereat, the tax authority stated that an electronic document prepared in electronic format and signed with a qualified electronic signature (electronic digital signature) may represent the document proving the expenses incurred by the taxpayer only unless the federal laws or other regulatory acts stipulate the requirement on preparation of such document in hard copy (Letter of the Ministry of Finance of the Russian Federation No. 03-02-07/1-2 dated January 11, 2012).

Good Faith of Counterparties: Cases with Participation of Automotive Companies and New Vector in the Activities of this Category

There are still court proceedings of the automotive companies applying the taxpayer's due diligence concept set forth in resolution of the Plenum of the Supreme Court of the Russian Federation No. 53 On Assessment by the Arbitration Courts of Reasonableness of the Tax Benefit Receipt by the Taxpayers dated October 12, 2006 — see Resolution of FAS (Federal Antimonopoly Service) of Moscow District dated January 18, 2012 under case No. A40-37482/11-20-158 (General Motors CIS), Resolution of FAS of West-Siberian District No. A27-7368/2011 dated April 4, 2012 and others.

Besides, Ruling of the Presidium of the Supreme Arbitration Court of the Russian Federation No. BAC – 2341/2012 under case No. A71-13079/201 (Kama Concrete Products and Constructions Plant OAO (Open Joint Stock Company)) represents the new vector in the cases of such category which has already started forming the new judicial practice.

Particularly, the process of proving by the parties in dispute shall be carried out in strict sequence: proving of the transaction feasibility; subject to existence of the first condition there shall be checked the evidences of the taxpayer's due diligence; depending on existence of the previous condition the burden of proving of (non) marketability of the prices under these transactions lies on the taxpayer (in case of lack of diligence), and on the tax authority (in case of availability of the same).

Therefore, additional charges may relate just to the transactions concluded at the non-market prices.

Tax Regulation of Transfer Pricing

In the world practice «transfer pricing» means determination of «internal» settlement prices among the subdivisions of one company or mutually dependent companies. Generally, the purpose of determination of transfer prices is taxation minimization. This is exactly the reason why the Government represented by tax authorities is focused on transfer pricing, or transactions under control. The particularities of tax control over transfer pricing are commented on by Andrey Panfilov, Head of the Tax Practice Department of Sameta legal firm.

Andrey Panfilov

Head of the Tax Practice Department of Sameta legal firm

Legislation of different countries in the sphere of transfer pricing may significantly differ from each other, but it has a common principle according to which the taxable profit of a company artificially reducing the price of selling the goods, work, services, or, on the contrary, artificially increasing the price of their purchase may be recalculated in compliance with the transaction market price.

Russian Practice

Before 2011, in Russia control over reduction of taxation base by using transfer pricing was effected based on articles 20 and 40 of the Tax Code of the Russian Federation.

Article 20 of the Tax Code of the Russian Federation defines the notion «mutually dependent persons». These are the individuals and (or) organizations the relations between which may affect the conditions or economic results of their activity or the activity of the persons represented by them. The organizations are mutually dependent if one of them directly and (or) indirectly participates in the other organization and the cumulative share of such participation amounts to more than 20%.

Thereat, the court may acknowledge the persons as mutually dependent persons based on other grounds not provided for by this article of the Code if the relations between these persons may affect the results of the transactions on selling goods (work, services).

Article 40 of the Tax Code describes the principles of determination of the price of goods, work or services for taxation purposes. According to this article, while effecting control over completeness of tax assessment the tax authorities are entitled to check correctness of applying the prices under the transactions between the mutually dependent persons, goods exchange (barter) operations, while carrying out foreign trade transactions as well as in case of deviation of the prices for goods, work or services by more than 20% to a higher or lower figure from the market price level.

In the cases when the prices for goods, work or services used by the transaction parties deviate by more than 20% from the market prices of similar goods, work or services the tax body is entitled to make a reasoned decision on additional assessment of tax and penalties calculated as if the results of such transaction were estimated based on using the market prices for the corresponding goods, work or services.

Besides, the law considers the methodology of determination of the market price by comparing the same with similar offers in the market. In case of impossibility to determine the market price of goods using a comparative method there shall be used the resale price method when the market price for goods, work or services sold by the seller is determined based on the difference with the price which is used by the buyer of these goods, work or services at their further sale (resale).

Besides, in this case there are taken into consideration the ordinary expenses incurred by this buyer at resale and market promotion of the goods, work or services purchased from the seller as well as the buyer’s profit which is ordinary for this business sphere.

In case of impossibility to use the resale price method there shall be used the cost plus method when the market price for goods, work or services sold by the seller is determined as the sum of the incurred expenses and the profit which is ordinary for this business sphere.

In this cases there are taken into consideration the ordinary direct and indirect expenses for production (purchase) and (or) sale of goods, work or services, the ordinary expenses for transportation, storage, insurance and other similar expenses.

Changes in Legislation

On July 18, 2011 there was adopted Federal Law No. 227-FZ On Introduction of Amendments to Separate Legislative Acts of the Russian Federation due to Improvement of the Principles of Price Determination for Taxation Purposes. The Law added to the first part of the Tax Code of the Russian Federation new section V.I which is system-suitable to control over pricing among the economic entities.

The new section of the first part of the code entered into force on January 1, 2012. The main tendency of tax changes became close attention to holding companies which establish the “profit centers” abroad, in a range of low tax jurisdictions, for taxation minimization.

With adoption of the new Law there was significantly enlarged the list of reasons for establishing the mutual dependence of persons, and the level of participation of one organizations and individuals in the activity of other organizations was increased up to 25%.

It is necessary to remark that the court retains the right to determine the fact of mutual dependence even if there are no grounds specified in the Code. The list of grounds for determination of mutual dependence remains open. Thereat, an essential feature of mutual dependence of persons is the possibility of one of them (including together with its mutually dependent persons) influence the decisions made by the other one. In other words, availability of formal grounds stipulated by the Code does not automatically lead to availability of mutual dependence.

For example, an organization possessing 25.1% shares in the authorized capital of another organization may have no mutual dependence with the latter if the remaining share belongs to one person which, in accordance with the foundation documents, is entitled to ultimately make decisions almost under all the corporate issues.

It is remarkable that the new provisions of the Tax Code of the Russian Federation enable the taxpayers to independently acknowledge themselves the mutually dependent persons for taxation purposes according to the grounds not stipulated in the Code.

Following the new Law, the transactions under control are not only the transactions between the mutually dependent persons but also their equivalents.

The legislator equates the following types of transactions with the transactions between the mutually dependent persons:

– the total of transactions on selling the goods (performing the work, rendering the services) executed between the mutually dependent persons with participation of intermediate parties; in this case the intermediate parties are not the mutually dependent persons, do not carry out any additional functions in this total of transactions, do not assume any risks and do not use any assets for selling the goods; this clause is in force since January 1, 2014;

– transactions in the sphere of foreign trade in goods of the world exchange trade provided that the subject of these transactions are such goods as oil and oil products, ferrous and nonferrous metals, precious metals and precious stones, mineral fertilizers; thereat, the amount of income under these transactions for the relevant calendar year shall exceed 60 million rubles;

– transactions one of the parties to which shall be registered, shall reside or pay taxes in the countries or territories included into the list of low tax jurisdictions according to the order of the Ministry of Finance of the Russian Federation; the amount of income under these transactions for the relevant calendar year shall exceed 60 million rubles as well.

It is remarkable that a range of transactions between the mutually dependent persons does not fall within the control of tax authorities. These are the transactions between the mutually dependent persons which are registered or which reside or pay taxes in the Russian Federation upon availability of at least one of the following circumstances:

– amount of income under the transactions (amount of the transactions’ prices) between the said persons for the relevant calendar year shall not exceed 1 billion rubles; in 2013 this limit is equal to 2 billion rubles;

– one of the parties to the transaction shall be the taxpayer of the tax on extraction of mineral resources calculated based on the tax rate established in percentage; the amount of income under these transactions with the extracted mineral resources shall not exceed 60 million rubles per year;

– one of the parties to the transaction shall be the taxpayer applying one of the special taxation schemes: the unified agricultural tax or the unified tax on imputed income; the amount of income under these transactions shall not exceed 100 million rubles per year;

– one of the parties to the transaction shall be exempted from the liability of a taxpayer to pay the corporate profits tax or uses 0% tax rate in the taxation base under this tax in accordance with clause 5.1 article 284 of the Tax Code of the Russian Federation; the amount of income under these transactions shall not exceed 60 million rubles per year;

– one of the parties to the transaction shall be a resident of a special economic zone, the tax scheme in which stipulates specific privileges under the corporate profits tax (in comparison with the common tax scheme in the relevant subject of the Russian Federation); thereat, the other party (parties) to the transaction shall not be a resident (the residents) of such special economic zone; this principle is effective since January 1, 2014 and the amount of income under these transactions shall not exceed 100 million rubles per year.

It is necessary to keep in view that Federal Law No. 227-FZ stipulates the transition regulations for 2012 and 2013 having excluded out of control any transactions if the annual turnover between the parties to the same does not exceed 100 million rubles (in 2012) and 80 million rubles (in 2013).

Thereat, the goods exchange nature of the operations as well as availability of 20% price discrepancy used by the taxpayer during a short period of time are no longer the independent grounds for carrying out of control over the transactions.

Examples of Transactions under Control

Taxation threats for organization occur on the basis of the fact that the transaction between the mutually dependent persons may refer to the transaction under control (i.e. be the equivalent of the transaction between the mutually dependent persons) by virtue of a range of its characteristics. The transaction under control may be either a foreign trade transaction or an internal transaction.

Let us consider the case of a foreign trade transaction between the persons which are not mutually dependent persons. Two organizations registered in British Virgin Islands established in the territory of Great Britain a Limited Liability Partnership (LLP). The Partnership purchased the goods at the manufacturer's price and delivered the goods at a transfer price to the Limited Liability Company in the Russian Federation, thus representing the profit center.

Officially, this business scheme does not meet the definition of transactions under control because the Russian party does business with the company operating and registered in the territory of Great Britain which is not included into the list of low tax jurisdictions. However, the Partnership is not considered the tax resident of Great Britain regarding the corporate profits tax because the place of its tax residency is determined according to the country of incorporation of its partners (main partner). In this case these are British Virgin Islands which are included into the list of low tax jurisdictions by the Ministry of Finance of the Russian Federation. That is the reason why the transaction on supply of goods at a transfer price will be considered as the transaction under control.

There may occur the situations when the transaction is considered the transaction under control based on two reasons. Thus, for example, the holding-company established in different countries two structures in order to deliver goods from one organization to the other one. Thereat, one legal entity is registered in a low tax jurisdiction (SPV), while the other one – in Russia (OOO (Limited Liability Company)). Participation of the holding-company in each of these organizations amounts to more than 25%. In the scheme there is also the agent (intermediate party) and officially the supplies of goods at transfer prices do not follow directly from one mutually dependent entity to the other one.

In this case there is the threat of considering the transaction as the transaction under control because the Russian OOO and SPV are acknowledged to be the mutually dependent entities due to subclause 3, clause 2, article 105.1 of the Tax Code of the Russian Federation: the same entity directly and (or) indirectly participates in these organizations and the share of this participation in each organization amounts to more than 25%. Besides, the country of registration of one of the legal entities is included into the black list of the Ministry of Finance of the Russian Federation. Thereat, availability of the agent not performing any additional functions, except for arrangement of realization (resale) of goods, and not assuming any risks is not taken into consideration for the purposes of tax control because this principle is effective since January 1, 2014 (subclause 1 clause 1 article 105.14).

This transaction on supply of goods at a transfer price will be considered as a foreign trade transaction under control between the mutually dependent persons (starting from 2014 it shall be under control from the «first ruble»).

Here is an example of an internal transaction between the entities – residents of the Russian Federation. The production plant located in one of the regions of Russian and its distributor located in Moscow are the mutually dependent persons. The distributor is the financial center in the holding-company which accumulates the main profit of the group. The plant supplies goods to the distributor at transfer prices with minimum profitability. The distributor sells the goods to consumers in the market with maximum profitability. The annual turnover between the enterprises amounts to more than 1 billion rubles.

This is a transaction under control based on the sales volume between the mutually dependent persons (subclause 1 clause 2 article 105.14 of the Tax Code of the Russian Federation). In this case the incorrect method of determination of the price for the goods may represent the taxation threat for the taxpayer (the plant). For example, there is used the cost plus method while, according to the regulations of the Tax Code of the Russian Federation, the priority method of price determination shall be the resale price method.

Therefore, among the adverse consequences for the plant there may be admission of the price of selling the goods to the distributor as the understated one and additional charge of proceeds from sales for the plant and, thus, of the profit tax, VAT, penalties and penal sanctions (since January 1, 2014).

Finally, in case the plant is additionally charged with proceeds from sales of goods to distributor the latter will be entitled to use the compensating adjustment (article 105.18 of the Tax Code of the Russian Federation) of its tax liabilities having increased the spendable income. However, the procedure for using this type of adjustment stipulates a rather essential time gap: from the date of payment of additional taxes by the plant till the date of return of «overpayment» to the budget by the distributor.

Among the instruments of minimization of adverse consequences in this situation there may be:

– preparation of a set of documents on transfer pricing that will enable to avoid the fine (tax and penalties will remain);

– displacement of the balance of risks and functions towards the distributor;

– amendments in contractual and corporate structure.

Preferential Strategy

There is no denying that together with addition to the Tax Code of the Russian Federation of the section on transfer pricing the legislator eliminated a range of issues related to this matter.

However, in spite of this fact, there remain the majority of peculiarities in the sphere of transfer pricing which require an expert assessment because they may influence the tax risks and liabilities of the taxpayer. In order to establish the system of transfer pricing there is required a significant methodological support.

On our opinion it is incorrect to hide the transactions under control in the labyrinths of corporate relations, jurisdictions, trusts, nominee shareholders, business split etc. This is a thorny way, in view of efficiency, which is difficult to anticipate. It is related to a set of negative consequences. First of all, this is a growth of constant expenses for supporting the structure. Secondly, this is dilution of control over financial flows of the enterprise. Thirdly, the tax risks will still remain the same.

We suppose that there shall be chosen the tactics of soft and well-thought-out policy. It will enable to optimize the organizational structure a little having reduced the intragroup goods turnover (for example, branches instead of separate legal entities or, to the contrary, separate legal entities instead of branches) and to use intermediary contracts instead of resale contracts.

Establishment of the risk management system regarding transfer pricing will enable to anticipate the tax consequences and possible claims, will be able to protect from penal sanctions, determine the priority of information sources for inspection officers, ensure a fine tuning of the holding structure and contractual relations in order to minimize the control scope.

Stock Market in 2012

In 2012 securities of the enterprises of Russian automotive industry demonstrated the differently directed dynamics while in 2011 the shares of the majority of companies reduced in price. In 2012 the cost of securities of certain companies increased while the share price of other manufacturers, to the contrary, reduced.

Automotive Industry Shares: Growth of Activity

In 2012 the automotive segment of Russian stock market was characterized by a little decrease in trading volumes. However, according to the experts, last year similar tendencies were remarked in the entire stock market.

The securities of AVTOVAZ, KAMAZ, and Sollers were most of all in demand in 2012. «In 2012 the trading volumes of these securities achieved 3-10 million rubles per day. The shares of other vehicle manufacturers (ZIL, ZMZ, UAZ, Gaz Group) were not so actively traded in 2012. The transaction volumes under these securities amounted to 0.1-1 million rubles per day», says Roman Tkachuk, Senior Analyst of Nord Capital Investment Group.

These indicators are explained by different attractiveness of manufacturing companies and their securities. In its turn, in 2012 the dynamics of the cost of shares of the companies of automotive sector was primarily influenced by corporate news – events directly related to business activities of the vehicle manufacturing companies.

In 2012, the external factors, and namely the news about the measures of state reforming and support of the industry, were not as much significant as, for example, in 2010-2011. In those years the attractiveness of securities of Russian vehicle manufacturers was positively influenced by the programs of privileged automotive lending, and specifically the recycling programs.

In addition, in 2012 there was remarked a certain interest (in some cases a rather apparent one) in automotive segment of the Russian stock market on the part of investors. The indirect proof thereof may be the dynamics of MICEX index in engineering industry.

According to the data of the representatives of ALOR Group, in 2012 this index increased by 16.9% while MICEX index increased just by 5.17%. «Therefore, following the results of 2012 the rates of growth of the branch index turned out to be three times higher than under the general indicator. This represents an excess demand for the shares of engineering sector in 2012, - says Natalia Lesina, Head of Analysis Division of ALOR Group. – However, such dynamics of the index does not entirely describe the current situation: the growth is observed not under all the securities. For example, following the results of 2012 the shares of AVTOVAZ decreased in price while the shares of Sollers rapidly increased».

A representative of Aton draws the attention to a significant difference in the rates of growth of share quotations of the automotive sector and general MICEX index. «Upon the average, the shares of the four largest Russian vehicle manufacturers were in a very good economic condition during 2012 having augmented about 31%, while MICEX index increased just by 2%», - specifies Mikhail Pak, Senior Specialist of Analysis Division of ATON.

The Head of Analysis Division of ALOR Group points out a comparatively low liquidity of securities owned by the enterprises of automotive industry. «The shares of AVTOVAZ, KAMAZ and Sollers still refer to the second tier as it was in the previous years», – recalls the expert.

About Leaders and More

Therefore, the most positive dynamics in 2012 was demonstrated by Sollers securities. «During the year its shares increased by 125%. Consequently, these securities became the most successful in the Russian stock market following the results of 2012. In 2012, ordinary shares of GAZ Group increased in price by 56%. The cost of KAMAZ shares remained almost the same. Ordinary shares of AVTOVAZ fell in price by 21%», - says Vladimir Bespalov, Analyst of VTB Capital.

The representative of VTB Capital considerably relates the achievement of these indicators with the factors specific for each company.

«In case of Sollers, the investors became gradually more aware of the potential of the joint venture with Ford, especially after publication of its main indicators for the first half year of 2012. Step-by-step, the investors began to consider in the securities' price the cost of the share of Sollers in this joint venture. Besides, there served its purpose the fact that the securities of Sollers also were the most liquid ones in the branch and its management team was the most open for communication with the investment community», - specifies Vladimir Bespalov.

The representatives of other investment companies also positively assess the indicators of Sollers.

«In our opinion, Sollers is the most prospective company of the segment. The manufacturer has made a bid for cooperation with foreign automotive companies, such as Ford, Ssang Yong, Isuzu and Mazda, and shows very good financial and operating results. In autumn 2012 the company started operation of the joint venture on manufacturing the vehicles together with Mazda that became the «release trigger» for improvement of attractiveness of the company and its securities for investors», - explains Roman Tkachuk, Senior Analyst of Nord Capital Investment Group.

Natalia Lesina, Head of Analysis Division of ALOR Group, points out that, in addition, a very significant factor is opening of a joint venture with Mazda in 2012 in Vladivostok. «The prospects of the joint venture are positive because the products of Mazda are in demand among Russian customers. Sollers has got another strategic partner that influences the indicators of the company's securities in the stock market», - says Natalia Lesina.

Andrey Vernikov, Deputy General Director for Investment Analysis of Zerich Capital Management Investment Company, relates the investors' interest in Sollers securities with the fact that Sollers is the most rapid-growing company in the sector. «Besides, the company has a wide range of foreign brands which constantly expanding», - says Andrey Vernikov.

Mikhail Pak, Senior Specialist of Analysis Division of ATON also draws a special attention to the significant dynamics of Sollers shares. «One of the reasons for such a dynamics is the renewed interest of foreign investment funds in the Russian automotive market. Due to the fact that the shares of Sollers are the most liquid ones among their analogues they have become the instrument for western funds' investing, - says Mikhail Pak. – Moreover, Sollers presented a rather imposing statements for the first half year of 2012 – the company declared about the impressive EBITDA profitability at the level of 12.7% and the net profit increase in 2.9 times in comparison with the similar period of the previous year, up to 2.6 billion rubles».

Among other factors of growth of Sollers securities the representative of ATON also specified the successful projects with foreign manufacturers. «Sollers has demonstrated that its joint ventures with foreign automotive concerns yield favourable results already. Thus, the net profit of Ford Sollers in the first half year of 2012 amounted to 35 million US dollars, the half of which belongs to Sollers. The joint ventures with Mazda in the Far East will soon come to maturity and become a large «generator» of monetary funds for the company».

As for the dynamics of AVTOVAZ securities, the specialists advance different opinions. Vladimir Bespalov, Analyst of VTB Capital, explains the main reason for decrease in quotations of AVTOVAZ by «disappointment of the investors in the scheme to the extent of which Renault-Nissan will receive control over AVTOVAZ and will be able to avoid submission of an offer to minority shareholders».

Natalia Lesina draws a special attention to fictitious repurchase of AVTOVAZ shares. In her opinion, it was one of the most interesting events of 2012 not only in automotive sector of the Russian stock market but, possibly, in the stock market as a whole. The expert recalled that «in one of the leading business newspapers for publicity purposes there was published the information on repurchase of AVTOVAZ securities; after that many mass media representatives replicated the appeared news».

«Consequently, the cost of ordinary shares of the company increased by 23% during a day, and the one of privileged shares – by 16%. AVTOVAZ provided a prompt contradiction of the repurchase but the results of fictitious repurchase had already influenced the market», - specifies Natalia Lesina.

Besides, the expert points out other important events for AVTOVAZ. «This is the final signing of the agreement on establishment of Alliance Rostec Auto BV through which Renault-Nissan will receive the controlling interest in the Russian vehicle manufacturer, - says Natalia Lesina. – Besides, the share of the joint venture will be owned by Rostec while Troika Dialog will probably sell its block of shares. The expected signing of the agreement resulted in growth of the cost of AVTOVAZ shares; the assets of Russian vehicle manufacturer were valuated three times more than the market level».

Consequently, the representative of ALOR Group tends more to pessimistic conclusions. «In spite of the fact that the transaction on establishment of the joint venture as well as the fictitious repurchase supported the shares of AVTOVAZ at the end of the year, during 2012 the shares of Russian vehicle manufacturer were not in great demand among the investors, - says Natalia Lesina. – The company is in a difficult financial situation and its further development trend is rather doubtful. Following the results of 2012, the cost of ordinary shares of AVTOVAZ decreased by 19.37%, down to 15.932 rubles; while the cost of privileged shares increased by 2.82%, up to 6.01».

The experts of Zerich Capital Management Investment Company also adhere to rather reserved estimates. «AVTOVAZ constantly becomes a multibrand manufacturer; there are developing its projects with Renault-Nissan.

However, investors rather incredulously responded to the plans of AVTOVAZ to achieve the annual production level amounting to over 1 million vehicles by 2012. In 2012 the production plans were adjusted decreasingly», - says Andrey Vernikov, Deputy General Director for Investment Analysis of Zerich Capital Management Investment Company.

As for KAMAZ securities, according to the data of ALOR Group representatives, in 2012 KAMAZ securities appreciated by 6.57%, up to 37.47 rubles. Their positive dynamics the analysts explain by several factors.

«First of all, in 2012 the investors were pleased to see the financial results of the company's activity which turned out to be better than the expectations. Secondly, in spring 2012 there appeared the news about the fact that Daimler will possibly consider the issue on the share increase in the company and Rostec offers to the German automotive concern the share equal to 25%; however, the share increase has not still happened. Thereat, the cooperation of the German giant and Russian manufacturer in 2012 still strengthened that was positively interpreted by the investors, - says Natalia Lesina, Head of Analysis Division of ALOR Group. – However, the market participants still expect the more significant integration and particularly – Daimler's share increase in the company that could provoke the repurchase».

Roman Tkachuk, the representative of Nord Capital, draws the attention to the positive dynamics of ZIL securities. «In 2012 the shares of ZIL looked steady; their quotations increased by 60% during the year. The plant the activity of which was almost stopped after breakup of the Soviet Union, finally, starts its recovery – Moscow Government helped the plant to pay off the debts and, nowadays, is going to use the plant's capacities in order to launch assembly of vehicles under foreign brands. These events mainly became the determinants at valuating the company's shares by the investors», - specifies Roman Tkachuk.

Lost opportunities or objective results?

Possibly, the automotive segment of the Russian stock market would achieve higher indicators but it was prevented by certain factors.

Among one of these constraining factors Mikhail Pak, Senior Specialist of Analysis Division of ATON, mentions low liquidity of shares as well as cautious attitude of investors to the Russian stock market as a whole.

The opinion of the representative of ATON is mainly confirmed by his colleague Vladimir Bespalov from VTB Capital. «The main constraining factors for the majority of vehicle manufacturers, except for Sollers, became low liquidity of shares of the majority of companies in the sector, a relatively small share fraction in free circulation as well as absence of focused work with the investors on the part of the companies' core owners and management teams. In case of progress in these spheres, the dynamics of shares could be much better», - says Vladimir Bespalov, Analyst of VTB Capital.

The representative of ALOR Group points out compliance of the growth rates of the stock market's automotive segment with the factors existing in 2012. In addition, ALOR expert does not exclude the possibility of achieving great results in case of other conditions.

«In my opinion, taking into consideration the overall lack of liquidity in the Russian stock market, the dynamics of the vehicle manufacturers' securities turned out to be the optimum one. Even considering the lack of liquidity, following the results of the year, the shares of Sollers appreciated by more than 100%. Certainly, if there were more liquid assets in the market the increase in the cost of securities in the sector could be even higher», - concludes Natalia Lesina, Head of Analysis Division of ALOR Group.

About Prospects

The nearest future of the automotive segment of the Russian stock market is determined. Most probably, there will be no significant improvement in the segment, at least in a short-term outlook. In addition, the positive background for development will totally remain.

«Whether 2013 will be the year of vehicle shares? It is unlikely. The investors' preferences constantly change, and the growth of vehicle sales began to decelerate at the end of 2012. It is impossible to permanently retain high growth rates, - says Andrey Vernikov, Deputy General Director for Investment Analysis of Zerich Capital Management Investment Company. – Many investors considered that in the current year the domestic automotive market would become the leading one in Europe, having outstripped the German market; however, nowadays is it clear that it will not happen. The sales will remain at the level of the previous year».

The expert from Zerich Capital Management also talks about negative external conditions for the automotive market which, finally, will negatively influence the securities market of vehicle manufacturers.

«Rating agencies have already warned the bank about the danger of further increase in credit facilities, therefore the bank began to toughen the requirements for borrowers. Statistical data show that in certain regions (such as in Moscow) the real earnings stopped growing. Who will take new credits in this case? Probably, in the nearest months we will be the witnesses of the situation when the dynamics of “vehicle» shares will be in arrears of the general market dynamics», - specifies Andrey Vernikov.

The representative of Nord Capital also tends to reserved estimates as regards the prospects of the automotive segment of the stock market.

«In 2013, we do not expect significant changes in the vehicle manufacturing segment of the Russian stock market. Significant modifications are possible only provided that the Government will sell the controlling interest in AVTOVAZ to Renault-Nissan Alliance and/or the controlling interest in KAMAZ – to German Daimler. For the moment, these issues are in the stage of consideration and in the nearest future we do not expect any significant changes in their solution, - supposes Roman Tkachuk, Senior Analyst of Nord Capital Investment Group. – But these factors could positively influence the sector. When foreign companies start managing the largest Russian plants there will be possible the burst of development of Russian automotive segment as a whole and, therefore, the growth of the investors’ interest in the shares of KAMAZ and AVTOVAZ».

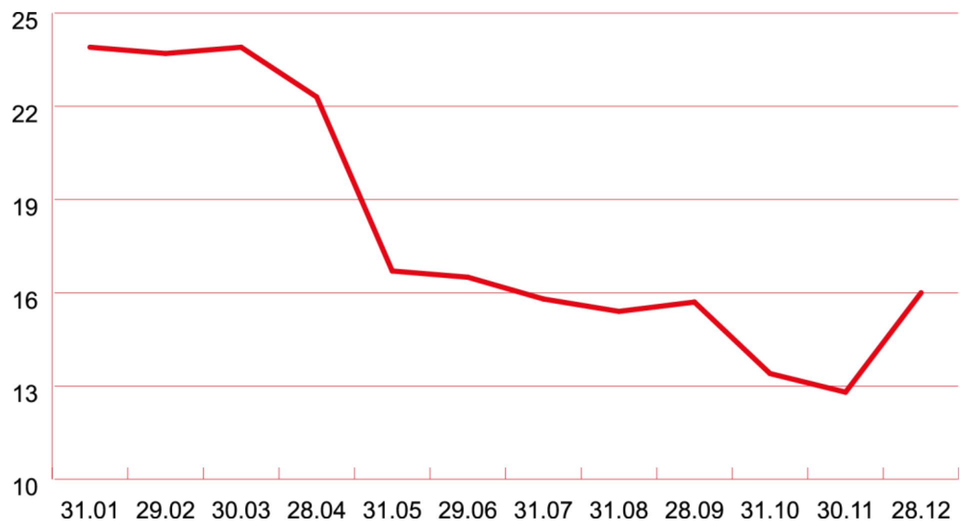
Vladimir Bespalov, Analyst of VTB Capital, says that the dynamics of shares of Russian vehicle manufacturers in 2013 will mainly depend on the general situation in the stock market.

«In my opinion, in case of steady positive dynamics of the stock market as a whole for over several months within the investors’ sight there will gradually appear undervalued shares of the «second tier» that will positively influence the dynamics of their quotations, - specified Vladimir Bespalov. – In case of retaining the volatility and high risks the majority of investors will still treat the companies of the sector with prudence, maybe exclusive of Sollers. In case of the latter, a lot will depend on the activity results of the Joint Venture with Ford».

Natalia Lesina, Head of Analysis Division of ALOR Group, draws the attention to other external factors which may affect the quotations of shares of the vehicle manufacturers in 2013.

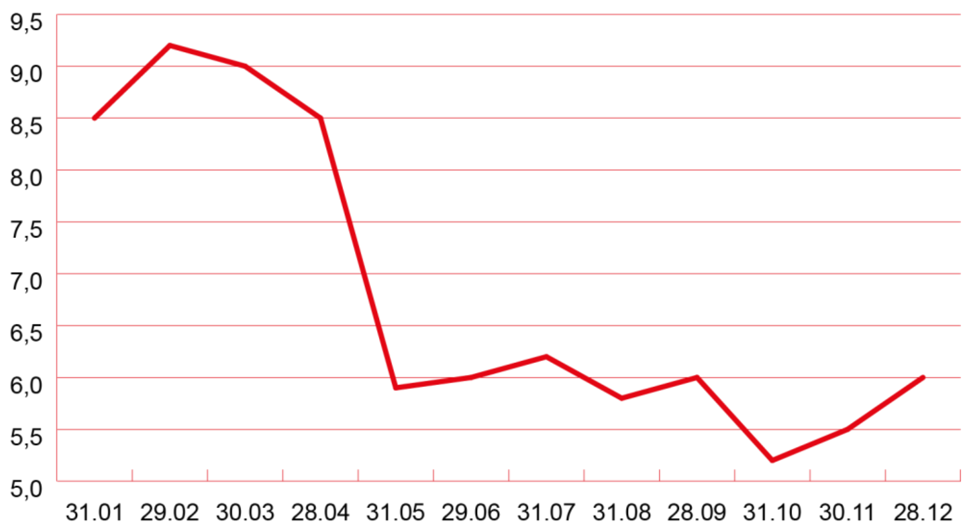
«Certainly, in 2013 the shares of the sector will be affected by the WTO news, particularly by development of the situation with recycling fees. Totally, the majority of companies have their internal growth drivers which could enable to continue the positive dynamics, - says Natalia Lesina. – Among the shares of Russian vehicle manufacturers there will still be attractive the shares of KAMAZ against the background of joint projects with Daimler and the shares of Sollers. However, in 2012 the shares of the latter two companies turned out to be overheated and, due to this fact, it is advisable to wait for reduction in their price, and after that, to start their purchasing».

Dynamics of Ordinary Shares of JSC AVTOVAZ in 2012, in rubles



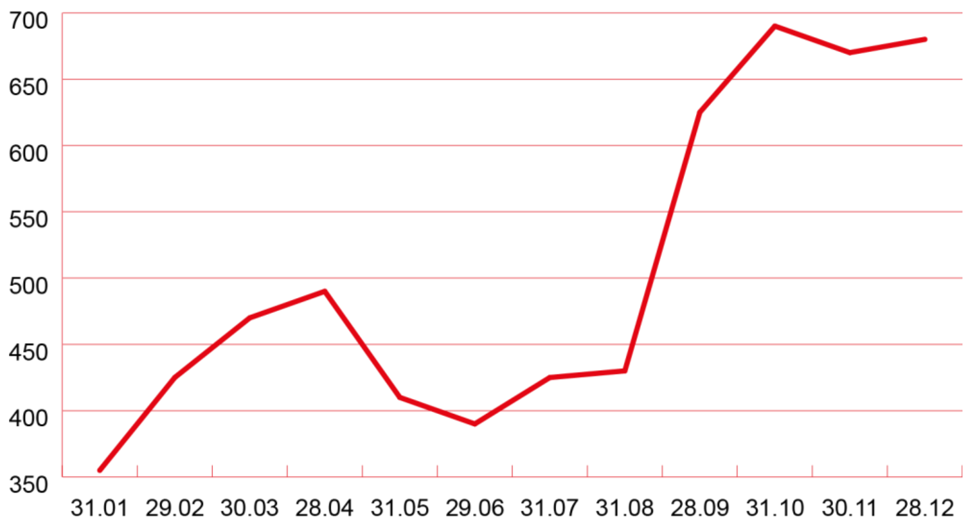
Source: data of ALOR Group.

Dynamics of Privileged Shares of JSC AVTOVAZ in 2012, in rubles



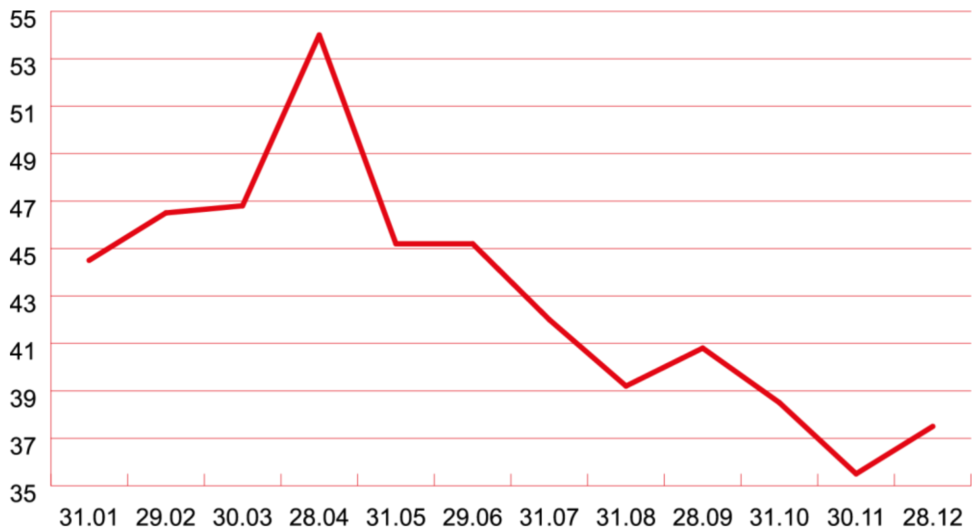
Source: data of ALOR Group.

Dynamics of Ordinary Shares of Sollers in 2012, in rubles



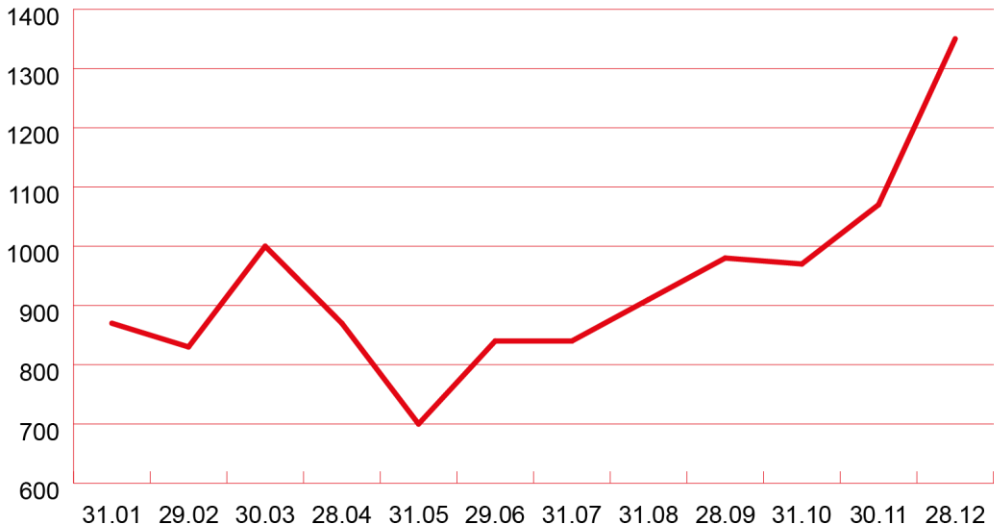
Source: data of ALOR Group.

Dynamics of Ordinary Shares of OJSC KAMAZ in 2012, in rubles



Source: data of ALOR Group.

Dynamics of Ordinary Shares of GAZ Group in 2012, in rubles



Source: data of ALOR Group.