

**PRESS REVIEW**  
**THE RUSSIAN AUTOMOTIVE SECTOR**

|   |    |
|---|----|
| AVTOVAZ LOOKING FOR WAYS TO EXPAND SALES.....   | 2  |
| GAZ, SWISS FIRM PLAN ROAD MACHINERY PARTNERSHIP.....  | 3  |
| FORD MOTOR BEGAN OFFICIAL SALE OF THE "FOCUS"MODEL ASSEMBLED IN<br>RUSSIA.....  | 3  |
| JSC "GAZ" CONTINUES DECREASING PRODUCTION.....  | 4  |
| SUZUKI TRIPLES CAR SALES IN RUSSIA IN JAN-SEPT. ....  | 4  |
| RUSSIAN AUTOMOBILE OUTPUT UP 4.5% IN JAN-AUG.....   | 4  |
| Russia - Izhmash-Avto Plans Assembly of 20,000 VAZ-2104 Cars.....   | 5  |
| World Business (A Special Report) --- Russian Revival: As things look up in Moscow, one<br>crucial ingredient remains missing: foreign direct investment..... | 5  |
| RUSSIE - L'ARRET DES CHAINES D'ASSEMBLAGE AUX GRANDES USINES.....   | 8  |
| L'ASSEMBLAGE DE VOITURES A ETE ARRETE, IL Y A QUELQUES JOURS, PAR<br>PLUSIEURS USINES, NOTAMMENT L'USINE DE LA VOLGA QUI PRODUIT DES LADA. ..                 | 8  |
| Expert estimates negative impacts of production halt at AvtoVAZ.....  | 8  |
| AvtoVAZ to issue bonds totaling \$31.57m.....   | 8  |
| State Customs Committee Creates Favorable Conditions for FORD.....  | 9  |
| Government to Help Automotive Industry.....   | 9  |
| AVTOVAZ POSTS IAS NET PROFIT OF \$34 MLN IN H1.....   | 10 |
| RENAULT TO DECIDE ON INVESTING UP TO \$300 MLN IN RUSSIAN VENTURE BY<br>YEAR'S END.....   | 10 |
| UAZ to Assemble VOLKSWAGEN Cars.....  | 10 |
| FIAT CUTS SALES IN RUSSIA.....  | 11 |
| VOLKSWAGEN COMPTE LANCER LA PRODUCTION DE SES CAMIONNETTES. ....  | 11 |
| RUSPROMAVTO WILL PREPARE BUSINESS PLAN OF JOINT VENTURE WITH IRISBUS<br>CONSORTIUM. ....  | 12 |
| ECONOMIC DEVELOPMENT AND TRADE MINISTER GREF PROPOSES CLOSING OF<br>RUSSIAN MARKET FOR ALL IMPORTED CARS.....   | 12 |
| Foreign carmakers shift into gear in Russia. ....   | 13 |
| Foreign Car Sales Accelerate in 2002.....   | 14 |
| Foreign Car Sales Hit Full Throttle. ....   | 16 |
| PEUGEOT SELLS 84% MORE CARS IN RUSSIA.....  | 17 |
| SEVERSTAL-AVTO to Reorganize its Plans.....   | 17 |
| JSC "Severstal - avto" plans to reorganize JSC "UAZ" and JSC "ZMZ" into assembly<br>enterprises. ....   | 18 |
| ANALYSIS-Norilsk-GM metals deal seen supporting market.....   | 18 |
| NORILSK PLEDGES TO CHANGE.....  | 19 |
| General Motors' Jan-Sep car sales in Russia up 60% to 2,353. ....   | 20 |
| SEVERSTALAVTO TO DECIDE ON STRATEGIC PARTNER BY YEAR-END. ....  | 20 |
| Avtovaz of Russia and GM of US plan new joint venture.....  | 21 |
| RUSSIE - IMPOTS - LE GOUVERNEMENT ETUDIE UNE EVENTUELLE. ....   | 21 |
| Renault posts sales figures in Russia.....  | 21 |
| According to the State Statistics Committee, about 353 000 used cars were imported into<br>Russia in ... ..   | 22 |
| France's Citroen says Jan-Sep car sales in Russia double on yr. ....  | 22 |
| MOTOROLA Sets Up Production in Perm.....  | 22 |
| RUSSIA TO LURE BIG CAR MAKERS - GREF.....   | 23 |
| ROSAVA REPORTS LOSS OF AVTOVAZ MARKET, FOLLOWING ITS CONFLICT WITH<br>RUSSIA'S AMTEL GROUP. ....  | 23 |

## **AVTOVAZ LOOKING FOR WAYS TO EXPAND SALES.**

19 October 2002 00:01 GMT

Interfax: Daily Business Report  
(c) 2002 Interfax Information Services, B.V.

Avtovaz, a leading Russian carmaker, is considering increasing the guarantee period for Vaz vehicles from one to two years, the company's press service reported, citing the vice president for marketing, sales and maintenance, Vladimir Kuchay.

Situations such as now are always serve as a reason to review certain marketing policy programs, he said.

Avtovaz is stopping its assembly line from October 26 to November 9 to shed excess inventory.

We will work with various banks and other financial institutes to finance the dealership network. We plan to expand sales of vehicles on credit, with old automobiles accepted as part of the cost for new, Kuchay said.

The company is considering increasing guarantees from the plant to two years and later to three years.

The Avtovaz dealership network has around 75,000 vehicles, 50,000 of which have been purchased by Avtovaz sales partners and 25,000 that belong to the plant. There is approximately 10 billion rubles in frozen funds, he said.

The rate of sales is about 100-300 vehicles a day below the rate of production.

Among the reasons for this, Kuchay noted that duties on old foreign cars were raised just recently, although it had been talked about before.

The Avtovaz annual production plan was drafted taking into account the niche that would appear, he said. Floods in Southern Russia also affected sales, he added.

The company's decision to produce 27,000 less vehicles in 2002 should bring reserves back to normal.

The Volzhsky plant will be back to normal in November, he said. Avtovaz will not lower its previous forecast for exports of 95,000 vehicles in 2002, compared with over 85,000 in 2001.

In the auto industry excess inventory is regulated by cutting production, Kuchay said.

At the end of August, Avtovaz announced plans to raise production in 2002 to 772,000 cars. The company produced 767,313 vehicles in 2001, against 705,571 in 2000.

## **GAZ, SWISS FIRM PLAN ROAD MACHINERY PARTNERSHIP.**

19 October 2002 00:01 GMT

Interfax: Daily Business Report  
(c) 2002 Interfax Information Services, B.V.

The GAZ automotive works of Nizhny Novgorod and Switzerland's Marcel Boschung AG plan to produce road and airport runway maintenance machinery on a joint basis.

The two do not intend to mass-produce the machinery, only to put a few dozen units on GAZ truck chassis together each year, Leonid Sinitsin, the Swiss company's eastern marketing director, told Interfax.

Initially, the Swiss company will supply machinery kits to GAZ. In time, GAZ might start to make the machinery under license, the Swiss company receiving 8%-10% of the profits from machinery sales.

Marcel Boschung has already successfully delivered a similar project at Russia's Avtovaz.

Vladimir Churayev, the deputy general director in charge of development at GAZ, told Interfax that the parties would soon start drafting a business plan and looking at potential markets.

The Swiss company has already been discussing a possible lease-purchase deal with the Nizhny Novgorod regional administration, however it may be prepared to issue a short-term, interests-free credit guaranteed by the administration for machinery purchases.

GAZ assembled 147,987 vehicles in the first nine months of 2002, up 8.7% from 136,069 in the same period last year, the company told Interfax.

This included 53,535 cars, and 94,452 trucks, compared to respectively 59,542 and 76,527 in the first nine months of 2001. GAZ delivered 4,540 kits to other automobile assembly plants, down from 7,543.

Ruspromavto owns more than 26% and Avtobank more than 10% of the shares in GAZ.

## **FORD MOTOR BEGAN OFFICIAL SALE OF THE "FOCUS" MODEL ASSEMBLED IN RUSSIA.**

18 October 2002 12:34 GMT

A&G Information Services: Comtex  
(c) 2002 Distributed via COMTEX News.

ST.PETERSBURG, RUSSIA, OCT 13, 2002 (A&G News via COMTEX) - This automobile will be sold via the official dealernetwork all over Russia. At the moment there are 52 ford dealers, and by the end of the year their number is planned to be increased up to 70.

**JSC "GAZ" CONTINUES DECREASING PRODUCTION.**

18 October 2002 12:33 GMT

A&G Information Services: Comtex  
(c) 2002 Distributed via COMTEX News.

ST.PETERSBURG, RUSSIA, OCT 13, 2002 (A&G News via COMTEX) - Between January and September 2002, JSC "GAZ" produced 16994 automobiles, which is 14.6% less than during the same period last year. According to a company press release, in September 2002 the plant assembled 5208 cars (25% less than in September 2001), 11786 trucks (105%) and 3008 minibuses (143%).

**SUZUKI TRIPLES CAR SALES IN RUSSIA IN JAN-SEPT.**

18 October 2002 16:36 GMT

Interfax Companies & Commodities  
(c) 2002 Interfax Information Services, B.V.

MOSCOW. Oct 18 (Interfax) - Japan's Suzuki sold 1,403 automobiles through official dealers in Russia in the first nine months of this year, up three-fold from 461 in the same period of 2001.

This included 739 Suzuki Grand Vitara sport-utility vehicles (up from 324 a year earlier), which remained the top seller, the Moscow office of Itochu Corp., Suzuki's official distributor in Russia, told Interfax.

The growth was attributed to the company's advertising campaigns and better brand recognition. The company recalled that Suzuki began to sell automobiles through official dealers in Russia in 1999.

Suzuki automobiles are sold through ten official dealers in Russia, including six in Moscow, and one each in Yekaterinburg, Perm, Kazan and Samara. The company sold 797 vehicles through official dealers in Russia last year, up from 333 in 2000.

**RUSSIAN AUTOMOBILE OUTPUT UP 4.5% IN JAN-AUG.**

18 October 2002 20:32 GMT

Interfax: Investment Report  
(c) 2002 Interfax Information Services, B.V.

Russia produced 847,617 automobiles in the first eight months of 2002, up 4.5% from 810,974 in the same period last year.

Car production rose to 695,786 from 670,994, and truck output (including chassis) increased to 109,973 from 107,349, ASM-holding, which coordinates the activities of automobile and tractor makers in Russia and the CIS, told Interfax.

The country produced 43,063 buses in the eight months, up from 34,400 in the same period of 2001. There were 1,205 buses built on Russian truck chassis in the eight months, down from 1,769 in the same period last year.

## **Russia - Izhmash-Avto Plans Assembly of 20,000 VAZ-2104 Cars**

Seleha Lockwood

18 October 2002

WMRC Daily Analysis

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Izhmash's subsidiary, Izhmash-Avto of Izhevsk, plans to assemble 20,000 VAZ-2104 cars in 2003. With parts supplied by AvtoVAZ, Izhmash has assembled 250 VAZ-2104 cars since June 2002. Another 200 cars are likely to be assembled before the end of 2002. By 2004 the projected capacity of the plant of 50,000 cars should be reached.

## **World Business (A Special Report) --- Russian Revival: As things look up in Moscow, one crucial ingredient remains missing: foreign direct investment**

By Guy Chazan

18 October 2002

The Wall Street Journal Europe

(Copyright (c) 2002, Dow Jones & Company, Inc.)

MOSCOW -- Only four years ago, Russia was an international pariah, defaulting on its debt, its currency in free fall. Now, in a world buffeted by corporate scandals, bankruptcies and crises in emerging markets, it's a relative model of respectability.

As economies around the world are slowing, Russia has seen three straight years of robust growth. Buoyed by high oil prices and the 1998 ruble devaluation, which drove up the price of imports and made local manufacturers more competitive, Russia's budget is in surplus and its foreign-exchange reserves at all-time highs. It's paying off its debts on time and in full, its Eurobond yields are falling and its credit rating rising. Last year it had the world's best-performing equity market after China.

The stock-market boom also has been fueled by changed perceptions of Russia, which under President Vladimir Putin is now a partner in the West's war against terror. Its efforts to mend fences with old Cold War adversaries have been richly rewarded by a bigger role in the NATO alliance, membership in the G8 industrial nations and recognition by both the U.S. and the European Union as a market economy. The upshot: Russia is being seen by foreigners as a less risky place to invest.

But some skepticism remains. Foreigners may be returning to the Russian equity market, but are proving slow to set up their own operations here or buy Russian businesses. And that may put a crimp in Mr. Putin's plans for accelerating economic growth.

"Russian assets are simply not attractive," says Oleg Vyugin, deputy chairman of Russia's Central Bank. Foreigners, he says, are put off by the preponderance of corruption and government bureaucratic controls and a deep distrust of outsiders among Russian industrialists -- especially in the provinces.

"You have to fight for investment, and Russia didn't understand that for a long time," says Mr. Vyugin. "The government always told foreigners, 'Here are the conditions: If you don't want to work here, then don't.'"

The result is that renewed interest in Russia has yet to translate into big inflows of foreign direct investment. FDI stood at a minuscule \$1.9 billion (1.93 billion euros) in the first half of this year -- down 25% from the year-earlier period. In contrast, China reeled in nearly \$47 billion in foreign direct investment in 2001.

The lack of FDI is a problem for Mr. Putin, who came to power saying Russia's economy needed to grow 8% a year for the next 15 years just to catch up with Portugal, let alone leading economies like Germany or the U.S. He was determined to lift his country out of poverty by raising economic growth and attracting Western capital flows.

So far, that's a pipe dream. Earlier this year, Mr. Putin chided government ministers for their unambitious targets -- they expect the economy to expand by 4% this year, compared with 5% last year and 9.1% in 2000 -- and told them to aim higher. Economists believe that much more fundamental changes are required if Russia is to see real, sustained growth -- as well as more foreign investment.

The fact that changing sentiment toward Russia has so far failed to generate big inflows of foreign capital shows the uphill struggle Russia still faces in trying to convince the world it's really changed. Under Mr. Putin's predecessor, Boris Yeltsin, the country was renowned for its lawlessness, political chaos and thuggish business practices. Mr. Yeltsin's Russia was best known for the way a group of tycoons, the so-called oligarchs, used their connections to snap up state-owned assets at giveaway prices. Foreigners' mistrust of Russia peaked in 1998, when many emerging-markets hedge funds were wiped out in the country's financial crash.

Since entering the Kremlin in 2000, Mr. Putin has worked hard to put Russia's house in order, pushing through changes aimed at cutting into the oligarch's power and improving the country's business environment. His government has slashed taxes, setting a 13% flat-rate levy on income, Europe's lowest; allowed the sale of agricultural land for the first time since the Bolshevik Revolution of 1917; liberalized Soviet-era labor laws; and introduced a Western-style judicial system better able to protect property rights.

But other, more far-reaching changes that could mark a definitive break with Russia's communist past and deliver the economic growth Mr. Putin wants are proving slow to get off the ground. A bold plan to reduce government interference in business has encountered tough resistance from the very bureaucracy it was supposed to curb. A socially painful plan to end state subsidies of energy and housing costs has been put on hold and is unlikely to go ahead before next year's parliamentary elections. A long-promised root-and-branch overhaul of the civil service, a revamping of the banking sector, and the restructuring of Russia's gas and electricity monopolies are all moving too slowly for some.

The lack of reform and foreign interest means Russia's economic success remains largely dependent on something beyond its control: the price of raw materials, especially oil. When oil prices are high, Russia, the world's No. 2 oil exporter, after Saudi Arabia, thrives: Investment increases, wages and living standards rise, and consumer demand surges. When oil prices are low, the economy sputters.

"Russia is like an addict, and oil is the drug," says Yevgeny Gavrilov, chief economist at Moscow investment bank Troika Dialog.

Moscow's efforts to wean itself off its dependence on raw-materials exports have been erratic. Industry is still dominated by a handful of big energy companies, while small businesses that have powered growth in other post-communist countries are underrepresented.

Yet in some ways, these energy giants are emerging as a key driver of economic change. Over the past few years, a handful of huge financial-industrial groups have emerged with their roots in raw-material exports, often compared with South Korea's "chaebols," or industrial conglomerates. These companies are often run by a new breed of corporate boss -- young, profit-minded businessmen with ambitious plans to expand into all aspects of the country's economic life.

The process began in the late 1990s when Russia's oil, gas and metals tycoons, flush with cash from high commodity prices, began repatriating profits squirreled away for years in offshore tax havens. They bought up industrial assets across the economy at fire-sale prices and welded them into huge, vertically integrated corporations.

Such a trend was almost inevitable in a country with no normal banking system. In the absence of financial institutions moving cash around the economy, only the big exporters were able to raise enough cash for acquisitions and investment. At the same time, they were big enough to counteract the "state mafia" -- the name often given to the corruption and bureaucracy of government agencies that suffocate smaller firms.

The result has been an extraordinary concentration of ownership and wealth. According to a recent study by two Moscow-based economists at investment bank Brunswick UBS Warburg, Peter Boone and Denis Rodionov, 85% of the value of the 64 biggest private companies in Russia is controlled by just eight groups of shareholders.

Some economists worry this development could distort Russia's economy, with the tycoons using their dominance of the market and influence with government to keep newcomers out. "There's no place for new players in this system," says Mr. Gavrilov, the bank economist.

But Messrs. Boone and Rodionov say the new owners are often a force for good. They say they tend to be young, financially oriented individuals keen to sell stakes in their companies to foreign strategic buyers. So to improve their market capitalization, many have restructured their holdings, boosting transparency and shareholder rights. In the process, they've become a "key lobby for strengthening property rights and implementing policies that improve Russia's investment climate [and] reduce sovereign risk," the study's authors write.

Perhaps the best example is Russia's second-biggest oil producer, OAO Yukos, a private company owned by 39-year-old Mikhail Khodorkovsky. Under Mr. Khodorkovsky's leadership, Yukos has improved productivity and boosted corporate governance and disclosure. That has sent the company's share price soaring, as investors rewarded its high output growth, falling production costs and improved relations with minority shareholders. Others in the industry have begun to follow its lead.

Meanwhile, the new Russian bosses are filling the void where foreign investors should be. FDI is dwarfed by the huge capital expenditure of domestic companies, many of which are borrowing abroad to finance expansion. While FDI has dropped this year, portfolio investment in Russian equities and credits from Western banks to Russian entities actually grew. In the first half of the year, loans to Russian companies rose 60% to \$6.3 billion.

The shift shows corporate Russia tentatively returning to international capital markets it was firmly shut out of after the 1998 crash. Companies like oil major OAO Sibneft and cellular-service providers OAO MTS and OAO Vimpelcom have raised funds on Western bond markets. OAO Gazprom, the natural-gas giant, issued \$500 million in bonds this month, and is planning to tap U.S. investors with a \$750 million bond issue next year.

The news about Russian companies' new way of doing business does appear to be trickling down to investors. "We've seen a jump in interest from foreign multinationals who are sending big fact-finding missions to Russia," says Niclas Sundstrom, an economist at Citigroup in London. He cautions, though, that "it usually takes 18 to 24 months for this interest to translate into domestic FDI inflows."

Oil multinationals such as BP PLC and ExxonMobil Corp. are already making substantial investments in oil and gas exploration in Russia. Retailers like Swedish furniture group Ikea and the French supermarket chain Auchan are also making inroads. Renault SA is considering investing around \$250 million in a new assembly plant in Moscow, and the first car produced by a joint venture between General Motors Corp. and Russian carmaker AvtoVAZ drove off the production line last month.

The change in perception of Russia has yet to show up in a big rise in figures for direct investment. But economists say there is clear evidence that corporate turnaround stories, structural reforms and Mr. Putin's pro-Western orientation may be changing the minds of investors -- even those with clear memories of 1998.

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Mr. Chazan is a staff reporter in The Wall Street Journal's Moscow bureau. He can be reached at [guy.chazan@wsj.com](mailto:guy.chazan@wsj.com).

### **RUSSIE - L'ARRET DES CHAINES D'ASSEMBLAGE AUX GRANDES USINES.**

17 October 2002 13:31 GMT

ITAR-TASS French Language Service  
(c) ITAR-TASS 2002.

MOSCOU, OCTOBRE. ITAR-TASS. L'ARRET MOMENTANE DES ATELIERS D'ASSEMBLAGE CHEZ LES PLUS GRANDS CONSTRUCTEURS AUTOMOBILES RUSSES EST LE RESULTAT DE LA SURPRODUCTION DE VOITURES, A DECLARE JEUDI AUX JOURNALISTES LE MINISTRE DE L'INDUSTRIE ET DE LA SCIENCE, ILIA KLEBANOV.

IL A EXPLIQUE QUE CET ARRET N'ETAIT NULLEMENT LIE AUX TAXES PROTECTIONNISTES INTRODUITES CONTRE LES VOITURES ETRANGERES AGEES DE PLUS DE 7 ANS, NI A LA VOLONTE DES CHEFS D'ENTREPRISES DE FAIRE MONTER LEURS PRIX. LE MINISTRE A SOULIGNE QUE CE FAIT EST IMPUTABLE UNIQUEMENT A LA SURPRODUCTION ET, PARADOXALEMENT, AU MEILLEUR FONCTIONNEMENT DES USINES AUTOMOBILES.

### **L'ASSEMBLAGE DE VOITURES A ETE ARRETE, IL Y A QUELQUES JOURS, PAR PLUSIEURS USINES, NOTAMMENT L'USINE DE LA VOLGA QUI PRODUIT DES LADA.**

#### **Expert estimates negative impacts of production halt at AvtoVAZ.**

16 October 2002

News

(c) 2002 RosBusinessConsulting

The Russian car producer AvtoVAZ decided to cease the production of cars for two weeks this month in order to deal with an overstock of unsold vehicles. Three assembly lines will be closed from October 26 to November 9. This decision was caused by a number of reasons, such as a rise in imports of used foreign cars to Russia prior to an increase in customs duties, a rise in duties for exports of Russian cars to Ukraine and a lower paying capacity in the south of Russia.

According to a leading analyst of the AVK investment company, this measure should not be considered as extraordinary, however, this will lead to a reduction in the annual production volume. Moreover, the forecast of AvtoVAZ production and financial parameters in the short term will have to be reconsidered.

#### **AvtoVAZ to issue bonds totaling \$31.57m.**

16 October 2002

News

(c) 2002 RosBusinessConsulting

The Board of Directors of the AvtoVAZ Joint-Stock Company has made a decision to issue bonds totaling 1bn rubles. A representative of the company reported that the term of the bonds would be 360 days. 1m bonds with the face value of RUR1,000 (\$31.57) each are to be issued. The bonds will be offered at the face value through open subscription at MICEX.

Vneshekonombank will be the organizer, the underwriter and the agent for payments for the bond issue.

**State Customs Committee Creates Favorable Conditions for FORD.**

16 October 2002  
Novecon  
(c) 2002 Novecon

A customs post and warehouse has been set up at the FORD plant in Vsevolozhsk (Leningrad region).

The warehouse is intended for storage of car assembly components, on which a customs duty is not levied. The customs post will simplify clearing of cargo received by FORD from abroad. Experts estimate that FORD saves up to \$700 on each car through preferential customs duties.

Source: VEDOMOSTI, October 16, 2002.

**Government to Help Automotive Industry.**

16 October 2002  
Novecon  
(c) 2002 Novecon

Russian Prime Minister Mikhail Kasyanov has approved measures to modernize Russia's car industry.

By January 15, the industry, economic development and finance ministries and the state customs committee will have to submit proposals on adjusting customs duties on car components, equipment and raising duties on used trucks. A bill on the use of norms of international ecology and car safety and proposals on increasing the tax burden on owners of cars, which discharge a large amount of pollutants should be prepared in the first quarter of 2003.

Source: VEDOMOSTI, October 16, 2002.

**The Board of Directors of JSC "AVTOVAZ" has made a decision to place bonds of the company in the ...**

16 October 2002  
SKRIN (Russia)  
(c) 2002

The Board of Directors of JSC "AVTOVAZ" has made a decision to place bonds of the company in the amount of 1 mln on the 26th of September 2002.

The Board of Directors of JSC "AVTOVAZ" has made a decision to place bonds of the company in the amount of 1 mln on the 26th of September 2002. JSC "AVTOVAZ" informed SKRIN about it. The decision to place documentary bonds at a face value RUR 1 each bond under open subscription with a date of repayment after 360 days from the date of the placement was taken on MICEX. Price for bonds placement is fixed in the amount of 100% of the face value of bonds. Vneshtorgbank participated as lead arranger, underwriter and an agent of payment.

**AVTOVAZ POSTS IAS NET PROFIT OF \$34 MLN IN H1.**

15 October 2002 22:03 GMT

Interfax Companies & Commodities  
(c) 2002 Interfax Information Services, B.V.

MOSCOW. Oct 15 (Interfax) - Avtovaz, Russia's biggest car maker, posted a net profit of \$34 million to International Accounting Standards in the first half of 2002, according to the company's consolidated report.

The report does not include comparable figures for the same period of last year.

**RENAULT TO DECIDE ON INVESTING UP TO \$300 MLN IN RUSSIAN VENTURE BY YEAR'S END.**

15 October 2002 14:02 GMT

Interfax Weekly Business Report  
(c) Copyright 2002 Interfax Information Services, B.V. The leading provider of political, business and financial information from Europe and Asia with special emphasis on emerging markets

French car maker Renault plans by the end of 2002 to make a decision on investing \$250 million to \$300 million in the Avtoframos joint venture in Moscow, the venture's spokesman told Interfax.

Avtoframos halted assembly of automobiles in August 2000 due to a move to a new building, where new equipment for more complex assembly was being installed.

Since then, the venture has been negotiating with the Russian government on import duties on components and did not resume production of automobiles, which with existing duties would have been more expensive than imported vehicles.

But the issue of customs duties was resolved in early September, so Avtoframos is getting ready to resume production. Assembly of Renault Symbol cars is to begin before the end of the year.

Renault and the Moscow city government each own 50% of the venture. The French company has already invested \$70 million.

Renault sold 5,606 vehicles in Russia last year, up from 3,002 in 2000. The company plans to increase sales to 8,000 vehicles this year.

**UAZ to Assemble VOLKSWAGEN Cars.**

15 October 2002  
Novecon  
(c) 2002 Novecon

The Ulyanovsk automobile manufacturing plant (UAZ) plans to start assembling T-4 cars of the German concern VOLKSWAGEN, the UAZ press service announced after a meeting of the companies' executives last week.

The final decision on possible cooperation will be made at the end of November, after the German concern gets acquainted with other Russian automobile plants. UAZ increased its production volume by 2.61% in the first nine months of this year, compared to the corresponding period of 2001, manufacturing 50,796 cars in the period.

Source: VOLGAINFORM, October 14, 2002.

#### **FIAT CUTS SALES IN RUSSIA.**

14 October 2002 19:37 GMT

Interfax Companies & Commodities  
(c) 2002 Interfax Information Services, B.V.

MOSCOW. Oct 14 (Interfax) - Italian carmaker Fiat sold 266 cars through its official dealerships in Russia in the first nine months of 2002, down 44% from 478 in the same period of 2001, Pro-Car, Fiat's service company in Russia, told Interfax.

Sales dropped due to a reorganization of the dealership network and a suspension in supplies of earlier models, Pro-Car reported. As the reorganization proceeds sales are expected to increase as new models are supplied, including the Fiat Stilo.

The Fiat Palio was the company's best-selling car with sales of 67, against 314 in the first nine months of 2001.

#### **VOLKSWAGEN COMPTE LANCER LA PRODUCTION DE SES CAMIONNETTES.**

14 October 2002 16:07 GMT

ITAR-TASS French Language Service  
(c) ITAR-TASS 2002.

OULIANOVSK, 14 OCTOBRE. ITAR-TASS. VOLKSWAGEN COMPTE LANCER LA PRODUCTION DE SES CAMIONNETTES T-4 A L'USINE AUTOMOBILE D'OULIANOVSK OUAZ. IL EN A ETE QUESTION DANS LE CADRE DE LA VISITE D'UNE DELEGATION DE L'ENTREPRISE ALLEMANDE A OULIANOVSK, A DECLARE LE SERVICE DES RELATIONS PUBLIQUES DE L'OUAZ, LUNDI.

L'AVENIR DU CONTRAT SERA DEFINITIVEMENT TRANCHE FIN NOVEMBRE, QUAND LES ALLEMANDS SE SERONT FAMILIARISES AVEC LES POSSIBILITES D'AUTRES ENTREPRISES RUSSES DE LA BRANCHE. SI LE CONTRAT EST CONCLU, LA PRODUCTION DES T-4 DEMARRERA VERS LE MILIEU DE 2004.

LES USINES OUAZ SONT AU NOMBRE DES PLUS IMPORTANTS CONSTRUCTEURS AUTOMOBILES DE RUSSIE. ELLES ONT PRODUIT QUELQUE 71.000 VEHICULES EN 2001.

## **RUSPROMAVTO WILL PREPARE BUSINESS PLAN OF JOINT VENTURE WITH IRISBUS CONSORTIUM.**

14 October 2002

Russian Business Monitor

(c) 2002 WPS Russian Media Monitoring Agency. All Rights Reserved.

RusPromAvto is going to prepare a business plan for its joint venture with the European bus consortium Irisbus by the end of 2002, reports General Director of RusAvtobusProm subsidiary of RusPromAvto Sergei Zanozin. According to Zanozin, the process of establishment of the joint venture will begin in 2003, and shareholders of both companies will agree on consolidation of assets.

Irisbus included French Renault, Hungarian Ikarus, Czech Karosa and a number of other companies. RusPromAvto unites majority of the Russian bus plants including Pavlovo Avtobus, Likino Avtobus, Kurgan bus plant and some others.

Reference: Kommersant, October 10, 2002.

## **ECONOMIC DEVELOPMENT AND TRADE MINISTER GREF PROPOSES CLOSING OF RUSSIAN MARKET FOR ALL IMPORTED CARS.**

14 October 2002

Russian Business Monitor

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Economic Development and Trade Minister Herman Gref hints that to preserve jobs in the automotive industry it is necessary to close the Russian market for all imported cars regardless of their age. By this statement Gref surprised not only his colleagues in the government but also the Russian automotive lobby.

Gref shares his plans regarding the foreign cars with the public. At first he explained why since October 1, 2002, import duties on the cars older than seven years grew by several hundred percent. Finally he referred to the concept of automotive industry development signed by the Prime Minister and announced that the time would come for all other foreign cars including the new ones in three or four years. According to Gref, bearing this prospect in mind foreign automakers will have to arrange production of their cars in Russia beforehand. "When large international manufacturers come to the Russian market, then we will receive our Ford and Volkswagen cars assembled by our hands. Our hundreds of thousands of workers, who are now employed by the automotive industry, will not be fired, and there will be no social tragedy," said Gref.

At present importers of cars younger than seven years pay 25% of the customs value or a certain sum in euro per 1 cubic centimeter of the engine. The clause on introduction of a 35% import duty on new foreign cars disappeared from the concept signed by Prime Minister Kasyanov in July 2002 and was replaced with the clause saying that "it is expedient to leave the import duties on imported cars younger than seven years unchanged for the seven-year transitional period during Russia's entrance into WTO."

The words of Gref were totally unexpected both for state officials and for the market. An anonymous official of the Economic Development and Trade Ministry reported that the ministry did not discuss raising of import duties on new foreign cars. Pavel Vidal, Marketing and PR Director of the office of General Motors in the CIS, said that this topic had not been discussed with his company during the last two months. "This is opinion of Gref, but there are 30 people in the government, and they have different ideas about this," concluded the anonymous source in the governmental staff.

Gref already expressed his idea to close the automotive market for imported cars, although back in August he said that it would be possible to introduce such duties only five years later. According to him, this period is sufficient to prepare investment plans and to launch production. "In my opinion, three years are not sufficient," explained Gref.

Representatives of foreign companies were alarmed by the proposal of Gref. Vidal of GM emphasizes that raising of duties will hinder Russia's entrance into WTO because the negotiation position of the Russian delegation speaks only about the maximum 25% import duty. Andrei Gordasevich, PR manager of the Russian office of Volkswagen, says that the threat of raising of import duties alone will hardly be enough to make automotive giants develop production in Russia. "The main things for the Western manufacturer are stability in economy and in legislation," says Gordasevich. At any rate, he presumes that taking into account the growing demand for cars Western manufacturers will attempt to come to the Russian market on their own accord. "Ford is here, GM is here, and in a few years many automakers will be here too," notes Vidal.

Representatives of the Russian automotive industry are happy with the promise of Gref. PR Director of RusPromAvto Vadim Zelentsov says that only raising of duties may bring international automotive corporations to Russia. "So far it is more beneficial for them to import cars from abroad," says Zelentsov. Analyst Yelena Sakhnova of United Financial group presumes that the international automotive corporations cannot help coming to Russia anyway. "In Europe and in the US demand for their products is decreasing, whereas in Russia it is growing," concludes Sakhnova.

Reference: Vedomosti, October 08, 2002.

### **Foreign carmakers shift into gear in Russia.**

By PAVEL BELIKOV / Special to The Russia Journal.

14 October 2002

The Russia Journal

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More and more foreign automobile manufacturers are launching large-scale

production facilities in Russia, marking an end to Western makers' hesitancy to commit funds to the country.

In June this year, Ford Motor Co. opened a plant in Vsevolozhsk, and in September, the General Motors-Avtovaz joint venture began operations in Togliatti. Before these two new plants opened their doors, there were only two foreign car assembly plants in Russia: Avtotor in Kaliningrad, which assembled Kia Sportage sport utility vehicles and BMWs, and Tagaz in Taganrog, which produced Korean Hyundai Accents and French Citroen Berlingo vans. Demand has never been great for these plants' products, but Russian-assembled foreign cars have been gaining popularity of late, thanks to changing circumstances in the sector and the arrival of major players on the market.

Aside from general growth in the market, demand for new cars could get a boost from two factors: the appearance of bank loan programs that let consumers buy cars at a reasonable interest rate and a new government program designed to support the local auto industry.

Whether by coincidence or not, the GM-Avtovaz plant opened in Togliatti, Russian-assembled Ford Focus vehicles came on the market, and prohibitive tariffs on used car imports came into effect at around the same time. This was followed by a television interview in which Economic Development and Trade Minister German Gref explained why the prohibitive tariffs had been introduced for imported cars older than seven years, and promised that similar measures would be applied to all car imports over the next three years. Another factor encouraging foreign carmakers to begin assembling their vehicles in Russia is the relatively low production costs that eventually lead to lower price tags.

Ford's experience in Russia is a good example. The company originally charged \$13,900 in Russia for its European-produced basic model, the Ford Focus, but once it started production at its Vsevolozhsk plant the price dropped to \$10,900. This price tag allows Ford to compete in the same price range as Korean Hyundai models and Czech Skoda cars, while offering a higher quality product.

Ford has also developed a loan program for car buyers with its partner banks. These loans will have an interest rate of only 10 percent, as opposed to the average 12 percent offered on the market. Oksana Khartonyuk, Ford's press secretary, said the company already has orders for more than 2,000 Ford Focus vehicles.

"We are very optimistic about the prospects of the Ford Focus," Khartonyuk said. "Over the next three months, our plant in Vsevolozhsk will produce cars for the orders we have already received from our intermediaries. We also hope to attract clients through our very competitive consumer credit program. We estimate that 20 percent of our clients have already made use of this offer."

The Ford plant can produce up to 100,000 cars a year, and it is easy to set up

assembly lines for producing other promising models as well. There is every reason to expect the Vsevolozhsk project to be very successful.

Less clear are the prospects for the GM-Avtovas joint venture that was launched last month. Almost no specific information on sales conditions was made public at the plant's opening presentation. All that is known is that the Chevy-Niva vehicles the plant produces are expected to retail for around \$8,000, and that they will be sold not only in Russia. The plant will produce only 500 Chevy-Nivas by the end of the year, but it will increase production to 35,000 in 2003 and hit design capacity in 2004.

Quality control will probably become the issue that gets most of the attention at the plant. GM already chalked up one unfortunate experience when it wound down its project of producing Chevrolet Blazers in Yelabuga because of quality issues with the vehicles. But GM does not intend to repeat its mistakes. Aside from building a whole new plant to produce the Chevy-Niva, the U.S. side made around 800 changes to the design of the VAZ 2123 model before giving it approval.

The examples of GM and Ford, which promise to raise the percentage of locally produced parts in their vehicles to 50 as opposed to the current 20 percent, give hope that car production projects in Russia can be successful, and that their example will give a boost to joint ventures currently under discussion and lead to the emergence of new projects.

## **Foreign Car Sales Accelerate in 2002**

Seleha Lockwood

11 October 2002

WMRC Daily Analysis

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WMRC Perspective

**Significance** Russian consumers continue to prefer foreign-made quality cars than domestically produced low-quality Russian vehicles.

**Implications** The domestic Russian automotive industry is facing increasing competition to capture the expanding Russian car market as foreign car sales continue to rise. For this reason the government is pushing for greater protection of the domestic industry.

**Outlook** As the government steps up protectionist policies, foreign automakers will be increasingly looking for opportunities to set up or step up production

operations in Russia.

Meteoric Rise

Imports of Foreign New Passenger Cars

| Change     | (+/-)                 | H1     | 2002 H1 | 2001 % |
|------------|-----------------------|--------|---------|--------|
| BMW        |                       | 1,791  | 1,174   |        |
| 52.56      |                       |        |         |        |
| Daewoo     |                       | 6,773  | 4,376   |        |
| 54.78      |                       |        |         |        |
| DCX        |                       | 1,775  | 1,782   |        |
| -0.39      |                       |        |         |        |
| Ford       |                       | 4,654  | 2,403   |        |
| 93.67      |                       |        |         |        |
| GM         |                       | 1,272  | 457     |        |
| 178.34     |                       |        |         |        |
| Hyundai    |                       | 1,158  | 0       |        |
| n/a        |                       |        |         |        |
| KIA        |                       | 2,106  | 1,388   |        |
| 51.73      |                       |        |         |        |
| Mitsubishi |                       | 3,564  | 2,523   |        |
| 41.26      |                       |        |         |        |
| Nissan     |                       | 3,951  | 2,447   |        |
| 61.46      |                       |        |         |        |
| PSA        | Peugeot-Citroen       | 4,519  | 1,651   |        |
| 173.71     |                       |        |         |        |
| Renault    |                       | 3,586  | 2,267   |        |
| 58.18      |                       |        |         |        |
| Toyota     |                       | 2,880  | 1,640   |        |
| 75.61      |                       |        |         |        |
| VW         |                       | 10,826 | 7,439   |        |
| 45.53      |                       |        |         |        |
| Others     | (Fiat, Honda, Suzuki) | 1,534  | 0       |        |
| n/a        |                       |        |         |        |
| Total      |                       | 50,389 | 29,547  |        |
| 70.54      |                       |        |         |        |

Source: European Business Club (EBC)

Throughout the year foreign car sales have been increasing on a year-on-year basis from around 20% to around 150% (see table on right). In latest January to September 2002 figures:

BMW: increased its sales by 45.2% to 2,905 units. Sales include imports and cars assembled in SKD at Avtotor in Kaliningrad. Avtotor, which also produces the South Korean KIA, said total sales rose by 51% to 3,876 units. Ford: increased its sales by 52% to 4,027 units.

Hyundai: the South Korean automaker increased sales by 120% to 2,939 units. Nissan: increased sales of cars and sports-utility vehicles (SUVs) in Russia by more than 49% to 6,054 units. Peugeot: increased sales by 84% to 5,526 units. Renault: sales rose by 50% to

6,042 units. Volkswagen: Audi sales rose by 40% to 2,250 units. Skoda expects a 20% increase in sales to 10,000 units per year. Others: Honda increased sales by 60% to 891 cars.

Although the sales increase in January to September 2002 tends to be from low quantity levels in the same period of 2001, the year-on-year increase is significantly high enough to mount a challenge to the sale of domestically produced Russian vehicles. According to state statistics, the share of Russian vehicle sales on the market has fallen from 71% in 2001 to 64% in 2002. Russian consumers are more concerned with quality and prestige than with price, which puts cheap domestically produced Russian cars at a disadvantage. For instance, when making the choice between a US\$6,000 Russian-made Zhiguli and a foreign import of US\$12,000, Russians would try their best to purchase the foreign import.

#### Conditions Rife for Foreign Car Import Purchases

It has now also become easier for consumers to purchase foreign cars. According to Troika Dialog analyst Andrei Kormilitsin, sales of the mid-priced foreign cars that cost between US\$12,000 and US\$15,000 have risen at the fastest pace as they become more affordable with higher incomes and greater availability of credit. Between 2% to 3% of imports were purchased through credit in 2001. This percentage share is likely to have increased more than twofold this year. Foreign automakers have also expanded their dealership networks, another factor that has stimulated sales in 2002. BMW has 23 dealerships in 17 Russian cities. Consumers also prefer foreign cars as dealerships offer warranties and service help.

#### Outlook and Implications

As foreign cars are increasingly popular and now more affordable and available in Russia, the government is pushing for heightened protectionism of the Russian automotive industry. This has further encouraged several foreign automakers to set up facilities in the country to supply to the local market (see Russia: 8 October 2002: Import Duty to be Raised on All Foreign Cars, Economy Minister Says and Russia: 6 September 2002: Investment in Technology Central to Auto Industry Recovery). Ford is an example of this, where it has set up its assembly plant near St Petersburg to produce the Ford Focus model. An order for 2,600 Russian-made Ford Focus cars has already been received.

Foreign car imports are likely to continue to rise, especially in the mid-sized segment.

However, as foreign automakers expand their production operations in Russia, sales of domestically produced foreign models could replace several foreign car imports, especially when more protectionist policies are implemented. At the same time, protectionist policies may backfire and spur greater activity in the grey market, which would affect both foreign automakers and domestic Russian producers alike. Ultimately, Russian automakers will have to strengthen their brands and the quality of their vehicles in order to compete effectively with foreign manufacturers.

### **Foreign Car Sales Hit Full Throttle.**

By Simon Ostrovsky.

11 October 2002

The Moscow Times

(c) 2002 Independent Press.

Business is booming for foreign automakers.

Sales of Hondas, Audis, Renaults, Fords, Skodas and other automakers are up 20 percent to 60 percent this year as more Russians have more cash and new financing options become available.

France's Renault sold 6,042 cars in the first nine months of the year, up 50 percent on the same period in 2001, while Germany's Audi recorded a 40 percent rise to 2,250 vehicles.

Kaliningrad-based Avtotor, which assembles South Korean Kias and German BMWs, said sales were up 51 percent to 3,876 in the first three quarters, while Ford sold 4,027 vehicles, up 52 percent on the year. Japan's Honda sold 891 cars through September, up 60 percent. And Czech Skoda expects a 20 percent increase in sales to 10,000 units for the year.

Andrei Kormilitsin, an analyst at Troika Dialog, said mid-priced foreign cars, which cost between \$12,000 and \$15,000, have seen the highest growth because rising incomes are making them more affordable. Another factor is the growth of credit opportunities, he said. "Last year 2 percent to 3 percent of import purchases were financed through credit; this year it is more like over 10 percent," he said. "This has added around 40 percent to consumers' buying power."

Russian automakers' share of the market has dropped from 71 percent in 2001 to 64 percent this year, according to state statistics.

More Russians are becoming less concerned with price and more concerned with quality to the detriment of domestic producers, said Ovanes Oganisian, an analyst at Renaissance Capital.

"When choosing between a \$12,000 car and a Zhiguli that costs around \$6,000, consumers that don't have a hard time paying the extra money opt for a foreign car," he said. "When you buy a Zhiguli, you are just getting a piece of machinery; with a foreign brand you get superior quality, warranties and no headache in service."

Ford said Thursday that it had already received 2,600 orders for the new, all Russian-made Focus, which is assembled at its plant near St. Petersburg and only became available Oct. 3. Henrik Nenzen, president of Ford's Russia division, said the company had only expected 600 orders by now.

Ford, however, has only delivered 300 cars to its clients because it cannot keep up with the demand, a Ford spokeswoman said. "Cars being ordered now are slated for January production. Orders placed before October will be delivered by the end of the year," she said.

Ford's plant in the Leningrad region town of Vsevolozhsk could reach its maximum capacity of 25,000 cars per year in a relatively short period of time, the spokeswoman said.

#### **PEUGEOT SELLS 84% MORE CARS IN RUSSIA.**

10 October 2002 14:39 GMT

Companies & Commodities  
(c) 2002 by Interfax International, Ltd

MOSCOW. Oct 10 (Interfax) - French car maker Peugeot sold 5,526 vehicles through official dealers in Russia in the first nine months of this year, up 84% from 3,000 in the same period last year, the company's Russian office told Interfax.

The top selling model was the Peugeot-307, of which the company sold 2,023.

#### **SEVERSTAL-AVTO to Reorganize its Plans.**

10 October 2002  
Novecon  
(c) 2002 Novecon

The Russian SEVERSTAL-AVTO company plans to reorganize the Ulyanovsk Automotive Plant (UAZ) and the Zavolzhsk Motor Factory (ZMZ) into assembly plants.

Only assembly, welding and painting facilities will be left at UAZ, smelting, punching and others are to become separate business units. Source:VEDOMOSTI, October 10, 2002.

**JSC "Severstal - avto" plans to reorganize JSC "UAZ" and JSC "ZMZ" into assembly enterprises.**

10 October 2002  
SKRIN  
(c) 2002

JSC "Severstal - avto" plans to reorganize JSC "Ulianovsky Automobile Plant" and JSC "Zavolzhsky Motor Plant" into assembly enterprises. "Vedomosti" newspaper informs about it. According to Pavel Luksha, head of analytic department of JSC Severstal - avto", only assembly production welding and painting line are planned to be left at JSC "UAZ". Foundry and forming production are planned to be streamed into separate business units.

**ANALYSIS-Norilsk-GM metals deal seen supporting market.**

By Steven Swindells  
10 October 2002 10:28 GMT

Reuters News  
(c) 2002 Reuters Limited

LONDON, Oct 10 (Reuters) - Russian metals giant MMC Norilsk Nickel's long-term deal to supply world number one car maker General Motors with metals that reduce harmful car exhaust emissions would bring much needed stability to the world metals market, analysts said on Thursday.

The deal would also help GM avoid costly embarrassments that have hit the auto industry, they said.

Norilsk and GM revealed on Wednesday an eagerly awaited deal under which the Russian firm would sell palladium, platinum and rhodium precious metals to the U.S. firm under a five-year contract, details of which they kept to themselves.

"The deal is going to add stability to the market...Previous wild fluctuations in the palladium price sparked by complete stoppages in supply out of Russia had wounded demand for the metal, prompting some end users to actively attempt to substitute away from palladium toward other metals in industrial applications," said James Moore, metals analyst at TheBullionDesk.com.

GM's move comes after Ford Motor Co. was forced in January this year to take a pre-tax charge of \$1 billion to cover the loss in value of metals, mostly palladium, that it apparently stockpiled in the mistaken belief that their prices would rise rather than fall last year.

Adequate and reliable supplies of the metals are crucial for automakers in manufacturing exhaust cleansing catalytic converters but there are financial risks in spot market prices.

Prices have been extremely volatile because of disruption to Russian exports, particularly palladium where Moscow accounts for 40 percent of world supplies.

Spot palladium prices soared to nearly \$1,100 an ounce at the start of 2001 as a series of Russian supply disruptions, deliberate or otherwise, starting from 1997 meant output could not keep up with surging demand for the metal by the auto and electronics industries.

By this week, the market had slumped back to \$309 an ounce, a potentially sharp sting for any car manufacturer holding stockpiles of the metal.

Prices of platinum soared to 16-month highs of \$593.00 an ounce on Thursday in the wake of hefty short-covering in Japanese metals futures markets.

This came despite fresh slumps in global equity markets, which, according to standard economic theory, should cut into demand for the industrial and jewellery metal.

Such price volatility has encouraged car manufacturers to cut their reliance on palladium either by switching to its sister metal platinum, which is mainly supplied from South Africa, or by developing new exhaust technologies that reduce the volume of palladium required to meet growing environmental regulations.

To win low emission vehicle (LEV) status - and tout their large air quality advantage Ford loaded exhaust-scrubbing catalytic converters on its sport utility vehicles with greater quantities of precious metals, including platinum and rhodium, than it had ever used before.

But Ford engineers were able to reduce the company's dependency on precious metals by designing more effective catalytic converters, and better overall engine systems. And that, in turn, added to what was already a decline in global precious metal prices.

GM's deal with Norilsk showed the industry was still keen to secure long-term supplies of the metal despite its ability to reduce the metals content in catalysts.

GM said last month that it had cut by 45 percent over the last three years its use of platinum, palladium and rhodium used in catalytic converters.

In early European trading, the white metal recovered on back of the Norilsk-GM deal to \$322 an ounce as traders saw positive signs that the deal would limit export volumes to the open spot market and could help some much-needed stability to the market.

"Palladium rallied slightly on the news that Norilsk and GM had signed a long-term agreement over the three metals," said John Reade, metals analyst at UBS Warburg.

## **NORILSK PLEDGES TO CHANGE**

Norilsk described the new deal with GM as part of its strategy to boost the number of long-term deals with end-users to ensure stability of platinum group metals (PGM) deliveries and prices.

The company, which produces 40 percent of the world's palladium and 17 percent of its platinum, did the deal under its fully owned London-based trading subsidiary, Norimet.

Norilsk has given clear indications that the days when it cut fast and loose with its export shipments to affect global prices, particularly for palladium, may be over.

The firm's Deputy General Director Leonid Rozhetskin used a New York investment conference this month to reassure users that it will not interrupt palladium supplies to the world market for the foreseeable future.

Norilsk also had no intention of stockpiling the precious metal amid a global supply deficit of around 60 tonnes annually, and private and government inventories that have been drawn down over the summer.

The executive told analysts at the New York meeting showcasing Russian companies that Norilsk estimates about 160 tonnes of palladium will be produced in the world this year, while consumption should reach roughly 220 tonnes.

The Moscow-headquartered company says it exports 98 percent of its PGMs, with 43 percent of sales going to Europe, followed by the United States with 30 percent and Asia with 27 percent

Until recently all holders of platinum group metals were able to export them only through Russia's sole precious metals export agency, Almazjuvelirexport, within government issued export quotas.

But Norilsk earlier this year signed a contract with Almazjuvelirexport, entrusting Norimet with PGM sales under Almazjuvelirexport control.

**General Motors' Jan-Sep car sales in Russia up 60% to 2,353.**

09 October 2002

Prime TASS

(c) 2002 Prime TASS. Not available for re-dissemination.

MOSCOW, Oct 9 /Prime-TASS/ - General Motors Corporation (GM) of the U.S., the world's largest automobile manufacturer, increased Russian sales 60% on the year to 2,353 cars in January-September, an official with General Motors CIS told Prime-Tass Wednesday.

Car sales in Russia included 1,985 Opels, 214 Chevrolets models and 154 Saabs.

The Opel Astra was GM's best selling model in Russia in the period, with 1,200 cars sold.

In 2001, GM sold 2,141 cars in Russia, up from 963 cars in 2000.

The company earlier said it had planned to sell 2,400 cars on the Russian market this year.  
End

**SEVERSTALAVTO TO DECIDE ON STRATEGIC PARTNER BY YEAR-END.**

09 October 2002 22:25 GMT

Interfax: Daily Business Report

(c) 2002 by Interfax International, Ltd

SeverstalAvto plans to decide on a strategic partner by the end of the year, Pavel Luksha, director of the company's analytical projects department, told Interfax.

Speaking at the conference Automobile Industry Strategy in Russia and the CIS, Luksha said that SeverstalAvto, which unites UAZ and Zavolzhsky Motor Plant (ZMZ), is holding partnership talks with a number of Western producers. He said that ZMZ and UAZ shares were transferred to SeverstalAvto from Severstal.

Luksha told Interfax that the negotiations are progressing well, particularly with Japan's Isuzu. Talks with other carmakers are also underway.

Various cooperation options are being considered, including joint design with subsequent production of automobiles, and the production of Western models using components from Russia.

Cooperation should be diverse, Luksha said, adding that talks are also underway regarding cooperation in the area of engine production components. He also noted that SeverstalAvto is holding talks on setting up a joint venture with a major producer of brake systems.

### **Avtovaz of Russia and GM of US plan new joint venture**

09 October 2002

Agence France-Presse

(Copyright 2002)

MOSCOW, Oct 9 (AFP) - The leading Russian auto maker Avtovaz and US counterpart General Motors are weighing the creation of a joint venture to produce engines for GM's Opel model, the head of the GM- Avotaz said here Wednesday.

John Milonas, quoted by the Interfax news agency, said a final decision on the venture could be made next year.

GM and Avotaz in late September launched their first joint venture, which will turn out 75,000 Chevy-Niva all-terrain vehicles a year between now and 2005.

Avotaz builds the Lada, Jingouli and Niva models and produces about 765,000 vehicles a year.

meg/nh/lt

### **RUSSIE - IMPOTS - LE GOUVERNEMENT ETUDIE UNE EVENTUELLE.**

08 October 2002 16:03 GMT

ITAR-TASS French Language Service

(c) ITAR-TASS 2002.

MOSCOU, 8 OCTOBRE, ITAR-TASS. LE GOUVERNEMENT RUSSE SE PENCHE SUR LA QUESTION D'UNE EVENTUELLE HAUSSE DES TAXES A L'IMPORTATION DE CARS ET DE CAMIONS QUI ONT PLUS DE SEPT ANS. SERGUEI MITINE, VICE-MINISTRE RUSSE DE L'INDUSTRIE, DE LA SCIENCE ET DES TECHNOLOGIES, A DECLARE A LA SIXIEME CONFERENCE ANNUELLE SUR LA STRATEGIE DE L'INDUSTRIE AUTOMOBILE EN RUSSIE ET DANS LES PAYS DE LA CEI (COMMUNAUTE DES ETATS INDEPENDANTS), QUE DES TAXES SEMBLABLES ONT ETE INTRODUITES LE 4 OCTOBRE DERNIER POUR LES VOITURES DE TOURISME. DANS LE PREMIER SEMESTRE DE L'ANNEE, LA PART DES VOITURES RUSSES SUR LE MARCHE NATIONAL S'EST REDUITE DE 71 A 64 POUR CENT.

### **Renault posts sales figures in Russia.**

08 October 2002

News

(c) 2002 RosBusinessConsulting

The French automobile company Renault increased its sales in Russia in the first nine months of the year. The company sold 6,042 cars through its official dealers in the reported period, the Avroframos company, a joint venture of Renault and the Moscow government, reported.

The models Renault Symbol and Renault Megane comprised half of the sold cars. The company is planning to increase sales to 8,000 cars this year, compared to 5,606 cars in 2001. Renault plans to restart assembling its cars in Russia before the end of this year.

**According to the State Statistics Committee, about 353 000 used cars were imported into Russia in ...**

07 October 2002  
SKRIN  
(c) 2002

According to the State Statistics Committee, about 353 000 used cars were imported into Russia in January-September 2002.

According to the State Statistics Committee, about 353 000 used cars were imported into Russia in January-September 2002, estimated at \$1.5 billion, against 239 000 autos with a total value of \$993.4 mln 2001. Major car importers are Japan and Germany, accounting for 154 400 and 122 000 cars, respectively. About 6 100 used cars were imported into Russia from CIS countries in January-September 2002, valued at approximately USD 31.4 million, against 7,700 autos at USD 24.3 million in 2001. And 346 800 autos, with a total value of \$1.4 billion, were imported from other foreign countries, up from 231 400 cars costing \$969 mln 2001. As for new cars, their imports into Russia also increased, especially regarding cheaper models. According to the State Statistics Committee, about 11 600 cars with a total cost of \$149.8 mln were imported to Russia by individuals in January-September 2002, against 11 000, estimated at \$171.5 mln, 2001. IA Rosbalt informed SKRIN about it.

**France's Citroen says Jan-Sep car sales in Russia double on yr.**

07 October 2002  
TASS Energy Service  
(c) 2002 Prime TASS. Not available for re-dissemination

MOSCOW, Oct 7 /Prime-TASS/ - French vehicle producer Citroen's official dealership sales in Russia doubled on the year in January-September to 1,472 cars, an official with the company's Moscow office said Monday.

Citroen's most popular model on the Russian market in the period was the C5, accounting for 42% of total Citroen sales in Russia.

Citroen models sold on the Russian market include the Citroen Xsara, Xsara Picasso, C5, Berlingo, and the Jumper.

Citroen's car sales in Russia rose 267% on the year to 1,009 cars in 2001. End.

**MOTOROLA Sets Up Production in Perm.**

07 October 2002  
Novecon  
(c) 2002 Novecon

The American MOTOROLA company and the Perm-based MORION company have announced the launch of production of GSM cellular terminals.

The project calls for setting up production of devices for satellite cellular navigation and telematics at MORION. These systems will make it possible to determine the location of objects with high precision and transfer coordinates thus fixed to users through GSM cellular networks. The device, which will be based on the Motorola i250 chipset, may be also used as a common handset or as a GPRS-terminal for Internet access. It is expected to cost \$400 to \$500.

## **RUSSIA TO LURE BIG CAR MAKERS - GREF.**

06 October 2002 21:52 GMT

Daily News Bulletin  
(c) 2002 by Interfax International, Ltd

MOSCOW. Oct 6 (Interfax) - The Russian government intends to attract the world's major auto-makers to the domestic market, said Economic Development Minister German Gref.

Speaking in the program Vremena or Times on the ORT channel Sunday, he reported that in three-four years taxes on all imported cars would be hiked temporarily.

Gref explained that such a spell was given to foreign producers specially to let them start doing car business in Russia.

"When the world's car giants come to the Russian market, then we will get our Ford and Volkswagen assembled by our hands," said the minister, adding "the hundreds of thousands of workers employed in the auto-industry today won't be sacked and won't face a social tragedy."

## **ROSAVA REPORTS LOSS OF AVTOVAZ MARKET, FOLLOWING ITS CONFLICT WITH RUSSIA'S AMTEL GROUP.**

04 October 2002  
Infobank  
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BILA TSERKVA. Ukraine's leading automotive tire maker Rosava(Kyiv oblast)

has reported the loss of one of its large markets in Russia when Russia's car maker AvtoVAZ stopped buying Rosava tires. Following the election of new leadership by Rosava shareholders and its conflict with Russia's Amtel group, a go-between for Rosava sales to AvtoVAZ, all contacts with AvtoVAZ have been suspended. AvtoVAZ accounted for 80,000 tires per month sales of Rosava tires.

In the wake of Kyiv's Svyatoshyn Rayon Court ruling of September 24 annulling the change of management by Rosava, the plant tried to resuscitate its links with AvtoVAZ. The latter, however, announced that it will not buy Rosava tires any longer.

With the Ukrainian market annual demand in tires estimated at less than 2 million, Rosava churns out 5.7 million tires a year. Rosava sold up to 80% of its tires in Russia and other foreign countries.

Irish Tapistron Ltd., owned by Russia's Amtel group, holds a 51% stake in Rosava, with the remainder of stock belonging to Ukraine's State Property Fund.