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NEWS

Next issue ...

... of your Eastern European Newsletter will be published already on Wednesday, June 10th, 2009, due to a public holiday in Germany.

Czech Republic

Škoda to make transmissions for New Small Family range

The new MQ 100 transmission that Škoda Auto a.s. will start to make in Mladá Boleslav at the end of 2010 is intended for the New Small Family range of compact cars. "The new transmission will initially be deployed in the New Small Family model range and later on in other models of the Škoda brand as well as other small vehicles manufactured within the Volkswagen Group," says Milan Staněk, head of Powertrain Production at Škoda. The investment for the project is stated as amounting to approx. €56.2 million. Existing premises are to be adapted for production of the new transmission. Production capacity will amount to 1,000 units a day and a total of 270 new jobs will be coming about in connection with the project. At the present, Škoda produces the MQ 200 gearbox, which is suitable for engines with torque outputs of up to 200 newton metres (Nm). The new compact MQ 100 transmission is intended for petrol engines with a torque output of up to 120 Nm.

Hyundai plans production of 160,000 cars for 2009

Based on the current situation, Hyundai Motor Manufacturing Czech s.r.o. is reckoning with the production of approx. 160,000 cars in the current year in comparison to earlier plans, which envisaged

Czech Republic

the production of 180,000 units. The Czech company made over 31,000 cars in the first four months of 2009. At the present the **Hyundai i30** accounts for 80 percent of its output and the i30 CW for the remaining 20 percent. The plant produces up to 66 cars an hour.

Hyundai considering exports to Mexico

Hyundai Motor Co. Ltd. is examining the possibility of exporting the cars it makes in the Czech Republic to Mexico, and is working intensively on the idea. If the idea is carried out, **Hyundai** would be the first company to export cars from the Czech Republic to Mexico.

Parliament votes in favour of car-scraping subsidy – Launch date unclear

The Czech parliament has decided on the framework conditions for the introduction of a car-scraping subsidy. Consumers who for over two years have owned a vehicle that is more than ten years old and who have it scrapped are to receive a maximum subsidy of 30,000 Czech crowns (about €1,115) on buying a new car that does not cost more than 500,000 crowns (about €18,587 at present). At the suggestion of the previous environmental minister **Martin Bursík**, the subsidy is to be raised to 60,000 crowns (about €2,230) on new cars powered with an alternative drive system (CNG, electric, hybrid) and costing 700,000 crowns (€26,022) at the most. The parliamentary vote requires the approval of the Senate and has to be signed by the President. It remains unclear, however, when the car-scraping scheme is to take effect. The launch date is to be set by the recently-formed interim government that is to take the country to early elections in October. The scrapping subsidy is not expected to be launched until the autumn at the earliest. Thought is also being put to the idea that the decision should not be taken until the future regular government has taken over.

Škoda considering deployment of Tatra workers

Some of the workers at the truck manufacturer **Tatra a.s.** of Kopřivnice may be working at **Škoda Auto a.s.** for the interim; the two companies concerned are currently in negotiations on this subject. Such a measure would help Škoda solve the momentary staffing shortfall it is suffering from due to the increased demand caused by various car scrapping schemes, and would benefit Tatra workers by helping to prevent looming dismissals or short-work deployment. About 200 employees from **Volkswagen Slovakia a.s.**'s Bratislava and Martin plants have been working at Škoda over the past few weeks on a temporary basis.

Hungary

Bausch: Slight delay in opening of new plant in Gyöngyös

The German supplier **Dr. Karl Bausch GmbH & Co. KG** intends to open its new plant in Gyöngyös in the second half of 2009, as against this spring as originally planned. Machines are currently being installed at the factory. According to **Günther Bausch**, who, along with **Kurt Bausch**, acts at the company's CEO, the plant will be ready for production at the end of June or the middle of July at the latest. The new factory will be making electrical sheet for electric motors. Once construction of the new plant has been completed, Bausch's Hungarian company **Bausch Kft. Forma- és Stanctchnika** intends to close the old plant in Budapest. The subsidiary has also been producing tools for injection mould machines in the Budafok area of 22nd District of Budapest since 2008.

Poland

Bosch and Denso abandon plans for diesel particulate filter plant

Robert Bosch GmbH and **Denso Corp.** have decided to liquidate **Advanced Diesel Particulate Filters Sp.z o.o. (ADIF)**, a joint venture they set up in Wrocław in 2007 for the development and production of diesel particulate filters. Production was meant to have started this year. The joint venture, in which the two companies hold an equal stake, is to be wound down by the end of the year. Bosch intends to continue to use the plant, however.

Fiat: No more Sunday shifts

Fiat Auto Poland S.A. has discontinued Sunday shifts in Tychy. "Last Sunday was the last of several Sundays scheduled for work by the management this year," a company spokesman says. The unions had been demanding more money for the shift, which begins at 10 p.m. and were calling on workers to boycott the work. A number of employees did not turn up for work on recent Sunday shifts.

Sumitomo closes plant in Rawicz

Sumitomo Electric Wiring Systems Polska (SEWS-P) will be quitting production of wiring harnesses at its plant in Rawicz. The factory, which makes wiring harnesses for various **Toyota** models, is to be closed down by October 2009 at the latest. Nine hundred of the plant's approx. 1,200 workers are to be laid off; the remaining 300 or so will continue to be employed, namely at the company's factory in Leszno. Part of the production operations are to be relocated to Romania.

Cieszkowski new production boss at Dębica

Stanisław Cieszkowski (55), to date Production Director at **Goodyear Tyre and Rubber Holdings (Pty) Ltd.** in Uitenhage, South Africa, has been appointed Production Director of **Oponiarska Dębica SA**, a Polish tyre manufacturer. In this post he succeeds **Jeffrey Smith**, who has been appointed Production Director at the **Goodyear Dunlop Tires France SA** factory in Amiens, France. Cieszkowski had previously been head of production at Dębica between 2001 and 2006 and then went on to work for Goodyear in Slovenia and South Africa.

Romania

Sandero production tops 100,000 mark

The 100,000th **Dacia Sandero** produced since last summer has rolled off the assembly lines at **Automobile Dacia S.A.** At the present, daily output of the model amounts to 610 units.

Russia

Magna and Sberbank planning to acquire Opel

Magna International Inc. has presented the Russian state bank **AO Sberbank Rossii** as its partner in its bid for acquisition of a newly-to-be-formed **Opel** company. Magna intends to hold a 19.9 percent stake in the firm, and its concept envisions a 35 percent share for Sberbank. The vehicle maker **AO GAZ** is to be involved as the industrial partner. Further details of the Russian aspects of the Magna concept for Opel can be found in the interview with **Siegfried Wolf**, Magna's Co-CEO, in this issue of the *Eastern Europe Newsletter*.

Russia

Price barrier for subsidised loans may be lifted

The Russian Ministry for Industry and Trade is examining the possibility of raising the price ceiling on new cars eligible for a subsidised loan. At the present, loans are subsidised for Russian-made cars, including foreign-badged ones, that do not cost more than 350,000 roubles (slightly over €8,000). This price level may be lifted to 600,000 roubles (about €13,790). In April, the first month in which the programme took effect, about 11,800 subsidised loans were submitted at the authorised banks and the first 4,000 were granted.

Sollers and SsangYong confirm production of the C200

OA O Sollers and SsangYong Motor Co. Ltd. have arrived at a deal concerning Russian production of the new **SsangYong C200** crossover model. As announced in a statement issued by Sollers, the C200 is to enter production at **OA Sollers-Naberezhnye Chelny** in Naberezhnye Chelny "as soon as possible following the planned production start of the model in Korea in the first quarter of 2010".

AvtoVAZ presents anti-crisis plan

OA AvtoVAZ has unveiled its anti-crisis plan. As part of the package of measures, logistic processes are to be optimised, parts inventory reduced in value by at least 600 million roubles (about €13.8 million), and car stocks trimmed by at least 70,000 units. In addition AvtoVAZ will also be introducing new discount and financing programmes. Purchasing prices are to see a 10 percent decrease by the end of 2009, and use is to be made of new and less expensive materials and technologies. The re-engineering process is to yield savings of about two billion roubles (approx. €46 million), whereby savings of about 500 million roubles (or €11.5 million) are to be made on maintenance work and costs cut by a further 1.5 billion roubles (about €34.5 million) by curtailing administrative expenditure. AvtoVAZ aims to completely modernise its supplier base and unveil nine new models by 2014.

AvtoVAZ cuts back production to a single shift

OA AvtoVAZ will be producing the **Lada Priora**, Samara, 2105/2107 and 4x4 model lines in a single eight-hour shift on five days a week in June. In the case of the Lada Kalina, welding and paintshop operations will only be run on four days and assembly work on three days a week.

AvtoVAZ launches production of Lada Priora station wagon

Serial production of the **Lada Priora** station wagon is under way at **OA AvtoVAZ**. Sales start of the new version, powered by a 1.6L 16V engine, is scheduled for June 20. The base model will start at 313,000 roubles in Russia. AvtoVAZ plans to make 20,000 Priora station wagons this year, but the final figure could be lower as a result of the economic crisis.

Further production breaks at Ford

ZAO Ford Motor Co. has halted production in Vsevolozhsk for the last week of May and the first week of June. The four-day week is to be introduced on June 8.

IzhAvto is planning mass layoffs

OA IzhAvto recently informed the labour market authority of the city of Izhevsk of the planned dismissal of 2,407 workers. The employees are to be given notice between August 24 and September 24. Once this measure is completed, the IzhAvto workforce will have been reduced by almost half.

Russia

Volkswagen to assemble more models in Kaluga

Volkswagen AG will increase the number of models assembled at its **OOO Volkswagen Group Rus** plant in Kaluga from SKD kits. Assembly of the **VW Golf** is under way in Kaluga, **Passat CC** and **Multivan T5** vehicles are to be added later this year. The company is also considering the possibility of assembling **Audi** cars.

Chevrolet Niva: Steering wheel from Portugal

A new steering wheel is one of the innovations of the facelifted version of the **Chevrolet Niva** recently launched on the market. The steering wheels are made for **ZAO GM-AvtoVAZ** by **Dalphi Metal Portugal S.A.**, a Portuguese company in which **TRW Automotive Holdings Corp.** holds a majority stake.

Serbia

Zastava hikes Fiat Punto output– Diesel version to enter production at end of June

According to **Zoran Bogdanović**, director of **Zastava Auto**, assembly of the **Fiat Punto** has been increased to one hundred cars a day. As **Bogdanović** states, welding and paintshop operations will now be run on two shifts a day. The workforce has been increased from 500 to 800 to 900 employees. Over the next few months additional manufacturing equipment is to be installed in the welding shop to enable 100 **Punto** bodies to be welded in a single shift. Assembly of **Fiat Puntos** with a diesel engine is to begin at the end of June.

Slovakia

RF making side windows for the Panamera

RF s.r.o., the Malacky-based Slovak subsidiary of the German company **Richard Fritz GmbH + Co. KG**, is supplying the front and back side windows for the new **Porsche Panamera**.

Slovenia

Renault confirms new model for Revoz

The **Renault S.A.** plant **Revoz d.d.** of Novo Mesto will be producing a new model based on the **Twingo** platform as of 2010, as **Patrick Pélata**, COO of **Renault**, confirmed during a visit to Revoz. The new model will be a niche car. "This car will be made only in Novo Mesto. It is a very innovative, affordable car, and we are full of hope it will be liked by many, especially young customers," **Pélata** says. A small convertible is considered likely, although **Pélata** does not confirm that speculation. During his stay in Slovenia, **Pélata** also visited the suppliers **TPV d.d.** in Novo Mesto and **Hella Saturnus Slovenija d.o.o.** in Ljubljana, and met with **Borut Pahor**, head of the Slovenian government.

Ukraine

KrASZ to assemble new Geely models

OOO Kremenchugsky Avtosborochny Zavod (KrASZ) is to assemble two new **Geely**-badged models. The company, which launched vehicle assembly again after a long interruption, will be making the **Geely MK-2** (hatchback) and **SK-2** (sedan) models as of June.

INTERVIEW

with Siegfried Wolf, Co-CEO, Magna International Inc.



“A sales figure of about one million makes sense”

Russia plays a large role in the concept behind Magna's bid for Opel, with the Russian state bank Sberbank ready to hold a 35 percent stake in the new company and the Russian vehicle maker GAZ lined up to act as the industrial partner. Magna envisages that in a few years' time the new company could be selling up to a million vehicles a year – including Chevrolet-badged cars and light commercial vehicles – in Russia alone.

Mr. Wolf, can you describe Magna's concept for its stake in a newly-to-be-formed European Opel company?

We have chosen a concept that anticipates a very strong General Motors company once restructuring has been completed, with General Motors itself involved with a 35 percent stake. We have made a very strong avowal to involving the employees in the company, allocating them a stake of no less than ten percent. We have also planned a stake of 35 percent for our Russian partner Sberbank. Our concept reckons with a strong Opel brand that we will use on a global level, plus a strong Vauxhall brand as well as General Motors' plants in Russia and the CIS states. These comprise the new plant in St. Petersburg, the joint ventures in Togliatti and Uzbekistan and the possibility of production in GM partner plants in Ukraine and Kaliningrad.

Why have you chosen Sberbank as a partner?

Because we want dependability. And naturally because it is necessary to invest in the market. The largest problem in all this is not production, the largest problem is financing the market. In Russia the Sberbank has 36,000 outlets that can provide support, support in selling vehicles. We have chosen GAZ as our industrial partner and Sberbank is the largest provider of loan capital to GAZ – which closes the circle.

The Magna concept involves cash requirements of about five billion euros. Most of this sum is to be provided in the form of a state-guaranteed loan; a smaller portion is to come from Magna and Sberbank. How will this smaller portion be divided up?

Magna and Sberbank will be investing €500 to 700 million, with each contributing a share commensurate with their stake. In case further capital is needed for growth on the Russian market, there will undoubtedly be the possibility of obtaining further capital from Sberbank.

In what way is GAZ to be involved?

GAZ is to be contractually involved; the company can contribute its industrial facilities, its dealership network and its excellent human resources.

Why is Russia so important from your point of view?

The car industry has a problem – and this problem is a sales problem. In other words, we need markets, and the largest growth market over the next few years will be Russia, where a very strong middle class is emerging despite all difficulties. Last year General Motors sold 337,810 vehicles in Russia alone, and that is a very strong basis. The latest forecasts talk of an overall Russian market of 3.2 to 3.4 million vehicles. I presume that a targeted market share of 20 to 25 percent is very possible. Seen over the longer term and taking all options into

consideration – such as small vans like the Combo, or GM's know-how in the field of light commercial vehicles, whereby the Vivaro could be matched with the GAZ Gazel – I find that a sales figure of around one million makes sense.

When will the new Opel company be able to achieve sales of one million vehicles a year in Russia?

As already mentioned, General Motors sold 337,810 vehicles in the country in 2008. If you add the vehicles sold by GAZ, this brings you to almost 600,000 units. And an increase of 400,000 units on the rapidly growing market is a target we ought to be able to achieve within a vehicle generation.

But most of the sales that GM makes in Russia today are accounted for by Chevrolet and not by the Opel brand ...

This is why we have applied for the exclusive rights to the Chevrolet brand on the Russian market and the CIS market.

Which model could GAZ produce?

Two years ago, we started to work on a joint venture between GAZ, General Motors and Magna, and we see the Russian market as having a huge need for a mid-range vehicle costing about US\$10,000. The Russian population is capable of buying such a car. The vehicle we have in mind is based on a Corsa platform. We have planned volumes of about 350,000 units a year, with a possible expansion to 500,000.

Is production of this model at GAZ part of the current plant for Opel?

Yes, and we still envisage the 350,000 units as a first step.

How quickly could production of this model begin at GAZ?

Originally we intended for this to begin in two years' time, and we still see a chance of this happening.

How would the car be produced at GAZ?

At the plant for the Volga Siber, which has a production capacity of 250,000 cars. In other words, we could begin there and expand further.

Interview conducted by Peter Homola

DATES

FORUM RUSSIA – Business trip for Automotive Suppliers to Russia

5th – 10th October 2009 – Samara, Togliatti, Nizhny Novgorod, Moscow and Naberezhnye Chelny
Planned are discussions and visits at sites as of AvtoVAZ, GAZ, Magna-GAZ, KAMAZ, Avtoframos (Renault), Sollers and Volkswagen. Meetings to exchange experiences with leading suppliers as Bosch, Delphi and Lear are also part of the journey.

Details and conditions available at:

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Web: http://www.forum-russland.de/de/termine/russia_automotive_supplier_delegation_2009.pdf

On our own behalf

Top 100 Automotive Suppliers 2008/2009

The world's 100 biggest automotive suppliers listed in
„Global Ranking Top 100 Automotive Suppliers 2008/2009“,
148 pages in English, fifth edition of AUTOMOBIL-PRODUKTION's
special supplement, for further details, see:

<http://www.automobil-produktion.de/produkte/04331/index.php?lang=en>

LEGAL + TAXES

Hungary

Tax Audits

Recently, the president of APEH, the Hungarian Tax and Financial Control Administration (“the Tax Authority”), announced the issue of its Audit Directive for the 2009 fiscal year. The Directive gives priority to the audit of companies without a predecessor which may constitute a tax risk.

Tax Authority inspectors will therefore be analysing the data on the “taxpayer history” of such companies' members and managing directors. Among other things, the Tax Authority will also be concentrating on auditing companies which have changed their registered office addresses or owners a number of times; companies which have not filed tax returns; and companies that share the same registered office address and have the same owners and managing directors.

If the Tax Authority uncovers data that suggests deliberate tax evasion, it will also extend the audit to other enterprises in which the owners and representatives of the company concerned have an interest. According to the 2009 Directive, the Tax Authority must audit companies which have treated investment assets as income tax base decreasing items. In the case of companies in receipt of a development tax incentive, the Tax Authority is obliged to carry out at least one audit whether a company has fulfilled the conditions of the incentive, by the end of the third or fourth tax year after the first application of the incentive. The Tax Authority will also be giving special attention to audits of investment tax incentives, especially with regard to the legally determined end of the period of a company's entitlement to an incentive.

Further details available from Gabriella Erdős, PricewaterhouseCoopers Hungary, phone: + 36 1 461 9130

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