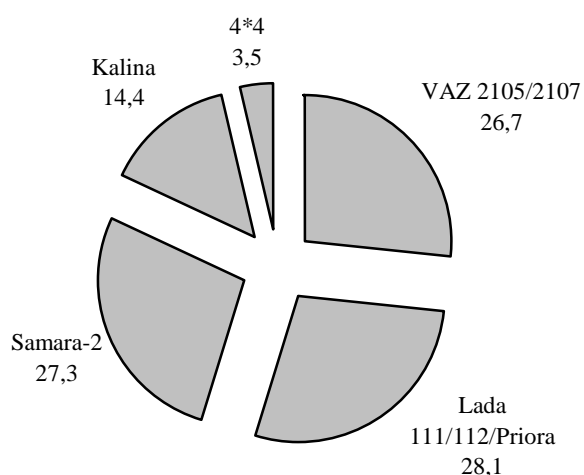


AutoVAZ: January-April 2008 performance

AutoVAZ sales have been on the rise for the fourth consecutive month, growing almost 23% between January and April and 30% in April. Exports rose 15% over the past four months.

AutoVAZ sales mix in January-April 2008

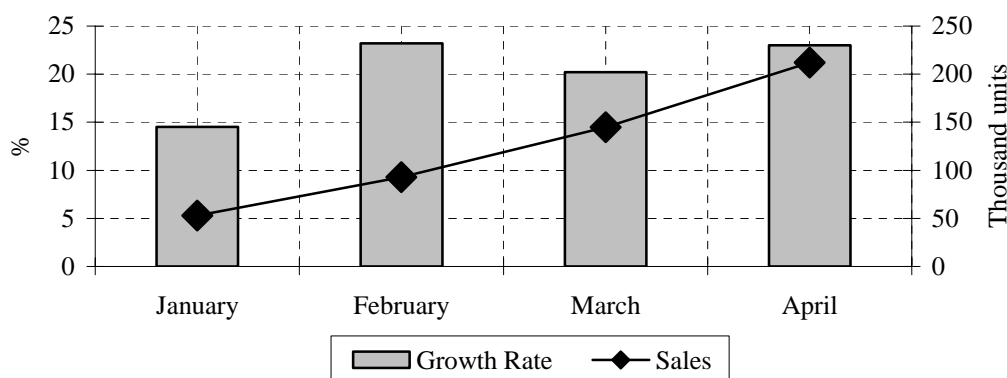


Source: AutoVAZ

AutoVAZ sales mix remains constant with rear-wheel drive VAZ 2105/2107 accounting for the biggest sales. However, the mix is likely to change soon, largely due to popularity of Samara-2 cars; demand for rear-wheel drive vehicles will be declining as the prices grow.

All the rhetoric suggesting that the surge in AutoVAZ sales is related to the 'low base' effect is unfounded, because the company has not seen any decline in sales from the beginning of the year. It is highly probable that the demand for VAZ autos is fed by lack of economy-class foreign cars that, by the way, are becoming increasingly expensive.

AutoVAZ sales from early 2008



Source: the carmaker's information

Insufficient supply of foreign-made cars and rising prices may unleash growth in demand for uncompetitive Russian vehicles, provided AutoVAZ does not raise prices however.

The price for Lada was last increased in January 2008 (by 1.9%) – preceded by the 2006 increase; so assumedly there will be no further price reconsiderations this summer, and the 2007 sales crisis will not reoccur.

By Kirill Lebedev