

### AutoVAZ teaming up with Renault

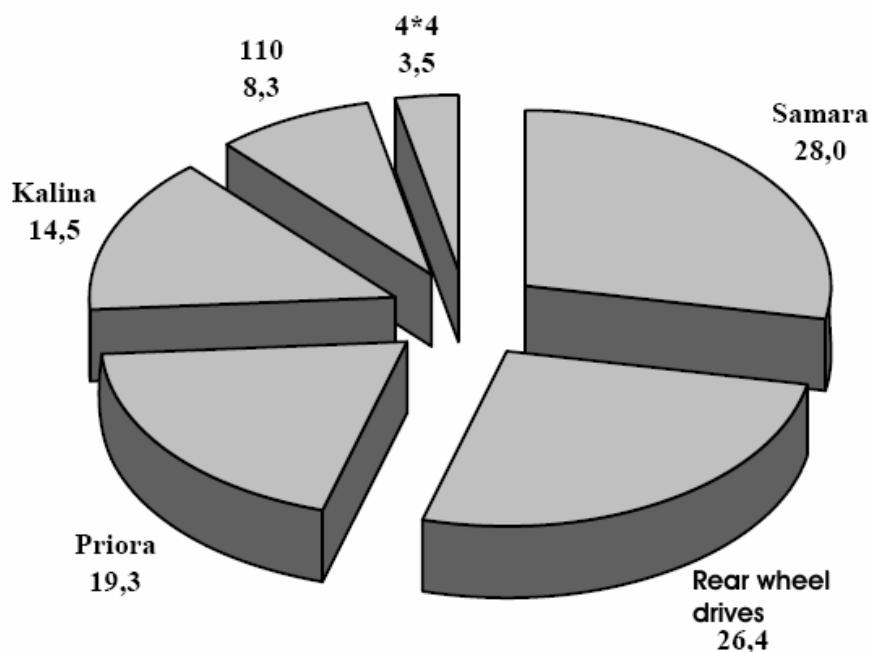
Russia's company AutoVAZ is acquiring a stake in Kazakhstan's Asia-auto, producer of Lada 4\*4 and Lada Samara cars.

After the deal is signed, Asia-auto will be authorized for licensed production of 120,000 Lada units and technical support of AutoVAZ, it will also receive car part shipment guarantees.

The teaming up plans include production of new car models developed jointly with Renault; the production facilities will be based at the AutoVAZ plant. The agreement with Asia-auto was long anticipated. AutoVAZ started preparations for production of new-generation vehicles at its basic plants, and now it needs to transfer production of outdated cars to other companies. The Izh-auto deal has been postponed – most probably, because the plant launched production of KIA cars in Izhevsk. So Asia-auto will become the first company to be awarded the right to produce AutoVAZ cars.

At the moment, rear wheel drive cars (VAZ 2105/2107) account for 30% in AutoVAZ sales mix. Although their production declines annually, rear wheel drive cars will be popular for years to come due to their competitive prices.

AutoVAZ sales mix in January-August 2008



Source: AutoVAZ

On the one hand, AutoVAZ cannot drop production of the classical cars (unless a replacement is found) because if it does, it will lose this segment of the market; on the other, VAZ 2105/2107 cars do not meet international quality, safety and comfort standards. Production of these vehicles can be transferred to Kazakhstan. This is a way for AutoVAZ to unload its capacities and launch production of new car models.

AutoVAZ will continue to manufacture other models, too. Kazakhstan already produces Samara and Niva, and production of new Kalina and Priora will not be transferred anywhere – at least until mass production of new Renault-based concept cars starts.

After the B concept is unveiled, production of the Samara family might be completely transferred to Kazakhstan enabling Asia-auto to enhance its capacities.

By Kirill Lebedev