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### NEWS

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#### International

##### **ZF completes acquisition of TRW Automotive**

**ZF Friedrichshafen AG** and **TRW Automotive Holdings Corp.** have completed the transaction under which ZF has successfully acquired TRW. TRW will be incorporated into ZF as a new division called **Active & Passive Safety Technology**. The combined company operates under the name ZF Friedrichshafen AG. The closing marks the start of the integration process of TRW that is projected to last three to five years. The process will start in those areas where customers will benefit from combined activities first; this includes the development of new products, materials management, sales, and the aftermarket. "With pro forma sales exceeding €30 billion and more than 130,000 employees, the combined company is a top three global automotive supplier," said **Stefan Sommer**, ZF's CEO. Pursuant to the terms of the merger agreement, upon completion of the acquisition, TRW became a wholly-owned subsidiary of ZF, and each outstanding share of TRW common stock was converted into the right to receive \$105.60 in cash. As a result of the completion of the acquisition, TRW shares ceased trading on the New York Stock Exchange and will be delisted.

### **Continental to take over automotive business of Elektrobit**

**Elektrobit Corporation (EB)** and **Continental AG** have signed a definitive share purchase agreement, under the terms of which EB has agreed to sell its Automotive business to Continental. The transaction comprises the sale of **Elektrobit Automotive GmbH** and its subsidiaries, including EB's 51 percent ownership in **e.solutions GmbH**, a jointly owned company between Elektrobit Automotive GmbH and **Audi Electronics Venture GmbH**. In addition, the rights to the name Elektrobit will transfer to Continental. The purchase price for the acquisition is €600 million payable in cash and it shall be paid in full upon the closing. EB's Automotive business offers a range of software products and R&D services for in-car embedded software, as well as professional tools that support the whole process of the in-car software development. It employed 1,431 people worldwide, mainly in Germany, as of the 31st of March. The e.solutions joint venture employed 459 persons. The Automotive Business Segment comprises fully owned subsidiaries in Germany, Finland, France, Austria, Romania (**Elektrobit Automotive Romania SRL** in Braşov), USA, China, Japan and the 51 percent ownership in e.solutions. The transaction is expected to close at the beginning of July. EB cancels the ongoing demerger process and it will continue to carry on the Wireless business within existing Elektrobit Corporation under the new name **Bittium Corporation**.

### **Belarus**

#### **Belarus and China's Eximbank sign loan agreement on the BELGEE plant**

A package of loan agreements between Belarus and China was signed during the recent visit of China's President **Xi Jinping** to Minsk. Among them was a loan agreement signed between the Government of Belarus represented by the Finance Ministry and China's **Eximbank** for a soft loan to finance the investment project the investment project "Building of the **SZAO BELGEE** plant". Currently BELGEE is assembling cars from SKD kits. Construction of the new CKD plant is expected to be launched at the end of May.

### **Czech Republic**

#### **Brano to move legal domicile to the Netherlands**

Czech supplier **Brano a.s.** will move the legal domicile of its holding which owns plants in the Czech Republic as well as abroad to the Netherlands, the company's owner **Pavel Juříček** told idnes.cz. "We are preparing all the papers and we will move the headquarters to the Netherlands this year. I am taking all necessary steps," Juříček is quoted as saying. The reason for Juříček's decision is his dissatisfaction with the way the state treats problems with the effects of the "insolvency mafia" in the Czech Republic. The Brano owner lost one of his companies, **Mora-Top**, as a result of an incorrect bankruptcy process. Since then, he has been fighting for changing in the Czech law which would make similar cases impossible. Many other businessmen have reported to Juříček that they have had similar problems. However, Juříček is not satisfied with the way the government handles the problem. "It seems that the government really does not want to solve this problem," said Juříček. "Unfortunately there is no willingness by the state to solve existing cases and cases of manifest theft," he added. "I do it for better investment protection. As a foreign investor I will have a better chance to defend myself against certain decisions of the local justice system," explained Juříček.

### **ACE approves capacity expansion at Feramo**

The Board of Directors of **Automotive Components Europe S.A. (ACE)** approved the second step of the CEE Investment Project located at the Czech plant **Feramo Metallum International s.r.o.** in Brno. The program, called Feramo Phase II Investment, assumes capital expenditure up to €7 million to build up a second production line allowing that plant to double the current capacity for nodular iron technology focused on automotive business. The new line will increase current Feramo capacity of 17,000 tonnes of nodular iron (7,000 tonnes of production output in 2014) per year by additional 19,000 tonnes. The project will be completed by the fourth quarter of 2016 and first parts are expected to be produced from the beginning of 2017. According to A.C.E., current nominations and volume commitments of our customers, starting from last quarter of 2016, significantly exceed current available production capacity of Feramo. This program will be financed from internal resources supported by an available additional debt line. **Continental, Knorr-Bremse, Hyundai Mobis** and **Chassis Brakes International** are among Feramo's customers.

### **Webasto takes over Inteva plant in Liberec**

**Webasto SE** has taken over the **Inteva Products Czech Republic a.s.** plant in Liberec last month, Webasto's CEO Holger Engelmann said at the company's annual press conference. The factory, which employs about 700 people, manufactures panoramatic roofs for various **Mercedes-Benz** models including the A-Class and C-Class. Webasto takes over all running programs.

## **Hungary**

### **Csepel truck museum opened**

In Szigetszentmiklós a museum, dedicated to Hungarian-made **Csepel** trucks, has been opened. The factory operated from 1949 to the early 1990s. It produced small and middle-sized trucks, which were mainly used by the military. It had a brief cooperation with **Volvo** producing the Laplander off-roader between 1976-1980. The museum houses a few trucks, text panels and other relics.

## **Macedonia**

### **Lear to open seat cover plant in Gostivar**

**Lear Corporation** announced its plans to open a new automotive plant to produce seat covers in Gostivar, Macedonia, in summer 2015. Serving major European automotive manufacturers, Lear's new facility will initially employ approximately 300 people, with an emphasis on leather and fabric cutting and sewing capability. Further expansion is expected. „We are pleased to begin operations at an interim site in Macedonia and plan new plant construction by mid-2016 in the area,” said **Jeneanne Hanley**, Lear's Vice President for Global Trim and Craftsmanship. The future greenfield factory, which will be located in the industrial zone of Tetovo, is expected to employ more than 2,000 people.

### Poland

#### **CSF Poland plans expansion in Częstochowa**

**CSF Poland Sp. z o.o.**, a subsidiary of **Cooper Standard Automotive**, plans a further expansion of its plant in Częstochowa. The intention is confirmed with a Letter of Intent. However, CSF asks the authorities to continue the process in order to include the land intended for the expansion in the Katowice Special Economic Zone. The city council of Częstochowa already approved the intention to include more than 7 hectares of land owned by CSF into the zone and will now ask the Ministry of Economy for a decision. CSF, which currently employs about 650 persons, achieved sales of €48 million in 2014. The company plans to add 200 jobs by 2017. In 2020, in case the additional land will become part of the Katowice Special Economy Zone, CSF may employ more than 1,000 people. The company plans to invest some €5 million this year.

### Russia

#### **Russian government approves subsidies for vehicle leasing**

Russian Prime Minister **Dmitry Medvedev** has signed a decree according to which the Ministry of Industry and Trade and leasing companies will provide a subsidy of discounts granted to them to pay the advance payment of lease contracts of motor vehicles concluded with individuals and legal entities and individual entrepreneurs. Russia will allocate RUB 2.5 billion for the program by the end of this year. "The program of preferential leasing is a new measure to stimulate demand. Traditionally, legal persons are using leasing in Russia. Now individuals will be able to see as well that to use a car for two or three years instead of buying it and then to change it is profitable," said **Denis Manturov**, Minister for Industry and Trade. "With the new program, we expect to sell additional 16,000 vehicles in 2015, including 10,000 cars, 5,400 trucks and 600 buses." As of the 18<sup>th</sup> of May 18, 44 Russian leasing companies have sent statements regarding their intention to participate in the program. 33 of them have already submitted the necessary documents for the signing of a grant contract for a grant to the ministry. The program foresees a discount for advance payments of up to 10 percent of the value of the vehicle which will be compensate to the leasing companies from the federal budget.

#### **Hyundai and Nissan ask for subsidies for export shipments by rail**

The St. Petersburg-based car manufacturers **OOO Hyundai Motor Manufacturing Rus** and **OOO Nissan Manufacturing Rus** have asked the Ministry for Industry and Trade for subsidies destined for export shipments by the rail company **OOO RZhD**, fontanka.ru reports.

#### **Federal Antimonopoly Service approves deal between AvtoVAZ and AvtoVAZagregat**

**Federalnaya Antimonoplonaya Sluzhba Rossiyi** or **Federal Antimonopoly Service of the Russian Federation** in English (**FAS**) has approved an application made by **OOO AvtoVAZ** regarding the acquisition of 88.94 percent "of the basic production assets of the Togliatti-based plant **OOO AvtoVAZagregat**. According to earlier reports AvtoVAZ plans to buy AvtoVAZagregat's production of seats. In the past, seat production was located at the AvtoVAZ plant. Back in late 1990s the production of seats were transferred to AvtoVAZagregat, then a subsidiary of AvtoVAZ. However, AvtoVAZagregat was later purchased by other owners.

### ***Eberspächer to take over remaining 45 percent of Russian joint venture***

German supplier **Eberspächer Climate Control Systems GmbH & Co. KG** will take over the remaining 45 percent shares in the company **OOO Eberspächer AvtoVAZagregat Vykhlopnye Sistemy**, a joint venture with **OO AvtoVAZagregat. Federalnaya Antimonoplonaya Sluzhba Rossii** or **Federal Antimonopoly Service of the Russian Federation** in English (**FAS**) has already approved an application made by Eberspächer's subsidiary **EM Emissions Technology GmbH**.

### ***Atsumitec Toyota Tsusho Rus to install equipment at new plant in Togliatti***

Supplier **OOO Atsumitec Toyota Tsusho Rus** has brought production equipment to its future plant in the Special Economic Zone in Togliatti and is preparing the installation of the equipment according to the administration of the zone. Production start is expected for the end of this summer, the administration said. The company will produce AT/MT shifter systems. **Toyota Tsusho Corporation** and **Atsumitec Co. Ltd.** founded the joint venture Atsumitec Toyota Tsusho Rus in January 2013.

### ***Kommersant: Magna closes plant in St. Petersburg***

**Magna International Inc.** had decided to close its **OOO Magna Technoplast** plant in St. Petersburg and to move the production to another existing plant in Kaluga, Kommersant reports. The St. Petersburg plant, which was located in rented premises at the **Izhorskiye zavody**, manufactured bumpers for the **OOO Ford Sollers Holding** plant in Vsevolozhsk as well as parts for the **OOO Nissan Manufacturing Rus** factory in St. Petersburg. Magna declined to comment on the issue. The Technoplast facility in Kaluga was officially opened in October 2010.

### ***Nissan appoints new Head of Datsun for Russia***

**Dmitry Busurkin**, currently Nissan's RBU East Sales Director, has been appointed as **Datsun** Director for Russia, reporting to **Philippe Saillard**, Managing Director, RBU East. Busurkin will replace **Jerome Saigot**, who recently moved to the position of Vice President, **Datsun India Business Unit, Nissan Motor India Private Limited**. Busurkin has been working for **Nissan Motor Co. Ltd.** since 2004. During this period he held the positions of Nissan product manager, product planning manager, strategy planning manager, dealer performance manager in Russia, and also worked for several years in Nissan's European headquarters, before taking his current position.

### ***Change at the top of Suzuki importer***

**Keichi Sumida** (47) was appointed new General Director of the Russian Suzuki importer **OOO Suzuki Motor Rus**. He replaces **Koichi Takakura** who acted as the head of Suzuki Motor Rus since May 2012. Sumida has been working for the **Itochu Corporation** for more than 20 years. Since June 2012 he was responsible for the development of the Suzuki brand on the territory of the CIS and South East Asia. Prior to that, he was Executive Director of the **Vehicles Middle East FZCO** group of dealer companies in Dubai, United Arab Emirates, with responsibility for the sales of **Mazda** and **Isuzu** brands in the Persian Gulf countries and South Africa between November 2007 and March 2012.

### ***Kia shows pictures of facelifted Rio hatchback***

Following the March presentation of the facelifted Kia Rio sedan which is manufactured at the **OOO Hyundai Motor Manufacturing Rus** plant in St. Petersburg in March, the Russian Kia distributor now unveiled pictures of the facelifted Rio hatchback. Sales will be launched on the 1st of June, but the dealers are already accepting orders. The car starts at RUB 569,900.



### ***Geely recalls locally assembled Emgrand EC7***

Russian **Geely** distributor **OOO Geely Motors** is recalling 27,695 Geely Emgrand EC7 sedans and hatchbacks assembled by **OOO AK Derways** between the 23<sup>rd</sup> of May 2012 to the 21<sup>st</sup> of November 2014 because of the possible incorrect installation of rear brake hoses.

## **Russia/Hungary**

### ***Suzuki stops sales of Swift***

Russian importer **OOO Suzuki Motor Rus** is phasing out sales of Hungarian-made **Suzuki** Swift. While the car has already disappeared from the importer's homepage, some vehicles still may be at dealerships. Only 294 Suzuki Swifts were sold in Russia in 2014.

## **Russia/Turkey**

### ***Avtotor postpones assembly of Ford Cargo trucks***

**OOO Avtotor Holding** decided to postpone the start of assembly of Turkish-made **Ford** Otosan trucks, Za Rulyom.RF reports. Avtotor signed a Memorandum of Understanding with **Ford Otomotiv Sanayi A.Ş. (Ford Otosan)** regarding the Cargo assembly in December. Following the assembly of some pilot vehicles,

volume output was expected to start in February. A representative of Avtotor told Za Rulyom.RF that the company plans to launch serial assembly in the nearest future.

## Turkey

### ***Turkish workers' protest reaches vehicle plants***

**Oyak Renault Otomobil Fabrikaları A.Ş., Tofaş Türk Otomobil Fabrikası A.Ş. and Ford Otomotiv Sanayi A.Ş. (Ford Otosan)** were forced to halt production due to protests by workers. The protest was started last Thursday at Oyak Renault due to worsening working conditions. Workers at Tofaş have joined the protest later. Union officials stopped short of saying this was a strike. According to a news report in Today's Zaman, a Turkish daily, workers at the supplier **Magnetti Marelli Mako Elektrik Sanayi ve Ticaret A.Ş.**, joined the fight earlier this week. Ford Otosan said it had temporarily stopped production because of supply problems.

### ***Karsan launches production of Hyundai H350***

**Karsan Otomotiv Sanayii ve Ticaret A.Ş.** started volume production of the **Hyundai H350** light commercial vehicle at its plant in Bursa. The new vehicle is built on a flexible platform that supports three body styles - Van, Bus and Chassis-cab. The 3.5 tonne (GVW) H350 Van will be available with a choice of 5.5 meter or 6.2 meter overall lengths. The 4.0 tonne (GVW) H350 Bus offers customers two 13+1 seat layouts and a choice of passenger access doors. The Turkish plant will also build the flexible H350 Chassis-cab, which provides a foundation for customized bodywork for cargo boxes up to 4.0 m long and 2.32 m wide. **Hyundai Motor Co.** will start sales of the H350 in Turkey during May with availability in eight other European countries starting from June, before expanding further across Europe in 2016.

### ***Bosch announces new investments***

**Bosch Sanayi ve Ticaret A.Ş.** has announced that it will spend €200 million developing its local operations. The majority of funds will be devoted to setting up two new R&D centers. One of these will develop gasoline injection systems in Bursa.

### ***Mitsubishi Chemical establishes its performance polymer business network***

**Mitsubishi Chemical Corporation (MCC)** established its new performance polymer business network in Turkey. MCC's wholly owned subsidiary, **M CPP Germany GmbH**, opened the **M CPP Turkey Liaison Office** in Istanbul last month. The office will develop marketing activities to help expand sales in fast-growing markets including Turkey's automobile industry and other manufacturing sectors. It will also handle marketing activities in West Asia and other neighbouring areas and service the existing customer base in Turkey.

## Ukraine

### ***Great Wall LCV versions based on the Wingle 5 pickup launched in Ukraine***

**OOO Bogdan-Industria**, the Ukrainian distributor of **Great Wall** vehicles, has launched sales of LCV versions based on the Great Wall Wingle 5 pickup. In addition to the single cab pickup, the importer is offering versions with special bodies such as a delivery van, ambulance and so on.

## NEWS FROM MIDDLE EAST AND AFRICA

### Algeria

#### **Renault sets up second production team for plant in Oued Tlélat**

Six months after the inauguration of its plant, the **Renault Algeria Production (RAP)** joint venture has announced the creation of a hundred new jobs at its plant in Oued Tlélat, bringing the total number of employees to 380. The second team will enable the plant to reach an assembly capacity of 25,000 vehicles. According to **Guillaume Josselin**, CEO of **Renault Algérie**, 5,000 Algerian-assembled Renault Symbol has already been sold.

### Egypt

#### **GB Auto reports lower revenues for passenger car business**

The Passenger Cars division of **GB Auto S.A.E.** saw a 3.1 percent year-on-year decrease in revenues in the first quarter of to LE 1,930.9 million, as strong performance by **Hyundai** in Egypt was insufficient to offset challenges in Iraq and management's decision to withhold **Geely** supplies to the market to clear wholesale and dealer-level oversupply that accumulated in the fourth quarter of 2014. "Heading into the second quarter, Geely sales are well on their way back to historical levels as we began normal deliveries to the market, and I remain optimistic that our very strong results in Egypt will continue to provide a cushion for softness in Iraq and Algeria," said GB Auto's CEO **Dr. Raouf Ghabbour**. In Egypt, GB Auto sold 13,788 cars in the first quarter of 2015, up 3 percent from like-2014. The total figure includes 5,390 Hyundai CBU cars (up 60.7 percent), 635 Geely Emgrand CBU cars (up 54.5 percent), 313 **Mazda** cars (up 195.3 percent), 6,335 locally assembled Hyundai Verna cars (up 7.2 percent), 1,019 locally assembled Geely Emgrand cars (down 71.7 percent) and the first 96 locally assembled **Chery** Karry vans. In addition, GB Auto sold 3,788 Hyundai cars in Iraq (down 28.9 percent). For more information see statements by Dr. Ghabbour from a conference call with analysts in this issue.

### Egypt/Libya

#### **GB Auto to leave Libyan market**

**GB Auto S.A.E.** is in the process of liquidating of the inventory in Libya as it prepares to exit the market. The company does not have any personnel in Libya and that the in-country inventory is fully insured. Back in February 2013, GB Auto announced the plan to distribute **Geely** cars and **Great Wall** pickups in Libya in cooperation with **El-Bostan El-Zahbya Group**, a consumer goods, retail and logistics conglomerate owned by the **El-Saed** family.

### Iran

#### **Saipa celebrates assembly launch of Brilliance models**

**Saipa Automotive Group** and China car maker **Brilliance Auto** have celebrated the official launch of assembly of the **Brilliance H230** and **H330** models. The H230 sedans are assembled in a Saipa plant, while the H330 models will be assembled at **Pars Khodro**. Saipa plans to produce about 30,000 cars in the first year of cooperation, while the assembly lines have an annual capacity of over 100,000 cars, said **Yu Yuanhai**, General Manger of Brilliance Auto's Iran Project. The H230 and H330 models, priced \$11,000 to \$16,000, look promising in the Iranian market with more than 5,000 cars presold even before the assembly lines were unveiled, explained **Zhao Yan**, a spokesman for Brilliance Auto's Iran project.

### EXCERPTS

from statements by Dr. Raouf Ghabbour, CEO of GB Auto S.A.E., made in a conference call with analysts.

**“The government is determined to make Egypt the production hub for auto making for Middle East and Africa”**

Dr. Raouf Ghabbour spoke with analysts in a first quarter 2015 results presentation conference call last week. GB Auto’s activities in Egypt include CKD assembly of Hyundai and Geely cars and Chery vans, import of Hyundai, Geely and Mazda cars and production of buses. Currently the company is preparing investments for the production of three-wheelers and tyres. The company is also an importer for Hyundai cars in Iraq and for Geely cars in Algeria. It has had no success with the Geely and Great Wall import to Libya because of the current situation in the country.



#### ***On the first quarter results...***

Our first quarter was, to say the least, mixed. As a group we saw our top and bottom line rise but revenue for our core passenger car line of business dropped. Egyptian operations performed solidly for the most part, meeting or exceeding our expectations. On the other hand, our expansion territories were challenging due to factors outside of anyone’s control. And let me not forget to mention that SG&A expenses have dropped as a percentage of revenue for the third quarter running. At the same time though, FOREX losses, attributed mainly to January, rose substantially compared to last year, a trend that eased in late February and March. Please allow me to reiterate that this is nowhere where we’ve not been before. We have a proven track record of success in the face of challenges, staying the course with our investments and positioning ourselves for the leadership position when the market recovered. This case will be no different.

#### ***On the passenger car business...***

Our passenger car line of business remains core to GB Auto’s performance and our Egyptian passenger car operations are a primary driver of this success, accounting for a full 45 percent of our total group revenue in the first quarter of this year, and that comes in spite of a reported 56 percent decline in revenues from Geely operations in the quarter on a significant 71.7 percent decline in sales of Geely CKD units. This was a result of our decision to withhold deliveries to dealers as we sought to correct a market oversupply. That issue has been addressed and we have started seeing relatively normalised sales after quarter closure. Hyundai continues to account for the lion’s share of our sales here and I’m pleased to note that sales of CBU

vehicles rose a substantial 60.7 percent in the quarter. CKD units also rose, albeit a more modest 7.2 percent. I see these increases, and especially the CBU increase, as a clear sign of strong consumer demand and also consumer confidence. Likewise, Mazda posted an almost threefold increase in unit sales and is showing strong signs of continued growth. We are very open to offering new Mazda models should customs regimes permit such a move.

### ***On the depreciation of the Egyptian pound...***

Unfortunately, even as revenues rose comfortably, margins were pressured by the depreciation of the Egyptian pound against both the US dollar and the Korean won. At the same time, Japanese and European vehicles are benefiting from depreciation and improving their profits even as they leave their prices static. This has prevented us from passing the full effect of the foreign exchange differential on to consumers, a practice which we have been successfully doing since official devaluation started. I'm confident that the foreign exchange troubles are now largely behind us. Rather than the currency being at the whim of the black marketeers, the Governor of the Central Bank of Egypt has taken control of the Egyptian pound. This is not to say that I think the currency devaluation will not continue - it will, but it will do so in an orderly manner and one that is conducive to good business.

### ***On unfair customs advantage for European, Turkish and Moroccan cars...***

More potentially damaging in both the short and long terms of course is the unfair customs advantage enjoyed by European, Turkish and Moroccan vehicles against assembled-in-Egypt cars. I remain hopeful that the current government will address this issue. In fact, we have seen several trial balloons in the domestic press as to how this might unfold. At the same time, pressure on the government is rising. Mercedes-Benz has announced it will stop assembling in Egypt.

### ***On commercial vehicles...***

The commercial vehicles and construction equipment line of business has again grown revenues and gross profit as the market conditions continue to be quite favourable. We are continuing to reduce overstock of high-cost material and are confident that in the long term our superstructure business, the only manufacturing business of its kind in the country, will remain a small, almost niche, market but quite successful in spite of that. Exports of buses continue with very promising indicators and a focus on the Gulf and the sub-Saharan Africa region.

### ***On the activities in other countries...***

The hardest news for me in the first quarter of this year was the continued deterioration and fragmentation of the Iraqi market. The political, economic and security situation in this previously robust market are very poor and consumer confidence is unsurprisingly quite dismal. That said, we are actively seeking solutions that will see us adjust to the new reality on the ground and continue to operate successfully. In Libya, we are in the process of liquidating and I want to reaffirm that we have no personnel in Libya and that our in-country inventory is fully insured. The Algerian market was soft for us in the first quarter as currency issues impeded revenue growth. However, passenger car sales in the country are continuing at a reasonable pace and our tyre division there is reporting very strong sales. I can also tell you that in Algeria, as in Iraq and even Egypt, we are looking into possible expansions to best capitalise on the potential of this market.

### ***On the news that the Ministry of Finance has announced an incentive package and the question as to whether these incentives could include tax or investment incentives for car manufacturing...***

Regarding the incentives the government is currently considering to give to the automotive manufacturing, nothing has been announced officially yet so we really do not know. But what I can assure you is that I've had meetings, lots of meetings with the Minister of Finance and with the Minister of Industry and Trade and with the Prime Minister and across the board, they say that we will do anything it will take us to ensure and guarantee that automotive manufacturing not only survives but transforms itself from an assembly manufacturing into a complete manufacturing of cars, they are determined to make Egypt the production hub for auto making for Middle East and Africa. What they are considering exactly, we have given them our ideas but we do not know what they will come back with but what I know is that they are currently testing new regulations regarding customs and sales tax but the details we really don't know. But I have to say that I have very big confidence that very soon we will have a completely different geography of regulations attracting serious investments into this business and completely changing the geography of the market from 50/50 - 50 percent CKD and 50 percent CBU market into a 75 percent CKD, 25 percent CBU market. And I hope it will bring some kind of balance in the treatment between the free trade agreement with Europe, Turkey and Morocco and other countries of origin like Japan, China and US.

### ***On the FX shortage in Egypt...***

I have to say that during the last month and a half, we have seen a very gradual and I would say good level of improvement in the FOREX allocation provided to us from banks, which leads me to believe that there will not be any impacts of the shortage of foreign currency and I do not see shortage of foreign currency within or beyond the period of let's say July or August. So of course we have hedged our position by eroding our strategic inventory level so and immediately afterwards, it was compensated by allocations of foreign currency so we have not missed business opportunities.

### ***On the plans for a three-wheeler manufacturing facility...***

Looking at motorcycles and three-wheelers, the primary news for this line of business is our planned expansion. Of course it continues to deliver a strong performance in the first quarter of this year, which is traditionally a slow season for sales of these vehicles. I don't want to say this is expected after the attempt last year to ban imports of kits, but this much is clear: there is a remarkable market for these vehicles not just in Egypt but abroad. That's where our expansion plans come in. Our current assembly facilities in Egypt are considered the first motorised Bajaj line outside of India. We are currently finalising studies to install new painting and welding shops with considerable components and process localisation. Proceeds from the capital increase will in part be used to finance this expansion. We have seen positive consumer acceptance of three-wheeler sales in prior sales in Iraq and initial signs suggest that this business could be a replica of the Egyptian success story. Producing locally voluminous components will efficiently reduce the costs. We'll be able to, as well, increase our market share because definitely we'll be able to get customs reduction which will make us much more competitive than where we are today, and finally it will give us a lot of protection, political protection because as you know, we have had an experience last year whereby there was a ban of importation. The three-wheelers specifically is not that well perceived by not only the Egyptian government but by all governments everywhere in the world. So having a manufacturing facility employing lots of people and generating foreign currency through export will make it more difficult for the government to consider unfavourable future decisions.

### ***On the time schedule for the three-wheeler plant...***

I do not think that the factory will take more than a year and a half to be completed so I expect launching of the production by the end of next year or latest by early 2017.

### ***On the plans to export Egyptian-manufactured three-wheelers...***

Absolutely the new investment we are doing is not only to supply to the Egyptian market. It is bound to supply to all the free trade agreement markets we have. So we are looking at the GAFTA markets and one of them is Iraq. So it's not going to be only Iraq but it's going to be pan-Arab, we will sell wherever the motorcycles or three-wheelers are needed. We'd be selling across the Arab world as well as in COMESA, which is the East African markets. And as you know, on the 10th of July, Egypt will sign the tripartite agreement which is linking the COMESA to South Africa as well. So it's going to be a pan-African, almost pan-African free trade agreement. So those will be extremely widely open to receive our products from two- and three-wheelers.

### ***On the project to construct a tyre manufacturing facility...***

We are currently in the negotiation with a global player for the know-how transfer and the distribution rights and the rights to use the brand name. I assume that hopefully we'll be able to get preliminary approvals within this quarter, which hopefully when it happens will be able to get into the negotiation regarding the terms of the contract and so forth which I assume should be completed during the third quarter. So by that time we'll be able to make announcements related, very clear announcements related to the project.

*Compiled by Peter Homola*

### UPCOMING EVENTS

- » **June, 2-3:** VIENNA, AUSTRIA: AUTORETAIL EUROPE  
<http://www.autoretail-europe.com>
- » **June, 8-10:** GYŐR, HUNGARY: EUROPEAN AUTOMOTIVE CONGRESS  
<http://eaec2015.org/>
- » **October, 28-30:** BUDAPEST, HUNGARY: AUTOMOTIVE HUNGARY  
<http://automotiveexpo.hu>
- » **October, 1-11:** BUCHAREST, ROMANIA: BUCHAREST AUTO SHOW  
<http://www.sab.ro>
- » **November 24-25:** ISTANBUL, TURKEY: 2ND WORLD AUTOMOTIVE CONFERENCE.  
<http://worldwidepartnerships.co.uk/conference/world-automotive-conference-in-turkey/>

### IMPRINT

**Editor:** Peter Homola, Phone: +43 664 124 4870 E-mail: peterhomola@ceauto.at

**Chief Correspondent:** Csaba Delényi. Phone: +36 30 862 7287. E-mail: dcsaba@ceauto.co.hu

**Copy Editor:** Timothy Rawson

**Layout Editor:** Katalin Böröcz

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