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FUTURE TREND AND DEVELOPMENTS IN THE IRANIAN AUTOMOTIVE INDUSTRY

1- IRAN AT A GLANCE

2- PAST, PRESENT AND FUTURE OUTLOOK OF AUTOMOTIVE INDUSTRY IN IRAN

3- IRAN - KHODRO AT A GLANCE

4- SAPCO PROFILE

5- OPPORTUNITIES FOR COOPERATION

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IRAN'S POSITION

- ## ENVIROMENT
- UNIQUE GEOGRAPHICAL AND STRATEGIC POSITION
- BORDER LINE OF EUROPE & ASIA
- surrounded by some 20 developing countries
- CONNECTING BRIDGE BETWEEN CENTRAL ASIA AND REST OF THE WORLD
- POTENTIAL MARKET WITH 300 MILLION POPULATION
- AMPLE NATURAL RESOURCES : PETROLEUM (%11 of world's reserve , world's second – Largest proven oil reserves after Saudi Arabia), NATURAL GAS (%15 of world reserve , world's second – Largest proven Gas reserves after Russia) COAL, CHROMIUM, COPPER, IRON, LEAD, MANGANESE, ZINC , SULFUR
- FAIRLY CHEAP AND ABOUNDANT LABOR AND ENERGY

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IRAN AT A GLANCE

- AREA: 1,65 MILLION SQ.KM
- POPULATION: 72 M (Jul 2008)
- ANNUAL POPULATION GROWTH RATE: 1.4 %
- URBAN POPULATION SHARE: 69%
- RURAL POPULATION SHARE : 31%
- POPULATION DENSITY: 43 PERSON PER SQ. KM
- ACTIVE POPULATION : 23.5 M
- EMPLOYED POPULATION : 21 M
- LIFE EXPECTANCY: 70 YEARS
- LITERACY RATIO :
  - 6 YEARS & OVER : 87 %
  - 6 -29 YEARS :97%
- NO. OF UNERVISTY STUDENTS: 2.8 M

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ECONOMY

- GDP 2008 : $ 310 BN (ATLAS METHOD) RANKED 33 ,
  $ 610 BN (PPP METHOD) RANKED 19 ,
- PER CAPITA INCOME 2008 : $ 4300 (ATLAS METHOD) RANKED 110
- $ 9600 (PPP METHOD) RANKED 91
- GDP GROWTH RATE, 2008: 6 %
- GDP AVG. ANNUAL GROWTH RATE (2000-2008): 6%
- SECTORS' CONTRIBUTION IN GDP, TO CURRENT PRICE , 2007
  - OIL : 27 %
  - AGRICULTURE: 10 %
  - MINE & INDUSTRIE: 17 %
  - SERVICES: 48 %
- GROSS FIXED CAPITAL FORMATION IN 2008 : 25 % OF GDP
- INFLATION RATE 2008 : 24 %

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INFLATION RATE

YEAR	RATE
1998	18.1%
1999	20.1%
2000	12.6%
2001	11.4%
2002	15.8%
2003	15.6%
2004	15.3%
2005	10.4%
2006	11.9%
2007	18.4%
2008	24.0%

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TRADE & FINANCE

- EXPORTS 2008 : $100 BLN
- NON-OIL EXPORT 2008: $ 23 BLN
- IMPORTS 2008 : $ 58 BLN
- PRESENT VALUE OF DEBT MID 2008 : $23 BLN
- FOREIGN RESERVE MID 2008 : $ 57 BLN
- MAJOR TRADING PARTNERS , 2007: U.A.E, GERMANY, CHINA , SWISS , KOREA, UK, FRANCE, ITALY, .

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IRAN'S NEW ECONOMIC DEVELOPMENT POLICIES

- ECONOMIC LIBERALIZATION → FREE MARKET ECONOMY
- PRIVATIZATION
- DEREGULARIZATION TO REDUCE RED TAPE
- UNIFICATION OF EXCHANGE RATES
- NON-OIL EXPORT PROMOTION INSTEAD OF IMPORT SUBSTITUTION
- ABSOLUTE EXPORT TAX HOLIDAY
- NON OIL EXPORT TRADE BALANCE
- NEW ATTARACTIVE FOREIGN INVESTMENT LAW
- LEVERAGE LOCAL MARKET TO EXPAND EXPORT

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IRAN’S AUTOMOTIVE INDUSTRY

- FASTEST GROWING INDUSTRY IN IRAN
- % 23 AVERAGE ANNUAL GROWTH RATE DURING LAST 10 YEARS
- ABOUT 3 TIMES MORE THAN INDUSTRY AND 5 TIMES MORE THAN ECONOMY, DURING 1994 -2008

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GROWTH COMPARISON:
INDUSTRY, AUTO-INDUSTRY AND GNP,1994-2008

YEAR	AUTOMOTIVE INDUSTRY GROWTH (%)	INDUSTRY GROWTH (%)	GNP GROWTH (%)
1994	15.3	3.3	0.5
1995	28.6	-0.09	2.9
1996	26.7	18.4	6.1
1997	37.5	11.7	2.8
1998	18.7	-4.1	2.9
1999	16.3	8.2	1.6
2000	23	10.9	5
2001	28.5	11.9	5.4
2002	40	11.1	7.6
2003	41.2	10	6.8
2004	19.8	11.9	4.8
2005	11.6	7.2	5.7
2006	9.6	9.7	6.2
2007	4.1	8.7	6.9
2008 *	13.5	8	6
AVG 1994-2007	23	8.5	4.8

* ESTIMATE

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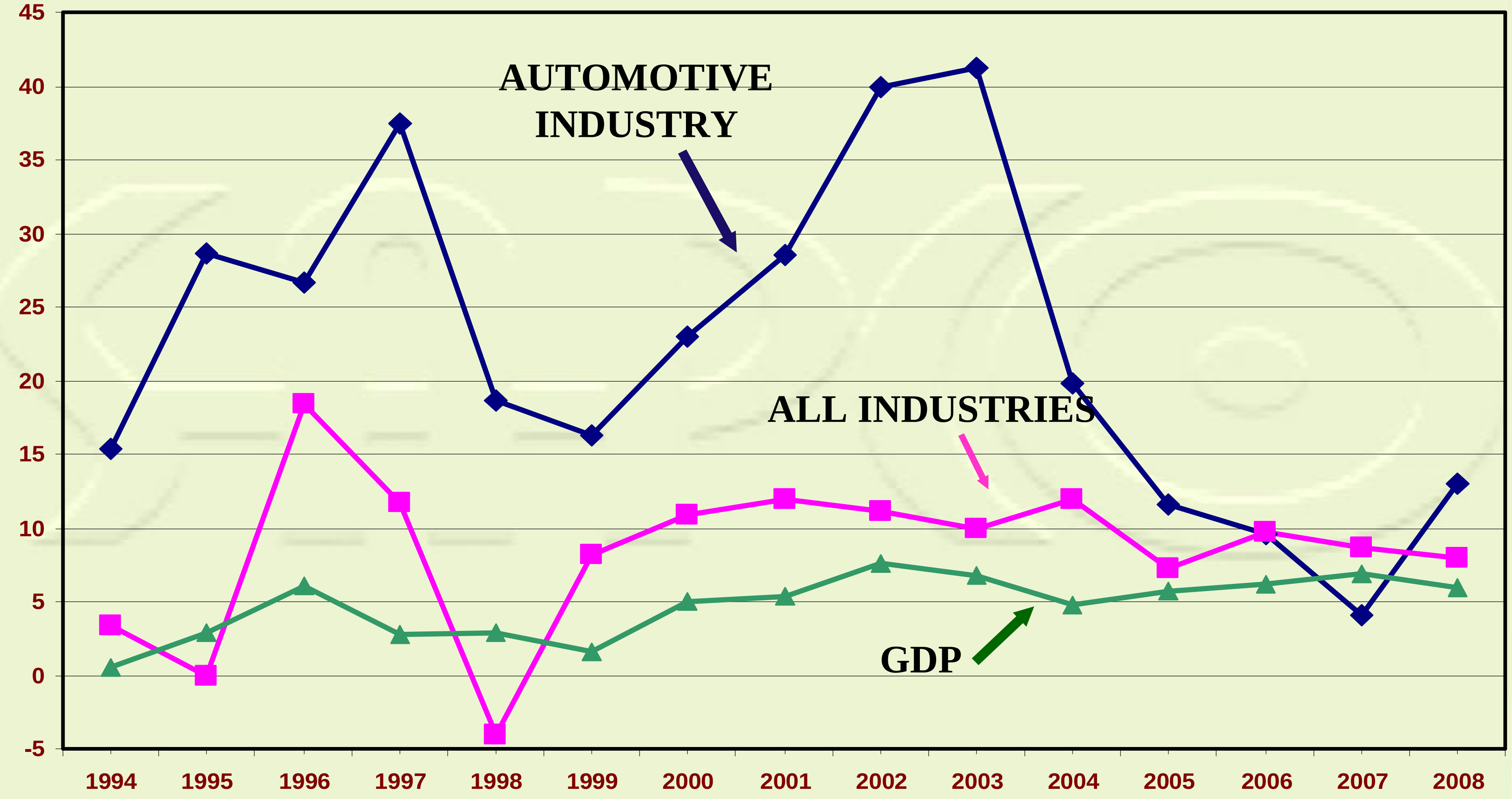
GROWTH COMPARISON:
INDUSTRY, AUTO-INDUSTRY AND GDP, 1994-2008



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AUTOMOTIVE INDUSTRY IN IRAN

- 25 AUTOMAKERS (PUBLIC & PRIVATE)
- 1200 AUTOPART MANUFACTURERS
- 650000 DIRECT & INDIRECT EMPLOYMENT
- 1989 PRODUCTION LESS THAN 25000 UNITS,

  2008 PRODUCTION MORE THAN 1300000 UNITS ,

  52 TIMES INCREASE

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VEHICLE PRODUCTION IN IRAN (1993-2008)

Year	Units (000)	Growth Rate
1994	72	15.3%
1995	93	28.6%
1996	127	36.7%
1997	207	37.5%
1998	241	18.7%
1999	296	16.3%
2000	296	23.0%
2001	380	28.5%
2002	532	40.0%
2003	752	41.2%
2004	901	19.8%
2005	1005	11.6%
2006	1102	9.6%
2007	1147	4.1%
2008	1301	13.3%
Avg. Growth		23

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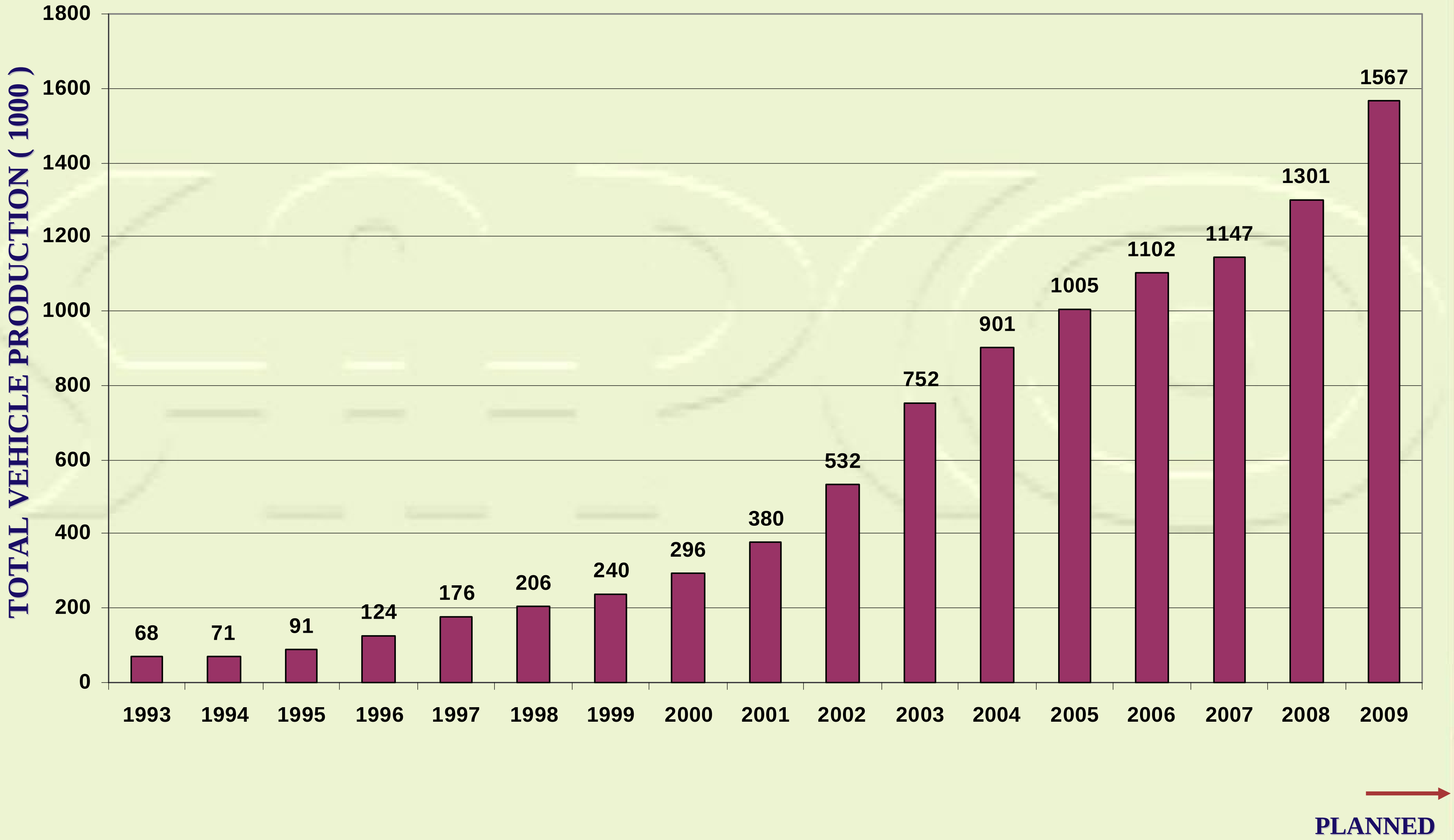
VEHICLE PRODUCTION IN IRAN (1993 – 2009)



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AUTOMOTIVE PRODUCTION RANKING 2007

(MILLION / UNITS)

RANK	COUNTRY	MLN	RANK	COUNTRY	MLN
1	JAPAN	10.9	11	INDIA	1.8
2	U.S.A	10.5	12	UK	1.7
3	CHINA	6.8	13	RUSSIA	1.4
4	GERMANY	5.6	14	THAILND	1.3
5	SOUTH KOREA	3.7	15	ITALY	1.2
6	FRANCE	2.9	16	IRAN	1.1
7	SPAIN	2.8	17	TURKEY	1.05
8	BRAZIL	2.6	18	CZECH REP.	0.89
9	CANADA	2.5	19	POLAND	0.78
10	MEXICO	1.9	20	BELGIUM	0.77

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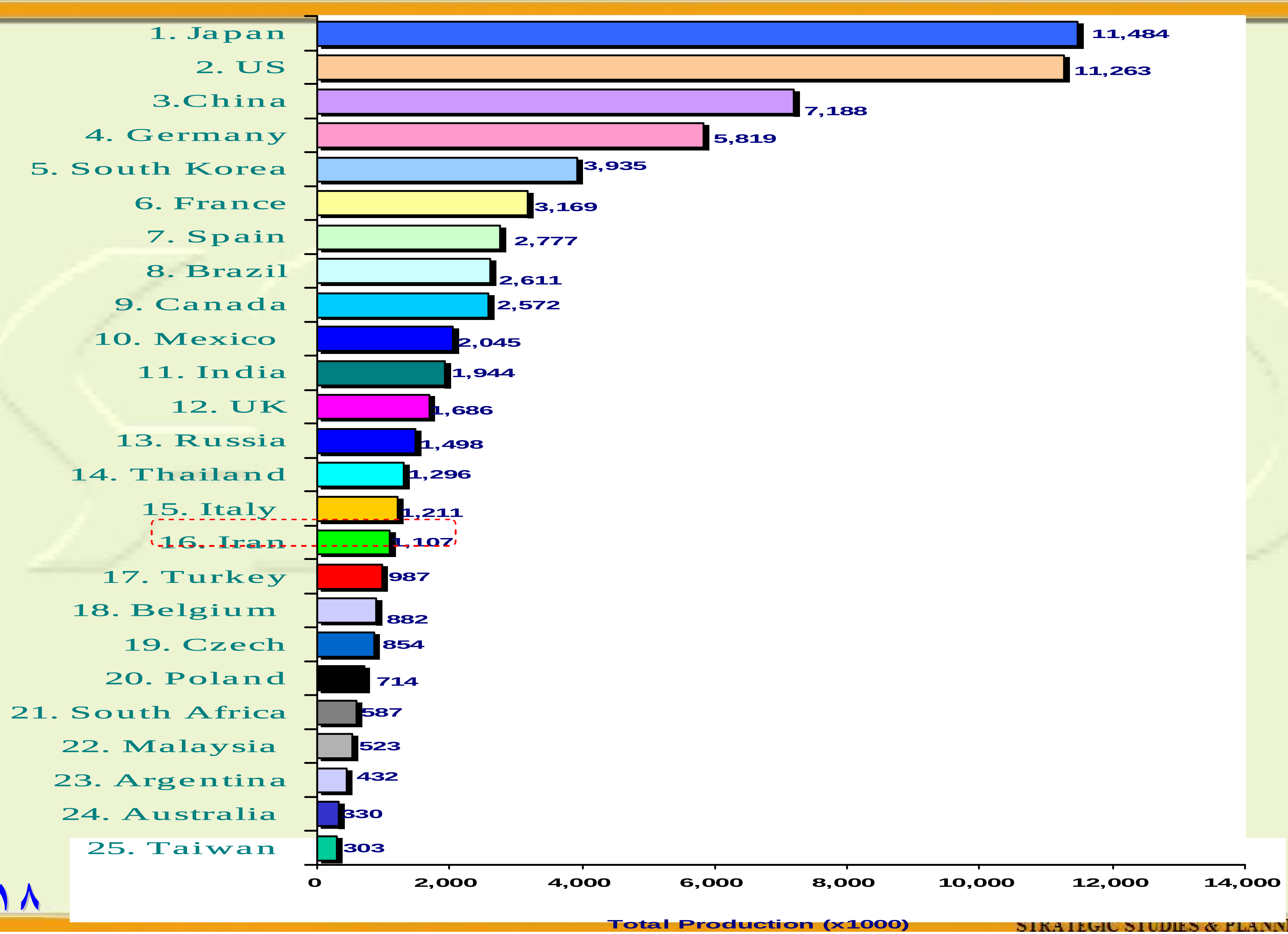
Global Automotive Industry



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Vehicle Production Mix, 2008

Type	Units	Share
Passenger Cars	1057485	81.3%
Pickup	190492	14.6%
Truck	32082	2.5%
4WD	9199	0.7%
Bus	3718	0.3%
Minibus	2347	0.2%
Van & AMBULANCE	5668	0.4%
TOTAL	1300991	100.0%

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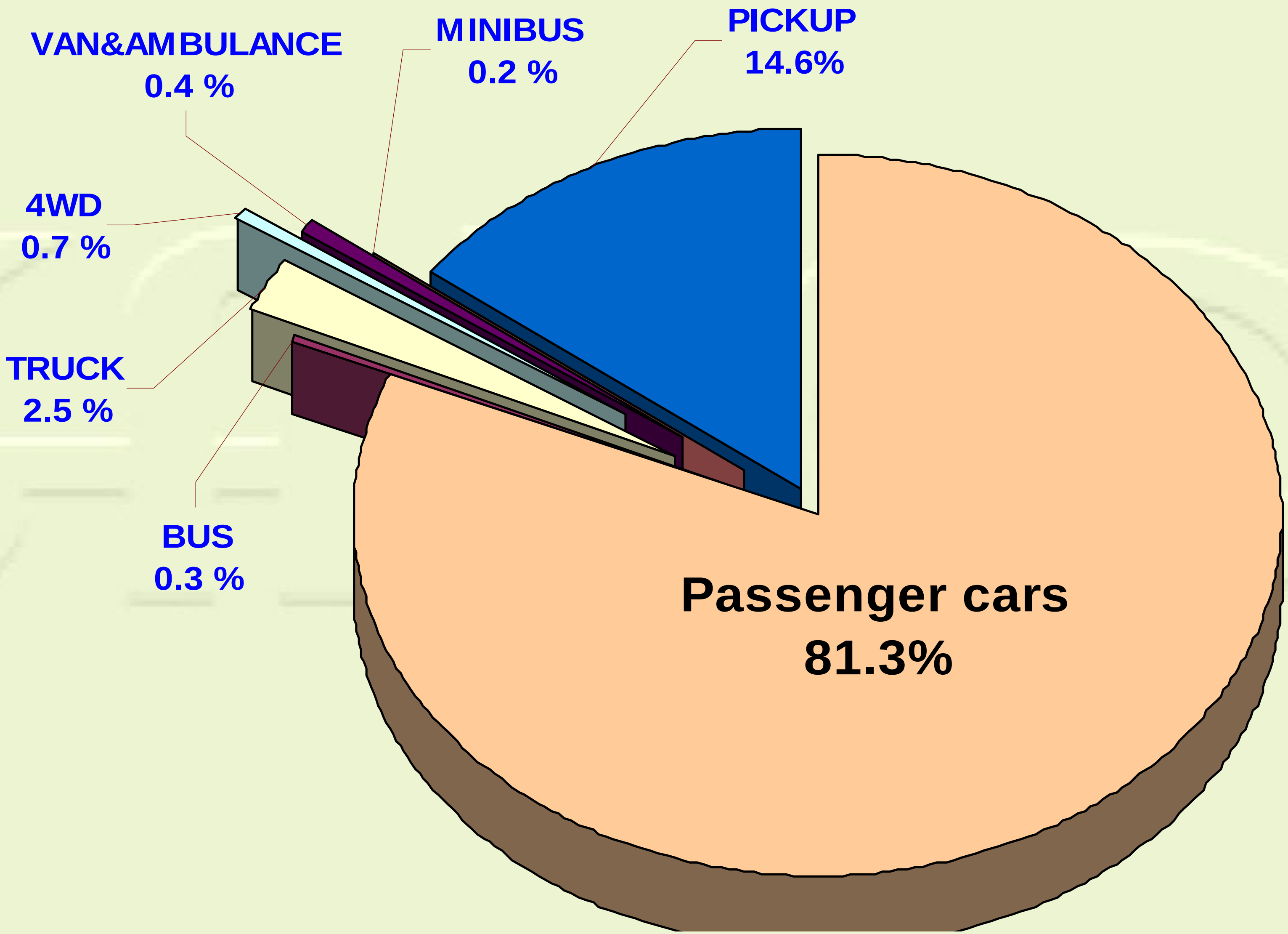
VEHICLE PRODUCTION MIX, 2008



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AUTO INDUSTRY SALES VALUE

BILLION USD *

YEAR	OEMs	SUPPLIERS	TOTAL
1998	0.81	0.43	1.24
1999	1.55	0.99	2.54
2000	2.41	1.40	3.81
2001	3.08	1.78	4.86
2002	4.36	2.52	6.88
2003	5.7	3.8	9.5
2004	6.9	4.5	11.4
2005	9	5	14
2006	10	5	15
2007	11.7	6	17.7
2008	15	7	22

* Only Companies officially registered on Tehran Stock Exchange

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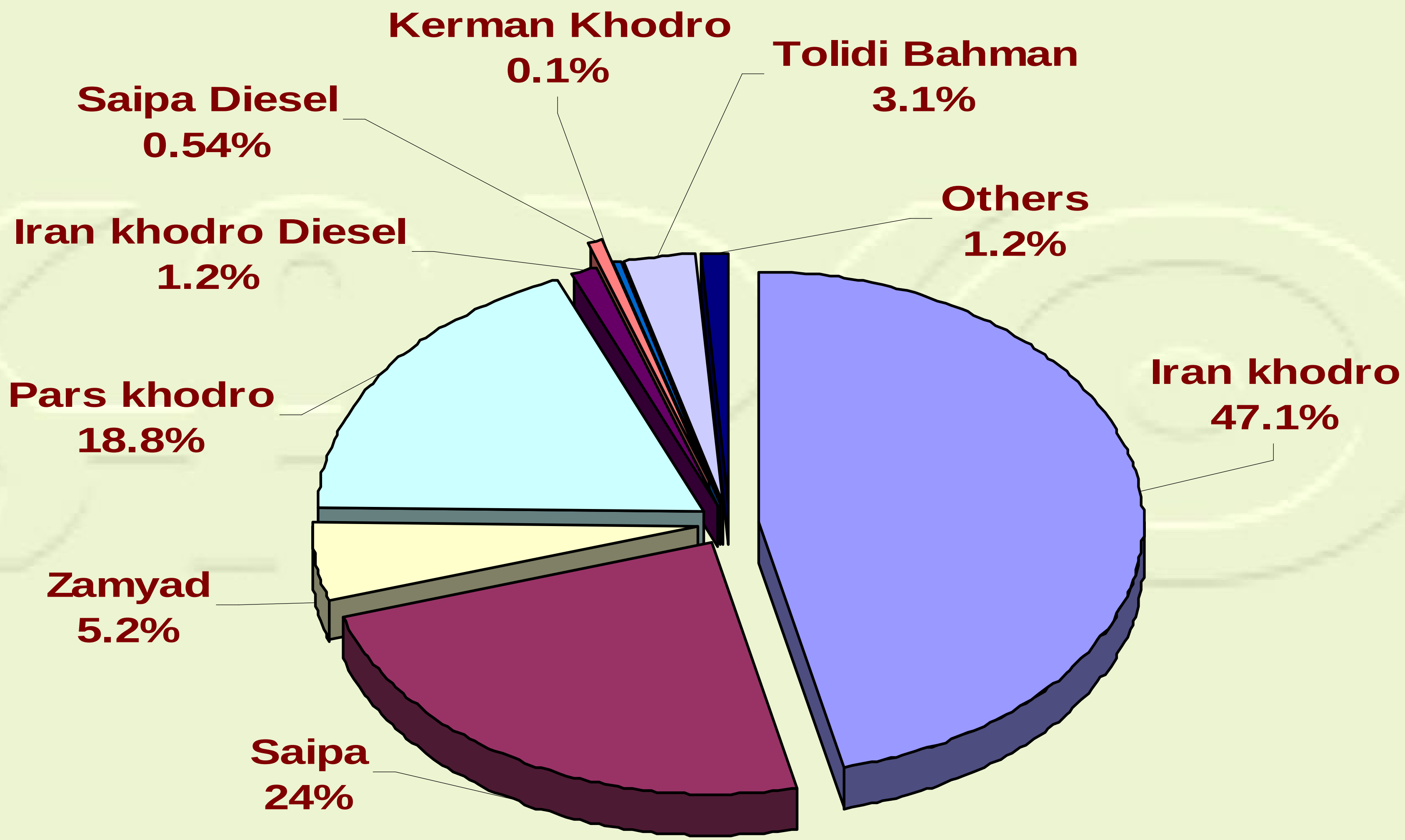
AUTO MANUFACTURERS' SHARE of DOMESTIC VEHICLE PRODUCTION, MAR., 2008-2009



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MAJOR ALLIANCES IN AUTO- INDUSTRY

MAR, 2008-2009

SAIPA GROUP

SAIPA
24%

ZAMYAD 5.2%
PARS KHODRO 18.8%
SAIPA DIESEL
0.54%

48.5 %

IRANKHODRO GROUP

IRAN
KHODRO
45.8 %

IRAN KHODRO DIESEL
1.2%

47.1%

KHODROSAZAN RAYN 0.23
KHODRO SAZAN BAM 0.09
TOLIDI BAHMAN 3.1%
RANIRAN 0.03%
SHAHAB KHODRO 0.03 %
ZAGROS KHODRO 0.04 %
MORATTAB 0.01%
OGHABAFSHAN 0.05
KHODRO SAZAN MODIRAN 0.12 %
KERMAN MOTOR 0.1 %
ARAS KHODRO DISEL 0.09 %
KARIZAN KHODRO 0.27 %
OTHERS 0.17 %

4.4 %

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VEHICLE BRANDS 2006-2007

NO.	BRAND	MANUFACTURER	PRODUCTION 2006	%	PASSENGER CAR MODELS	COMMERCIAL VEHICLE MODELS	TOTAL
1	Kia Motors	SAIPA	447345	41	2	_	2
2	Peugeot	Iran khodro	355899	32	4	_	4
3	Iran khodro	Iran khodro	167934	15	1	1	2
4	Nissan	PARS KHODRO & ZAMYAD	54924	5	3	2	5
5	Citroen	SAIPA	14325	1.3	1	___	1
6	Mazda	TOLIDI BAHMAN	13543	1.2	1	2	3
7	MercedesBenz	Iran khodro DIESEL	10865	1	1	9	10
8	Saipa	PARS KHODRO	10459	0.9	1	1	2
9	Hyundai	IRAN KHODRO DIESEL& KHODRO SAZAN REYAN	5249	0.5	2	1	3
10	Volvo	RANIRAN & SAIPA DIESEL	3853	0.3	___	8	8
11	Volkswagon	KHODRO SAZAN BAM	2815	0.3	1	____	1
12	Isuzu	TOLIDI BAHMAN	2522	0.2	___	1	1
13	cherry	IRAN KHODRO / MODIRAN KHODRO	2040	0.2	1	____	1
14	china	ARASKHODRO DIESEL	1913	0.2	___	4	4
15	china	KARIZAN KHODRO	1513	0.1	___	2	2
16	Proton	ZAGROS KHODRO	1356	0.1	2	____	2
17	Renault	KISH KHODRO & SHAHAB KHODRO	1142	0.1	1	2	3
18	Iveco	ZAMYAD	818	0.1	_	5	5
19	Suzuki	Iran khodro	792	0.1	1	___	1
20	Mitsobishi	TOLIDI BAHMAN	604	0.1	1	____	1
21	land rover	TOLIDI MORRATAB	499	0.05	1	1	2
22	TRACTORSAZI	TRACTORSAZI	463	0.04	___	1	1
23	Scania	OGHAB AFSHAN	372	0.03	___	1	1
24	Ssangyoung	TOLIDI MORRATAB	120	0.01	1	____	1
25	Toyota	ZARRIN KHODRO	96	0.01	___	4	4
26	Golden Dragon	BAHMAN GROUP	40	0.004	___	2	2
27	Man	ZARRIN KHODRO	31	0.003	___	1	1
28	Daewoo	ZAMYAD	9	0.001	___	1	1
TOTAL			1101541	100	25	49	74

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FUTURE MARKET GROWTH POTENTIAL

- GROWING YOUNG POPULATION,

  65 % LESS THAN 30 YEARS AGE

- AGEING OF 9 MILLION CAR PARC

  2.6 MILLION CARS (19.2 %) OVER 20 YEARS OLD AND SHOULD BE REPLACED (SAVING ENERGY & REDUCING POLLUTION)

- LOW RATE OF CAR OWNERSHIP

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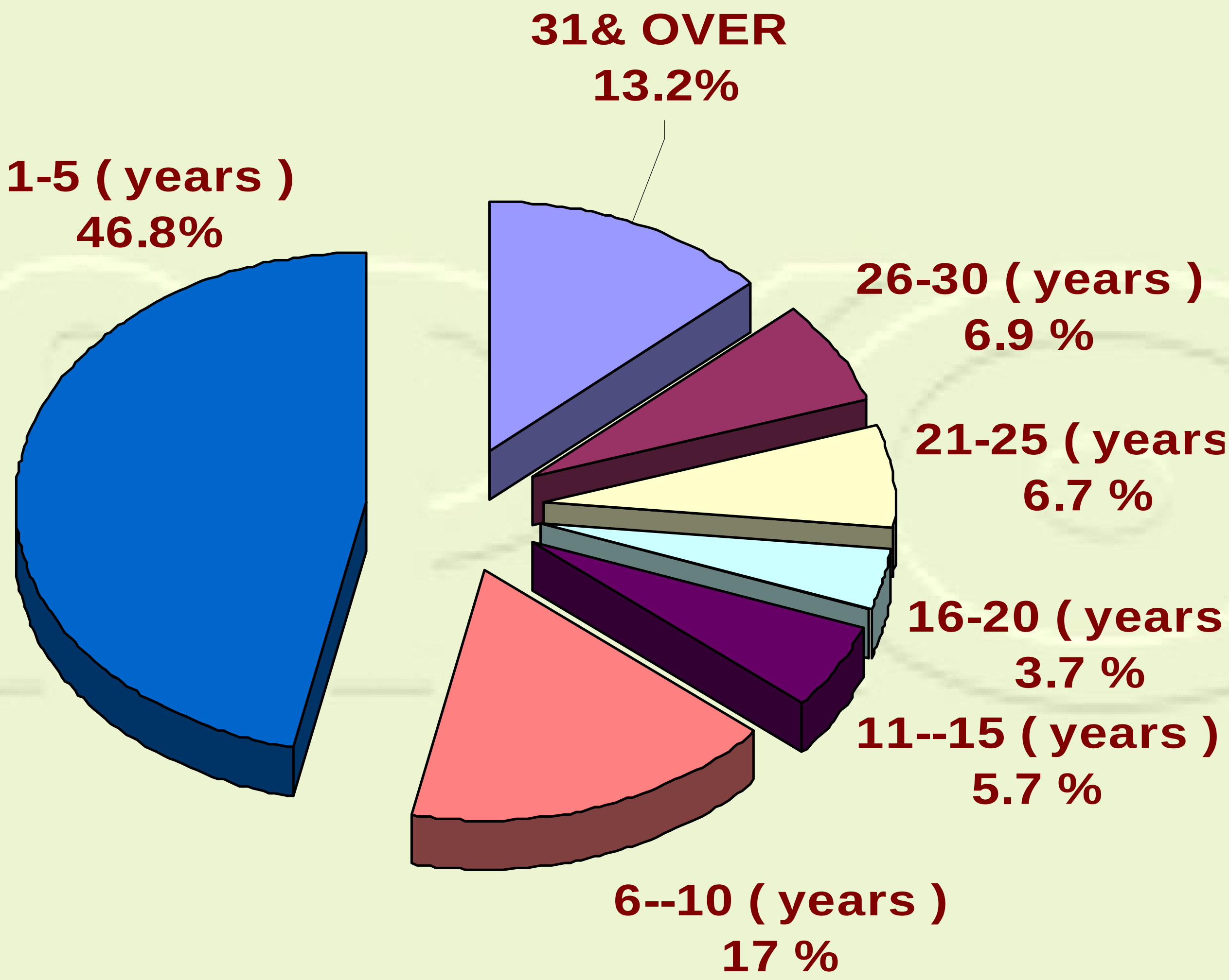
CAR PARC AGEING,MAR. 2008



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COUNTRY CAR OWNERSHIP IN 2005

COUNTRY	NO.OF PERSONS PER MOTOR VEHICLE	NO.OF PERSONS PER PASSENGER CAR
India	64.9	93.3
TURKEY	8.3	12.4
IRAN	8.3	10.5
SOUTH KOREA	3.1	4.1
UK	1.8	2
FRANCE	1.7	2
GERMANY	1.7	1.8
JAPAN	1.7	2.2
Italy	1.7	1.5
U.S.A	1.2	2.2
World average	7.3	10

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Iranian Auto Industry Production 2004-2009

(000,Units)

Vehicles Type	2004	2005	2006	2007	2008	PLAN 2009
LIGHT VEHICLES	788	839	959	1116	1248	1477
Commercial Vehicles	11	17	22	31	53	90
Total	901	1005	1178	1147	1301	1567

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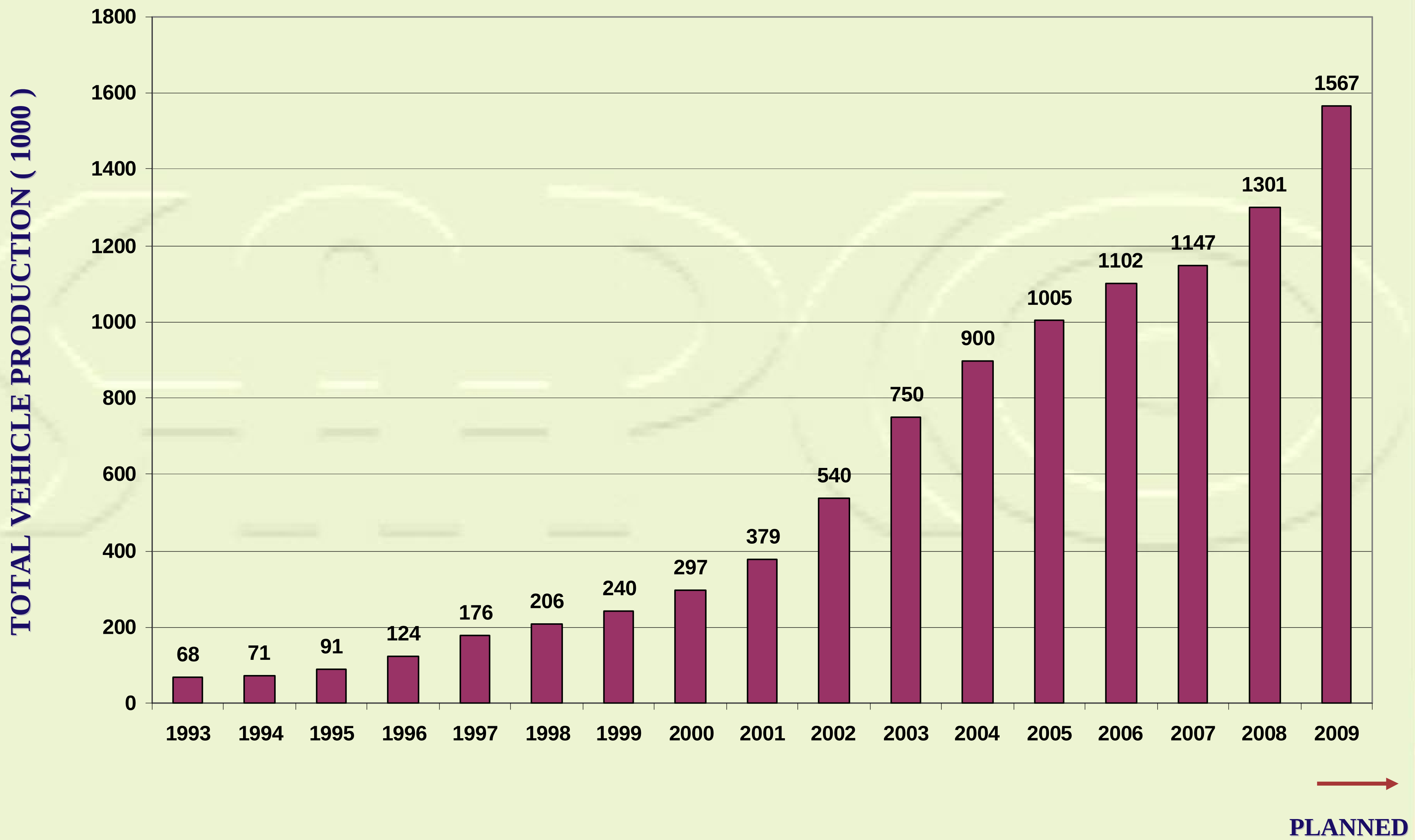
VEHICLE PRODUCTION IN IRAN (1993 – 2009)



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IRAN PASSENGER CAR TRADE BALANCE 2005 TO 2008 (MILLION $)

YEAR	2005	2006	2007	2008
IMPORT	275	540	878	967
EXPORT	110	175	334	250
TRADE BALANCE	-165	-365	-544	-717

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AUTO INDUSTRY CHALLENGES

- EXPORT PROMOTION INSTEAD OF IMPORT SUBSTITUTION
- CHANGE OF PROTECTIONISM POLICIES
- NON TARIFF BARRIERS REMOVAL ➡ SCHEDULED TARIFF REDUCTIONS ➡ FROM % 130 IN 2004 TO % 90 IN 2008
- GRADUAL CONTROLLED IMPORTS ➡ SCHEDULED INCREASE OF IMPORTATION ➡ MORE THAN 50000 VEHICLES WORTH US $ 967 M . IN THE 2008
- ENVIRONMENT PROTECTION LEGISLATIONS (FUEL CONSUMPTION & POLLUTION & SAFETY)
- THE STATE'S REQUIREMENT OF AT LEAST % 25 CNG PRODUCTION FROM 2008
- COMPETITION (COST , QUALITY , DELIVERY & AFTER SALES SERVICES) ➡ LOWER CUSTOMER LOYALTY ➡ LOWER MKT SHARE ➡ LOWER PROFIT ➡ SURVIVAL ?
- TRADE DEFICIT MORE THAN $ 5B

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STRATEGIES TO FACE CHALLENGES

- TO BECOME A LOW COST PRODUCTION BASE
- OBTAIN ECONOMIES OF SCALE THROUGH MERGERS & ACQUISITIONS / STRATEGIC ALLIANCE
- MKT STRATEGY LEVERAGE TO ACHIEVE TRADE BALANCE
- COMMON PLATFORM STRATEGY (RENAULT LOGAN)
- ENHANCE INTERNATIONAL COOPERATION
- INTEGRATION IN GLOBAL PRODUCTION & DISTRIBUTION NETWORK (J.V. RENAULT)

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