



Creative Global Investments

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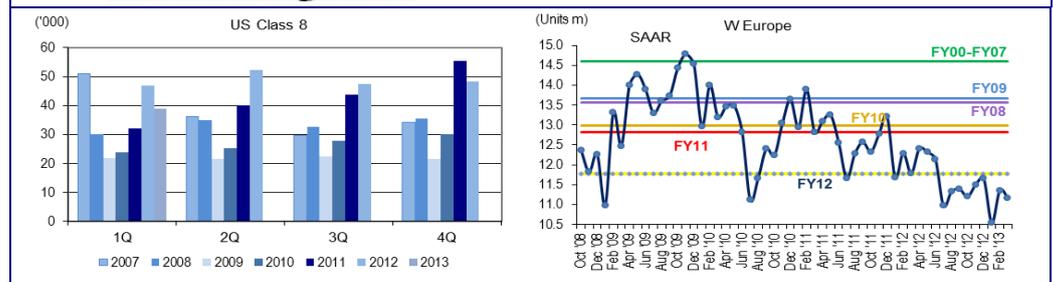
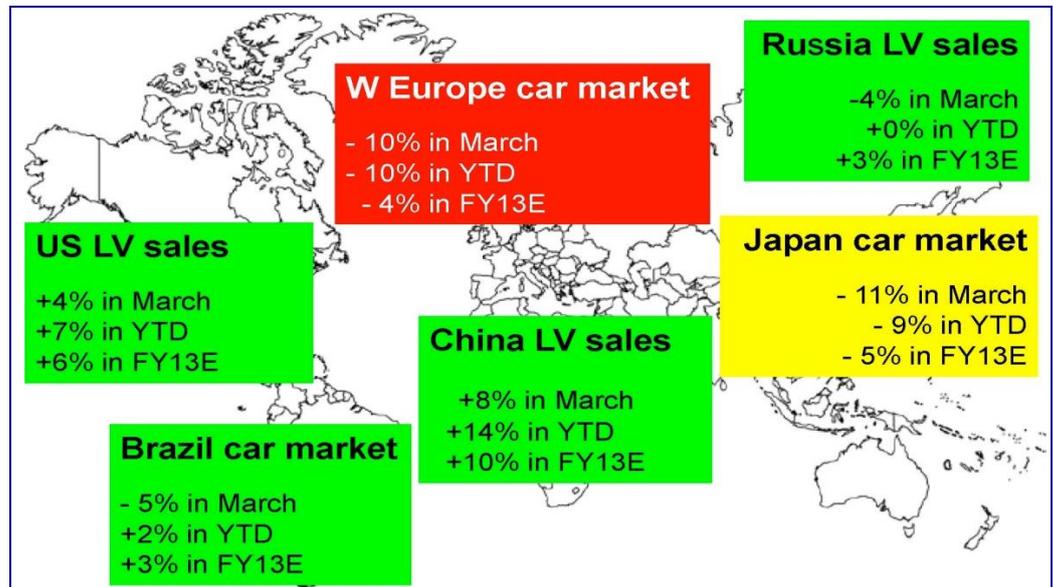
**Objectivity
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Global Automotive Demand Atlas

April 2013 edition

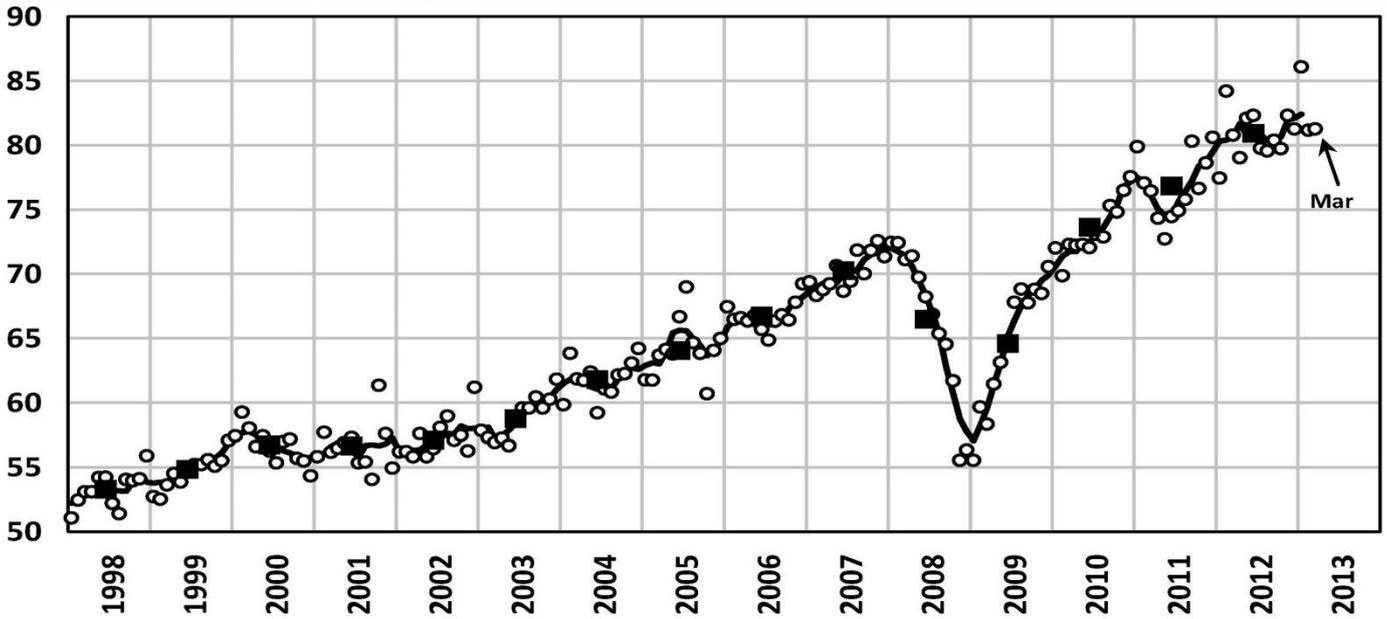
Global light vehicle markets

- 2% in March
+2% in YTD
+3% in FY13E



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Global LV sales – monthly SAAR (1998-Mar'13)



Source: LMC Automotive

In March, the global light vehicle markets declined 1.5% yoy to 7.96m units, after having declined 6.2% yoy in February, resulting in a 1.6% yoy increase in YTD, according to LMC Automotive. The SAAR (seasonally adjusted annualised rate) of sales was 81.26m units/year, 2.0% higher than February's 79.68m and 5.4% down from a record 85.91m in January. YTD, the SAAR was 82.83m, 2.3% higher than FY12's 81.00m. In FY13E, the global LVs markets are expected to grow 2.8% to 83.2m, which implies a considerable deceleration from last year's 5.3% and is in line with our previous forecast. (See GADA March 2013 edition of April 1st, 2013.) From 2014 onwards, the markets are expected to accelerate again and to grow by almost 7% p.a. in 2014E and 2015E.

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US LV sales

SAAR of 15.2m in March

In March, US light vehicle sales increased 3.6% yoy to 1.45m units, after 3.7% in February, resulting in a 6.5% yoy increase to 3.69m YTD. In March the US market thus achieved its highest monthly sales volume since August 2007, when 1.48m units were sold. Adjusted for the number of selling days (27 in Mar'13, 28 in Mar'12 and 24 in Feb'13), the market was up 7.4% yoy and 8.3% mom in March and 7.9% yoy in YTD. According to LMC Automotive (LMCA), March's SAAR was 15.2m units/year, up 1.1m yoy and down 0.2m from February.

Retail sales driving force since May

Retail sales have been a driving force since May and continued to outperform in March when they were up 8.9% yoy at 1.15m units, or 79% of total sales, yielding a SAAR of 12.0m, up 0.6m yoy and down 0.1m from February's 12.1m.

+5.5% to 15.27m in FY13E

LMCA's FY13E forecast of a 5.5% increase to 15.27m represents a slowdown from FY12's 13.5% growth to 14.46m and takes into account macro-economic, fiscal and political uncertainties.

Pent-up demand, easier credit and historically high residual values

A variety of positive factors that are expected to continue to drive US LV sales in 2013 and beyond include a growing pent-up demand, population growth, residual values at historically high levels, a record number of new products and last, but not least considerably easier consumer credit conditions. Indeed, the current credit terms are the most favourable since 2008, illustrated by low interest rates, increased lending to sub-prime customers and longer repayment terms. In addition, in 2013, the number of vehicles coming off lease is expected to increase by 0.5m to 1.76m from a low of 1.29m in FY12, reflecting the recovery of the US market in 2010. (See charts pp. 4-5.)

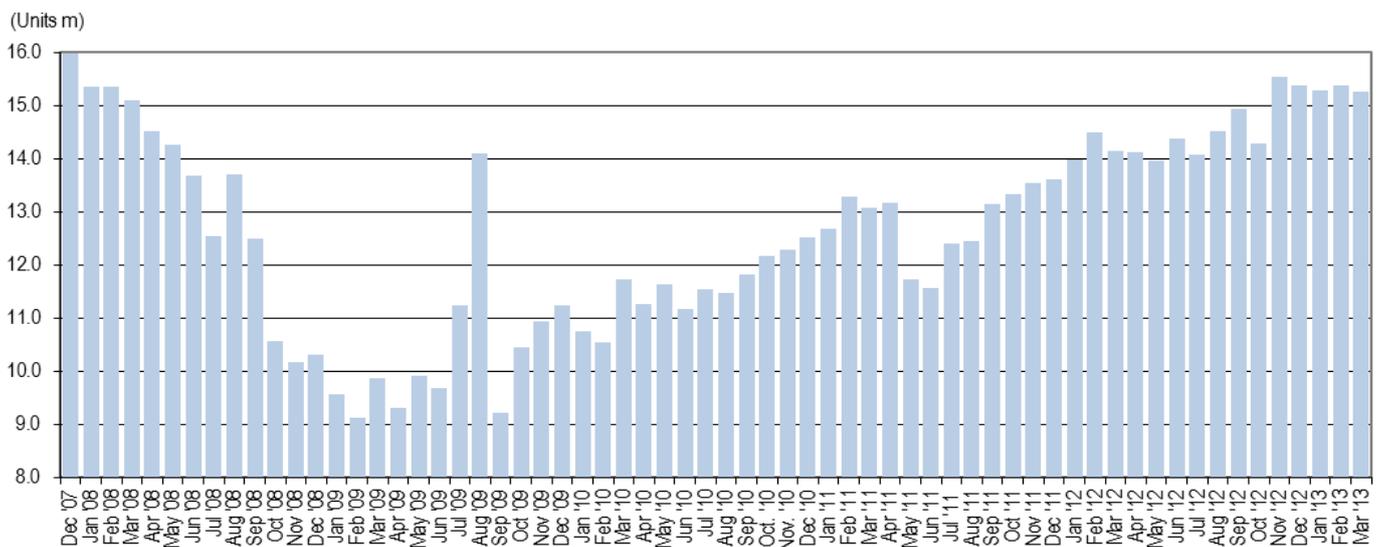
Domestic players gain share YTD

After a lacklustre 4.6% sales increase in FY12, **Ford** generated yoy increases of 5.7% in March and 11.0% to 596.8k units in 1Q13. **GM's** sales advanced 6.4% yoy in March and 9.3% (to 665.0k) YTD after a mere 3.7% in FY12. **Fiat-Chrysler's** sales grew a mere 5.0% yoy in March and 8.7% (to 529.4k) YTD, after 20.6% in FY12.

Toyota

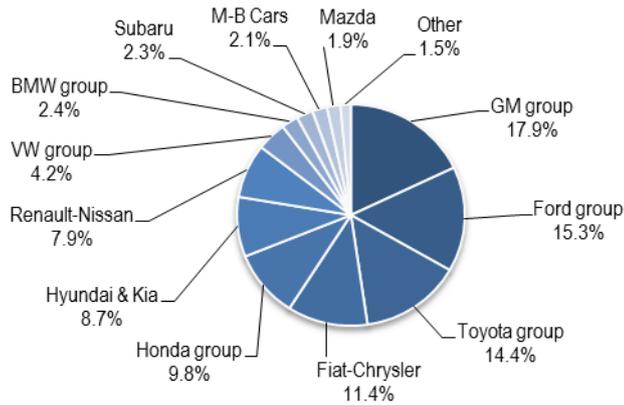
YTD, Toyota generated an 8.7% yoy increase in sales to 529.4k units, after a 26.6% recovery in FY12 that had been driven by Toyota's successfully rebuilding their inventories. Ceteris paribus, a weaker yen is set to be an additional boon for Japanese OEMs' performance in 2013.

US LV sales – monthly SAAR (Dec'07-Mar'13)



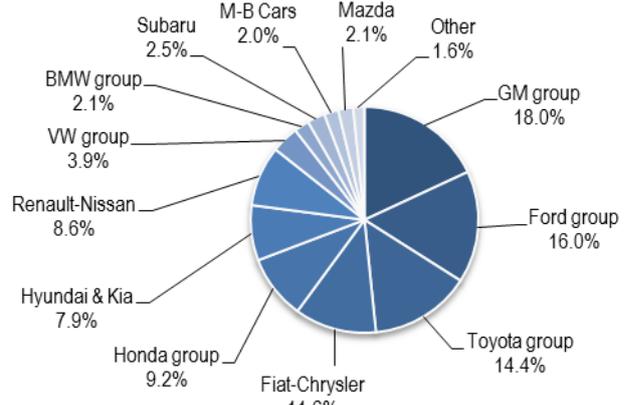
Note: The estimated seasonal factors for the SAAR calculations for January-June 2012 are restated due to the recent update of seasonal factors from the U.S. Bureau of Economic Analysis (BEA). Source: Autodata

US – LV market by OEM (FY12)



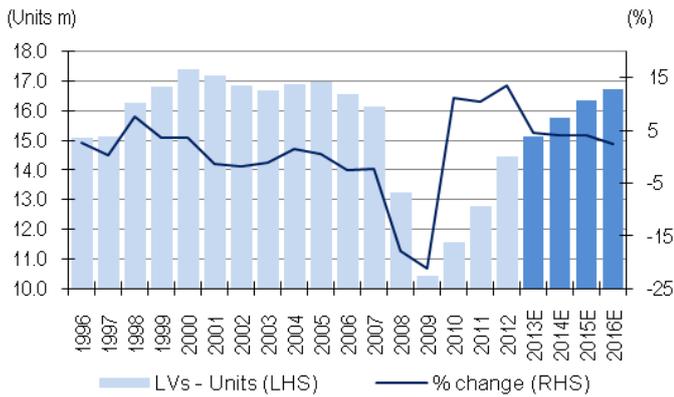
Source: LMC Automotive and CGI calculations

US – LV market by OEM (Jan-Mar'13)



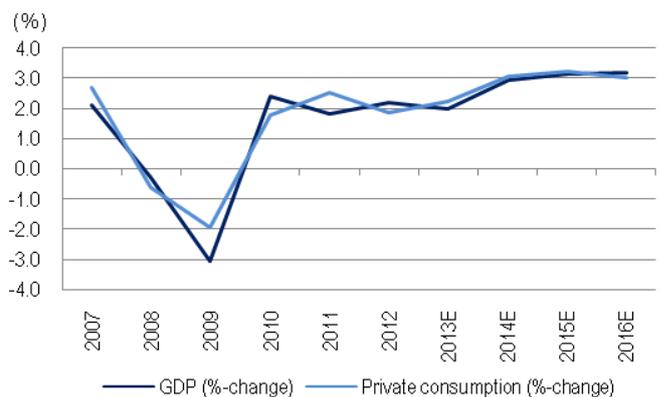
Source: LMC Automotive and CGI calculations

US LV sales (1996-2016E)



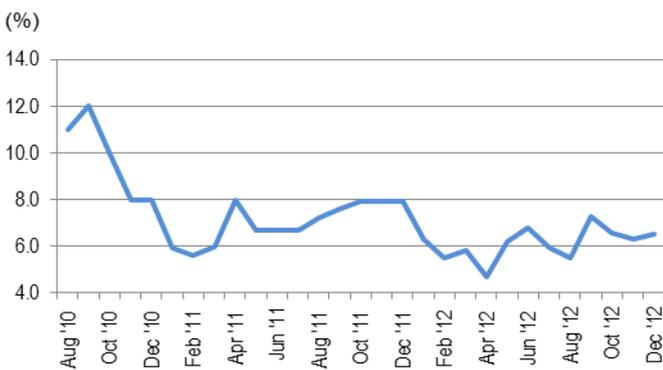
Source: LMC Automotive and CGI estimates

US – real GDP and private consumption (2007-16E)



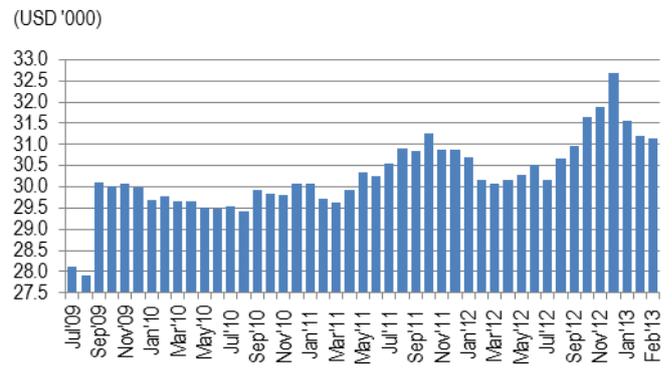
Source: Oxford Economics and CGI estimates

US LV – avge. discount from MSRP (Aug'10-Dec'12)



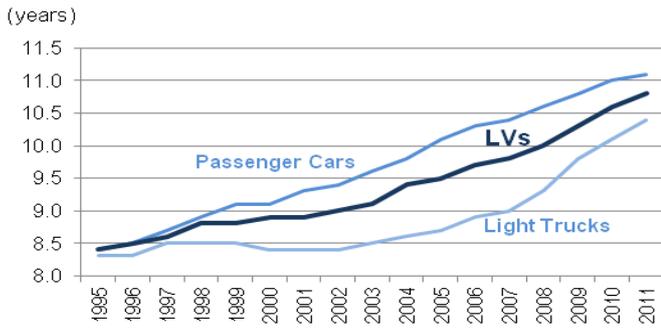
Source: TrueCar

US LV market – avge. transaction price (Jul'09-Mar'13)



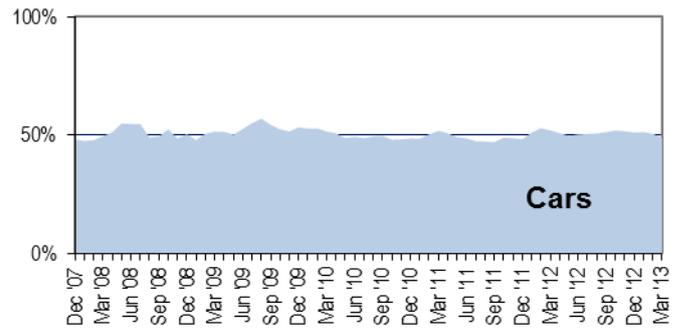
Source: PIN (Power Information Network by J.D. Power and Associates)

US LV population – average age (1995-2011*)



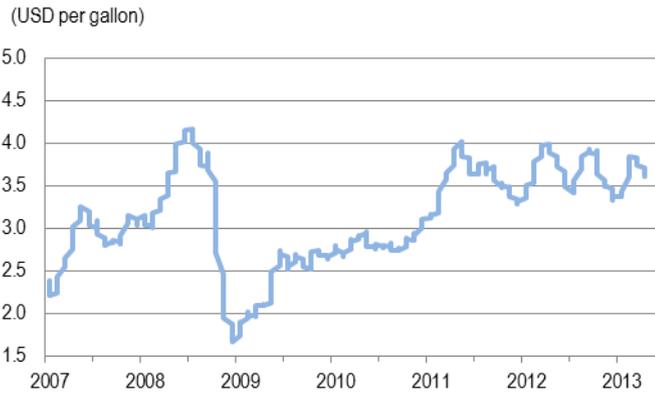
(* July of respective year. Source: Polk

US LV sales - split cars & trucks (Dec'07-Mar'13)



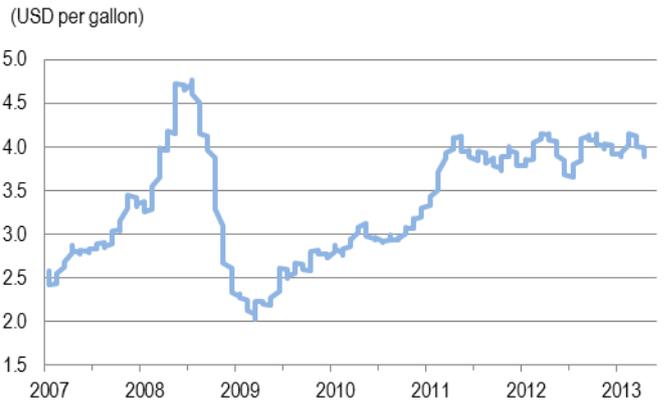
Source: Autodata

US – Gas retail price (USD/US gallon) (Jan'07-Apr'13)



Weekly U.S. All Grades All Formulations Retail Gasoline Prices (Dollars per Gallon) Source: EIA

US – Diesel retail price (USD/gallon) (Jan'07-Apr'13)



Weekly U.S. Diesel (On-Highway) - All Types (Dollars per Gallon) Source: EIA

WTI crude oil (-5 years)



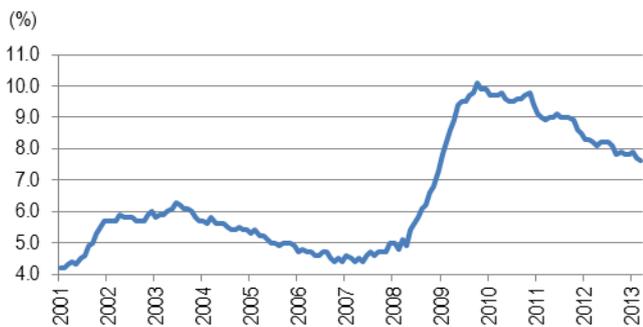
Source: tradesignalonline.com

Brent crude oil (-5 years)



Source: tradesignalonline.com

US – Unemployment rate (Jan'01-Mar'13)



Source: Bureau of Labor Statistics

US – Consumer confidence (Jan'01-Mar'13)



Source: Conference Board

Western Europe car market

-10.0% in March

In March, West European passenger car registrations declined 10.0% yoy to 1.28m units, after a 10.3% yoy decline in February, yielding a 9.8% yoy decline to 2.92m in 1Q13. The March yoy comparison was exacerbated by a lower number of working days in 2013 vs. 2012. Underlying demand weakened marginally in March to a SAAR of 11.17m, down 1.7% from February's 11.36m and 5.9% up on an exceedingly low January SAAR of 10.55m. YTD the SAAR amounted to 11.18m, implying that the WE market remained 23% below the long-term pre-crisis average of 14.6m units. (See charts on page 7.)

-9.8% in YTD

Divergence among Big Five in January

Germany, Western Europe's largest car market by far, declined 17.1% yoy in March and 12.9% YTD, from a resilient 2012 base. 1Q13's SAAR of 2.97m was 10.2% below the long-term pre-crisis level of 3.3m, making Germany the 'least bad' performer among the Big Five, though only by a narrow margin. **French** car registrations declined 16.4% yoy in March and -14.6% yoy in 1Q13. YTD, the SAAR of 1.69m was 19.1% below the pre-crisis 2000-07 level of 2.09m. The French car market has now been replaced by the UK as the second largest in Europe. In the **UK** strong private demand continued to drive the car market that increased 7.4% yoy in 1Q13. Although being the only major European market that has grown over the past 12 months, the UK's YTD SAAR of 2.15m remained 12% below its long-term pre-crisis level of 2.45m. YTD, **Italy's** market declined another 13.2% yoy and the SAAR of 1.19m remained 49% below the 2000-07 average; **Spain's** car market was down another 11.5% and the SAAR of 0.71m remained 52% below pre-crisis trend, despite the PIVE scheme. (See discussion for the Big Five on pp. 9-13.)

Germany 9% below pre-crisis trend

UK only market to grow, as France continues to deteriorate sharply

Italy and Spain continue decline at rock bottom

-4.2% in FY13E

We confirm our forecast and expect that the WE pc market will decline another 4.2% to 11.28m units in FY13E. The forecast implies a delta of 3.51m or 24% from the pre-crisis level of 14.79m in 2007. If and when the recovery will take off from 2014E onwards, it should take until 2019-20E for the WE market to reach again the pre-crisis 2007 level, implying that the recession will last 12-13 years. (See charts on page 7.)

Collapse in pricing discipline

The continuing deterioration in the European car market is a bleak result indeed and has been accompanied by a collapse in pricing discipline, driven by all OEMs. In addition to record discounts, OEMs and dealers have increasingly resorted to tactics such as pre-registering. Although the horrendous competitive pressures originated in the crisis-hit Southern European markets, they have been spreading to the better performing Northern European ones; a trend that has intensified since mid-2012.

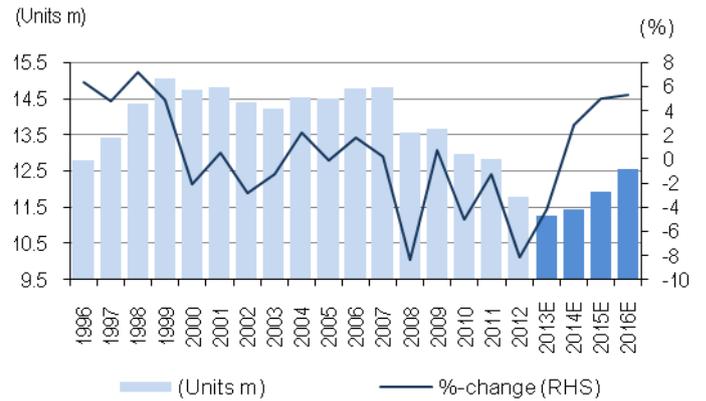
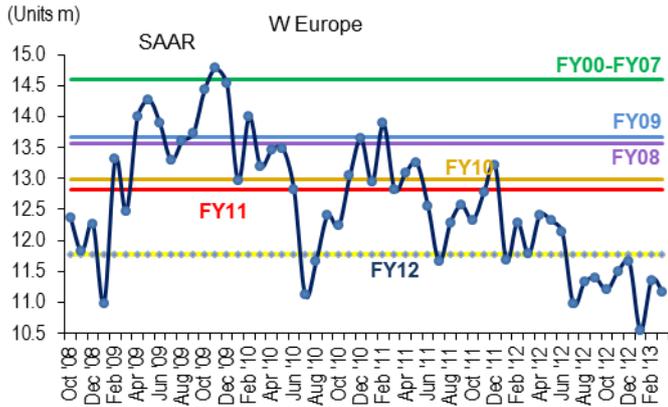
Winners – premium and discount brands

Among the car manufactures, the premium manufacturers (BMW, Mercedes and VW's Audi) and the discount brands Hyundai and Kia have been the best performers in W Europe so far in the crisis, and in 2013, and should continue to outperform in our view. The OEMs most vulnerable in the crisis are PSA, Renault and the European operations of Fiat, GM and Ford. Their vulnerability is only partly due to their geographic footprint and thus exposure to the Southern periphery. (See charts on page 8.)

Polarisation in demand

A more import factor, in our view, is the polarisation in demand into premium and discount brands and products; a trend that has been intact for the past 20 years and intensified during the prolonged crisis. Driving forces have been the downsizing on the part of the premium brands and an improvement in quality of discount branded products. As a result the mainstream brands such as GM's Opel/Vauxhall, Ford and local champions such as Renault, Peugeot, Citroën and Fiat have lost ground. The only exception to that trend are the mainstream brands of the VW group (VW, Skoda and to a lesser extent the Spanish SEAT) that managed to increase their combined WE market share from 15.6% in 2009 to 18.3% in FY12 and 17.9% in YTD. Their success is based 1) on the high market share in Germany (of just under 30%); 2) a good geographic balance within the rest of W Europe; and 3) the ability of the VW brand to distinguish itself from its 'mainstream' competitors as a 'near-prestige' brand.

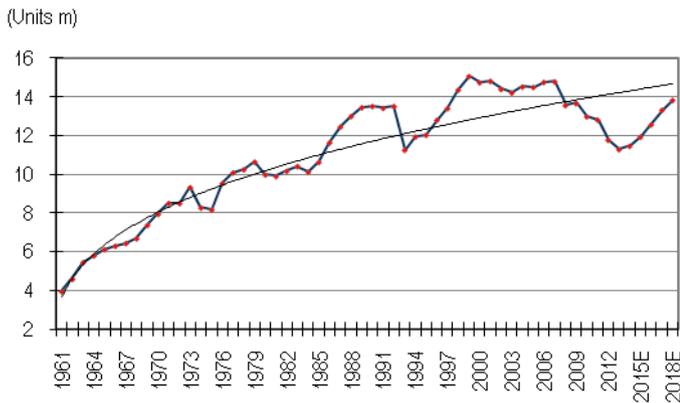
W Europe – monthly SAAR¹ vs. trend (Oct'08–Mar'13) W Europe – pc registrations (1996-2016E)



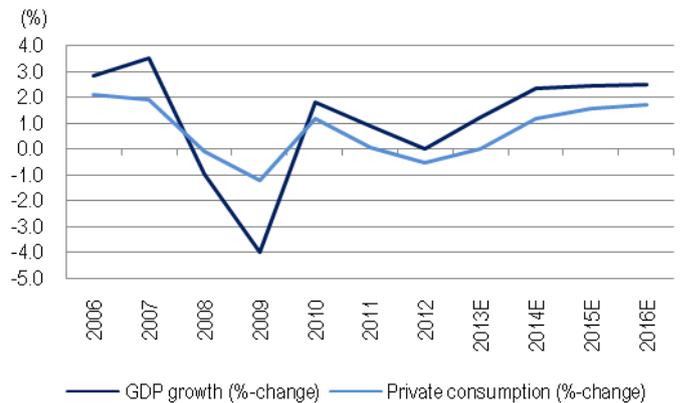
(1) SAAR according to calculations by LMC Automotive. Source: ACEA, LMC Automotive, CGI calculations

Source: LMC Automotive and CGI estimates

W Europe – pc registrations (1961-2018E)



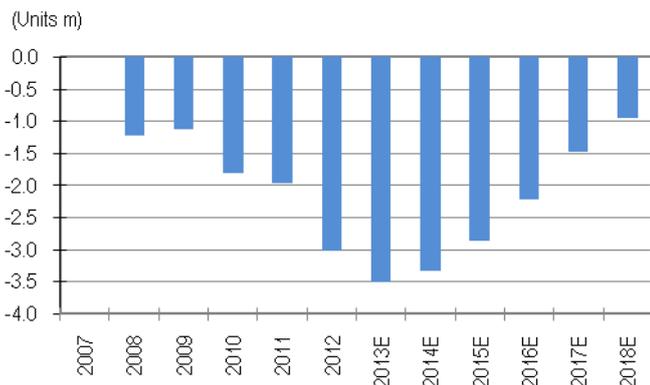
W Europe – real GDP and priv. consumption (2006-16E)



Source: ACEA, LMC Automotive and CGI estimates

Source: Oxford Economics and CGI estimates

W Europe – depth of recession – 2008-18E volume decline vs. 2007



W Europe – current recession in historic context

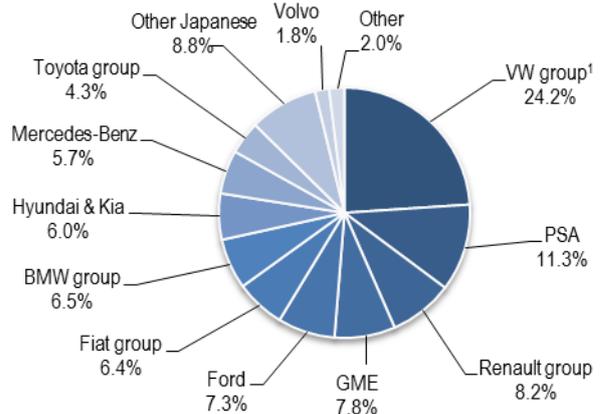
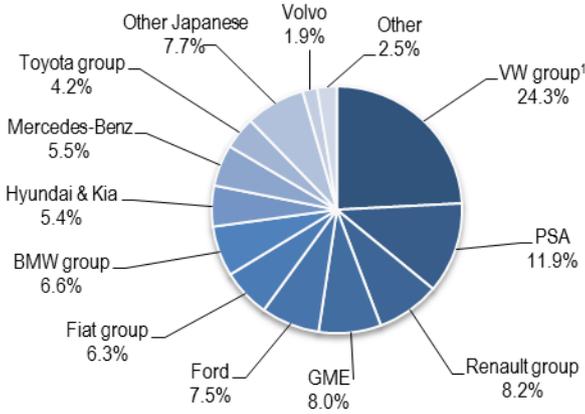
	Depth ¹ (Units m)	(%)	Duration (years)	Trend growth rate (%)
1970 - oil shock	-1.15	-12.4	< 3	5
Early 1980s recession	-0.75	-7.0	~ 6	3-4
1993 recession	-2.26	-16.8	~ 5	2-3
Current crisis (E)	-3.51	-23.7	~12-13	1-2

Source: LMC Automotive and CGI estimates

Source: LMC Automotive and CGI estimates

W Europe – pc market by OEM (FY12)

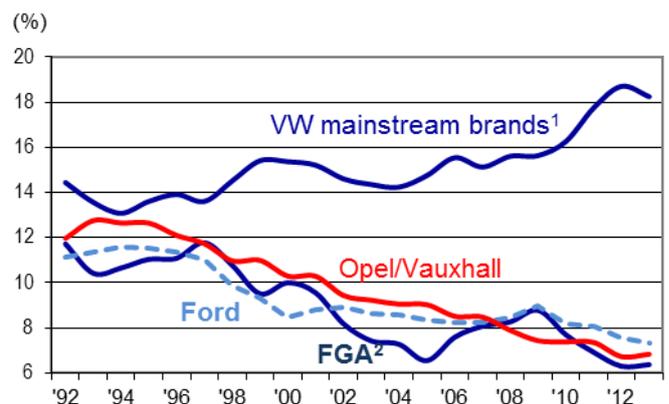
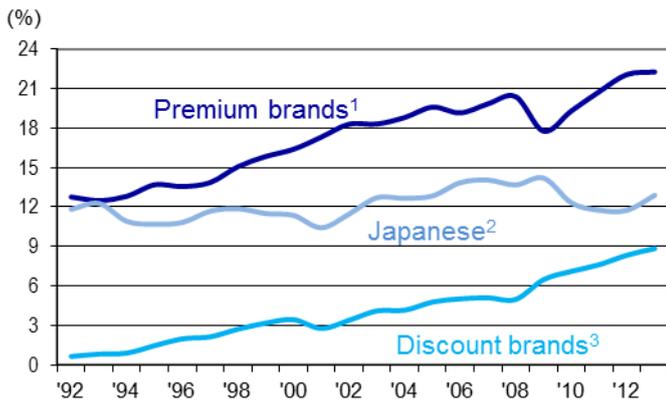
W Europe – pc market by OEM (Jan-Mar'13)



(1) VW group excl. Porsche. Source: Association Auxiliaire de l'Automobile, ACEA and CGI (1) VW group incl. Porsche. Source: ACEA and CGI calculations

Premium brands, Japanese and discount brands – WE market share ('92-'13*)

Mainstream brands: VW group excl. Audi, Opel/Vauxhall, Ford, FGA – WE share ('92-'13*)

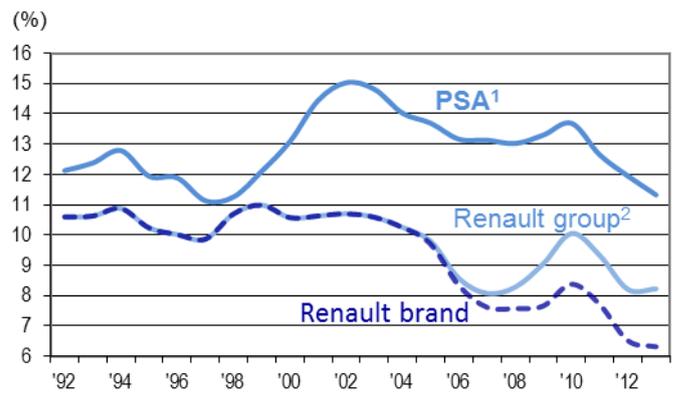
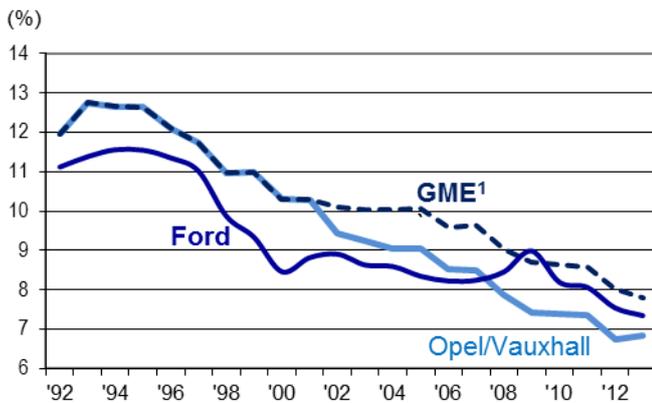


(1) Premium brands: BMW, Mini, Mercedes-Benz, Smart, Audi, Lexus, Porsche, Jaguar, Land Rover, Volvo & SAAB. (3) Discount brands: Kia, Hyundai, GM's Chevrolet, and Renault's Dacia. (2) Exl. Lexus (*) YTD=Jan-Mar. Source: Association Auxiliaire de l'Automobile, ACEA, CGI calcs

(1) VW mainstream brands: VW, Seat, Skoda. (2) FGA: Fiat, Lancia & Alfa Romeo. (*) YTD= Jan-Mar. Source: Association Auxiliaire de l'Automobile, ACEA, CGI calculations

Ford and GME – WE share ('92-'13*)

PSA and Renault group – WE share ('92-'13*)



(1) GM Europe: Opel, Vauxhall, Chevrolet and other US GM brands; does NOT incl. SAAB. (*) YTD= Jan-Mar. Source: Association Auxiliaire de l'Automobile, ACEA, CGI calculations

(1) PSA: Peugeot and Citroën brands; (2) Renault group: Renault and Dacia brands. (*) YTD= Jan-Mar. Source: Association Auxiliaire de l'Automobile, ACEA, CGI calculations

Germany

-17.1% in March

-12.9% in 1Q13

In March, the German passenger car market declined 17.1% yoy to 281.2k units, after -10.5% yoy in February, resulting in a 12.9% yoy decline to 674.0k units in 1Q13. The March yoy comparison was exacerbated by a lower number of working days in 2013 vs. 2012 and the fact that the German market had still been resilient in 1Q12. In March, underlying demand weakened again, to a SAAR of 2.91m which is 5.2% down from February's 3.07m and remained thus 7.5% above December's 2.70m. The latter was the worst result by far since the slump following the end of the scrappage incentive scheme in 2Q10. However, 1Q13's SAAR of 2.97m was 3.8% lower than FY12's 3.08m and 10.2% below the long-term pre-crisis level of 3.3m.

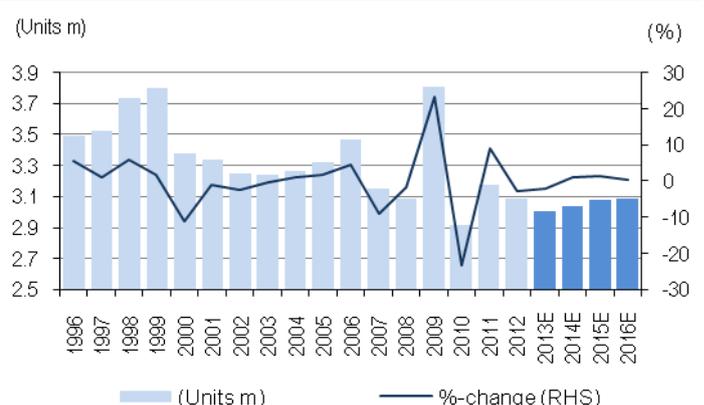
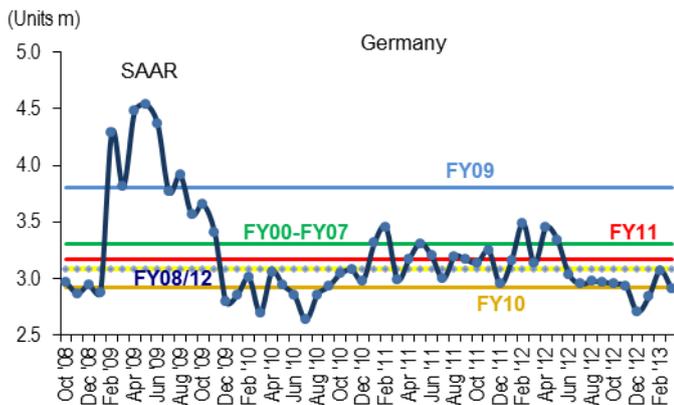
Pricing pressure heating up

The German market has disappointed since May, the latest month, when the SAAR reached 3.3m units. This is despite an aggressive and desperate marketing environment. 1) We understand that discounts are currently running at an average of some 20% in the volume segments, and at least at some 10% in the premium segments. 2) In addition, sales volumes have been increasingly propped up by pre-registering on the part of dealers and OEMs and have risen to more than 30% of the over-all market. Pre-registered cars tend to be sold as zero-km used cars at even deeper discounts to the sticker prices.

-2.5% in FY13E

Although Germany continues to enjoy a relatively strong macro-economic environment, the continuing crisis in the Eurozone has increased the German consumers' caution and reluctance to purchase large item consumer durables. We do not expect the running rate to improve markedly over the next three to six months and therefore expect for FY13E a German pc market of just above 3.0m, which implies a decline by 2.5% from FY12's 3.08m. We thus confirm our forecast for FY13E of a -3.5% decline to just below 3.0m units. A moderate recovery is expected from 2014E onwards.

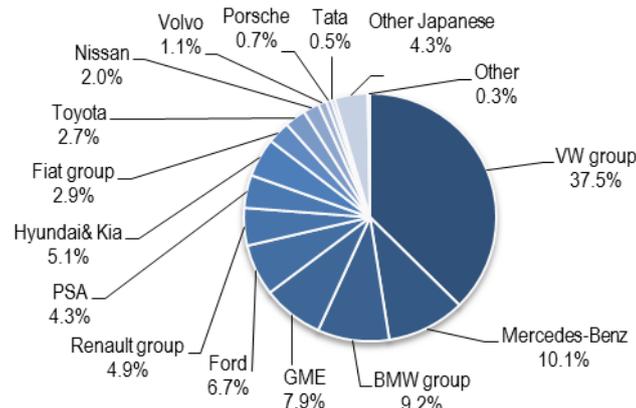
Germany – monthly SAAR¹ vs. trend (Oct'08-Mar'13) Germany – pc registrations (1996-2016E)



(1) SAAR according to LMC Automotive. Source: KFBA, LMC Automotive and CGI calculations

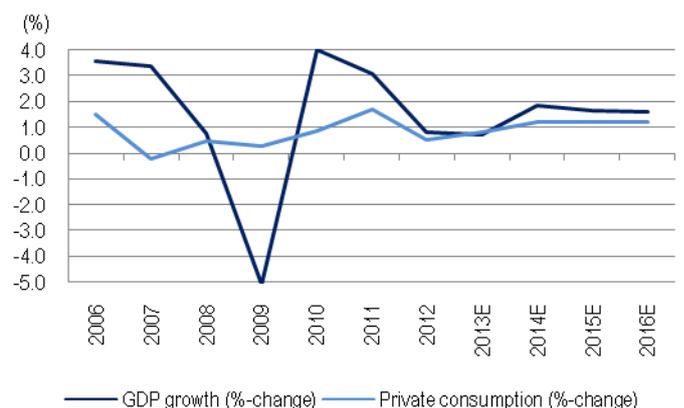
Source: KFBA, LMC Automotive and CGI estimates

Germany – pc market shares (2012)



Source: KFBA and CGI calculations

Germany – real GDP and priv. consumption (2006-16E)



Source: Oxford Economics and CGI estimates

France

-16.4% in March

-14.6% in 1Q13

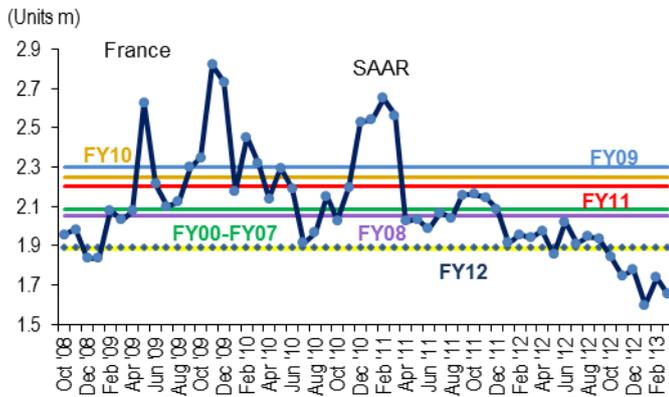
In March, French car registrations declined 16.4% yoy to 165.2k units, after -12.1% yoy in February, resulting in a 14.6% yoy decline to 433.6k units in 1Q13. The 13.9% decline to 1.90m in FY12 had been the first significant decline in the French new car market in nine years, because generous scrappage incentive schemes had artificially supported the market during the depth of the financial crisis and were phased out only gradually during 1Q11. The French car market has now been replaced by the UK as the second largest in Western Europe.

Underlying demand weakened again in March, to a SAAR of 1.66m, which is 4.7% down from February's SAAR of 1.74m and remained just 3.8% above January's low SAAR of just 1.60m, the latter was a rate last seen in 1998. YTD, the SAAR of 1.69m was 19.1% below the pre-crisis 2000-07 level of 2.09m and 10.7% below FY12's result of 1.90m.

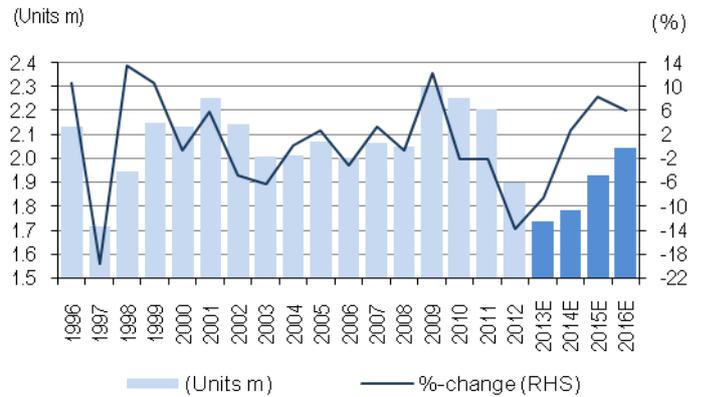
-8.6% in FY13E

With the SAAR currently running at 1.7m, and GDP and private consumption all but stagnating, we confirm our forecast of another 8.6% decline in the passenger car market to 1.74m in FY13E. From 2014E onwards, an expected return to moderate economic growth should also lead to a moderate recovery in the passenger car market.

France – monthly SAAR¹ vs. trend (Oct'08-Mar'13)



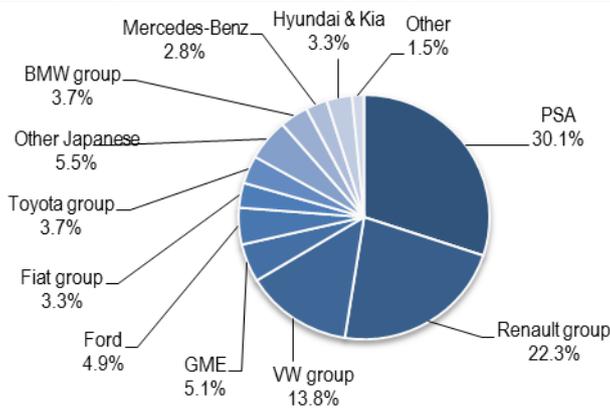
France – pc registrations (1996-2016E)



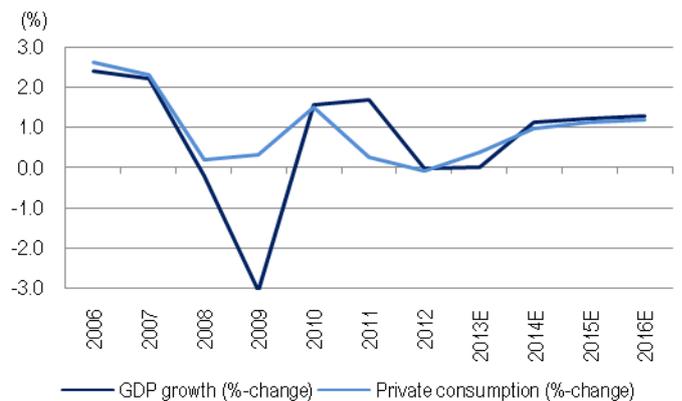
(1) SAAR according to calculations by LMC Automotive. Source: CCFA, LMC Automotive and CGI calculations

Source: CCFA, LMC Automotive and CGI estimates

France – pc market shares (2012)



France – real GDP and priv. consumption (2006-16E)



Source: CCFA and CGI calculations

Source: Oxford Economics and CGI estimates

Italy

-4.9% in March

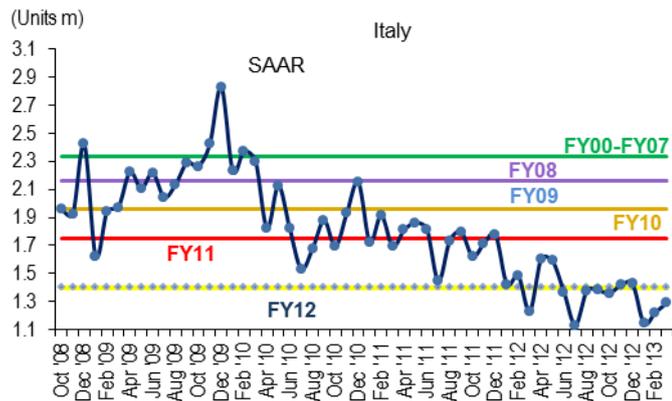
-13.2% in 1Q13

-8.9% in 2013E

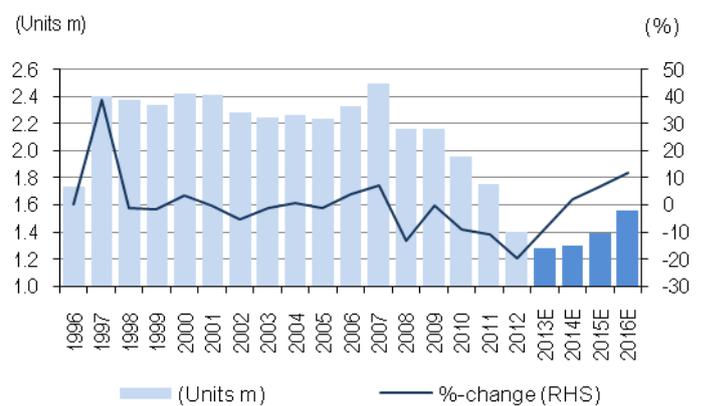
In March, Italian car registrations declined 4.9% yoy to 132.0k units, after -17.4% yoy in February, resulting in a 13.2% yoy decline to 354.0k units in 1Q13, from an already exceedingly weak 2012. In March the SAAR was 1.29m, 5.5% up on February's 1.22m and 4.7% better than in March 2012, when sales were disrupted by a strike by auto transport truckers. However, YTD the SAAR of 1.19m remained 15.3% below FY12's 1.40m and 49.2% below the 2.34m long-term pre-crisis average achieved in 2000-07.

Italy is stuck in a vicious circle of austerity and recession and the grim macro-economic outlook is exacerbated by political paralysis. We therefore confirm our FY13E forecast for the Italian car market of an 8.9% decline to 1.28m, after a 19.9% decline to 1.40m in FY12. This implies that FY13E would be the fifth consecutive year of decline, with a market 44% lower than the pre-crisis level of 2.49m in FY07 and the lowest since 1978's 1.19m. Assuming that the Italian economy manages to stage a modest recovery from 2014E onwards, we also expect a slow improvement in car sales.

Italy – monthly SAAR¹ vs. trend (Oct'08-Mar'13)

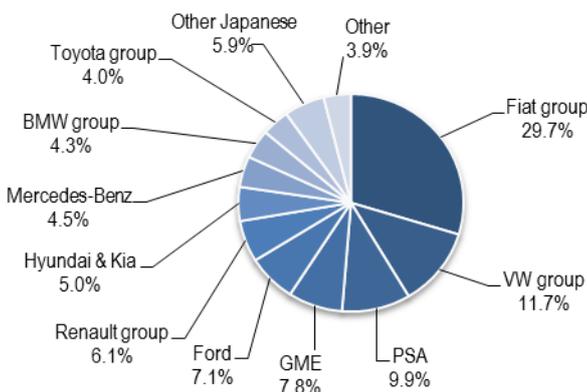


Italy – pc registrations (1996-2016E)



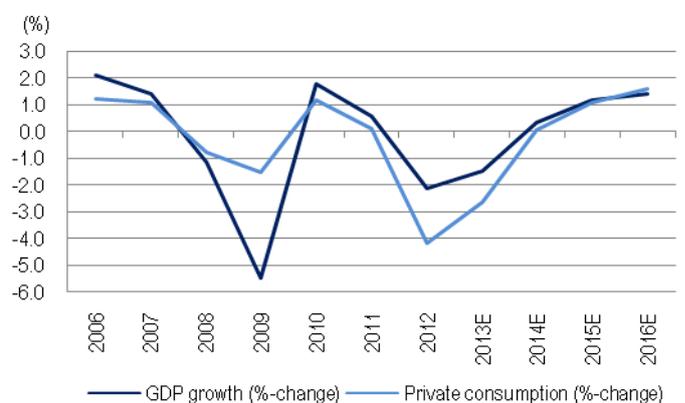
(1) SAAR according to calculations by LMC Automotive. Source: ANFIA, UNRAE, LMC Automotive and CGI calculations

Italy – pc market shares (2012)



Source: Anfia and CGI calculations

Italy – real GDP and priv. consumption (2006-16E)



Source: Oxford Economics and CGI estimates

Spain

-13.9% in March

-11.5% in 1Q13

Limited government incentive scheme extended

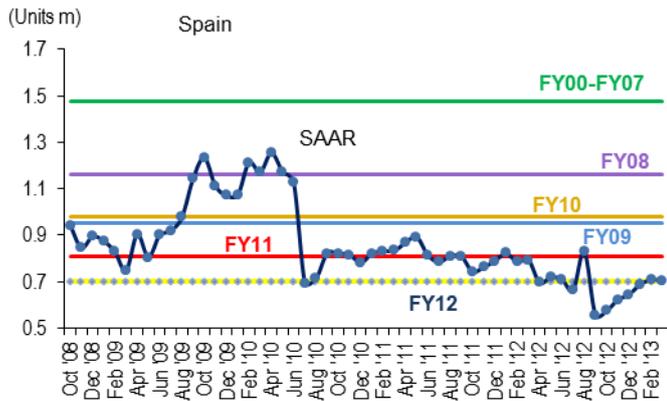
+0.7% in 2013E

In March, Spanish car registrations declined 13.9% yoy to 72.7k units, after -9.8% yoy in February, yielding an 11.5% yoy decline to 180.7k units in 1Q13. In March, the SAAR stalled at 0.70m after having improved 27.5% during the previous five months, from September's low point of 0.56m to February's 0.71m. However, YTD, the SAAR of 0.71m remained 52% below pre-crisis 2000-07 level of 1.48m units.

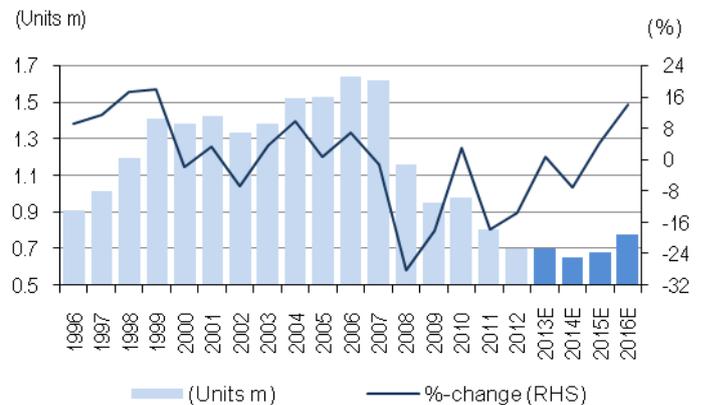
The gradual though moderate improvement in underlying demand since September has been supported by a scrappage incentive scheme that the Spanish government announced and introduced at the beginning of October. The programme, called PIVE, pays a taxable subsidy towards the purchase of a new car, when one older than 12 years is being scrapped. The original scheme, running until March 2013, was limited to 75k units and was as such exhausted in January. The scheme was extended for another 145-150k units or 12 months, implying a further temporary support for the anaemic Spanish car market.

The macroeconomic outlook for Spain has remained precarious and GDP is unlikely to stabilise before 2014E, with unemployment exceeding 25% being a particular problem. Our FY13E forecast of a 0.7% increase to 0.7m units is based on a positive contribution by the PIVE scrappage incentive scheme. As most of these additional sales are expected sales brought forward, we expect for 2014E another 7.0% correction in the Spanish car market to 0.65m units, yielding the lowest level since 1985.

Spain – monthly SAAR¹ vs. trend (Oct'08-Mar'13)

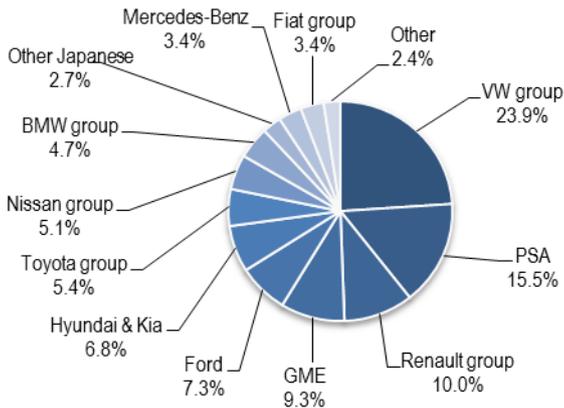


Spain – pc registrations (1996-2016E)



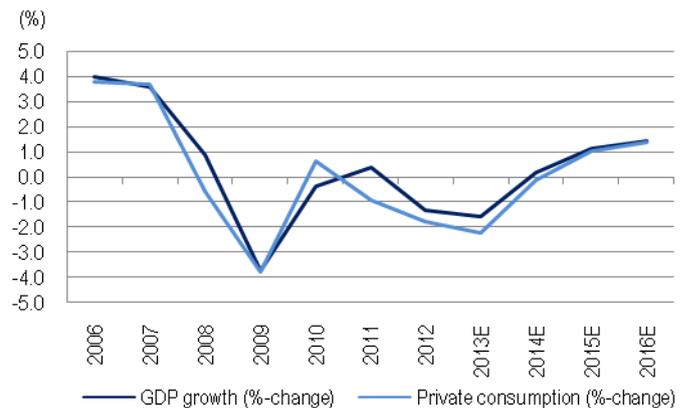
(1) SAAR according to calculations by LMC Automotive. Source: ANFAC, LMC Automotive andSource: ANFAC, LMC Automotive and CGI estimates
CGI calculations

Spain – pc market by OEM (2012)



Source: ANFAC and CGI calculations

Spain – real GDP and priv. consumption (2006-16E)



Source: Oxford Economics and CGI estimates

UK

+5.9% in March

+7.4% in YTD

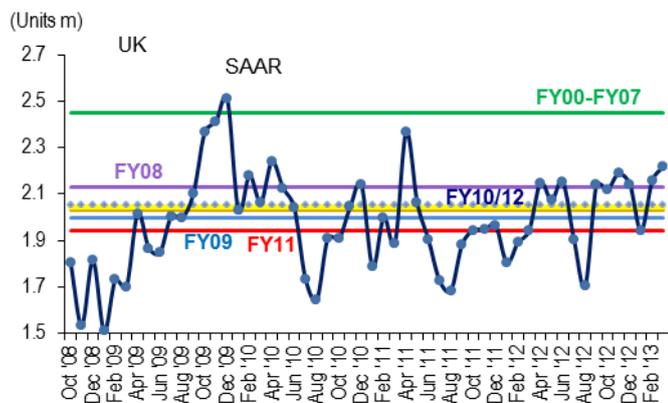
In March, UK car registrations rose 5.9% yoy to 394.8k units, after an increase of 7.5% yoy in February, resulting in a 7.4% yoy increase to 605.2k units YTD. The UK market has remained surprisingly resilient against the background of negative macro-economic news. Driven by easy credit and aggressive marketing, the UK market has been growing since March 2012 and been supported by private demand that was up 7.8% yoy in March and 11.2% yoy YTD, accounting for 51.7% and 48.7% of the market respectively. The UK has remained the only large European pc market that is showing growth and has now become the second largest in Western Europe, ahead of France and behind Germany.

In March, the SAAR was 2.22m, up 2.8% from February's 2.16m and 14.3% from January's 1.94m. This is encouraging, as March is historically the highest volume month in the year due to the introduction of a new registration plate that happens twice a year – in March and September. YTD, the SAAR amounted to 2.15m and was 14.2% higher than FY12's 2.04m, though remained 12% below the long-term pre-crisis average of 2.45m units.

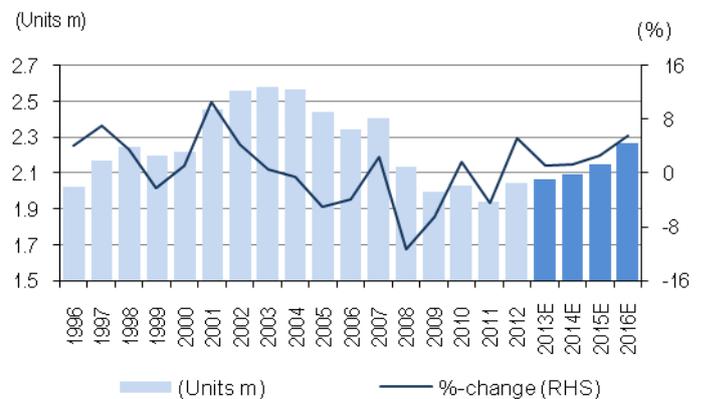
+1.1% in FY13E

Against a challenging macroeconomic environment outlook, the UK car market is expected to continue grow in FY13E. However, at 1.1% to 2.07m units FY13E growth is set to be slower than FY12's 5.3%.

UK – monthly SAAR¹ vs. trend (Oct'08-Mar'13)

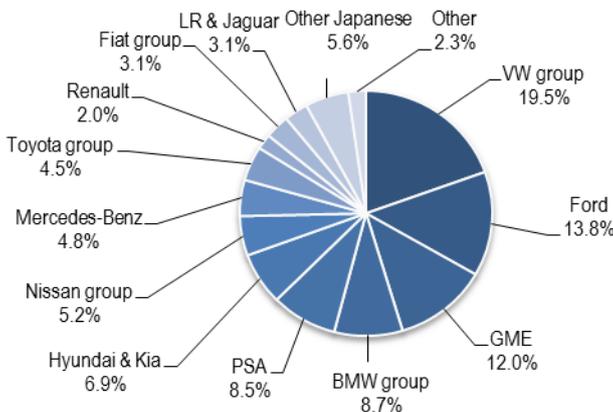


UK – pc registrations (1996-2016E)

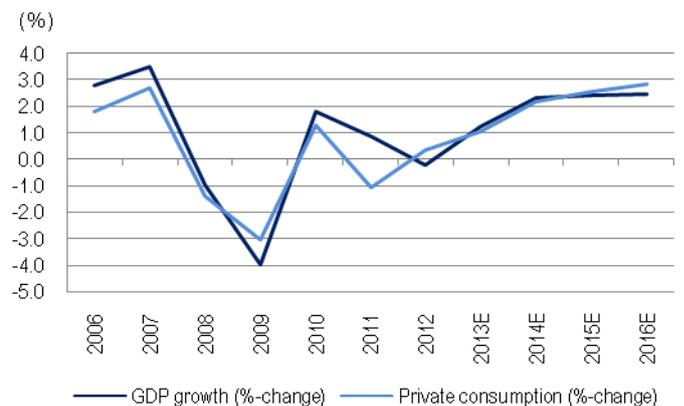


(1) SAAR according to calculations by LMC Automotive. Source: SMMT, LMC Automotive and CGI Source: SMMT, LMC Automotive and CGI estimates calculations

UK – pc market by OEM (2012)



UK – real GDP and priv. consumption (2006-16E)



Source: JAMA and CGI calculations

Source: IMF, Oxford Economics and CGI estimates

Japan pc market

-11.0% in March

-9.2% in YTD

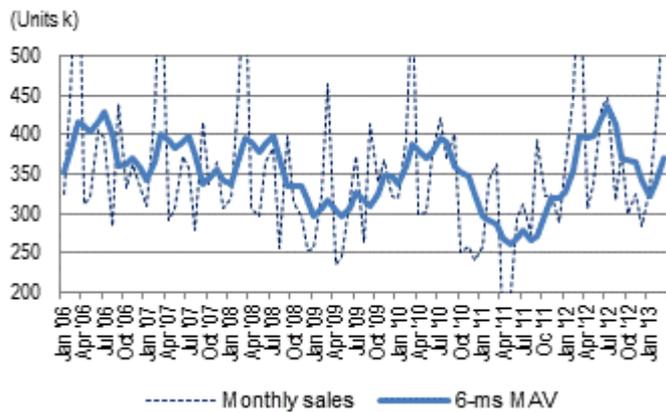
In March, sales of passenger cars declined 11.0% yoy to 570.7k units, and those of LVs by -11.9% yoy to 653.8k, resulting in 1Q13 declines of 9.2% to 1.32m units and 10.0% yoy to 1.50m respectively, from an extraordinarily strong 1Q12. A weakening yen and the stock market rally have boosted consumer confidence and thus supported the Japanese automotive markets, counteracting the pay-back following the expiry of government incentives. According to LMCA, in March underlying demand consolidated recent improvements and LV SAAR was 5.24m in March and in 1Q13, just a shade under FY12's strong result. More importantly the market is currently running 11% above a weak 4Q12 SAAR of 4.60m that had been caused by the expiry of an eco-car subsidy worth JPY 300bn on September 21st.

In FY12, the passenger car market increased 27.3% to 4.57m units and the LV market 27.3% to 5.26m. The Japanese automotive markets thus recovered from a 2Q11 collapse in sales following Fukushima and were supported by an eco-car subsidy worth JPY 300bn.

-5.4% in 2013E

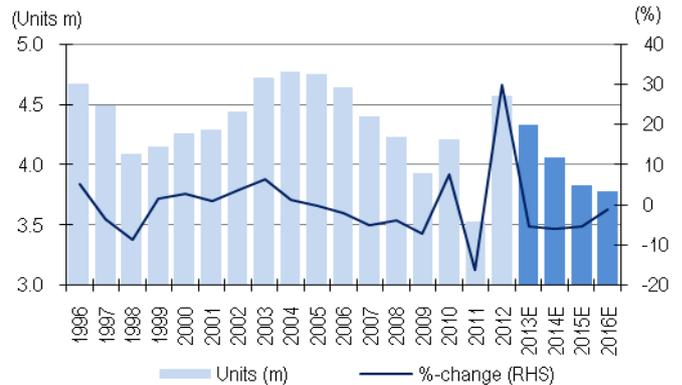
During 2013, Japanese automotive markets are set to be exposed to opposing factors/drivers, a continuing though weakening pay-back from the expiry of an eco-car subsidy and a resurging consumer confidence that is driven by the expectation of a positive impact from 'Abenomics' and a weaker yen that is boosting Japan's competitiveness. On this basis, we confirm our expectation that the correction to the Japanese automotive markets will be limited to declines of 5.4% to 4.33m passenger cars and 4.9% to 5.00m LVs.

Japan – monthly pc registrations (Jan'06-Mar'13)



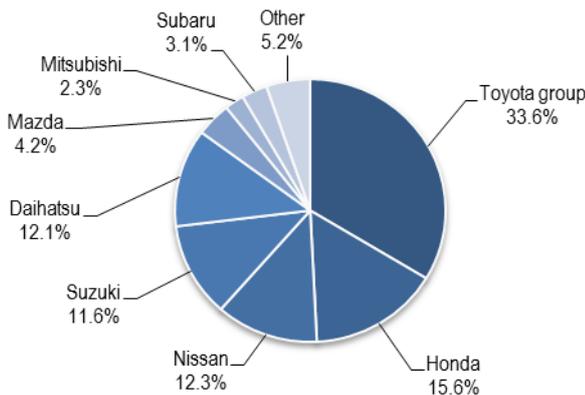
Source: JAMA and CGI calculations

Japan – pc market (1996-2016E)



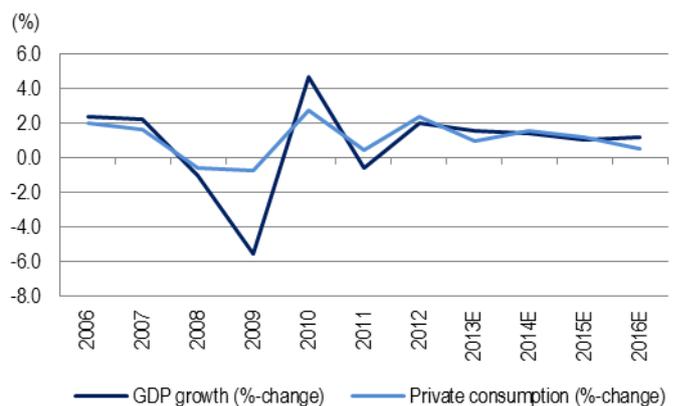
Source: LMC Automotive and CGI estimates

Japan – pc market shares (2012)



Source: JAMA and CGI calculations

Japan – real GDP and private consumption (2006-16E)



Source: IMF and CGI estimates

China LV market

+8.3% in March

+13.8% in YTD

In March, Chinese LV sales increased 8.3% yoy to 1.95m units, following a -8.4% decline in February and a 45.5% yoy jump in January, resulting in a 13.8% yoy increase to 5.38m in 1Q13, according to LMCA. March's SAAR of 20.1m was 8% higher than February's 18.5m and 16% lower than January's record SAAR of 23.8m. The considerable variation in SAAR so far in 2013 has been attributable to the spring holidays around the Chinese New Year that fell on February 10th this year.

YTD, the SAAR averaged a strong 21.2m, 8% up from 4Q12's 19.7m and 11.0% from FY12's 19.1m. The acceleration of the Chinese LV market in 4Q12 thus carried over into 2013. This is in contrast to GDP growth that actually slowed again, to 7.7% yoy in 1Q13, from 7.9% yoy in 4Q12 and 7.8% in FY12. We believe that going forward the relative deceleration in Chinese GDP growth to a more sustainable 8% should facilitate a long overdue rebalancing of the economy towards private consumption and services.

Indeed, we understand that boosting private consumption is a priority of the new government and that its anti-extravagance campaign (of December), is aimed against ostentatious spending by private individuals, and more importantly by government officials, though it might have damped overall private consumption somewhat in 1Q13.

+9.9% in 2013E

We confirm our forecast and expect that the Chinese LV market will accelerate from a 6.2% increase in FY12 to a 9.9% to 21.01m units in FY13E. This takes into account, besides GDP growth of around 8%, considerable pent-up demand, a further decline in pricing and the introduction of economic stimulus measures by the new government. Downside risks include uncertainty about the global economy, the possible spread of bird flu and also the possibility of more and stricter measures to limit the number of new car sales in major cities.

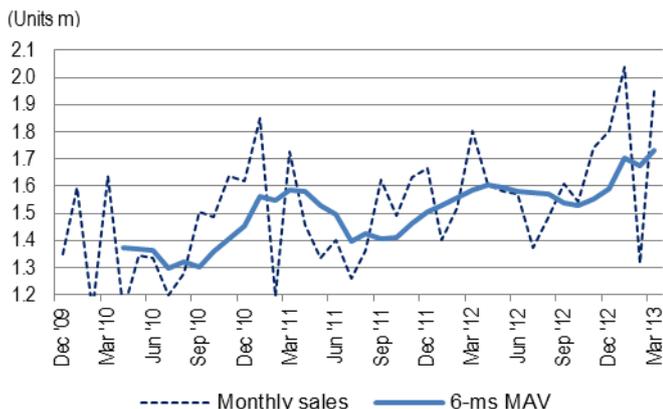
Long-term trends intact

The Chinese LV market is expected to grow at a CAGR of 9.5% in 2012-2018E. In this period the Chinese economy is also expected to develop private consumption as a growth engine, rather than predominantly being driven by exports and fixed asset investment. The expected long-term growth in the Chinese LV market should be supported by vehicle density growing in tandem with GDP per capita, rising urbanisation and a growing middle class. Indeed a growing customer base should be spreading demand inland from Tier 1 regions and the coastal areas. The Chinese market as a whole continues to be driven by first time buyers, however, in the Tier 1 replacement demand is rising. (See charts on p.16.)

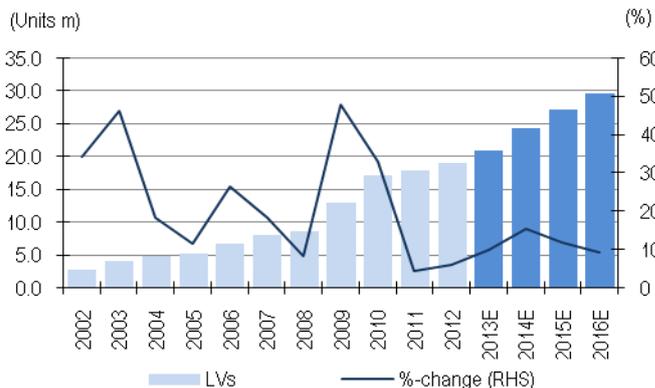
Premium segment advanced 23% in FY12

The premium segment grew from 111k units in 2005 to 1.19m in 2012, implying a CAGR of 40%, compared to 20% for the total LV market. Going forward, the premium segment is expected to continue to grow by about double the rate of the total market. We believe that the anti-extravagance campaign will likely have a dampening effect on the top-end, luxury segment, but not affect the premium segment per se.

China – monthly LV sales¹ (Dec'09-Mar'13)



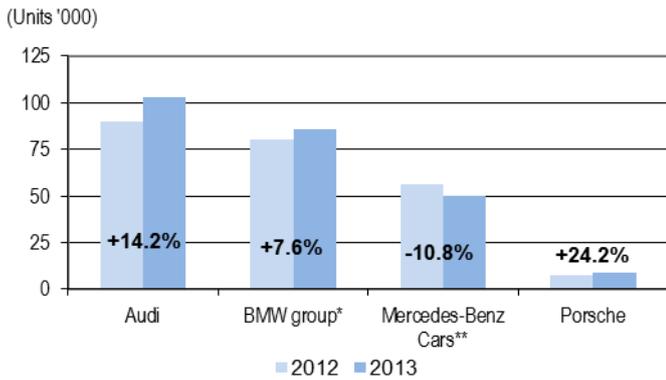
China – LV sales (2002-16E)



(1) incl. imports Source: LMC Automotive and CGI calculations

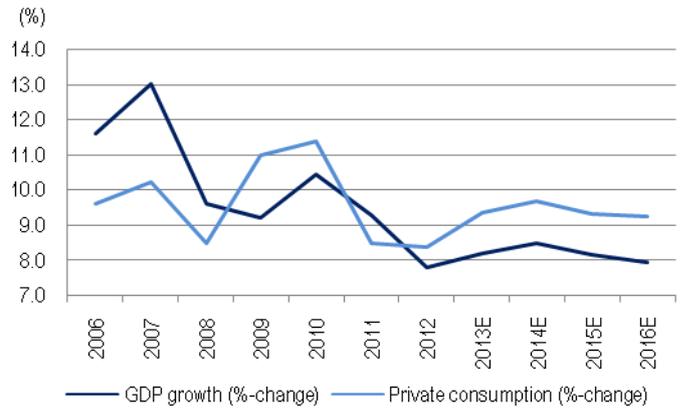
Source: LMC Automotive and CGI estimates

German premium brands (Jan-Mar 2012 & 2013)



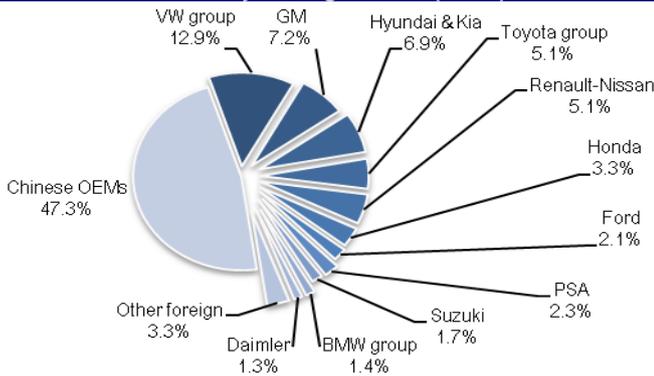
(*) BMW and Mini only. (**) Incl. Hong Kong. Source: Company data and CGI calculations

China – real GDP and private consumption (2006-16E)



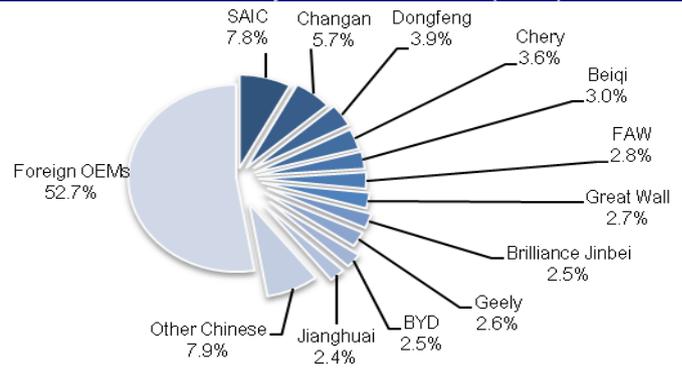
Source: Oxford Economics and CGI estimates

China – LV market by foreign OEM (2011)



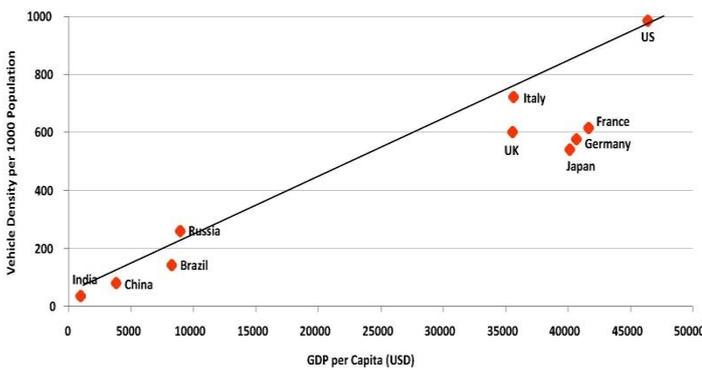
Source: LMC Automotive and CGI calculations

China – LV market by domestic OEM (2011)



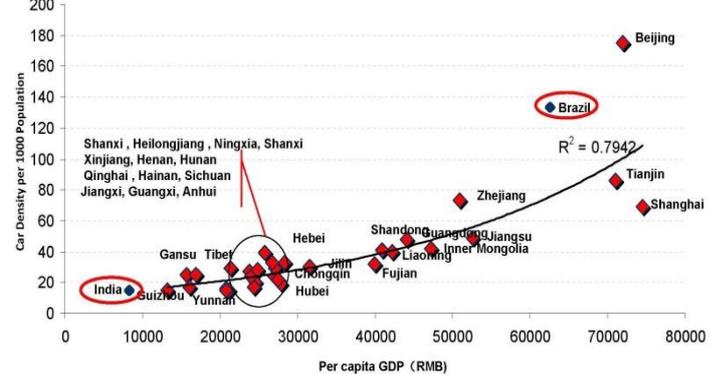
Source: LMC Automotive and CGI calculations

China – vehicle density & GDP per capita (2010)



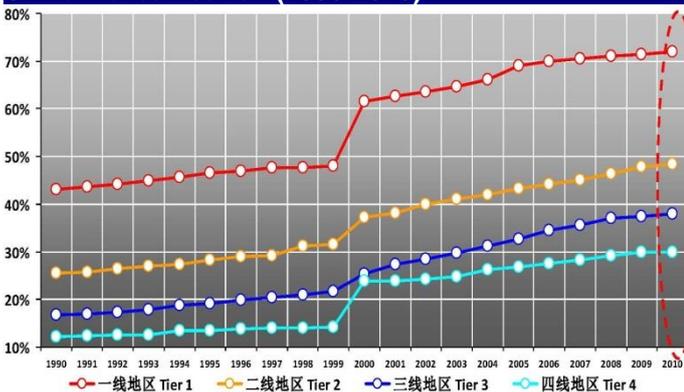
Source: LMC Automotive

China by province – car density & GDP per capita



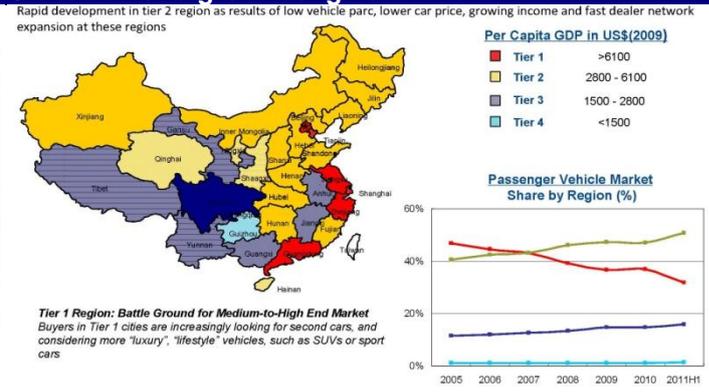
Source: LMC Automotive

China – urbanisation (1990-2010)



Source: LMC Automotive

China – inland growth engine



Source: LMC Automotive

Brazil pc market

-4.7% in March

+1.8% in YTD

In March, Brazilian car sales declined 4.7% yoy to 206.2k units, after having declined 7.2% in February. YTD, the market was up 1.8% yoy at 613.2k units from a weak 2012. Since mid-2012 the car market has been propped up by private consumption that remained resilient (+3.1% in FY12) thanks to rising disposable income, a strong currency and consumer loans, and has been further supported by government incentives that had been introduced in June. As a result, FY12 pc sales were up 7.7% at 2.85m units.

+2.6% in FY13E

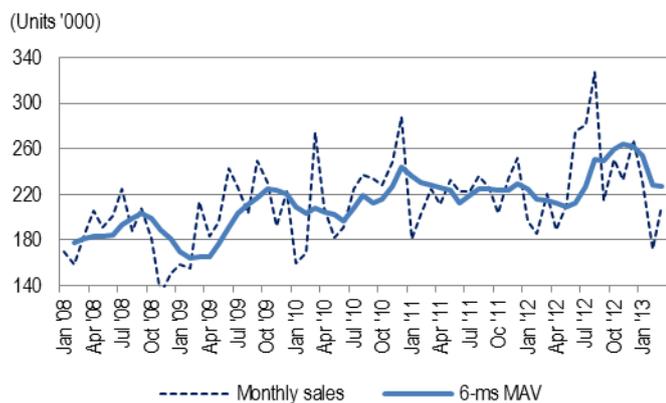
However recently, the environment for private consumers/HHs has deteriorated with the inflation accelerating; the stock market declining and household debt all but maxed out. Indeed, consumer confidence has weakened and the central bank has started to switch towards a tightening monetary policy. We therefore expect a considerable slowdown in car sales to a 2.6% increase to 2.92m units in FY13E. We expect that the extension of the IPI tax cut through the end of 2013 will have a marginal positive impact at best.

Erratic fiscal policy...

...creates record volatility

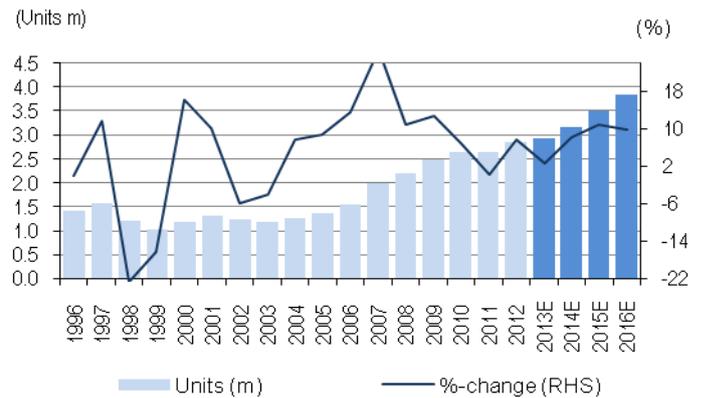
At the end of May, the government introduced a series of fiscal stimuli, including a temporary IPI tax cut from June through August and a permanent reduction of the IOF tax on financial transactions (including auto financing). These fiscal measures, together with record-low interest rates led to a mini-boom, with an average 30% yoy growth in car sales in June-August. Although the government has extended the IPI tax reduction three times, first until the end of October, then until the end of December and is now planning a gradual phase out until year-end 2013, it has failed to prevent huge swings in car sales during 2H12 that tend to occur at the expiry of temporary subsidies.

Brazil – monthly pc registrations (Jan'08-Mar'13)



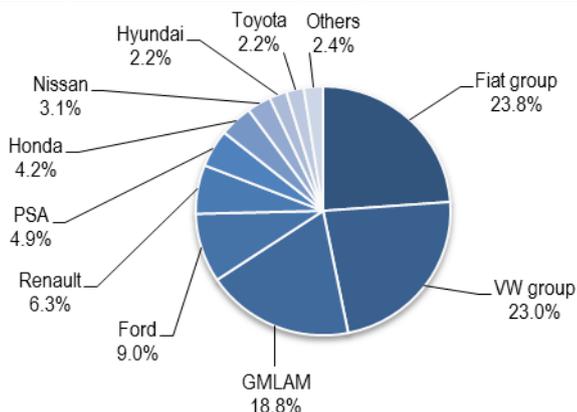
Source: ANFAVEA and CGI calculations

Brazil – pc market (1996-2016E)



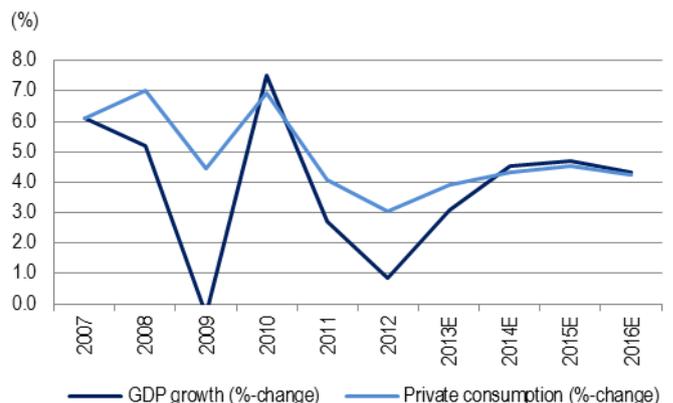
Source: LMC Automotive and CGI estimates

Brazil – pc market shares (2012)



Source: ANFAVEA and CGI calculations

Brazil – real GDP and private consumption (2007-16E)



Source: Oxford Economics and CGI estimates

Russia LV market

-3.6% in March

+0.3% in YTD

In March, Russian LV sales declined 3.6% yoy to 244.0k units, following a 1.6% yoy increase in February, resulting in a 0.3% yoy increase to 616.8k units in 1Q13. However, in 1Q12 the LV market had been boosted by a pre-election fiscal stimulus and grown 19% yoy. Although the positive impact from the fiscal stimulus was fading during 3-4Q12, the car market has remained resilient thanks to a growing disposable income (with an unemployment rate of well under 6%), a sharp increase in consumer loans, aggressive marketing and a build-up in pent-up demand following the financial crisis in 2009, when the Russian LV market collapsed and halved to 1.47m. In FY12, the market grew 10.6% and reached a new record volume of 2.94m, marginally topping the previous record of 2.91m in 2008.

Car utilisation tax wipes out benefit from lower import tariffs

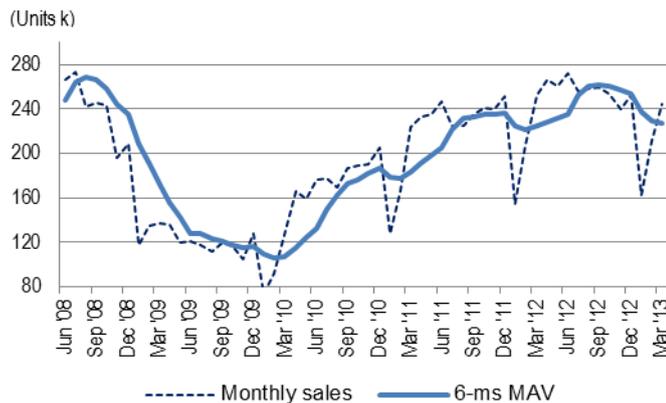
Hoped-for price reductions in the wake of Russia's ascension to the WTO on August 22nd failed to materialise, because of the introduction of an utilisation tax that effectively applies only to imported vehicles, given that domestic producers (domestic and foreign OEMs) avoid the tax by providing guarantees for the disposal of vehicles. For imported vehicles, the utilisation tax all but wipes out any price benefit from the cut in import tariffs from 30% to 25%, following Russia's ascension to the WTO.

Economy set for a soft-landing

+3.4% in FY13E

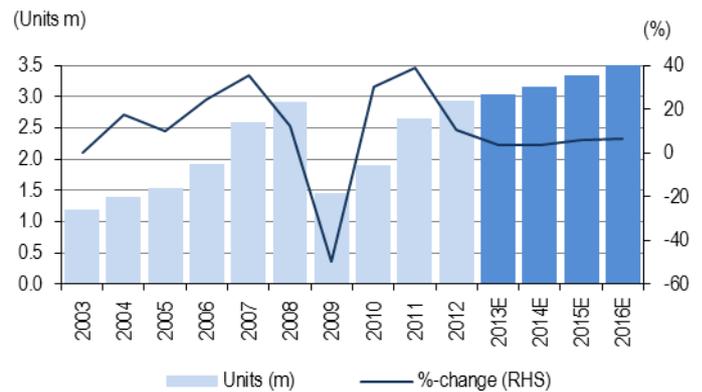
Although the Russian economy has continued to slow well into 1Q13, Russia's macro-economic outlook remains robust, not least because the economy is benefitting from oil and commodity prices at historically high levels. Private consumption, though also expected to slow, is set to remain the economic driving force. However, inflation currently running at above 7.0% has so far prevented monetary easing and is eroding disposable income. Avoiding stagflation is thus the key challenge for the new governor of the central bank. Though pent-up demand seems to be mostly satisfied, we confirm our FY13E forecast of a slow increase in the Russian LV market by 3.4% to 3.03m.

Russia – monthly LV sales¹ (Jun'08-Mar'13)



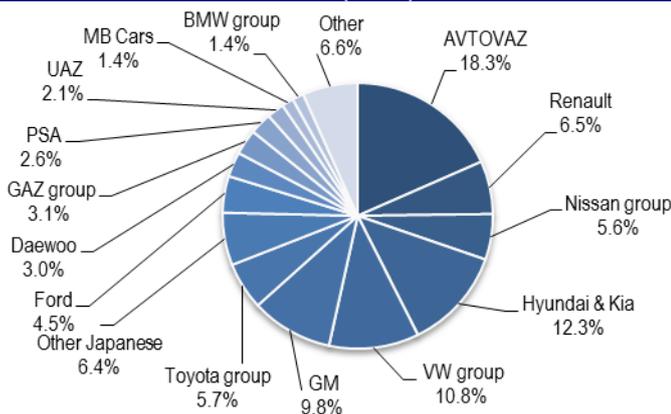
(1) LV sales = passenger cars and LCV. Source: AEB and CGI calculations

Russia – LV sales (2003-16E)



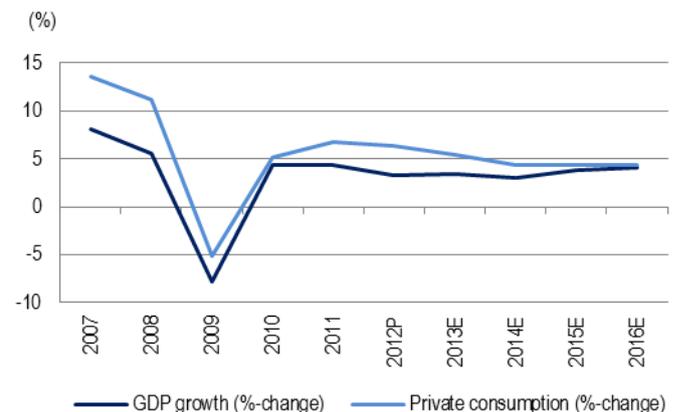
Source: LMC Automotive and CGI estimates

Russia – LV market shares (2012)



Source: JDPAF and CGI estimates

Russia – real GDP and private consumption (2007-16E)

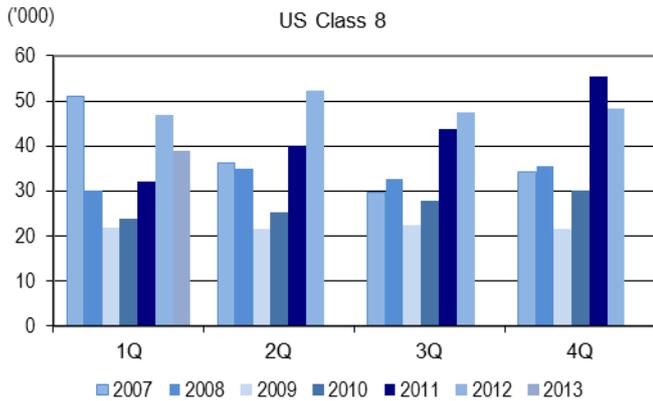


Source: Oxford Economics and CGI estimates

Demand trends for trucks

US medium & heavy truck market

US – Class 8 sales

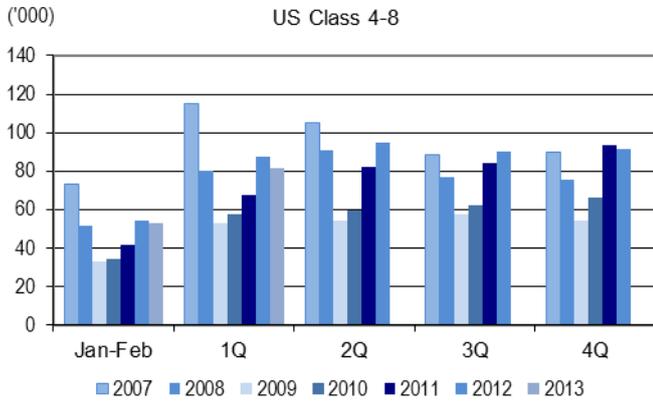


	1Q	2Q	3Q	4Q	FY
Units					
2008	30,248	35,020	32,787	35,418	133,473
2009	21,832	21,625	22,423	21,625	94,798
2010	23,839	25,418	27,825	30,070	107,152
2011	31,978	40,110	43,907	55,430	171,425
2012	46,845	52,401	47,585	48,192	195,023
2013	38,828	-	-	-	-
% change					
2009 yoy	-27.8	-38.2	-31.6	-38.9	-29.0
2010 yoy	9.2	17.5	24.1	39.1	13.0
2011 yoy	34.1	57.8	57.8	84.3	60.0
2012 yoy	46.5	30.6	8.4	-13.1	13.8
2013 yoy	-17.1	-	-	-	-
2012 vs. 2007	-8.4	44.9	60.9	62.5	13.6
2013 vs. 2007	-24.0	-	-	-	-

Source: Automotive News Data Center, CGI calculations

Source: Automotive News Data Center, CGI calculations

US – Class 4-8 sales

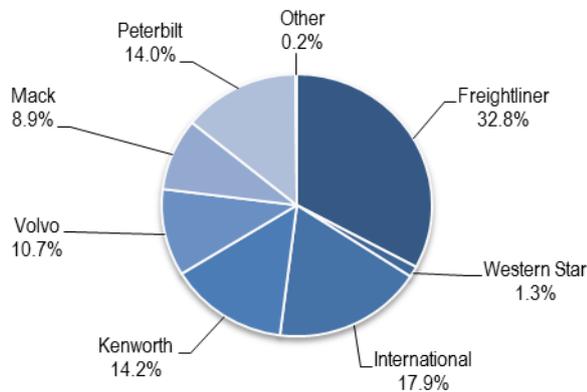


	1Q	2Q	3Q	4Q	FY
Units					
2008	80,363	90,563	77,083	75,387	323,396
2009	53,023	54,423	57,666	54,423	227,726
2010	57,781	59,533	62,231	66,399	245,944
2011	67,399	82,416	84,409	93,768	327,992
2012	87,763	94,962	89,898	91,752	364,375
2013	81,254	-	-	-	-
% change					
2009 yoy	-34.0	-39.9	-25.2	-27.8	-29.6
2010 yoy	9.0	9.4	7.9	22.0	8.0
2011 yoy	16.6	38.4	35.6	41.2	33.4
2012 yoy	30.2	15.2	6.5	-2.1	11.1
2013 yoy	-7.4	-	-	-	-
2012 vs. 2007	-23.7	-9.9	1.6	70.9	56.2
2013 vs. 2007	-29.4	-	-	-	-

Source: Automotive News Data Center, CGI calculations

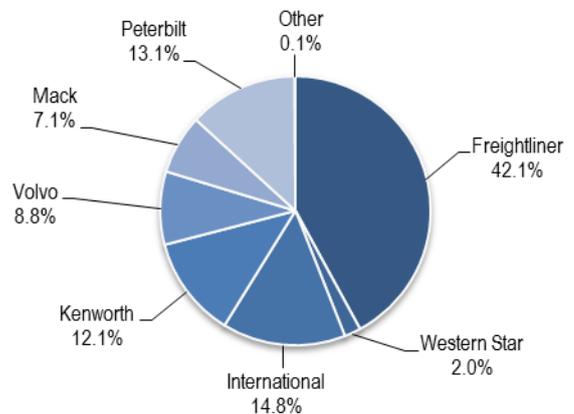
Source: Automotive News Data Center, CGI calculations

US – Class 8 sales by manufacturer (FY12)



Source: Automotive News Data Center, CGI calculations

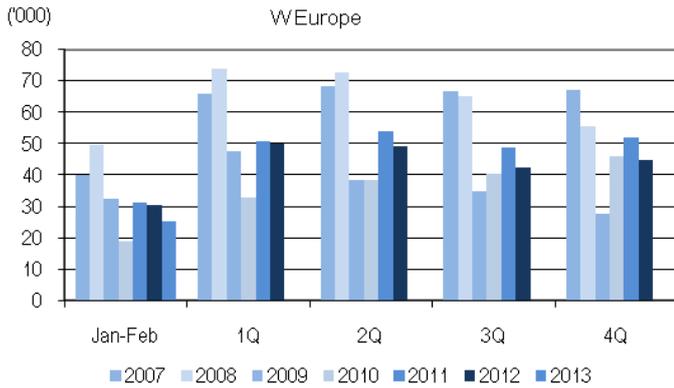
US – Class 8 sales by manufacturer (Jan-Mar'13)



Source: Automotive News Data Center, CGI calculations

Europe heavy truck markets

W Europe – truck registrations (>=16t)

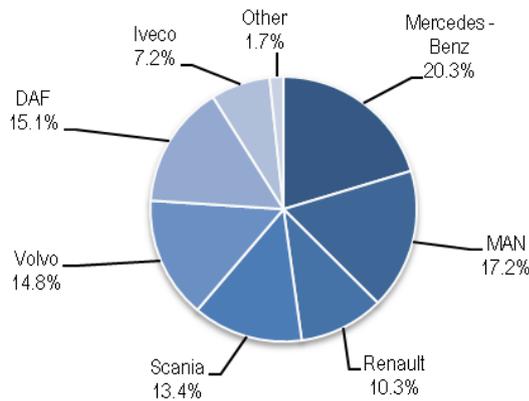


	Jan-Feb	1Q	2Q	3Q	4Q	FY
Units						
2008	49,650	73,909	72,878	65,298	55,590	267,675
2009	32,469	47,599	38,466	34,862	27,669	148,596
2010	18,932	32,828	38,461	40,483	46,174	157,946
2011	31,020	50,998	53,938	48,692	52,099	205,727
2012	30,352	49,890	49,066	42,585	44,776	186,317
2013	25,061	-	-	-	-	-
% change						
2009 yoy	-34.6	-35.6	-47.2	-46.6	-50.2	-44.5
2010 yoy	-41.7	-31.0	0.0	16.1	66.9	6.3
2011 yoy	63.8	55.3	40.2	20.3	12.8	30.3
2012 yoy	-2.2	-2.2	-9.0	-12.5	-16.1	-9.6
2013 yoy	-17.4	-	-	-	-	-
2012 vs. 2008	-38.9	-32.5	-32.7	-34.8	-19.5	-30.4
2013 vs. 2008	-49.5	-	-	-	-	-

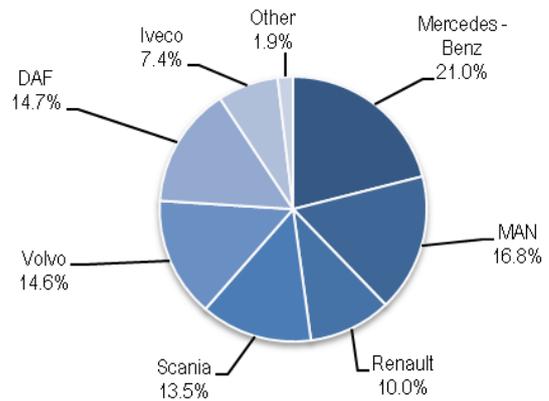
Source: ACEA, CGI calculations

Source: ACEA, CGI calculations

W Europe – truck registrations by manufacturer (FY11) W Europe – by manufacturer (Jan-Jun'12)

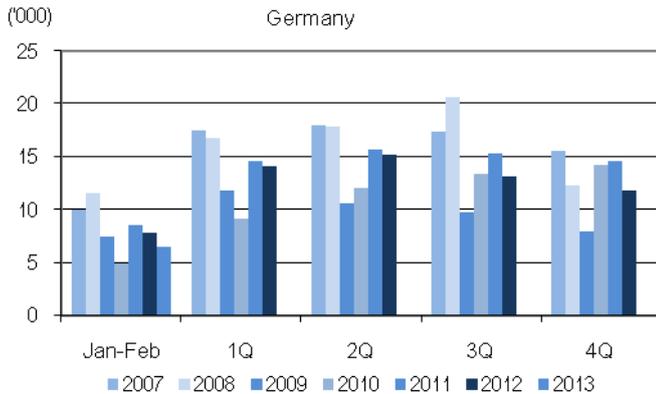


Source: Association Auxiliaire de l'Automobile, ACEA, CGI calculations



Source: Association Auxiliaire de l'Automobile, ACEA, CGI calculations

Germany – truck registrations (>=16t)

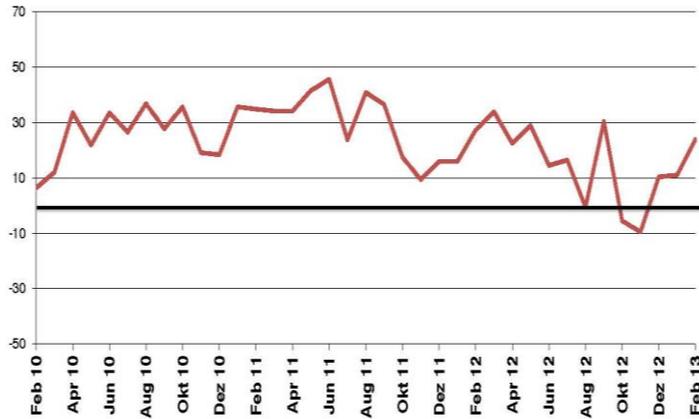


	Jan-Feb	1Q	2Q	3Q	4Q	FY
Units						
2008	11,574	16,791	17,901	20,707	12,349	67,748
2009	7,518	11,878	10,653	9,725	7,943	40,199
2010	5,001	9,145	12,064	13,388	14,220	48,817
2011	8,608	14,577	15,718	15,358	14,560	60,213
2012	7,804	14,148	15,226	13,211	11,859	54,444
2013	6,552	-	-	-	-	-
% change						
2009 yoy	-35.0	-29.3	-40.5	-53.0	-35.7	-40.7
2010 yoy	-33.5	-23.0	13.2	37.7	79.0	21.4
2011 yoy	72.1	59.4	30.3	14.7	2.4	23.3
2012 yoy	-9.3	-2.9	-3.1	-14.0	-18.6	-9.6
2013 yoy	-16.0	-	-	-	-	-
2012 vs. 2008	-32.6	-15.7	-14.9	-36.2	-4.0	-19.6
2013 vs. 2008	-43.4	-	-	-	-	-

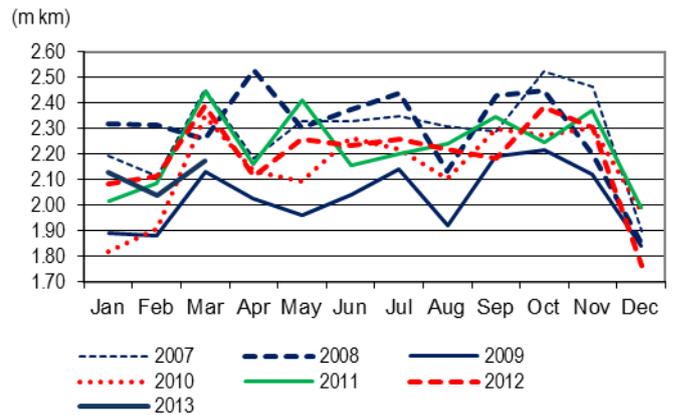
Source: ACEA, CGI calculations

Source: ACEA, CGI calculations

SCI Logistics Barometer (Germany) (Jan'10-Feb'13)

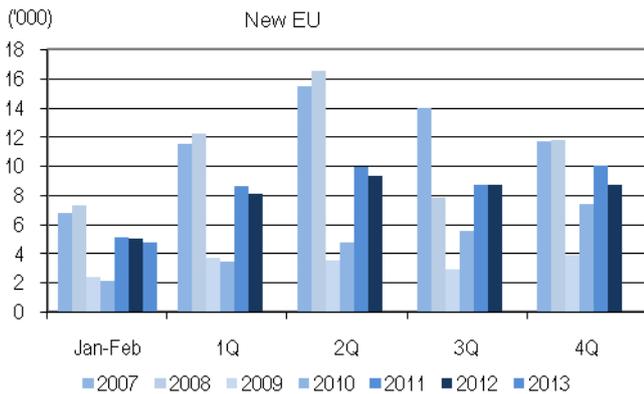


Toll Collect – Driven kms on German motorways



Business confidence indicator – transport and logistics industries in Germany. Source: www.sci.de Source: Bundesamt für Güterverkehr

New EU¹ – truck registrations (>=16t)



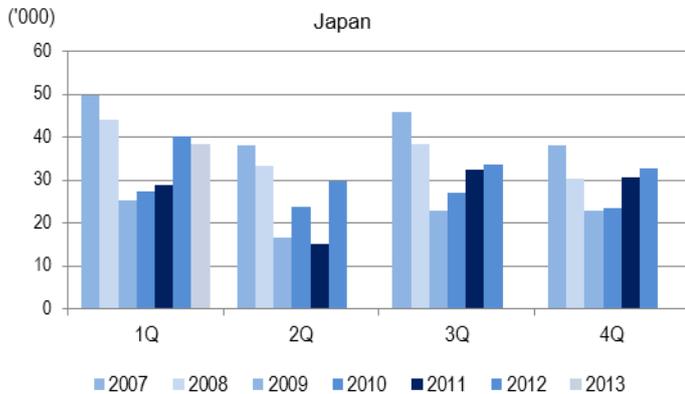
	Jan-Feb	1Q	2Q	3Q	4Q	FY
Units						
2008	7,297	12,220	16,475	7,851	11,809	48,355
2009	2,339	3,647	3,546	2,872	3,843	13,908
2010	2,116	3,384	4,779	5,509	7,351	21,023
2011	5,078	8,594	9,912	8,693	10,016	37,215
2012	4,995	8,040	9,322	8,727	8,650	34,739
2013	4,706	-	-	-	-	-
% change						
2009 yoy	-67.9	-70.2	-78.5	-63.4	-67.5	-71.2
2010 yoy	-9.5	-7.2	34.8	91.8	91.3	51.2
2011 yoy	140.0	154.0	107.4	57.8	36.3	77.0
2012 yoy	-1.6	-6.4	-6.0	0.4	-13.6	-6.7
2013 yoy	-5.8	-	-	-	-	-
2012 vs. 2008	-31.3	-34.2	-43.4	11.2	-26.8	-28.2
2013 vs. 2008	-35.5	-	-	-	-	-

(1) New EU, mostly Central Europe and Baltic countries. Source: ACEA, CGI calculations

Source: ACEA, CGI calculations

Japan medium & heavy truck market

Japan – medium & heavy truck market (>3.5t)



	1Q	2Q	3Q	4Q	FY
Units					
2008	44,262	33,372	38,587	30,469	146,690
2009	25,236	16,686	22,932	22,838	87,692
2010	27,512	23,701	27,029	23,455	101,697
2011	28,993	15,094	32,598	30,605	107,290
2012	40,273	29,714	33,645	32,727	136,359
2013	38,568	-	-	-	-
% change					
2009 yoy	-43.0	-50.0	-40.6	-25.0	-40.2
2010 yoy	9.0	42.0	17.9	2.7	16.0
2011 yoy	5.4	-36.3	20.6	30.5	5.5
2012 yoy	38.9	96.9	3.2	6.9	27.1
2013 yoy	-4.2	-	-	-	-
2012 vs. 2008	-9.0	-11.0	-12.8	7.4	-7.0
2013 vs. 2008	-12.9	-	-	-	-

Source: JAMA, CGI calculations

Source: JAMA, CGI calculations

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