



Creative Global Investments

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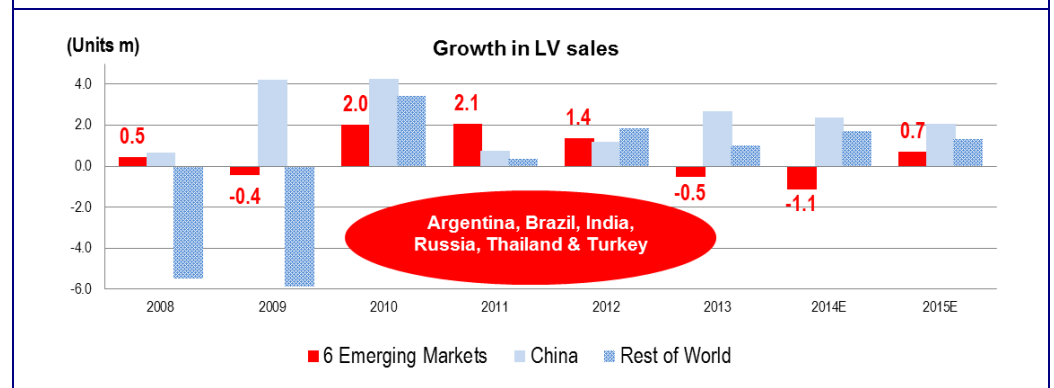
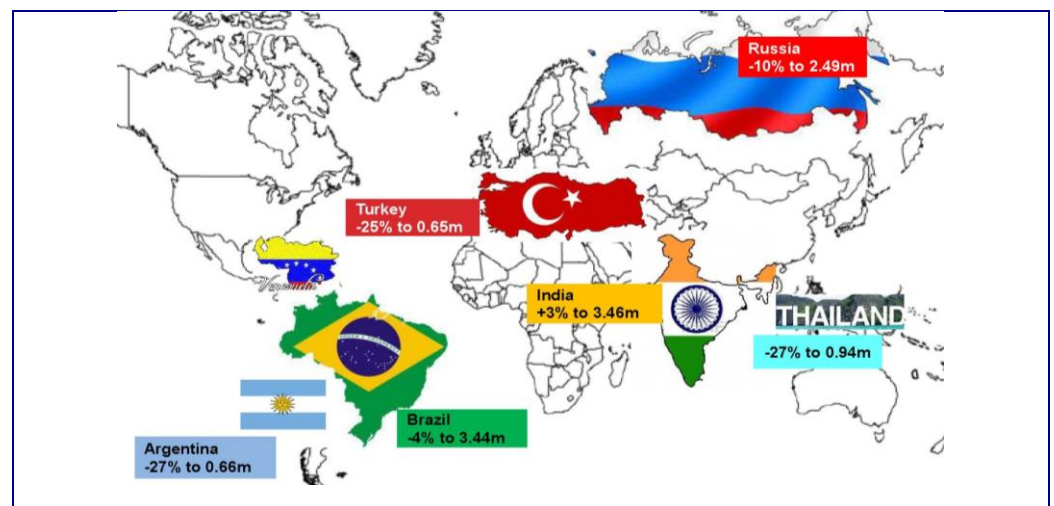
**Objectivity
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Global Automotive Demand Atlas

Supplement - June 2014

Emerging Markets in trouble

- In FY14E, Argentina, Brazil, India, Russia, Thailand & Turkey are set to become an even greater drag on global LV markets, declining by 9.1% or 1.1m to 11.13m units.
- Most affected are global OEMs with emphasis on non-premium brands - Toyota, GM, Ford, Hyundai group & Renault-Nissan. The VW group benefits from its premium brands Audi and Porsche.



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Emerging Markets in trouble

Mid-2013 currency sell-off...

Since May 2013, when the US Federal Reserve publicly contemplated for the first time that it may at some stage begin tapering asset purchases under its QE programme, underlying macroeconomic fragilities have been increasingly exposed in mid-income emerging economies. The prospect of a slowdown and eventually end to quantitative easing in the US led to a rather immediate and abrupt reversal of global capital flows away from higher-yielding emerging markets, laying bare their underlying macro-economic problems and short-comings.

...has detrimental, medium-term impact on emerging markets

The impact on emerging markets was immediate and is bound to affect their economies well into the medium term. The typical, kneejerk reaction of a central bank to stem or limit capital outflows and a dramatic weakening of their currency is to aggressively raise interest rates. The tighter monetary environment becomes engrained and thus has a knock-on effect on the macro-economic environment and outlook, hitting consumer confidence, private consumption and thus cars sales.

In addition to a weaker medium-term macro-economic outlook, car sales in affected emerging markets have greatly suffered from weaker currency and higher interest rates. Emerging markets are in trouble for different reasons and have to contend with different issues, but we estimate that on average emerging markets (in our in report) are burdened by a 10% weaker currency and 200bps increase in interest rates.

Weaker currency...

A sharply weaker currency affects first and foremost the affordability of cars, mainly for imported cars, but also, to a lesser extent for locally assembled ones, due to a large proportion of imported components, often reducing local content to 40% or less. The price elasticity is particularly high in the volume segments. Here, a car manufacturer's pricing policy is therefore a trade-off between volume and value.

...reduces affordability of cars,...

... increases running costs...

Second, a weaker currency also tends to lead to higher fuel prices and as such greatly affects the running costs of a car. However, in a number of EMs fuel prices are regulated and subsidised.

..and their financing costs

Third, car loans and financing have become more expensive and in many cases also restricted, thus further reducing the affordability of cars.

All three factors - higher sticker prices, higher fuel prices & running costs and financing costs - are affecting mainly the volume segments. Sales of premium cars have remained buoyant and actually continued to grow, despite drastic price increases. However, premium brands play only a minor role, accounting for less than 10% in Russia and Turkey, and 3% or less in the other markets in this report.

The phenomenon we are currently seeing is not one major crisis of emerging economies, but a number of small crises, or just considerably deteriorating economic outlook that take a different shape in the various economies.

Argentina, Brazil, India, Russia, Thailand & Turkey

In 2007-12, the six EMs expanded by 74%....

In this report, we focus on the light vehicle (LV) segments in six emerging markets (EMs), **Argentina, Brazil, India, Russia, Thailand & Turkey**. They are geographically, politically and economically diverse and are of **great importance to global OEMs**. Between **2007 and 2012, these six economies grew by 74%**, from a combined 7.36m units in 2007 to 12.82m in 2012, **adding an accumulated 5.5m units to global LV sales**, driven by strong economic growth and rising wealth and purchasing power. Their share in global annual LV sales had risen from 10% in 2007 to 16% in 2012.

...and China by 138%

Note that in the same period, the Chinese LV market grew 138% from 8.08m in 2007 to 19.02m in 2012, adding an accumulated 11.12m units to global LV sales. China's share in global annual LV sales had risen from 11.5% in 2007 to 24% in 2012.

In 2008-09, the six EMS remained stable...

...and contributed greatly to the global recovery in 2010-12

FY14E sales decline set to accelerate to at least -9%

Global OEMs with emphasis on non-premium brands –

Toyota, GM, Ford, Hyundai group & Renault-Nissan

Regional differences

The six EMS played a key role during the financial crisis and in the ensuing recovery. During the crisis, in 2008-09, the global LV markets lost an accumulated 6.5m units, whereas the six emerging markets remained stable.

Their contribution to the global recovery in global LV sales was over-proportional, contributing 2.02m units or 20% to the growth in global LV sales in 2010, 2.07m or 65% in 2011 and 1.36m or 31% in 2012. Their share in global annual LV sales had risen from 10% in 2007 to 16% in 2012.

However, **in 2013, LV sales in these six markets shrank by 4% or 0.5m units** to 12.3m and are expected to **shrink by at least other 9% or 1.1m units in FY14E**, to less than 11.2m LVs. There is hope, but also a considerable downside risk for a partial recovery in 2015E. Since 2013, China and the US have been the key drivers of global LV sales. The EMS' share in global annual LV sales has fallen to less than 15% in 2013, and is heading for less than 13% in FY14E. (See charts on pp. 4-5.)

The **medium-term demand outlook for the EMS remains depressed** and carries a considerable downside risk. The negative impact on OEMs should be exacerbated by additional production capacity that is due to go on line during the next couple of years. In the **long term**, emerging markets provide **considerable growth potential for LV sales**, compared to stagnation at best in mature markets, as growing wealth and purchasing power drives car ownership.

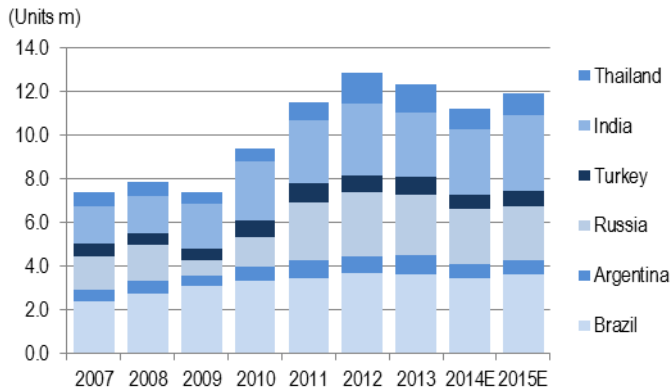
The car manufacturers most affected by the temporary weakness in emerging markets are **global OEMs with emphasis on non-premium brands - Toyota, GM, Ford, Hyundai group and Renault-Nissan**. As mentioned before, **sales of premium cars in the emerging markets have actually increased in FY13-14E**, which is attributable to the low price elasticity of demand and customers' independence from car financing. The main beneficiaries are the BMW group, Daimler's Mercedes-Benz, VW's Audi, Porsche, Lamborghini and Bentley and Tata's Jaguar & Land Rover. **The VW group**, though exposed to the volume segments in most emerging markets, **benefits from its premium (Audi and Porsche) and luxury brands (Lamborghini and Bentley)**.

Mainly **GM, VW group, FiatChrysler, Ford and Renault-Nissan** are affected by developments in **South America**, while **Japanese and Korean OEMs are affected by the market weakness in Thailand and India**. In **Russia**, where the economic problems are rather home grown and likely to be more drawn out, the manufacturers most affected are **Renault-Nissan, GM, Hyundai group, Toyota and VW group**. In **Turkey**, for **Renault-Nissan, Ford, FiatChrysler, Toyota and Hyundai group** the negative impact from the decline in local demand and currency should be mitigated by **better export opportunities**.

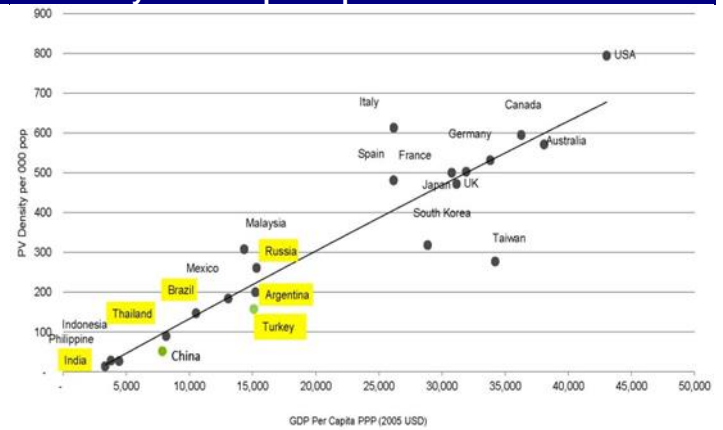
Growth contribution – LV markets (2008-15E)



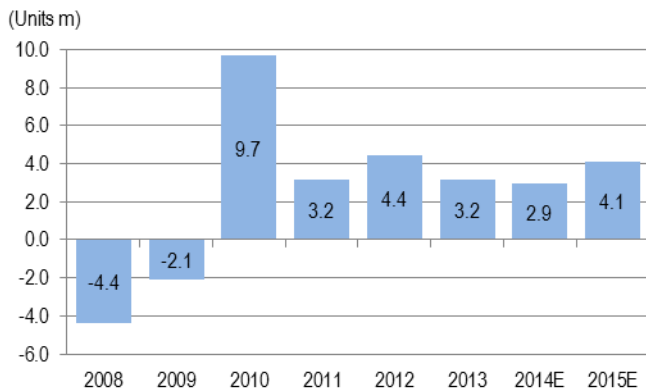
Source: LMC Automotive and CGI estimates

Six EMs - LV markets (2007-15E)

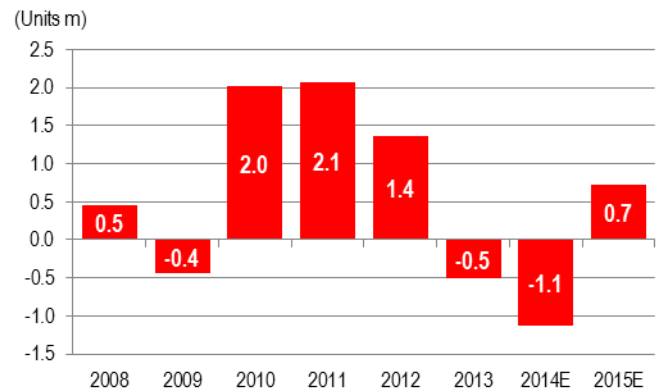
Source: LMC Automotive and CGI estimates

PV density vs. GDP per capita

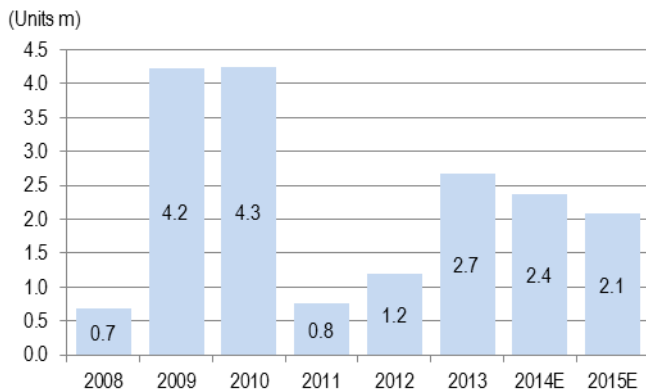
Source: LMCA and Oxford Economics

Growth - global LVs (2008-15E)

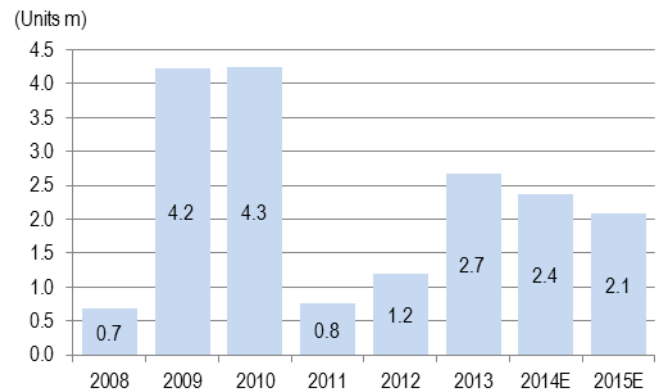
Source: LMC Automotive and CGI estimates

Six EMs – growth contribution - global LVs (2008-15E)

Source: LMC Automotive and CGI estimates

China – growth contribution - global LVs (2007-15E)

Source: LMC Automotive and CGI estimates

Rest of World – growth contribution - global LVs (2007-15E)

Source: LMC Automotive and CGI estimates

Argentina

-35% in YTD

-27% in FY14E

Policy makers tinker as economy gets stuck in stagflation

Inflation estimated to be running at 25%

Lack of export opportunities

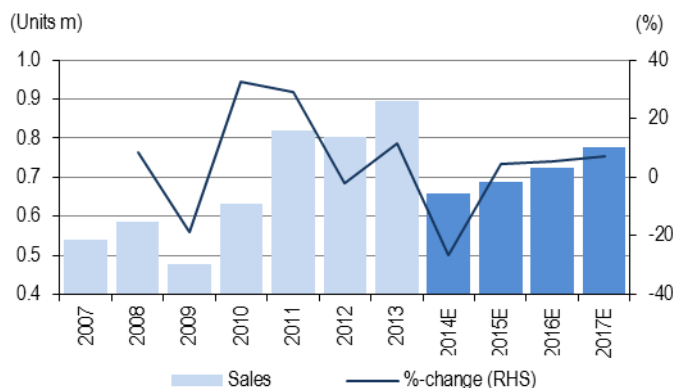
YTD April, LV sales declined 34.8% yoy to 208.0k units. After an 11.7% increase to 0.90m in FY13, the Argentinian LV market is expected to shrink 27% to 0.66m units in FY14E. There is hope for stabilisation or even a moderate recovery to 0.69m in 2015E, helped by the presidential elections in October 2015. The YTD collapse in LV sales is due to a dramatically deteriorating economic environment and has been exacerbated by tax hikes on high-end models, tighter import restrictions and sharply higher prices. Manufacturers most affected are **Renault, PSA, GM, VW group and Fiat**. **Premium brands account for less than 3% of the market.** (See charts on pp. 6-7.)

During 2013, the Argentinian economy decelerated dramatically: faced with an overregulated private sector, economic slow-down in Brazil and weak commodity prices, the government failed to reverse its excessively expansionary fiscal and monetary policies and continued to resort to intervention such as foreign exchange and import controls rather than structural reform to avert a balance-of-payment crisis. In FY14E, GDP is expected to stagnate at best and private consumption set to decline. A de-facto 20% devaluation of the peso in January 2014 was accompanied by insufficient monetary and fiscal tightening and is unlikely to reduce the government's propensity to intervene.

On the contrary, a weaker currency should further increase inflationary pressures that the government continues to fight with misreporting and intervention (such as price caps). According to independent economists, inflation is set to rise from 25% in FY13 to 30% in FY14F, compared to an 'official' inflation rate of some 11% in FY13 and YTD.

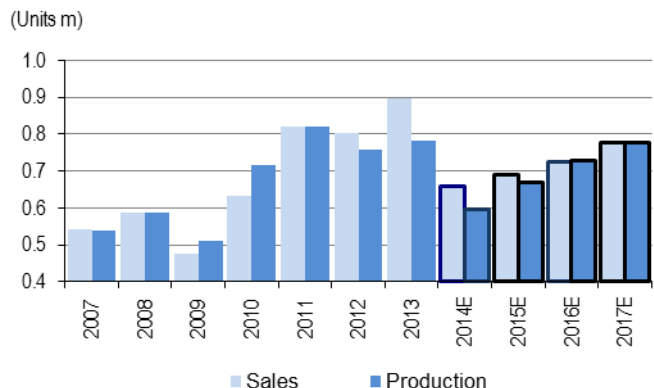
Since 2012, Argentina has been a net importer of LVs. LV production increased by just 3.1% to 0.78m units in FY13 and needs to be cut by at least 24% to 0.60m units in FY14E, according to LMC Automotive (LMCA). Export opportunities are limited due to weak demand in Brazil and rest of South America, and multi-lateral trade restrictions.

Argentina – LV sales (2007-17E)



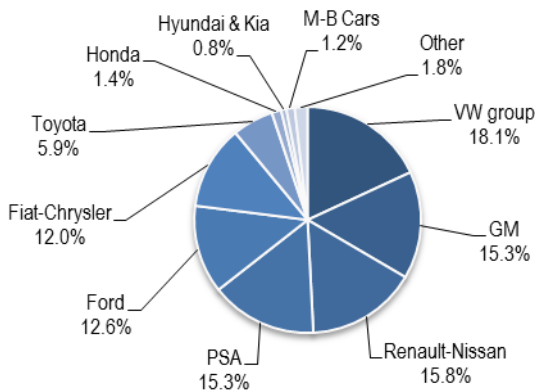
Source: ADEFA, LMC Automotive and CGI estimates

Argentina – LV sales & production (2007-17E)



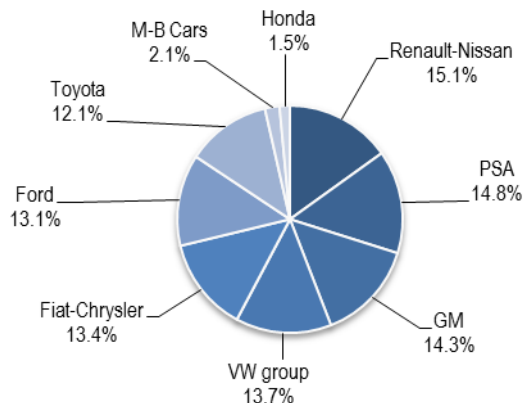
Source: ADEFA, LMC Automotive and CGI estimates

Argentina – LV market shares (2013)

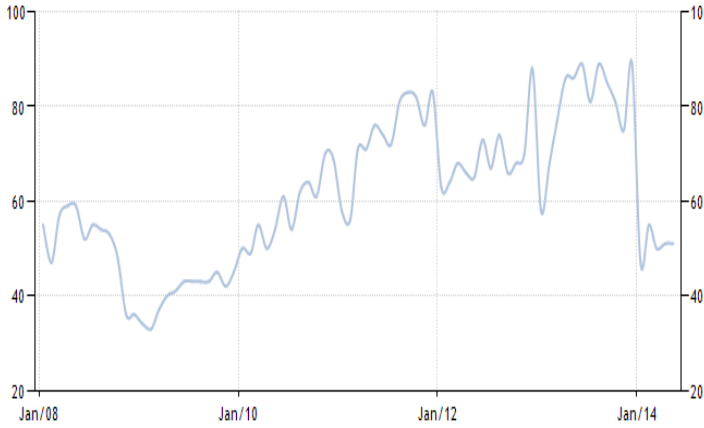
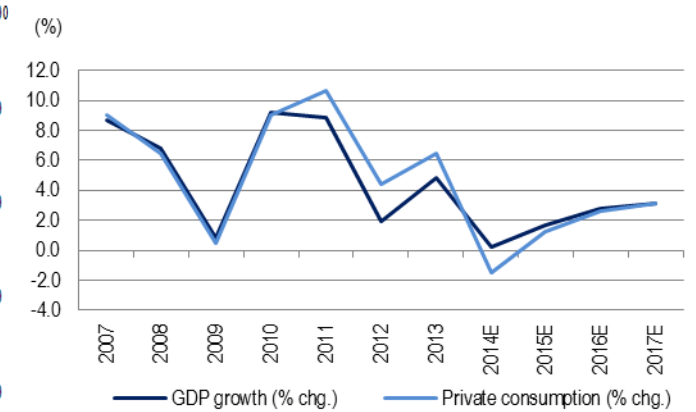
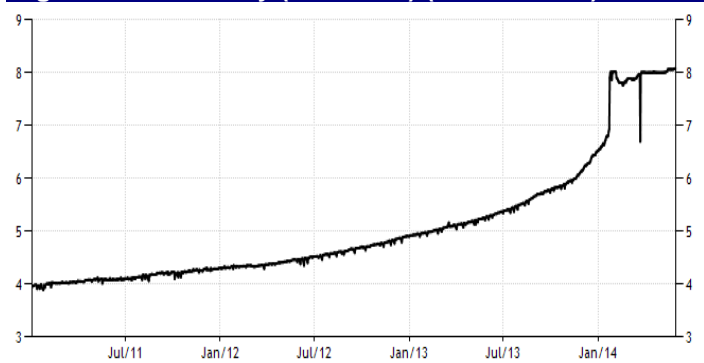
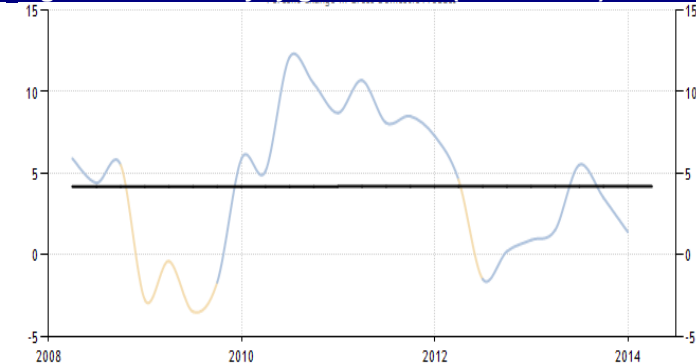
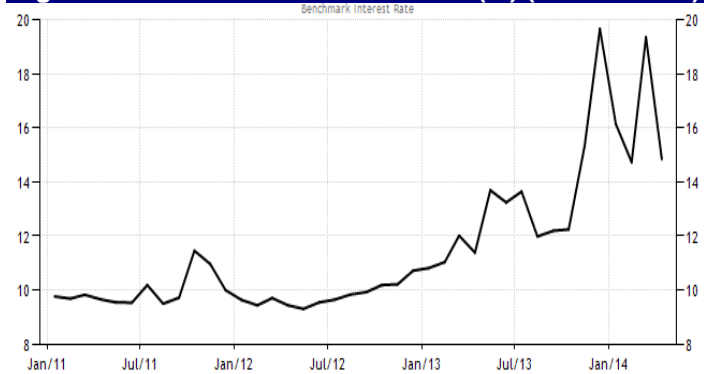
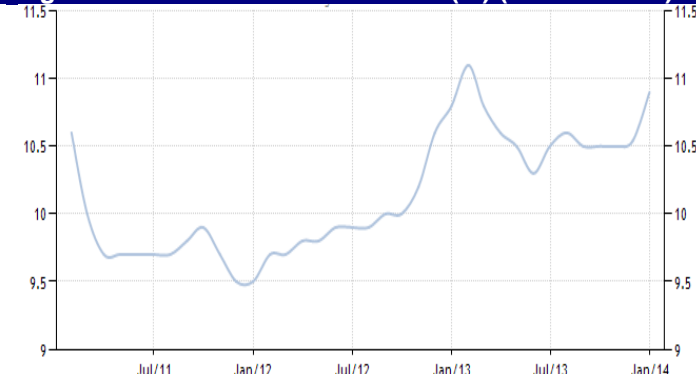


Source: ADEFA, LMC Automotive and CGI calculations

Argentina – LV production by OEM (2013)



Source: ADEFA, LMC Automotive and CGI calculations

Argentina – monthly LV sales¹ (Jan'08-May'14)**Argentina – real GDP & private consumption (2007-17E)****Argentina – currency (USD/ARS) (since 1/2011)****Argentina – GDP yoy growth rate (1Q08-4Q13)****Argentina – benchmark interest rate (%) (since 1/2011)****Argentina – stock market (Merval) (since 1/2011)****Argentina – consumer confidence (since 1/2011)****Argentina – 'official' inflation rate* (%) (since 1/2011)**

Brazil

-5.2% in YTD

-3.8% in FY14E

Economic slowdown despite football world cup

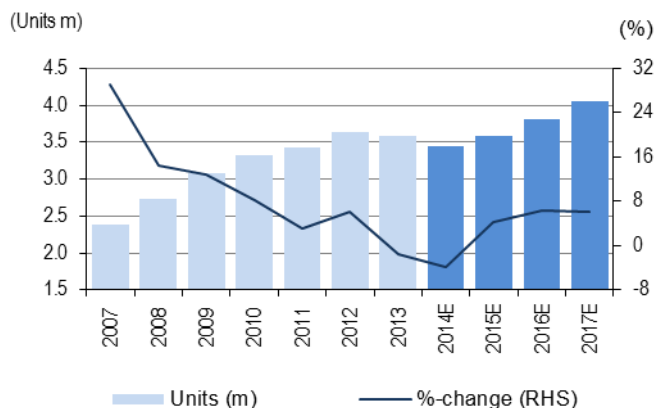
Challenges for the Big Three: 1) new market entrants; 2) pressure to modernise product and 3) looming overcapacity

YTD May, LV sales declined 5.2% yoy to 1.33m units; this follows a 1.5% decline to 3.58m units in FY13, the first decline in a decade. The market is set for a 3.8% decline to 3.44m in FY14E and a 4.3% recovery to 3.59m in 2015E. LV demand has suffered from tighter credit conditions, shrinking purchasing power (due to high inflation and a weakening currency) and falling consumer confidence, overcompensating any benefits from the fiscal stimuli introduced since June 2012. At the beginning of 2014, the IPI tax was raised by 2-4%-points (depending on the size of the vehicle), and the next hike by another 2-3%-points is due in July. **Premium brands account for less than 2% of the market**, but their sales have been growing by some 20% YTD. (See charts on pp. 8-9.)

Private consumption, the driving force in 2007-2012, slowed dramatically in FY13, to just 2.3%, in line with GDP growth. Private consumption should remain relative resilient in FY14E, growing 2.1% vs. GDP's less than 2.0%, but only track lacklustre GDP growth in the medium term. We expect that industrial and commodities sectors will continue to suffer from an overvalued currency, rising labour costs, complex taxes, poor infrastructure and excessive bureaucracy. Growing infrastructure problems and political dissatisfaction are likely to increase strikes and lead to renewed mass protests.

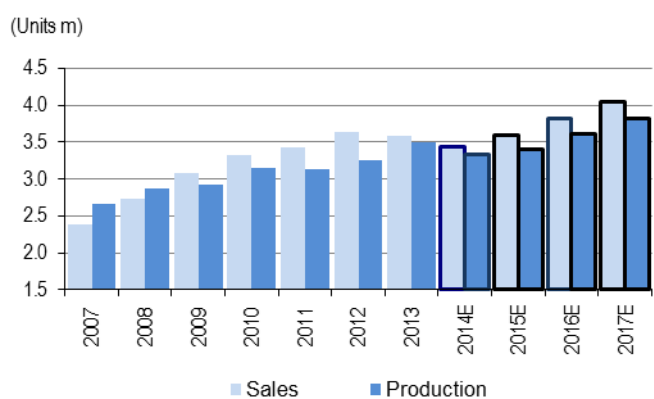
Despite a relatively favourable outlook for the Brazilian LV demand, the established OEMs **Fiat, VW group, GM, Ford and Renault-Nissan** are facing considerable challenges. 1) A rising number of new entrants increase competitive pressures; this is reflected in an accelerating decline in market share held by the BIG Three from 85% in 1997, to 74% in 2010 and 61% in FY13. 2) The introduction of new safety rules (requiring ABS brakes and airbags) on 1/1/2014, estimated to reduce the affordability of cars by some 4-8%, is accelerating the need to modernise the products on offer. 3) Production capacity for an additional 1.5m vehicles that is due to go on stream in 2014-15, should keep capacity utilisation well below 80% in the medium term.

Brazil – LV sales (2007-17E)



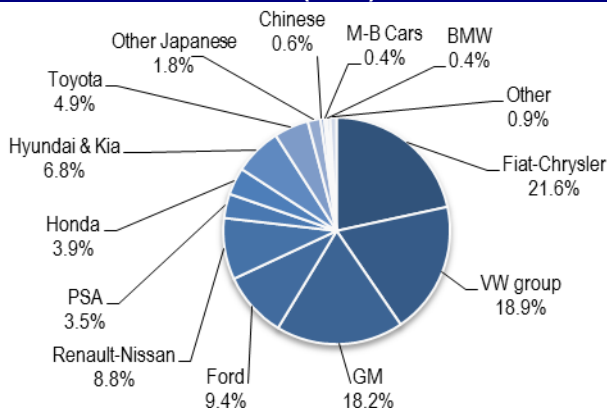
Source: ANFAVEA, LMC Automotive and CGI estimates

Brazil – LV sales & production (2007-17E)



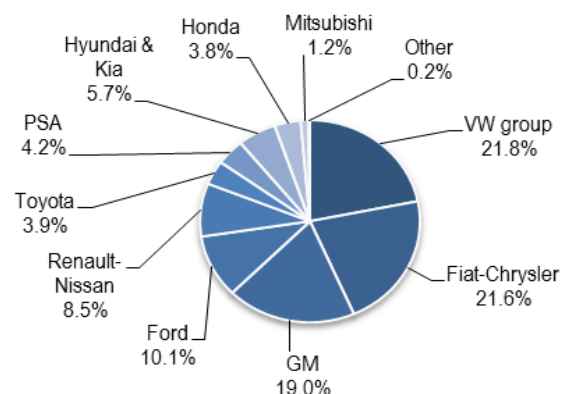
Source: ANFAVEA, LMC Automotive and CGI estimates

Brazil – LV market shares (2013)

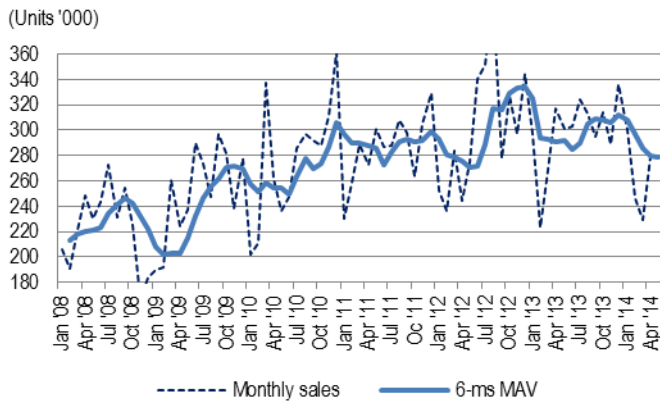


Source: ANFAVEA and CGI calculations

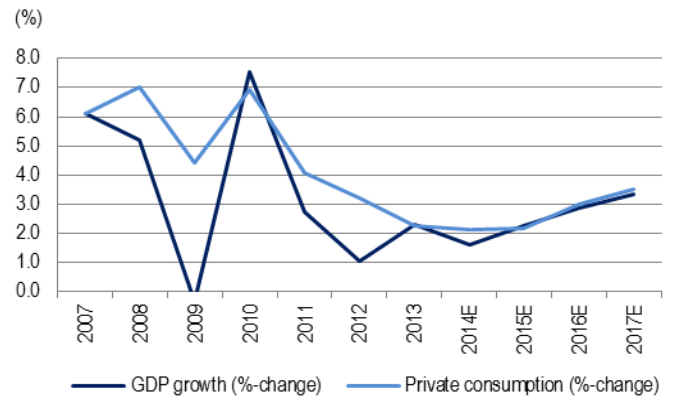
Brazil – LV production by OEM (2013)



Source: ANFAVEA, LMC Automotive and CGI calculations

Brazil – monthly LV registrations (Jan'08-May'14)

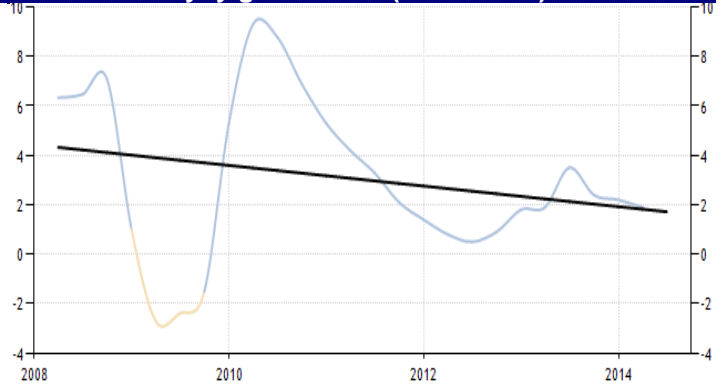
Source: ANFAVEA and CGI calculations

Brazil – real GDP and private consumption (2007-17E)

Source: Oxford Economics and CGI estimates

Brazil – currency (USD/BRL) (since 1/2011)**Brazil – benchmark interest rate (%) (since 1/2011)**

Source: Banco Central do Brasil

Brazil – GDP yoy growth rate (1Q08-1Q14)

Source: Instituto Brasileiro de Geografia e Estatística (IBOE)

Brazil – stock market (Bovespa) (since 1/2011)

Source: Sao Paulo Stock Exchange

Brazil – consumer confidence (since 1/2011)

Source: Confederação Nacional da Indústria (CNI)

Brazil – inflation rate (%) (since 1/2011)

Source: Instituto Brasileiro de Geografia e Estatística (IBOE)

India

-6% in YTD

+3.1% in FY14E

PM Modi has yet to announce strategy for transformation of Indian economy

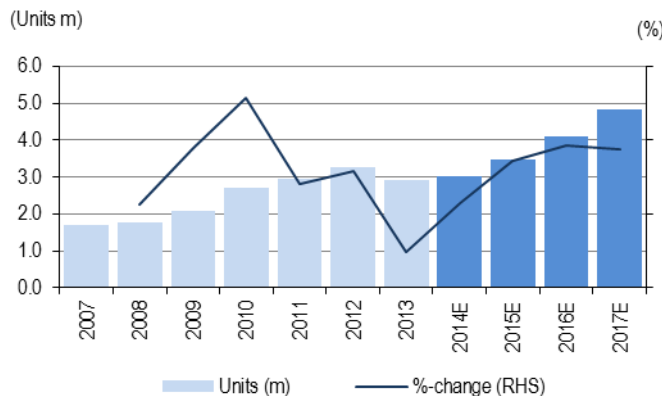
YTD April, sales declined 6% to 983.9k units from a weak 2013 and despite a surprise cut in excise duty at the beginning of the year, limited to 1H14. This follows a 10.5% decline to 2.93m units in FY13, the first decline in a decade and a shock after a CAGR of more than 14% in the previous five years. The currency sell-off in 2Q13 exacerbated India's macro-economic woes of a decelerating economy, high inflation, rising interest rates and fuel prices. Indeed, there are considerable downside risks to the FY14E outlook of a moderate, 3.1% recovery to 3.02m units due to considerable economic uncertainties. **Premium brands account for only 1% of the market.** (See pp. 10-11.)

The new PM Modi's success of securing an absolute majority in the lower house of parliament may have reduced political uncertainties, but he is facing almost impossibly high expectations from voters, stakeholders and international investors. He has yet to announce his strategy for transforming the Indian economy and solving its daunting structural problems that have resulted in a GDP growth rate of less than 5% and inflation running at around 10% in 2012-13. India is in need of removing growth constraints such as food price inflation, disincentives for employment, in particular for young people (10m of which enter the job market every year), over-regulation of all aspects of the economy, inadequate infrastructure, stagnation in manufacturing, fiscal and current account deficits.

Net exporter

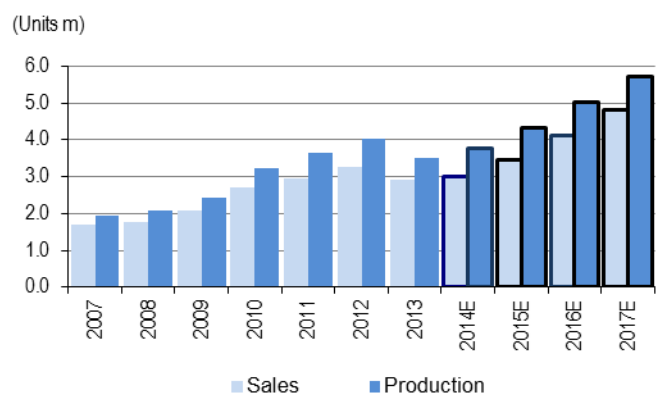
In FY13, the OEMs cut their production 13% to 3.52m, which resulted in a 23% reduction in net exports. For FY14E, LMCA expects production to grow again by almost 7% to 3.02m, implying a 25% increase in net exports to 0.74m units, the latter undoubtedly supported by a weaker currency. **Besides the two domestic players, manufacturers most affected are Suzuki and Hyundai group.**

India – LV sales (2007-17E)



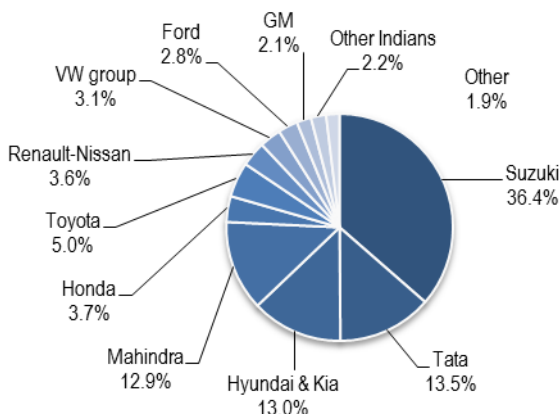
Source: AIAM, LMC Automotive and CGI estimates

India – LV sales & production (2007-17E)



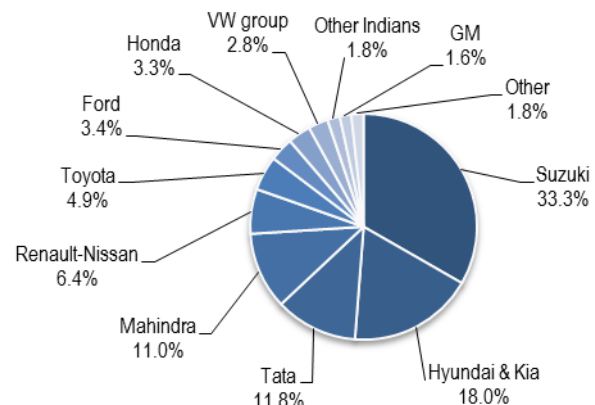
Source: AIAM, LMC Automotive and CGI estimates

India – LV market shares (2013)

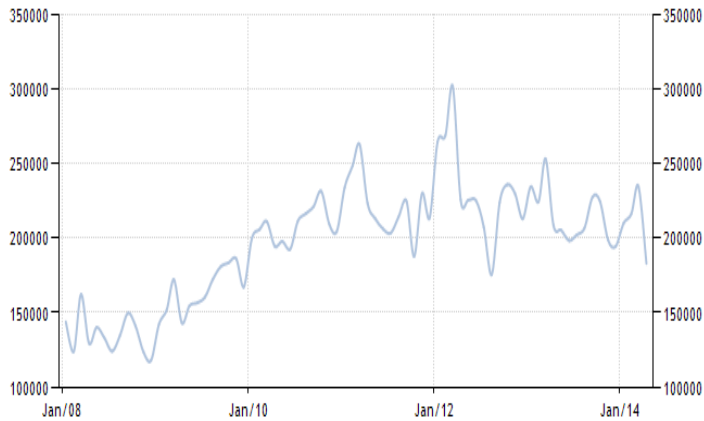


Source: AIAM, LMC Automotive and CGI calculations

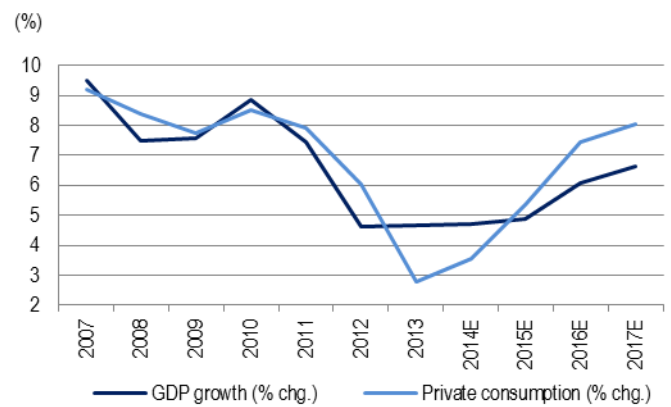
India – LV production by OEM (2013)



Source: AIAM, LMC Automotive and CGI calculations

India – monthly LV sales¹ (Jan'11-Apr'14)

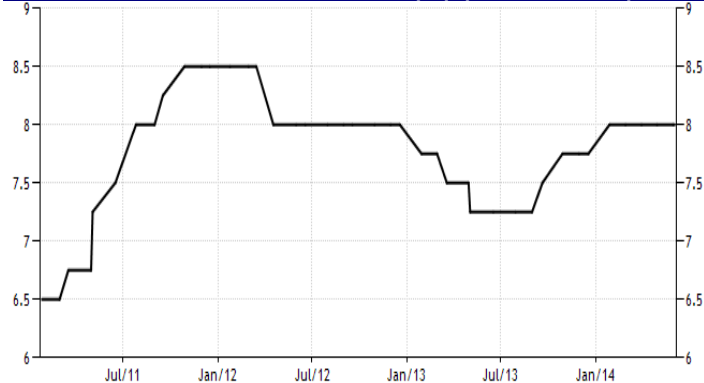
(1) Units. Source: AIAM, Centre for Monitoring Indian Economy

India - real GDP and private consumption (2007-17E)

Source: Oxford Economics and CGI estimates

India – currency (USD/INR) (since 1/2011)**India – GDP yoy growth rate (%) (1Q08-1Q14)**

Source: MOSPI

India – benchmark interest rate (%) (since 1/2011)

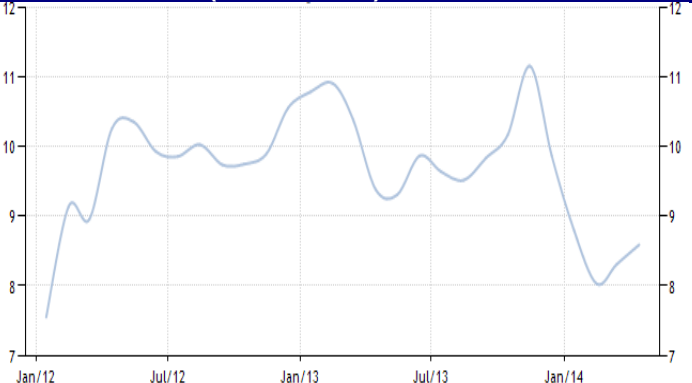
Source: Reserve Bank of India

India – stock market (Sensex) (since 1/2011)

Source: Bombay Stock Exchange

India – consumer confidence (1Q10-1Q14)

Source: Nielsen

India – inflation (since 1/2012)

Source: Chamber of Commerce and Industry, India

Russia

- 5.6% in YTD
-10.3% in FY14E

Little export
opportunities

Deteriorating macro-
economic outlook –
greatly exacerbated by
Ukraine crisis

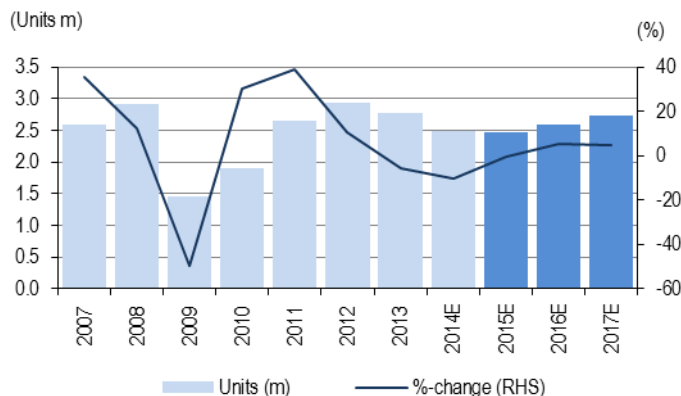
Weak rouble greatly
affects affordability of
LVs

YTD May, Russian LV sales fell 5.6% yoy to 1.03m units. After a 5.5% decline to 2.77m in FY13, the Russian LV market is set to decline by more than 10% to 2.49m in FY14E and by another 0.6% to 2.47m in 2015E. There is hope for a 5.1% recovery to 2.60m in 2016E. **Premium brands account for some 7% of the market.** LV production should continue to be cut because Russia is a net importer and local production by foreign OEMs is mainly due to Russia's fiscal and trade policies. A weaker rouble is thus unlikely to provide sizeable export opportunities. Manufacturers most affected are **Renault-Nissan, GM, Hyundai group, and Toyota** (See charts on pp. 12-13.)

Even before the full onset of the crisis in the Ukraine, the Russian economy was on a downward trajectory and had slowed dramatically: the real GDP growth rate fell from 3.4% in 2012 to 1.4% in FY13 and 0.9% in 1Q14. This is attributable to considerable structural problems at the core of the economy such as lack of internal investment and increasing capital flight, both caused by a bad business climate, lack of sufficient protection of property rights and rule of law. The GDP growth outlook has greatly deteriorated to 0.2% in FY14E and 1.4% in 2015E. Private consumption also decelerated sharply, from 6.7% in 2012 to 5.5% in 2013. Higher interest rates and a weaker rouble have dampened consumer confidence and dramatically worsened the growth outlook for private consumption to 0.9% in FY14E and 1.1% in 2015E.

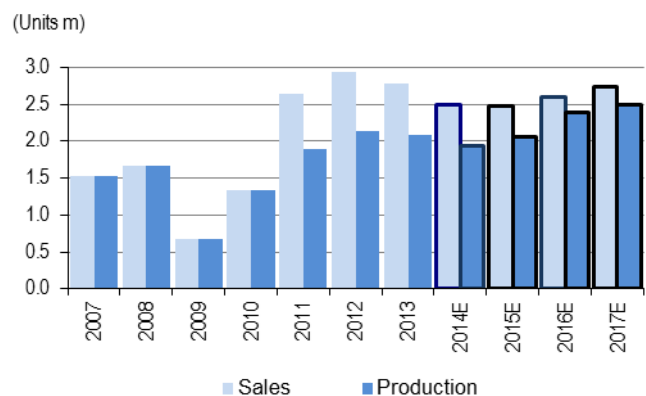
Besides higher interest rates, the dramatic weakening of the rouble is the key negative factor affecting car sales, as it greatly reduces the affordability of LVs. Indeed, in 2013, forex affected 82% of LVs sold, 36% were imports and 46% foreign branded vehicles from local production that have a relatively low local content. Additional drawbacks include the government's recent announcement that they have scrapped plans to introduce a new car incentive scheme any time soon and the extension of the 'utilisation' tax to include locally produced cars since 1/1/2014.

Russia – LV sales (2007-17E)



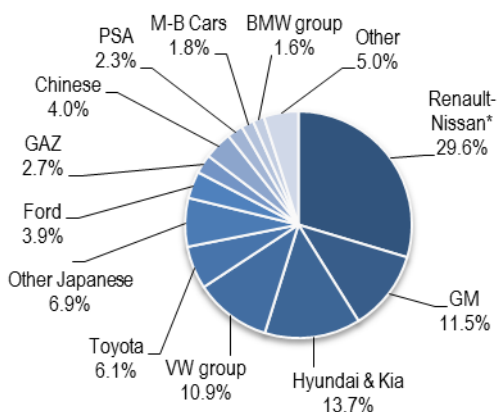
Source: AEB, LMC Automotive and CGI estimates

Russia – LV sales & production (2007-17E)



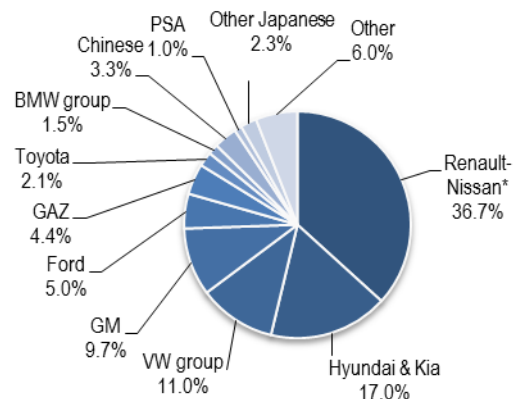
Source: AEB, LMC Automotive and CGI estimates

Russia – LV market shares (2013)

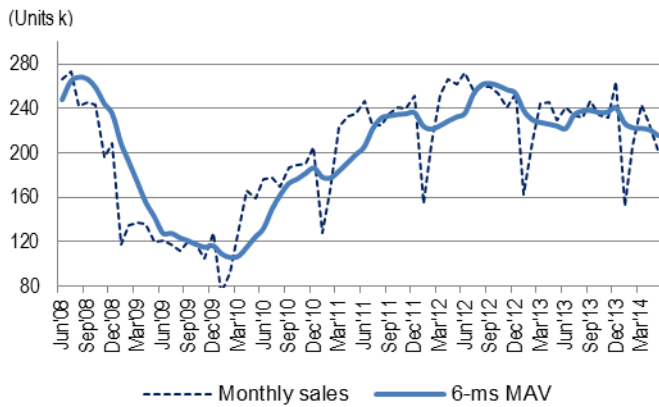


(*) Incl. AVTOVAZ Source: AEB and CGI calculations

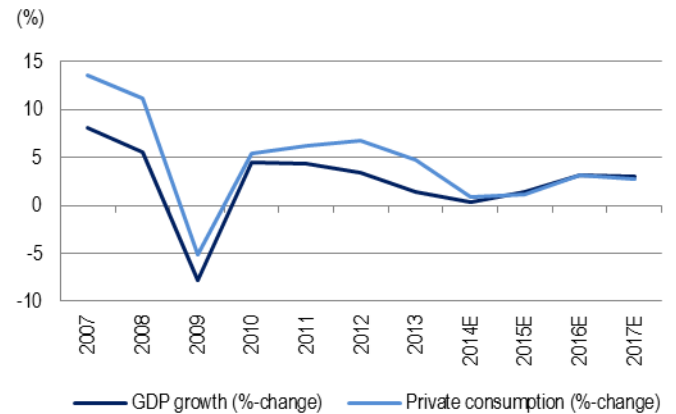
Russia – LV production by OEM (2013)



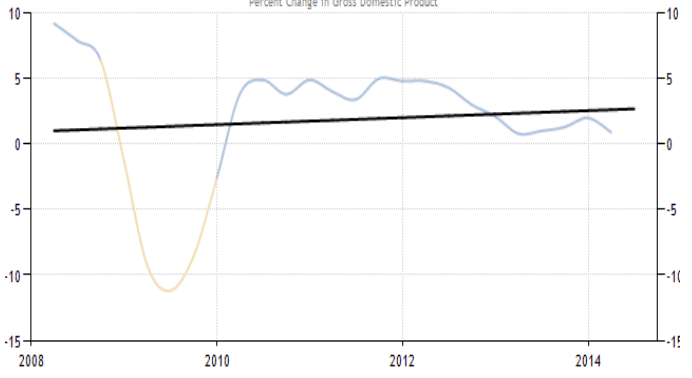
(*) Incl. AVTOVAZ Source: AEB, LMC Automotive and CGI calculations

Russia – monthly LV sales (Jun'08-May'14)

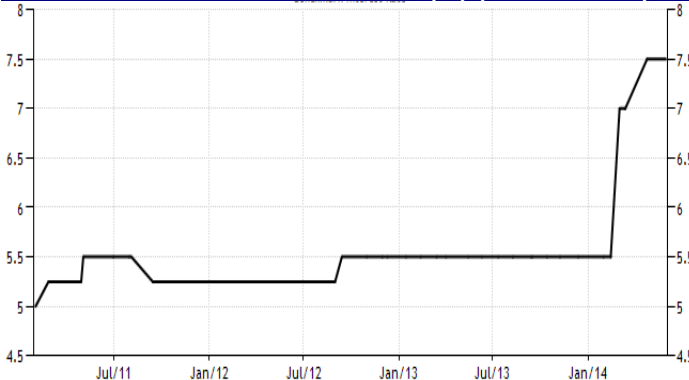
Source: AEB and CGI calculations

Russia – real GDP and private consumption (2007-17E)

Source: Oxford Economics and CGI estimates

Russia – currency (USD/RUB) (since 1/2011)**Russia – GDP yoy growth rate (1Q08-1Q14)**

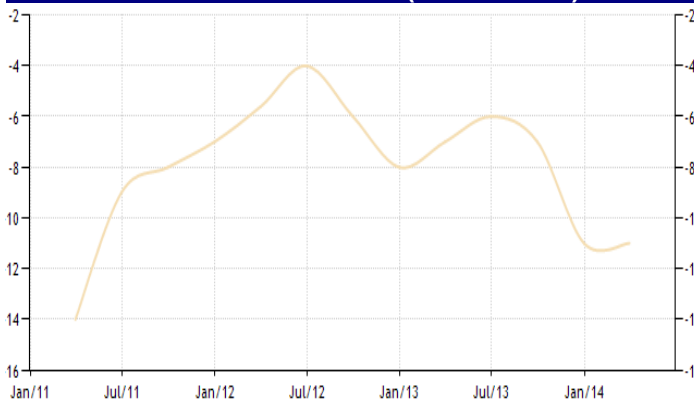
Source: Federal State Statistics Office

Russia – benchmark interest rate (%) (since 1/2011)

Source: Central bank of Russia

Russia – stock market (MICEX) (since 1/2011)

Source: Moscow Stock Exchange

Russia – consumer confidence (since 1/2011)

Source: Federal State Statistics Office

Russia – inflation rate (%) (since 1/2011)

Source: Federal State Statistics Office

Thailand

- 43% in YTD
- 27% in FY14E

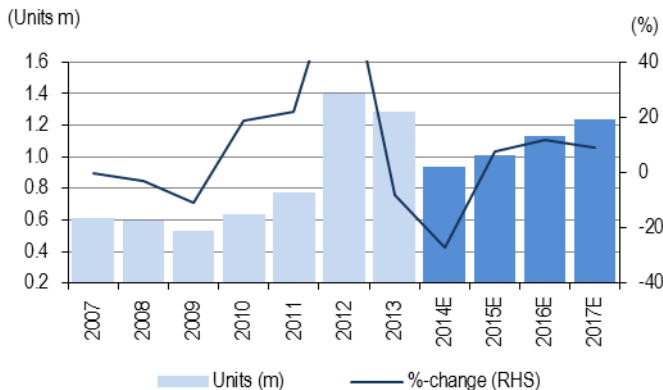
YTD April, LV sales collapsed 43% yoy to 289.3k units, from an inflated 2013 base. The Thai LV market has been contracting since May 2013, after the OEMs had fulfilled orders arising from the 2011 'First-time Car Buyer' rebate scheme that expired on 12/31/2012. The pull-forward effect boosted LV sales 81% to 1.40m units in 2012 and 42% yoy to 522.9k in January-April 2013. In view of the recent and dramatic political developments, there is a considerable downside risk to the forecast of a decline of at least 27% to 0.94m units in FY14E and a moderate, 7.7% recovery to 1.01m in 2015E. **Premium brands account for less than 2% of the market.** (See charts on pp. 14-15 for details.)

Since mid-2013, anti-government protests and political stalemate have led to consumer confidence nose-diving and the THB weakening dramatically; private consumption almost stalled and increased only 0.3% in FY13, after 6.7% in 2012. The outlook has turned even bleaker as a military coup of May 22nd has already received royal approval and been followed by the imposition of martial law.

Export growth should limit production cuts to 16% in FY14E

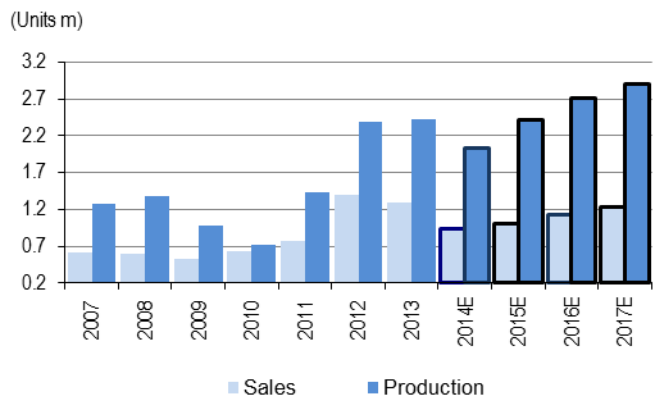
Thailand is a production and export hub, in particular for the Japanese manufacturers that account for 90% of Thai LV production. Indeed, a 12% increase in exports (to 1.13m units) allowed production to increase 1.4% to 2.42m in FY13. LMCA expects that in FY14E, thanks to stable exports, the cut in Thai production can be limited to 16% (to 2.03m units). There is hope for an 18% recovery in production in 2015E. **OEMs most affected are the Japanese manufacturers, led by Toyota.**

Thailand – LV sales (2007-17E)



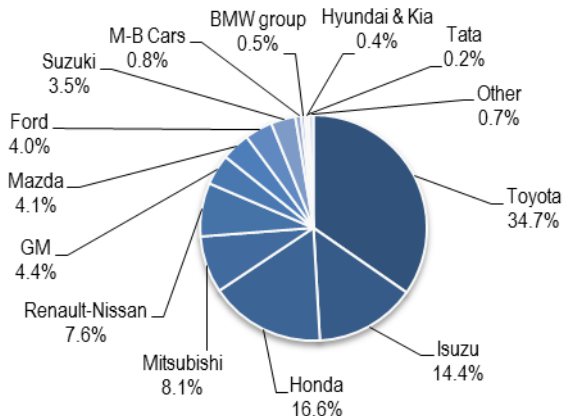
Source: Department of Land Transport, Thailand, LMC Automotive and CGI estimates

Thailand – LV sales & production (2007-17E)



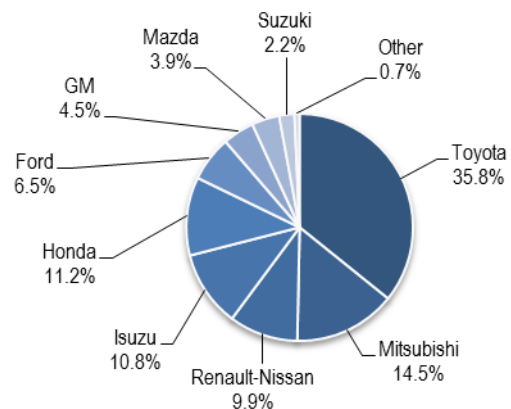
Source: Department of Land Transport, Thailand, LMC Automotive and CGI estimates

Thailand – LV market shares (2013)

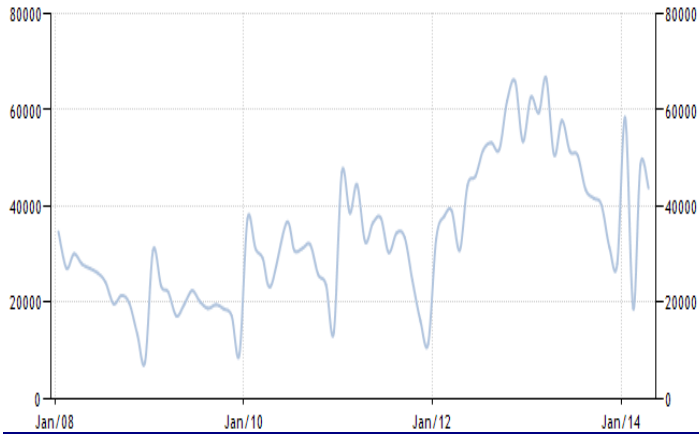
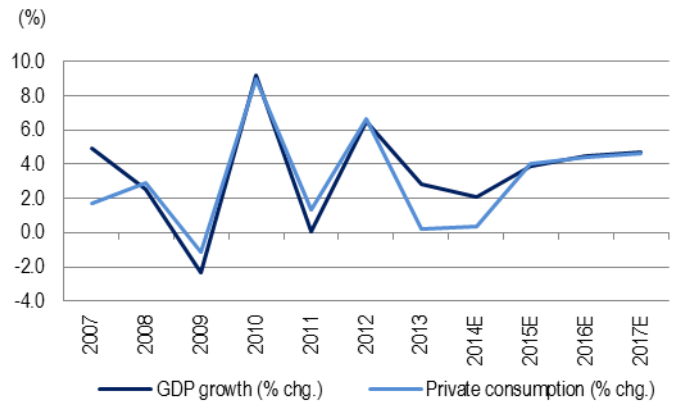
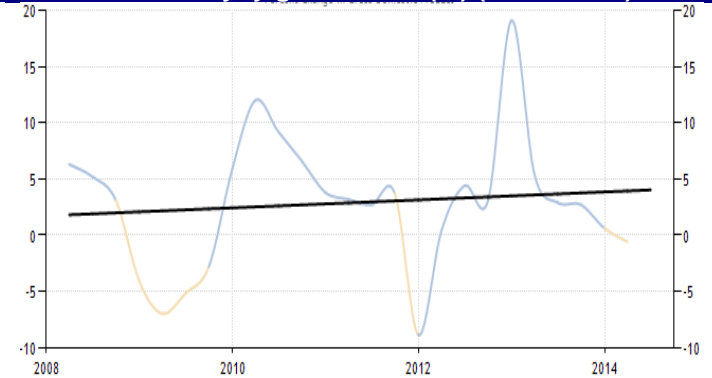
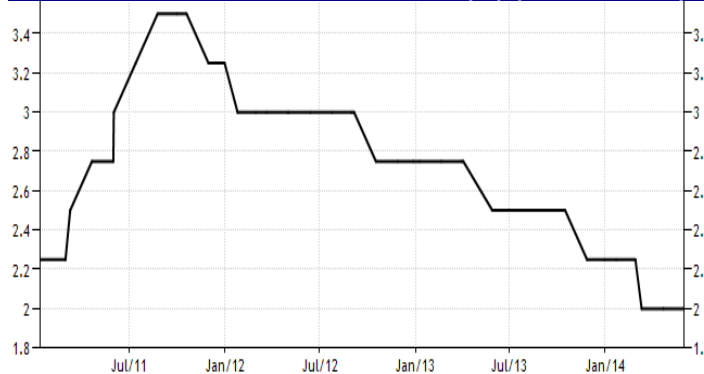
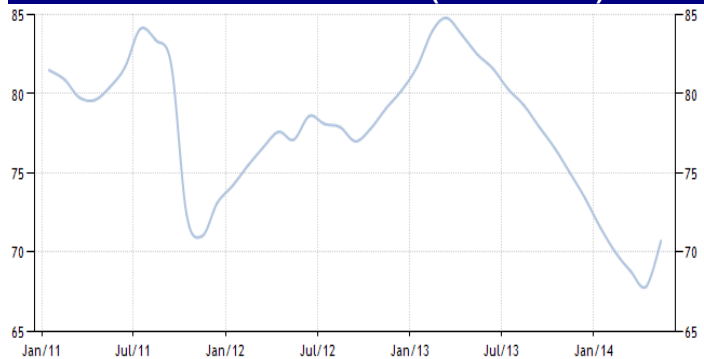


Source: Department of Land Transport, Thailand and CGI calculations

Thailand – LV production by OEM (2013)



Source: Department of Land Transport, Thailand, LMC Automotive and CGI calculations

Thailand – monthly LV sales¹ (Jan'08-Apr'14)**Thailand – real GDP & private consumption (2007-17E)****Thailand – currency (USD/THB) (since 1/2011)****Thailand – GDP yoy growth rate (%) (1Q08-1Q14)****Thailand – benchmark interest rate (%) (since 1/2011)****Thailand – stock market (SET) (since 1/2011)****Thailand – consumer confidence (since 1/2011)****Thailand – inflation rate (%) (since 1/2011)**

Turkey

-26.3% in YTD

-25.3% in FY14E

Economic and political headwinds in 2014

YTD May, Turkish LV sales declined 26.3% to 226.7k units. After a 9.7% increase to 0.85m units in FY13, the Turkish LV market is expected to decline by more than 25% to 0.65m units in FY14E and possibly recover 7.3% to 0.69m in 2015E. **Premium brands account for some 9% of the market.** (See charts on pp. 16-17.)

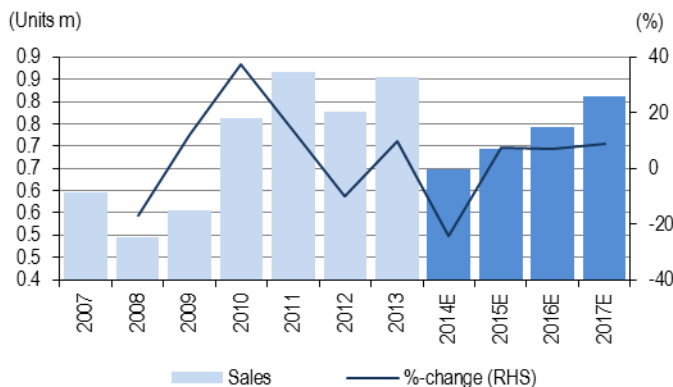
A deteriorating macro-economic outlook, a sharply weaker currency and dramatic increase in interest rates have depressed consumer confidence. In January, in order to prevent the freefall of the TRY, the Bank of Turkey more than doubled the repo-rate to 10%, raising the rates for consumer loans by some 400bpts. In view of a polarised electorate, the presidential elections in August should increase political tension and lead to new mass protests, particularly if PM Erdogan declares his candidature.

The macro-economic outlook has deteriorated sharply and growth rates for GDP and private consumption are expected to halve from 4.0% and 4.6% resp. in FY13, to some 2.0% in FY14E and recover moderately, to about 3% in 2015E. However, **additional headwinds causing a sharp decline and downsizing in the FY14E car market** include 1) an unexpected increase in the already high purchase tax by 5%-pts to 45%, 90% and 145% respectively, depending on the engine size; and 2) the introduction of credit restrictions, also specifically for car loans.

Export opportunities

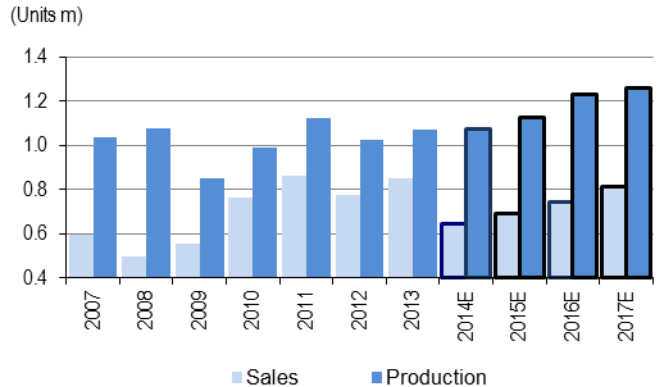
Turkey has a free-trade agreement with the EU. Improved export conditions should therefore mitigate the negative impact from the decline in domestic demand for **Renault-Nissan, Ford, Fiat, Toyota and Hyundai group**. In 2013, 78% or 0.84m of 1.07m LVs produced were exported, a 13.5% increase from 2012 (0.74m or 72% of 1.03m). Turkey's calculated net exports amounted to 220k LVs or 20% of total production in FY13; for FY14E, LMCA expects production to stay flat which implies an increase in net export to 0.39m units (36% of production).

Turkey – LV sales (2007-17E)



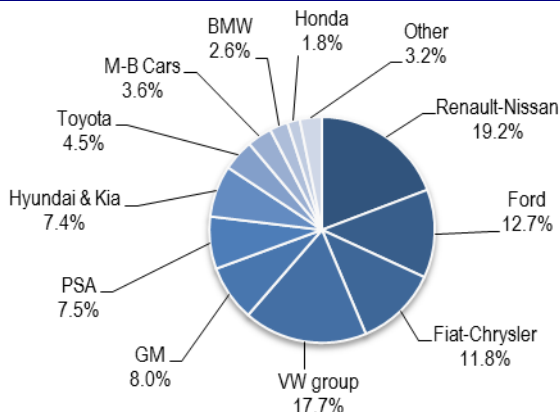
Source: Turkish Statistical Institute, LMC Automotive and CGI estimates

Turkey – LV sales & production (2007-17E)



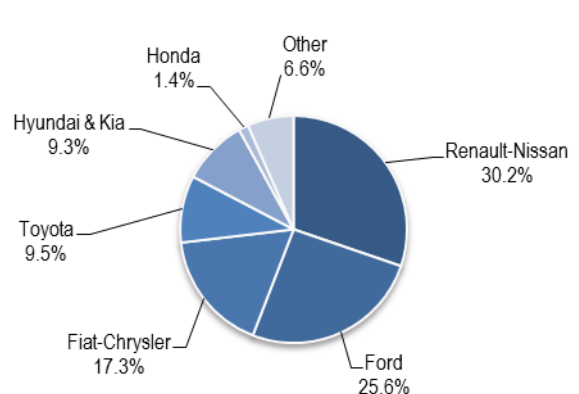
Source: Turkish Statistical Institute, LMC Automotive and CGI estimates

Turkey – LV market shares (2013)

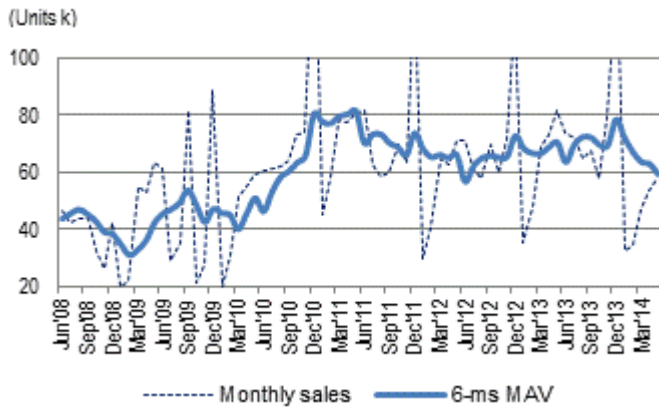


Source: Turkish Statistical Institute, LMC Automotive and CGI calculations

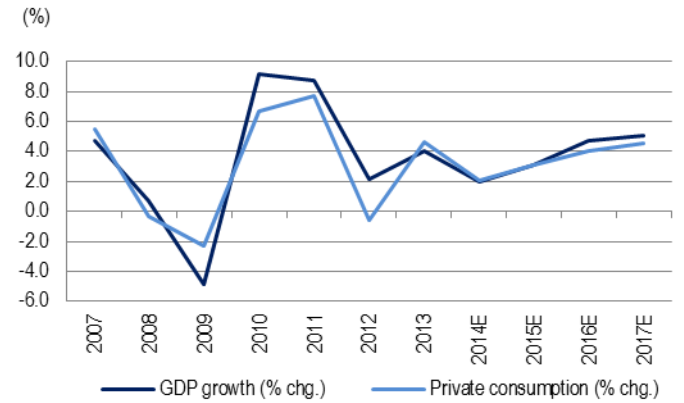
Turkey – LV production by OEM (2013)



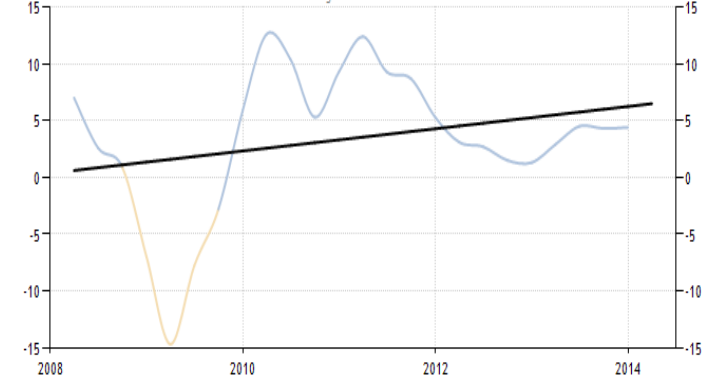
Source: Turkish Statistical Institute, LMC Automotive and CGI calculations

Turkey – monthly LV sales (Jan'08-May'14)

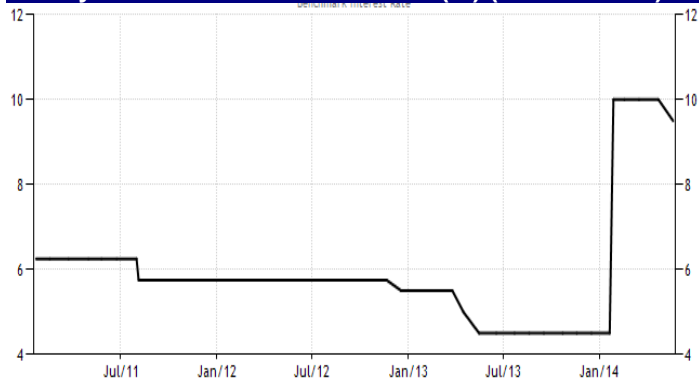
Source: Turkish Statistical Institute

Turkey – real GDP and private consumption (2007-17E)

Source: Oxford Economics and CGI estimates

Turkey – currency USD/TRY (since 1/2011)**Turkey – GDP yoy growth rate (%) (1Q08-4Q13)**

Source: Turkish Statistical Institute

Turkey – benchmark interest rate (%) (since 1/2011)

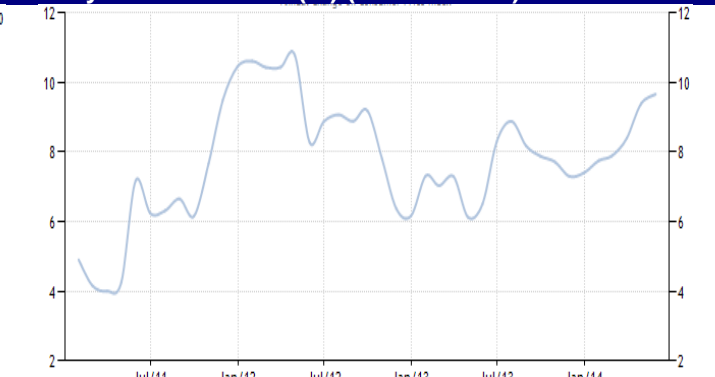
Source: Central Bank of the Republic of Turkey

Turkey – stock market (since 1/2011)

Source: Istanbul Stock Exchange

Turkey – consumer confidence (since 1/2011)

Source: Turkish Statistical Institute

Turkey – inflation rate (%) (since 1/2011)

Source: Turkish Statistical Institute

Venezuela comment

Extreme statgflation...

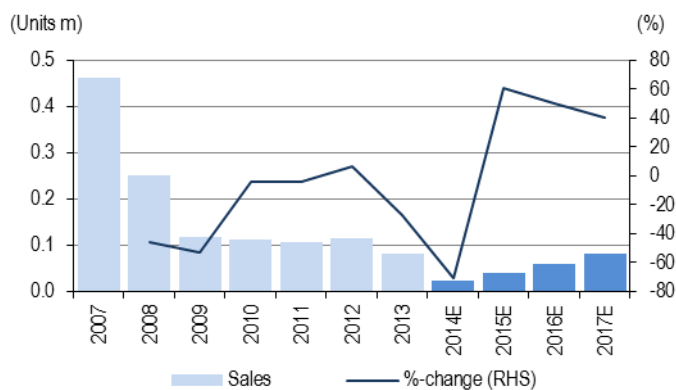
...and lack of forex...

Venezuela's LV market collapsed from some 420k units in 2007 to just 83k in FY13 and possibly some 20k in FY14E. We mention Venezuela in our report only because the key OEMs operating in the country (GM, Ford, Toyota and Fiat-Chrysler) incurred combined losses of more than USD 1bn in 1Q14. The Venezuelan government that had run a regime of strict forex controls since 2003 has now adopted a three-tiered exchange rate system and provides dollars at the official rate of USD/VEF 6.3 only for imports of bare necessities such as food and medicine. Inflation is running at 60%, real interest rates are at -45% and the forex rate on the black market is reported to be close to 70 VEF per USD.

...led to collapse of auto industry

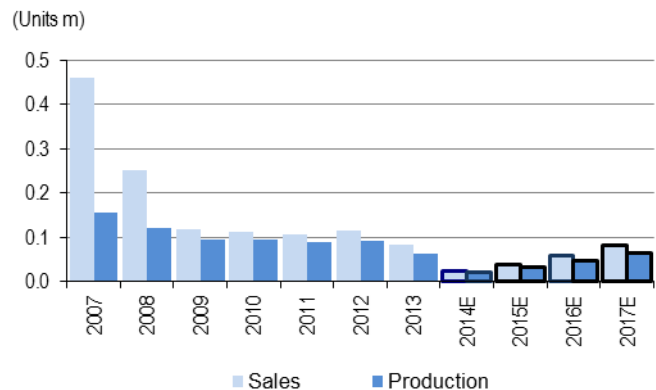
Lack of forex has resulted in a collapse in car production: while in 1Q14 less than 4k cars were assembled, production has all but stopped in April-May. Toyota suspended production in February and Ford in early May.

Venezuela – LV sales (2007-17E)



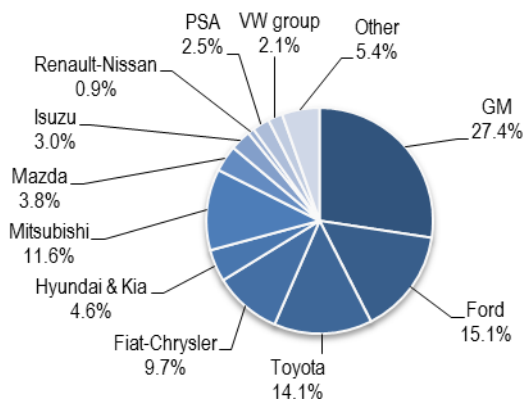
Source: Automotive and CGI estimates

Venezuela – LV sales & production (2007-17E)



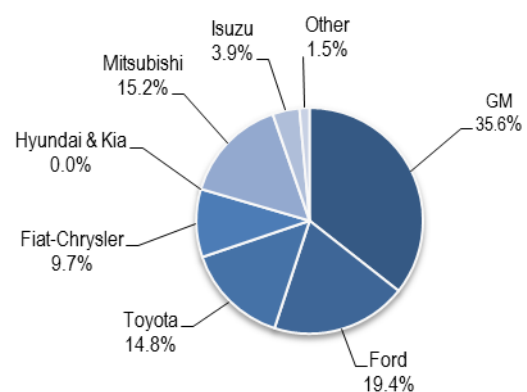
Source: LMC Automotive and CGI estimates

Venezuela - LV market shares (2013)

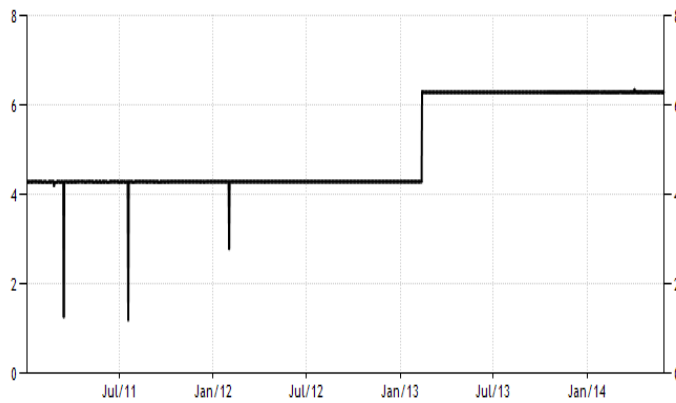
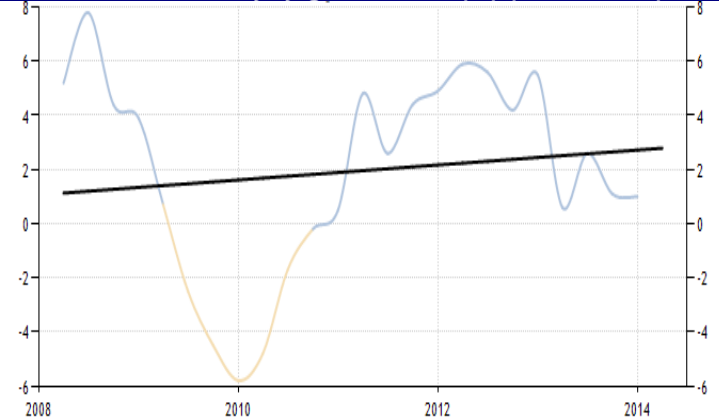


Source: LMC Automotive and CGI calculations

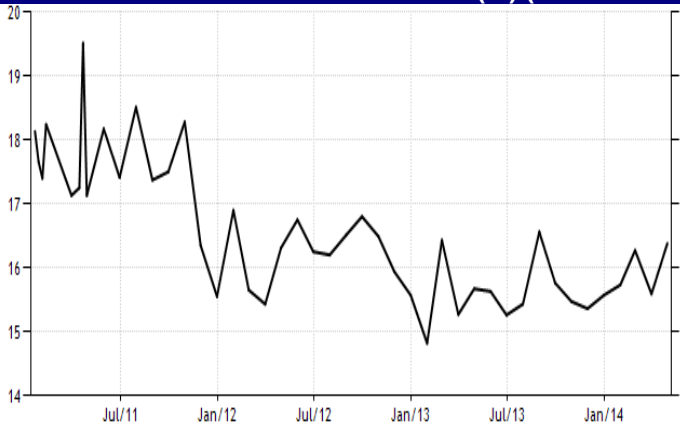
Thailand – LV production by OEM (2013)



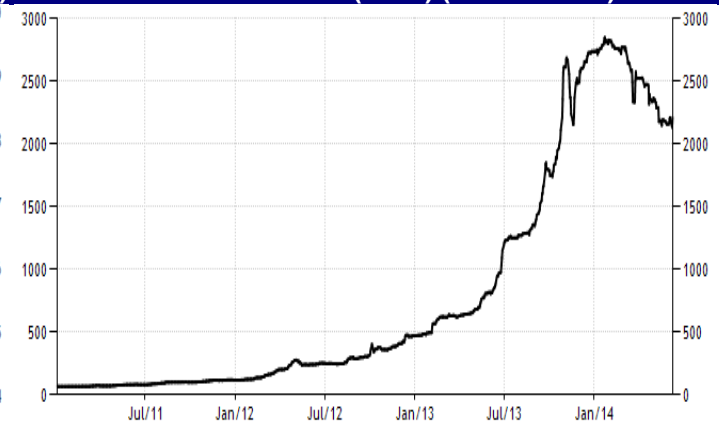
Source: LMC Automotive and CGI calculations

Venezuela – currency (USD/VEF)**Venezuela – GDP yoy growth rate (%) (1Q08-4Q13)**

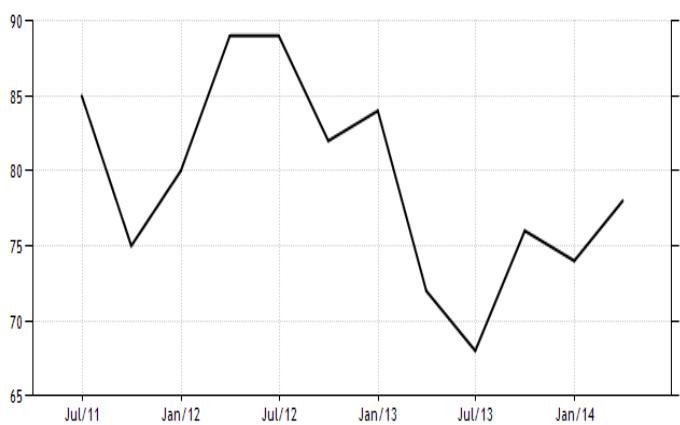
Source: Banco Central do Venezuela

Venezuela – benchmark interest rate (%) (since 1/2011)

Source: Banco Central do Venezuela

Venezuela – stock market (IBVC) (since 1/2011)

Source: Caracas Stock Exchange

Venezuela – consumer confidence**Venezuela – inflation rate (%) (since 1/2011)**

Source: Banco Central do Venezuela

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