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Global Light Vehicle Outlook

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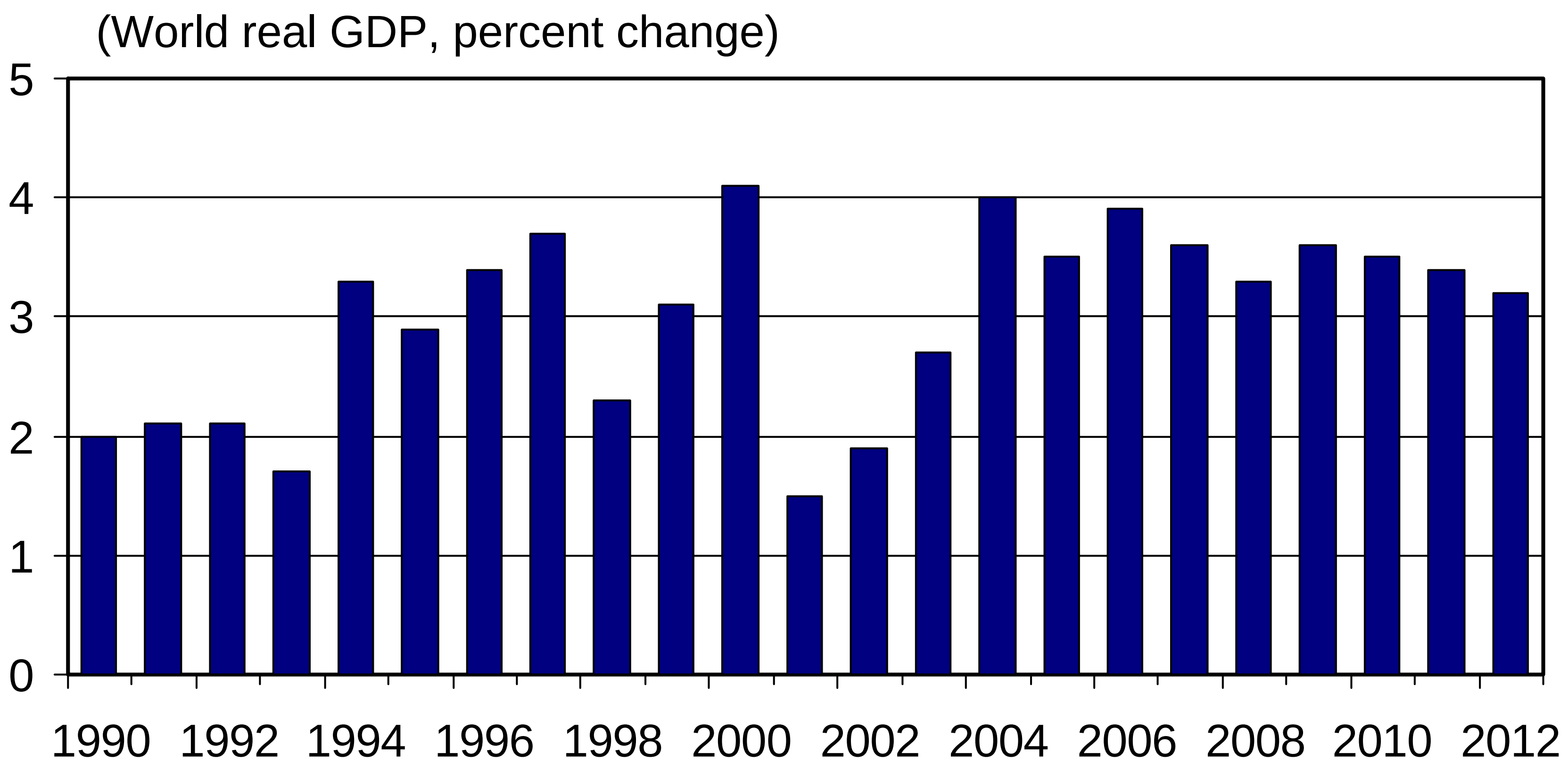
Global Economic Overview- Chances of a Global Recession are 1 in 3

- **Global growth will decelerate from 3.6% in 2007 to 3.3% this year, lower now because of the US**
- **Growth has already started to slow as a reaction to the credit crisis**
- **US has entered a mild recession**
- **For Canada and Mexico, weak U.S. growth will be offset by high oil prices**
- **Europe is facing multiple headwinds: a global slowdown, a continuing credit crunch, housing downturns in some countries, strong currencies, and high oil prices**
- **Japanese, possibly also in a recession, growth will also weaken this year**
- **Long-term growth prospects remain good as the US economy eventually recovers**

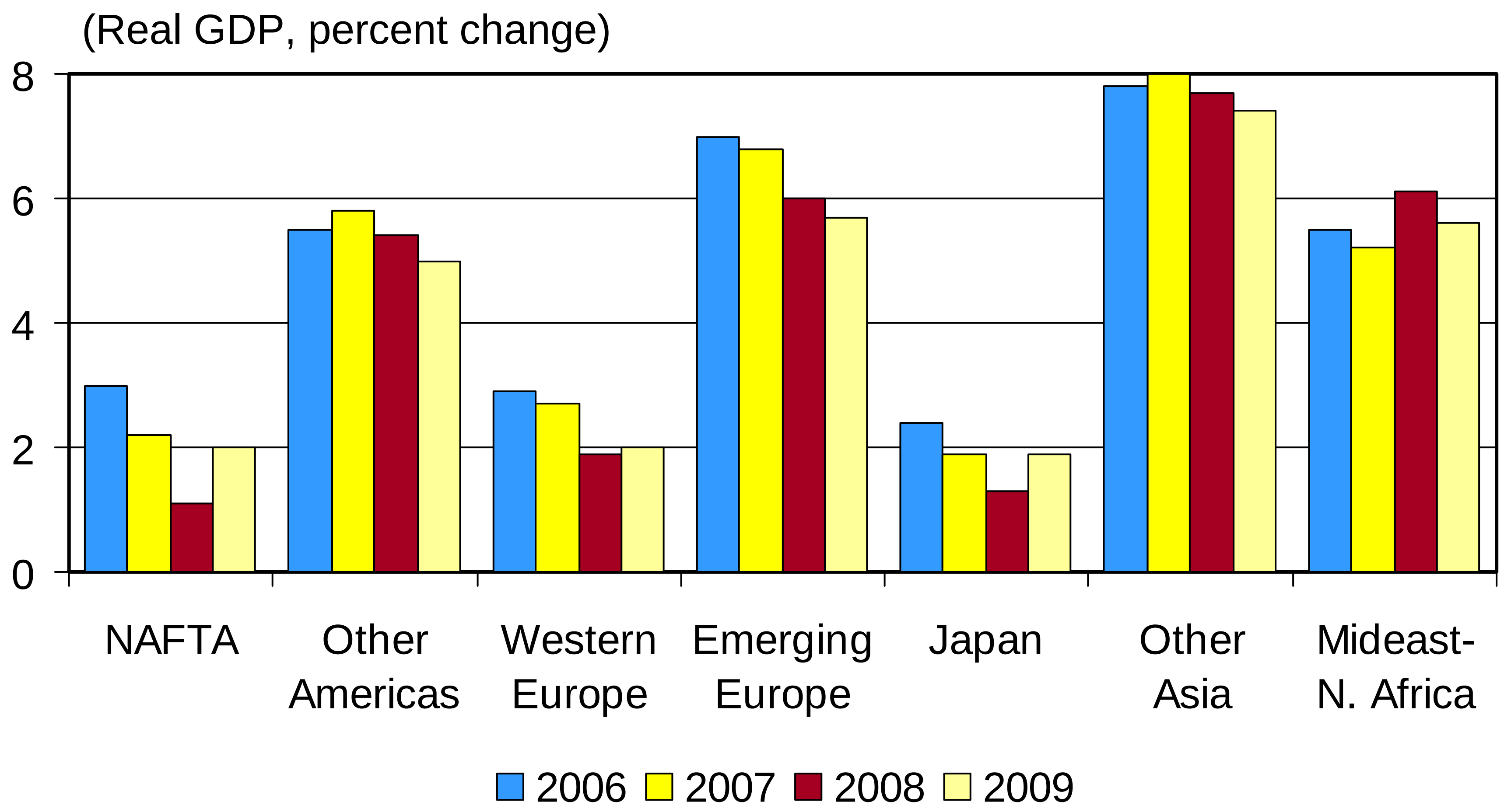
Emerging Markets - China and other Countries Will Slow this Year

- **Best sustained growth in decades**
- **Stronger financially—trade and fiscal balances, foreign exchange reserves**
- **Flight from risk could restrain investment inflows**
- **Sharp deceleration in U.S. imports will hurt**
- **Commodity exporters vulnerable to price correction – especially if China falters**
- **The fate of emerging markets will depend on Chinese growth**
- **Boom times have reduced the urgency of reforms and encouraged “resource nationalism”**

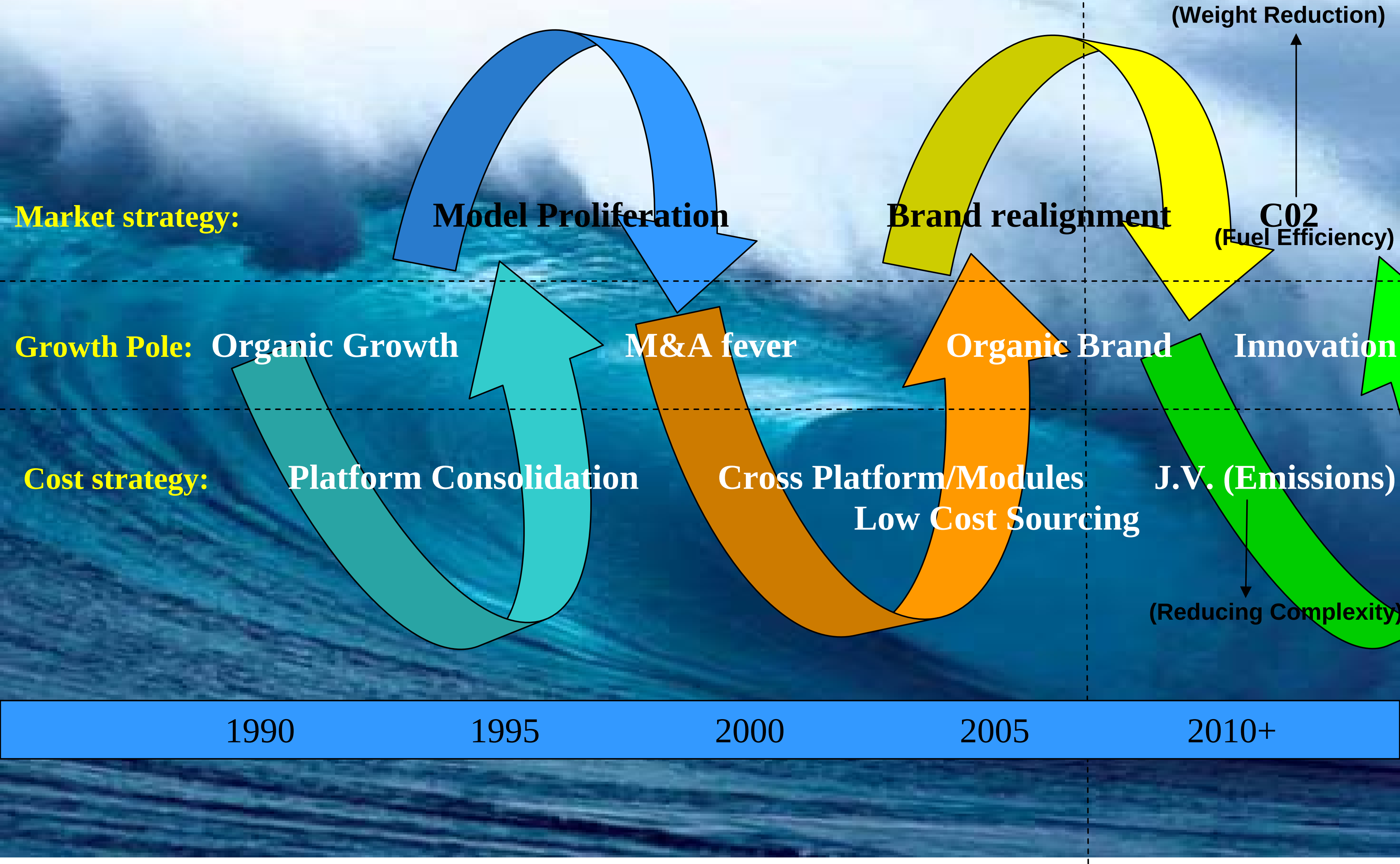
The World's Economic Expansion Will Cool Off



Almost All Regions Will Slow in 2008



Global Auto Market -The Seas of Change



The Global Auto Market - Overview

- Growth of light vehicle demand and production projected at roughly 3.0% annually in the 2007 – 2012 period
- Light vehicle demand and production forecast to increase in all regions over the next five years, although at widely differing rates
- Emerging markets will generate 91% of total global light vehicle demand growth in the same period, with Asia alone (excl. Japan) contributing 60%
- Almost 89% of global light vehicle production growth will come from emerging markets, with 66% coming just from Asia (excl. Japan)
- A strong commitment to developing regions, Asia in particular, is absolutely essential for a successful growth strategy for both OEMs and suppliers
- The allure of growth in emerging markets comes with risk
- Exogenous issues, or change drivers, are changing the competitive landscape adding to the intense pressure in the market
- Picking the right country, manufacturer and segment is critical

Global Auto Industry - Key Challenges

Market and Demand

- Limited top-line growth in developed markets
  - Japanese and Korean OEMs growing rapidly in the West
  - The potential of Chinese exports
- Emerging markets (especially Asia) expected to account for bulk of the top line growth
  - Margins dropping
- Concerns over oil / energy consumption
- Globalisation continues
  - Manufacturing footprint essential in Emerging Markets

Industry and Supply

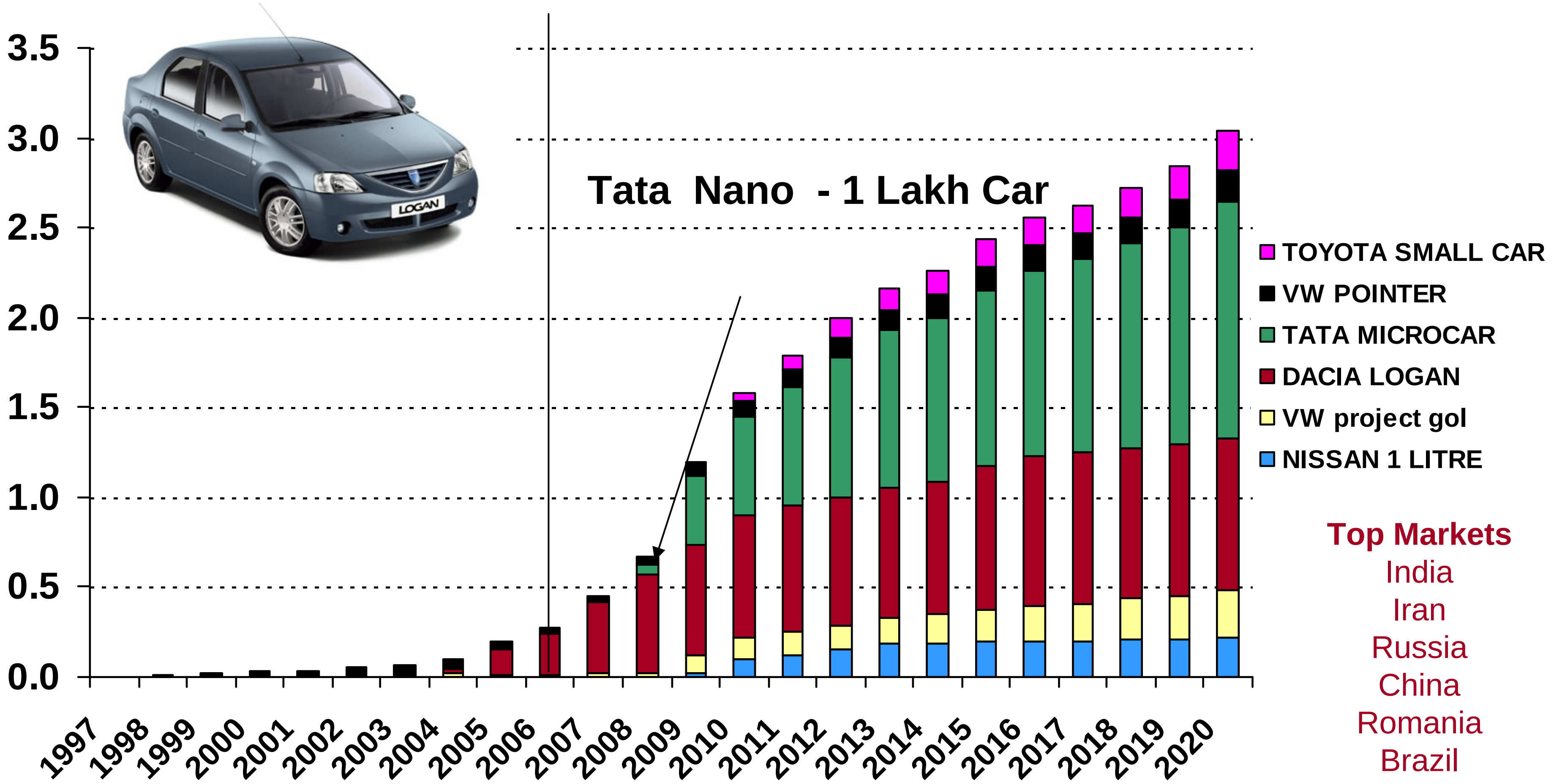
- Overcapacity, intense competition and margin squeeze
- Faster pace of product renewal .. but at lower costs
  - Development effectiveness
  - Scale: Leverage potential of products across markets
  - Greater emphasis on fuel efficiency / environmental performance
- Cost pressure continues to be relentless
  - Purchasing effectiveness
  - Global sourcing

Key Global Auto Impact Change Drivers

- Global Warming and Energy Security creates a confluence of opinion which is now politically actionable. The era of higher fuel economy and tighter environmental standards is upon us.
- Globalization has accelerated – boosting global economic growth and generating a new pool of potential car buyers.
- Development of Ultra Low Price Cars will drop the entry price point in emerging markets accelerating 4 wheel motorization.
- The global fuel efficiency drive (led by Europe due to stringent CO2 targets) effectively means that OEMs will have to reconsider future vehicle weight/dimensions.
- Reduction number of parts reduces complexity, and improves costs, opens up opportunities to offer ‘budget cars’ aimed at developing markets.

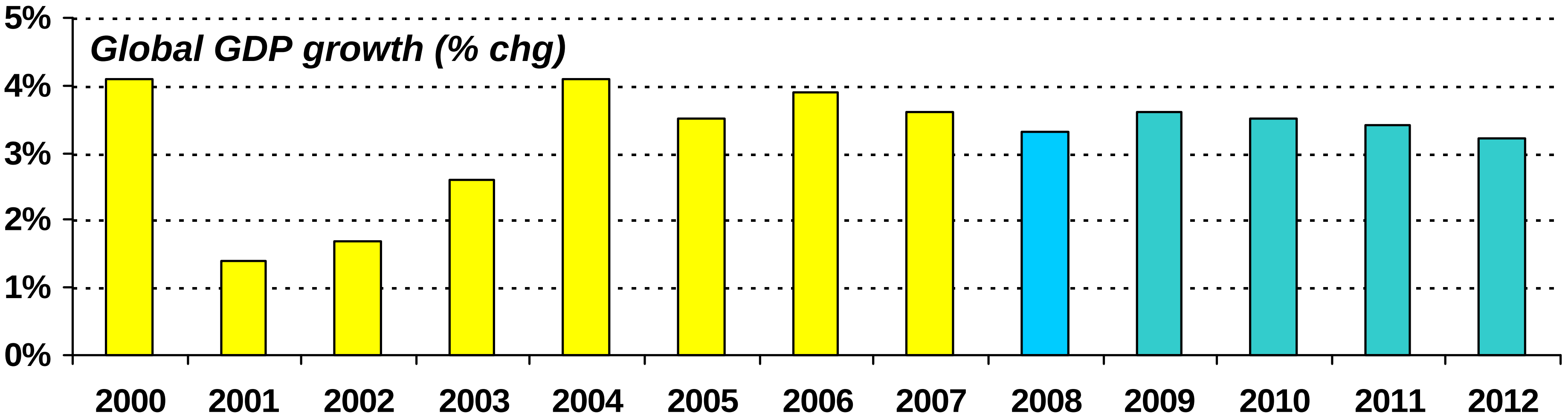
Ultra Cost Out Cars – will CREATE demand

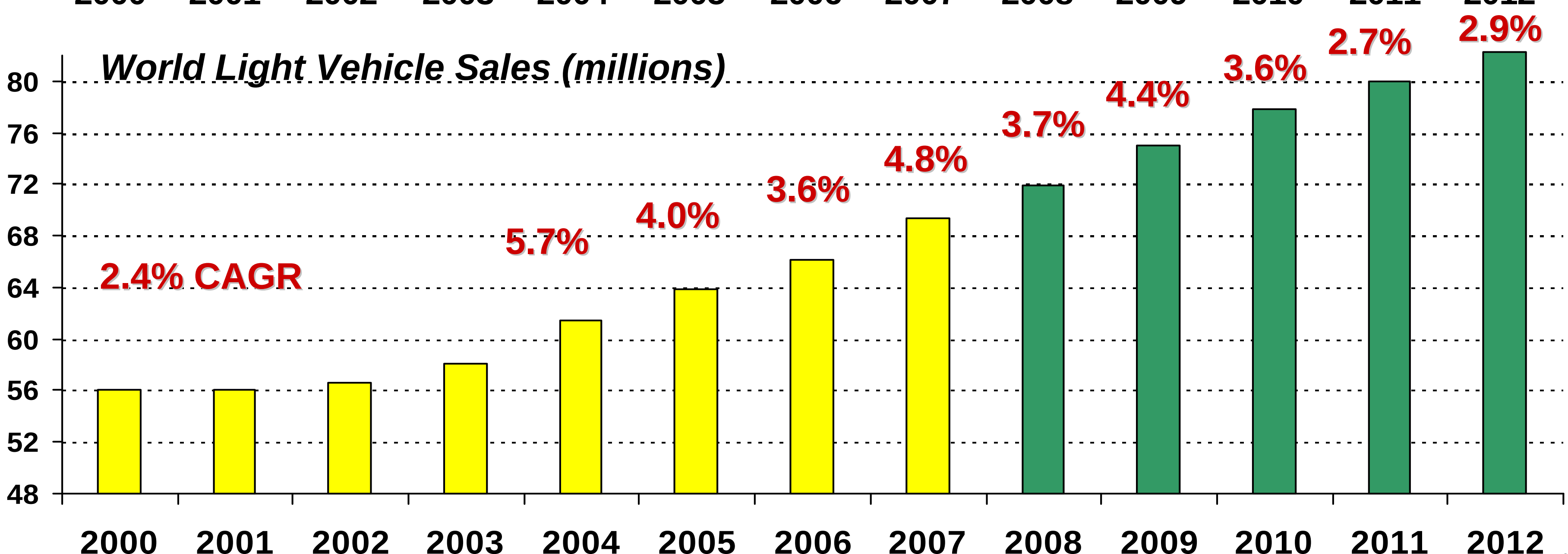
Millions, new vehicle sales



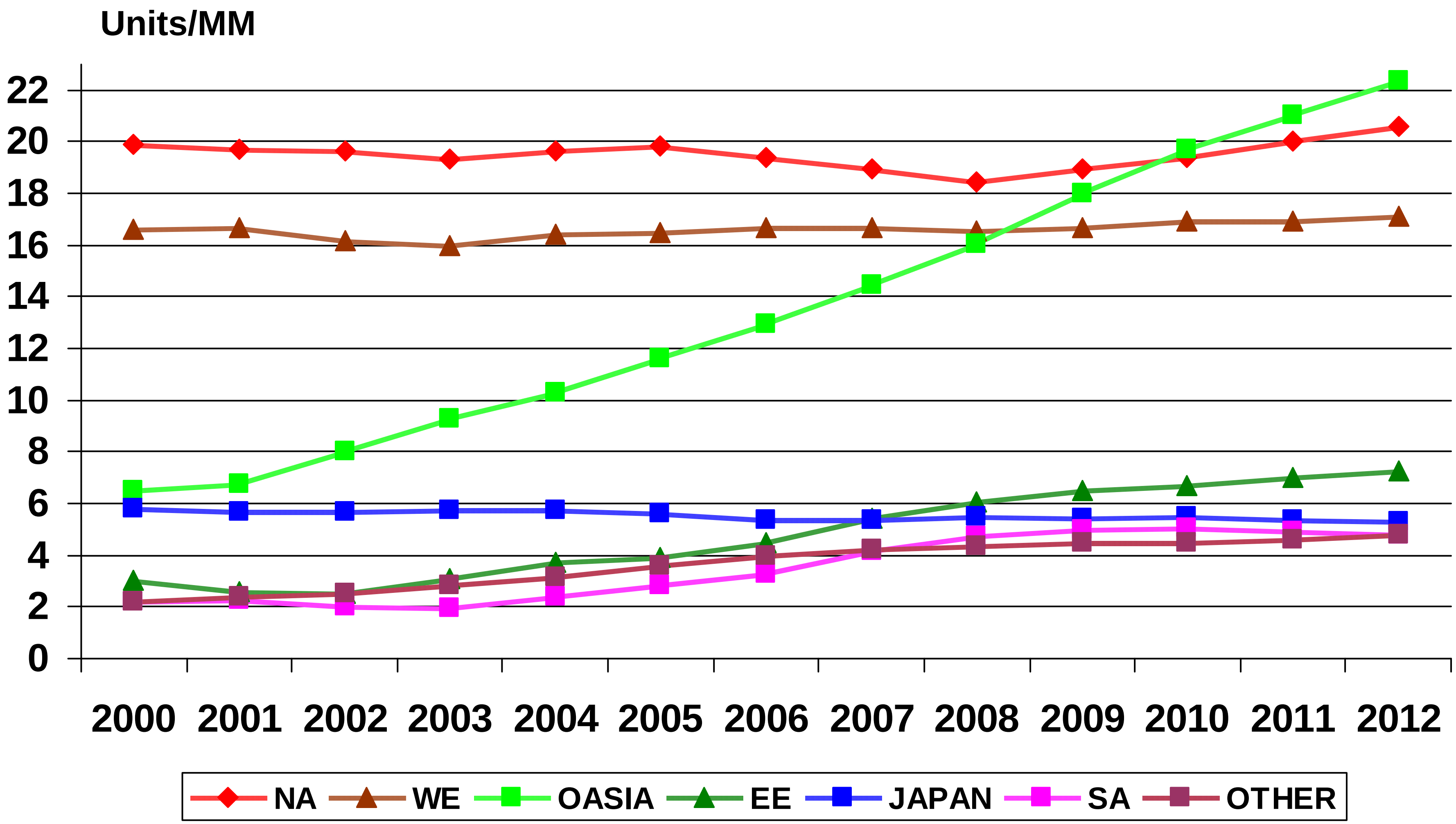
Top Markets
India
Iran
Russia
China
Romania
Brazil

Global Economic Growth & Light Vehicle Sales



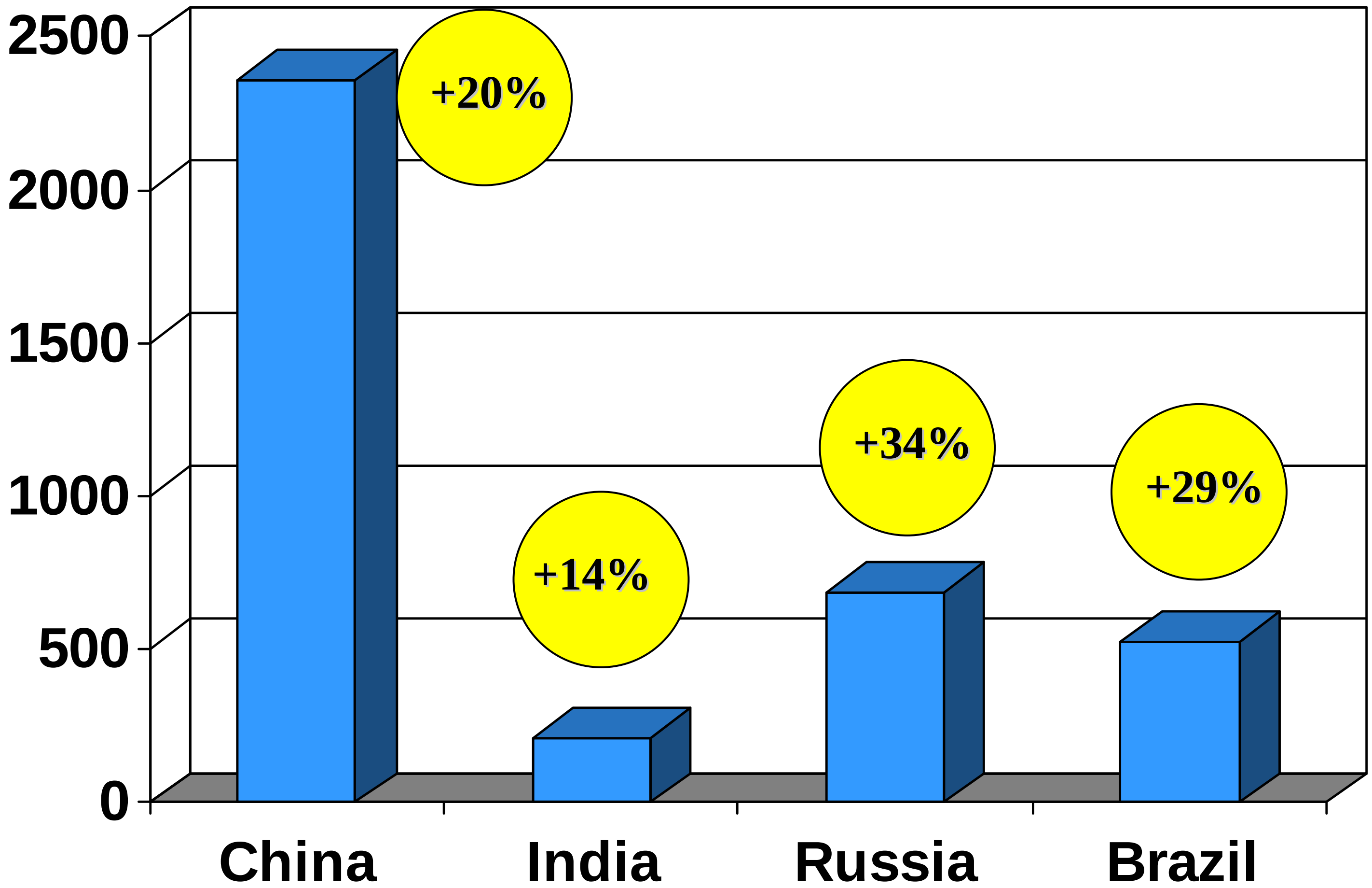


Light Vehicle Sales – By Region



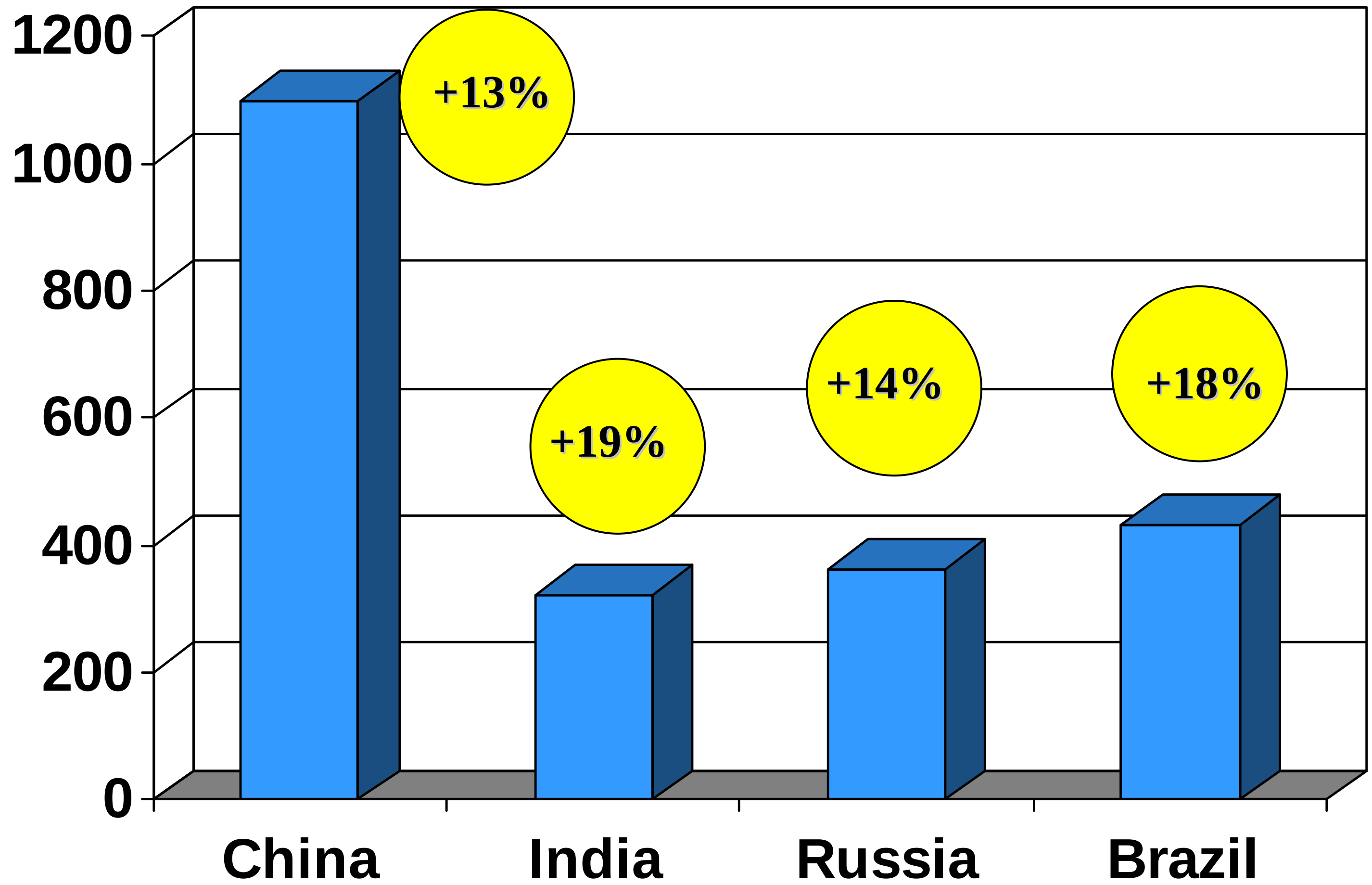
BRIC's will Power Global Autos Growth again in 2007 - adding an extra 2.7m Light Vehicle Sales

Unit sales Growth in 000's total Light Vehicles for 2007

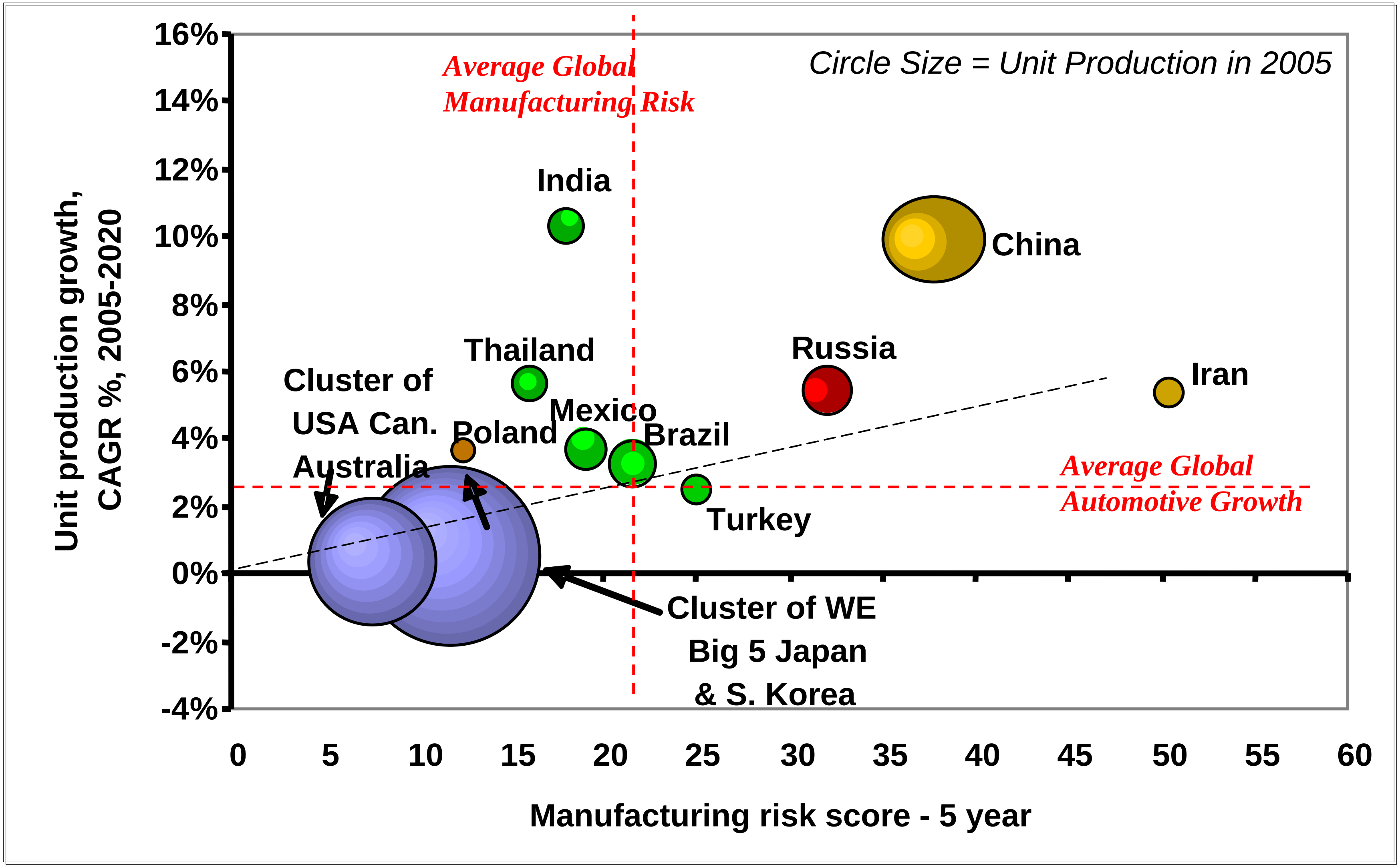


BRIC's: Provide Solid Foundation to an Otherwise Difficult year in 2008

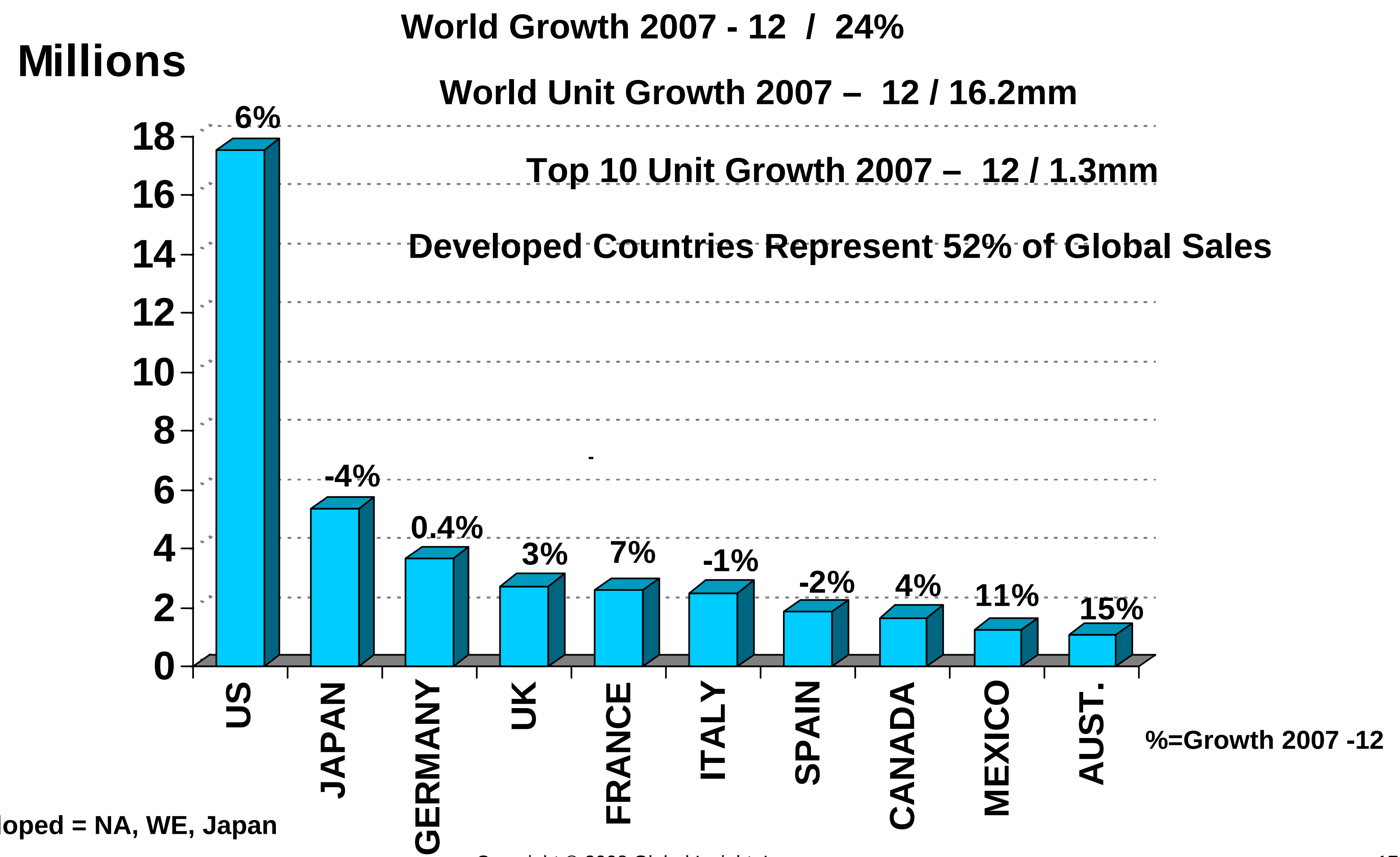
Unit sales Growth in 000's total Light Vehicles for 2008



Global Production Centers
Growth vs. Risk

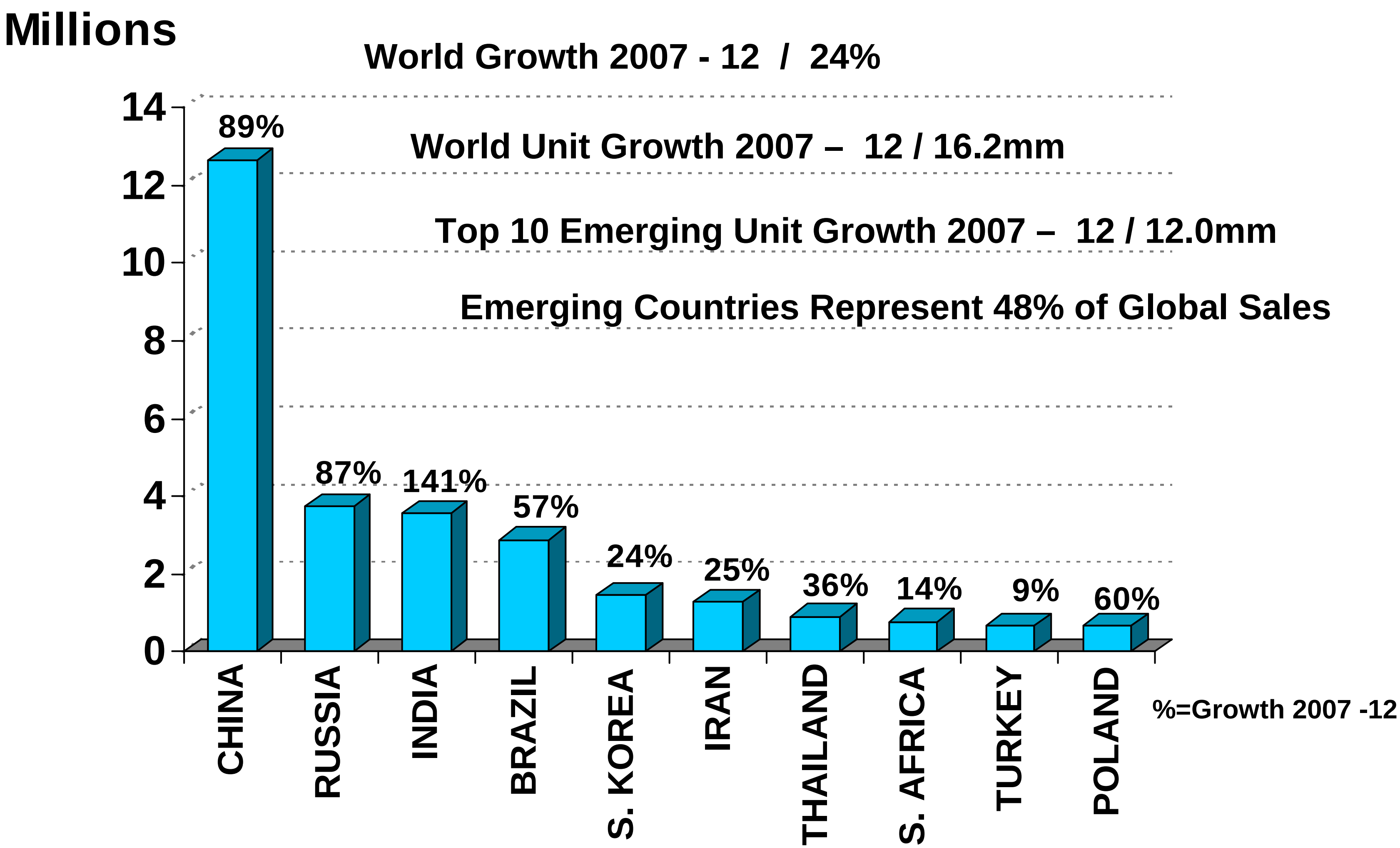


Light Vehicle Sales (Units)
- Top 10 Developed Countries (2012 Forecast)

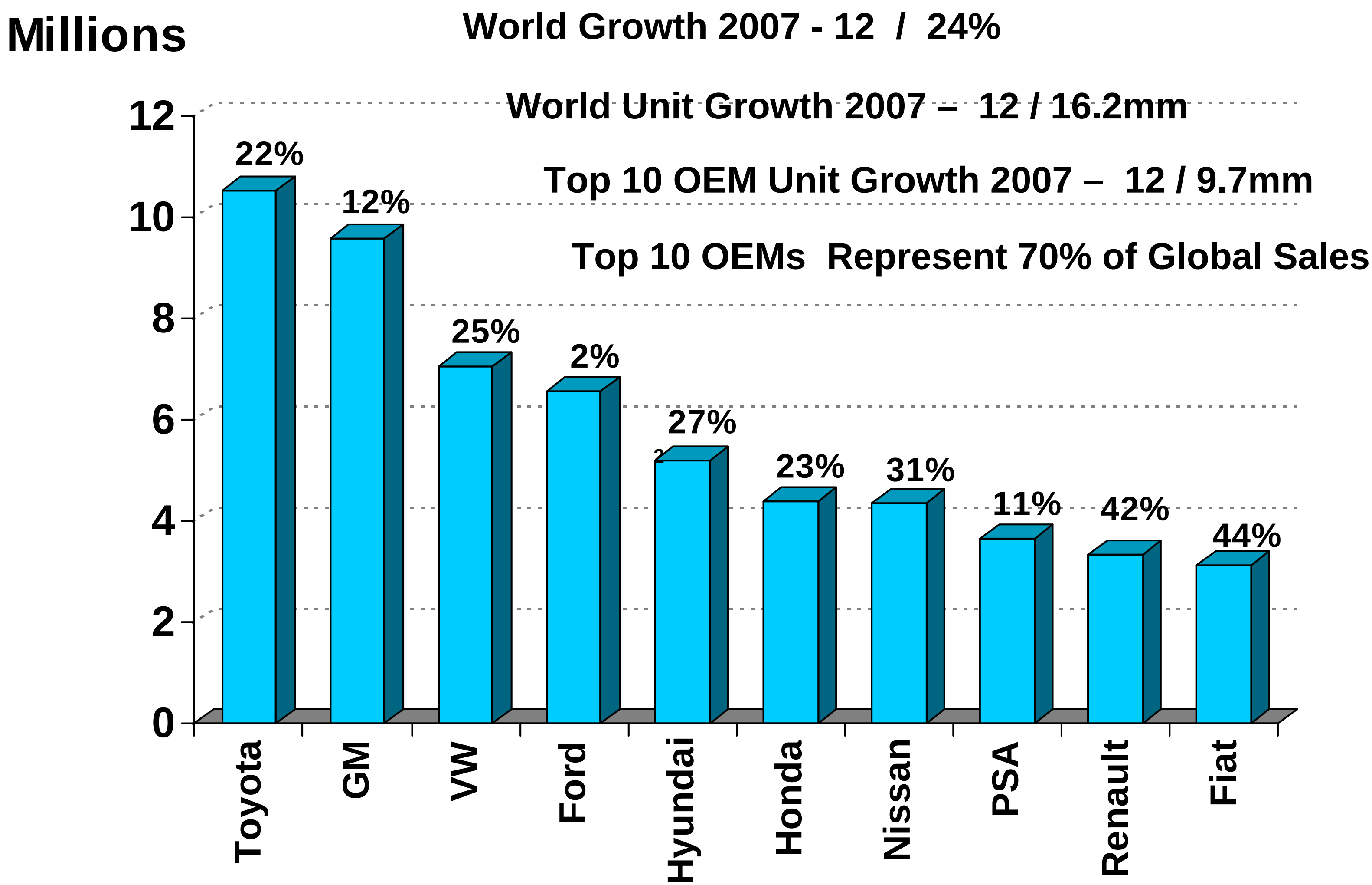


Developed = NA, WE, Japan

Light Vehicle Sales (Units) - Top 10 Emerging Countries (2012 Forecast)



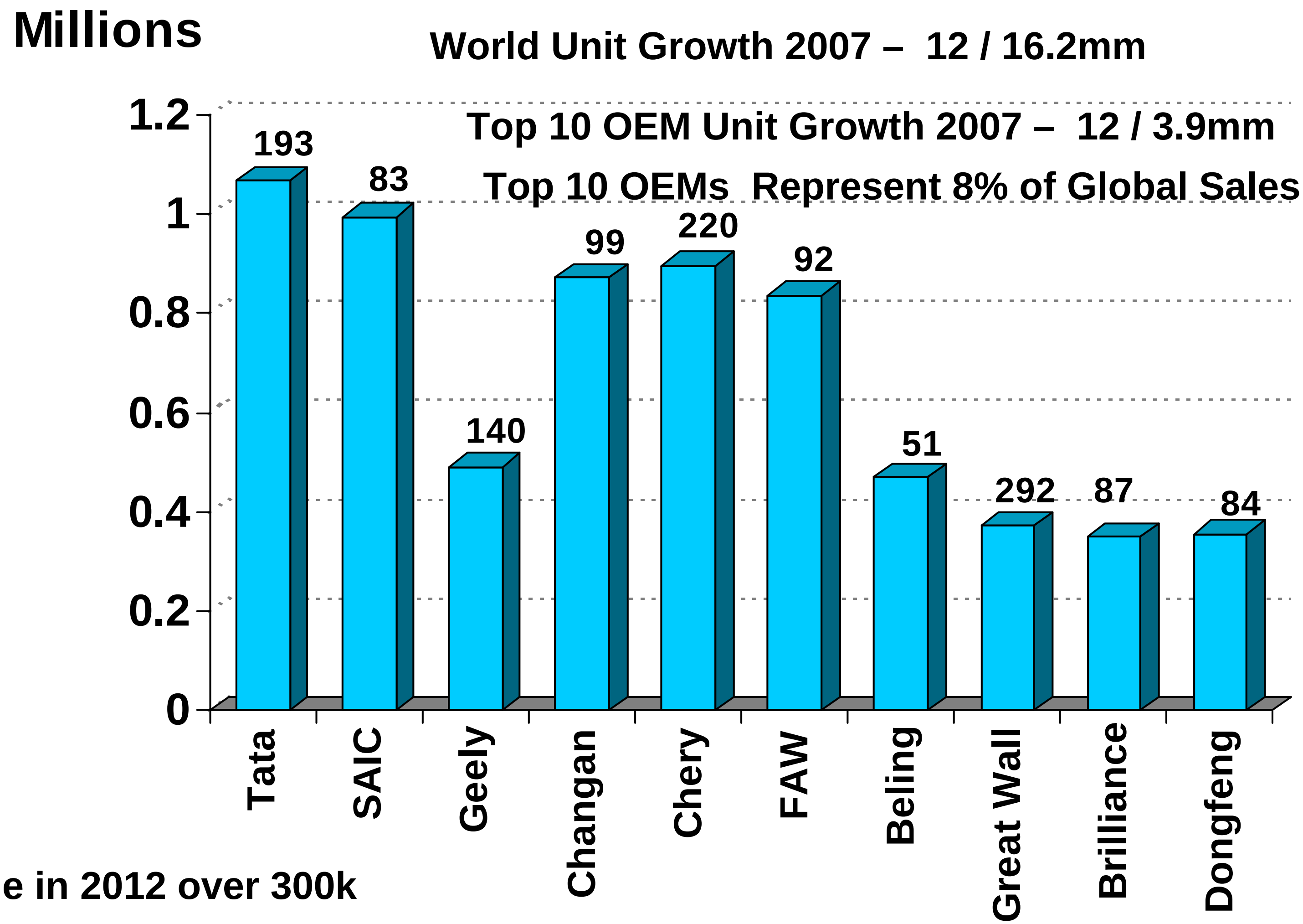
Light Vehicle Sales (Units) - Top 10 Volume OEMs (2012 Forecast)



Light Vehicle Sales (Units) - Top 10 Growth OEMs (2012 Forecast)

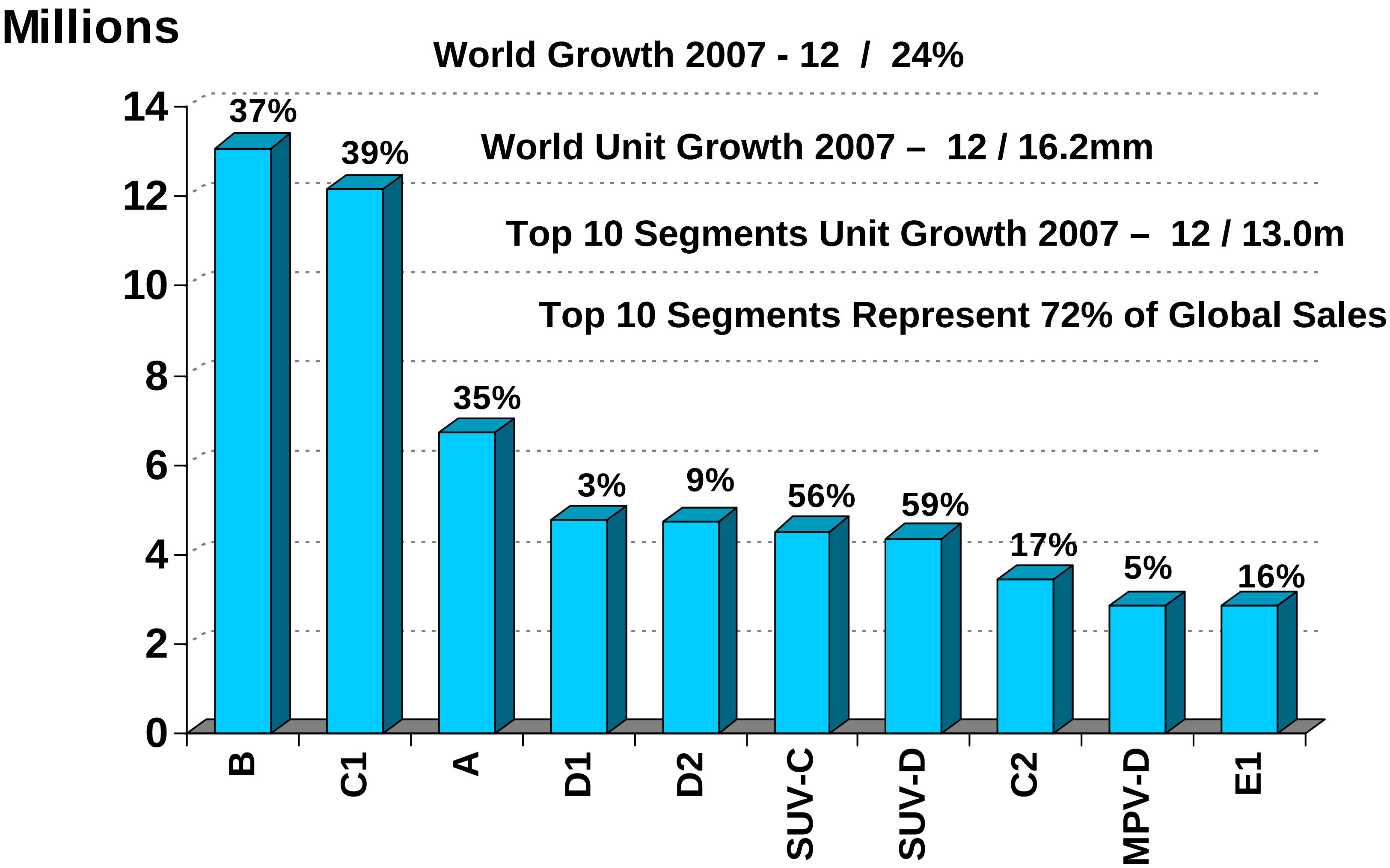
World Growth 2007 - 12 / 24%

World Unit Growth 2007 – 12 / 16.2mm



Volume in 2012 over 300k

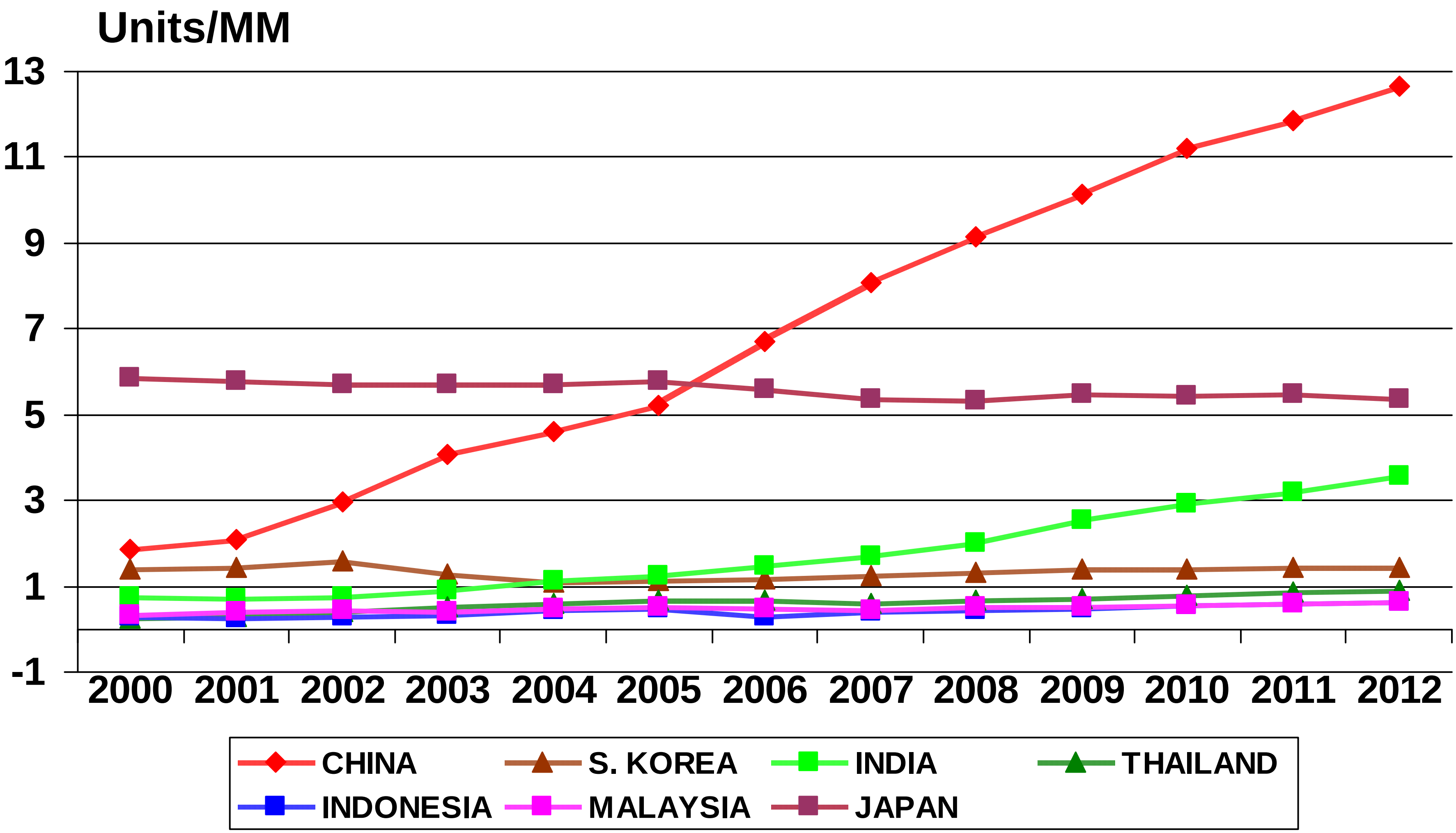
Light Vehicle Production (Units) - Top Segments (2012 Forecast)



Risks of a Boom-Bust in China (After the Olympics) Are Uncomfortably High

- A global slowdown (alone) will only put a small dent in China's growth
- So far attempts by the Chinese government to slow credit growth have been ineffective
- Fixed asset investment continues to grow at a 30% pace
- No major tightening until after the August 2008 Olympics
- Chances of a hard landing after the Olympics (5% to 6% growth) are 1/3
- A China hard landing would hurt the rest of Asia and commodity-exporting emerging markets
- India should be relatively immune, since growth is largely domestic-led

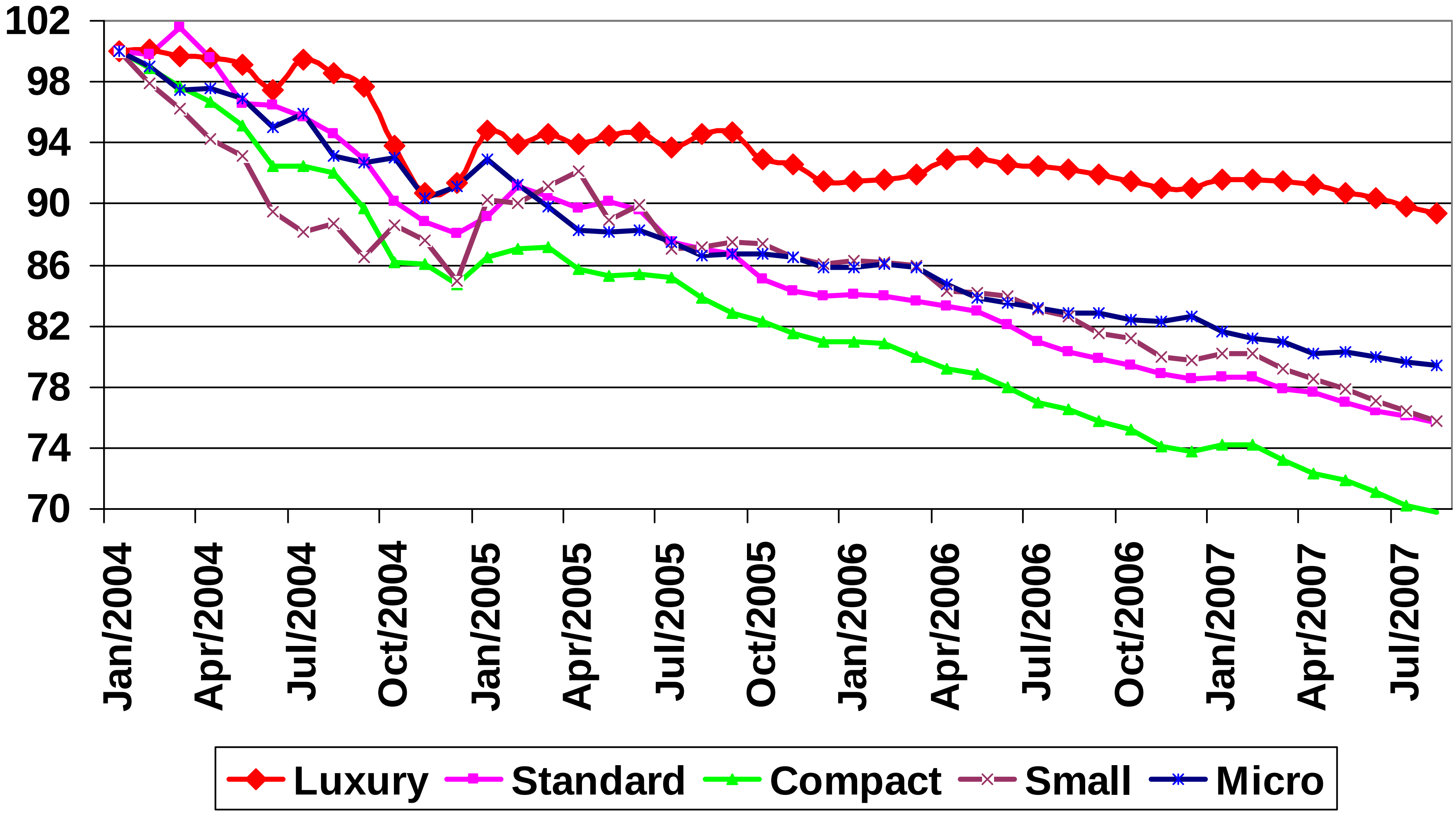
Asia – Light Vehicle Sales



China Auto Market: Key Trends

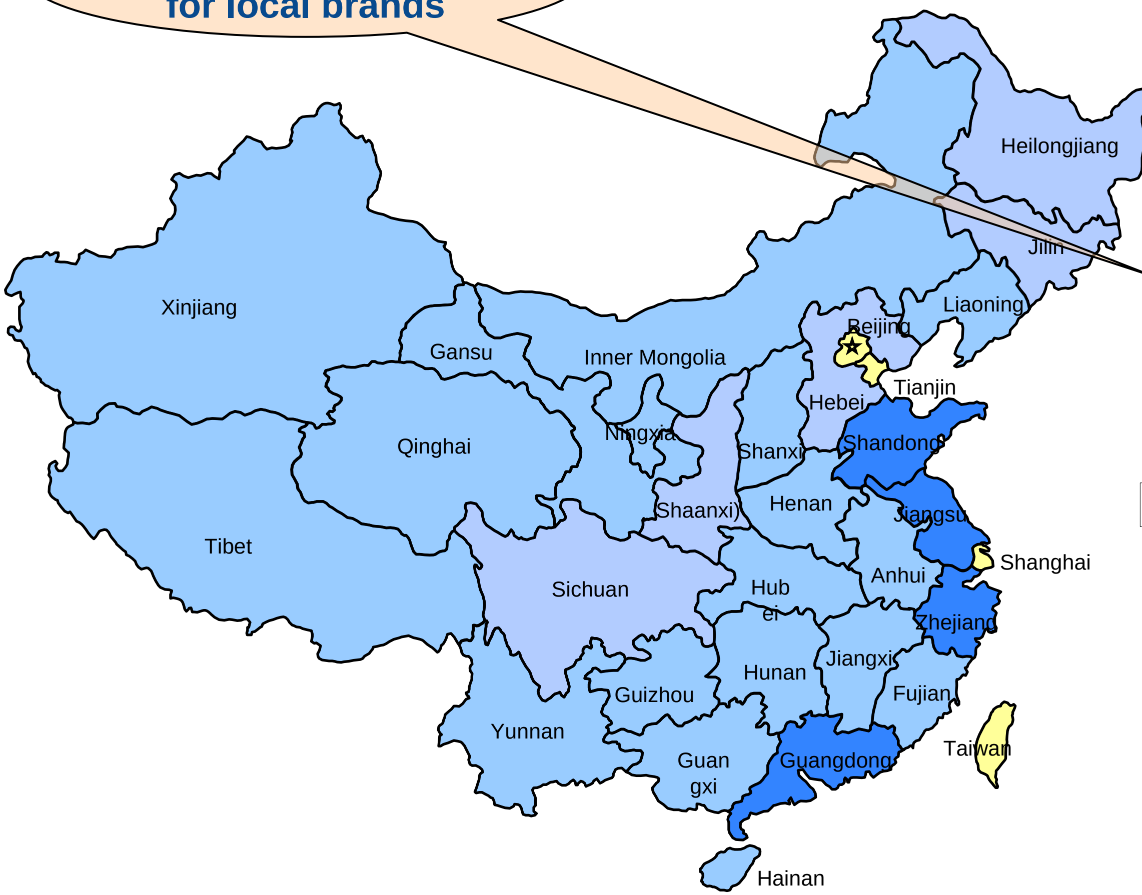
- Changing customer mix …greater diversity
  - Traditionally SOEs, government, taxi firms
  - Then private buyers in big cities
  - Motorisation now spreading to small cities
  - Ageing population will become a more dominant theme after 2010
- Government encouraging independent brands
  - Encouraging supply development in budget segments
  - Further intensification in price competition
  - Chinese brands accelerating motorisation rather than taking significant share from foreign JVs
- Market and consumer dynamics entering first stage of maturity
  - Development of used car market now gathering momentum
  - Brand experience and better brands consciousness in Tier 1/2 cities
- Energy and environmental concerns … fuel prices still low
  - Limited impact on short term demand
  - Fuel consumption and environmental factors will constrain long term growth in motorisation
  - Fuel efficiency standards will encourage move to smaller cars
- Parallel production of more than one generation of same model
  - Repositioning of older models to lower price point or different consumer segment

China Demand Drivers - Increased Affordability Due to the Price War

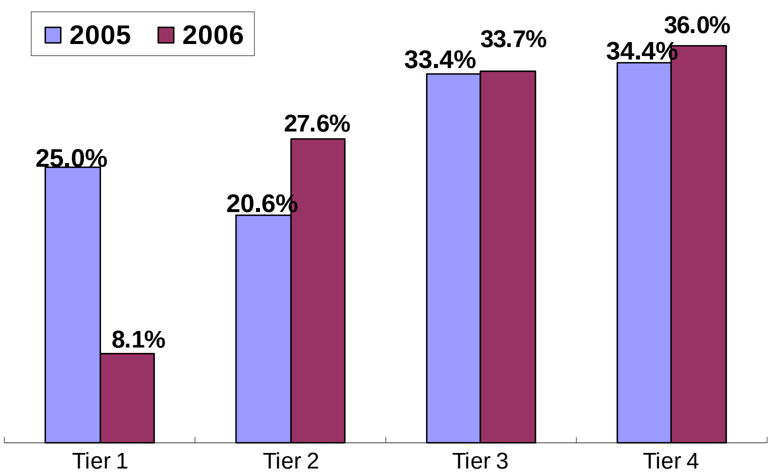


China : Sales Growth Diffusing Away From Mega-Cities

More opportunities for local brands

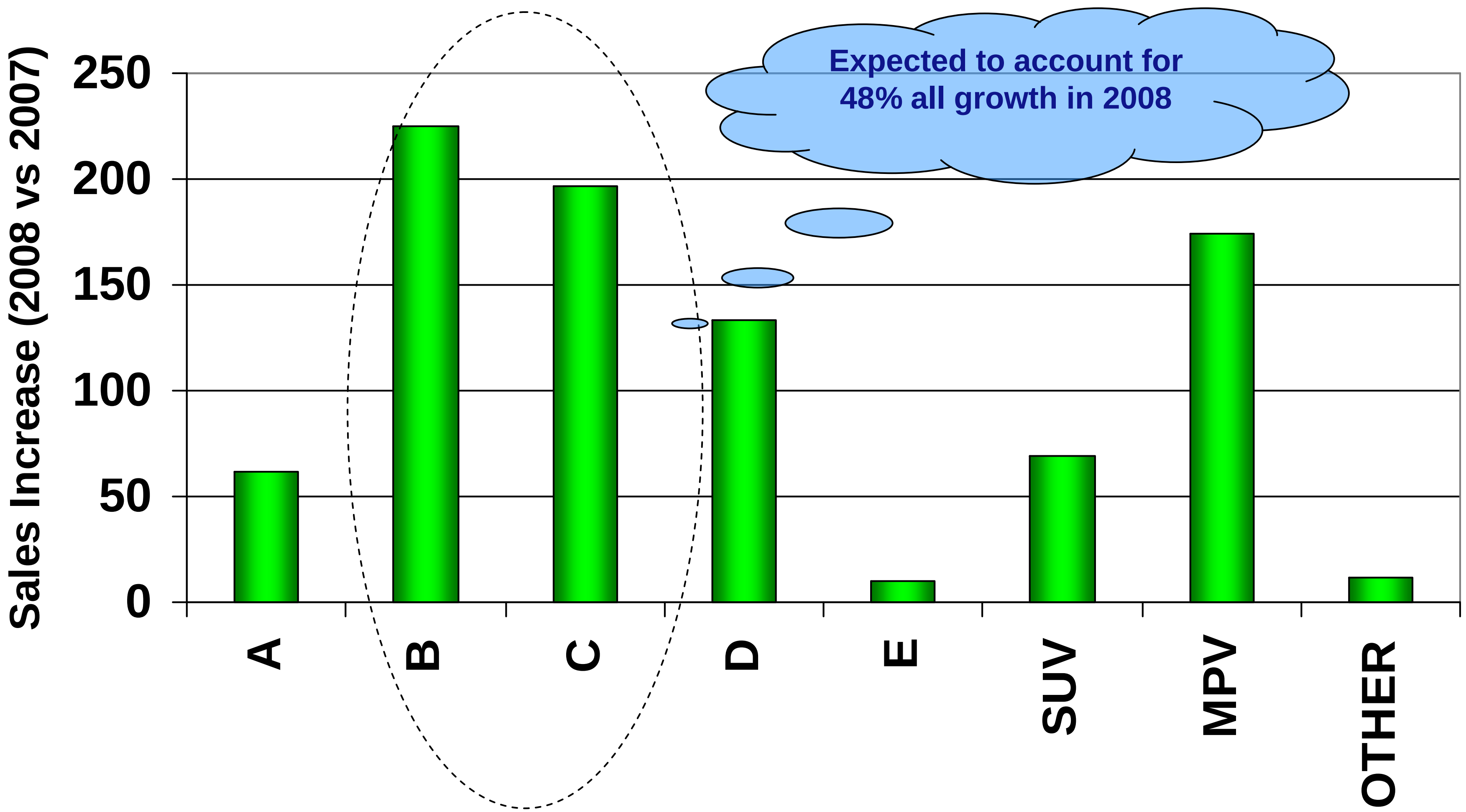


	Per Capita GDP in US$	Car Ownership Per '000 people
Tier 1	>5000	50
Tier 2	3000 - 5000	18
Tier 3	1000 - 3000	5
Tier 4	<1000	<5



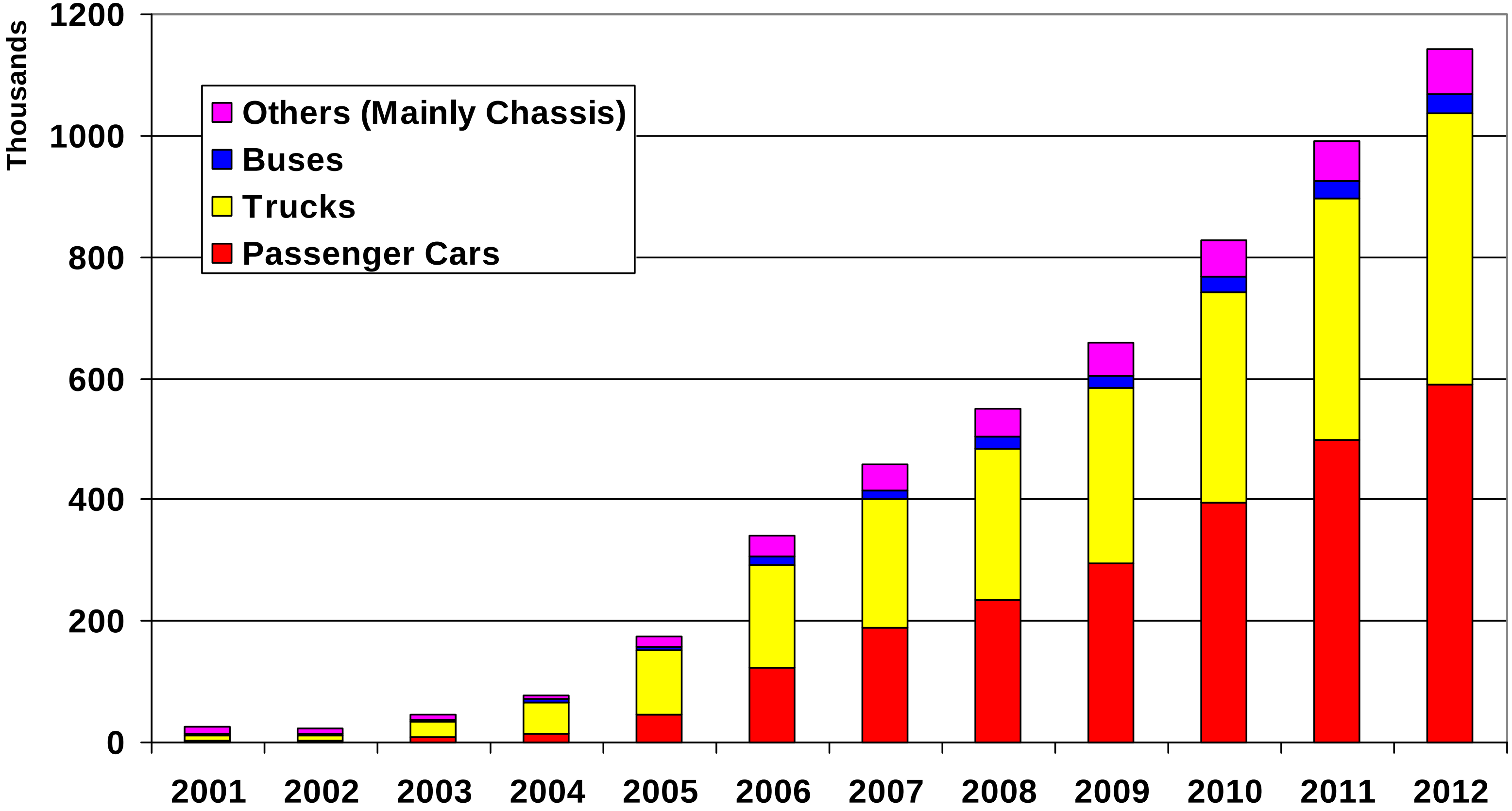
China 2008 - Segments B&C Leads Growth

Sales Growth Forecast 2008 vs 2007 (Thousand units)



China Exports: Commercial Vehicles Dominate ….Passenger Car Export Take-off from 2009/2010

Total Exports: 343K in 2006 ….Around 1 Million in 2011



Revival of Interest in India …But Will Not Match China's Growth

- Strong economic performance
  - Real GDP growth of more than 8% for four consecutive years
- After years of underperformance …healthy signs that vehicle market growth is accelerating
- Many companies have made investments in China and now regard India as the next natural step
  - Also reflects some disillusionment with China
- Greater focus on fuel efficiency and small cars

Bottom line

- India will not match China's auto industry growth rates
  - Only companies with strong small car product line will achieve significant scale
- India will be the second biggest growth market on 5 and 10 year horizons
- Greater transparency and level playing field
  - More attractive to establish export strategy and integration with global supply chain
- Offers significant scope for leveraging on low cost component production and engineering services for global operations

Tata Plans to Target 2-Wheeler Owners with its Microcar (1 Lakh Car) …Other OEMs Now Beginning to Take Note

- Styling work completed … Prototypes being tested
  - Rear engine 4-5 seat car with 600cc Euro IV compliant 30hp engine
  - Planning a diesel version
- Innovative production concept and supplier relationship
  - Mother plant in West Bengal and satellite assembly locations across India
- Target price of base version expected to be $2500 (125,000 rupees) … about half the price of the Maruti Alto
- Attractive financing will play a key role in supporting sales
  - Tata expanding its vehicle finance network in rural areas

Tata Microcar – Nano

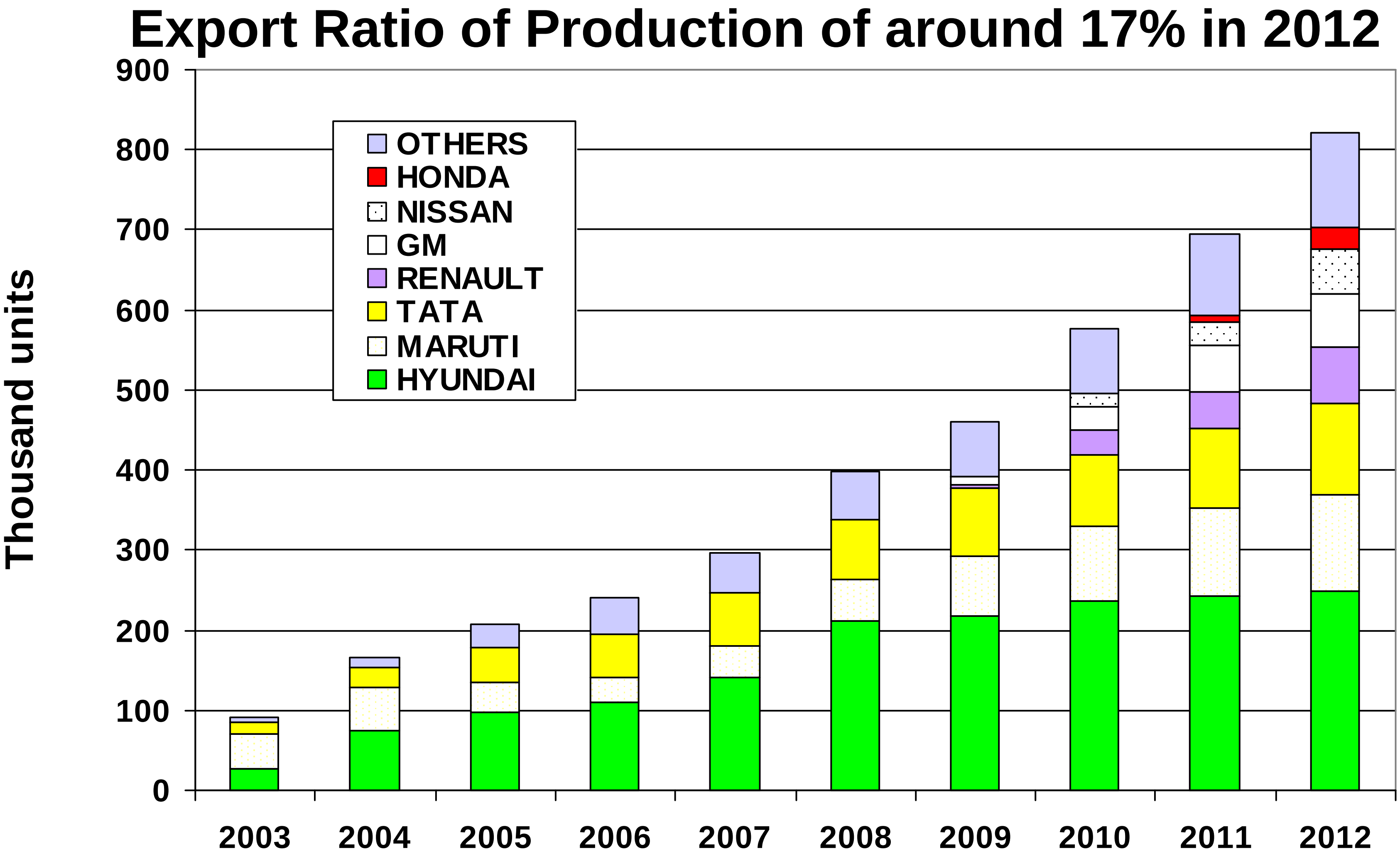
Expected to go on sale this September

Tata targeting 1 million units

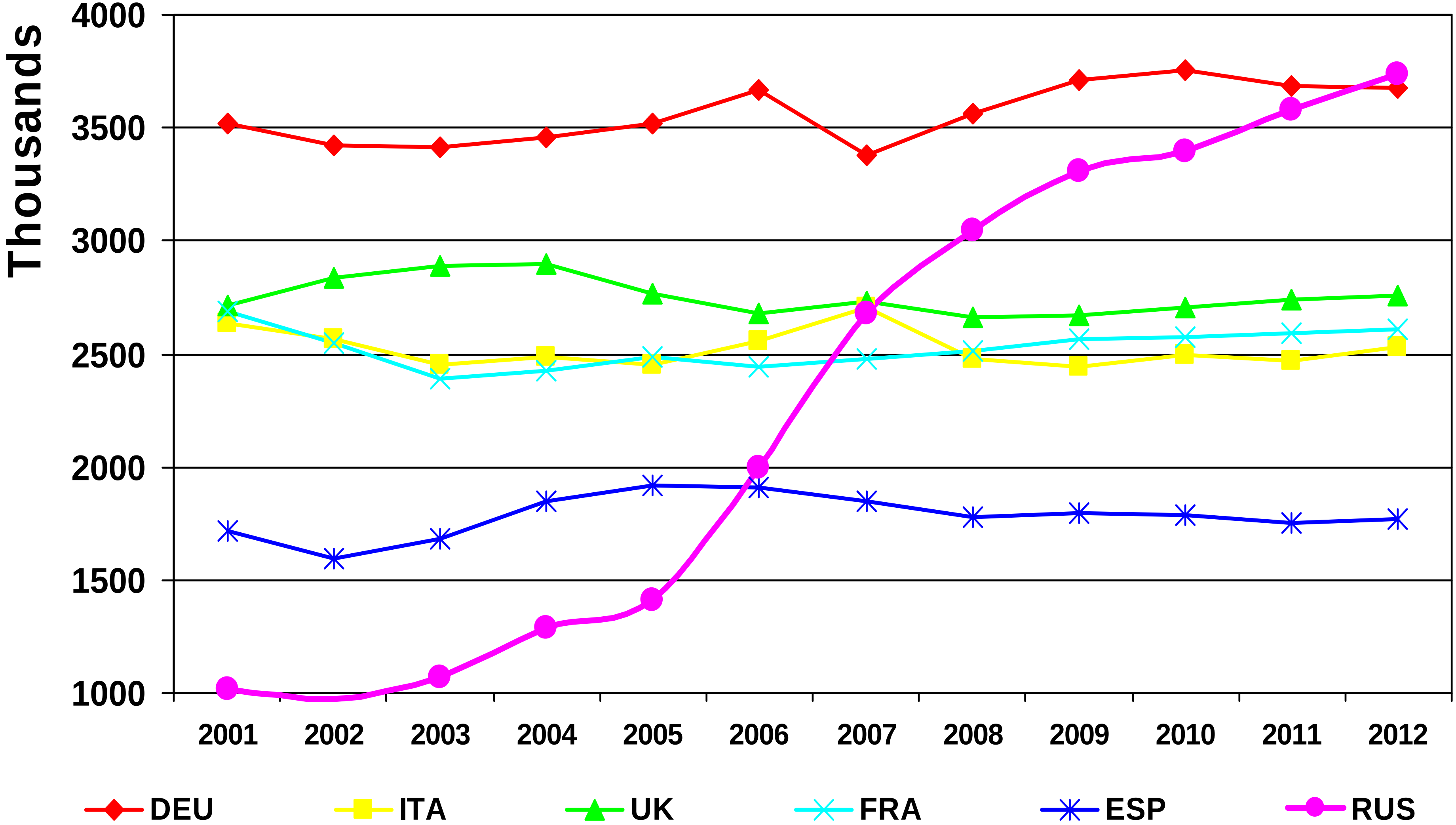
India Gaining Popularity as an Attractive Export Base

- Few restrictions on foreign ownership of assembly ventures
  - Full management control
  - Easier to integrate into global strategy and supply chain
- India gradually positioning itself as global production hub for small cars
- Several global OEMs planning large export operations
  - Hyundai already the largest exporter … raising exports levels
  - Suzuki will ramp up exports post 2009
  - GM will commence Matiz/Spark exports from 2009
  - Renault and Nissan have ambitious export plans
  - Toyota and Honda most likely export small cars post 2010
- Poor infrastructure and logistics costs are main obstacles

Vehicle Exports from India Beginning to Take-off



Russia Is Fast Becoming the Most Attractive Market in Europe – Light Vehicle Sales



Russia : Decree 166 Was the Turning Point in Automotive Investment Legislation

Decree 135 (since 1998) or similar

- Failed to attract widespread investment
- Too hard to achieve localisation levels
- Too expensive
- Not enough incentives to invest
- Only Ford and Gm

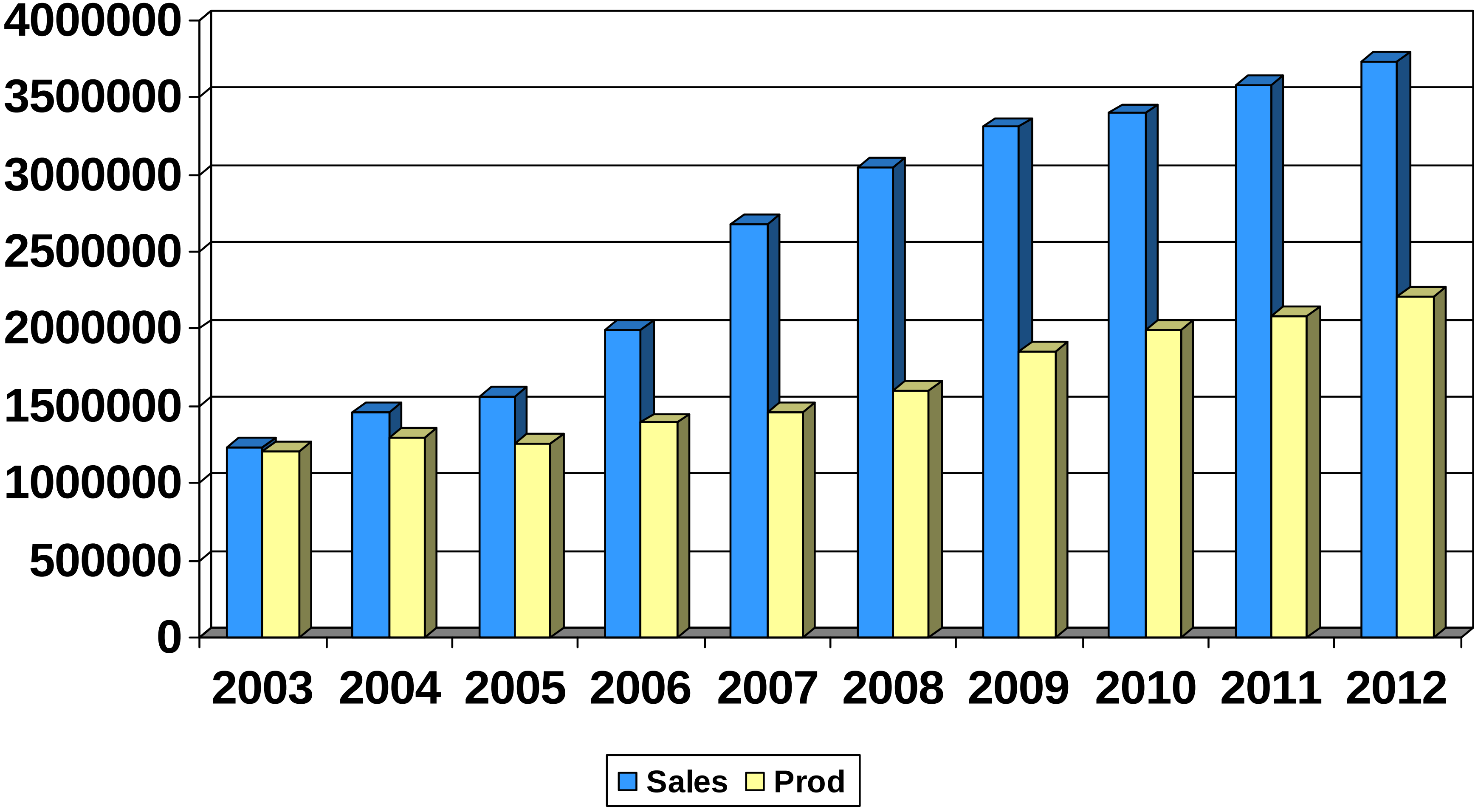
Switchers

New entrants/adopters

Decree 166 (since 2005)

- Leads to explosion of investment
- Everybody joins or switches to Decree 166 by 2006
- Produce 25,000 vehicles, achieve 50% local content in 5 years, components come in tax free
- Closed at end of 2007, now on an individual basis

Russia :Local production only starts to catch up with booming demand late in 2008



US Economy – In a Mild Recession & the Worst is yet to Come

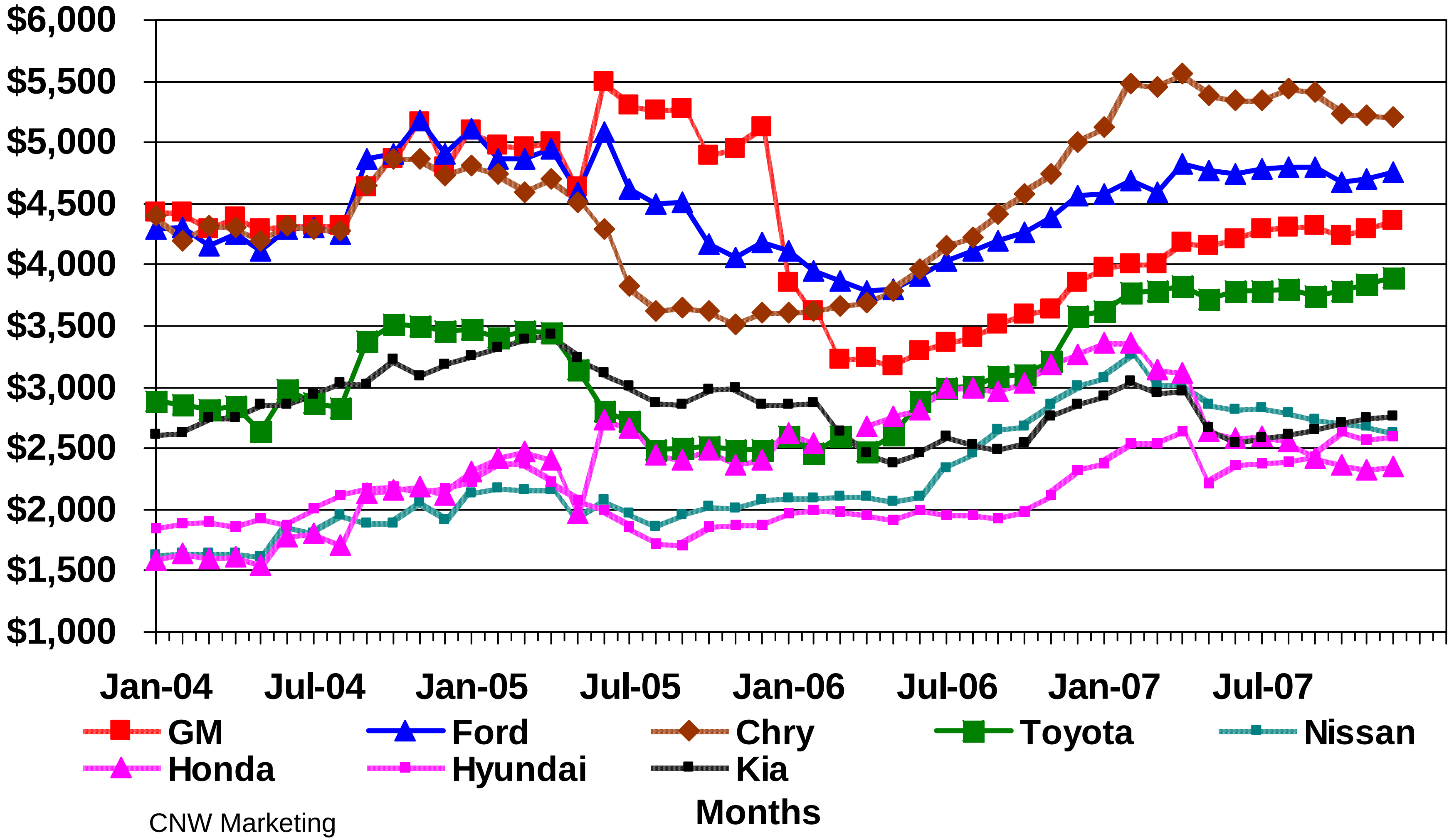
(Percent unless otherwise noted)

	2006	2007	2008	2009
Real GDP Growth	2.9	2.2	1.4	2.2
Employment Growth	1.9	1.3	0.3	0.7
CPI Inflation	3.2	2.9	2.5	1.6
Oil Prices (WTI, US$/bbl)	66.12	72.18	78.53	74.33
Housing Starts - mm	1.812	1.344	.900	1.180
Federal Funds Rate	4.96	5.02	2.35	2.72
10-year Government Bond Yield	4.79	4.62	3.26	3.82
Dollar (Major Trading 2000=1)	0.812	0.767	0.706	0.715

US Auto Market — The market will downshift again

- The Summer was very hard on auto sales
- The year-end selling rate of 16.2 million units beat expectations
- The economy will begin to wear down the auto market
- Subprime still remains more of a macro rather than a market issue
- Subprime issues, however, have begun to creep into auto lending, delinquencies rising
- Detroit continues to try to reduce rental fleet activity
- While Toyota has moved passed Ford, they appear to be losing some momentum
- Sales will dip into the mid-fifteen million unit range and stay there for the first half

Manufacturer Incentives



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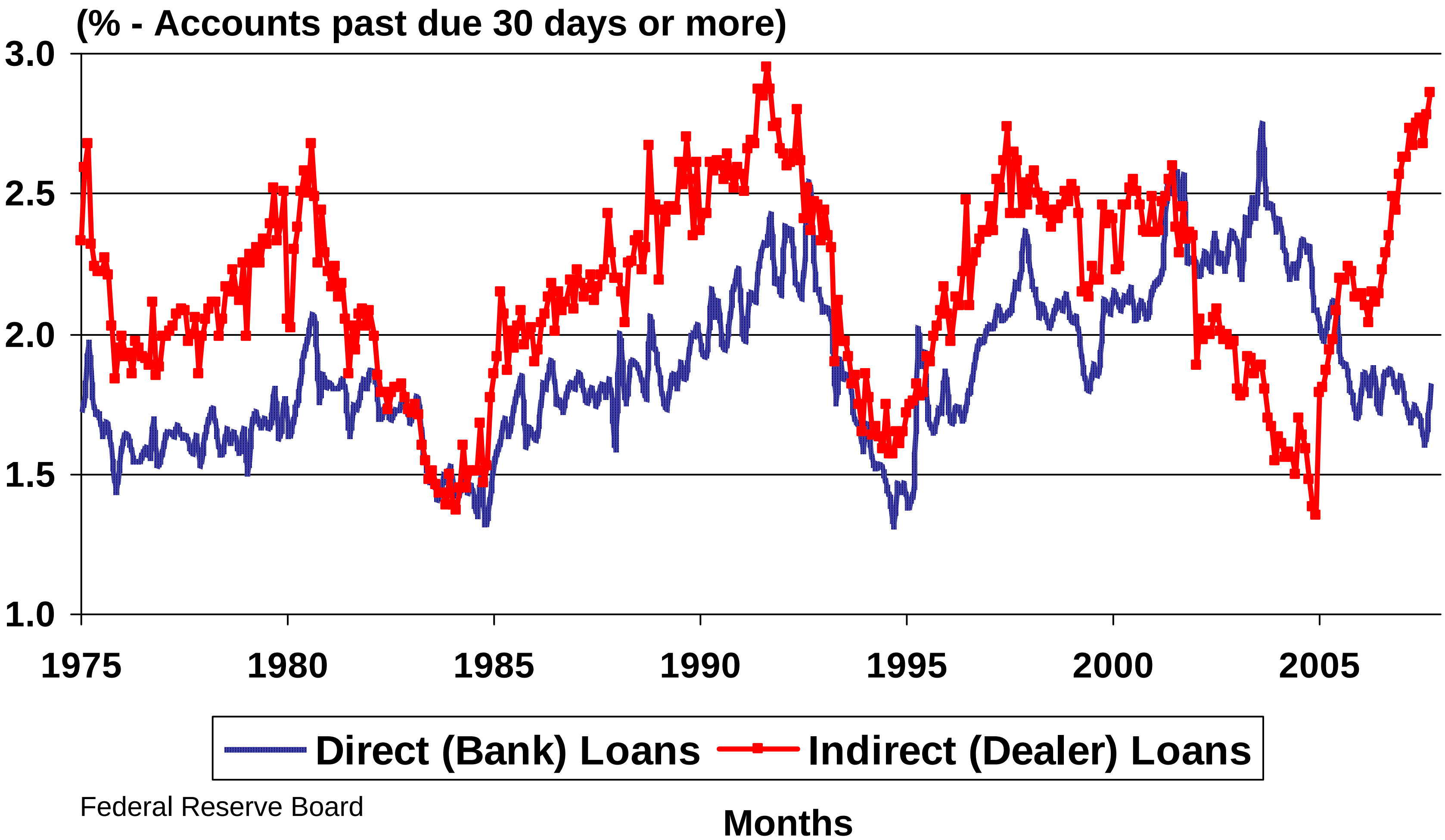
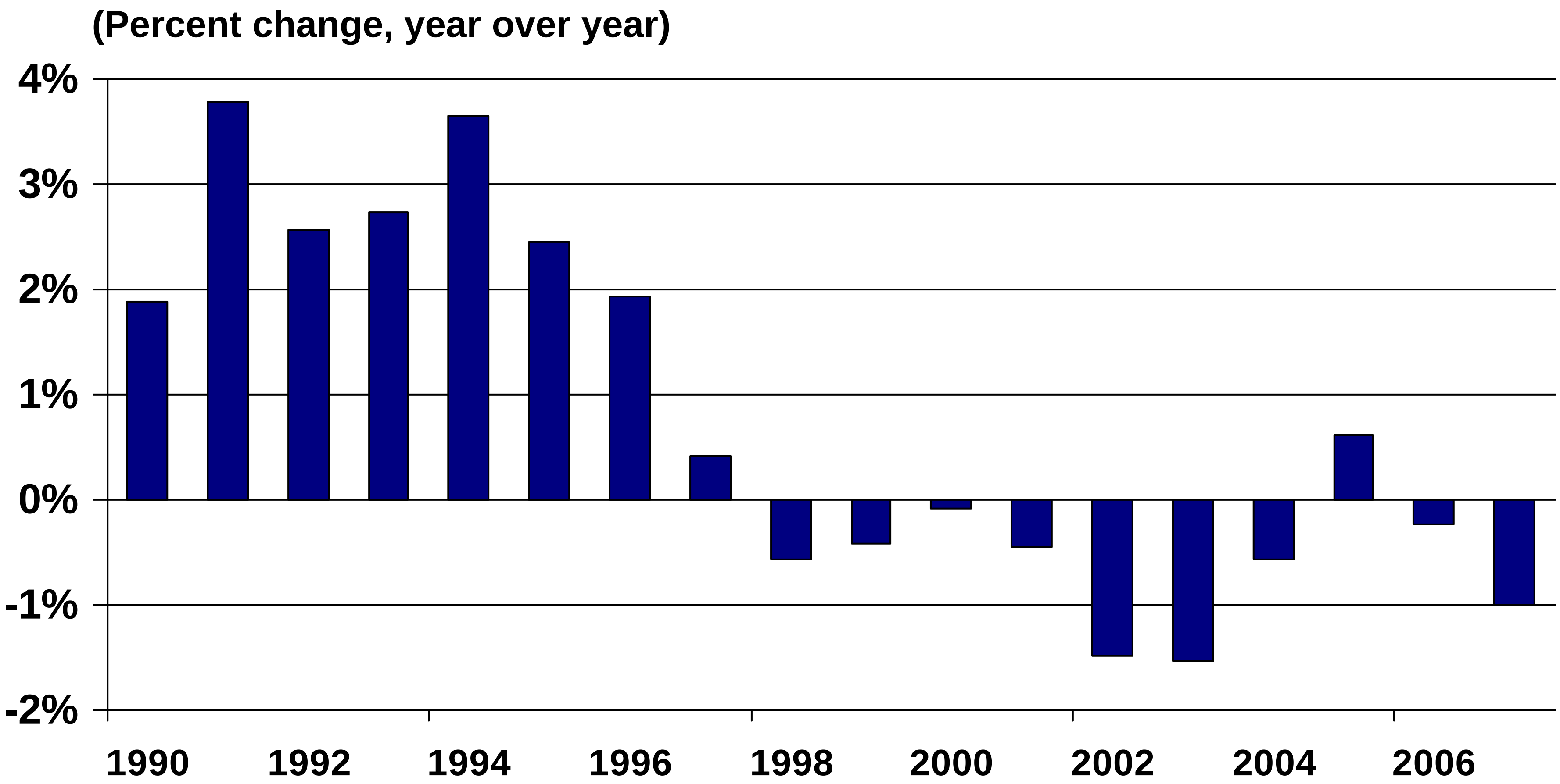
New Auto Loan Rates — Delinquency Rates

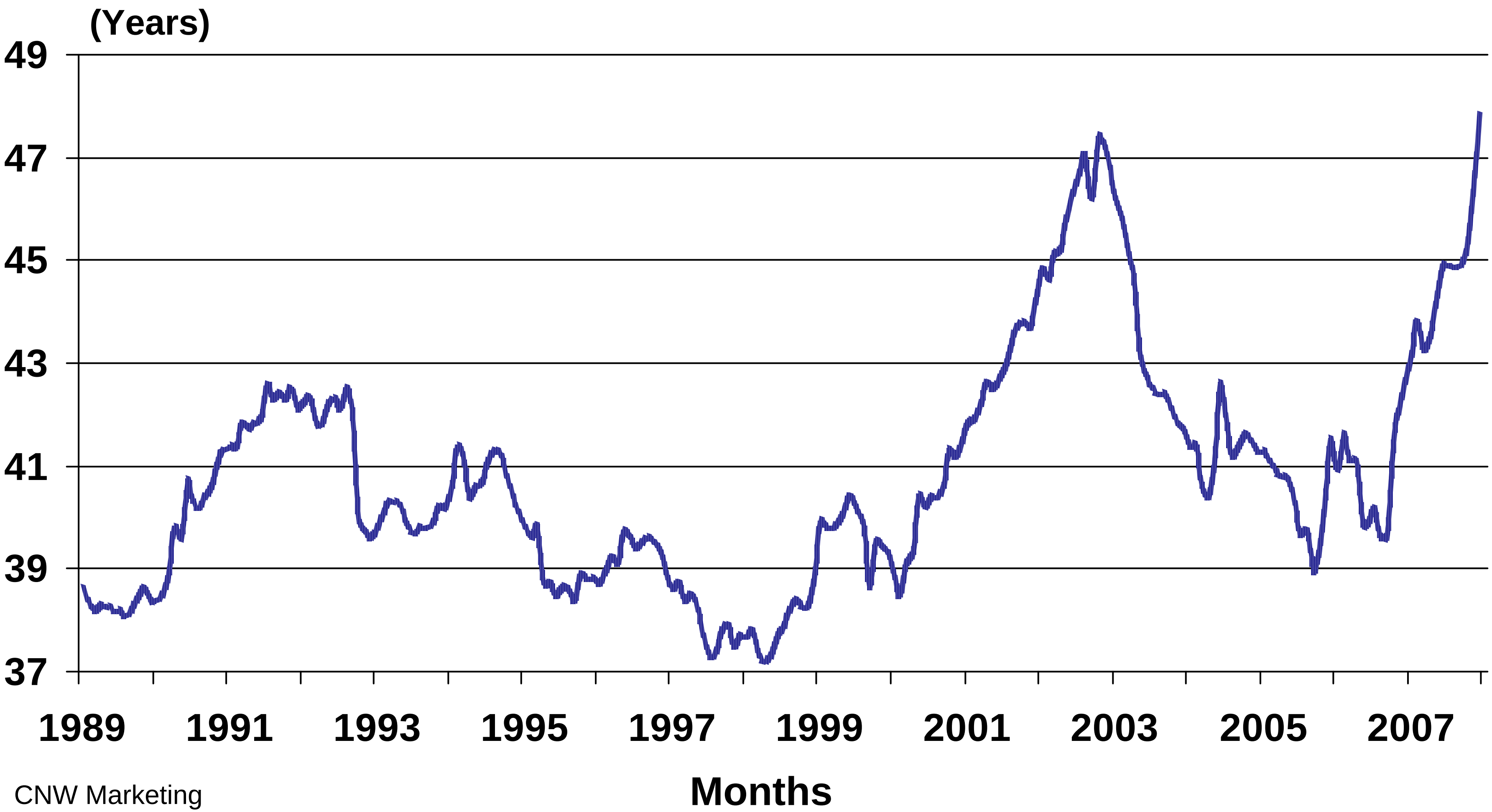


Federal Reserve Board

CPI — New Cars & Trucks



Median Age – New Vehicle Buyer



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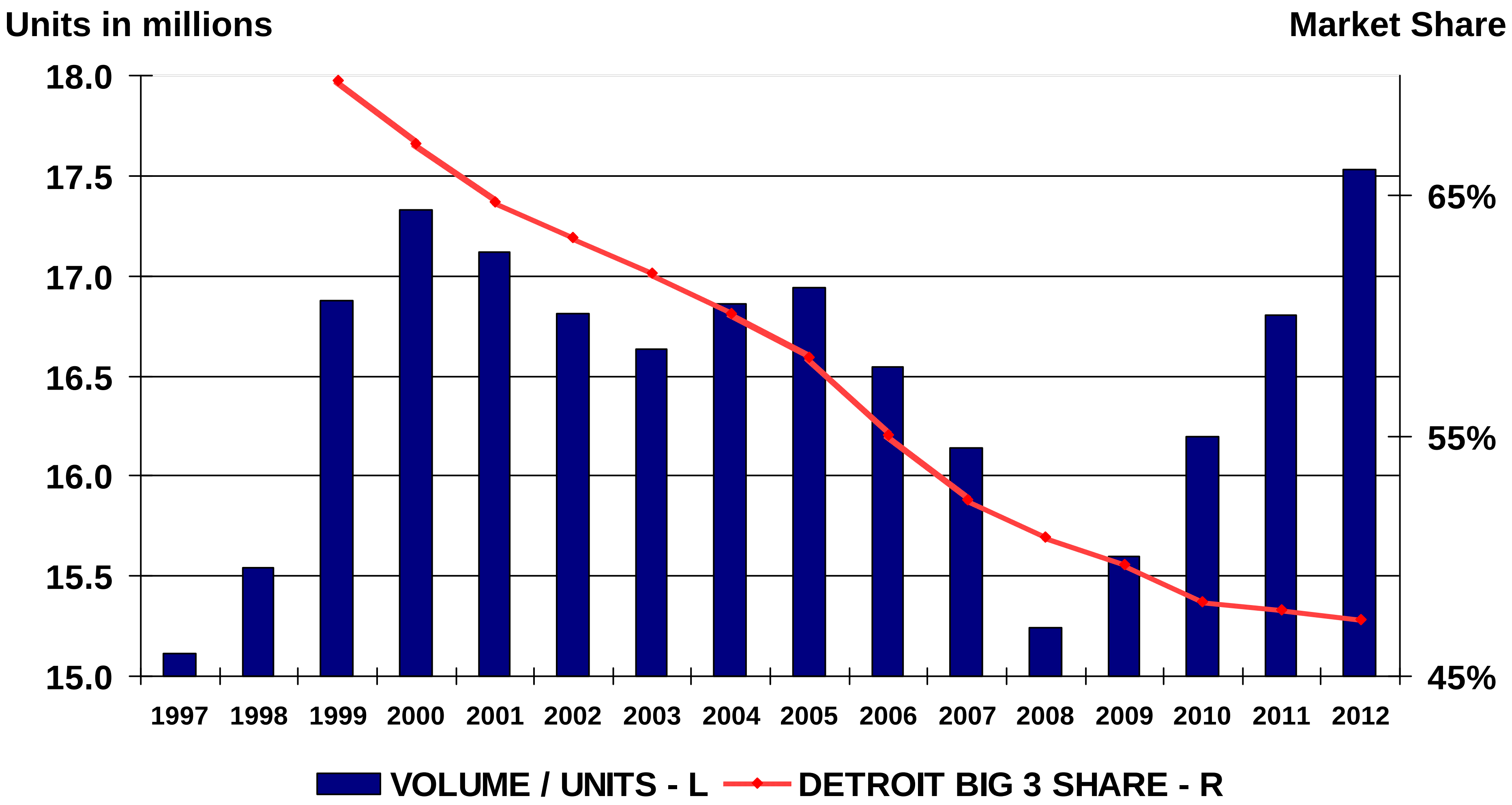
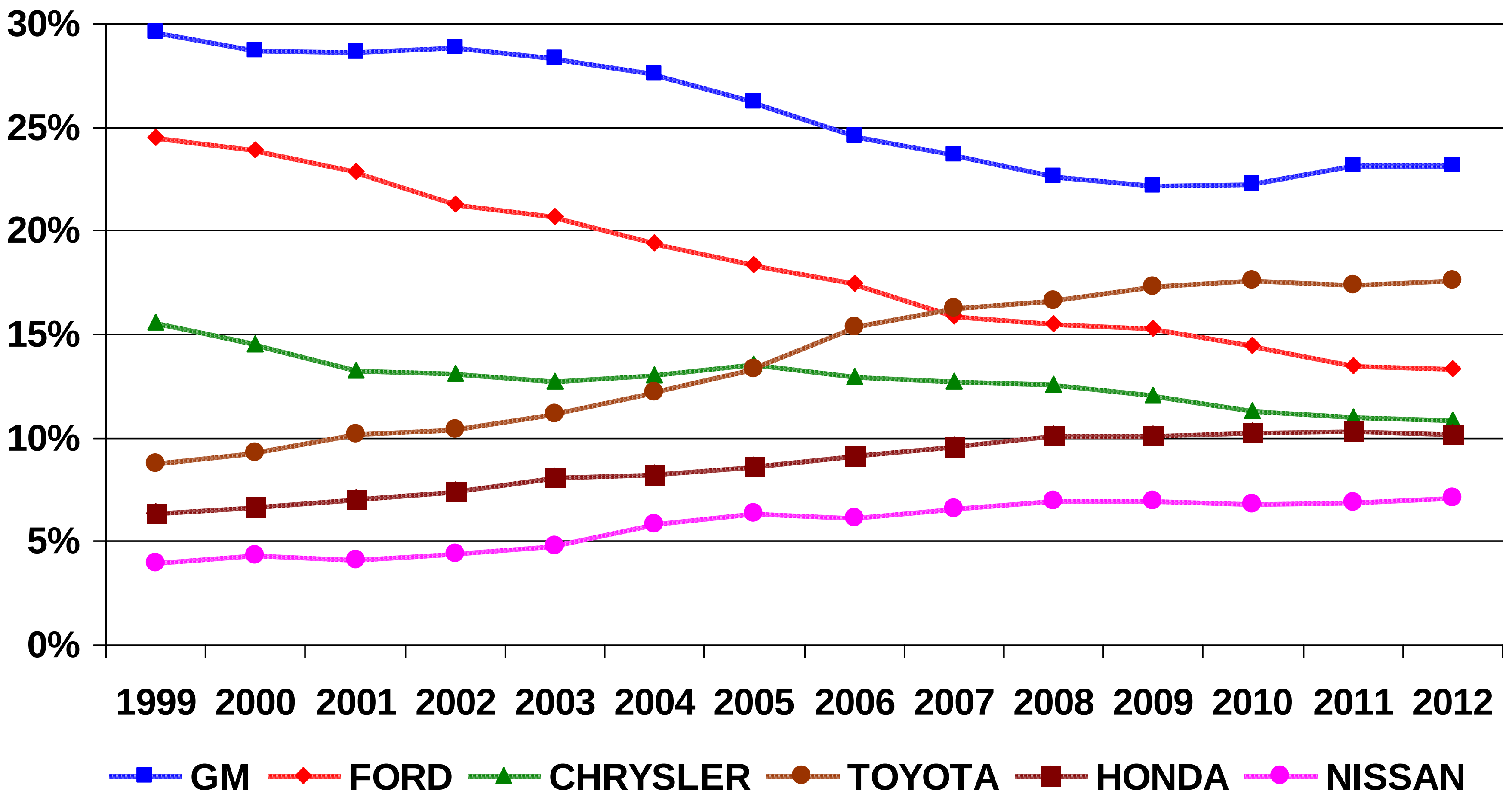
U.S. Light Vehicle Sales



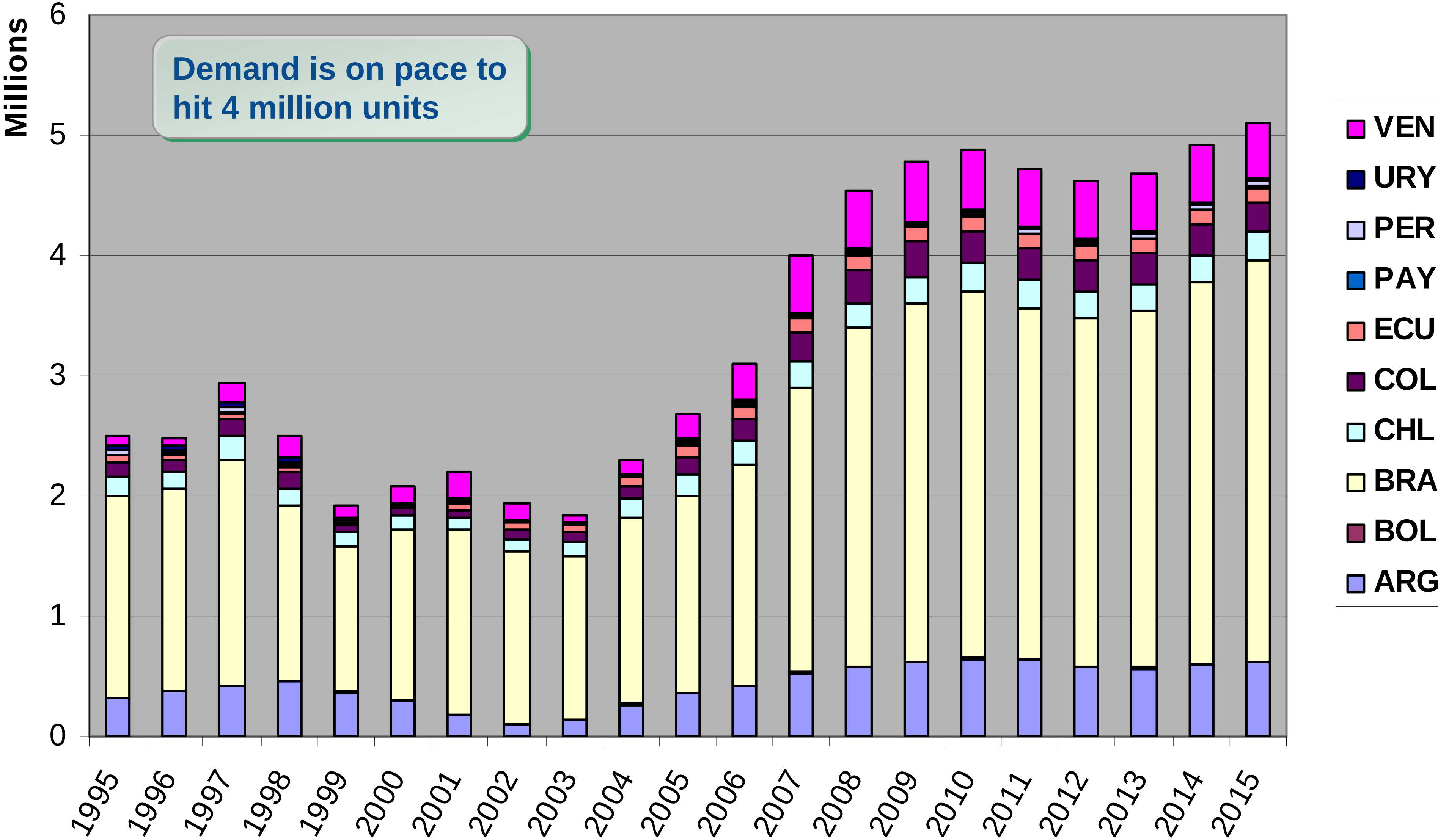
U.S. Sales — Top Six Market Share



Summary — Detroit's Restructuring

- Current cost cutting, along with new contract, can stabilize Detroit Big 3 (one-third of the equation)
- 2008 will be a tough year for the Detroit recovery
- GM is most advanced with its cost reduction plan
- More importantly, because of product strategy (2/3 of equation), GM ranks at the top of the Detroit Big3
- Ford has been extremely aggressive in cutting costs, but this has not gone smoothly. Now getting on product bandwagon
- Chrysler is once again aggressively cutting jobs and costs, product chaos
- Landmark UAW contract moving Detroit cost structure closer to that of transplants
- Higher fuel economy standards will be a particular burden for Detroit, but the transplants are not immune

South America - Light Vehicle Sales by Country



Global Auto Challenges – Winners (OEMs)

- Profitability and Cost Cutting – Toyota is the gold standard, Nissan/Renault. VW is improving, Ford is at risk, selling Rover and Jaguar, possibly Volvo
- Platform consolidation and efficiency – Toyota, VW and Hyundai
- Agility / Nimbleness of Corporation – Honda
- Cutting Edge and New Product Development – Nissan / Renault, GM in North America
- Growth of Premium – Audi and BMW
- Low Cost Vehicles –Nissan/Renault and Tata
- Fuel Economy – Toyota and VW
- Brand Management – BMW, Toyota, Porsche, Mercedes-Benz
- Globalization – Toyota and GM. Chrysler is scrambling for global sales an partners.
- Emerging Markets –
  - ✓ Latin America – Fiat, VW, GM
  - ✓ China – Chery, Toyota, GM
  - ✓ Russia – Ford, GM, VW
  - ✓ India Suzuki, Tata

Regional Shares of Light Vehicle Demand (%)

	2000	2007	2012
NAFTA	35	27	25
W. Europe	30	24	21
Japan	10	8	6
	75	59	52
China	4	12	15
Rest of Asia	8	9	12
E. Europe	5	8	9
S. America	4	6	6
Other Markets	4	6	6
	25	41	48

Global Auto Market 2012

- There will be more than 82 million light vehicles produced globally, 16 million more than 2006.
- Emerging markets will account for 48% of this volume 10 points more than 2006.
- Emerging markets will represent 74% of the growth, however.
- Toyota will replace GM as the top manufacturer.
- China will become the second largest market behind the US and overtake Japan/US as the largest single country assembling light vehicles
- China will become a serious factor in the export market, including the US market
- Latin America will slow noticeably after 2012, the window of opportunity is now.

Thank You!

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