

PwC *European Market Review*

Europe: Booming months push first quarter *Individual country revivals combine to lively growth*

Led by the 5 major markets, European sales are off to a strong start in 2015, continuing and increasing the momentum of late 2014. Based on stronger economics, the surge is expected to continue and increase the yearly sales outlook

Industry Events and News

After the great relief of the positive full-year results of 2014, the industry was anxious if the momentum of sales from the last quarter would carry into the New Year. As January broke, eyes were set on the development of order intake and dealer stocks, which are both sensitive indicators of the true health of the market, independent of actual registration figures. Both indicators started the year on a positive note, proving that the good December result was not primarily owed to artificial registrations or cut-throat incentives to meet last-minute targets, but was a good indicator of an ongoing recovery.

Breaking with year-long traditions of the industry, the automotive year did not start in the second week of January on the freezing shores of the Detroit River, but one week earlier in sunny Las Vegas, where the global IT industry had gathered for the CES, Consumer Electronics Show. All major automotive OEMs and their CEOs decided to make appearances there, and displayed their latest electronics features mostly in the field of connectivity, interactivity, and autonomous driving. While automotive journalists celebrated the event, the IT public seemed mildly bewildered, but showed some unfiltered enthusiasm for the old-school properties of cars – namely beauty, speed, and fun.

The electronic features on display seemed a bit off territory, such as Audi's all-new "Virtual Cockpit" with a mere 12.3-inch display of unspecified resolution, the flowing interior side panel displays in Mercedes-Benz's F015, or the autonomous dash around a racetrack of a driverless Audi A7. In an environment where new releases are issued at weekly intervals, and entire product lifecycles are measured in months rather than years, the mere presentation of technologies that will not become available before the end of the decade cast a sharp light on some fundamental challenges the automotive industry will have to overcome before

being able to keep pace with developments on the consumer electronics front. Building on that, the automotive industry impressively showed that it is still far short of a viable business model to make sense, let alone money, of the vast amounts of data their products generate and collect during their use. At the same time lawyers and regulators still argue about theoretical cases of data ownership and privacy protection. As long as autonomous driving is outrightly banned by the global base law of road traffic – the Vienna Convention – there is no imminent danger that car buyers will be confronted with too much novelty in the too near future.

Back in Detroit, the Automotive Industry relished in its own splendour, celebrating low fuel prices due to the collapse of global crude oil markets, easy-flowing credit due to historically low central bank rates, a tidal flow of product variants due to ever more popular platform and architecture strategies, and guilt-free performance due to ongoing powertrain upgrades with turbo chargers, direct injection, multi-gear transmissions, and lightweight materials. A large share of the money automakers do not want to spend on fleet efficiency fines is poured into engineering, which pushes the improvement of traditional automotive properties to new heights.

With two successful months passed, the global automotive caravan met again in early March, on the Salon de l'Automobile in Geneva, Switzerland, traditionally a highly distilled mixture of exotic and beautiful luxury cars for the global jet set, and small and efficient vehicles for the European markets. On the occasion, the European automakers published previews of their annual business reports, further adding to the good mood of the automotive managers present, in the expectation of generous bonuses and ample dividend payments.

2015 – Registrations in the first quarter rose by an impressive 8.5%

All major markets contributed to the rise, showing a broad base for the increase – but tactical and fleet registrations still play a much too important role

Economic and Market Developments

Finally, the economy has returned to be more of a support than a hindrance to automotive sales in Europe. Based on ACEA's report for the first quarter, total new car registrations grew by 8.5% in the first quarter over the corresponding period of 2014. This strong performance was the result of three consecutive good months, with January 6.2% over the first month of 2014, February 7.0% higher, and March an impressive 10.8% ahead. In absolute terms, in the first quarter of 2015, 3.64 million new cars were registered, 284,000 more than in the first quarter of 2014, and 538,000 more than in quarter four of 2014.

In terms of full-quarter growth rate, Spain topped the scale of the five largest markets with an increase of 32.2% over last year, followed by Italy with 13.4%, while the other big-three achieved more than 6% growth. In absolute terms, Spain also showed the largest contribution to European growth, with over 65,000 units increase, followed by Italy with a plus of almost 50,000, while Germany and the U.K. advanced by almost the same amount of about 46,000 units. Some smaller countries showed even more spectacular quarter-on-quarter increases, namely Portugal with +36.1%, Ireland with +29.5%, and the Czech Republic with +23.9%. Some negative developments were noted for Austria (-7.5%), Poland (-6.1%), and Finland (-3.8%), but each of these markets previously experienced significant recovery from crisis levels.

While on the face of it, this development seems to herald a broad-based recovery of demand, more detailed analysis shows that the automotive industry still has to make significant efforts to convince consumers of their products. As highlighted in the following detailed country reports, the share of private first-time registrations is still low or even declining – which seems paradox in view of rising consumer sentiment and recent reports by the ECB that private consumption has developed into the “locomotive” of economic growth. In fact, Autofacts is not worried about the actual demand of private buyers for new car, as analysed in a previous Analyst Note highlighting overaged vehicle fleets and pent-up demand; what these numbers indicate is an increasing unwillingness of consumers to pay the price tags new cars come with, so they are increasingly looking for ways of receiving

discounts. They have become accustomed to big incentives in recent years. One of the most popular instruments for retailers to offer such discounts – without openly reducing new car prices, which has immediate effects on the residual values, and therefore leasing rates – is with pre-registered cars from “tactical registrations”. These vehicles are kept on dealer lots, are as good as new, and come with almost the same variety of financing, service and warranty packages as off-the line new ones. While statistically, these vehicles are not banked as new registrations, they still service the private buyers – so their increase is actually another positive indicator and gives hope that once purchasing power and willingness-to-spend increase, this evident demand will increasingly re-appear in actual private new car registrations.

Although dealers and manufactures always worry about low margins and high incentives, company results for 2014 have been exceedingly good, and have reached record levels for several manufacturers. Quite naturally, though, it seems that brands with high market shares show rather lower profitability – even more those with ambitious market share expansion targets. It will be a major strategic challenge to re-align list prices with customers' payment expectations – either by lowering prices, increasing equipment, or by increasing purchasing power through further economic growth.

Outlook and Forecast

In view of the latest positive results, Autofacts remains optimistic for the ongoing year and forecasts a full-year increase of sales by 4.5% to a total of 13.6 million new cars, by almost 600,000 additional units. The largest market, Germany, is forecasted to grow 3.5%, to 3.14 m, while the ongoing surge of the UK market is expected to ebb by the end of the year. France will continue to grow below average at +1.9%, while Italy and Spain will drive the momentum at +7.8% and 18.6%, respectively. As economic indicators in numerous countries are veering to the positive, we expect the positive momentum to continue into 2016, with another growth of 3.5% to over 14 million units expected, and continued increase of sales until the end of the decade.

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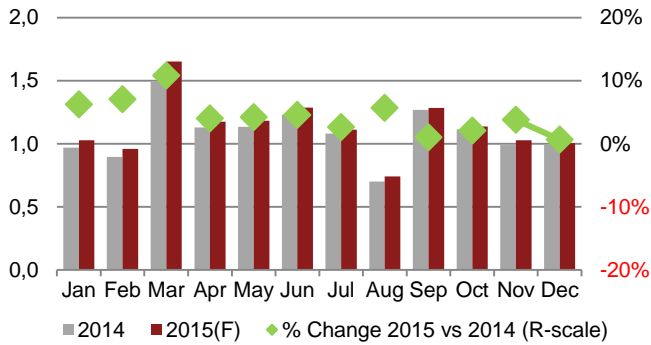
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Europe

European Automotive Dashboard

EU+EFTA: Monthly car registrations

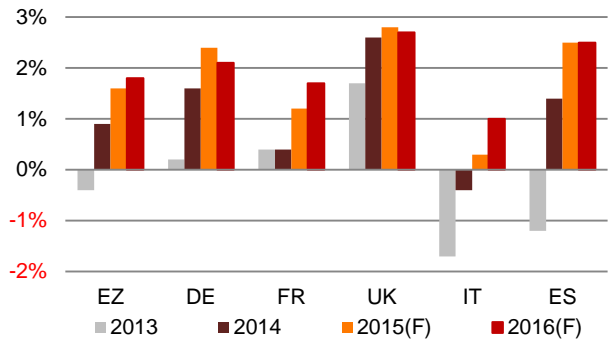
2014 - 2015 (millions)



Source: PwC Autofacts Analysis

EU Top 5: Economic outlook

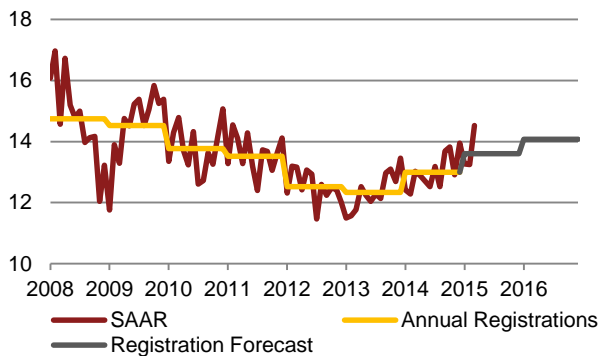
Real GDP annual growth



Source: Oxford Economics (March 2015)

EU+EFTA: New car SAAR & forecast

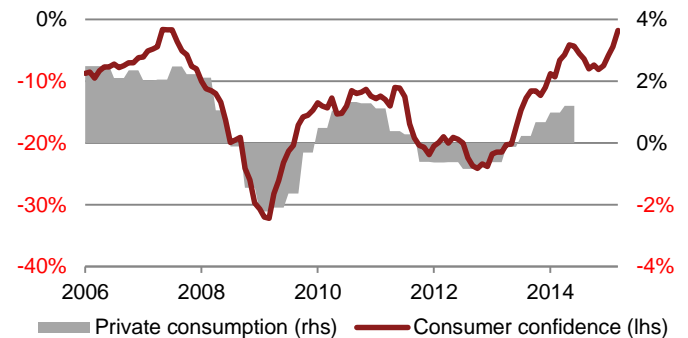
2008 - 2016 (millions)



Source: PwC Autofacts Analysis

EU: Private Consumption & confidence

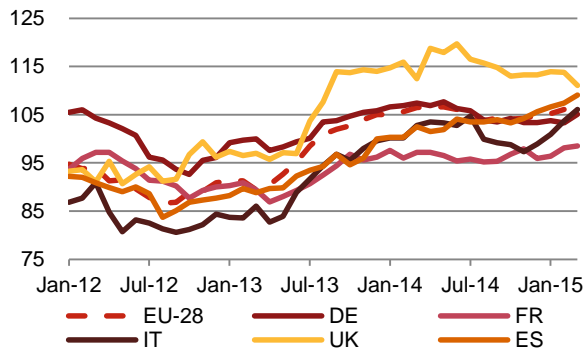
Jan 2006 - Mar 2015



Source: Eurostat, European Commission (March 2015)

EU Top5: Economic Sentiment Indicator

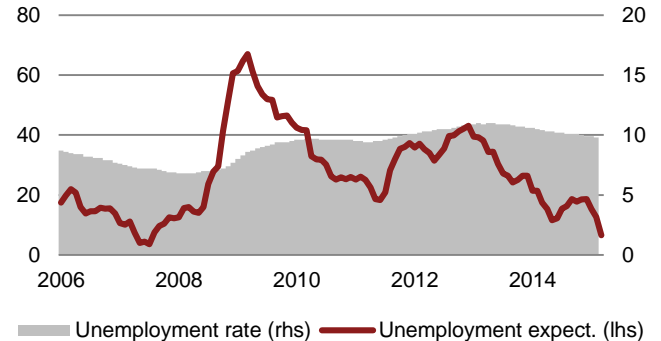
Jan 2012 - Mar 2015



Source: European Commission (March 2015)

EU: Unemployment rate & expectations

Jan 2006 - Mar 2015



Source: European Commission, Oxford Economics (March 2015)

France

Despite being sensitive to any negative decision, the positive book of orders and improving consumer sentiment could lead the French market to a recovery.

Industry Events and News

The French “Energetic Transition Plan,” to be validated in the coming months, would allow cities of more than 100,000 inhabitants to take actions to limit traffic in an effort to counter environmental problems. Within that framework, in February 2015, the Paris city hall, Mairie de Paris, approved the progressive implementation of traffic limitations for high polluting cars and two-wheelers. The first action will be put in place in July 2015, limiting the circulation of buses and heavy-trucks built before October 1st, 2001. After that, every summer new restrictions will be enacted. Such a decision could be replicated in other big French cities suffering from too much pollution and will lead consumers to have a deeper reflexion on their future car purchase.

Economic and Market Developments

The March release of CCFA car sales data showed a good recovery of the French market compared to a gloomy start of 2014. French new car sales in Q1 2015 totalled 477,326 units, an increase of 6.9% over Q1 2014. Company car registrations along with long- and mid-term rental cars rose by 7.7% to 64,356 units and 12% to 39,616 units, respectively. This shows the efforts of carmakers, especially the French, to increase their penetration of French company fleets thanks to better-adapted products and lower running costs. Nevertheless, 71% of the 30,717 unit volume growth is explained by tactical sales. Demonstrator cars contributed 28% of this growth, with an increase of 8,439 units, when carmakers registration inputs were 11%. The biggest contribution to growth comes from short-term rental cars with 33%. Some sources state that rental companies have advanced some of their purchasing, letting us expect a smoother growth in the coming months. In this growing market, individual sales represent a warning sign. Their sales stagnated in Q1 at 236,610 units, recording a slight 0.1% decrease. Given the sales expectations of the “Baromètre des ventes,” disclosed by the CCFA, orders for passenger cars increased by 10.6% in February after a 2.1% increase in January. This gives some elements for hope for a French market increase in 2015.

The trend for LCV is still uncertain in France. During the two first months, sales decreased by 6.6% to 54,361 units. Even if the economic sentiment is increasing,

pent-up demand accumulated in the past few years has not yet been released.

The French economic sentiment is still 7 points below the EU28 level and even 12 points below Spain. Companies’ earlier optimism has eroded over years of economic and tax uncertainty, and thus corporate investment is still stagnating. Management teams are waiting to see if the positive signs indicated by the French government, notably through the launch of CICE or “Pacte de responsabilité,” will be maintained over the years, in order to offer a steady environment favourable to long-term investments. In his latest speeches, in March 2015, the French Prime Minister has shown some signs of consideration for the tax exasperation faced by companies and individuals. As growth struggles to come back in France, the country may want to learn from the Spanish government’s action of offering tax cuts to give back some purchasing power to individuals and financial breathing space to companies. Nonetheless, despite being far lower than the EU28 level and even lower to the other four main EU auto markets, the French Consumer confidence indicator improved by 4.5 points to -14.3 when EU28 was improving by 2.6 points to -1.8. This improvement can translate the decrease of consumers’ tension and their potential willingness to consume.

Outlook and Forecast

The INSEE (French National Institute for Statistics and Economic Research) anticipates a 0.4% GDP increase during the first quarter 2015, and a 0.3% growth for the second quarter. The pace of French GDP growth will be partly dictated by the future oil price, which has given some air to companies and the perception of French economic actors about the coming government decisions.

Given some positive elements, the French market may see a better recovery than anticipated. Therefore, Autofacts has revised up its new car market forecast for France to 1.83 million new cars, up 1.9%.

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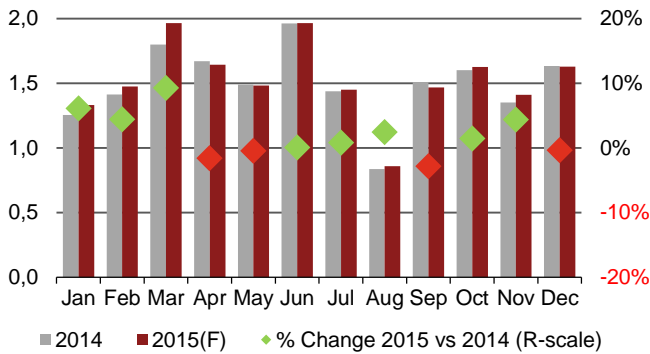
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France

French Automotive Dashboard

FR: Monthly car registrations

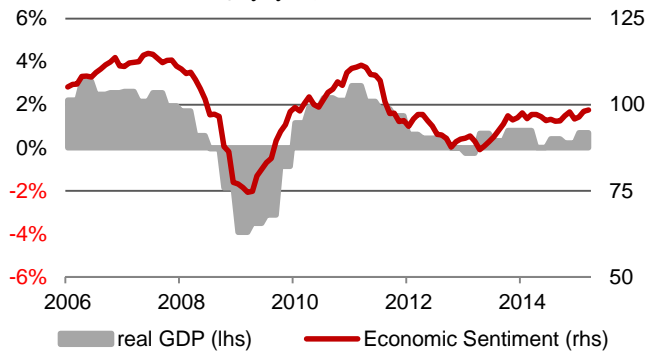
2014 - 2015 (thousands)



Source: PwC Autofacts Analysis

FR: GDP & Economic Sentiment

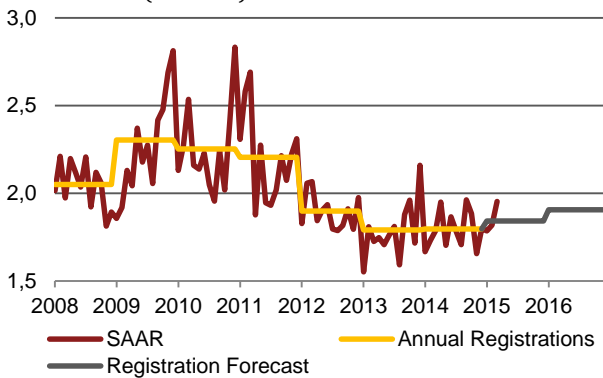
Jan 2006 - Mar 2015 (yoy %, indicator)



Source: European Commission, Oxford Economics (March 2015)

FR: New car SAAR & forecast

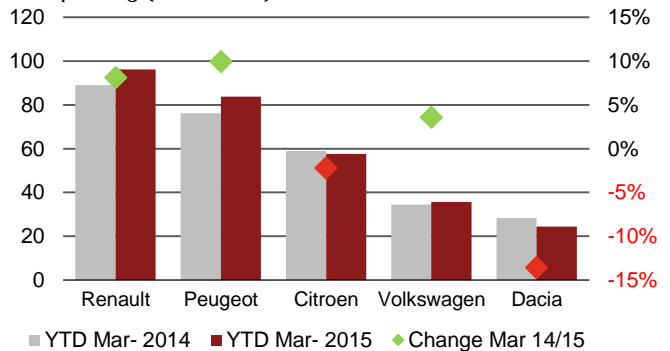
2008 - 2016 (millions)



Source: PwC Autofacts Analysis

FR: Top Brands - Sales

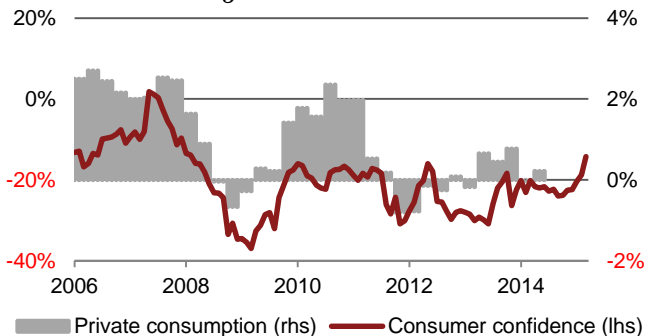
2014 - 2015 (thousands)



Source: PwC Autofacts Analysis

FR: Private Consumption & confidence

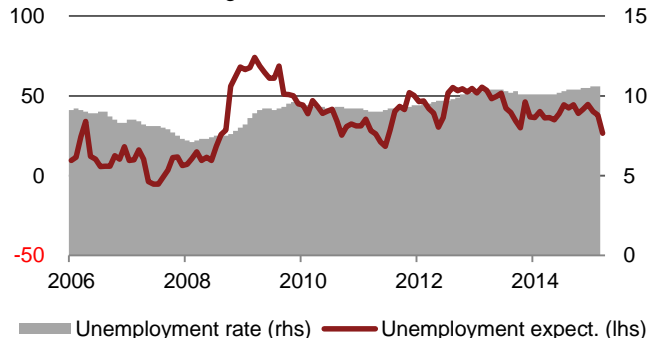
Jan 2006 - Mar 2015



Source: Eurostat, European Commission (March 2015)

FR: Unemployment rate & expectations

Jan 2006 - Mar 2015



Source: European Commission, Eurostat (March 2015)

Germany

Demand for new cars rose significantly in Q1 of 2015, with registrations up 6.4% over the corresponding period of 2014.

Industry Events and News

At the end of March, the German parliament finally approved a road toll for cars using highways, Autobahnen, and major roads, Bundesstraßen, after a heated public debate about the pros and cons. If nothing intervenes, the law will come into force by 2016.

All foreign drivers using highways and major roads will have the option to pay a fee for 10 days, 2 months or a full year, German drivers will be compensated indirectly by paying a lower motor vehicle tax. As this could be discriminating towards other EU citizens, the law will be reviewed by the European Court of Justice - but only a ruling by Europe's high court can stop the introduction now.

Economic and Market Developments

Figures released by the KBA show that total new car registrations in Germany rose by 9.0% to 323,039 units in March. Due to a positive performance in the first two months of the year, 2015 started notably well, with first quarter registrations at 757,630 units, up 6.4% from the corresponding period last year. Volume growth was mainly driven by company registrations, which account for more than 60 percent of all newly registered passenger cars in the first quarter.

The share of private first-time registrations was 35.8 percent in March, up 4.6% compared to March 2014, reflecting both improved consumption and confidence among German customers. In March, consumer confidence increased markedly by 3.3 pts. to +3.2, thanks to consumers' more positive assessment of the future general economic situation, future unemployment, and, to a lesser extent, their financial situation. Thus, consumer confidence remains at a high level and well above the long-term average (base year: 2000) of -6.6.

Additionally, companies in Germany seem to be more confident. In March, the Economic Sentiment Indicator increased by 1.8 pt. to 105.1. The increase resulted mainly from improved confidence in industry, services and among customers, but remained almost flat in retail trade and worsened only in construction. Increasing industry confidence, +2.2 pt., resulted from an improvement of managers' assessment of overall

order books, +3.3 pt., and their production expectations, +3.8 pt.

Segment-wise, the compact class remains the largest segment with 198,222 newly registered cars and a share of 26.2%. Together with sub-compact, 14.8%, and middle class, 13.2%, these three segments accounted for over 410,000 cars.

Campers and SUVs show the highest growth rates with 18.9% and 13.9% respectively. More than half of all new vehicles are equipped with a gasoline engine, 51.4%, whereas 46.9% of the cars have a diesel engine. The average CO₂ output dropped to 130.3 gr/km, down 3.5% Q1 of 2014, underlining that the German market is on its way towards the 2015 target of 130 gr/km, and further to 95 gr/km by 2020.

Despite an impressive quarter-on-quarter growth rate of 16.9%, alternative powertrains remain a niche product. Their share increased slightly from 1.1% to 1.3%, including 7,105 hybrid and 2,373 electric cars. However, these vehicles are still not considered a viable purchase option by the vast majority of new car buyers.

Outlook and Forecast

Looking at the remainder of 2015, the economic outlook for Germany has improved noticeably. In March, several national research institutes and the federal government, the Bundesregierung, have revised their GDP growth forecasts for 2015 upwards. Oxford Economics expect the German GDP to grow by 1.7% during Q1 2015. This, in combination with a continued very low inflation rate, a low oil price and a favourable exchange rate of the Euro against major currencies could be the positive stimulus businesses and consumers have waited for a long time. Currently, this positive outlook could be mainly threatened by a worsening of the still uncertain situation in Eastern Europe and Greece's possible exit from the Eurozone. However, this scenario no longer seems so frightening to the Eurozone partners as well as financial markets anymore. Due to the mainly positive developments, Autofacts has revised its new car market forecast for Germany upwards to 3.14 million new cars, up 3.5% from last year.

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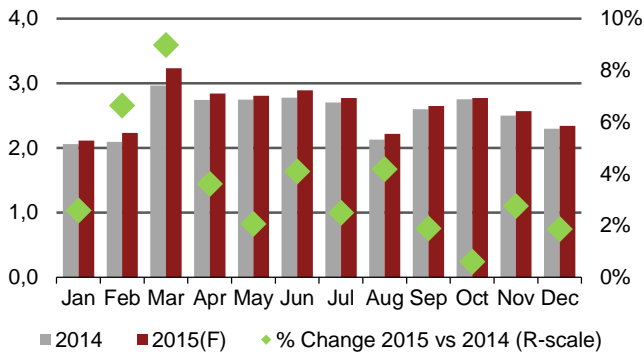
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Germany

German Automotive Dashboard

DE: Monthly car registrations

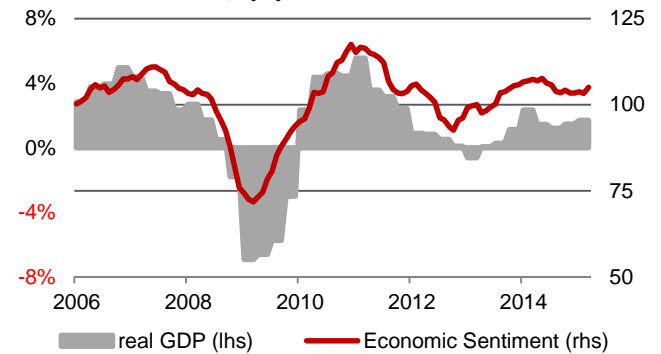
2014 - 2015 (thousands)



Source: PwC Autofacts Analysis

DE: GDP & Economic Sentiment

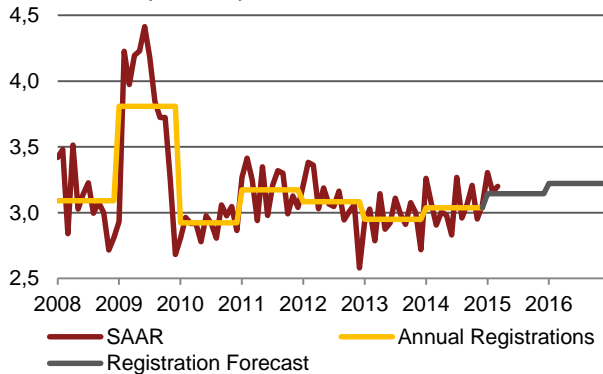
Jan 2006 - Mar 2015 (yoy %, indicator)



Source: European Commission, Oxford Economics (March 2015)

DE: New car SAAR & forecast

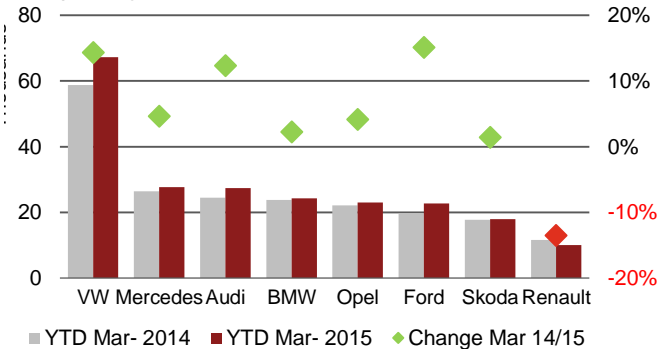
2008 - 2016 (millions)



Source: PwC Autofacts Analysis

DE: Top Brands - Sales

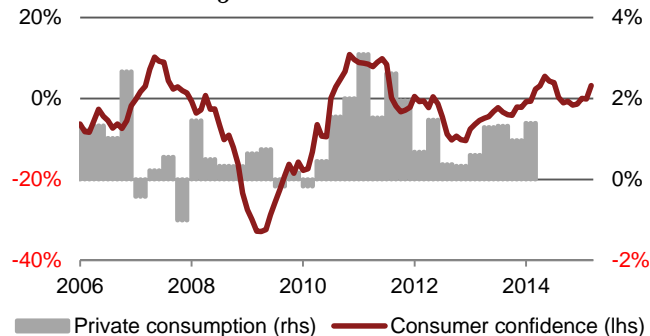
2014 - 2015 (thousands)



Source: PwC Autofacts Analysis

DE: Private Consumption & confidence

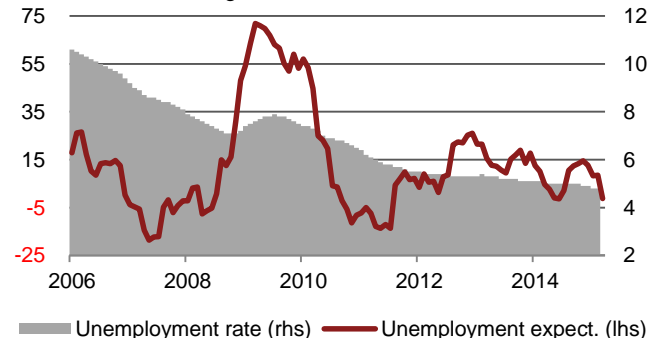
Jan 2006 - Mar 2015



Source: Eurostat, European Commission (March 2015)

DE: Unemployment rate & expectations

Jan 2006 - Mar 2015



Source: European Commission, Eurostat (March 2015)

Italy

The Italian market continues on its path to recovery with more intensity than in late 2014, but it is being sustained by rental sales

Industry Events and News

The Italian market has recorded a significant sales increase of small and midsize SUV's: registrations in Q1 of 2015 grew by 42.7%, compared to Q1 of 2014. Their market share rose by 4.5%, accounting for 22.2% of total registrations. Recent product launches in this segment including the Jeep Renegade, Fiat 500X, Nissan Qashqai, Opel Mokka, Renault Captur, and Peugeot 2008 boosted their respective brand performances, while new cars shown at the Geneva Motor Show earlier this year were numerous and are expected to catch more pent-up demand, possibly further pushing registrations up.

Economic and Market Developments

The improving performance of new passenger car registrations in the final months of 2014, +6.1% in Q4 2014 over Q4 2013, demonstrated the market recovery was underway. The growth posted in Q1 2015, 13.4% over Q1 2014, confirmed the forecasted upside scenario. In addition, the monthly YoY sales variance improved progressively through the quarter: January marked a turning point with double-digit growth (10.9%), while February and March rose further (13.2% and 15.8%, respectively).

Although the sales performance above has to be interpreted as a positive signal, it should be noted that the total volume of new passenger cars sold in Q1 of 2015 is down c. 310k units, 42% compared to the first quarter of 2007.

Moreover, the current positive market performance was driven by registrations of car rental companies, which in March accounted for 28.8% of monthly total registrations and increased by 22.6% over March 2014: the boost observed might be an effect of EXPO Milano fleet demand. On the other hand, despite posting a positive variation compared to the same month of 2014, both business and private consumer registrations still suffered from high fiscal pressure and continued weak macroeconomic improvements: the former increased by 6.1%, 13.9% of total, while the latter was up by 13.9%, and accounted for 57.3% of the total.

Riding the upward trend begun in January, the SAAR grew in March to c. 1.51 million and reached the highest level since May 2012.

Diesel continues as the best-selling powertrain with 55.7% of total registrations in March, while hybrid share, in Q1 of 2015, grew by 28.4% over Q1 of 2014.

There are positive signals which should continue to strengthen the current upside. First, the Italian GDP in 2015 will mark a positive, albeit weak, growth which is expected to gain momentum in the upcoming years. Then, the Economic Sentiment Indicator began its ascent in November (97.3) and in March it reached its highest level (106.1), while consumer and industry confidence indicators rose to -1.4 and -4.5, from -4.7 and -17 respectively. The order intake further fuels the optimism for the next months' passenger car registration levels, in March it posted an increase of 21.6% YoY.

Used passenger car transfers in the first quarter of 2015 increased by 7.1% quarter-on-quarter, totalling 1.16m units. Registrations were down 2.3% YoY in January, but recovered at a fast pace in February and March, 6.9% and 16.4% YoY respectively.

Light commercial vehicles' registrations benefited from the improved economic conditions and industry confidence: in February LCV sold increased by 8.8% YoY, while cumulated sales in the first two months of 2015 grew by 6.0% compared to the same period of last year.

Outlook and Forecast

The robust performance marked in Q1 2015 was led by rental sales, which were probably inflated by EXPO Milano: for this reason, we think that such a growth rate cannot be sustained for the whole year.

Having said the above, PwC Autofacts applies an adjustment of technical nature to the target previously communicated, but we confirm the forecast of new passenger car registrations for full FY 2015 at 1.46m units (7.8% YoY), even though the occurrence of macroeconomic and consumer confidence indicators' further improvements could prompt us to revise the market's target upward.

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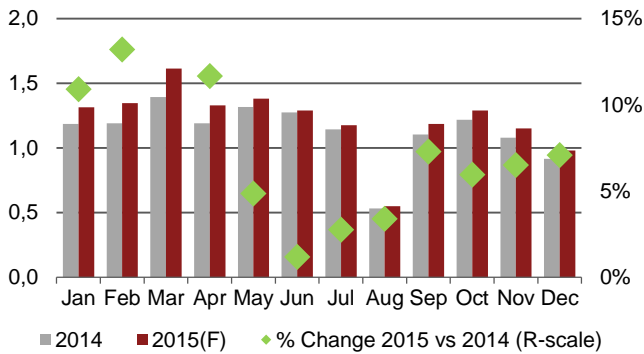
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Italy

Italian Automotive Dashboard

IT: Monthly car registrations

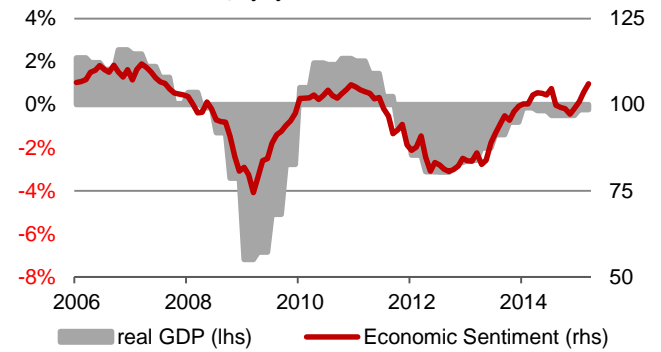
2014 - 2015 (thousands)



Source: PwC Autofacts Analysis

IT: GDP & Economic Sentiment

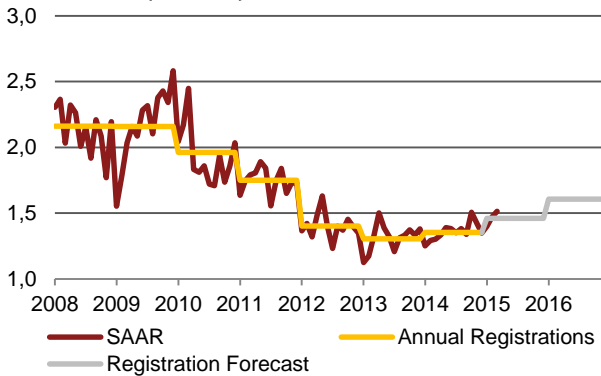
Jan 2006 - Mar 2015 (yoy %, indicator)



Source: European Commission, Oxford Economics (March 2015)

IT: New car SAAR & forecast

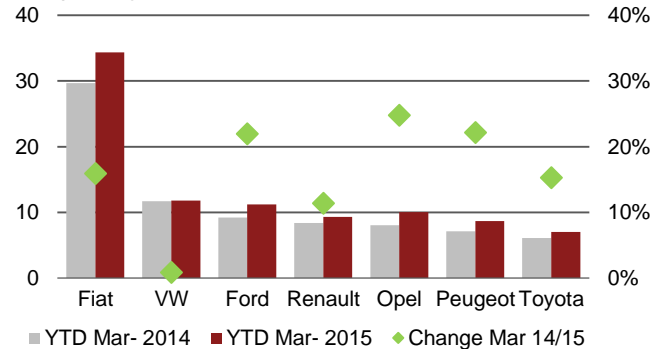
2008 - 2016 (millions)



Source: PwC Autofacts Analysis

IT: Top Brands - Sales

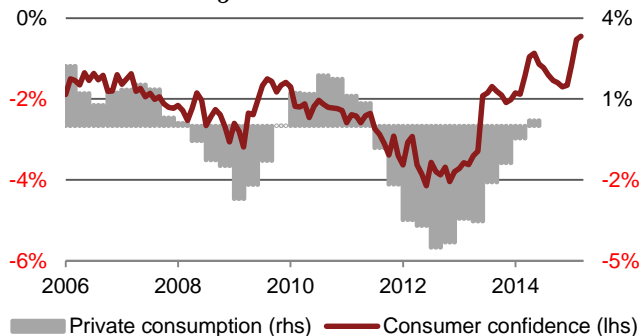
2014 - 2015 (thousands)



Source: PwC Autofacts Analysis

IT: Private Consumption & confidence

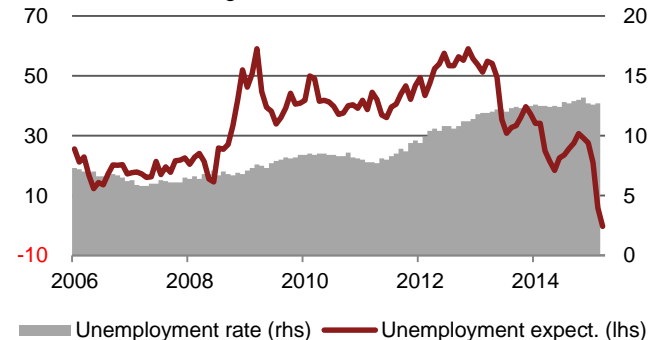
Jan 2006 - Mar 2015



Source: Eurostat, European Commission (March 2015)

IT: Unemployment rate & expectations

Jan 2006 - Mar 2015



Source: European Commission, Eurostat (March 2015)

Spain

In March, new car sales surpass the 100,000 mark for the first time in the last four years and the Spanish car market is expected to improve further

Industry Events and News

2015 is a very eventful year for Spanish politics, after regional elections in Andalusia handed 15 seats to the anti-austerity party Podemos. There are also municipal polls in Madrid and Barcelona, another regional election in Catalonia, and the general election in November. Therefore, politicians are predominantly engaged with their particular campaigns.

After the Spanish market contracted heavily in 2008, Spain has suffered from some of the highest unemployment levels in the Eurozone. However, the situation is improving. The Labour Ministry in Madrid said there were less people looking for work in March 2015 than in any previous March since 2002. According to the government, the 60,214 fewer jobseekers marked a 1.3 percent drop in the overall unemployment rate over the previous month. Compared to one year ago, 343,927 fewer people were actively seeking employment - a fall of 7.2%. Looking one year ahead, the expectations to become unemployed decreased by 12.3 pts. to -11.5 in March which marks the lowest level since the last 9 years.

Economic and Market Developments

The Spanish market for new cars has recovered significantly and grew during the last 19 months. According to ANFAC, new car sales rose by 40.5% year-on-year in March to 112,299 vehicles. Volume growth was mainly driven by business and especially rental registrations which increased in total by 44.4% to 61,373 units compared to March 2014. But the share of private first-time registrations increased by 36.1% to 50,926 units, as well. Thus, March was the first month in over four years that surpassed the 100,000 mark in the first quarter. In Q1 2015, new car sales were up 32.3% compared to 2014, reaching 267,137 units in this strong period.

The Bank of Spain announced that the economic growth for 2015 would be 2.8%. This figure is twice last year's figure, which was the first time the country had recorded annual growth since the crisis hit.

The success of the PIVE Plan - Programa de Incentivos al Vehículo Eficiente,- since 2012 has led to the extension of this scheme in 2015. The Spanish government has once again allocated 175 million Euros, the same amount allocated to previous editions

of the PIVE Plan. This clearly shows the great importance of government support for the recovery of the Spanish car market. Regarding the sales data of the top-5 brands in Spain, positive effects of the government subsidy scheme can be seen. Sales are still increasing drastically through March, e.g. Nissan is up a phenomenal 82.4% YTD versus 2014 followed by Renault and Seat with 49.4% and 44.5% respectively. Volkswagen is still the market leader with 23,717 registrations in the first quarter, shortly ahead of Seat with 23,338 units and Opel with 19,762 registrations.

In line with the recovery of the new car market, the economic sentiment indicator has improved markedly over the past two years. In March, economic sentiment stood at 109.1 points, which is the highest in over 7 years. Although Spain continues to face economic challenges such as severe debt problems in the private and public sectors, the government recently approved corporate and personal tax reforms in 2015 and 2016. Spain has fallen behind the rest of the OECD members in terms of tax reforms. As of January 1st 2015, the corporate tax rate is 28%, whereas in 2016 the tax will be further reduced to 25%. There is also a lower tax rate for newly-formed companies. This rate, which was introduced in 2015, is set at 15% for the first 2 years in which the company obtains a taxable profit.

Outlook and Forecast

Looking at the remainder of 2015, the economic outlook for Spain has improved further. Oxford Economics expect the Spanish GDP to grow by 2.3% during Q1 2015 and 2.5% annually. This, in combination with the continuation of the PIVE scheme, increasing disposable income through tax reforms and less unemployment should provide the ground for further growth.

Thus, Autofacts forecasts the new car market to grow by 18.6% to slightly over 1.01 million cars in 2015.

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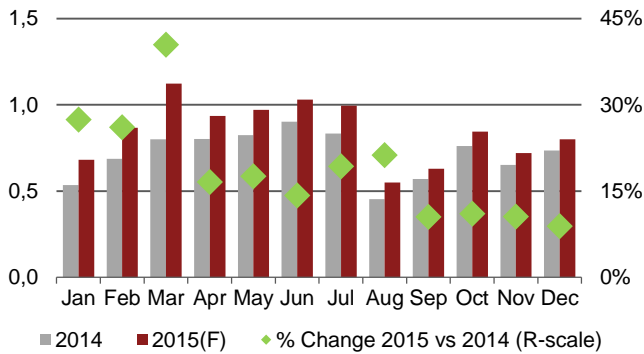
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Spain

Spanish Automotive Dashboard

ES: Monthly car registrations

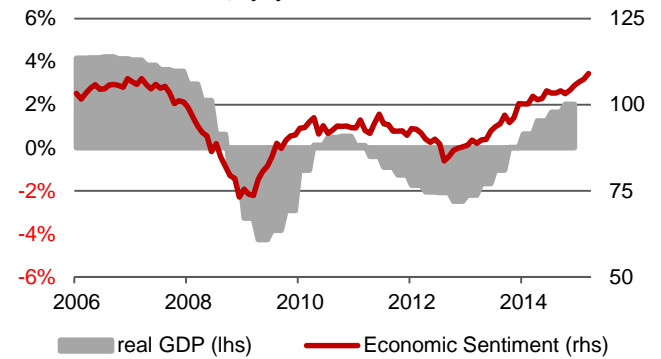
2014 - 2015 (thousands)



Source: PwC Autofacts Analysis

ES: GDP & Economic Sentiment

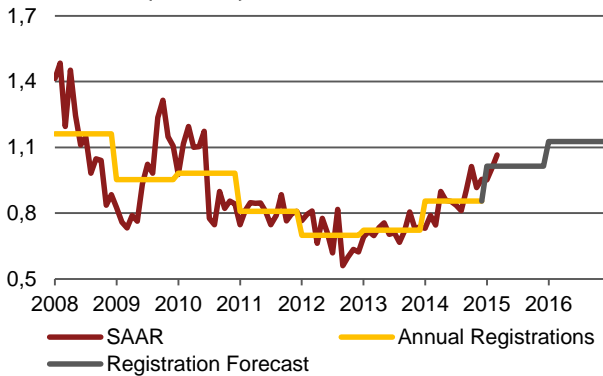
Jan 2006 - Mar 2015 (yoy %, indicator)



Source: European Commission, Oxford Economics (March 2015)

ES: New car SAAR & forecast

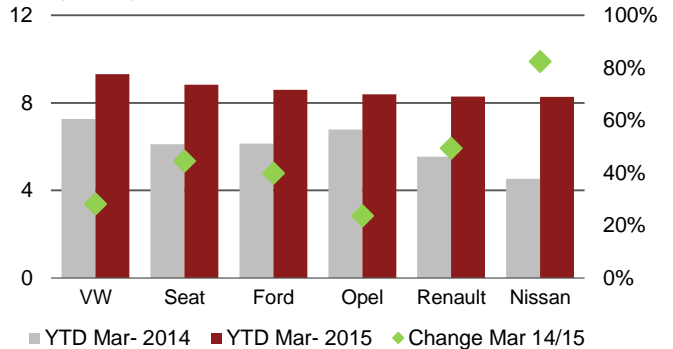
2008 - 2016 (millions)



Source: PwC Autofacts Analysis

ES: Top Brands - Sales

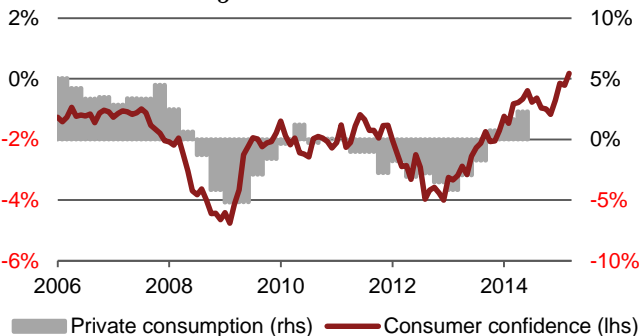
2014 - 2015 (thousands)



Source PwC Autofacts Analysis

ES: Private Consumption & confidence

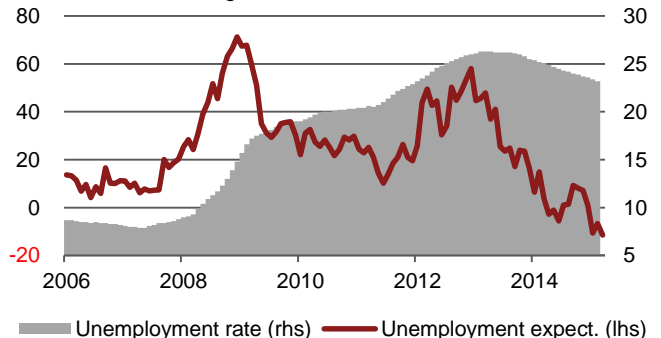
Jan 2006 - Mar 2015



Source: Eurostat, European Commission (March 2015)

ES: Unemployment rate & expectations

Jan 2006 - Mar 2015



Source: European Commission, Eurostat (March 2015)

United Kingdom

UK experiences the best March performance of this century, but the 37 months of consecutive increase could come to an end

Industry Events and News

All focus is currently on the general election, which will be held on May 7th. This election is shaping up to be close and unpredictable. The Labour and Conservative Parties are the current frontrunners with almost equal support of over 30% each. The UKIP and Liberal Democrat Parties have over 10% and between 5-10% support respectively. The Conservatives have been in power since 2010. Many critical topics are being discussed about immigration reform, commitment to the EU and taxes.

The British Chamber of Commerce's quarterly survey showed weakening in all main indicators for the first quarter with respondents expecting slower growth to follow. Still, Q1 2015 saw over £1 billion of investments by various domestic and foreign automakers in the UK, a figure well above Q1 of 2014.

Economic and Market Developments

This March was the best result since 1999 when number plates were first issued twice per year in March and September. The highest ever month in the UK was August 1998 when 525,000 vehicles were registered.

March and September are typically strong months in the UK because new number plates are released. Consumers are attracted to these two months, because the number plate shows how young the car is. The SMMT reported an overall increase of 6.0% compared to March 2014 with 492,774 cars being registered in March 2015, which makes this the best March in this century. Registrations this year are up 6.8% YTD to 734,588 units, resulting in the best Q1 in 10 years.

The UK continues to be one of the major EU growth engines. Among the top five new car markets in the EU, the UK remains the undisputed second after Germany and far ahead of the other three top markets France, Italy and Spain.

Fleet sales through Q1 are up an impressive 14.6% to 354,690 units and comprise the largest share of the market at 48.3%. The UK market is strongly consumer driven, while low interest rates continue to lure in buyers. Unlike last year, private sales are not outperforming the market growing just 1.1% over Q1 of 2014 while accounting for 47.9% of the overall market. The business sector is worrisome, even though it is a

small segment, because it is down 8.4% in Q1 while finishing last year at +12.0%. This result together with the Chamber of Commerce's quarterly survey shows a definite weakening in confidence. Furthermore, the Economic Sentiment Indicator decreased by 2.7 pt. to 111.1 in March. Although the Indicator is still at a high level and well above the long-term average (base year: 2000) of 101.0, it indicates that confidence is slowly eroding. The decrease resulted mainly from worsened confidence in industry, construction and services. However, confidence increased slightly among customers and strongly in retail trade.

Compared to 2014, petrol has won over diesel as the most popular powertrain in Q1 2015 with a 49.6% market share. Alternative powertrain vehicles, including both electric vehicles and plug-in hybrids continue to rise in popularity, with 20,785 units sold in Q1 2015, an increase of more than 60% over Q1 2014 for a total market share of 2.8%.

Compensation for miss-sold payment protection insurance (PPI) has continued in 2015. These cash payments are likely to continue to fuel private demand growth, albeit less than in the last few years. There have been recent discussions about putting a final deadline on claims.

Overall, car demand continues to benefit from a sound macroeconomic environment. The outlook for 2015 is still promising: GDP is projected to grow by 2.8%. This represents a slight growth of 0.2%. Inflation is expected to remain below 2% while unemployment should continue to fall. These positive prospects are reflected by high confidence rates among customers: Since July 2013, consumer confidence has grown steadily and remain on a high level.

Outlook and Forecast

Looking at the remainder of 2015 and taking into account the weakening in confidence in important economic sectors such as industry and construction as well as a possible ending of PPI claims and the strong growth rates in the last two years, new car sales are not expected to grow to the extent as 2014. In fact, Autofacts assumes car sales to grow by 0.7% to 2.49 million cars.

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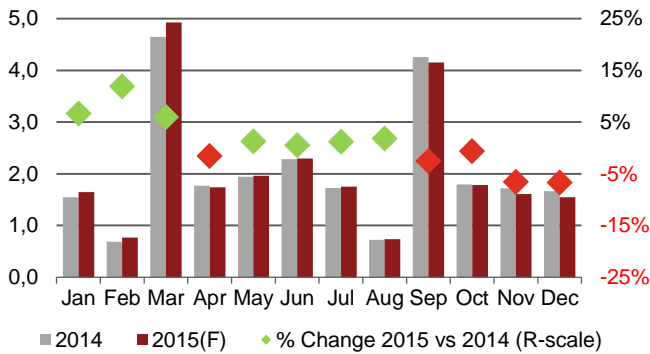
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United Kingdom

English Automotive Dashboard

UK: Monthly car registrations

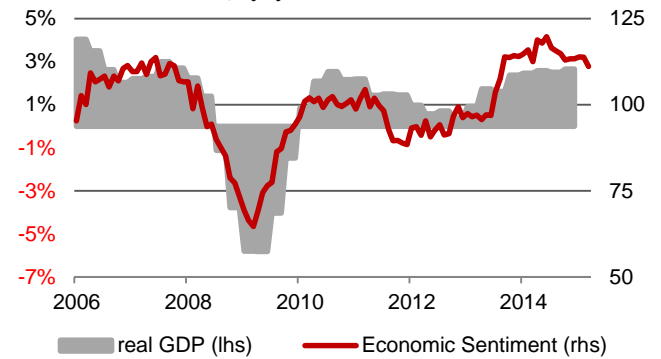
2014 - 2015 (thousands)



Source: PwC Autofacts Analysis

UK: GDP & Economic Sentiment

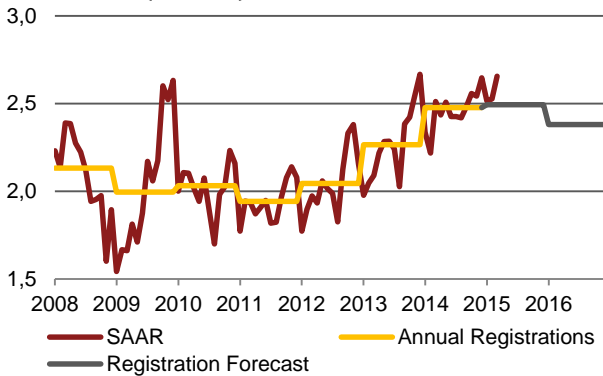
Jan 2006 - Mar 2015 (yoy %, indicator)



Source: European Commission, Oxford Economics (March 2015)

UK: New car SAAR & forecast

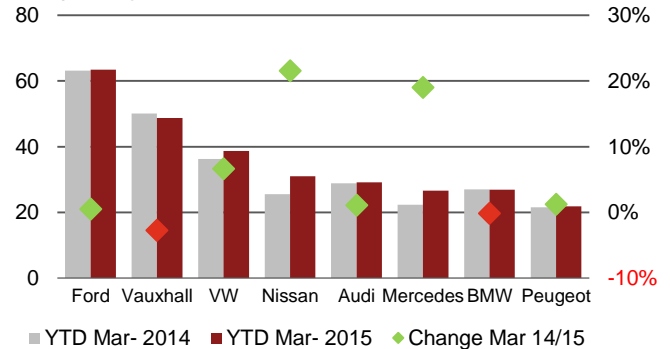
2008 - 2016 (millions)



Source: PwC Autofacts Analysis

UK: Top Brands - Sales

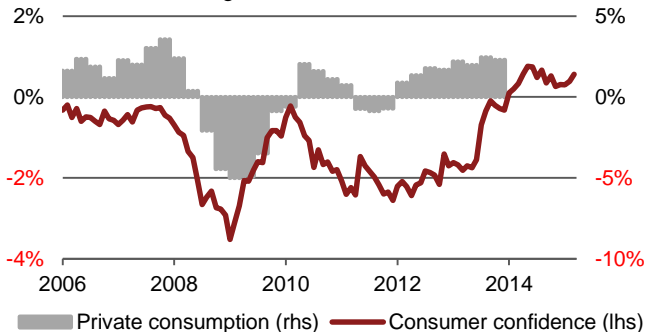
2014 - 2015 (thousands)



Source: PwC Autofacts Analysis

UK: Private Consumption & Confidence

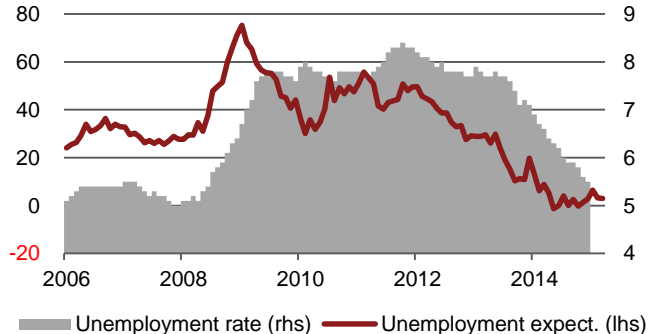
Jan 2006 - Mar 2015



Source: Eurostat, European Commission (March 2015)

UK: Unemployment rate & expectations

Jan 2006 - Mar 2015



Source: European Commission, Eurostat (March 2015)