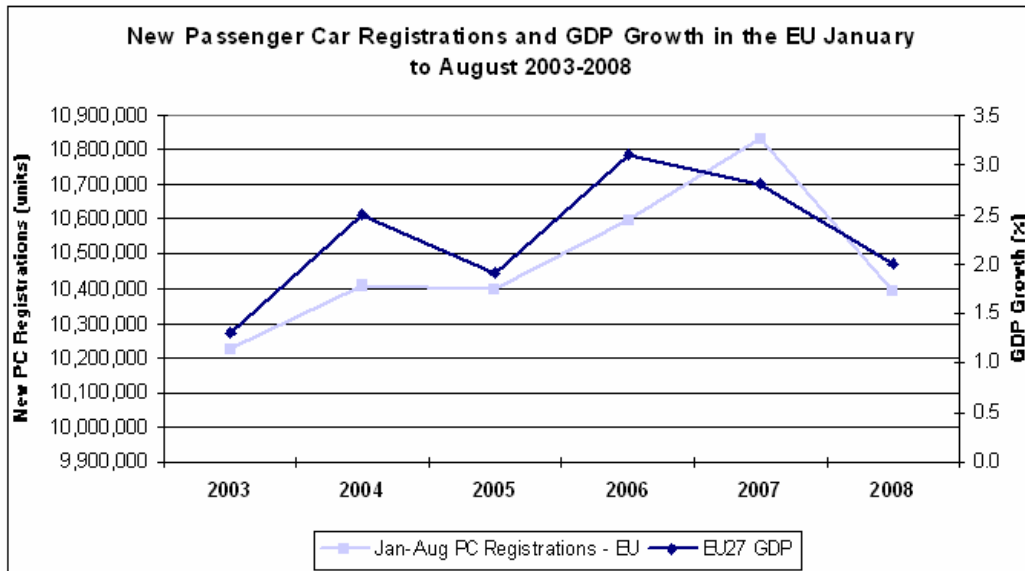


Fall-out of financial crisis adds to pressure on auto industry

A deepening global slowdown along with gloomy growth prospects and tumbling consumer confidence starts to take a toll on European automakers, which are faced with the need to sustain high levels of investment to support the market transition to low-emission vehicles without the backing of sufficiently strong consumer demand and political support.

The fall-out of the financial crisis hits auto manufacturers hard, as the credit crunch makes it more difficult for the sector to finance daily operations and, at the same time, also weakens demand for new cars. Consumers are increasingly hesitant to make large expenditures and find it more difficult to get their purchase financed.

This trend will hamper the EU objective to replace the European car fleet by more fuel-efficient vehicles in order to cut CO₂ emissions. Without government support and market incentives, overly tight CO₂ regulation risks to upset the fragile economics of an industry already in difficult circumstances.



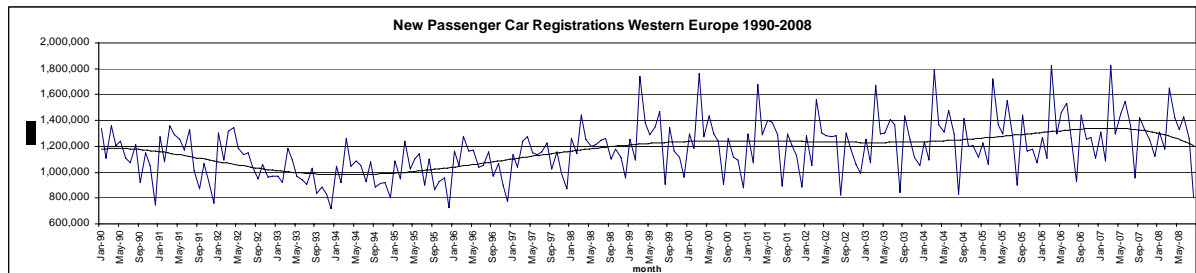
Car sales drop

Until summer, new car sales already fell below last year's levels as a result of soaring fuel prices. The financial crisis is aggravating the trend. Notably previous strong performers such as Italy, Spain and Sweden suffered heavy setbacks.

The deteriorating economic circumstances also reflected on the markets in the central and eastern European countries, where new car sales could long remain on an upward

trend longer due to a larger amount of first-time car buyers and higher economic growth.

The short-term outlook for the European automotive market in 2008 remains weak, financial analysts say, with no signs of a swift revival, due to challenging market conditions including severe competitive pressures and unpredictable fuel and raw materials prices. The declining demand in Western Europe, Japan and the US could offset the expected growth elsewhere, while the growth pace in developing markets is likely to slow as well.



High investment levels

Most European automakers reported credible growth in the first quarter of 2008 as they resorted to a greater extent to cost-cutting initiatives, but prospects have become less certain. Restructuring efforts remained a priority for European automakers, as they struggled with high raw materials costs and a flat European market. Although new EU member states account for the lion's share of foreign direct investment, auto manufacturers have continued to invest in Western Europe in new product and capacity, reaffirming their commitments to existing investments.

Top European automakers have seen substantial increases in capital spending over the past decade. They committed large sums of money into product development and powertrain technology to achieve independence from fossil-based resources and in a bid to cut emissions, without the upfront assurance of receptive consumer demand. This has pushed the pressure on the industry's competitive strength to its limits.

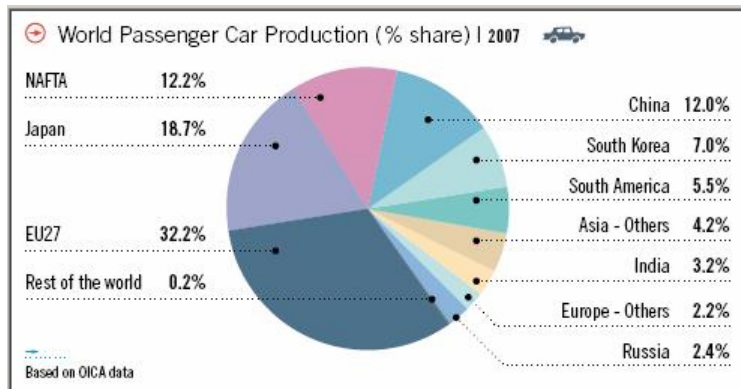
Call for government support

In light of the evolving financial crisis and consequent economic downturn, car manufacturers recently asked that various measures should be considered by EU policy makers to ensure the future of car manufacturing in Europe and reinforce the momentum in consumer demand for fuel-efficient vehicles.

“Car makers face increasingly hesitant consumers and call on governments to respond, stimulate the economy, relieve the credit crunch and restore consumer confidence. Only then will consumers have the means and the confidence to invest in new vehicles”, said Christian Streiff, President of the automobile industry's trade association, ACEA, and CEO of PSA Peugeot Citroën in a press release subsequent to an ACEA board meeting at the motor show in Paris.

“The economic downturn adds to already extensive pressure on car production in Europe, due to increasingly stringent regulatory requirements, in particular the pending CO2-reduction legislation,” added Ivan Hodac, secretary general of the auto industry’s trade association.

“The car industry fully supports a European policy on the reduction of CO2 from cars, but it is essential legislators address the restraints the manufacturers face in fulfilling the requirements. They should take into account the nature of car manufacturing and recognise the need to influence consumer demand”, said Hodac. “The auto industry has a lot to offer and its huge efforts should be encouraged, not opposed.”



Pressure on employment

The European automotive industry is a major contributor to the EU economy, generating turnover of 551 billion euro, which represents around 5% of the Europe's gross domestic product (GDP).

Over the past week, various manufacturers announced to scale their production back as a consequence of the current cocktail of negative ingredients. Typically, whenever a production site cuts capacity, suppliers are left with no other choice than to follow. In addition to ACEA, also the European automotive suppliers’ association CLEPA acknowledged that the current environment of dramatically slowing new vehicle sales in Europe is starting to weigh heavily on the sector.

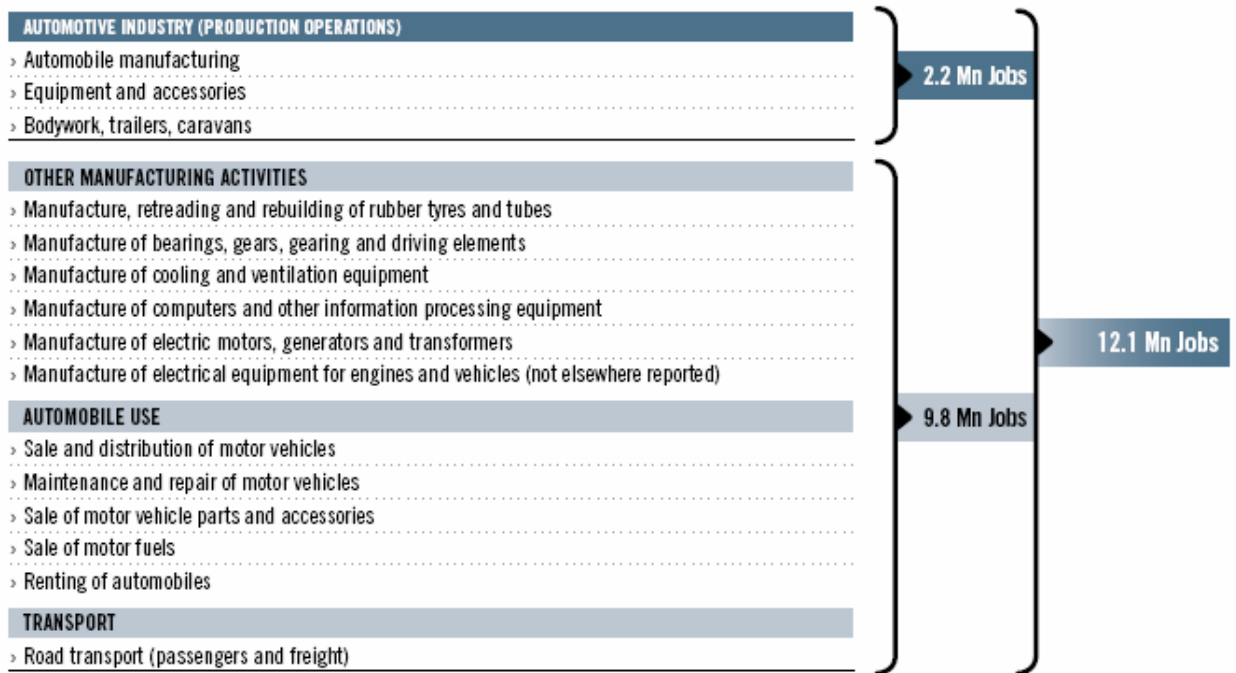
Speaking to Automotive News Europe, Lars Holmqvist, CEO of CLEPA remarked: "The common opinion is this is the worst we have seen for the last 20 years." Holmqvist went on to say that almost every supplier he has spoken to is considering cutting production shifts, shutting plants and laying off staff. "It varies from 1% to 5% of the work force,"

Twelve million families

BMW Group, DAF Trucks, Daimler, FIAT, Ford of Europe, General Motors Europe, Jaguar Land Rover, MAN Nutzfahrzeuge, Porsche, PSA Peugeot Citroën, Renault, Scania, Toyota Motor Europe, Volkswagen and Volvo provide direct jobs to 2.3 million people and indirectly support employment of another 10 million families. The

manufacturers annually invest 20 billion euro in research and development, or 4% of turnover. The automakers are the largest private investor in R&D in the EU.¹

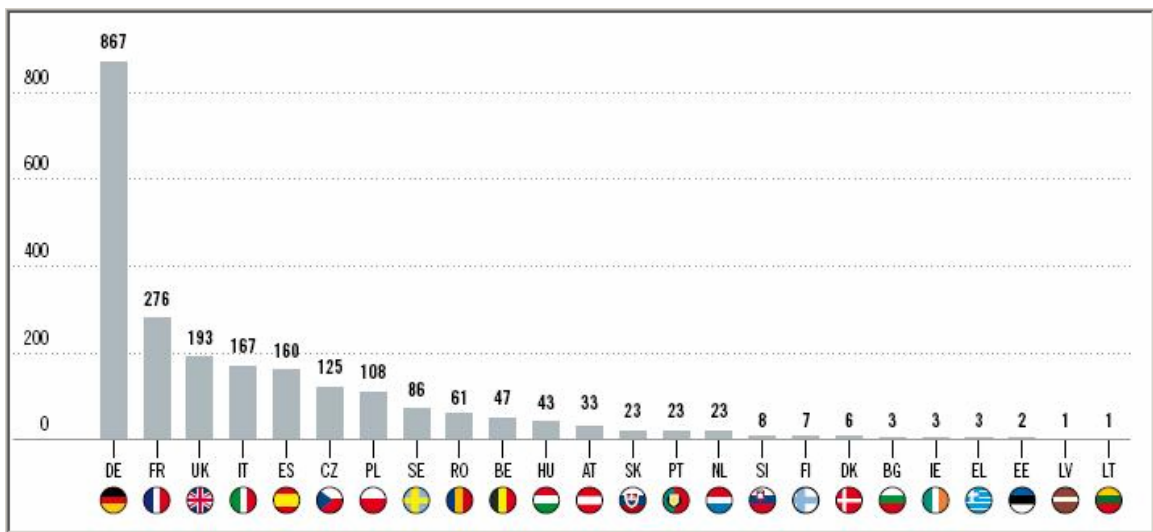
⊕ **Automobile Sector: Direct and Indirect* Employment | 2007**



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SOURCE: EUROSTAT

* Indirect employment data does not report employment in raw material sector (e.g. steel, aluminum, glass, etc.), textile, driving schools, licensing activities, vehicle testing, vehicle insurance and financing, etc.

Direct automotive employment by EU country



Sources include: ACEA registrations figures, "Europe Automotive Sectors: A Company and Industry Analysis (August 2008)" by research institute Mergent, KPMG's 2008 Global Auto Executive Survey.

The automotive industry is a major contributor to EU growth, employment and wealth

| | | | | |
|--|--------------------------------------|---------------------|---|------|
| PRODUCTION | Total Motor Vehicles (Worldwide) | 73.1 Mn units | | 2007 |
| | Total Motor Vehicles (EU27) | 19.7 Mn units | = 27% of worldwide MV production | 2007 |
| | Total Passenger Cars (Worldwide) | 53.0 Mn units | | 2007 |
| | Total Passenger Cars (EU27) | 17.1 Mn units | = 32% of worldwide PC production | 2007 |
| | Production value | 645 Bn EUR | | 2005 |
| NEW REGISTRATIONS | Total Motor Vehicles (Worldwide) | 66.2 Mn units | | 2007 |
| | Total Motor Vehicles (EU27) | 18.7 Mn units | = 29% of worldwide MV registrations/sales | 2007 |
| | Total Passenger Cars (Worldwide) | 55.5 Mn units | | 2007 |
| | Total Passenger Cars (EU27) | 15.9 Mn units | = 29% of worldwide PC registrations/sales | 2007 |
| | Diesel (Western Europe) | 53% Share | | 2007 |
| EMPLOYMENT | Manufacture of Motor Vehicles (EU25) | 2.2 Mn people | = 6.5% of EU manufacturing industry | 2005 |
| | Total (including indirect, EU25) | 12.1 Mn people | = 6% of EU employed population | 2005 |
| TURNOVER | ACEA members worldwide | 551 Bn EUR | | 2005 |
| INVESTMENT | ACEA members worldwide | 40 Bn EUR | = 7% of turnover | 2005 |
| R&D | ACEA members worldwide | 20 Bn EUR | = 4% of turnover | 2005 |
| VALUE ADDED | in EU15 (MV+Suppliers) | 86.8 Bn EUR | = 16% of manufacturing sector | 2005 |
| EXPORTS | Extra-EU25 | 77.5 Bn EUR | | 2006 |
| IMPORTS | Extra-EU25 | 34.6 Bn EUR | | 2006 |
| TRADE BALANCE | | 42.8 Bn EUR | | 2006 |
| MV IN USE (PARC) (EU27) | Total Motor Vehicles | 263 Mn units | | 2006 |
| | Passenger Cars | 230 Mn units | | 2006 |
| | Motorisation rate (cars) | 466 per 1000 inhab. | | 2006 |
| TAX REVENUE FROM MOTOR VEHICLES | | 381 Bn EUR | = 3.5% of EU15 GDP | 2007 |

SOURCE: ACEA, VDA, AAA, GLOBAL INSIGHT, EUROSTAT