Inside Brazil:
The Leading Auto Manufacturers and Suppliers

Augusto Amorim
Brazil Beyond Soccer and Carnival

World Soccer Cup winner five times

World’s most popular Carnival

World’s 6th largest light vehicle producer

World’s 4th largest light vehicle market
Brazil to Remain Larger than Europe

Source: Polk
Global Car Demand

in 1,000s

2000 ➔ 2010: +25%

2010 ➔ 2020: +55%

2000 ➔ 2010: +131%

2010 ➔ 2020: +83%

2000 ➔ 2010: -16%

2010 ➔ 2020: +24%

72% 48% 38%

Source: Polk
New Registration Development

$\phi$2000-2005, $\phi$2005-2010, $\phi$2010-2015, $\phi$2015-2020

New registrations per 1,000 inhabitants

USA: Light Trucks

Source: Polk
Current Car Density Is at 129 Units/1,000 Inhabitants

- India: 48.2%
- China: 13.0%
- Brazil: 14.9%
- USA: 7.8%
- Japan: 109.4%
- France: 13.0%
- Germany: 7.8%

Source: Polk
Market Increased 150% in 10 Years

Brazil
146.2%

North
227.7%

Northeast
177.9%

Central-West
193.1%

Southeast
129.1%

South
140.2%

São Paulo
113.6%

1,029,228 light vehicles

Year | Registrations
--- | ---
1993 | 1,071,568
2007 | 2,375,070
2009 | 3,074,307
2015 | 4,133,695
2020 | 5,148,565

Source: Polk and Renavam
Major Indicators Stabilized

- **GDP**
  - Yearly changes from 2008 to 2015.
  - Graph shows a trend of stabilization.

- **Wages**
  - Yearly changes from 2009 to 2015.
  - Graph shows a trend of stabilization.

- **Interest vs. Inflation**
  - Comparison of interest rates and inflation from 2008 to 2015.
  - Graph shows the relationship between the two over time.

- **Age**
  - Distribution of age groups from 2000 to 2030.
  - Data is segmented into 0-17, 18-30, and 31-80+ categories.

Source: Feri and IBGE
An Old Emerging Market

- Ford
  - Production of T and TT started in 1919; 2,447 units sold in the first year

- General Motors
  - Established in January 1925; production started in September

- Volkswagen
  - CKD in 1953; first factory in 1957

- Toyota
  - Production in 1959

- Fiat
  - Production in 1976
The Big 4 Perceived as Brazilian Brands

- **Gurgel**
  - Production between 1975 and 1993
  - Volkswagen powertrain until 1987. Own engine from then on
  - Fiberglass body
  - 25% of production exported to 40 countries
  - Bankruptcy in 1993

- **Troller**
  - Production started in 1997 as RF Sport
  - Name changed to T4
  - Failure of Pantanal pick-up truck
  - Ford bought in 2007 for estimated US$ 220 million
  - 19 dealerships
  - 1,274 units in 2011

- **Agrale**
  - Founded in 1962 as a tractor producer
  - Introduction of trucks in 1982
  - Motorcycles between 1983 and 2006
  - Marruá developed in 2005 for military and civil use
  - 750 units sold until February 2012
Production in 17 Plants in 8 out of 27 States
Production in 25 Plants in 8 out of 27 States

Investments

2011: US$ 5 billion
1980-2011: US$ 47.3 billion
2012-2015: US$ 22 billion

Source: Anfavea
High International Presence Among Suppliers

500 suppliers
60% latent capacity
Design to Please the Local Customer

- Volkswagen – 1966
- Ford – 1967
- GM – 1973
- Fiat – 1978
- PSA Peugeot Citroën – 2006
- Renault – 2008

Brazilian Focus:
- Small cars
- Off-road appearance
- Mid-size and car-based pick-up trucks
Engineering Creations: “Popular” Car and Flex Fuel

Source: Anfavea
Increased Competition from All Over the World

Source: Polk
LV: Top 5 Makes Have 75% of the Market

Fiat 22.5%
VW 20.2%
Chevrolet 16.8%
Ford 8.5%
Renault 6.2%

Source: Polk
HV: Top 5 Makes Have 90% of the Market

Source: Anfavea
Nissan Was the Only Make to Grow in Q1

<table>
<thead>
<tr>
<th>Make</th>
<th>Change</th>
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>-7.8%</td>
</tr>
<tr>
<td>Fiat</td>
<td>0.6%</td>
</tr>
<tr>
<td>VW</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Chevrolet</td>
<td>-13.8%</td>
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<tr>
<td>Ford</td>
<td>1.0%</td>
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<tr>
<td>Renault</td>
<td>-13.6%</td>
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<tr>
<td>Nissan</td>
<td>93.8%</td>
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<tr>
<td>Toyota</td>
<td>-19.6%</td>
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<tr>
<td>Hyundai</td>
<td>-26.0%</td>
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<tr>
<td>Honda</td>
<td>-14.1%</td>
</tr>
<tr>
<td>Citroën</td>
<td>-39.7%</td>
</tr>
</tbody>
</table>

Source: Polk
High Car Costs, High Car Prices

Fiat Mille
US$ 13,599
- A/C + power windows + power steering = US$ 2,456
- CD Player = US$ 181
- NO airbag
- NO ABS

Chery QQ
US$ 14,086
- A/C
- Airbag
- Power windows
- Power steering
- ABS
- CD player

Lamborghini Aventador
US$ 376,698
US$ 1,547,290

Source: Polk
Brazil Imports More than Exports

<table>
<thead>
<tr>
<th>Make</th>
<th>Exports</th>
<th>Imports</th>
<th>Trade Deficit</th>
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</thead>
<tbody>
<tr>
<td>Hyundai</td>
<td>-</td>
<td>2,01</td>
<td>2,01</td>
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<tr>
<td>Toyota</td>
<td>703.7</td>
<td>1,74</td>
<td>1,04</td>
</tr>
<tr>
<td>Mitsubishi</td>
<td>-</td>
<td>970.7</td>
<td>970.7</td>
</tr>
<tr>
<td>PSA</td>
<td>485.5</td>
<td>1,39</td>
<td>908.2</td>
</tr>
<tr>
<td>Honda</td>
<td>211.7</td>
<td>999.2</td>
<td>787.5</td>
</tr>
<tr>
<td>Nissan</td>
<td>-</td>
<td>723.4</td>
<td>723.4</td>
</tr>
<tr>
<td>Renault</td>
<td>1,11</td>
<td>1,47</td>
<td>359.7</td>
</tr>
<tr>
<td>VW</td>
<td>1,95</td>
<td>2,24</td>
<td>290.2</td>
</tr>
<tr>
<td>Ford</td>
<td>1,54</td>
<td>1,82</td>
<td>278.9</td>
</tr>
<tr>
<td>Fiat</td>
<td>1,65</td>
<td>1,59</td>
<td>63.2</td>
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<tr>
<td>GM</td>
<td>1,86</td>
<td>936.4</td>
<td>920.9</td>
</tr>
<tr>
<td>Total</td>
<td>4,55</td>
<td>12,74</td>
<td>8,19</td>
</tr>
</tbody>
</table>

In US$ million

Source: MDIC
Imports are Growing Despite Government Efforts

Source: Anfavea
New Policies to Shape Future of the Industry

• Free trade agreement with Mexico reviewed
  – US$ 1.45 billion between March 2012 and March 2013
  – US$ 1.56 billion between April 2013 and March 2014
  – US$ 1.64 billion between April 2014 and March 2015

• New rules to pay less IPI between 2013 and 2017
  – Invest 0.15% of revenues in R&D; 0.5% from 2015 onwards
  – Invest 0.5% of revenues in engineering and industrial technology; 1% from 2015 onwards
  – 8 out of 12 production steps must happen in Brazil;
    10 out of 12 from 2016 onwards
  – 25% of the line-up must have fuel consumption tag;
    100% from 2017 onwards

• Local content
  – 55% for OEMs already producing in Brazil
  – Newcomers have 3 years to reach same level
Thank you!

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