PARTIAL SAMPLE REPORT

Global Commercial Vehicle Forecast

Third Quarter 2006

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FOREWORD

Vehicle Definitions

In the *Global Commercial Vehicle Forecast* we have split the truck industry into two main sectors. These are medium and heavy trucks. Medium trucks are defined as trucks having gross vehicle weight (GVW) 6-15t. Heavy trucks are defined as trucks with GVW>15t and include articulated vehicles where this data is not shown separately. For Western Europe, light commercial vehicle (GVW ≤ 6t) sales and assembly is included for three subcategories: 0-2t, 2-3.5t and 3.5-6t. (Specifically, the basic definition is as follows: light ≤ 6t GVW; 6t GVW < medium ≤ 15t GVW; and 15t GVW ≤ heavy. The split point may vary, for example at 16t rather than 15t but the same principle is applied to the boundary cases.)

In North America, Classes 4-7 correspond to trucks with GVW 6-15t (medium trucks) and Class 8 corresponds to trucks with GVW>15t (heavy trucks).

In national data sources, such weight splits are often not readily available and painstaking efforts have been made to categorise the data into the above classes. For example, in Korea, loading capacity has been used as an analog of gross vehicle weight — this assumption will bring us very close indeed to the underlying numbers according to our definitions of medium and heavy trucks. Where possible, we have expanded the basic categories further to include articulated trucks (also known variously as Sattelzugmaschinen, tracteurs routiers, trattori, tractocamiones, and road tractors). In any section, if data deviates from the above categories, a note is made.

Note*: Vehicle production in this report is counted at point of final assembly*.

Acknowledgements

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GLOBAL EXECUTIVE SUMMARY

- The global economy is roaring along at, perhaps, the fastest rate for a quarter of a century. The increases across many commodity prices, not just oil, have . . . .
- The US economy cooled in the second quarter of the year, after a blistering expansion in the first. The sliding housing market is starting to limit the consumer appetite for debt — something that has been key . . . .
- Western Europe's economy is enjoying the strongest spell of growth since the boom of 2000 — and the composition of growth is. . . .
- Macro-economic boom conditions have boosted global freight activity, sustaining investment and business confidence in the road haulage industry. Truck demand continued to grow emphatically in. . . .
- Demand pull-forward has boosted selling rates in the triad markets ahead of Euro 4 in Europe in October 2006, EPA 07 in North America and the Japan 05 standard in 2007.
- The convergence of global emissions standards has resulted in a rise in development costs for truck OEMs, who are increasingly focusing on economies of scale. Efficiency gains are . . . .
- In North America, a fall from 52,000 net orders in March to just over 16,000 in July looks like a cliff on the Class 8 order graph. Build plans now indicate that . . . .

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- In Western Europe, the Euro 4 peak has now passed in truck assembly and a rather lean spell will begin to impact volumes in the second half of the year. Full-year truck production is nonetheless forecast to grow to a record level of over 450k units on the back of solid demand – driven by prebuy of Euro 3 trucks as well as robust macro-economic growth – across the region. Western European OEMs' order intakes will. . . .

  .
- Japanese truck production continues to rise strongly on the back of rapid vehicle replacement in Japan ahead of the 2007 diesel emissions deadline, as well as a strong rise in export demand. Full-year Japanese truck production is . . . .
- In China, startling macro-economic growth is continuing to boost selling rates, with year-on-year comparisons finally turning positive in the second quarter of the year. Full-year sales are. . . .
- The Indian truck market will exceed . . . . for the first time in its history in 2006, driven by blistering economic growth as well as new legislative requirements which have boosted short-term demand for heavier trucks to unprecedented levels.

Pete Kelly / Zita Zigan, Oxford, UK
00-44-1865-207040

Macro-economic Outlook

The world economy continues to grow strongly, moreover, with growth well distributed geographically. Our forecast for 2006 world GDP growth (measured at PPP exchange rates) is now 5.3%, implying the strongest year since 1980. However, the spotlight is increasingly on 2007, with the IMF . . . .

Some forecasters see a high chance of a US recession in 2007. They base this on the deflationary impact of the high oil price (mid-September, Brent $65, down from a peak earlier in August of $78) together with the perceived need for the Fed to raise the funds rate significantly higher (from the current 5.25%) in order to reduce inflation to the ‘central tendency’ for the core PCE deflator of 2-2.25% by Q4 2007, from the current rate of 2.7% annualized average in the three months to July. However, we judge that. . . .

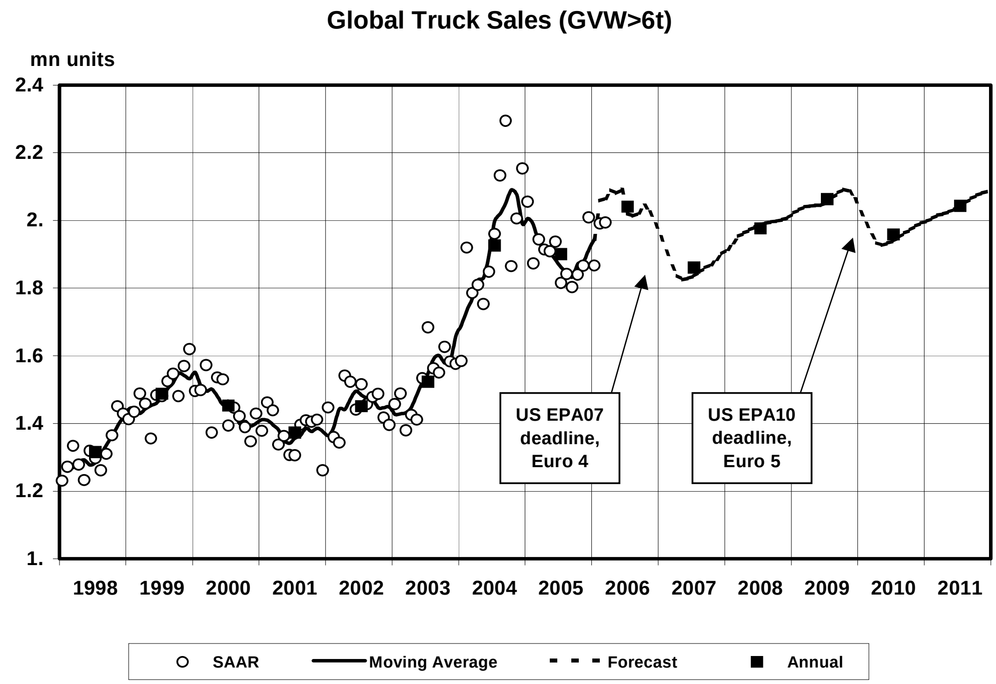
Looking at the 2006Q2 GDP data, the most pronounced slowing was in the US, where growth all but halved to 2.9% from 5.6% in Q1. Most likely reflecting higher oil prices, consumer spending growth also nearly halved, though it was still the biggest contributor to growth. The slowdown in the housing market, on the back of higher bond yields, slower employment growth and reduced real income growth, was also visible in the data, as residential investment made a negative contribution (-0.6% saar) - as did investment in equipment and software. Housing starts in July were 21% down on January’s record level and were the lowest for any month since November 2004. Nevertheless although we forecast growth below trend for 2006H2 and much of 2007, we do not see the housing market tipping the economy into recession. Consumer confidence has remained relatively resilient and other Anglo-Saxon economies have shown that a housing collapse is not necessary to cool an overheated market. Moreover, housing construction is only 5% of GDP, so the sector would have to collapse to generate a recession on its own.

In Japan, GDP growth in Q2 slowed to just 0.2% quarter on quarter from 0.7% in Q1. However, the details were more reassuring: public demand, inventories and net exports together subtracted 0.5% from growth, meaning that final private domestic demand grew quite solidly. Moreover. . . .

In the Eurozone, Q2 GDP growth was 0.9% - the fastest since 2000 - versus 0.6% in the previous quarter. Investment contributed 0.4% though consumption was more disappointing with a contribution of 0.2%. However the short-term conjunctural indicators on consumption are much more upbeat.

Global growth remains well-balanced. With growth of 11% this year, China is set to contribute more than one-third of the global gain. Brazil should grow by around 4% this year and next and thereafter in the 3.5-4% range. Russian growth should accelerate to 6.5% this year and consumption should grow by over 10% for the third successive year.

Truck Sales



Global medium and heavy truck sales will rise to a record level. . . .

. . . .Macro-economic boom conditions have boosted global freight activity, sustaining investment and business confidence in the road haulage industry and resulting in a rapid rise in the seasonally adjusted, annualised selling rate during the first half of the year. Global first half sales rose by 6.2% (1,055k units), compared to the equivalent period in 2005.

Superimposed upon this growth in underlying – macro-economically driven – truck demand is the short-term demand stimulus provided by emissions deadlines in the key triad markets of North America, Europe and Japan: in North America, the EPA 07 mandate stipulates a 50% nitrogen oxide (NOx) reduction and a 90% reduction of particulate matter (PM) for all diesel engines produced from January 2007. In Europe, the Euro 4 emissions standard, which came into effect in October 2006, requires all new trucks in the EU to achieve a 30% NOx reduction and an 80% PM reduction. In both regions, sales have been characterized by strong prebuy of older generation models, with truck operators rushing to avoid the unproven and more expensive technology. The situation has been slightly different in Japan, though the effect on truck sales has been similar: the new nationwide diesel emissions standard – which initially came into effect in 2005 – will apply to all vehicles *in use* from 2007, forcing operators to either retrofit older vehicles with approved NOx and PM control filters, or to replace older vehicles with new models, rather than buying older trucks before they become unavailable. With the deadline rapidly approaching, vehicle replacement is now taking place on a grand scale.

In 2007, we expect. . . .

In North America. . . .

In Western Europe, truck demand rose strongly in response to the EU's digital tachograph mandate (May 2006) and the Euro 4 emissions deadline (October 2006). . . .

Truck demand in China and India continued to rise sharply throughout the first six months of 2006. Blistering macro-economic growth continues to boost selling rates in both regions. The Chinese market has now clearly recovered from the slump that began in the second half of 2004 (and continued during the first half of 2005) following an unsustainable boom fuelled by overheating investment and stringent new overloading regulations that were introduced in the summer of 2004. Chinese truck sales are forecast. . . .

The Brazilian truck market continued to slow. Truck demand during the first half of the year was constrained by a sluggish macro-economic performance, as well as payback following an emissions-driven demand pull-forward in December 2005, when demand had surged ahead of the introduction of the Euro III emissions standard (January 2006). We continue to. . . .

Truck Assembly

The outlook for global medium and heavy truck production has brightened as the year has progressed, with volumes boosted by stronger-than-expected growth in Asia. Second quarter build rose by 8.9% (640k units), with overall first half build up by 4.5% (1,262k units) year on year. Full-year global truck output is expected to. . . .

We continue to forecast a contraction in build volumes in both North America and Western Europe in 2007, with output rates being ramped down rapidly following Euro 4 and EPA 07.

The convergence of global emissions standards has resulted in a rise in development costs for truck OEMs, who are increasingly focusing on economies of scale. Efficiency gains are targeted through product commonalities and consolidation. Asian, European and North American truck manufacturers are also continuing their efforts to achieve harmonised global emissions standards in future years, which would allow them to employ the same engine technologies across their global product ranges, rather than having to develop entirely different emissions reduction strategies for different regions.

Product commonalities are one way of achieving scale economies; increasing the size of one's global footprint is another. A number of manufacturers have made efforts to do so in recent times, notably MAN (see Global Manufacturers Assessment) through the proposed acquisition of Scania, a joint venture in India, and a new truck assembly plant in Poland, with production due to begin in mid-2007. Other moves have included. . . .

In North America, build plans now indicate. . . .

In Western Europe, the Euro 4 peak has now passed in truck assembly and a leaner spell will begin to impact volumes in the second half of the year. Full-year truck production is nonetheless forecast . . . .

Japanese truck production continues to rise strongly on the back of rapid vehicle replacement in Japan ahead of the 2007 diesel emissions mandate, as well as a strong rise in export demand. Full-year Japanese truck production is expected to. . . .

Chinese truck production continues to track the progress of the very closed domestic truck market. Full-year truck output is expected to grow by at least 9%, with further strong output growth forecast in 2007.

Table 1: World Truck Assembly by Region and Country (GVW >6t)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2016	2021
Western Europe											
Total	**375,245**	**422,465**	**441,374**								
% change	***1.9%***	***12.6%***	***4.5%***								
France	46,047	50,139	50,176	57,650							
Germany	131,428	160,060	168,773	171,250							
Italy	30,499	32,225	34,348								
Spain	27,864	29,081	30,168								
UK	13,995	15,961	17,925								
Austria	20,820	21,310	22,549	23,672							
Belgium	26,094	29,819	30,377	32,051							
Finland	432	459	411	386							
Netherlands	47,307	53,809	58,025								
Portugal	2,138	2,346	2,925								
Sweden	28,621	27,256	25,697								
North America											
Total	**397,178**	**530,524**	**623,826**								
% change	***-11.8%***	***33.6%***	***17.6%***								
USA	319,708	418,904	487,900								
Canada	33,126	48,578	65,012								
Mexico	44,344	63,042	70,914								
Asia											
Total	**823,386**	**1,046,603**	**956,487**								
% change	***22.3%***	***27.1%***	***-8.6%***								
China	398,000	556,253	426,072								
Japan	240,364	253,969	281,011								
India	153,853	210,066	215,991								
Korea	31,169	26,315	33,413	33,744							
Mercosur											
Total	**77,140**	**105,998**	**116,453**								
% change	***12.6%***	***37.4%***	***9.9%***								
Brazil	75,639	103,495	113,481								
Argentina	1,501	2,503	2,972	2,816							
Central and Eastern Europe											
Total	**93,525**	**119,428**	**132,234**								
% change	***-0.5%***	***27.7%***	***10.7%***								
Turkey	18,903	31,781	37,227								
Russia	52,854	62,293	67,550								
Ukraine	924	2,034	3,411	2,706							
Belarus	17,604	20,823	21,715								
Czech	2,163	2,005	1,891	1,874							
Poland	840	250	254	99							
Romania	237	242	186	388							
Mid East											
Total	**5,660**	**9,949**	**10,900**								
% change	***565.9%***	***75.8%***	***9.6%***								
Iran	5,660	9,949	10,900								
World											
Total	**1,772,134**	**2,234,967**	**2,281,274**	**2,442,817**	**2,171,608**	**2,359,184**	**2,462,577**	**2,319,419**	**2,449,515**	**2,895,200**	**3,312,600**
	7.1%	**26.1%**	**2.1%**	**7.1%**	**-11.1%**	**8.6%**	**4.4%**	**-5.8%**	**5.6%**	**18.2%**	**14.4%**

Source: National sources; Industry sources; J.D. Power Automotive Forecasting; ACT Research

Table 3: World Medium Truck Assembly (GVW 6-15t) by Region and Country

	2003	2004	2005	2006	2007	2008	2009	2010	2011
				Western Europe					
Total	**95687**	**102558**	**105129**						
% change	***-0.0548***	***0.07181***	***0.02507***						
France	12689	13875	13065						
Germany	25109	27539	28996						
Italy	25789	26119	25340						
Spain	7196	7272	6796						
UK	7790	8426	9574						
Austria	12433	14246	15604						
Belgium	2543	2735	2829						
Portugal	2138	2346	2925						
				North America					
Total	**215331**	**261311**	**282535**						
% change	***-0.04956***	***0.21353***	***0.08122***						
USA	185,419	223,712	234,688						
Canada	10,461	12,480	16,567						
Mexico	19,451	25,119	31,280						
				Asia					
Total	**422,533**	**538,341**	**565,360**						
% change	***-21.8%***	***27.4%***	***5.0%***						
China	136,172	201,031	197,497						
Japan	166,791	188,859	207,473						
India	101,081	133,946	136,613						
Korea	18,489	14,505	23,777						
				Mercosur					
Total	**28,924**	**36,142**	**39,152**						
% change	***-8.6%***	***25.0%***	***8.3%***						
Brazil	28,831	36,031	39,104						
Argentina	93	111	48						
				Central and Eastern Europe					
Total	**28,859**	**34,550**	**36,840**						
% change	***-6.2%***	***19.7%***	***6.6%***						
Czech Republic	847	521	521						
Turkey	5,358	7,740	8,043						
Russia	21,737	25,957	27,921						
Poland	840	250	254						
Romania	77	82	101						
				World					
Total	**791,334**	**972,902**	**1,029,016**						
	-14.2%	***22.9%***	***5.8%***						

Source: National sources; Industry sources; J.D. Power Automotive Forecasting; ACT Research

Table 4: World Heavy Truck Assembly (GVW >15t) by Region and Country

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Western Europe									
Total	**279,558**	**319,907**	**336,245**						
% change	***4.7%***	***14.4%***	***5.1%***						
France	33,358	36,264	37,111						
Germany	106,319	132,521	139,777						
Italy	4,710	6,106	9,008						
Spain	20,668	21,809	23,372						
UK	6,205	7,535	8,351						
Austria	8,387	7,064	6,945						
Belgium	23,551	27,084	27,548						
Finland	432	459	411						
Netherlands	47,307	53,809	58,025						
Sweden	28,621	27,256	25,697						
North America									
Total	**181,847**	**269,213**	**341,291**						
% change	***-18.8%***	***48.0%***	***26.8%***						
USA	134,289	195,192	253,212						
Canada	22,665	36,098	48,445						
Mexico	24,893	37,923	39,634						
Asia									
Total	**400,853**	**508,262**	**391,127**						
% change	***298.1%***	***26.8%***	***-23.0%***						
China	261,828	355,222	228,575						
Japan	73,573	65,110	73,538						
India	52,772	76,120	79,378						
Korea	12,680	11,810	9,636	10,634					
Mercosur									
Total	**48,216**	**69,856**	**77,301**						
% change	***30.9%***	***44.9%***	***10.7%***						
Brazil	46,808	67,464	74,377						
Argentina	1,408	2,392	2,924	2,772					
Central and Eastern Europe									
Total	**64,666**	**84,878**	**95,394**						
% change	***2.3%***	***31.3%***	***12.4%***						
Turkey	13,545	24,041	29,184						
Russia	31,117	36,336	39,629						
Ukraine	924	2,034	3,411	2,706					
Belarus	17,604	20,823	21,715	22,016					
Poland	-	-	-	-					
Czech Republic	1,316	1,484	1,370	1,271					
Romania	160	160	85	332					
Mid East									
Total	**5,660**	**9,949**	**10,900**						
% change	***565.9%***	***75.8%***	***9.6%***						
Iran	5,660	9,949	10,900						
World									
Total	**980,800**	**1,262,065**	**1,252,258**						
	52.8%	***28.7%***	***-0.8%***						

Source: National sources; Industry sources; J.D. Power Automotive Forecasting; ACT Research

Table 5: World Truck Assembly by Manufacturer and Region (GVW >6t)

		2003	2004	2005	2006	2007	2008	2009	2010	2011
DaimlerChrysler		**288,268**	**356,361**	**408,722**						
			23.6%	***14.7%***						
Freightliner	NAFTA	92,794	123,185	142,471						
Kia	Korea	2,847	-	-						
Mercedes-Benz	Brazil	23,507	32,157	32,333						
Mercedes-Benz	Germany	84,507	103,212	106,031						
Mercedes-Benz	Turkey	4,369	9,647	11,618						
Mitsubishi	Japan	58,334	60,254	78,991						
Mitsubishi	Portugal	1,740	1,976	2,505						
Sterling	NAFTA	16,622	21,156	27,413						
Western Star	NAFTA	3,548	4,774	7,360						
Ford Group		**78,428**	**99,817**	**111,810**						
			27.3%	***12.0%***						
Ford	Brazil	13,252	18,531	22,367						
Ford	NAFTA	53,876	65,600	70,510						
Ford Otosan	Turkey	3,023	6,050	9,530						
Mazda	India	7,428	9,211	9,143						
Mazda	Japan	849	425	260						
GM Group		**24,342**	**36,359**	**53,511**						
			49.4%	***47.2%***						
GM	Brazil	-	-	-						
GM	NAFTA	24,342	36,359	53,511						
Isuzu		**88,075**	**94,345**	**98,687**						
			7.1%	4.6%						
Isuzu	Japan	86,354	92,032	95,978						
Isuzu	Portugal	36	-	-						
Isuzu	Turkey	1,685	2,313	2,709						
Isuzu	UK	-	-	-						
IVECO Group		**62,428**	**68,681**	**73,967**						
			10.0%	***7.7%***						
Astra	Italy	1,748	1,641	2,026						
IVECO	Argentina	1,501	2,503	2,972						
IVECO	Brazil	-	1,746	2,029						
IVECO Pegaso	Spain	15,553	16,086	16,759						
IVECO Fiat	Italy	28,751	30,584	32,322						
IVECO Magirus	Germany	13,103	14,315	16,267						
Otoyol	Turkey	1,772	1,806	1,592						
Seddon Atkinson	UK	-	-	-	-	-	-	-	-	-

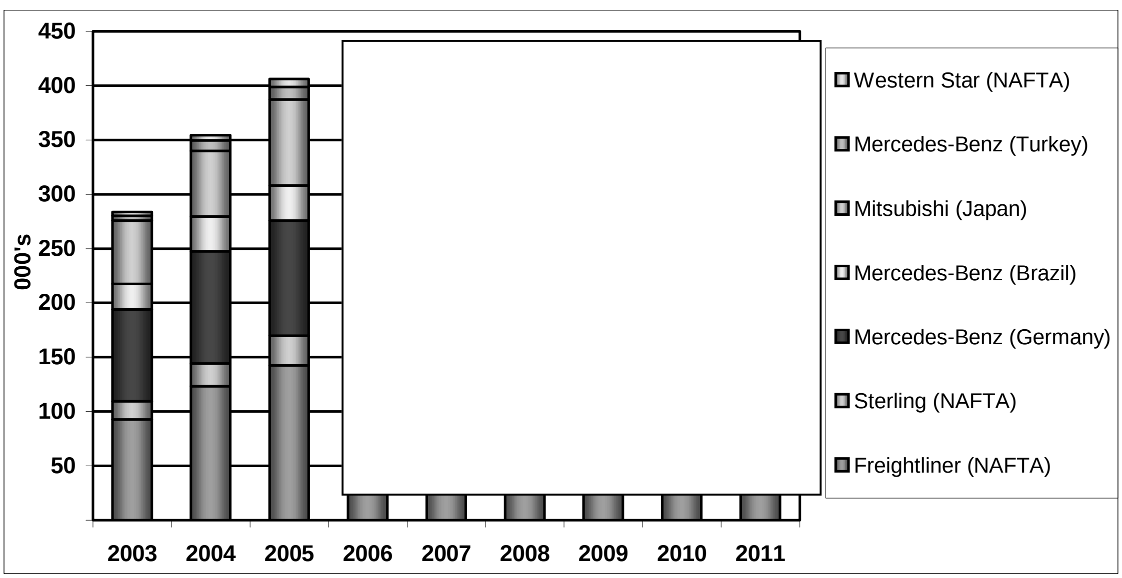
Source: National sources; Industry sources; J.D. Power Automotive Forecasting; ACT Research

DaimlerChrysler

DaimlerChrysler continued to comfortably lead the global truck market during the second quarter of 2006. The group's global market share recovered some of the ground lost during the first few months of the year, rising to 15.9% on the back of solid growth in demand in the key triad markets of Europe, North America and Japan. The world's largest truck manufacturer (comprising Mercedes-Benz, Freightliner, Sterling, Western Star and Mitsubishi Fuso) reported in September that orders in 2006 had been above expectations. The outlook for full-year truck production remains sound, with global DaimlerChrysler build forecast to exceed last year's record level.

Production Volumes

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Freightliner (NAFTA)	92,794	123,185	142,471						
Mercedes-Benz (Germany)	84,507	103,212	106,031						
Mercedes-Benz (Brazil)	23,507	32,157	32,333						
Sterling (NAFTA)	16,622	21,156	27,413						
Western Star (NAFTA)	3,548	4,774	7,360						
Mercedes-Benz (Turkey)	4,369	9,647	11,618						
Mitsubishi (Japan)	58,334	60,254	78,991						
Mitsubishi (Portugal)	1,740	1,976	2,505						
Freightliner (NAFTA)	32.5%	34.6%	34.9%						
Mercedes-Benz (Germany)	29.6%	29.0%	25.9%						
Mercedes-Benz (Brazil)	8.2%	9.0%	7.9%						
Sterling (NAFTA)	5.8%	5.9%	6.7%						
Western Star (NAFTA)	1.2%	1.3%	1.8%						
Mercedes-Benz (Turkey)	1.5%	2.7%	2.8%						
Mitsubishi (Japan)	20.4%	16.9%	19.3%						
Mitsubishi (Portugal)	0.6%	0.6%	0.6%						
Total	**285,421**	**356,361**	**408,722**						



The group's market penetration increased in Western Europe (although the Volvo Group continued to lead the market) and Japan, whilst its market share slid in Latin America, as well as North America, where Freightliner underperformed the competition.

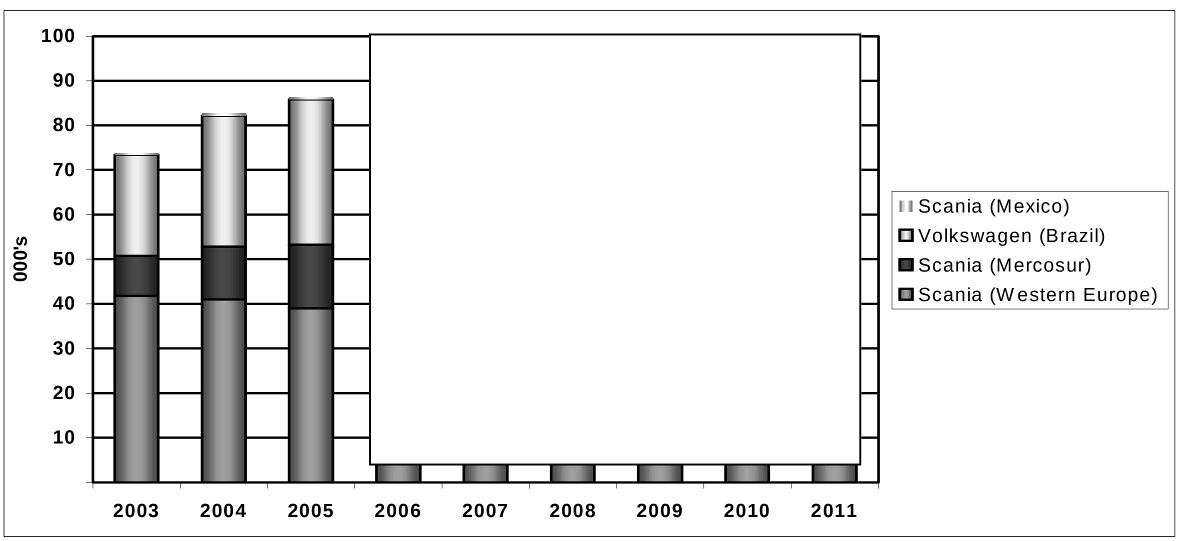
VW / Scania

Scania rejected MAN's public takeover offer – see MAN section – just days after receiving the German manufacturer's initial € 9.6 bn acquisition bid. The rejection of MAN's offer appears to be based on a variety of reasons. Firstly, the Board of Scania clearly feels that the offer undervalues the company. Secondly, Scania is believed to remain unconvinced of MAN's argument for increased economies of scale offered by a merger of the two companies. The company has asserted in the past that its operation *is* on the right scale, a view it shares with another small yet successful premium brand manufacturer: Porsche. (Ferdinand Piëch once famously commented that, if size was all that mattered, the dinosaurs would still be ruling the earth.) Scania has a strong brand identity which it is eager to maintain, and its view might be that this identity could be endangered if the company were absorbed into a merged MAN/Scania entity. Third, the company is likely to have doubts regarding the compatibility of MAN's and Scania's respective product line-ups, limiting potential for future commonalities and the efficiency gains MAN is targeting.

But any eventual decision will, to a large extent, be determined by Scania's largest shareholder, Volkswagen. Discussions between Volkswagen, Scania and MAN are understood to have resumed at the end of September.

Production Volumes

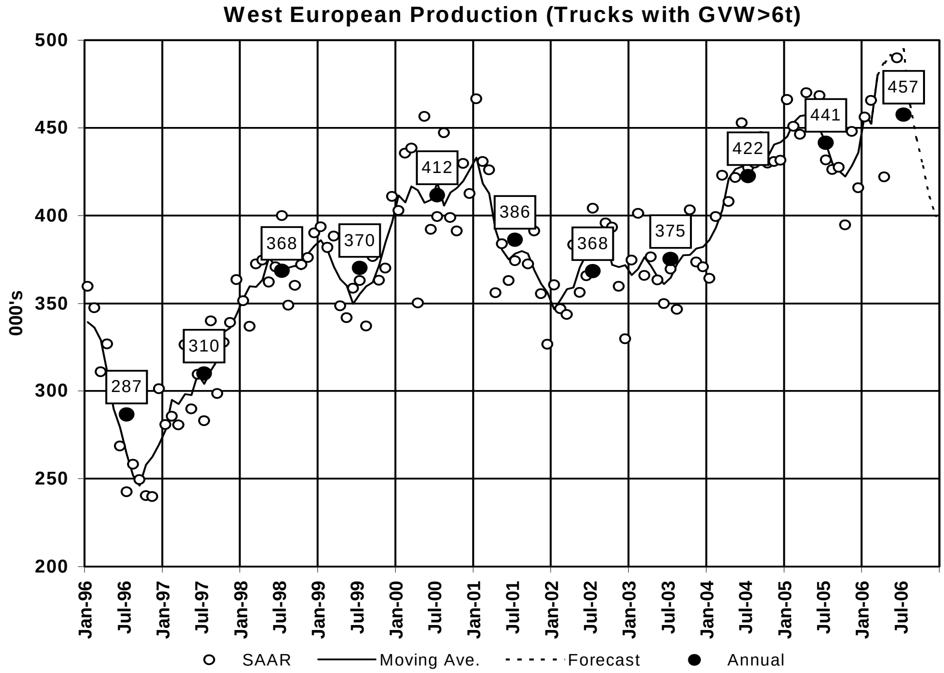
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Scania (Western Europe)	**41,760**	**40,978**	**39,000**						
of which ... Scania (Netherlands)	21,082	22,699	21,800						
Scania (France)	9,663	9,987	9,400						
Scania (Sweden)	11,015	8,292	7,800						
Scania (Mercosur)	**9,000**	**11,907**	**14,235**						
of which ... Scania (Brazil)	9,000	11,907	14,235						
Scania (Argentina)	-	-	-						
Scania (Mexico)	335	606	509						
Volkswagen (Brazil)	22,631	29,271	32,579						
Scania (Western Europe)	56.6%	49.5%	45.2%						
Scania (Mercosur)	12.2%	14.4%	16.5%						
Volkswagen (Brazil)	30.7%	35.4%	37.7%						
Volkswagen (Brazil)	0.0%	0.0%	0.0%						
Total	**73,726**	**82,762**	**86,323**						



Assembly Trends

The Euro 4 peak has now passed in truck assembly and a rather lean spell — but one of relatively short duration — will begin to impact in the third quarter. The likelihood is that output will fall, in year-on-year terms in the 4th quarter and in the early part of 2007. But, if the 2006 tachograph legislation is anything to go by, then there is a very good chance that a mandated fitment of equipment designed to help enforce the correct use of urea in fuel (which is how many heavy trucks will meet the Euro 4 emissions standards) will lead to a spike in build once more. OEMs and suppliers will once again be asked to deal with a short period of very strong demand some time in mid-2007 and a corresponding lean spell immediately afterwards.

Much of this year's strength comes from the West European markets enjoying a strong economic performance but Central and East European markets are also up this year, and are helping boost truck output in the West. Unlike the car industry though, the cost-driven shift from West to East will not take place at all quickly. This is a product of the relatively low volume of output in the truck industry and the time taken to recover costs relating to expensive plant moves. A further reason for the apparent absence of a stampede to the East is the comparatively good financial health of truck companies in comparison with car companies. Overcapacity is not endemic in the truck industry and, furthermore, capacity in truck plants is an inherently more flexible concept meaning that truck companies have learnt to better adjust to peaks and troughs in demand.



Recent key developments in production include:

- **MAN is to start TGA assembly in Poland** — of MAN trucks after transferring Star production to Austria. The plant, at Krakow, will begin production in mid-2007.
- **MAN's is to discontinue the Steyr and ÖAF brands** — in early 2007 due to low demand.
- **Scania is closing two component plants in Sweden (Falun and Sibbhult)** — production of axles and transmissions is to be concentrated at Södertalje.
- **Ashok Leyland has gained a foothold in Europe** — having acquired Czech OEM Avia in September 2006.
- **Paccar is discontinuing the Foden brand in 2006** — freeing up further capacity for Daf build in the UK.
- **Iveco will discontinue the Seddon Atkinson brand from October 2006** — development costs for Euro 4 compliant models being prohibitive.

Table 14: West European Truck Sales by Segment and Manufacturer

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Truck (GVW>6t)									
Total	**284,997**	**309,528**	**331,064**						
IVECO Group	**43,045**	**46,627**	**48,289**						
of which … IVECO trucks	*41,775*	*45,561*	*47,328*						
Seddon Atkinson	*478*	*381*	*285*						
Astra	*792*	*685*	*676*						
Paccar	**34,416**	**37,966**	**42,777**						
of which … Daf	*33,499*	*37,251*	*42,066*						
Foden	*915*	*705*	*709*						
MAN Group	**41,891**	**46,932**	**50,922**						
of which … MAN	*40,333*	*44,802*	*49,605*						
ERF	*1,369*	*1,403*	*673*						
Steyr	*126*	*694*	*591*						
OEAF	*63*	*33*	*53*						
Mercedes-Benz	**60,152**	**67,914**	**73,780**						
Scania	29,839	30,049	32,919						
Volvo Group	**66,417**	**70,712**	**73,012**						
of which … Volvo	*34,242*	*36,111*	*37,268*						
Renault Trucks	*32,171*	*34,595*	*35,739*						
Dennis	660	805	847						
Hino	430	377	517						
Isuzu	339	356	477						
Liebherr	477	419	374						
Mitsubishi	1,520	1,573	1,458						
Nissan	1,298	1,196	1,121						
Sisu	399	415	389						
Toyota	210	222	261						
Volkswagen	79	30	32						
Other	3,831	3,951	3,896						
Medium Truck (GVW 6-15t)									
Total	**72,933**	**78,060**	**80,215**						
IVECO Group	**19,467**	**21,224**	**20,448**						
of which … IVECO trucks	*19,467*	*21,224*	*20,448*						
Seddon Atkinson	-	-	-						
Paccar	**6,798**	**7,409**	**8,134**						
of which … Daf	*6,798*	*7,409*	*8,134*						
MAN Group	**10,295**	**11,015**	**12,041**						
of which … MAN	*10,249*	*10,352*	*11,491*						
ERF	-	-	-						
Steyr	*46*	*663*	*550*						
OEAF	-	-	-						
Mercedes-Benz	20,245	21,816	23,181						
Scania	90	103	456						
Volvo Group	**10,480**	**10,891**	**10,519**						
of which … Volvo	*2,134*	*1,997*	*1,932*						
Renault Trucks	*8,346*	*8,894*	*8,587*						
Dennis	10	41	22						
Hino	-	-	-						
Isuzu	339	356	471						
Liebherr	50	69	49						
Mitsubishi	1,518	1,569	1,457						
Nissan	1,293	1,190	1,115						
Toyota	210	222	261						
Volkswagen	27	18	8						
Other	2,111	2,137	2,053						

ARGENTINA

Macro-economic Background

- GDP rose by 7.5% year-on-year in 2006Q2 (up 8.2% in June), compared to 8.7% in Q1. Rapid growth continues to be based on strong internal demand and healthy exports. The main drivers during the second quarter were investment in the auto industry and construction projects. Meanwhile, private consumption is benefiting from increased purchasing power due to decreed wage rises and declining unemployment, and from higher public spending (up 17.2% in cash terms in 2006H1). We forecast growth of 7-7.5% in 2006, then a slowing to about 5% next year.

- Output in the auto industry surged 26.4% in the period January-July compared to the same period of 2005. This was to satisfy increased demand from both domestic market and export markets (such as Brazil and Mexico). Demand for durable goods, and autos in particular, should continue to benefit from improvements in the labour market and a relatively low cost of borrowing. The unemployment rate dropped to 10.4% in 2006Q2 from 11.4% in Q1 and is likely to end below 10% by the end of the year – the first time below 10% in 13 years.

- The CPI rose 0.6% during July, accelerating slightly from its 0.5% rise in June, though this reduced inflation to 10.6%, compared to 11% in June. The government's anti-inflationary policy has relied on persuading manufacturers and retailers to lower and freeze prices. Also key utility prices remained unchanged since the economic collapse at end-2001. Although these measures have had relative success in curbing inflation this year, they are unlikely to be conducive to a low inflation environment in the longer term. We expect inflation at the year-end at between 11-11.5%, above the central bank's projection range of 8%-11%.

Table 85: Summary of Forecasts - Argentina

	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP Growth	**8.8%**	**9.0%**	**9.2%**						
Industrial Production	**12.8%**	**7.3%**	**7.2%**						
Population (mn)	**38.7**	**39.2**	**39.5**						
Truck Sales, GVW>6t	**4,970**	**13,615**	**16,572**						
% change	*186.5%*	*173.9%*	*21.7%*						
Truck Sales, GVW 6-15t	**1,576**	**4,901**	**5,705**						
% change	*122.6%*	*211.0%*	*16.4%*						
Truck Sales, GVW>15t	**3,394**	**8,714**	**10,867**						
% change	*230.5%*	*156.7%*	*24.7%*						
Truck Production, GVW>6t	**1,501**	**2,503**	**2,972**						
% change	*31.6%*	*66.8%*	*18.7%*						
Truck Production, GVW 6-15t	**93**	**111**	**48**						
% change	*116.3%*	*19.4%*	*-56.8%*						
Truck Production, GVW>15t	**1,408**	**2,392**	**2,924**						
% change	*28.2%*	*69.9%*	*22.2%*						
Paved Roads ('000 km)	**63.3** (…of which expressways: 0.734)								
Area ('000 sq km)	**2766.9**								

Sources: OEF, UN, EU, CIA, J.D. Power Automotive Forecasting

CHINA

Macro-economic Background

- The economy has continued to startle observers by achieving annual growth of 11.3% in 2006Q2 after an already astonishing 10% or so growth over the previous three years. Growth is being buoyed up by both manufacturing and services – with investment and export sales still achieving growth rates in the 20-30% range and consumption rising at nearly 14% per annum. The economy should start to cool, but by how much is difficult to gauge - even official efforts to curb the growth in loans and investment seem to be having little impact thus far, partly due to buoyant profits. While there remains a risk of an abrupt slowdown due to investment finally being brought to heel, the most likely scenario is that GDP growth continues to run on at high rates in the 8-10% range for the next few years, until construction projects naturally tail off around 2008-2009.
- There are few visible signs of overheating – inflation is quite moderate (just 1% y/y in July) and moreover this is down from the peak in 2004. The trade surplus is likely to be even bigger this year than that of just over $100bn in 2005. The capacity shortages that caused problems in 2004 do not seem to be recurring and "debottlenecking" has been largely successful. So the usual reasons for needing to curb high rates of growth in other countries are absent in China. The main concern is "excess" investment, as this could generate overcapacity and also new bad debts in time. Rate rises and curbs on bank lending should pull back the near 30% growth in nominal investment that is still being registered this year – and such loan restrictions may also rein in loans for purchases such as property and autos, which were sharply affected by the 2004 clampdown.
- Otherwise, with inflation weak and incomes rising at rates in the 10-15% range, consumers have been spending more. Retail sales growth is running at rates of 13-15% this year and auto sales have shot up as well.
- In spite of the continued bulge in the trade surplus, trade disputes actually seem to have simmered down this year. Growth in textiles exports, the segment that caused the most vociferous complaints in 2005, has probably settled back after the surge linked to the ending of the MFTA and this is anyway not the fastest growing export sector. Other important issues on the agenda may be preoccupying US and EU policymakers. There also seems more acceptance of China's preferred course for the RMB – namely, letting it gently drift up at a snail's pace - although this may simply be bowing to the inevitable.

Table 88: Summary of Forecasts - China

	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP Growth	**10.0%**	**10.1%**	**9.9%**						
Industrial Production	**26.2%**	**21.5%**	**13.8%**						
Population (mn)	**1291.5**	**1298.9**	**1306.3**						
Truck Sales, GVW>6t	**393,253**	**561,408**	**431,933**						
% change	*-4.3%*	*42.8%*	*-23.1%*						
Truck Sales, GVW 6-15t	**136,378**	**204,345**	**194,324**						
% change	*-17.1%*	*49.8%*	*-4.9%*						
Truck Sales, GVW>15t	**256,875**	**357,063**	**237,609**						
% change	*4.2%*	*39.0%*	*-33.5%*						
Truck Production, GVW>6t	**398,000**	**556,253**	**426,072**						
% change	*-4.5%*	*39.8%*	*-23.4%*						
Truck Production, GVW 6-15t	**136,172**	**201,031**	**197,497**						
% change	*-17.0%*	*47.6%*	*-1.8%*						
Truck Production, GVW>15t	**261,828**	**355,222**	**228,575**						
% change	*3.6%*	*35.7%*	*-35.7%*						
Paved Roads ('000 km)	**395.4**								
Area ('000 sq km)	**9597.0**								

Sources: OEF, UN, EU, CIA, J.D. Power Automotive Forecasting

Table 89: Chinese Truck Assembly by Manufacturer and Weight Category (GVW >6t)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Truck (GVW>6t)									
Total	**398,000**	**556,253**	**426,072**						
Beiqi Futian	16,106	44,808	19,236						
CFAWG	140,577	181,019	117,670						
Chongqing Heavy Duty	16,082	15,402	10,814						
CNHDTC	21,136	43,863	41,912						
DMC	150,079	181,188	133,833						
Shaanxi Auto Group	20,486	29,290	23,817						
Volvo	60	430	261						
Others	33,474	60,253	78,529						
Medium trucks (GVW 6-15t)									
Total	**136,172**	**201,031**	**197,497**						
Beiqi Futian	-	10,883	6,001						
CFAWG	42,289	59,590	61,202						
Shaanxi Auto Group	8,226	8,506	8,216						
DMC	66,057	79,414	66,006						
CNHDTC	-	52	225						
CHONGQING HEAVY	-	31	18						
Others	19,600	42,555	55,829						
Heavy trucks (GVW>15t)									
Total	**261,828**	**355,222**	**228,575**						
CFAWG	98,288	121,429	56,468						
CNHDTC	21,136	43,811	41,687						
Beiqi Futian	16,106	33,925	13,235						
Shaanxi Auto Group	12,260	20,784	15,601						
Chongqing Heavy Duty	16,082	15,371	10,796						
DMC	84,022	101,774	67,827						
Volvo	60	430	261						
Others	13,874	17,698	22,700						

Source: National sources; J.D. Power Automotive Forecasting
Note 1: Assembly data derived from loading capacity

WEST EUROPEAN PRODUCT CYCLE

IVECO	GVW	SOP	1998	1999	2000	2001	2002	2003	2004
Heavy Daily	6-7.5t	2001						New engine	New engine New variants
EuroCargo	6-15t	1991			New engine	Tector		New model	Revised
EuroTech	15t+	1992		Cursor 8L & 10 L engines	Facelift 13L Cursor			New model	
Eurotrakker	15t+	1993		New engine			New engine		
Trakker	15t+	2004							
EuroStar	15t+	1992		Cursor 8L & 10 L engines	Facelift				
Stralis	15t+	2002							New cabs

Paccar	GVW	SOP	1998	1999	2000	2001	2002	2003	2004
45 Series	6-18t	1990							
55 Series	6-18t	1995							
LF 45/55	6-18t	2001				LF Medium Truck Euro 3 Iveco-Cummins engines			
CF 65/75/85	15t+	1993	New cab New engine range		RHD 65 assembly moved from Foden to Leyland	75/85 facelift (new chassis)			
XF 95	18t+	1998		Euro 3 engine			Facelift		New cab
XF 105	18t+	2006							
Foden 2-4000 series	15t+	1980	New 2-3000	New 4000	Foden assembly to Leyland	New cab (CF)			

MAN	GVW	SOP	1998	1999	2000	2001	2002	2003	2004
L2000	6-12t	1993	New engine range		All production moves to Austria	Name change: Steyr Nutzfahrzeuge AG --> Steyr AG			
TG-L	7.5-15t	2005							
M2000	12-25t	1996	New engine range	Euro 3 engine		New model			
TG-M	14-26t	2005							
F2000	18t+	1994		Euro 3 engine					
TG-A	18t+	2000				New model			Euro 4 engine D20 engine
OEAF SPV line	18t+					Name change ÖAF --> MAN Sonderfahrzeuge AG			
ERF Medium Truck	6-15t					Small run			
ERF ECS / ECX	15t+						MAN redesign Production Middlewich -> Germany		New cab
Star 944/1466/2000	6-15t			MAN takeover					2000 assembly moves to Austria

TRUCK ASSEMBLY PLANT LOCATIONS

	Country	Marque	GVW Class	Plant
Nissan				
Asia	Japan	Nissan Diesel	Medium/Heavy	Ageo
Western Europe	Spain	Nissan	Medium	Avila
TELCO				
Asia	India	TELCO	Heavy	Jamshedpur, Pune
	India	TELCO	Medium	Lucknow, Pune
Toyota Group				
Asia	Japan	Hino	Medium/Heavy	Hamura, Hino
	Japan	Toyota	Medium	Teiho
Western Europe	Portugal	Toyota	Medium	Ovar
Other				
Asia	India	Eicher	Medium/Heavy	Pithampur
	India	Hindustan	Medium	Uttarpara
	Korea	Hyundai	Medium/Heavy	Chunju
	Korea	Kia	Medium/Heavy	Kwangju
South America	Brazil	Agrale	Medium	Caxias do Sul (Agrale)
Western Europe	Finland	Sisu	Heavy	Karjaa
	UK	Dennis	Medium/Heavy	Guildford (chassis only)
Central/East Europe	Belarus	BelAZ	Heavy	Jodino
	Belarus	MAZ	Heavy	Minsk
	Belarus	MoAZ	Heavy	Moghilev
	Czech Republic	Liaz	Heavy	Jablonec, Presov
	Czech Republic	Tatra	Heavy	Koprivnice, Pribor
	Russia	GAZ	Medium	Nizhny Novgorod
	Russia	KamAZ	Heavy	Naberezhnye Chelnye
	Russia	UamZ	Heavy	Miass/Chelyabinsk
	Russia	UralAZ	Heavy	Miass
	Russia	ZIL	Medium/Heavy	Moscow
	Turkey	Askam	Medium/Heavy	Gebze
	Turkey	BMC	Medium/Heavy	Izmir
	Turkey	Temsa	Medium	Adana