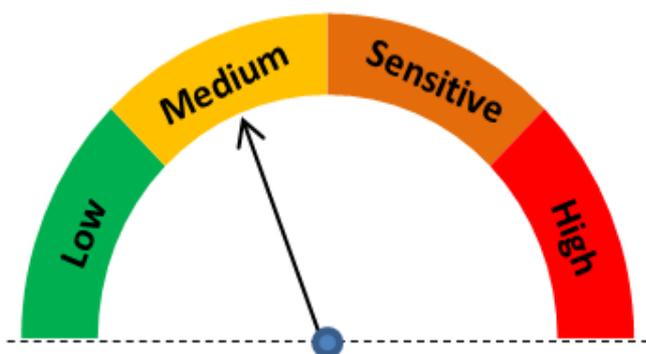


Sector Risk Rating



What to Watch?

- Increasing level of R&D needed in new technology to reduce CO2 emissions
- Lack of geographical diversification, putting turnovers and margins at risk
- Development of premium offers (brands) to increase profits
- Possible overcapacities in China if the market slows-down

World Trend of Sales Remains Positive +3% in Annual Average

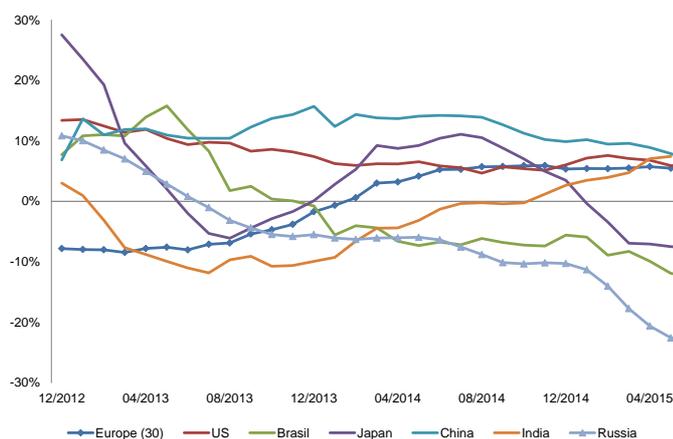
A global presence is necessary for car manufacturers to benefit from global growth.

Sales in the three main markets – China, the United States and Europe – grew by +8% (21 million units), +6% (17 million units) and +5.5% (13.2 million units) respectively in May 2015 (yearly average) and decreased by -7.5% in Japan due to the VAT increase in April 2014.

Two important emerging markets continue to face major difficulties in line with macroeconomic turmoil: (i) in Brazil, where we expect a -1% recession in 2015, sales have decreased by -13% (2.4 million units); (ii) in Russia, where GDP is expected to contract by -4.0% in 2015, automotive sales have fallen by -23% (2.1 million units). Conversely, India's growth has recovered and sales increased by +7% to 1.9 million units.

Car manufacturers need to adapt their offerings to each market to stay competitive. Notably, low cost models should be rolled out for India, larger Sports Utility Vehicles (SUVs) for the United States, and medium and premium model for all markets.

New car registration evolution (yearly average)



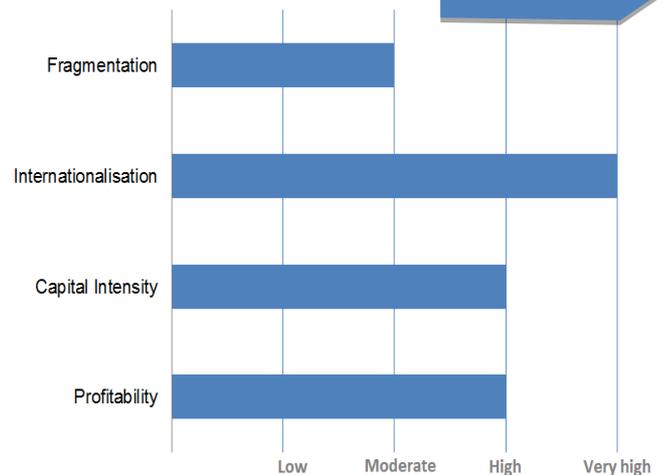
Sources: OICA, Euler Hermes

Sector Value:
846bn
 USD

Key Players

Country	Role	Sector Risk
United States	#1 importer #2 exporter	●
Germany	#1 exporter #3 importer	●
China	#1 producer #2 importer	●

ID Card



Strengths

- Worldwide market growth
- High level of profitability in the United States and China
- Recovery in Europe after several years of decline

Weaknesses

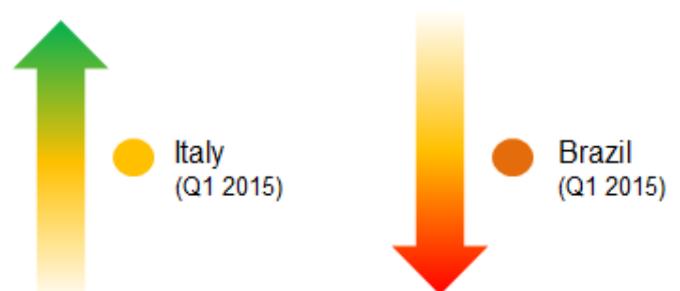
- High overcapacity in Europe and low margin levels
- Huge difficulties in some emerging countries, principally Brazil and Russia
- Stringent environmental requirements (pollution, CO2 emissions)

Subsectors Insights

Auto suppliers: It is necessary to have a global presence and work with all car manufacturers to have a higher pricing power and a higher level of profitability.

Carmakers: The new deal is to be present in all markets, and have a high level of volume to assume the high level of investments and the necessary spending on R&D.

Recent Sector Risk Changes



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