Latin America
Automotive Sectors

A Company and Industry Analysis

January 2008

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Current Environment — Key Points

- Latin America is in many ways the forgotten emerging market. Strongly tipped for major growth in the early 1990s, it has since attracted large investments from vehicle manufacturers.
- More recently, governments throughout Latin America have liberalized trade in automobiles and parts, reshaping the industry in the process. Latin America has staged something of a comeback as an emerging market, despite being overshadowed by the explosive growth of China and India and the enlargement of the European Union (EU) into Central Europe.
- The share prices of the top five leading automotive companies by revenues performed well over the June-December period. Out of five companies examined, four saw their share prices rise over the period. Overall, the share prices of these leading companies rose by 5.12%.
- The days of big mergers between Vehicle Manufacturers (VMs) are over. Instead, they prefer co-operation and the development of shareholder agreements with their rivals.

Industry Profile — Key Points

- The Latin American region is one of the world's fastest growing markets, thanks to the rapid rise of the region's middle class and disposable income. Global automakers project that by 2010, the market will be the largest regional base for automobile production and home to the largest number of vehicle buyers.
- Brazil, Mexico and Argentina are the top three automobile producing countries in the region. Brazil grew its production of cars and light trucks by about 4% to 5.7 million units during the first half of 2007, making it the world's second largest automaker, surpassed only by the Mexico.
- Brazilian-Argentine trade relations have had a "greenhouse effect" on the latter's automobile industry. Enclosed in a favorable artificial environment, liberalization spurred interfirm commerce and intrabloc trade while it protected the regional market from predatory imports.
- The automobile industry is one of the main focuses for foreign direct investment (FDI) in Latin America. New corporate strategies by major automobile corporations are behind recent rises in FDI flows to the region.

Market Trends and Outlook — Key Points

- Brazil hopes to export flex-fuel cars and technology around the world, with auto industry executives reporting interest from abroad is rising. Big automakers such as Ford plan to start selling Brazilian flex-fuel cars this year. And GM recently upped the ante on fuel choice for Brazilians, offering a flex-fuel car that also runs on natural gas, widely available at the pumps in Brazil's biggest cities.
- GM has never been considered a close friend of environmentalists, but the company is picking up efforts to "green" up its act. Usually out-greened by Toyota or Honda, GM took a strong step forward with the unveiling of its new plug-in hybrid concept.
- For many developing countries, attracting FDI has been a key aspect of their outward-oriented development strategy, as investment is considered a crucial element for output growth and employment generation. New trends have reinforced the importance of private investment.
- While there is expected to be some deceleration in production growth, prospects for the Latin American vehicle manufacturing industry remains solid through 2008. Latin America's three largest economies, Brazil, Argentina, and Mexico, are responsible for more than 80% of the region's manufacturing output.

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Current Environment

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Sector Overview

In the early 1980s, many analysts were optimistic about the potential for growth in the Latin American automobile industry. Producing more than one million vehicles in 1980, Brazil became the eighth largest automobile manufacturer in the world. That same year, Mexico manufactured more than 500,000 cars and trucks, establishing new records in production and domestic sales; Argentina posted strong gains in sales as well. In opposition to the conditions of market saturation in Western Europe and the United States, Latin America appeared to be emerging as a large, vibrant market for automobiles.

The emergence of the debt crisis in 1982, however, dramatically altered the course of growth and development in the industry. The stretch of the crisis generated a relentless recession throughout Latin America, causing sales and production of finished vehicles to plunge to exceptionally low levels. The implementation of government severity measures in the wake of the debt crisis only served to underpin the stagnation of the industry. Faced with recession and uncertainty, multinational companies responded by imposing layoffs, wage restraint, and other policies designed to reduce costs and boost productivity. By the end of the decade, however, companies in selected countries were increasingly shifting towards production for export markets, a project that enjoyed strong support from their host governments, the International Monetary Fund (IMF), and the World Bank.

Latin America is in many ways the forgotten emerging market. Strongly tipped for major growth in the early 1990s, it attracted large investments from vehicle manufacturers — Brazil alone received investment of more than US$20 billion from major automakers during the period, according to the Economic Commission (EC) for Latin America and the Caribbean (ECLAC), as domestic sales grew to more than 1.5 million units a year and analysts forecast that the figure would double within a decade. More recently, governments throughout Latin America have liberalized trade in automobiles and parts, reshaping the industry in the process. Latin America has staged something of a comeback as an emerging market, despite being overshadowed by the explosive growth of China and India and the enlargement of the European Union (EU) into Central Europe.

The global restructuring of the automotive industry, together with the trend towards the formation of regional trading blocs that have certain regional or sub-regional policies towards the sector, have given enormous vitality to the automotive activity of some Latin American countries. In some cases, modern plants have been set up with full production capacity, earned them a reputation in the international market for vehicles and engines. Those investments have given the automotive industry, through subsidiaries of transnational corporations that manufacture vehicles and engines, a dominant role in the Latin American economic scene. Of the 20 largest subsidiaries of foreign

Table 1: Selected Leading Companies' Share Price Movements

Company Name	Country	Ticker	Exchange	Average Monthly Price Jun-07	Average Monthly Price Dec-07	Rise / Fall (in US$)	Rise / Fall %
Grupo Kuo Sab De Cv	Mexico	KUOB.MX	MEX	10.1	11.51	0.13	13.96
Randon SA Implementos e Participacoes	Brazil	RAPT4	BVSPA	17.2	17.25	0.03	0.3
Marcopolo SA	Brazil	POMO4	BVSPA	7.32	7.2	-0.07	-1.64
Mahle Metal Leve SA	Brazil	LEVE4	BVSPA	37	32.5	-2.57	-12.16
Iochpe-Maxion SA	Brazil	MYPK4	BVSPA	29.89	37.4	4.3	25.13
Average Rise / Fall %	-	-	-	-	-	-	**-5.12%**

Source: Mergent Analysis

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companies in the region, nine belong to the automotive sector. Of the ten largest subsidiaries of foreign companies in Latin America, five are automotive companies — General Motors (GM) (NYSE: GM), Volkswagen AG (FSE: VOW), Chrysler and Fiat (ITL: F).

Sector Performance

The share prices of the top five leading automotive companies by revenues performed well over the June-December period. Out of the five companies examined, four saw their share prices rise over the period. Overall, the share prices of these leading companies rose 5.12%. Share prices of these companies were boosted by board of directors' intentions to increase stakes by announcing strategic mergers and acquisitions in respective companies. Furthermore, the economic state of countries such as Brazil and Mexico, as well as encouraging legislative changes that opened up additional investment opportunities, also played a huge part in the rise of share prices.

Based on the table above, Brazil and Mexico led the pack in terms of auto companies' stock performance over the past six months. Randon SA Implementos e Participacoes' stock steadily rose 22.48% over the six-month period. Investor confidence was high due to company improved financial results, which saw net profit rise 14.47% to R$2.02 billion (US$1.16 billion) for the full-year ended June 30, 2007, from the R$1.94 billion (US$1.109 billion) recorded in the prior-year period. Mahle Metal Leve SA's stock price dropped 16.67% between June and December following its announcement of the payout interest on capital at a gross value of R$0.86345 (US$0.494) per ordinary share to its investors.

In Mexico, the shares of one of Latin America's largest auto parts producers, Grupo Kuo Sab De Cv, rose from MEX$10.10 (US$0.95) to MEX$11.51 (US$1.08) over the six-month period, as a result of the group's completion of various joint-venture and acquisition activities, such as the acquisition of Ramos Arizpe Plants in Coahuila from Grupo Duroplast in October 2007.

Leading Players

The Big Four brands have the market for entry-level cars cornered: namely Italy's Fiat SpA, Volkswagen, General Motors and Ford Motor (NYSE: F). These companies account for the bulk of the Brazilian and other South American markets. Meanwhile, Toyota Motor Corp (TSE: 7203) competes in the second-tier group, with PSA Peugeot Citroën (PAR: 012150), Honda Motor (TSE: 7267), Renault SA (PAR: 013190) and other brands.

Volkswagen, Brazil's No.1 carmaker and fifth largest exporter in 2006, racked up US$1.485 billion in export sales — ahead of General Motor's US$1.16 billion and Ford's US$786 million — shipping 25% more cars than in 2005, a total of 208,000 vehicles. Most of these cars were the Gol model, the company's entry-level sub-compact, and the hot-selling Fox. German auto giant Volkswagen expected exports to rise by 10% in 2007, a climb expected due to almost entirely stepped-up output and foreign sales of the Fox. It plans to export up to 60,000 of the compact cars in 2007, from 24,000 vehicles last year. Sales of the Fox are increasing in Latin America, but Volkswagen also began exporting the compact back to Europe in April.

General Motors may be not doing so well in some parts of the world but it is doing well in other parts — notably in Latin America. General Motors sold a record number of cars and trucks in Latin America in 2007, with 1.04 million vehicles sold, a 17.4% increase over the year-earlier period. It raised its market share in the region to 17% — it's highest in 16 years — on the strength of its global brands, especially Chevrolet, which significantly outpaced industry growth in almost every market in the region.

Underscoring the growing importance of the Latin American markets, Fiat is also stepping up efforts to increase its share of the auto business in the region. The Italian automaker, which is in the process of overtaking Ford as the third largest force in the regional market, plans to invest US$2.7 billion on new designs and improve production processes at its South American facilities over the next three years. The bulk of the investment will go to its plant in Brazil. Another US$190 million will go to Argentina for the re-establishment of production at the Cordoba plant, to help the automaker meet its target of producing one million vehicles a year by 2010.

Ford entered the Latin American market in 1911 by first selling cars in Venezuela. Soon afterward, sales operations were launched in Argentina (1913) and Brazil (1919). Today, Ford products are manufactured, assembled and distributed through Ford dealer networks in each of the three countries. Ford dealers in other Latin American markets sell products imported from Ford manufacturing

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sources worldwide. The automaker expects sales in Brazil to rise as much as 17% to 289,100 units in 2008, from 247,095 units recorded in 2007.

Mergers, Acquisitions and Alliances

The days of big mergers between vehicle manufacturers (VMs) seem to be over. These days, they prefer co-operation and the development of shareholder agreements with rivals. Because some deals have soured or failed to deliver the anticipated synergies, instead manufacturers are focusing on niche specialization, spanning from motorcycles through to trucks and tractors. Emerging markets are providing some of the most interesting growth stories, as companies benefiting from rapid growth in Europe and Asia eye acquisition opportunities in Latin America.

Industry Profile

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Industry Size and Value

Latin America is one of the world's fastest growing markets, thanks to the rapid rise of the region's middle class and disposable income. Global automakers project that by 2010 the market will be the largest regional base for automobile production and home to the largest number of vehicle buyers. International Organization of Motor Vehicle Manufacturers (OICA) figures show that global auto markets grew at varying rates in the first half of 2006.

Global vehicle output reached 35.4 million units in the first six months of 2006, up 6% from the corresponding period in 2005. In the saturated markets of North America and the European Union, vehicle output rose by about 2% and 1.5% respectively. In emerging markets such as the Latin America, Africa and the Middle East (LAAM), the number of vehicles produced increased by 18%, while non-EU members of Eastern Europe increased vehicle output by 5.4%.

Brazil, Mexico and Argentina are the top three automobile producing countries in the region. Brazil grew its production of cars and light trucks by about 4% to 5.7 million units during the first half of 2007, making it the world's second largest automaker, surpassed only by Mexico. Argentina is closely behind in the region's auto-output rankings.

Industry Highlights

Transforming the Latin American Automobile Industry

Brazilian-Argentine trade relations have had a "greenhouse effect" on the latter's automobile industry. Enclosed in a favorable artificial environment, liberalization has spurred inter-firm commerce and intrabloc trade while protecting the regional market from predatory imports. This dynamic was even more successful as it consolidated the expansion of production for the domestic market that occurred between 1992 and 1997. Government policies in the 1980s, supported in no quiet way by assemblers, created the environment of managed trade that explained the sector's extraordinary performance. Assemblers specialized in the production of vehicles and components in the two countries, with returns to scale that resulted in higher productivity.

Despite the Governments' best efforts, the sector in the Southern Common Market or Mercado Común del Sur (MERCOSUR), overall continues to accrue steep deficits, putting pressure on the balance of payments of several countries. Exports to non-MERCOSUR markets continue to be impeded by high taxes and tariffs. The strength of the domestic Brazilian market keeps many of the new investors focused in Brazil, while reductions in tariffs in the automobile supplier sector have ravaged small and medium-sized firms, compelling some to sell to outside investors or close their doors altogether.

Iran and Venezuela Form an Unlikely Pact

Since coming to power in 1998, the President of Venezuela, Hugo Chávez has pursued greater cooperation with Iran. He has made five official visits to Iran and has publicly stated that he considers Iran a model for development. Iran has cemented this relationship through investment, with bilateral trade currently standing at approximately US$2.5 billion. In March 2007, Iranian vehicles were introduced to the Venezuelan market by the vehicle manufacturing joint venture Venirauto, formed by the governments of Venezuela and Iran. In March 2007, Petróleos de Venezuela (PDVSA), through its subsidiary Corporación Venezolana del Petróleo (CVP), signed a deal with the Iranian company Sadra America Latina C.A. to create the joint venture Venezirian Oil Company.

Sector Investment

New corporate strategies by the principal automobile corporations are behind recent increases in FDI flows to the region. The importance of the automobile industry as one of the main focuses for foreign direct investment (FDI) in Latin America is highlighted in ECLAC's 2006 annual report. For more than two decades, Japanese — and, more recently, Korean — automobile companies have been challenging leading US and European corporations in the global automobile industry. The market share of Japanese automobile assemblers, in particular, has been on the rise in both North America and Europe. The first response of the US and a number of European governments was to impose trade restrictions to fend off Japanese export penetration of their home markets, while also granting

Industry Profile

Table 2: Principal Subsidiaries of Automobile Assemblers in Latin America, 2007 (Millions of US$)

Home Country / Company	Argentina	Brazil	Colombia	Chile	Mexico	Venezuela	Total
United States	**2 ,811**	**9,489**	**833**	**525**	**18,498**	**1,097**	**33,253**
General Motors	774	5,730	833	525	7,126	393	15,381
Ford	1,866	3,759	-	-	4,871	704	11,200
Chrysler	171	-	-	-	6,501	-	6,672
Western Europe	**6,672**	**16,169**	**-**	**-**	**3,423**	**183**	**26,447**
Volkswagen (Germany)	1,348	6,531	-	-	3,423	-	11,302
Fiat (Italy)	3,181	5,824	-	-	-	183	9,188
Mercedes-Benz (Germany)	619	2,852	-	-	-	-	3,471
Renault (France)	1,264	-	-	-	-	-	1,264
Saab (Sweden)	260	962	-	-	-	-	1,222
Japan	**265**	**282**	**357**	**-**	**2,153**	**230**	**3,734**
Nissan	-	-	187	-	2,153		2,397
Toyota	265	282	357	-	-	230	1,337

Source: Mergent Analysis, December

other preferences to their national assemblers. However, when major Japanese producers began to establish assembly plants within those national markets, less efficient US and European producers were forced to adopt new corporate strategies. While these varied considerably, in the 1990s they included a common element: extending their regional systems of integrated production to developing countries, especially to Latin America.

The strong level of FDI in the region has not only created impressive new capacities but also raised the problem of overcapacity that may only be resolved through exports. Although uprising Latin American automakers are capable of building quality cars, with the help of joint venture partners, they face daunting obstacles when it comes to designing their own products. Venezuelan automakers remain challenged in meeting global safety and environmental standards due to the lack of R&D spending.

In addition, foreign automakers often face numerous and inconsistent regulations, risks and restrictions in emerging markets. Latin America is a region of varied markets, where taxes and tariffs are sometimes very different from those in other countries. Most governments, like Venezuela's, have either curbed or abolished restrictions on entry and have loosened tariff barriers, opened fully to imports and are working together with international trade bodies such as MERCOSUR, the North American Free Trade Area (NAFTA) and the World Trade Organization(WTO), as they adapt themselves to the increasingly competitive environments.

Market Trends & Outlook

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Brazil Buys into Flex-Fueled Cars

Brazil hopes to export flex-fuel cars and technology around the world, and auto industry executives say interest from abroad is on the rise. So far, Volkswagen has hosted delegations from Australia, China, England, India, Japan and South Africa. Engine and assembly line changes to make flex-fuel cars aren't complicated, although the cars come outfitted with tiny gas-only tanks under the hood, smaller than a windshield wiper fluid reservoir. It is used to start the car on cold days just for a moment before automatically switching back to alcohol or whatever fuel is in the main tank.

But mass exports of flex-fuel cars aren't expected in the near future, with no other country having an alcohol fuel production and distribution system as advanced as Brazil's. Virtually all the country's service stations offer alcohol. Other nations like the US are promoting a fuel mix consisting of 85% alcohol and 15% gas, but experts say it will take years, if not decades, for true flex-fuel cars to be sold outside Brazil. Other big automakers such as Ford plan to start selling Brazilian flex-fuel cars this year. And GM recently upped the ante on fuel choice for Brazilians, offering a flex-fuel car that also runs on natural gas, widely available at the pumps in Brazil's biggest cities. Brazilian drivers for years have hired mechanics to install natural gas conversion kits on their cars. But GM's compact Astra is the first to come with natural gas as a factory-installed option, with an extra tank for the fuel in the trunk.

General Motors Hops on the Green Bandwagon

General Motors has never been considered a close friend of environmentalists, but the company seems to be turning over a new leaf — or at least trying harder. Earlier this year, General Motors announced a new vehicle prototype that could help shape the near future of automobiles. Usually out-greened by Toyota or Honda, the US automaker took a strong step forward with the unveiling of its new plug-in hybrid concept, a vehicle it claims will help it meet the recently mandated target of a 40% increase in fuel-efficiency standards by 2020. With Brazil being the pioneer of creating environmentally-themed vehicles, it would be a good start for General Motors to put in more research and development in order to capture the green market. General Motors is far behind in fuel-efficient technology, suggesting that the new bill will increase GM's productions costs as the firm plays catch-up with the likes of Toyota and Honda.

General Motors has a somewhat tarnished image in fuel-efficiency, with its 2006 electric car controversy in which GM's first purpose-built battery vehicle, EV1, was cancelled, after the company admitted that it could not sell enough of the cars to make EV1 profitable. Furthermore, its image has also been affected by its extensive line of fuel-guzzling SUVs and trucks. However, recent investments in flex-fuel technology and cross-over utility vehicles (CUVs) are beginning to pay off for the automaker, as it starts to mass-market a new product lineup to resurrect its profitability and replace tired models. General Motors hopes to successfully reinvent itself to ride the wave of fuel-efficiency.

Foreign Direct Investment: The Main Strategy to Enhance Industry Growth

For many developing countries, attracting FDI has been a key aspect of their outward-oriented development strategy, as investment is considered a crucial element for output growth and employment generation. New trends have reinforced the importance of private investment. As a result of the move towards neo-liberal policies, the role of the state has shifted from an active economic player with productive activities to a provider of an environment of doing business and of social risk insurance. Private investment, both domestic and foreign, is viewed as the driving force of the economy. To attract big-ticket investments, Latin American governments are offering a diverse mixture of tax holidays, import duty exemptions, subsidized land and power, tax incentives to promote specialization in economical vehicles less than 1,000cc, among other enticements.

To capitalize on these perks, General Motors is boosting capacity in the region with new investments in the small car segment. In 2007, the automaker invested US$500 million to upgrade plants in Rosario, Argentina and São Caetano do Sul, Brazil, for the production of small cars for sales in the emerging markets. Part of the investment will go to build new infrastructure and upgrades to the GM

Market Trends & Outlook

Brazil product development center. Lured by fat subsidies promised by the Mexican Government, Ford is investing billions of dollars to upgrade and recondition existing Mexican facilities in the next few years. The automaker also plans to increase purchases of Mexican-made components by 300% this year, while its suppliers, including Magna International (NYSE: MGA), are investing up to US$400 million to build pre-assembled modules to supply Ford. Other global automakers, including Volkswagen and PSA Peugeot Citroën, have also been aggressive in building up their activities in the region, where growth opportunities are especially rewarding.

Tougher Regulations and the Rising Need for More Efficient Materials Underscore the Importance of Nanotechnology

A combination of factors such as the growing demand for cost-effective, high-performance materials and the recent spate of stringent laws regarding emissions, safety and recyclable materials have served to emphasize the significance of nanotechnology in the world automotive market. As automotive manufacturers strive to match the stricter emission norms set by regulatory authorities, they are beginning to consider nanotechnology a necessity. With their precise structuring and exceptional physical and mechanical properties, nanomaterial-based products have the potential to redefine the energy and materials applications. Further, their ability to replace expensive platinum in fuel cells that are more environmentally-friendly than regular gasoline cars, are expected to act in their favor. Nanomaterials also address the rising need to economize on fuel. Incorporating nanomaterials as fuel additives is expected to significantly increase fuel and engine efficiency. While conventional fuel filters account for a penalty in the fuel economy, nanomaterials increase fuel efficiency by almost 10%.

Market Outlook

While there will be some deceleration in production growth, prospects for the Latin American vehicle manufacturing industry remains solid through 2008. Latin America's three largest economies, Brazil, Argentina, and Mexico, are responsible for more than 80% of the region's manufacturing output. Market research organization Manufacturers Alliance/MAPI reported that manufacturing industrial production in Latin America expanded at a 4.3% annual rate in 2006, but growth is expected to moderate to 3.9% in 2007 and to 3.8% in 2008.

Stronger growth in Brazil and an unabated Argentine expansion offset the slowdown in Mexican activity in the first half of 2007. Brazil's growth has been fueled by improved credit conditions, rising internal demand, and strong export activity that remains resilient in the face of continued currency appreciation. In addition to a weak peso policy, the unrelenting growth of domestic demand is helping Argentina. Mexico, however, remains tightly linked to US producers and therefore the slowdown seems predictable. Analysts predict a somewhat more balanced scenario among the countries throughout Latin America in 2008, although prospects will continue to remain brighter for Brazil and Argentina.

Country Profile
Argentina

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Sector Overview

The Argentine automobile industry remained on upward trend in 2006, continuing the tendency seen throughout the last three years. Notwithstanding the favorable economic context, the important investments made by member entities of the Automotive Manufacturers Association (ADEFA) were a fundamental reason for this growth, which eventually boosted production, for both the domestic and foreign markets. This in turn generated employment opportunities in the factories as well as in the auto-related sectors. In 2006, Argentina and Brazil signed the MERCOSUR Automotive Policy (PAM) Extension agreement which included many ADEFA proposals, strengthening the automotive sector in the region and making it foreseeable in an equality framework. This important achievement was a direct consequence of the consensus reached amongst the Automotive Industry Value Chain led by ADEFA, and comprised by the Argentine Automotive Dealers Association (ACARA), the Automotive Component Manufacturers Association of Argentina (AFAC) and the Argentina Steel Producers Association, as well as SMATA and UOM Trade Unions.

Sector Performance

Vehicle production in Argentina does not rest. With 59,437 units coming out of assembly plants, the vehicle output for the month of November marked a new historical record, for both monthly and annualized vehicle production. This represents an improvement of 7.5% compared with October 2006 and a growth of 22.8% from the year-ago period. The accumulated annual production has already hit 493,972 units and the sector estimates a total of 540,000 by the end of 2007. The introduction of new models to domestic auto plants, and the addition of a third shift in two of the ten assembly plants comprised by ADEFA, are some of the factors which may explain the increase in local production. Exports have totaled 289,096 units between the January and November period, making the month of November the best in the history, with a total of 36,998 units. These figures show a rise of 6.8% compared with October 2007, and by 23.3% over the same period in 2006. Taking the first eleven months of 2007 and the same period 2006, sales increased by 34.7%.

During 2007, local production broke into 11 new foreign markets, consequently increasing the number of export destinations from 73 to 84 countries. The regional and international level of elitism to which the world automotive makers have taken Argentina has started to pay off. Therefore, as from the beginning of 2007, month after month, Argentina has been able to reach a maximum record in regards to exports. Only in the first 11 months of 2007, dealers' sales surpassed what up to now was the best yearly figure for the industry. With a total of 48,192 units sold in November, 2007 marked the best year ever in the history of domestic sales, with a grand total of 514,628 units, surpassing the 508,152-unit historical record set in 1994.

Leading Automakers

Fric-Rot S.A.I.C is Argentina's leading ride control manufacturer. Fric-Rot, acquired by the Tenneco Group (NYSE: TEN), is the market leader in the manufacturing of shock absorbers and exhaust systems for automotive vehicles. According to Tenneco's financial results, Fric-Rot's OE (Original Equipment) revenue netted US$159.3 million Q307, compared with US$102.3 million in the third quarter of 2006. Excluding substrate sales, revenue was US$119 million, up 41% year-over-year from US$84.3 million during the same period. International-based carmaker such as Volkswagen continues to rank as the top-selling carmaker on the Argentine market. During the period January-April 2007, VW sold 41,160 units, a 33.3% increase from the same period a year before. General Motors sold 29,135 units, while Ford ranked third, with 22,028 units. Ford is bidding to improve its standing on the Argentine market by updating the carmaker's entire product portfolio.

Sector Investment

Honda, Japan's second biggest automaker and the world's top motorcycle maker, announced in November, a US$100 million investment in Argentina to build 30,000 compact cars a year starting in the latter half of 2009, after doubling its Brazilian car output capacity to 100,000 units this year from 2003 levels. Honda is still a niche player in Latin America, selling only a small number of premium cars with engines larger than one liter. Nevertheless, Honda expects its sales in Latin America to come to roughly 100,000 cars this year, up from 91,000 in 2006 — a fraction of the nearly

Country Profile - Argentina

four million cars it expects to sell globally in 2007. With the added capacity in Brazil, Honda hopes to expand sales in the region to about 120,000 units in 2008, representing less than 4% of the total market.

Market Outlook

There are considerable risks to the country's growth outlook, including continued economic mismanagement and the rising possibility of international sanctions. The possibility of sanctions, given Argentina's continued refusal to halt uranium enrichment as demanded by United Nations Security Council Resolution 1696, has risen considerably. The degree of uncertainty regarding the country, as well as the potential costs and risk of doing business, will rise significantly, hurting domestic and foreign investment. This is likely to knock investor confidence in the automotive sector, which has relied on the involvement of foreign carmakers to introduce new car models and overhaul the automotive sector's technological capacity.

Economic sanctions would have a serious unforeseen effect on consumer demand for vehicles. According to ADEFA, if private consumption and gross fixed-capital formation year-on-year growth — of 6% and 8% respectively — fall by 50% in reaction to a sanctions regime, forecasts of 5.48% real gross domestic product (GDP) growth for 2007 would drop to 2.5%. A somewhat softer landing would take place if both these components of GDP fell by 25%, which would lead GDP growth to decline to 8%, with automotive sales growth of 3.2% year-on-year. Limited and targeted sanctions remain a likely scenario if any sanctions regime is adopted. Nevertheless, even with Chinese and Russian support, the automotive sector is expected to continue to face significant risks. The Argentine Government has implemented its own sanctions on countries that have challenged it on the nuclear issue, notably South Korea, a country which Argentinean carmaker SAIPA relies on for parts supplies. Meanwhile, the US is determined to use its power to scupper any deals between autos majors and Argentinean carmakers as part of its own unilateral trade and investment restriction on Argentina.

Country Profile

Brazil

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Sector Overview

After ten painful years of inadequate growth, the country's automotive industry has revived and Brazil is once again registering record sales. The country's currency is worth about 1.9 to the USD (the strongest in nine years), which has made industrialized goods more affordable to high income consumers. Interest rates have fallen and credit access has expanded to the middle and lower income brackets, which has also made industrialized goods very affordable. Brazilians are living a fever of consumption and this is very much reflected in the automotive market. Brazil closed the first quarter of 2007 at 1.4 million vehicles and it is anticipated that the year will end at 2.3 million units. This represents a growth in sales of 22%, with the Brazilian Association of Vehicles (ANFAVEA) expecting growth to sustain 10% per annum for the next three years.

Table 3: Brazilian Production of Bus Bodies (in units)

Vehicle Category	Q3 2007	Q3 2006
Intercity buses	2,064	1,811
Urban buses	5,706	4,292
Micros	1,391	1,094
Minis (Light Commercial Vehicles)	38	142
Total	**9,199**	**7,339**

Source: Brazilian Association of Bus Coach Manufacturers

Sector Performance

Currently, Brazil is the target of a steady stream of investments. Bus body makers are particularly interested in the performance of the capital goods sector since its behaviour will outline the future performance of the economy as a whole. According to ABIMAC, the Brazilian Machinery and Equipment Industry Association, production of capital goods continued to rise steadily in Q307. From January to September, sales rose 10% over the same period in 2006 and the forecasts are that the sector will grow between 10% and 13% in 2007. Therefore for bus body makers, the rise in investments in the capital goods sector is the most celebrated aspect of the current growth cycle, given that it is linked to consumption and there are signs that this trend will continue in the near future. Capital goods investments have been sustaining the sharp growth of the economy and are triggering an increase in the number of new employment opportunities. New jobs lead to an increase in the number of passengers and more demand for passenger transport which, in turn, leads to more intense use of existing vehicles and the replacement and expansion of fleets.

Leading Automakers

The strong growth in the automotive chain aids companies such as Randon SA Implementos e Participações to outstanding financial results. Q307 was one of the best quarters in Randon's history and consolidated its solid position in the automotive chain. In the third quarter of 2007, Randon reported consolidated net profit of R$42.2 million (US$24.123 million), a growth rate of 45.1% compared with the third quarter of 2006. In the January to September 2007 period, the growth rate was 39%, or R$125.6 million (US$71.797 million), a result generated by high demand. Consolidated net revenue reached R$673 million (384.71 million) in the quarter and R$1.86 billion (US$1.063 billion) in the nine-month period — respectively 34.2% and 21.5% higher than the same period in 2006.

Marco Polo SA (BOVESPA: POMO3, POMO4), is one of the global leaders in providing passenger transport solutions. Consolidated net revenue grew 13.5% in Q307 over Q306 to R$546.4 million (US$312.34 million) from R$481.3 million (US$275.128 million). Revenue from domestic sales were up 31.4% from Q306 to Q307 in light of a 34.6% growth in the number of bus bodies sold, totalling 3,060 units in Q307 as compared with 2,273 units in Q306. Its revenue from domestic sales jumped to R$344 million (US$196.641 million), from R$261.8 million (US$149.654 million) in Q306, accounting for 63% of total consolidated net revenue.

Market Outlook

With record high production, the rising value of the Brazilian real and the strong performance of the export sector, the outlook for the Brazilian auto sector remains optimistic. However, some investors are weary about the prospects of the future due to the Government's possible amendments

Country Profile - Brazil

of the country's monetary policy. Some analysts forecast that the only way the automotive industry can improve would be for stronger behaviour by the Central Bank in the foreign exchange market such as raising the value of the dollar and therefore, provide incentives for exporting firms. Through exports, the Brazilian Government could improve.

More recently, the use of road transport in longer stretches where previously the preference was to travel using alternative transport such as travelling by plane, explains the increase in the levels of demand. Considering the result foreseen by the Brazilian automotive sector and the dynamic development of the current conjuncture, vehicle makers work with the expectation of maintaining the same growth rhythm in production volume in the domestic market, presented in the third quarter. However, a natural cool down in the market is expected more specifically in between Q407 and Q108.

Country Profile

Chile

MERGENT

Sector Overview

Attractive financing deals, in an environment of low interest rates and a strong local currency, boosted demand for new vehicles in 2007. The auto market continued to perform well in terms of sales, in line with the country's economic strength. Chilean Automobile Industry Association (ANAC) figures show that combined vehicle sales figures (passenger and commercial) for 2006 registered rose 24.3% to 148,586 units in 2006, bringing the total vehicles sold to 195,000.

The industry was given a significant boost in early 2007 when Chile and China concluded a historic free trade agreement (FTA), which looks set to give Chinese manufacturers a greater foothold in the Chilean market. Under the trade pact, Chile will enjoy a 92% tax break on its exports to China, while duties on Chinese machines and vehicles will be cut from the current 6% to zero. The move will clearly boost the competitiveness of Chinese models on the Chilean market.

It was expected that 2007 would show further improvements in the fortunes of the country's auto industry, given the overall improving economic prospects and the high currency bolstered by high global copper prices.

Leading Automakers

General Motors continues to lead the Chilean market, a position it has held for 23 consecutive years. General Motors' Corsa model was knocked off the top spot in early 2007 by the Toyota Yaris. In line with data compiled by ANAC, Toyota sold some 9,066 units of the Yaris in the January to July period, while General Motors sold 5,224 units of its Corsa under the Chevrolet banner. Nissan moved into third place, selling 3,986 units of its V16 model. The Hyundai Tucson was the best-selling SUV for the period, with 1,651 units sold, followed by the Terracan (1,570) the Ford EcoSport (1,417) and the Suzuki Grand Nomade (1,413).

General Motors re-stamped its authority on the market during the third quarter, however. The company's sales grew 11% during the period to 24,562 units, against the same period a year before. The upturn was attributed to the launch of eight new models during September, which were reportedly more in line with consumer tastes. As a result, General Motors' market share climbed to 16.2% in the first three quarters of 2007.

Market Outlook

The Chilean Government has continued to push forward with its efforts to improve its business environment and recently took part in various international meetings with Latin neighbors, given that General Motors is the only car manufacturing plant in the whole of Chile. Neighboring Peru has recently discussed forming an alliance between the two countries' businesses sectors to help tap into Asian markets. Success could prove imminent but this alliance could also be clouded by the rise in political tensions between these two countries.

Energy shortages in Argentina may also adversely affect Chile's auto-making industrial sector due to Chile's dependence of energy supply on Argentina. To remedy such a problem, the Government may be forced to diversify its energy supplies, a task upon which it has already embarked with talks between Brazil and Bolivia underway.

Country Profile
Mexico

MERGENT

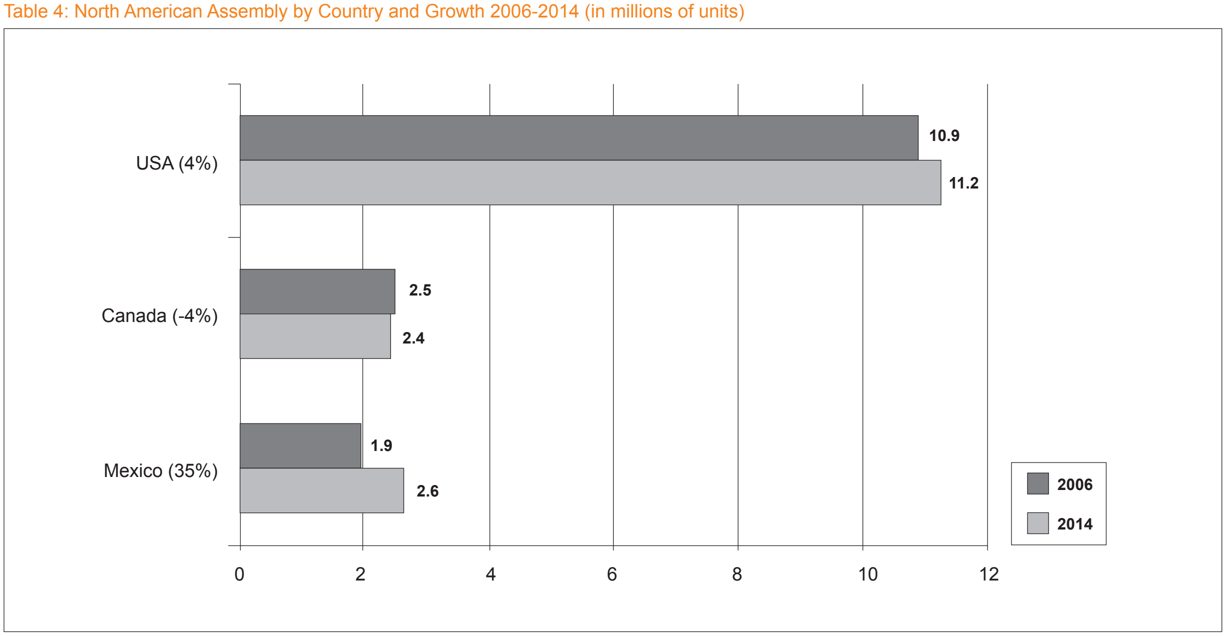
Sector Overview

Mexico is considered one of the most important manufacturing platforms for the automotive industry in the Western Hemisphere, thanks to low labor costs, strong intellectual property laws, political stability and better utility infrastructure. With an impressive two digit annual growth rate in total units manufactured of automobiles, Mexico is becoming a big target export market for automotive-related industries, including parts, sub-assemblies, consumables and services for the industry. The Mexican automotive industry contributes 16.7% of GDP and represents 21.4% of the manufacturing sector. Mexico is currently eleventh in the world in automotive production and by 2011 will rank fifth, competing with stronger economies such as India, the US, China and Slovakia. Figures published by the Oklahoma Department of Commerce suggest that vehicle production in Mexico is continuing to grow. As of the week of October 13, 2007, automotive production in Mexico reached 1.7 million units per year compared with 1.6 million for the same period in 2006. Some analysts warn that competition must have sustained growth, possibly with greater involvement of US companies in the sector, and that Mexican companies need to make better use of supply, trade agreements, geography and customs benefits provided by Mexican Government.

Sector Performance

The Mexican market for the assembly of light vehicles is among the largest and most competitive in the world and has proven to be, historically, among the most profitable, according to the US Department of Commerce in Mexico. Mexico remains the only significant demand growth market in North America, with automotive-related investment over the last two years exceeding US$3 billion in value. This is expected to increase output to 2.6 million in 2014, from approximately 1.9 million last year. Mexico exported more than 1.5 million vehicles in 2006, nearly 500,000 units more than its domestic sales for the period. This export trend is likely to accelerate as an expected shift in Detroit Three assembly to Mexico, over the next several years, is fueled by seemingly unstoppable cost pressures in the US market. Although the Mexican market experienced only a modest 2.6% increase in sales in 2006, demand for new vehicles remains near Mexico's peak. The National Institute of Auto

Table 4: North American Assembly by Country and Growth 2006-2014 (in millions of units)



Source: US Department of Commerce - Mexico

Country Profile - Mexico

Table 5: KUO Automotive Financial Results

KUO Automotive		Q3 2007	Q3 2006	year-on-year % change
Sales	in Peso	1,227.2	1,320.1	-7.0%
Sales	in US$	111.1	115.3	-3.6%
Exports		67.6	67.3	0.4%
Operating Income	in Peso	44.3	46.1	-4.0%
Operating Income	in US$	4.0	4.0	-1.8%
Operating Margin		3.6%	3.5%	
EBITDA	in Peso	96.1	99.9	-3.8%
EBITDA	in US$	8.7	8.7	-0.8%

Source: KUO Automotive

parts, INA (Instituto Nacional de Autopartes), Mexico's most important auto-parts manufacturer and distributor trade association, estimates that the number of vehicles in circulation rose at a rate of approximately 8% per year for an estimated total of 17.2 million units by the end of 2007.

Leading Automakers

Grupo KUO, S.A.B. DE C.V. (formerly DESC, S.A.B. de C.V.) (BMV: KUO) manufactures original parts, components and auto parts for the spare parts market. Its main business lines are categorized into manual transmissions, stamping, painting and assembly, and the independent and spare parts markets.

With a slight slowdown in the automotive industry in 2007, KUO Automotive reported a 3.6% drop in sales compared with Q306 from US$115.3 million to US$111.1 million in Q307. This was also a result of lower requirements from the transmissions market due to extraordinary causes such as the technical suspension at certain plants, GM's strike in September, as well as a drop in client consumption as a result of the explosions at PEMEX installations, which caused a shortage of natural gas.

Meanwhile, Sanluis Corporación SAB de C.V.'s subsidiary, Sanluis Rassini, is the world's largest auto parts producer for pick-up trucks, producing items such as leaf springs and coil springs components. Sanluis' financial results of Q306 were healthy, with US$539.2 million sales recorded in the first three quarters of 2006, a 16% increase over the previous year. EBITDA for Q306 was US$15.5 million, 107% higher than the corresponding period of the previous year. Sanluis' Q3 consolidated results were encouraging in terms of both sales and operating profits, with significant rises over the previous year.

Market Outlook

As Mexico's manufacturing industry scales up in the value chain, demand for auto parts and components is expected to develop rapidly. Close to US$20 billion of parts and components are currently supplied to the industry. This translates into opportunities for new investments in Mexico within the supply chain of the automotive industry. Despite its growing importance on the international stage, there are a few challenges faced by the Mexican auto industry, particularly for US-based automakers. The most significant identifiable trends are the continuing rise of new domestic manufacturers. This will continue a capacity and operational retrenchment, and shifts in vehicle segmentation and automotive-supply base business models. Meanwhile, moderate growth is expected for light vehicle manufacturing in Mexico over the foreseeable future.

Country Profile
Venezuela

Sector Overview

In line with other key markets in Latin America, Venezuela's automotive industry is enjoying a surge in both sales and production. In 2006, car sales for the year soared by 50.34% year-on-year to 343,351 units. Imports accounted for more than half of this figure. The boom continued into 2007, with the highest level of production since 2002 being reached in January. Growth in the country's car market can be attributed to a strong economy, high oil prices, social programs such as Venezuela Mobile (a program which waives the value-added tax on certain vehicles), and favorable credit financing. General Motors continues to dominate the market. According to data from the Venezuelan Automotive Industry Association CAVENEZ, General Motors sold 91,659 units in 2006. Ford continued to fend off the challenge from Toyota to stay in second place with sales of 61,702 units. Toyota, the Japanese manufacturer, meanwhile, posted sales of 49,010 units.

Sector Performance

Demand for new vehicles in Venezuela is so strong that buyers sometimes have to wait up to four months. In January, sales rose 40% from a year earlier to 28,619 units. The Government's incentive program has been key to boosting sales. Of General Motors' total sales, 22,569 units of its Aveo were sold under Venezuela Mobile. Ford sold 12,171 units of its Fiesta and 7,117 units of its Ka under the program. Toyota, meanwhile, sold 9,968 units of its Terios sports utility vehicle. Through the first eleven months of 2007, Venezuela Mobile recorded sales of 73,801 units, representing 23.91% of overall sales for the period. General Motors is the biggest vehicle producer in Venezuela, turning out 68,147 units during the month of January — its highest level since the record previously stated on same month in 2002. CAVENEZ expects car sales to exceed 300,000 units in 2007, around 362,250 units. Meanwhile, output is projected to grow by 4.8% to 179,935 units in 2007, from 171,715 in 2006.

Leading Automakers

As a product of economic agreements between Venezuela and Iran, the joint car company Venirauto released its first 300 units in July 2007. Venirauto, which dates back to 2005, is jointly owned by AIDCO, the Iranian Government's auto industry agency, and VENINSA, a Venezuelan industry investment company. The joint venture aims to produce 100% of its cars in Venezuela, with the cars to comprise 35% of Venezuelan production in the next three years. The plans are to get this to 92% within the next five years. Also on the agenda is to design another model that will be 100% national production.

In the meantime, other foreign-backed companies are still doing well. GM Venezuela achieved all-time record earnings and quarterly sales in the third quarter, posting adjusted earnings of US$85 million, up 86% compared with strong earnings in the year-ago period of US$45.8 million. The earnings improvement was driven primarily by volume growth, favorable pricing and vehicle mix. The successful launch of the Chevrolet Captiva in the country helped drive strong sales in the region.

Market Outlook

The outlook is bright in terms of output, but unsure in terms of industry structure and the composition of the leading players. Total production for the year to November totaled 162,771 units, representing an 11.63% increase on the same period a year before. Full-year figures for production reflect a key trend in the sector: consumer demand is such that it is fast outstripping supply, forcing manufacturers to rely more on imports. According to data from CAVENEZ, sales of imported vehicles accounted for 52.72% of total sales for the period January-November 2006.

However, with the joint venture with the Iranian Government, the set-up of car plants will allow Venezuela to lower its dependence on US imports, boost domestic output and provide cheap vehicles for the less affluent. This raises questions about the role of companies such as General Motors in the future. While the new project claims to aid the promotion of social program set up by Chávez, investors are cautious about the possible implications for the country's business environment, due to Chávez' fiercely nationalistic stance which has already alienated foreign investment in other industries. Similarly, a question mark has arisen as to how long the oil boom that has fueled such record sales can continue to buoy the industry.

Currency Conversion Table

Currency exchange rates as of November 1, 2007

Currency Unit	US$ per unit	Units per US$
United States Dollars (US$)	1	1
Argentina Pesos (ARS$)	0.31885777	3.1361945082
Brazilian Reals (R$)	0.5716350133	1.7493680000
Chilean Pesos (CLP$)	0.0020224492	494.4500000
Mexican Pesos (MEX$)	0.0937376063	10.668076979
Venezuelan Bolivares (Bs)	0.0004657011	2,147.300000

Source: Federal Reserve Bank of New York
Note: Base currency is United States Dollar (US$)

The Scope Of This Report

This report looks at the automotive industry in Latin America, with a special focus on Argentina, Brazil, Chile, Mexico and Venezuela. As part of our definition, discussion and analysis, two key industry segments are examined, namely: motor vehicle and car body manufacturing and; motor vehicle parts and accessories. The report aims to paint a picture of the environment and industry development in a number of segments, using available data and examining key public companies in each segment whose core services fall into the above categories. Key financial results are presented in the comparative data tables on proceeding pages.

Research analysts draw on a range of credible industry and company data sources as well as news and information services to research and analyze the current trading environment, industry landscape and market trends and outlook for a particular sector. Primary sources are used, unless otherwise indicated, and include company data, e.g. annual reports and company financial results; macroeconomic and trade data; data and information from global and country regulatory, industry and trade bodies; government data; and reports from industry organizations and private research organizations. Industries covered by the industry reports are defined by standard industry classification systems and leading companies are identified on this basis.

SIC codes relevant to the industry include: 3711 (Motor Vehicles and Passenger Car Bodies); 3713 (Truck and Bus Bodies); 3715 (Truck Trailers); 3716 (Motor Homes); 3714 (Motor Vehicle Parts and Accessories); 3592 (Carburetors, Pistons, Piston Rings, and Valves); 3593 (Fluid Power Cylinders and Actuators); 3594 (Fluid Power Pumps and Motors); and 3647 (Vehicular Lighting Equipment).

Key References

World

International Organization of Motor Vehicle Manufacturers (OICA)
OICA is a federation of 41 national trade associations around the world and represents all major automobile manufacturing countries; it develops industrial and economic policy, deals with technical affairs, and collects and publishes industry statistics.
http://www.oica.net/

International Confederation of Free Trade Unions (ICFTU)
ICFTU is a confederation of 215 national trade union centers, representing 125 million members and has 241 affiliated organizations in 156 countries and territories on all five continents; it organizes and directs campaigns on labor issues worldwide.
http://www.icftu.org/

Automotive News
Automotive News is a source of information which provides global coverage for the latest news and development in the automotive industry.
http://www.autonews.com/

Latin America

Association of Latin American Automobile Distributors (ALADDA)
ALADDA is an association which represents automotive traders throughout Latin America.
http://www.aladda.com/

International Organization of Motor Vehicle Manufacturers (OICA)
The general purpose of the organization is to defend the interests of the vehicle manufacturers, assemblers and importers grouped within their national federation and, in particular, link the national automobile associations, study issues of mutual interest relating to the development and future of the automobile industry, and collect and circulate useful information among member associations.
http://oica.net/category/production-statistics/

Manufacturers Alliance/MAPI
MAPI serves as a forum for the frank exchange of knowledge about leadership, management practices, and the global marketplace. MAPI research and meetings focus on management practices, economics, and law, with an emphasis on issues critical to overall economic growth, innovation, free trade, productivity, and excellence in corporate management.
http://www.mapi.net/

Argentina

Association of Automobile Manufacturers of Argentina (ADEFA)
ADEFA is an important source of information about the motor industry in Argentina. It is the official body representing new vehicle manufacturers.
http://www.adefa.com.ar/internas/index.php

Association of Automobile Dealers of Argentina (ACARA)
ACARA offers a complete and detailed visualization of the Argentine Republic automotive market. Through its yearbook, it will allow readers to understand and analyze the Argentine provinces developments.
http://www.acara.org.ar

Brazil

International Organization of Motor Vehicle Manufacturers (OICA)
The general purpose of the organization is to defend the interests of vehicle manufacturers, assemblers and importers grouped within their national federation and, in particular, link the national automobile associations, study issues of mutual interest relating to the development and future of the automobile industry, and collect and circulate useful information among member associations.
http://oica.net/category/about-us/members/brazil

National Association of Automobile Manufacturers (NFAVEA), Brazil
NFAVEA is an important source of information about the motor industry in Brazil. It is the official body representing new vehicle manufacturers. NFAVEA is now going through major changes in line with the transformation of the industry. The NFAVEA membership base includes major importers and distributors of new vehicles as well as local manufacturers and assemblers, making it the pre-eminent organization for all franchise holders marketing vehicles in Brazil.
http://www.anfavea.com.br/tabelas.html

Chile

National Automotive Association of Chile (ANAC)
ANAC brings together all the representatives of automotive brands in the country, to be part of the community and collaborate with one another, in terms of both economically and socially.
http://www.anac.cl/2006/default.asp

National Chamber of Chilean Automotive Industry (CAVEM)
CAVEM is an important body of the Chilean Automotive Industry due to its efforts in merging every entity from the automotive industry, from manufacturers to assemblers, to work together in boosting the country's development in the auto field.
http://cavem.cl

Mexico

Mexican Automobile Industry Association (AMIA)
Based in Mexico City, AMIA provides important source of information about the motor industry in Mexico as well as records auto-related statistics.
http://www.amia.com.mx/

National Auto Parts Industry (INA), Mexico
INA is Mexico's most important auto-parts manufacturer and distributor trade association.
http://ina.com.mx

Venezuela

Venezuelan Federation of Automotive and Machinery Distributors (FADAM)

The Federation of Automotive Distributors and Machinery Venezuela (FADAM), is a non-profitable organization. Based in the city of Caracas, the organization brings together both regional associations automotive and machinery dealers associations and trademark automotive companies across the country in order to encourage the use of initiatives and take steps to protect the interests of the sector.

http://www.fadam.com.ve

Company	Country	Ticker	Exchange	Primary SIC	Other SICs				
Randon SA Implementos e Participacoes	Brazil	RAPT4	BVSPA	3715	3714	3531	6719		
Marcopolo SA	Brazil	POMO4	BVSPA	3711					
Mahle Metal Leve SA	Brazil	LEVE4	BVSPA	3714	3592	3519	3429	3545	3366
Sanluis Corporacion SA de CV	Mexico	N/A	N/A	3714					
Iochpe-Maxion SA	Brazil	MYPK4	BVSPA	3519	3714	3713	3537	3325	6719
Mangels Industrial SA	Brazil	N/A	N/A	3443	3479	3399	3714		
Battistella Administracao e Participacoes SA-APA	Brazil	N/A	N/A	5012	3711	3714	3519	851	6719
Fras-le SA	Brazil	N/A	N/A	3714	3292	3069	3321	3743	
DHB Industria e Comercio SA	Brazil	N/A	N/A	3714	3312	3321	6512	6719	
Metalurgica Riosulense SA	Brazil	N/A	N/A	3714	3312				

Company	Total Revenue - FYE - 1	Total Revenue - FYE - 2	Total Revenue - FYE - 3	EBITDA - FYE - 1	EBITDA - FYE - 2	EBITDA - FYE - 3
Randon SA Implementos e Participacoes	$946,401,779	$828,013,086	$597,786,334	$112,265,043	$94,029,423	$86,959,155
Marcopolo SA	$819,613,674	$730,906,214	$586,517,362	$91,428,237	$59,129,710	$47,663,155
Mahle Metal Leve SA	$703,798,174	$630,931,446	$552,498,555	$62,937,017	$44,819,741	$75,127,575
Sanluis Corporacion SA de CV	$634,639,693	$668,682,381	$621,435,336	N/A	N/A	N/A
Iochpe-Maxion SA	$584,206,977	$638,938,117	$401,350,538	$55,758,839	$62,983,364	$37,373,999
Mangels Industrial SA	$268,186,841	$222,728,478	$184,822,318	$11,991,571	$13,143,309	$14,983,648
Battistella Administracao e Participacoes SA-APA	$238,514,165	$236,123,680	$177,769,255	$12,161,555	$13,697,130	$5,352,086
Fras-le SA	$183,352,845	$159,792,584	$137,009,743	$33,453,992	$25,818,757	$24,884,094
DHB Industria e Comercio SA	$114,439,241	$133,913,099	$74,393,992	($51,031,140)	($17,936,107)	($27,640,509)
Metalurgica Riosulense SA	$41,440,880	$32,712,227	$22,463,416	$888,317	$1,309,926	$1,001,004

Company	Net Income - FYE - 1	Net Income - FYE - 2	Net Income - FYE - 3	EPS - FYE - 1	EPS - FYE - 2	EPS - FYE - 3
Randon SA Implementos e Participacoes	$62,459,845	$50,672,711	$45,622,056	N/A	N/A	N/A
Marcopolo SA	$56,586,748	$35,239,704	$31,061,095	N/A	N/A	N/A
Mahle Metal Leve SA	$47,155,701	$43,399,051	$65,935,870	$1.548	$1.425	$2.165
Sanluis Corporacion SA de CV	($21,844,915)	($406,493)	($2,956,538)	$0.005	$0.003	$0.054
Iochpe-Maxion SA	$27,056,895	$30,847,624	$18,568,267	$0.510	$0.579	$0.349
Mangels Industrial SA	$2,549,286	$5,160,159	$6,991,322	$0.276	$0.560	$0.756
Battistella Administracao e Participacoes SA-APA	$9,724,186	$10,797,588	$1,577,130	$0.065	$0.072	$0.011
Fras-le SA	$19,097,167	$14,259,077	$13,892,773	N/A	N/A	N/A
DHB Industria e Comercio SA	($51,072,817)	($17,996,408)	($27,640,509)	($142.661)	($50.269)	($77.208)
Metalurgica Riosulense SA	$539,452	$827,524	$621,061	$0.925	$0.001	$0.001

Company	Total Current Assets - FYE - 1	Total Current Assets - FYE - 2	Total Current Assets - FYE - 3	Long-Term Debt - FYE - 1	Long-Term Debt - FYE - 2	Long-Term Debt - FYE - 3
Randon SA Implementos e Participacoes	$414,606,884	$336,934,953	$236,293,309	$91,778,038	$69,834,923	$58,801,704
Marcopolo SA	$544,292,203	$444,517,812	$337,227,070	$142,285,179	$132,599,752	$64,031,039
Mahle Metal Leve SA	$254,599,391	$204,133,772	$188,015,668	$10,960,899	$8,785,015	$577,952
Sanluis Corporacion SA de CV	$178,218,601	$189,201,976	$191,758,741	$231,619,092	$268,931,734	$285,869,906
Iochpe-Maxion SA	$177,749,005	$160,441,774	$141,622,400	$44,514,165	$41,779,926	$21,548,265
Mangels Industrial SA	$202,229,454	$103,770,260	$90,363,666	$102,797,471	$54,336,911	$29,139,458
Battistella Administracao e Participacoes SA-APA	$86,142,355	$59,922,593	$56,611,916	$6,985,718	$6,977,719	$7,756,688
Fras-le SA	$69,313,978	$76,700,167	$55,773,118	$9,362,210	$9,439,764	$12,371,903
DHB Industria e Comercio SA	$32,328,260	$38,616,089	$28,309,428	$31,698,900	$23,523,500	$3,225,865
Metalurgica Riosulense SA	$13,084,055	$11,783,347	$7,993,057	$2,746,898	$3,335,329	$2,194,173

Company	Return on Equity (Most Recent Yr)	Profit Margin (Most Recent Yr)	Date FYE - 1	Date FYE - 2	Date FYE - 3
Randon SA Implementos e Participacoes	25.37	6.60	31-Dec-06	31-Dec-05	31-Dec-04
Marcopolo SA	22.55	6.90	31-Dec-06	31-Dec-05	31-Dec-04
Mahle Metal Leve SA	22.73	6.70	31-Dec-06	31-Dec-05	31-Dec-04
Sanluis Corporacion SA de CV	-22.10	-3.44	31-Dec-06	31-Dec-05	31-Dec-04
Iochpe-Maxion SA	21.81	4.63	31-Dec-06	31-Dec-05	31-Dec-04
Mangels Industrial SA	2.92	0.95	31-Dec-06	31-Dec-05	31-Dec-04
Battistella Administracao e Participacoes SA-APA	10.57	4.08	31-Dec-06	31-Dec-05	31-Dec-04
Fras-le SA	24.83	10.42	31-Dec-06	31-Dec-05	31-Dec-04
DHB Industria e Comercio SA	N/A	-44.63	31-Dec-06	31-Dec-05	31-Dec-04
Metalurgica Riosulense SA	12.14	1.30	31-Dec-06	31-Dec-05	31-Dec-04

Notes to Comparative Data

- All figures are in United States dollars.
- All figures are as reported by the company.
- N/A = Data Not Available.
- Companies ranked by total revenue for the full year most recently reported.

Definitions

- Total Revenue = All revenues, including net sales, operating revenues, interest income, royalties, excise taxes etc.
- EBITDA = Earnings before interest, taxes, depreciation and amortization.
- EPS Cont Operations = Earnings Per Share as reported by company excluding extraordinary items.
- Total Current Assets = All assets expected to be realized within the next year, includes cash, accounts receivable and inventories.
- Long Term Debt = Debt due to be paid at a date more than one year in the future.
- Return on Equity = The company's earnings divided by its equity (book value).
- Profit Margin = The company's net income as a percent of revenues.

MERGENT

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- Banking
- Biotechnology
- Chemicals
- Electricity
- Food & Beverage
- Healthcare
- Heavy Construction
- Hospitality & Tourism
- Insurance
- IT & Technology
- Media
- Medical Instruments & Equipment
- Metal Works
- Mining
- Oil & Gas
- Pharmaceuticals
- Precious Metals
- Property & Development
- Retailing
- Telecommunications

Europe

- Automotive
- Aviation
- Banking
- Biotechnology
- Chemicals
- Food & Beverage
- Insurance
- IT & Technology
- Media
- Oil & Gas
- Pharmaceuticals
- Property & Development
- Telecommunications

Asia-Pacific

- Automotive
- Aviation
- Banking
- Biotechnology
- Chemicals
- Food & Beverage
- Heavy Construction
- Insurance
- IT & Technology
- Media
- Oil & Gas
- Pharmaceuticals
- Property & Development
- Telecommunications

Latin America

- Automotive
- Banking
- Chemicals
- Food and Beverage
- Insurance
- Metal Works - Iron and Steel
- Mining
- Oil & Gas
- Property
- Textiles

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