

PwC *European Market Review*

A dynamic year finished with great result

2015 showed the strongest car sales growth in 25 years

Autofacts estimates 9.2% growth of new car registrations in Europe for 2015. This result makes Europe the strongest-growing region, and underscores the strategic importance of the area for the global automotive industry

Industry Events and News

Looking back at 2015, the year appears full of significant events in both the markets as well as industry structure.

Just to mention a few headline items: in spring, the long-reigning Ferdinand Piech was forced to step down as president of Volkswagen, followed by a reshuffling of numerous board positions. Two traditional powerhouses of the German supplier industry were involved in major transactions: Getrag, the family-owned maker of manual transmissions, was sold to the Canadian-based components multi Magna. ZF, the maker of automatic transmissions, acquired the multi-faceted business of TRW, in order to strengthen its footprint in the emerging field of electronics and electrical systems.

On the market side, Germany defended its position as the largest market, with total new car registrations reaching slightly over 3.2 million. Such high sales have not been seen in Germany since the incentive-driven 3.8 million in 2009, and have been achieved with an absolute growth of almost 170,000 units, equating to 5.6% increase over 2015. The greatest absolute growth, however, has been achieved in Italy, with an increase of impressive 200,000 units, or more than 15% – such extreme shifts would have appeared unrealistic, had they been suggested as a forecast a year ago. As the growth in Italy can be attributed to a catch-up effect after the market sank into a deep crisis and special effects, e.g. Expo Milano 2015, sales in Spain showed a spectacular rebound of almost 180,000 units or 20%, to break the barrier of one million for the first time since 2009. The UK market soared to a historical high on the basis of an already-strong 2014. Total new car sales on the island achieved over 2.6 million, after a growth of almost 160,000 units, or an unexpected 6.3%. Even France, where recovery seems most unsure, grew by almost 7% or over 120,000 units to over 1.9 million new

sold cars. Accounting for the remaining countries in West Europe, Autofacts estimates total new cars sales grew by more than one million units or 9%, to 12.7 million.

The markets in Central Europe contributed their fair share to the sure, growing by almost 12% and nearing the mark of 1 million sales. The largest market in the region, Poland, showed 350,000 new car sales, while the much-smaller automotive wonderland Czech Republic grew a spectacular 20% to 230,000 units. Overall, the actual sales result of 2015 exceeded expectations by a wide margin due to a combination of favourable external factors and significant pent-up demand waiting to be released.

With global oil prices remaining at low levels around or below 50\$ per barrel, the market situation is not very favourable for alternatively fuelled vehicles (AFVs). On a still-low level, European consumers are slowly embracing AFVs – registrations in the EU increased by 13.4% in Q3 2015 compared to Q3 2014: Pure electric vehicles showed impressive growth of 62.2% to 28,360 registrations in Q3 2015 while hybrid electric vehicles grew by 34.7%, totalling 53,183 units. However, not all AFV segments have shown growth in Q3 2015: Registrations of new passenger cars fuelled by propane or natural gas dropped by 17.1% to 46,118 vehicles.

Economic and Market Developments

Energy prices further held down inflation in the Eurozone in December, as headline CPI remained unchanged from November 2015 at 0.2% YoY. At the same time, core inflation remained stable at 0.9% YoY. While energy prices were further retreating, the annual inflation of food, alcohol and tobacco products as well as services stayed safely above 1%, suggesting that non-energy deflationary pressures remain unlikely in the Eurozone. However, vibrant labour markets in core economies should allow core inflation to rise in 2016

After a bumper year, Autofacts suggest a more cautious outlook

For the West European car markets, Autofacts forecasts ongoing growth of 3.9% in 2016, with sales in the new EU states rising at almost twice the rate

and push headline CPI up as energy prices remain under pressure. As such, the German labour market continued to show strength at the end of 2015. Employment and vacancies further increased, suggesting that the labour market is tightening further on the back of strong domestic demand.

The Euro area Economic Sentiment indicator (ESI) rose to 106.8 points in December from 106.1 in November, reaching its highest level since April 2011. These figures provide the ECB with a little breathing room after lower-than-expected CPI inflation figures raised expectations that the central bank may need to apply additional monetary stimulus in order to return inflation towards its target. Furthermore, this supports the notion that the region remains resilient to the adverse global environment. Improved economic sentiment, however, contrasts with the disappointing retail-sales figures, which decreased for the third consecutive month in November.

However, after the fall of oil and energy prices, the ECB will have little choice but to acknowledge that their CPI inflation forecast for 2016 of 1.0% is now far too optimistic. While this has undoubtedly raised the likelihood of further policy action, the encouraging run of activity data and the recent tone of comments from various members of the Governing Council, the main decision-making body of the Eurosystem, suggest that immediate action is unlikely. Currently it seems most likely that the ECB will make no further substantial adjustments to its quantitative easing (QE) programme.

Both the composite and service sector Purchasing Manager Sentiment Indices (PMI) came in stronger than expected in the final month of 2015. Furthermore, following a disappointing summer when PMIs took a hit due to emerging markets turbulence, the final quarter of 2015 saw broad-based expansions in PMIs, indicating that the Euro area ended the year on solid footing. In December, Italy surprised on the upside with service sector PMI rising to a five year high. Meanwhile, the Spanish service sector PMI declined to 55.1, suggesting that the sentiment in the sector was dented by political uncertainty in the run-up to the general elections.

Recent developments outside the European Union, in China in particular, have added to concerns that

external weakness could undermine the ongoing recovery. However, for now at least, this negative development is offset by further improvements in the health of the domestic economy. Overall, today's data suggests that the 2016 EU and Euro area growth story will find further support in domestic demand thanks to low inflation and vibrant labour markets that will support consumer spending. Together with a continuous oversupply of liquidity, credit rates should remain benign, further supporting new car sales.

Outlook and Forecast

As the industry is taking stock of the strong year 2015, the outlook towards 2016 is governed by anxious looks towards the main impacting factors. First and foremost, the political environment is assumed to remain stable in Autofacts' basic forecast. Social tensions due to security issues and immigration are expected to remain controllable, and policies of national governments continuing within the framework of the basic values of the EU treaties – just after the EU institutions managed the tensions due to the fallout of the financial crisis on Ireland and Greece, and are now looking at impeding developments in the United Kingdom. Further assumptions include a continuing of low energy and fuel prices as well as low interest rates and stable vehicle prices. We still assume that customers will remain interested in intelligent, efficient and beautiful new cars, especially when they come from big brands with well-developed dealer networks and an agile, interesting internet presence.

Based on the ongoing onslaught of new vehicle and technology launches, a generally positive economic outlook and significant pent-up demand, we expect the positive development of sales to continue into 2016, at a total car sales growth rate of 3.7%, to 14.73 million new car sales. In addition, Autofacts expects the highly volatile market for light commercial vehicles to grow by 7.5% to 1.9 million units. In total, the EU sales market is forecast to account for 16.63 million new light vehicle sales, only slightly behind the 17.5 million the automotive industry expects for the United States in 2016. The EU remains one of the most challenging but also rewarding global regions to do automotive business in – and will continue to be so.

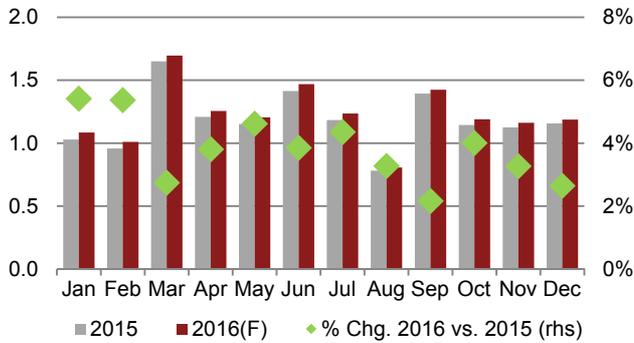
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Europe

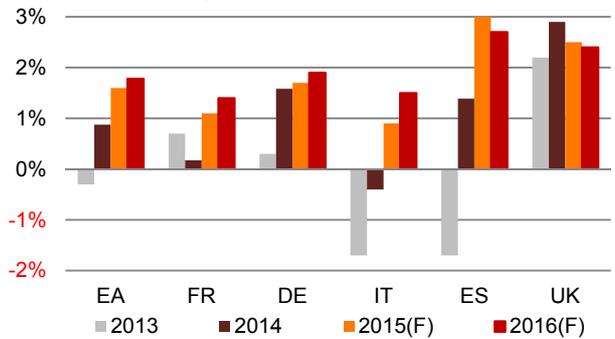
European Automotive Dashboard

EU+EFTA: Monthly Car Registrations
2015 - 2016 (millions)



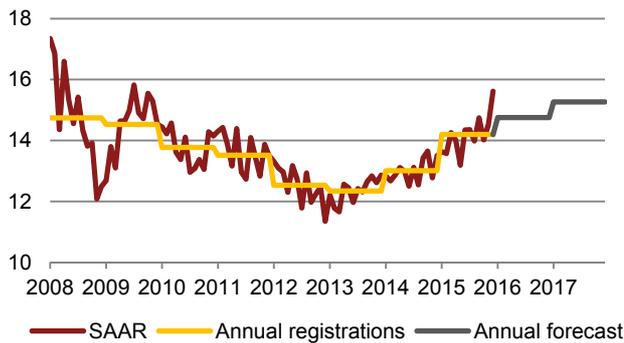
Source: ACEA, PwC Autofacts Analysis

EU Top 5: Economic Outlook
Real GDP annual growth



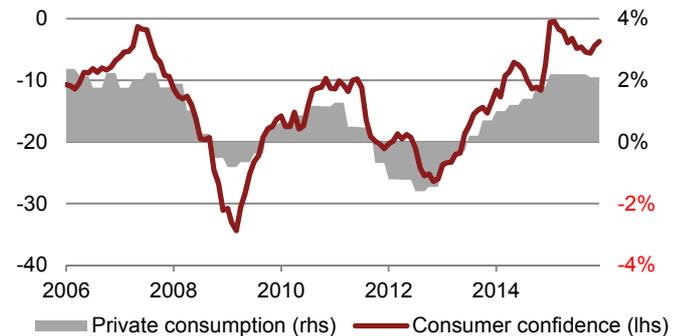
Source: Oxford Economics (January 2016)

EU+EFTA: New Car SAAR & Forecast
2008 - 2017 (millions)



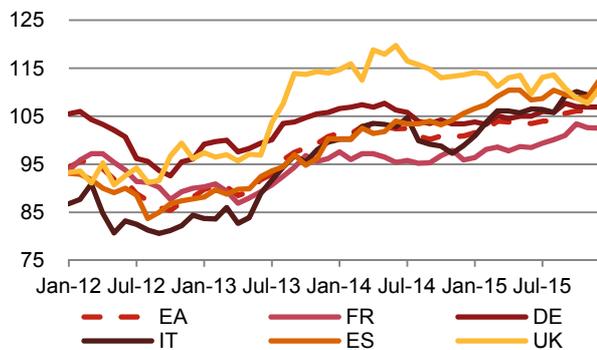
Source: PwC Autofacts Analysis

EU: Private Consumption & Confidence
Jan 2006 - Dec 2015 (balance, QoY%)



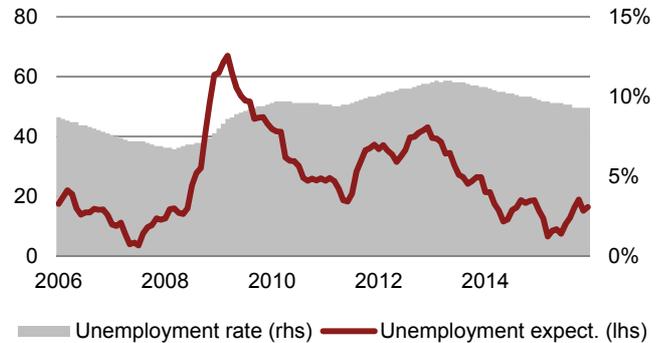
Source: Oxford Economics, European Commission (January 2016)

EU Top5: Economic Sentiment Indicator
Jan 2012 - Dec 2015



Source: European Commission (January 2016)

EU: Unemployment Rate & Expectations
Jan 2006 - Dec 2015 (balance, percentage)



Source: Oxford Economics, European Commission (January 2016)

France

The very good order intake level in December is a first positive indicator that the French market will continue its recovery in 2016

Industry Events and News

During the 2015 Paris Climate Conference in November, transportation related topics were back on the table to discuss how to fight pollution and CO₂ emissions. It reminds of the mid-term plan for less carbon (2030-2025) which the French government disclosed in August 2015. The purpose of the mid-plan is notably to promote new ways of commuting, e.g. carpooling. The objective is to increase the usage rate of private cars from 1.4 person per car in 2008 to an average of 1.8 to even 2.0 by 2030. This assumed increase of car sharing in urban areas could have an impact on new vehicle sales.

Economic and Market Developments

French new car sales totalled 1,917,230 units, up very encouraging 6.8% or 121,345 units over 2014, but still below the pre-recession average of 2.1 million. Tactical sales, which have driven especially Q1 sales, play an increasingly important role for the total market development. Not only do they represent one quarter of the entire market (24.7%) at 494,035 units. But they also contributed 24.8% or 30,086 units to the 6.8% new car market increase. Private registrations which accounted for 50.2% of all new car sales at 962,879 units, attributed for 19.3% of the market growth. Short term rentals have been the 3rd biggest contributor to the 2015 growth at 18.4% to 22,383 units.

Furthermore, the French new car market is clearly dominated by products from French OEMs – all Top 10 models are français. Additionally, new product launches in 2015, e.g. Renault Espace, Talisman or Megane, should lend support to the new car market in 2016.

First lesson: The French new car market is progressively recovering, approaching again the average pre-recession level of over two million new car registrations in 2016. However, the composition of the expected growth is currently still in flux as sales to private buyers have slightly contracted throughout 2015 and sales to companies as well as to the public sector have been stable at 13.3% of new car registrations. But this reflects the current French mood – slightly more positive but not euphoric.

Second lesson: Sales of diesel fuelled cars in France and among French top sellers have decreased and are likely to decline further. Although still a majority of 56.8% of all newly registered cars are diesel fuelled, the market share declined by 4.3% compared to 2014. Whereas registrations of petrol fuelled cars increased by 24.7% to 739,379 units. This U-turn in consumer buying behaviours is partly motivated by a recent announcement of the French government to increase taxes on diesel fuel by three euro cent per litre and on petrol fuel by 1.7 euro cent starting January 1st 2016.

Noteworthy is also the impressive growth of hybrid and plug-in hybrid registrations which increased by 42% to almost 61,000 units. Although currently a niche product, the growing offer of alternatively fuelled vehicles using hybrid engines is expected to bring AFV registrations up in the years ahead.

Lower energy prices and the euro depreciation have led to a strong rebound of French GDP growth at the beginning of 2015 supporting both consumption and exports. As the year progressed private consumption became more important as a growth driver which is reflected in third quarter sales that were largely driven by private purchases. New car sales have also been stimulated by low interest rates which allowed carmakers' finance entities to offer attractive financing conditions.

Outlook and Forecast

The French economy is expected to continue on its recovery journey with GDP growth of 1.4% in 2016 after 1.1% in 2015, driven by continuing strong exports, a recovery in investment and strong private consumption. In addition to that, the ongoing ECB policy of quantitative easing and low interest rates is likely to further stimulate new car sales and especially the replacement of aging models.

As a result, Autofacts anticipates an annual growth of 3% to 1.97 million new car registrations in 2016.

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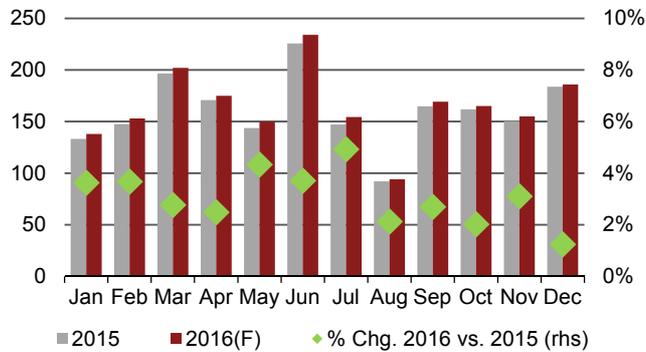
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France

French Automotive Dashboard

FR: Monthly Car Registrations

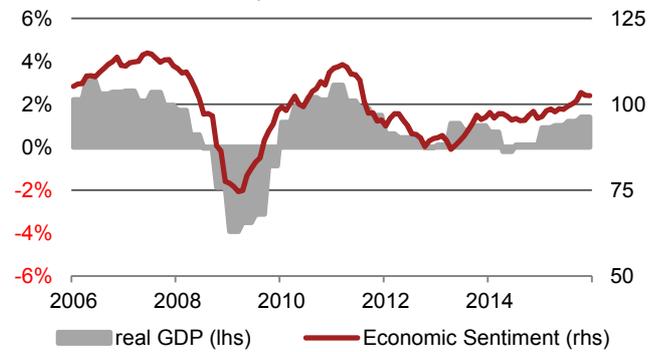
2015 - 2016 (thousands)



Source: CCFA, PwC Autofacts Analysis

FR: GDP & Economic Sentiment

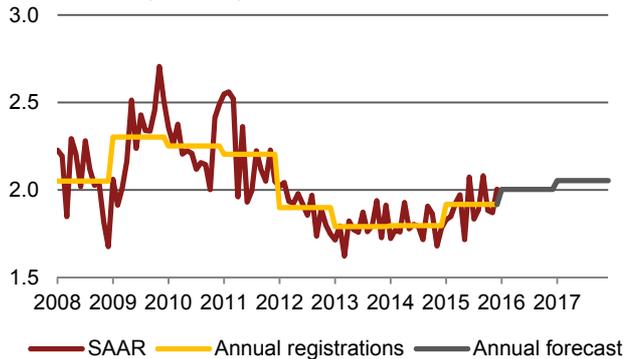
Jan 2006 - Dec 2015 (QoY %, indicator)



Source: Oxford Economics, European Commission (January 2016)

FR: New Car SAAR & Forecast

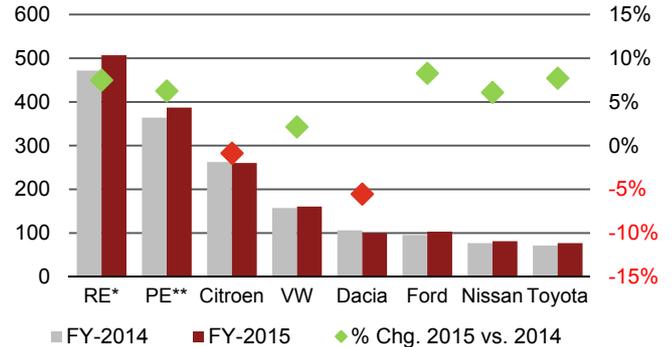
2008 - 2017 (millions)



Source: PwC Autofacts Analysis

FR: Sales of Top Brands

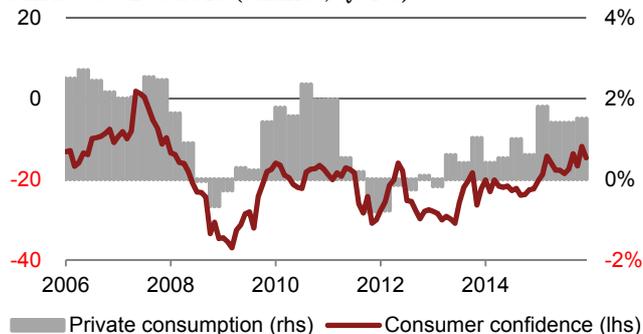
2014 - 2015 (thousands)



Source: PwC Autofacts Analysis, *RE = Renault, **PE = Peugeot

FR: Private Consumption & Confidence

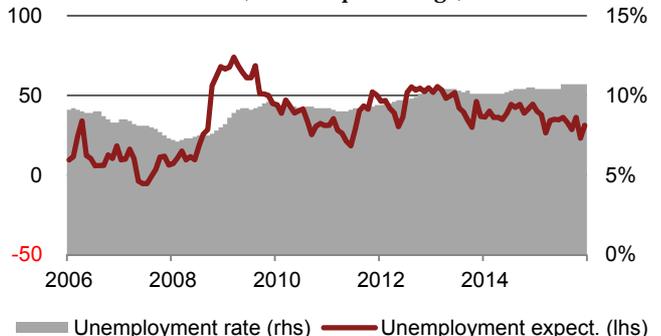
Jan 2006 - Dec 2015 (balance, QoY%)



Source: Oxford Economics, European Commission (January 2016)

FR: Unemployment Rate & Expectations

Jan 2006 - Dec 2015 (balance, percentage)



Source: Oxford Economics, European Commission (January 2016)

Germany

The German new car market is looking back at the strong year 2015 with registrations reaching a six-year high of 3,2 million, up impressive 5.6%

Industry Events and News

Overall, the automotive year 2015 was a good year looking at new car registration development and new model launches at the IAA automotive fair in September. But it was also a challenging year for the automotive industry in the wake of the diesel emission fault. Again, the good news is that customers have been highly interested in buying diesel cars which accounted for 48.0% of all new car registrations, a slight improvement over the 2014 share of 47.8%. Due to the time lag between order intake and the registration of a vehicle of sometimes up to six months or even longer the upcoming months will be exciting.

Economic and Market Developments

The German new car market is up 7.7% year-on-year in December to 247,355 units, driven by an additional working day. In total, 3,206,042 cars are registered in 2015, up 5.6% or almost 170,000 units compared to 2014. Private customers accounted for 34.2% of all newly registered cars. A slight decline of -965 units or -5.5% to 1,098,068 cars. As in the years before, businesses, including retailers and OEMs, accounted for the lion share of registrations, 65.8%, up +3.1% or 170,234 units, which means that 2015 market growth was exclusively driven by businesses. This underlines once more how dependent the German new car market is on the well-being of companies and their willingness to invest.

Car brands of German manufacturers made up 71.9% or 2.3 million of all registrations, up 5%. VW is the undisputed market leader with a market share of 21.4% or 685,669 newly registered cars over the past twelve months, up 4.4%, followed by 2nd placed Mercedes-Benz (+5.3%) and Audi (+3.7%). Foreign brands benefitted also from the overall positive market development, up 6% to almost 900,000 cars. Though seven out of 22 foreign brands had to cope with declining registrations.

Segment-wise, the "C" or compact car segment remains the largest segment in Germany, with registrations up 5.8% to 848,108 units. Its overall share has grown to 26.5%, slightly above the 26.4% one year ago. The SUV and crossover segment experienced the highest growth rate at 15.2% to 340,097 registrations – testimony for how important convincing concept innovations are to

compete successfully in a saturated and thus highly competitive market environment. On the other hand, two segments had to deal with negative growth, namely the MPV and upper mid-size car segment with a decrease of 9.3% and 6.6% respectively.

Despite of impressive growth rates of electric (+45.1%) and hybrid (+22.6%) vehicles, their absolute volumes remain unsatisfying at 45,993 units, representing 1.4% of the total new car market. However, electrically fuelled vehicles are on the bright side compared to their gas-counterparts who are clearly under pressure. Registrations of LPG and CNG fuelled cars decreased by -24.4% and -35.5% respectively in 2015. Gas fuelled cars are regarded as an alternative to diesel cars. The cheapening of diesel fuel throughout 2015 due to low oil prices made gas fuelled cars increasingly unattractive for a growing number of customers especially as gas prices remained broadly stable. Overall, alternatively fuelled vehicles are still a niche product.

Outlook and Forecast

In December 2015, consumer confidence stabilised at -4.2 points, reflecting two opposing forces: While consumers were more upbeat on questions relating to their personal finances (expected financial situation, future savings), their views on future unemployment deteriorated. One of the reasons is probably the German angst of strangers. In this case the masses of refugees which came to Germany and other European countries over the year 2015 and are still coming.

Nevertheless, the economic conditions are expected to remain favourable with a continued low inflation rate of close to 0%, a historical 12-year low oil price and a favourable exchange rate of the Euro against other major currencies, which should help business investments to recover. In addition to that, incoming orders showed double-digit growth of 15% in December which can be regarded as a positive indicator for the first quarter of 2016.

Therefore Autofacts expects a growth rate of 3.0% for the new car market in Germany 2016 and forecasts 3.3 million new car registrations.

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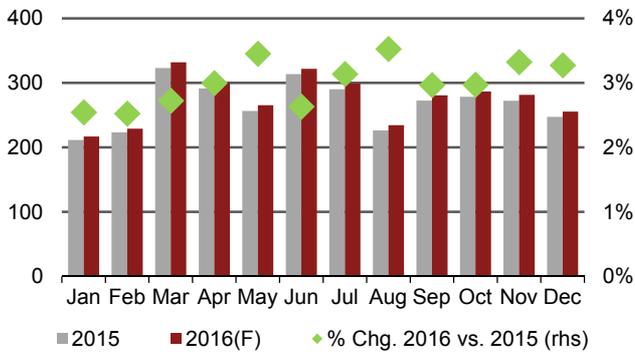
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Germany

German Automotive Dashboard

DE: Monthly Car Registrations

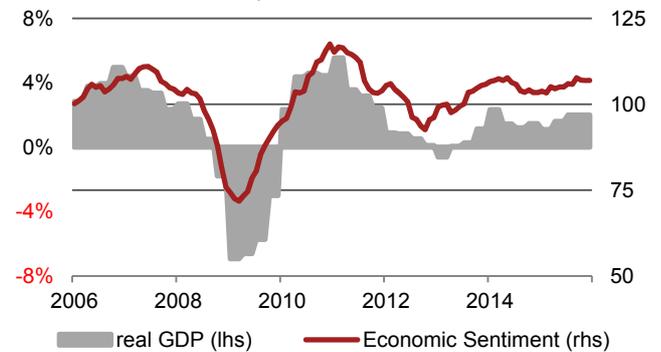
2015 - 2016 (thousands)



Source: KBA, PwC Autofacts Analysis

DE: GDP & Economic Sentiment

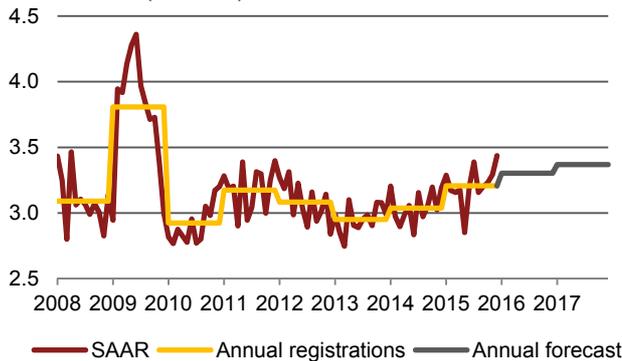
Jan 2006 - Dec 2015 (QoY %, indicator)



Source: Oxford Economics, European Commission (January 2016)

DE: New Car SAAR & Forecast

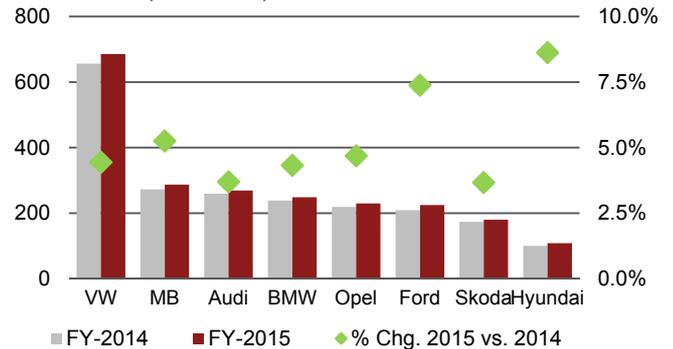
2008 - 2017 (millions)



Source: PwC Autofacts Analysis

DE: Sales of Top Brands

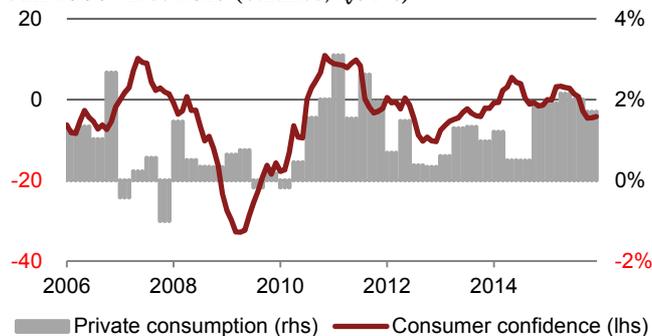
2014 - 2015 (thousands)



Source: PwC Autofacts Analysis

DE: Private Consumption & Confidence

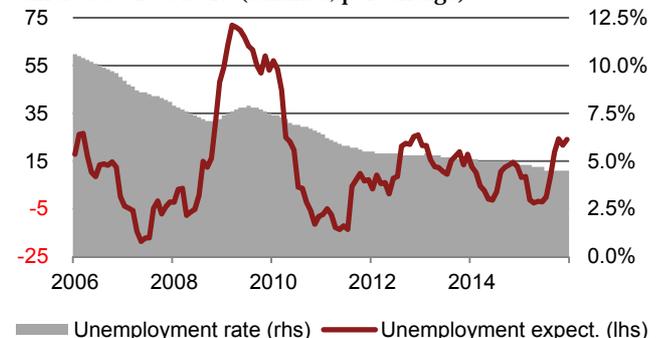
Jan 2006 - Dec 2015 (balance, QoY%)



Source: Oxford Economics, European Commission (January 2016)

DE: Unemployment Rate & Expectations

Jan 2006 - Dec 2015 (balance, percentage)



Source: Oxford Economics, European Commission (January 2016)

Italy

The considerable market recovery of 2015 coupled with a stronger economy provide further optimism for the current year

Industry Events and News

The Ferrari brand, owned by the legacy Fiat Group since 1969 and considered as an icon in the sport-luxury segment, has been listed firstly on the NYSE in 2015 and, at the beginning of January, also in Milano. The IPO represents a milestone in the history of the brand, as it determined its spin-off from the FCA Group. While Ferrari is now free of burdens to implement its development strategy, the FCA Group, the largest Italian OEM, is asked to keep its appeal for investors without its most precious asset.

Economic and Market Developments

The Italian car market continued on its recovery path with a double-digit growth in the last month of the year: In December, passenger car registrations reached 16 months of uninterrupted growth, up 19.5% compared to December 2014, while in October and November sales rose by 9.2% and 24.1% respectively. After six years of decline, sales returned to a positive ground in 2014 (+4%, to 1.36 million cars). In 2015, new car sales showed a robust and convincing growth of +15.5% to 1.57 million units. The last quarter of 2015 recorded the highest percentage growth of the whole year at +17.2% to around 376,000 units, even though the second quarter marked the best performance in absolute terms (62,000 units more to a total of 442,000 units, +16.2%).

The positive registration trend was reflected by the Economic Sentiment Indicator that recovered to pre-crisis level: October kept the previous month's momentum reaching the highest peak with 110.1 points since April 2007 (110.8), while November and December held at 109.4 and 109.8 respectively. The Consumer confidence increased to -1.4 in December, from -5.8 in September (in October and November -2 and -1.2, respectively).

The positive development of order intake provide optimism for the first months of 2016: In Q4 2015, 445,000 orders were collected (+20.9%). On a monthly basis, they undertook an ascending path with collection up +18.8% (149,000 orders) in October, +20.4% in November (142,000 units) and +23.4% in December (153,000 units).

On the other hand, the unemployment rate in September decreased by only 0.1% from 11.9% in August and remained stable until the end of 2015. The SAAR increased between September and November from 1.6 million to 1.7 million but slowed down again to 1.6 million in December.

Most of new car purchases in Q4 2015 were made by private consumers with a share of 67.1% (254,000 units), while the share of company cars decreased two percentage points to 18% compared to the previous year. Despite the emission scandal, diesel powertrains remained the most sold powertrains in Italy, further improving their market share compared to last year (55.3% in Q4 2015 vs 53.7% in Q4 2014). Registrations of cars using hybrid powertrains increased especially throughout the last quarter 2015 with volumes up +24.3% to 7,300 units compared to 5,900 units in Q4 2014.

Small-segment cars enlarged their market share from 41% in October to 43.3% in December. On the opposite, large and luxury segments lost market share from 2.3% and 0.4% in October, to 1.8% and 0.2% in December respectively.

In line with the new car market, the market for used passenger cars recorded a considerable growth by +10.2% in 2015. In Q4 2015, car transfers rose by +8.5% to 1.29 million units, which means a 27.3% share of the total year's sales.

Sales of new LCVs, strongly influenced by economic trends, grew by +11.5% to 120,000 units in 2015. October sales considerably rose by +14.1% to 12,900 units, while November sales jumped by +37% to 13,800 LCVs.

Outlook and Forecast

The growth recorded in 2015 is the result of an overall improvement of the Italian economy, causing a boost in consumer confidence. With this respect, the further enhancement expected for 2016 and 2017, together with the pent-up demand deriving from the ageing car park, generates a positive outlook for next two years: Autofacts forecasts 1.7 million vehicles sold in 2016 (+8.4%) and 1.8 million (+6.0%) in 2017.

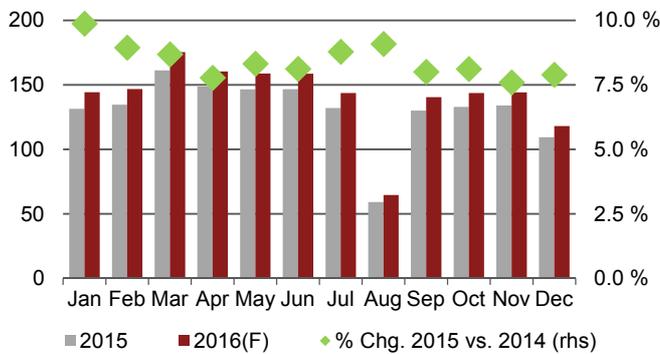
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Italy

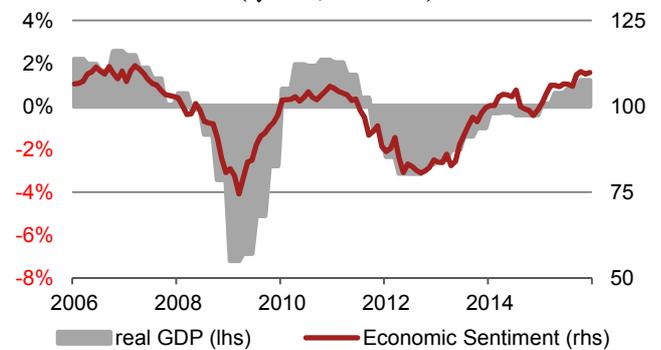
Italian Automotive Dashboard

IT: Monthly Car Registrations
2015 - 2016 (thousands)



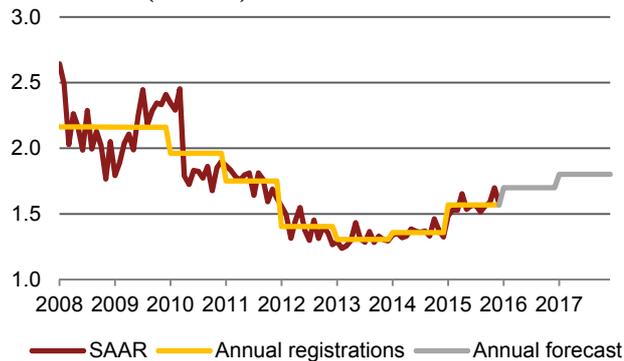
Source: ANFIA, PwC Autofacts Analysis

IT: GDP & Economic Sentiment
Jan 2006 - Dec 2015 (QoY %, indicator)



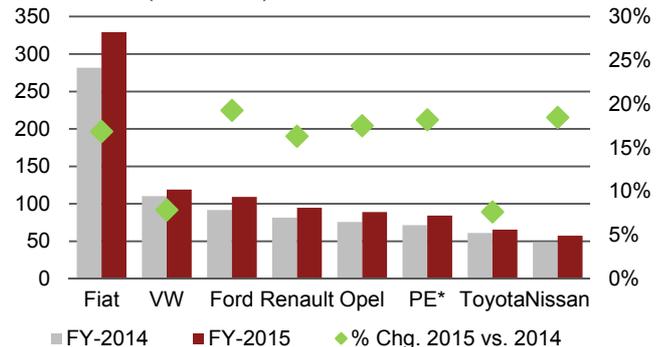
Source: Oxford Economics, European Commission (January 2016)

IT: New Car SAAR & Forecast
2008 - 2017 (millions)



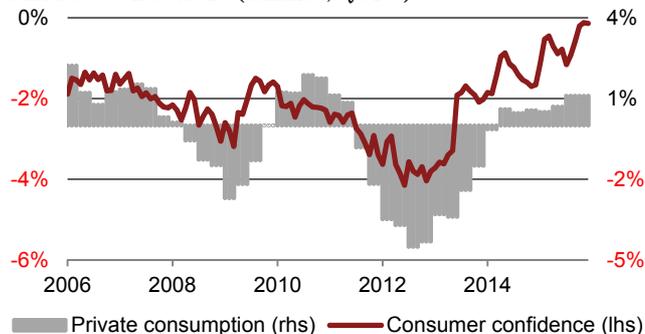
Source: PwC Autofacts Analysis

IT: Sales of Top Brands
2014 - 2015 (thousands)



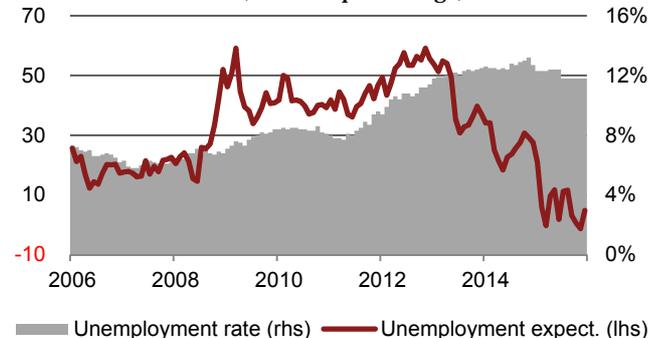
Source: PwC Autofacts Analysis, *PE = Peugeot, **CI = Citroen

IT: Private Consumption & Confidence
Jan 2006 - Dec 2015 (balance, QoY%)



Source: Oxford Economics, European Commission (January 2016)

IT: Unemployment Rate & Expectations
Jan 2006 - Dec 2015 (balance, percentage)



Source: Oxford Economics, European Commission (January 2016)

Spain

Spanish car sales surpassed the symbolic one million annual sales milestone for the first time since 2008 at 1.03m units in 2015, up 20.9% or almost 179,000 sales

Industry Events and News

The general election took place in Spain on 20th December 2015 and the formation of the national government is still unclear. The ruling People's Party led by Prime Minister Mariano Rajoy lost its absolute majority. The scenario of a second election to be held throughout 2016 remains a possibility. Financial markets may react negatively on political uncertainties. The impact of the refugee crisis in Europe is rather low for Spain compared to other countries.

Economic and Market Developments

According to ANFAC data, new car sales have maintained their fast growth pace at +20.7% in December 2015 to 88,609 cars. This represents the best December result since 2009. Yet still some 20,000 units below typical pre-crisis December scores. In total, 2015 was a good year for the Spanish new car market. Full year registrations are up +20.9% or almost 179,000 units to 1.03m cars. It is the first time since 2008 that sales have crossed the symbolic one million annual sales milestone. Since the low of 699,589 in 2012, registrations have improved +47.8% or almost 335,000 units.

In 2015, monthly growth rates were constantly above +20% with April, May and October being the only exemptions with +3.2%, +14.0% and +5.2% respectively. March was also exceptional showing very dynamic growth of +40.5%. This positive development has been supported by several factors: A major factor is the ongoing PIVE subsidy programme which was extended by the Spanish government for the eighth time now. In addition to this, the Spanish government reduced the personal income tax from 24.75% to 20% in January 2015. Furthermore, households have benefitted from lower fuel costs, improved financing conditions, a low inflation, a steadily improving labour market as well as economic activity which strengthened the confidence of both private and business actors that recovery is now taking hold in Spain.

Looking below the surface of the 2015 registration top line, private buyers remain a key pillar of new car sales. Every second car in 2015 has been registered by them, a total of 574,575 units, up +18.8% over last year. Businesses increased their purchases by +30.9% in

2015 to 283,096 units. Thanks to an increased performance of the tourism sector, registrations by rental companies have grown at +13.7% to 176,561 units. Diesel powered vehicles continue to dominate the Spanish new car market with a market share of 62.9%. Petrol vehicles follow with 35.1%. Although alternative vehicles managed to gain some ground, new registrations of hybrid and electric vehicles are still marginal with a total market share of only 2.0%. Segment-wise, the mini and compact segment accounted for 54.9% of all newly registered cars in 2015. As in many other key automotive markets around the globe, e.g. the US, China or Germany, small and large SUV/crossover vehicles grew strongest at +62.9% and +86.8% respectively, underlining that these type of cars are an important cornerstone of market success.

Undeterred by the emission scandal so far, the VW brand leads the Spanish new car market for the 4th year in a row with sales of 88,300 units, up +14.7%. Number two is Seat, also a brand of the VW group. Seat sold 77,529 units, up +18.1%, closely followed by Renault with 77,087 units sales, up +18.9%, Opel (76,470 units, +14.6%) and Peugeot (76,314 units and +22.0%). These five brands together represent a market share of 38%.

Outlook and Forecast

Economic growth is expected to remain robust with GDP now forecast to expand by 2.7% in 2016. Private consumption is set to remain the main driver of growth, underpinned by an improving job market, better financing conditions, high confidence and low oil prices. Additionally, the personal income tax will be further reduced from 20% to 19%. However, as of today, the PIVE scheme will be discontinued in August 2016. Still, the average car age is amongst the highest in the EU at 11.6 years. Consequently, pent up demand is expected to remain high and an important factor of registration growth in the coming years. Nonetheless it is likely that the expiration of the scrappage scheme will have a short-term dampening effect on new car registrations. Thus, Autofacts forecast the new car market to keep growing in 2016 but at a slower pace than in the last two years at 6.0% to almost 1.1m cars.

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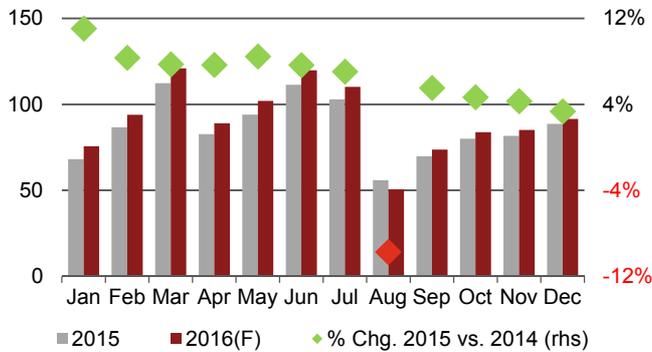
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Spain

Spanish Automotive Dashboard

ES: Monthly Car Registrations

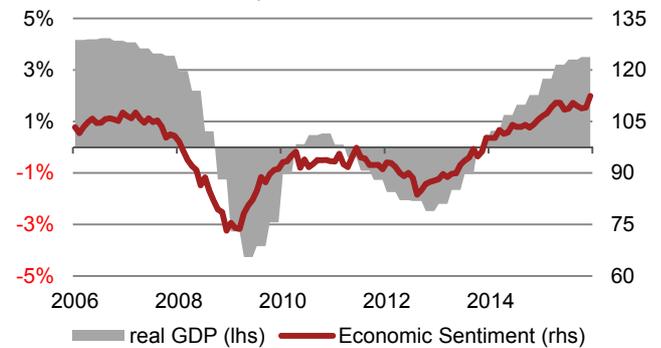
2015 - 2016 (thousands)



Source: ANFAC, PwC Autofacts Analysis

ES: GDP & Economic Sentiment

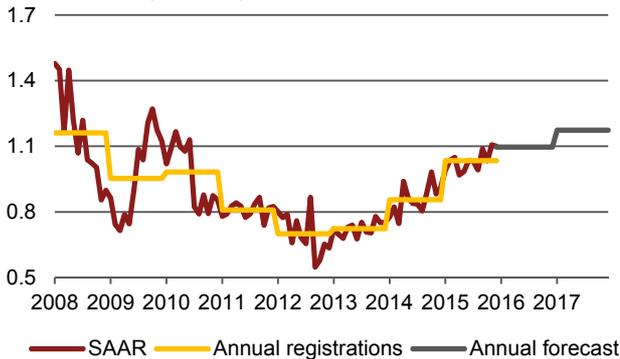
Jan 2006 - Dec 2015 (QoY %, indicator)



Source: Eurostat, European Commission (January 2016)

ES: New Car SAAR & Forecast

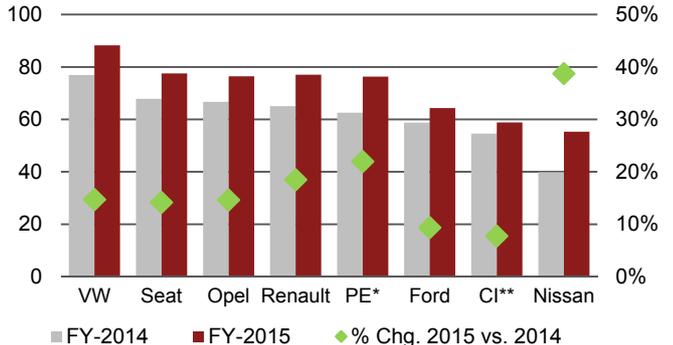
2008 - 2016 (millions)



Source: PwC Autofacts Analysis

ES: Sales of Top Brands

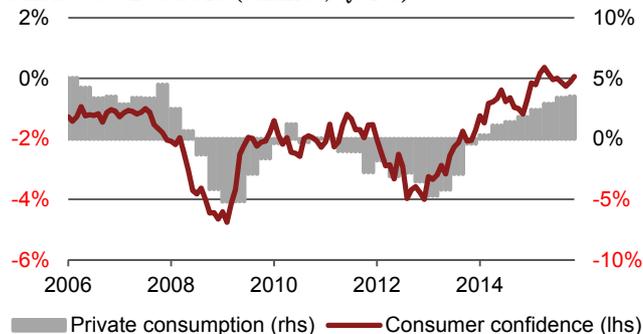
2014 - 2015 (thousands)



Source PwC Autofacts Analysis, *PE = Peugeot, **CI = Citroen

ES: Private Consumption & Confidence

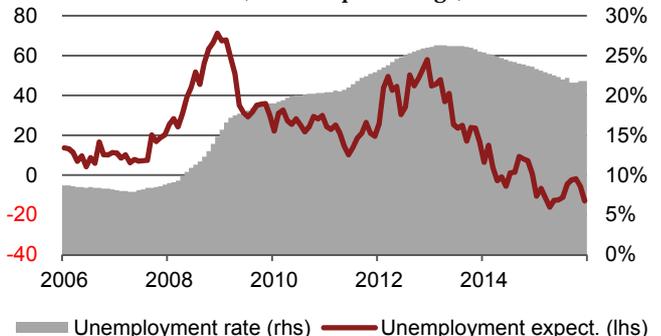
Jan 2006 - Dec 2015 (balance, QoY%)



Source: Eurostat, European Commission (January 2016)

ES: Unemployment Rate & Expectations

Jan 2006 - Dec 2015 (balance, percentage)



Source: Eurostat, European Commission (January 2016)

United Kingdom

Sales in United Kingdom have reached an all-time high in 2015 with 2,633,503 units after four years of consecutive growth

Industry Events and News

The most important topic regarding the future of UK's economy and industry is the so called 'Brexit' which means the British exit of the European Union. While Prime Minister David Cameron first supported the idea of a Brexit, he changed his mind in 2013 and now refuses to rule out campaigning for a British exit in a referendum. The impact of a potential Brexit for the British economy is not clear – according to the liberal think-tank *Open Europe* in best case scenario a Brexit would increase the annual British economic output by annually 1.6% until 2030 while in the worst case scenario the output would be pressed by annually 2.2%. The referendum on the UK's EU-membership is expected to take place in late 2017.

Economic and Market Developments

In 2015, new car sales in United Kingdom have reached a new all-time high after four years of consecutive growth. Except of October, every month in 2015 marked a sales increase compared to the respective month in 2014. Consumer were motivated mainly by low interest rates and affordable deals available on the new 65-plate.

The SMMT reported an overall increase of registrations by +6.3% in 2015 to 2,633,503 units, beating 2.6 million vehicles for the first time.

The largest share of the UK vehicle market is still made by fleet sales with 50.0%, followed by private sales with a share of 45.9% and sales to businesses with 4.1% share. Through 2015, fleet sales were up +11.8% to 1,208,812 units, so they were mainly responsible for the year-on-year growth. Private sales increased by +2.5% to 1,137,214 and sales to companies declined by -9.6% to 107,121.

Petrol engines continued to be the most popular powertrain ahead of diesel engines with a market share of 48.8% in 2015 (diesel: 48.5%). Registrations of diesel and petrol cars grew +3.0% and +8.4% respectively in 2015. Alternatively-fuelled vehicles (AFVs) recorded another strong year with volumes up +40.3%.

Having a look at the brands in the UK market, the podium is unchanged compared to 2014: Ford continued firmly in first place with 12.7% market share, 335,267 sales and an annual growth of +2.6%.

At second place is Vauxhall with 269,766 units, a market share of 10% and an annual growth of +0.2%. In third place, Volkswagen has sold 223,784 units with an annual growth of +4.2%. It outsold Vauxhall in April and ranked at second place but sales dropped down -20% in November because of the emission scandal. Mazda and Mitsubishi have significantly outperformed the market over the year being up +20.4% and +43.6% respectively.

Sales of LCVs in the UK grew +15.6% from 321,686 units in 2014 to 371,830 units in 2015, also reaching a new all-time high. According to SMMT the growth of LCV sales is mainly driven by the ongoing online shopping boom and attractive finance deals coupled with the strong economy in UK.

In Q4 the annual GDP growth is expected to fall slightly to 2.1%. Furthermore, compensation of employees increased +3.8% in Q3 2015 compared to Q3 2014 and the number of unemployed people fell slightly by 110,000. Although inflation is below the Bank of England's 2% target, interest rates could begin to raise again soon, following the increase of the US American interest rate by the FED in December.

The Economic Sentiment Indicator (ESI) for the United Kingdom decreased since its 113.6 points peak in August to 107.7 points in November and recovered slightly in December to 110.6 points.

Outlook and Forecast

The European Commission expects GDP growth in 2015 to be sustained at a similar pace in 2016 (2.4%) and the pound value remains strong compared to other currencies, making the market desirable to foreign OEMs. Nevertheless, Autofacts forecasts a slight decrease of new car registrations for 2016 by -1.0% to 2.61 million units mainly because of two reasons: One reason is the intensified discussion about a potential Brexit which is increasingly upsetting private households and companies. This is potentially reflected by the continuous drop of the ESI between August and November. Another reason for a slight sales decrease in 2016 is the fact that a market like the UK, whose growth is mainly driven by fleet sales, is by nature lacking in fundamental health.

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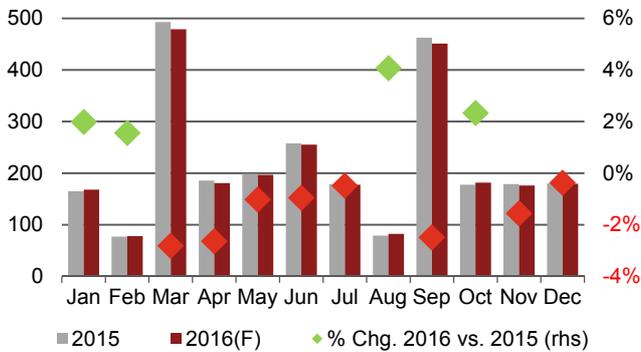
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United Kingdom

English Automotive Dashboard

UK: Monthly Car Registrations

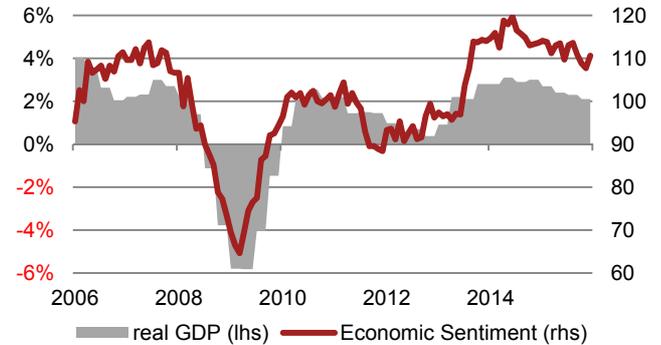
2015 - 2016 (thousands)



Source: SMMT, PwC Autofacts Analysis

UK: GDP & Economic Sentiment

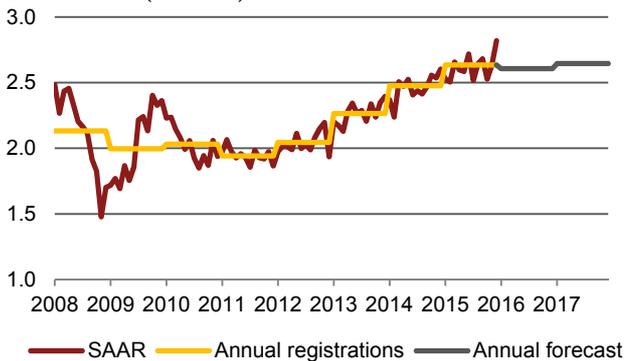
Jan 2006 - Dec 2015 (QoY %, indicator)



Source: Oxford Economics, European Commission (January 2016)

UK: New Car SAAR & Forecast

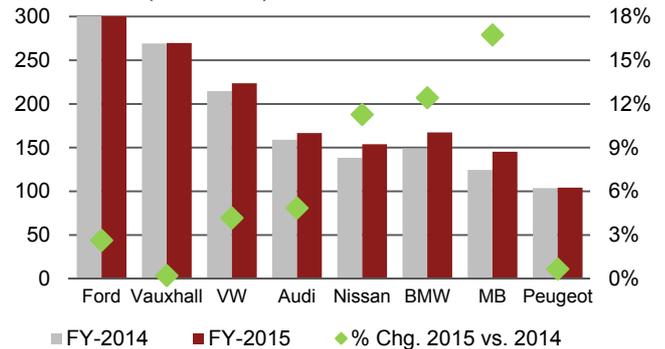
2008 - 2017 (millions)



Source: PwC Autofacts Analysis

UK: Sales of Top Brands

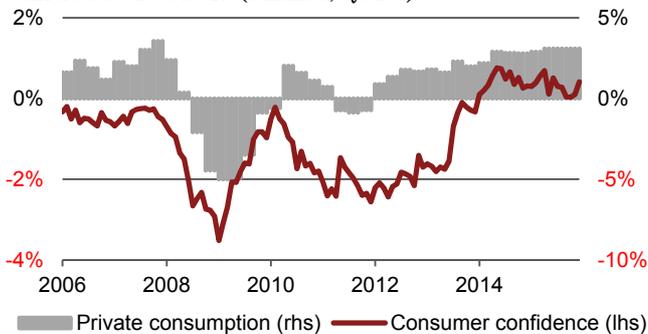
2014 - 2015 (thousands)



Source: PwC Autofacts Analysis

UK: Private Consumption & Confidence

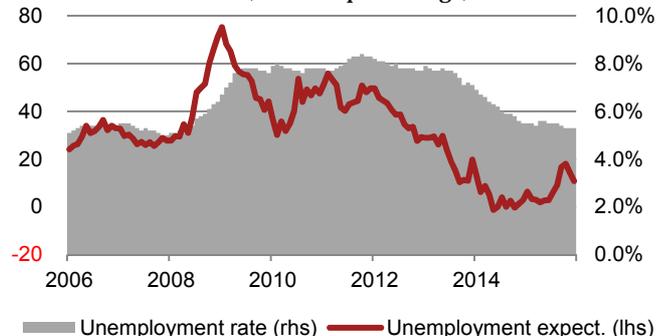
Jan 2006 - Dec 2015 (balance, QoY%)



Source: Oxford Economics, European Commission (January 2016)

UK: Unemployment Rate & Expectations

Jan 2006 - Dec 2015 (balance, percentage)



Source: Oxford Economics, European Commission (January 2016)