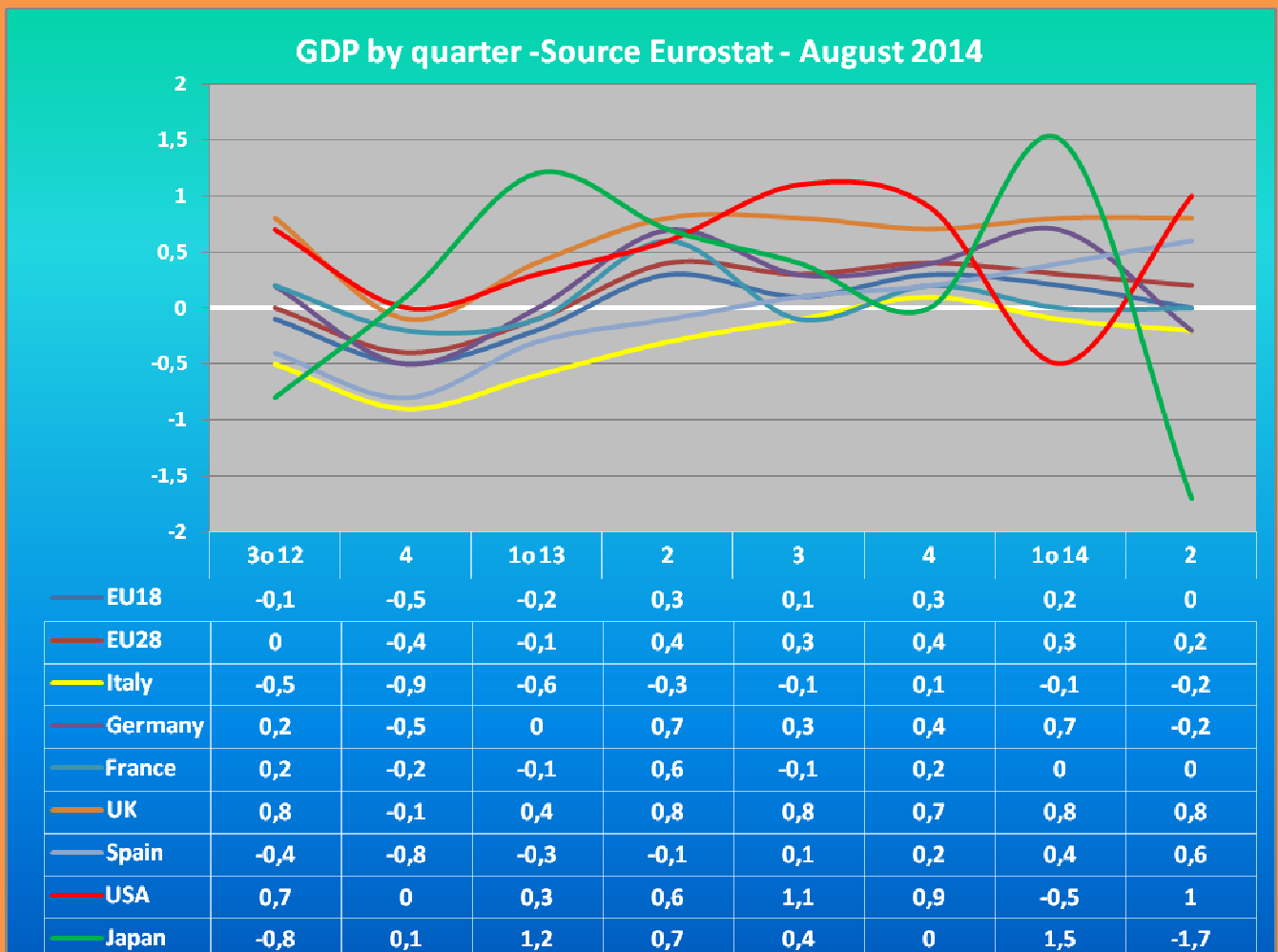


Economics and European Industrial Vehicles Market, 1st semester 2014

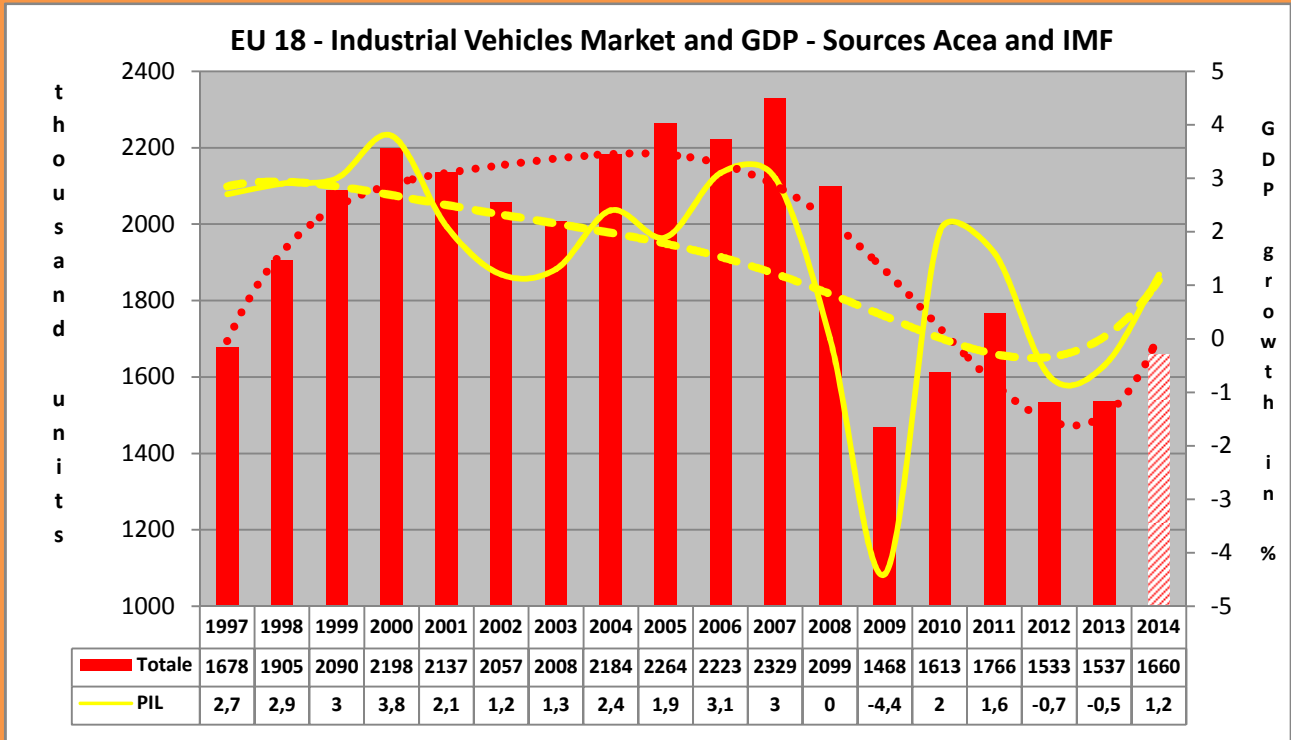
GDP trend in Europe

Over the past 15 years three crises have followed that have struck in varying degrees the various economic regions of the world, and with particular intensity the euro area. After that of the years 2001-2003, which started already at the end of the 90's years from the Asian continent, and the most famous and devastating of 2007-2009 (the famous global crisis felt especially in Europe and the United States), we are just coming out of what has hit the euro area in 2012 and the first part of 2013. The table below shows the trend of GDP in the major European countries in the last 8 quarters, according to data reported by Eurostat at the beginning of August. You will immediately notice that the European economy weakens again in the 2nd quarter of 2014. Drops also considerably the GDP of Germany together with Italy which is again in recession. Still good the trend in the UK, which has become the locomotive of Europe and Spain continues its economic recovery. To underline the violent fall of Japan and the USA recovery.



The Industrial vehicles market and the economic trends

The market for industrial vehicles has always been affected or influenced, as it is obvious, by these economic phases, and has in fact literally collapsed in Europe between 2008 and 2009, and after shooting up in 2011 fell in 2012 as a result of new recession, keeping the same low values of last year too. A certain recovery is underway this year.

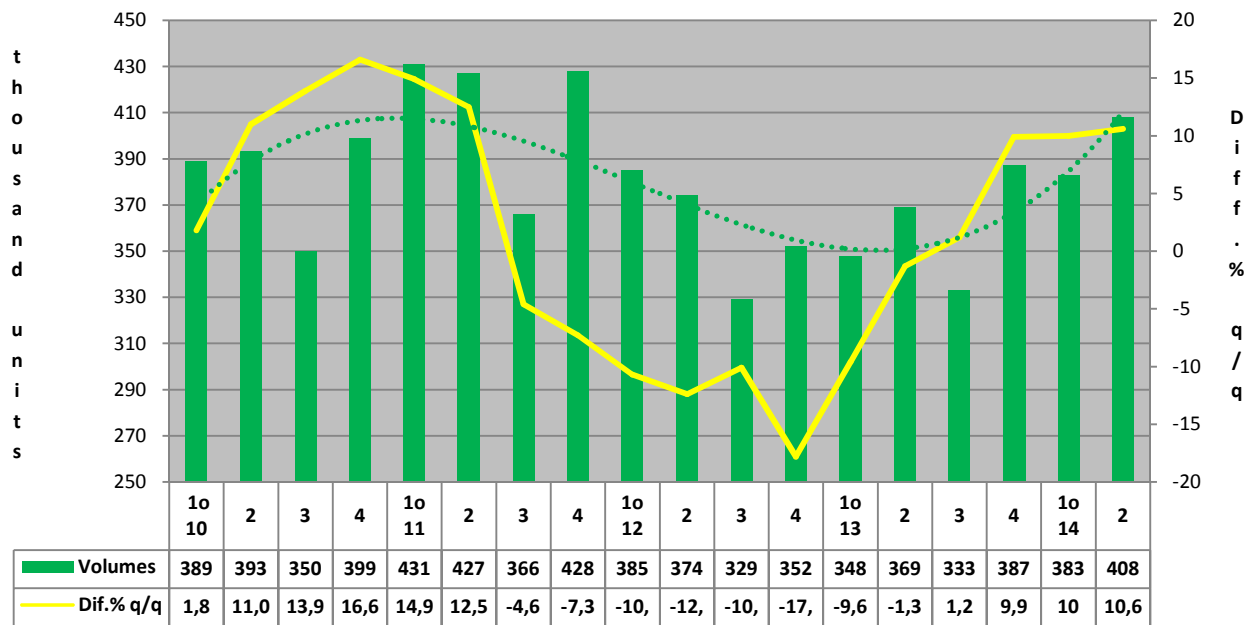


It should be emphasized that the reaction to the economic crisis is dramatically more pronounced than the size of the decline in GDP, as shown by the graph that for comparison has been referred to the European Union at 18, for which comparable data are available.

The above is already significant in the case of commercial vehicles, where the downturn had already begun in 2008 and again in 2012 and 2013 has started to fall dramatically to recover only at the end of last year. With the recovery of GDP this year, the market appears to develop positively, especially in the field of commercial vehicles (< 3,5t).

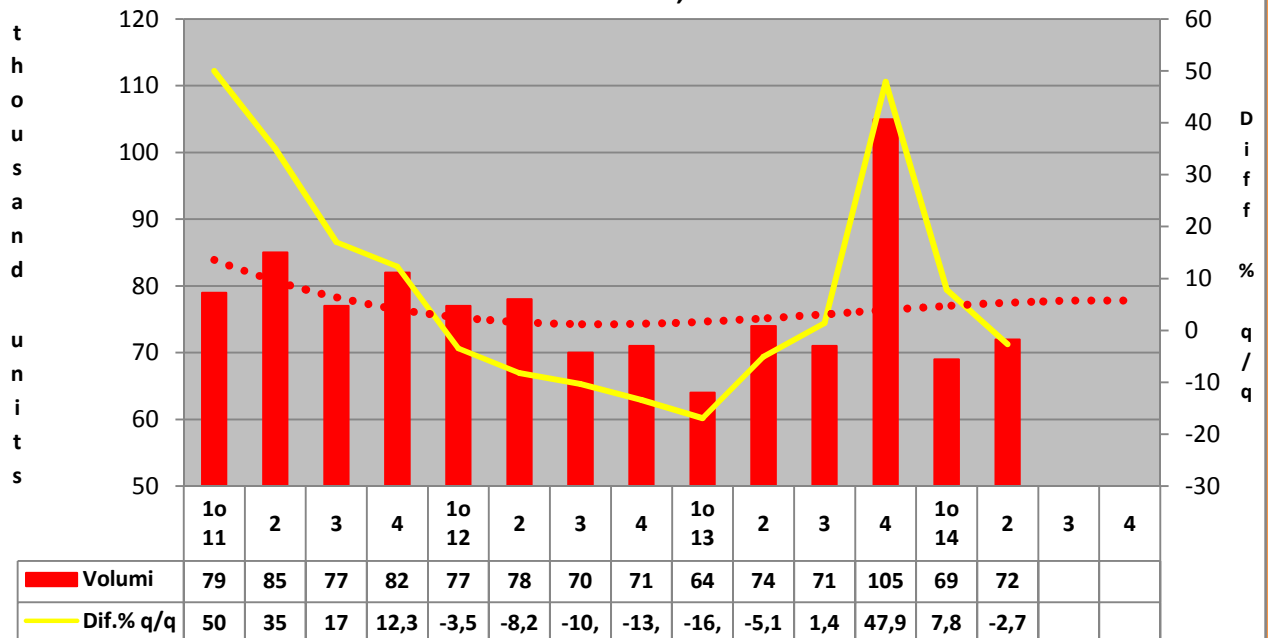
In this regard, we show the data by quarters for both commercial (<3.5 t) and trucks from 2011. The Commercial Vehicles are enjoying a revival as early as the last quarter of last year and continuing with increments of approximately 10% in the last six months.

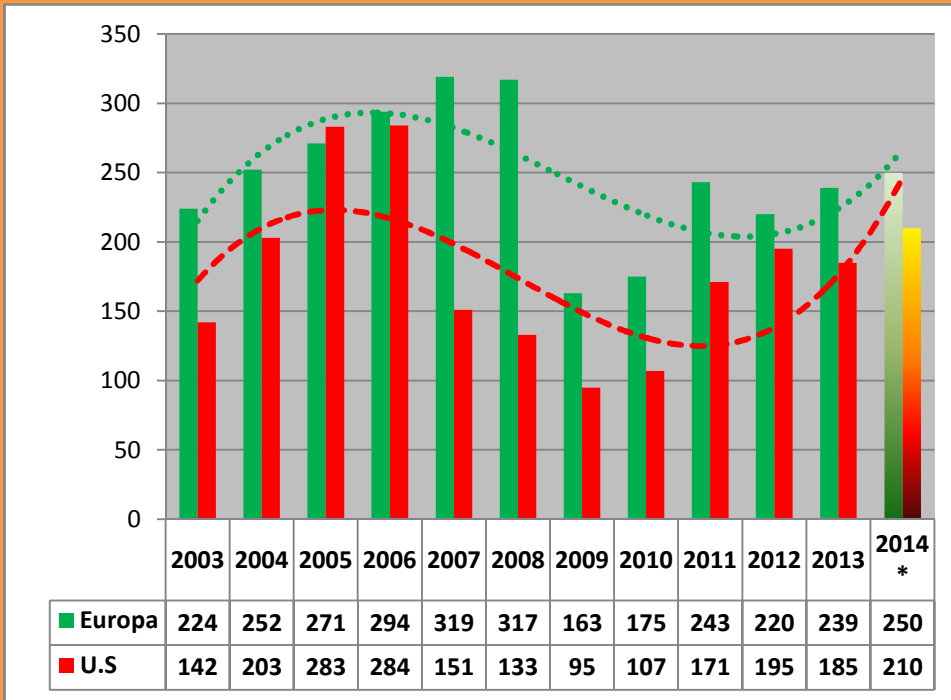
EU+Efta - Commercial Vehicles Market (<3,5t) by quarter - Source Acea



For trucks, after the anticipation of purchases in the last quarter of last year, in anticipation of the introduction of the Euro 6 from January 1st of this year, sales are decreasing, but probably will recover in the coming quarters, after the surplus of purchases by the end of 2013 has been absorbed and in the case of a stronger GDP growth.

EU+Efta - Trucks Market > 3,5t - Source Acea





A comparison between sales of heavy vehicles in Europe (EU+EFTA) and the USA (over 16 t) in Europe, and in Class 8 in the USA), shows how the crisis has affected other important areas of the western world. In this example it should be noted that the crisis in the USA started already in 2007 with a drop in the market by as much as 47% in one year and 67% in three

years.

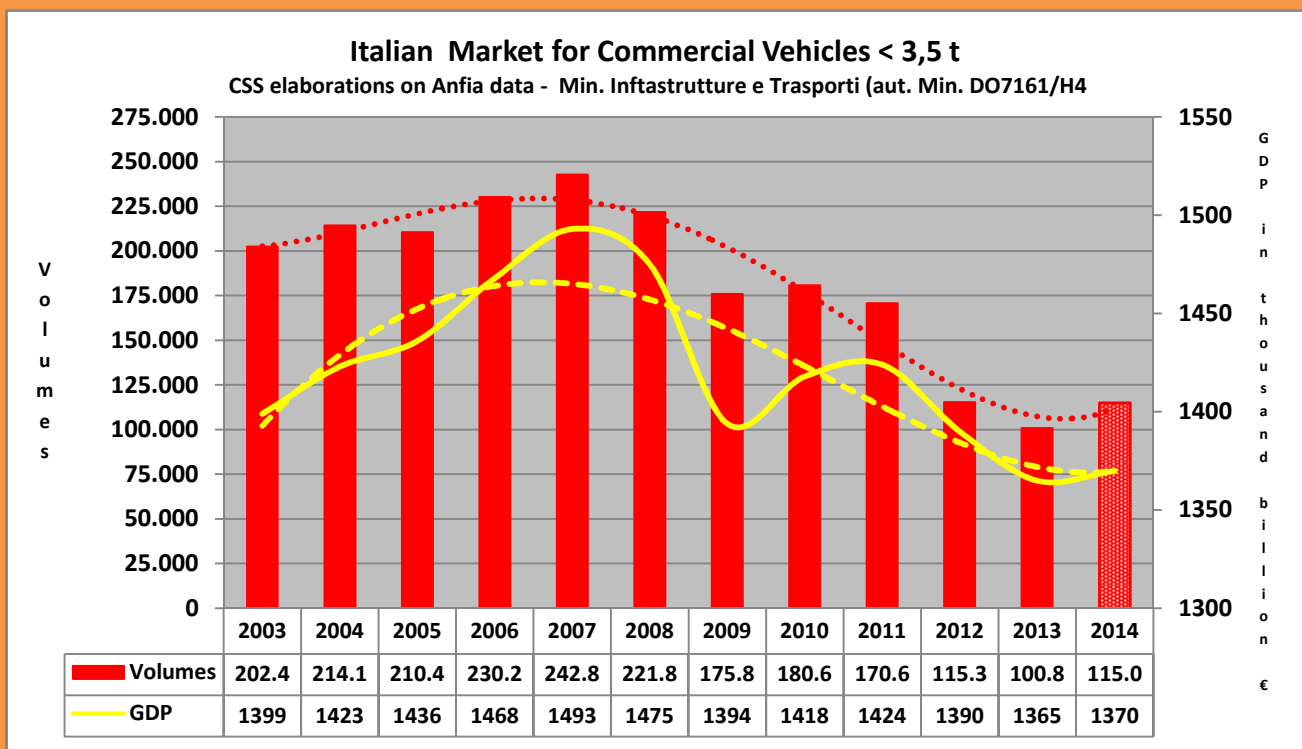
The recovery in that market was equally pronounced with an increase in 2011 of 60%. Even in that area, however, the pace of growth reduced in the second half of 2012 but that has not prevented the growth of the total of the year, while in Europe was already in place a new recession. Last year, the American market has fallen mainly for the disputes about the "fiscal cliff." In Europe, the market remained weak for most of the year, and has recovered only in the last quarter in anticipation of purchases in view of the entry into force of the Euro VI on January 1st of this year. Also supported by the recovery of the economy in the current year the American market has started to grow remarkably and in the first 7 months cumulative has gained 17.1% over last year. In Europe the first six months ended with an increase of 6.2% over the first half of last year, but with a downward trend also linked to the weakening of the economy in the 2nd quarter of this year,

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The Italian Markets for Industrial Vehicles from 2003 through the first semester 2014 and short term forecasts.

Commercial Vehicles (<3,5t)

The following graph shows the trend in registrations of commercial vehicles in the past decade, with an indication of the progression of GDP in the same years, which shows clearly that the two curves are almost parallel, with a correlation coefficient of 0,87 confirming that the sales of these vehicles, which are closely related to the distribution, were blocked by the dramatic reduction in

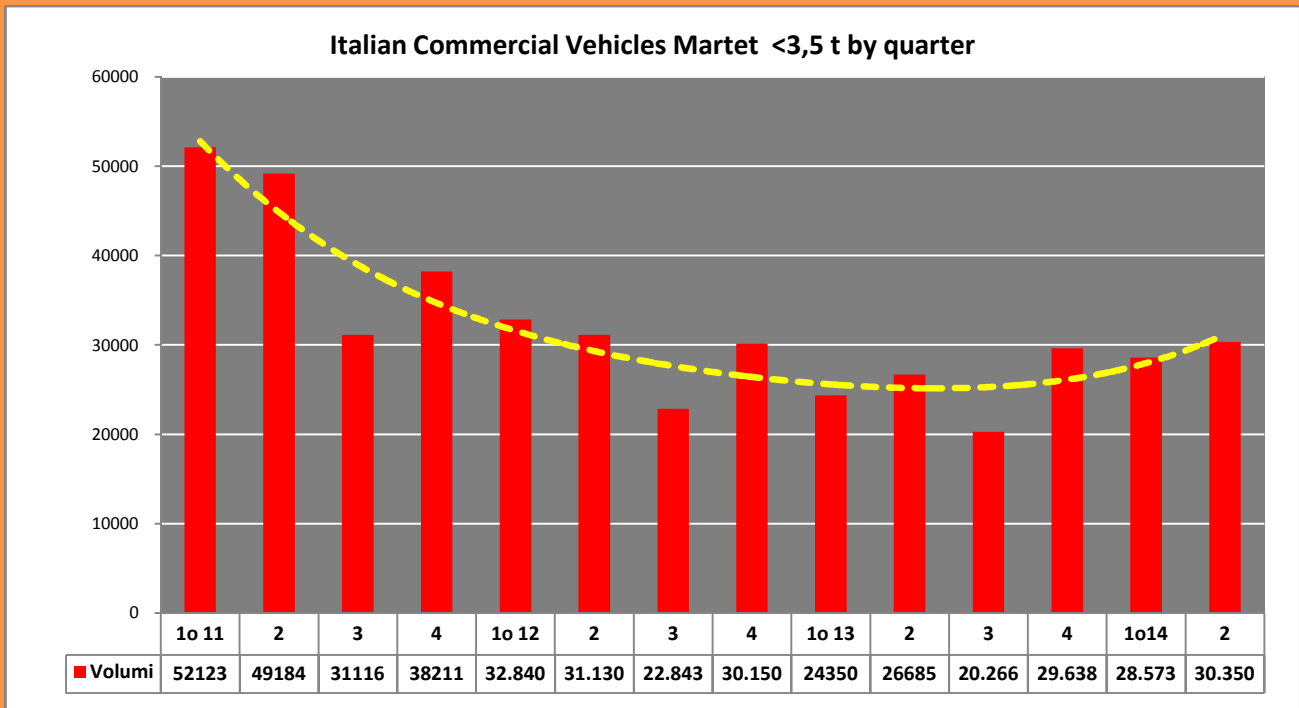


income and consumption in recent years.

This trend is also confirmed by the history of this sector over the last twenty years. The sector had in fact already suffered a lot due to the previous generalized crisis of 1992-93; had begun to recover in 1994 with the first Tremonti, but especially in 1997/8, years of the scrappage scheme that benefited the those vehicles , and 98-2000 with the strong recovery in economic activity, and the relative increase in consumption and sustained growth of investments (machinery, equipment and means of transport) that have contributed to the growth in demand, with a significant growth rate.

The factors that have influenced in those years the rapid development of this segment are manifold, including the progressive expansion of the tertiary sector, the capillary and the strong increase of the distribution of consumer goods, the closing of urban areas to heavy vehicles . Has also affected the pace of investment the preparation of the Jubilee year 2000. Back in 2001, however, this drive had faded considerably, and only the re-introduction in 2002 of the Tremonti (bis), did get to the field the absolute record of registrations. The global crisis of 2008/9 has also deeply depressed sales in this area that has not recovered even

with the limited recover from the recession, (again tied to a program of incentives for scrapping in late 2009 and early 2010) and indeed has dramatically collapsed in 2012 and 2013 with the return to a new recession. A rebound of a certain entity has started at the end of last year and it is expected that the current year will close with a gain of about 15%, around 115,000 units.

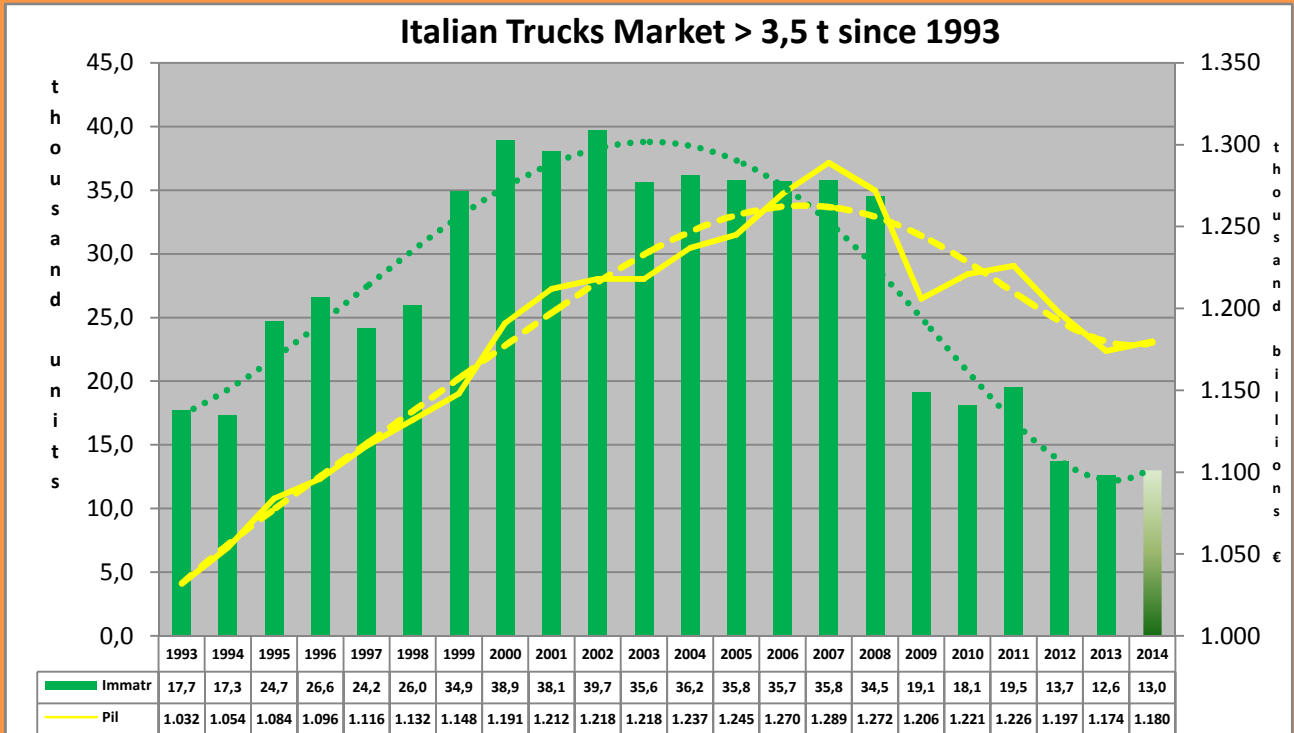


As already pointed out the correlation between registrations and GDP has always been significant, as it is natural given that the sale of commercial vehicles is clearly influenced by the economic cycle. Between 1993 and 2002, the correlation was as high as 0.96. In the period 2003-2013 the index is only 0.70, given that the dramatic drop in consumptions has altered the normal relationship between sales and GDP, reducing to zero the renewal of the fleet and limiting sales to the replacement of vehicles absolutely obsolete.

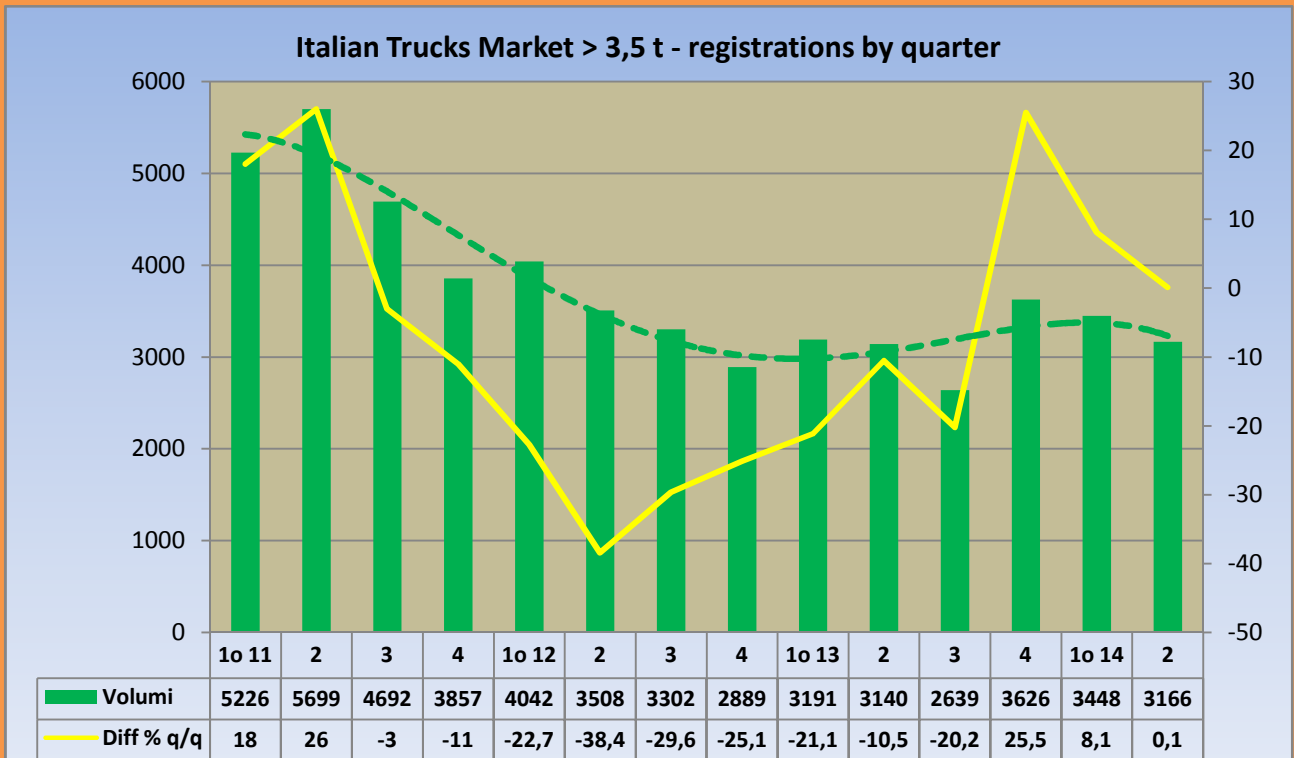
The Italian Trucks Market from 1993 through 1st semester 2014 and short term forecasts

For trucks (>3,5t) the same considerations described for commercial vehicles until 2002 apply. Since 2003 the market has stabilized over 35,000 units per year, indirectly emphasizing a pure substitution in big fleets. The owner-operators, who represent the majority of road operators keep their vehicles for rather longer periods and park tend to age gradually. In 2009 the market demand decreased sharply to the values of fifteen years ago, the period of the previous crisis that affected the whole of Europe in those years, but suffered a further collapse in 2012 and 2013; there was a slight recovery starting from last quarter of last year, with an anticipation of purchases in view of

the introduction of the Euro VI since January 1 of this year.



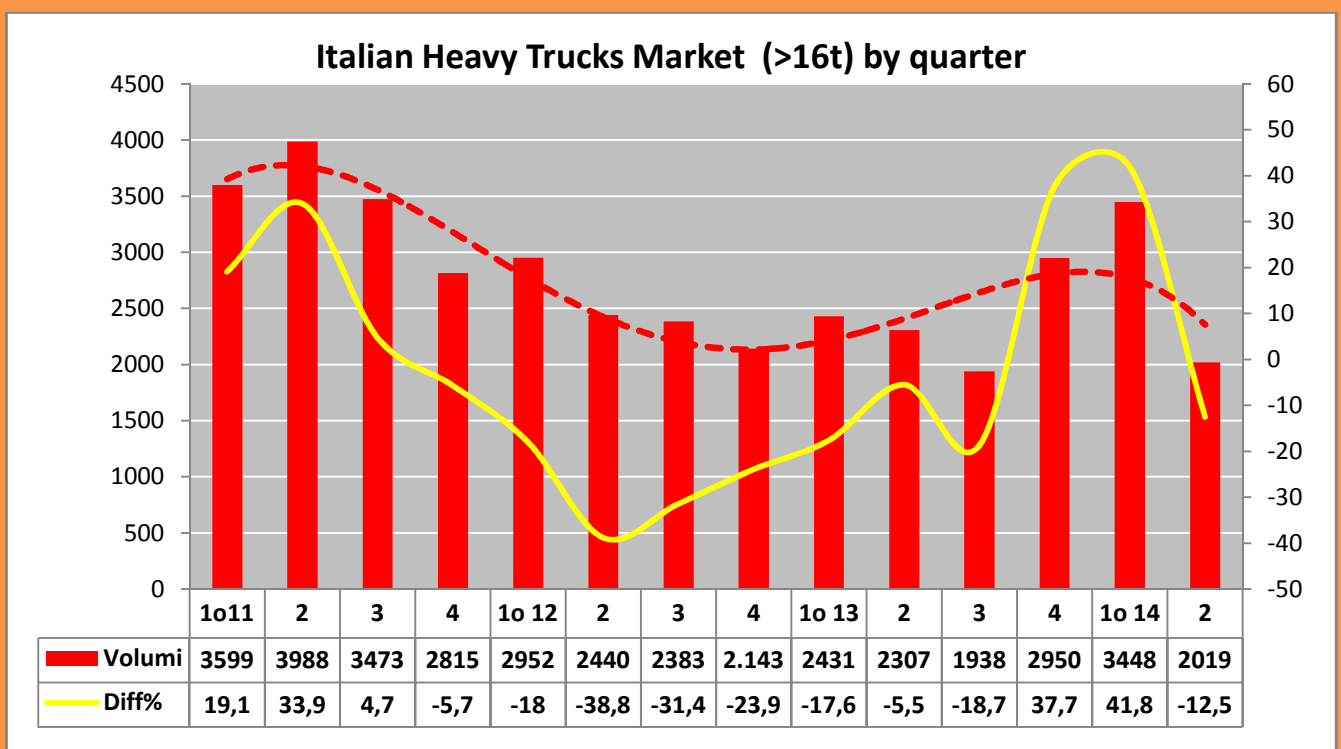
But from the 2nd quarter of this year registrations are back down. If the total year will show a slight recovery in 2013 will be on only for registrations in the first half, an increase of 4.5%



The poor correlation with the series of the GDP of the entire period (0.47) probably indicates that registrations in Italy were, however, constrained by the availability of the product on the Italian

market, rather than by economic factors directly influential on the demand. As evidence of this, measuring the correlation between registrations and GDP between 1993 and 2002, the value is very high (0.96) as in the area of Commercial Vehicles, proof that at that time the demand for trucks (>3,5t) was directly influenced almost exclusively by economic factors.

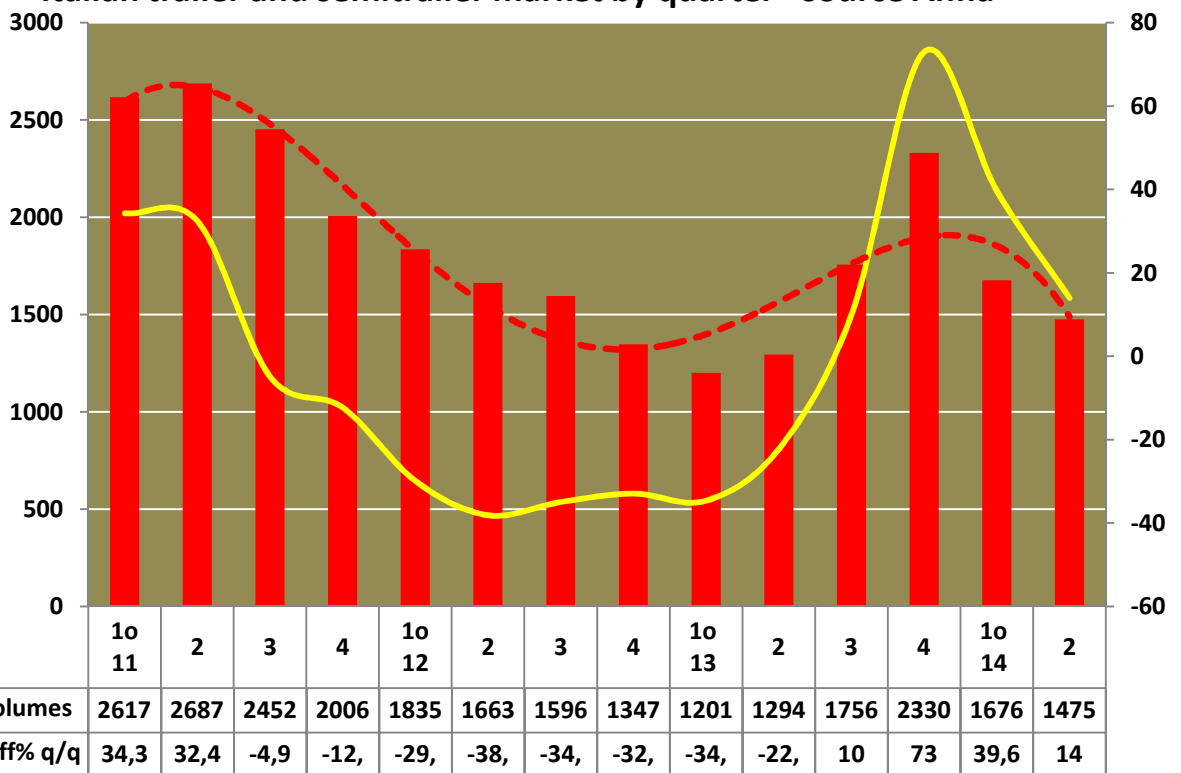
For vehicles above 16 t we can repeat the same considerations: the modest recovery in 2010 and early 2011 was followed by a further drop in demand from the 2nd quarter of 2012, given the new severe recession, and continued for almost all last year until the last quarter when sales increased for the anticipation of purchases in view of the introduction of the Euro VI in January 1st of this year. But by the 2nd quarter of this year, registrations are back down.



The current situation remains therefore of major crisis in the truck market.

A further proof comes from the analysis of the market for trailers and semi-trailers: even in the presence of a positive trend since the beginning of 2010, partly as a result of the specific incentives for that sector, from the second quarter of 2011 the trend has been gradually reducing and the market has returned to values traceable only in the last century. Even for trailers and semi-trailers there was a brief recovery at the end of last year, in parallel with the truck market recovery, for the reasons given above, but already from the beginning of the year the market is back down.

Italian trailer and semitrailer market by quarter - source Anfia



Emilio di Camillo - Centro Studi Subalpino, August 2014