ASOCIACIÓN DE FÁBRICAS
ARGENTINAS DE COMPONENTES

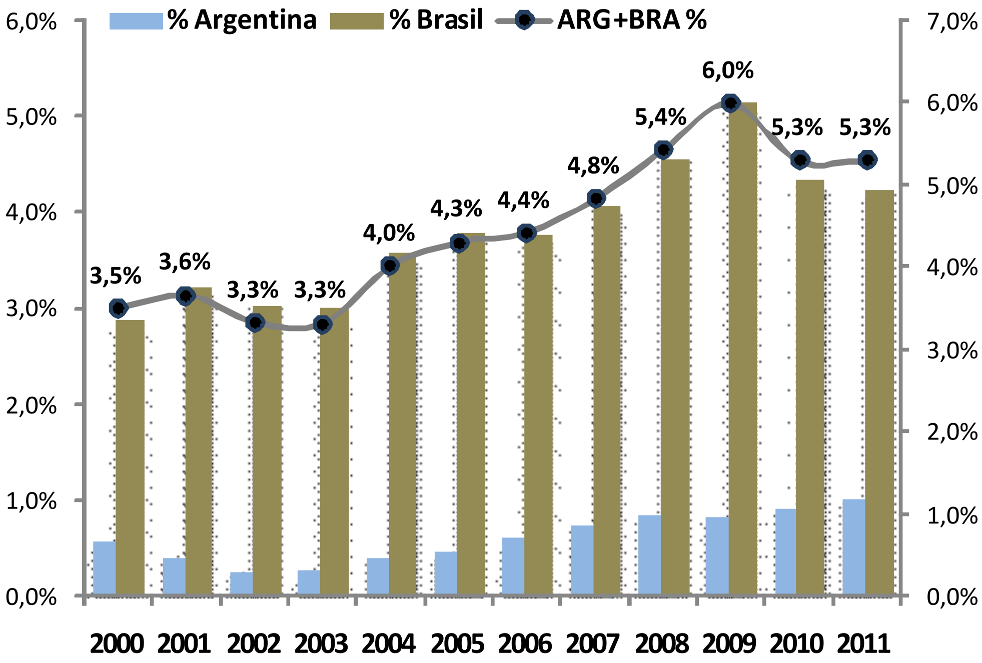
Argentina: an attractive market for the automotive industry

The International Automotive Congress – Argentina/Brazil
Wolfsburg, Germany - October 9th 2012

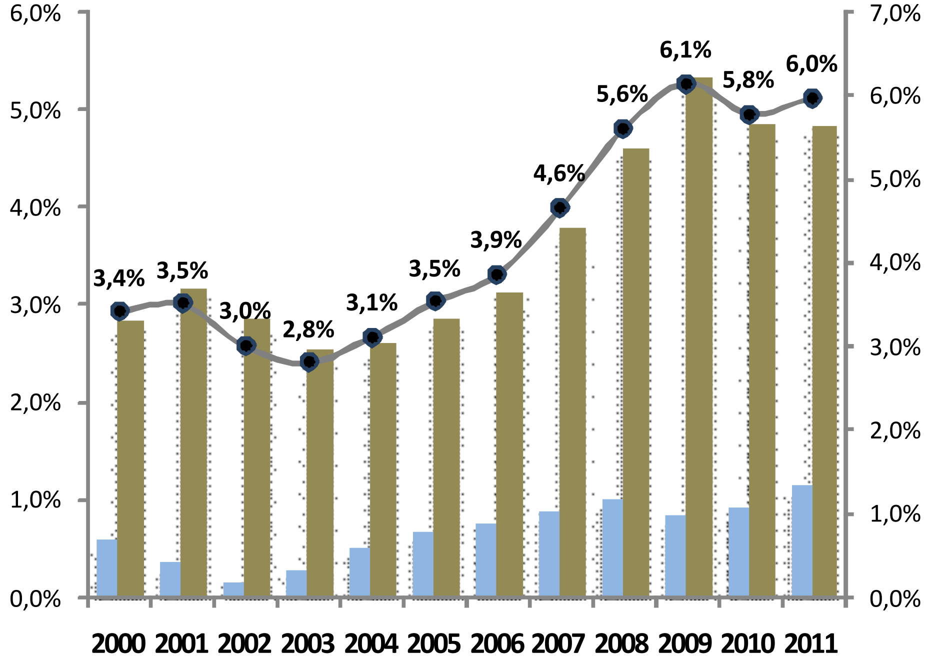
Asociación de Fábricas Argentinas de Componentes (AFAC)
1167, Viamonte St. 2nd F. Buenos Aires, ARGENTINA
Tel. 54 11 4375-0516 Fax 54 11 4814-3434
E-mail: afac@afac.org.ar
www.afac.org.ar

Brazil and Argentina represent the 6th worldwide automotive production pole and the 3rd global market. By 2015, this market will exceed the 5.3 million units

Share of worldwide production. *In percentage.*



Share of worldwide sales. *In percentage.*

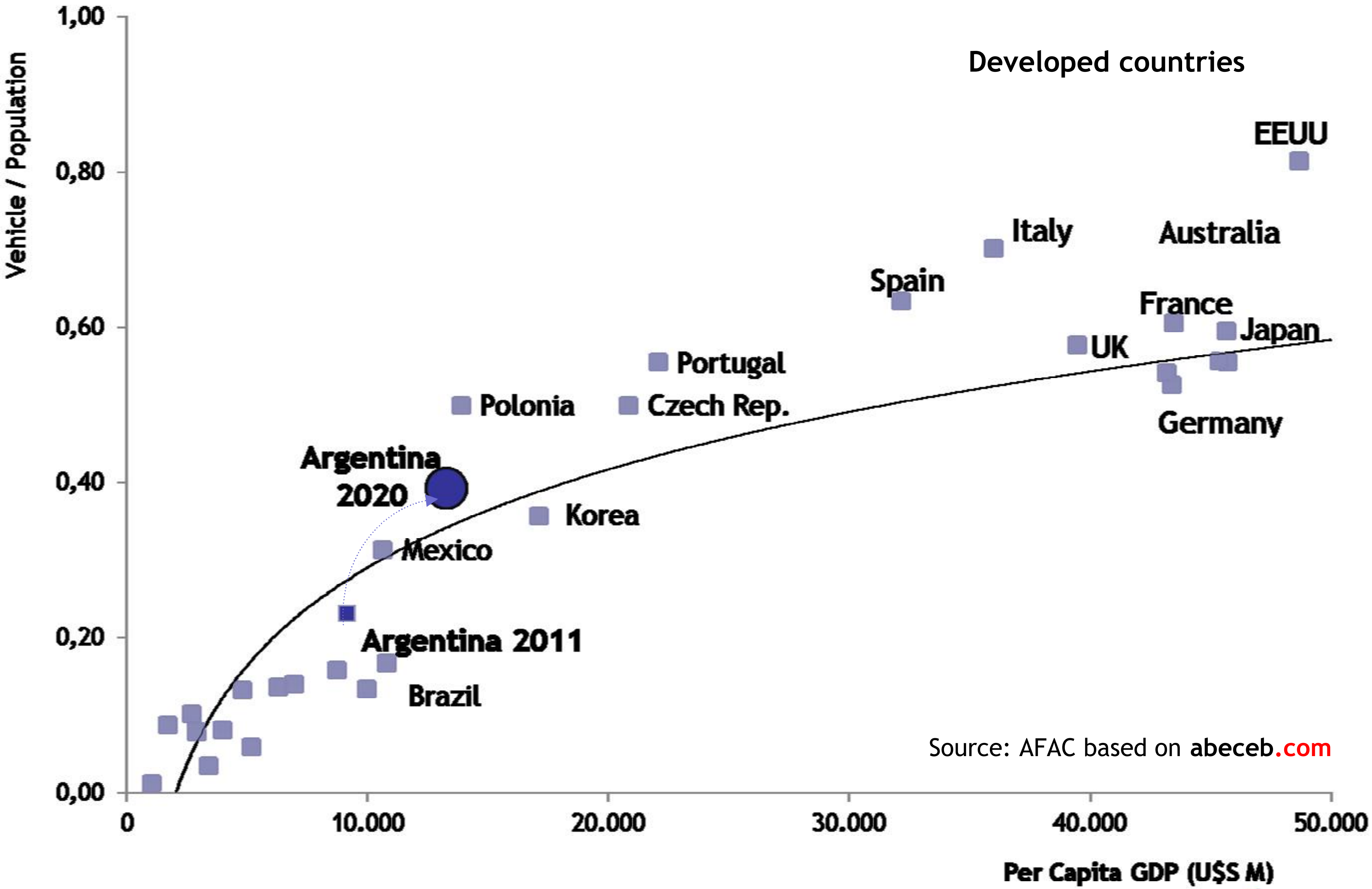


Global ranking of Argentina + Brazil

	2000	2011
Production	9°	6°
Sales	8°	3°

Source: AFAC based on OICA and **abeceb.com**

The motorization rate in Argentina and Brazil is still low relat ive to developed economies, which provides a greater potential for growth in thes e markets

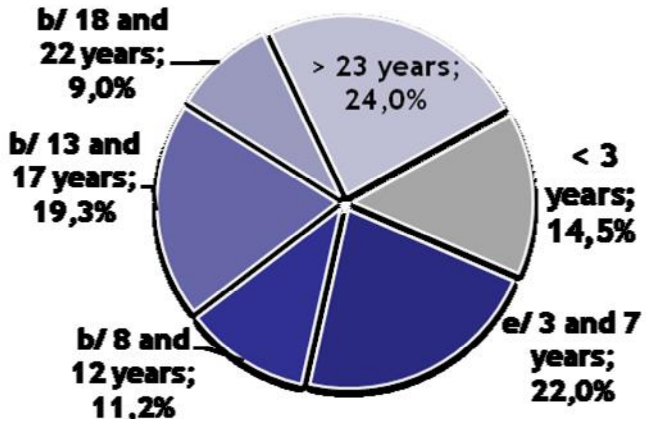


Source: AFAC based on **abeceb.com**

Aftermarket: Retail sales are a direct funtion of the car population. The "living" automotive fleet is significant and aged, creating attractive market.

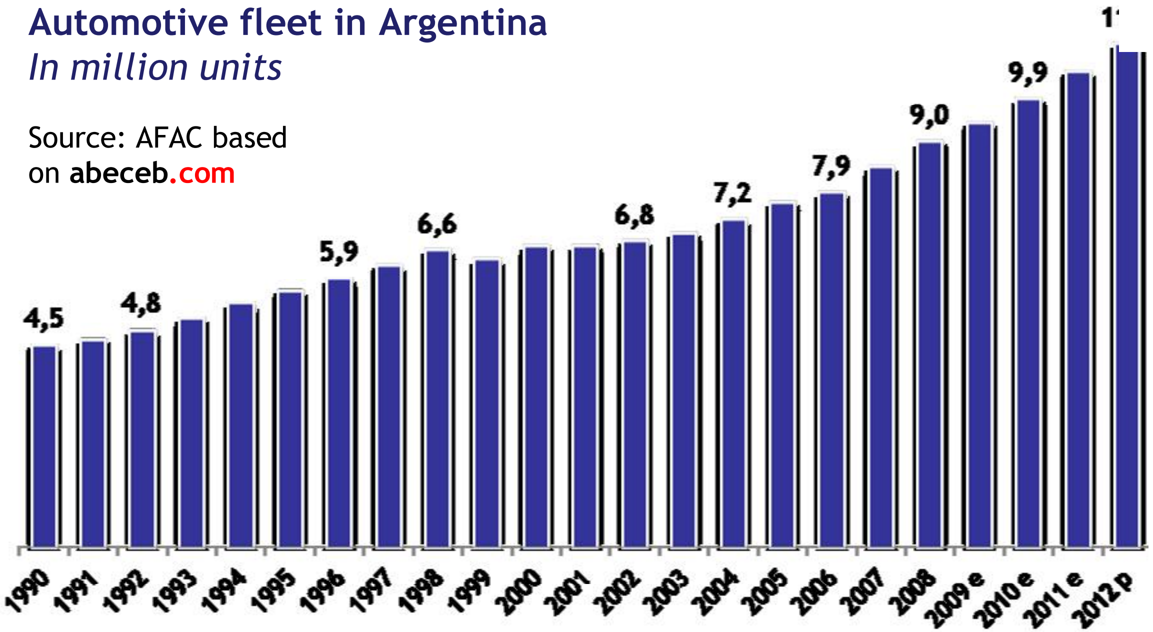
- Largest automotive fleet LATAM, in ratio of vehicles inhabitant. In levels, it exceeds the 11 million vehicles.
- Of this total, more than 36% have less than 7 years old.
- The magnitud and profile of the fleet provide strong basis potencial demand in the aftermarket, even facing an event downfall in domestic sales of 0 km vehicles.

Car Fleet by age (%)

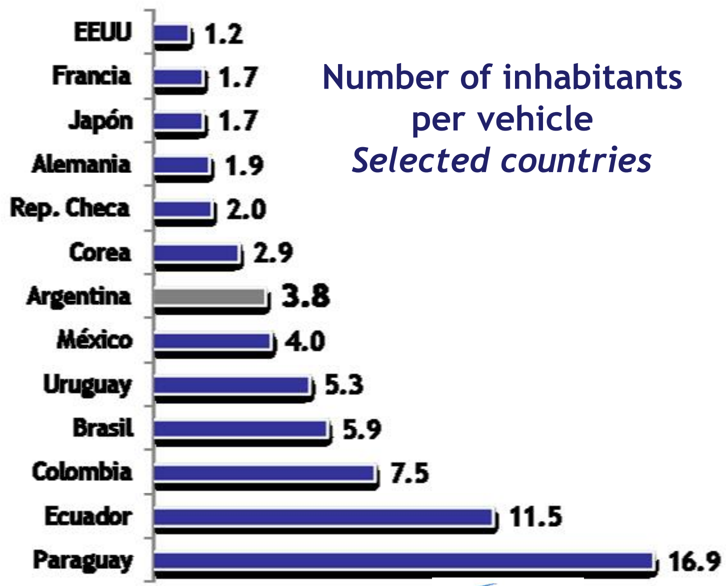


Automotive fleet in Argentina
In million units

Source: AFAC based on **abeceb.com**



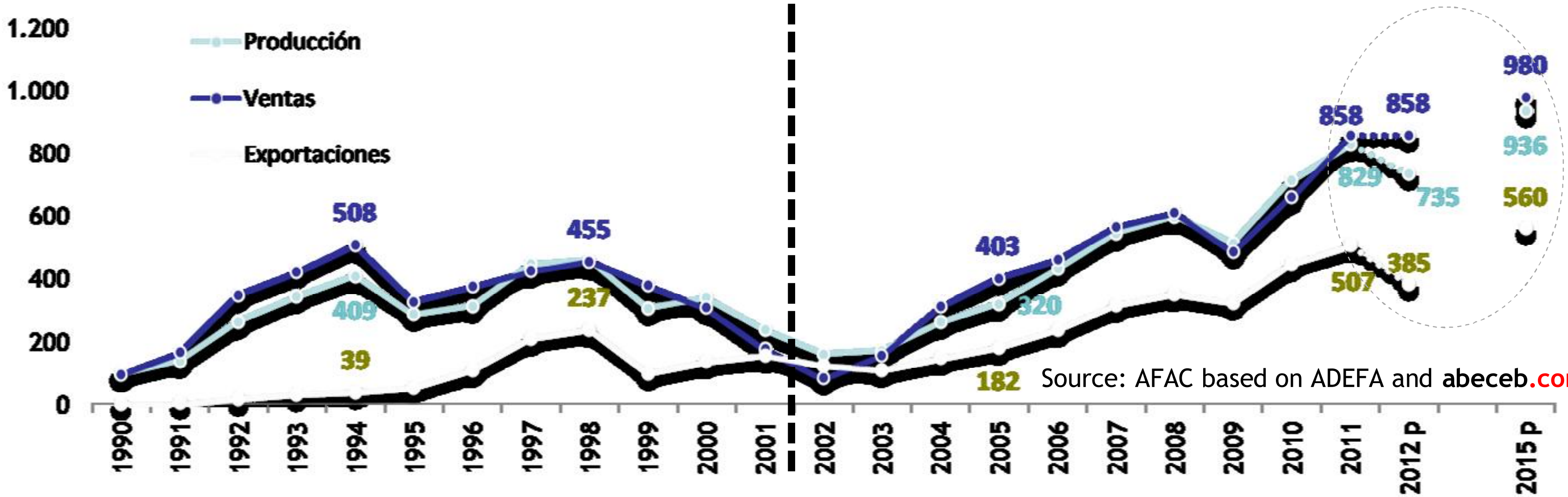
Number of inhabitants per vehicle
Selected countries



The last phase of the automotive industry shows high growth rat es, consolidating its exporter profile. There are good medium -term prospects.

PHASE I:

PHASE II:



Source: AFAC based on ADEFA and abeceb.com

Currently, it is perceived:

- Expansive trend in production with both the external and inte rnal market. Atraction to new investment (new regionally exclusive models). Increased export profile, along with greater concentration.
- New challenges in the competitiveness issues for the automotive value chain.

Argentina has a consolidated automotive structure

Transmission

Vehicles

Transmission

Vehicles

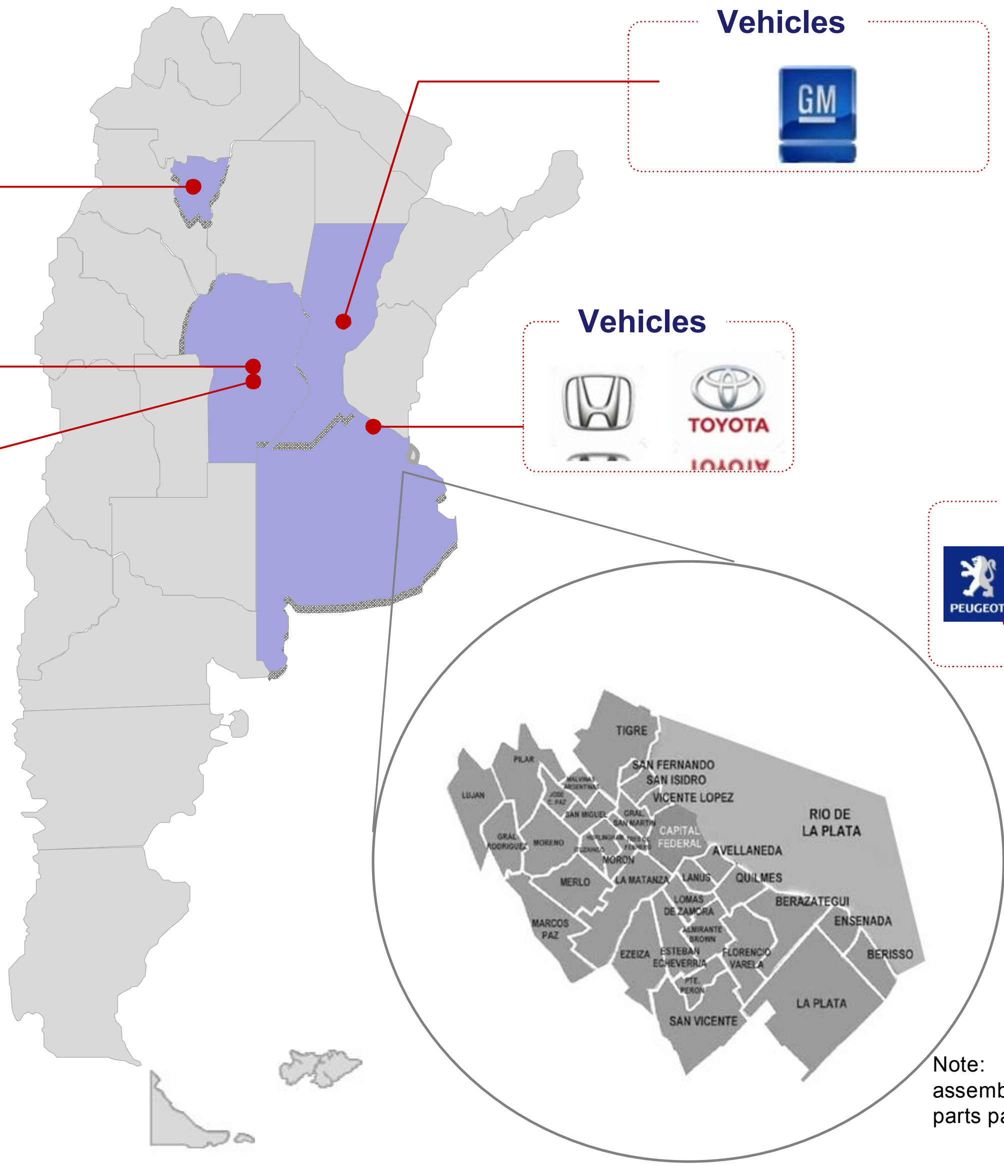
+ engines

Vehicles

Vehicles

+ engines

+ transmission



- 10 car-maker companies.
- 2 transmission systems plants
- 4 engine plants.

Note: In Zárate, Toyota also performe motor assembling activities, as well as injection and plastic parts painting.

Diversified spectrum of models produced, specially medium cars and pick-ups: 24 models manufactured in Argentina, 69.6% concentrated in 15 models

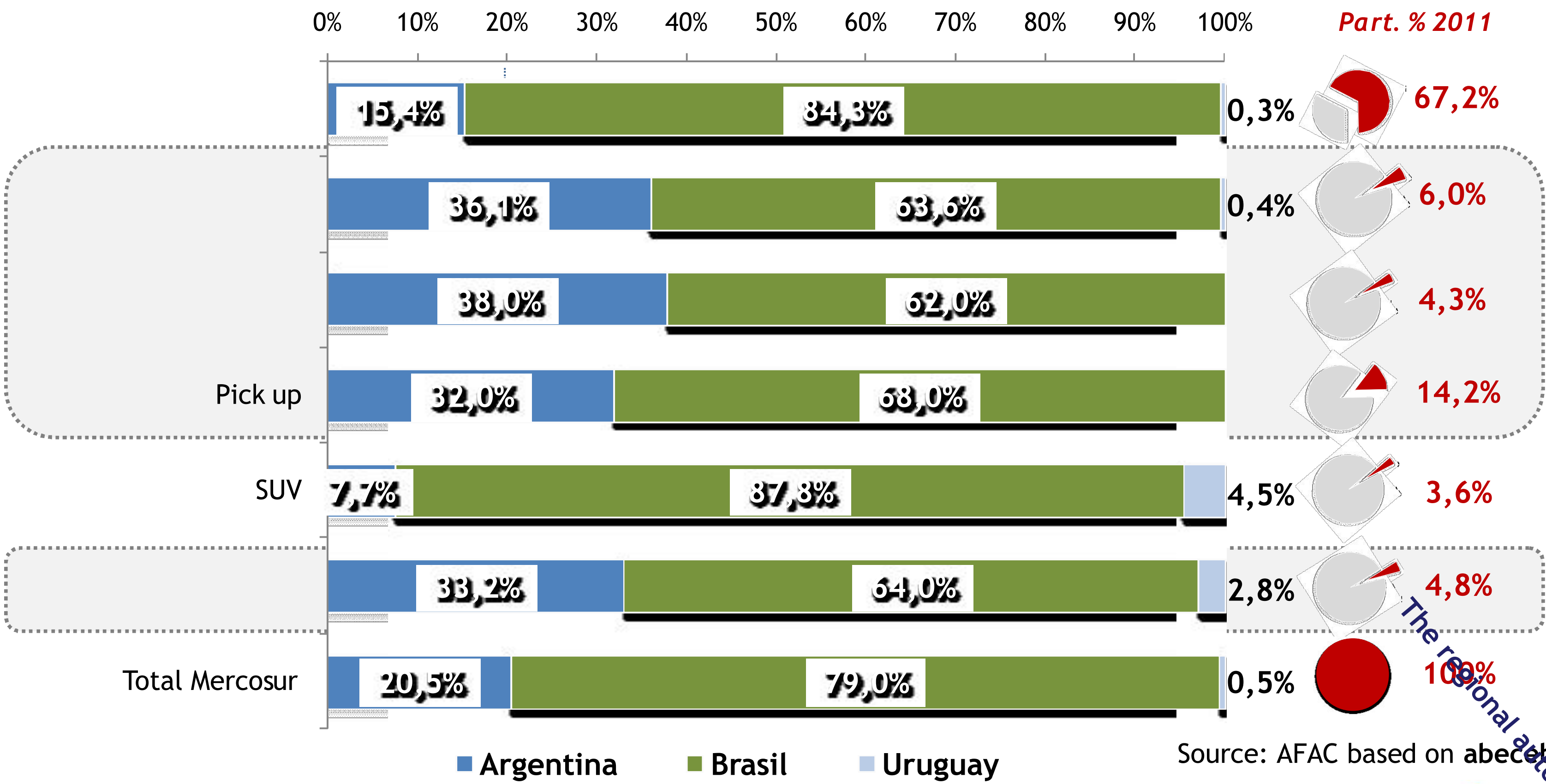
Source: AFAC based on **abeceb.com**

Production by company and type of vehicle. Number of models	Cars 69,6 %	Pick-ups SUV 23,2 %	Utilities 6,2 %	Heavy 1,0 %	Share in total production 2011
PSA	5 *P. 206, 207, 308 and 408 C. C4*		2 *P. Partner C. Berlingo*		17.4 %
GM	2 *Corsa and Agile*				16.5 %
Volkswagen	1 *Surán*	1 *Amarok*			15.1 %
Fiat	2 *Siena and Palio*				13.7 %
Renault	3 *Clio II, Symbol y Fluence*		1 *Kangoo*		13.5 %
Ford	1 *Focus*	1 *Ranger*			12.5 %
Toyota		2 *Hilux and SW4*			8.3 %
Mercedes Benz			1 *Sprinter*	*Chasis para buses and camión*	2.2 %
Iveco				*Chasis para Camiones*	0.7 %
Honda	1 *City*				0.1%

Regional integration configuration based on complementarity specialization of models

- **Trend towards specialization:** Argentina is basically oriented to medium and large cars and pick-ups, while Brazil specialize mainly in small cars. However, because of the industry size asymmetry between both countries, Brazil has larger production volumes in every segment.

Mercosur production structure, by regional classification. Light vehicles livianos. 2011



Source: AFAC based on abeceb.com

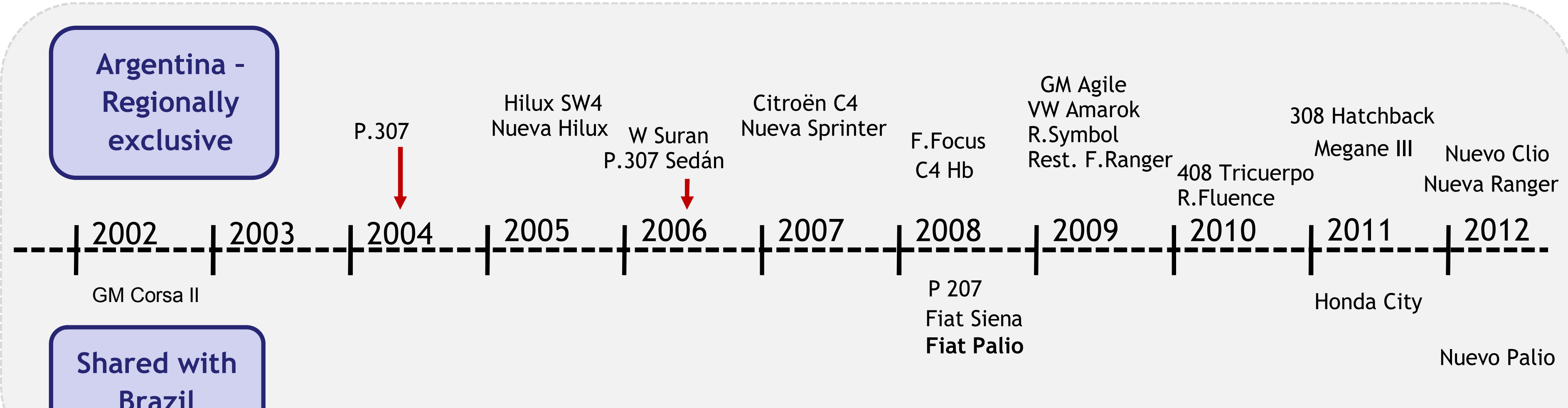
The regional automotive indust

9

Production growth requires intensive renewal of models for domestic and export purposes

- **Specialization:** Over the last cycle, Argentina attracted many regionally exclusive **assignments** (vehicles that inside the Mercosur are not produced in Brazil).
- **Complementarity:** in order with specialization, the complementarity between Argentina and Brazil intensifies.
- **Positioning:** the new vehicles that local industry offers provide the possibility of a medium-term production growth scenario and a greater positioning in the external market (specially in Latin America, although mainly focus over Brazil).

New models launched in Argentina



Source: AFAC based on **abeceb.com**

The autoparts sector, despite some bottlenecks, has a relatively diversified structure and has grown significantly during the last period

- In 2011, it reached a U$S 7,4 MM turnover and and more than 65 thousand direct employees.
- Since 2001, the autopart company's turnover (incl. tires) have grown by 8,1% annual average in dollars and employment by 5,9%.

Source: AFAC

The local autoparts network is composed by approximately 400 fir ms

Argentine autoparts sector profile

- Production of autoparts in Argentina: **400 firms of different sizes** that produce parts, pieces, sets and subsets for the original Argentine market (ca r-making companies), for export and for the local aftermarket.

- The companies oriented mainly to supply OEM market are a relati vely reduced group **of generally large and foreign capital companies** , although there are also some SMEs that provide this market..

- Systems manufacturers in this group, there are almost 40 large companies than concentrate about 50% of the OEM segment 's turnover.

- The Argentine autparts sector has a production tradition of seve ral decades.

Argentina presents a lot of opportunities for investment in new autoparts ventures

- Airbags and pre-tensioning seat belts
- Air conditioning compressor
- "Green" tires
- Electronic Components
- Steering wheels.
- Braking system and its components
- Aluminum Tubes for Air conditioning
- Belts.
- Shafts.
- Adjustable and collapsible steering column
- Micro switches
- Precision Forging
- ABS
- Instrument panel
- Clutches
- Power steering pumps
- Steering box

- Locks
- Fuel pump
- Clutch discs
- Foundry
- Ignition key
- Electric motors
- Brake pads
- Electronic sensors
- Engine injection system (pump, injectors, pipes, electronics)
- Door lock systems
- Fuel tank cap
- Hubcaps
- Tube filled fuel tank (plastic piece blown)
- Nylon fuel pipes trilayer

Both in Argentina and in the region, there are specific measures promoting the automotive and autoparts industrial complex

Regionally

- Mercosur Automotive Policy: Argentina-Brazil Agreement

In Argentina

- Law 26.393 of Development and Consolidation of the Autoparts Sector
- Bicentennial Production Financing Program
- Factory-Custom House Regime (RAF)
- Industrial Plan 2020

Thank You!

Asociación de Fábricas Argentinas de Componentes (AFAC)
1167, Viamonte St. 2nd F. Buenos Aires, ARGENTINA
Tel. 54 11 4375-0516 Fax 54 11 4814-3434
E-mail: afac@afac.org.ar
www.afac.org.ar