

September 2, 2008

CHINA CAR MARKET UP 15.5% YtD BUT CAUTIOUS CONDITIONS TEMPER GROWTH

- **Growth in July slows as economic uncertainty touches China**
- **Size matters as sales of larger cars dominate market**

JATO Dynamics, the world's leading supplier of automotive data and intelligence, has reported the Chinese market for new cars grew by 15.5% to 3,936,527 units in the first seven months of 2008. Wuling's Light/Sunshine/City Breeze held its position as China's top selling car with sales of 336,632 units in July, an increase of 22.1% over the same period in 2007.

China's car market remained buoyant in July 2008, selling 469,732 new vehicles, a 6.2% increase on the volumes reported in 2007. Growth is however noticeably lower than the 18.7% reported in June 2008 indicating that, despite continued optimism in the region, China is not immune from the effects of increased fuel prices and global economic uncertainty.

Nasir Shah, Global Business Development Director for JATO, said: "China's growth remains impressive given the situation in the rest of the world, but a sudden fuel hike in July and a slight slowdown in the country's economy has impacted on car sales. The staggering growth we saw this time last year has been tempered somewhat by caution as some Chinese consumers delay purchasing new cars until the fuel prices stabilise.

"Certain sectors continue to see incredible growth however, particularly the upper-medium and SUV segments, which are favoured by the image-conscious middle-classes."

Brand Performance

Volkswagen, which has been operating in China since 1985, is the country's top-selling car brand so far in 2008, growing 13.8% compared to the same period in 2007. The German manufacturer now sells more cars in China than it does in its home-market. Wuling is second, growing 22.1%, while Japanese brands Toyota and Honda are in third and fourth place. Toyota performed particularly well in July, growing 42.7% YtD.

Nasir Shah said: "There is fierce competition among manufacturers in China because the reward for success is so significant. A shrewd marketing initiative, or a popular new model can change the fortunes of a brand virtually overnight, such is the dynamism of the market right now."

Local brand Jiangnan saw sales rise by 1016% YtD, thanks to huge demand for its Alto model, which can lay claim to being the world's cheapest car, selling for a mere 25,800 CNY. Daihatsu has also posted significant growth in 2008, with sales of new vehicles rising by 567% YtD. Skoda, which has reported strong sales of its Octavia model, grew by 485% in July compared to the same period in 2007. Foton (200%), New Dadi (177%), Mercedes-Benz (97.1%), Chrysler (57.8%) and Dongfeng (57.7%), also reported strong growth in the same period.

Brand Performance

Make	Jul YtD_08	Jul YtD_07	% Change YtD
VOLKSWAGEN	503,769	442,567	+13.8%
WULING	336,632	275,771	+22.1%
TOYOTA	327,536	229,546	+42.7%
HONDA	270,502	220,001	+23.0%
CHERY	231,308	232,784	-0.6%
NISSAN	191,820	153,866	+24.7%
HYUNDAI	186,476	136,358	+36.8%
CHANA	182,880	187,249	-2.3%
BUICK	169,306	180,883	-6.4%
FAW	140,111	123,132	+13.8%

Top Models

Small micro-van-based passenger vehicles remain an important product type in the Chinese car market. Two such vehicles, the Wuling Light/Sunshine/City Breeze and the Chana Green Star led the Chinese car market in the first seven months of 2008. The remaining cars in the Top 10 are the Toyota Corolla, Volkswagen Santana, Volkswagen Jetta, Hyundai Elantra, Buick Excelle, Honda Accord, Toyota Camry and Chery QQ.

New introductions performing well in the Chinese car market include the FAW Vita, Chery A1, Kia Sportage, Nissan Qashqai, Toyota Yaris, Mazda2, JAC Binyue, Chrysler Sebring, Volkswagen Lavida, BYD F6, Great Wall Peri and Chery Riich R2.

Other models recording significantly increased sales include the Jiangnan Alto, Volkswagen Magotan (Passat in other markets), Skoda Octavia, Geely Vision and Toyota Corolla.

Top Models

Make & Model	Jul YtD_08	Jul YtD_07	% Change YtD
WULING LIGHT/SUNSHINE/CITY BREEZE	336,632	275,771	+22.1%
CHANA GREEN STAR	154,018	147,880	+4.2%
TOYOTA COROLLA	130,113	48,092	+170.6%
VOLKSWAGEN SANTANA	129,355	129,292	+0.0%
VOLKSWAGEN JETTA	126,996	100,494	+26.4%
HYUNDAI ELANTRA	119,792	64,818	+84.8%
BUICK EXCELLE	104,548	104,369	+0.2%
HONDA ACCORD	90,668	71,869	+26.2%
TOYOTA CAMRY	88,440	94,157	-6.1%
CHERY QQ	85,471	78,123	+9.4%

Segment Trends

China's growing middle-classes have traditionally favoured larger cars over smaller-displacement vehicles. This trend has continued as the lower medium segment remains the largest, with the Toyota Corolla, Nissan Tiida, Ford Focus all proving popular.

Second in the market is the upper-medium segment, which is beginning to look like it may one day threaten the top spot with an increase in sales of 26.4% YtD. Growth in this segment was led by the Volkswagen Santana, Volkswagen Jetta, Hyundai Elantra, Buick Excelle and Volkswagen Passat.

Levels of growth in upper-medium segment are only bettered by the SUV market, which experienced an increase in sales of 44.2% YtD, indicating the increased spending power of China's rapidly expanding middle-classes and the social status attached to car-ownership in the region.

The Mini Van segment is the third largest in the Chinese market, with an 18.6% share YtD. The segment is led by the Wuling Light/Sunshine/City Breeze, Chana Green Star, Hafei Zhongyi/Minyi, Nissan Livina and Buick GL8.

The Small car segment, led by the Chevrolet Aveo, FAW N3, Volkswagen Polo, Honda City and Geely KingKong commands a 12.7% market share YtD, slightly higher than a year earlier.

The Executive and Mini segments made up the majority of the rest of the market, but are both losing market share. Meanwhile, the Sports segment remains very small, despite the introduction of coupé models from local brands Geely and Brilliance, and the start of local manufacture of the MG TF convertible.

Segment Trends

JATO regional segment	Market Share			% Change YtD
	Jul YtD_08	Jul YtD_08	Jul YtD_07	
PR Mini	4.3%	169,609	155,404	+9.1%
PR Small	12.7%	499,652	430,036	+16.2%
PR Lower Medium	25.5%	1,002,636	906,735	+10.6%
PR Upper Medium	22.5%	885,263	700,383	+26.4%
PR Executive	9.5%	374,877	365,722	+2.5%
PR Luxury	0.3%	9,894	16,730	-40.9%
PR Mini Van	18.6%	730,570	648,985	+12.6%
PR SUV	6.7%	262,593	182,094	+44.2%
PR Sports	0.0%	1,433	1,312	+9.2%
Other	0.0%	0	188	-100.0%
Grand Total	100%	3,936,527	3,407,589	+15.5%

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Editorial note: JATO Dynamics background

JATO was founded in 1984 and provides the world's most timely, accurate and up-to-date intelligence on vehicle specifications and pricing, sales and registrations, news and incentives. The company has representation in over 40 countries, providing unique local market expertise. The JATO client base includes all of the world's volume vehicle manufacturers, giving them the ability to react to short-term market movements, plan for long-term developments and ultimately to meet consumers' needs. JATO's data has also been adapted for consumer use in motoring web portals where customers can see the advantages and disadvantages of a specified model against any other while major leasing companies use JATO data to drive the vehicle quotation process. Visit JATO at www.jato.com.

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