UAE’s automotive sector overview

- **UAE is the second largest automotive market** (including cars, parts and accessories, trailers and semi-trailers, trucks, public transport vehicles, tractors, other) in the GCC after Saudi Arabia. UAE relies heavily on imports with virtually the entire supply of cars and light vehicles being imported.

- The UAE’s automotive retail sector grew by 6.5% y/y in H1 2014. The UAE’s strong economic growth, solid household spending and increased access to vehicle financing are set to be the drivers for the automotive industry over the coming years.

- The strong domestic demand for automotive products is illustrated by the seventy five percent of the UAE’s online consumers who plan to buy a new or used car in the next two years, according to Nielsen’s Global Survey of Automotive Demand.

- Separately, as investors started to look ahead to the Dubai 2020 Expo, spending on infrastructure and development projects will continue, further boosting the demand for heavy trucks and other commercial vehicles that will be needed to help build these projects.

- In 2014, GCC’s automotive trade value reached USD 66.5bn, up 39% from 2010, 90% of which was imports. UAE received 39.4% of GCC’s automotive exports with intra-GCC trade being dominant, accounting for more than half of the total figure.

- Cars represent 63% of UAE’s total automotive imports from the world. UAE is also one of the largest importers of used cars becoming a regional hub not only for cars but also for vehicle parts and components in the entire MENA region. As a result, the UAE has become a strategic player in the car parts trade within the GCC region positioning itself as a major re-exports center.

- The UAE’s proposed automotive investment strategy is likely in our view to be directed at the creation of new production plants for cars, light vehicles and trucks as well as assembly lines for manufacturing and remanufacturing of spare parts and accessories. This strategy will depend on maintaining UAE’s attractive and stable framework in the field of vehicle taxation, technical requirements, fuel policy and road infrastructure.

- UAE’s efficient transport infrastructure (road, train, maritime, air) and strong logistics network are important factors for any investment decision in automotive manufacturing. UAE’s strong protection of intellectual property in technical or design solutions as well as efficient and fair administration are also essential conditions for innovation in the automotive industry.

### MENA’s automotive investment projects in USD, as of Q4 2014

<table>
<thead>
<tr>
<th>Country</th>
<th>Company</th>
<th>USD</th>
<th>Description, production per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>Saudi-Malaysian Development Co.</td>
<td>2bn</td>
<td>New plant for domestic car Meya</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>Daewoo Int.</td>
<td>1bn</td>
<td>150,000 new assembly plant</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>Jaguar Land Rover</td>
<td>168rn</td>
<td>100,000 new assembly plant with UK parts</td>
</tr>
<tr>
<td>Iran</td>
<td>Changan</td>
<td>128rn</td>
<td>50,000 new assembly plant</td>
</tr>
<tr>
<td>Algeria</td>
<td>FAW</td>
<td>61rn</td>
<td>10,000 new assembly plant</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>Zahid Tractor and Heavy Machinery</td>
<td>60rn</td>
<td>4,000 Volvo and Renault truck new plant</td>
</tr>
<tr>
<td>Morocco</td>
<td>Lear Corp.</td>
<td>2.2rn</td>
<td>Parts and electrical equipment plant</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>3.4bn</td>
<td></td>
</tr>
</tbody>
</table>

Source: MEED, Emirates NBD Research
UAE’s automotive sector overview

UAE is the second largest automotive market in the GCC after Saudi Arabia. It relies heavily on imports, with virtually the entire supply of car and light vehicles being imported. Apart from a few units assembling truck and bus components and some armored vehicle factories, there is no significant automotive manufacturing activity taking place in the UAE.

Total vehicle sales, % of total GCC, as of H1 2014

The UAE’s automotive retail sector grew by more than 6.5% y/y in H1 2014 while for 2013 the sector marginally declined by 2.2% y/y recording sales of 263,100 vehicles compared to 268,900 vehicles sold in 2012.

UAE total vehicle sales as of H1 2014

The UAE’s strong economic growth, solid household spending and increased access to vehicle financing are set to be the drivers for the automotive industry over the coming years. The estimate of UAE’s population was revised upwards and will reach roughly 10.8 million over the next five years, according to the IMF’s latest World Economic Outlook. With an estimated 70% of the UAE’s population within the 20-39 year age bracket and with a rising GDP per capita, the UAE’s automotive sector growth outlook is positive.

In 2013, the market was broadly divided between roughly 80% for passenger cars and 20% for commercial vehicles (trucks, vans and buses). Japanese manufacturers dominated the UAE automotive market with a significant market share, with Toyota maintaining its dominance in the market in 2013 as the chart below shows.

GCC’s automotive trade

In 2014, the GCC’s automotive trade value reached USD 66.5bn, up 39% from 2010, 90% of which was imports. According to the International Trade Center (ITC), cars accounted for 53.4% of GCC’s automotive exports to the world, followed by trucks (18.4%) and parts and accessories (16.8%).

Oman accounted for 59% of total GCC automotive exports followed by Saudi Arabia (17.3%) and UAE (16.5%) with more than half of the GCC exports going to other GCC countries. UAE accounted for 39.4% of GCC’s automotive exports with intra-GCC auto trade being dominant recording more than half of the total figure. It is only China that managed to record a decent share of GCC’s automotive exports (11.3%), according to the chart below.
Who gets GCC’s automotive exports, 2014

According to the International Trade Center (ITC), cars represented 67.9% of GCC’s automotive imports from the world, followed by trucks (13.9%) and parts and accessories (8.9%). Saudi Arabia received a substantial 39.8% of GCC’s automotive imports followed by UAE (33%) and Oman (10.1%). Saudi Arabia and UAE accounted for more than 70% of GCC’s automotive imports with the largest share of this being re-exported to Asian and African markets. On the other side, Japan was the top automotive exporter to the GCC (26.5%) followed by USA (19.9%) and Korea (9.2%) as the chart below shows.

UAE’s automotive exports

The UAE is also one of the largest importers of used cars becoming a regional hub not only for cars but also for vehicle parts and components in the entire MENA region. As a result, the UAE has become a strategic player in the car parts trade within the GCC region positioning itself as a major re-exports center with around 65% of its imported parts being re-exported to other GCC and African countries.

Not only does there appear to be scope to further increase exports and re-exports of both vehicles and parts, in order to boost the automotive manufacturing sector as a whole, but there also appears to be the potential to add value by creating new

UAE automotive imports by product, % of total USD 19.5bn, 2014

UAE automotive imports by source country, 2014

UAE’s automotive trade

In 2014, UAE’s automotive trade value reached USD 20.7bn, up 43% from 2010, 94% of which was imports. Cars represented 63% of UAE’s automotive imports from the world followed by parts and accessories (12.6%) and trucks (12.1%) as the chart below shows.
production plants for cars, light vehicles and trucks as well as assembly lines for manufacturing and remanufacturing of spare parts and accessories.

**UAE’s proposed auto strategy to be backed by strong demand**

The Abu Dhabi’s Government initiative to develop ‘The Auto City’ in the Mussafah area will create a cluster of advanced workshops and service centers, attracting investment in automotive manufacturing and spare part logistics. In terms of remanufactured parts, local government bodies have been showing increased commitment to greener technologies with commercial vehicles remanufactured parts finding growing acceptance in the country.

Dubai Municipality plans to generate compressed natural gas (CNG) from waste to power its commercial vehicles aiming to produce enough CNG to power 15,000 light commercial vehicles a day. It is expected that there will be enough demand for CNG, as plans to convert fleets of public transport and government vehicles to CNG and other alternative fuel gather momentum.

Sharjah Transport Authority (STA) recently initiated a project aiming to gradually replace 5,000 taxis in Sharjah to vehicles that run on CNG. STA announced that during phase one of the project 1,600 vehicles will be converted from regular fuel to CNG, which will in turn result in a reduction of 52 tons of carbon emissions each year. During phase two, which is expected to begin in 2015, the entire fleet of the 3,400 Sharjah taxis will be converted to CNG.

**UAE’s proposed automotive investment strategy to create new production plants and assembly lines** is likely in our view to depend on the UAE maintaining the attractive and stable framework, in the field of vehicle taxation, technical requirements, fuel policy and road infrastructure. This framework can further boost UAE’s overall country competitiveness with UAE’s automotive production facilities to also serve as an export base to other countries especially in Africa and Asia.

**UAE’s efficient transport infrastructure (road, train, maritime, air) and strong logistics network** are accommodating factors for any investment decision in automotive manufacturing. UAE’s strong protection of intellectual property in technical or design solutions as well as efficient and fair bureaucracy can safeguard the essential conditions for innovation in the automotive industry.

UAE’s skilled and educated workforce along with the country’s continuous efforts to improve its educational system could further support the entire automotive value chain.

The strong domestic demand for automotive products is illustrated by the seventy five percent of UAE online consumers who plan to buy a new or used car in the next two years, according to Nielsen’s Global Survey of Automotive Demand. The survey polled more than thirty thousand internet respondents in sixty countries to identify automotive demand patterns and most influential motives in driving new and used car purchase intent. 47% of UAE respondents said they will buy a new car in the next two years, compared with 28% who plan to buy used cars.

Separately, UAE consumer confidence improved in Q4 2014 with a reading of 114, according to Nielsen’s UAE Consumer Confidence Survey. The outlook for the UAE economy remains positive with growth being driven this year largely by the non-oil sectors as investors started to look ahead to the Dubai 2020 Expo, with spending on infrastructure and development projects to continue. Expo 2020 will further boost the demand for heavy trucks and other commercial vehicles that will be needed to help build these projects.
Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication andDisclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided there to or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be construed as legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decisions or actions based thereon; (c) unique or extraordinary, including but not limited to negligence, SHALL, EMIRATES NBD, ITS OF THE AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, “Emirates NBD”) does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report.

The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose. 

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY, FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS, MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION. INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.
Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box777
Dubai

Aazar Ali Khwaja
Group Treasurer & EVP Global Markets & Treasury
+971 4 609 3000
aazark@emiratesnbd.com

Tim Fox
Head of Research & Chief Economist
+971 4 230 7800
timothyl@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+971 4 230 7803
khatijah@emiratesnbd.com

Jean Paul Pigat
Senior Economist
+971 4 230 7807
jeanp@emiratesnbd.com

Aditya Pugalia
Analyst
+971 4 230 7802
adityap@emiratesnbd.com

Anita Yadav
Head of Fixed Income Research
+971 4 230 7630
anitay@emiratesnbd.com

Athanasios Tsetsonis
Sector Economist
+971 4 230 7629
athanasiost@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumarskhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
Lee Sims
+44 (0) 20 7838 2240
simsl@emiratesnbd.com

Egypt
Shahinaz Foda
+20 22 726 5050
shahinaz.foda@bnpparibas.com

Corporate Communications

Ibrahim Sowaidan
+971 4 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+971 4 609 4143
clairea@emiratesnbd.com

Investor Relations

Patrick Clerkin
+971 4 230 7805
patrickc@emiratesnbd.com