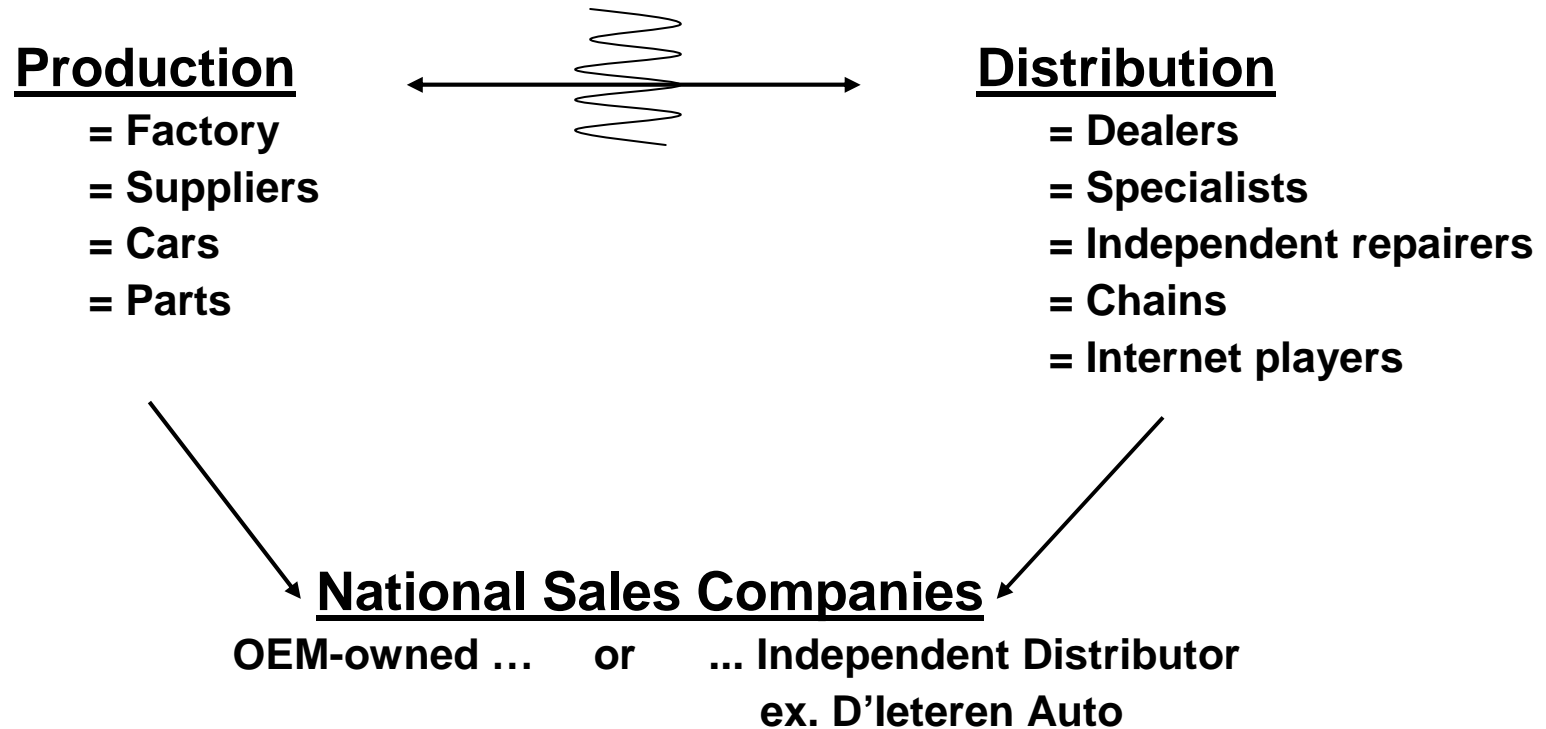


The components and downstream markets of the automotive sector

4th March 2009

Black and White View of the Automotive Industry



D'leteren Group : major player in Automotive Industry

- Belgian listed company
- Active in Automotive Distribution as :

Customer	- AVIS Rent a Car for Europe- Africa- Middle East – Asia (purchase of 200.000 cars /year)	
Competitor	- Belron (Carglass – Autoglass) World Wide Replacement and repair of automotive glass	
Player	- D'leteren Auto Belgium Independent national sales company for VW Group - Porsche - Yamaha	
(Yearly	- purchase- sales	: 120.000 new cars
	- retailing	: 10.000 new cars
	- remarketing	: 14.000 used cars
	- leasing	: 20.000 new cars in fleet
	- parts wholesale	: 170M Eur parts.

Three branded service businesses - BtoB and BtoC

Avis Europe

- Avis : 13 corporate + 96 licensee countries
- Budget : 4 corporate + 64 licensee countries



Belron

- #1 specialist vehicle glass repair & replacement (VGRR) group worldwide
- 28 countries, 1,600 branches, 7,100 mobile units

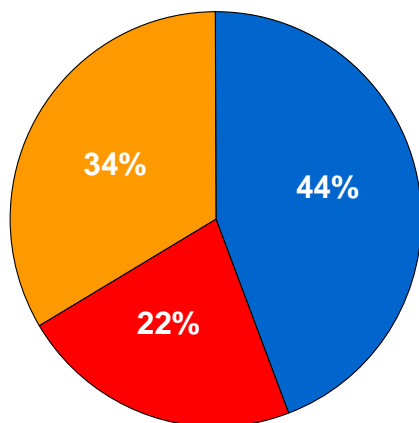


D'leteren Auto

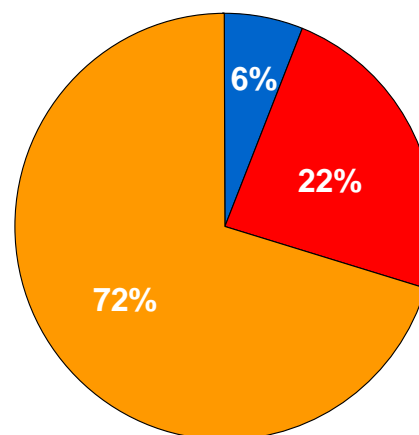
- #1 Car distributor in Belgium
- More than 300 independent dealers ; c. 20 fully-owned dealers

Sales - Staff

**Sales 2007 :
EUR 5,967.1m**



**Average staff :
28,000 FTE**



■ Automobile Distribution
■ Vehicle Glass
■ Car Rental

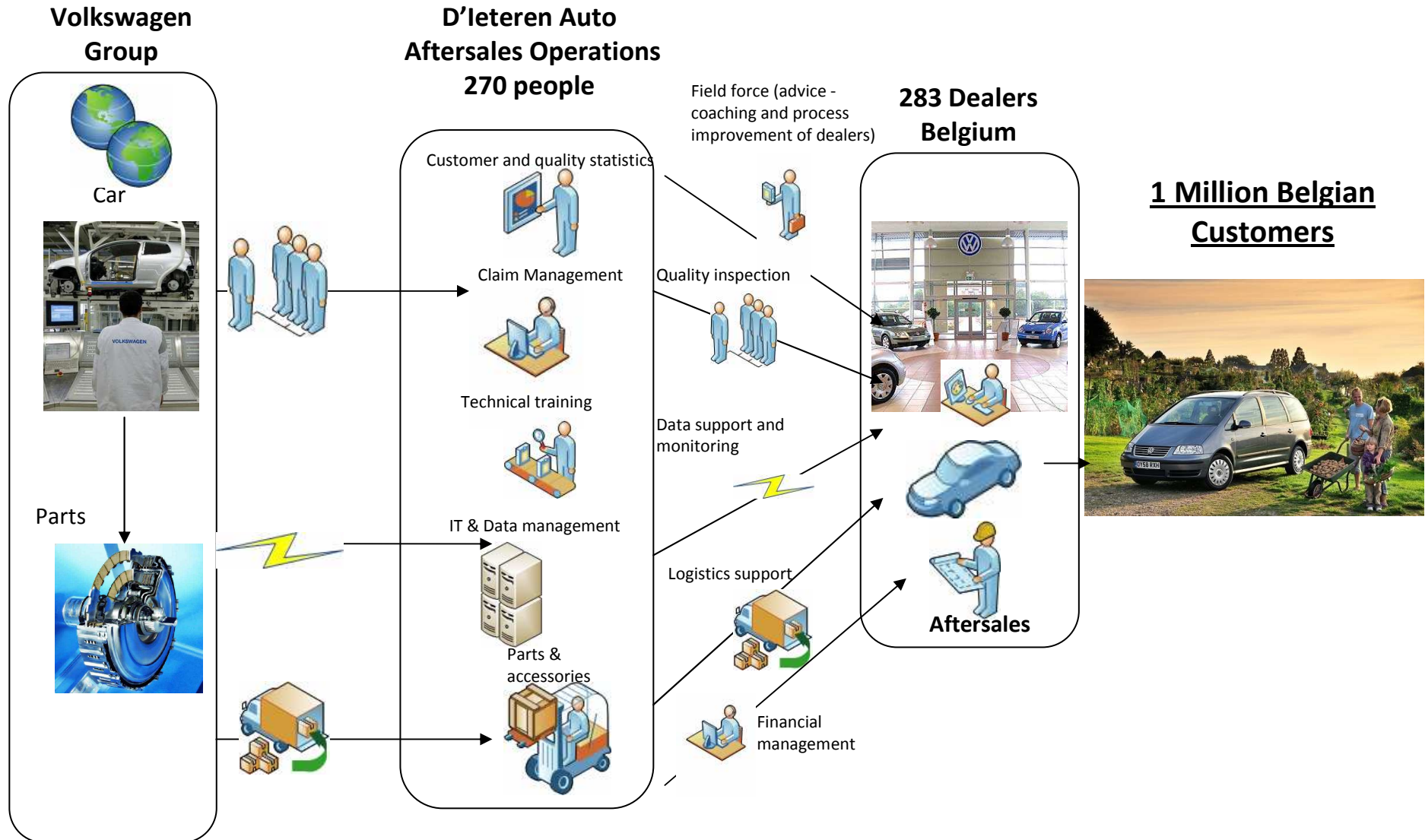
Our Mission as Independent Belgian Sales Company

- **Buffer between highly volatile market demand and long term oriented and rather inflexible production process**
- **Assuring an optimal – competitive total « transaction cost » for new cars and for After-Sales**
- **Assure the « Total Brand Promise » to the Belgian consumer (Sales and After-Sales).**

How do we fulfil our Missions ?

- **Logistics** - transport and warehousing of new, used cars, and parts
 - outsourcing possible, often transnational
- **Wholesale** - market volume forecast
 - purchase
 - selling to dealers, institutionals, large fleet
 - sales actions – programmes
- **Marketeer** - brand image on national territory
 - advertising
 - control of vertical distribution standards
- **Network Management (= Franchisor)**
 - choice of right dealer
 - credit management
 - geographical distribution
 - agreement on volume objectives
- **Brand representation to all stakeholders**
 - government – local authorities – media – consumers
- **Various** - owned retailing (major cities)
 - captive finance and leasing company
- **After-Sales.**

After-Sales : Quality servicing for 1 Million customers on the road



D'Ieteren After- Sales Operations in few Data:

- **270** people working in after-sales activities by Importer (in total 1600)
- **> 90%** of customers express loyalty intention
- **283** repair shops around the country
- **4.000** people offering full quality repair and maintenance in the dealerships
- **250.000** warranty cases/year (41M EUR)
- **75,000** parts references in stock and **2** deliveries a day all over Belgium
- **15 years** of follow-up of parts by manufacturer
- **50,000** after-sales customer satisfaction surveys every year
- **> 10.000** training days for dealers employees
- **20** after-sales IT programmes to support, monitor repair and maintenance and perform quality audits in one unique Dealer Management System
- **57.000** recalls on cars for quality improvement every year.

What are actually our major challenges ?

1. Respond adequately and fast to major consumer demand
(= being competitive)
2. Assure Dealer's Profitability (especially with actual credit crisis)
3. Remarketing of used cars
4. Need for independent repairers (with fair competition)
5. Stop, simplify or harmonise national, regional regulations on fiscal, environmental or safety matters
6. New BER?

What are actually our major challenges ?

1. Respond adequately to consumer needs

- Need of a car goes from
bare necessity -> general mobility -> self-indulgence -> social recognition
ex. VW industrial Skoda - VW Audi – Porsche Bentley
- Distribution is part of the brand positioning
Every brand should be free to choose its distribution mode. It is a very important part of its competitiveness. (mono-multi, exclusive-selective, BtoB-BtoC, Internet, super markets,...) but at the same time they need clear and simple vertical restrained BER in order to assure viability to their Authorized Dealers.
Ex. - Sales separation of the VW – Audi brands has been a market success
- In order to match the selective (detailed) regulation, unnecessary and expensive sales standards were imposed since 2003.

What are actually our major challenges ?

1. Respond adequately to consumer needs

- One-stop shopping is a real need for the majority of NEW car consumers but not for second-hand car consumers. Why ?
 - A. Brand Promise should not only concern the product but the car's total life cycle : sales, warranty, service, courtesy car, financing, environmental, recycling,...
 - B. T.C.O. : Total Cost of Ownership or total cost price /km consists of 1/3 sales price, 1/3 insurance, 1/3 fuel consummation and maintenance cost. This is the global criteria establishing the real competitiveness of a car.
This is the only real reason why debundling Sales – After-Sales doesn't work for new cars. Hence « mandatory » debundling destroys value for Authorized Dealers by unnecessary and disruptive competition (see dealer profitability).

What are actually our major challenges ?

2. Authorized Dealer Profitability is low because of fierce competition

- Even more stressed by « credit crisis »
- Unnecessary « selection » standards, increased investments and costs since 2003
- Car technology imposes « higher skilled-paid » staff
- High training cost (3-5 days/year training of mechanics)
- Complex IT systems for car-customer follow-up (safety – warranty)
- Too large ranges – options (inventory) offered by brand
- environmental issues (waste - car recycling)

Dealer profitability is a complex mix of 4 (sometimes 5) different sections :

- new car sales – remarketing car sales – maintenance
- part sales with possible addition of body shop

All sections are economically deeply interactive by way of « fidelisation » of the customer.

Ex. The day they will lose the high margin on parts, they have to increase their margin on cars or on work rate. T.C.O. will not change for the consumer.

What are actually our major challenges ?

3. Remarketing of used cars

- Probably biggest burden in this global crisis of automotive distribution
- Scrap incentives on purchase of recent cars should be for EEC the best global way of helping the total industry (1M cars)
- It is the only way to unlock the used car market and by consequence the new car sales
- It is the fastest and best « greening » action
- The dealers and NSC will intensify the action by additional private incentives.

What are actually our major challenges ?

4. Independent repairers - specialists

- Is a necessity for the brand in terms of T.C.O. and residual value
- They are the « Only » way to maintain a car that has too high value to be scrapped but too low value to be repaired with « original » parts which exceed sometimes the used car's value or its life expectation. Ex. Exhaust
- They have to be cheaper (less trained, less qualitative and less specialised in new technology) in order to assure global maintenance of the older car
- Specialists (tires, glass, breaks, exhaust) assure a sound competition to the Authorized Dealers by their « product-concentrated » buying power and their lower salary costs (less qualified staff). Dealers – Leasing Companies are often using their specialised services
- The brands should help the repairers – specialists in order to keep them up to date in terms of technical information and training at arms-length cost.

What are actually our major challenges ?

5. Stop, simplify or harmonise national, regional regulations on fiscal, environmental or safety matters

- Major impact on free trade (some specifications make it impossible to export or imported used cars)
- Complexity and cost for manufacturers (ex. HP or CC limitations because of fiscal reasons)
- Make price harmonisation sometimes useless
- BER should also apply towards governments !!!

What are actually our major challenges ?

6. Conclusion on new BER

1. **No disruptive changes in this rough crisis period (ex. unnecessary and very expensive termination of all actual dealer contracts)**
2. **All regulations (ex. intuitu personae) pushing towards too high concentration of the distribution will immediately endanger the actual distribution and on medium term affect negatively the T.C.O. for the consumer**
3. **General vertical restraints BER with code of good conduct will assure more innovation and more multi-channel choice to the National Sales Companies without endangering the actual channels.**