

January 2006

2006 KPMG Global Auto Executive Survey

In this year of record sales for some, record losses for others, and – not coincidentally – record sales incentives, the automotive executives KPMG International surveyed are increasingly mixed in their sense of a wide variety of issues. While there are a few constants, such as the belief that consumers want quality and safety, and some obvious changes – a big jump in the number of those who think hybrid sales will increase dramatically – executives are often sharply divided depending on their region and industry segment. The prevailing mood is uncertainty. This is a new phenomenon.

The major undercurrent:

The auto business is not getting any easier and its growth is shifting from North America and Western Europe to Asia and Eastern Europe.

Notable Trends and Strong Perceptions

- Executives think Asian brands are by far the most likely to gain global market share, with South Korean and Chinese brands leading Japanese and Indian brands.
- The most important issue to auto executives is “product quality,” with “reducing costs” a close second.
- Profitability expectations for the industry globally are dipping, with European and Asian executives now as gloomy or gloomier than their North American counterparts and executives of smaller suppliers more worried than those of big suppliers and vehicle manufacturers (VMs). Notable is a higher expectation of potential VM and supplier bankruptcy.
- In Asia, Asian brands are expected to be the most dominant over time, with non-Chinese Asian companies thought to be most likely to succeed in China.
- New manufacturing capacity will be added in Asia, South America, and Eastern Europe at the expense of North America and possibly Western Europe capacity.
- VMs are expected to be the most profitable segment, with captive finance companies right behind – but the latter are down sharply from two years ago.
- Global overcapacity: one in three think it is greater than 20 percent, up from one in five last year.
- The types of vehicles expected to make the biggest gains in market share will be small, inexpensive cars and gas/electric hybrids, both prized for fuel efficiency.
- Whereas sport utility vehicles (SUVs) are declining in popularity in the United States, they are growing in both Asia and Europe, particularly the less expensive, more fuel-efficient models. The same is true for minivans.
- Sales incentives are less of a differentiating issue—their use is so widespread that consumers have come to expect them.
- The main reason for investing in China continues to be selling to Chinese consumers rather than manufacturing for export.

Note: All charts in this document were provided by Applied Research & Consulting LLC.

Under the auspices of KPMG’s Automotive practice, Applied Research & Consulting LLC (ARC) conducted 140 quantitative interviews with executives, 50 based in North America and 90 based in Europe and Asia. Of these, 105 worked for suppliers and 35 for vehicle manufacturers.

Importance of Key Industry Issues



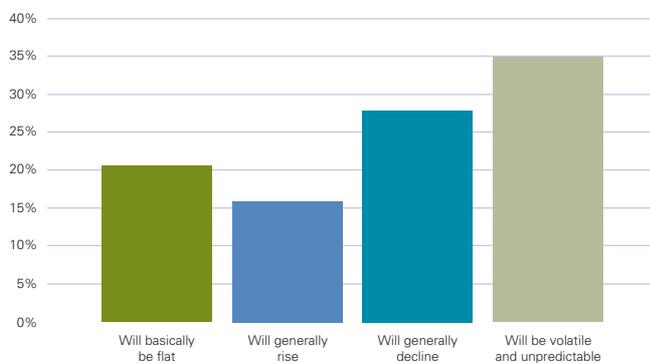
Top Issues: Quality and Consumer Tastes

Overall, the spread between most important and least important issues has narrowed somewhat, with the lowest gaining. This result underscores one of the year's main themes: executives are less certain about the future.

Specifically, for the third year running "product quality" is the top issue in respondents' minds (95 percent), followed by "new products" (82 percent), the perennial number two issue since 2003. Third was "the economy" (70 percent), falling for the third time in four years from its 2002 high of 85 percent.

Other significant changes include a rebound in the importance of "consumer tastes" (61 percent) after a sharp fall between 2003 and 2004 from 71 percent to 47 percent. Also, "labor relations" bounced back from 45 percent to 59 percent, its second-highest rating in four years, perhaps as manufacturers and suppliers have started to obtain some healthcare benefits concessions from their unions.

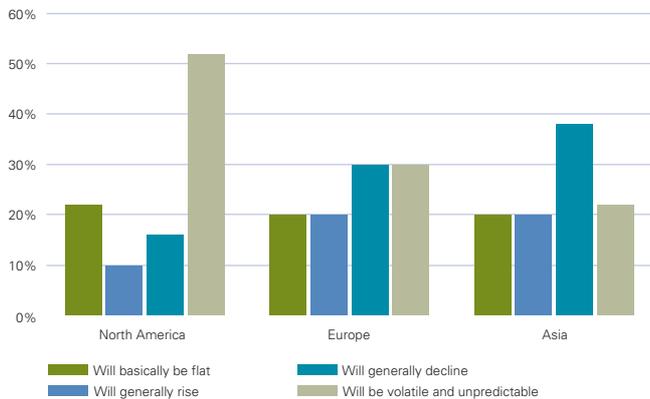
Profitability Expectations over the Next Five Years



Profitability Concerns

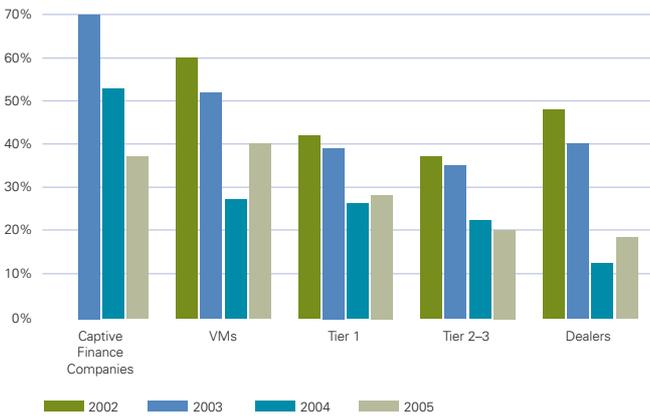
Record high sales incentives, quarterly losses of historic proportions, and the continued transfer of market share from Detroit to Tokyo and Seoul, among other factors, appear to weigh on respondents as they contemplate the global industry's ability to generate profits over the next five years. Of four possible responses about future profitability, the largest number (35 percent) selected "volatile and unpredictable," with "generally decline" second at 28 percent, and "basically flat" third with 21 percent. The smallest number, 16 percent, thinks profits will "generally rise." When those who opt out by choosing "volatile and unpredictable" are removed, "generally decline" is 43 percent, "basically flat" is 32 percent, and "generally rise" 25 percent. Clearly, the highly charged competitive atmosphere and the pressure to cut costs are having an impact.

Profitability Expectations over the Next Five Years by Continent



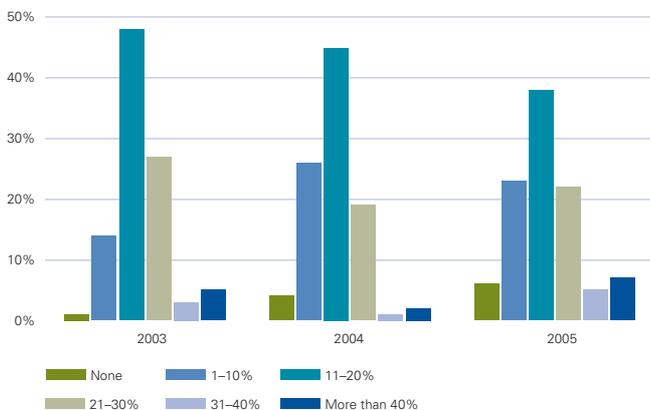
Interestingly, the most pessimistic are VM executives, 46 percent of whom chose “generally decline” while those who expect little change are Tier 1 respondents, 36 percent of which selected “basically flat” profitability over the next five years. The results differ by region. Asians are the most pessimistic, and almost half – 49 percent – expect that profits will “generally decline.” The “basically flat” camp includes far more North Americans (46 percent) than Europeans (29 percent) or Asians (26 percent). The optimists who think profits will rise include slightly more Europeans (29 percent) than Asians (26 percent) or North Americans (21 percent).

Profitability Expectations over the Next Five Years by Company Type



The perception of which segments will be most profitable has changed considerably over four years. VMs were thought to be the most profitable (61 percent) in 2002, followed by dealers (49 percent). When “captive finance companies” was added as a category in 2003, it shot to the lead (70 percent) but has fallen rather precipitously since, registering just 38 percent this year, most likely reflecting the growing cost of money and the increasing use of sales incentives throughout the industry. VMs are at the top again this year (41 percent), bouncing off a quite low level of 28 percent last year. But perhaps the most salient trend over the past three years is the downward moving average of the industry as a whole: expectations for future profits are clearly falling almost everywhere in the car business, with the exception this year of original equipment manufacturers.

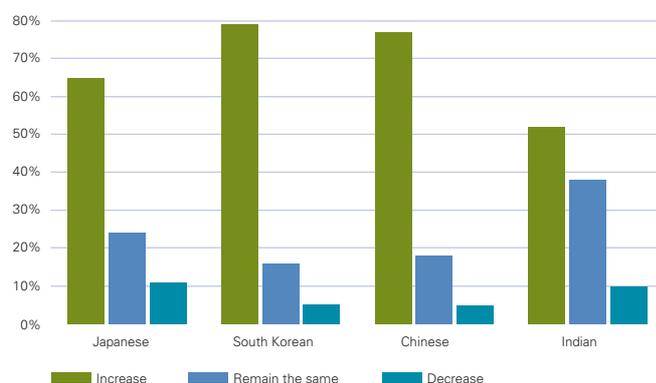
Levels of Production Overcapacity



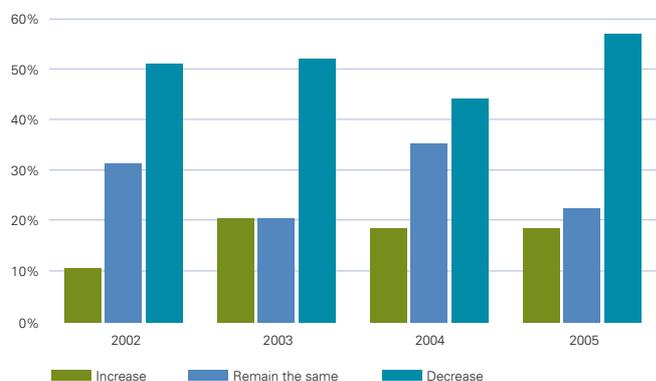
There is a slight rise in respondents’ sense of the industry’s global overcapacity from last year – or, more precisely, a shift toward higher overcapacity. In 2004, 22 percent thought overcapacity was 21 percent or higher with 45 percent estimating 11 percent to 20 percent. This year 34 percent of executives think overcapacity is 21 percent or higher. This small change reflects the industry’s long-standing sense of overcapacity in North America, compounded by the growth of capacity in Asia.

© 2006 KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent firms operating under the KPMG name. KPMG International provides no services to clients. Each member firm of KPMG International is a legally distinct and separate entity and each describes itself as such. All rights reserved.

Asian Brands Most Likely to Increase Market Share



Expectations for North American Brands



Globalization to Continue

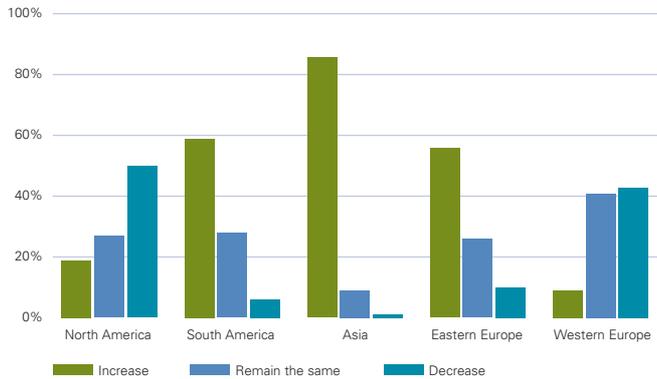
The major trend when looking at the car business globally is a significant transfer of manufacturing – and profits – from North America and Western Europe to Asia and, to a lesser extent, Eastern Europe. Specifically, almost nine in ten respondents (86 percent) strongly agree that “cross-border activity, such as partnerships, manufacturing, sourcing, and other transactions” over the next five years “will increase.” Notes one North American Tier 1 executive, “The chief opportunity for the automotive industry is global expansion.” And the heart of that opportunity, many executives believe, is Asia and specifically China: 86 percent of respondents think Asian consumers will be “a major source of growth” for the industry over the next five years.

However, this growth will be enjoyed disproportionately, the survey finds. Only 19 percent say North American brands will increase their global market share over the next five years and 58 percent say these brands will lose market share. Asian brands, on the other hand, are expected to increase market share according to a near unanimity among respondents (88 percent). Expectations for European brands are middling, with 34 percent expecting an increase, 38 percent expecting no change, and 28 percent expecting a decline in market share.

By country, all Asian brands will grow in global market share over the next five years, executives think, with South Korean (79 percent) and Chinese (77 percent) brands leading, followed by Japanese (65 percent) and Indian (52 percent) brands.

Can North American brands make headway by means of increased efficiency and competitiveness? Yes, said 56 percent of respondents four years ago. That perception has been steadily eroding: this year its adherents have shrunk to 32 percent.

Growth in New Plants by Region over the Next Five Years

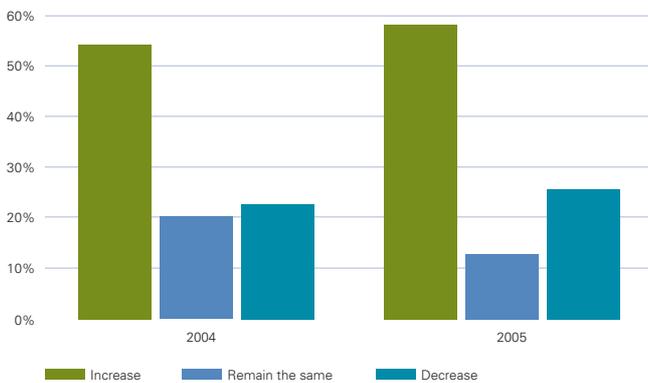


Likewise, respondents think manufacturing will flow out of mature economies into strong-growth regions. Nearly nine of ten respondents (86 percent) expect new plants in Asia over the next five years, 59 percent look for new South American plants, and 56 percent for new plants in Eastern Europe. By contrast, exactly half expect manufacturing to decline in North America and a slightly smaller number (43 percent) expect fewer plants in Western Europe by 2010.

The China Phenomenon Intensifies

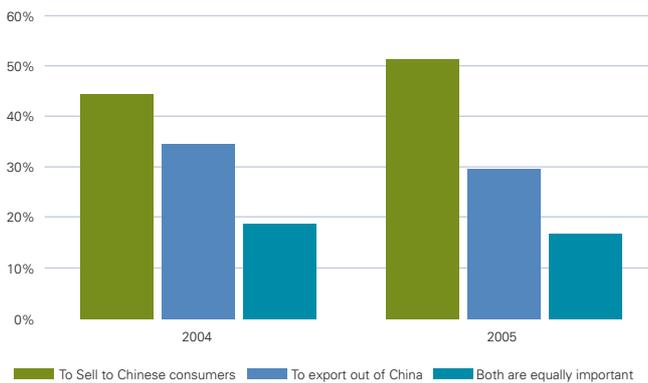
Despite the woes of rapid growth in the world's most populous country, executives increasingly believe China is the bright star in the industry's future. They also see complications.

Profit Expectations for Investment in China



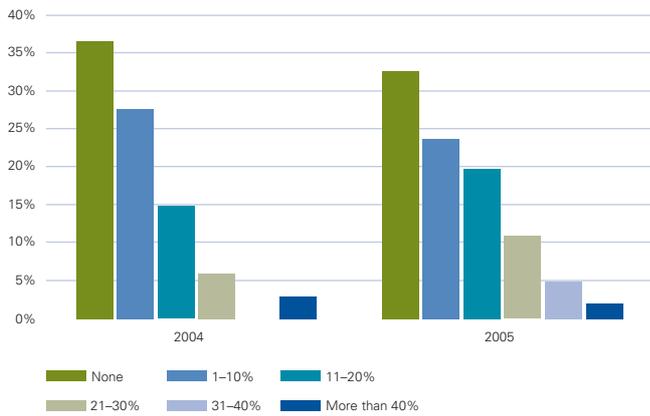
Investment in China is full speed ahead – 83 percent think it will actually increase over the next five years. But there is a change in the “why and what” toward growth of the Chinese middle class. China will continue to be a magnet for low-cost outsourcing, but two new notions are emerging: China as a huge consumer market for vehicles and China as a global export threat – for both non-Chinese and eventually Chinese brands. Notes a North American Tier 2 executive, one of “the most important trends in the automotive industry today is the rise of China as a producer and potential exporter.”

Drivers of Investment in China



© 2006 KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent firms operating under the KPMG name. KPMG International provides no services to clients. Each member firm of KPMG International is a legally distinct and separate entity and each describes itself as such. All rights reserved.

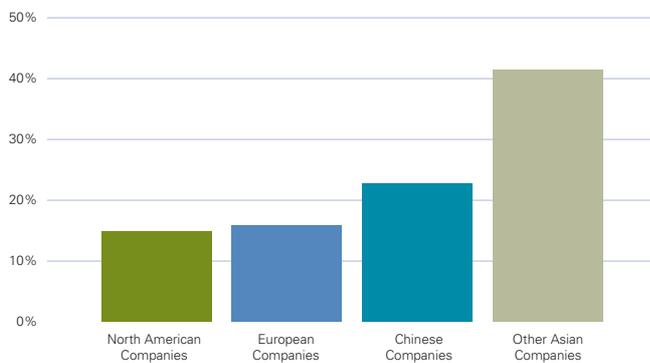
Concerns About Chinese Overcapacity Grow Slightly



But executives are fine-tuning their expectations about China. For example, from last year to this, those pointing to Chinese consumers as the primary reason to invest there rose from 45 percent to 52 percent, while those thinking about exporting out of China fell from 35 percent to 30 percent.

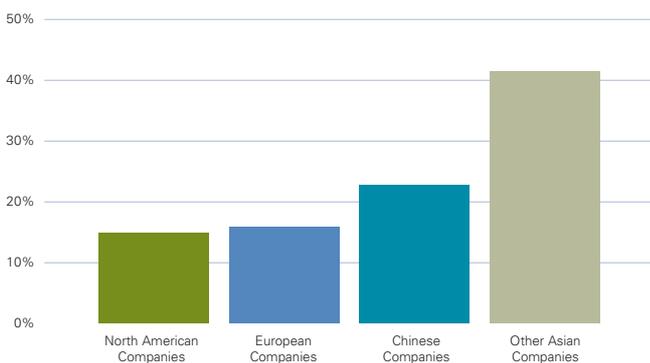
Profits are a big reason China is so attractive for investors, and 59 percent of respondents think profitability from Chinese operations will increase over the next five years, up slightly from last year's 55 percent. About one in four respondents (26 percent) thinks profitability in China will decrease, essentially unchanged since last year.

Companies Best Poised in China



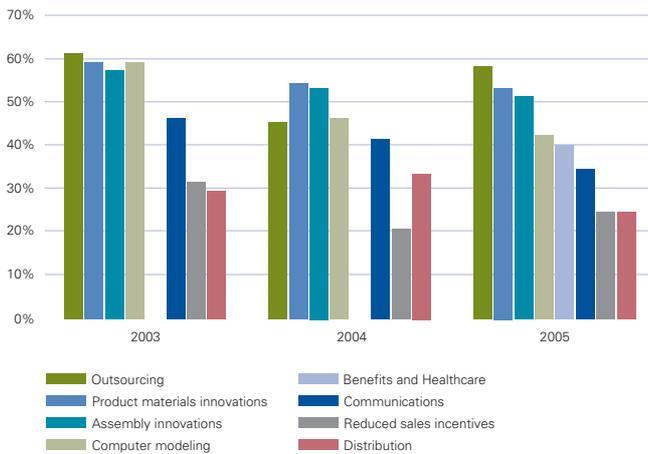
However, fears of overcapacity in China are rising. Last year 52 percent thought there was some overcapacity; this year the figure rose to 62 percent. Those who believe there is more than 10 percent overcapacity rose from 24 percent last year to 38 percent in 2005. But while a majority of respondents continue to think the total number of foreign VMs in China will shrink over the next five years, those who believe seven or more will remain rose since the last survey from 32 percent to 38 percent.

Non-Chinese Asian Companies Best Poised in China



Interestingly, 42 percent say the surviving companies will most likely be non-Chinese Asian ones, such as South Korean and Japanese firms. Just 15 percent say they will be North American, 16 percent say European, and 23 percent say native Chinese companies will be most successful.

Major Opportunities for Cost Savings



Cost Savings to Narrow

Overall, there is a slight decline in executives' expectations for the efficacy of future cost savings. "Outsourcing" leads the eight categories of "major opportunities" for future cost savings with 59 percent of respondents, rebounding from last year's drop to 46 percent from the previous year's 62 percent. Last year's result might be explained by the fact that it was an election year and talk of job losses as a result of outsourcing was a decidedly unpopular topic.

The second and third major opportunities for cost savings this year, "product materials innovations" (54 percent) and "assembly innovations" (52 percent), have been among the top three or four in respondents' choices three years running.

In a separate question, and reinforcing this shift, the percentage of respondents who think the new product development cycle will decrease dramatically over the next five years declined abruptly this year from 63 percent in 2004 to 48 percent.

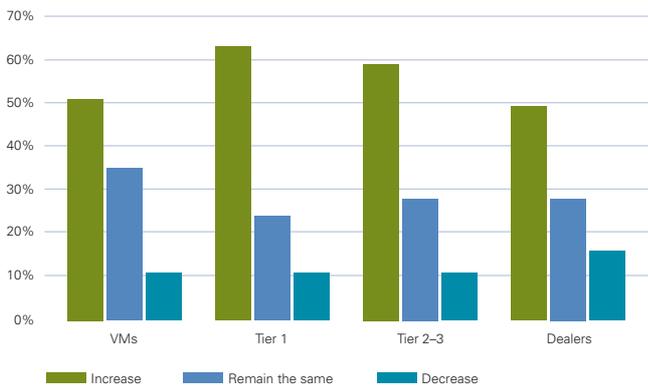
A new potential cost-saving category this year, "benefits and healthcare," found 41 percent of executives thinking future cost savings will result from these areas – not surprising given the strong pressure the industry is placing on auto unions and retirees to reduce the overall size of healthcare and retirement benefits.

The category "communications," which includes efficiencies provided by information technology and the Internet, is down this year to 35 percent from a high in 2003 of 47 percent – again, like "computer modeling," most likely because executives see this area as established in company operations, not an innovation that will move them forward at the expense of competitors.

"Distribution," which includes dealer bodies, remains an area of low expectations among executives for cost savings, though the sharp drop from last year – 34 percent to 25 percent – is notable. Anticipation of a soft last third of the year, with dealers having to shoulder their part of the burden, surely influenced responses.

“Sales incentives,” meanwhile, finished last among all cost-reduction options, with just one in four of those surveyed feeling they will produce cost savings, though this is up slightly from last year’s 21 percent. (In 2003 the result was 30 percent.) Quite clearly, a large plurality of auto executives continue to think sales incentives are embedded in how the auto industry and consumers interact, and they have become an industry norm.

Consolidation Expected Across the Value Chain



Consolidation Looks Mixed

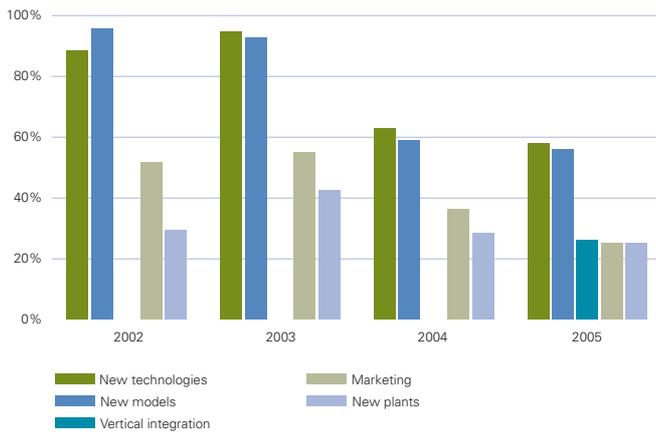
One response to overcapacity and constrained profitability is consolidation, and the survey has tried to probe industry sentiment in this area for three years. Overall, executives expect consolidation to be most active in Asia (76 percent) and least active in Western Europe (38 percent), with North America (51 percent) and Eastern Europe (56 percent) roughly equivalent.

Uncertainty rules expectations about North American consolidation when viewed through a three-year lens. The years 2003 and 2005 are roughly the same, with majorities expecting an increase in consolidation (50 percent and 51 percent), but last year that number dropped to 39 percent and those who thought the situation would stay the same over five years rose to 51 percent from 35 percent – and is at 32 percent this year. (Those who think consolidation in the North American auto business will decrease are few – 8 percent in 2003 and 2004, rising to 14 percent in 2005.) Why 2004 was so different is not clear, but surely an improving economy and growth prospects in China were factors.

Where will consolidation happen? A significant move has occurred since last year: The majority of executives still target Tier 1 and Tier 2 suppliers for consolidation, with a slight rise for both Tier 1 (56 percent to 63 percent) and dealers (44 percent to 49 percent), but VMs shot up to 51 percent from 35 percent last year. Also note that last year 47 percent thought things would stay the same for VMs, but this year only 35 percent predict no change in consolidation activities.

The reasons for strategic realignments this year more strongly favor negative over positive opportunities, with “cost pressures” leading, up more than ten points from 62 percent to 73 percent, followed by “lack of profitability” (59 percent) and a host of potential causes all in the mid-forties, including: “access to new markets,” “potential synergies,” “poor financial performance,” and “risk of bankruptcy.” Trailing all are “global economic recovery” (38 percent, up from 28 percent last year) and “regional economic recovery” (26 percent), indicating that executives are by no means confident that good economic news will spur consolidation, but that recovery on a global scale is a bit more likely to do so. Also, for the third consecutive year, slightly more than half of the respondents think “cooperative ventures will be more important than mergers and acquisitions in the auto industry” over the next five years, again indicating that the industry continues to feel averse to risk.

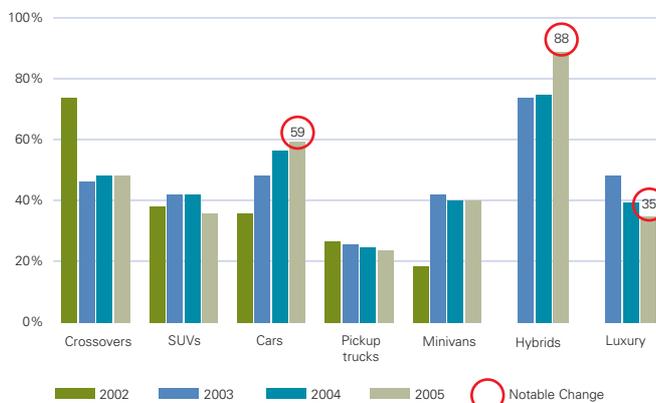
Areas of Increased Investment



Where to Invest?

As a further sign of industry wariness, only two areas – “new models” and “new technologies” – are thought by a majority to enjoy increased investment over the next five years. In 2002 and 2003 “marketing” was also embraced by a majority. More significantly, in 2003 nine of ten expected increased investment in “new models” and “new technologies”; this year only five of ten were confident of increased investment in these areas over the next five years, down from six of ten last year. Only one of four expects investment levels to increase in “vertical integration,” “marketing,” or “new plants.” The industry appears to be narrowing its options and hunkering down.

Change in Market Share by Type of Vehicle



Model Array in Big Churn-Up

A major shift looks to be under way in the mix of vehicle types in North America. And while it might not yet be readily apparent on highways and in driveways, it soon will be. Notes an executive at a North American VM, “The most popular trends are restyling and having cars be more economic, and having fewer big cars.” Echoes a North American Tier 2 executive, “I think the trend is a shift away from SUVs and pickups to higher quality small and mid-size cars.” Recent sales figures in North America certainly bear out these observations, at least over the short term.

© 2006 KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent firms operating under the KPMG name. KPMG International provides no services to clients. Each member firm of KPMG International is a legally distinct and separate entity and each describes itself as such. All rights reserved.

Change in Market Share by Type of Vehicle by Region



With fuel prices high and likely to stay there, if not increase (although prices have fallen in the past three months), one North American VM executive said, “We will expect US\$100 per barrel in the future.” It is not surprising that the two categories of vehicles respondents think most likely to gain market share are hybrids (up this year from 74 percent to 88 percent) and a new category for 2005, low-cost cars (79 percent). Cars also rose slightly (to 59 percent from 56 percent), while SUVs fell from 42 percent to 36 percent and luxury vehicles dropped from 40 percent to 35 percent – just two years ago “luxury” received 48 percent. Three categories were steady year to year: crossovers (48 percent), minivans (40 percent), and pickups with the lowest figure at 24 percent.

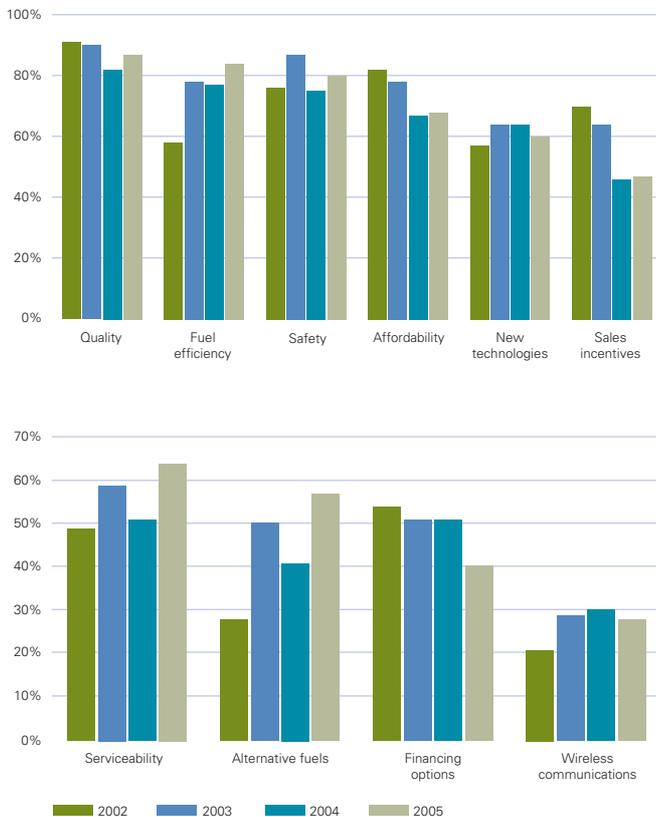
Several of the regional variations are startling. You would expect executives around the world to think low-cost cars will gain global market share over the next five years, and they do. They also support growth in hybrids, though 100 percent of North Americans foresee hybrid expansion – the first 100 percent reading in the survey’s four-year history – while four of five Asians and Europeans agree.

The third highest prospect for growth among North American respondents is crossovers (72 percent), but the category ranks much lower for Europeans (40 percent) and Asians (30 percent). It seems likely the concept simply has yet to catch on in those markets – that North Americans are ahead of the curve. Several other categories suggest this may be the case. Both Asian and European executives see strong growth for SUVs (56 percent and 50 percent, respectively), but just 6 percent of their North American counterparts agree. A similar scenario holds for minivans, with 60 percent of European and 54 percent of Asian executives expecting the category to grow, but just 10 percent of North American executives agreeing. “Luxury vehicles” is much more likely to be seen by Asian respondents as a growth category (60 percent) than Europeans (35 percent), while North Americans are downright pessimistic about growth in luxury brands (10 percent). Cars, excluding the low and

high ends, are third among Asian respondents (64 percent), fourth among North Americans (62 percent), and fifth among Europeans (48 percent). Only Asian respondents see much growth in pickups (40 percent); just 18 percent of North Americans and 12 percent of Europeans agreed. Once a statement of success and status, the accessorized pickup may have lost its power to enhance – to the woe of manufacturers, which built them on long-amortized assembly lines and basked in large profit margins.

To sum up, among North American executives, the days of robust SUV, pickup, and luxury vehicle sales growth are over. They think the emerging world will look quite different, populated by crossovers, small cars, family sedans, and hybrids. The shift is not quite so apparent to European executives, who still see healthy growth in SUVs and minivans, two categories that are in the early stages of their sales cycles on the continent. Asian executives, by contrast, expect significant to strong growth in every category, reflecting the region’s general optimism about market conditions over the next five years.

Consumer Purchase Criteria



The Industry’s Take on Buyers’ Wants and Needs

“Fuel efficiency” has risen to the second spot in consumer purchase criteria, in executives’ minds, with 84 percent feeling strongly that car buyers want fuel-efficient vehicles. In 2002 that figure was 58 percent. In a related question in 2003, 43 percent said there will be a “major increase” in U.S. sales of alternative-fuel or hybrid cars; in 2005 that number jumps to 68 percent. And in just one year the number of respondents who think consumer acceptance of hybrids will increase climbed from 54 percent to 74 percent – a sizable if not remarkable increase.

“Safety” remains high in consumer importance, executives believe – it ranks third with 80 percent. Meanwhile, “affordability” as a criterion has fallen from a high of 82 percent in 2002 to 68 percent this year, equal with “design” (a new category) and just above “serviceability,” which jumped to 64 percent from 51 percent last year. “New technologies” slipped slightly from 64 percent to 60 percent this year. “Alternative fuels” also rose substantially this year, from 41 percent to 57 percent. In 2002 alternative fuels as a criterion was second to last at just 28 percent. “Sales incentives” held steady in the third from last spot at 47

© 2006 KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent firms operating under the KPMG name. KPMG International provides no services to clients. Each member firm of KPMG International is a legally distinct and separate entity and each describes itself as such. All rights reserved.



percent; but the number was 70 percent in 2002 and 64 percent in 2003, indicating once again that executives do not believe incentives are all that persuasive when it comes to the buy/no-buy decision. Reinforcing this notion, “financing options” dropped from 51 percent to 40 percent this year and into second to last place, ahead of “wireless communications.”

While there are some constants in the industry’s perceptions of consumer purchase criteria over the lifetime of this survey – quality, safety, new technologies – upward shifts in “fuel efficiency,” “serviceability,” and “alternative fuels” indicate an awakening that fuel prices and maintenance costs are weighing on car buyers. A more practical, less self-indulgent era may be dawning. That the issues of “affordability,” “sales incentives,” and “financing options” have all fallen probably says that shoppers, executives believe, are able to purchase the vehicles they want once they have made the decision to buy. Incentives and the array of financing choices, the latter made vastly more available and easier to obtain thanks to the Internet, are now just the way of the world.

Fraud and Ethics Concerns

For the first time, the survey asked respondents several questions to determine the industry’s mood about fraud and ethics issues. Only 35 percent feel that the “effectiveness of anti-fraud programs and controls” for auto companies “has increased in the past 12 months.” And 47 percent strongly agree that companies will spend more to “help combat fraud and misconduct” over the next five years. Also, 68 percent agree that the focus on “corporate governance, ethics, and compliance” will increase, with North American and Asian executives significantly more likely to agree than their European counterparts.

The greatest risks to companies in these areas, respondents feel, will come from “security of intellectual property” (26 percent), followed by “financial reporting fraud” (24 percent) and “vendor-related/third-party fraud” (22 percent). However, European executives feel “violation of laws and government regulations” are more likely to pose the greatest risk (30 percent) than do North American and Asian executives.

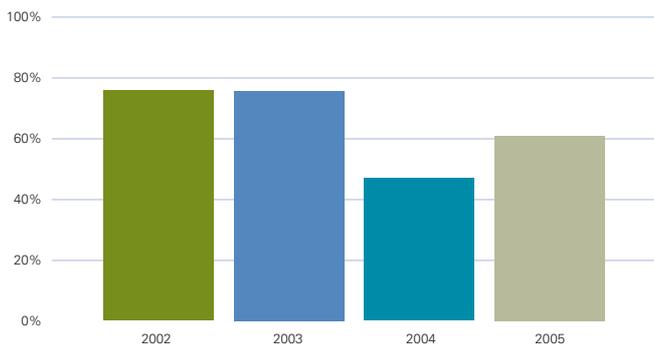
Captive Finance on the Wane

Also new this year is a series of questions probing the captive finance area, recently a major source of revenue and profits for car companies, but suffering from diminishing expectations over the past three years. In 2003, 70 percent of respondents thought captive finance arms would be by far the most profitable industry segment over the next five years, compared with 53 percent for VMs. But that number declined to 54 percent in 2004, still ahead of VMs (28 percent) and Tier 1 suppliers (27 percent). This year, captive finance arms trail VMs slightly in profitability expectations, though not in statistic value (38 percent to 41 percent for VMs).

To grow over the next year, half of the respondents feel, captive finance companies will make “the most of their strategic investments” overseas, while two of five cite increased spending on “customer relationship management.” Only one of ten cites “back-office technology.”

Over the next year, respondents think, “consumer regulatory compliance” will be the top risk management initiative for captive finance companies (39 percent), followed by “privacy” (33 percent), anti-money-laundering (21 percent), and the new capital standards spelled out by Basel II (7 percent).

Rebound in Electronics
(Percentage of a Car's Value Coming from Electronic Components)



Conclusion: How to Capitalize on a Fundamental Shift

Just as the survey results were being gathered this year, two momentous events occurred: one of the world's largest automotive suppliers declared bankruptcy and the world's biggest auto company said it would cut 30,000 jobs and close up to a dozen plants.

The survey predicted the first result. A new question asked if any VMs or big suppliers would file for bankruptcy in the next few years – 76 percent said “yes.” Will another shoe drop? Respondents' answers on a range of issues make that seem likely.



A fundamental shift is occurring. Growth prospects are no longer exciting in the established industrial powerhouses of North America and Europe, with the possible exception of Eastern Europe – China is the darling of the global car industry. And car sales in India are taking off. Yet the strong growth in China of late is calming. And expectations for the industry's future profitability growth around the world are low, even in China. One worry is overcapacity. Another is an almost palpable resignation that sales incentives and low-cost financing options have become routine. A third reason is revealed in expected changes in the model mix: the future is largely about low-margin products, small cars and hybrids, and family sedans. Without high-margin SUVs and pickups and luxury cars, where will profits be found?

One place may be electronics, which rebounded this year: 61 percent say the percentage of a vehicle's value from electronics "will increase dramatically." (It was 47 percent last year, 76 percent in 2002 and 2003.) Another may be fuel-efficiency measures that are less costly than full-blown electric-gas hybrids, such as diesel engines. A third will surely be the growing use of shared vehicle platforms coupled with thrilling designs and impressive build quality. But cost cutting does not appear to be a very promising path to profitability, though outsourcing is back in favor. Rarely do more than half of respondents feel strongly that any of the eight broad areas of potential cost savings is a "great...opportunity."

Clearly, the hard work of making cars and trucks that consumers hunger for and feel happy owning and driving is never ending. Building them efficiently has never been more important. But the increasingly global marketplace is not forgiving. Meeting regional wants and needs with global planning and efficiencies is the path successful companies should aim to take to profit in the future automobile business.

Contact

For more information, please contact one of the following KPMG professionals:

Harald von Heynitz

Global Chair

Industrial & Automotive Products

KPMG Deutsche Treuhand-Ges. AG

D-80339 München

Germany

Tel: +49 89 9282 1201

e-Mail: hheynitz@kpmg.com

Oliver Gross

Global Executive

Industrial & Automotive Products

KPMG Deutsche Treuhand-Ges. AG

Klingelhoefstraße 18

10785 Berlin

Germany

Tel: +49 30 2068 4254

e-Mail: olivergross@kpmg.com

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent firms operating under the KPMG name. KPMG International provides no audit or other client services. Such services are provided solely by member firms of KPMG International (including sublicensees and subsidiaries) in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any other member firm, nor does KPMG International have any such authority to obligate or bind any member firm, in any manner whatsoever.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2006 KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent firms operating under the KPMG name. KPMG International provides no services to clients. Each member firm of KPMG International is a legally distinct and separate entity and each describes itself as such. All rights reserved. Printed in the UK.

KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss cooperative.

Designed by Natural

Publication name: Momentum

Publication number: 280-006

Publication date: January 2006