



Brazil's bus chassis industry is getting ready to set a new record

With an average of eight people per vehicle in Brazil, it can still be considered a country with a low level of personal motorized transport. So, since the inception of the automotive industry fifty years ago, buses have been responsible for much of passenger transport, both in cities and on the highways. Hence it was natural that many assemblers of heavy vehicles would specialize in bus chassis production.

In these five decades the industry has produced almost 700,000 buses in Brazil and at the end of 2006 the fleet was estimated at 386,000 vehicles. Current production levels make Brazil the world's second largest producer of buses – it was the largest for many years, but has lost out this decade to China.

Passenger highway transport generates a net operating turnover of

over US\$ 12 billion a year, according to a survey by the Brazilian Institute of Geography and Statistics (IBGE). The large domestic market, allied to exports, has enabled chassis makers to break successive production records in recent years.

In 2006 production fell by 3.9% from the record of 35,200 units in 2005, to 33,800 units. However, in 2007 growth estimated at 6%, to 36,000 buses, will set a new record for the industry.

STRONG IN CITIES – About 80% of the chassis produced are used in the production of buses used in urban transport. Close to 70% of these models, which in 2007 amounted to something in the region of 20,000 units, are sold domestically where the great majority of cities have in buses their main means of public transport.



Coach chassis, accounting for 20% of total production, are mainly exported. About 40% of them remain on the domestic market, meaning something like 3,000 units a year.

Domestic chassis sales, which currently account for close to 60% of total production, have been responsible for keeping assembly lines very busy in 2007. Several urban fleet renovations, encouraged by low interest credit lines and stricter legislation on pollution in cities, have boosted the Brazilian bus market.

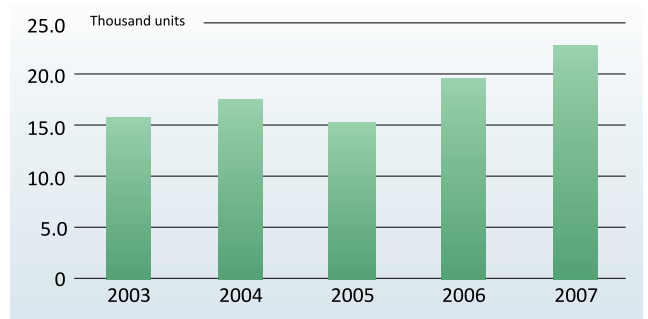
Domestic sales, which in recent years have hovered around 15,000 to 17,000 units a year, rose by 28.6% from 2005 to 2006, from 15,300 to 19,700 – a record for the Brazilian market. In 2007 a new record is forecast, up by about 16%, to 23,000 chassis sold in the year – 20,000 urban buses and 3,000 coaches, proving the power of the urban fleet renewals. For 2008 domestic sales will be at least the same as for 2007, as further urban bus fleet renewals are expected.

Bus chassis producers in Brazil are large exporters. Brazilian expertise in quality bus construction guarantees exports to over fifty countries, which for many years have swallowed up over half the chassis produced in the country.

In 2006 there was a fall in bus chassis exports, when the 16,000 units exported represented a fall of 16% on the year before.

In 2007 exports must account for something like 40% of total production in Brazil, reaching 14,000 units exported, down 12% on 2006. Of these sales around 30% are of highway bus

Registration of new buses – 2003-2007



Source: Anfavea

chassis and 70% are for urban transport vehicles – many of them for new public transport projects in the capital cities around South America, such as in Chile, Peru and Colombia.

There are now six bus chassis makers in Brazil, in five States. They are Agrale, Iveco, Mercedes-Benz, Scania, Volvo and Volkswagen. All of them produce urban bus and coach chassis.

Agrale



With 42 years, Agrale is the only 100% Brazilian-owned vehicle assembler and has been one of pioneering and focusing on niche markets. Innovation and a vision of the future, with practical and viable solutions for customers have always been in the company's DNA.

So it was that the first products came about, such as the compact tractor 4100 and, in the 1980s, its first truck, the TX 1100, a milestone for the assembler that gave rise to the entire current line, developed on the concept of compact, agile and economical vehicles.

In recent years Agrale has boosted production and sales throughout its product lines (trucks, chassis, utility vehicles and diesel-engined tractors). The company has achieved export sales, chiefly in Latin America and the Middle East, markets that take over 20% of its production.

In 2002 it began operations in its first industrial unit outside Brazil, producing microbus chassis in the city of Bogotá, Colombia. In April 2005 it set up Agrale Argentina S.A., and opened a new distribution center in Buenos Aires, to serve the Argentine market.

Amongst other innovative moves are the partnerships with

Navistar International Corporation and with Marcopolo, a Brazilian bus body builder. Since 1997 Agrale has had a dedicated assembly unit for International trucks made in Brazil and exported to various countries, in a first successful example of an integrated system in South America.

For Marcopolo the company was responsible for the development of the chassis for the first minibus made in Brazil, the Volare, in 1998, which is today a great sales success, including on the export market, with almost 30,000 units produced.

Agrale S.A. has three industrial plants in the city of Caxias do Sul (RS), and belongs to the Francisco Stédile Group, which owns Agrale S/A and its subsidiaries (Lintec, Agrale Montadora, Agrale Comercial and Agrale Argentina), Agritech Lavrale S/A, Fazenda Três Rios S/A, Germani Alimentos and Fundituba - Fundação Indaiatuba.

Amongst the factors that have contributed to its good performance in the Brazilian and international markets are important technological agreements sealed throughout these 42 years with companies such as Lombardini, Zetor, Standard Motor Corporation and Deutz.

Agrale trucks and medium chassis



The company makes one of the most complete lines of trucks and chassis and offers consumers options for various cargo and passenger transport applications. These range from light and medium trucks, such as the recently-launched Agrale

13000 and 13000 6X2, which mark the company's entrance into the medium truck segment, the most competitive on the Brazilian market, chassis for minibuses, microbuses and conventional buses.

Besides the 13000 model, Agrale also produces semi-light and light trucks, the 6000, 8500 and 9200, as well as the utility load carrier, Furgovan. The company has been the leader in the light chassis line for over a decade, with about a 50% market share in several countries, making the light models MA 7.9, 8.5, 9.2, 10.0, and Midibus 12.0 and 15.0 (front or rear-mounted engine, with low-entry). The 15.0 is the company's first 11-meter long model and is recommended for urban or short to medium intercity use.

Agrale Marruá line

Since 2005 Agrale has produced 4X4 utility vehicles for off-road use. The family began with the project for a military jeep for the Brazilian armed forces. With its success in army testing, the company designed new versions in different configurations.

In 2006 Agrale noticed the needs for certain market segments, such as mining and forestation, for an extremely robust 4X4 vehicle. Hence it launched models for civilian use, with single and double cabs (AM 100, AM 150 and AM 200), which have retained their military DNA.

The Agrale Marruá family was designed for a specific niche market that needs vehicles for severe use and customers who need an off-road product without losing robustness and practicality. The models are equipped with MWM Sprint 4.07 TCE Euro III (four cylinder) engines, with 140 horsepower at 3,500 rpm.



Complete line for Brazilian agriculture



Agrale also offers a complete line of products in the agricultural segment. The company has developed three tractor families – 4000, 5000 and 6000 – models with from 15 to 168 hp and which can use biodiesel (B5). It has been the leader of the under 40 hp segment for 40 years, models used in family agriculture and which offer good cost/benefit ratios for farmers and meet their needs.

The tractors in the 5000 and 6000 lines, with 85 hp and up to 168 hp, are for medium and large properties. These specific models serve different crops, such as coffee, rice, soy, corn, wheat, and sugarcane.

Agrale also produces 5 hp to 33 hp diesel engines and assembles generators and pumps producing from 4 hp to 47 hp. Noted for their quality, long working life, low



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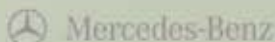
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Mercedes-Benz



Mercedes-Benz has led truck production and sales in Brazil since it opened its plant in São Bernardo do Campo in 1956. It has also led the domestic bus market for 38 years, today having a market share of over half of total sales and 70% of the units now in circulation in Brazil.

The company has confirmed its absolute leadership by becoming the biggest bus and truck exporter in Latin America, selling 18,414 units in 2006. It has clients of over 40 nationalities, spread all through Latin America and as far away as Nigeria, South Africa and Jordan.

Mercedes-Benz has the most complete domestic bus line, with varied solutions for urban and highway passenger transport. Its portfolio ranges from minibus and microbus chassis to heavy vehicles such as highway bus chassis and articulated bus chassis.

To achieve all this, the company has about 13,600 employees in its three units. Besides trucks and bus chassis, the São Bernardo do Campo factory in São Paulo State produces engines, axles, and gearboxes. The Campinas plant, also in São Paulo State, concentrates on technical assistance, after-sales service, sales, training and development of the dealer network. Since 1999 the Juiz de Fora unit, in Minas Gerais State, has been producing the famous Mercedes-Benz C Sports Coupé model, an automobile destined mainly for the European market.

Mercedes-Benz also offers the most complete line of trucks in Brazil, with 35 basic models and a variety of versions, all of them with solutions and technology appropriate for the various market segments and niches. The company is permanently renewing its product range, for example with the introduction of the Accelo, Atego and Axor families.

Widely recognized for their strength, load capacity and versatility, and for the reduced fuel consumption of the electronically-controlled engine, Mercedes-Benz highway trucks are outstanding for cargo transportation and logistics and distribution operations. With options for short, medium and long distances, the full range of Mercedes-Benz products meets all clients' demands and contributes even more to the success of their businesses.

The off-highway trucks are renowned for their toughness and durability. Recommended for civil construction, agribusiness, sugar and ethanol mills, lumber yards and mining, they come in truck-tractor, mortar, and dump truck versions. They can also be used in various articulated configurations.

Urban distribution trucks meet all clients needs, for both fleet operators and owner drivers. This is the case of the 710 and Accelo 915C light trucks and the vans and the Sprinter chassis, which ensure speed and versatility in diverse applications, with appropriate dimensions even for restricted urban areas.

Buyers of Mercedes-Benz trucks and buses get much more than just a top quality product. The brand offers exceptional added value based on a full and complete after sales service: the country's largest dealer network with over 240 sales and service points strategically located throughout Brazil; rapid replacement of genuine parts; remanufactured parts; maintenance contracts and 24-hour assistance for vehicles under guarantee. Furthermore, Mercedes-Benz is the most advanced heavy vehicle producer in terms of use of biodiesel.



Of every ten trucks in Brazil, five are made by Mercedes-Benz. It offers the most complete line in the country, with 35 models and over 200 different configurations in the Accelo, Atego, Axor, Actros and Tradicional families. In 50 years of business in Brazil, Mercedes-Benz has produced over one million light, medium, semi-heavy, heavy, and extra-heavy trucks. It is constantly investing in the most advanced technological resources to guarantee clients total versatility and the lowest operating cost in the market, with vehicles that are more economical and carry more cargo. In addition, they retain a high resale value with high liquidity.

In recognition of its work, Mercedes-Benz enjoys the highest recall in the Folha de S.Paulo "Top of Mind" survey – for the fifth consecutive year since the category was created – with an index of more than twice that of the second placed company. Crowning so many victories, in October the company achieved its best commercial results of the last 26 years.

Buses

Mercedes-Benz puts all its experience and the latest technology into the bus market. It all begins at the Technological Development Center, the largest such facility maintained by the group outside Germany and a pioneer in Brazil for the commercial vehicle sector. Chassis for use on highways and in urban environments roll off a modern production line, and are then completed by specialists in coach building.

Mercedes-Benz urban chassis are noted for their high quality and toughness, while the highway chassis are more comfortable and robust, a factor that makes an important difference on Brazilian roads. Both combine fuel economy, low maintenance and high levels of durability to offer the best for clients and passengers alike.

In addition, there is the Parts Distribution Center with over 60,000 items, making Mercedes-Benz the most complete bus line in Brazil.



Complete package

Mercedes-Benz products and after-sales services represent the most complete package available in the commercial vehicle market. It includes the largest dealer network in the country, 24-hour Mercedes Assistance, and the award-winning Client Service Center, available day and night, seven days a week. Also available are Internet diagnosis and training in technical operation for fleets, which optimizes the use of Mercedes-Benz vehicles by drivers.



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