

ARCHIVED REPORT

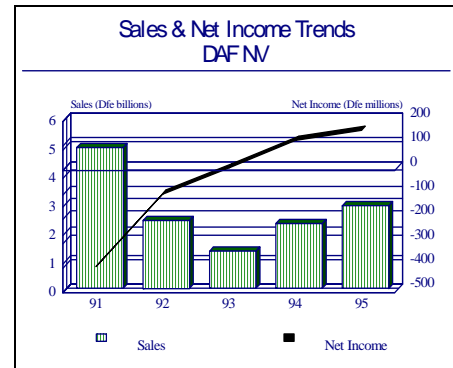
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DAF Trucks NV - Archived 2/99

Outlook

- In November 1996, PACCAR Inc acquired 100 percent of the shares of DAF Trucks NV in deal valued at \$553 million.
- With the acquisition of all the shares, DAF Trucks N.V. is now a wholly-owned subsidiary of PACCAR Inc.
- Following DAF Trucks restructuring and subsequent purchase by PACCAR, its defense business has diminished substantially; therefore, this report will no longer be updated.



Headquarters

DAF Trucks NV
Hugo van der Goeslaan 1
PO Box 90065
5600 PT Eindhoven
The Netherlands
Telephone: (31 402) 14 91 11
Web Site: <http://www.paccar.com/>

Headquartered in Eindhoven, DAF Trucks NV is the largest commercial and military vehicle manufacturer in the Netherlands. Due to the shrinking demand for vehicles, the company has been steadily reducing its work force. DAF Trucks NV also produces components for landing gear for aircraft and is attempting to diversify its operations by entering the civilian aircraft repair, maintenance and overhaul business.

The company was established in 1928 by the van Doorne brothers for the development and manufacture of trucks and commercial vehicles. In 1958 the company expanded its business by manufacturing passenger cars. In 1972, the company was reorganized when DAF van Doorne's Bedrijfswagenfabriek DAF BV became a holding company; the car company (Van Doorne's Personenautofabriek DAF BV) was separated from

commercial vehicle production (Van Doorne's original Bedrijfswagenfabriek DAF BV). After the reorganization, both companies extended cooperative agreements with Volvo AB of Sweden and International Harvester Company of the US. Volvo took a 33.3 percent stake in DAF's car operations, while International Harvester took a 33.3 percent stake in the DAF truck operations. However, in 1975, DAF sold off its car production entirely to Volvo, and this operation, still in the Netherlands, is now known as Volvo Car BV.

In January 1993, the company entered receivership and was split into various separate operating entities. The UK operations of DAF have been hived off after a management buyout, while a new company, DAF Trucks NV, has been established in the Netherlands with the aid of the governments of the Netherlands and Belgium. (See Mergers/Acquisitions/ Divestitures below).

In November 1996, DAF Trucks was acquired by PACCAR of the USA for \$550 million. DAF Trucks is now operated as a wholly owned subsidiary of PACCAR.

DAF Trucks NV employs 5,000 people over the past year. The company's auditors are Moret Ernst and Young.

Structure and Personnel

Board of Management

C.G. Baan

Chairman
E.H.M. van den Assem

H. Wagter

Product Area

DAF is a major manufacturer of commercial vehicles, components and associated services. The company designs, develops and manufactures light, medium and heavy commercial vehicles, trucks, and vans. It also provides aircraft ground support vehicles, diesel engines, cabs, and vehicle axles. In addition, the company is engaged in the design, development and production of armored vehicle hulls, final drives, hydraulic systems, and other combat vehicle systems.

Since 1975, the company has been involved in the aerospace industry, particularly participating in the design, development and production of landing gear, actuators, and rotor components. Additionally, DAF NV supports, repairs, and overhauls landing gear, actuators, and other components for the General Dynamics F-16, Northrop F-5, Lockheed P-3C, Fokker 27 and BAe Jetstream, as well as drive-line components and rotor systems of helicopters.

Facilities

DAF Trucks NV, Hugo van der Goeslaan 1, Postbus 90065, NL-5600 PT Eindhoven. The Eindhoven plant produces engines, chassis and components for and is involved in the final assembly of medium and heavy commercial and military vehicles. Since the merger of DAF with Leyland in 1988-89, military truck production is mainly concentrated in the United Kingdom.

Subsidiaries. DAF Trucks NV subsidiary companies are as follows (wholly owned unless otherwise indicated by a percentage share of ownership):

DAF Trucks Vlaanderen NV
DAF Trucks France SARL
DAF Trucks Deutschland GmbH
DAF Veicoli Industriali SpA
DAF Trucks (Schweiz) AG
Leyland DAF Trucks Ltd
DAF Vehiculos Industriales SA (75 Percent)
DAF Trucks Polska SPZOO
DAF Bus International (19 percent)

Corporate Overview

In early 1993, DAF NV entered the equivalent of Chapter 11 of the US Bankruptcy Code. At the time, DAF had amassed losses of 800 million guilders over the past three years as well as a bank debt of 3.5 billion guilders. The company's fate teetered in the hands of the Belgian and Dutch governments and banks for the first month and a half of 1993. After the collapse of a planned credit rescue of 1.8 billion guilders, the company entered receivership in early February 1993. The largest concern centered around the fate of the UK subsidiary Leyland DAF whose suppliers had stopped deliveries to the manufacturing sites throughout the UK. In addition, the fate of the entire DAF operations jeopardized an estimated 13,000 jobs in the UK, Belgium, and the Netherlands.

DAF's UK operations have now been hived off after a management buyout (MBO) and the establishment of a

New Products and Services

COMETT. DAF NV holds the distinction of being the first vehicle manufacturer to earn an environmental study contract award from the European Union (EU). The

new company called Leyland DAF Vans. While a £6.5 million MBO (equity financed from 3i) secured the future operations of the Birmingham van company, the work force was cut from 2,000 to approximately 975 persons.

The core medium and heavy truck operations of DAF's Eindhoven plant was rescued by the Belgium and Netherlands governments. A new company, DAF Trucks NV, was established on March 2, 1993. The company's objectives are the development, production and marketing of medium and medium-heavy DAF commercial vehicles. The work force of the Eindhoven facility has been cut from 5,000 to approximately 2,500. The former Leyland DAF truck making company in the UK has been renamed Leyland Trucks Manufacturing. The UK company was purchased in a MBO led by Chief Executive John Gilchrist.

study is to be conducted with the help of Lancashire Polytechnic of the UK as well as the Technische Universiteit Eindhoven. The focus of the study will be energy usage; air, water and soil pollution; and industrial waste.

DROPS System. The Demountable Rack Offloading and Pick-up System (DROPS) is a recently introduced system that significantly eases the transfer of equipment to and from vehicles. The DROPS system (along with many DAF products) was proven in combat during the Persian Gulf War.

Landing Gear, Actuators and Rotor Systems. ADF Special Products is involved in several major European aircraft programs, including the NH 90 medium-duty helicopter, the Fokker 70/130 program, and the Airbus A330/A340 program.

Plant Expansion/Organization Update

DAF Special Products Renamed. In 1996, DAF changed the name of DAF Special Products to SP Aerospace and Vehicle Systems BV.

Mergers/Acquisitions/Divestitures

DAF Acquired by PACCAR. In November 1996, PACCAR Inc acquired 100 percent of the shares of DAF Trucks NV in a deal valued at 933 million guilders (\$553 million). With the acquisition of all the shares, DAF Trucks N.V. is now a wholly owned subsidiary of the largest independent American truck manufacturer PACCAR Inc. PACCAR now has four separate marques: Peterbilt, Kenworth, Foden and DAF Trucks. According to company literature, this acquisition will enable PACCAR to expand its presence into new markets, while allowing both companies to manufacture quality products at lower costs. While DAF will continue to operate as an independent subsidiary, there will be an exchange of ideas and resources, and a few key people may be moved between the two organizations as needed.

DAF Enters Receivership. After entering into receivership in January 1993, DAF NV has now effectively been split into numerous operating companies — some are separate legal entities now out of the scope of the DAF headquarters in the Netherlands, while others have remained either directly or indirectly under the control of the new DAF Trucks NV. A management buyout of DAF's UK operations has established a new entity called Leyland DAF Vans. Although this company will now operate outside of the scope of the newly named DAF Trucks NV of the Netherlands, a certain degree of

cooperation between the two firms has been preserved. DAF Trucks NV will now market and sell the products of Leyland DAF Vans along with the marketing of its own medium and medium-heavy trucks on the Continent. DAF Special Products is still a part of DAF Trucks, although a Swiss company (Liebherr) indicated in 1992-93 that it was interested in acquiring the firm. As of late 1996, no action has been taken on the disposal of DAF Special Products (now SP Aerospace and Vehicle Systems BV), and it remains under the auspices of DAF Trucks. Special Products builds landing gear for the F-16 as well as components for the Leopard 2 tank which is produced by Krauss-Maffei of Germany.

Teaming/Competition/Joint Ventures

Computing Services. In 1991, DAF agreed to transfer its mainframe computing services in both the United Kingdom and the Netherlands to Philips; this transfer was to be realized during 1992.

CABTEC. DAF is a partner in two major cooperative ventures: CANTEC BV, a cab development and manufacturing operation with ENASA of Spain, and Van Technology Ltd, the new van generation project with Renault.

Van Technology Ltd. Van Technology Ltd is a joint-venture company established by DAF and Renault of France for the purpose of developing and manufacturing vans. DAF may be having trouble raising required investment at its van plant in Birmingham in the UK.

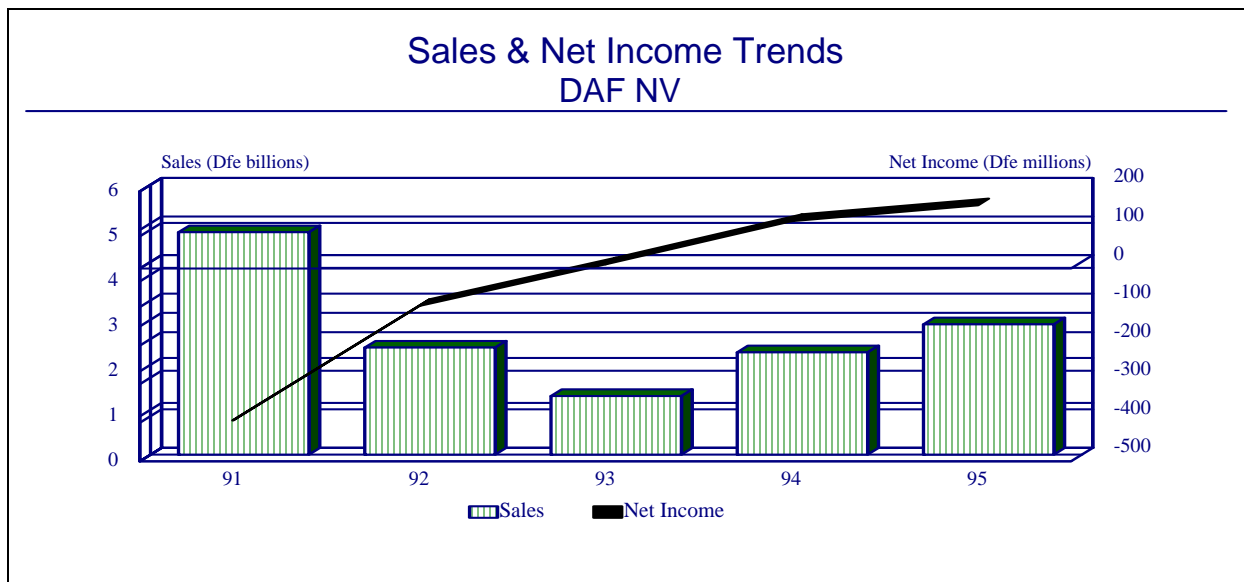
United Bus BV. United Bus BV was formed upon the merger of DAF Bus and BOVA. Since the time of the merger, operations have been expanded to include the participation of Den Oudsten, Woerden, Optare, and DAB (the latter of which is the largest bus manufacturer in Denmark). DAF currently maintains a controlling 56-percent stake in United Bus, but may have relinquished its majority stake since then; it may have retained some interest in the cooperative firm.

Asian Developments. DAF has undertaken the establishment of ties to companies in Malaysia, Brunei, the Philippines, Singapore and Thailand, for the purpose of ultimately establishing licensed assembly operations in these nations. The current status of these projects is unknown.

Financial Results/Corporate Statistics

DAF Trucks NV's 1995 sales increased to Dfe2.9 billion. The company posted net income of Dfe163.8 million for the year. Latest year statistics are provided below. Figures from 1991 to 1992 are for DAF before it was broken up. Note that 1992 figures are for the half-year ending on June 12, 1992. US dollar figure, in millions, is converted as a 1995 average at the rate of US\$1=Dfe1.6057.

Y/E March 31	1991	1992	1993	1994	1995	1995
(Dfe millions)						US\$
Net Sales	4942	2378	1301	2274	2894.2	1802.4
Net Income	-394	-97	11	123	163.8	102.0



Strategic Outlook

DAF NV entered receivership with a loss of 800 million guilders in the early 1990s as well as a bank debt of approximately 3.5 billion guilders. The fate of the company became the subject of numerous headlines in newspapers throughout the world as the jobs of an estimated 13,000 persons teetered with the decisions of those in charge of the company's receivership.

Finally, with the aid of the governments of the Netherlands and Belgium, DAF's Dutch operations were rescued with an infusion of fresh equity and subordinated loans totaling approximately Dfe425 million. Half of this figure was provided by the Dutch government in combination with the Flemish regional government.

In August 1993, the newly created DAF Trucks NV reported that it had returned its accounts to the black and expected commercial sales in the range of 116,000 units. Yet, with the continued slumping European commercial

truck market, it seems rather premature to predict marked growth for DAF Trucks NV in the near future.

In January 1990, well before the split of DAF NV, the firm had received a contract worth approximately \$214 million for the supply of 5,500 T244 four-wheel-drive trucks to the British Army. However, the future of DAF Trucks NV in the military vehicles market seems rather uncertain. With the split of the company and its new focus on the production of primarily commercial vehicles, it seems unlikely that the firm will find orders for other military equipment in the future.

With receivership out of the way, the company rapidly improved under its new structure. Simply put, DAF NV was overextended before it entered receivership. With major operations located in the Netherlands, Belgium, the UK and Africa, the company did not have an adequate hold over its operations. Following its reorganization, DAF Trucks rapidly returned to the black. And it was this

new-found profitability coupled with a reputable product line that made the company attractive to PACCAR. Under PACCAR, DAF Trucks joins a prestige line of truck companies including Peterbilt, Kenworth, and Foden.

In the future, the firm will continue to be affected adversely by the sputtering worldwide truck market and ailing economies. However, its new ownership structure

and tightly focused product line will serve to strengthen the firm's core business in the medium and medium-heavy truck business.

Following DAF Trucks' restructuring and subsequent purchase by PACCAR, its defense business has diminished substantially and therefore this report will no longer be updated.

Prime Award Summary

Leyland-DAF won a \$243 million contract to provide 5,350 T 224 four-ton trucks to the British Army with the first production vehicle completed in mid-1990. Leyland-DAF is expected to receive additional contracts for this truck. In addition, the company is a contender for a family of vehicles to replace the current fleet of Land Rover (4x4) vehicles, totaling 6,500 vehicles in three configurations.

Program Activity

Business Interests. DAF NV designs, develops and manufactures the following goods as well as provides the following services:

- Light, medium and heavy military and commercial vehicles and trucks
- Vans
- Aircraft ground support vehicles
- Gasoline and diesel engines
- Vehicle components
- Armored vehicle hulls and components
- Landing gear
- Actuators
- Rotor components
- Support, repair, and overhaul for all products
- Research and development

Commercial and Military Vehicles

DAF Trucks NV is a major producer of trucks and vans for all commercial and military purposes. The company is also a major producer of buses for city and intercity routes as well as various other roles. It designs, develops and manufactures not only trucks, vans and buses, but also gasoline and diesel engines, cabs, suspensions and other components, including support equipment, related to the needs of the commercial vehicle market.

DAF vehicles range in size from typical vans to vehicles well over 35,000 kilograms. Leyland DAF military vehicles have been proven in combat and include a complete range of utility vehicles ranging from tactical transport to Patriot surface-to-air missile transport and support. This line of vehicles includes the Leyland DAF 4-ton 4x4, Crusader 6x4 Tractor, DROPS Medium Mobility Load Carriers, DAF YA 4440 4x4 truck series, DAF YA 4442 DNT, DAF YA 5441 trucks, DAF YA 5442 trucks, the DAF YA 5444, the DAF YA 616, the DAF YAV

2300 DHTD, and the DAF YAZ 2300 trucks. The company is also a producer of bridging systems, with two product entries in this category, the DAF Treadway Bridge Type YEE 2000 SB and the DAF YGZ Ribbon Bridge.

SP Aerospace and Vehicle Systems BV

Aerospace

SP Aerospace and Vehicle Systems BV is a major European supplier of landing gear systems, actuators, and rotor systems for a variety of civil and military fixed- and rotary-wing aircraft programs including the following: Westland Lynx; General Dynamics F-16; Northrop F-5; Fairchild A-10; Fokker 100, 50, 70, and 130; Lockheed P-3C; NH 90 medium duty helicopter (under development); Airbus A330/A340; and Sikorsky Sea King. In addition, SP performs all related support, repair, overhaul and maintenance work on the systems for these aircraft.

Armored Vehicles

The YPR-765 is an advanced development of the world-renowned M113 armored personnel carrier. The YPR-765 features an advanced turret and upgraded armor, among other improvements. DAF (now SP Aerospace and Vehicle Systems BV) has manufactured and assembled over 2,100 of these vehicles, which are in use with the Royal Netherlands Army. In addition, DAF has played an important role in the Leopard 1 and Leopard 2 main battle tank programs in the Netherlands. The Leopard 1 and Leopard 2 are developments of Krauss Maffei of Germany, and both tanks are utilized by the Netherlands in large numbers. DAF has participated in the production of more than 900 tanks involving the manufacture of hull, final drives, suspensions, exhausts and armor components.

The company is also a partner in many other armored vehicle programs. The Krupp-KaK Bergepanzer 3

"Büffel" recovery vehicle, based on the Leopard 2, utilizes a hydraulic system that consists of many DAF components. It produced Armored Infantry Fighting Vehicles and Enclosed Weapon Stations under license from FMC Corporation for Turkish army requirements. The company has agreements with Zahnradfabrik Friedrichshafen and Blohm + Voss, both of the Federal Republic of Germany, as well as Cockerill Mechanical Industries (CMI) of Belgium.

SP Aerospace and Vehicle Systems undertakes the design, development and manufacture of purpose-built superstructures for special-mission utility vehicles, including artillery transports, bridge-laying vehicles, refueling trucks and support vehicles. In a major program for the Royal Netherlands Army, some 5,000 4-ton vehicles are being variously equipped with widely varying cargo bodies and other superstructures. The unit is also a supplier of customer-defined simulators and in-house training facilities.

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