OPPORTUNITIES WITHIN THE GERMAN AUTOMOTIVE INDUSTRY

BUSINESS SWEDEN

July 2015
Berlin
BUSINESS SWEDEN INCREASES BUSINESS ABROAD WHILE ATTRACTING INVESTMENTS TO SWEDEN

OUR VISION
GROWING SWEDEN BY BEING A WORLD CLASS PROMOTER OF TRADE AND INVESTMENTS

OUR MISSION
WE ACCELERATE AND FACILITATE BUSINESS WITH SWEDEN

OUR OWNERSHIP
JOINTLY OWNED BY THE SWEDISH GOVERNMENT AND BUSINESS SECTOR, WE OFFER THE BEST OF BOTH WORLDS
INTRODUCTION

THE GERMAN AUTOMOTIVE INDUSTRY

- Germany’s car manufacturing sector dates back to the 1890s and its brands are among the most popular in the world. Today, the automotive industry is the largest industry sector with a cumulated turnover of EUR 361 billion, around 20% of total German industry revenue. Around 756,000 people are employed in the industry as a whole. Domestic production plants have a capacity of over one third of total automobile production in Europe. Besides its well-known premium OEM* brands Germany is home to 21 of the world’s top 100 automotive suppliers.

BUSINESS SWEDEN

- In the last 5 years Business Sweden Germany has worked with a broad range of Swedish automotive companies including various technology and parts suppliers, engineering consultants as well as aftermarket wholesalers. Business Sweden successfully conducted market analyses, partner searches, recruitments, match-making events, acquisition target support, local company establishments as well as marketing and sales support.
EXECUTIVE SUMMARY

Industry characteristics
- The German automotive industry listed a turnover of EUR 364 billion in 2013
- One of the largest employers in Germany, with a workforce of around 756,000
- R&D expenditure reached EUR 18.3 billion in 2013

Industry structure
- The automotive industry consists of about 950 companies
- Around 70 percent of the automotive suppliers are small and medium-sized companies
- 90% of the workforce is employed by large global suppliers
- The majority of automotive suppliers are active on several supply chain (Tier 1-3) levels

Opportunity & trends
- Germany is investing heavily in new technology R&D and labor force training and qualification to become the lead market and provider for e-mobility
- OEMs continue to shift their production capacity toward emerging markets
- Increasing usage of platforms/modular toolkits
- OEMs increase pre-contract pressure on suppliers
THE AUTOMOTIVE INDUSTRY IS THE LARGEST INDUSTRY SECTOR IN GERMANY

Source: Federal Statistical Office

<table>
<thead>
<tr>
<th>Industry</th>
<th>2012</th>
<th>2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>364</td>
<td>364</td>
<td>+1%</td>
</tr>
<tr>
<td>Machinery &amp; Equipment</td>
<td>222</td>
<td>222</td>
<td>+1%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>190</td>
<td>190</td>
<td>+1%</td>
</tr>
<tr>
<td>Groceries</td>
<td>175</td>
<td>175</td>
<td>+3%</td>
</tr>
<tr>
<td>Electrical Engineering</td>
<td>151</td>
<td>151</td>
<td>+3%</td>
</tr>
<tr>
<td>Metals</td>
<td>98</td>
<td>98</td>
<td>-11%</td>
</tr>
<tr>
<td>Oil &amp; Minerals</td>
<td>94</td>
<td>94</td>
<td>-6%</td>
</tr>
</tbody>
</table>

Total GDP 2013: 2 500 BEUR

Largest segments 2013 in MEUR

Source: Federal Statistical Office
OEM PRODUCTION SITES IN GERMANY

- Stands for 20% of the total German industry revenue
- One of the largest employers in Germany with a workforce of around 750,000
- Home to 46 automobile assembly and engine production plants with a capacity of over one third of total automobile production in Europe
- 21 of the world’s top 100 automotive suppliers are German companies

GERMAN OEM BRANDS

Audi  BMW  Daimler  MAN  Neoplan  Porsche  Volkswagen

SOURCE: GERMANY TRADE & INVEST, GERMAN AUTOMOTIVE ASSOCIATION - VDA
FACTS & FIGURES

AUTOMOTIVE INDUSTRY TURNOVER IN BEUR

<table>
<thead>
<tr>
<th>Year</th>
<th>Export</th>
<th>Domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>263</td>
<td>50</td>
</tr>
<tr>
<td>2010</td>
<td>317</td>
<td>62</td>
</tr>
<tr>
<td>2011</td>
<td>351</td>
<td>69</td>
</tr>
<tr>
<td>2012</td>
<td>357</td>
<td>68</td>
</tr>
<tr>
<td>2013</td>
<td>362</td>
<td>70</td>
</tr>
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</table>

Source: GERMAN AUTOMOTIVE ASSOCIATION – VDA, BERYLLS STRATEGY ADVISORS, BERYLLS.COM

LARGEST GERMAN AUTOMOTIVE SUPPLIERS BY TURNOVER IN MEUR

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Turnover (MEUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continental</td>
<td>33,3</td>
</tr>
<tr>
<td>Bosch</td>
<td>30,7</td>
</tr>
<tr>
<td>ZF Friedrichshafen</td>
<td>17,2</td>
</tr>
<tr>
<td>Mahle</td>
<td>10,0</td>
</tr>
<tr>
<td>ThyssenKrupp</td>
<td>9,3</td>
</tr>
<tr>
<td>BASF</td>
<td>9,2</td>
</tr>
<tr>
<td>Schaeffler</td>
<td>8,1</td>
</tr>
<tr>
<td>Hella KG Hueck</td>
<td>4,9</td>
</tr>
<tr>
<td>Brose Fahrzeugteile</td>
<td>4,8</td>
</tr>
<tr>
<td>Lanxess</td>
<td>3,3</td>
</tr>
<tr>
<td>Getrag</td>
<td>3,2</td>
</tr>
<tr>
<td>Bayer</td>
<td>3,1</td>
</tr>
<tr>
<td>Eberspächer</td>
<td>2,9</td>
</tr>
<tr>
<td>Leoni</td>
<td>2,9</td>
</tr>
<tr>
<td>Webasto</td>
<td>2,5</td>
</tr>
</tbody>
</table>
## INDUSTRY STRUCTURE

### Value chain position
- **OEM**
- **TIER 1**
- **TIER 2**
- **TIER 3**

### Description
- **Original equipment manufacturer**
  - Platform assembly
- **Subsystems manufacturer**
  - Large-scale integration
  - Global Risk-Sharing-Partners\(^1\)
- **Component manufacturer**
  - Value-added parts and assemblies
- **Parts manufacturer**
  - Make-to-print parts and assemblies

### Key players\(^2\)
- Volkswagen
- BMW
- Daimler
- Bosch
- ZF Lenksysteme
- Mahle
- Continental
- Hella
- Schaeffler
- About 500 small and medium sized companies

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1 FEWER AND BIGGER PARTNERS WITH ENHANCED RESPONSIBILITIES SHARING COST AND RISK
2 EXAMPLES
## SWOT Analysis

**Fierce Technological Competition Makes Market Entry Difficult**

<table>
<thead>
<tr>
<th>Strength</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>The largest autos market in the EU, directly employing more than 800,000 people</td>
<td>Labour costs in the sector are among the world’s highest, undermining competition in an increasingly tough export market</td>
</tr>
<tr>
<td>German companies have invested heavily in research and development (R&amp;D), putting them at the cutting edge of technology and engineering</td>
<td>Manufacturers, primarily involved in the premium segment, are struggling with environmentally friendly technology</td>
</tr>
<tr>
<td>Government participation in electric vehicle programmes is encouraging</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>To increase competition, companies are likely to relocate or outsource production, particularly to the new Eastern European members of the EU where German producers now account for 65% of total production</td>
<td>The ongoing economic slowdown across the Eurozone will adversely affect production and export levels to foreign markets</td>
</tr>
<tr>
<td>There remains a lot of room for German carmakers to improve their alternative-fuel vehicle technology</td>
<td>The imminent availability of Asian models, will have a significant impact on sales of German-made cars</td>
</tr>
<tr>
<td></td>
<td>Emission regulations in the EU expose carmakers to tough competition from international players that have more environmentally friendly technologies</td>
</tr>
</tbody>
</table>

Source: Business Monitor 2013
BUSINESS SWEDEN MAKES IT EASIER FOR SWEDISH COMPANIES TO GROW INTERNATIONALLY

BUSINESS SWEDEN INTERNATIONALISATION SERVICES

Examine opportunities and choose market
- Export Information
- Steps to Export
- Trade Facilitation
- Market Selection Analysis

Understand market and define entry strategy
- Market Analysis
- Visiting Program
- Market Entry Strategy
- Partner Search
- Bus. Opportunity Project

Establish presence in foreign markets
- Incorporation
- Business Support Office
- Acquisition Support
- Recruitment Services
- Sourcing Services

Develop and grow your international business
- Sales and Marketing Support
- Operational Support
- Business Development
- BSO Connect

PROMOTIONAL ACTIVITIES
Swedish companies can use the official brand of Sweden to open doors and acquire new contacts. Business Sweden arranges seminars, site visits, trade fairs, delegations, conferences and many other activities to strengthen brands and to increase the visibility for Swedish companies.
WE MAKE SWEDEN MORE ATTRACTIVE TO DO BUSINESS WITH

Business Sweden
Goethestr. 85, 10623 Berlin, Germany
T +49 (0) 30 893 60 600 F +49 (0) 30 893 60 666
tyskland@business-sweden.se
www.business-sweden.se