„Global Economy and the European Automotive Industry" - Extract

Reinventing the Industry

25th Meeting of the Automotive Sector

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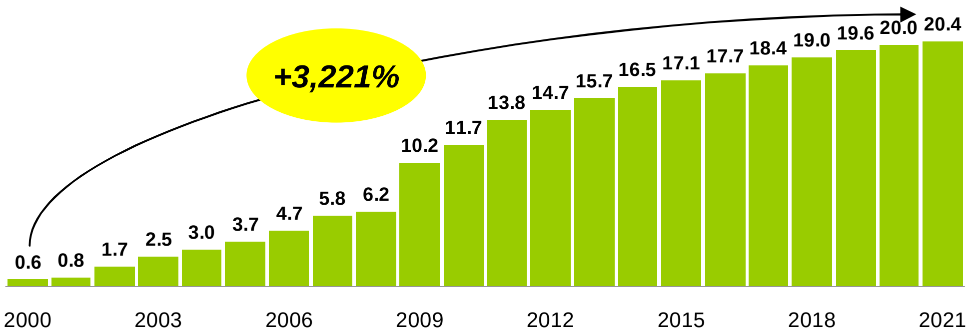
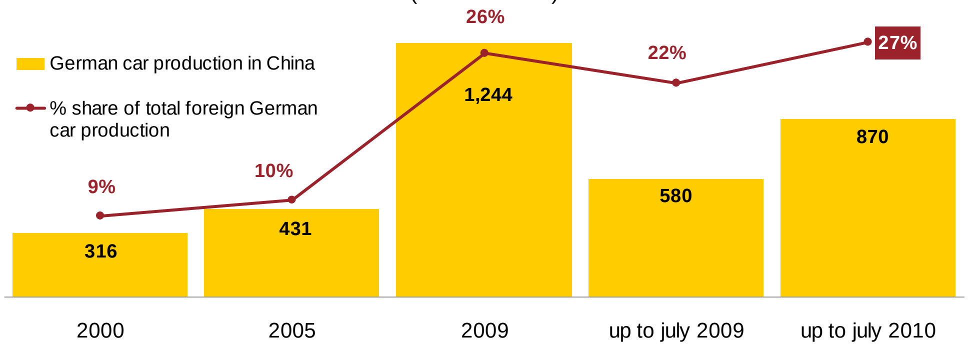
China and India are challenging Europe, and Europe will find answers …

China grows and grows …
(sales in million units)



… the importance of China for Germany's foreign production grows as well
(in million units)



Source: R. L. Polk Germany, VDA
Forecast (09.11.2010)

- China's importance for the German domestic production is constantly growing (11% of exports in units)
- High percentage of premium products lead to even higher sales figures
- Q3 EBIT of German OEMs reflected growing dependence of profits from China
- German car production in China today accounts for 27% of total foreign German car production
- China loves premium

- Europe will not be able to compete with "low cost" (and should not)
- China and India require "different" strategies
- Technology, innovation, quality and platform strategies are key
- R&D will be decisive

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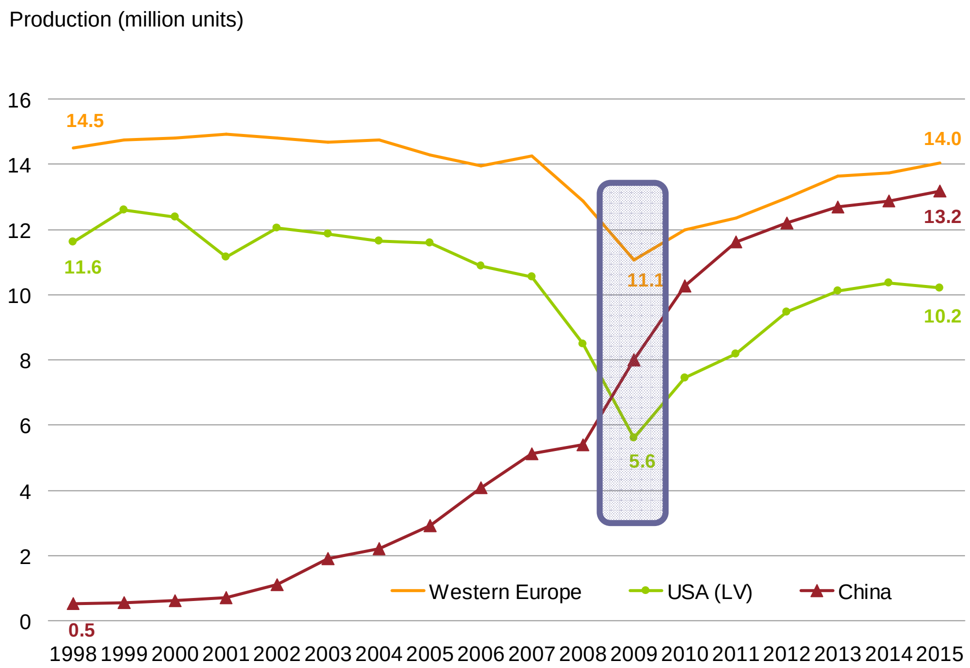
Yesterday's "Battle of Europe" will be tomorrow's "Global Battle"

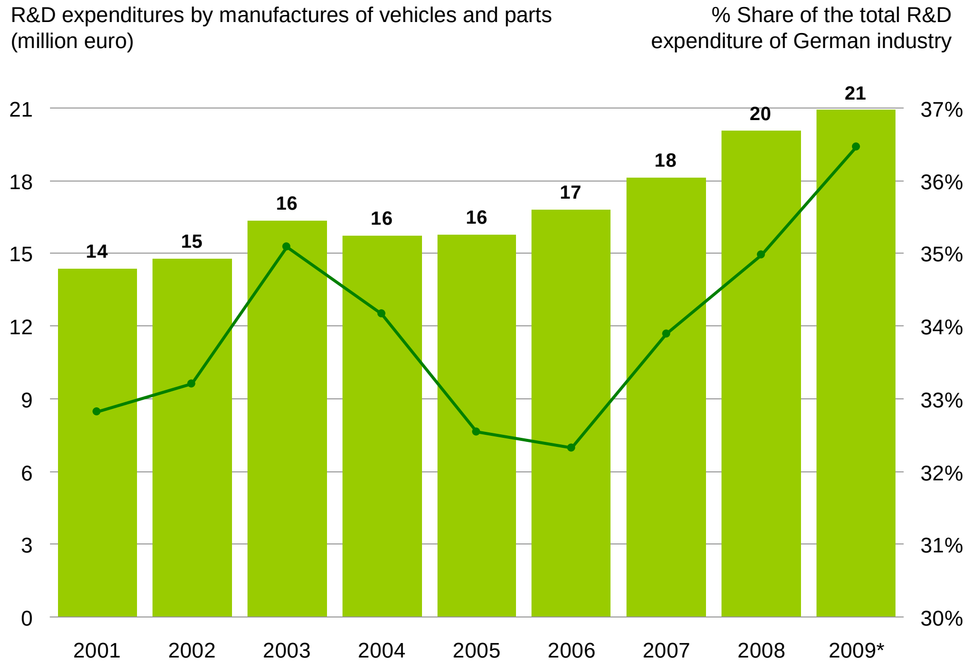


Source: R. L. Polk Germany
Forecast (10.11.2010)

- China, Brazil and India are the winners, not Europe
- China becomes the most important production site outside Germany
- But Europe has stunning brands, attractive products and new technology
- Europe is not "united", politically, economically and in automotive policy
- "Non-industrialized Europe" is not always supporting "industrialized Europe"
- Competitiveness and innovation are key elements of future success

- The global battle has just begun
- Fair trade often is endangered
- Protectionism is around the corner
- Trade agreements often penalize Europe
- "Currency wars" distort markets
- Tomorrow, incentives for e-cars will prevent level playing field

We need a new approach for the value chain, to generate innovations.



Source: Stifterverband Wissenschaftsstatistik
* estimate

- The value chain between OEMs and suppliers in Europe is superior to other organizational patterns (Keiretsu etc.)
- 70% of the total value of the car stems from suppliers
- The European vertical integration can only deploy innovations if the margins are sufficient

- The suppliers have developed differently: strong, big, successful on the one hand, highly leveraged, and too small to globalize on the other hand

- Innovations are the only non-discriminatory barriers in high wage countries to defend the position against new entrants
- Lower emissions, CO_2, less weight, zero emission vehicles, safety need more R&D from OEMs and suppliers
- We need a new approach for the European value chain (incl. science, governments and even banks)

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