GLOBAL OPPORTUNITIES FOR SWEDISH AUTOMOTIVE SUPPLIER INDUSTRY
- FINAL REPORT

Swedish Trade Council
Stockholm, August 24, 2012
GLOBAL OPPORTUNITIES FOR SWEDISH AUTOMOTIVE SUPPLIER INDUSTRY

- Introduction
- Methodology
- Result
- Next step
- Appendix
STRATEGIC PLATFORM FOR TRADE PROMOTION
- The project identifies focus markets and activities mainly for export promotion

The analysis identifies prioritized markets for targeted trade promotion activities for FKG
AUTOMOTIVE COMPONENT EXPORT WORTH 47 BILLION
- Slightly more than in 2007 before the financial crises

Swedish export of automotive components, 2007-11

<table>
<thead>
<tr>
<th>Year</th>
<th>Billion SEK</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>48</td>
</tr>
<tr>
<td>2008</td>
<td>44</td>
</tr>
<tr>
<td>2009</td>
<td>31</td>
</tr>
<tr>
<td>2010</td>
<td>36</td>
</tr>
<tr>
<td>2011</td>
<td>47</td>
</tr>
</tbody>
</table>

Source: SCB

Swedish export of automotive components by country, 2011

100% = 47 billion SEK

- Belgium, 22%
- Netherlands, 16%
- France, 10%
- Germany, 7%
- Other, 7%
- Brazil, 4%
- UK, 5%
- Russia, 3%
- USA, 3%
- Norway, 4%
- Finland, Australia, Spain, Iran, Poland, China, Denmark, Mexico, 2% each
- India, Colombia, Japan, 1% each
- Other countries, 1% each

Source: SCB
SWEDISH AUTOMOTIVE SUPPLIER INDUSTRY TODAY
- FKG companies pros and cons from an export perspective

SWOT based on interviews and workshop

Strength
- Innovation
- Quality
- Access to investment capital

Weakness
- Lack of cooperation between companies
- Weak connection to science parks
- Stagnation

Opportunities
- Increase knowledge about globalization
- Improve domestic production
- Encourage cooperation

Threat
- Missing from the political agenda
- Lack of competence
- Increased foreign ownership of automotive suppliers
GLOBAL OPPORTUNITIES FOR SWEDISH AUTOMOTIVE SUPPLIER INDUSTRY

- Introduction
- Methodology
- Result
- Next step
- Appendix
OVERALL WORK PROCESS

Step 1
Pre-Study

Step 2
Interviews with FKG members

Step 3
Market Selection Analysis

Step 4
Workshop STC and FKG

Step 5
Final report

The analysis include five main steps, the outcome is a strategic platform for FKG’s international trade promotion activities.
A NUMBER OF ELEMENTS CONTRIBUTE TO THE OVERALL PICTURE FOR FUTURE INTERNATIONALIZATION FOR FKG

Input and activities included in the analysis

- Interviews
- Reference group
- Market selection
- Analysis
- Data collection
- Workshops
- FKG members
- Industry knowledge
GLOBAL COVERAGE ON BOTH MATURE AND EMERGING
- Focus on markets with Automotive industry

Mature markets
- Australia
- Austria
- Belgium
- Canada
- France
- Germany
- Italy
- Japan
- Netherlands
- South Korea
- Spain
- Taiwan
- UK
- USA

Emerging markets
- Argentina
- Brazil
- China
- Czech Republic
- Estonia
- Hungary
- India
- Indonesia
- Iran
- Latvia
- Lithuania
- Malaysia
- Mexico
- Poland

Romania
- Russia
- Saudi Arabia
- South Africa
- Thailand
- Turkey
- Ukraine
MARKET SELECTION ANALYSIS FOR SEVERAL SEGMENTS

### Passenger cars
- **Potential**: High
- **Maturity**: Low
- **Focus**: High potential, low maturity

### Heavy Vehicles
- **Potential**: High
- **Maturity**: Low
- **Focus**: High potential, low maturity

### Construction Vehicles
- **Potential**: High
- **Maturity**: Low
- **Focus**: High potential, low maturity

### Sourcing
- **Potential**: High
- **Maturity**: Low
- **Focus**: High potential, low maturity

### Overall*, mature/emerging
- **Overall potential**: High
- **Maturity**: Low
- **Focus**: High potential, low maturity

* Used in analysis, see appendix
QUANTITATIVE VARIABLES FOR PASSENGER CARS, HEAVY VEHICLES AND CONSTRUCTION VEHICLES

Market potential variables

- Production of passenger cars
- Production of heavy vehicles
- Presence of global construction vehicles companies
- Growth of Production of vehicles
- Total production of Motor vehicles
- Transport equipment industry share of GDP
- World import of parts for motor vehicles
- Manufacturing industry growth

Ease of Entry variables

- Customs duty
- Corruption / Bureaucracy / Political stability
- Trading across boarders
- Country credit risk
- Swedish export of parts for motor vehicles
- Production Process Sophistication
- GDP growth
**QUANTITATIVE VARIABLES FOR SOURCING**

**Market potential variables**
- Total production of Motor vehicles
- Logistics index
- Wage per hour in manufacturing
- Export of parts for motor vehicles to EU27

**Ease of Entry variables**
- Corruption / Bureaucracy / Political stability
- Trading across boarders
- Availability of scientists and engineers
- Financial freedom
- Production Process Sophistication
- GDP growth
GLOBAL OPPORTUNITIES FOR SWEDISH AUTOMOTIVE SUPPLIER INDUSTRY

- Introduction
- Methodology
- Result
  - Focus markets
  - Activities
- Next step
- Appendix
MATURE MARKETS
- Prioritized markets for targeted trade promotion activities for FKG

Today & tomorrow*

- Passenger cars: USA, Germany, South Korea, France
- Heavy vehicles: Japan
- Construction vehicles: UK, Canada

South Korea is a growing market with large potential from a "tomorrow" perspective

Markets to both negotiate with and sell to

* GDP and production growth forecast
EMERGING MARKETS
- Prioritized markets for targeted trade promotion activities for FKG

**Today**

- **Passenger cars**
  - Czech rep., Poland

- **Heavy vehicles**
  - Thailand

**Tomorrow***

- **Construction vehicles**
  - China, India, Russia, Mexico, Brazil
  - Turkey
  - Indonesia, Argentina

India and Russia, attractive both today and "tomorrow", are also interesting from FKG perspective

* GDP and production growth forecast
SOURCING
- Prioritized markets for targeted trade promotion activities for FKG

Near markets
Balticum, Czech rep., Hungary, Poland, Russia, Turkey

Emerging markets

Distant markets
China, India, Indonesia, Malaysia, Thailand

Sourcing of automotive components have potential in several of the markets.

Further investigations from a cost efficiency perspective and a partner search is recommended.
GLOBAL OPPORTUNITIES FOR SWEDISH AUTOMOTIVE SUPPLIER INDUSTRY

- Introduction
- Methodology
- Result
  - Focus markets
  - Activities
- Next step
- Appendix
STRENGTHS AND OPPORTUNITIES BUT ALSO CHALLENGES
- Swedish automotive supplier industry from an export perspective

Citations from interviews with FKG member companies

“...Sverige har bra innovationsförmåga och koordination av produktutveckling” …

“...Bra tillgång till riskkapital jämfört med konkurrerande Italien, Spanien, Frankrike”

“... de flesta företag inom fordonskomponentindustrin är relativt små och konkurrerar inte, de bör samverka och nätverka mer och ta lärdom av varandra…”

"... Desto mer vi automatiserar desto mer kan vi göra hemma behöver inte flytta tillverkning utomlands"

"... Inga ingenjörer kvar i Sverige, lättare att få tag i andra länder"

"... inköpen bestäms vid huvudkontoren, även fast kunden är i Södertälje så måste försäljningen gå via Tyskland"

"... ingen bilindustri kvar i Sverige"
ACTIVITIES TO MEET THE INDUSTRY CHALLENGES
- Requested activities from FKG member companies

**Analysis**
- Fact packs
- Competitor analysis and Acquisition analysis
- Identify purchasing channels and industry clusters
- Understanding of trade barriers

**Network**
- Delegation trips
- Formal exchange of experiences
- Fairs

**Cooperation**
- Cooperation with local industry organizations
- Local contacts with knowledge about both Swedish and foreign automotive supplier industry
- R&D collaboration with universities and colleges
GLOBAL OPPORTUNITIES FOR SWEDISH AUTOMOTIVE SUPPLIER INDUSTRY

Introduction

Methodology

Result

Next step
  - Global opportunities
  - FKG

Appendix
BUSINESS OPPORTUNITIES FOR SWEDISH AUTOMOTIVE SUPPLIERS WHEN OEMS RELOCATE PRODUCTION GLOBALLY

Overseas production, business intelligence

- Japanese automotive industry shift to overseas production and need to procure parts globally: Toyota (France), Nissan (Russia, US, China)
- South Korean Hyundai-Kia Motors invests in China, Turkey and India
- 2/3 of German OEM’s production plants abroad (focus BRIC countries)
- French relocation of factories in Eastern Europe, Turkey and Maghreb
- Government tax incentives encourage local production in Brazil

Local suppliers, business intelligence

- National supplier network following German OEMs global expansion
- Local suppliers fail quality standards of foreign OEMs in Russia
- South Korean manufacturers procure components from foreign suppliers for overseas production to reduce costs and improve profitability
- Government incentives encourage foreign suppliers to locate in Russia

Source: STC offices

Keep up to date on global changes and act on them
GLOBAL OPPORTUNITIES FOR SWEDISH AUTOMOTIVE SUPPLIERS ALSO OUTSIDE TRADITIONAL SECTORS

- Construction Vehicles and Mining Equipment (Germany, France, Russia, Mexico, Brazil, China)
- New energy vehicles (China, France)
- 2-and 3-Wheelers (India)
- Aerospace Industry (Mexico, France)

Source: STC analysis
GLOBAL OPPORTUNITIES FOR SWEDISH AUTOMOTIVE SUPPLIER INDUSTRY

- Introduction
- Methodology
- Result
- Next step
  - Global opportunities
  - FKG
- Appendix
NEXT STEP IS TARGETED TRADE PROMOTION ACTIVITIES IN PRIORITIZED MARKETS

- **Analysis**
  - Support Acquisition analysis
  - Identify purchasing channels
  - Identify industry clusters

- **Network**
  - Organize “exchange of experiences seminars”
  - Initiate delegation trips
  - Initiate joint visits to selected fairs

- **Cooperation**
  - Initiate R&D projects together with universities and collages
  - Contact local industry organizations
  - Identify local contacts with knowledge about both Swedish and foreign automotive supplier industry
GLOBAL OPPORTUNITIES FOR SWEDISH AUTOMOTIVE SUPPLIER INDUSTRY

- Introduction
- Methodology
- Result
- Next step

Appendix
  - Variables in-depth
  - Plotts
  - Focus markets in-depth
  - Variable definitions
  - Interview questions
TRADITIONAL CAR MANUFACTURERS IN TOP AMONG MATURE MARKETS

Production of passenger cars mature markets, 2011

Number thousand

Source: Euromonitor
CHINA DOMINATES THE PASSENGER CARS PRODUCTION AMONG EMERGING MARKETS

Production of passenger cars emerging markets, 2011

Number thousand

<table>
<thead>
<tr>
<th>Country</th>
<th>Number Thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>14,485</td>
</tr>
<tr>
<td>India</td>
<td>3,693</td>
</tr>
<tr>
<td>Brazil</td>
<td>2,773</td>
</tr>
<tr>
<td>Mexico</td>
<td>1,538</td>
</tr>
<tr>
<td>Iran</td>
<td>1,262</td>
</tr>
<tr>
<td>Russia</td>
<td>1,255</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1,193</td>
</tr>
<tr>
<td>Poland</td>
<td>842</td>
</tr>
<tr>
<td>Turkey</td>
<td>640</td>
</tr>
<tr>
<td>Argentina</td>
<td>580</td>
</tr>
<tr>
<td>Indonesia</td>
<td>562</td>
</tr>
<tr>
<td>Malaysia</td>
<td>488</td>
</tr>
<tr>
<td>Romania</td>
<td>396</td>
</tr>
<tr>
<td>South Africa</td>
<td>301</td>
</tr>
<tr>
<td>Hungary</td>
<td>197</td>
</tr>
<tr>
<td>Ukraine</td>
<td>98</td>
</tr>
</tbody>
</table>

Source: Euromonitor
USA BY FAR LARGEST PRODUCER OF HEAVY VEHICLES IN MATURE MARKETS

Production of heavy vehicles mature markets, 2011

Number thousand

Source: Euromonitor
CHINA BY FAR LARGEST PRODUCER OF HEAVY VEHICLES IN EMERGING MARKETS

Production of heavy vehicles emerging markets, 2011

<table>
<thead>
<tr>
<th>Country</th>
<th>Number thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>3933</td>
</tr>
<tr>
<td>Thailand</td>
<td>1291</td>
</tr>
<tr>
<td>Mexico</td>
<td>1098</td>
</tr>
<tr>
<td>Brazil</td>
<td>897</td>
</tr>
<tr>
<td>India</td>
<td>793</td>
</tr>
<tr>
<td>Indonesia</td>
<td>276</td>
</tr>
<tr>
<td>Russia</td>
<td>255</td>
</tr>
<tr>
<td>Argentina</td>
<td>249</td>
</tr>
<tr>
<td>Iran</td>
<td>208</td>
</tr>
<tr>
<td>South Africa</td>
<td>206</td>
</tr>
<tr>
<td>Poland</td>
<td>93</td>
</tr>
<tr>
<td>Malaysia</td>
<td>45</td>
</tr>
<tr>
<td>Romania</td>
<td>28</td>
</tr>
<tr>
<td>Ukraine</td>
<td>7</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>7</td>
</tr>
<tr>
<td>Hungary</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Euromonitor
TAIWAN AND SOUTH KOREA ARE FORECASTED HIGHEST GDP GROWTH AMONG MATURE MARKETS

GDP Growth forecast, CAGR 2011-2016

<table>
<thead>
<tr>
<th>Country</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>4.2</td>
</tr>
<tr>
<td>South Korea</td>
<td>3.8</td>
</tr>
<tr>
<td>Australia</td>
<td>3.0</td>
</tr>
<tr>
<td>USA</td>
<td>2.8</td>
</tr>
<tr>
<td>Canada</td>
<td>2.2</td>
</tr>
<tr>
<td>UK</td>
<td>2.0</td>
</tr>
<tr>
<td>Austria</td>
<td>1.7</td>
</tr>
<tr>
<td>France</td>
<td>1.4</td>
</tr>
<tr>
<td>Japan</td>
<td>1.3</td>
</tr>
<tr>
<td>Belgium</td>
<td>1.1</td>
</tr>
<tr>
<td>Germany</td>
<td>1.1</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.9</td>
</tr>
<tr>
<td>Spain</td>
<td>0.6</td>
</tr>
<tr>
<td>Italy</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Source: Euromonitor
ASIAN COUNTRIES IN TOP FOR EXPECTED GDP GROWTH AMONG EMERGING MARKETS

GDP Growth forecast, CAGR 2011-2016

Source: Euromonitor
## MOST GLOBAL CONSTRUCTION VEHICLE COMPANIES HAVE PRODUCTION SITES IN CHINA

Global Construction vehicle companies and number of production sites by country, 2012

<table>
<thead>
<tr>
<th></th>
<th>Caterpillar</th>
<th>Komatsu</th>
<th>Hitachi (JP)</th>
<th>Volvo CE</th>
<th>DOOSAN</th>
<th>John Deere</th>
<th>Liebherr</th>
<th>CNH</th>
<th>JCB (UK)</th>
<th>Hyundai</th>
<th>Terex</th>
<th>Toyota BT</th>
<th>Kion Group</th>
<th>Jungheinrich</th>
<th>Crown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Czech Republic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iran</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nigeria</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Romania</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Korea</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Orbis, Companies websites
NETHERLANDS AND GERMANY BEST EASE OF TRADE PERFORMERS AMONG MATURE MARKETS

Ease of Trade score by variable, Mature markets

<table>
<thead>
<tr>
<th></th>
<th>Costs duty</th>
<th>Corruption</th>
<th>Bureaucracy</th>
<th>Political stability</th>
<th>Trading across boards</th>
<th>Country credit risk</th>
<th>Swedish export of parts</th>
<th>GDP Growth forecast</th>
<th>Production process sophistication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>26</td>
<td>98</td>
<td>90</td>
<td>82</td>
<td>57</td>
<td>1</td>
<td>10</td>
<td>100</td>
<td>35</td>
</tr>
<tr>
<td>Austria</td>
<td>100</td>
<td>78</td>
<td>43</td>
<td>97</td>
<td>65</td>
<td>1</td>
<td>8</td>
<td>27</td>
<td>70</td>
</tr>
<tr>
<td>Belgium</td>
<td>100</td>
<td>72</td>
<td>22</td>
<td>87</td>
<td>47</td>
<td>1</td>
<td>100</td>
<td>33</td>
<td>70</td>
</tr>
<tr>
<td>Canada</td>
<td>23</td>
<td>96</td>
<td>74</td>
<td>94</td>
<td>37</td>
<td>1</td>
<td>1</td>
<td>49</td>
<td>45</td>
</tr>
<tr>
<td>France</td>
<td>100</td>
<td>62</td>
<td>49</td>
<td>59</td>
<td>67</td>
<td>1</td>
<td>44</td>
<td>28</td>
<td>55</td>
</tr>
<tr>
<td>Germany</td>
<td>100</td>
<td>82</td>
<td>61</td>
<td>85</td>
<td>87</td>
<td>1</td>
<td>29</td>
<td>30</td>
<td>90</td>
</tr>
<tr>
<td>Italy</td>
<td>100</td>
<td>1</td>
<td>1</td>
<td>48</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>22</td>
<td>15</td>
</tr>
<tr>
<td>Japan</td>
<td>40</td>
<td>82</td>
<td>36</td>
<td>100</td>
<td>80</td>
<td>1</td>
<td>3</td>
<td>53</td>
<td>100</td>
</tr>
<tr>
<td>Netherlands</td>
<td>100</td>
<td>100</td>
<td>46</td>
<td>73</td>
<td>85</td>
<td>1</td>
<td>74</td>
<td>29</td>
<td>75</td>
</tr>
<tr>
<td>South Korea</td>
<td>100</td>
<td>30</td>
<td>91</td>
<td>42</td>
<td>100</td>
<td>1</td>
<td>1</td>
<td>23</td>
<td>35</td>
</tr>
<tr>
<td>Spain</td>
<td>100</td>
<td>46</td>
<td>44</td>
<td>69</td>
<td>15</td>
<td>1</td>
<td>9</td>
<td>22</td>
<td>1</td>
</tr>
<tr>
<td>Taiwan</td>
<td>1</td>
<td>44</td>
<td>80</td>
<td>70</td>
<td>69</td>
<td>1</td>
<td>2</td>
<td>39</td>
<td>55</td>
</tr>
<tr>
<td>UK</td>
<td>100</td>
<td>78</td>
<td>85</td>
<td>72</td>
<td>85</td>
<td>1</td>
<td>25</td>
<td>1</td>
<td>50</td>
</tr>
<tr>
<td>USA</td>
<td>26</td>
<td>64</td>
<td>100</td>
<td>1</td>
<td>74</td>
<td>1</td>
<td>15</td>
<td>27</td>
<td>55</td>
</tr>
</tbody>
</table>

Source: STC analysis
## POLAND, CZECH REP AND ESTONIA BEST EASE OF TRADE PERFORMERS AMONG EMERGING MARKETS

### Ease of Trade score by variable, Emerging markets

<table>
<thead>
<tr>
<th>Country</th>
<th>Costs duty</th>
<th>Corruption</th>
<th>Bureaucracy</th>
<th>Political stability</th>
<th>Trading across boarders</th>
<th>Country credit risk</th>
<th>Swedish export of parts</th>
<th>GDP Growth forecast</th>
<th>Production process sophistication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>23</td>
<td>17</td>
<td>21</td>
<td>66</td>
<td>38</td>
<td>1</td>
<td>1</td>
<td>55</td>
<td>37</td>
</tr>
<tr>
<td>Brazil</td>
<td>1</td>
<td>37</td>
<td>33</td>
<td>52</td>
<td>26</td>
<td>58</td>
<td>100</td>
<td>77</td>
<td>77</td>
</tr>
<tr>
<td>China</td>
<td>45</td>
<td>32</td>
<td>28</td>
<td>48</td>
<td>65</td>
<td>72</td>
<td>41</td>
<td>100</td>
<td>41</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>100</td>
<td>51</td>
<td>40</td>
<td>100</td>
<td>58</td>
<td>100</td>
<td>10</td>
<td>39</td>
<td>68</td>
</tr>
<tr>
<td>Estonia</td>
<td>100</td>
<td>100</td>
<td>74</td>
<td>71</td>
<td>100</td>
<td>100</td>
<td>9</td>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td>Hungary</td>
<td>100</td>
<td>56</td>
<td>60</td>
<td>90</td>
<td>56</td>
<td>44</td>
<td>2</td>
<td>11</td>
<td>37</td>
</tr>
<tr>
<td>India</td>
<td>34</td>
<td>20</td>
<td>17</td>
<td>10</td>
<td>34</td>
<td>58</td>
<td>33</td>
<td>60</td>
<td>50</td>
</tr>
<tr>
<td>Indonesia</td>
<td>45</td>
<td>17</td>
<td>26</td>
<td>57</td>
<td>78</td>
<td>44</td>
<td>1</td>
<td>85</td>
<td>37</td>
</tr>
<tr>
<td>Iran</td>
<td>10</td>
<td>10</td>
<td>20</td>
<td>21</td>
<td>15</td>
<td>1</td>
<td>51</td>
<td>43</td>
<td>19</td>
</tr>
<tr>
<td>Latvia</td>
<td>100</td>
<td>46</td>
<td>61</td>
<td>72</td>
<td>93</td>
<td>44</td>
<td>5</td>
<td>11</td>
<td>23</td>
</tr>
<tr>
<td>Lithuania</td>
<td>100</td>
<td>61</td>
<td>67</td>
<td>74</td>
<td>85</td>
<td>58</td>
<td>2</td>
<td>14</td>
<td>37</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1</td>
<td>49</td>
<td>64</td>
<td>91</td>
<td>84</td>
<td>72</td>
<td>5</td>
<td>40</td>
<td>82</td>
</tr>
<tr>
<td>Mexico</td>
<td>100</td>
<td>17</td>
<td>40</td>
<td>20</td>
<td>65</td>
<td>58</td>
<td>40</td>
<td>1</td>
<td>46</td>
</tr>
<tr>
<td>Poland</td>
<td>100</td>
<td>78</td>
<td>33</td>
<td>89</td>
<td>73</td>
<td>72</td>
<td>47</td>
<td>28</td>
<td>41</td>
</tr>
<tr>
<td>Romania</td>
<td>100</td>
<td>32</td>
<td>32</td>
<td>76</td>
<td>57</td>
<td>44</td>
<td>1</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>Russia</td>
<td>100</td>
<td>3</td>
<td>26</td>
<td>1</td>
<td>1</td>
<td>58</td>
<td>79</td>
<td>55</td>
<td>1</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>56</td>
<td>51</td>
<td>100</td>
<td>34</td>
<td>91</td>
<td>72</td>
<td>1</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>South Africa</td>
<td>61</td>
<td>44</td>
<td>65</td>
<td>22</td>
<td>12</td>
<td>58</td>
<td>9</td>
<td>31</td>
<td>55</td>
</tr>
<tr>
<td>Thailand</td>
<td>10</td>
<td>27</td>
<td>76</td>
<td>29</td>
<td>92</td>
<td>58</td>
<td>9</td>
<td>48</td>
<td>32</td>
</tr>
<tr>
<td>Turkey</td>
<td>100</td>
<td>46</td>
<td>53</td>
<td>15</td>
<td>52</td>
<td>44</td>
<td>10</td>
<td>39</td>
<td>59</td>
</tr>
<tr>
<td>Ukraine</td>
<td>100</td>
<td>1</td>
<td>1</td>
<td>56</td>
<td>14</td>
<td>1</td>
<td>1</td>
<td>36</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: STC analysis
GENERALLY LOWER WAGES IN DISTANT MARKETS
- Ukraine is an exception

Wage per hour in manufacturing in Sourcing markets, 2011

Source: Euromonitor
CHINA LARGEST NON-EU EXPORTER OF PARTS FOR MOTOR VEHICLES TO EU27

Export of parts for motor vehicles to EU27, Sourcing markets, 2010

USD Million

<table>
<thead>
<tr>
<th>Country</th>
<th>USD Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>7,610</td>
</tr>
<tr>
<td>Poland</td>
<td>7,100</td>
</tr>
<tr>
<td>China</td>
<td>2,970</td>
</tr>
<tr>
<td>Hungary</td>
<td>2,880</td>
</tr>
<tr>
<td>Romania</td>
<td>2,020</td>
</tr>
<tr>
<td>Turkey</td>
<td>1,880</td>
</tr>
<tr>
<td>India</td>
<td>580</td>
</tr>
<tr>
<td>Thailand</td>
<td>270</td>
</tr>
<tr>
<td>Malaysia</td>
<td>90</td>
</tr>
<tr>
<td>Estonia</td>
<td>90</td>
</tr>
<tr>
<td>Lithuania</td>
<td>80</td>
</tr>
<tr>
<td>Indonesia</td>
<td>80</td>
</tr>
<tr>
<td>Latvia</td>
<td>70</td>
</tr>
<tr>
<td>Russia</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: UN Comtrade

A large export of parts for motor vehicles to EU27 indicates established sourcing relationships
GLOBAL OPPORTUNITIES FOR SWEDISH AUTOMOTIVE SUPPLIER INDUSTRY

- Introduction
- Methodology
- Result
- Next step

- Appendix
  - Variables in-depth
  - Plotts
  - Focus markets in-depth
  - Variable definitions
  - Interview questions
In order to get a statistical perspective in the identification of prioritized markets for FKG a Market Selection Analysis (MSA) was made.

A number of quantitative variables were selected and divided in two groups: Market Potential and Ease of Trade. All included markets got a score or rank for each variable, which made it possible to compare the markets visually in a strategic map. The result is presented in the following slides.
FORECAST TOTAL EMERGING

Marknadspotential

Hög

Låg

Marknadsillt- gänglighet

Hög

Låg

Argentina
Brazil
China
Czech Republic
Hungary
India
Indonesia
Iran
Malaysia
Mexico
Poland
Romania
Russia
South Africa
Thailand
Turkey
Ukraine
Ukraine

2012-08-27

SWEDISH TRADE COUNCIL
FORECAST TOTAL MATURE

Marknadspotential

Hög

Låg

Marknadstillgänglighet

Hög

Låg

Australia

Austria

Belgium

Canada

Finland

France

Germany

Italy

Japan

Netherlands

Spain

South Korea

Taiwan

USA

UK

2012-08-27
PASSENGER CARS EMERGING

Marknads-potential

Hög

Låg

Marknadstill-gänglighet

Låg

Hög

Argentina
Brazil
Czech Republic
Hungary
India
Indonesia
Iran
Mexico
Poland
Romania
Russia
South Africa
Turkey
Ukraine
Malaysia
China

2012-08-27

SWEDISH TRADE COUNCIL
FORECAST PASSENGER CARS EMERGING

Marknadspotential

Marknadstillgänglighet

China

Argentina

Brazil

Czech Republic

India

Iran

Indonesia

Korea

Malaysia

Mexico

Mexico

Poland

Russia

South Africa

Turkey

Ukraine

Ukraine

Vietnam

SWEDISH TRADE COUNCIL
PASSENGER CARS MATURE

Marknadspotential

marknadstillgänglighet

Låg → Hög

Låg

Hög

USA

Australia

Austria

Belgium

Canada

France

Germany

Japan

South Korea

Taiwan

UK

Spain

Italy

Netherlands

USA

Canada

France

Japan

South Korea

Taiwan

UK

Spain

Italy

Netherlands

SWEDISH TRADE COUNCIL
FORECAST PASSENGER CARS MATURE

Marknadspotential

Hög

Låg

Marknadstillgänglighet

Hög

Låg

Australia

Austria

Belgium

Canada

France

Germany

Japan

Netherlands

South Korea

Spain

Taiwan

UK

USA
HEAVY VEHICLES EMERGING
FORECAST HEAVY VEHICLES EMERGING

Marknadspotential

Låg

Hög

Marknadstillgänglighet

Låg

Hög

Russia

Iran

Ukraine

South Africa

Argentina

Brazil

India

Romania

Mexico

Indonesia

Czech Republic

Poland

Thailand

China

Malaysia

Iran

Malaysia

Thailand

Poland

Czech Republic

Mexico

Indonesia

Romania

India

Brazil

Argentina

Ukraine

South Africa

Iran

Russia

China

Låg

Hög
HEAVY VEHICLES MATURE

Marknadspotentiale

Låg

Hög

Marknadtillgänglighet

Låg

Hög

Australia

Austria

Belgium

Canada

China

France

Germany

Italy

Japan

Netherlands

South Korea

Spain

Taiwan

UK

USA

Finland
FORECAST HEAVY VEHICLES MATURE
FORECAST CE EMERGING

Marknadspotential

Marknadstillgänglighet

Låg

Hög

Brazil

Czech Republic

Mexico

Poland

Russia

Thailand

Turkey

South Africa

India

China
FORECAST SOURCING

Marknadstillgänglighet

Låg → Hög

Låg

Marknadspotential

Hög

Czech Republic

Poland

Estonia

Lithuania

Hungary

Russia

Ukraine

Indonesia

Malaysia

Thailand

Romania

Latvia

Indonesia

SWEDISH TRADE COUNCIL
GLOBAL OPPORTUNITIES FOR SWEDISH AUTOMOTIVE SUPPLIER INDUSTRY

- Introduction
- Methodology
- Result
- Next step

- Appendix
  - Variables in-depth
  - Plotts
  - Focus markets in-depth
  - Variable definitions
  - Interview questions
INTRODUCTION TO FOCUS MARKETS IN-DEPTH

“Global opportunities for Swedish automotive suppliers industry” is a macro perspective which applies to the industry in general. Each company or situation demands a more thoroughly analysis of the relevant markets from that specific focus at that specific time.

The following slides exemplifies in-depth data for 14 markets
STEPS TO INTERNATIONALIZATION

Check preconditions
Conduct initial check of market attractiveness and evaluate conditions for production, sourcing and establishing presence. Investigate potential for specific products and services through business-to-business consulting services.

Establish contacts
Create a network with key stakeholders within industry including automotive industry associations, local government, Ministries for Trade and Invest and major automotive vehicle manufacturers as well as T1 suppliers and other relevant organizations.

Be present
Evaluate the entry decision by having a team member "on the ground" or establish a local presence through a virtual or physical office and a legal entity.

STC suggested approach to evaluate and enter new markets

Participate in local events, delegation Trips and Visiting Programs
Meeting key clients and stakeholders. Visiting OEMs and Tier 1 production facilities production sites to gain on-site knowledge and to get to know their needs and requirements. Also visit government bodies, manufacturing partners and visit potential establishment locations. Carry out meetings with other local players, organizations and authorities.

Discover interest of OEM’s
Continuous and in-depth discussions are necessary to reveal the needs of components by OEMs and T1 and T2 companies in the region. Systematic method to find prioritized regions, organizations and companies relevant for Swedish suppliers.
CHINA AIDS TO INCREASE ITS VEHICLE PRODUCTION BY ALMOST 40% REACHING 25 MILLION UNITS BY 2015

Global manufacturers are expanding production capacity and moving to the inland

Volvo Cars
Location: Chengdu, Daqing
In production: 2013, n/a
Capacity: 100', 100’ units/ year

Daimler plans to increase production from 30% to 70% within next five years, aiming for sales of 300,000 cars annually by 2015. Total investments: 2,63 bn USD

Ford
Location: Chongqing
In production: Feb 2012
Capacity: 600' units/ year

Toyota
Motors starts production of Prius hybrid car and hybrid components

Volkswagen
Location: Yizhang, Foshan, Urumuqi
In production: late 2012, 2013, 2015
Capacity: 300’, 300’, 50’ units / year

Investments in local R&D
• Volvo Cars has own R&D center
• GM opens an advanced technical center (with labs for science, vehicle engineering, powertrain and a design center)

China offers large opportunities to develop local sourcing, manufacturing and R&D capacities

Government policies support further growth with focus on new energy vehicles
China aims to reduce fuel consumption by 20% in 2015
5 million electric and hybrid vehicles to be on the road by 2020

Source: STC China (OICA, Roland Berger, gov.cn, China Association of Automobile Manufacturers, press research, BMI and Ford.com)
INDIAN AUTOMOTIVE INDUSTRY EXPECTED TO BE THE WORLD’S THIRD LARGEST BY 2030

All large international OEMs are present, currently investing approx. 2,7 bn USD (2011-2013)

Honda
Investment: 52 mn USD (Rajasthan)

GM
Investment: 250 mn USD (Gujarat) and 20 mn USD in R&D Center (Bangalore)

VW
Investment: 800 mn USD (Pune), strong focus on R&D

Scania
Plans for local production in 2013

Nissan-Renault Alliance
Investment: 1 bn USD (Chennai) both in manufacturing and R&D Capacity: 400' units/ year

Hundai
Investment: 330 mn USD (Chennai)

2,7 mn vehicles 2011
11 mn vehicles 2030

Swedish Tier 1 & 2 to a higher extent enter India to support existing customers (Swedish & European OEMs) as well as develop new Indian OEM customers

“...Continental intends to make 20 – 25 % of its sales in this region by 2015.”

Jay Kunkel, President Asia for Continental

India is implementing high profile automotive projects in both manufacturing and R&D

Source: IBEF 2011
BRAZILIAN AUTOMOTIVE SECTOR TO INVEST OVER 22 BILLION USD UNTIL 2015

Examples of upcoming investments by major global manufacturers in Brazil

**Mitsubishi**
Location(s): Catalão (GO)
Expansion of capacity: 100’ units/year

**Fiat**
Location(s): Goiana (PE)
Investment: 2 bn USD
Period: 2011-2014
New plant capacity: 200’ units/ year

**VW**
Location(s): São Bernardo do Campo (SP), Taubaté (SP), São José dos Pinhais (PA)
Investment: 4,25 bn USD
Period: 2010-2016
Expansion of capacity: 1 million units/ year

**Nissan**
Location(s): Resende (RJ)
Investment: 600 mn USD
Period: 2012
New plant capacity: 200’ units/ year

**Ford**
Location(s): Taubaté (SP) Camaçari (BA)
Expansion of capacity: 500’ units/ year

**Peugeot-Citroën**
Location(s): Porto Real (RJ)
Expansion of capacity: 300’ units/ year

3,6 mn vehicles 2011

Focus on expanding and upgrading existing production capacity

Large investments on a growing market present opportunities for auto part suppliers

Government tax incentives encourage local production and purchase of automotive vehicles

Source: STC Brazil
MEXICAN INVESTMENTS IN NEW AND EXISTING AUTOMOTIVE PLANTS AMOUNT TO OVER 9 BILLION USD

Various suppliers announced investments reaching 1.5 billion USD for the period 2012-2015

2,5 mn vehicles 2011
3,9 mn vehicles 2016

Further incentives for the automotive industry:
- **Automotive Decree:** Allows to import with 0% ad-valorem tariff
- **PROSEC:** import inputs with preferential tariffs for usage in the production of specific products
- **IMMEX:** temporarily importation of goods and services with 0% import tariff

Examples of supplier investments*
- **Autoliv** 125 mn USD (2012)
- **Pirelli** 210 mn USD (2012)
- **Magna** 100 mn USD (2012)
- **Posco Mexico** 300 mn USD (2013)
- **Hella** 100 mn USD (2013)
- **Akebono Brake** 100 mn USD (2013)
- **Jatco** 200 mn USD (2013)

Local production of auto parts needs to grow by more than 20% until 2014 to cover the increased demand

Source: STC Mexico (Newspapers, AMPIP, Interview with INA, Centro Banamex, Company webpages, Ministry of Economy, BMI)
THE CZECH REPUBLIC RECEIVED INVESTMENTS OF APPROX. 3.5 BN USD BY GLOBAL OEMS OVER THE LAST TEN YEARS

Local manufacturer Skoda Auto is investing heavily in the modernization of production lines

Skoda Auto (VW)
Type: Educational center, Welding and Assembly lines
Location: Mlada Boleslav
Capacity: 1200 units/day
Investment: 125 mn USD (Q1)

Type: Technical development
Location: Česaně

Type: Transmission
Location: Vrchlabi
Investment: 300 mn USD
In production: 2013-2014

Type: Assembly line
Location: Kvasiny
Capacity: 100' units/ year

Iveco has currently entered the market and is producing 3,000 busses a year (for export), competing with local producer ZOR Libchavy

1.6 mn vehicles (2010)
2.2 mn vehicles (2020)

Hyundai
Type: Transmission
Location: Nošovice
Investment: 90 mn USD
In production: July 2012
Capacity: 530' units/ year

Almost 80% of all components are purchased locally due to government incentives requiring “local content”

Source: STC Czech Republic (STC interviews, Czech Invest, Skoda Auto, Hyundai)

Note: The level of company investment is considered to be confidential material
POLISH ECONOMY REMAINS HEAVILY DEPENDENT ON THE AUTOMOTIVE INDUSTRY

Examples of current investments by major OEM’s amounting to over 250 mn USD

**Volkswagen**
Location: Poznań
Starting plant expansion now to house production of new Caddy from 2015

**Volkswagen Motor**
Location: Polkowice
Investment: 100 mn USD
Starting production of diesel engine in 2011-2014
New employments: 150

**Scania Production**
Location: Słupsk
Investments in 2011 in new production line, modernisation of plant and new warehouse

**Solaris**
Location: Bolechowo
Investment: 14 mn USD
Building of new electric buses plant and service centre to start in 2014

**Fiat Auto**
Location: Tychy
Production of a new model from 2013, to be disclosed in July 2012

**General Motors/Opel**
Location: Gliwice
Investment: 140 mn USD
Production of Astra V from 2015

990,000 vehicles (2008)
887,000 vehicles (2010)
825,000 vehicles (2011)

The automotive industry is one of the prioritized sectors of the Polish government
State Invest in Poland Agency serves 28 automotive projects worth 2,2 bn USD and almost 12 000 new jobs

Investments in manufacturing plants create opportunities for automotive parts suppliers

Source: STC Poland (STC interviews, Invest in Poland Agency, Polish Chamber of Automotive Industry, Samar, companies webpages, automotive portals)
THAILAND TO BECOME VOLVOS REGIONAL PRODUCTION HUB FOR TRUCKS & BUSSES TO SERVE THE AEC MARKET

Investments from Volvo, Ford & GM to serve economic growth in Thailand and South East Asia

**Suzuki**
- Location: Rayong, Pathumthanie
- Capacity: 50’ units

**Daimler Chrysler**
- Location: Samutprakarn
- Capacity: 16’ units

**Nissan**
- Location: Samutprakarn
- Capacity: 200’ units

**Scania**
- Location: Samutprakarn
- Capacity: 500 units

**Volvo**
- Location: Samutprakarn
- Investment: 125 MUSD
- Capacity: 10’ units

**Honda**
- Location: Ayudhaya, Bangkok
- Capacity: 240’ units

**Toyota**
- Location: Ayudhaya, Chachengsao, Samutprakarn
- Capacity: 600’ units

**Isuzu**
- Location: Chachengsao, Samutprakarn
- Capacity: 220’ units

**Mitsubishi**
- Location: Bangkok, Chonburee
- Capacity: 200’ units

**General Motors**
- Location: Rayong
- Investment: 208 MUSD
- Capacity: 160’ units

**Ford & Mazda**
- Location: Bangkok, Rayong
- Investment: 480 MUSD
- Capacity: 275’ units

**BMW**
- Location: Rayong
- Capacity: 10’ units

> 2 mn vehicles (2012)  
> 3 mn vehicles (2020)

**Volvo** announced to invest 150 MUSD in Thailand for the coming 2 years
- 65 MUSD to expand production capacity of bus & truck by 25 times (current capacity 1000 units/ year)
- 65 MUSD to open 9 more branches, increasing sales network, customer care

**Ford**’s 520 mnUSD plant will be up and running in Q3 2012 and expect to use local content worth 2 mn USD / year

**GM**’s 220 mn USD plant, which started in Q3 2011 will reach its full capacity of producing 120 000 engines/year in 2013

Within the ASEAN Economic Community (AEC), Thailand intents to reach production of 3 million units by 2018

Source: STC Thailand (BOI, Automotive Industry Club, STC Desktop research and interviews)
INDONESIA IS THE LARGEST AUTOMOTIVE MARKET IN ASEAN, WITH A PRODUCTION OF MORE THAN 700,000 UNITS

Current investments by major OEM amount to 3 billion USD, dominated by Japanese companies

95% of all vehicles produced are Japanese, with procurement decision making often held at HQ in Japan

Source: STC Indonesia (Kontan, Kompas, antara news, strait times)
RUSSIAN PREMIUM TRUCKS SEGMENT TO DOUBLE BY 2020, INCREASING THE DEMAND FOR HIGH QUALITY COMPONENTS

Local KAMAZ and GAZ together dominate the Russian market for heavy trucks with 75%

Three automotive clusters with heavy trucks production and automotive suppliers are located in the North West (St. Petersburg and Leningrad – Scania and Man plants), Center (Moscow and Kaluga regions – Volvo plant)

The production volumes of heavy trucks grow steadily after the major downturn in 2009, with locally made trucks of foreign brands, the most booming segment. Pre-crisis levels with ca. 100,000 units produced are expected to be achieved by 2014

DAF is considering setting up a plant with a yearly capacity of 5,000-6,000 units

140,000 heavy trucks (2011)

Local suppliers fail to satisfy needs in quality components of foreign OEMs in Russia.

Government announces measure to protect local industry in the context of WTO accession

Scania current production output ca. 1,500 units (2011)
- Capacity: 6,500 units/ year
Also studying the possibility of CBU assembly plant set up with a year capacity of 10,000 trucks

Volvo/Renault current production output ca 5,000 units (2011)
- Capacity: 15,000 units/ year

Mercedes-Benz and MAN are planning to triple production volumes by 2016.
MAN Capacity: 6,000 units/ year
Mercedes Benz Capacity: 4,500 units/ year

Government to develop suppliers network under the strategy for development of automotive industry until 2020

Source: STC Russia
**U.S AUTO INDUSTRY TO INVEST MORE THAN 3.5 BN USD UNTIL YEAR 2014**

- **GM**
  - Location: Lansing River, MI
  - Investment: 190 MUSD
  - In production: 2013

- **Ford**
  - Location: Kansas City, MO
  - Investment: 1000 MUSD
  - In production: 2012 - 2014

- **GM**
  - Location: Wentzville, MO
  - Investment: 380 MUSD

- **Renault-Nissan / Daimler**
  - Location: Decherd, TN
  - Investment: 276 MUSD
  - In production: 2013

- **Toyota**
  - Location: Pendergrass, GA
  - Investment: 350 MUSD
  - In production: 2013

- **Toyota**
  - Location: Princeton, IN
  - Investment: 400 MUSD
  - In production: Late 2013
  - Capacity: +50,000 autos

- **Toyota**
  - Location: Georgetown, KY
  - Investment: 32 MUSD
  - In production: August 2013

- **Toyota**
  - Location: Huntsville, AL
  - Investment: 80 MUSD
  - In production: Spring 2014
  - Capacity: +70,000 engines

- **BMW**
  - Location: Spartanburg, SC
  - Investment: 900 MUSD
  - In production: 2014

This upswing in new investment is expected to continue, with manufacturers such as Ford, Toyota, Chrysler, and Hyundai adding third shifts (to full capacity) at their U.S. plants.

The recent pick-up in new investment should grow even stronger as U.S. auto assembly plants reach capacity.

Source: STC USA (The Alliance of Automobile Manufacturers, Newspapers, STC Interviews)
Japanese domestic car production is in danger due to a sky-high yen and the “six barriers”.

Number of factory today: 87
- Passenger car & truck assembly: 33
- Passenger car & truck parts: 40
- HCV: 14

Six Barriers:
- Strong yen
- High corporate tax
- Slow progress in concluding FTA
- Strict regulations on labor market
- Stringent goal for reducing carbon dioxide emissions
- Possible electricity shortage

Japanese domestic car production is in danger due to a sky-high yen and others known as “six barriers”. They may soon stop building cars in their homeland for export.

Overseas production will expand and demand for procuring parts from overseas manufacturers will rise to enhance product competitiveness and reduce cost.

This trend will surely increase business opportunity for Swedish suppliers to provide parts catering to each market.

Though the production diversified, it is essential to keep direct contact with Head Quarter in Japan as product development and key decision making is always controlled here.

Short delivery when supplying Japanese overseas production in Europe and Americas leads to price advantages.

Source: STC Japan
GERMAN OEMS INVEST MAINLY IN THEIR OVERSEAS PRODUCTION, FOCUSING ON BRIC COUNTRIES

German R&D expenses in automotive industry amount to 18 bn EUR vs. 1,6 bn EUR in Sweden

Porsche
Location: Stuttgart
All production plants in Germany; Investment due to acquisition by VW

Volkswagen (MAN/Scania)
Location: Wolfsburg + 9 Plants
Focus on electro mobility, Acquisition of Porsche brings extended investments in production plants

Ford
Location: Köln + 4 Plants
Investment in electro mobility

GM/Opel
Location: Rüsselheim + 4 plants (Bochum to be closed in 2016), Investments in Opel on the European market

Daimler
Location: Stuttgart + 19 Plants, investment in BRIC countries

Audi
Location: Ingolstadt
56% of production in Germany

BMW
Location: München + 8 Plants
Investment in electro mobility

> 6 mn vehicles (domestic)
> 7 mn vehicles (abroad)

- Only about 1/3 of the German OEM’s production plants are located in Germany
- Investments abroad through local partners more and more common
- A broad and fixed supplier network following German OEMs on global expansion
- Production in Germany mainly for the export markets (3 out of 4 vehicles go on export to Asia, China, USA)

“Investments are made mainly in production plants abroad”

Ms Anja Michael, VDA, Verbund der Automobilindustrie

German production plants have nearly reached full capacity utilization (90%)

Source: STC Germany (VDA, interviews, OEM annual reports)
Hyundai-Kia Motors has announced several new overseas investments in China, Turkey and India.

**Hyundai Motor**  
Location: Ulsan, Asan, Jeonju  
Capacity: 1,530’ (Ulsan), 260’(Asan), 70’(Jeonju) units / year  
Investment: 4,2 MUSD in R&D for environmentally friendly and highly efficient cars

**GM Korea**  
Location: Gunsan, Changwon, Bupyung, Boryung (transmission)  
Capacity: 26’ (Gunsan), 21’(Changwon), 44’ (Bupyung) units / year  
Investment: 1,4 MUSD (Design Center, 2012)

**Kia Motors**  
Location: Sohari, Hwasung, Gwangju  
Capacity: 350’(Sohari), 580’(Hwasung), 500’(Gwangju) units  
Investment: 180 MUSD in Gwangju plant. Capacity to be expanded by 120’ units to reach 620’ units / year  
In production: 2013

**Ssangyoung Motor**  
Location: Pyuntaik, Changwon(Engine)  
Capacity: 24’ units / year

**Renault Samsung**  
Location: Busan  
Capacity: 30’ units / year

South Korean OEMs prefer suppliers with local production and thus high competitiveness.

Saturation of the domestic market has driven the need for overseas production along with the advantages on cost reduction, taxes and exchange rates from localization of manufacturing sites.

South Korean automotive manufacturers may possibly seek to procure automotive components from foreign suppliers for their overseas production to reduce costs and improve profitability.

4.7 mn vehicles (2011)  
> 5 mn vehicles (2015)  

Source: STC South Korea (Korea Automotive Manufacturers' Association, Press Search, Analyst Reports)
THE FRENCH AUTOMOTIVE SECTOR IS GOING THROUGH A CRISIS, WITH NO MAJOR INVESTMENTS IN SIGHT

PSA group (Peugeot Citroën) has the largest market share in France with a total of > 30%

In total PSA manufactures about 3 million cars and LCV worldwide, with 40% being produced in France, followed by Spain (15%) and China (13%), Eastern Europe (Czech Republic and Slovakia with each 6%), and Latin America (Argentina and Brazil, with each 5%).

PSA announced in July the closing of their factories in Aulnay-sous-Bois, with 8,000 employees to be dismissed before 2014.

All main French manufacturers are relocating their factories in Eastern Europe, Turkey and Maghreb.

Source: STC France (CCFA, boursier.com, Les Echos, PSA, batscap)
GLOBAL OPPORTUNITIES FOR SWEDISH AUTOMOTIVE SUPPLIER INDUSTRY

- Introduction
- Methodology
- Result
- Next step
- Appendix
  - Variables in-depth
  - Plotts
  - Focus markets in-depth
  - Variable definitions
  - Interview questions
## VARIABLE DEFINITIONS FOR MARKET POTENTIAL

<table>
<thead>
<tr>
<th>Variable</th>
<th>Implication</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production of passenger cars, 2011</td>
<td>A large production of vehicles or many construction vehicles companies indicates a large market for automotive suppliers</td>
<td>Euromonitor, OICA, ACEA</td>
</tr>
<tr>
<td>Production of heavy vehicles, 2011</td>
<td></td>
<td>ORBIS, Company web pages</td>
</tr>
<tr>
<td>Presence of global construction vehicles companies, 2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth of Production of passenger cars, 2006-2011</td>
<td>A growing production indicates more business potential and willingness to invest</td>
<td>Euromonitor, OICA, ACEA</td>
</tr>
<tr>
<td>Growth of production of heavy vehicles, 2006-2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total production of Motor vehicles, 2011</td>
<td>A large production of vehicles indicates a large market for automotive suppliers</td>
<td>Euromonitor, UN; OECD</td>
</tr>
<tr>
<td>Transport equipment industry share of GDP, 2011</td>
<td>A market where an industry is a large share of GDP indicate the importance of that industry</td>
<td>Euromonitor</td>
</tr>
<tr>
<td>World import of parts for motor vehicles, 2011</td>
<td>A large import indicates established trade relations from which new deals can benefit</td>
<td>Euromonitor</td>
</tr>
<tr>
<td>Manufacturing industry growth, 2006-2011</td>
<td>A growing market indicates more business potential and willingness to invest</td>
<td>Euromonitor</td>
</tr>
</tbody>
</table>
## VARIABLE DEFINITIONS FOR EASE OF TRADE

<table>
<thead>
<tr>
<th>Variable</th>
<th>Implication</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs duty, 2012</td>
<td>High customs duty can lead to large expenses for companies</td>
<td>Market Acess Database</td>
</tr>
<tr>
<td>Corruption / Bureaucracy / Political stability, 2011</td>
<td>Low corruption, low bureaucracy and high political stability indicates a less resource demanding market</td>
<td>World Bank, Vision of Humanity, Transparency International</td>
</tr>
<tr>
<td>Trading across boarders, 2011</td>
<td>A good trading environment indicates a less resource demanding market</td>
<td>World Bank</td>
</tr>
<tr>
<td>Country credit risk, 2012</td>
<td>High credit risk indicates a resource demanding market</td>
<td>EKN</td>
</tr>
<tr>
<td>Swedish export of parts for motor vehicles, 2011</td>
<td>A large import of Swedish products indicates an interest for swedish products and an established trade relationship from which new deals can benifit.</td>
<td>SCB</td>
</tr>
<tr>
<td>Production Process Sophistication, 2011</td>
<td>A high production process sophistication indicates a technically advanced environment which Swedish automotive suppliers can benefit from</td>
<td>World Economic Forum</td>
</tr>
<tr>
<td>GDP growth, 2006-2011</td>
<td>A growing market indicates more business potential and willingness to invest</td>
<td>IMF</td>
</tr>
</tbody>
</table>
# VARIABLE DEFINITIONS FOR SOURCING

<table>
<thead>
<tr>
<th>Variable</th>
<th>Implication</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics index, 2010</td>
<td>A good logistic environment indicates less resource demanding transportation, storage etc.</td>
<td>World Bank</td>
</tr>
<tr>
<td>Wage per hour in manufacturing, 2011</td>
<td>A low wage in manufacturing indicates low production costs</td>
<td>Euromonitor</td>
</tr>
<tr>
<td>Export of parts for motor vehicles to EU27, 2010</td>
<td>A large export of parts for motor vehicles indicates established sourcing relations from which new deals can benefit</td>
<td>UN Comtrade</td>
</tr>
<tr>
<td>Availability of scientists and engineers, 2011</td>
<td>Availability of scientists and engineers indicates availability of potential employees</td>
<td>World Economic Forum</td>
</tr>
<tr>
<td>Financial freedom, 2012</td>
<td>A high financial freedom indicates an efficient banking system as well as an independence from government control and interference in the financial sector</td>
<td>Heritage Foundation</td>
</tr>
</tbody>
</table>
## VARIABLE DEFINITIONS FOR FORECAST

<table>
<thead>
<tr>
<th>Variable</th>
<th>Implication</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production of passenger cars, forecast, 2010-2015</td>
<td>A high forecasted production of vehicles indicates a large future market for automotive suppliers</td>
<td>Business Monitor</td>
</tr>
<tr>
<td>Production of heavy vehicles, forecast, 2010-2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total production of Motor vehicles, forecast, 2013</td>
<td>A high forecasted production of vehicles indicates a large future market for automotive suppliers</td>
<td>Business Monitor</td>
</tr>
<tr>
<td>GDP growth, forecast, 2011-2016</td>
<td>A growing market indicates more business potential and willingness to invest in the future</td>
<td>Euromonitor</td>
</tr>
</tbody>
</table>
GLOBAL OPPORTUNITIES FOR SWEDISH AUTOMOTIVE SUPPLIER INDUSTRY

- Introduction
- Methodology
- Result
- Next step
- Appendix
  - Variables in-depth
  - Plotts
  - Focus markets in-depth
  - Variable definitions
  - Interview questions
INTERVIEW QUESTIONS
- Support during 10 interviews with FKG member companies

● Exportfrågor
  - Vilka kriterier är viktiga vid val av marknad?
  - I vilka länder är ni verksamma idag? Varför?
  - Vilken typ av närvaro?
    ● Dotterbolag, Distributör, Agent, Anrat, (Vem är kunden?)
  - Ökar de internationella satsningarna inom de kommande åren?
    ● På nya eller befintliga marknader? Vilka i sådana fall?
  - Vilka etableringsstrategier använder ni er av på nya marknader?
  - Vilka organisationer/företag vänder ni er till för hjälp vid internationalisering?
  - Vilken/vilka typer av tjänster behöver ni hjälp med i samband med satsningar utanför Sverige?

● Handelshinder
  - Vilka eventuella hinder ser ni för era internationella satsningar? Fler alternativ möjliga
  ● Vill ej växa
  ● Svårt att utarbeta en fokuserad exportstrategi
  ● Brist på finansiering av vår exportsatsning
  ● Politiska risker
  ● Exporttekniska hinder (tullar, skeppning etc)
  ● Svårt för kunden att få finansiering för investeringen
  ● Hitta rätt samarbetspartners utomlands
  ● Språkkunskap och kännedom om lokal affärskultur
  ● Betalningssäkerhet i exportlandet
  ● Konkurrens
  ● Brist på kontakter, nätverk på den lokala marknaden
  ● Brist på kunskap om marknadsutveckling
    - Byråkratiska/administrativa/regulatoriska hinder i Sverige (utvecklings/hemmamarknad)
      ● Om ja – ge exempel
    - Byråkratiska/administrativa/regulatoriska hinder i exportlandet.
      ● Om ja – ge exempel

● Benchmark
  - Vilka länder kan Sverige lära av?
  - Hur kan svenska fordonskomponentsföretag bättre dra nytta av sina komparativa fördelar för att öka exporten?

● Annat: ........................................................................................................