



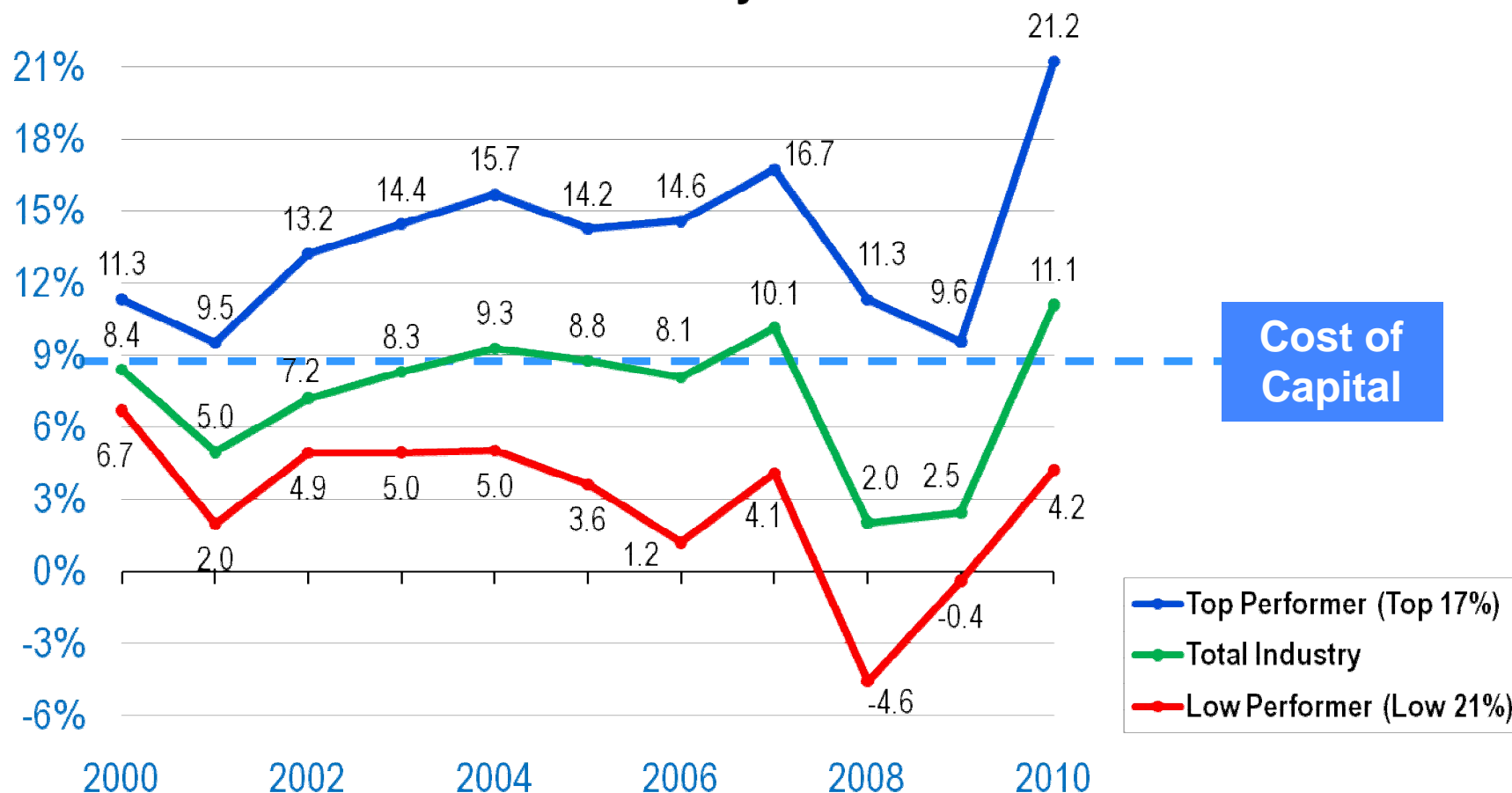
“Challenges of Profitability”

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Historical Perspective on Profitability



Pre-tax ROIC Total Industry* 2000-10



* Adjusted EBIT (excluding restructuring expenses)/(total assets - current liabilities)

Source: Thomson Reuters, Roland Berger/Lazard supplier database

Common Threads

From Top Performers



- ▶ **Differentiated technology**
- ▶ **Best-in-class operating cost**
- ▶ **Regional and customer diversity**



Common Threads

Evidence from the Top Performers



Megatrends



Geopolitical Shift

Implications

- ▶ US & Euro volatility
- ▶ Growing BRIC demand
- ▶ Higher import duties
- ▶ Capacity shift to Asia
- ▶ Global wealth shift
- ▶ “Glo-cal” operating models
- ▶ Increased regionalism

Megatrends



Changing Demographics

Implications

- ▶ More than 20 cities with more than 10M people
- ▶ Talent shortages
- ▶ Low-cost transportation dominates
- ▶ Higher R&D costs
- ▶ More urban living
- ▶ Global aging population

Megatrends



Sustainability

Implications

- ▶ More hybrid and electric vehicles
- ▶ More efficient internal combustion engines
- ▶ 'No-vehicle' cities or zones
- ▶ Natural resources shortages
- ▶ Pressure on industry

Megatrends



Evolution of Mobility

Implications

- ▶ Growing demand
- ▶ Lower ownership in urban areas
- ▶ New mobility business models
- ▶ mobility to Mobility through connectivity and lifestyles

Megatrends



Advancing Technology

Implications

- ▶ New industry competitors
- ▶ Digitization acceleration from Giga to Peta
- ▶ Sciences combining to form new technology
 - Nanotechnology
 - Biomimicry
 - Smart paint, fibers
 - Synthetic photosynthesis
 - Mobile charging

Megatrends

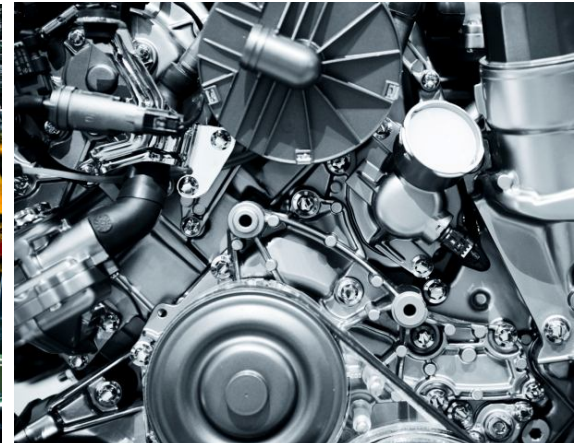


1. **Geopolitical shift** – return to a multi-polar world with increasing regionalism and regulations
2. **Changing demographics** – more, older, urban
3. **Sustainability** – more awareness and pressure on industry
4. **Evolution of mobility** – greater demand overall, but trend toward less vehicle ownership in urban areas
5. **Advancing technology** – changing customer needs and rapid advancements will shape products

Challenges to Profitability



- ▶ Increased R&D resources
- ▶ Increased capital investments
- ▶ Product proliferation
- ▶ Shorter technology cycles



So What ...



Historical Profitability

- ▶ Differentiated technology
- ▶ Best-in-class operating cost
- ▶ Regional and customer diversity

Megatrends

- ▶ Geopolitical shift
- ▶ Changing demographics
- ▶ Sustainability
- ▶ Evolving mobility
- ▶ Technology

Future Profitability

- ▶ Differentiated and market-based technology
- ▶ Best-in-class operating system and supply chain
- ▶ Global and customer diversity
- ▶ Best talent