

Strategic Challenges in Technology and Automotive

Speakers:

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Partner, Deloitte Technology Sector Consulting

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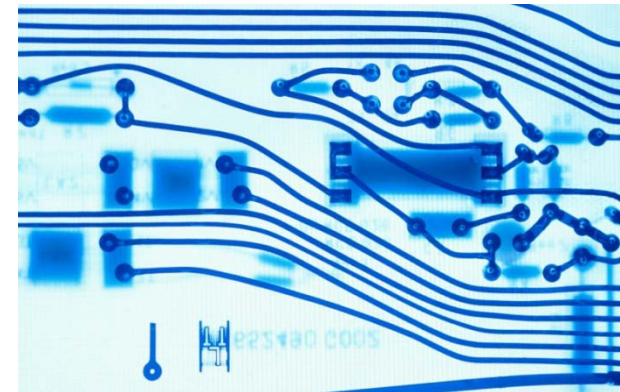
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Host:

Alexander Fraess-Ehrfeld

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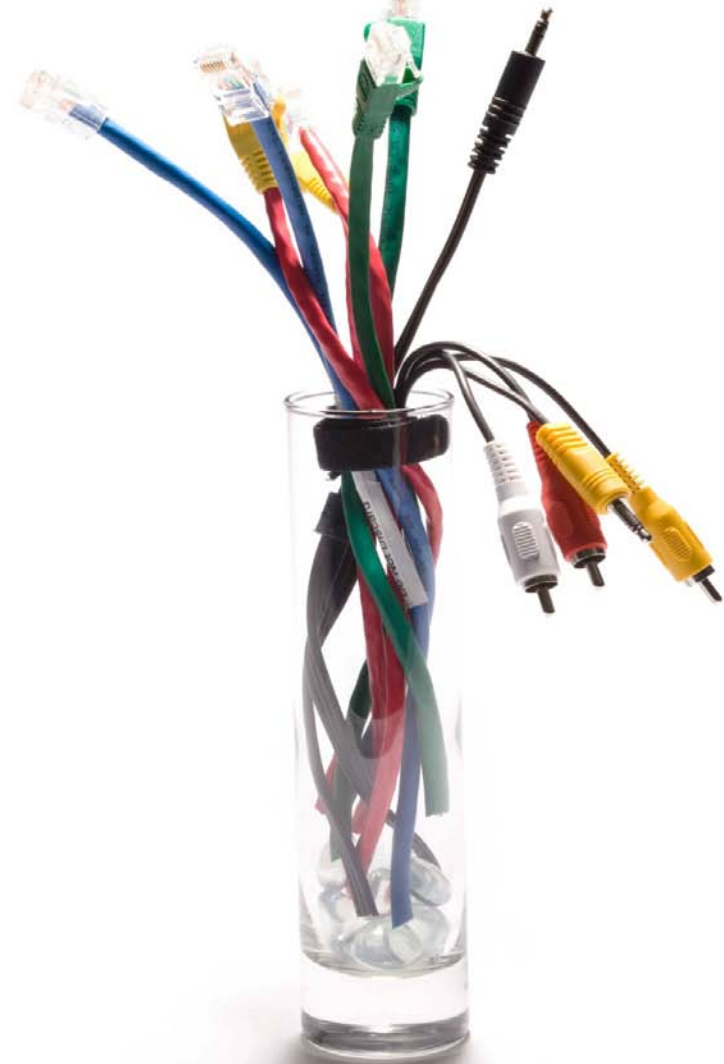
Vienna, 8 October 2009



Strategic Challenges in the Technology Sector

Robert Horndasch

Partner, Deloitte Technology Sector Consulting



Technology Sector Expertise at Deloitte

Deloitte TMT at a glance

- The Global TMT industry consists of 7.000 TMT specialists in 45 countries
- We serve:
 - 91% of the TMT companies in the Fortune Global 500®
 - 22 of the biggest 24 technology companies
 - 21 of the biggest Telco companies
- Over 80 dedicated Partners and Managers in the German TMT Practice
- The German TMT practice accounts for approximately 10% of the total revenue of Deloitte Consulting Germany

Deloitte TMT Practice

Technology



Professional services expertise on the unique challenges of clients including computer, electronic equipment, enterprise and application software, networking equipment, peripheral device, semiconductor companies and IT Services

Media



Help advertising, broadcasting, cable, electronic information, filmed entertainment, interactive games, Internet, live performances, media conglomerates, and publishing companies through changing regulations and the struggle to increase profitability

Telco



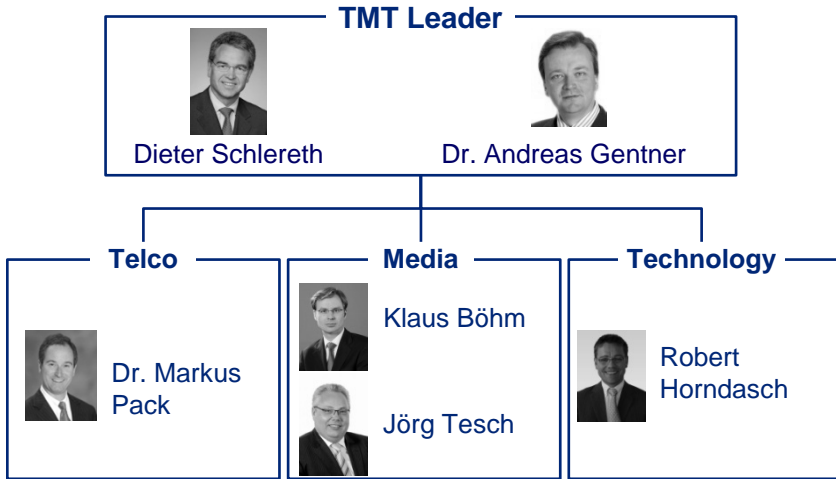
Provide a depth of experience for clients ranging from communications equipment manufacturers to wireless and wire line phone carriers and cable operators

“Convergence” is the predominant industry driver in TMT

- **Expanding the footprint** of single companies across technology, media and telecommunications to deliver content to customers when and where they want it
- It brings together a diverse group of some of the most innovative, cutting edge companies in the world, **creating new risks and opportunities**
- **Disruptive change** creates issues that cut across the TMT marketplace

TMT @ Deloitte

Deloitte TMT Practice Overview



West and East European Deloitte Locations

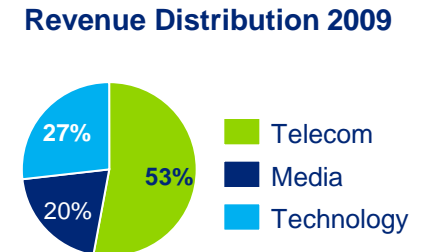
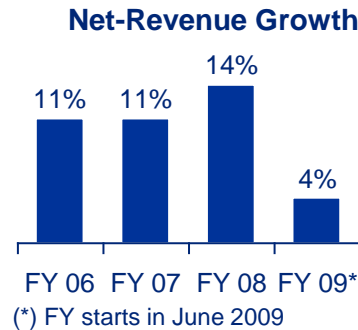


- Deloitte shows a strong presence in West and East Europe
- The **Deloitte SE** initiative especially aims at improving the market position and business expansion with key clients in East European markets

Deloitte TMT FY09 Initiatives

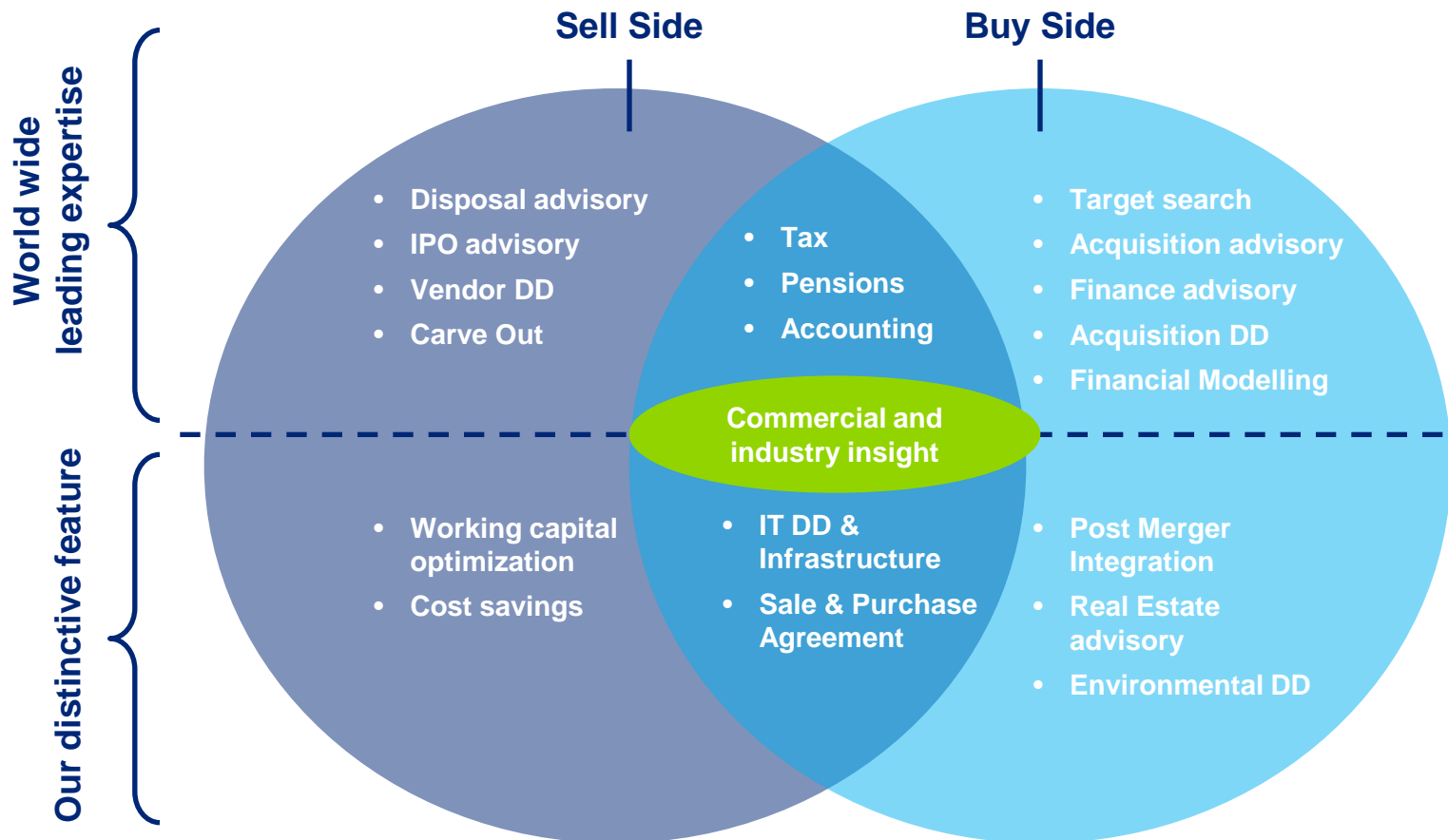
- Technology Initiative
- Medientage 2009
- CEBIT CEO Forum
- Technology Fast 50
- Deloitte TMT Predictions (yearly edition)
- Several Surveys:
 - IT Service Survey,
 - Green IT,
 - Global Media Democracy

Deloitte TMT Figures - Germany



Broad sector and regional coverage in Germany within our leading world-wide TMT practice

As global and truly leading advisory firm, Deloitte has gained in depth knowledge...



► Full M&A services spectrum complementing our industry knowledge

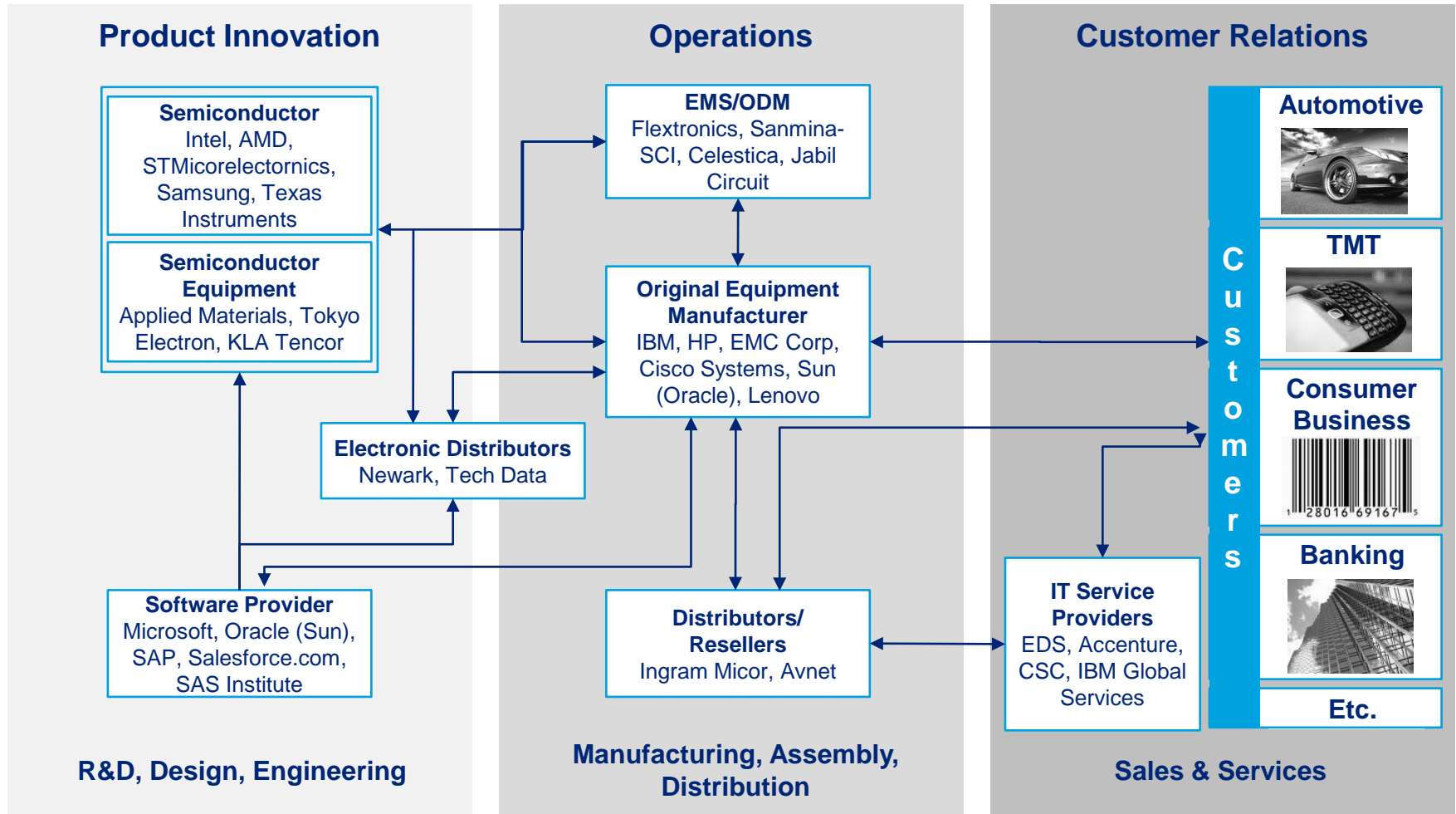
Global growth outlook per subsector

Technology Sector: Excerpt from Sub-Sector Snapshot

	Computer Hardware	IT Services	Software	Semiconductors	Semiconductor Equipment	Network Equipment	EMS / ODM
Products & Services	<ul style="list-style-type: none"> PC & Laptops Servers Storage Peripherals (Printer, Monitors) 	<ul style="list-style-type: none"> Application development and maintenance System integration IT outsourcing 	<ul style="list-style-type: none"> Application software System/infrastructure software 	<ul style="list-style-type: none"> Integrated circuits Micro-processors Optoelectronics Foundry services 	<ul style="list-style-type: none"> Front & back end equipment for semi-conductors 	<ul style="list-style-type: none"> Switches & routers WLAN equipment WAN optimization appliances Network security 	<ul style="list-style-type: none"> Manufacturing services Design services
Market 2008	\$ 381.0B	\$ 809.5B	\$ 221.98B	\$ 247 B	\$ 31 B	\$ 42 B	\$ 291 B
CAGR 2008-2013	-1.0%	+4.0%	+5.0%	-1.0%	-1,3%	2,3%	8,1% (2008-2012)
End Market	<ul style="list-style-type: none"> Retailers Distributors Value-Added Resellers SMBs, Enterprises, and Home Users 	<ul style="list-style-type: none"> Enterprises across sector verticals 	<ul style="list-style-type: none"> Retailers Distributors Value-Added Resellers SMBs, Enterprises, and Home Users 	<ul style="list-style-type: none"> Electronics (Semiconductor) Manufacturers Computer HW Manufacturers Distributors Solar Cell Manufacturers 	<ul style="list-style-type: none"> Semiconductor Manufacturers/Foundries Solar Cell Manufacturers Electronics Manufacturers 	<ul style="list-style-type: none"> Enterprises and SMBs Telecom carriers / service providers 	<ul style="list-style-type: none"> Original equipment manufacturers

 **Technology is a heterogeneous environment – companies are migrating into other sub-sectors to stay competitive and avoid commoditization**

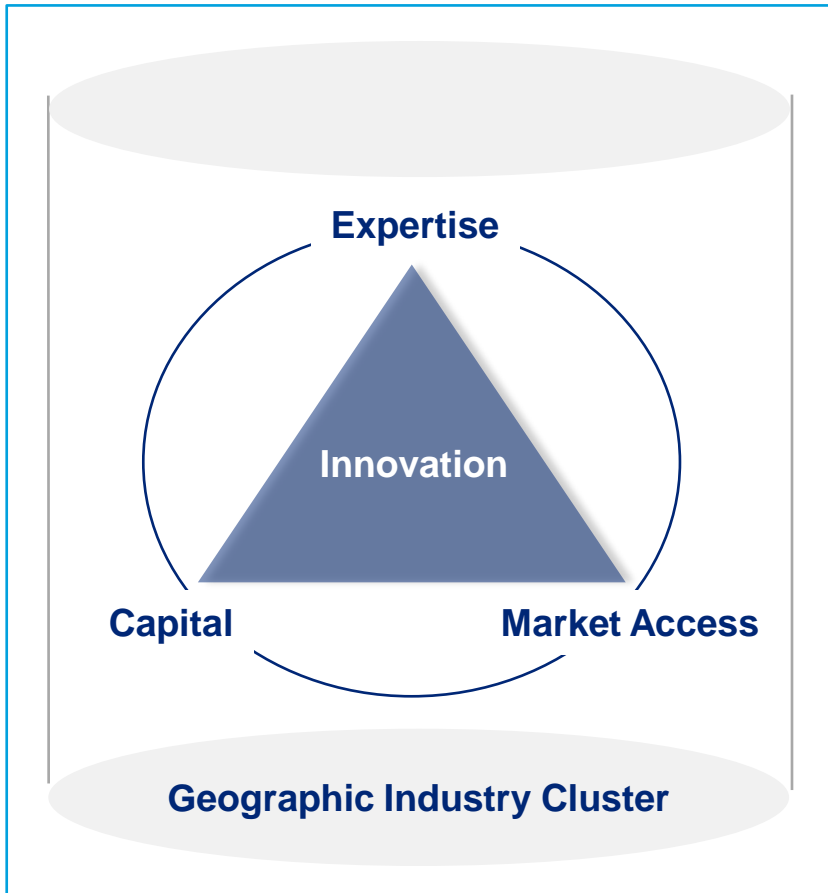
The technology sector follows a complex business model / value chain



► Increased horizontal integration consolidating sub-sectors

Key challenges for succeeding in the technology sector

Industry Model



Some Key Challenges

- How to get access to capital
- Where and how to invest wisely into infrastructure
- Where to get access to skills and expertise
- How to develop global recognition and build trust for strong business relationships
- How to build an industry stronghold
- How to get access to global markets



Where to find the next big innovation in the technology sector

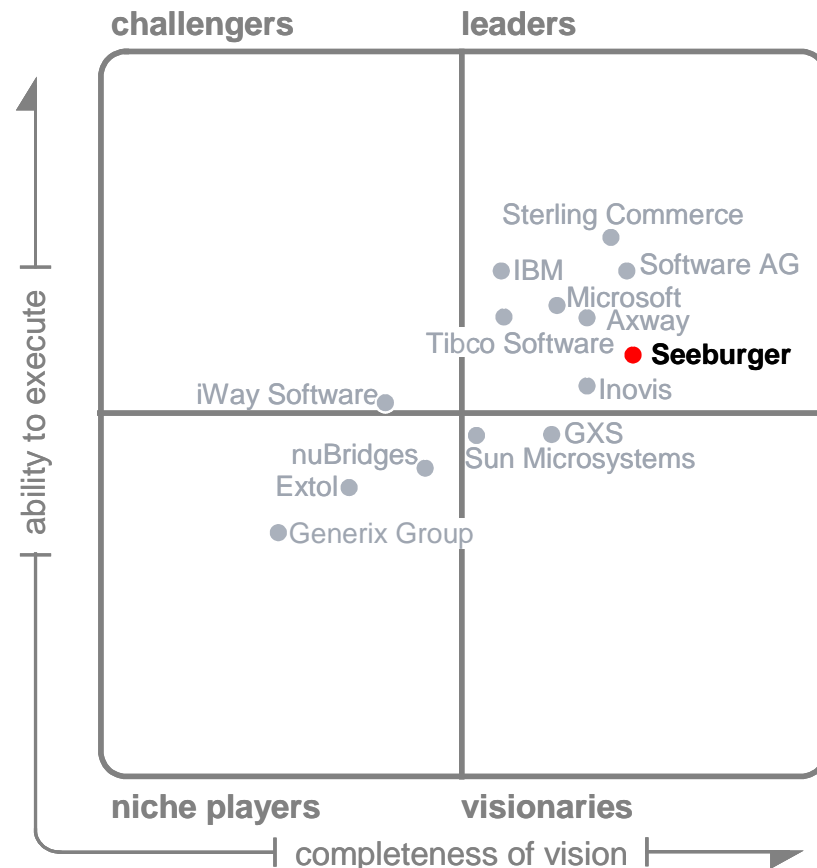
► Industry convergence drives innovation and therefore industry growth



THE COMPANY

THE COMPANY

- Leading B2B integration experts since 1986
- In-house Software development “Made by SEEBURGER”
- Core Business B2B, Managed Services, Logistic Solutions, Paper to ERP, PLM / PDM
- SAP PI B2B partnership: Development of 30+ SAP-Adapters
- Meeting all European, Asian and US-Standards and Requirements



■ Industry Analysis GARTNER 2008

THE COMPANY

Over 7.800 customers across 50 countries

Adolf Würth GmbH & Co. KG, GER
 Alloin, F
 BASF IT Services GmbH, GER
 Baxter World Trade SA/NV, GER
 Belimo Automaten AG, CH
 Bosch Rexroth AG, GER
 Brasserie Saint Omer, F
 Byg-e, DEN
 Campina GmbH, GER
 CEVA Logistics, ES
 COBEGA, ES
 Continental AG, GER
 COOP, CH
 Crayola, USA
 D&M Holdings, APAC/Benelux
 DAIMLER AG, GER
 DB Energie GmbH, GER
 Deloitte, ES
 Deutsche Bundesbank, GER
 Digital China, CHN
 dsb AG, GER
 DSV, F
 Duni AB, SWE
 E.ON IS GmbH, GER
 EME, GER

EnBW SIS, GER
 Energiedienst Holding AG, GER
 ESPRIT Europe GmbH, GER
 Euromaster, F
 F. X. Meiller, GER
 Fagor Brandt, F
 Fujian Daimler Automotive, CHN
 Hankyu Express, JPN
 Hapag-Lloyd AG, GER
 Hassia Mineralquellen, GER
 Heidelberger Druckmaschinen AG, GER
 Hermes Logistik GmbH & Co. KG, GER
 Hewlett-Packard Company, USA
 Huhtamäki Oyj, GER
 HYDAC INTERNATIONAL GmbH, GER
 HYWA Automotive, NL
 Ingram Micro, USA
 John Deere & Company, GER
 Klenk Holz AG, GER
 KYB Japan, APAC
 Lawson Group, UK
 Lenzing AG, GER
 Lisa Dräxlmaier GmbH, GER
 Ministry of Justice, NL
 musterhaus küchen, GER

Nikon, NL
 OC Tanner, USA
 OSRAM GmbH, GER
 PAUL HARTMANN AG, GER
 Peguform GmbH, GER
 PepsiCo Deutschland GmbH, GER
 Philips Sound Systems / D&M, Benelux
 Premier Foods, UK
 Punica Getränke GmbH, GER
 ROCA, ES
 Roche, USA/CH
 RWE Systems AG, GER
 s.Oliver, GER
 SAP AG, GER
 Sara Lee, NL
 SCA, SWE
 Siemens AG, GER
 Singapore Airlines, SIN
 Swisscom, CH
 ThyssenKrupp, GER
 Tom Tailor Sportswear, GER
 T-Systems, GER
 Unilever, Benelux
 Volvo, SWE
 XXXLutz GmbH, A
 Yazaki North America, USA

SEEBURGER ENABLES “ANY TO ANY” PARTNER INTEGRATION...

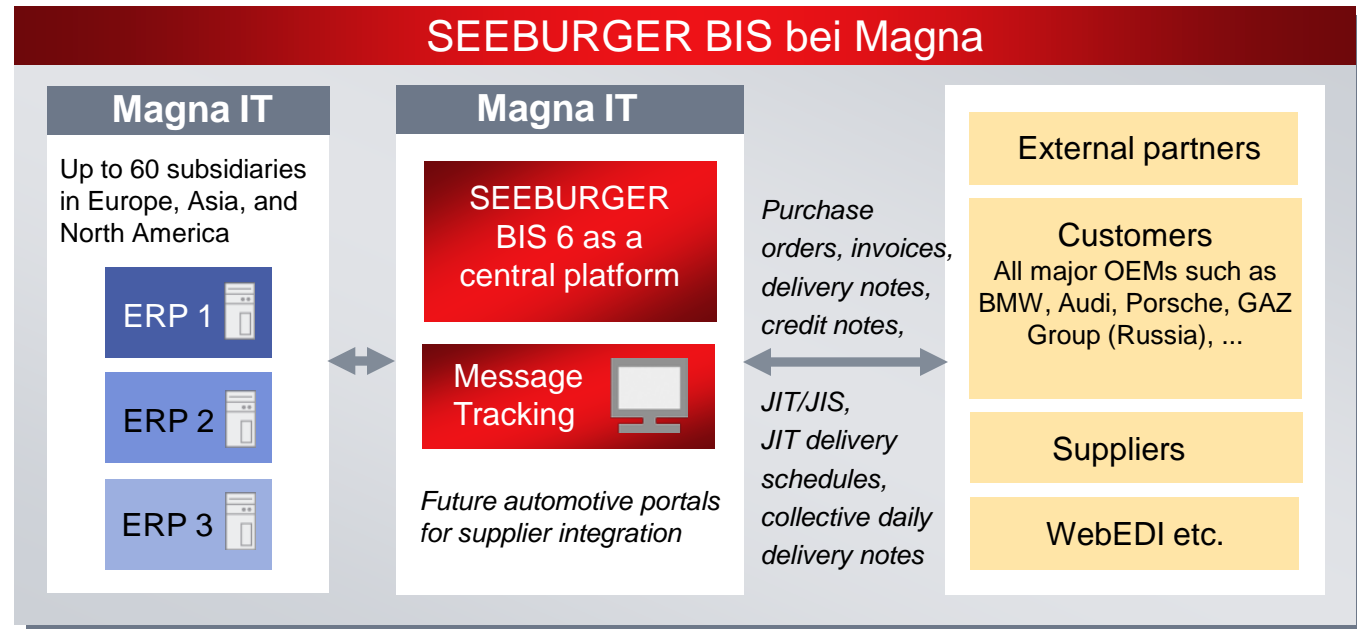


...eliminating the exchange of paper and the related costs,
freeing up resources.

The perfect migration to BIS to achieve worldwide consolidation

Business processes:

- Delivery schedules
- JIT delivery schedules
- Purchase orders
- Invoices
- JIT/JIS processes
- Credit notes
- Collective daily delivery notes



The benefits:

- Cost savings through worldwide consolidation with BIS for all formats and business processes
- Monitoring with the SEEBURGER Process & Message Tracking
- Automated supplier integration planned with SEEBURGER's automotive portal
- Rapid integration within a matter of six months without affecting any suppliers
- Proximity through worldwide service

Message formats: ODETTE, EDIFACT, ANSI X.12 / **Communication:** OFTP, FTP, SFTP, VAN

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Global Automotive Market - Overview -

**Dr. Martin Hoelz
Partner
Head of Global Automotive**

October, 2009



About Deloitte and Deloitte Automotive



Our Global Organization

- Over 160,000 professionals
- 670 offices in over 140 countries
- Serves nearly 750 companies with sales or assets in excess of \$1 billion
- Multi-Disciplinary Service Offerings:
 - Consulting
 - Audit
 - Tax
 - Financial Services

Our Automotive Practice

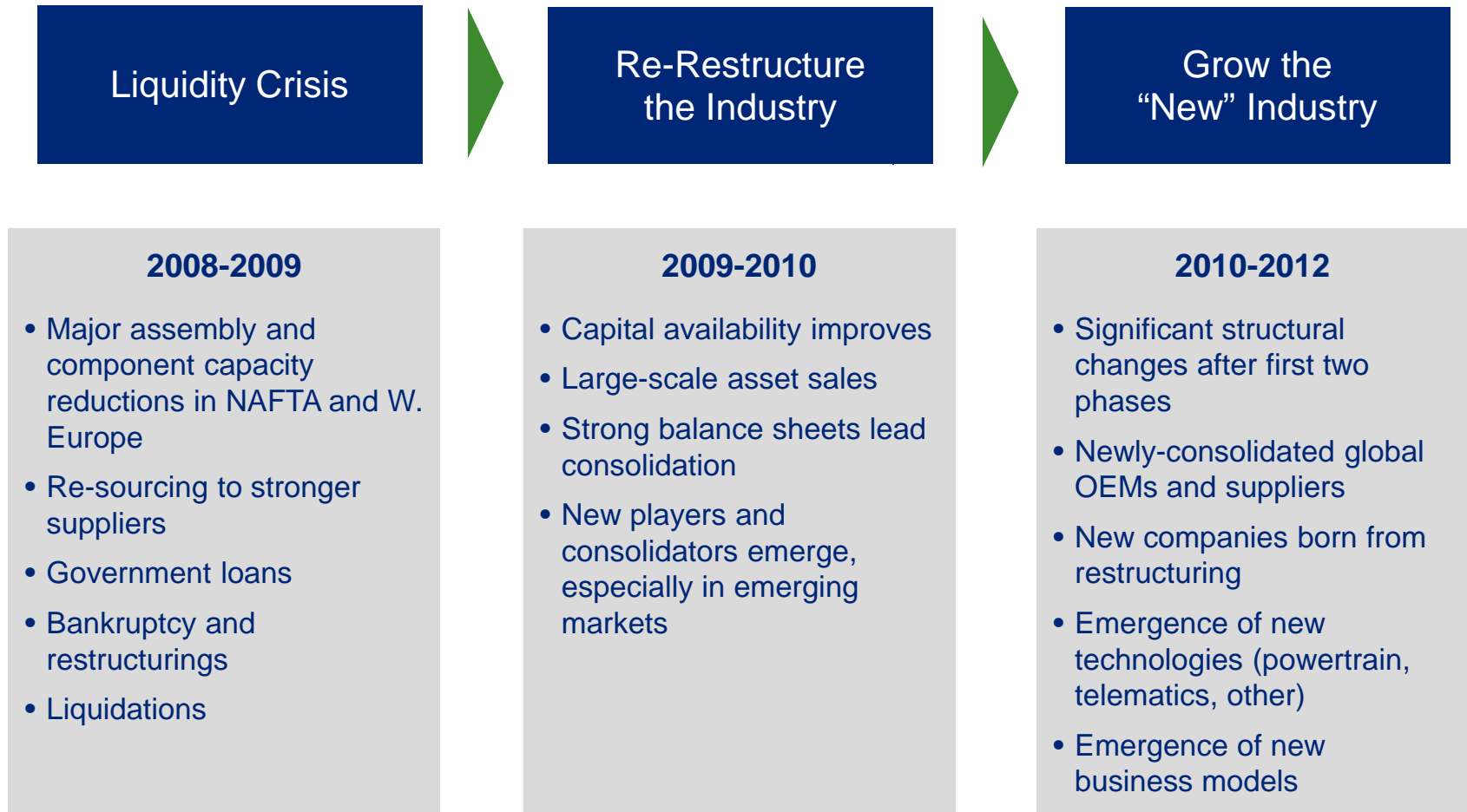
- Over 5,000 professionals
- We serve the entire automotive value chain, including OEMs, suppliers, distributors and retailers
- Multi-Disciplinary Service Offerings:
 - Strategy and Operations
 - M&A and Finance
 - Information Technology
 - Human Capital
 - Tax

Current assessment of the global automotive industry – the three key challenges which will drive the transformation

<p>Dramatic Structural Change Due To The Global Downturn (Consolidation)</p>	<ul style="list-style-type: none">• Poor capacity utilization and lack of manufacturing flexibility• Non-viable OEMs and suppliers requiring dramatic restructuring – insufficient capital to operate and invest for the future• Brands lacking identity and customer emotion• Bankruptcies, mergers and acquisitions• New global combinations (e.g., Fiat and Chrysler, Volvo and ??, ...)• New players (e.g., Tesla, Penske, Saturn, ...)
<p>Changing Customer Needs and Preferences</p>	<ul style="list-style-type: none">• Desire for “green” vehicles (without paying more)• Higher levels of urbanization shifting markets to smaller, more utilitarian segments• Desire for “individualization”• Requirements in many emerging markets (enable mobility)
<p>Uncertainty Over Future Powertrain and Other Technologies</p>	<ul style="list-style-type: none">• Diverse greenhouse gas and safety requirements are being enacted in most markets• Fossil fuel prices have become unstable, but are generally expected to rise• Alternative powertrain and fuel developments have been unpredictable, but require long-lead-time infrastructure development

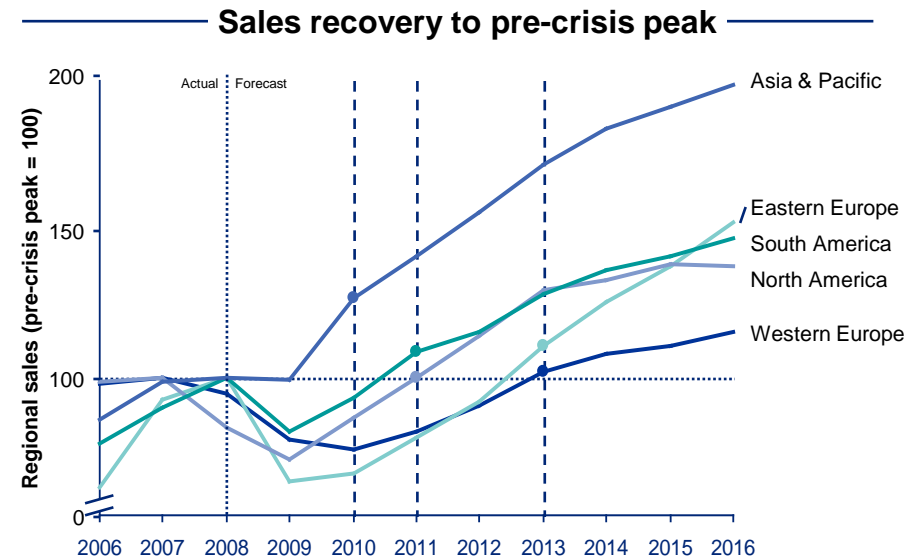
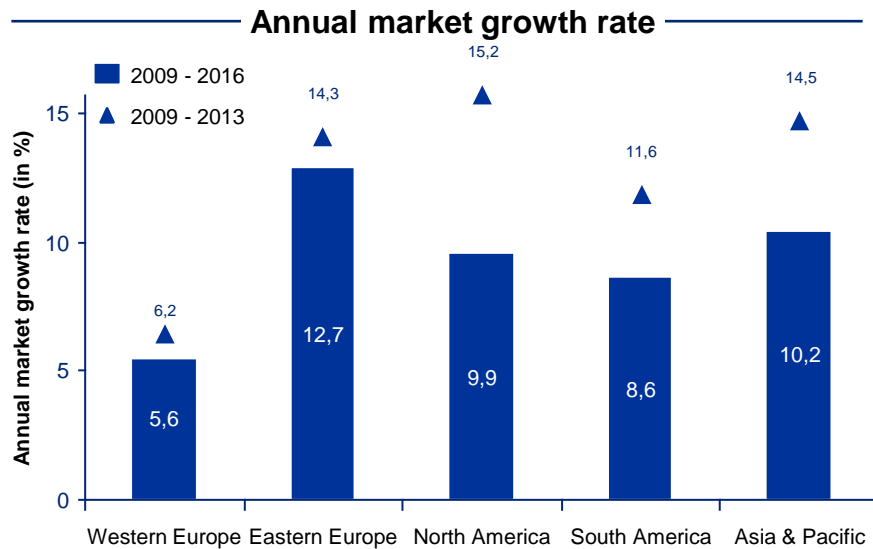
Current assessment of the global automotive industry (cont.)

After the near term liquidity crisis, we expect a major restructuring of the auto industry followed by a period of renewed growth



High growth rates are expected for all regions after the crisis. However, the recovery time differs significantly between regions

Growth and recovery time beyond 2009



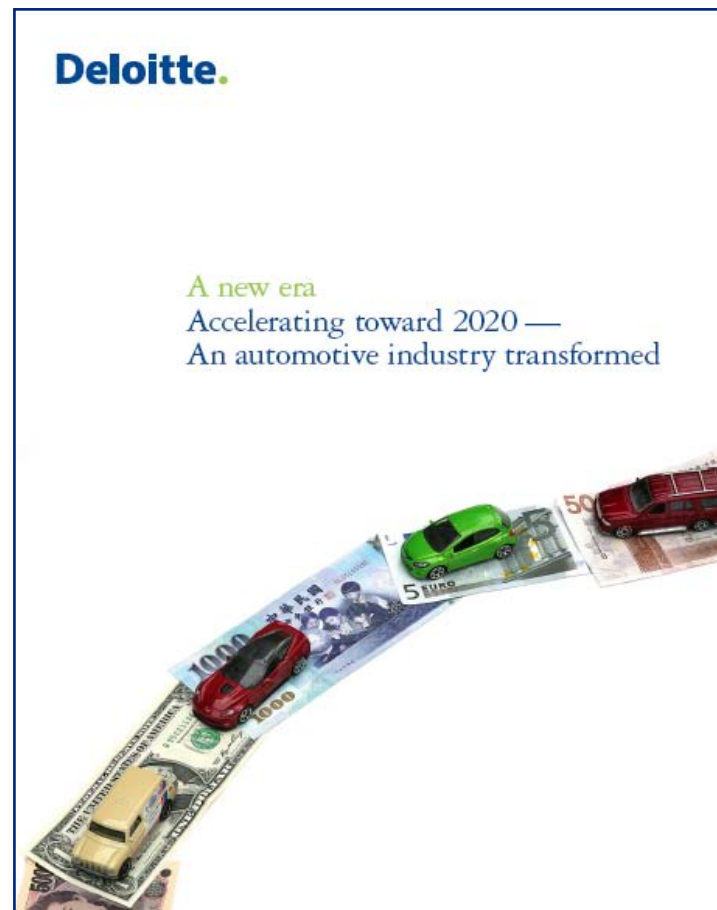
- **Eastern Europe** is the fastest growing region with an far above average annual growth rate of 12,7% between 2009 and 2016. However, due to its strong decline in the previous year Eastern Europe requires four years (2013) to return to its pre-crisis peak
- North and South America grow faster than the global average and require two years (2011) to recover from the current downturn
- The stagnating premium automobile markets in Asia & Pacific will reach the sales volume of 2008 already in 2010
- The Western European region expects the lowest growth rate and therefore has a recovery time of four years

Our view of the future industry

Improving Fuel Efficiency	<ul style="list-style-type: none">• Permanent structural shift to higher fuel economy and alternative powertrain cars (e-cars, hybrids, hydrogen, ...)
Safety and Technology	<ul style="list-style-type: none">• Increased emphasis on vehicle technology and safety – electronic controls, lighter materials, reduced friction, car-to-car communication, etc.
Supply Chain Regionalization	<ul style="list-style-type: none">• Increased logistics and inventory costs will drive more supply chain regionalization vs. globalization (while globalization of R&D and OEM programs continue to increase)
Global Organizations and Global Management in conjunction with Consolidation	<ul style="list-style-type: none">• More sophisticated commodity cost strategies and management tools will be adopted to manage financial and cost volatility• OEMs and suppliers will better match revenue and cost footprints to reduce currency exchange risk• Companies will adopt global organizational strategies to facilitate lower-cost support structures, global tax optimization, and cash repatriation

About the new Deloitte Automotive report

- **A new era. Accelerating toward 2020 – An automotive industry transformed** examines the shape of the automotive industry as the world emerges from the global economic downturn.
- Captures the perspectives of Deloitte senior automotive leaders worldwide on the industry situation today and in the future.
Focuses on:
 - Structural changes
 - Customer trends
 - Technology developments
 - Workforce issues
- Features several quotes based on interviews with executives of the automotive industry.
- Also includes data and references from various secondary sources.



For an electronic copy of the report, please visit:
www.deloitte.com/anewera

Report has been launched to global media on Wednesday, 16 September, 2009

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Panel Discussion

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