



cutting through complexity

KPMG's Automotive Breakfast 2015

Luxembourg

May 6 2015



KPMG's Automotive Breakfast 2015

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+2.57%
market growth



Top 3 brands «on the road»

1. Volkswagen 14.6%
2. BMW 9.8%
3. Audi 8.8%

Luxury
and high
performance
market shares
+50%

Hybrid /
electrics
market
shares
+31.8%

Leasing :
13.6% of the
cars on the
road and ...

..30% of new
registration,
stable since
2 years

131.4 g CO₂/km
in average in
2014

EU recommendations of 95g
by 2020 not reachable
at this pace

Top 3 new registrations by leasing

1. BMW
2. Mercedes
3. Audi

Executive Summary

Key facts and figures

Key facts of the 2015 Luxembourg market study

- After a relative slowdown in 2013, the market growth reached **2.57% in 2014**.
 - This growth is consecutive to the progressive exit of the financial crisis and is supported by a regular leasing market.
 - The **small decrease of new registrations** in 2014 (-1.2%) is showing a slow aging of the car park.
- Electric and hybrid cars have grown by 31.8% since 2013. It's a significant increase but it represents only **0.7%** of the market in 2014.
- At the same time, the luxury and high performance car's registrations have grown by 50% in 2014. It represents **0.3%** of the total registrations in 2014.
- The emission of **CO2 is constantly decreasing** and Luxembourg will most probably reach the EU 2015 recommendation of 130g CO2/km.
- **The leasing market is stable since 2 years**, with a market share of 13.9% in 2014. It's accountable for close to a third of new registrations each year.
- The turnover of the automotive commercial sector in Luxembourg represents 4% of the entire commercial sector, and 15% of the employees.

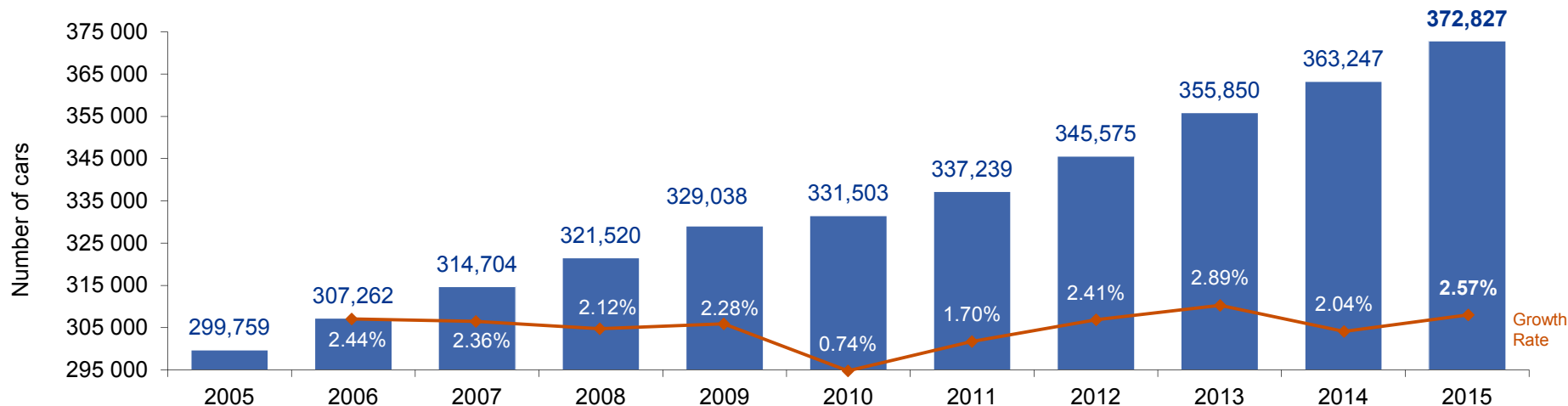


The Luxembourg Automotive Market

The Luxembourg car park

The car park evolution

Luxembourg car park evolution 2005-2015



Explanations



- Private and mixed used cars registered in Luxembourg on the 1 January of each year.
- In 2014 the Belgium market increased by 1.13%^(a) and the French market by 0.2%^(b).

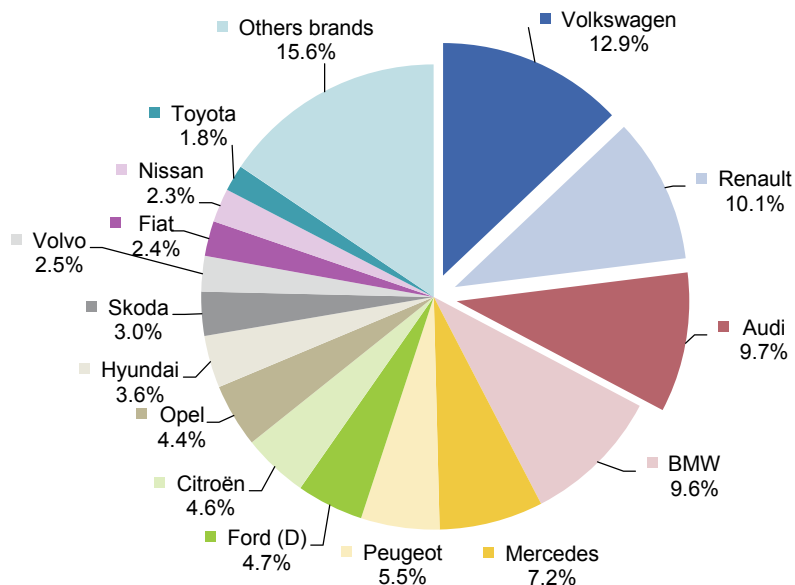
Source: Statec, Luxembourg portal for statistics, cars categories "private cars" and "mixed used car"

Note: (a) www.statbel.fgov.be (b) www.ccf.fr

The Luxembourg car park

Brand considerations

New registrations market shares in 2014



New cars registrations in 2014

	Brand/Year	2014	Growth 2012-2014
1	Volkswagen	6,437	-4%
2	Renault	5,031	3%
3	Audi	4,832	5%
4	BMW	4,796	0%
5	Mercedes	3,598	12%
6	Peugeot	2,723	-22%
7	Ford (D)	2,317	-8%
8	Citroën	2,271	-22%
9	Opel	2,195	2%
10	Hyundai	1,812	-5%
11	Skoda	1,515	10%
12	Volvo	1,232	3%
13	Fiat	1,208	14%
14	Nissan	1,168	-15%
15	Toyota	915	-19%
	Others brands	7,743	9%
	Total	49,793	-1.2%

Explanations



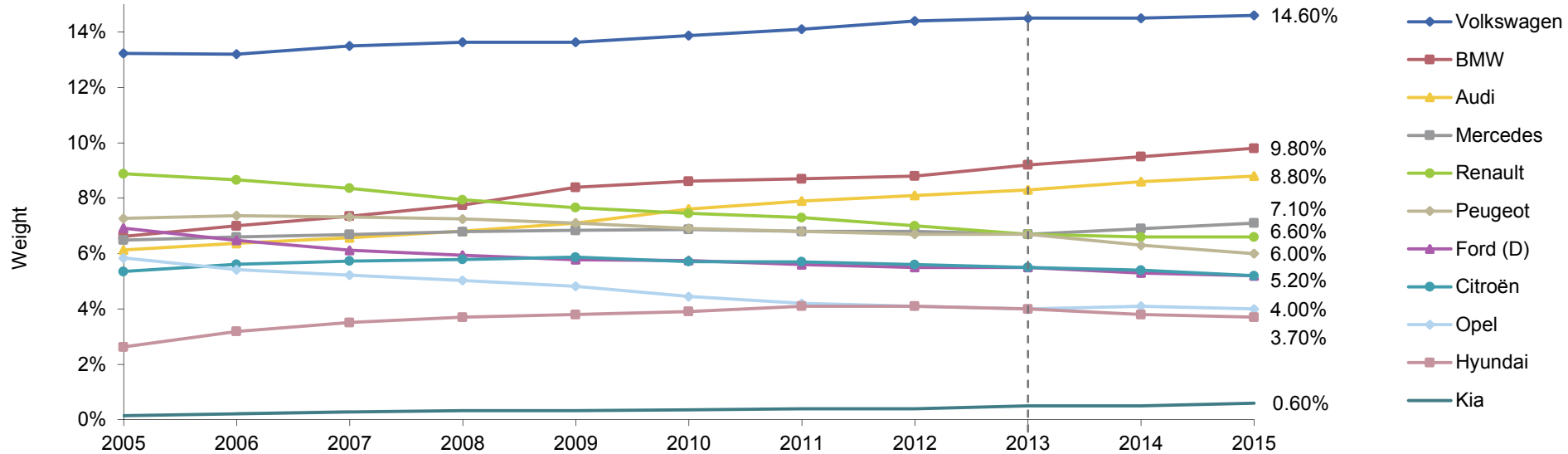
- From 2013 to 2014 the registrations **increased by 6,8%** following the **7,5% decrease** in 2012-2013.
- The top 3 represents nearly a third of the market.**
- Brands are either stable or facing a significant decrease in registrations. Only Fiat, Mercedes and Skoda grew significantly.

Source: Statec, Luxembourg portal for statistics, cars categories 'private cars' and 'mixed used car'.

The Luxembourg car park

Brand considerations

Luxembourg brand's weight evolution 2005-2015



Explanations



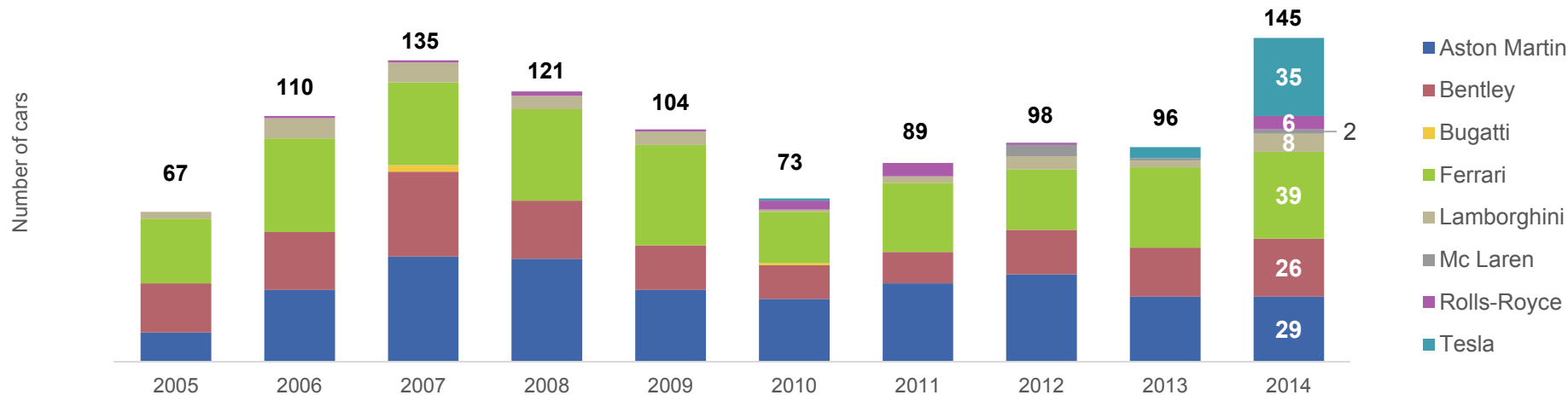
- VW, BMW and Audi remain favorites and keep extending their leading position.
- French manufacturers have been suffering losses in terms of market share.
- Since 2012, Hyundai and Kia do not increase their market shares anymore.

Source: Stavec, Luxembourg portal for statistics, cars categories "private cars" and "mixed used car"

The Luxembourg car park

Luxembourg luxury car park

New registrations of high performance and luxury car brands per year



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Porsche	334	372	388	313	298	356	396	416	417	567
Growth rate	/	11.4%	4.3%	-19.3%	-4.8%	19.5%	11.2%	5.1%	0.2%	36.0%

Explanations

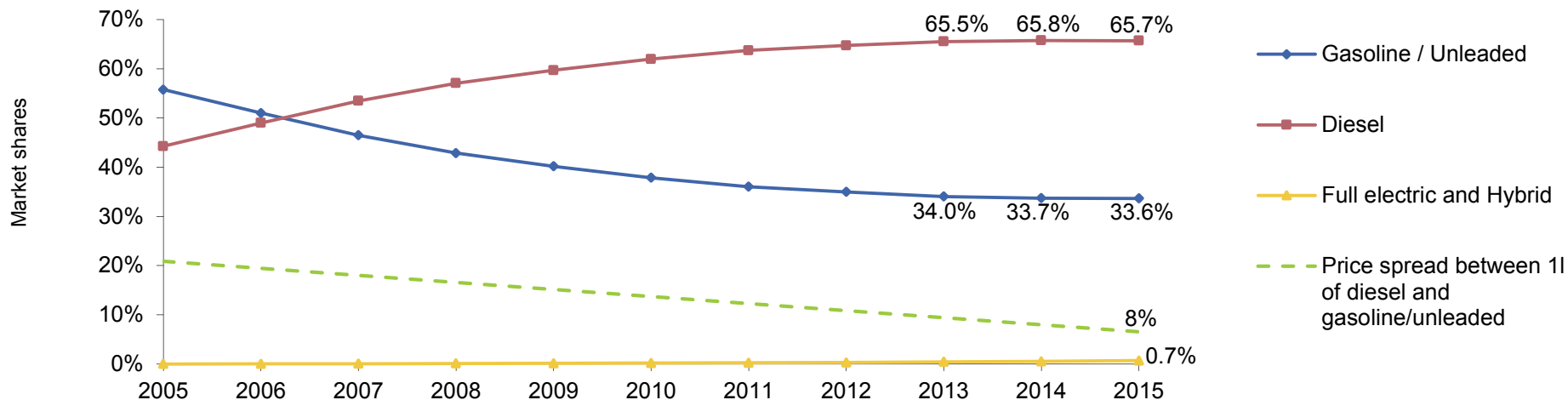
- By the end of 2014, the luxury and high performance car brands represent **0.3% of the total new registrations**.
- This market reached in 2014 a 50% increase in new registrations, first time since 2006 (Tesla impact)
- Porsche growth rate exceeded more than 5 times the growth rate of the entire new registrations market (6.8% - 2014).

Source: Staterc, Luxembourg portal for statistics, cars categories "private cars" and "mixed used car"

The Luxembourg car park

Fuel type

Evolution of vehicles distribution per fuel type



Explanations

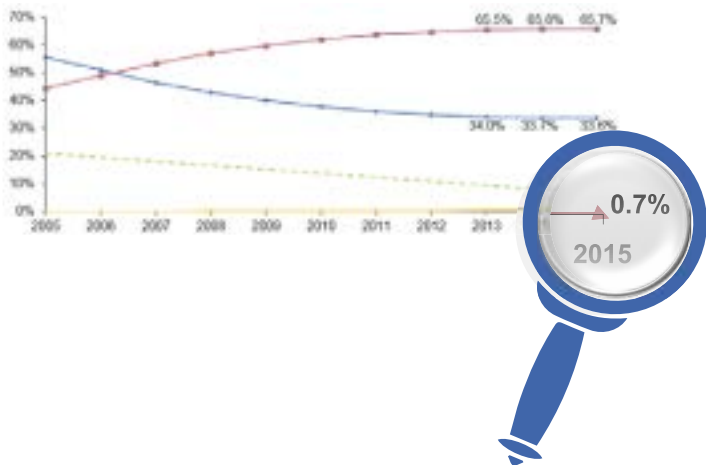


- The spread of market shares between diesel and gasoline is now stabilized.
- The new players being hybrid or electric are facing hard times to find their audience.
- As the spread between the cost of 1l of diesel / gasoline keeps decreasing, the arguments to choose a fuel type may be challenged.

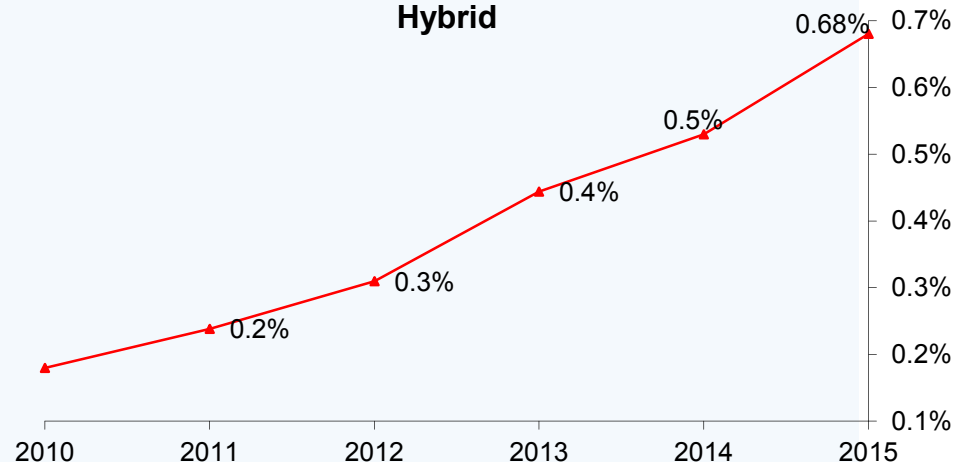
Source: Staterc, Luxembourg portal for statistics, cars categories "private cars" and "mixed used car"

The Luxembourg car park

Fuel type – Zoom on full electric and hybrid cars



Evolution of vehicles distribution - Full electric and Hybrid



Explanations

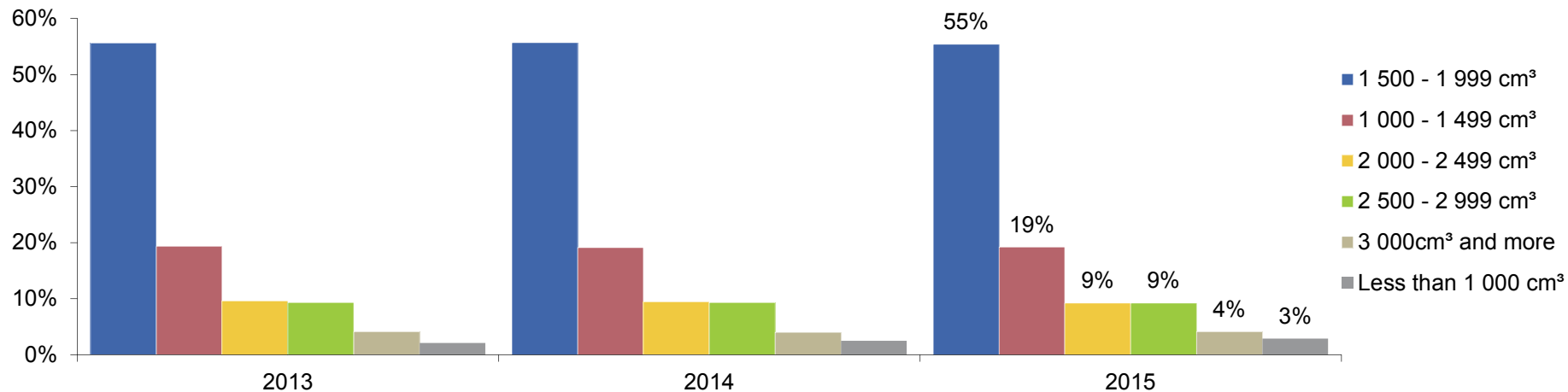
- Between 2014 and 2015, the electric and hybrid cars market increased by 31.8% (vs +2.57% for the entire car market).
- The 0,68% of market share represents 2,531 cars on the road in 2015. It was 5 times less in 2010.
- By deploying a network of 800 power stations across the country, the Government supports the target of 10% renewable energy in the transportation sector by 2020 (project Mobil 2020).

Source: Statec, Luxembourg portal for statistics, cars categories "private cars" and "mixed used car"
 Project Mobil 2020: http://ec.europa.eu/europe2020/pdf/csr2014/nrp2014_luxembourg_fr.pdf page 43

The Luxembourg car park

Engine size

Evolution of the engine size distribution



Explanations



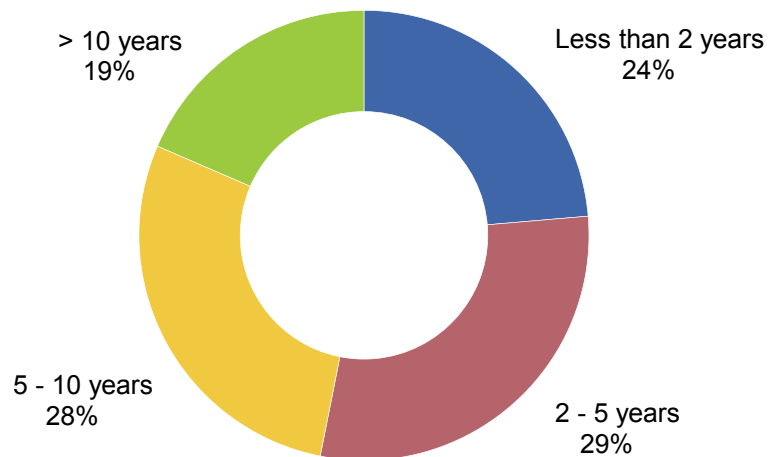
- Despite the downsizing wave, the distribution by engine size has been keeping stable proportions across the last three years.
- Downsizing applies within each engine size categories and does not reduce the market shares from higher engine size categories.

Source: Stotec, Luxembourg portal for statistics, cars categories "private cars" and "mixed used car"

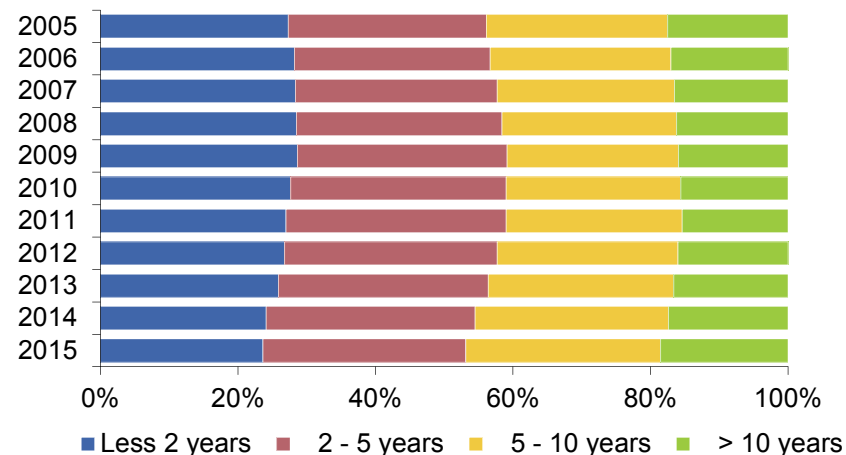
The Luxembourg car park

Vehicle age

Car distribution by age, 2015



Evolution of the car park ages



Explanations



- 53% of the car park is not aged of more than 5 years against 56% in 2012.
- Since 2009 the car park is slowly aging.
- Compared to 2009, the category “> 10 years” increased by 15% when the “less than 2 years” decreased by 18%.

Source: Stater, Luxembourg portal for statistics, cars categories “private cars” and “mixed used car”

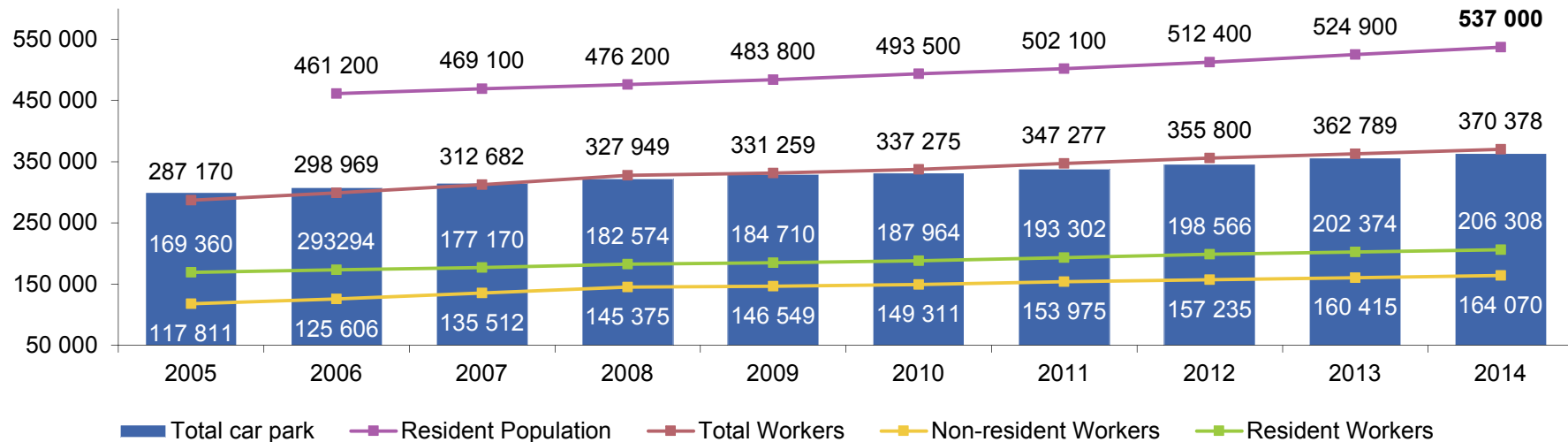


The car park and the demography of Luxembourg

The Luxembourg car park

The evolution of the car park and the population

Luxembourg car park and demography, 2005-2014



Explanations

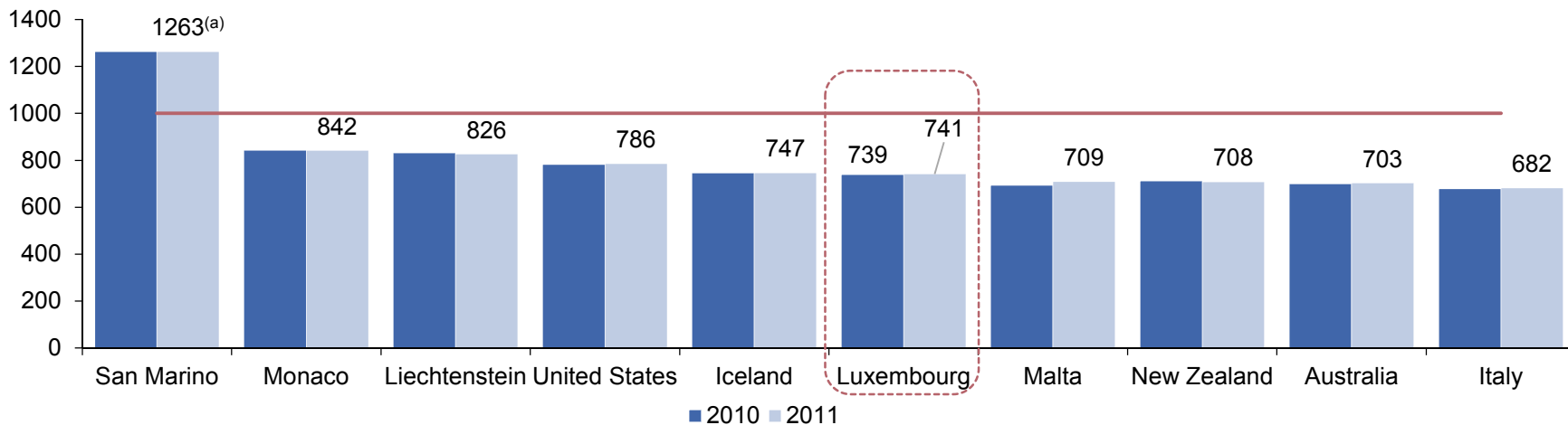
- The evolution of the car park follows closely the evolution of the demography.

Source: *Stotec, Luxembourg portal for statistics, cars categories "private cars" and "mixed used car"*

The Luxembourg car park

The car park ratio per resident

Top 10 of countries having the greatest number of registered motor vehicles per 1,000 country residents



Explanations



- 70% of the Top 10 are European countries.
- Luxembourg remains at the 6th position.

Note: (a) For San Marino, the figures were not updated for 2011 but we estimate it remains the same
Source: The World bank organization <http://data.worldbank.org>

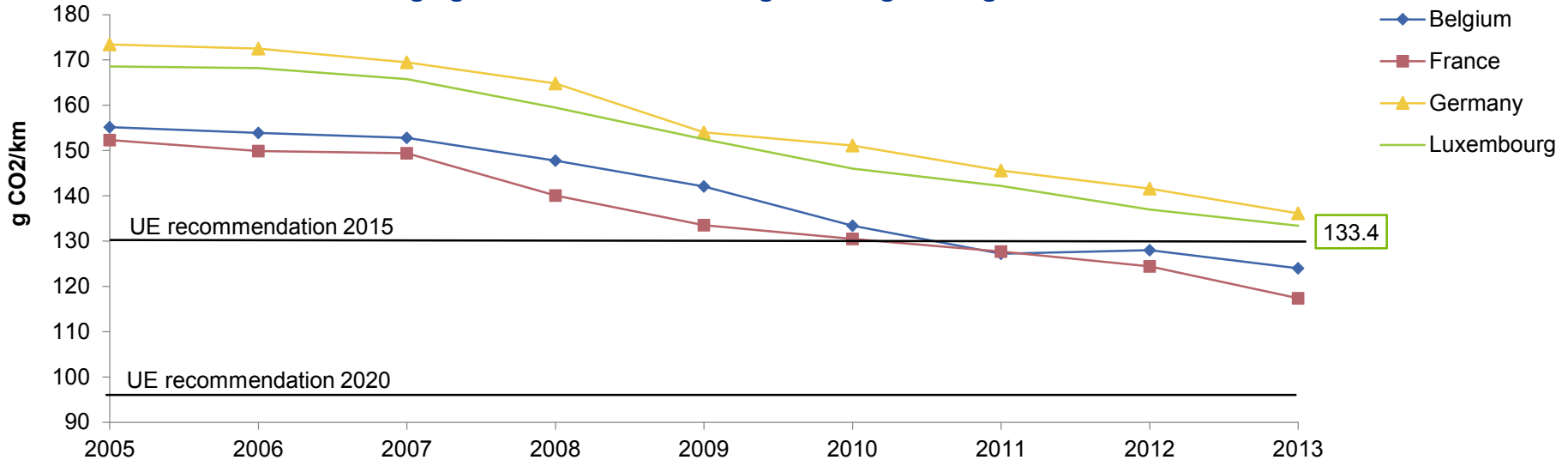


Environmental considerations

Environmental considerations

The CO₂ emission level

Evolution of the average gCO₂/km in Luxembourg and neighboring countries



Explanations



- The 2014 figure for Luxembourg reached 131.4 g CO₂/km*.
- At the pace of the 2005-2013 evolution, Luxembourg should meet the 2015 UE recommendation (128.2 g CO₂/km vs recommended 130gCO₂/km).
 - But not the UE 2020 recommendation (113.2 g CO₂/km vs. recommended 95 gCO₂/km).

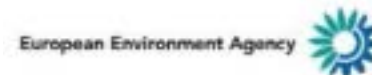
Note: (a) SNCA.

Source: European Agency for Environment <http://www.eea.europa.eu>.

Environmental considerations

The EU legislation on CO2 emission

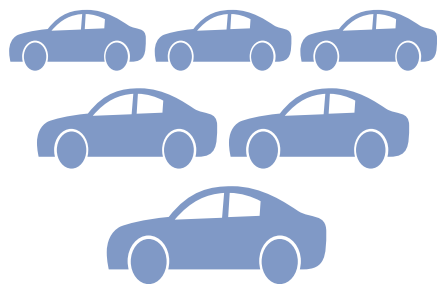
Key elements of the UE recommendations



- The recommendation applies to cars registered.
- As of 2021, the average rate of CO2 emissions should be below 95g/km for each manufacturer.
- Excess emissions lead to excess emission premium charged to manufacturers for each car registered.

Simulation of the excess emission premium

- Considering Audi AG, having a CO2 average emission of 121.88 g CO2/km in 2013 ...
- Assuming this average rate decreases to 95.04g CO2/km and 850,000 cars are registered in UE in 2021
 - Excess emission premium for 0.04 g CO2/km = **149 k€**
 - Excess emission premium for 1.04 g CO2/km = **4,759 k€**
 - Excess emission premium for 2.04 g CO2/km = **17,849 k€**
 - Excess emission premium for 5.04 g CO2/km = **202,978 k€**



The Luxembourg Automotive Sector

The Luxembourg Automotive Sector

The main actors

The main actors in the automotive sector in Luxembourg

Industry

- Luxembourg Automotive Components Cluster

Resellers and retail activities

- Association des Distributeurs Automobiles Luxembourgeois
- Fédération des Garagistes du Grand-Duché de Luxembourg

Renters

- Fédération Luxembourgeoise des Loueurs de Véhicules

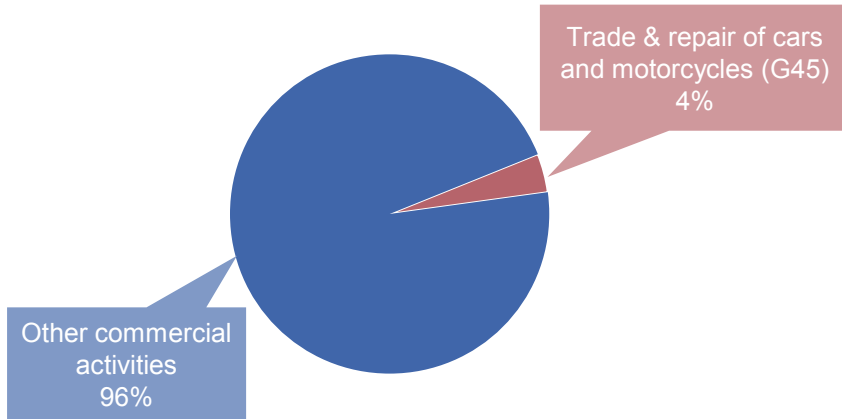
Other actors

- ACL, SNCT, SNCA ...

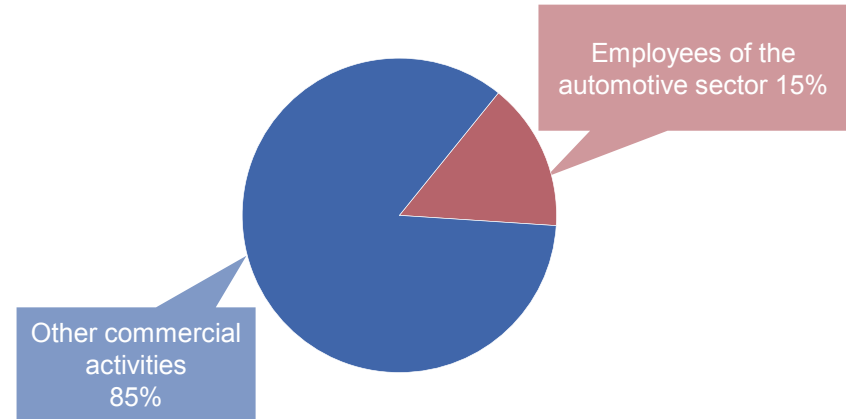
The Luxembourg Automotive Sector

Automotive commercial activities

Turnover of commercial sector in 2012 (in 1000 of €)



Number of employees in the commercial sector in 2012



Facts and figures



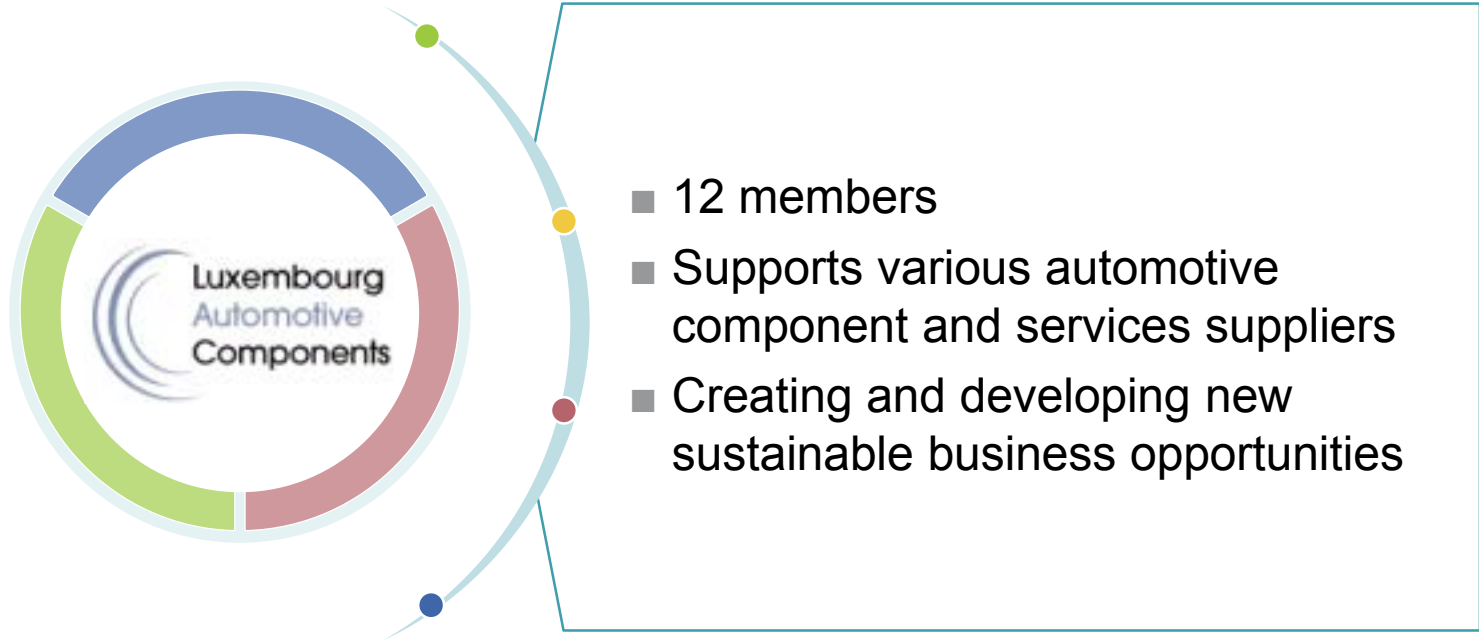
- Turnover of **3.68 billion €** (+7% compared to 2010) for automotive commercial activities, on 93.64 billion € (+20%) for the entire commercial sector.
- **7,008 employees** (+6%) in the automotive commercial sector, for a total of 46,082 employees (+5%) in the commercial sector.
- Figures collected from the Statec
 - Based on code NACE Rev 2 (G) (Nomenclature générale des Activités économiques dans les Communautés Européennes)
 - Category G45 «Commerce; Réparation D'automobiles et de Motocycles »

Source: ADAL, FEGARLUX, Statec (Industry sector COMMERCE; RÉPARATION D'AUTOMOBILES ET DE MOTOCYCLES (G))

The Luxembourg Automotive Sector

Automotive Industry

Luxembourg Automotive Components cluster



Source: www.automotivecomponents.lu

The Luxembourg Automotive Sector

Automotive Resellers and Retail Activities



- 200 members
- Approx. **4,700 employees**
 - 10% of the commercial sector in 2012



Facts and figures

- ADAL is composed of 63 members and FEGARLUX has 135 members
- ADAL 2,700 and FEGARLUX 2,000 employees

Source: ADAL, FEGARLUX, Statec (Industry sector COMMERCE; RÉPARATION D'AUTOMOBILES ET DE MOTOCYCLES (G)).

The Luxembourg Automotive Sector

Automotive Renters



FLLV Members		
ACL Services SA	ALD Automotive	Alphabet
Arval Luxembourg	Athlon Car Lease	Autolux Sàrl
Autorent Sàrl	Autodiffusion M. Losch	Avis Rent a Car Sàrl
BIL Auto Lease Luxembourg SA	Arnold Kontz SA	Mercedes-Benz Financial Services
Europcar Interrent Sàrl	Fraikin SA	Hertz Luxembourg SA
Intralux Locations SA	KBC Autolease Luxembourg fSA	Leaseplan Luxembourg SA
Palos Rent a Car Sàrl	Sixt Sàrl	Stoll Trucks Sàrl
Parcours Luxembourg		

22 members

300 million € invested in 2014 in cars purchase for operational leasing

Approximately 384 employees

0.8% of the commercial sector in 2012

Facts and figures

- 34,000^(a) cars under operational leasing
- 16,700 cars under financial leasing
- The operational leasing increased by 6% the last two years

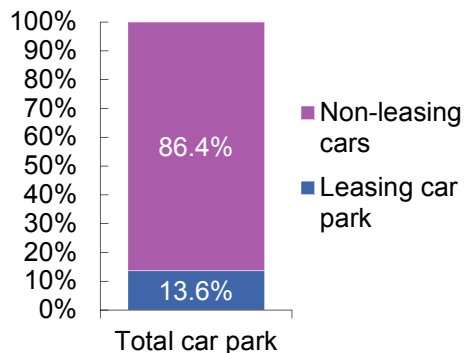
Source: FLLV

Note: (a) Estimation

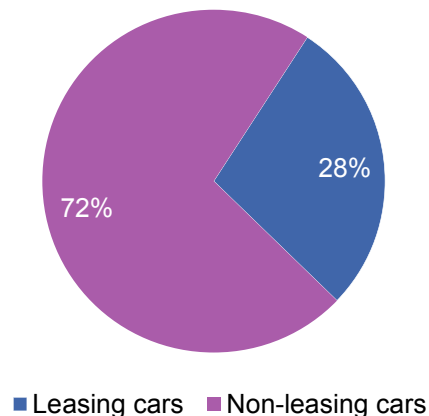
The Luxembourg Automotive Sector

Automotive Renters – Registrations in 2014

Weight of leasing cars in the Luxembourg car park



New car registration in 2014^(a)



Top 10 Leasing cars registrations^(a)

Brand/Year	2014	Growth 2012-2014
BMW	2,429	-7%
Mercedes	1,984	32%
Audi	1,899	-2%
Volkswagen	1,588	-8%
Renault	1,253	27%
Peugeot	677	-39%
Citroën	533	-36%
Opel	508	-1%
Skoda	387	55%
Volvo	383	-28%
Other brands	2,343	8%
Total	13,984	

Facts and figures



- The leasing car park is stable (50,700^(b) cars in 2014, 50,600 in 2012) but slightly decreased in relative terms (13.9% in 2012)
- The registration of new cars by leasing companies decreased by 1.4% in 2014 compared to 2012.
- Ford (D) left the Top 10 and Skoda enters the rank, thanks to a 55% increase.

Source: (a) SNCT and FLLV
(b) Estimations



Tax considerations for leasing cars

Leasing and tax considerations

Salary sheet with and without leasing car

Without leasing car

Monthly salary sheet		
Monthly gross salary		4,000.00
Tax company car		0.00
Total gross		4,000.00
Social security – employee		
Medicare withholding - care (2.80%)	4,000.00	-112.00
Medicare withholding - cash (0.25%)	4,000.00	-10.00
Pension contribution (8.00%)	4,000.00	-320.00
Deductions		
Travel expense	0.00	
Taxable	3,558.00	
Tax – class 1		-620.80
Tax credit		25.00
Tax EBT ^(a) (0.5%)	2,077.04	-10.39
Withholding dependency (1.40%)	3,519.26	-49.27
Car taxation		0,00
Net to pay		2,902,54

With leasing car

Car retail price (i.e. incl VAT) : 35,000 €

Monthly leasing fee : 700 €

Monthly salary sheet		
Monthly gross salary		3,300.00
Tax company car		525.00
Total gross		3,825.00
Social security – employee		
Medicare withholding - care (2.80%)	3,825.00	-107.10
Medicare withholding - cash (0.25%)	3,300.00	-8.25
Pension contribution (8.00%)	3,825.00	-306.00
Deductions		
Travel expense	0.00	
Taxable	3,403.65	
Tax – class 1		-558.00
Tax credit		25.00
Tax EBT ^(a) (0.5%)	1,902.04	-9.51
Withholding dependency (1.40%)	3,344.26	-46.82
Car taxation		-525.00
Net to pay		2,289.32

↑ Difference: 15.3% (€613,22) ↑

(a) équilibre budgétaire temporaire

Leasing and tax considerations

Fiscal treatment of leasing repurchase

Fiscal treatment in case of repurchase of the leasing car at the end of the contract

- Repurchase statement in leasing contract
- Repurchase facility at the maturity of the contract with a fixed-price defined

Tax Authorities – Circular LITL number 104/1 of 10 March 2015

- Taxable benefit if repurchase at a lower price than market value
- Market value of the car defined by a depreciation plan provided by the Luxembourg Tax Authorities (up to 90 months)
- Tax claimed at the transfer of rights from the firm to the employee

Remaining value of the car, as defined by the « Administration des Contributions Directes »

- Benefit in kind to tax = rate on catalog sale price – price paid by the employee
- Limit of taxation: The aggregated fiscal value of the two benefits (i.e. company car put at the employee's disposal and repurchase of the car at a preferential price) cannot exceed the global value of the company car
- Possibility to evidence a market value of the car based on an expertise provided by a professional of the automotive sector

Period of use (months)	Vehicle residual value determined by the tax authorities
24	55%
36	45%
48	35%
60	25%



KPMG's Global Automotive Executive Survey 2015



cutting through complexity

KPMG's Global Automotive Executive Survey

2015

Who is fit and ready to harvest?

kpmg.com/GAES2015



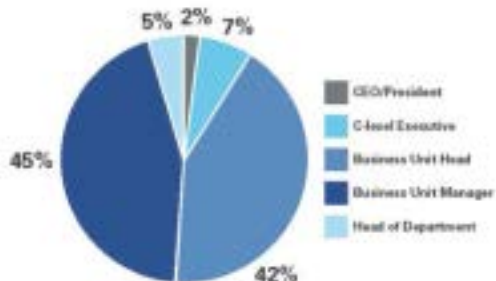
How do we cut through complexity?
View the interactive version of this
survey online and filter the results based
on your own preferences



KPMG's Global Automotive Executive Survey 2015

Now in its 16th consecutive year

Respondents by job title



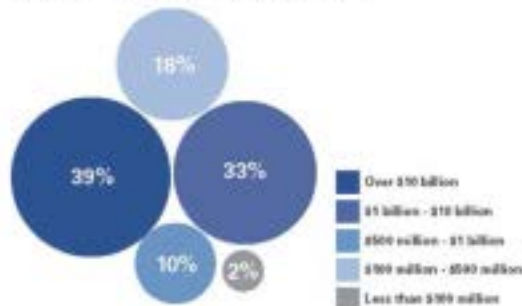
Respondents by company type



Respondents by regional cluster



Respondents by company revenue



Source: KPMG's Global Automotive Executive Survey 2015

i Demographics

- The Global Automotive Executive Survey is KPMG International's annual assessment of the current state and future prospects of the worldwide automotive industry.
- In this year's survey, 200 senior executives from the world's leading automotive companies were interviewed, including automakers, suppliers, dealers, financial services providers, rental companies and mobility solution providers.
- Over two-thirds of all participants represent companies with annual revenues greater than US\$1 billion. Nearly 40 percent of all respondents are from companies with an annual revenue of more than US\$10 billion.
- The respondent interviews, which were conducted by phone, took place in July and August 2014.

KPMG How we cut through complexity?

- View the interactive version of this survey online and filter the results based on your own preferences on kpmg.com/GAES2015

KPMG's Global Automotive Executive Survey 2015

Chapter Overview



Mobility culture

What is driving consumer demand?

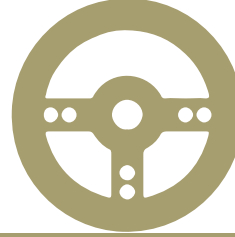
Auto executives' views tend to reflect concerns over current commercial challenges, suggesting a **lack of consensus over the shape of the future mobility eco-system.**



Technological fit

Are companies betting on the right technologies?

According to this year's survey, the *optimization of traditional fossil fuel-based propulsion technologies* still dominates the technological roadmap.



Business model readiness

Is the industry set for an un-stable mobility eco-system?

Executives are very optimistic that traditional automotive players can cope with an *increasingly unstable mobility eco-system* in the short term.



Prepared to harvest

Who is best positioned for sustainable growth?

Executives feel there will be *no major shift of power* between OEMs until 2020.

What is driving consumer demand?



Mobility culture

Key trends to 2025

Many innovative key trends are lower on executives' agendas up to 2025:

The majority of the executives still feel that **growth of emerging markets is the number one key trend.**

Only a minority of respondents consider alternative powertrain technologies, mobility services and vehicle connectivity as extremely important key trends until 2025.

Purchasing criteria to 2020

Purchasing choices over the next five years are not yet driven by innovative concepts and online services:

Auto executives believe **consumers are still fixated on traditional product issues, with fuel efficiency** rated clearly as number one, closely followed by safety and comfort.

Compared to the 2014 survey, executives see a heavily increased emphasis on enhanced vehicle lifespan, most likely due to the burst of product recalls in recent years.

Vehicle segment preferences

The **small and basic car segment is expected to have a high growth potential** in established and emerging markets over the next five years:

Executives from mature markets predict **decreasing sales potential for the large car segment up to 2020, with a more positive view of the basic and small car segment.**

BRIC market respondents envisage tremendous growth potential for all car size segments in the next five years, particularly small and basic cars.

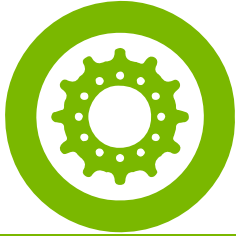
Vehicle ownership versus usage

Vehicle ownership for all age groups is considered important up to 2020:

Most respondents believe **vehicle ownership will still be important for under-25s**, while those aged between 25-50 are expected to be even more reliant on their own cars for personal mobility.

Mobility services are forecast to be an important source of profit in five to 10 years in both established and emerging markets.

Are companies betting on the right technologies?



Mobility culture

Investment priorities to 2020

Downsizing is still the number one powertrain investment area over the next five years:

However, since the 2014 survey, auto execs from mature TRIAD markets have become relatively less focused on this area than their BRIC counterparts.

The number two investment priority for both TRIAD and BRIC execs is fuel cell vehicles, replacing pure battery electric technology.

E-car technology to 2025

Plug-in hybrids are set to attract the highest demand of all electrified propulsion technologies:

Although still rated as the most important e-technology, plug-in hybrids' popularity has diminished year-on-year.

Battery electric vehicles remain in number two position. However, in contrast to prior years, a higher proportion of respondents believe **demand for fuel cell electrical vehicles will increase** over the next five years.

E-market penetration to 2025

High e-car market share forecasts appear contrary to investment priorities:

The majority of auto execs from Western Europe and China believe that the **share of electrified vehicles** (among overall new car registrations) **will be between 11-15 percent**. Respondents from North America are even more optimistic, with most foreseeing a share of between 16-20 percent in 10 years. .

Connectivity: The next big thing

The notion of self-driving cars as the last evolutionary step of connectivity seems to be more distant than media attention suggests:

Auto execs from mature Asian countries like Japan and Korea are slightly more optimistic about autonomous driving, believing there will be a breakthrough in the next 20 years. Respondents from Western Europe, North America and China are more hesitant.

Is the industry set for an unstable mobility eco-system?



Business model readiness

Business model disruption ahead?

No major business model change or disruptive event is expected over the next five years:

Most auto execs believe that original equipment manufacturers (OEMs) will continue to own the customer relationship up to 2020.

Business and investment strategies should remain conservative until 2020:

Organic growth is expected to be the number one strategy for future success, with two-thirds of auto execs rating this factor as extremely important.

Since 2014, an increasing number of respondents feel it will be necessary to diversify and expand the value chain and cooperate with players from converging industries, to cope with a mobility eco-system that is becoming more and more unstable.

Readiness for a new mobility eco-system

Traditional automotive OEM brands should matter most in 10 years' time:

Auto execs believe it is extremely likely that **automotive premium and mass market brands will dominate over the next decade**, followed by pure e-car manufacturer brands. Brands from the ICT sector are predicted to be more important than traditional Tier 1 supplier brands.

Global players **like Daimler, BMW and GM are considered to be best prepared**, closely followed by Volkswagen, Toyota and Ford.

In the executives' eyes, newcomers like **Tesla still have a huge gap to close** to achieve the awareness and reach of traditional OEM brands.

Strategies to survive

OEMs' key survival strategy is to achieve and maintain global reach.

For globally established OEMs, such as BMW, Volkswagen and Toyota, **remaining independent is the top priority.**

OEMs with limited global reach, mainly from China and mature Asian countries, are most likely to merge with others in order to survive.

Who is best positioned for sustainable growth?



Prepared to
harvest

Race for market share until 2020

In the medium term, traditional OEMs are forecast to maintain their dominance. However, they should prepare for a more disruptive future.

Auto execs are most optimistic that the Hyundai group will increase its global market share.

Volkswagen is considered to have far greater potential than its closest competitors, Toyota and GM.

When it comes to Chinese OEMs, respondents rate Chery as having the best chance of increasing market share up to 2020.

Tata, another emerging OEM, is rated very positively and is expected to grow its market share.

KPMG reality check & outlook

The ranking of who is going to win or lose market share has always been a frequently quoted result in the history of our Global Automotive Executive Survey.

In order to give the opportunity to compare the survey results with the most recent market forecasts we have created a detailed interactive reality check on the survey findings here.



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Q & A Session



cutting through complexity

THANK YOU

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