



Ukraine as extended production facility for global car and components manufacturers

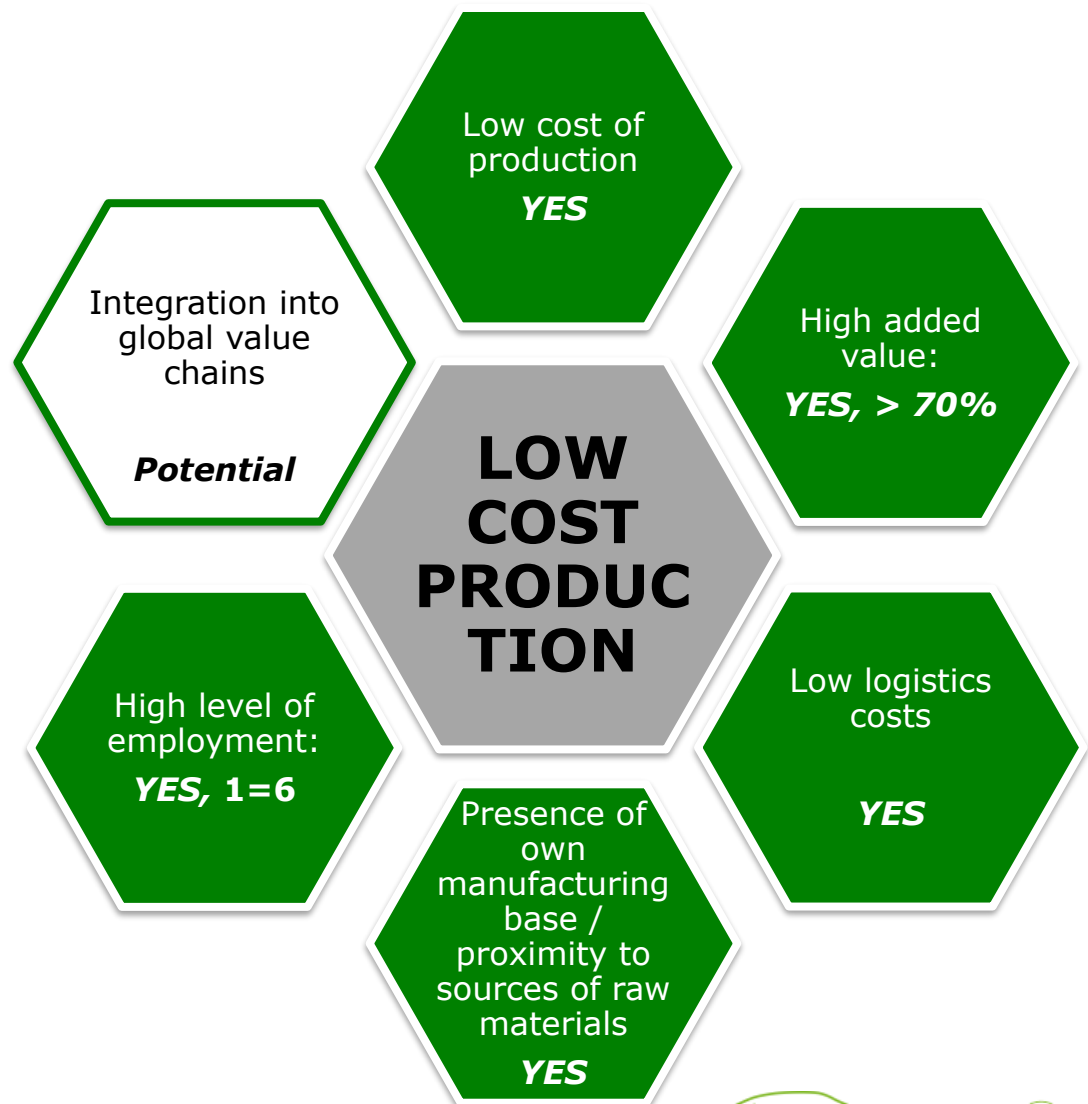
Elena Chepizhko

**Head of Government & External Relations
EUROCAR GROUP**

Global factors that determine the low cost production

Ukraine can integrate into the global value chains as the “second China” in low cost production.

Global production using high-tech developments and the world's leading “know-how” under Industry 4.0 approach and participation in global value chains



Alternative 1

Global production using the resource base and low-skilled labor



Added value
up to 14%

Alternative 2

Ukraine – the second China in low cost production

Global production using high-tech developments and the world's leading “know-how” under Industry 4.0 approach



Added value
>50%



VOLKSWAGEN

AKTIENGESELLSCHAFT

74

factories around the world

37

extended production facilities built under low cost production principle

Ukraine as low cost production site

Developers of automotive technologies (OEMs)

Germany



China



USA



France



Japan



South Korea



Extended production facilities

Slovakia



Czech Republic



Turkey



Romania



China



Ukraine?



Competitive advantages of Ukraine Logistics

4

international transport corridors

18

seaports (including Crimea)

11

river ports

22 k.

kilometers of railways

170 k.

kilometers of road

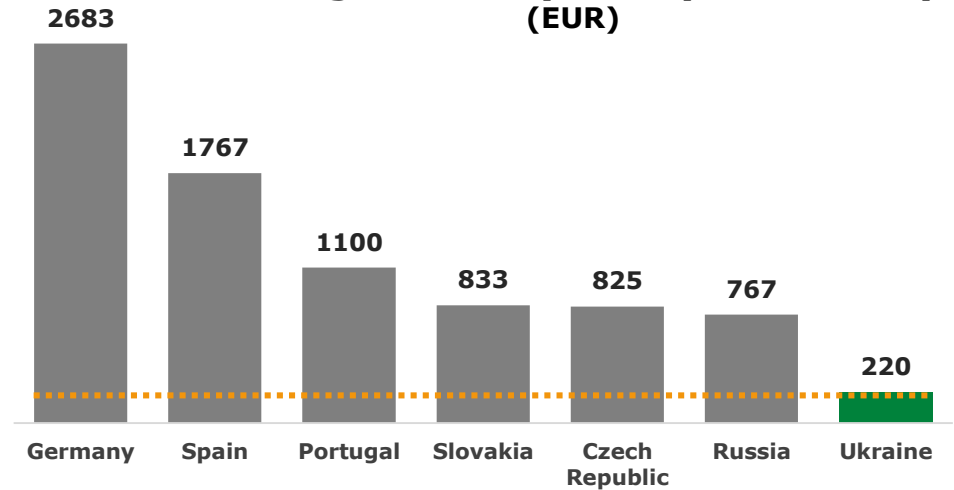


Competitive advantages of Ukraine

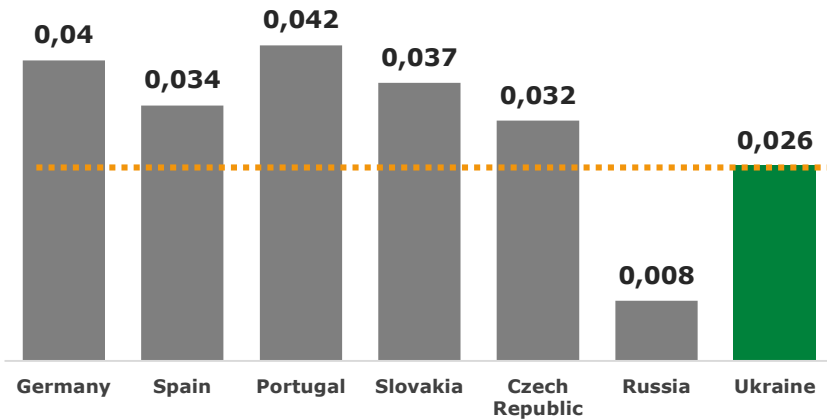
Costs

Low cost
of labor and resources
compared to most European
countries

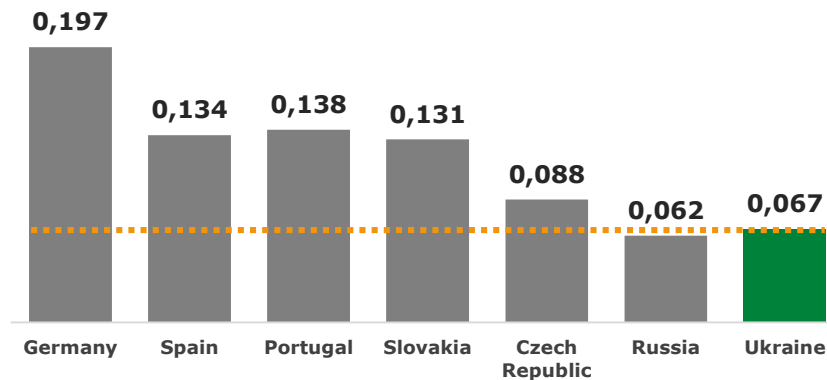
Average monthly salary in industry (EUR)



Natural gas (EUR/KWh)



Electricity (EUR/KWh)



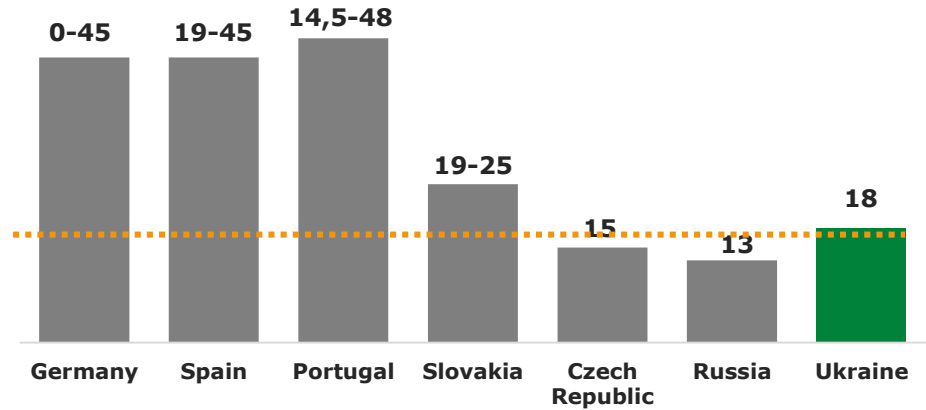
Competitive advantages of Ukraine

Taxation level

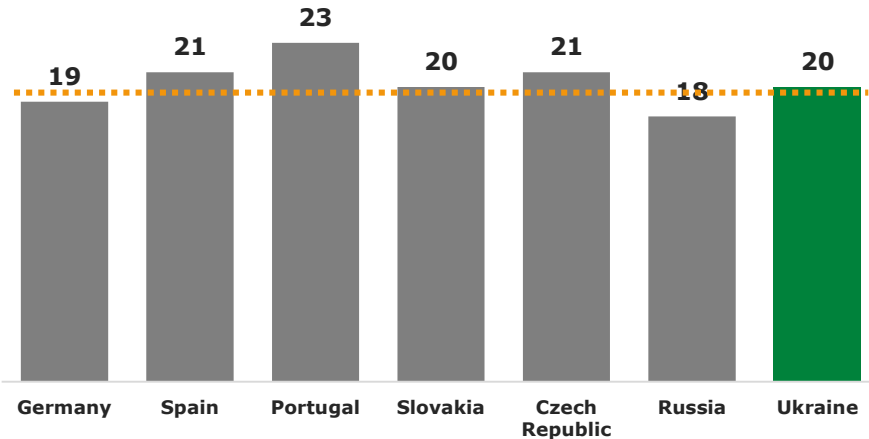
Low rates
of main taxes

compared to most European countries

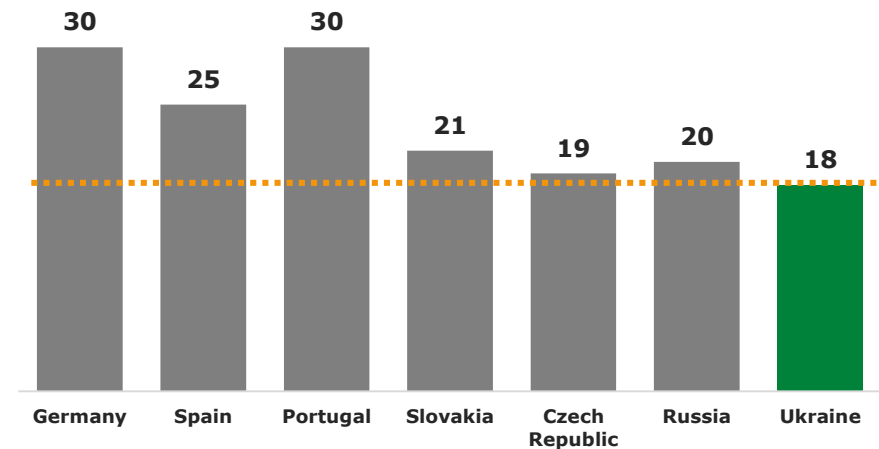
Income tax rates (%)



VAT rates (%)



Corporate tax rates (%)

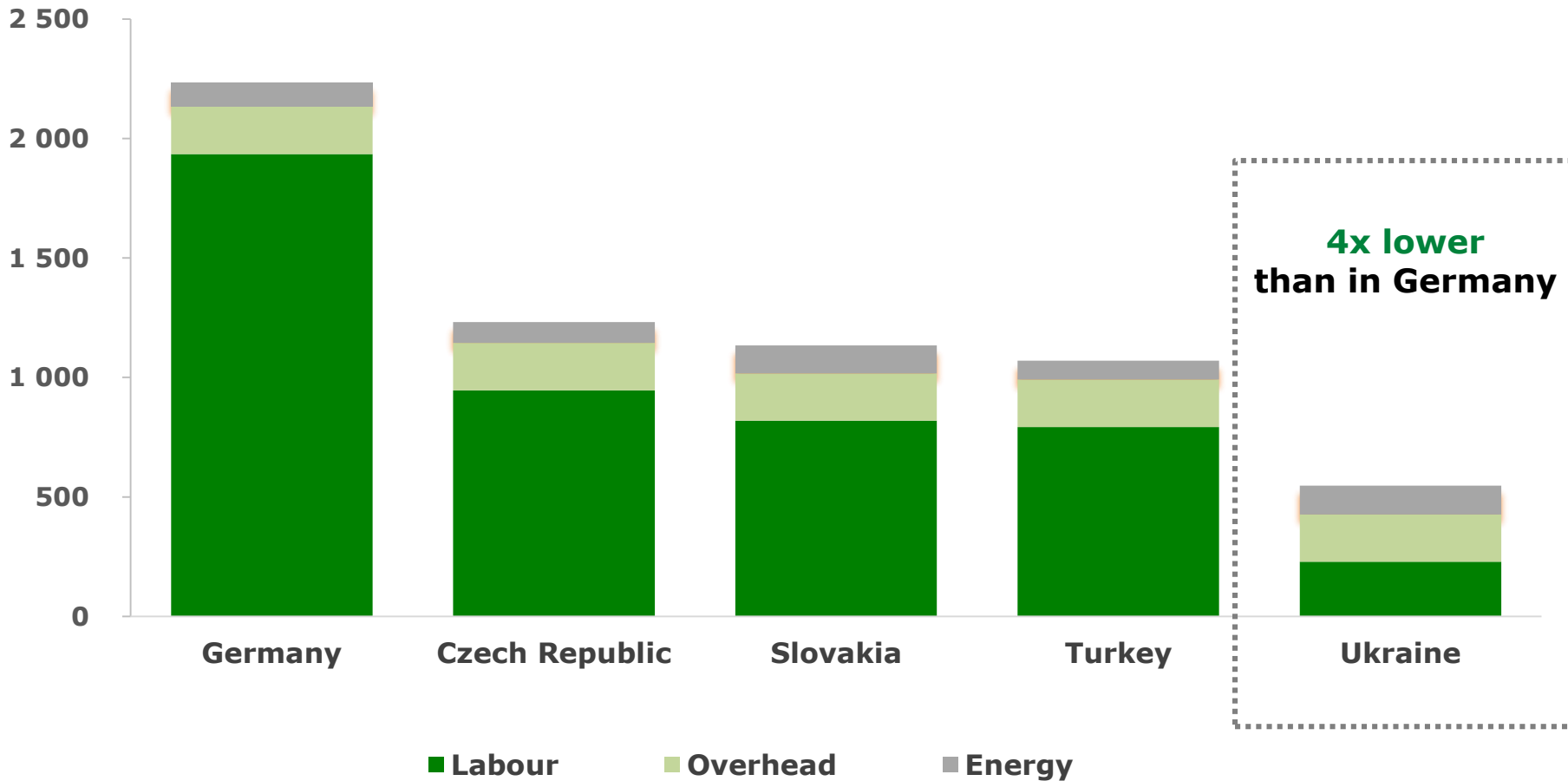


Competitive advantages of Ukraine

Production costs

[EUR]

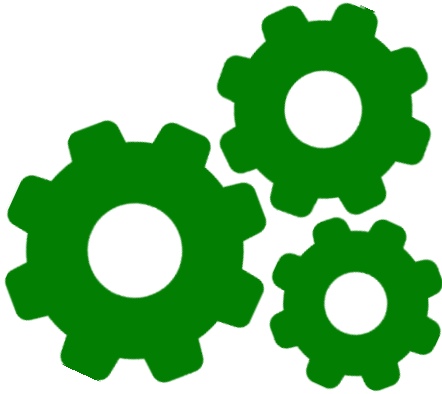
Estimated costs per 1 fully built vehicle



Competitive advantages of Ukraine

Export opportunity to the EU

EU



Tolling: Duty free components and technologies import

DCFTA: Duty free import from EU
from 2019

Ukraine



Tolling: Fully built up vehicles (assembly, production of components):

- ✓ Duty Free (tolling/ inward processing)
- ✓ Tax Free
- ✓ Free from Quotas and Licensing

DCFTA: Duty free export to EU
from 2022

1st step Taxation level for electric vehicles in Ukraine in 2018

0%

**import duty since 2016
after 10%**

0%

**VAT since 2018
after 20%**

0 EUR

**excise duty since 2018
after 190 EUR**

**more than
20%**

**decrease of production
and import cost for
electric vehicles
due to Ukrainian
government incentives**

2nd step Substantial changes expected within 15-years Electric Vehicles Strategy

0%

VAT and import duty up until 2028
on import of spare parts for electric vehicles production

0%

excise duty up until 2028
on import of bodies (including cabs) for electric vehicles production

0%

pension tax up until 2028
on purchase of electric vehicles

0%

profit tax up until 2032
for extractors of lithium, manufacturers of batteries and electric vehicles

**Relevant bills
№8159 and
№8160
are awaiting
consideration in
the Parliament**

Ukrainian passenger car market

Key figures

2

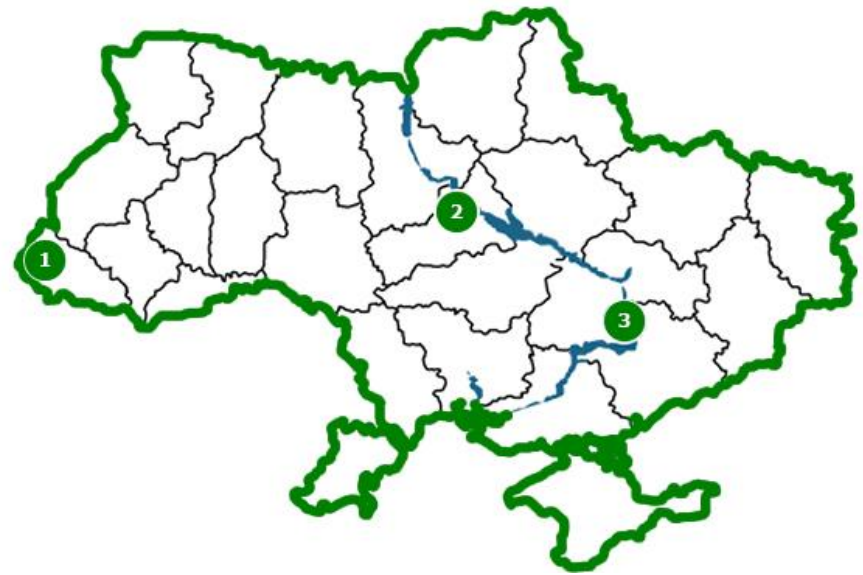
Ukrainian passenger car
manufacturer companies
(2016 – 2017)

4%

average level of
production capacity
utilization
(2017)

**9,1
mio**

passenger car park
(2017)

**1**

Eurocar PrJSC
SKD (Skoda)

2

Bogdan Corporation
CKD (Lada, Bogdan, JAC)

3

ZAZ PJSC
CKD, SKD (ZAZ)

Ukrainian passenger cars
manufacturing capacities amount
to **400** k units per year.

Ukrainian car industry Potential

6 additional working places in supporting industries cumulatively are created by one working place in car production

202 cars per thousand people – the number of cars per capita

19,6 years is the average age of car park

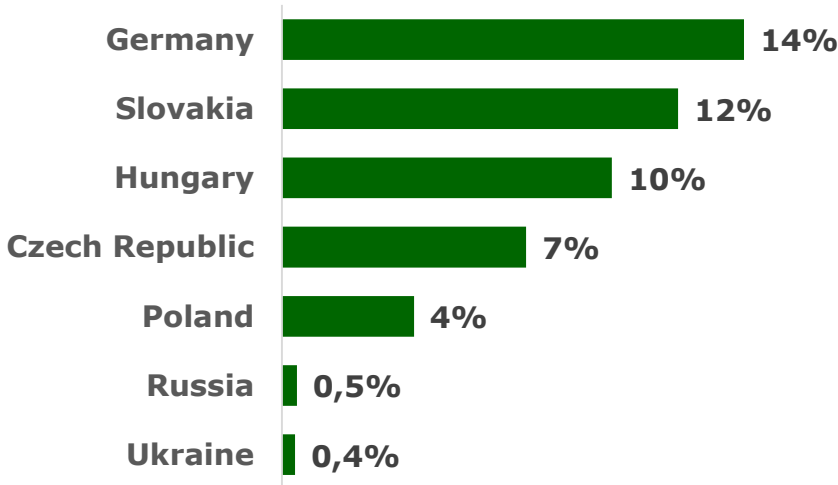
3 place currently occupies the import of foreign cars in development of negative trade balance of Ukraine

Indicators of the automotive industry World vs. Ukraine

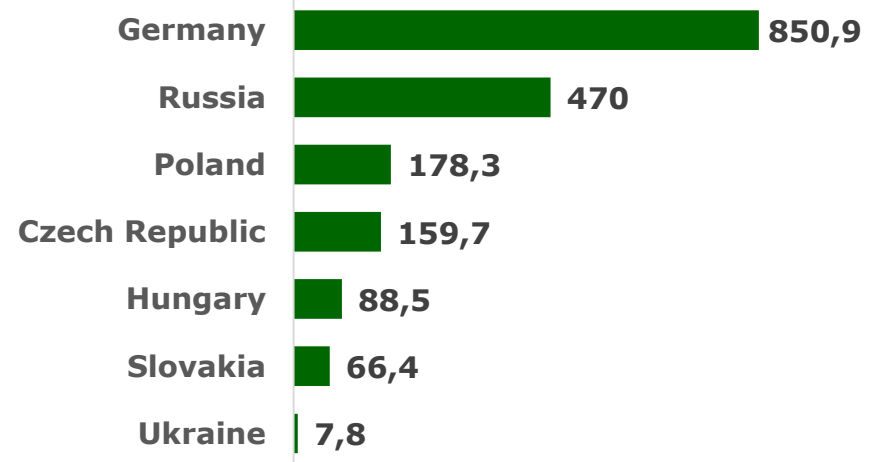
4% of the EU's GDP is the share of the automotive sector

5,7% of the EU employed population is employed in the automotive sector

Share in GDP
(%)



Direct automotive manufacturing employment
(k employers)



EUROCAR | Automotive cluster in the Western Ukraine

Well-known international producers are already here,

of the wiring harness for the European automotive industry is produced in Ukraine

75%

that creates the potential for localization of car production



Automotive Systems



HYUNDAI MOBIS



Slovakia

Hungary



DENSO



BOSCH



LEONI



GROCLINGROUP.



Industrial parks - opportunity for high value added production location

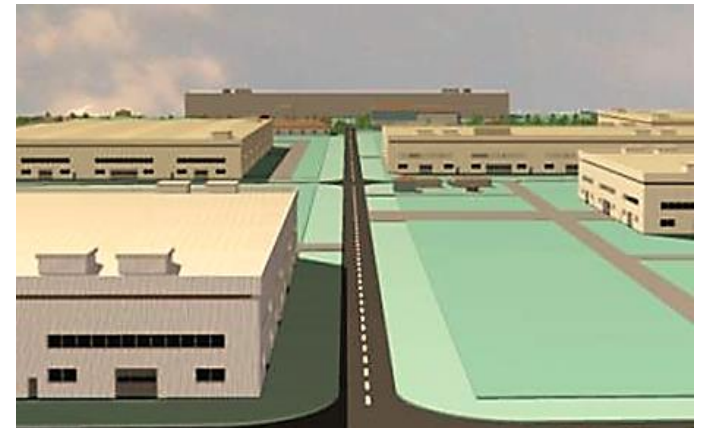
Solomonovo Industrial Park – high-tech development and production center, in particular for automotive industry.

.....

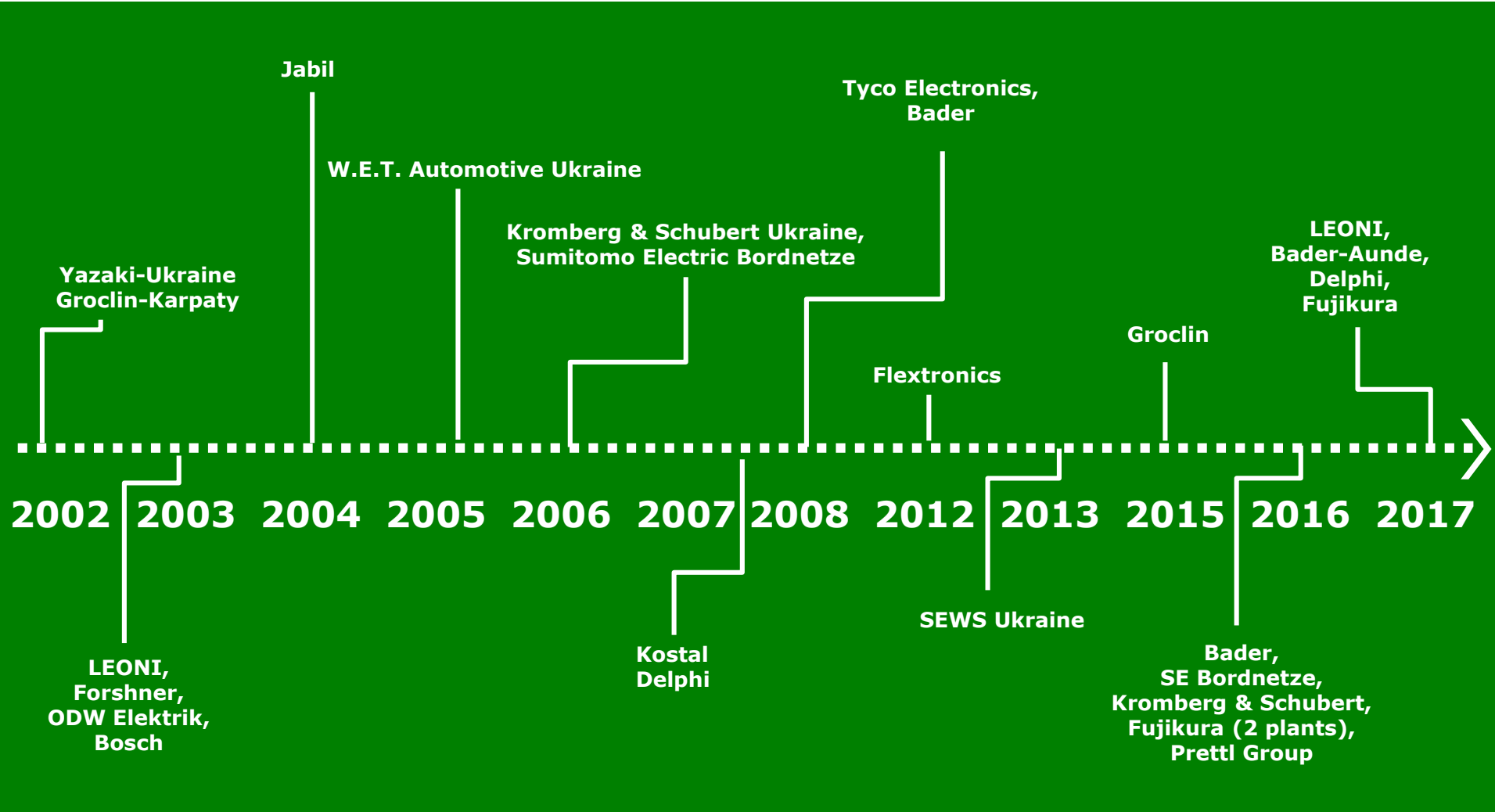


Existing preferences:

- 1** Already existing facilities and infrastructure
- 2** Exemption from a “regional development participation payment”



Additional Taxation and Customs preferences upcoming



35
plants

>45_k
employees

>400 mio EUR
investment

Skilled labor force

Employees in Ukrainian automotive production



7.8k. Ukrainians are involved in vehicle manufacturing

33k. Ukrainians are involved in electric and electronic equipment for vehicles manufacturing

Structure of unemployment by education



80% of unemployed Ukrainians have higher education & vocational and technical education

EUROCAR is officially supporting the employment of Ukrainians at VW Group plants and engaged in training and skills matching of personnel for VW Group

Using

- 1** Efficient supply chain integration due to convenient logistics

- 2** Skilled labor force and lower (on average) labor costs compared to European countries

- 3** Government promotion of electric vehicles and presence in Ukraine of lithium deposits used in the manufacture of batteries for electric vehicles

Ukraine can integrate into global value chain,

turning into cost competitive extended production site for global vehicle manufacturers, including those producing electric vehicles.

EUROCAR

Thank you for attention.

Eurocar plant video:



Contacts of Eurocar Group :

Tel/fax: +38 (044) 490 10 70, 490 10 80 | Mob.:+380503341438 | E-mail: elena.chepizhko@eurocar.com.ua | Elena Chepizhko

www.eurocar.com.ua