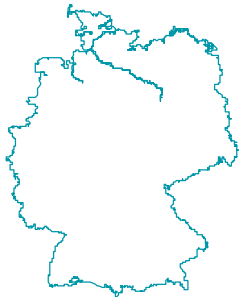


Executive Summary



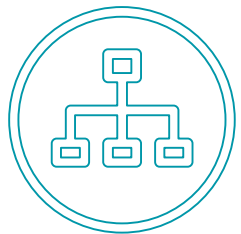
Brexit Negotiations

- Only about a quarter of the companies expect that an exit agreement between the EU and the United Kingdom will be achieved by 30 March 2019. The major part (36%) anticipate a no-deal Brexit. Every fourth company expects the negotiation deadline to be extended.
- If an exit phase with a transition phase until 2020 comes into effect, most companies again expect this phase to end with a no-deal Brexit (42%). For the future of the European Union, nearly three quarters of the company would like to see an enhanced cooperation or integration.



Brexit and Germany as a Location for Business

- The German companies see opportunities for Germany as a location for business in a boost of the financial community and an increase in foreign direct investments.
- A decrease in the trade with the United Kingdom and the danger that the European Union will disintegrate are considered to be the biggest risks.



Brexit Strategies of German Companies

- The damage caused by an disorderly exit of the United Kingdom is considered to be high or very high by almost half of the companies. So far, the Brexit process has resulted in planning uncertainties and the postponement of investments. More than 50% of the companies have so far drawn up a contingency plan in the event of a no-deal Brexit. A quarter of the companies would cut jobs in Germany in the event of a no-deal Brexit.
- Overall, in their Brexit preparations the companies resort to a wide variety of measures, such as contract amendments, relocation of production sites, increase in warehouse capacities, or replacement of British suppliers / service providers (e.g. 60% in the automotive industry).



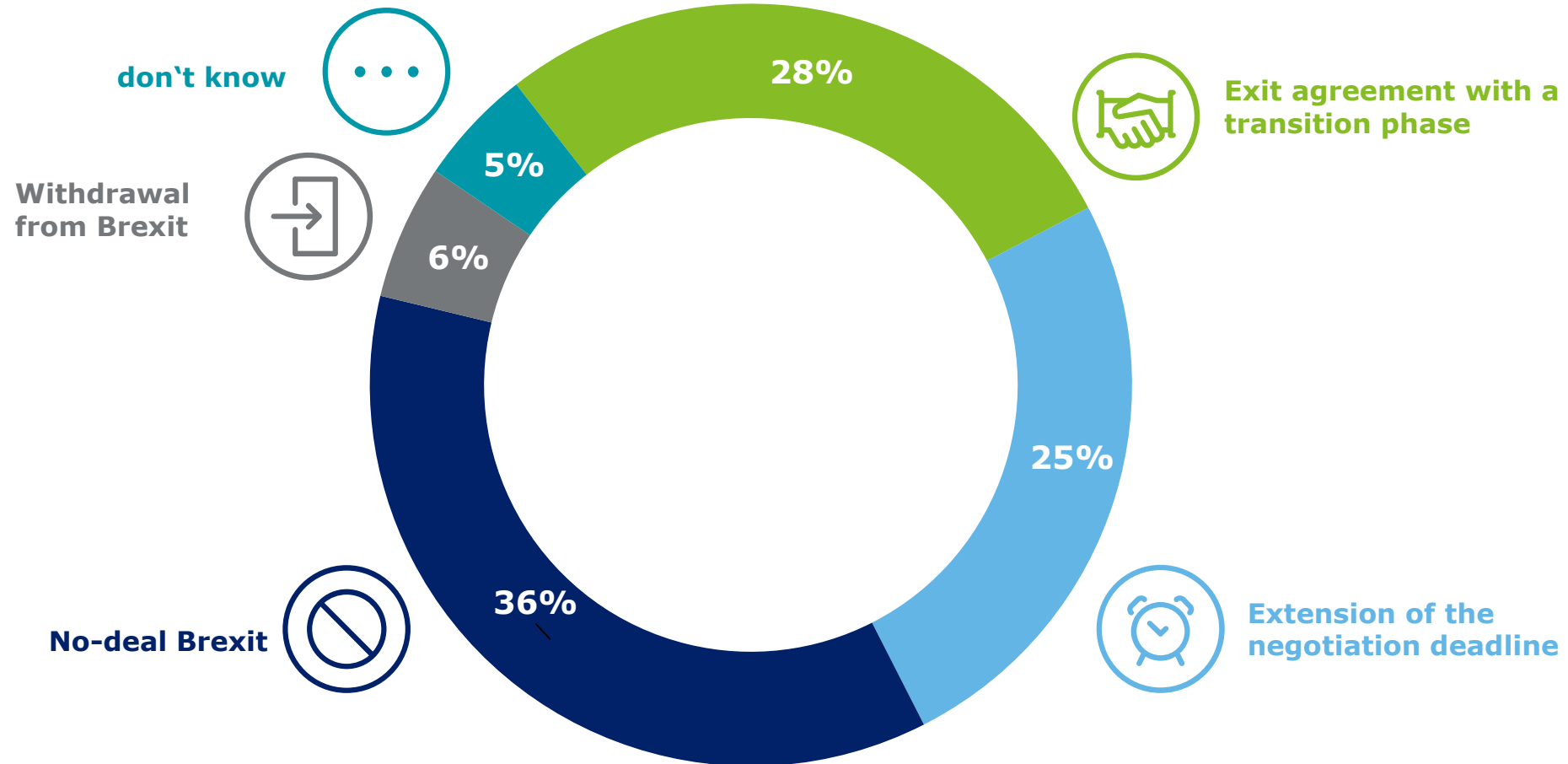
Brexit Negotiations

Expectations and Outlook

Brexit Negotiations | Short-Term Outlook

Every fourth company still believes in the conclusion of an exit agreement with a transition phase – by contrast, more than one third anticipates a no-deal Brexit

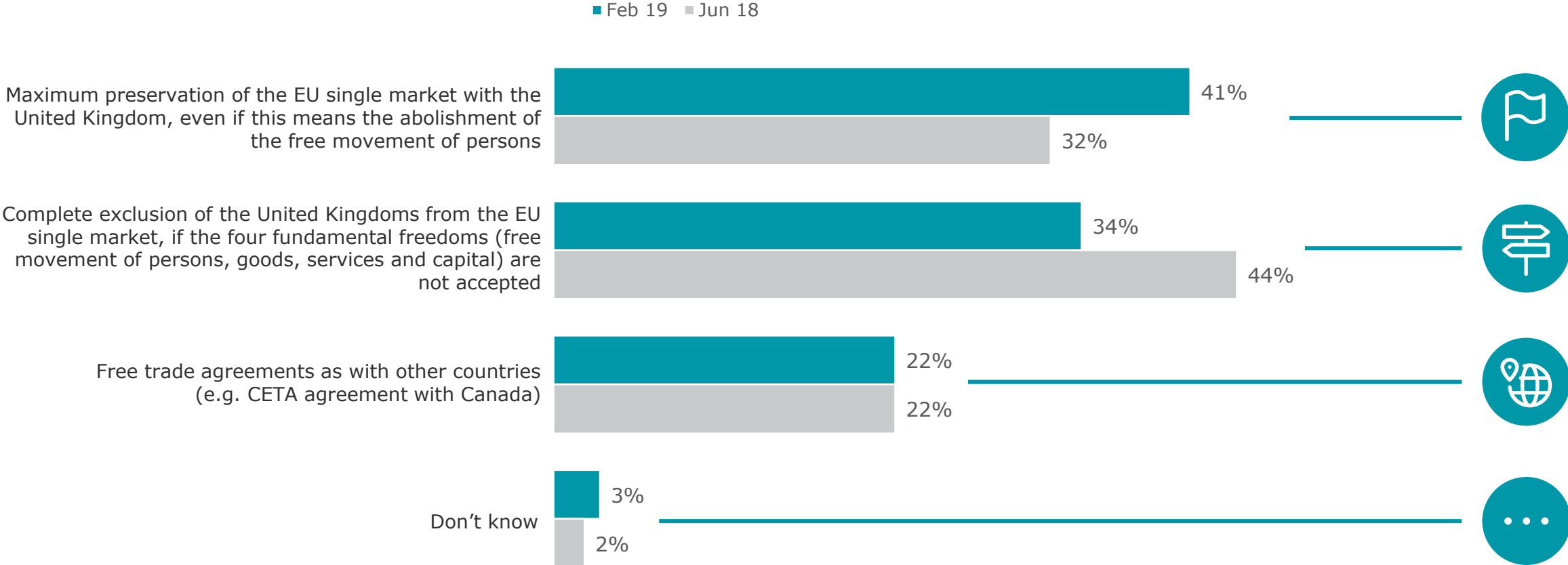
Question: Which is the Brexit scenario for your business planning immediately after the official exit date on 29 March 2019?*



Brexit Negotiations | Negotiation Targets

Most companies advocate the indivisibility of the four freedoms, while many companies value the unity of the EU single market higher than the free movement of persons

Question: Which negotiation target should be pursued by the EU in your opinion?



Brexit | Future of the EU

Nearly three quarters of the companies would like to see an enhanced European cooperation or integration among the remaining EU members following Brexit

Question: In your opinion, which target should the EU pursue in the post-Brexit era?*

39%

Stronger general integration and centralisation (joint finance minister of the Eurozone, Eurozone budget, shift of responsibilities to the EU)



35%

Stronger integration in selected policy areas (foreign policy, migration policy)



13%

Restitution of responsibilities to the member states and stronger decentralisation



11%

Maintaining the status quo





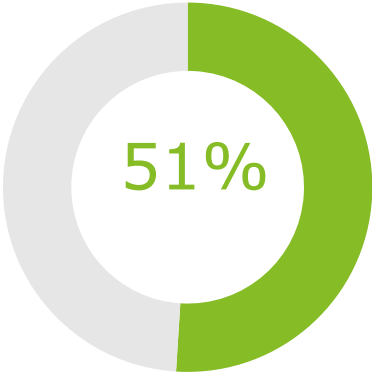
Brexit and Germany as a Location for Business

Risks and Opportunities

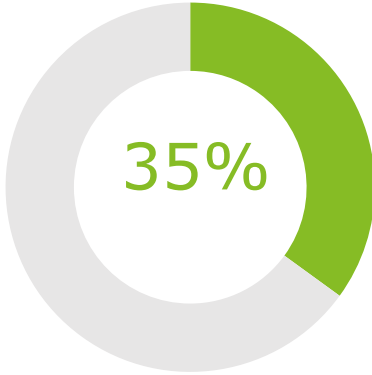
Germany as a Location for Business | Risks

Nearly every company sees risks due to Brexit – above all, a decrease in trade and the danger of EU disintegration cause concern

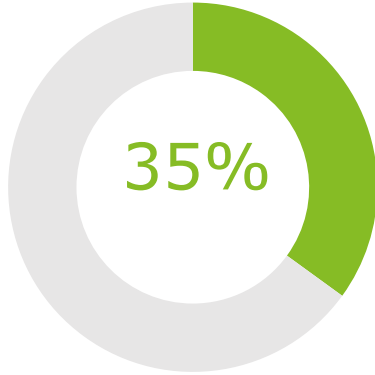
Question: Which risks does Brexit involve for Germany as a location for business? (multiple answers possible)



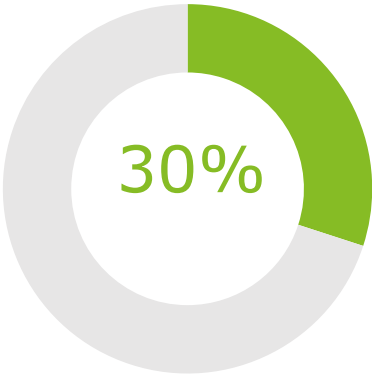
Decrease in trade with the United Kingdom



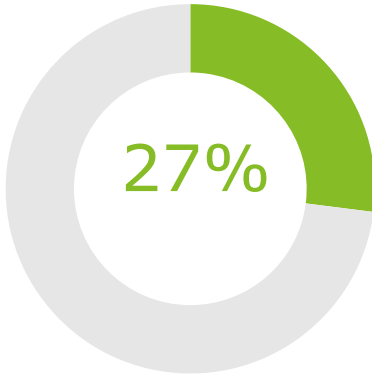
Danger of EU disintegration



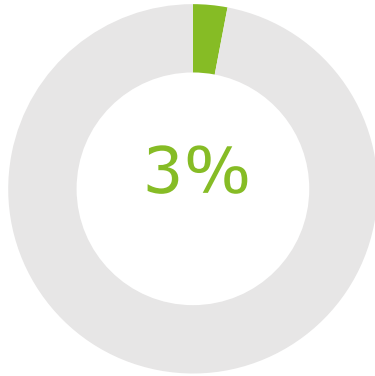
Danger of increased competition of locations through new fiscal incentives in the United Kingdom



More centralised approach of the European economic policy



General de-concentration of the close UK-German economic relations



I don't see any risks

Germany as a Location for Business | Opportunities

Many companies anticipate a boost for the local finance industry and an increased appeal to foreign direct investors

Question: Which opportunities does Brexit involve for Germany as a location for business? (multiple answers possible)



53%

Boost of the German finance industry



50%

Higher attractiveness of Germany for foreign direct investors



49%

Relocation of existing companies / business units to Germany



38%

Increasing appeal to highly qualified foreign talents



32%

Boost for Germany as a location for research and development due to relocations



23%

Increasing appeal as an European hub to foreign start-ups and high-tech companies



Compared with June 2018, now many more companies see opportunities due to higher foreign direct investments (Jun 2018: 35%, Feb 2019: 50%)



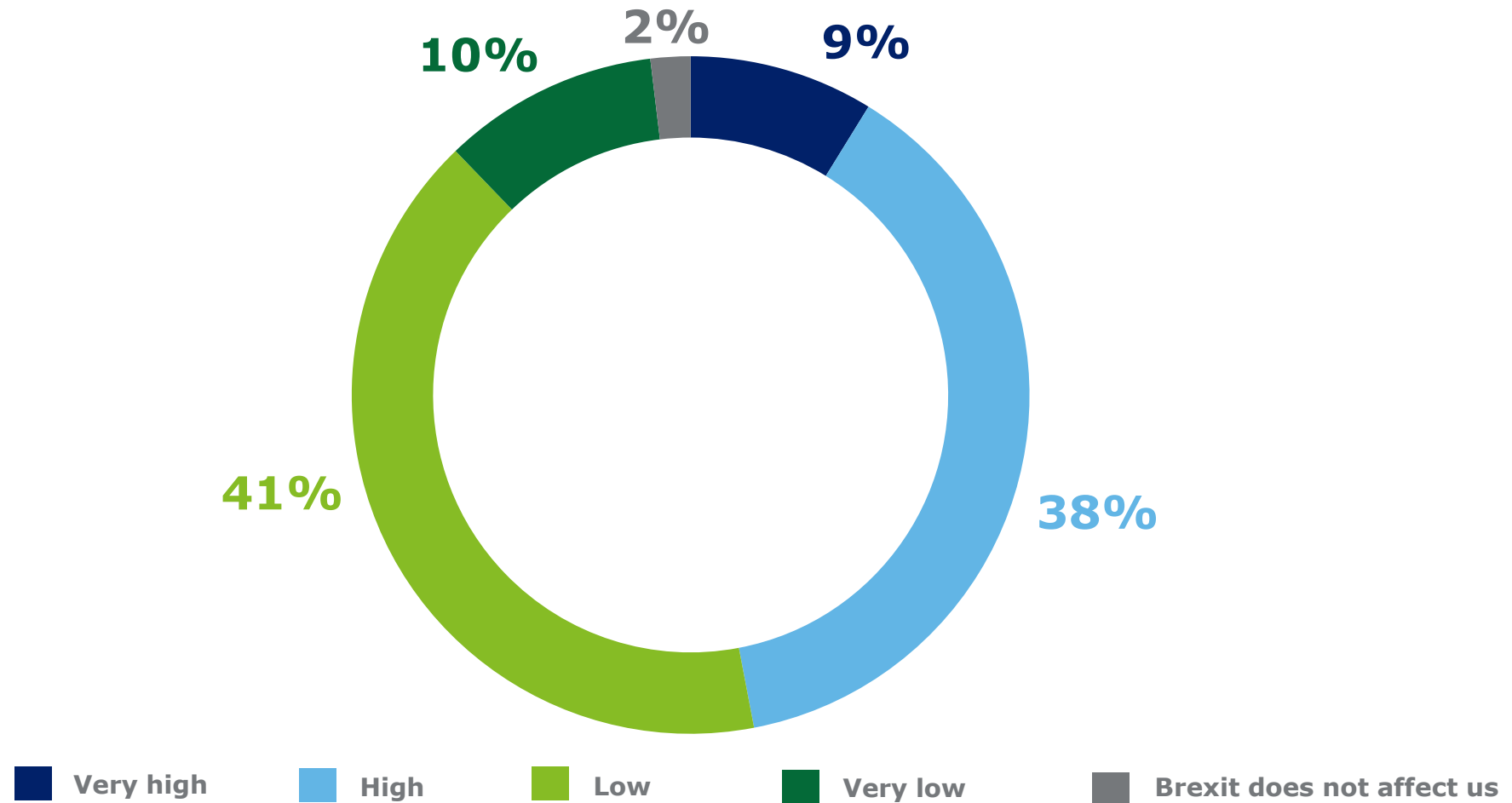
Brexit Strategies

Concern and Preparations

Brexit Strategies | Affectedness

Nearly half of the companies assess the damage caused by a possible no-deal Brexit to be very high or high

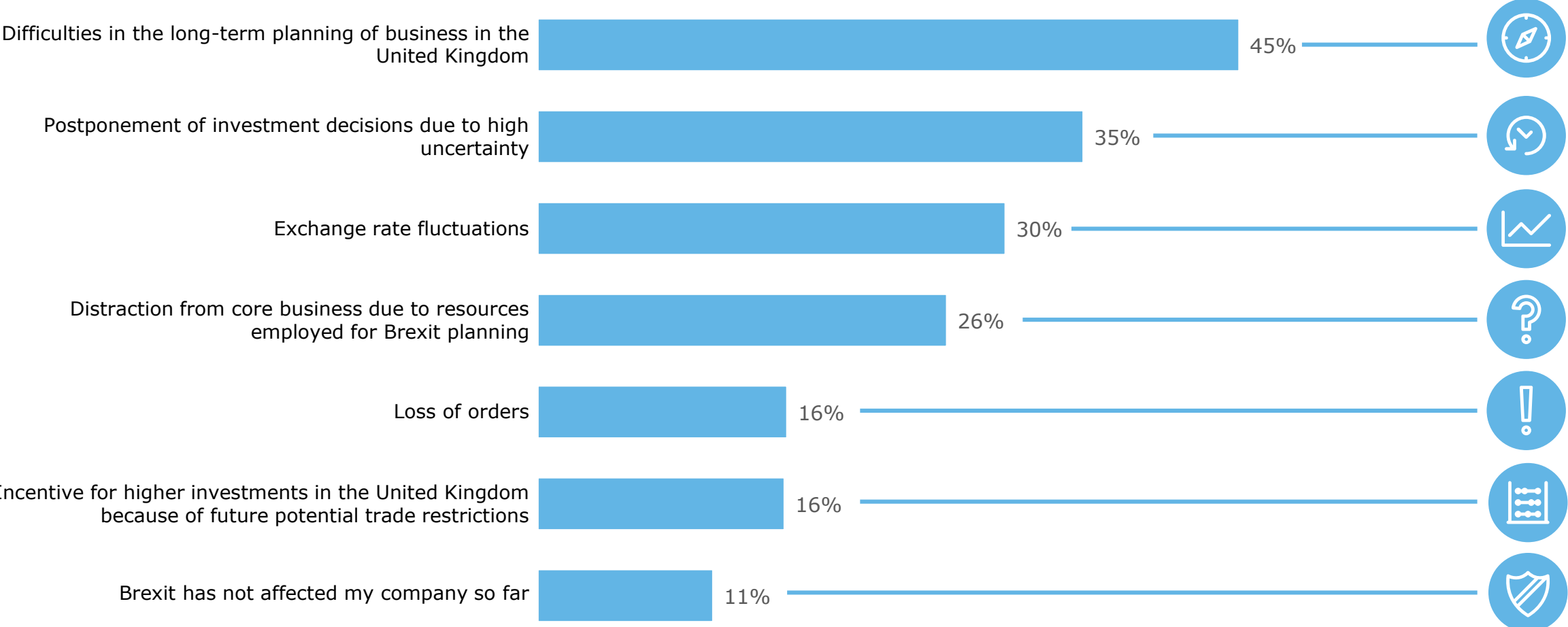
Question: What, in your view, is the future damage of a possible no-deal Brexit to your company?



Brexit Strategies | Impact to Date

The Brexit process complicates planning UK business and makes companies postpone investments







Question: In what respect has Brexit affected your company to date? (multiple answers possible)



Brexit Strategies | Impact to Date

The automotive industry in particular is suffering from planning uncertainty; the consumer goods industry is postponing investments

Question: In what respect has the Brexit affected your company to date? (multiple answers possible)

Affectedness	Industry Insights
 <p>Difficulties in the long-term planning of business in the United Kingdom</p>	<p>More than half of the companies in the automotive industry (55%) are facing difficulties in the long-term planning of their UK business.</p>
 <p>Postponement of investment decisions due to high uncertainty</p>	<p>Nearly half of the companies in the consumer goods industry (48%) have postponed decisions on investments in the UK so far.</p>
 <p>Exchange rate fluctuations</p>	<p>38% of the mechanical engineering companies are already sensing the fluctuations in the exchange rate between Pound Sterling and Euro.</p>
 <p>Distraction from core business due to resources employed for Brexit planning</p>	<p>A third of the trading companies (33%) are distracted from their core business due to the resources employed for Brexit planning.</p>
 <p>Loss of orders</p>	<p>A quarter of the companies in the automotive industry (25%) are already sensing the loss of orders.</p>
 <p>Incentive for higher investments in the United Kingdom because of future potential trade restrictions</p>	<p>Every fourth technology company (26%) has used the pre-Brexit period to increase investments in the United Kingdom.</p>

Brexit Strategies | Preparation

Most companies brace themselves selectively for Brexit; only a good third of the companies have set up their own Task Force

Question: How does your company prepare organisationally for Brexit? (multiple answers possible)



Selective analysis of Brexit implications (e.g. taxes or supply chain)

58%

37%

Setup of a central **Brexit Task Force**

47% of the automotive companies and more than half of the banks have set up a Brexit Task Force.



External consulting

26%

9%

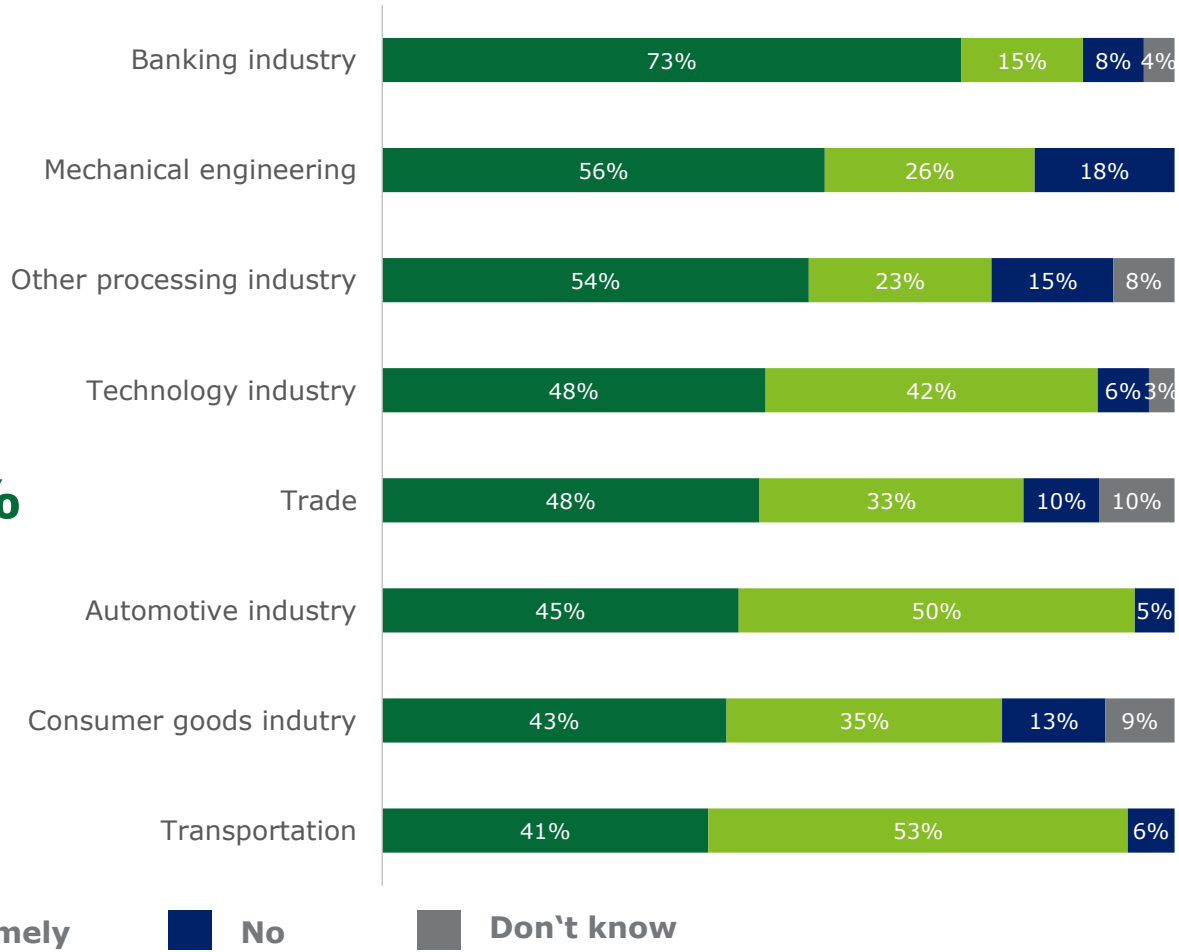
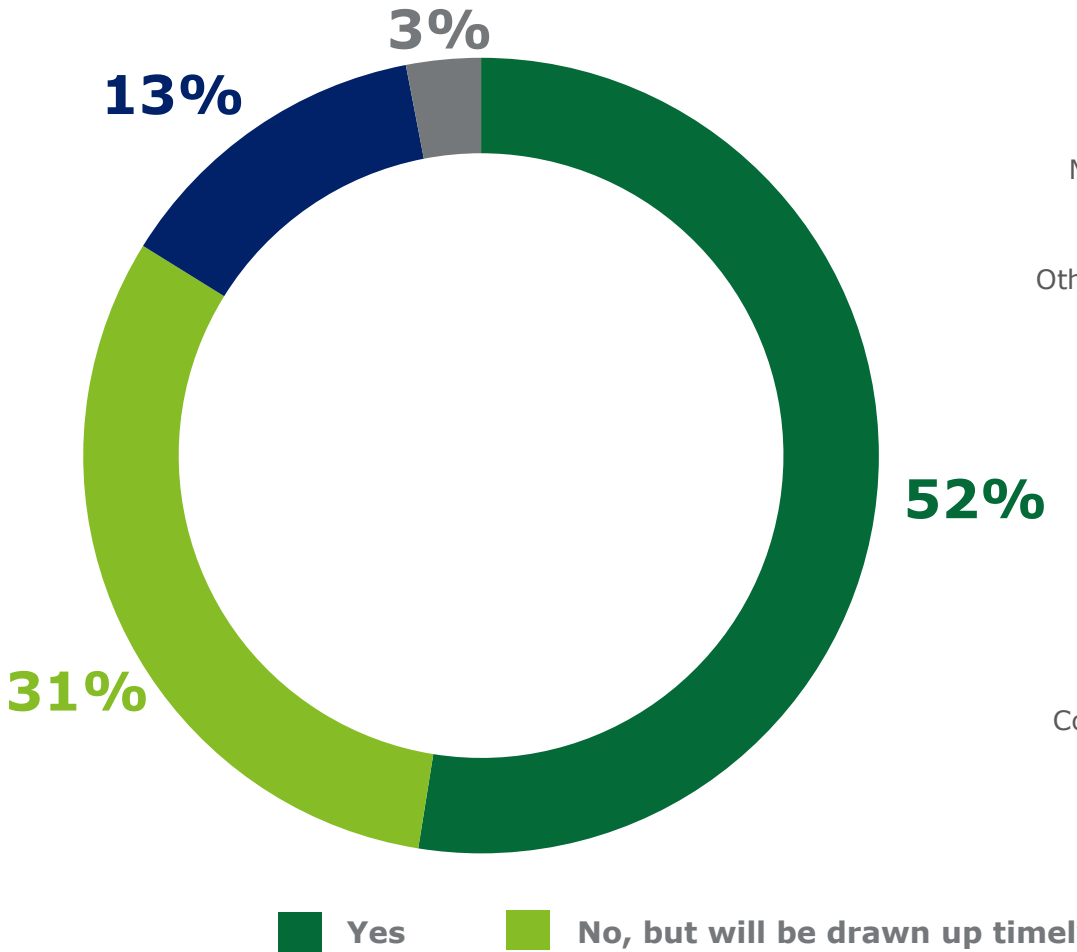
In no way



Brexit Strategies | Contingency Plans

More than half of the companies have drawn up a contingency plan in the event of a no-deal Brexit – nearly one third plan to do this in a timely manner

Question: Has your company drawn up a contingency plan in the event of a no-deal Brexit?

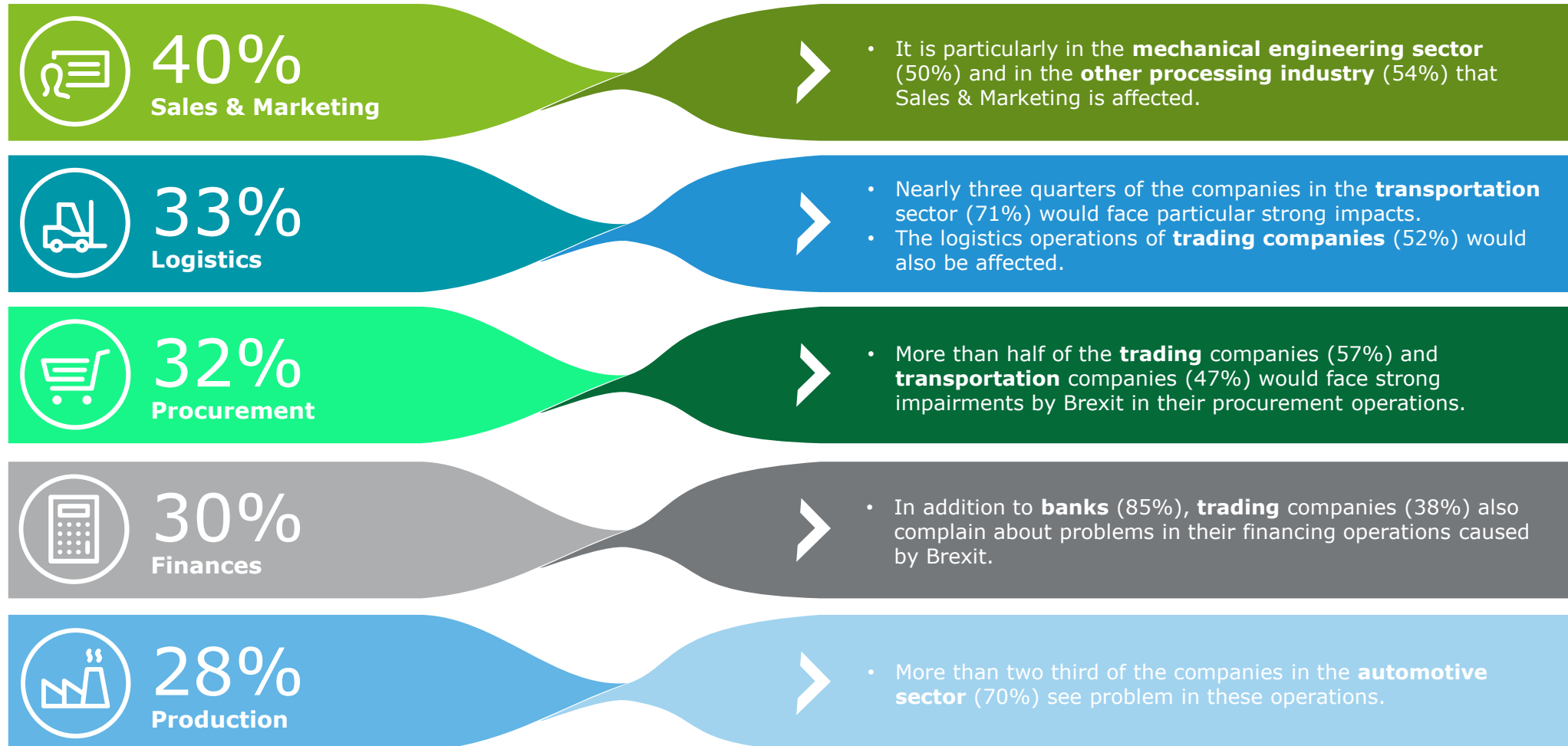


2018 Deloitte *Values might deviate from a total of 100% due to rounding

Brexit Strategies | Measures

It is particularly the operating divisions of Sales & Marketing as well as Logistics that are affected by changes due to Brexit









Question: Which divisions in your company are most affected by changes due to Brexit? Top 5



Brexit Strategies | Measures

The measures taken by companies range from contract amendments to relocation of production sites and replacement of British suppliers

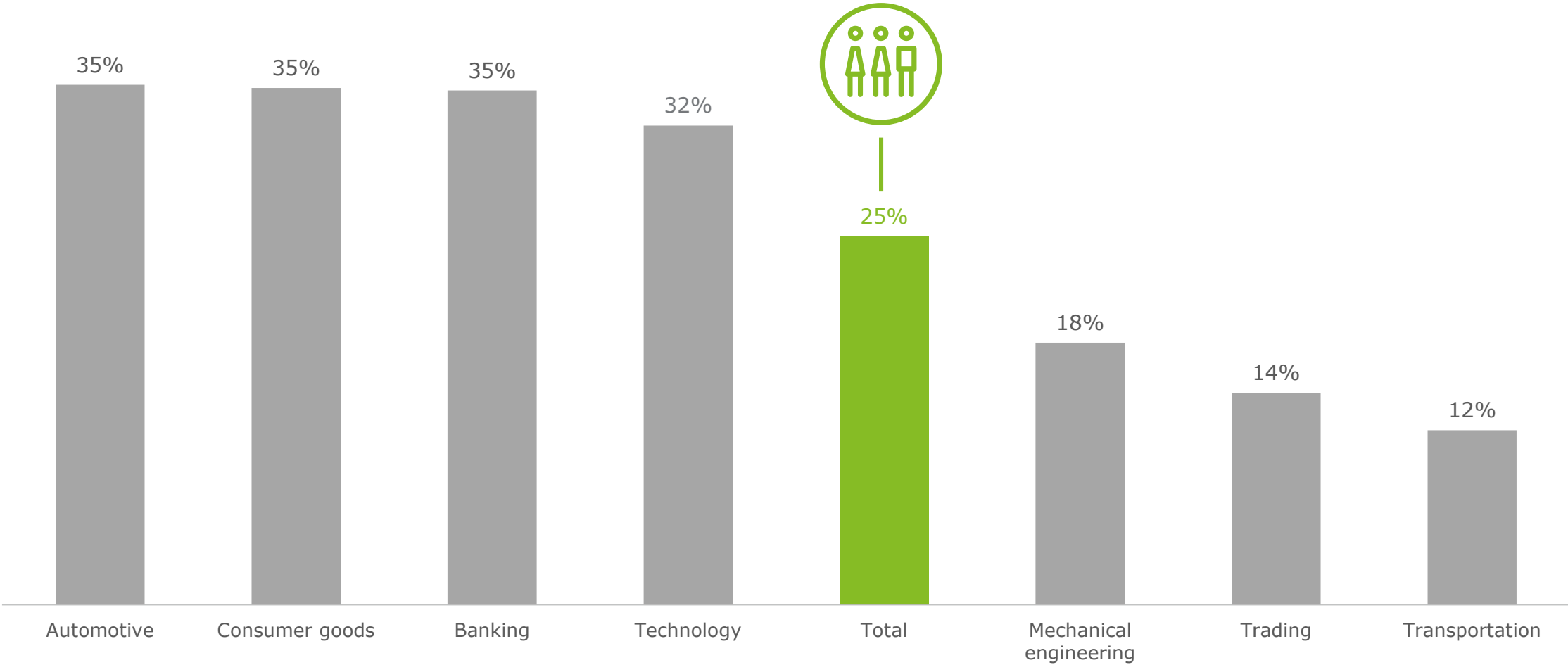
Question: Which measures have you taken so far in your company with respect to Brexit or do you plan to take soon? (multiple answers possible)

	∅	Mostly taken or planned by:
 Amendments of existing contracts / new contracts with respect to Brexit (data transfer, cost sharing, minimum notice periods, compensation claims, etc.)	33%	42% banking industry
 Analysis of alternative transport routes	31%	48% consumer goods industry
 Relocation of production sites	30%	45% automotive industry
 Increase in warehouse capacities	30%	57% trading sector
 Stop in investments in the United Kingdom	29%	39% consumer goods industry
 Replacement of British suppliers / service providers	27%	60% automotive industry
 Preparation for customs and customs controls	23%	39% other processing industry
 Verification of the work/residence permits of the British employees in Germany or of the German employees in the United Kingdom	21%	39% banking industry
 Restructuring of the corporate financing (sources of financing, exchange rate hedging, etc.)	21%	39% banking industry

Brexit Strategies | Job Cuts

Every fourth company would cut jobs in Germany in the event of a no-deal Brexit – in particular in the automotive, consumer goods, and banking sector

Question: Would a no-deal Brexit result in jobs of your company being cut in Germany?
Percentage of the yes-answers



Brexit Strategies | Opportunities & Risks

Relocations offer new business potential – The biggest risks faced are differing regulations and reduced export opportunities

Question: Which **opportunities** do you see for your company as a result of Brexit? (multiple answers possible)

Question: Which **risks** do you see for your company as a result of the Brexit? (multiple answers possible)



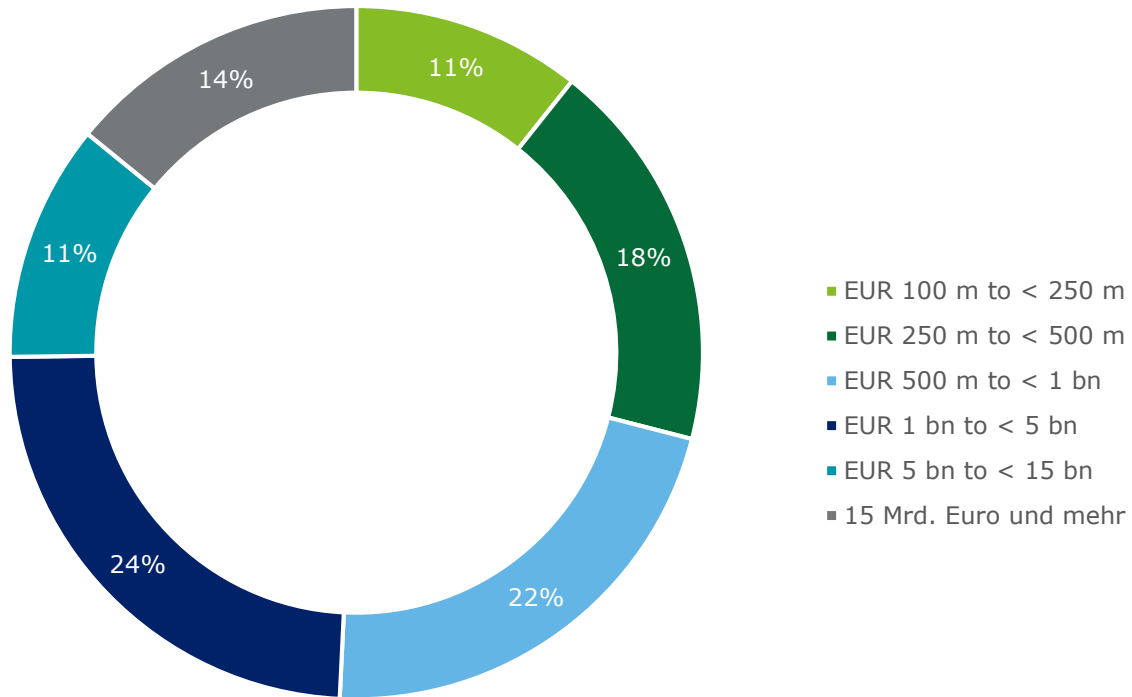


Participant Structure

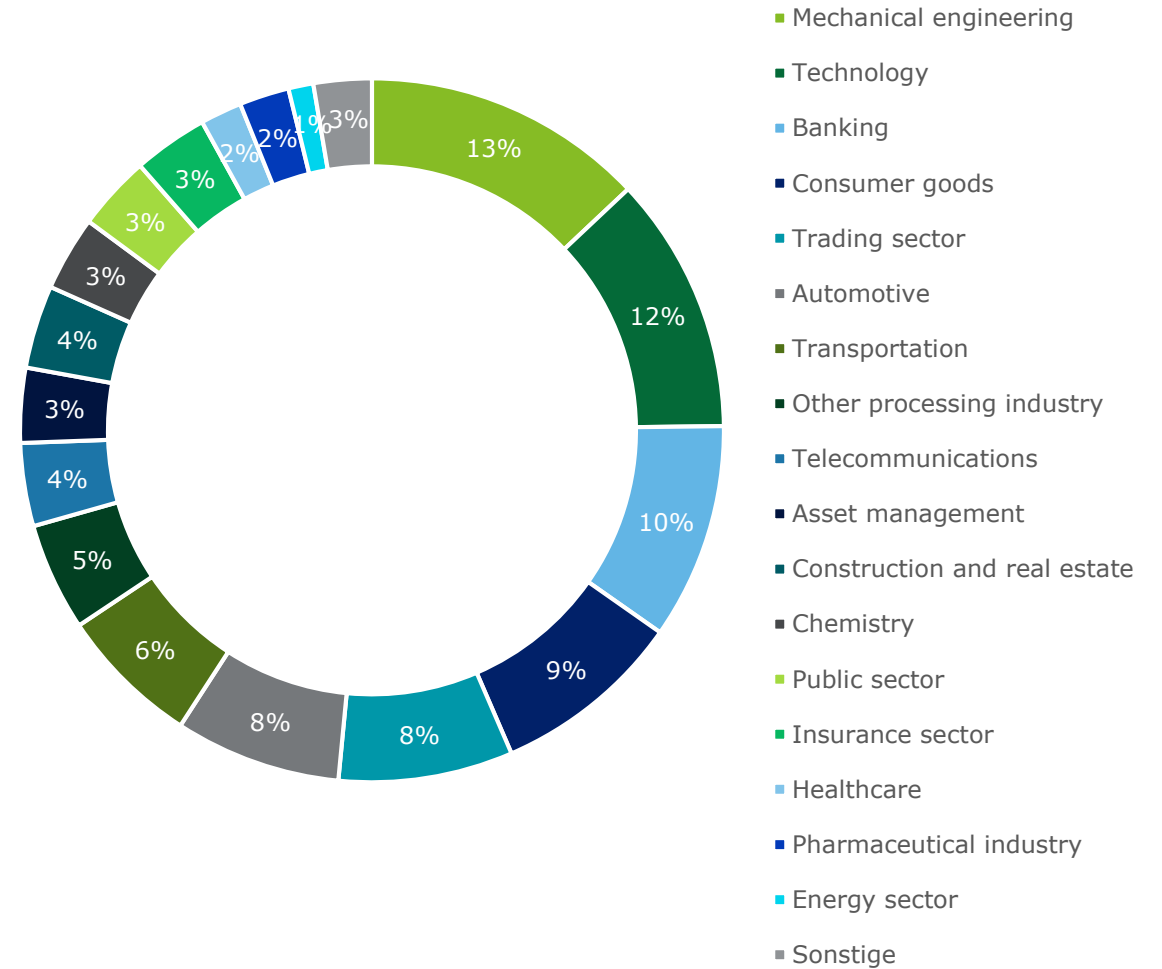
Company Size, Industry Classification,
Economic Links

Participant Structure

Company size according to turnover



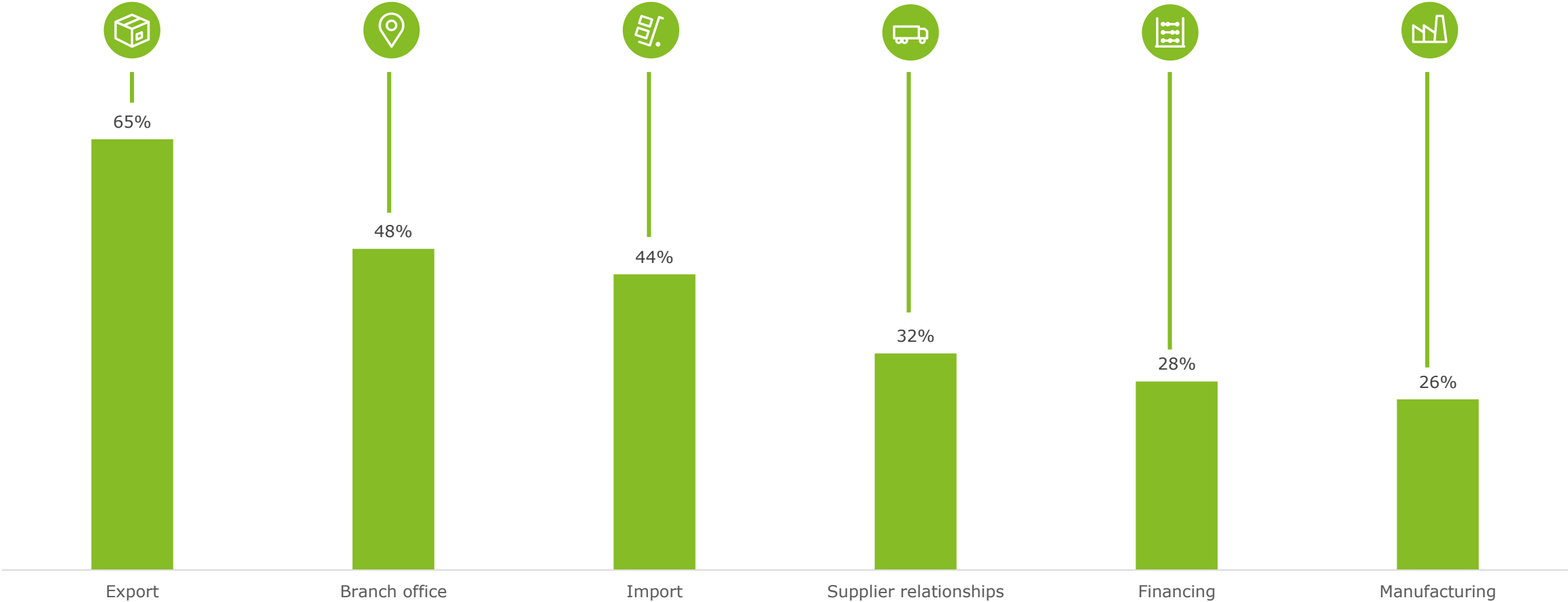
Industry classification of the companies



Participant Structure

Type of the economic links

Question: Which economic relations does your company maintain with the United Kingdom? (multiple answers possible)



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