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Footing Found?

Reality Check Of Our Strategic Advice For Chinese OEMs in Europe

Deep Dive | Munich, November 2026

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Which of our twenty-two recommendations did Chinese OEMs actually follow, and what the answer reveals about the next three years in Europe.

Nineteen months ago, we published our whitepaper "Fumbling for Footing: Why Chinese OEMs Face Barriers In The German Market And How To Overcome Them", which sparked considerable interest in the automotive and media world, resulting in coverage by Forbes, several podcasts and other international automotive outlets.

Time for an honest review: were our recommendations followed, and did following them pay off? This is our reality check, measure by measure, with the evidence.

The backdrop has changed since. Chinese brands took 4.8% of the German market in the first ten months of 2026, up from 1.1% in 2024, and 12.7% of European registrations in the third quarter of 2026, ahead of the Japanese brands for the first full quarter on record. The brands behind that growth did not adopt our recommendations evenly. They adopted a specific subset and ignored another, with instructive results.

The scorecard

We have scored each measure as published, either "Open", "In progress" or "Adopted". Verdicts reflect observable market behaviour between April 2025 and November 2026, not company statements of intent.

Measure (as publ., 04/2025)	**Verdict**	**Evidence** (04/2025 to 11/2026)
CLUSTER 1: LOCALISE		
Set up a national sales company	**Adopted**	BYD runs Germany directly from Offenbach with roughly 120 staff and a dedicated country manager, after separating from its original importer partner, and expects up to 55,000 deliveries in 2026. Xiaomi is preparing its 2027 entry with eight German dealer groups signed in September 2026. NIO moved the other way: no country chief in Germany, the market is run from Amsterdam, and the service hubs in Cologne and Weiterstadt closed at the end of September.
Conceptualise and develop vehicles close to the target market	**Adopted**	XPeng opened its first European R&D centre in Munich; Xiaomi followed with a Munich centre staffed by senior hires from German premium brands ahead of a 2027 market entry; Geely consolidated Gothenburg and Frankfurt engineering into Geely Technology Europe with the explicit aim of cutting the China to Europe launch gap to under six months; BYD

Measure (as publ., 04/2025)	**Verdict**	**Evidence** (04/2025 to 11/2026)
		relocated its European headquarters to Budapest with an intelligent driving R&D unit attached.
Produce vehicles within the EU	**In progress**	Two brands now build volume models inside the EU. XPeng has assembled at Magna Steyr in Graz since September 2025, and Leapmotor started volume production of the B10 at the Stellantis plant in Zaragoza in October 2026. The owned plants are slower. BYD's Szeged plant began trial production in January 2026 and is due to open by the end of 2026, a year late; its Turkish project is on hold, and a second European site, an existing plant in Spain or France, is to be chosen by year end. Chery plans to add Omoda and Jaecoo models in Barcelona from late 2026. Geely bought 34% of the company operating Ford's Valencia plant for €221 million, with its first model due in 2028, and SAIC is negotiating a plant in Galicia. The EU hybrid quota agreed in October exempts cars built in the EU, which raises the value of every one of these projects. Whether contract manufacturing or owned capacity proves the better call is still unresolved, as discussed below.
Use freed up dealership spaces	**Adopted**	The clearest execution of any measure. BYD went from 26 German locations in early 2025 to about 220 by July 2026 and now targets up to 300 by year end, a little below the 350 it first announced. Its 200th partner was a family owned premium multi brand group in Baden-Württemberg, precisely the halo effect partner the whitepaper described. MG has about 190 service locations, Leapmotor more than 130 through Stellantis, and XPeng targets 110 for 2026.
Set up central brand hubs in major cities	**In progress**	Right measure, wrong phase. NIO closed its Hamburg house in July 2026 and its service hubs in Cologne and Weiterstadt in September; the houses in Berlin, Frankfurt and Düsseldorf remain open, with service moving to partner workshops. The concept was not disproved. It was attempted at a moment when it could not be afforded: the Chinese auto industry's profit margin fell to 3.3% in the first nine months of 2026 and to 1.4% in September. BYD's premium brand Denza shows the format returning in a leaner, retail anchored form, with a store in Hamburg and established dealer groups as partners. Expect the full hub concept to come back when margin allows.
Plan your expansion strategy wisely	**Adopted**	Site selection has become overtly political. Poland, which voted for the tariffs, lost Leapmotor production at Tychy; Spain, which abstained, now hosts Leapmotor in Zaragoza, Chery in Barcelona and Geely in Valencia, and is on BYD's shortlist of two for its second plant. Chinese groups are reading the Council voting record as an investment map.

Measure (as publ., 04/2025)	Verdict	Evidence (04/2025 to 11/2026)
CLUSTER 2: COMMUNICATE AND COLLABORATE		
Progress to strategic communication management	**Adopted**	Measured by outcome rather than activity, this has worked with private buyers. European openness to buying a Chinese brand rose from 43% in late 2023 to 55% in early 2026, and outright rejection fell from 46% to 21%. In Germany, interest stands at 46%, and in a September 2026 survey BYD ranked fifth among the brands that Germans planning an electric car purchase would consider. Fleet buyers are the exception: 60% of German fleet managers say Chinese electric cars are not an option for them, up from 54% a year earlier.
Engage with social media influencers and testimonials	**Adopted**	A coordinated sponsorship wave. BYD became Official Automotive Partner of Paris Saint-Germain in July 2026 through to 2029, its third top European club after Manchester City and Inter. MG holds Arsenal and Olympique Lyonnais; Chery signed AFC Bournemouth through 2028/29. Since the summer, GAC has become Chelsea's official automotive partner and Great Wall has taken over the sponsorship of Spain's top basketball league from Toyota through 2029. XPeng ran its first German brand campaign, "Zero Gravity", and became premium and mobility partner of 1. FSV Mainz 05. Two distinct strategies remain visible: BYD buying reach, XPeng buying credibility.
Highlight your products' superiority	**Adopted**	Technology leadership is now the primary message rather than price. BYD's 1.5 MW flash charging, XPeng's driver assistance positioning and the migration of Chinese ADAS stacks into European vehicles have replaced "cheap and well equipped" as the headline claim.
Live customer centricity	**In progress**	The infrastructure is being laid; the quality of interaction is unproven. BYD is expanding its German parts warehouse from 3,000 to 7,500 square metres and reports about 95% parts availability with delivery in roughly a day; Leapmotor reports 96% within 48 hours through the Stellantis system; MG quotes an average of 4.3 days from order to dealer. All of these are the manufacturers' own figures. What remains untested is the layer the whitepaper actually described: hotline availability and responsiveness, workshop throughput and the quality of digital service touchpoints. Buyers have noticed: in two autumn 2026 surveys, fleet decision makers named the service and workshop network as the main reason not to choose a Chinese brand.
Emphasise B2B sales	**Adopted**	Enacted in July 2026, with effects that will only appear in 2027 registration data. BYD launched a nationwide taxi and private hire offensive built on the Seal 6 DM-i Touring at under €30,000, with four specialist conversion partners and roughly 100 pre converted vehicles in stock. It registered only 10 taxis in the first half of 2026 and targets 500 by year end

Measure (as publ., 04/2025)	Verdict	Evidence (04/2025 to 11/2026)
		and a four digit number in 2027. Mercedes-Benz, whose retreat from factory built taxis opened the gap, has responded with discounts of 24% on the E-Class. In the wider fleet market, MG and BYD ranked 15th and 19th in September 2026, with volumes concentrated at car subscription providers. Chinese brands held about 1.4% of the German fleet market in early 2026, a figure that reflects decisions taken before these measures existed.
Cooperate widely	**Adopted**	Partnership has gone further than we anticipated. Stellantis builds the Leapmotor B10 in Zaragoza, is co developing an Opel model on a Chinese platform for 2028 and plans to transfer its Madrid Villaverde plant to the joint venture. XPeng is on its fourth Magna programme. Geely and Ford are turning the Valencia plant into a contract manufacturing joint venture, Chery and Nissan have signed a memorandum of understanding on Sunderland, and Xiaomi has signed eight German dealer groups ahead of its 2027 launch. BYD uses an established European bank as its financing partner. One correction: reports of BYD talks over Volkswagen's Dresden plant, which we cited in August, were rejected by Volkswagen and have not been substantiated.
Engage with German, European and Chinese regulatory bodies	**Adopted**	The single highest return measure of the period, now at state level as well. Minimum price negotiations opened in April 2025 and produced a Commission guidance document in January 2026 setting out how price undertakings can replace countervailing duties. The first undertaking, accepted in February 2026, went to Volkswagen's Chinese joint venture for the Cupra Tavascan; no undertaking for a Chinese brand has been reported since. In October 2026, Brussels and Beijing agreed to cap imports of Chinese built hybrids at 350,000 a year for four years. The countervailing duties on plug in hybrids that were being prepared in June have not been imposed. A quota is a harder limit than a duty, but it was negotiated rather than imposed, and it leaves cars built in the EU untouched.
Acquire the rights to a European brand	**Open**	Nobody repeated the MG playbook. The acquisition target shifted from brands to plants: Chery revived the dormant Spanish Ebro marque around a former Nissan site, Geely bought into Ford's Valencia operation, and BYD is looking for an existing plant in Spain or France. Rumours of a Chinese bid for Maserati have circulated for months without confirmation. Buying industrial legitimacy has replaced buying brand equity.

Measure (as publ., 04/2025)	Verdict	Evidence (04/2025 to 11/2026)
CLUSTER 3: UPDATE YOUR FINANCIAL STRATEGY		
Price aggressively to win over German consumers	**Adopted**	Executed, and now being regulated away. Leapmotor launched in Germany at €49 per month; the BYD Dolphin Surf lands below €13,000 once the German purchase incentive reintroduced in January 2026 and manufacturer discounts are applied; BYD's taxi offer carries a 37% discount. But the room to compete on price is narrowing from three sides: minimum price undertakings on battery electric cars, a volume quota on imported hybrids from December 2026, and a Franco-German agreement to reserve public purchase support from 2028 for cars assembled in Europe with at least 70% local value.
Adopt vertical integration to maximise cost savings	**Adopted**	Extended into Europe, with one notable retreat. BYD pairs its second generation battery chemistry with proprietary megawatt charging hardware and in house silicon, and CATL started trial cell production at its Debrecen plant in September 2026. But BYD has reportedly dropped cell production at Szeged: cells will come from China and be assembled into packs in Hungary, with a European battery factory planned only for the long term. Under the proposed EU content rules, the cell is the most expensive component to leave abroad.
Invest in financial services for revenue and brand building	**In progress**	Adopted in form but not in substance, and this is where the residual value problem sits. Average residual values of Chinese BEVs and plug in hybrids in Germany fell from 61% in early 2024 to 47.2% in April 2026, the latest published figure, a 14 point decline against about 7 points for the market, with some leasing companies requiring compensation before taking these vehicles onto their books. BYD works with an established European automotive bank rather than a captive. That buys speed, and outsources the balance sheet function that would let a manufacturer underwrite, and defend, its own residual values. A first sign of change: BYD's premium brand Denza is reported to be considering its own European financing arm from 2027.
CLUSTER 4: THINK BIG		
Define an ecosystem standard in Europe	**Open**	Charging is being deliberately built as a brand asset rather than a utility, and Xiaomi's 2027 entry will be the first genuine test of a device to vehicle ecosystem in Europe; it showed its "Human x Car x Home" concept at IFA Berlin in September 2026. No Chinese OEM has yet defined a standard others follow, which means the position is still available to whoever moves first.
Think after sales hardware	**Open**	No modular upgrade or accessory programme of consequence has appeared in Europe. European aftermarket

Measure (as publ., 04/2025)	Verdict	Evidence (04/2025 to 11/2026)
		suppliers have meanwhile expanded their ranges to cover Chinese models, so the value the whitepaper identified is being captured, just not by the manufacturers. As the first large cohorts of Chinese vehicles reach three and four years old, this becomes both a revenue pool and a residual value lever. It is the most under exploited measure on the list.
Roll out desirable software over the air	In progress	The capability shipped; the willingness to pay is arriving more slowly than we projected. Consumers in Germany, the UK and the US remain markedly less willing to pay for over the air updates than those in China and India. We read that as a timing miss rather than a wrong direction: as incumbents such as BMW and Audi progressively introduce paid over the air features alongside the Chinese entrants, paid in car software will normalise. The market is coming, later than we said.
Invest in infrastructure	Adopted	BYD has committed around €2 billion to European charging, targeting 3,000 stations by 2027 at roughly €580,000 each. Delivery has barely started: the first European flash charging station opened in Germany in June 2026, 300 sites are planned for Germany and 300 chargers for the UK within twelve months, beginning at dealerships. The network uses CCS2. The binding constraint is municipal permitting, not capital.
Update your portfolio	Adopted	The highest return move of the entire period, and one we ranked too low. Plug in hybrids rose from 18% of Chinese brands' European mix in April 2025 to 34% in August 2026, and every third plug in hybrid registered in Europe is now Chinese. In Germany, 61% of BYD's registrations in the first ten months of 2026 were plug in hybrids. Range extenders have arrived in Europe. The success has drawn its own limit: from December 2026 the EU intends to cap imports of Chinese built hybrids at 350,000 a year, less than half the roughly 800,000 expected for 2026.

EXHIBIT 1

Recommendations adopted, in progress and open

Of the twenty-two measures, fourteen have been adopted, five are in progress and three remain open



Source: automodicted assessment of the public record, April 2025 to November 2026.

Putting our own hypothesis to the test

A scorecard invites an obvious question: did any of this actually matter? To answer it with more than anecdotes, we ran a simple test against the official registration data. We scored each of the ten Chinese brands present in the German market on the measures from our whitepaper that are externally observable, like a national sales company, dealer network, local R&D, EU production, partnership, sponsorship, B2B programme, regulatory engagement, electrified portfolio breadth, and penetration pricing. We awarded zero, half or full credit per measure. We then compared those adoption scores against each brand's registration development in Germany from 2024 through October 2026, as reported by the Kraftfahrt-Bundesamt.

The result exceeded our expectations, and it has held. On ten months of 2026 data, the rank correlation between adoption score and registration growth is 0.83, against 0.82 in a first check on first half data in August, with the adoption scores left unchanged. It is robust: remove any single brand from the sample, including BYD, and the correlation stays between 0.77 and 0.92.

The bottom of the table is a perfect march: the four lowest scoring brands occupy the four lowest growth ranks in exact order, and every brand scoring below five out of ten shrank while every brand at five or above grew. The deviations are instructive. Leapmotor grew faster than its own score would predict, but it effectively rents the missing measures from Stellantis: a dealer network, a German organisation, regulatory cover and, since October, a European production line, which is our "cooperate widely" recommendation doing the work of five others. MG, conversely, scores high but grew less than its score suggests. It started from by far the largest base and carries the heaviest tariff exposure in the field.

We want to state the limits plainly. Ten brands is a small sample. Correlation is not causation, and the two share an obvious common cause: a manufacturer with capital and genuine commitment to the German market will both adopt more of these measures and sell more cars, and no dataset of this size can fully separate the two. Other factors matter as well, such as the freshness of a model line up against an ageing one, product market fit in specific segments, sheer timing of launches, and the individual weight of tariff exposure. All of these move registrations in ways a ten point adoption score cannot capture. And the scoring itself, though anchored to the public record and fixed before we opened the registration data, involves judgement calls a sceptic could reasonably shade.

And yet: a 0.83 rank correlation that survives every robustness check we could throw at it, and a second look three months later, is not something we are prepared to shrug off as coincidence. We take genuine pride in this result. Whether the measures caused the growth or simply describe, with unusual precision, what serious commitment to this market looks like in operational terms, either reading validates the framework. Nineteen months ago we wrote down what winning in Germany would require. The brands that did those things are winning, in almost exactly the order in which they did them.

EXHIBIT 2

Adoption of our measures versus registration growth, ten brands

BRAND	ADOPTION SCORE /10	SCORE RANK	GROWTH RANK	REGISTR. 2024	REGISTR. JAN-OCT 2026	TREND
BYD	10.0	1	3	2,891	47,961	▲ grew
MG	8.5	2	5	20,977	31,503	▲ grew
XPENG	8.0	3	2	393	8,403	▲ grew
LEAPMOTOR	7.0	4	1	178	19,705	▲ grew
POLESTAR	5.5	5	6	3,181	4,097	▲ grew
LYNK & CO	5.0	6	4	68	1,101	▲ grew
SMART	4.5	7	7	12,463	7,403	▼ shrank
GWM	2.5	8	8	3,002	1,389	▼ shrank
NIO	1.0	9	9	398	20	▼ shrank
AIWAYS	0.0	10	10	27	0	✕ exited

Rank correlation 0.83. Every brand scoring five or more grew. Every brand below five shrank.

The four lowest scoring brands hold the four lowest growth ranks, in exact order.

Source: Kraftfahrt-Bundesamt, new passenger car registrations, full year 2024 versus January to October 2026 (annualised, log ratio); adoption scored 0, 0.5 or 1 per externally observable measure from the public record, prior to opening registration data, and left unchanged since August 2026. Spearman rank correlation, n = 10.

We did not predict the winners. We described what winning would require.

Five things the scorecard tells us

5. Payback horizon, not glamour, decided what got done

Sort the measures by how quickly they return cash and the pattern is immediate. Everything with a short payback was executed: dealer contracts, a plug in hybrid range, sponsorship that buys awareness in a season, regulatory engagement that converts a tariff line into a negotiable commitment. Everything with a long payback was deferred: city centre brand hubs, ecosystem definition, after sales hardware, paid software.

That is not a failure of imagination. It is what cost discipline looks like. With the Chinese auto industry's profit margin at 3.3% for the first nine months of 2026, and at 1.4% in September, the lowest monthly figure in nearly four years, capital is being allocated to whatever shortens the distance to a registration. The long payback measures were not rejected, but merely postponed.

Which means the scorecard is better read as a sequence than a verdict. The measures still open are not the ones that failed, they are the ones whose moment has not yet arrived.

2. The measures work as a system, and sequence matters

NIO executed our brand hub recommendation more faithfully than any other manufacturer. The NIO Houses were exactly what the whitepaper described: cafés, member lounges, co working space, community programming, in prime city centre locations. By any design standard they were the reference case, and the people who built them did so with real conviction.

They were also built ahead of the things that make them pay. A destination showroom converts when there is a service network behind it, a portfolio being refreshed, a fleet proposition and a residual value a customer can borrow against. NIO has since closed its Hamburg house and two service hubs, and runs the market from Amsterdam.

We would not now say the hub was the wrong measure. We would say it was the right measure taken out of order.

BYD, by contrast, executed roughly ten measures in parallel: sales company, dealer network, portfolio, pricing, infrastructure, vertical integration, regulatory engagement, local production, local R&D, partnership and now a dedicated commercial fleet offensive. Its German registrations rose from 2,891 in 2024 to 47,961 in the first ten months of 2026. The lesson is not that hubs are bad and dealers are good. It is that these measures reinforce one another, and a single measure carried alone bears a weight it was never designed to bear.

3. Renting bought speed. Whether speed was the right purchase is unresolved

We recommended local production and noted that contract manufacturing and brownfield acquisition were alternatives to a greenfield plant. On the evidence of the last nineteen months, the alternatives are the only routes that have hit their dates. XPeng has been building cars in Europe since September 2025 through Magna Steyr, and is on its fourth programme there. Leapmotor went into volume production on a Stellantis line in Zaragoza in October 2026. BYD's own plant in Hungary has slipped by roughly a year and has yet to start series production. Chery's Barcelona venture has slipped three times.

The obvious conclusion, that renting beats building, is one we would resist drawing this early.

Speed and timing are not the same thing. A contracted line delivers volume when the contract says so; an owned plant delivers volume when the manufacturer decides it should. If European demand for these brands develops more slowly than the announced capacity implies, being early with a large fixed cost footprint is not an advantage but an exposure. Roughly 2.5 million units of announced Chinese nameplate capacity is a substantial bet on a demand curve nobody has seen yet, in a market where European plants already run near 55% utilisation against a break even closer to 80%.

The manufacturer that arrives second with owned capacity, matched to demand it can actually digest, may well end up in the better position than the one that arrived first on someone else's line. We will not know for several years. Anyone declaring the question settled today is guessing.

What is already clear is the corollary for the European side: idle European capacity has become a strategic asset with real bidders, and the terms on which it changes hands are being set now. Geely's €221 million for a third of Ford's Valencia operation is the first published price.

4. The fleet measures are in place. The residual will decide whether they convert

Two thirds of German new car registrations are business to business, and until July 2026 the honest assessment was that Chinese brands had not seriously attacked the channel. That

changed. BYD's taxi and private hire offensive is a properly constructed commercial programme: an anchor product in the Seal 6 DM-I Touring, four specialist conversion partners covering the country, and roughly a hundred pre converted vehicles in stock for immediate delivery, moving into the space Mercedes-Benz vacated when it stopped supplying factory built taxis. BYD targets 500 taxis by the end of 2026 and a four digit number in 2027; Mercedes-Benz has already answered with discounts.

The 1.4% share of the relevant German fleet market that Chinese brands held in early 2026 tells you little about that programme. It reflects car policy decisions taken before it existed. The first read out is mixed: MG and BYD reached 15th and 19th place in the September 2026 fleet ranking, yet 60% of fleet managers now say Chinese electric cars are not an option for them, up from 54% a year earlier. The fuller read out arrives in the 2027 registration data.

What will govern that read out is not the offer. It is the residual value. Average residuals for Chinese battery electric and plug in hybrid models in Germany fell from 61% in early 2024 to 47.2% in April 2026, the latest published figure, a 14 point decline against about 7 points for the market. Some leasing companies now require compensation before taking these vehicles onto their books. A residual value is the price the market puts on a doubt, and nearly half of German consumers doubt that many of these brands will still exist in five years.

This is a balance sheet problem, not a marketing one, making the decision to outsource captive finance the consequential one. A manufacturer with its own bank can underwrite its residuals, absorb the early depreciation and buy the time for trust to build. A manufacturer renting someone else's balance sheet is a price taker on the single number that governs its access to two thirds of the market.

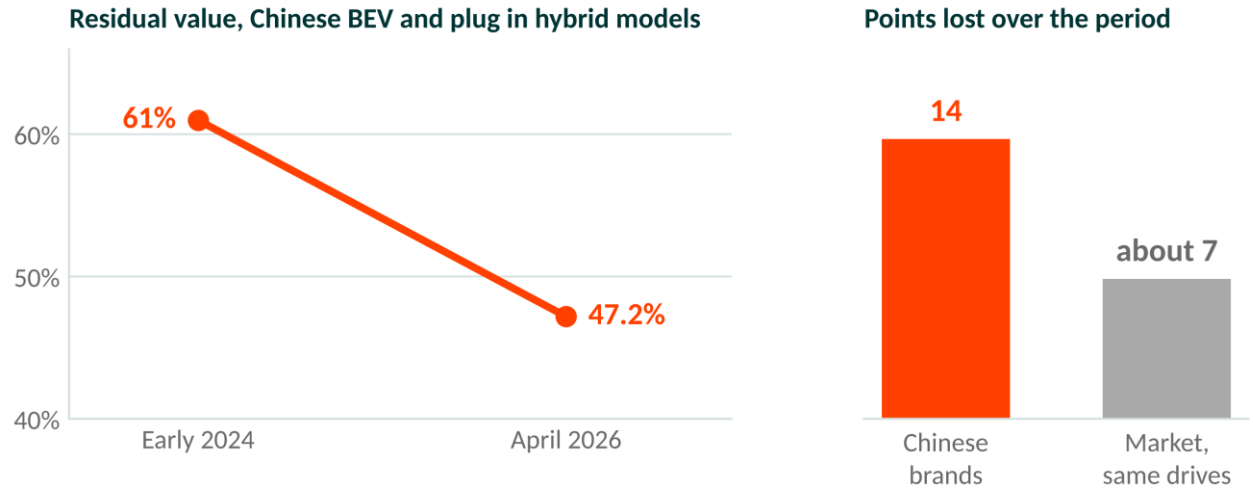
5. Regulatory engagement returned more than any commercial measure

Of everything on the list, the highest return activity was talking to Brussels. Minimum price negotiations that opened in April 2025 produced, in January 2026, a Commission framework under which a manufacturer can convert its countervailing duty into a minimum import price, a volume cap and a set of EU investment milestones. A duty of up to 35.3% became, in effect, a negotiable commitment. In October 2026 the same logic was applied one level up: Brussels and Beijing settled the plug in hybrid question with a negotiated import quota rather than new duties.

The irony is worth stating plainly: the first price undertaking the Commission accepted, in February 2026, was not from a Chinese manufacturer. It was from Volkswagen's Chinese joint venture, for a Cupra built in Anhui. The tariff wall built to protect European industry was first climbed by European industry.

EXHIBIT 3

The residual value gap: the number that gates the fleet channel



Source: Deutsche Automobil Treuhand (DAT), April 2026; three year residual values, Germany.

What we got wrong

Of course, not all our assumptions were correct. Three things have moved differently from how we expected:

- **We under weighted the portfolio.** We framed "update your portfolio" largely as a hybrid opportunity. However, it turned out to be the single most valuable move available. Plug in hybrids went from 18% to 34% of Chinese brands' European mix in twelve months while their battery electric share stayed flat. That one decision did more to defend margin than any localisation programme, and it did so immediately.

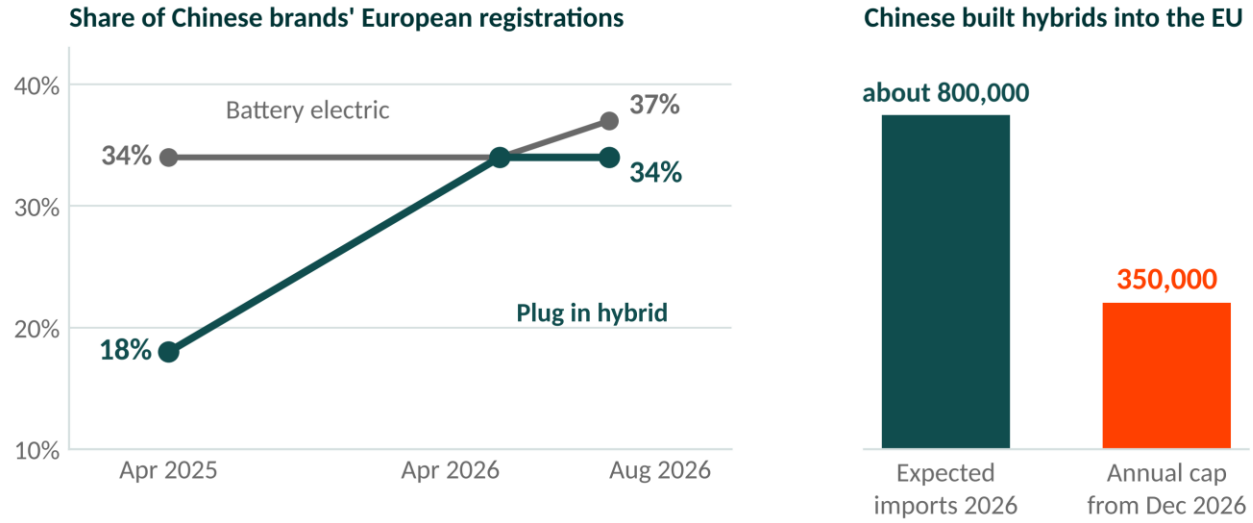
- **We expected willingness to pay for software to develop faster.** We projected a large in car software market and a European appetite for subscription features. The capability arrived on schedule; the payment behaviour did not. German, British and American consumers remain markedly less willing to pay for over the air updates than Chinese or Indian ones. We would now describe this as a timing error rather than a directional one: as BMW, Audi and the other incumbents progressively put paid features and functions on demand into the market alongside the Chinese entrants, paid in car software becomes normal rather than contentious. The pool forms, but later than we said it would.

- **We were too pessimistic on consumer perception.** We described entrenched cultural bias and cited 45% of respondents regarding Chinese brands as low quality. Openness across Europe has risen from 43% to 55% in barely two years, outright rejection has fallen from 46% to 21%, and German interest sits at 46%. The brand barrier partly eroded in twenty-four months. Price, product and visibility moved sentiment faster than any communication strategy could have.

The correction that matters most is the third one, because it changes the shape of the competitive problem. If perception is no longer the barrier, the barrier is operational: service networks, spare parts, residual values, fleet economics. Those are slower to fix than an advertising campaign, and they cannot be bought with a price cut.

EXHIBIT 4

The plug in hybrid pivot: the move we ranked too low



Source: Dataforce and JATO Dynamics as reported by Automotive News; European Commission figures as reported by Bloomberg, October 2026. Left: share of Chinese brands' European registrations by powertrain.

Meanwhile, the goalposts have moved

The whitepaper assumed a policy environment in which localisation was a tariff avoidance tactic. That assumption has expired. Four changes since April 2025 redefine the game.

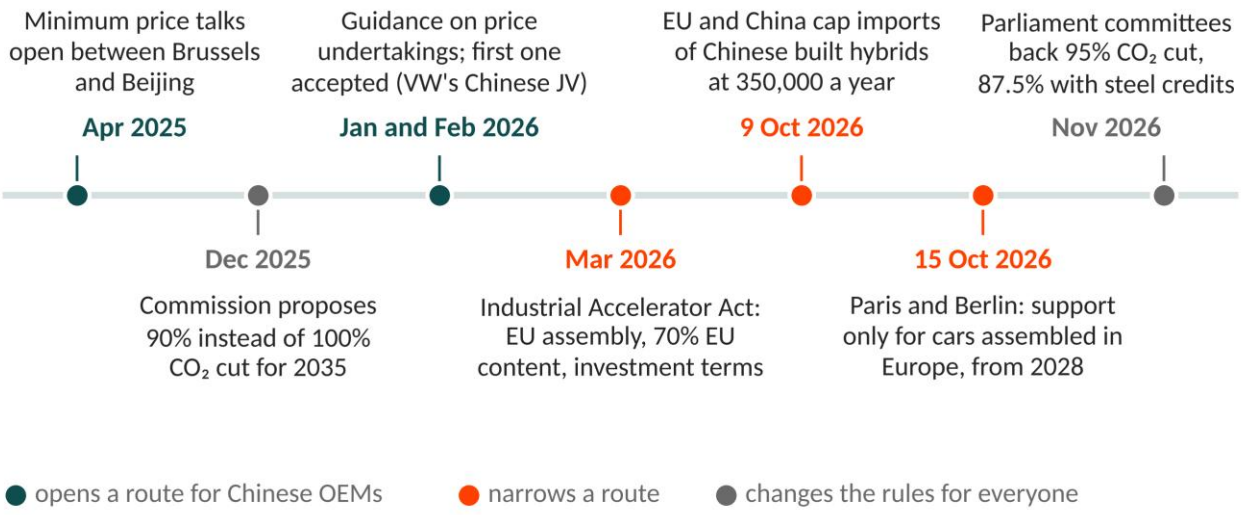
- **Localisation is becoming a licence, not a shortcut.** The Industrial Accelerator Act proposed in March 2026 would open public procurement and publicly supported purchase channels only to vehicles assembled in the EU with at least 70% EU content excluding the battery. It also attaches conditions to investments above €100 million from countries holding more than 40% of global capacity, in practice China: a 49% ownership cap, a joint venture with an EU entity, IP licensing, R&D spending in the EU and a workforce at least half European. In October 2026, Germany and France agreed to press the same test for cars from 2028. Parliament's committees are due to vote on 1 December 2026, with more than 5,000 amendments tabled. Screwdriver assembly will not qualify.
- **The hybrid window is closing.** On 9 October 2026 the EU and China agreed to cap imports of Chinese built hybrids and plug in hybrids at 350,000 units a year from as early as 1 December 2026, rising 6% a year, for four years. The Commission expected around 800,000 such imports in 2026. The countervailing duties on plug in hybrids that were being prepared in June have not been imposed, and the legal text of the quota is still outstanding. Cars built inside the EU are exempt. The manoeuvre that carried Chinese volume through 2025 and 2026 now has an expiry date, and the exemption turns local production from an option into the only route to growth in this segment.
- **Price is being converted into a compliance variable.** Between minimum price undertakings, an import quota on hybrids and content linked purchase incentives, the ability to simply undercut is being

legislated out of the toolkit. Penetration pricing worked. It will not work the same way again.

› **The 2035 CO_2 anchor has softened.** The Commission proposed in December 2025 to replace the 100% CO_2 reduction requirement for 2035 with 90%. In November 2026, Parliament's lead committees backed 95%, falling to 87.5% with credits for low carbon European steel, ahead of a plenary vote in December; the member states are still divided. We listed Europe's resolute commitment to electrification as a tailwind for Chinese OEMs. It is still a tailwind, but different. It favours manufacturers with broad powertrain portfolios, which, ironically, several Chinese groups now have and several European ones do not.

EXHIBIT 5

Nineteen months of moving goalposts



Source: European Commission proposals of 16 December 2025 and 4 March 2026; DG Trade guidance of 12 January 2026 and undertaking decision of 10 February 2026; EU and Chinese statements of 9 October 2026; Franco-German agreement of 15 October 2026; European Parliament committee votes of 22 October and 4 November 2026.

The agenda from here

The original whitepaper argued that success would rest on three pillars: perseverance, flexibility and precision. Nineteen months on, that framing has held. What follows is the agenda those pillars imply now.

Finish what has been started

Most of the executed measures are part built, and the value sits in the completion rather than the announcement.

› **Activate the network, do not just sign it.** Signed dealer contracts are not operating sites. BYD's partnerships are being switched on progressively toward a target of up to 300 by the end of 2026. A signed contract generates no service capacity, and service capacity is what converts a first time buyer into a second time buyer. Fleet

managers say as much: the service network is their first reason to stay away.

- **Convert the fleet offensive into car policy entries.** Taxi and private hire is the right beachhead: high mileage, visible on the street, decided on total cost rather than brand heritage. But the prize beyond it is the user chooser company car, and that requires being written into car policies, which means residual guarantees, service level commitments and remarketing arrangements, not discounts.
- **Treat permitting as the charging constraint.** A €2 billion commitment does not become a network until municipalities grant approvals. At the end of July 2026, one flash charging station was live in Germany against a target of 300. The manufacturers that build local permitting capability, or partner with those who already have it, will get their sites live; the others will hold press releases.
- **Deepen content, not just assembly.** Under the proposed content thresholds, a plant that imports most of its value from China buys very little. Supplier localisation is the next phase of the localisation measure, and it is considerably harder than site selection. The battery cell is where it starts.
- **Bring the hybrids onshore.** From December 2026, imported hybrid volume is capped at less than half of this year's run rate, while every hybrid built inside the EU sits outside the cap. Model allocation to European plants, not pricing, now decides how much of the 2026 volume can be defended in 2027.

Take up what has been deferred

The measures still open are, on our reading, the ones with the highest remaining return, precisely because nobody has taken them.

- **Build the captive.** This is the single highest value unexecuted measure. A manufacturer with its own bank can underwrite its residual values, absorb early depreciation deliberately rather than suffer it, offer guaranteed buy backs that make fleet managers comfortable, and capture the financing margin. It is expensive and slow, which is exactly why it is defensible once built. Denza's reported plan for a European financing arm from 2027 would be a first step.
- **Move on after sales hardware.** The first substantial cohorts of Chinese vehicles in Europe are approaching three and four years old. Modular upgrades, accessories and refresh parts are a revenue pool, a reason for owners to return to the network, and, because a refreshable car holds value better than a disposable one, a direct residual value lever. European aftermarket suppliers are already building ranges for these vehicles. That value is currently leaving the building.
- **Hold the ecosystem position open, and take it.** No Chinese manufacturer has yet defined a European ecosystem standard that others follow. Charging is the natural anchor, and one player is already treating it as a brand asset rather than a utility. The position remains available, but Xiaomi's 2027 entry is a credible claimant, and first mover advantages in standards do not stay open indefinitely.
- **Return to the brand hub when margin allows.** The concept was not disproved by NIO; it was attempted without the operational base beneath it and at a moment when nobody could afford it. Once the service network is dense, the portfolio refreshed and the fleet channel producing, a city centre destination does what it was always meant to do. Keep it on the roadmap, dated.
- **Be positioned for paid software before the ramp.** European willingness to pay is developing more slowly than we forecast, but it is developing, and the incumbents introducing paid features are doing their bit of the market making work. The capability is already shipped; the task is commercial

packaging that is ready when the behaviour turns.

Do not run out of stamina

The most likely way to lose from here is withdrawing during the trough.

The position is strong. Chinese brands took 12.7% of European registrations in the third quarter of 2026, outsold the Japanese brands over a full quarter for the first time, moved consumer acceptance from 43% to 55% in barely two years, built dealer networks from a standing start and put plants and R&D centres on the ground. Very few new entrants in the history of this industry have travelled that far in nineteen months.

But the run has been financed against an industry margin of 3.3%, falling to 1.4% in September, and the two most visible retreats, one European headquarters closed and one premium brand withdrawing country management and closing sites, show what discontinuity costs. Every withdrawal is read by the market as confirmation of the doubt that already suppresses residual values: that these brands may not be here in five years. Withdrawal is therefore not a neutral cost saving. It raises the cost of capital for every brand that stays.

Consistency is a commercial asset in this market, and an unusually cheap one. Perseverance was the first pillar we named in April 2025, and it is the one that has separated the brand that ranked fourteenth in Germany in October 2026 from the ones closing their showrooms. The race has barely begun, and the field is in a promising position. But this is the phase in which it is won or conceded.

And for the European side

The reading is different but no less urgent. The Chinese entry is now industrial rather than commercial. It arrives through your idle plants, your dealer groups, your engineering talent and your joint venture terms. Those are negotiations, and negotiations can be shaped, but only by parties who have decided in advance what they are willing to trade.

Where we go next

We are extending this analysis in two directions: a forward view on how Chinese OEMs are responding to the shift from tariffs to minimum prices and content rules, and a benchmark of European incumbents' readiness for an industrial rather than commercial competitor.

If you would like to discuss how these findings apply to your organisation, whether you are entering the European market or defending a position in it, we are happy to talk.



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Sources and method

Registration and market share data: Kraftfahrt-Bundesamt (monthly brand statistics to October 2026), ACEA, Dataforce, JATO Dynamics and S&P Global Mobility, as reported between April 2025 and November 2026. Chinese brands in Germany are the Chinese brands listed by the Kraftfahrt-Bundesamt including Polestar and excluding smart. Residual values: Deutsche Automobil Treuhand, April 2026. Consumer and fleet sentiment: Horváth & Partner and Bernstein survey of 4,400 European consumers, 2026; Escalent Chinese Automotive Brand Impact Study; BearingPoint, Dataforce and Omniquest surveys, autumn 2026. Industry margin: China Passenger Car Association, October 2026. Trade policy: European Commission guidance of 12 January 2026, undertaking decision of 10 February 2026, Industrial Accelerator Act proposal of 4 March 2026, and the EU and Chinese statements of 9 October 2026 on hybrid imports. Company milestones as reported by the manufacturers and by Reuters, Bloomberg, Handelsblatt, WirtschaftsWoche, Automobilwoche, electrive and CnEVPost. Verdicts reflect observable market behaviour rather than stated intent, and are automo**dicted**'s own assessment.