

# Automotive Industry Review

Corporate Advisory Services Summer 2008

## 2<sup>nd</sup> Quarter U.S. Automotive Highlights

### OEMs Back Away From Profitability Pledges / Speak Out Against BK Concerns

As news of continued poor sales results at GM, Ford and Chrysler spread across the industry, the current restructuring and profitability plans of the “Detroit 3” continued to be called into question. Although sales have recently plummeted, this is not the first time critics have raised concerns about the future of the D3.

Merrill Lynch & Co. analyst John Murphy, announced bankruptcy “is not impossible” if the U.S. auto market worsens. GM’s CEO, Rick Wagoner said that GM has “no thoughts whatsoever” of bankruptcy and has “robust” cash reserves with options for raising more money in the future. Chrysler’s executive Jim Press, in a letter to dealers, stated that such reports suggesting Chrysler might file for bankruptcy are “without merit” and encouraged dealers to “hang in there and fight for every sale.”

As it stands, the D3 have cash to operate (in the near-term), appear to be making steps to get through 2009 until the economy rebounds and will attempt everything in their playbook before resorting to bankruptcy. Two questions remain: How many plays are left in their playbook and how fast can they implement these necessary changes?

### Commodity Price Increases Pinching Supply Base Margins

In the first six months of the year, increasing commodity prices continued to afflict upward cost pressure on automakers. Decreasing supply, higher raw material costs, and increasing energy prices have caused the relentless rise in prices. >

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## 2<sup>nd</sup> Quarter U.S. Automotive Industry Highlights (continued)

These increases will also impact OEMs in their pricing structure of new vehicles. Two questions remain: Will automakers be able to pass along these price increases to the consumer and will these price increases be reflected in average transaction prices after accounting for incentives, etc. (See page 5-6 for additional analysis on financial indexes and other key trading metrics in this regard).

### **Dramatic Changes in Consumer Buying Pattern**

In the first half of 2008, total vehicle sales were down over 830,000 units through June, with light trucks comprising more than 760,000 units, or four out of every five units lost during the period. Automakers most impacted are responding by rebalancing car/truck production capacity and product portfolios toward smaller more fuel-efficient vehicles (yet they have been unable to meet the demand for smaller vehicles and their associated powertrain systems).

According to a study by the Power Information Network, more than half of all new cars and trucks purchased in June had four-cylinder engines compared to less than a third of purchases a year ago. In order to accommodate the consumer preference shift, all of the major automakers recently announced plans to shift production away from eight- and six-cylinder engines to four-cylinders. (See page 8 for additional analysis on segmentation shifts).

### **Mixed Results from Japanese 3 - "J3"**

Despite a higher concentration of smaller, more fuel-efficient vehicles at Toyota, Honda and Renault-Nissan compared to the domestic automakers, these OEMs still posted mixed sales results in June. For instance, at the Renault-Nissan and Toyota groups, nearly three of out every four vehicles sold were cars, yet both companies posted significant sales declines of 17.7% and 21.4% for the month, respectively. Meanwhile, Honda, whose vehicle mix is similar to that of the other J3 automakers (on a percentage mix basis), posted a sales increase of 1.1% for the month, given strong sales performance of the Fit and Accord models.

### **Highest Gas Prices on Record**

In just six months, the price of oil has sky-rocketed from \$100 to nearly \$150 a barrel, causing gas prices in the U.S. to reach record highs. Given the uncertain market conditions, some experts are predicting higher prices are yet to come, with few even pointing to the possibility of \$200/barrel before the end of the year.

In the near term, we expect that supply constraints, rising costs, and continued growth in emerging markets will cause prices to remain volatile and continue in an upward trend. Although we continue to believe current downside risks across the economy will intensify in the coming months we do not foresee a significant reversal of rising fuel prices as likely in 2H08. •



# Financial/Economic Snapshot

## U.S. Economy Grew in Second Quarter

In the second quarter of 2008, economic indicators continue to worsen, although technically we are not in a recession. As shown, consumer confidence levels have dropped significantly from June 2007. Unemployment levels have remained high at 5.5%, spiking 0.7 points from February's 4.8% rate.

As inflation levels continue to increase, we expect more difficult challenges for the Federal Reserve in 2H08. The Fed will have to moderate/balance potential rate changes to dampen inflation with the stimulating effects of rate cuts. At 2.0% currently, and with inflation rising, there is not much room for the fed to make rate cuts. •

Economic Metrics	Period	Value	Change
<b>GDP Growth Rate</b>			
Current Period (quarterly final)	Q1-08	1.0%	0.4%
Prior Period (quarterly final)	Q4-07	0.6%	
<b>Inflation (CPI - unadjusted)</b>			
Current Period (yoy)	Jun-08	5.0%	0.8%
Prior Period (yoy)	May-08	4.2%	
<b>Inflation (PCE, 1 month annualized)</b>			
Current Period (monthly)	May-08	5.0%	2.2%
Prior Period (monthly)	Apr-08	2.8%	
<b>UofM Consumer Confidence</b>			
Current Period (monthly)	Jun-08	56.4	-3.4
Prior Period (monthly)	May-08	59.8	
Prior Period (prior year)	Jun-07	85.3	
<b>ISM - PMI Index</b>			
Current Period (monthly)	Jun-08	50.2	0.6
Prior Period (monthly)	May-08	49.6	
<b>Unemployment Rate (seasonally adj.)</b>			
Current Period (monthly)	Jun-08	5.5%	0.0%
Prior Period (monthly)	May-08	5.5%	
Prior Period (prior year)	Jun-07	4.6%	
<b>Leading Indicators Index</b>			
Current Period (monthly)	Jun-08	-0.1%	0.1%
Prior Period (monthly)	May-08	-0.2%	
<b>Lagging Indicators Index</b>			
Current Period (quarterly)	June-08	-0.3%	-0.1%
Prior Period (quarterly)	May-08	-0.2%	

## On the Radar for Next Quarter

### Will the Economy Stabilize / Rebound in 2H08?

Despite brutal first half results, some economists and industry analysts still predict a modest rebound in the second half of the year pointing to various indicators as their basis. In the first quarter Automotive Industry Review, we suggested the weakening economic environment and rising gasoline prices would continue to accelerate, thereby causing a market shift

like never seen before. At that time, we expected consumers would continue to scale back on spending and vehicle sales would drop further. We were hopeful that the Government's tax rebate checks would provide a noticeable financial stimulus to the economy. Well, the economy escaped the recession title; however, the rebate checks provided minimal noticeable improvement.

For the rest of 2008, we expect further economic downside risks as the result of rising inflation, falling home prices and lower than expected consumer confidence levels. If economic activity and household spending does not improve, we expect the government may have to offer another round of economic stimulus. Without such action, we anticipate some level of stability unlikely to occur until the mid-to-late 2009 timeframe. >

## On the Radar for Next Quarter (continued)

### Will the Restructuring Plans be Aggressive Enough?

Amid all the industry criticism suggesting that the D3 should have seen the car/truck segment shift coming, let us not discount the fact that for the last several years the majority of new vehicle buyers demanded a larger passenger vehicle, whether it was an SUV or a pickup. Now that the market has turned against them, significant restructuring is required.

When will the OEMs direct change instead of reacting to it? The D3 have taken a consistently slow, measured, reactive approach to market dynamics and slowing volumes. Will the latest rounds truly be enough or just another stop-gap measure?

A quick glance at our domestic automaker's manufacturing production analysis suggests additional reductions beyond recent announced plant closures are necessary. (See page 8 for additional analysis on segmentation shifts).

### Ford F-Series Loses Top Spot/Toyota #1?

The second quarter of 2008 was arguably the most disappointing sales period for Ford in the past 30 years, as its F-series pickup has achieved the annual top-selling crown every year since 1977. June marked the second month in a row the F-series was not the best selling model, with sales down 41% vs. June 2007. As such, the F-series ranked fifth, or about 3,000 units behind the sales leader for the month of June.

Although the F-series remained the best-selling model through the first 6-months of 2008, it is likely to lose its top ranking for the full year behind the Toyota Camry. With sales of the F-series down over 20% through the first 6-months of the year, a delayed launch of the new model by two months, and expectations for the average price of gasoline to increase, it appears likely Toyota's Camry will assume the top spot for 2008.

The other question on the minds of many analysts: Will Toyota catch up to GM as the overall sales leader? Given the recent extreme industry volatility, the outcome is anyone's guess.

### Consumer Response to New Clean Diesels

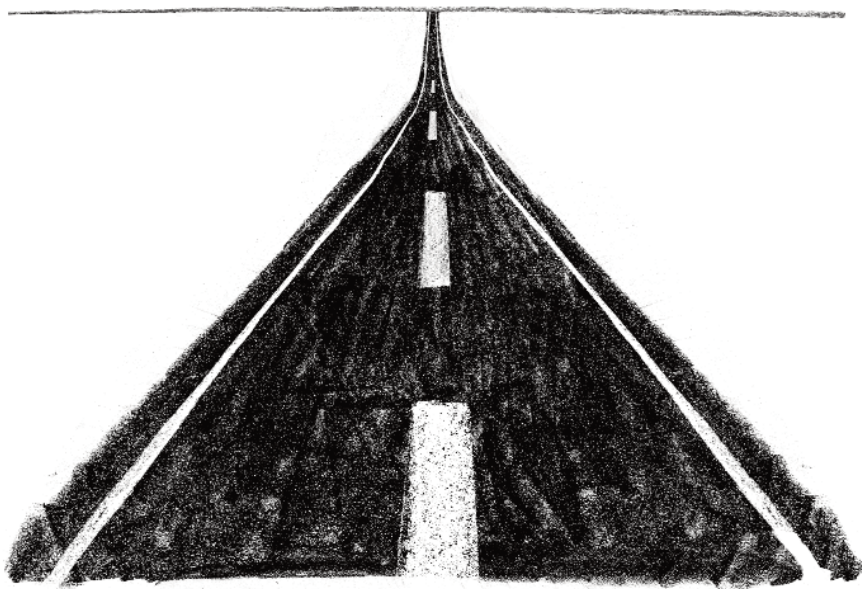
Several automakers (i.e., VW, MB, and BMW) are placing large bets on the success of their upcoming SUV and crossover vehicles equipped to operate on diesel fuel due to arrive later this year. Due to the ongoing consumer perception/image barrier towards adoption, equipment price premiums, and the fact that the average price of diesel fuel is significantly more than regular gasoline, it seems the cards are stacked against them.

Sure we acknowledge clean diesels were designed to have better fuel economy than its gasoline counterparts and that the expected price premium is less than its hybrid rival, but might it be possible that European automakers have misread the growth of the U.S. diesel market? With U.S. diesel penetration down this year and with several diesel models launching soon, automakers will be required to more aggressively tailor their marketing campaigns towards improving consumer perceptions, thereby promoting recent technology advancements.

### Iran / Israel Conflict – Towing a Dangerous Line

The Middle East region is the world's largest oil producing region and is a large supplier of oil to the U.S. Given increased concerns over a possible military conflict with Iran, the tensions have added to the recent economic and industry alarm.

If tensions persist and/or worsen, the impact it will have on oil prices and the global economy will be significant. Given that 2008 is an election year, what will the presidential candidates do to address energy reform? How will foreign countries perceive the policies of a new administration towards conflict, security, trade, and energy sourcing? •



# Financial Indexes and Other Key Trading Metrics

	Current value		%Change YTD	52 - Week Range		% of 52 wk Quartile
	6/30/2008	12/31/2007		Low	High	
<b>Indexes - U.S. Stock<sup>1</sup></b>						
DJ Industrial Average	11,350.01	13,264.82	-14.4%	11,346.51	14,164.53	0.12%
NASDAQ Composite	2,292.98	2,652.28	-13.5%	2,169.34	2,859.12	17.92%
S&P 500	1,280.00	1,468.36	-12.8%	1,273.37	1,565.15	2.27%
DJ Wilshire 5000	13,073.54	14,819.58	-11.8%	12,822.54	15,806.69	8.41%
Russell 2000	689.66	766.03	-10.0%	643.97	855.77	21.57%
<b>Indexes - Global Stock<sup>1</sup></b>						
DJ World Index	266.86	300.88	-11.3%	261.44	320.33	9.20%
MSCI EAFE <sup>2</sup>	1,967.19	2,253.36	-12.7%	1,913.54	2,388.74	11.29%
CAC40	4,434.85	5,614.08	-21.0%	4,397.32	6,125.60	2.17%
DAX	6,418.32	8,067.32	-20.4%	6,182.30	8,105.69	12.27%
FTSE100	5,625.90	6,456.90	-12.9%	5,414.40	6,730.70	16.07%
Hang Seng	22,102.01	27,812.65	-20.5%	20,387.13	31,638.22	15.24%
Bombay Sensex	13,461.60	20,286.99	-33.6%	13,461.60	20,873.33	0.00%
Nikkei	13,481.38	15,307.78	-11.9%	11,787.51	18,261.98	26.16%
<b>Indexes - Commodity &amp; Currency<sup>1</sup></b>						
DJ-AIG Commodity	233.03	184.96	26.0%	161.06	234.12	98.52%
JP Morgan US Dollar Index	79.50	82.30	-3.4%	78.50	86.50	12.50%

	Value			%Change Quarterly	%Change YTD
	6/30/2008	3/31/2008	12/31/2007		
<b>Financial Metrics<sup>1</sup></b>					
Fed Funds Target Rate	2.00%	2.25%	4.25%	-11.11%	-52.94%
Prime Rate	5.00%	5.25%	7.25%	-4.76%	-31.03%
LIBOR, 3-month	2.78%	2.69%	4.70%	3.35%	-40.85
LIBOR, 6-month	3.11%	2.61%	4.60%	18.91%	-32.36%
5-yr. CD, fixed, annual yield	3.97%	3.23%	4.40%	22.91%	-9.77%
30-yr. mortgage, fixed	6.36%	5.87%	5.90%	8.35%	7.80%
New car loan, 48-month	6.83%	6.79%	6.86%	0.59%	-0.44%
Home-equity loan, \$30,000	4.65%	5.25%	6.81%	-11.43%	-31.72%
2-yr. Treasury, yield	2.63%	1.62%	3.23%	61.84%	-18.73%
10-yr. Treasury, yield	3.98%	3.43%	4.21%	15.94%	-5.49%

<sup>1</sup> Sources: Reuters, WSJ Market Data Group

<sup>2</sup> Europe, Australia, Far East; Figures in U.S. - dollar terms

## Financial Indexes and Other Key Trading Metrics (continued)

Other Key Data <sup>1</sup>	Value			% Change Quarterly	% Change YTD
	6/30/2008	3/31/2008	12/31/2007		
<b>Petroleum Derived</b>					
Resin, \$ per metric tonne	1,887.50	1,487.50	1,512.50	26.89%	24.79%
Crude Oil, \$ per barrel	140.00	101.58	96.00	37.82%	45.83%
Natural Gas, \$/MM Btu	13.18	9.83	7.16	34.08%	84.08%
Heating Oil, \$ per gallon	3.86	2.91	2.65	32.65%	45.66%
Retail Gasoline, \$ per gallon	4.10	3.29	3.05	24.62%	34.29%
<b>Metals (Non-Steel)</b>					
Aluminum, \$ per metric tonne	3,065.00	2,940.75	2,358.25	4.23%	29.97%
Magnesium, \$ per metric tonne	5,900.00	5,100.00	4,300.00	15.69%	37.21%
Zinc, \$ per metric tonne	1,903.25	2,292.75	2,353.50	-16.99%	-19.13%
Nickel Plating, \$ per pound	10.58	14.27	12.45	-25.86%	-15.02%
Nickel Melting, \$ per pound	1,032.73	1,407.27	1,225.45	-26.61%	-15.73%
Copper, \$ per pound	4.05	3.93	3.09	3.05%	31.07%
Silver, \$ per troy ounce	17.41	17.24	14.80	1.02%	17.67%
Gold, \$ per troy oz.	925.40	916.88	833.92	0.93%	10.97%
Platinum, \$ per troy ounce	2,069.00	1,996.00	1,526.00	3.66%	35.58%
Palladium, \$ per troy ounce	463.00	438.50	368.75	5.59%	25.56%
FerroMolybdenum, \$ per pound	35.50	36.50	34.75	-2.74%	2.16%
Hot-Rolled Steel, \$ per net ton	1,080.00	800.00	563.20	35.00%	91.76%
Steel Scrap, No. 2 Heavy, gross ton	493.00	353.00	275.00	39.66%	79.27%
Stainless Steel, \$ per ton	4,427.00	4,211.00	4,070.00	5.13%	8.77%
<b>Other Commodities</b>					
Rubber, \$ per kg	3.29	2.79	2.93	17.92%	12.29%
<b>Currencies</b>					
Euro, US \$ per €	1.574	1.579	1.460	0.28%	-7.27%
British Pound, US \$ per £	1.992	1.985	1.987	-0.37%	-0.25%
Yen, ¥ per US \$	106.180	99.691	111.450	6.51%	-4.73%

Note: Last business day of quarterly results

<sup>1</sup> Sources: Reuters, WSJ Market Data Group, Bloomberg, American Metal Market

# 2008 Light-Duty Vehicle Sales Outlook – As of 2<sup>nd</sup> Quarter

As the national average price of gasoline soared past \$4.00/ gallon in June, U.S. consumers drastically cut back on new vehicle purchases with sales of fuel-hungry light trucks and SUVs falling sharply. With trucks still comprising more than 40% of total vehicle sales, and with sales of those vehicles down significantly, the fallout has caused significant reductions to annual sales projections. The adjacent table presents a list of 2008 sales estimates (acquired from public documents).

As shown, even experts failed to recognize the extent to which early warning signs would cause a drastic downturn to occur in 2008. With all current indicators pointing to continued weak economic conditions, many experts have revised their previous forecast estimates downward significantly, with few pundits forecasting a positive spin from 2007 levels. •

## 2008 Sales Outlook - As of 2<sup>nd</sup> Quarter

Company	Date (millions)	Estimates	Date (millions)	Estimates
<b>Bank</b>				
Morgan Stanley	3/13/2008	15.4	–	–
Fifth Third Bank	2/1/2008	15.5	–	–
Goldman Sachs	1/31/2008	15.7	7/1/2008	14.8
JP Morgan	1/31/2008	15.7	–	–
Credit Suisse	1/31/2008	15.9	–	–
Merrill Lynch	–	–	7/1/2008	14.3
Deutsche Bank	–	–	6/18/2008	14.5
Lehman Brothers	–	–	5/29/2008	14.9
	<b>Average</b>	<b>15.6</b>		<b>14.6</b>
<b>OEM</b>				
Chrysler	1/28/2008	15.5	–	–
Nissan	2/1/2008	15.5	5/15/2008	15.2*
Ford Motor Company	1/21/2008	15.7	5/22/2008	14.7-15.1
Honda	2/4/2008	15.9	–	–
General Motors	1/21/2008	16.0	7/1/2008	15.0
Toyota	11/19/2007	16.1	–	–
	<b>Average</b>	<b>15.8</b>		<b>15.0</b>
<b>Other</b>				
J.D. Power and Associates	3/18/2008	14.95	7/1/2008	14.4
Standard and Poor's	3/27/2008	15.0	4/9/2008	14.9
Global Insight	1/31/2008	15.6	–	–
NADA	2/18/2008	15.7	–	–
CSM Worldwide	1/1/2008	15.8	4/1/2008	15.5
Bloomberg Economists	1/31/2008	16.0	–	–
Edmunds.com	1/31/2008	16.1	6/26/2008	14.9
	<b>Average</b>	<b>15.6</b>		<b>14.9</b>
	<b>Total Average</b>	<b>15.7</b>		<b>14.9</b>

\*Forecast is for Fiscal Year ending March 31, 2009

# Quarterly Spotlight: Dramatic Slowdown in Sales Puts Industry on Edge

## U.S. Sales Review

- In the **first six months of 2008**, U.S. total light vehicle sales continued to trend below previously expected levels, dropping more than 830,000 units, or a 10.1% decline from the prior period. Of the YTD sales volume decline, trucks accounted for 92.0% of the volume drop, or 760,000 units
- The **second quarter** of 2008 failed to produce the sales rebound many had hoped for, dropping more than 500,000 units from the prior year, or a decline of 12.0%. In fact, the second quarter actually showed deteriorating momentum – as its yoy % change decline was worse than the first quarter
- **Monthly top-line sales** in each of the three months of the second quarter were brutal, with these months posting year-over-year declines of 6.7%, 10.7% and 18.3% in April, May, and June, respectively
- As a sign of the depth of concern in the industry, top-line sales dropped to an annualized rate of 13.6 million units last month, a decline of 2.1 million units from June 2007's 15.7 million unit rate, or -13.3%. Further, **retail sales (non-fleet)** decreased to below the 11 million-unit mark in June,

## U.S. Sales

	2Q 2007	2Q 2008	QoQ % Chg.	YTD 07	YTD 08	YTD % Chg.
<b>Cars</b>	2,187,847	2,178,397	-0.4%	4,037,480	3,971,103	-1.6%
<b>Light Trucks</b>	2,161,789	1,648,697	-23.7%	4,191,512	3,425,763	-18.3%
<b>Total Sales</b>	<b>4,349,636</b>	<b>3,827,094</b>	<b>-12.0%</b>	<b>8,228,992</b>	<b>7,396,866</b>	<b>-10.1%</b>

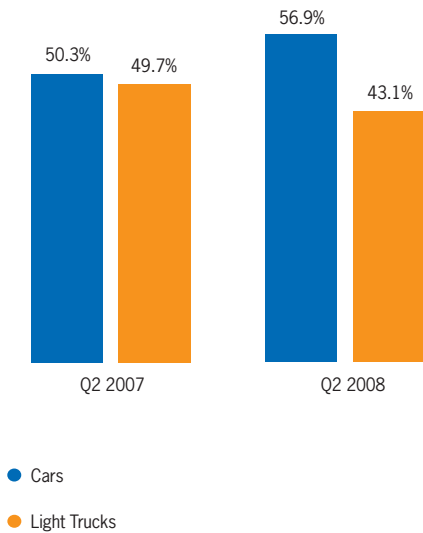
Source: J.D. Power and Associates

after averaging more than 12 million units through the first 5 months of 2008, according to J.D. Power and Associates. Since retail sales results are the best indicator of overall industry demand, we expect automakers will have to more aggressively respond to weaker consumer demand by increasing incentives and extending sales promotions

- In June, industry experts also noted that nearly 1 in every 5 vehicles sold during the entire month was delivered during the last 2 selling days. This remarkable surge in sales was said to have added more than 600,000 units to the monthly selling rate, and was likely the result of increased rebates and creative sales campaigns from the higher volume OEMs

## Quarterly Spotlight: Dramatic Slowdown in Sales Puts Industry on Edge (continued)

**U.S. Market Share Mix Car vs. Truck (Market Share)**



Source: J.D. Power and Associates

### Car/Truck Segment Shift

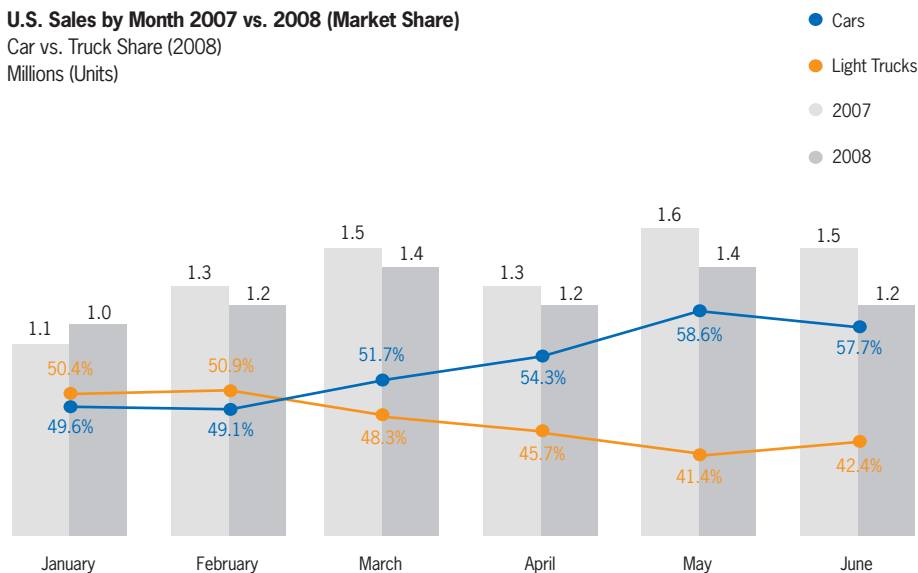
- In the second quarter, both car and truck segments were unable to escape the sales plunge. Both segments contributed to the second quarter 12.0% sales decrease, with volumes declining by 9,450 and 513,092 units over the prior year, respectively. While actual car sales volume decline was modest, many experts felt it would offset the decline in truck volume sales, which it has been unable to do
- The second quarter of 2008 was a watershed in the history of U.S. car / truck vehicle mix. The quarter marked the first time in at least 10 years trucks commanded less than 44% of the total U.S. light-duty vehicle market in a quarter

- As illustrated in the above chart, a drastic “structural” shift in consumer purchasing away from light trucks intensified in the second quarter. Truck sales continued to be impacted by record gasoline prices, causing the car / truck market share gap to widen further (dropping sharply from less than 1 percentage point in January to more than 15 percentage points in June)
  - Other issues that have not improved continue to affect truck volumes – soft residential housing market, slow construction business, low consumer confidence levels, increasing food and other price inflation pressures

Now that the third quarter has arrived, the feeling among industry insiders is still dread as news of forecast reductions seem to surface daily. Still, some analysts remain hopeful and anticipate a modest rebound in sales during the second half of the year. However, early signs have not been comforting as economic conditions remain soft and gasoline prices remain elevated.

**U.S. Sales by Month 2007 vs. 2008 (Market Share)**

Car vs. Truck Share (2008)  
Millions (Units)



Source: J.D. Power and Associates

**If the nationwide average gasoline price falls below \$4.00/ gallon for an extended period of time, it could cause an up tick in consumer confidence levels and take a significant burden off the economy. However, with all signs of market stability nearly evaporated and an economy that continues to weaken, it is unlikely we will see a surge of consumers returning to showrooms in the next several months. Therefore, we believe 2008 will continue to remain soft. Even with a pause in the increase of the price of oil, we give a low probability that even a meaningful rebound in sales volumes will be enough to offset the slow first half.**

## Quarterly Spotlight: Dramatic Slowdown in Sales Puts Industry on Edge (continued)

### Tides are Turning: Domestic 3 Market Share Plummetts

Market share has long been considered a key indicator of a company's strength and its ability to withstand an industry downturn. Illustrated in the adjacent table is a snapshot of U.S. market share by OEM origin during the first half of 2008. As presented, the Domestic 3 automakers have lost significant market share against their Asian and European rivals. The market share of the Domestic 3 now accounts for less than 50% of total U.S. vehicle sales, with Asian automakers representing 45.1% and European manufacturers comprising the remainder, or 6.3%.

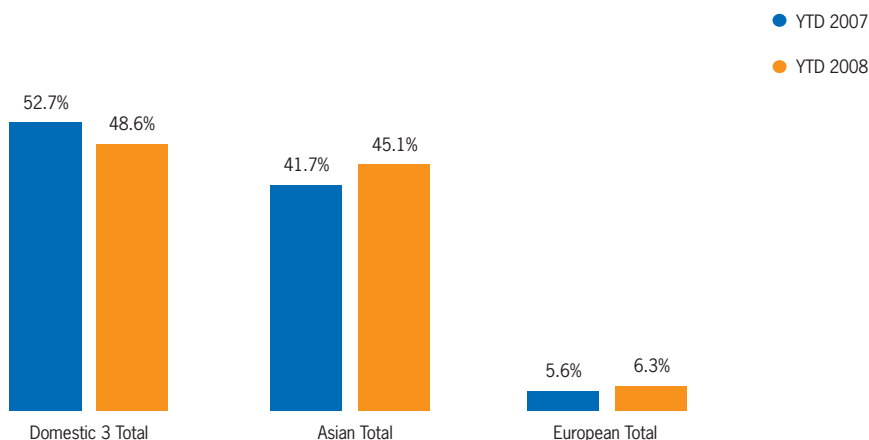
To put the results in perspective, less than five years ago the Domestic 3 commanded more than 60% share of the U.S. market. The mere appearance of a market share drop of this magnitude in such a short timeframe points to the D3's faded strength and uncertain infrastructure health, particularly at the supplier, dealer and factory levels.

Domestic automakers experienced the largest percentage sales decline year-over-year based on 2008 YTD sales. However, on a per unit basis, the enormity of the sales decline for domestic automakers was far greater given the market share of the Domestic 3. For example, the three automakers comprising the Domestic 3 category experienced a combined loss that exceeded 740,000 units in the period.

Meanwhile, the ten corporations comprising the Asian category recorded a decline of approximately 95,000 and the four manufacturers comprising the European category saw a slight increase of about 3,000 units.

At the OEM level, only four of the 17 automakers posted sales gains during the period: Daimler (10.5%), Fuji (4.4%), Honda (4.1%) and Mazda (0.3%). >

### U.S. Market Share by Origin



Source: J.D. Power and Associates

### U.S. Sales Overview

	YTD '08	YTD '07	PtChg
General Motors Group	1,589,223	1,897,639	-16.3%
Ford Group	1,140,355	1,327,106	-14.1%
Chrysler Group	867,826	1,113,093	-22.0%
<b>Domestic 3</b>	<b>3,597,404</b>	<b>4,337,838</b>	<b>-17.1%</b>
Honda Group	798,358	766,929	4.1%
Hyundai Group	388,685	390,987	-0.6%
Isuzu Motors	3,339	3,776	-11.6%
Mazda Motors	153,141	152,683	0.3%
Mitsubishi Motors	53,883	70,357	-23.4%
Renault-Nissan Group	522,321	535,379	-2.4%
Fuji Heavy	94,094	90,154	4.4%
Suzuki Group	56,248	57,488	-2.2%
Tata Motors	24,873	31,303	-20.5%
Toyota Group	1,240,085	1,331,070	-6.8%
<b>Asian</b>	<b>3,335,027</b>	<b>3,430,126</b>	<b>-2.8%</b>
BMW Group	157,913	164,338	-3.9%
Daimler Group	130,678	118,240	10.5%
Porsche AG	15,297	17,859	-14.3%
Volkswagen Group	160,547	160,591	0.0%
<b>European</b>	<b>464,435</b>	<b>461,028</b>	<b>0.7%</b>
Passenger Car Total	3,971,103	4,037,480	-1.6%
Light Truck Total	3,425,763	4,191,512	-18.3%
<b>Total Light Vehicle Sales</b>	<b>7,396,866</b>	<b>8,228,992</b>	<b>-10.1%</b>

Source: J.D. Power and Associates

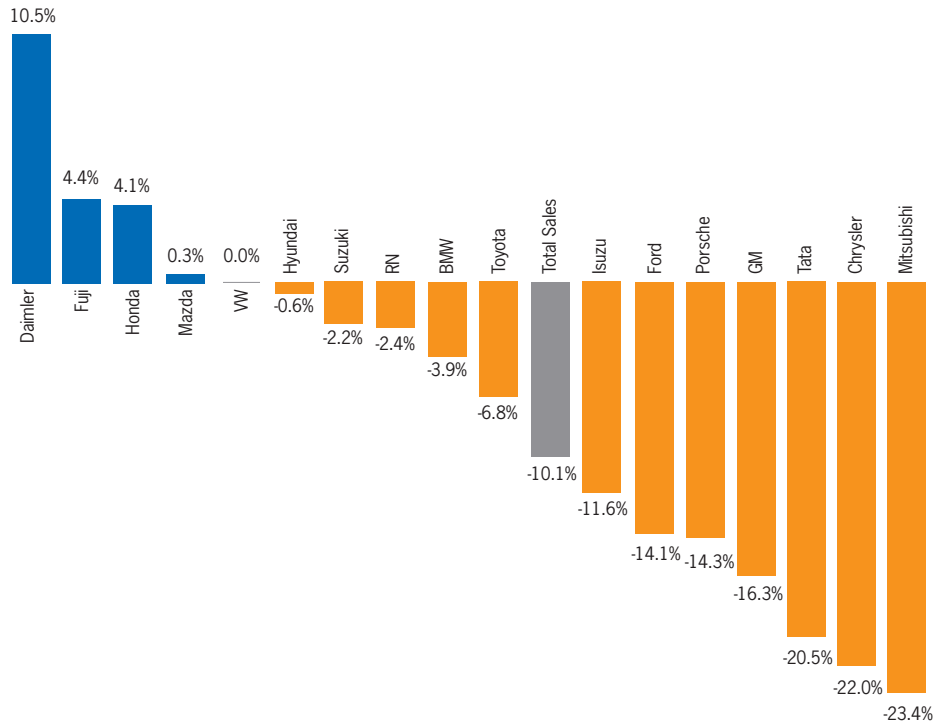
## Quarterly Spotlight: Dramatic Slowdown in Sales Puts Industry on Edge (continued)

Despite weak performance from the majority of Daimler's product lineup, the automaker's higher volume vehicles performed particularly well, with the Mercedes-Benz C-Class posting an increase of 36.7% and the M-Class increasing nearly 16.5%. Fuji's sales were bolstered mainly by increased sales of its refreshed midsize CUV, the Subaru Tribeca, as well as gains from the Forester and Impreza models.

Among the top 6 OEMs, Honda continues to perform the best, with strong sales performance from its line-up of smaller, more fuel efficient models including the Fit (67.4%), Civic (17.9%) and Accord (12.9%). Through the first six months of this year, sales of these three models were up more than 70,000 units over the prior year, and the Civic was ranked the best selling model in both May and June. In June, the strong sales performance of these three models helped the company surpass Chrysler (ranked #3 in U.S. sales) by more than 25,000 units. Now at less than 70,000 units behind Chrysler through the first half of the year, we believe the company is well positioned to pass Chrysler for the year in sales. Rounding out the market sales leaders, Mazda only posted a slight increase due to gains from three models, including the Tribute (63.1%), Mazda5 (44.1%) and CX-9 (41.9%).

However, the first six months of 2008 were not stellar for everyone else in the industry. Across the 17 automakers, eight posted sales declines exceeding 5.0% and three exceeded the 20.0% mark, including Tata (-20.5%), Chrysler (-22.0%) and Mitsubishi (-23.4%). It is important to note that Tata (including JLR) and Chrysler's vehicle sales mix is heavily concentrated toward trucks, as two out of every three vehicles sold by these companies are trucks. In addition, every Mitsubishi vehicle was down more than 20% in sales through June, except one – the Mitsubishi Lancer (-8.9%).

U.S. Sales % Change by OEMs (2007 YTD vs. 2008 YTD)



Source: J.D. Power and Associates

Ford sales did not fare much better. Sales were down more than 186,000 units through the first six months of 2008, or -14.1%. June sales were down 66,000 units (-19.5%) for the month, of which nearly 40% of the company's total monthly sales decline stemmed from the F-series alone. Across the company's four vehicle brands and product portfolio of 36 models, only five models (two are Volvo) posted a monthly sales increase, causing Ford's market share to dip below 14.5%, a nearly 2 point share decrease compared to June 2007. Additionally, the second quarter of 2008 likely represents the most disappointing sales period in recent history for the company as its F-series lost the top sales spot in both May and June to the Honda Civic. This leaves us to question how or when Ford will rebound. Uncertain risks to its outlook include a successful introduction of the Flex, the delay of the new F-series and limited ability to increase production of the Focus.

On a positive note, GM's 72-hour clearance sale in June certainly helped the company in its pursuit to remain the sales leader. Despite all of the negative media press GM has recently received regarding its future outlook, the company performed the best among the Domestic 3 and still outsold Toyota by nearly 350,000 units through June. With nearly 60 models in its lineup, eight vehicle brands and a 20.0% share of the U.S. vehicle market, GM remains a dominant force even at its current depressed sales level.

Further, GM has introduced two "well received" car of the year awards for two years in a row (Aura and Malibu – one selling well, other not – why?) Also, the company is starting to hit the mark on the design of cars – with limited success (CTS, Malibu). The question: will GM capture this momentum for its upcoming models? •

## Quarterly Spotlight: Dramatic Slowdown in Sales Puts Industry on Edge (continued)

### U.S. OEM Sales by D3 Brand

GM				Ford				Chrysler			
#	Brand	Models	Market Share	#	Brand	Models	Market Share	#	Brand	Models	Market Share
1	Buick	6	1.0%	1	Ford	16	13.0%	1	Chrysler	7	2.8%
2	Cadillac	6	1.2%	2	Lincoln	7	0.8%	2	Dodge	13	6.2%
3	Chevrolet	17	13.0%	3	Mercury	5	1.0%	3	Jeep	6	2.7%
4	GMC	7	2.5%	4	Volvo	7	0.6%	<b>Total</b>		<b>26</b>	<b>11.7%</b>
5	Hummer	3	0.2%	<b>Total</b>		<b>35</b>	<b>15.4%</b>				
6	Pontiac	9	2.1%								
7	Saab	4	0.2%								
8	Saturn	7	1.4%								
	<b>Total</b>	<b>59</b>	<b>21.5%</b>								

Source: J.D. Power and Associates (YTD Through June 2008)

### OEM Brand Performance Domestic 3

In the wake of increased competition and weaker new vehicle demand, automakers are trying to compete by realigning their brand and product portfolios. Further, a close review of brand, model and market share effectiveness has become increasingly important. Gone is the day when simply having a large brand reach and explosion of models in one's product portfolio was the key to sales success. (Undifferentiated product overlaps of brands – brands as different trim levels only).

As illustrated above, through June 2008, GM's eight brands have helped the company retain its market share dominance, capturing 21.5% of the market. However, at the brand level, we remain concerned with GM's brand effectiveness. Among GM's eight brands, all eight posted year-to-date and June sales declines resulting in further market share deterioration. Out of the 59 models in its total vehicle line-up, only seven are

segment leaders (#1 sales spot), or about 10% of its total portfolio. In June, nearly 3 out every 4 models (42:59) in its lineup posted a sales decline and only 12 models posted a sales increase for the year. Although easier said than done, more "category busters" will be essential to the company's success. Based on upcoming new car and CUV introductions picking up at the company, we expect market share improvement, which should help drive higher profit levels.

Rounding out the Domestic 3, Ford and Chrysler (whose product portfolios consist of mostly passenger trucks) have experienced significant sales pressure. All of Ford and Chrysler's brands experienced double-digit sales declines in the first six months of 2008, as well as in June, compared to the prior year. Yet, Chrysler is the only OEM that has two or more (3 brands) brands each of with have 2.7% market share or greater.

Of particular note is that out of the 35 models in Ford's line-up, 19 are neither Lincoln, Mercury nor Volvo badged, and these 19 models combined capture only 2.4% of the market (only five are up year to date). The most critical concern for Ford is that Lincoln, Mercury nor Volvo has a segment leader in their entire portfolio of 19 models. Of the 16 models that are Ford brand, only four posted a YTD sales increase, of which all were cars, including the Taurus, Fusion, Focus and Edge.

Meanwhile, Chrysler's three brands capture 11.7% of the market, representing a similar relative market share size to Ford based on its model count. We remain extremely concerned about Chrysler's heavy truck concentration (69.4% of its vehicle line-up) and the lack of future announced model launches for the company, which leads us to question the long-term outlook and survival of Chrysler as an independent entity.

# Quarterly Spotlight: Dramatic Slowdown in Sales Puts Industry on Edge (continued)

## U.S. OEM Sales by J3 Brand

### Toyota

#	Brand	Models	Market Share
1	Lexus	8	1.8%
2	Scion	4	0.9%
3	Toyota	15	14.0%
	<b>Total</b>	<b>27</b>	<b>16.8%</b>

### Honda

#	Brand	Models	Market Share
1	Acura	5	1.1%
2	Honda	9	9.7%
	<b>Total</b>	<b>14</b>	<b>10.8%</b>

### Renault Nissan

#	Brand	Models	Market Share
1	Infiniti	5	0.8%
2	Nissan	13	6.2%
	<b>Total</b>	<b>18</b>	<b>7.1%</b>

Source: J.D. Power and Associates (YTD Through June 2008)

## Japanese 3

Recently, the Japanese 3 have experienced mixed sales results due to the “structural” negatives in the industry. However, despite this trend, these automakers continue to take significant market share away from their Domestic 3 rivals.

Among the J3, Renault Nissan has been the hardest hit by reduced new vehicle demand. In fact, only one model in Renault Nissan’s lineup posted a sales increase in June, the Nissan Versa (17.4%). Despite reduced demand for its Infiniti premium models and a high exposure to larger vehicles, the company continues to gain U.S. market share. As a result of its year-to-date sales decline less than the industry average, the company’s market share now represents 7.1% of the market. Going forward, we expect market share gains to continue given a healthy mix of new product launches with a fresh look and more aggressive styling expected in the near term.

Toyota, after experiencing several years of increased sales performance, is finding its momentum slowing due to a function of its broader product lineup and high level of truck exposure (although still relatively less than the domestic automakers). At the segment level, Toyota’s sales performance is stellar with 7 of its 27 models (25.9%) ranking first in their vehicle segment.

All else equal, the Honda’s market share (excluding Acura) per model is an industry best. For instance, the nine models in its product portfolio each represent more than 1% of the total U.S. market on average and three are segment leaders.

For comparative purposes, we examined each OEM market share per model (calculated by dividing each company’s model count by its unweighted market share). Excluding all other factors and intended purely for directional purposes, this calculation illustrates how well the J3 models are performing. Despite each Japanese company having significantly less models in their lineups compared to their domestic counterparts, they are capturing significantly more share per model. If Ford’s F-series pickup and GM’s Silverado (both high volume) were removed from this calculation, the share impact of their product lineups would be much less.

### Average Share per Model

GM	Ford	Chrysler	Toyota	Honda	R/N
0.36%	0.44%	0.45%	0.62%	0.77%	0.39%

**D3 0.42%**

**J3 0.59%**

Source: J.D. Power and Associates (YTD Through June 2008)

## Quarterly Spotlight: Dramatic Slowdown in Sales Puts Industry on Edge (continued)

### Sales Impact on Dealers

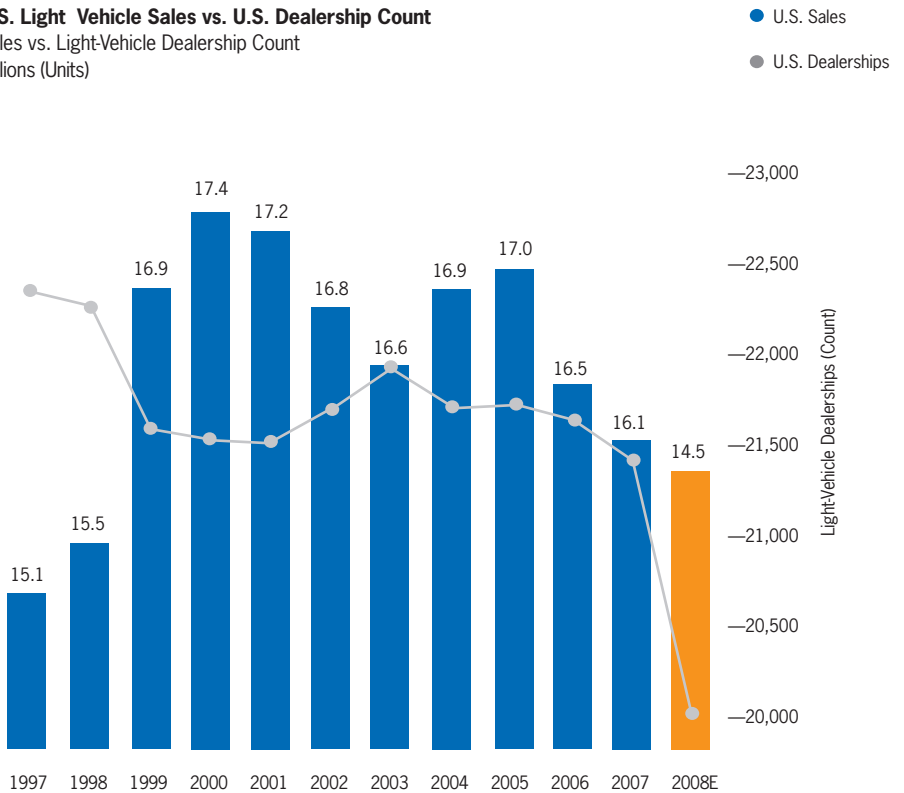
Despite upward swings in sales levels (i.e., in 2004 – 2005), the total number of U.S. new light-vehicle dealerships has been declining since 2003. With 2008 sales levels expected to drop to the 14.5 million unit range and dealerships already feeling the squeeze, we expect greater downside risk in this sector.

Over the past decade, the average new vehicle sales per dealer totaled 747 units, or 62 units sold per month. In order to maintain this annual sales target of 747 units (excluding all other factors), a reduction of 2,736 dealerships would seem necessary. This decline would equate to a decrease of -12.5% from the 2007 U.S. dealership count of 21,761.

Assuming the number of U.S. dealerships remains unchanged and with an estimated sales decline of more than 1.6 million units sold compared to 2007 levels, the average dealership will sell 81 units less this year compared to the 10-yr. average.

A sales decline of this magnitude suggests significant consolidation is necessary, especially among D3 retailers whose sales have dropped by more than 740,000 units, or 88.9% of the 2008 YTD sales decline and whose sales per dealer is already well below the industry average.

**U.S. Light Vehicle Sales vs. U.S. Dealership Count**  
Sales vs. Light-Vehicle Dealership Count  
Millions (Units)



Note: 2008E U.S. sales is current industry consensus  
2008E dealer count is a Grant Thornton estimate intended to reflect a more aligned dealer count based on sales volumes and OEM market share

Source: J.D. Power and Associates Sales Report; Automotive News Data Center

# North America Production Review

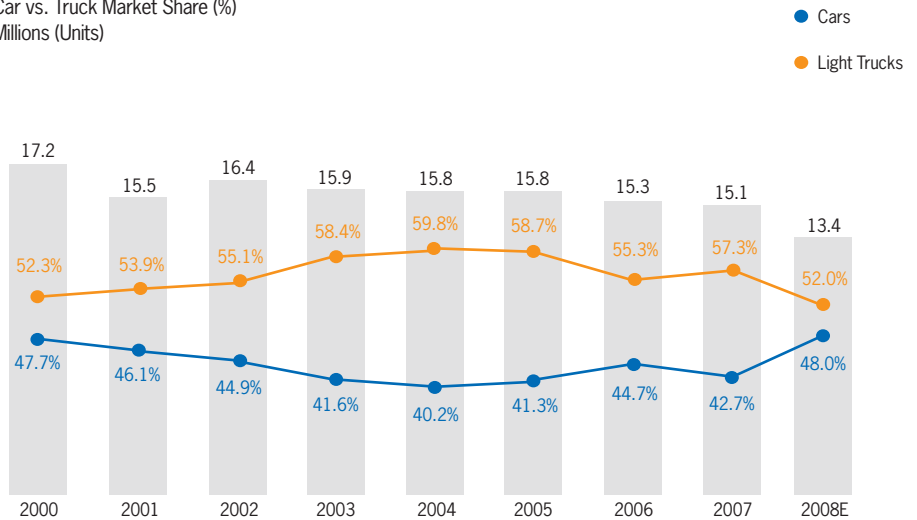
## North America Production Review

Many industry experts anticipate that North America production will drop below 13.4 million units for 2008, a decrease of approximately 3.8 million units, or about 22%, from the all-time high production level in 2000.

- As recent as 2004, the car / truck mix of production was 40% / 60% for the industry; the projected mix for 2008 is the closest to even split since 2001
- Truck production in 2004 hit an all-time high of 9.4 million units
- The truck production estimate for 2008 is about 6.9 million units, a decrease of 26.5% from the levels observed in 2004 (with cars down slightly over that same time period, or -1.1%)
- The D3 account for 56 of the 90 (62%) assembly plants in North America

## North America Production

Car vs. Truck Market Share (%)  
Millions (Units)



Source: CSM Worldwide Inc. (as of July 2008 forecast release)

- Of the 1.7 million units of annual production decline expected in 2008, 92.4% of the decline is expected to be from the D3, with 88.9% of the total annual decline expected from D3 truck volumes
  - Hence the GM announcement to close 4 plants
  - Ford only shutting down the Michigan truck plant for an extended period, others for modest amounts of time. Should they idle/close another plant or two?

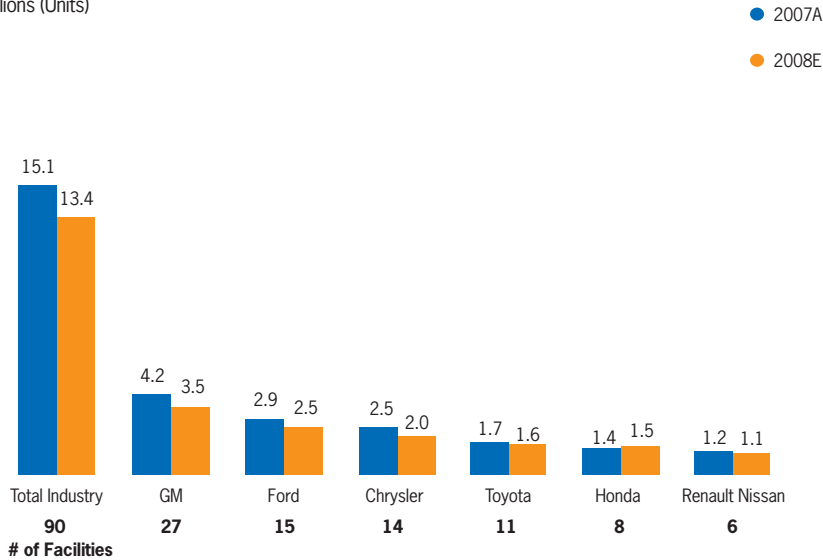
Will they make the financial investment necessary to convert a truck dedicated plant to produce passenger cars (potentially Focus vehicle and other European badged vehicles)

- Chrysler took hard step of closing 2nd, excess mini-van plant. Other steps necessary?

## North America Production Review (continued)

### North America Production by OEM

Production Volume (Units) vs. # of Facilities  
Millions (Units)



Note: Top six OEMs only displayed; others make up the difference

Source: CSM Worldwide Inc.

### OEM Production Trends and Impact

The weak 2008 sales outlook has caused automakers to adjust their production capacity and product line-ups with a long-term focus. In May, GM announced further plant shutdowns and shift reductions in order to realign business operations. The company announced it will end production at four large SUV and pick-up assembly plants before 2010, including its Oshawa Truck, Janesville, and Moraine plants in the U.S. and its Toluca plant in Mexico. As sales decrease and inventory levels of the models produced at these facilities spike, we expect these plants to go off-line sooner than originally announced.

To get a sense of the corresponding effect this action may have on GM's future top-line light vehicle production, the aforementioned four plants produced more than 700,000 large SUVs and full-size pickups in 2007, which represented about one-third of GM's total full-frame truck production in North America during that period.

A closer look at GM's manufacturing footprint would suggest that the depressed sales levels are not enough to support GM's current 27 North American manufacturing facilities, even beyond the announced restructuring actions. If sales levels continue to remain soft, we expect a further reduction of two to five additional production facilities beyond the four announced in May.

Ford also recently announced more cuts to its truck production. Among its 15 North American production facilities, the company stated it plans to impose shift reductions (at the Louisville Truck plant where the Explorer and Mountaineer are produced) and extended plant shutdowns at the Michigan Truck plant where the Expedition and Navigator are assembled. With more than 50% of Ford's North America assembly plants designed and engineered to produce trucks, it seems probable that one to two plants will be announced to close if the company intends to achieve profitability by 2010.

At Chrysler, few strategic announcements have been made by the new owners. However, with more than 96% of Chrysler's global production coming from its 14 primary manufacturing facilities and its sales down 22.0% through June, we expect the St. Louis plant closure represents the first step to restructure Chrysler's operations. Unless some of Chrysler's plants can be modified for capital investment to other car producing plants, we anticipate necessary shift reductions at one to two truck plants with one to two truck plants at risk of permanent closure.

Meanwhile, Japanese automakers, including Toyota, have made similar announcements as sales of its larger vehicles (including the Tundra, Tacoma, Highlander and FJ Cruiser) were down more than 22,000 units combined in June. When the Tundra was being developed, the company overestimated market demand for its Tundra pickup as it is now experiencing extreme over-capacity woes. With inventory levels of the Tundra currently exceeding 125 days, the company announced that it will trim output by 60,000 units for its Tundra pickup and as well as its slower selling Sequoia SUV.

Surprisingly, monthly sales of the Toyota Prius hybrid were down nearly 6,000 units, or 33.7%, in June. The sales decline was said to have resulted from production limitations in Japan, an issue Toyota executives claim is being addressed. As a result, Toyota announced it will transfer production of its next generation Prius to its Mississippi plant, instead of the previously planned Highlander SUV model. The production transfer is also expected to help Toyota achieve supply chain and logistical improvements with suppliers to the Prius. Given the excess volume capacity at the Mississippi plant, we expect another model to be brought on line as well, possibly a variant to the Prius hybrid.

## North America Production Review (continued)

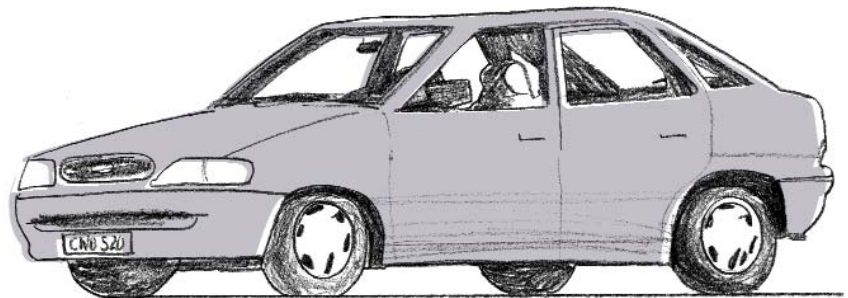
### Production Impact on Supply Base

Will the supply base survive a U.S. sales decline of more than 1.6 million units in 2008 compared to 2007? Assuming an average new vehicle transaction price of \$28,000, the total revenue loss at the OEM level equates to a decline of \$45.2 billion compared to last year. More troublesome are the well documented challenges facing the OEMs in the truck category. The ripple effect to the supply chain is massive, and we expect the economic impact will be significant to these companies.

Further, we acknowledge that it is not just the suppliers producing liftgates, transfer cases and other truck-only parts that are at risk, but also all those suppliers that rely on truck volumes for survival, including manufacturers of chassis systems, NVH systems, driveline and drivetrains, stamping, and a host of other products. •

#### At-risk suppliers feature one or more of the following qualities:

- Heavy reliance on large SUV and truck volumes
- Operations based solely in North America
- Large domestic OEM sales concentration
- Significant, large SUV and truck platform part sourcing
- Exposure to increases in raw material costs without the ability to pass on these costs to customers



# The Grant Thornton Viewpoint

At the time the Spring 2008 Grant Thornton Automotive Industry Newsletter was published, annualized U.S. industry sales were around the low 15 million unit mark, the share of total vehicle sales represented by the light truck segment decreased from 52.3% to 49.7%, and truck sales dropped by more than 250,000 units from the same quarter in 2007. Further, the national average price of gasoline for the first quarter was \$3.16 per gallon. That was then.

At the close of the first quarter, U.S. industry sales continued to decline precipitously, dropping more than 830,000 units in the first six months of the year (of which trucks accounted for 92.0% of the sales decline). The second quarter marked the first time in at least 10 years that trucks commanded less than 44.0% of the total U.S. light-duty vehicle market, as truck sales dropped by more than 510,000 units from the same quarter in 2007. We believe that vehicle sales will continue to be hit hard as a result of dampening economic conditions and as consumers shift their buying preferences toward smaller, more fuel efficient vehicles.

## Outlook

Going forward, we expect that Ford, Chrysler, and GM are likely to close additional assembly capacity beyond what has recently been announced or take other creative actions to reduce production and rebalance plant capacity and utilization rates. Related to near-term top-line forecasted results, we expect industry sales and production levels to decline to levels we have not seen in at least a decade.

- **As such, due to increasing consumer purchasing choices being driven by price, fuel economy and consumer budget/discretionary spending restraints, we expect 2008 U.S. light vehicle top-line sales of 14.2 – 14.5mm unit sales**
- **On the North America light vehicle production side our previously published 2008 outlook remains unchanged. Key market indicators point to the 2008 outlook ranging from 12.95mm to 13.2mm, after taking into account increased downside risks and other weakening economic factors with a modest rebound expected in 2009**

## OEM

Despite all of the recent attention focused toward the domestic 3 automakers, we remain most concerned about the secondary impact that has yet to be felt, specifically at the supply base and dealer levels. Further, we believe that this downsizing trend is a permanent “structural” shift., with the secondary impact yet to be felt, specifically at the supply base and dealer levels.

## Supply Base

We expect the industry decline will pose significant financial risk to the supply base, especially suppliers to large SUVs and light trucks, with as much as 1/3 of automotive suppliers at risk for bankruptcy.

## Dealer

We expect larger, higher volume, non-domestic brand dealerships will likely fair the best, while many smaller, domestic brand dealerships are unlikely to withstand a revenue decline of this size. With the sharp drop in the market, we believe more rapid consolidation is necessary whether it be driven more aggressive actions by automakers or by market forces remains to be seen. •

# Key Developments

## Automotive Industry – Select Merger & Acquisition Activity (Announced Date)

- June 30, 2008 – **Fras-Le North America Inc.** signed an agreement to acquire the disc brake friction material business of Haldex AB (OM: HLDX).
- June 20, 2008 – **Belron US, Inc.** signed an agreement to acquire substantially all assets of Diamond Glass Companies for \$50 million plus the assumption of various liabilities.
- June 19, 2008 – **Meridian Automotive Systems, Inc.** cancelled the acquisition of Lighting Business and Sandusky, Ohio Plant from Automotive Components Holdings LLC.
- June 16, 2008 – **Punch Property International NV** entered into a definitive agreement to acquire Gainesville Factory from Hayes Lemmerz International-Georgia, Inc.
- June 13, 2008 – **Lear Corp.** (NYSE: LEA) entered into an agreement to acquire a 75% stake in China New Trend Group Co., Ltd.
- June 13, 2008 – **Johnson Controls Inc.** (NYSE: JCI) and **Goldman Sachs Credit Partners L.P.** agreed to acquire interiors business and TrimQuest LLC of Plastech Engineered Products, Inc. for \$177 million.
- June 4, 2008 – **Veyance Technologies, Inc.** signed an agreement to acquire the assets of National Belt Service, Inc. from 3 shareholders. National Belt Service, Inc. had annual revenues of approximately \$20 million.
- June 3, 2008 – **Ametek, Inc.** (NYSE: AME) entered into an agreement to acquire Vision Research, Inc.
- June 2, 2008 – **CARDONE Industries, Inc.** entered into a definitive agreement to acquire three plants in the UK from Remy Automotive Europe BVBA.
- May 30, 2008 – **Johnson Controls Inc.** (NYSE: JCI) agreed to acquire an additional 10.01% stake in Shanghai Johnson Controls Automotive Electronics Co., Ltd. from Dongfeng Electronic Technology Co., Ltd. (SHSE: 600081) for approximately CNY 53.4 million in cash.
- May 27, 2008 – **Strattec Security Corporation** (Nasdaq: STRT), **WITTE Automotive GmbH, and Vehicle Access Systems Technology LLC** agreed to acquire Power Products Business from Delphi Corporation (OTCPK: DPHI.Q) for \$7.8 million.
- May 21, 2008 – **Daimler AG** (XTRA: DCX) agreed to acquire automotive design studio from Chrysler LLC for a consideration of approximately \$7 million.
- May 6, 2008 – **ArvinMeritor Inc.** agreed to spin-off Light Vehicle Systems Business into a new entity called Arvin Innovation to ArvinMeritor shareholders.
- April 28, 2008 – **Blackstreet Capital Management, LLC** entered into a definitive agreement to acquire Fleetwood Folding Trailers, Inc. from Fleetwood Enterprises Inc. (NYSE: FLE) for \$3.7 million.
- April 11, 2008 – **Guardian Automotive Corp.** agreed to acquire Siegel-Robert Automotive, Inc. from Siegel-Robert, Inc.
- April 11, 2008 – **XPEL Technologies Corp.** (OTCPK: XPLT) signed a letter of intent to acquire Armourfend Ltd.
- April 9, 2009 – **Tramec Corporation** signed definitive agreement to acquire MacLean Crewson from MacLean-Fogg Company.
- April 8, 2008 – **Advantage Partners, Inc.** signed an agreement to acquire GST AutoLeather Inc. from Strategic Industries, Inc.
- April 4, 2008 – GS Capital Partners cancelled the acquisition of **Myers Industries, Inc.** (NYSE: MYE).
- April 3, 2008 – **Lippert Components, Inc.** agreed in principle to acquire the assets and business of Seating Technology Inc.

## Key Developments (continued)

### Automotive Industry – Significant Bankruptcy Filings (Filing Date)

- June 26, 2008 – **West Michigan Flocking & Assembly, LLC** filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the Western District of Michigan on June 25, 2008.
- June 20, 2008 – **Progressive Molded Products, Inc.** along with its affiliates filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the District of Delaware on July 20, 2008. The company listed assets of \$10 million to \$50 million and debts of \$500 million to \$1 billion.
- May 19, 2008 – **BHM Technologies Holdings Inc.** along with The Brown Corporation of America, The Brown Company of Moberly LLC, The Brown Company of Waverly LLC, Heckethorn Manufacturing Co., Midwest Stamping & Manufacturing, Morton Welding Co. filed a voluntary petition for reorganization under Chapter 11 in the U.S. Bankruptcy Court for the Western District of Michigan, Grand Rapids on May 19, 2008. The company listed assets and liabilities in the range of \$100 million to \$500 million.
- April 25, 2008 – **Excello Engineered Systems LLC** filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the Northern District of Ohio on April 25, 2008. The company listed assets and liabilities between \$1 million to \$10 million.
- April 25, 2008 – **Challenger Powerboats, Inc.**, along with its affiliates, filed a voluntary petition for liquidation under Chapter 7 in the US Bankruptcy Court for the Eastern District of Missouri on April 25, 2008. The company listed assets of \$14.31 million and liabilities of \$4.3 million.
- April 1, 2008 – **Lexington Precision Corporation**, along with its affiliate, filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the Southern District of New York on April 1, 2008. The company listed assets of \$52.73 million and liabilities of \$88.70 million.

# Financial Statistics

Automotive Industry – Public Markets Multiples  
As of 6/30/2008 (Figures in US\$)

Company	Ticker	Stock price			Equity Market Cap	Enterprise Value (EV)	Net Debt/ LTM <sup>2</sup> EBITDA	EPS		Price earnings		EV/ LTM <sup>2</sup> EBITDA
		Current	% of 52 week high	Quartile <sup>1</sup>				LTM <sup>2</sup>	NTM <sup>3</sup>	LTM <sup>2</sup>	NTM <sup>3</sup>	
<b>OEM</b>												
Daimler AG	DAI	\$61.67	55%	0%	\$59,474	\$127,168	2.7x	\$4.71	\$10.06	13.1x	6.1x	6.8x
Ford Motor Co.	F	\$4.81	50%	7%	\$10,784	\$156,190	9.8x	NM	NM	NM	NM	10.7x
General Motors	GM	\$11.50	27%	3%	\$6,511	\$28,702	3.7x	NM	NM	NM	NM	5.1x
Honda Motor Co.	TSE:7267	\$34.03	90%	65%	\$61,749	\$96,708	2.3x	\$2.89	\$2.73	11.8x	12.5x	2.4x
Nissan Motor Co.	TSE:7201	\$8.26	76%	13%	\$33,646	\$78,764	3.3x	\$1.03	\$0.83	8.0x	10.0x	3.6x
Toyota Motor Corp.	TSE:7203	\$47.00	73%	0%	\$148,016	\$255,671	2.7x	\$4.73	\$4.09	9.9x	11.5x	2.9x
Volkswagen AG	DB:VOW	\$288.00	100%	99%	\$114,226	\$182,351	3.4x	\$15.33	\$19.68	18.8x	14.6x	12.3x
Mean										12.3x	10.9x	6.3x
Median										11.8x	11.5x	5.1x
<b>Supplier</b>												
American Axle	AXL	\$7.99	26%	0%	\$433	\$982	1.7x	NM	NM	NM	NM	3.0x
ArvinMeritor	ARM	\$12.48	53%	23%	\$921	\$1,915	3.4x	NM	\$2.07	NM	6.0x	7.1x
Autoliv	ALV	\$46.62	72%	12%	\$3,387	\$4,679	1.4x	\$3.86	\$5.19	12.1x	9.0x	5.3x
BorgWarner	BWA	\$44.38	79%	36%	\$5,153	\$5,789	0.7x	\$2.70	\$3.02	16.4x	14.7x	7.9x
Cooper Tire	CTB	\$7.84	28%	0%	\$462	\$714	0.6x	\$1.18	\$0.07	6.7x	NM	2.7x
Cummins	CMI	\$65.52	87%	74%	\$13,308	\$13,488	(0.1)x	\$3.96	\$5.23	16.6x	12.5x	10.4x
Dana Holding	DAN	\$5.35	40%	3%	\$530	\$1,581	0.4x	\$1.91	\$0.65	2.8x	8.2x	3.6x
Delphi	DPHI.Q	\$0.07	3%	1%	\$41	\$5,544	NM	NM	NM	NM	NM	NM
Eaton	ETN	\$84.97	82%	49%	\$13,986	\$17,568	2.0x	\$6.47	\$7.84	13.1x	10.8x	10.0x
Federal-Mogul	FDML	\$16.13	55%	8%	\$1,621	\$3,889	3.3x	\$14.72	\$1.32	1.1x	12.2x	5.9x
Gentex	GNTX	\$14.44	64%	11%	\$2,062	\$1,662	(2.2)x	\$0.85	\$0.90	16.9x	16.1x	9.0x
Goodyear Tire	GT	\$17.83	48%	2%	\$4,289	\$7,236	1.0x	\$1.65	\$2.50	10.8x	7.1x	3.9x
Hayes Lemmerz	HAYZ	\$2.84	46%	4%	\$287	\$898	3.0x	NM	NM	NM	NM	5.1x
Johnson Controls	JCI	\$28.68	65%	1%	\$17,019	\$21,254	1.5x	\$2.31	\$2.64	12.4x	10.9x	7.8x
Lear	LEA	\$14.18	34%	0%	\$1,096	\$2,871	1.6x	\$3.44	\$2.78	4.1x	5.1x	2.7x
Linamar	TSX:LNR	\$12.24	46%	1%	\$822	\$1,237	1.1x	\$1.55	\$1.74	7.9x	7.0x	3.6x
Magna Intl.	TSX:MG.A	\$59.40	61%	0%	\$6,803	\$4,759	(1.1)x	\$5.51	\$6.48	10.8x	9.2x	2.4x
Navistar Intl.	NAVZ	\$65.82	83%	63%	\$4,623	\$10,798	11.5x	\$0.77	\$8.00	85.7x	8.2x	20.1x
Tenneco Inc.	TEN	\$13.53	36%	0%	\$631	\$1,952	2.7x	NM	\$1.76	NM	7.7x	4.0x
TRW Automotive	TRW	\$18.47	47%	1%	\$1,866	\$4,609	2.1x	\$2.60	\$2.25	7.1x	8.2x	3.6x
Visteon	VC	\$2.63	32%	0%	\$344	\$1,832	2.4x	NM	NM	NM	NM	3.6x
Mean										15.0x	9.6x	9.7x
Median										10.8x	8.6x	5.1x
<b>Dealer</b>												
AutoNation	AN	\$10.02	44%	0%	\$1,789	\$5,653	5.1x	\$1.36	\$1.34	7.4x	7.5x	7.4x
Asbury Automotive	ABG	\$12.85	51%	8%	\$410	\$1,550	5.5x	\$1.92	\$1.72	6.7x	7.5x	7.5x
CarMax	KMX	\$14.19	52%	0%	\$3,103	\$3,407	1.0x	\$0.66	\$0.71	21.4x	20.1x	11.7x
Group 1 Automotive	GPI	\$19.87	46%	0%	\$461	\$2,047	7.2x	\$2.91	\$3.00	6.8x	6.6x	9.2x
Lithia Motors	LAD	\$4.92	19%	0%	\$99	\$1,042	9.2x	\$0.85	\$0.62	5.8x	8.0x	10.2x
Penske Automotive	PAG	\$14.74	64%	13%	\$1,406	\$3,931	6.4x	\$1.53	\$1.64	9.6x	9.0x	9.9x
Sonic Automotive	SAH	\$12.89	42%	0%	\$521	\$2,490	6.1x	\$2.51	\$1.81	5.1x	7.1x	7.7x
Mean										9.0x	9.4x	9.1x
Median										6.8x	7.5x	9.2x

<sup>1</sup>Quartile is calculated as (stock price current minus 52 week low)/(stock price 52 week high minus 52 week low).

<sup>2</sup>Latest 12 months diluted earnings per share before extraordinary items.

<sup>3</sup>Next 12 months estimated diluted earnings per share, based on today's date.

Source: Capital IQ

## Financial Statistics (continued)

### Automotive Industry – Comparative Quarterly Metrics As of 6/30/2008 (Figures in US\$)

Company	Ticker	Stock price				LTM <sup>1</sup> Revenues				LTM <sup>1</sup> EBITDA						
		Current	1 month	1 Year%		Current	1 month	1 Year%		Current	1 month	1 Year%				
			Prior	% Δ	Prior	% Δ		Prior	% Δ	Prior	% Δ		Prior	% Δ		
<b>OEM</b>																
Daimler AG	DAI	\$61.67	\$76.03	↓-19%	\$91.95	↓-33%	\$144,574	\$138,747	↑4%	\$128,997	↑12%	\$21,802	\$22,224	↓-2%	\$25,911	↓-16%
Ford Motor Co.	F	\$4.81	\$6.80	↓-29%	\$9.42	↓-49%	\$172,963	\$172,455	↑0%	\$162,281	↑7%	\$14,664	\$13,841	↑6%	\$10,015	↑46%
General Motors Corp.	GM	\$11.50	\$17.10	↓-33%	\$37.80	↓-70%	\$180,405	\$181,122	↓0%	\$197,145	↓-8%	\$5,584	\$6,320	↓-12%	\$28,205	↓-80%
Honda Motor Co.	TSE:7267	\$34.03	\$33.23	↑2%	\$36.29	↓-6%	\$105,021	\$102,184	↑3%	\$94,794	↑11%	\$12,875	\$12,953	↓-1%	\$10,460	↑23%
Nissan Motor Co.	TSE:7201	\$8.26	\$9.40	↓-12%	\$10.72	↓-23%	\$94,709	\$97,012	↓-2%	\$89,506	↑6%	\$10,977	\$11,022	↓0%	\$10,419	↑5%
Toyota Motor Corp.	TSE:7203	\$47.00	\$51.03	↓-8%	\$62.94	↓-25%	\$230,022	\$221,190	↑4%	\$204,755	↑12%	\$32,912	\$33,583	↓-2%	\$30,962	↑6%
Volkswagen AG	DB:VOW	\$288.00	\$279.45	↑3%	\$159.34	↑81%	\$154,923	\$149,287	↑4%	\$136,279	↑14%	\$18,074	\$17,691	↑2%	\$15,315	↑18%
<b>Supplier</b>																
American Axle	AXL	\$7.99	\$18.59	↓-57%	\$29.62	↓-73%	\$3,034	\$3,248	↓-7%	\$3,159	↓-4%	\$324	\$393	↓-18%	\$257	↑26%
ArvinMeritor	ARM	\$12.48	\$14.97	↓-17%	\$22.20	↓-44%	\$6,698	\$6,544	↑2%	\$6,517	↑3%	\$271	\$251	↑8%	\$269	↑1%
Autoliv	ALV	\$46.62	\$54.67	↓-15%	\$56.87	↓-18%	\$6,898	\$6,769	↑2%	\$6,319	↑9%	\$883	\$877	↑1%	\$823	↑7%
BorgWarner	BWA	\$44.38	\$51.71	↓-14%	\$43.02	↑3%	\$5,550	\$5,329	↑4%	\$4,708	↑18%	\$729	\$683	↑7%	\$607	↑20%
Cooper Tire	CTB	\$7.84	\$10.98	↓-29%	\$27.62	↓-72%	\$2,942	\$2,933	↑0%	\$2,648	↑11%	\$261	\$280	↓-7%	\$175	↑49%
Cummins	CMI	\$65.52	\$70.42	↓-7%	\$50.61	↑29%	\$13,705	\$13,048	↑5%	\$11,501	↑19%	\$1,291	\$1,221	↑6%	\$1,254	↑3%
Dana Holding	DAN	\$5.35	\$10.60	↓-50%	N/A	■N/A	\$8,888	\$8,721	↑2%	\$8,452	↑5%	\$440	\$404	↑9%	\$220	↑100%
Delphi	DPHLQ	\$0.07	\$0.11	↓-30%	\$2.37	↓-97%	\$21,853	\$22,283	↓-2%	\$21,446	↑2%	\$(157)	\$(139)	↑13%	\$(658)	↓-76%
Eaton	ETN	\$84.97	\$96.68	↓-12%	\$93.00	↓-9%	\$13,416	\$13,033	↑3%	\$12,389	↑8%	\$1,751	\$1,710	↑2%	\$1,627	↑8%
FederalMogul	FDML	\$16.13	\$19.96	↓-19%	N/A	■N/A	\$7,057	\$6,914	↑2%	\$6,443	↑10%	\$660	\$710	↓-7%	\$630	↑5%
Gentex	GNTX	\$14.44	\$17.56	↓-18%	\$19.69	↓-27%	\$675	\$654	↑3%	\$590	↑14%	\$184	\$179	↑3%	\$161	↑14%
Goodyear Tire	GT	\$17.83	\$25.41	↓-30%	\$34.76	↓-49%	\$20,087	\$19,644	↑2%	\$18,788	↑7%	\$1,848	\$1,613	↑15%	\$1,070	↑73%
Hayes Lemmerz	HAYZ	\$2.84	\$3.92	↓-28%	\$5.35	↓-47%	\$2,202	\$2,127	↑4%	\$1,826	↑21%	\$177	\$172	↑3%	\$159	↑11%
Johnson Controls	JCI	\$28.68	\$34.06	↓-16%	\$38.59	↓-26%	\$36,812	\$35,898	↑3%	\$33,242	↑11%	\$2,714	\$2,618	↑4%	\$2,327	↑17%
Lear	LEA	\$14.18	\$25.75	↓-45%	\$35.61	↓-60%	\$15,447	\$15,995	↓-3%	\$17,567	↓-12%	\$1,065	\$1,088	↓-2%	\$920	↑16%
Linamar	TSX:LNR	\$12.24	\$17.02	↓-28%	\$18.12	↓-32%	\$2,276	\$2,154	↑6%	\$1,983	↑15%	\$339	\$317	↑7%	\$272	↑25%
Magna Intl.	TSX:MG.A	\$59.40	\$70.50	↓-16%	\$91.51	↓-35%	\$25,452	\$24,271	↑5%	\$21,584	↑18%	\$1,931	\$1,869	↑3%	\$1,410	↑37%
Navistar Intl.	NAVZ	\$65.82	\$75.95	↓-13%	\$66.00	↓0%	\$13,060	\$12,101	↑8%	\$12,124	↑8%	\$536	\$286	↑87%	\$544	↓-1%
Tenneco Inc.	TEN	\$13.53	\$23.98	↓-44%	\$35.04	↓-61%	\$6,344	\$6,184	↑3%	\$4,951	↑28%	\$484	\$486	↓0%	\$424	↑14%
TRW Automotive	TRW	\$18.47	\$24.95	↓-26%	\$36.83	↓-50%	\$15,279	\$14,702	↑4%	\$13,315	↑15%	\$1,266	\$1,229	↑3%	\$1,136	↑11%
Visteon	VC	\$2.63	\$4.04	↓-35%	\$8.10	↓-68%	\$11,238	\$11,266	↓0%	\$11,230	↑0%	\$502	\$409	↑23%	\$356	↑41%
<b>Dealer</b>																
AutoNation	AN	\$10.02	\$15.79	↓-37%	\$22.44	↓-55%	\$17,391	\$17,692	↓-2%	\$18,377	↓-5%	\$761	\$797	↓-5%	\$859	↓-11%
Asbury Automotive	ABG	\$12.85	\$16.47	↓-22%	\$24.95	↓-48%	\$5,598	\$5,713	↓-2%	\$5,729	↓-2%	\$206	\$215	↓-4%	\$219	↓-6%
CarMax	KMX	\$14.19	\$19.66	↓-28%	\$25.50	↓-44%	\$8,320	\$8,285	↑0%	\$7,865	↑6%	\$291	\$347	↓-16%	\$384	↓-24%
Group 1 Automotive	GPI	\$19.87	\$26.04	↓-24%	\$40.34	↓-51%	\$6,400	\$6,393	↑0%	\$6,189	↑3%	\$222	\$218	↑2%	\$219	↑1%
Lithia Motors	LAD	\$4.92	\$6.83	↓-28%	\$25.34	↓-81%	\$3,144	\$3,219	↓-2%	\$3,120	↑1%	\$103	\$116	↓-12%	\$127	↓-20%
Penske Automotive	PAG	\$14.74	\$20.89	↓-29%	\$21.29	↓-31%	\$13,082	\$12,958	↑1%	\$11,652	↑12%	\$396	\$394	↑1%	\$363	↑9%
Sonic Automotive	SAH	\$12.89	\$18.65	↓-31%	\$28.97	↓-56%	\$8,355	\$8,337	↑0%	\$7,982	↑5%	\$322	\$326	↓-1%	\$295	↑9%

<sup>1</sup>Latest 12 months diluted earnings per share before extraordinary items.

↑Up ↓Down ■Same

Source: Capital IQ

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