

Automotive Industry Review

Corporate Advisory Services Fall 2008

3rd Quarter U.S. Automotive Highlights

Lenders Back Away From Leasing

In August, leasing accounted for 13% of U.S. new vehicle transactions, down from 18% in July (and the full year in 2007), according to a report released by J.D. Power and Associates' Power Information Network. The report cites Chrysler Financial's decision to halt leasing on August 1st as a large contributing factor to the pullback in lease financing. At the same time, leasing as a percentage of sales also shrank from July to August at nearly all the major U.S. automakers, including Chrysler (to 36% from 52%), Ford (to 10% from 13%) and General Motors (to 4% from 11%).

Banks Increase Credit Standards – Putting Additional Pressure on Consumer Spending

Recent economic events have caused banks to tighten credit availability, increase lending standards, and limit credit card offers. These actions have added fuel to a credit crisis which has dampened business investment, consumer spending, and investor confidence in most of the world.

Following the collapse in the home mortgage sector, the financial/credit crisis has resulted in consumer confidence dropping precipitously. Consumers are prioritizing the conservation of capital and limiting discretionary spending. The resulting impact on the economy is staggering given that approximately two-thirds of the economy is driven by consumer spending. >

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3rd Quarter U.S. Automotive Industry Highlights (continued)

The Federal Reserve recently released a report on consumer spending that illustrated the impact of a slowing economy on the retail sector, including consumer reluctance to buy new vehicles. For a typical car buyer, vehicle affordability has become a major impediment to a transaction, with banks requiring larger down payments, reduced loan terms, and increased lending rates over the last several months. As presented in the report, interest rates for new vehicle loans at auto finance companies rose from 3.3% in July to 5.1% in August to 6.2% in September.

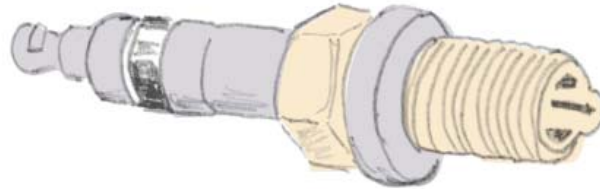
The rate increases are making it more difficult for consumers to purchase vehicles, as evidenced by the fact that the average finance amount of new vehicles is falling sharply. For instance, the average new vehicle finance amount declined from \$27,582 in July to \$26,920 in August to \$25,427 in September.

This data points to two underlying factors: (1) credit tightening is affecting the amount and type of loan that a consumer is qualified to obtain, and (2) the consumer is trading down to a lower average price point for a vehicle transaction.

Unemployment Levels Intensify

The troubles confronting U.S. workers continue to intensify as non-farm payroll employment declined by 159,000 jobs in September and the unemployment rate held at 6.1 percent from August. Employers cut payrolls for the 9th straight month, according to the Bureau of Labor Statistics of the U.S. Department of Labor.

September's unemployment rate is in sharp contrast to January's 4.9 percent rate. The increase of more than a full point year-to-date indicates that the risks of a recession are accelerating. As reported, employment levels continued to fall in the construction, manufacturing, and retail trade sectors, while the mining and health care sectors continued to add new jobs.



Oil Prices Tumble, but Consumer's Memory Has Not Completely Faded

Prior to the Independence Day holiday, crude oil prices leapt to a record \$145 a barrel with some experts having speculated crude oil would reach \$200 a barrel by the end of this year. Since that time, oil prices have plummeted in the wake of a stronger dollar, ongoing talks to resolve a nuclear dispute with Iran, and increased oil supply due to slowing demand in much of the world.

The decline in crude oil prices has provided temporary relief for the world's airline and automobile industries, whose operations are largely impacted by commodity prices, particularly the price of oil. In addition, consumers have begun to experience relief at the pump, with the price of retail gasoline having fallen more than 10% from July's high of \$4.11 to \$3.63 per gallon at the close of the third quarter, according to the Energy Information Administration. Despite U.S. vehicle sales continuing to drop to recent monthly lows, the decline in gasoline prices has led to a modest rebound in the sales mix of large pickups and SUVs. (See page 11 for additional analysis on segmentation shifts).

U.S. Carmaker Cutbacks Hit Supply Sector

Earlier this year, suppliers were overwhelmed by rising commodity and raw material costs. Now those fears have subsided as material prices have fallen drastically over the past several months. However, as economic uncertainty looms, the new fear of the day is the collapse of the financial markets and how that is translating into historic lows for new vehicle sales levels. The slowing demand has caused automakers to revise lower their already reduced production schedules.

The concern amongst many suppliers is that the recent downturn is potentially just the beginning of a prolonged downward cycle, following the supercycle boom driven by inflated demand that has lasted for several years. The bigger theme arising out of the automakers' production cutback is that few, if any, suppliers' business models accounted for such a perfect storm. Survivability, given an extended period of time at these, or even lower, depressed sales levels is questionable for many industry players. >

3rd Quarter U.S. Automotive Industry Highlights (continued)

D3 OEMs Reduce Plant Capacity as Toyota and VW Establish a Larger U.S. Production Footprint

In the first nine months of 2008, total vehicle sales were down over 1,580,000 units, with the Domestic 3 (“D3”) comprising nearly 1,250,000 of the decline, or about 4 out of 5 units lost during the period. Automakers announced further plans to right-size their production capacity, reduce inventories, and shed jobs in order to match their fixed cost structures with the reduced market shares. A necessary result is a reduction in plant capacity and non-core product lines among the D3’s 54 North American production facilities to better correspond with reduced sales levels. So far in 2008, the three automakers have called for more than 20 shift reductions and four plant closures prior to year end. Even at these reduced capacity levels, the plants run by the D3 are, on average, estimated to be operating more than 25-30% below full capacity utilization.

Meanwhile, Toyota and Volkswagen are each making \$1B investments to build new plants in the U.S. Toyota is building its eighth North American vehicle assembly plant on a 1,700-acre site located just outside Tupelo, Mississippi. The new plant will produce Toyota’s popular hybrid model, the Prius and is currently scheduled to begin production by 2010. Meanwhile, Volkswagen is building its second manufacturing plant in Chattanooga, Tennessee as part of its plan for expansion in the U.S. market. The 1,400-acre site is expected to produce 150,000 vehicles annually – specifically, a Volkswagen badged medium sedan – starting in 2010. Volkswagen’s current sole North American assembly plant is located in Puebla, Mexico.

President Bush Approves \$25B Auto Loan Program

As news of a potential collapse in the automotive sector spreads to Washington, President Bush signed a stop-gap budget bill that includes an appropriation for federal guarantees for \$25 billion of low-interest loans to automakers and suppliers. Under the current plan, the U.S. Dept. of Energy has 60 days to write regulations determining which initiatives qualify for the loans that are intended to help companies retool plants for production of more fuel-efficient vehicles. The program has been criticized for its stringent application criteria and perceived six to 18-month long implementation period before funds will be received by approved applicants. Many industry participants are urging lawmakers to act more quickly to disburse these funds. •



Financial/Economic Snapshot

Economic Metrics	Period	Value	Change
GDP Growth Rate			
Current Period (quarterly final)	Q3-08	-0.5%	-3.3%
Prior Period (quarterly final)	Q2-08	2.8%	
Inflation (CPI - unadjusted)			
Current Period (yoy)	Sep-08	-0.1%	0.3%
Prior Period (yoy)	Aug-08	-0.4%	
Inflation (PCE, 1 month annualized)			
Current Period (monthly)	Sep-08	1.3%	1.0%
Prior Period (monthly)	Aug-08	0.3%	
UofM Consumer Confidence			
Current Period (monthly)	Sep-08	70.3	7.3
Prior Period (monthly)	Aug-08	63.0	
Prior Period (prior year)	Sep-07	83.4	
ISM - PMI Index			
Current Period (monthly)	Sep-08	43.5	-6.4
Prior Period (monthly)	Aug-08	49.9	
Unemployment Rate (seasonally adj.)			
Current Period (monthly)	Sep-08	6.1%	0.0%
Prior Period (monthly)	Aug-08	6.1%	
Prior Period (prior year)	Sep-07	4.7%	
Leading Indicators Index			
Current Period (monthly)	Sep-08	0.3%	1.2%
Prior Period (monthly)	Aug-08	-0.9%	
Lagging Indicators Index			
Current Period (monthly)	Sep-08	-0.2%	-0.4%
Prior Period (monthly)	Aug-08	0.2%	

U.S. Economy Declined in Third Quarter

In the third quarter of 2008, economic indicators continued to raise recessionary fears. As shown, the gross domestic product growth rate declined -0.5%, a -3.3 point drop from the prior quarter. U.S. unemployment levels have remained high at 6.1%, spiking nearly 1.5 points from the prior year. With news of further headcount reductions surfacing daily across many industries, we expect the U.S. unemployment rate could increase significantly before year end, as the impact from the decline has yet to be fully captured in our Financial and Economic historical tracking.

While the current economic and financial situation may begin to show sporadic signs of stability, our view includes more downside risk with a low probability of a near-term recovery. •

On the Radar for Next Quarter

\$25B Government Loan – Received Yesterday Is Not Soon Enough

What a difference a quarter makes. The SAAR for the third quarter came in at 12.9M units, down from 15.2M units in Q1 and 14.1M units in Q2. This stunning drop-off has the domestic automakers burning through cash at increasing rates. With unemployment rising and GDP slowing, the economy is putting on the brakes, and quite possibly may be headed for a recession in the second half of 2008. The time lag between writing the loan rules, approval of applications, and disbursement of funds makes the immediate impact from the Energy Bill Section 136 Advanced Technology Vehicle Manufacturing loan program negligible for the automaker's cash position in the short-term.

GM laid out a clear restructuring plan in mid-July with three parts: (1) reduce costs throughout the company, (2) raise money through the capital markets, and (3) sell assets. With the credit crisis pervading the global economy, and auto industry sales on a downward trajectory, parts 2 and 3 of GM's plan have not come to fruition.

With the level of cash decreasing on each D3 balance sheet monthly and the lending markets turned against the auto industry, how much runway is left to restructure internally to get past the downcycle? Will the restructuring efforts now put in high-gear, becoming deeper, faster, and wider, be enough to sustain the automakers without government involvement?

Slowing Global Economies and Reduced Vehicle Sales Volume Expectations

A review of the economic metrics points to a significant slowdown in European car sales. September's year-to-date sales levels were down 4.4%. The effect is more pronounced in four of the EU's five largest markets (Germany down 2%, Italy down 6%, France up 8%, U.K down 21%, and Spain down 32%), although Eastern Europe experienced a rise in sales of 8% for the month. GDP for the Eurozone (EA15) in the second quarter was down 0.2%, and with Q3 GDP down 0.2%, the EA15 is now officially in a recession. Japan's economy is slowing as well, and China and India's car markets have experienced a rapid deterioration in sales throughout the third quarter.

With a global slowdown, there is a distinct possibility that the global automotive market will not expand (in terms of total vehicle production) for the first time in 7 years. Global production was approximately 68.6M units in 2007. The pain is being felt by automakers throughout the world, and in every region, as perceived growth companies, such as Toyota, Renault, Fiat, and Nissan (among others) have announced drastic production cut backs, some multiple times this year.

Now that it appears likely that a triple-headed recession will occur in Europe, the U.S., and Japan, engulfing the world's largest economies, the risk is how long will a recession last, and how severe will it be?

China, a market that has enjoyed annual sales volume increases for three straight years up until a 6% drop in August is likely to avoid a recession. Vehicle sales rose 12% for the first nine months of 2008 but are expected to slow down for the rest of the year, with some industry experts expecting only 5% growth in 2009. For a historically red-hot auto market, what will the impact of this decline have on investment plans, production outlook, and possible consolidation in the world's #2 auto market?

New Pick-Up Models Square Off: Dodge Ram vs. Ford F-Series

Amid one of the worst truck markets in many years, Ford and Chrysler are both launching completely redesigned full-size pickups for the 2009 model year. The launch of the F-Series was delayed two months in September 2008 and Dodge Ram sales began in August 2008. Both companies are betting big on the success of these newly launched models, expecting that truck buyers will soon return to dealer showrooms. Unfortunately, the launch of these models comes at a time when housing starts remain at historic lows and the national average gasoline price is above \$3 per gallon as of September. The total industry is down 12.8%, but the truck segment is down more than 20% so far this year, with truck sales dipping further in September to nearly 27% down for the month year-over-year. >

On the Radar for Next Quarter (continued)

Yet, full-size pickups are still a major segment of the market, and GM's and Ford's flagship offerings still command the #1 and #2 spots among best selling vehicles year-to-date.

Further, for the past 30 straight years, the F-Series has been the best-selling truck in America. The model comprises more than 1 out of every 4 vehicles sold at the company, making the stakes for success higher than ever. Meanwhile, the Dodge Ram makes up more than 15% of Chrysler brand sales and captures about 15% share of the truck segment, compared to the F-Series which makes up more than 30% of truck segment sales.

Although Ford and Chrysler have the newest models in the market, GM is still a formidable competitor as well. In fact, in August and September (partly due to GM's Employee Discount for Everyone program), GM's Silverado outsold the F-Series on a unit volume basis and was the best selling vehicle for two months in a row. Toyota, which invested heavily in a new pickup plant in San Antonio, Texas, currently commands less than 10% of the market. With Nissan struggling with its offerings, the segment is still dominated by the D3 (combined 89% share).

Additionally, Chrysler is rumored to be exiting the midsize pickup segment, dropping the Dodge Dakota sometime next year, and Ford is thought to be dropping the Ranger in the 2010-11 timeframe, thereby causing both companies to depend more on the large pickup sales success. Going forward, the biggest challenge at both companies is a heavy reliance on truck and SUV sales, lack of new small car offerings in the short- to medium-term, limited flexible manufacturing and significant sales and production focused largely in North America, particularly Chrysler with more than 90% of global sales focused in North America.

With GM's announcement to indefinitely delay the redesign of its pickup truck offering, how will the market share change within this segment? Are the additional first-time features (coil springs, bed side cargo) that Chrysler introduced in the Ram enough to propel sales for the Company and present positive momentum? What can the five competitors in this segment do to improve fuel economy perceptions? What will happen first – a return of the construction/housing market or the return of increasing fuel costs at the pump? Given the current scenario, we expect increased incentives and sales promotions utilized to bolster the performance of these higher profit margin vehicles.

Incentives and Fleet Sales are Back. Is It Enough to Offset Lack of Credit Availability?

Putting aside lofty goals and statements made by the D3 to the contrary, large vehicle incentive offerings and the reliance on fleet sales never went away. In fact they are now back, front and center.

In the third quarter, GM offered the Employee Discount for Everyone (EDE) program, which seemed to have largely helped the company in the last couple months compared to its domestic rivals. Immediately following the EDE program, GM announced their Red Tag Sale would begin earlier than expected. The program was originally designed to help clear out remaining 2008 inventory during November and December, but began in early November this year (pulled ahead a few weeks). Meanwhile, Ford increased incentive offerings, cut-rate financing offers and customer cash rebates. Chrysler, formerly heavily reliant on lease transactions, is discounting MSRPs to propel vehicle purchasing activity. Toyota and Nissan, typically non-incentive companies, are offering 0% financing through their captive finance arms.

The question remains, what is the payback to these actions? Will these actions pull forward into 2008 sales from next year to leave 2009 in even worse shape? The issue centers on whether or not sales promotions that fuel perceived inflated demand calls real demand levels into question.

Multiple Vehicle Brands for Sale – Buyers Beware?

The Dow Jones Industrials 30 average is down 18.2% year-to-date through September 30th. Based on the eight global stock indexes tracked by Grant Thornton (see the Financial/Economic Snapshot section on page 8), the average decline amongst these stock indexes is a staggering 29.4% year-to-date. Falling indexes translate into lower price multiples, which are often the basis for: (1) current valuation metrics to analyze and value a potential acquisition, and (2) measurement of the potential appetite amongst potential purchasers to acquire assets for sale.

Given the widely-known challenges facing the global automotive market and the lack of new credit availability for automotive companies, an acquisition of automotive production assets, especially financed by debt, faces major hurdles in this environment. For instance, GM announced the cancellation of the sale of its medium-duty truck business to Navistar. GM has been shopping its Hummer brand to potential acquirors for some time, but has yet to make a deal. Chrysler is shopping the Viper model line and production facility, another niche asset, but has seen limited success. Ford is seen as open to strategic options with its Volvo business line, this reasoning further supported by the recent separation of the unit in the Company's financial statements. Yet, the recent acquisition by Tata of Jaguar and Land Rover preceding several consecutive months of falling vehicle sales does not set a strong >

On the Radar for Next Quarter (continued)

precedent for other deals in the short-term. (See U.S. Sales Review section starting on page 11 for additional analysis)

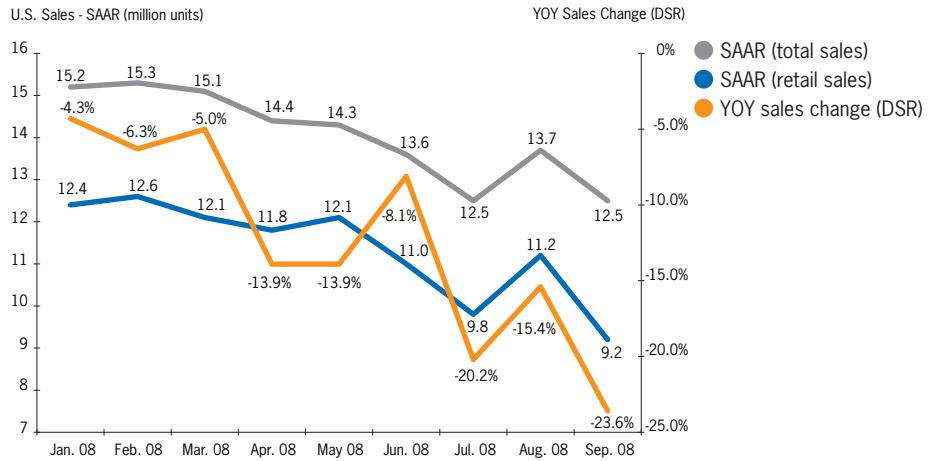
Automakers are counting on asset sales to raise badly needed cash to get them through this cycle. However, potential buyers are pointing to a murky outlook, questionable growth rates, sustainability of brands, and support from the OEMs for warranties, parts, etc. as areas of concern. With the domestic industry in severe retrenchment mode, is this a time to buy? Will the D3 sell assets at any cost? What role does currency fluctuations, amid the strengthening of the dollar vs. Euro but a weakening vs. the Yen play?

U.S. Automotive Sales – Where Is The Bottom?

By most measures, the September sales results were awful. The monthly SAAR came in at a year low of 12.5M units (same as July). If it were not for fleet sales (September was the highest fleet sales month of the year), the figure would have fallen even lower.

No automaker was immune to the cold spreading across the industry, as Japanese, Korean, and European nameplates all experienced a monthly year-over-year sales decrease in September. Toyota, a perennial stalwart, was not immune to the contagion – its September sales were off 31% from a year ago, its worst monthly performance since 1987. Overall sales for the industry were off 26.7% in September (worst monthly sales performance since 1991), 15.4% in August, and 13.4% in July, with the decline accelerating its pace month-to-month.

2008 SAAR Topline & Retail Sales



Source: J.D. Power and Associates

The D3 regained market share for the month, up almost 1.5pts. to nearly a 53% share of the market for September. A closer look reveals that a considerable amount of D3 sales were driven by GM's Employee Discount for Everyone promotion, which helped bolster sales the last several days in the month. With GMAC now announcing stricter lending standards, it remains to be seen if GM will be able to continue the sales momentum into the final quarter. We believe there is a high probability the company will experience a strong payback and constriction from auto financing limitations going forward. Now, with retail gas prices falling to \$3.63 a gallon, the lowest level since May, we may see a renewed demand for larger vehicles should gas prices continue to

fall. However, we believe the consumer's memory has not completely faded, and we question if consumers will return to dealer showrooms resulting from a willingness to write-off \$4 gasoline as a bubble due to a financial market in hysteria. As a corollary, did automakers overreact to truck market fallout earlier this year and begin producing too many small cars? With inventory of trucks at recent low levels, will the automakers have to slow production of small cars to balance out sales levels? With overall sales sluggish, a slowing of production in Q4 almost seems unavoidable.

Regarding our future outlook, we continue to believe risks to the downside outweigh the potential likelihood of rewards to the upside. (See page 13 featuring Grant Thornton's Forecast) •

Financial Indexes and Other Key Trading Metrics

	Current Value		% Chg. YTD	52 - Week Range		% of 52 wk Quartile
	9/30/2008	12/31/2007		Low	High	
Indexes - U.S. Stock¹						
DJ Industrial Average	10,850.66	13,264.82	-18.2%	10,365.45	14,164.53	12.77%
NASDAQ Composite	2,082.33	2,652.28	-21.5%	1,983.73	2,859.12	11.26%
S&P 500	1,164.74	1,468.36	-20.7%	1,106.39	1,565.15	12.72%
DJ Wilshire 5000	11,875.41	14,819.58	-19.9%	11,322.76	15,806.69	12.33%
Russell 2000	679.58	766.03	-11.3%	643.97	845.72	17.65%
Indexes - Global Stock¹						
DJ World Index	221.98	300.88	-26.2%	218.92	320.33	3.02%
MSCI EAFE ²	1,553.15	2,253.36	-31.1%	1,553.15	2,388.74	0.00%
CAC40	4,032.10	5,614.08	-28.2%	3,953.48	5,862.83	4.12%
DAX	5,831.02	8,067.32	-27.7%	5,807.08	8,076.12	1.06%
FTSE 100	4,902.45	6,456.90	-24.1%	4,818.77	6,730.70	4.38%
Hang Seng	18,016.21	27,812.65	-35.2%	17,632.46	31,638.22	2.74%
Bombay Sensex	12,860.43	20,286.99	-36.6%	12,575.80	20,873.33	3.43%
Nikkei	11,259.86	15,307.78	-26.4%	11,259.86	17,458.98	0.00%
Indexes - Commodity & Currency¹						
DJ-AIG Commodity	167.78	184.96	-9.3%	167.39	237.95	0.55%
JPMorgan US Dollar Index	84.30	82.30	2.4%	78.50	84.30	100.00%

	Value			% Chg. Quarterly	% Chg. YTD
	9/30/2008	6/30/2008	12/31/2007		
Financial Metrics¹					
Fed Funds Target Rate	2.00%	2.00%	4.25%	0.00%	-52.94%
Prime Rate	5.00%	5.00%	7.25%	0.00%	-31.03%
LIBOR, 3-month	4.05%	2.78%	4.70%	45.68%	-13.83%
LIBOR, 6-month	3.98%	3.11%	4.60%	28.03%	-13.41%
5-yr. CD, fixed, annual yield	4.23%	3.97%	4.40%	6.55%	-3.86%
30-yr. mortgage, fixed	6.02%	6.36%	5.90%	-5.35%	2.03%
New car loan, 48-month	6.53%	6.83%	6.86%	-4.39%	-4.81%
Home-equity loan, \$30,000	5.44%	4.65%	6.81%	16.99%	-20.12%
2-yr. Treasury, yield	1.99%	2.63%	3.23%	-24.11%	-38.33%
10-yr. Treasury, yield	3.84%	3.98%	4.21%	-3.47%	-8.76%

¹ Sources: Reuters, WSJ Market Data Group

² Europe, Australia, Far East; Figures in U.S. - dollar terms

Financial Indexes and Other Key Trading Metrics (continued)

Other Key Data ¹	Value			% Chg. Quarterly	% Chg. YTD
	9/30/2008	6/30/2008	12/31/2007		
Petroleum Derived					
Resin, \$ per metric tonne	1,637.50	1,887.50	1,512.50	-13.25%	8.26%
Crude Oil, \$ per barrel	100.64	140.00	96.00	-28.11%	4.83%
Natural Gas, \$/MM Btu	7.18	13.18	7.16	-45.52%	0.28%
Heating Oil, \$ per gallon	2.85	3.86	2.65	-26.17%	7.55%
Retail Gasoline, \$ per gallon	3.63	4.10	3.05	-11.46%	18.90%
Metals (Non-Steel)					
Aluminum, \$ per metric tonne	2,376.50	3,065.00	2,358.25	-22.46%	0.77%
Magnesium, \$ per metric tonne	4,450.00	5,900.00	4,300.00	-24.58%	3.49%
Zinc, \$ per metric tonne	1,653.50	1,903.25	2,353.50	-13.12%	-29.74%
Nickel Plating, \$ per pound	7.84	10.58	12.45	-25.90%	-37.03%
Nickel Melting, \$ per pound	761.64	1,032.73	1,225.45	-26.25%	-37.85%
Copper, \$ per pound	2.98	4.05	3.09	-26.42%	-3.56%
Silver, \$ per troy ounce	12.03	17.41	14.80	-30.90%	-18.69%
Gold, \$ per troy ounce	870.95	925.40	833.92	-5.88%	4.44%
Platinum, \$ per troy ounce	1,011.00	2,069.00	1,526.00	-51.14%	-33.75%
Palladium, \$ per troy ounce	199.50	463.00	368.75	-56.91%	-45.90%
Ferromolybdenum, \$ per pound	35.50	35.50	34.75	0.00%	2.16%
Hot-Rolled Steel, \$ per net ton	960.00	1,080.00	563.20	-11.11%	70.45%
Steel Scrap, No. 2 Heavy, gross ton	296.00	493.00	275.00	-39.96%	7.64%
Stainless Steel, \$ per ton	4,045.00	4,427.00	4,070.00	-8.63%	-0.61%
Other Commodities					
Rubber, \$ per kg	2.72	3.29	2.93	-17.33%	-7.17%
Currencies					
Euro, US \$ per €	1.409	1.574	1.460	11.72%	3.59%
British Pound, US \$ per £	1.781	1.992	1.987	11.87%	11.60%
Yen, ¥ per US \$	106.11	106.18	111.45	-0.07%	-4.79%

Note: Last business day of quarterly results

¹ Sources: Reuters, WSJ Market Data Group, Bloomberg, American Metal Market

2008 Light-Duty Vehicle Sales Outlook – As of 3rd Quarter

U.S. Sales Figures in Millions (M)

Company	1Q 2008		2Q 2008		3Q 2008	
	Date	Estimate	Date	Estimate	Date	Estimate
Bank						
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	10/17/2008	13.8
JPMorgan	1/31/2008	15.7	–	–	–	–
Credit Suisse	1/31/2008	15.9	–	–	–	–
Merrill Lynch	–	–	7/1/2008	14.3	9/30/2008	14.3
Deutsche Bank	–	–	6/18/2008	14.5	10/2/2008	14.0
Barclays	–	–	5/29/2008	14.9	10/2/2008	14.0
Average		15.6		14.6		14.0
OEM						
Chrysler	1/28/2008	15.5	–	–	–	–
Nissan	2/1/2008	15.5	5/15/2008	15.2*	–	–
Ford	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	9/26/2008	14.0
Toyota	11/19/2007	16.1	–	–	10/8/2008	14.0
Average		15.8		15.0		14.0
Other						
J.D. Power and Associates	3/18/2008	14.95	7/1/2008	14.4	10/8/2008	13.6
Standard and Poor's	3/27/2008	15.0	4/9/2008	14.9	8/1/2008	14.4
Global Insight	1/31/2008	15.6	–	–	10/8/2008	13.8
NADA	2/18/2008	15.7	–	–	–	–
CSM Worldwide	1/1/2008	15.8	4/1/2008	15.5	10/1/2008	13.8
Bloomberg Economists	1/31/2008	16.0	–	–	–	–
Edmunds.com	1/31/2008	16.1	6/26/2008	14.9	10/6/2008	13.9
Average		15.6		14.9		13.9
Total Average		15.7		14.9		14.0

*Forecast is for Fiscal Year ending March 31, 2009

The above table presents a publicly available list of 2008 sales estimates.

As shown, no one forecasted the drastic downturn in 2008. With all current indicators pointing to continued weak economic conditions through 2009, many experts revised their previous forecast estimates downward significantly after third quarter results were released. As of the end of the third quarter, the consensus sales estimate for 2008 declined to a level of 14.0M units. •

Quarterly Spotlight: Worst Sales Decline In Recent Memory

U.S. Sales Review

- In the **first nine months of 2008**, U.S. total light vehicle sales continued to trend significantly below previously expected levels, dropping more than 1.5M units, or a 12.8% decline, from the prior period. Of the YTD sales volume decline, trucks accounted for 83.1%, or a decrease of 1.3M units.
- The **third quarter** of 2008 failed to produce the sales rebound many had hoped for, with volumes dropping by more than 750,000 units from the prior year, or a decline of 18.4%. In fact, the third quarter actually showed further deterioration in momentum – as its yoy % change decline was much worse than the first and second quarters, which were -7.9% and -12.0%, respectively. The deteriorating situation in the auto industry has accelerated on a sequential quarterly basis throughout the year.
- **Monthly top-line sales** in each of the three months of the third quarter were brutal, with these months posting yoy declines of -13.4%, -15.4% and -26.7% in July, August, and September, respectively. New vehicle sales in September were under 1M units, the only month for that to occur this year.

U.S. Sales

	3Q 2007	3Q 2008	QoQ % Chg.	YTD '07	YTD '08	YTD % Chg.
Cars	1,987,795	1,781,445	-10.4%	6,025,275	5,757,770	-4.4%
Light Trucks	2,105,212	1,559,547	-25.9%	6,296,724	4,984,853	-20.8%
Total Sales	4,093,007	3,340,992	-18.4%	12,321,999	10,742,623	-12.8%

Source: J.D. Power and Associates

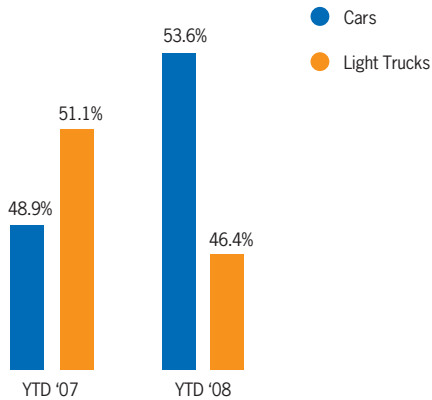
- As a sign of the depth of the industry's sales collapse, September's top-line sales declined to an annualized rate of 12.5M units, which is down 3.7M units from September 2007's 16.2M unit rate, or a decrease of -22.8%. Further, retail sales (non-fleet) decreased to the low 9 million-unit mark in September, falling to the lowest selling rate since the late 1990s, according to J.D. Power and Associates. As we opined in our previous publication, automakers would be forced to revert back to heavy incentivizing and extended sales promotions in order to soften the significant sales decline. However, these are actions the OEMs stated they would stay away from earlier in the year.

Car / Truck Segment Shift – Return of Trucks?

- In the third quarter, both car and truck segments were unable to escape the sales plunge despite some price relief at the gas pump. Both segments contributed to the third quarter 18.4% sales decrease, with volumes declining by 206,350 and 545,665 units over the prior year, respectively. This data suggests that the notion of elevated gasoline prices as the main culprit for the industry sales decline seems less likely as both segments are being largely affected by the decline. The dominant cause for the industry downturn is estimated to be the economic and credit crisis (see page 16 for more commentary on this subject).
- In the first nine months of 2008, consumers have clearly diverted away from light trucks, as truck sales made up less than 47% of industry sales during this period, a sharp drop from the 2007 levels presented in the following chart. >

Quarterly Spotlight: Worst Sales Decline In Recent Memory (continued)

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

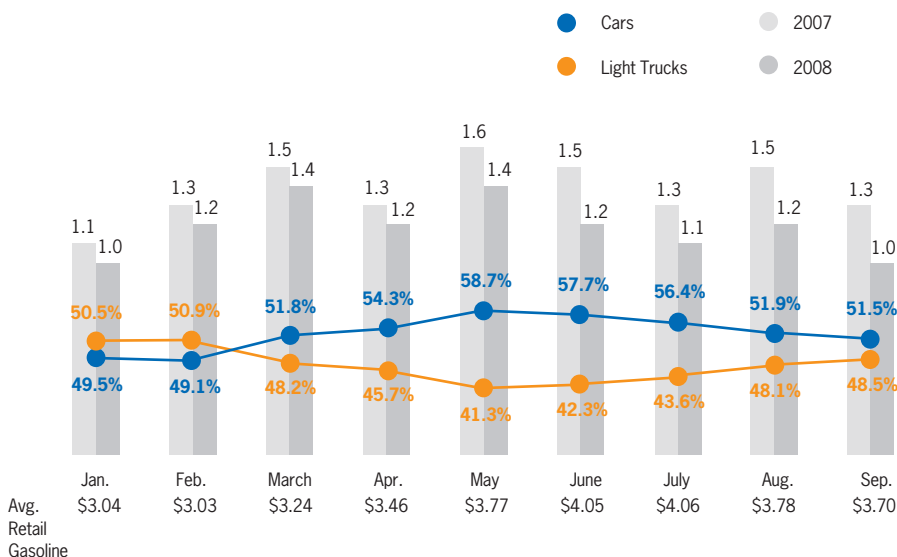


Source: J.D. Power and Associates

- A closer look at this trend shows that as recent as May 2008, light trucks comprised less than 42% of industry sales, marking the lowest truck mix thus far in 2008. As illustrated in the chart below, the decline in truck popularity first emerged at a time when the average retail gasoline price was pointing toward \$4/gallon. Since then, the average retail gasoline price has fallen drastically, causing a noticeable resurgence in the share of truck sales, aided by D3 incentives to push out 2008 inventory for new model releases towards the end-of-the-year.
- As shown in the below chart, a “structural” shift in consumer purchasing back to light trucks occurred in the third quarter.
- In May 2008, the car / truck market share gap reached more than 17 percentage points, the widest gap so far this year before narrowing sharply to less than three percentage points in September.
 - Other macroeconomic issues that have not improved continue to affect sales volumes, including recessionary fears on the brink of a credit crisis, rising unemployment levels, continued softness in the residential housing market, slow construction business, low consumer confidence levels, difficulty in qualifying for approval of auto finance loans, and the limited discretionary spending available to consumers who have seen their house value decline, inflationary pressures persisting, and a loss of wealth of money tied to the stock market.

U.S. Sales by Month 2007 vs. 2008 (Sales Volume, Units in Millions)

Car vs. Truck Share (% of 2008 Total)



Source: J.D. Power and Associates and Energy Information Administration

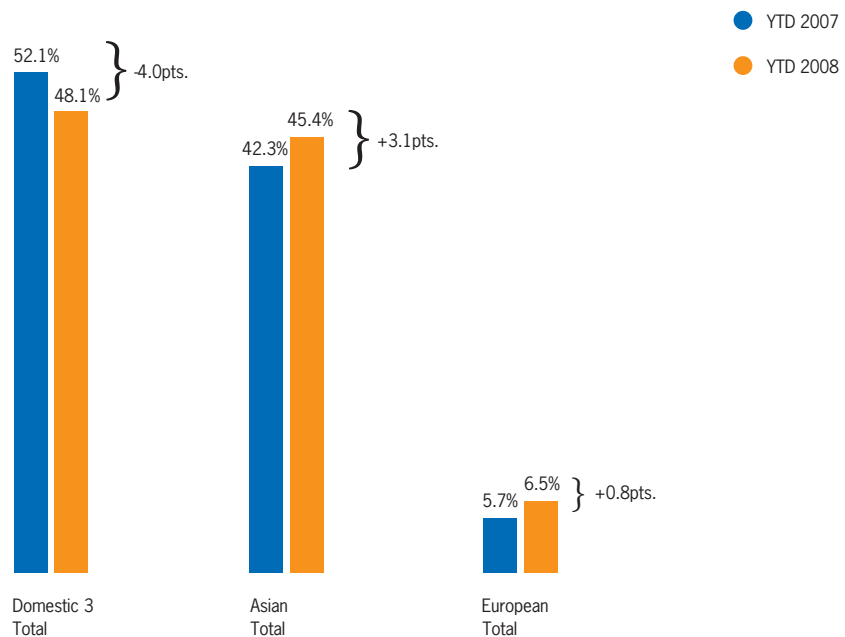
- Despite the fact that gasoline prices remained elevated above \$3 per gallon for this period, reduced fears of rising gasoline prices have seemingly caused some truck buyers to return to the market. The return may also be attributed to sales promotions and incentives for many high volume truck models, thus providing some element of life support to collapsing truck sales (but not enough to improve top-line sales). Perhaps the car / truck sales mix volatility suggests a lower tipping point for gasoline prices among many new vehicle consumers, as the consensus among industry analysts was an upper limit of a \$4/gallon tipping point earlier this year. >

Quarterly Spotlight: Worst Sales Decline In Recent Memory (continued)

However, we observed a noticeable change in consumer buying patterns away from trucks that was significantly below this stated tipping point. This leads us to believe that other factors, including the overall declining economic conditions and credit availability pressures, have created the so called “perfect storm.”

Now that the fourth quarter is upon us, the feeling among industry insiders is still dread as news of sales forecast reductions continue to surface daily. Our previously released top-line forecast for 2009 has been lowered as signs of market stability have remained few and far between. We continue to expect 2008 to finish on life support in the form of heavy discounting and sales promotions from all manufacturers. For 2009, we expect the 1H to remain soft, as the country looks for signs of stability and growth in GDP. We are modestly hopeful for a rebound in sales to occur sometime in late 2009, giving support to a 12.5-13.0M total sales figure for the year. Given current economic conditions, the industry needs a speedy release of government loans to the domestic automakers, stabilized gasoline prices (remaining under \$3.00/gallon for an extended time period), and improved financial/credit markets with an efficient flow of capital. At the same time, we acknowledge that the road ahead includes many challenges and that the feeling of concern has seemingly transformed to absolute fear of the unknown of what may lie ahead (see page 16 for more commentary on this subject).

U.S. Market Share by Origin



Source: J.D. Power and Associates

Tides Continue to Turn: Domestic 3 Unable to Sustain Market Share

As we remarked in our Summer 2008 publication, market share has long been considered a key indicator of a company's strength and its ability to withstand an industry downturn. Because this consideration seems to have faded, we felt it important to focus on the Domestic 3's market share performance in the first nine months of this year. The above table includes a snapshot of U.S. market share by OEM origin during the first nine months 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 **merely 48.1%** of total U.S. vehicle sales, with Asian automakers representing 45.4% and European manufacturers comprising the remainder, or 6.5%. It is difficult to expect stability and health in the supply base until the absolute level, quality of, and duration of the market share comes to a rest at a defensible figure, taken both individually and, due to the interconnected supply base, as a whole for the D3 automakers. >

Quarterly Spotlight: Worst Sales Decline In Recent Memory (continued)

U.S. Sales Overview

	YTD '08	YTD '07	% Chg.
General Motors Group	2,412,649	2,933,977	-17.8%
Ford Group	1,572,333	1,903,693	-17.4%
Chrysler Group	1,183,519	1,578,823	-25.0%
Domestic 3	5,168,501	6,416,493	-19.4%
Honda Group	1,180,583	1,193,520	-1.1%
Hyundai Group	565,752	590,450	-4.2%
Isuzu Motors	4,189	5,533	-24.3%
Mazda Motors	215,408	228,399	-5.7%
Mitsubishi Motors	80,105	105,826	-24.3%
Renault-Nissan Group	785,698	813,049	-3.4%
Fuji Heavy	143,789	138,622	3.7%
Suzuki Group	74,443	82,001	-9.2%
Tata Motors	34,736	48,091	-27.8%
Toyota Group	1,793,302	2,001,642	-10.4%
Asian	4,878,005	5,207,133	-6.3%
BMW Group	236,327	248,273	-4.8%
Daimler Group	195,454	180,265	8.4%
Porsche AG	21,287	26,278	-19.0%
Volkswagen Group	241,184	243,558	-1.0%
European	694,252	698,374	-0.6%
Passenger Car Total	5,755,448	6,025,275	-4.5%
Light Truck Total	4,985,310	6,296,725	-20.8%
Total Light Vehicle Sales	10,740,758	12,322,000	-12.8%

Source: J.D. Power and Associates

Note: Tata includes Jaguar and Land Rover

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

As shown, 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 D3. For example, the three automakers comprising the D3 category experienced a combined loss that exceeded 1.2M units, or 78.9% of the total industry decline this year.

Meanwhile, the ten corporations comprising the Asian category recorded a decline of approximately 330,000, and the four manufacturers comprising the European category experienced a slight volume decrease of about 4,000 units.

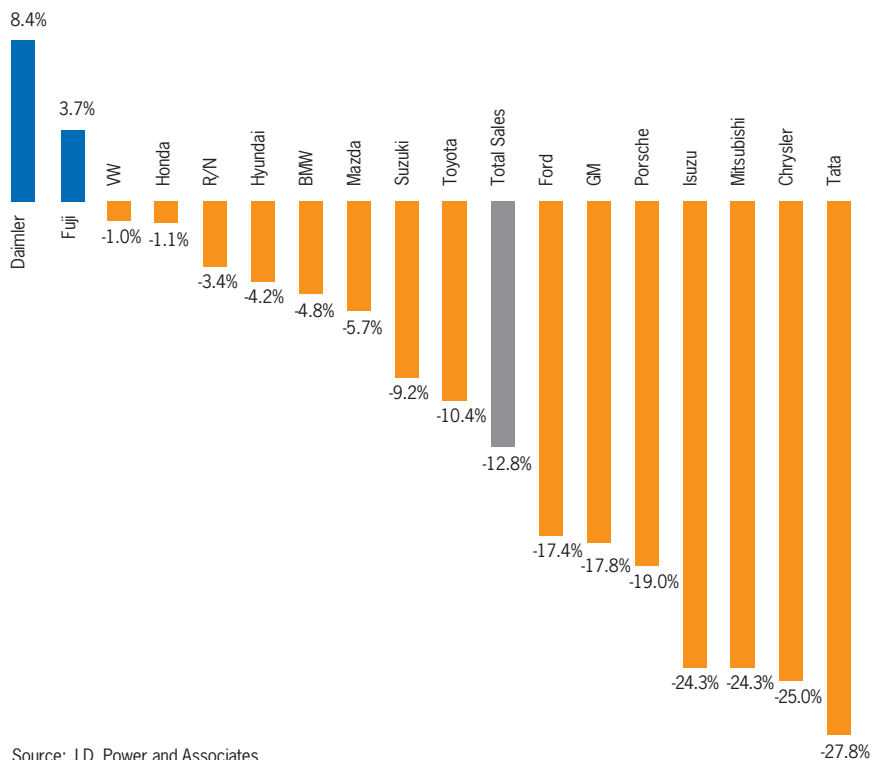
At the OEM level, only two of the 17 automakers posted sales gains during the period: Daimler (up 8.4%) and Fuji (up 3.7%), with Honda and Volkswagen just down about 1.0%. Despite weak performance from the majority of Daimler's product lineup, the automaker's higher volume vehicles performed particularly well, with the Mercedes-Benz C-Class posting an increase of 35.8% and the M-Class increasing nearly 6.4%. Daimler's Smart division also continued to perform well thanks to the success of the new Fortwo, with YTD 2008 sales now above 18,000 units.

The only other OEM to post a year over year sales increase, Fuji, saw a modest increase of 3.7% compared to last year. With only 4 models in Fuji's current product lineup, its sales were bolstered mainly by increased sales of its refreshed midsize CUV, the Subaru Tribeca (up 99.6%), as well as gains from the Forester (up 31.7%) and Impreza (up 11.5%) models. Its midsize vehicle offering, the Legacy, declined 8.5% compared to the prior period. >

Quarterly Spotlight: Worst Sales Decline In Recent Memory (continued)

The first nine months of 2008 were disappointing for the rest of the industry, as 15 OEMs posted a sales decline for the period. Across the 15 automakers, ten posted sales declines exceeding 5.0% and four exceeded the 20.0% mark, including Tata (-27.8%), Chrysler (-25.0%), Mitsubishi (-24.3%), and Isuzu (-24.3%). Most concerning to the industry is the future outlook of Tata (including Jaguar and Land Rover) and Chrysler as both companies' product and sales mix remains deeply concentrated toward trucks. In fact, more than two out of every three vehicles sold by these companies is a truck. Among the seven models in Tata's product lineup, six models (four of which are trucks) declined more than 25% in September. Meanwhile, Chrysler currently has 26 models in its lineup, of which 16 are trucks. In total, 21 of the vehicles in Chrysler's lineup posted a sales decline, and 15 declined by more than 30% in September.

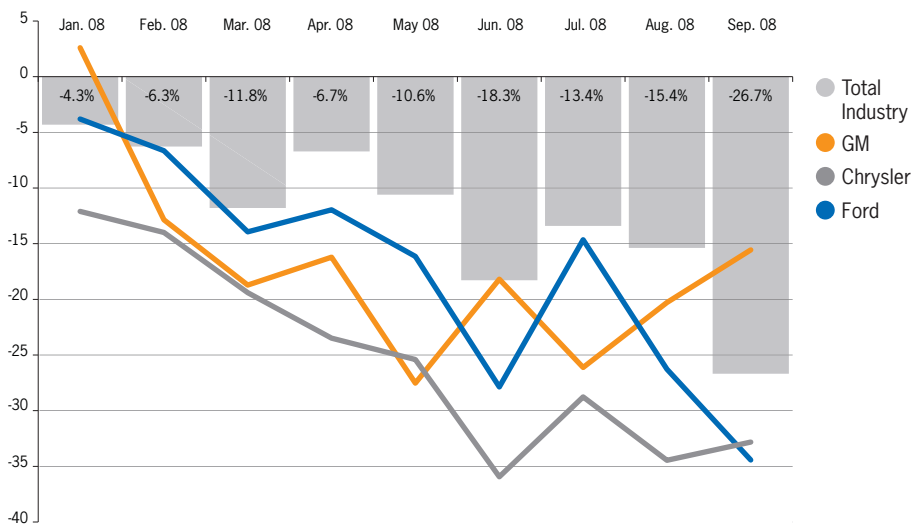
U.S. Sales % Change by OEMs (2007 YTD vs. 2008 YTD)



Source: J.D. Power and Associates
Note: Tata includes Jaguar and Land Rover

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

Month Over Month % Change



Source: J.D. Power and Associates

Sales Decline Impact on Production and Industry Headcount

In each of the first nine months of 2008, U.S. light vehicle sales declined year over year with September's sales results representing the lowest of 2008. At less than 1 million units sold and the seasonally-adjusted annual average selling rate (SAAR) at 12.5 million vehicles, September marked the most painful monthly sales results in recent memory.

As illustrated in the adjacent chart, sales among the U.S. automakers trended well below the rest of the market amid declining truck sales and tightening credit availability. With 2008 drawing to a close, we expect full-year sales to drop to 13.5-13.8M units, which is more than 2.4-2.7M units less than 2007 levels. >

Quarterly Spotlight: Worst Sales Decline In Recent Memory (continued)

With the probability of further downside risk growing daily and no signs of relief expected anytime soon, we forecast top-line 2009 sales of between 12.5-13.0M units, with the impact from the decline not yet fully felt across the supply base and dealer network.

Undoubtedly, the downturn is placing unforeseen levels of stress on the industry. We expect that many players in the industry do not have the cash, credit, or means to see the cycle through. As such, we may not have yet seen the bottom and believe that more than 100,000 industry jobs are directly at risk once the idled production schedules are fully realized.

For example, at the OEM level a decline of one million units of production is equal to the lost output of nearly four vehicle assembly plants, 2.5 engine plants, and more than two transmission plants on average. At the Tier 1 supplier level, more than 50 just-in-time assembly/powertrain sites and more than 200 supplier manufacturing locations could be at risk of collapse, with the losses cascading down to Tier II and Tier III operations, as well as the truck and rail companies that ship the components.

Contributing to the downside sales risk is the virtual halt of automotive leasing in some market segments. Leasing rates are at a four-year low, having fallen from 25 percent of all sales to less than 5 percent. Chrysler, General Motors, Ford, and even BMW have all scaled back leasing operations. The short- and long-term effects of this pull back include a reduction in forced demand, a potential shortage of used vehicles, an acceleration of the shift to less profitable small vehicles, and lower resale values. •

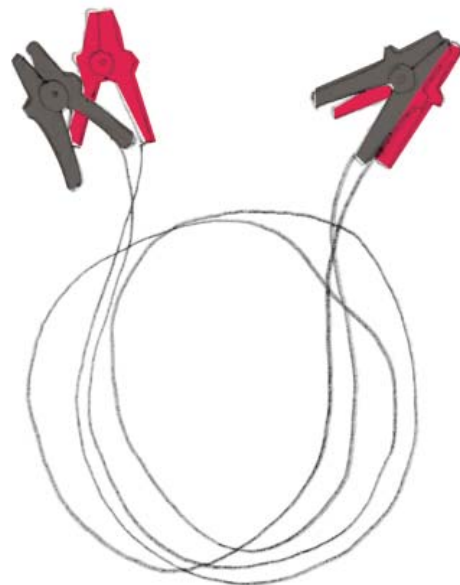
With a sales drop of this magnitude - North American production volumes down more than 2M units - we believe more of the current 90 North American plants are at risk of closure, or indefinite idle. To put the impact from the sales fallout into perspective, we believe a significant number of those plants may be running under 75% normal capacity levels, with more than 1/3 of the D3's plants likely to be running under 50%. With depressed sales levels in Q3 heavily reliant on sales promotions and incentives, we do not see enough supporting momentum underlying a sales rebound in Q4.

To date, North American manufacturers have called for multiple plant closures and more than 20 shift reductions in order to right-size production levels with current demand. Watch for continued production cutbacks, line rate slowdowns, and extended shutdowns next quarter.

The last three quarters have seen a sharp curtailment in vehicle leases, high commodity and energy costs, a tightening of credit, and rising unemployment levels. Consumers are fatigued, and we see more of the same in 2009 based on our read of the underlying industry fundamentals. For 2009, we are currently expecting the economy to remain soft. Therefore, we believe full-year sales for the U.S. will likely come in at 12.5M units which translate into production levels between 11.0 - 11.5M units for North America.

What is there to look out for as signs of relief? There is no one saving grace, as the level, difference, and momentum of the following indicators, taken in total, should point to a time when the industry has bottomed and strength returns to the market.

- Consumer confidence
- Unemployment levels
- Housing demand - level of new and existing home sales
- Capital market and lending market stability
- D3 resolution for finances – stabilize the cash burn or obtain outside (even government) support
- Cars coming off leases and replacement demand – should contribute to the floor in overall natural demand



The Grant Thornton Viewpoint

	Total Industry	GM	Ford	Chrysler	Toyota	Honda	R/N	Top 6	Other	D3	D3 % of Total
2007 Total Sales	16,153,952	3,822,611	2,559,133	2,076,650	2,620,825	1,551,542	1,068,238	13,698,999	2,454,953	8,458,394	52.4%
2008 Sales YTD	10,740,758	2,412,649	1,572,333	1,183,519	1,793,302	1,180,583	785,698	8,928,084	1,812,674	5,168,501	48.1%
2008 Market Share YTD	100%	22.5%	14.6%	11.0%	16.7%	11.0%	7.3%	83.1%	16.9%	48.1%	48.1%
2007 Global Production	68,622,260	8,522,852	7,564,182	2,569,437	9,739,499	3,905,309	6,120,380	38,421,659	30,200,601	18,656,471	27.2%
2007 NA Production	15,101,385	4,215,601	2,862,440	2,469,786	1,720,380	1,432,731	1,199,848	13,900,786	1,200,599	9,547,827	63.2%
2007 NA Production Share of Global	22.0%	49.5%	37.8%	96.1%	17.7%	36.7%	19.6%	36.2%	4.0%	51.2%	13.9%
2008E NA Production	13,037,031	3,411,497	2,336,735	1,955,678	1,562,388	1,489,321	1,058,358	11,813,977	1,223,054	7,703,910	59.1%
2008E NA Production Share	100%	26.2%	17.9%	15.0%	12.0%	11.4%	8.1%	90.6%	9.4%	59.1%	59.1%
# of NA Facilities*	90	27	15	14	11	8	6	81	9	56	62.2%
# of US Facilities*	63	19	11	10	7	5	3	55	8	40	63.5%
# of Brands	38	8	4	3	3	2	2	22	16	15	39.5%
# of Models	285	59	35	26	27	16	19	182	103	120	42.1%
# of U.S. Franchises	39,708	13,650	6,813	8,261	1,451	1,290	1,251	32,716	6,992	28,724	72.3%
# of U.S. Dealers**	21,461	6,653	4,056	3,585	1,423	1,239	1,246	18,250	3,211	14,294	66.6%
Segment #1 Leaders	26	5	4	1	6	4	1	21	5	10	38.5%

* NUMMI facilities listed under Toyota

**Includes Toyota, Honda, R/N and Other; Grant Thornton Estimates

Source: CSM Worldwide (as of Oct. 2008 forecast release), J.D. Power and Associates (thru Sep.), and Automotive News (thru Jan. 1 2008)

In 2008, the U.S. light-vehicle market share of the Domestic 3 dropped to 48.1%, nearly a 4.0pt decline over 2007. The rate of decline has been rapid this year. Among the domestic 3 automakers, Chrysler's market share drop has been the steepest, dropping to 11.0% of the market, a decline of 1.8pts. The decline put the company's rank as the #4 U.S. sales spot at risk, as the company is now in a dead heat with Honda; Chrysler only has a slight 3,000 unit lead over Honda.

The larger story is the decreasing dominance of the Top 6 highest producing OEMs. Through the first nine months of this year, they lost 1.5pts. to the "Other" smaller volume OEMs. Leading the 1.5 pt. market share increase within the "Other" category is Hyundai (+.48pts), Daimler (+.36pts), VW (+.27), and Fuji (+.21) with smaller gains coming from BMW (+.19pts.) and Suzuki (+.19pts).

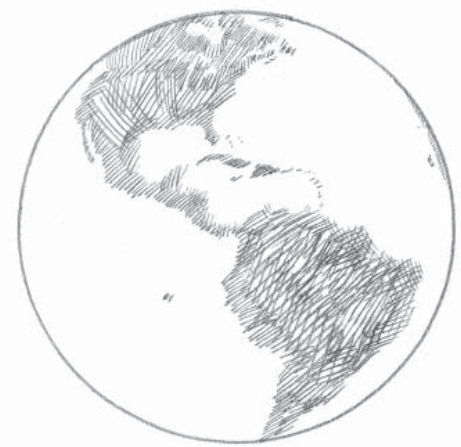
At the same time, the Domestic 3 are still a dominant global force to reckon with. For instance, combined, they produce more than 1 out of 4 of all the world's vehicles produced, and nearly 2 out of 3 of all vehicles produced in North America (equating to 13.9% of all global vehicles produced). >

The Grant Thornton Viewpoint (continued)

A closer look reveals that the Japanese 3 produce nearly 4.1M vehicles in the U.S., which represents about 1 out of 5 vehicles they produce globally, except Honda which produces more than 1 out of 3 of all of its global vehicles in North America.

With discussions of an automotive industry collapse, the general population might say “Who cares”? Well, these critics might not realize that the Domestic 3 combined build nearly 20M vehicles globally, or 27.2% of all the world’s vehicles produced annually.

In North America, they produce nearly 10M vehicles supported by more than 50 vehicle assembly plants in the region, of which 40 reside in the U.S. Some might not also realize that about 2 of 3 North America assembly plants are D3 assembly operations. Through the first nine months of 2008, 285 different vehicle models were sold in the U.S., of which more than 120 were Domestic 3 product offerings. Furthermore, the D3 rank first in nearly half of all vehicle segments, and year-to-date comprise more than half of the top 20 best selling models. •



Key Developments

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

- September 30, 2008 – **BorgWarner Morse TEC Inc.** acquired the remaining 26% stake in BorgWarner Morse TEC Murugappa Pvt. Ltd. from Tube Investments of India Ltd. (BSE: 504973) for INR 204 million
- September 30, 2008 – **Regal-Beloit Corp.** (NYSE: RBC) acquired Dutchi Motors B.V. for \$37.2 million on September 30, 2008. Regal-Beloit will pay \$34 million in cash and assume certain liabilities
- September 30, 2008 – **SCD Co., Ltd.** (KOSE: A042110) signed a memorandum of understanding to acquire 50.2% stake in New Pride Corporation
- September 26, 2008 – **The Reading Group** acquired America’s Body Company, Inc. from Leggett & Platt Inc. (NYSE: LEG)
- September 26, 2008 – **Monomoy Capital Partners** acquired L&P Plastics from Leggett & Platt Inc. (NYSE:LEG)
- September 17, 2008 – **Littelfuse, Inc.** (NASDAQ: LFUS) entered into an agreement to acquire Startco Engineering Ltd.
- September 11, 2008 – **AkzoNobel Car Refinishes** agreed to acquire Soliant LLC from Ernie Green Industries, Inc. and other shareholders
- September 11, 2008 – **Clyde Blowers Ltd.** signed a definitive agreement to acquire Textron Fluid and Power Inc. from Textron Inc. for approximately \$645 million
- September 5, 2008 – **Clean Energy Fuels Corp.** (NasdaqGM: CLNE) signed a definitive share purchase agreement to acquire FuelMaker Corporation from American Honda Motor Co., Inc. and John G. Armstrong for \$17 million, subject to working capital adjustments in cash
- September 2, 2008 – **SKF AB** (OM: SKF B) entered into an agreement to acquire GLO S.r.l. from Metaldyne Corp.
- September 2, 2008 – **Bosch Group** agreed to acquire brake friction business from Morse Automotive Corporation
- September 1, 2008 – **SPX Service Solutions** acquired Autoboss Tech. Inc.
- August 31, 2008 – **Sun Capital Partners, Inc.** acquired Kraco Enterprises, Inc.
- August 29, 2008 – **International Automotive Components Group, LLC** acquired the Halewood facility in UK from Visteon Corp. (NYSE: VC)
- August 28, 2008 – **Motorcar Parts of America, Inc.** (Nasdaq: MPAA) acquired the assets of Suncoast Automotive Products, Inc.

Key Developments (continued)

- August 27, 2008 – **Daimler AG** (XTRA: DCX) acquired minority stake in Beijing Benz-DaimlerChrysler Automotive Co., Ltd. from Chrysler LLC
- August 26, 2008 – **AFL Automotive L.P.** and **CIT Capital USA Inc.** agreed to acquire Michigan plant from Blue Water Automotive Systems, Inc. for \$6 million in cash and debt
- August 8, 2008 – **Johnson Controls Inc.** (NYSE: JCI) cancels the transaction in which it signed a non-binding memorandum of understanding to acquire Saline, Michigan Automotive Components Holdings Plant and Interior Business from Ford Motor Company on November 15, 2007
- July 29, 2008 – **ZF Friedrichshafen AG** signed an agreement to acquire The Cherry Corporation
- July 28, 2008 – **Autoliv Inc.** (NYSE: ALV) agreed to acquire automotive radar sensors business from Tyco Electronics, Ltd. (NYSE: TEL) for \$42 million
- July 26, 2008 – **General Motors Corporation** (NYSE: GM) cancelled the transaction in which it agreed to acquire the remaining 40% stake in Aisin GM Allison Co., Ltd. from Aishin Seiki Co Ltd. on July 26, 2007
- July 18, 2008 – **Cummins Inc.** (NYSE: CMI) agreed to acquire the remaining 50% stake in Consolidated Diesel Co. from CNH Global NV (NYSE: CNH)
- July 16, 2008 – **American Industrial Partners** along with the management team of E-ONE, Inc. agreed to acquire E-ONE, Inc. from Federal Signal Corp. (NYSE: FSS) for approximately \$20 million in cash
- July 10, 2008 – **Tenneco Inc.** (NYSE: TEN) entered into a preliminary agreement to acquire Marzocchi SPA from Gruppo Marzocchi Spa for assumed debt of \$15 million
- July 8, 2008 – **Kohlberg & Company, L.L.C.** entered into an agreement to acquire 60% stake in Automotive Glass Manufacturing and Services Business from PPG Industries Inc. (NYSE: PPG) for \$330 million
- July 16, 2008 – **Flex-N-Gate Corporation** cancelled the transaction in which it agreed to acquire Blue Water Automotive Systems, Inc. from KPS Special Situations Fund II, L.P. for approximately \$22.38 million in cash on July 4, 2008
- July 1, 2008 – **NYX, Inc.** cancelled the transaction in which it offered to acquire Blue Water Automotive Systems, Inc. from KPS Special Situations Fund II, L.P. for \$28 million in cash on June 24, 2008 in a stalking horse bid

Automotive Industry – Significant Bankruptcy Filings (Filing Date)

- September 15, 2008 – **Motor Coach Industries International, 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 September 15, 2008. The company listed assets in the range of \$500 million to \$1 billion and liabilities between \$100 million and \$500 million.
- August 29, 2008 – **Millennium Transit Services LLC** filed a voluntary petition for reorganization under Chapter 11 in the U.S. Bankruptcy Court for New Mexico. The company listed assets and liabilities in the range of \$10 million to \$50 million.
- August 26, 2008 – **Cadence Innovation LLC** filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the District of Delaware on August 26, 2008. The company listed assets in the range of \$10 million to \$50 million and liabilities between \$100 million and \$500 million.
- August 12, 2008 – **Internet Corporation**, along with Ganton Technologies Inc, Diversified Diemakers Inc, Ironton Iron Inc., Lynchburg Foundry Co, Northern Castings Corp, Alexander City Casting Co Inc, Cast Matic Corp, Internet U.S. Holding,, Internet Illinois, Inc, Internet Holding Company, Internet International, Inc, Columbus Foundry, L.P filed a voluntary petition for reorganization under Chapter 11 in District of Delaware on August 12, 2008. The company listed assets in the range of \$50 million and \$100 million and liabilities in the range of \$100 million to \$500 million.
- August 7, 2008 – **Cavalier Coach RV, Inc.** filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the Western District of Pennsylvania on August 7, 2008. The company listed assets and debts of \$1 million to \$10 million.
- July 23, 2008 – **Fearless International, Inc.** filed a voluntary petition for reorganization under Chapter 11 in the US Bankruptcy Court for the Southern District of Florida on July 23, 2008. The company listed assets of \$5.59 million and liabilities of \$8.27 million.
- July 18, 2008 – **DynAmerica Manufacturing LLC** filed a voluntary petition for reorganization under Chapter 11 in the U.S. Bankruptcy Court for the District of Delaware on July 18, 2008. The company listed assets and liabilities in the range of \$1 million to \$10 million.

Financial Statistics

Automotive Industry – Public Market Multiples
As of 9/30/2008 (Figures in US\$)

Company	Ticker	Stock Price			Equity Market Cap	Enterprise Value (EV)	Net Debt/ LTM ² EBITDA	EPS		Price Earnings		EV/ LTM ² EBITDA
		Current	% of 52 Week High	Quartile ¹				LTM ²	NTM ³	LTM ²	NTM ³	
OEM												
Daimler	DAI	\$49.89	45%	0%	\$48,119	\$123,466	3.8x	\$6.93	\$4.30	7.2x	11.6x	7.4x
Ford Motor	F	\$5.20	56%	20%	\$11,759	\$142,496	12.1x	NM	NM	NM	NM	13.3x
General Motors	GM	\$9.45	22%	3%	\$5,350	\$35,552	NM	NM	NM	NM	NM	NM
Honda Motor	TSE:7267	\$29.12	76%	23%	\$52,841	\$91,818	3.0x	\$2.70	\$2.95	10.8x	9.9x	3.1x
Nissan Motor	TSE:7201	\$6.57	55%	0%	\$26,754	\$72,686	4.2x	\$0.90	\$0.72	7.3x	9.1x	4.6x
Toyota Motor	TSE:7203	\$41.28	70%	0%	\$129,997	\$232,405	3.3x	\$3.73	\$3.41	11.1x	12.1x	3.6x
Volkswagen	DB:VOW	\$392.60	92%	84%	\$155,742	\$235,879	4.7x	\$20.45	\$14.20	19.2x	27.6x	18.7x
Mean										11.1x	14.1x	8.5x
Median										10.8x	11.6x	6.0x
Supplier												
American Axle	AXL	\$5.36	19%	5%	\$291	\$1,021	NM	NM	NM	NM	NM	NM
ArvinMeritor	ARM	\$13.04	72%	44%	\$961	\$1,899	2.9x	\$0.71	\$1.49	18.4x	8.7x	6.3x
Autoliv	ALV	\$33.75	52%	3%	\$2,428	\$3,770	1.4x	\$4.05	\$3.10	8.3x	10.9x	4.1x
BorgWarner	BWA	\$32.77	59%	8%	\$3,809	\$4,407	0.8x	\$0.99	\$1.98	33.1x	16.5x	6.0x
Cooper Tire	CTB	\$8.60	33%	8%	\$507	\$971	2.7x	NM	NM	NM	NM	7.0x
Cummins	CMI	\$43.72	58%	15%	\$8,862	\$9,127	0.0x	\$4.63	\$4.26	9.5x	10.3x	6.0x
Dana Holding	DAN	\$4.84	36%	8%	\$483	\$1,744	1.1x	\$0.30	NM	16.1x	NM	5.0x
Delphi	DPHI.Q	\$0.07	9%	4%	\$39	\$5,985	NM	NM	NM	NM	NM	NM
Eaton	ETN	\$56.18	55%	8%	\$9,337	\$13,236	1.9x	\$7.23	\$6.40	7.8x	8.8x	6.6x
Federal-Mogul	FDML	\$12.55	43%	3%	\$1,261	\$3,439	3.0x	\$14.81	\$1.06	0.8x	11.8x	4.8x
Gentex	GNTX	\$14.30	63%	11%	\$2,030	\$1,692	(2.0)x	\$0.73	\$0.48	19.6x	29.9x	9.9x
Goodyear Tire	GT	\$15.31	49%	7%	\$3,692	\$8,463	2.1x	\$1.30	\$0.26	11.8x	58.0x	4.6x
Hayes Lemmerz	HAYZ	\$2.73	54%	24%	\$276	\$925	2.8x	NM	NM	NM	NM	4.5x
Johnson Controls	JCI	\$30.33	68%	23%	\$18,009	\$21,805	1.3x	\$1.63	\$1.87	18.6x	16.2x	7.9x
Lear	LEA	\$10.50	28%	3%	\$812	\$2,672	1.9x	\$0.33	NM	32.2x	NM	2.8x
Linamar	TSX:LNR	\$9.39	36%	1%	\$620	\$1,046	1.3x	\$1.25	\$0.48	7.5x	19.7x	3.4x
Magna Intl.	TSX:MG.A	\$51.37	53%	0%	\$5,784	\$4,175	(0.9)x	\$5.39	\$2.00	9.5x	25.7x	2.3x
Navistar Intl.	NAVZ	\$54.18	69%	30%	\$3,856	\$9,697	7.1x	\$4.56	\$8.20	11.9x	6.6x	11.9x
Tenneco Inc.	TEN	\$10.63	32%	4%	\$496	\$1,928	3.2x	NM	NM	NM	NM	4.4x
TRW Automotive	TRW	\$15.91	47%	4%	\$1,609	\$4,485	2.2x	\$2.18	NM	7.3x	NM	3.5x
Visteon	VC	\$2.32	36%	9%	\$303	\$2,013	2.9x	NM	NM	NM	NM	4.1x
Mean										14.2 x	18.6x	5.5x
Median										11.8 x	14.0x	4.8x
Dealer												
AutoNation	AN	\$11.24	57%	32%	\$1,986	\$5,238	5.1x	NM	\$0.99	NM	11.3x	8.1x
Asbury Automotive	ABG	\$11.52	53%	16%	\$368	\$1,567	6.9x	\$1.28	\$0.89	9.0x	12.9x	9.0x
CarMax	KMX	\$14.00	58%	26%	\$3,085	\$3,312	1.1x	\$0.43	\$0.43	32.5x	32.5x	15.7x
Group 1 Automotive	GPI	\$21.73	61%	35%	\$506	\$1,930	7.1x	\$0.90	\$1.66	24.3x	13.1x	9.6x
Lithia Motors	LAD	\$4.31	20%	4%	\$87	\$728	8.3x	NM	\$0.43	NM	10.1x	9.5x
Penske Automotive	PAG	\$11.47	49%	7%	\$1,095	\$3,769	7.3x	\$1.35	\$0.94	8.5x	12.2x	10.4x
Sonic Automotive	SAH	\$8.46	33%	4%	\$339	\$2,087	6.8x	\$1.46	\$0.83	5.8x	10.2x	8.1x
Mean										16.0x	14.6x	10.1x
Median										9.0x	12.2x	9.5x

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

² Latest 12 months diluted earnings per share before extraordinary items.

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

Source: Capital IQ and Grant Thornton Automotive Analytics

Financial Statistics (continued)

Automotive Industry – Comparative Quarterly Metrics As of 9/30/2008 (Figures in US\$)

Company	Ticker	Stock Price				LTM ¹ Revenues				LTM ¹ EBITDA						
		Current	1 Month Prior	1 Year % Δ	1 Year Prior	Current	1 Month Prior	1 Year % Prior	1 Year % Prior	Current	1 Month Prior	1 Year Prior	1 Year % Δ			
OEM																
Daimler	DAI	\$49.89	\$58.55	↓15%	\$100.78	↓51%	\$149,052	\$148,634	↓0%	\$132,992	↑12%	\$20,586	\$21,350	↓4%	\$22,158	↓7%
Ford Motor	F	\$5.20	\$4.46	↑17%	\$8.49	↓39%	\$161,201	\$170,234	↓5%	\$168,642	↓4%	\$10,698	\$7,856	↑36%	\$21,358	↓50%
General Motors	GM	\$9.45	\$10.00	↓6%	\$36.70	↓74%	\$166,102	\$171,863	↓3%	\$184,336	↓10%	(\$1,462)	\$166	—N/A	\$11,208	—N/A
Honda Motor	TSE:7267	\$29.12	\$32.90	↓11%	\$33.62	↓13%	\$109,522	\$108,290	↑1%	\$98,848	↑11%	\$12,439	\$13,575	↓8%	\$11,588	↑7%
Nissan Motor	TSE:7201	\$6.57	\$7.73	↓15%	\$10.03	↓34%	\$98,701	\$97,279	↑1%	\$92,457	↑7%	\$9,936	\$10,788	↓8%	\$10,859	↓8%
Toyota Motor	TSE:7203	\$41.28	\$45.31	↓9%	\$59.05	↓30%	\$236,488	\$235,662	↑0%	\$214,260	↑10%	\$28,405	\$31,807	↓11%	\$32,770	↓13%
Volkswagen	DB:VOW	\$392.60	\$298.86	↑31%	\$226.27	↑74%	\$170,453	\$162,645	↑5%	\$144,817	↑18%	\$17,102	\$17,355	↓1%	\$19,571	↓13%
Supplier																
American Axle	AXL	\$5.36	\$4.86	↑10%	\$25.25	↓79%	\$2,361	\$2,608	↓9%	\$3,274	↓28%	(\$768)	\$170	—N/A	\$342	—N/A
ArvinMeritor	ARM	\$13.04	\$15.01	↓13%	\$16.82	↓22%	\$7,039	\$6,698	↑5%	\$6,444	↑9%	\$300	\$271	↑11%	\$297	↑1%
Autoliv	ALV	\$33.75	\$38.39	↓12%	\$59.75	↓44%	\$7,064	\$7,077	↓0%	\$6,586	↑7%	\$927	\$912	↑2%	\$798	↑16%
BorgWarner	BWA	\$32.77	\$41.35	↓21%	\$45.77	↓28%	\$5,705	\$5,702	↑0%	\$5,157	↑11%	\$740	\$759	↓2%	\$642	↑15%
Cooper Tire	CTB	\$8.60	\$9.56	↓10%	\$24.40	↓65%	\$3,011	\$2,985	↑1%	\$2,883	↑4%	\$138	\$217	↓36%	\$263	↓47%
Cummins	CMI	\$43.72	\$65.16	↓33%	\$63.95	↓32%	\$14,570	\$14,249	↑2%	\$12,565	↑16%	\$1,511	\$1,420	↑6%	\$1,250	↑21%
Dana Holding	DAN	\$4.84	\$6.34	↓24%	N/A	—N/A	\$8,731	\$8,932	↓2%	\$8,562	↑2%	\$347	\$426	↓19%	\$318	↑9%
Delphi	DPHIQ	\$0.07	\$0.07	↑6%	\$0.46	↓85%	\$21,087	\$21,853	↓4%	\$20,451	↑3%	(\$235)	(\$157)	—N/A	(\$643)	—N/A
Eaton	ETN	\$56.18	\$73.18	↓23%	\$99.04	↓43%	\$15,263	\$14,447	↑6%	\$12,727	↑20%	\$2,004	\$1,893	↑6%	\$1,626	↑23%
FederalMogul	FDML	\$12.55	\$16.35	↓23%	N/A	—N/A	\$7,295	\$7,288	↑0%	\$6,711	↑9%	\$718	\$713	↑1%	\$681	↑5%
Gentex	GNTX	\$14.30	\$15.93	↓10%	\$21.44	↓33%	\$672	\$682	↓1%	\$633	↑6%	\$171	\$183	↓6%	\$175	↓2%
Goodyear Tire	GT	\$15.31	\$19.61	↓22%	\$30.41	↓50%	\$20,513	\$20,405	↑1%	\$19,122	↑7%	\$1,823	\$1,907	↓4%	\$1,216	↑50%
Hays Lemmerz	HAYZ	\$2.73	\$2.53	↑8%	\$4.16	↓34%	\$2,221	\$2,202	↑1%	\$1,948	↑14%	\$207	\$177	↑17%	\$156	↑33%
Johnson Controls	JCI	\$30.33	\$30.92	↓2%	\$39.37	↓23%	\$38,062	\$37,766	↑1%	\$34,624	↑10%	\$2,744	\$2,771	↓1%	\$2,527	↑9%
Lear	LEA	\$10.50	\$12.56	↓16%	\$32.10	↓67%	\$14,829	\$15,270	↓3%	\$16,417	↓10%	\$953	\$1,049	↓9%	\$1,029	↓7%
Linamar	TSX:LNR	\$9.39	\$11.10	↓15%	\$25.75	↓64%	\$2,288	\$2,326	↓2%	\$2,091	↑9%	\$309	\$346	↓11%	\$310	↓0%
Magna Intl.	TSX:MGA	\$51.37	\$57.33	↓10%	\$96.70	↓47%	\$25,475	\$25,988	↓2%	\$22,979	↑11%	\$1,793	\$1,911	↓6%	\$1,662	↑8%
Navistar Intl.	NAVZ	\$54.18	\$55.50	↓2%	\$61.70	↓12%	\$14,058	\$13,060	↑8%	\$14,200	↓1%	\$818	\$523	↑56%	\$837	↓2%
Tenneco Inc.	TEN	\$10.63	\$14.61	↓27%	\$31.01	↓66%	\$6,273	\$6,332	↓1%	\$5,828	↑8%	\$439	\$469	↓6%	\$479	↓8%
TRW Automotive	TRW	\$15.91	\$19.18	↓17%	\$31.68	↓50%	\$16,068	\$15,971	↑1%	\$14,088	↑14%	\$1,268	\$1,326	↓4%	\$1,169	↑8%
Visteon	VC	\$2.32	\$3.22	↓28%	\$5.15	↓55%	\$10,733	\$11,169	↓4%	\$11,213	↓4%	\$491	\$570	↓14%	\$360	↑36%
Dealer																
AutoNation	AN	\$11.24	\$11.35	↓1%	\$17.72	↓37%	\$15,872	\$16,842	↓6%	\$17,606	↓10%	\$644	\$715	↓10%	\$816	↓21%
Asbury Automotive	ABG	\$11.52	\$12.14	↓5%	\$19.81	↓42%	\$5,185	\$5,434	↓5%	\$5,682	↓9%	\$174	\$190	↓8%	\$214	↓19%
CarlMax	KMX	\$14.00	\$14.80	↓5%	\$20.33	↓31%	\$7,996	\$8,320	↓4%	\$8,055	↓1%	\$210	\$291	↓28%	\$404	↓48%
Group 1 Automotive	GPI	\$21.73	\$21.16	↑3%	\$33.57	↓35%	\$6,153	\$6,345	↓3%	\$6,267	↓2%	\$201	\$219	↓8%	\$214	↓6%
Lithia Motors	LAD	\$4.31	\$4.85	↓11%	\$17.06	↓75%	\$2,901	\$2,998	↓3%	\$3,112	↓7%	\$77	\$88	↓13%	\$126	↓39%
Penske Automotive	PAG	\$11.47	\$13.25	↓13%	\$20.24	↓43%	\$12,688	\$13,078	↓3%	\$12,604	↑1%	\$364	\$392	↓7%	\$392	↓7%
Sonic Automotive	SAH	\$8.46	\$10.76	↓21%	\$23.94	↓65%	\$7,992	\$8,320	↓4%	\$7,957	↑0%	\$258	\$310	↓17%	\$308	↓16%

¹Latest 12 months diluted earnings per share before extraordinary items.

↑Up ↓Down —Same

Source: Capital IQ and Grant Thornton Automotive Analytics

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