

February 24, 2008

## Headlines

- ▶ The National Highway Traffic Safety Administration (NHTSA) has opened an **investigation** to determine if front windows are prone to shattering on the Pontiac Vibe, Toyota Matrix and Corolla cars. The side front windows on the cars could shatter while being used normally according to NHTSA. The vehicles being investigated were built in 2003 and 2004. More than 900,000 of the vehicles, mostly Corollas, were built in those years
- ▶ Michelin & Cie reached an agreement with unions that led to the freeing of two managers held hostage at a plant in eastern France slated for closure
- ▶ Judge of U.S. Bankruptcy Court **allowed Plastech** to keep factory tooling used to make parts for Chrysler. The ruling keeps alive Plastech's hopes to reorganize and emerge from Chapter 11 bankruptcy protection
- ▶ Peugeot has launched a **reorganization** plan for its spare parts activities that includes an increase of its offering as well as a reduction in costs
- ▶ **WTO ruled that China's** tax policy on imported auto parts from U.S., Canada & EU violated trade principles. Most domestic automakers already have a localization rate of 40% & some have reached more than 90%. Its expected that the WTO's unfavorable judgment will only affect domestic luxury cars
  - China charges a 10% tariff on imported parts. But the tariff can rise to 25%, the same as on imported cars, in certain cases
- ▶ Sales and financials
  - Bridgestone posted a 40% gain in 4Q07 profit of ¥49.2bn (\$456mn). Sales rose 11.5% to ¥923bn
  - Continental's 2007 net profit including VDO, was €1.0bn after a net profit of €981mn in 2006. Sales were -€16bn, up from €14.9bn in 2006
  - Delphi posted a narrower 4Q07 loss of \$542mn, from \$853mn a year earlier. Revenue slipped to \$5.3bn from \$5.5bn last year
    - The loss included a \$595mn charge to write down assets of discontinued operations, which include the interiors, closures & steering businesses
  - Dongfeng recorded 20% growth in Jan. sales of 89,994 although sales at its venture with PSA Peugeot Citroen had slipped due to the snow storms. Sales of passenger cars grew 22.7% year-on-year to 64,560 units, commercial vehicles were up 13.5% to 25,434 units
  - FAW Group sold 166,518 vehicles in January, a rise of 46.9% year-on-year despite severe winter weather. Sedan sales rose 58.3% to 146,294 units while sales of medium and heavy-duty trucks grew 11.6% to 11,263
  - Fiat had set a 1<sup>st</sup> year sales goal of 70,000 units for Bravo, but actually sold 97,000 to dealers for 2007. According to JATO Dynamics, which tracks retail registrations in 28 European countries plus Turkey, Bravo's sales totaled 80,962 in 2007 putting it at 11<sup>th</sup> place in the segment
  - GM Europe's pretax profit fell to \$55mn (€37mn) last year from \$357mn in 2006, although sales increased by 9% to 2.2mn vehicles
  - Toyota's Europe sales climbed to 308,000 vehicles in the Oct.-Dec. period, from 306,000 in 2006. Revenue climbed 11.3% to ¥99.4bn (€634.5mn)
  - TRW's annual net income was down 48.9% to \$90mn on revenue of \$14.7bn, which was up 11.9%. Favorable exchange rates accounted for 54.9% of revenue gains
  - Volkswagen enjoyed a record January, after group vehicle sales rose by 11.1% to 485,500 units
  - China's commercial vehicle production and sales totaled 2.5mn and 2.49mn units last year, year-on-year increases of 22.2% and 22.3% resp.
    - China's used vehicles sales from Jan. to Nov. last year totaled 2.24mn units, exceeding the total in 2006 and representing a year-on-year rise of 27.6%. Sales revenue totaled 90bn RMB, a year-on-year increase of 51.9%
  - Chinese automakers' sales in Russia soared to 48,170 units in 2007 from 18,503 in 2006. Russia made up more than 96% of all Chinese car sales in greater Europe, which includes Turkey and Russia. Sales of Chinese cars in greater Europe increased 167% to more than 50,000 cars

## Supply side

- ▶ Ferrari will set up its first fully owned subsidiary in Japan from April to strengthen its presence in Asia's largest economy
- ▶ Fiat halted production at its powertrain plant in Poland due to some quality control problems, which would have repercussions on its deliveries in Feb.
- ▶ Ford will expand its European production by 7,000 to 530,000 units in 1Q08. Its factory in Kocaeli, Turkey, will be the main site for the expansion
- ▶ GM dedicated a \$660mn transmission plant at its complex in Mexico. The plant began operations about a month ago and has an installed capacity of 1,500 six-speed transmissions a day
- ▶ Renault & Nissan signed an agreement for a \$1.0bn car plant with a southern state in India, despite Mahindra & Mahindra dropping out of the deal
- ▶ Rane Group would invest INR200mn at Singur, India to supply auto components for Tata Motors' small car - Nano
- ▶ Tata Motors has confirmed signing an agreement last year with MDI, a private French company, for developing cars driven by compressed air
- ▶ Trial production of the Tata Motors' Nano would start in June or July 2008. Its said to be on schedule for the October rollout
- ▶ Toyota is currently researching the building of a new assembly plant in China. Toyota currently has seven complete vehicle plants in China

## Deals

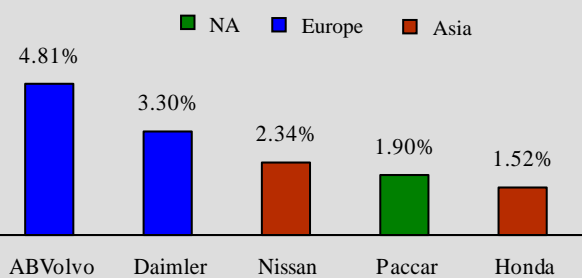
- ▶ Changan Automobile will invest a further \$29mn into Changan Ford Mazda, which will increase its stake to 50% & Ford - 35% and Mazda Motors - 15%
- ▶ Delphi received bankruptcy court approval to sell its global steering unit to an affiliate of Platinum Equity. The steering business posted revenue of about \$2.7bn last year. The sale's completion is scheduled for March 31
- ▶ Flex-N-Gate is poised to buy Blackhawk Automotive Plastics through the U.S. Bankruptcy Court as part of Blackhawk's plan to emerge from Chapter 11 reorganization. Blackhawk has annual sales of about \$130mn and specializes in molding functional parts

## Movers and Shakers

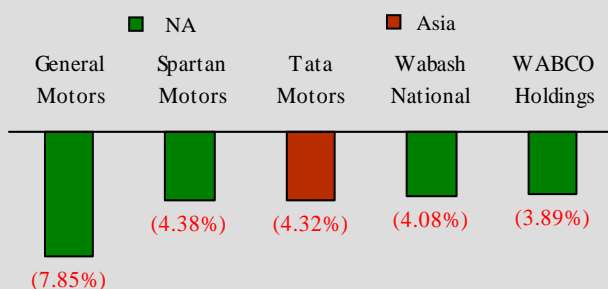
- ▶ Peter Schwarzenbauer is leaving Porsche NA and will replace Ralph Weyler as Audi's sales and marketing head
- ▶ Kwang-Ho Nam is the new President of Kia Europe while Paul Willis takes on the newly created role of Chief Operating Officer
- ▶ Porsche appointed Uwe Hück as Chairman, Works council of Porsche Automobil. He is Vice Chairman of the holding company's supervisory board
- ▶ Victor Muller has returned as CEO of Spyker sports car company, after he stepped down last May following disagreements with his main shareholder over Spyker's Formula One involvement. He succeeds interim CEO Hans Hugenholz Jr., who moved to a position on the Company's supervisory board
- ▶ Former top Czech politician Martin Jahn will lead Volkswagen group's sales operations in the Russian market, effective from April 1

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## Auto OEMs' share price performance



Top 5 gainers for the week

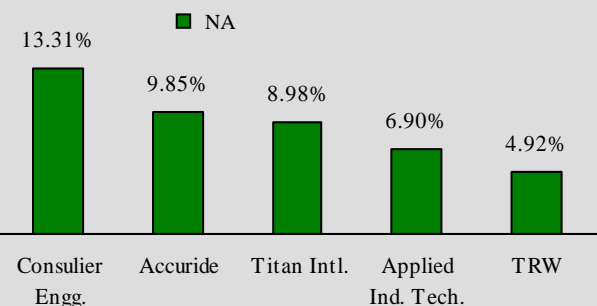


Top 5 losers for the week

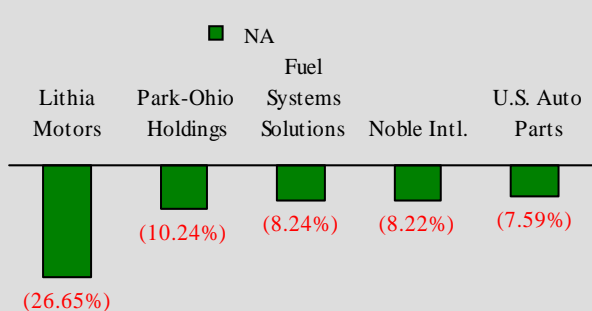
▲ Registration for Daimler's Smart brand soared 51% boosting its European registration in January while the overall market shrank by 0.3%

▼ S&P downgrades GMAC debt deeper into junk status, which might require infusion from GM & Cerberus Capital

## Suppliers' share price performance



Top 5 gainers for the week

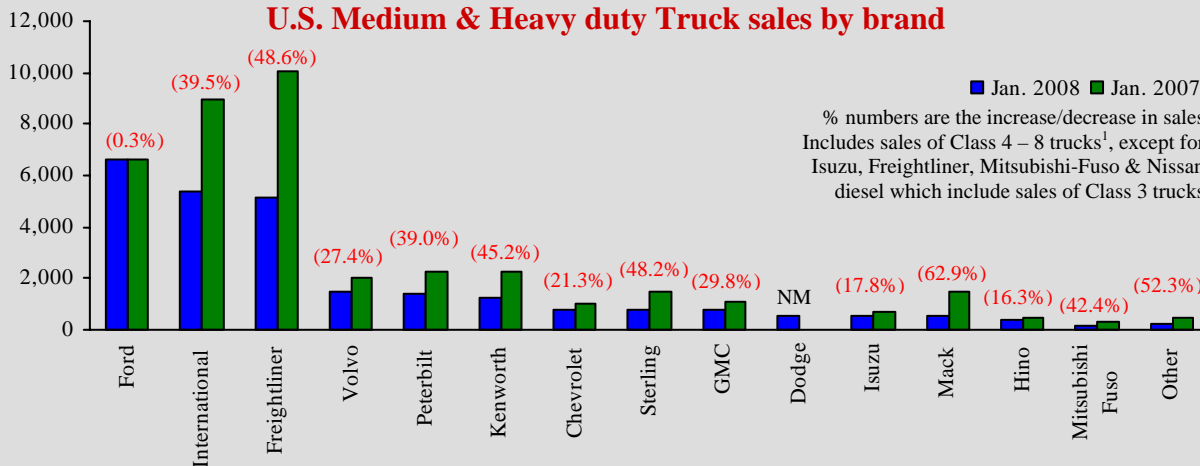


Top 5 losers for the week

▲ TRW reported EPS of \$0.44/share, better than analyst expected at \$0.39/share

▼ Lithia swung to a loss in the 4Q07, with both new and used vehicle sales falling and this was followed by downgrades from a couple of analysts

## U.S. Medium & Heavy duty Truck sales by brand

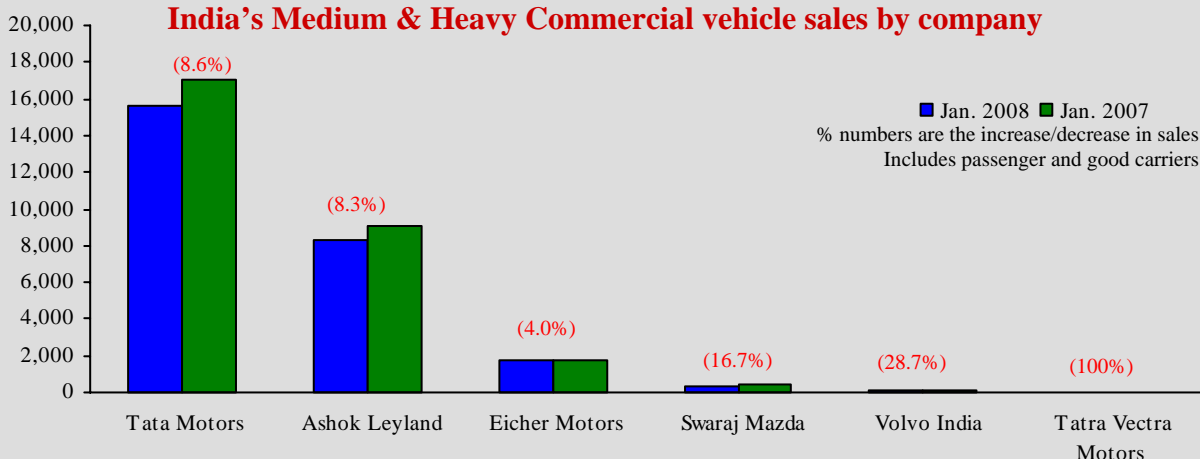


▼ Freightliner's sales were mostly affected by the Class 6 & 8 trucks<sup>1</sup>, which decreased more than 50%

▼ International, similar to Freightliner, saw decrease mainly in Class 6 & 8 trucks<sup>1</sup> of about 38% & ~50% resp.

▲ Dodge started selling its Class 5 trucks<sup>1</sup> later than Jan. 2007

## India's Medium & Heavy Commercial vehicle sales by company



▼ Eicher, Swaraj Mazda and Volvo, who had recorded positive growth in the Apr.-Dec. 07 period, have begun to follow the trend of decreased sales set by market leaders in this segment, Tata Motors and Ashok Leyland. They had recorded decreases in the above period also apart from the decrease in January sales