Automotive Market:
Where Do We Go From Here?

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Agenda

Global Environment

U.S. Light Vehicle Outlook

Alternative Powertrain Trend

Summary
The Global Light Vehicle Sales Trend

The Global selling rate has pulled by from the highs at the beginning of the year, with impact from the Japan disaster and a slowing China.
2011 Global LV Sales Growth Stabilizes

Global: 76.0M  
6%

N. America: 15.5M  
11%

Europe: 18.6M  
2%

S. America: 5.2M  
7%

Asia: 31.0M  
3%

USA: 13.0M  
12%

Brazil: 3.6M  
8%

India: 3.2M  
17%

Germany: 3.4M  
10%

Russia: 2.1M  
11%

Japan: 4.0M  
(18%)

Source: J.D. Power Automotive Forecasting
Tohoku Earthquake: Short-Term (through 2Q) Impact on the Production

North America
- 450K
(March – June 2011)

South America
- 11K
(March – June 2011)

Europe
- 100K
(March – June 2011)

Asia/Pacific
- 1.6M
(March – June 2011)

TOTAL
- 2.2M
(March – June 2011)

Source: J.D. Power Automotive Forecasting
Production Forecasts 2011 – Impact on Year

Europe
19.9M, +200K
(not Japan related)
Risk ~ -50K

North America
12.8M, -40K
Risk ~ -100K

South America
4.6M, No change
Risk ~ -20K

Asia/Pacific
38.4M, -450K
Risk ~ -690K

TOTAL
77.9M, -490K
Risk ~ -860K

The risk figure represents our current take on potential impact to 2011 volume if production is not returned to near normal levels by 4Q11. There is additional risk in supplier capacity constraints in 2H11. This is not a “worst case” risk assessment.

Source: J.D. Power Automotive Forecasting
Global LV Sales Expected to Cross 100M by 2015

Source: J.D. Power Automotive Forecasting
Growth Has Become Strongly Dependent on Emerging Markets

• Mature markets are expected to recover former levels, but not until 2015!
• Emerging markets – with China at the forefront – have overtaken the mature markets and won’t look back!

Source: J.D. Power Automotive Forecasting
Top 15 Global LV Markets Continue to Shift by 2015

Top 15 LV Markets - 2010

Top 15 = 58M (80%)

Top 15 LV Markets - 2015

Top 15 = 84M (82%)

Source: J.D. Power Automotive Forecasting
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- **U.S. Light Vehicle Outlook**
- Alternative Powertrain Trends
- Summary
North American LV Sales Climb Toward Pre-crisis Levels

- U.S. strong through April but hits speed bump in May - upside potential vaporizes
- Canada’s slightly ahead of expectations YTD, growth in 2011 expected at 3%
- Mexico posted an 9% increase in 2010 and is expected to grow at a similar pace in 2011, heavily dependant on the US economic recovery

Source: J.D. Power Automotive Forecasting
Retail Sales SAAR Shows Momentum Through April

Source: J.D. Power Automotive Forecasting
2011 U.S. Retail Sales: *Recovery’s 2nd Gear?*

Risk variables increasing: no increase to forecast and 150K of further downside

Source: J.D. Power Automotive Forecasting
North America – Imported Inventory Challenges

Imported models seeing inventory shortages in some regions due to the recent Japan earthquake/tsunami. Highlights of select models include:

- Toyota Prius: Days Supply - 10
- Honda Civic: Days Supply - 23
- Nissan Juke: Days Supply - 19
- Subaru Legacy: Days Supply - 34

<table>
<thead>
<tr>
<th>Brand</th>
<th>Days Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota</td>
<td>48</td>
</tr>
<tr>
<td>Lexus</td>
<td>39</td>
</tr>
<tr>
<td>Scion</td>
<td>43</td>
</tr>
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<td>Honda</td>
<td>36</td>
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<td>Nissan</td>
<td>64</td>
</tr>
<tr>
<td>Infiniti</td>
<td>85</td>
</tr>
<tr>
<td>Subaru</td>
<td>36</td>
</tr>
</tbody>
</table>

- Some Japanese OEM’s have reduced incentives in May as their vehicle inventory lessens — lower incentives are expected to continue through the summer.

- Select North American produced models also could face shortages into June — as volume starts to normalize.

- Some models, such as the Toyota Prius and Lexus CT-200H virtually ran out in May.

Source: J.D. Power Automotive Forecasting, Ward’s Automotive
Japan Disaster - North America Production Impact

- Impact on North American Japanese OEM production has been more severe than initially expected. Current short-term is projected at -450K in 2Q; we expect most of this to be made up in 3Q and 4Q (loss of 40K).

- The topline volume to be made up is now expected to split between the Japanese and non-Japanese OEMs through the remainder of the year, but capacity constraints come into play in the small segments.

- Our forecast now assumes that a majority of the cuts have been announced or planned, so further risk has been reduced.

- Inventory started May at a 54-day supply – unchanged from early April; Expect it to be in mid-40s at end of May.

- Our NA topline now rounds down to 12.8M from 12.9M and there remains an additional 100K of risk through the summer.

Source: J.D. Power Automotive Forecasting
U.S. Light Vehicle Sales Forecast – Slow, Progressive Recovery!

Base Case Forecast Trend – Fleet mix expected to settle around 18%

Source: J.D. Power Automotive Forecasting
Model Activity Reignites Hyper-competitive Market

Source: J.D. Power Automotive Forecasting
Product Activity Skews Toward Small

Source: J.D. Power Automotive Forecasting
Small car demand grows as fuel prices rise and availability increase (push and pull)

Product activity skews toward small vehicles over next three years

Regulations will continue to force the issue, but still 6-10 years out and is it what consumers want?

Demand in U.S. expected to remain significantly below rest of world

Source: J.D. Power Automotive Forecasting
Shift to non-premium small will be more pronounced and will likely lead to additional body types

Premium growth is expected, but at smaller end of market with new products

Large (including pickup trucks) will suffer continued decline, but will not be extinct

Source: J.D. Power Automotive Forecasting
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Global Hybrid/EV Sales to Top Four Million by 2018
Hybrid sales peaked at 353,000 units in 2007.
Hybrid and EV sales finished 2010 at 275,000; Toyota Prius continues to dominate, accounting for 50% of hybrid sales.
2016 CAFE requirements will help hybrid sales reach 1.4m units by 2015, representing 8% of light vehicle sales.
Less than 100k BEVs by 2015, but 150k PHEVs.
Flex fuel vehicles currently have the highest share of the alternative fuel market, but consumers mostly power them with gasoline.

We expect about 1/4 light vehicles sold in the U.S. to be an alternative fuel vehicle by 2015 and 27.5% by 2020.

Gasoline-electric hybrids are expected to grow at a faster rate than diesels.

Electric vehicle share is expected to remain below 1% until 2020.
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Summary

- Global automotive environment split between emerging and mature

- U.S. market continues recovery, but not without risks!

- Supply and demand discipline is holding

- Volume will return to 16 million level, but long road ahead

- Small and Alternative Power will grow, but balance is key
Automotive Forecasting
Real-Time Market Intelligence