Detroit – Washington D. C.

State of the Industry – The Supplier Perspective

SAE Detroit Section
February 7, 2012

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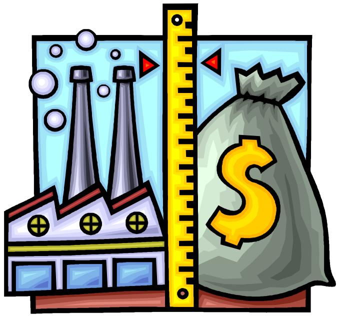
OESA – Original Equipment Suppliers Association

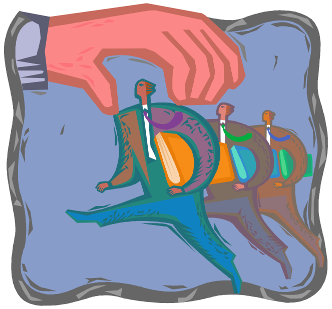
Good Outweighs the Bad and Certainly the Ugly

- Good
  - Production Volumes
  - Breakeven Points



- Bad
  - Raw Material Price Volatility
  - Operational constraints

- Ugly
  - War on Talent
  - Unprecedented Risk

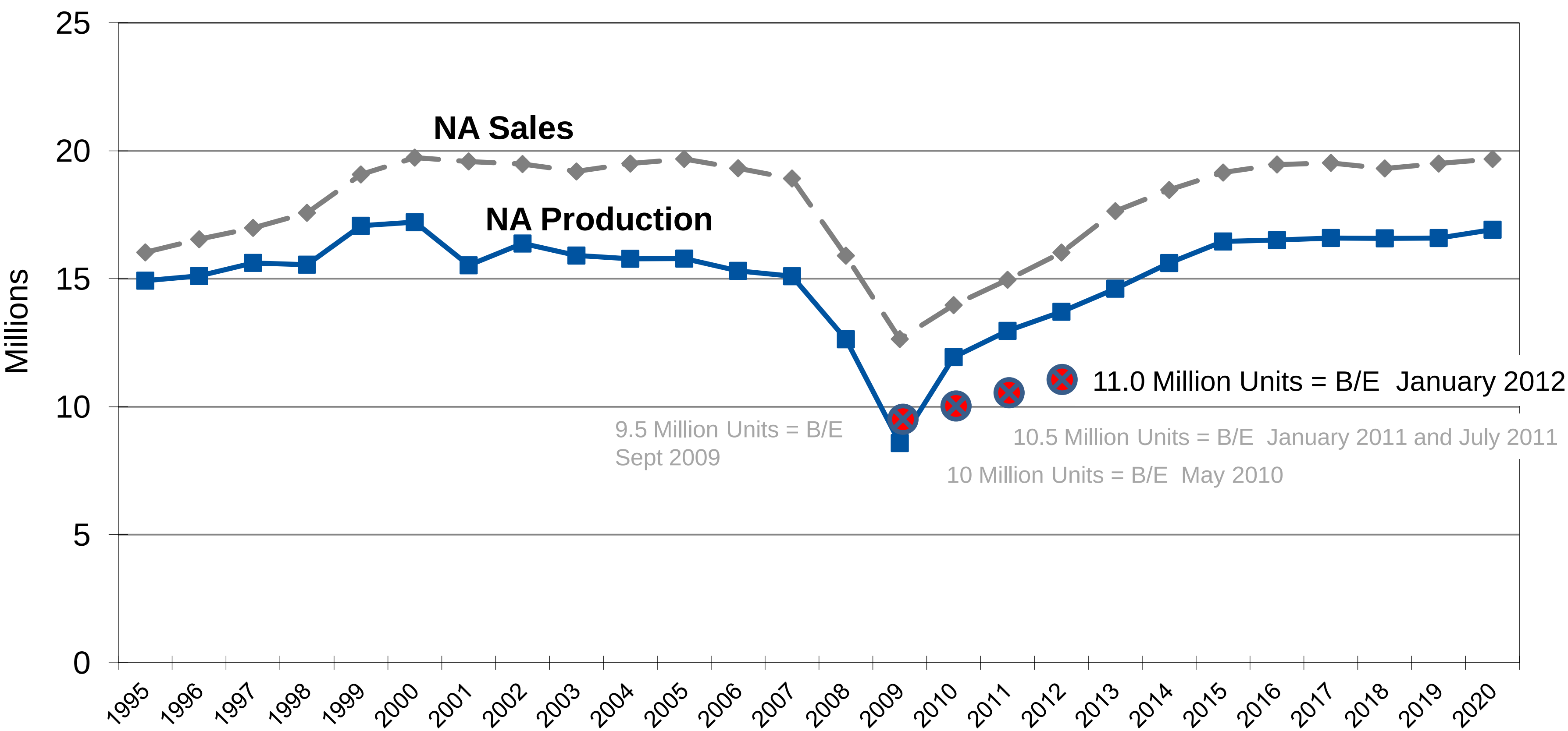


The Good: Production Volumes

- Third party forecasters are looking at 800,000 incremental units for NA light duty production in 2012 – full year at 13.8 million units
- 2013 outlook comes in at 14.7 million units
- OESA Members are more cautious:
  - 2012 NA LD Forecast = 13.2 to 13.5 million units

The Good: Industry Restructuring Has Reduced Break-Even Points – Protecting Profitability Even With a "Double-Dip"

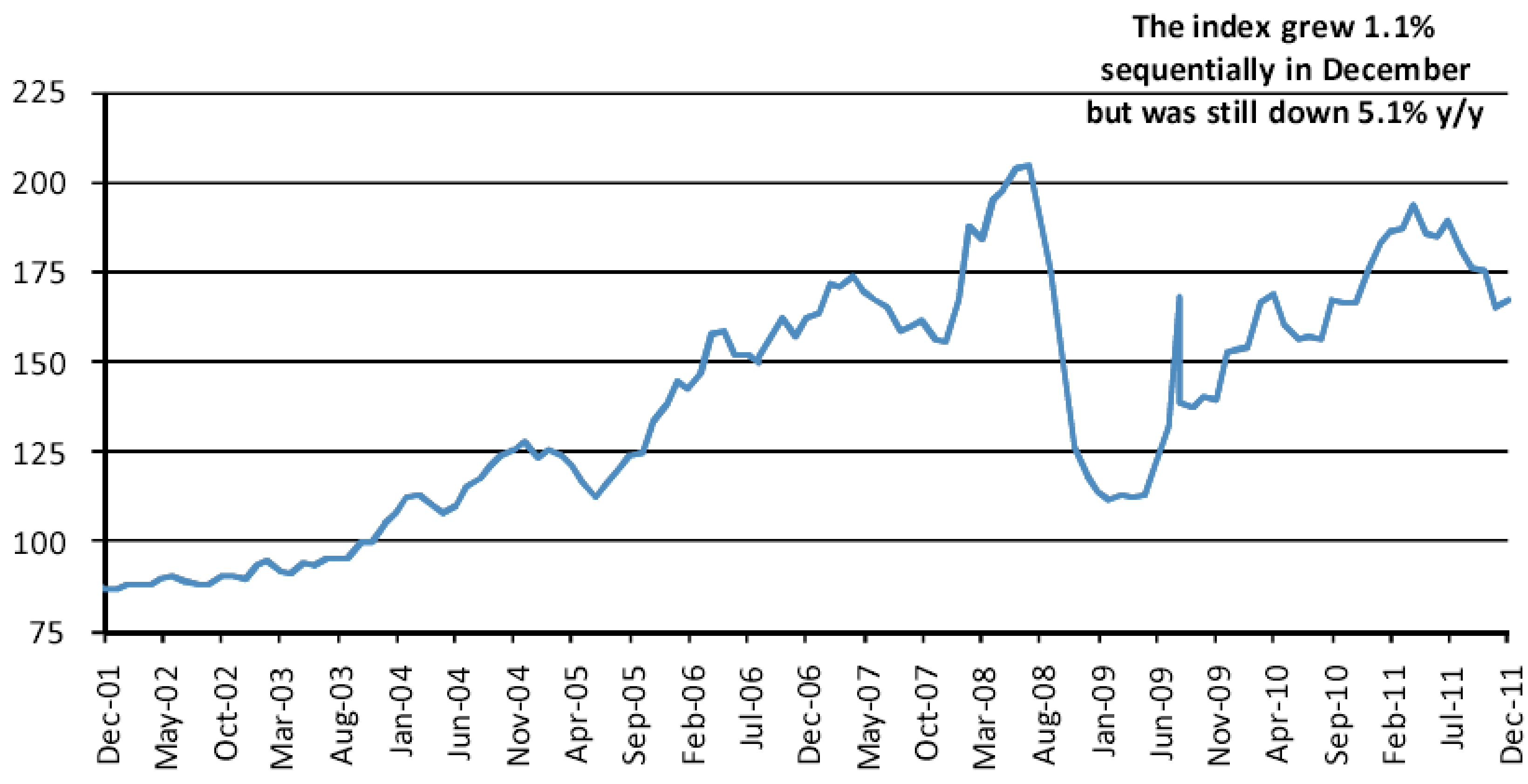
North American Light Duty Sales, Production and Breakeven



Sources: IHS Automotive (October 2011) and OESA Automotive Supplier Barometer

The Bad: Material Costs are Volatile and Constraints Exist

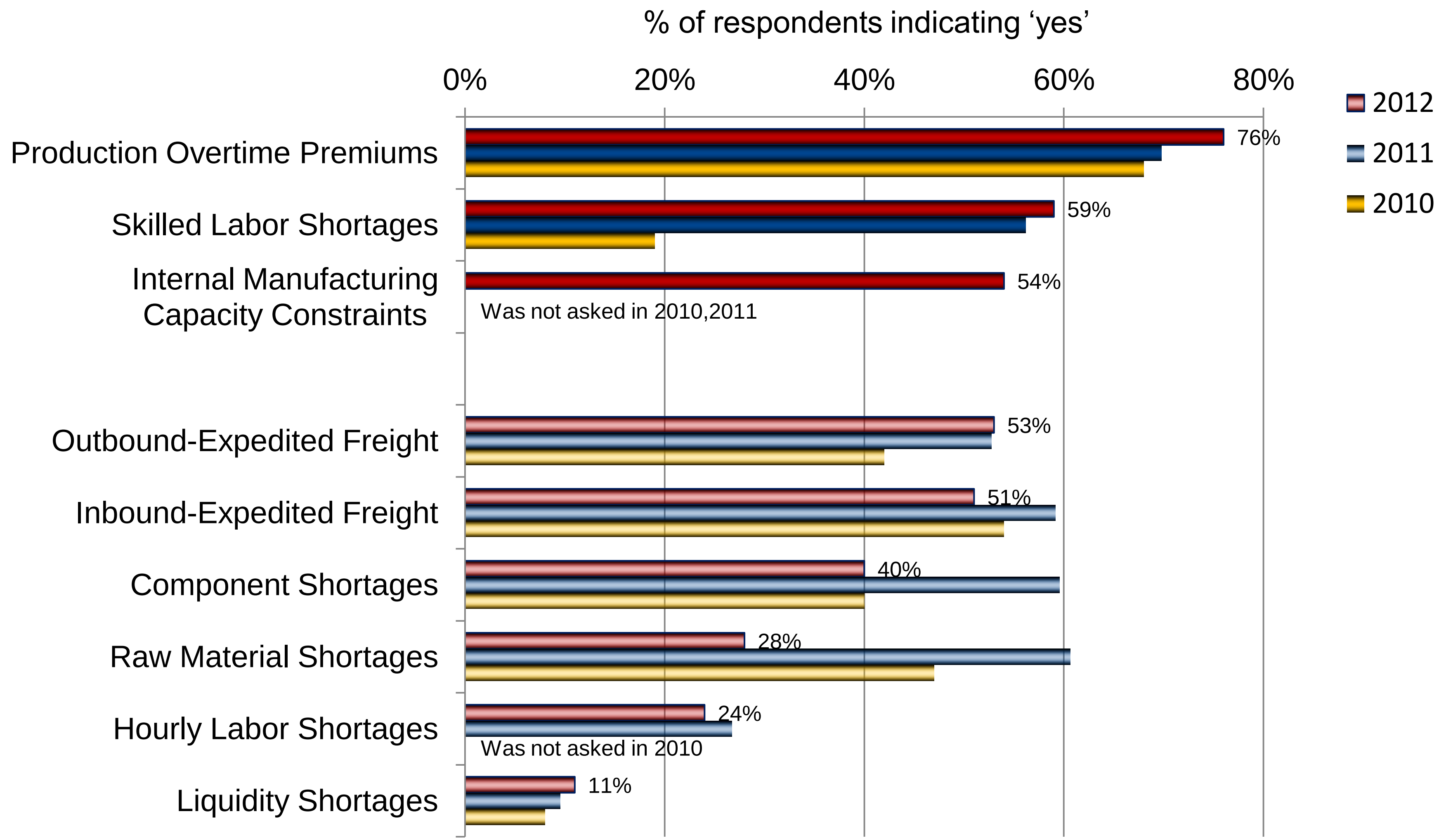
JP Morgan Raw Material Price Index



Includes steel, fluids, aluminum, plastic, rubber and iron (weighted by % of material in an average vehicle). Indexed to 100 at 1/1/2001.

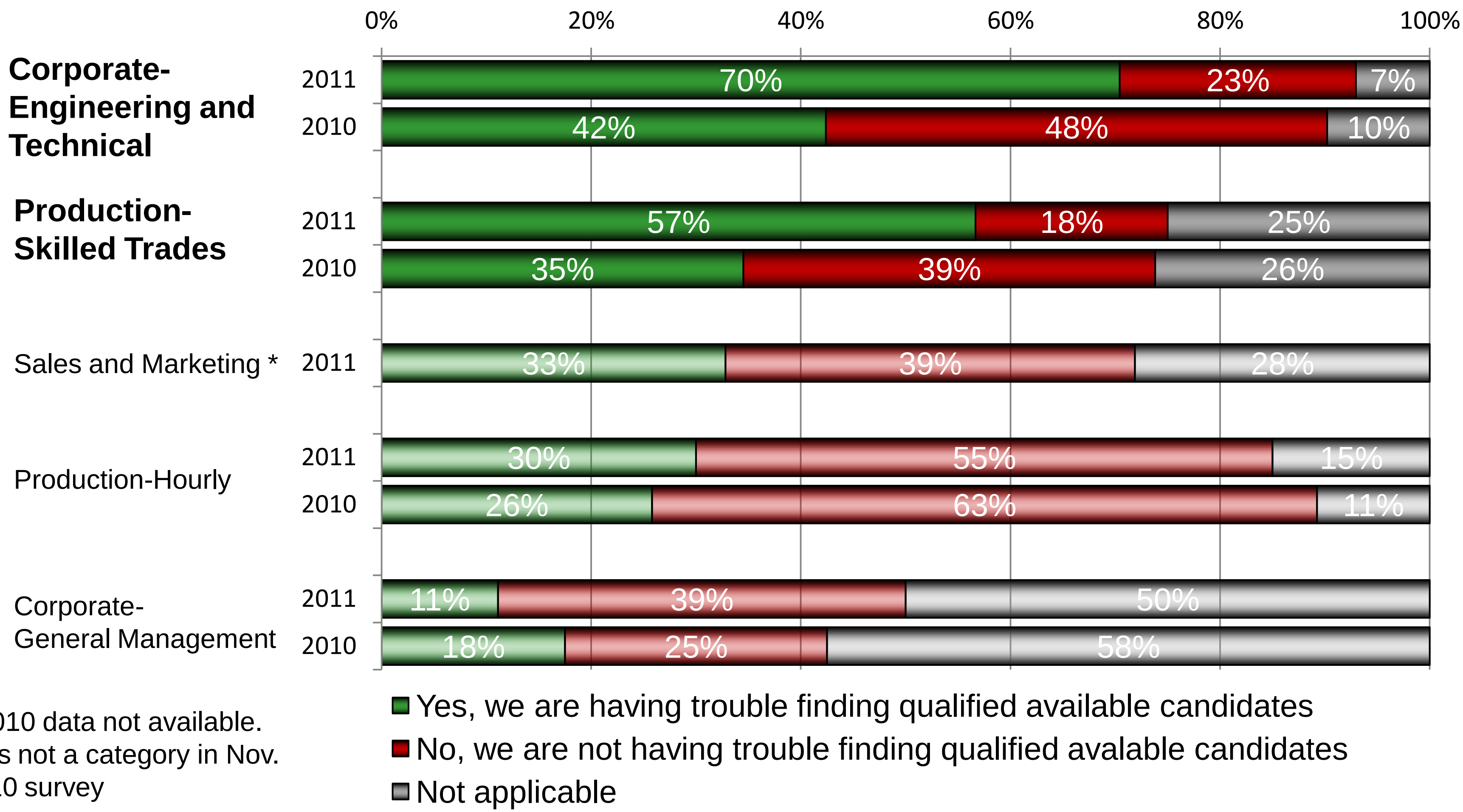
Source: JP Morgan-'The Backseat Driver'- January 2012

The Bad: Over the Next Three Months, Suppliers Face Many Issues in Delivering Increased Volumes



No. of Responses = 107

The Ugly: A War on Talent
OESA Suppliers Are Hiring, But the Matchmaking is Difficult



* 2010 data not available. Was not a category in Nov. 2010 survey

No. of Responses = 54-71

The Ugly: Unprecedented, Interrelated and Simultaneous Risk

Material Markets
Pricing and availability

Natural Disasters
Supply disruptions

Operational
Globalization
Capacity management

Legal
Terms and conditions

Financial Markets
Access to capital

Technology Road Map
Major advances needed

Regulations
Fuel Economy
Emissions
Safety

Market Demand
Consumer Acceptance
Perceived Value

ROI

Daily Stress Testing is Strengthening the Supply Base Suppliers are Instituting Crisis Management as SOP

- Developing capabilities to better understand demand signals and anticipate required responses
- Ensuring a common definition of capacity and through-put exists
- Understanding all potential bottlenecks and lead-time items
- Verifying sub-tier capabilities and capacities
- Developing sub-tier capabilities to react to demand variation
- Maintaining sub-tier contracted capacity to meet all customer commitments
- Understanding the financial viability of sub-tier suppliers
- Ensuring appropriate inventory levels

Source: GM and Chrysler presentations to OESA Flexing the Supply Chain Meeting, February 2011

OESA: Join. Engage. Profit

OEM Communication

Open & productive dialogue on behalf of suppliers

Peer Group Councils

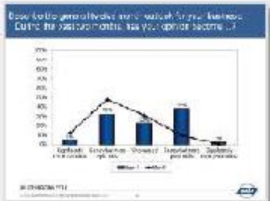
Member-driven agendas & roundtables

Industry Studies

Benchmarking, trends, analysis, best practices

Member Surveys

Industry trends & supplier best practices



OESA Events

Thought leadership on critical topics

Advocacy & Voice in DC and the States

Lobbying and interaction with legislators and regulators

OESA Staff

Resources, connections, information, assistance

Global Relationships and Connectivity

Access to global associations & government agencies

Thank You

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