

# auto**beat**

## *daily*<sup>™</sup>

FRIDAY  
FEBRUARY 1, 2008  
PAGE 1 OF 3

**AMERICANS REIN IN SPENDING.** Consumer spending in the U.S., which grew by 1% month over month in November, rose only 0.2% in December, the smallest increase since June, says the Dept. of Commerce.

Inflation—mainly higher fuel and food prices—accounted for all of December's spending increase.

Consumer spending rose 5.5% last year, the smallest gain in four years. Spending on durable goods—big-ticket items expect to last three years or longer—continues to slow: it was flat in November and declined by 0.3% in December.

Separately, 69,999 Americans filed initial unemployment claims last week, the largest weekly gain in more than a decade, to reach the highest level in 27 months, according to the U.S. Dept. of Labor.

**LEAR SWINGS TO PROFIT.** Lear Corp. posted a net profit of \$27 million for the fourth quarter of 2007 vs. a \$645 million loss a year earlier, overcoming \$95 million in restructuring costs and a 10% decline in revenue to \$3.9 billion.

The company credits the earnings improvement to cost cutting and stronger overseas business, including a 31% jump in Asia sales. Lear also cites the transfer of its interiors unit last March to a joint venture with financier Wilbur Ross' International Automotive Components Group Inc.

For the full year, Lear swung to a net profit of \$241 million from a net loss of \$708 million in 2006.

Revenue for the year slid to \$16 billion from \$17.8 billion. But sales by Lear's core electronics and seating operations increased 5% to \$15.3 billion as new business outside North America and favorable exchange rates helped offset lower output and a less favorable product mix in North America.

Lear predicts 2008 operating earnings of \$660 million-\$700 million on revenue of \$15 billion. The company

### TODAY'S VIEWPOINT

#### GROWTH AT EMPIRE ELECTRONICS

See page 4.

expects domestic automakers to cut North American vehicle production by 9% this year. Lear anticipates \$100 million in restructuring expenses this year.

**DENSO PROFIT JUMPS 20%.** Denso Corp. reports a \$694 million net profit in the fiscal third quarter ended Dec. 31 vs. a \$580 million profit a year earlier, buoyed by favorable exchange rates and stronger sales in Asia.

Although the yen has strengthened vs. the dollar, it weakened against other Asian currencies and the euro.

Revenue increased 11% to \$9.7 billion. Denso has been bolstered by the rapid expansion of Toyota Motor Corp., its largest shareholder and biggest customer. Toyota owns about one-quarter of Denso.

**DAIMLER MULLS EASTERN EUROPEAN CAR PLANT.** Daimler AG is considering a plan to build a new plant in Poland or Romania to produce Mercedes-Benz cars, the *Financial Times* reports.

The newspaper says the facility might be used to make next-generation small cars for the brand. Many automakers produce vehicles in eastern Europe, but the *FT* notes that Mercedes-Benz isn't currently one of them.

**FORD MAY BOOST INCENTIVES.** Ford Motor Co. has told dealers that it plans to sharply increase its incentive spending this year to shore up sales of aging models, such as the F-150 pickup truck, and to match competitors'

TRW's Safety Systems.  
*And the lives they help protect.*

TRW safety technologies left to right: Lane Departure Warning and Electrically Powered Hydraulic Steering System. Learn more at [www.trwauto.com](http://www.trwauto.com).



safety.

[www.trwauto.com](http://www.trwauto.com)

deals, says *The Detroit News*.

Ford sources tell the newspaper that the company isn't abandoning its efforts to reduce its reliance on incentives. Instead of offering across-the-board discounts, the company plans to target incentives at particular models and markets, they say.

**FORD RECALLS VEHICLES TO FIX CRUISE CONTROL AGAIN.** Ford Motor Co. plans to recall 225,000 cars and trucks after discovering that some wiring harnesses installed in an earlier recall to fix overheating cruise control switches don't work, reports *Automotive News*.

The vehicles are among 10.4 million Ford has recalled since 1999 for the switch problem. Dealers installed a wiring harness with a fuse to prevent overheating that could cause an engine compartment fire. But Ford tells *AN* that the harnesses installed in some 225,000 vehicles have an improperly placed fuse that doesn't offer enough protection.

The vehicles being recalled a second time include 1992-2003 Ford Econoline vans, 1992-1998 Ford Crown Victorias and Mercury Marquis, 1992-1995 Lincoln Town Car large sedans, 1993 Ford Bronco SUVs, 1993 F-series fullsize pickup trucks, 1995-1997 F-Series with stripped chassis and 1993-1995 Taurus SHO performance sedans.

**JCI-SAFT OPENS LITHIUM-ION BATTERY PLANT IN EUROPE.** Johnson Controls-Saft Advance Power Solutions LLC has opened a \$22 million plant in Nersac, France, that will produce lithium-ion batteries for hybrid, plug-in, fuel cell and electric vehicles.

The plant has initial capacity to make 5,000 battery packs per year but is designed for expansion if demand grows. The company says its factory is the first dedicated to making lithium-ion batteries for autos.

The company is a joint venture between Milwaukee-

**AUTOBEAT DAILY**  
 is a publication of Hampton AutoBeat LLC  
 Box 33068, Bloomfield Hills, MI 48303-3068  
**Bill Hampton, Publisher (248) 540-2530**  
 bill@autobeatdaily.com

---

**SUBSCRIPTIONS: PAULA DOAN**  
 (888) 771-6430 paula@autobeatdaily.com

**ADVERTISING: DAN KEELAN**  
 (248) 455-7252 DKeelan@cbs.com

**NEWS: KATIE KERWIN**  
 (248) 547-3947 katie@autobeatdaily.com

based Johnson Controls Inc. and French battery maker Saft Groupe SA.

**KOREAN COURT ORDERS SAMSUNG TO REPAY AUTO CREDITORS.** A court in Seoul has ruled that South Korea's Samsung Group must repay \$2.4 billion owed to creditors of its defunct Samsung Motors unit.

Samsung Motors went into receivership in 1999 after the Asian financial crisis. Renault SA bought the unit's automotive operations in 2000.

Samsung Group gave creditors of the auto unit shares in its private life insurance subsidiary in 1999. But it never took the business public as promised, and it has refused to buy back those shares for cash. The creditors filed their lawsuit, the largest civil suit ever in Korea, two years ago.

The court ordered Samsung to buy back the stock for \$1.7 billion in cash, plus \$700 million in interest. The verdict adds to the troubles of Samsung Group, which is under investigation for allegedly creating slush funds to bribe government officials.

## THURSDAY'S CLOSING STOCKS

STOCK	SYMBOL	CLOSE	CHANGE
DOW		12,650.36	+207.53
NASDAQ		2,389.86	+40.86
American Axle	AXL	21.81	+0.16
ArvinMeritor	ARM	13.61	+0.40
Autoliv	ALV	50.21	+2.32
BorgWarner	BWA	50.61	+1.69
Cooper Tire	CTB	17.07	+0.25
Daimler	DAI	78.29	+1.13
Dana	DCNAQ	0.00	-0.01
Dassault Systemes	DASTY	56.44	+2.44
Delphi	DPHIQ	0.18	0.00
Eaton	ETN	82.59	+1.48
Energy Conversion Devices	ENER	23.08	+0.70
Federal-Mogul	FEMO	20.95	+0.50

STOCK	SYMBOL	CLOSE	CHANGE
Ford	F	6.64	-0.11
General Motors	GM	28.21	+0.75
Goodyear	GT	25.20	-0.05
Hayes Lemmerz	HAYZ	3.52	+0.11
Honda	HMC	31.54	-0.46
Johnson Controls	JCI	35.26	+0.98
Lear	LEA	29.42	+2.37
Magna International	MGA	78.80	+2.25
Nissan Motor	NSANY	19.16	+0.27
Penske Automotive Group	PAG	18.19	+1.13
Tenneco	TEN	26.47	+0.45
Toyota	TM	108.32	+3.60
TRW Automotive	TRW	23.11	+1.07
Visteon	VC	4.00	+0.13

## viewpoint

### **GROWTH AT EMPIRE ELECTRONICS**

Thriving in today's automotive environment is especially challenging for mid-tier suppliers. But some companies are doing exactly that. One of them is Empire Electronics Inc., a Troy, Mich.-based maker of electrical assemblies and components. The company more than tripled in size between 2003 and 2006 through organic growth driven by expanding in-house capabilities.



**Steven C. Doman**

Last year Empire moved into a second phase of growth, this one driven by a pair of careful acquisitions that nearly doubled the company's sales to \$62 million. Steven C. Doman, chairman, CEO and owner, comments on the company's strategy.

#### **What is Empire's philosophy for growth?**

Like most mid-tier suppliers, we have been squeezed by rising material costs and pressure to lower prices. About two years ago, we began to invest in tooling and added additional engineering capabilities. This led to the strategic decision to make connectors, sockets and other electrical components rather than just buy and assemble wiring harnesses. Because of these capabilities we are able to offer our customers value-added products at attractive prices. Our expansion is driven by business decisions made through careful cost-benefit analysis. We don't grow for the sake of growth. It has to be growth that also adds to our financial strength. Our financial stability in this unsteady market is one of our greatest strengths.

#### **What about your competition?**

Our new strategy put us into direct competition with Christiana Industries, a Chicago-based company which had recently begun making some of its own components too. We were pitted directly against them. We had won some business, but we walked away from other programs because the price was too low.

Christiana, which was supplying General Motors and several other major customers, slipped into financial distress and put its assets up for sale. We put in a bid, closed last January and transferred the newly acquired assets to our own facilities in Honduras. We've been able to transition all their products flawlessly with no quality problems, and we were able to gain new customers.

The Christiana acquisition also enabled us to quickly acquire tooling we were about to order anyway, and we gained both capacity and new products at the right moment.

Last April we acquired GS3, a unit of GM's former Guide division that made a unique type of lamp socket used for automotive exterior lighting. That got us into yet another area of the lighting business and brought us work we didn't have before. Empire Electronics is now the largest potted lamp socket manufacturer in the automotive industry.

#### **Are you looking for additional acquisitions?**

We would love to buy another company if the right deal comes along, and our bank has been right there with us. However our success in both acquisitions led us to the launch of another division of Empire Electronics. In 2007 we launched ES3 Components Inc., a division specializing in components for the automotive interior and exterior lighting markets. Product lines include lamp sockets, connectors and direct connect sockets. Currently ES3 Components is developing connection systems for the North American automotive exterior lighting market.



#### **How will this new division impact Empire Electronics' growth?**

In spite of two major acquisitions, we are in a much stronger position than we were a year ago. When you manufacture components and assemble products like we do, you have a more valuable company. That's the transition we've made.

Our main goal this year is to develop a complete connector system for the front and rear exterior lighting market. By expanding our vertical integration capabilities, we can offer customers a complete lighting system from the connector system to the bulb socket. This not only will reduce costs for the customer, but also eliminate the need for additional suppliers.

The North American automotive exterior lighting market has been dominated by traditional suppliers for many years. This year ES3 Components will not only strengthen Empire Electronics' position in the North American automotive exterior lighting market, but it will transition Empire Electronics into one of the main suppliers to General Motors and other major OEM customers.

*To learn more about Empire Electronics, contact Steve Doman in Troy, Mich., at [sdoman@empireelect.com](mailto:sdoman@empireelect.com) or (248) 585-8130 or visit [www.empireelectronics.com](http://www.empireelectronics.com).*