

## General Motors

### Updated 4Q08 Earnings Preview

### Neutral

Moody's: Ca; Outlook,Negative  
S&P: CC; Outlook,Negative  
Fitch: C;

Ticker  
**GM**

#### Automotive Credit Research

**Eric J. Selle, CFA<sup>AC</sup>**  
(1-212) 270-9624  
eric.j.selle@jpmchase.com

**Atiba T Edwards**  
(1-212) 270-9455  
atiba.t.edwards@jpmchase.com

J.P. Morgan Securities Inc.

- On February 17, 2009, GM submitted its restructuring plan to the U.S. Treasury. We have updated our model to reflect the new assumptions and guidance provided in the plan, primarily on the auto cash balance.
- For 4Q08, we forecast GMNA's adjusted net loss to be \$2.5 billion, a \$1.5 billion decrease y/y, primarily due to weaker volume and mix slightly offset by labor and structural savings (see Figure 3).
- We estimate GM's 4Q08 international auto segments to report a net loss of \$1.5 billion, a \$1.8 billion decrease y/y. We expect GME, GMLAAM and GMAP to report net losses of \$1.2 billion, \$153 million and \$109 million, respectively.
- We project GM's total liquidity to decrease \$2.1 billion sequentially to end 4Q08 at \$14.1 billion. We note that this quarterly cash burn would be \$6.6 billion without the \$4.0 billion of proceeds from the 4Q08 government loan. In 2009, we project GM's liquidity to drop by \$19.1 billion before the proceeds from government loans are realized.
- We continue to believe the government will support GM outside of a bankruptcy. We believe the government could fund a bond exchange where \$0.10 of the value is in cash and \$0.30 of the value is in a guarantee of the new notes. In this scenario, the bondholders get closer to parity with the treatment of OPEB and the "free-rider" issue is reduced.
- We maintain our **Hold** recommendation on GM's bonds. We view the potential upside (driven by stabilization of US sales volumes and liquidity enhancement measures) on the bonds as more likely than the downside of a potential bankruptcy. Additionally, we believe the potential take-out premium in an exchange make these bonds attractive. However, we find better relative value at Ford for less risk.

Figure 1: General Motors Corp. Bond Box

Coupon	Issue	Amt (\$ mn)	Maturity	Rating	Market Data as of 24-Feb-09				
					Price	Current Yield	YTW	YTW Spread	5-Yr CDS
7.200%	Sr. Notes	\$1,500	15-Jan-11	C/C/C	\$17.50	41.14%	141.94%	14,126	11,347
7.125%	Sr. Notes	\$1,000	15-Jul-13	C/C/C	\$14.50	49.14%	76.55%	7,565	
8.250%	Sr. Notes	\$1,250	15-Jul-23	C/C/C	\$14.00	58.93%	58.76%	5,786	
8.375%	Sr. Notes	\$3,000	15-Jul-33	C/C/C	\$15.00	55.83%	55.50%	5,461	
L + 237.5	Sr. Sec. TL	\$1,500	29-Nov-13	B3/CCC/CCC	\$36.00	10.07%	27.85%	2,660	

See page 8 for analyst certification and important disclosures.

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. In the United States, this information is available only to persons who have received the proper option risk disclosure documents. Please contact your J.P. Morgan representative or visit <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>

Source: Company reports and J.P. Morgan estimates.

## Recommendation

We are maintaining our **Hold** recommendation on GM's bonds. We view the upside (driven by stabilization of U.S. sales volumes and liquidity enhancement measures) on the bonds as much higher and more likely than the downside of a potential bankruptcy. We expect a bond exchange will settle around 40% of par with U.S. government guaranteed notes representing \$0.30 and cash making up \$0.10. We believe a government guarantee combined with a take-out premium above current trading levels in an exchange make these bonds attractive. However, we find better relative value at Ford. We note that GM is expected to incur \$27.2 billion of incremental senior debt (\$16.0 billion from TARP, \$4.0 billion from DOE and \$7.2 billion from foreign government loans) and most of the proceeds will be used to cover its cash burn. In 2010, we estimate Ford will have more equity cushion; better interest coverage and lower leverage (see Figure 2). In turn, Ford's flat production schedule from 3Q08 through 1Q09 should limit the considerable working capital outflows that we project at GM through 2Q09. Additionally, we believe the threat of bankruptcy has returned in order for GM to achieve the required restructuring goals. We are encouraged by the union granting concessions (Jobs Bank ended on February 2nd, which should boost the take-rate of a buyout and quickly lower GM's average wage rate), however we are doubtful bondholders will exchange without a positive incentive (i.e. government guarantees of the exchanged notes). We recommend investors buy GM's bank debt. Specifically its fully-funded revolver looks attractive versus the term loan as the revolver's matures over 2 years earlier than the term loan, arguably is secured by better assets and it trades \$6 lower than the term loan.

Figure 2: GM & F TEV Analysis

(\$billions)	<b>GM</b>	<b>Ford</b>
2010E EBITDA (pre incremental UAW savings achieved in 2009)	7.0	7.7
<u>Multiple</u>	<u>5.0x</u>	<u>5.0x</u>
<b>Enterprise Value</b>	<b>\$34.8</b>	<b>\$38.3</b>
Net Debt 9/08	27.1	7.3
Operating Cash Burn 4Q08-2010	25.5	12.6
Government Debt (US, CAN, GER)	27.2	3.3
Cash Proceeds from Government Debt	(27.2)	(3.3)
Bond Maturities	(0.7)	(1.5)
Exchanged Notes (2/3rds exchange into 30% in new notes plus 10% in cash)	(17.4)	0.0
<u>OPEB Debt (50% Equity)</u>	<u>10.0</u>	<u>3.2</u>
<b>Total Net Debt 12/10E</b>	<b>44.6</b>	<b>21.6</b>
<b>Equity Valuation (EV less Net Debt)</b>	<b>(\$9.8)</b>	<b>\$16.6</b>
<b>Net Leverage</b>	<b>6.4x</b>	<b>2.8x</b>
<b>Coverage</b>	<b>2.0x</b>	<b>4.4x</b>
<b>EBITDA less Capex/ Interest</b>	<b>0.3x</b>	<b>1.5x</b>

Source: Company reports and J.P. Morgan estimates.

Figure 3: General Motors Corp. Detailed Financial Summary (Total Company)

	FYE 12/31/03	FYE 12/31/04	FYE 12/31/05	FYE 12/31/06	1st Qtr 3/31/07	2nd Qtr 6/30/07	3rd Qtr 9/30/07	4th Qtr 12/31/07	FYE 12/31/07	1st Qtr 3/31/08	2nd Qtr 6/30/08	3rd Qtr 9/30/08	4th Qtr E 12/31/08	FYE 12/31/08E	1st Qtr E 3/31/09	2nd Qtr E 6/30/09	3rd Qtr E 9/30/09	4th Qtr E 12/31/09	FYE 12/31/09
<b>Adjusted Net Income (\$millions)</b>																			
GMNA	1,501	1,553	(5,807)	(1,626)	(269)	29	(298)	(1,060)	(1,535)	(611)	(4,435)	(2,295)	(2,514)	(9,855)	(5,255)	(2,994)	(1,169)	(905)	(10,323)
GME	(248)	(398)	(187)	357	61	334	(136)	(215)	55	198	99	(974)	(1,217)	(1,894)	(857)	(538)	(1,207)	(714)	(3,316)
GMLAAM	(329)	50	152	561	254	296	374	424	1,348	517	445	514	(153)	1,323	(83)	(10)	89	34	530
GMAP	576	731	557	403	192	290	186	72	744	286	(65)	(6)	(109)	106	(99)	(132)	125	50	(352)
<b>Total Auto</b>	<b>1,500</b>	<b>1,936</b>	<b>(5,285)</b>	<b>(305)</b>	<b>232</b>	<b>949</b>	<b>126</b>	<b>(779)</b>	<b>612</b>	<b>390</b>	<b>(3,956)</b>	<b>(2,761)</b>	<b>(3,993)</b>	<b>(10,320)</b>	<b>(6,294)</b>	<b>(3,675)</b>	<b>(2,162)</b>	<b>(1,535)</b>	<b>(13,465)</b>
Corp / Other	(1,213)	(1,304)	(638)	(172)	(175)	201	(972)	1,219	256	(464)	(1,173)	(141)	(100)	(1,878)	(250)	(250)	(250)	(250)	(1,000)
GMAC	2,728	2,894	2,721	2,208	(134)	154	(773)	(394)	(1,147)	(276)	(1,217)	(1,225)	(1,255)	(3,973)	(109)	(160)	(93)	(79)	(440)
<b>Total Adjusted Net Income from Cont. Ops</b>	<b>3,015</b>	<b>3,526</b>	<b>(3,202)</b>	<b>1,731</b>	<b>(71)</b>	<b>1,304</b>	<b>(1,619)</b>	<b>46</b>	<b>(279)</b>	<b>(350)</b>	<b>(6,346)</b>	<b>(4,127)</b>	<b>(5,348)</b>	<b>(16,171)</b>	<b>(6,652)</b>	<b>(4,085)</b>	<b>(2,505)</b>	<b>(1,864)</b>	<b>(14,906)</b>
<b>Operating Related Cash Flow (\$millions)</b>																			
Net Income (Auto & Corp./Other)	3,015	3,526	(3,202)	(7,300)	-	200	(2,100)	(2,900)	(5,500)	(1,000)	(6,871)	(1,100)	(3,993)	(12,964)	(6,544)	(3,925)	(2,412)	(1,785)	(14,665)
D&A	7,946	8,629	10,104	8,100	2,000	2,100	2,000	2,200	8,300	2,000	2,000	1,900	1,900	7,800	1,875	1,875	1,875	1,875	7,500
Capex	(6,616)	(7,284)	(8,141)	(7,500)	(1,200)	(1,700)	(2,100)	(2,600)	(7,500)	(1,900)	(2,200)	(1,400)	(1,300)	(6,800)	(1,250)	(1,250)	(1,250)	(1,250)	(5,000)
Change in Receivables, Payables & Inventory	1,755	1,300	(1,000)	(800)	-	200	(1,100)	400	(500)	(2,000)	600	(2,600)	(3,133)	(7,133)	(3,439)	(906)	1,247	616	(2,482)
Pension/OPEB expense (net of payments)	(12,719)	-	2,800	3,400	(500)	(500)	800	(300)	(500)	(700)	2,700	(3,900)	(123)	(2,023)	(2,000)	-	-	-	(2,000)
DC Veba	-	-	(1,000)	(1,000)	-	(1,000)	-	-	(1,000)	-	-	-	-	-	-	-	-	-	-
Accrued Expenses & Other	13,913	(1,600)	400	700	(100)	1,800	-	1,900	4,300	-	200	200	-	400	-	-	-	-	-
<b>Adjusted Operating Cash Flow</b>	<b>7,294</b>	<b>4,571</b>	<b>961</b>	<b>(4,400)</b>	<b>200</b>	<b>1,100</b>	<b>(2,500)</b>	<b>(1,300)</b>	<b>(2,400)</b>	<b>(3,600)</b>	<b>(3,571)</b>	<b>(6,900)</b>	<b>(6,649)</b>	<b>(20,720)</b>	<b>(11,358)</b>	<b>(4,206)</b>	<b>(539)</b>	<b>(544)</b>	<b>(16,647)</b>
Proceeds from Asset Sales (Payments)	947	-	(1,100)	8,200	100	100	5,400	-	5,600	-	200	100	-	300	230	300	250	-	780
GMDAT/ DPH/ Alison Restructuring Costs	-	-	1,500	200	(300)	100	-	-	(100)	-	-	(1,200)	-	(1,200)	-	-	-	-	-
Cash Restructuring	-	-	(800)	(2,300)	(600)	(300)	(200)	(400)	(1,400)	(300)	(200)	(500)	-	(1,000)	-	(2,269)	(1,000)	-	(3,269)
<b>Adj Operating CF after Special Items</b>	<b>8,241</b>	<b>4,571</b>	<b>561</b>	<b>1,700</b>	<b>(600)</b>	<b>1,000</b>	<b>2,700</b>	<b>(1,700)</b>	<b>1,700</b>	<b>(3,900)</b>	<b>(3,571)</b>	<b>(8,500)</b>	<b>(6,649)</b>	<b>(22,620)</b>	<b>(11,128)</b>	<b>(6,175)</b>	<b>(1,289)</b>	<b>(544)</b>	<b>(19,136)</b>
<b>Non-Operating Related Cash Flow</b>																			
VEBA Withdrawals	(3,000)	(9,000)	3,200	4,100	-	-	-	2,700	2,700	-	400	200	-	600	850	-	-	-	850
Dividends	(1,100)	(1,200)	(1,100)	(600)	(141)	(141)	(142)	(143)	(567)	(143)	(100)	-	-	(243)	-	-	-	-	-
Change in Debt	14,500	(100)	200	1,600	(1,100)	1,300	200	(900)	(600)	400	200	4,300	4,000	8,900	9,400	7,098	-	2,000	18,498
GMAC Dividends	2,400	1,500	2,500	1,900	(1,022)	-	-	(1,022)	-	-	-	400	-	400	-	-	-	-	-
Change in ST VEBA	-	-	300	(1,300)	1,100	-	-	(2,900)	(1,900)	-	(200)	(200)	-	(400)	-	-	-	-	-
Other	4,200	1,300	600	(1,400)	-	300	-	300	700	200	400	(1,000)	500	100	(1,000)	-	-	-	(1,000)
<b>Total Non-operating Related</b>	<b>17,000</b>	<b>(7,500)</b>	<b>5,700</b>	<b>4,300</b>	<b>(1,163)</b>	<b>1,459</b>	<b>59</b>	<b>(943)</b>	<b>(689)</b>	<b>458</b>	<b>700</b>	<b>3,700</b>	<b>4,500</b>	<b>9,358</b>	<b>9,250</b>	<b>7,098</b>	<b>-</b>	<b>2,000</b>	<b>18,348</b>
<b>Net Change in Cash &amp; Cash Related</b>	<b>25,241</b>	<b>(2,929)</b>	<b>6,261</b>	<b>6,000</b>	<b>(1,763)</b>	<b>2,459</b>	<b>2,759</b>	<b>(2,643)</b>	<b>1,011</b>	<b>(3,443)</b>	<b>(2,871)</b>	<b>(4,800)</b>	<b>(2,149)</b>	<b>(13,262)</b>	<b>(1,878)</b>	<b>923</b>	<b>(1,289)</b>	<b>1,456</b>	<b>(787)</b>
<b>Beginning Auto Cash, Mkt Securities &amp; ST VEBA</b>					<b>26,412</b>	<b>24,682</b>	<b>27,213</b>	<b>29,972</b>		<b>27,288</b>	<b>23,893</b>	<b>21,006</b>	<b>16,206</b>		<b>14,057</b>	<b>12,179</b>	<b>13,103</b>	<b>11,814</b>	
<b>Ending Cash</b>					<b>24,682</b>	<b>27,213</b>	<b>29,972</b>	<b>27,288</b>		<b>23,893</b>	<b>21,006</b>	<b>16,206</b>	<b>14,057</b>		<b>12,179</b>	<b>13,103</b>	<b>11,814</b>	<b>13,270</b>	

Source: Company reports and J.P. Morgan estimates.

Figure 4: General Motors Corp. Model Assumptions

<b>2007 Estimated EBITDA</b>	<b>8,629</b>	
NA Volume	(5,777)	NA car production grows 23,000 units and GM generates \$4,000 variable profit contribution per car and light truck production drops 833,000 and GM generates \$7,000 variable profit contribution per light truck.
Mix	(3,050)	
Outside NA Production	(810)	Outside NA production is down 74,000 at \$2,500 variable profit contribution per vehicle.
NA Pricing	(246)	0.3% decline on average \$23,619 NTP for 3.5 mm units NA production.
Workers transition to Permanent Status	(180)	3,000 temporary workers transition to permanent status at \$30/hour rise in labor cost
Attrition Savings	1,045	Half year benefit from 19,000 workers retiring and rehiring 20% at new entry level wages and benefits
COLA Escalators Retained	163	COLA diversions retained by GM that amount to \$1.50 per hour for the 52,300 remaining legacy workers
Materials Purchase	445	Price concessions forced on suppliers (3% annual discounts) offset 2.5% growth in raw material prices on GM's \$89 billion annual materials purchase.
Salaried Cuts	400	20% of the expected \$2.0 billion of annual savings. We assume they realize \$1.5bn of these savings.
Exchange Cost	(600)	
Pension Savings	300	Slide 30 of Q4 presentation
Remainder of Structural Costs Cuts	572	Assume 40% of \$4bn total are realized in 2008. Assume they achieve \$3.0bn of the total goal.
Absence of Allison Earnings	(171)	One quarter at an \$685 mm annualized EBITDA
<b>2008 Estimated EBITDA</b>	<b>720</b>	
NA Volume/ Mix	(6,834)	NA car production decreases 719,000 units and GM generates \$4,000 variable profit contribution per car and light truck production drops 565,000 and GM generates \$7,000 variable profit contribution per light truck.
Outside NA Production	(1,141)	Outside NA production is down 761,000 at \$1,500 variable profit contribution per vehicle.
NA Pricing	(289)	0.5% decline on average \$23,619 NTP for 3.3 mm units NA production.
Materials Purchase	1,800	Price concessions forced on suppliers (3% annual discounts) offset 1% growth in raw material prices on GM's \$90 billion annual materials purchase.
Attrition Savings	1,045	Half year benefit from 19,000 workers retiring and rehiring 20% at new entry level wages and benefits
Plant Closure Savings	650	Savings from June 2008 plant closure announcements.
Salaried Cuts	1,100	Remainder of the \$2.0 billion of savings from July 2008 announcement. We assume they realize \$1.5bn.
Remainder of Structural Costs Cuts	355	Assume they achieve \$3bn of the \$4bn goal from Feb. 17th Restructuring Plan.
Absence of Lease Charges	1,705	\$1.7bn included in FY 2008 adjusted earnings and EBITDA
<b>2009 Estimated EBITDA</b>	<b>(890)</b>	
NA Volume/ Mix	2,349	NA car production increases 214,000 units and GM generates \$4,000 variable profit contribution per car and light truck production increases 214,000 and GM generates \$7,000 variable profit contribution per light truck.
OPEB Savings	3,297	Post buydown of UAW OPEB liability
Materials Purchase	900	Price concessions forced on suppliers (3% annual discounts) offset 2% growth in raw material prices on GM's \$90 billion annual materials purchase.
Structural Savings	1,300	Structural costs expected to fall \$1.3bn y/y in 2010 from Feb. 17th Restructuring Plan.
<b>2010 Estimated EBITDA</b>	<b>6,957</b>	

Source: Company reports and J.P. Morgan estimate.

Figure 5: General Motors Corp. Long Term Liquidity Analysis

	2007	2008E	2009E	2010E	Assumptions
<b>Net Income (Auto &amp; Corp./Other)</b>	<b>(5,500)</b>	<b>(12,964)</b>	<b>(14,665)</b>	<b>(7,474)</b>	2008 hourly attrition, \$1bn plant closure savings in 2010, net OPEB Savings (x/ additional interest), flat international earnings, CSM 2009-10 production guidance and additional interest expense from \$8bn new financing and VEBA notes.
D&A	8,300	7,800	7,500	8,000	Plant closures offset by additional tooling
Capex	(7,500)	(6,800)	(5,000)	(7,000)	Spending on fuel saving technologies is offset by more efficient global product development
Change in Receivables, Payables & Inventory	(500)	(7,133)	(2,482)	5,262	Working capital drop from production decline of 37% in 2009 offset by 20% growth in production in 2010.
Pension/OPEB expense (net of payments)	(500)	(2,023)	(2,000)	-	
DC Veiba	(1,000)	-	-	-	
<u>Accrued Expenses &amp; Other</u>	<u>4,300</u>	<u>400</u>	<u>-</u>	<u>(1,000)</u>	
Adjusted Operating Cash Flow	(2,400)	(20,720)	(16,647)	(2,212)	
Proceeds from Asset Sales (Payments)	5,600	300	780	-	Hummer, Goodrich and French plant sales as well as foreign factoring program in 2009
GMDAT/ DPH/ Alison Restructuring Costs	(100)	(1,200)	-	-	
<u>Cash Restructuring</u>	<u>(1,400)</u>	<u>(1,000)</u>	<u>(3,269)</u>	<u>(1,200)</u>	
Adj Operating CF after Special Items	1,700	(22,620)	(19,136)	(3,412)	
VEBA Withdrawals	2,700	600	850	-	Veiba deferral benefit of \$1.7bn from July announcement
Dividends	(567)	(243)	-	-	Dividend Eliminated in H2 2008
Change in Debt	(600)	8,900	18,498	4,000	In 2009, \$12 billion from TARP, \$2 billion from DOE, \$2.3 billion from Germany and \$2.9 billion from Canada offset by maturities. In 2010, \$2.0 billion from DOE and \$2.0bn from intl gov. and extension of \$4bn UAW 2nd Lien note & \$3bn payments.
GMAC Dividends	(1,022)	400	-	-	
Change in ST VEBA	(1,900)	(400)	-	-	
<u>Other</u>	<u>700</u>	<u>100</u>	<u>(1,000)</u>	<u>(500)</u>	\$1.2 bn payment to DPH settlement in 2008. \$1.0 bn payment to DPH settlement in 2009.
Total Non-operating Related	(689)	9,358	18,348	3,500	
<b>Net Change in Cash &amp; Cash Related</b>	<b>1,011</b>	<b>(13,262)</b>	<b>(787)</b>	<b>88</b>	
Beginning Auto Cash, Mkt Securities & ST VEBA		27,288	14,057	13,270	
<b>Ending Cash</b>	<b>27,288</b>	<b>14,057</b>	<b>13,270</b>	<b>13,358</b>	

Source: Company reports and J.P. Morgan estimates

Figure 6: General Motors Corp. Detailed Financial Summary (Total Company)

(\$ millions)	FY 12/31/99	FY 12/31/00	FY 12/31/01	FY 12/31/02	FY 12/31/03	FY 12/31/04	FY 12/31/05	FY 12/31/06	FY 12/31/07	FY 12/31/08E	FY 12/31/09E
Revenue	156,107	160,627	143,173	150,250	155,831	163,341	158,623	171,179	178,199	146,492	108,927
<b>EBITDA</b>	<b>16,926</b>	<b>13,507</b>	<b>6,492</b>	<b>6,497</b>	<b>7,334</b>	<b>9,321</b>	<b>9,914</b>	<b>8,263</b>	<b>8,629</b>	<b>720</b>	<b>(890)</b>
Net Interest Expense	828	815	572	479	1,780	1,793	1,185	(170)	618	2,272	2,688
Taxes	2,167	1,443	56	0	0	0	0	0	404	1,129	400
Capex	7,061	9,200	7,812	6,414	6,616	7,284	8,141	7,902	7,542	6,827	5,000
Dividends Paid	1,367	1,294	1,105	1,121	1,121	1,129	1,134	565	567	285	0
Dividends (from)/ to GMAC	0	(1,069)	500	(400)	(1,000)	(1,500)	(2,500)	(1,900)	1,022	(400)	0
Net Change in Debt	0	(133)	(3,371)	(3,127)	(14,500)	100	(200)	(1,600)	500	(4,400)	(18,498)
Net Acquisitions / (Divestitures)	0	4,302	1,285	1,872	(947)	0	1,900	(7,768)	(6,400)	(300)	(780)
Net Pension & OPEB Cash Impact	1,865	(644)	(1,967)	2,602	12,719	(2,291)	(3,228)	(3,644)	527	2,023	2,000
Cash Restructuring	0	0	0	0	0	0	800	2,800	1,000	3,269	2,000
Changes in Working Capital	0	(51)	(2,503)	191	113	(1,310)	(291)	961	(889)	6,733	2,482
<b>Free Cash Flow</b>	<b>3,638</b>	<b>(1,650)</b>	<b>3,003</b>	<b>(2,655)</b>	<b>1,432</b>	<b>4,116</b>	<b>2,973</b>	<b>13,117</b>	<b>1,938</b>	<b>(14,449)</b>	<b>2,549</b>
EBITDA Margin	10.8%	8.4%	4.5%	4.3%	4.7%	5.7%	6.2%	4.8%	4.8%	0.5%	-0.8%
<b>EBITDA/(Interest Expense)</b>	<b>20.4x</b>	<b>16.6x</b>	<b>11.3x</b>	<b>13.6x</b>	<b>4.1x</b>	<b>5.2x</b>	<b>8.4x</b>	<b>-48.6x</b>	<b>14.0x</b>	<b>0.3x</b>	<b>-0.3x</b>
EBITDA-Capex/(Interest)	11.9x	5.3x	-2.3x	0.2x	0.4x	1.1x	1.5x	-2.1x	1.8x	-2.7x	-2.2x
Cash	9,730	9,119	8,432	12,162	14,424	13,148	15,187	23,774	24,549	13,682	12,895
Marketable Securities	1,698	1,161	790	2,174	9,067	6,655	1,416	138	2,139	75	75
ST Vebs	0	0	0	0	3,400	3,500	3,800	2,500	600	300	300
<b>Cash, Marketable Sec &amp; ST VEBA</b>	<b>11,428</b>	<b>10,280</b>	<b>9,222</b>	<b>14,336</b>	<b>26,891</b>	<b>23,303</b>	<b>20,403</b>	<b>26,412</b>	<b>27,288</b>	<b>14,057</b>	<b>13,270</b>
<b>Total Debt</b>	<b>9,624</b>	<b>9,757</b>	<b>13,128</b>	<b>16,255</b>	<b>32,406</b>	<b>32,522</b>	<b>34,207</b>	<b>38,733</b>	<b>39,431</b>	<b>47,265</b>	<b>47,131</b>
Net Debt/EBITDA	-0.1x	0.0x	0.6x	0.3x	0.8x	1.0x	1.4x	1.5x	1.4x	46.1x	-38.0x
<b>Total Debt/EBITDA</b>	<b>0.6x</b>	<b>0.7x</b>	<b>2.0x</b>	<b>2.5x</b>	<b>4.4x</b>	<b>3.5x</b>	<b>3.5x</b>	<b>4.7x</b>	<b>4.6x</b>	<b>65.6x</b>	<b>-53.0x</b>
<b>Debt &amp; Unfunded Pension &amp; OPEB/EBITDAP</b>						<b>6.3x</b>	<b>5.7x</b>	<b>5.1x</b>	<b>6.2x</b>		
Shares Outstanding	655	591	551	560	561	565	565	566	566	566	566
Share Price	\$ 72.69	\$ 50.94	\$ 48.60	\$ 36.86	\$ 53.40	\$ 40.06	\$ 19.42	\$ 29.45	\$ 26.62	\$ 3.20	\$ 1.91
Equity Market Capital	47,610	30,104	26,779	20,642	29,957	22,634	10,972	16,669	15,067	1,811	1,081
Net Debt	(1,804)	(523)	3,906	1,919	5,515	9,219	13,804	12,321	12,143	33,208	33,861
Total Enterprise Value (TEV)	45,806	29,581	30,685	22,561	35,472	31,853	24,776	28,990	27,210	35,019	34,942
<b>TEV/EBITDA</b>	<b>2.7x</b>	<b>2.2x</b>	<b>4.7x</b>	<b>3.5x</b>	<b>4.8x</b>	<b>3.4x</b>	<b>2.5x</b>	<b>3.5x</b>	<b>3.2x</b>	<b>48.6x</b>	<b>-39.3x</b>
<b>Capital Structure (\$ millions) as of 12/31/07</b>			<b>Credit Facility</b>								
Current Debt:											
Current Portion of Long-term Debt	6,047										
Unsecured bonds	16,127										
Convertible bonds	8,440										
Foreign Currency Denominated bonds	4,875										
Other long term debt	3,942										
Total Debt	39,431										
Operating Leases	2,654										
Unfunded Pension/OPEB	39,362										
Off-Balance Sheet Liabilities	42,016										
<b>Debt Maturities (\$ millions) as of 12/31/07</b>			<b>Equity Ownership</b>								
FYE 2008	3,600										
2009	1,200										
2010	0										15.3%
2011	5										14.2%
2012	17										11.0%
Thereafter	34,609										7.2%
	39,431										

Source: Company reports and J.P. Morgan estimates

## Disclosures

---

This report is a product of the research department's Global Equity Derivatives and Delta One Strategy group. Views expressed may differ from the views of the research analysts covering stocks or sectors mentioned in this report. Structured securities, options, futures and other derivatives are complex instruments, may involve a high degree of risk, and may be appropriate investments only for sophisticated investors who are capable of understanding and assuming the risks involved. Because of the importance of tax considerations to many option transactions, the investor considering options should consult with his/her tax advisor as to how taxes affect the outcome of contemplated option transactions.

### Analyst Certification:

The research analyst(s) denoted by an "AC" on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an "AC" on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

### Conflict of Interest:

---

**This research contains the views, opinions and recommendations of J.P. Morgan credit research analysts. Research analysts routinely consult with J.P. Morgan trading desk personnel in formulating views, opinions and recommendations in preparing research. Trading desks may trade, or have traded, as principal on the basis of the research analyst(s) views and report(s). Therefore, this research may not be independent from the proprietary interests of J.P. Morgan trading desks which may conflict with your interests. In addition, research analysts receive compensation based, in part, on the quality and accuracy of their analysis, client feedback, trading desk and firm revenues and competitive factors. As a general matter, J.P. Morgan and/or its affiliates normally make a market and trade as principal in fixed income securities discussed in research reports.**

## Important Disclosures

---

- **Lead or Co-manager:** JPMSI or its affiliates acted as lead or co-manager in a public offering of equity and/or debt securities for Ford Motor Company, General Motors within the past 12 months.
- J.P. Morgan PLC and J. P. Morgan India Private Limited (collectively referred to known as "J.P. Morgan") are acting as financial advisors to Tata Motors Limited in respect of its potential acquisition from Ford Motor Company of its Jaguar and Land Rover business units. J.P. Morgan will receive an advisory fee for so acting. This report is based solely on publicly available information. No representation is made that it is accurate or complete. This report is not a recommendation to buy or sell the securities mentioned. Please refer to the end of this report for further important disclosures.

### Explanation of Credit Research Ratings:

**Ratings System:** J.P. Morgan uses the following sector/issuer portfolio weightings: Overweight (over the next three months, the recommended risk position is expected to outperform the relevant index, sector, or benchmark), Neutral (over the next three months, the recommended risk position is expected to perform in line with the relevant index, sector, or benchmark), and Underweight (over the next three months, the recommended risk position is expected to underperform the relevant index, sector, or benchmark). J.P. Morgan's Emerging Market research uses a rating of Marketweight, which is equivalent to a Neutral rating.

**Valuation & Methodology:** In J.P. Morgan's credit research, we assign a rating to each issuer (Overweight, Underweight or Neutral) based on our credit view of the issuer and the relative value of its securities, taking into account the ratings assigned to the issuer by credit rating agencies and the market prices for the issuer's securities. Our credit view of an issuer is based upon our opinion as to whether the issuer will be able service its debt obligations when they become due and payable. We assess this by analyzing, among other things, the issuer's credit position using standard credit ratios such as cash flow to debt and fixed charge coverage (including and excluding capital investment). We also analyze the issuer's ability to generate cash flow by reviewing standard operational measures for comparable companies in the sector, such as revenue and earnings growth rates, margins, and the composition of the issuer's balance sheet relative to the operational leverage in its business.

## Other Disclosures

---

J.P. Morgan is the global brand name for J.P. Morgan Securities Inc. (JPMSI) and its non-US affiliates worldwide.

**Options related research:** If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>.

### Legal Entities Disclosures

**U.S.:** JPMSI is a member of NYSE, FINRA and SIPC. J.P. Morgan Futures Inc. is a member of the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC and is authorized and regulated in the UK by the Financial Services Authority. **U.K.:** J.P. Morgan Securities Ltd. (JPMSL) is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority. Registered in England & Wales No. 2711006. Registered Office 125 London Wall, London EC2Y 5AJ. **South Africa:** J.P. Morgan Equities Limited is a member of the Johannesburg Securities Exchange and is regulated by the FSB. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong. **Korea:** J.P. Morgan Securities (Far East) Ltd, Seoul branch, is regulated by the Korea Financial Supervisory Service. **Australia:** J.P. Morgan Australia Limited (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (ABN 61 003 245 234/AFS Licence No: 238066) is a Market Participant with the ASX and regulated by ASIC. **Taiwan:** J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited is a member of the National Stock Exchange of India Limited and Bombay Stock Exchange Limited and is regulated by the Securities and Exchange Board of India. **Thailand:** JPMorgan Securities (Thailand) Limited is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the BAPEPAM. **Philippines:** J.P. Morgan Securities Philippines Inc. is a member of the Philippine Stock Exchange and is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by J.P. Morgan Securities Singapore Private Limited (JPMS) [MICA (P) 132/01/2009 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia:** J.P. Morgan Saudi Arabia Ltd. is authorised by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia.

### Country and Region Specific Disclosures

**U.K. and European Economic Area (EEA):** Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMSL. Investment research issued by JPMSL has been prepared in accordance with JPMSL's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require that a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. JPMSAL does not issue or distribute this material to "retail clients." The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities Ltd., Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for persons licensed by or registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months' prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider for derivative warrants issued by J.P. Morgan International Derivatives Ltd and listed on The Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk/prod/dw/Lp.htm>. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul branch. **Singapore:** JPMS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL.

**General:** Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMSI and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as

of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMSI distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

“Other Disclosures” last revised January 30, 2009.

---

**Copyright 2009 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.**