

PRESENTATION TO AUTOMOTIVE ANALYSTS OF NEW YORK

Dieter Zetsche, President/CEO, Chrysler Group

**Ritz Carlton, Dearborn
January 8, 2003**

TRANSFORMATION OF CHRYSLER GROUP

Where we are

Operative Focus

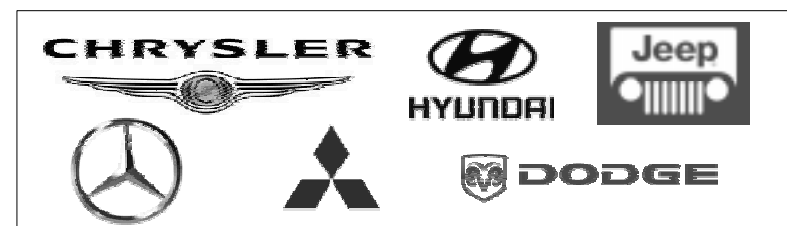
- Focus on establishing a lean cost structure
- Stabilizing volume and share in key segments
- Quality and efficiency improvements accelerating
- Regain short-term profitability



Where we're going

Strategic Focus

- Establish a unique selling proposition
- Profitably grow volume
- Close gap with industry leaders in quality and efficiency
- Creating a new company



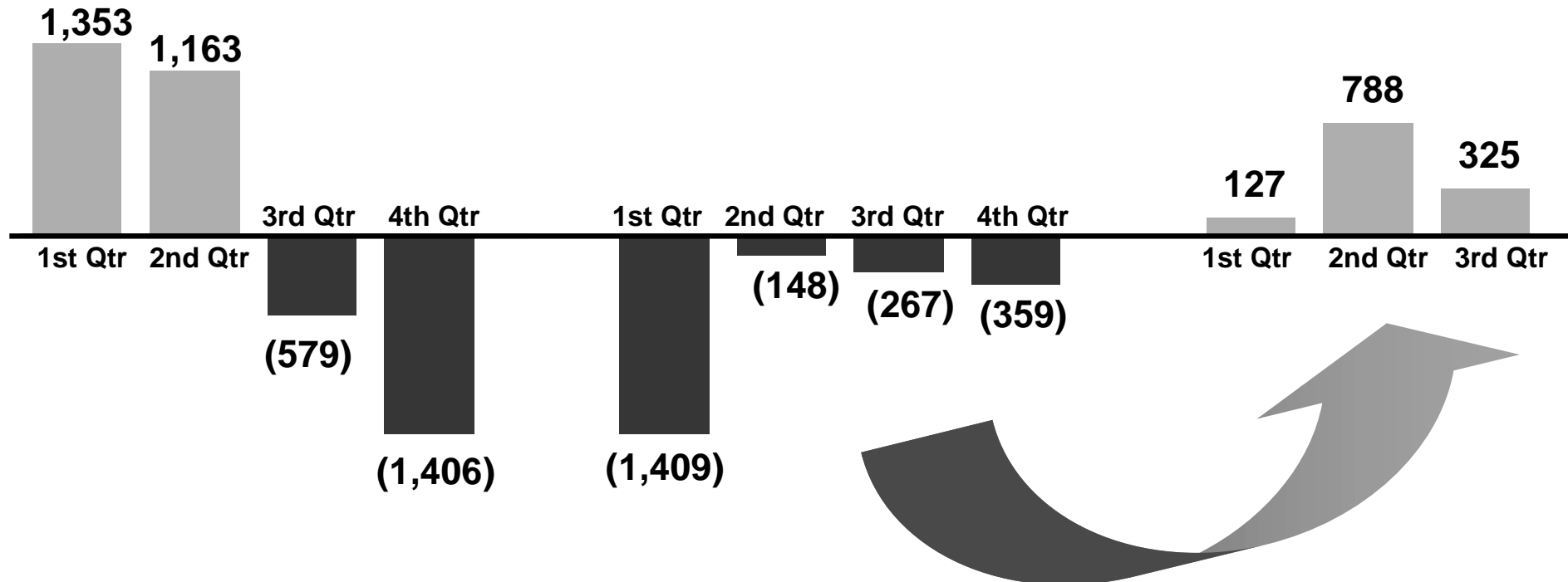
CHRYSLER GROUP RETURNS TO PROFITABILITY

– AMOUNTS IN MILLIONS OF EUR (Excluding one-time effects) –

2000
Operating Results
EUR 531

2001
Operating Results
EUR (2,183)

2002
Operating Results
EUR 1,240 (Y-T-D)



FINANCIAL / OPERATIVE TURNAROUND MILESTONES

	2001	2002	2003
Financial Projection	Plan: (Operating Loss) €(2.2) - €(2.6) bn Actual: €(2.183) billion	Plan: Breakeven Actual 1Q-3Q: € 1.240 billion	Plan: Operating Profit > €2.0 bn
Product Actions	Launch all-new Jeep Liberty and Ram 1500 Pickup	Launch all-new Ram Heavy Duty and Viper	Launch all-new Pacifica, Crossfire, Durango
Operative Actions	Implement line speed changes and eliminate shifts Close select component plants Achieve 5% material cost reduction	New Venture Gear (NVG) JV Unwinding Sell Dayton Thermal and Eurostar New Castle JV Close Ajax	Productivity and quality improvements Seek further non-core divestitures
Headcount Reductions (Excl 1,300 Supplemental)	Plan: 18,000 Actual: 19,500	Cum. Plan: 22,200 Y-E Fcst: 24,500	Cum. Plan: 24,700 Forecast: to be achieved in 1Q

TURNAROUND PLAN ON TARGET

2002		
<u>Plan vs. Actual</u>		
Material Cost Improvement	↑	}
Plant Cost Reduction	↑↑	
Fixed Cost Reduction	↑↑	
Revenue Improvement	↓	}
<hr style="width: 20%; margin-left: 0;"/>		
Cum. Reduction / Improvements	↑	

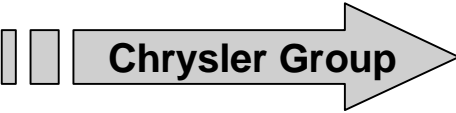
Cost over-achievement includes new reductions, quality and productivity improvements and partial pull-ahead of 2003 reductions

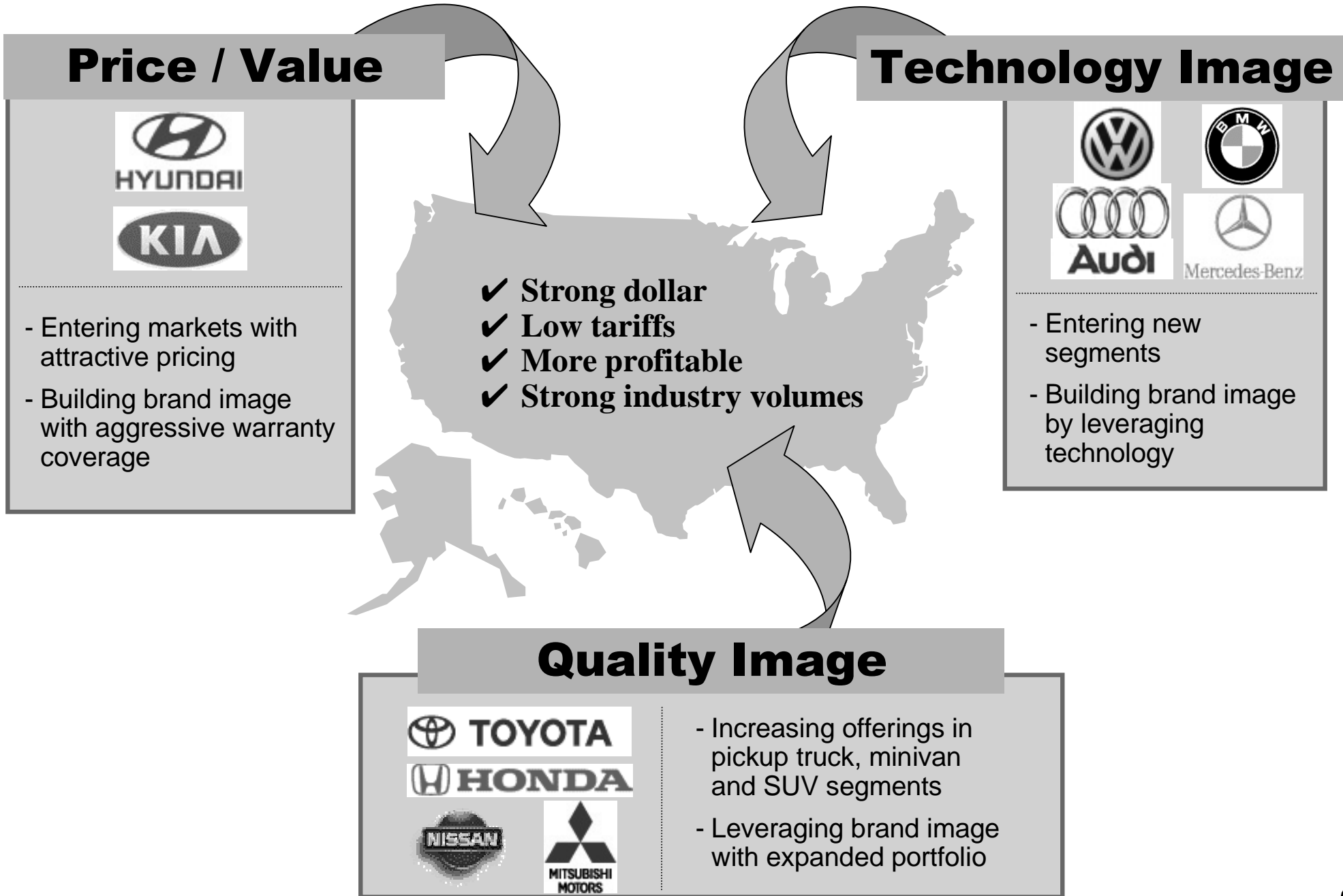
Marketing cost % of revenue (Incentives per unit)	↓↓
Restructuring of Sales Org.	↑
New product launches	↑
Dealer inventory level	→

Implications for 2003

- Continuing fierce competition in U.S.
 - High incentives / net negative pricing
 - Competitive product launches
 - Geopolitical and economic uncertainty
 - Additional industry capacity
- Strive for operational benchmarks
- New product launches (Pacifica, Crossfire, Durango)

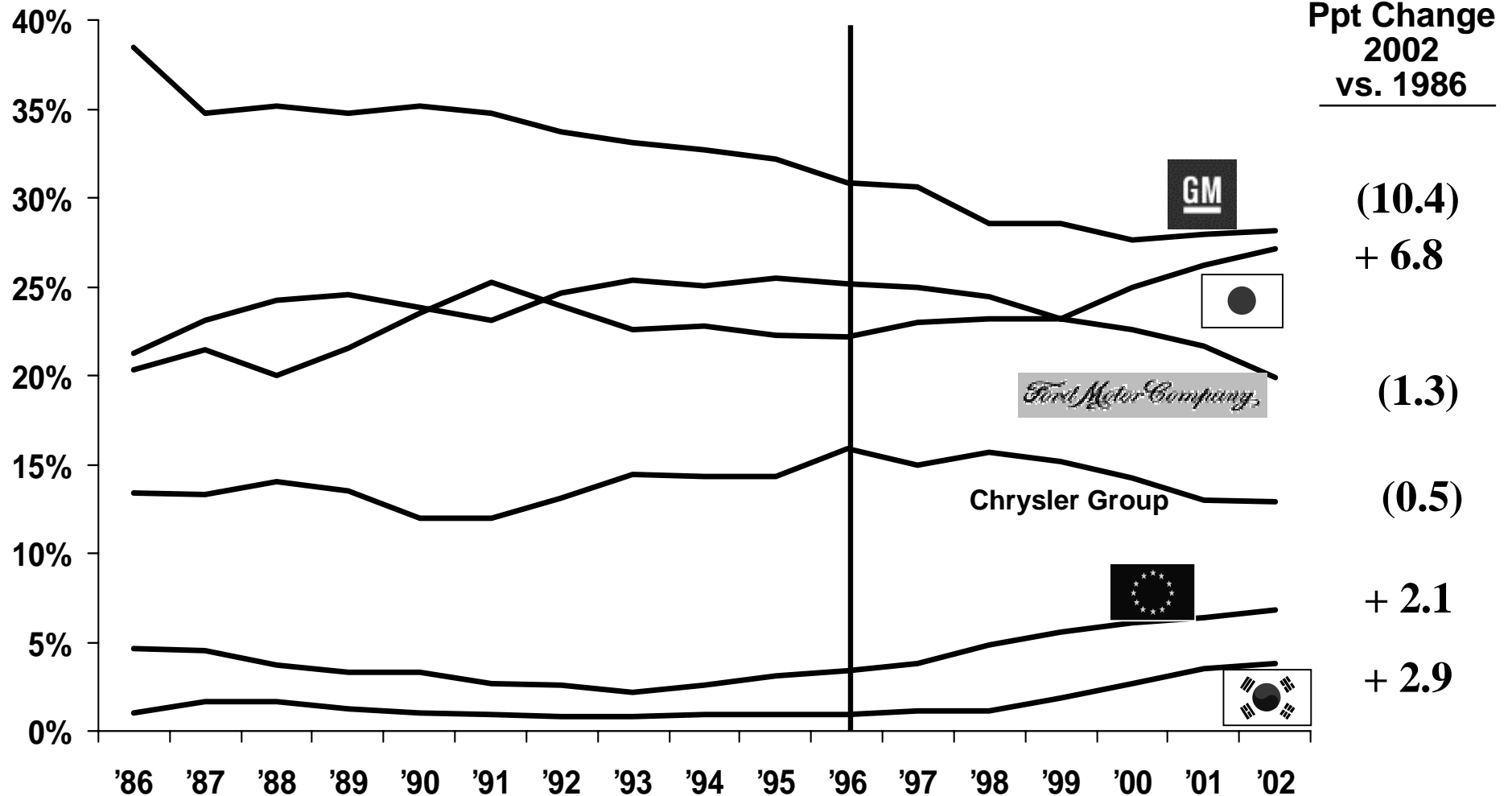
2003 U.S. MARKET ASSUMPTIONS

<u>Probability</u>	<u>Theme</u>	<u>Industry</u>	<u>Key Driver</u>	<u>Iraq</u>	<u>Oil</u>	<u>Interest Rates</u>
10%	Whole World Grows	17.5	U.S. Locomotive	Short, Successful	\$30 \$20-25 by mid-year	Fed raises rates beginning in 2Q 2003
55%	Slow but steady recovery	17.0	Incentives keep sales high and profits lower	Short, Successful	\$30 \$20-25 by mid-year	Fed holds steady through mid-2003
						
25%	Continued stock market decline	16.0	Investor and consumer pessimism	Short, Successful	\$30 \$20-25 by mid-year	Further cuts
10%	Long, messy war	15.0	Supply disruptions and oil prices surge	Long, Messy	\$60 peak \$40 average	Further cuts



DOMESTIC MANUFACTURERS HAVE LOST MARKET SHARE TO JAPANESE, KOREANS AND EUROPEANS IN PAST 15 YEARS

U.S. Total Market Share

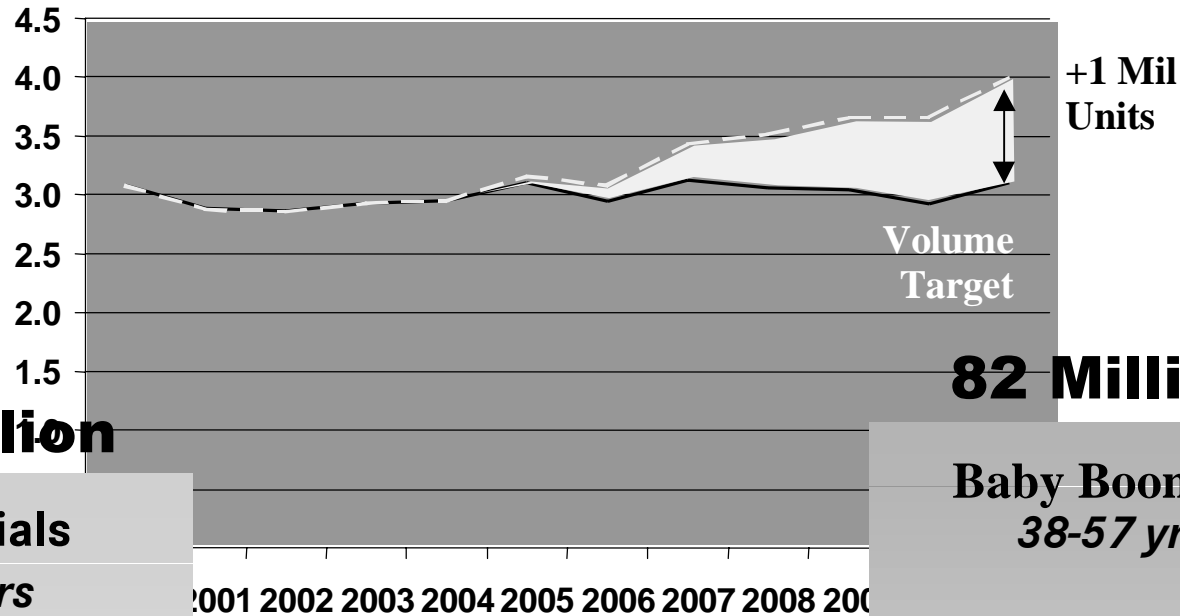


UNIQUE PROPOSITION REQUIRED

		Japanese / European	
		Traditional Big Three	
		PUSH	PULL
<i>Product</i>	▶	<ul style="list-style-type: none"> Internally-defined factors 	<ul style="list-style-type: none"> Customer needs Quality
<i>Production</i>	▶	<ul style="list-style-type: none"> Maximize capacity utilization Higher volume required to breakeven 	<ul style="list-style-type: none"> Flexible plant loading Capacity driven by demand
<i>Marketing</i>	▶	<ul style="list-style-type: none"> Sell from inventory High incentives / advertising the "deal" Fleet mix 	<ul style="list-style-type: none"> Build to order Limited incentives / lower advertising costs Brand image

CHALLENGING GROWTH TARGET

Total Sales
Units (Millions)



78 million

Millennials
6-25 yrs

Vehicle Value Drivers

- Brand Image
- Technology
- Connectivity
- Lifestyle Enabler



37 million

Generation X
26-37 yrs



82 Million

Baby Boomers
38-57 yrs

Vehicle Value Drivers

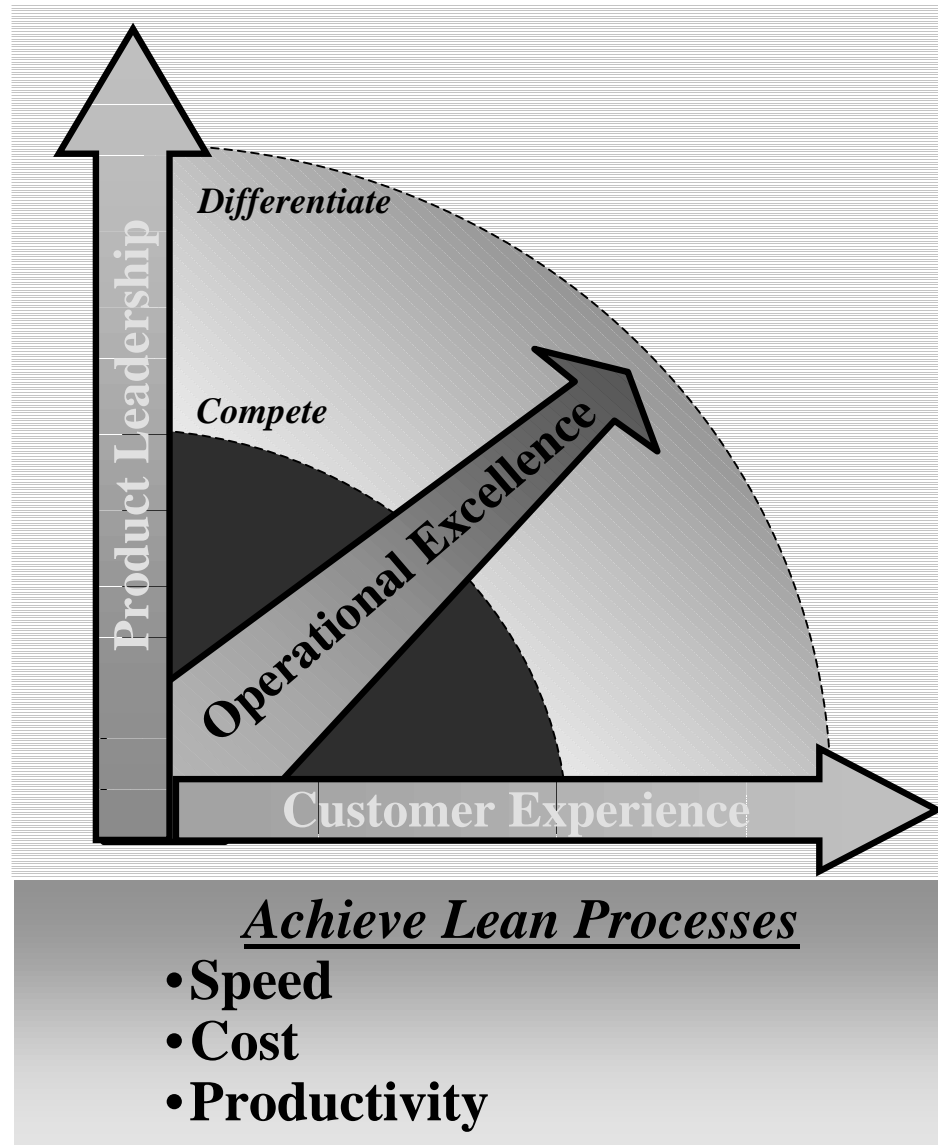
- Comfort
- Luxury
- Utility
- Safety



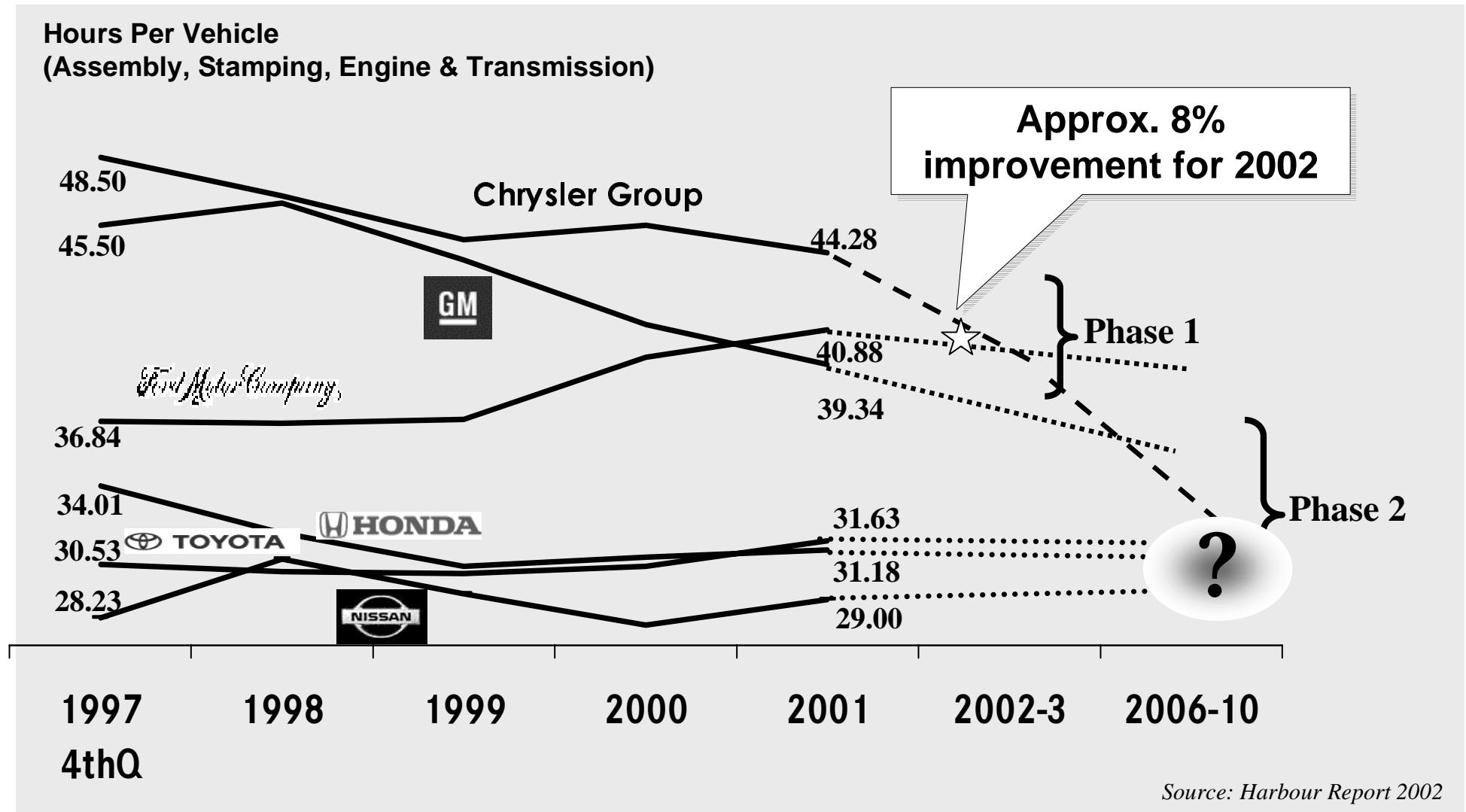
PERFORMANCE DIMENSIONS



OPERATIONAL EXCELLENCE - ACHIEVE LEAN PROCESSES

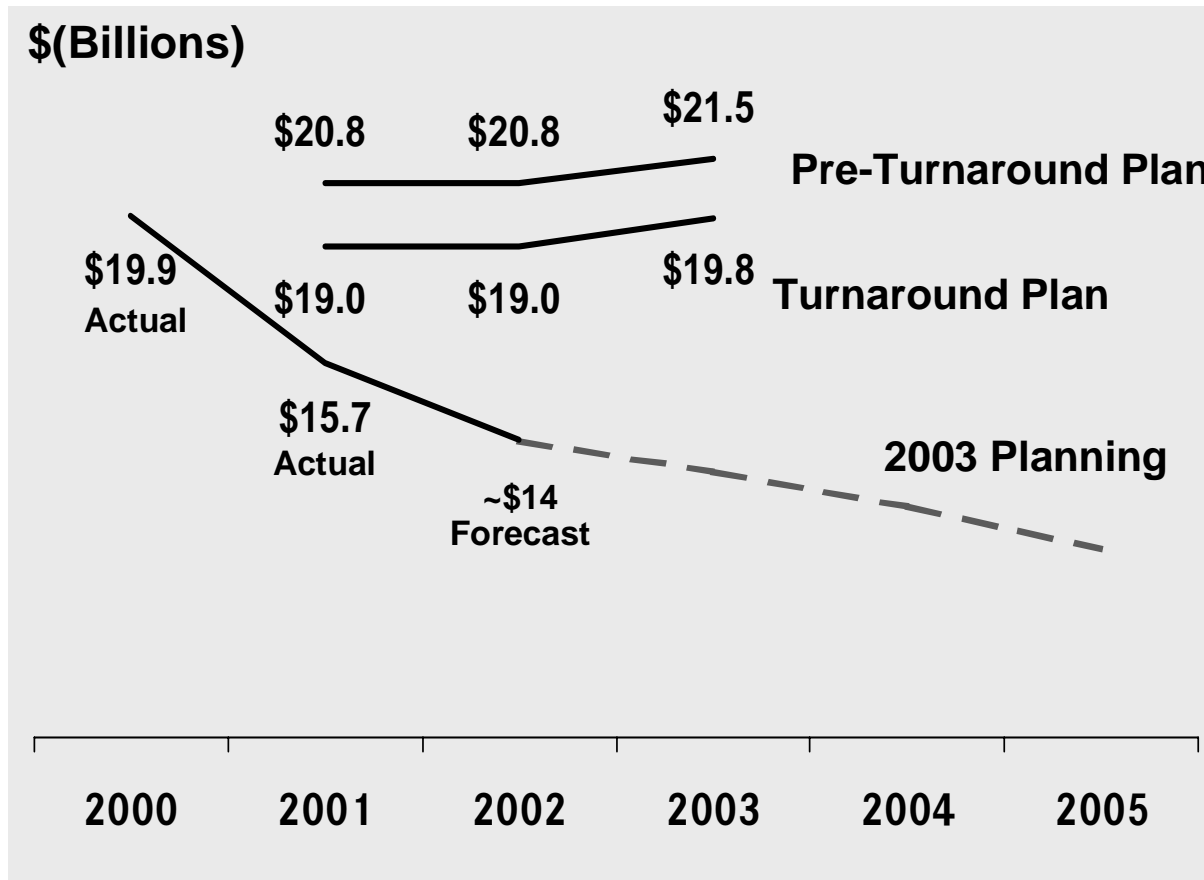


HARBOUR RESULTS - 2-PHASE IMPROVEMENT



REDUCED NET ASSET BASE

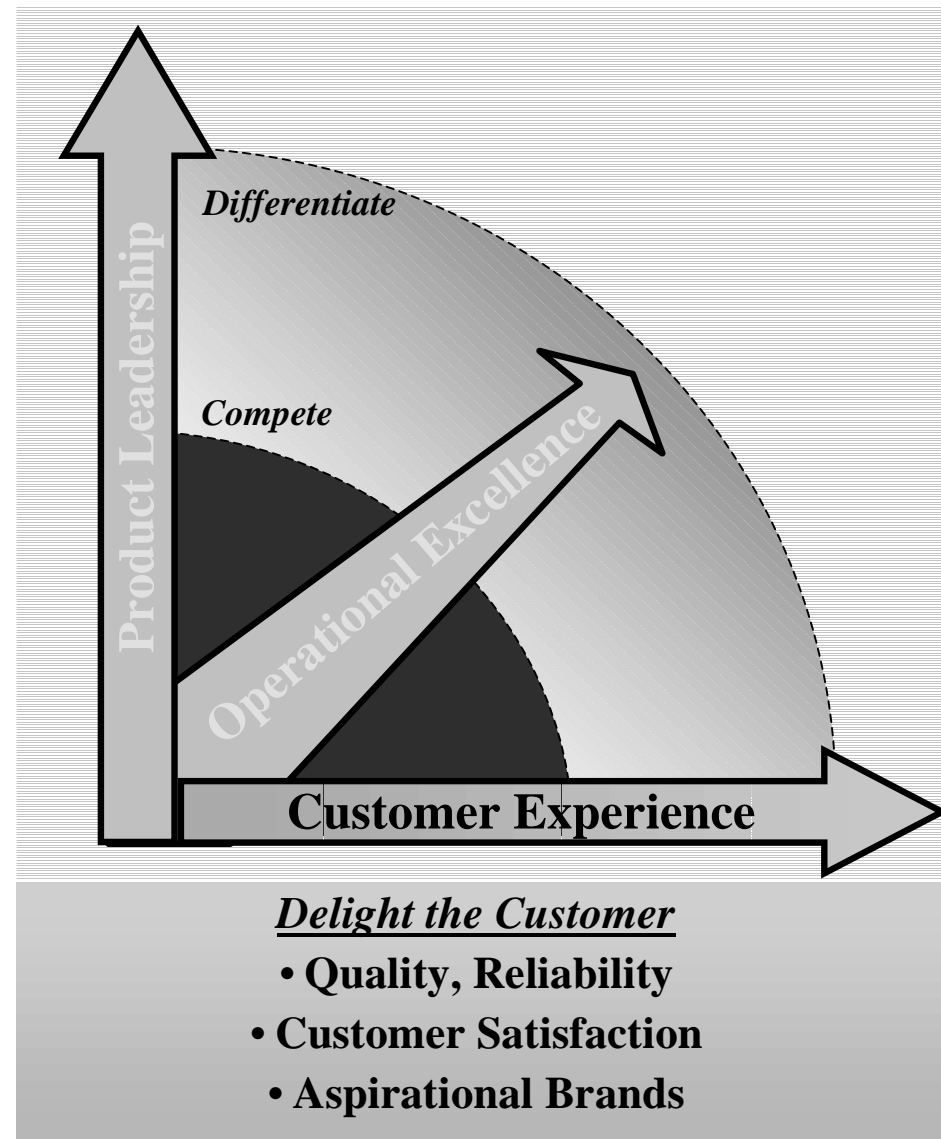
Net Asset Reduction Targets



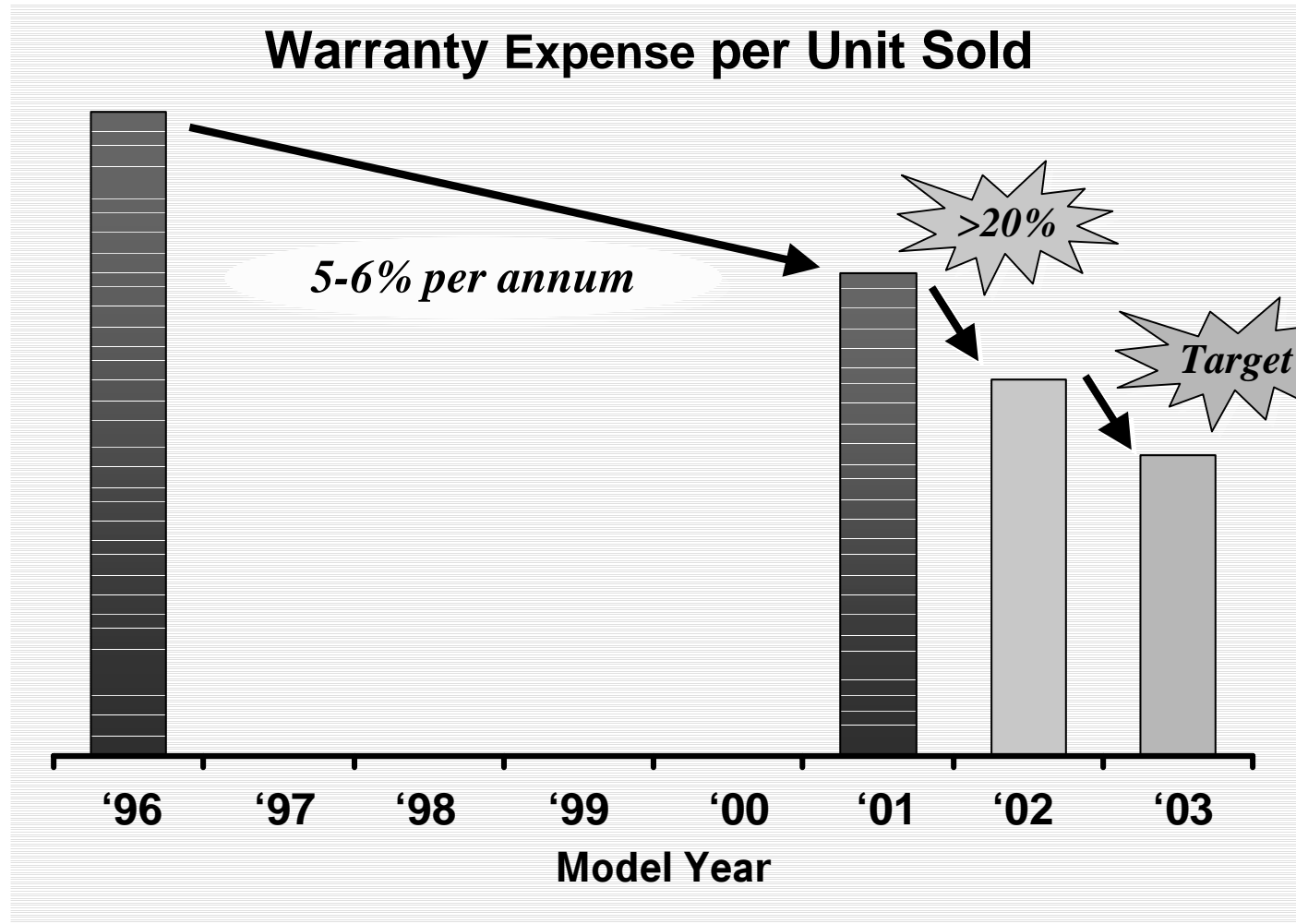
Asset Reduction Initiatives

- Capital Spending Reductions
- Inventory Reductions
- Sale of Dayton Thermal Plant, Eurostar Facility and DC Aviation Unit
- New Castle joint venture
- Seven Plant Closures by 2003 (4 Assembly and 3 Powertrain)

ENHANCE CUSTOMER EXPERIENCE THROUGH QUALITY



ACCELERATED QUALITY IMPROVEMENTS



QUALITY PERCEPTION IMPROVING THROUGH TOUCH POINTS

Chrysler Sebring



2004 Chrysler Pacifica

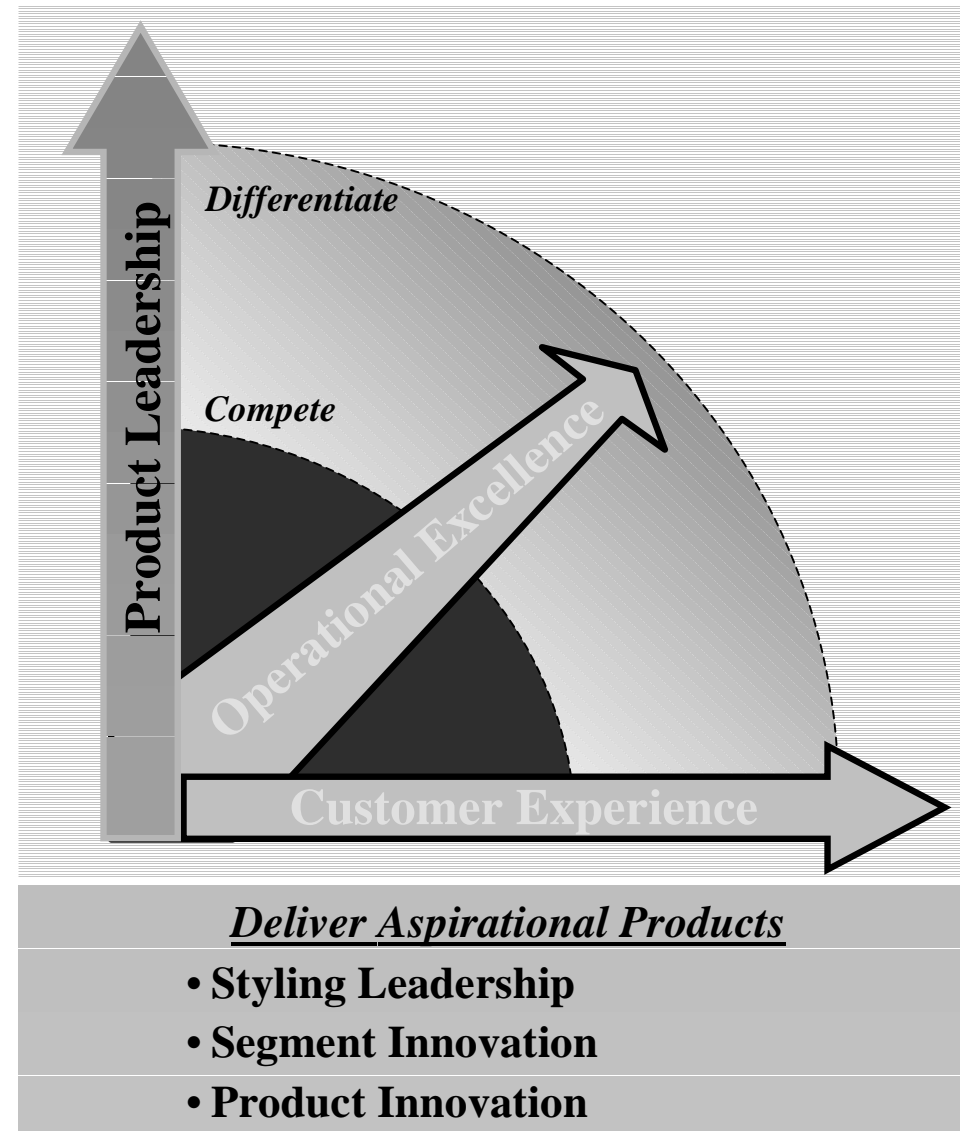


FOCUS ON PRODUCT LEADERSHIP

Chrysler Group's Unique Proposition:

- **Maintain Design Leadership As a Core Competency**
- **Deliver Segment-busting and Segment-defining Vehicles to the Market**
- **Utilize Product Technology to Create Customer Value**

Deliver our unique proposition consistent with each of our brand positioning



ASPIRATIONAL PRODUCTS 2003 NAIAS - Concept Vehicles

Dodge Avenger



Dodge Kahuna



Dodge Tomahawk



DODGE MAGNUM SRT-8 SPORTS TOURER CONCEPT (LX)

- **Rear Wheel Drive - All-Wheel Drive availability**
- **5.7L supercharged HEMI V-8 Engine - est. 430 hp @ 480 lb-ft torque**
 - **Production version - about 345 hp @ 375 lb-ft torque**
- **2004 CY**
- **Common components with Mercedes includes:**
 - **Adapted five-speed automatic transmission,**
 - **Steering and front and rear suspension systems**
 - **Seat structures**
 - **Electronic architecture**



CONTINUE TO DELIVER SEGMENT-DEFINING VEHICLES

Chrysler & Dodge Minivans

Innovative Features & Packages
1st in Segment



Dodge Durango

1st with 3-Row Seating
1st Mid-Size SUV



Chrysler PT Cruiser (2001)

Innovative Packaging
and Model Lineup

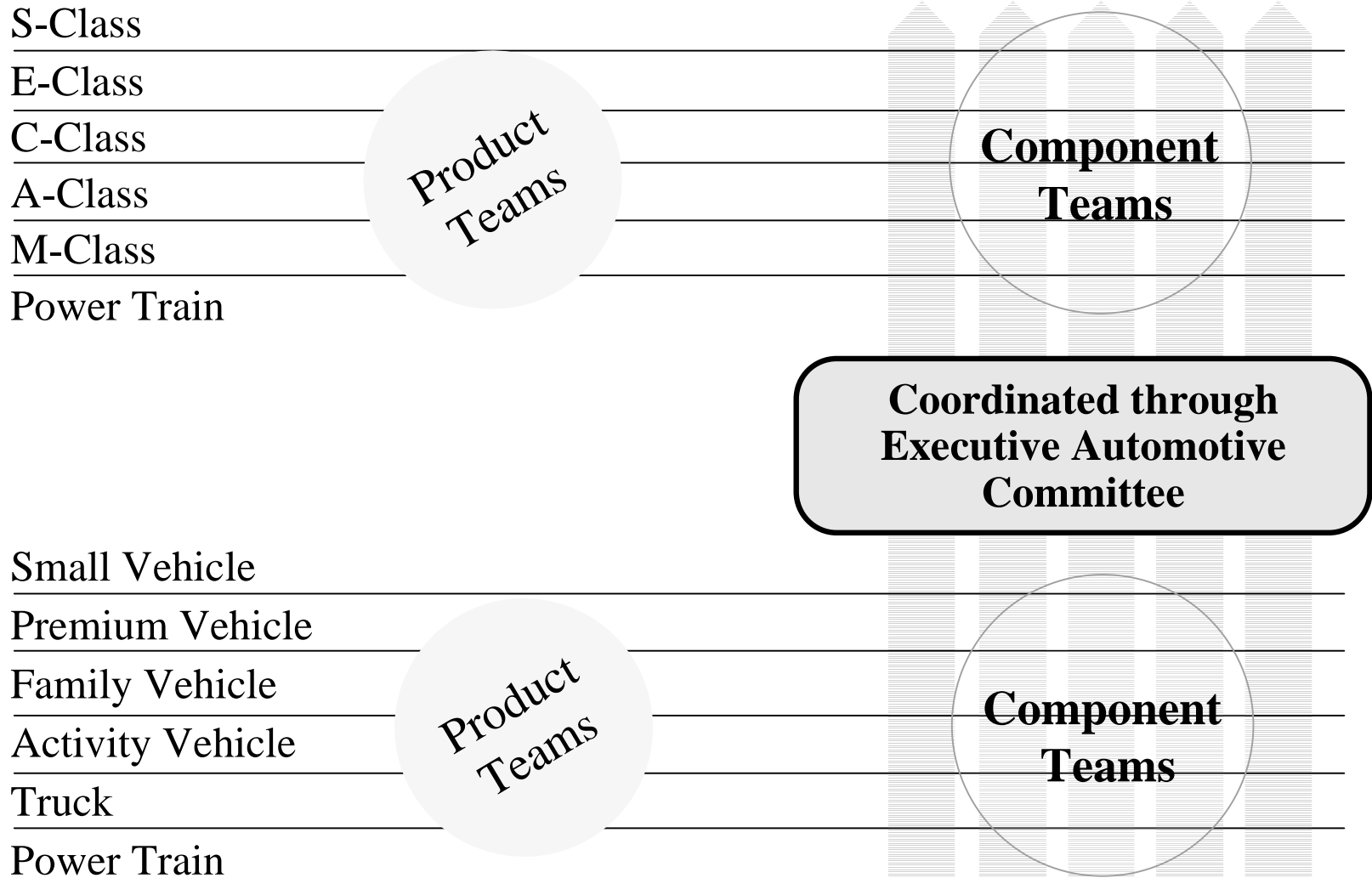


Chrysler Pacifica (2004)

Business class seating
in 1st and 2nd row



COMPONENT TEAMS ARE A KEY TO ACHIEVING TECHNOLOGY SHARING, INNOVATIONS AND LOWER COSTS



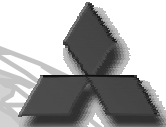
INNOVATION SHARED ACROSS THREE CONTINENTS

- **World Engine Alliance**
- **Transmissions & Diesel Engines**

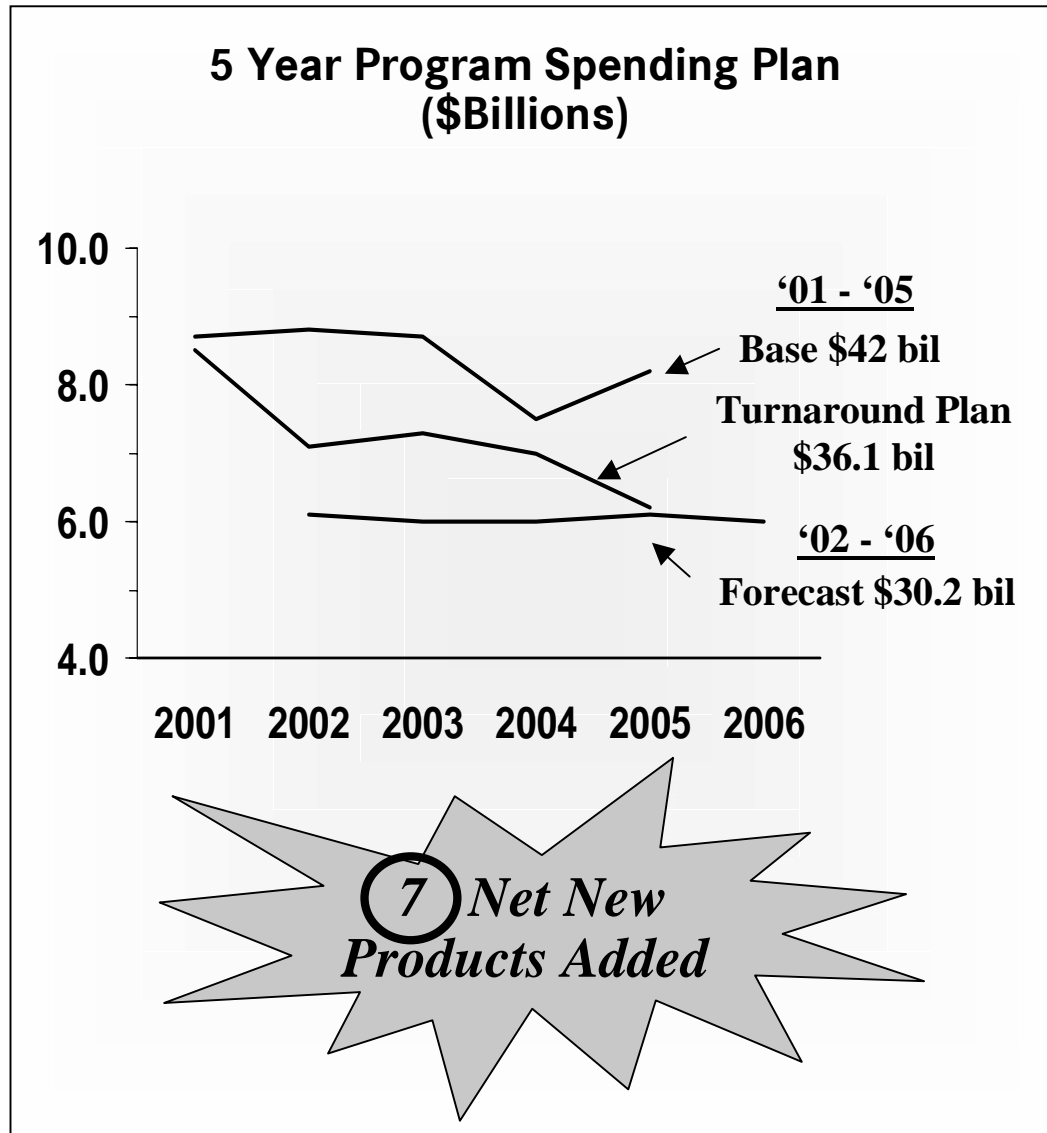
CHRYSLER



DODGE



ADDING PRODUCTS WHILE REDUCING SPENDING



- More bidding for tools and facilities
- More re-use of equipment
- Sharing of components between platforms and with our partners
- Basic architecture of vehicles used for longer cycles - Two major cycles and frequent refreshenings
- Design the car into existing manufacturing process rather than “build a new plant” for every new product
- More derivative models
- Overall reduction in non-product spending

BRAND POSITIONING FOR THE FUTURE



**“American Dream
Machines”
“Drive & Love”**

Reposition from a
“mainstream” brand to a
“premium” volume brand



“Only in a Jeep”

Expand and differentiate line-up
from competitors with:

- Derivatives
- Luxury and performance models
- Entry level models



**“Street Smart”
“Grab Life by the Horns”**

- Most powerful pickup truck line-up on the planet
- Cars to be unique and fully differentiated from shared platforms

2002 CY



**5.7L 'Hemi'
Engine**



Dodge Viper SRT-10



**Jeep Wrangler
Rubicon**



**Jeep Liberty
Renegade**

2003 CY



Chrysler Crossfire (Spring)

- Karmann Manufacturing
- 12-15,000 units in 2003
(20-30,000 units annually)

SRT-4 (Spring)

- Belvidere Assembly Plant
- ~5,000 units in 2003



Chrysler Pacifica (Spring)

- Windsor Assembly Plant
- 100,000+ units in 2003
- Zero Downtime (rolling launch)



Dodge Durango (Fall)

- Newark Assembly Plant
- 30,000 units in 2003
(~180,000 units annually)

Dodge Sprinter (Spring)

- Import
- ~7,500 units in 2003



Dodge SRT-10 (Fall)

PROJECT ALPHA - "LOOK OF PRIDE" STORES



- One store with all brands
- Common back-office operations
- Fewer stores
- Higher throughput
- Lower distribution cost



DaimlerChrysler Brands



Mercedes-Benz



MAYBACH



CHRYSLER



DODGE



MOPAR



Mercedes-Benz



STERLING



WESTERN STAR TRUCKS



SETRA

Strategic Partners



HYUNDAI

PRESENTATION TO AUTOMOTIVE ANALYSTS OF NEW YORK

Manfred Gentz, Chief Financial Officer

**Ritz Carlton, Dearborn
January 8, 2003**

AGENDA

Group financial performance

3

Divisions financial performance

11

OVERVIEW AND HIGHLIGHTS 2002

- **DaimlerChrysler Group:**
 - Revenues at almost EUR 150 billion
 - Operating profit will exceed EUR 5 billion

- **Mercedes Car Group earnings at the high level of last year**

- **Chrysler Group's turnaround well on track, positive results in each quarter of 2002**

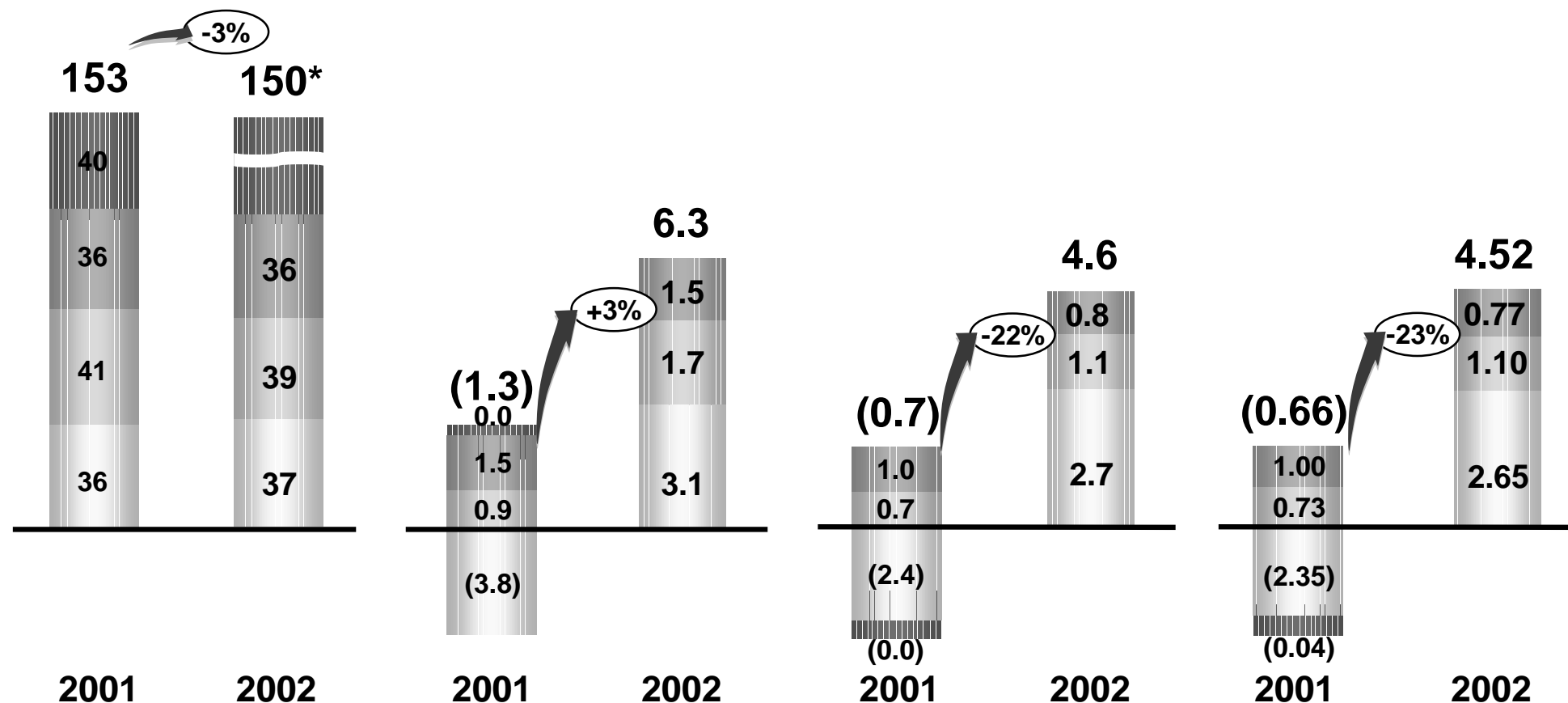
- **Commercial Vehicles: operating profit improves as a result of the progress at Freightliner**

- **Services significantly exceeds prior years' operating profit levels**

KEY FIGURES

– INCLUDING ONE-TIME EFFECTS –

Revenues - in billions of EUR -	Operating Profit - in billions of EUR -	Net Income - in billions of EUR -	Earnings per share** - in EUR -
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■ Q1 ■ Q2 ■ Q3 ■ Q4

*) Preliminary figure

**) Average number of shares 2001: 1,003.2 million, Q3/2002: 1,012.8 million

ONE-TIME EFFECTS IN THIRD QUARTER AND JANUARY - SEPTEMBER 2002

- in millions of EUR -	Operating Profit Q3 2002	Net Income Q3 2002	Operating Profit Jan - Sept 2002	Net Income Jan - Sept 2002
Sale of T-Systems ITS	-	-	2,484	2,484
Sale of remaining shares in TEMIC	-	-	156	145
Chrysler Group	(20)	(18)	(708)	(461)
Commercial Vehicles	(28)	(23)	(67)	(48)
Impairment charge Capital Services	(113)	(71)	(113)	(71)
Impact financial crisis in Argentina (Services)	-	-	(107)	(107)
Total	(161)	(112)	1,645	1,942

KEY FIGURES

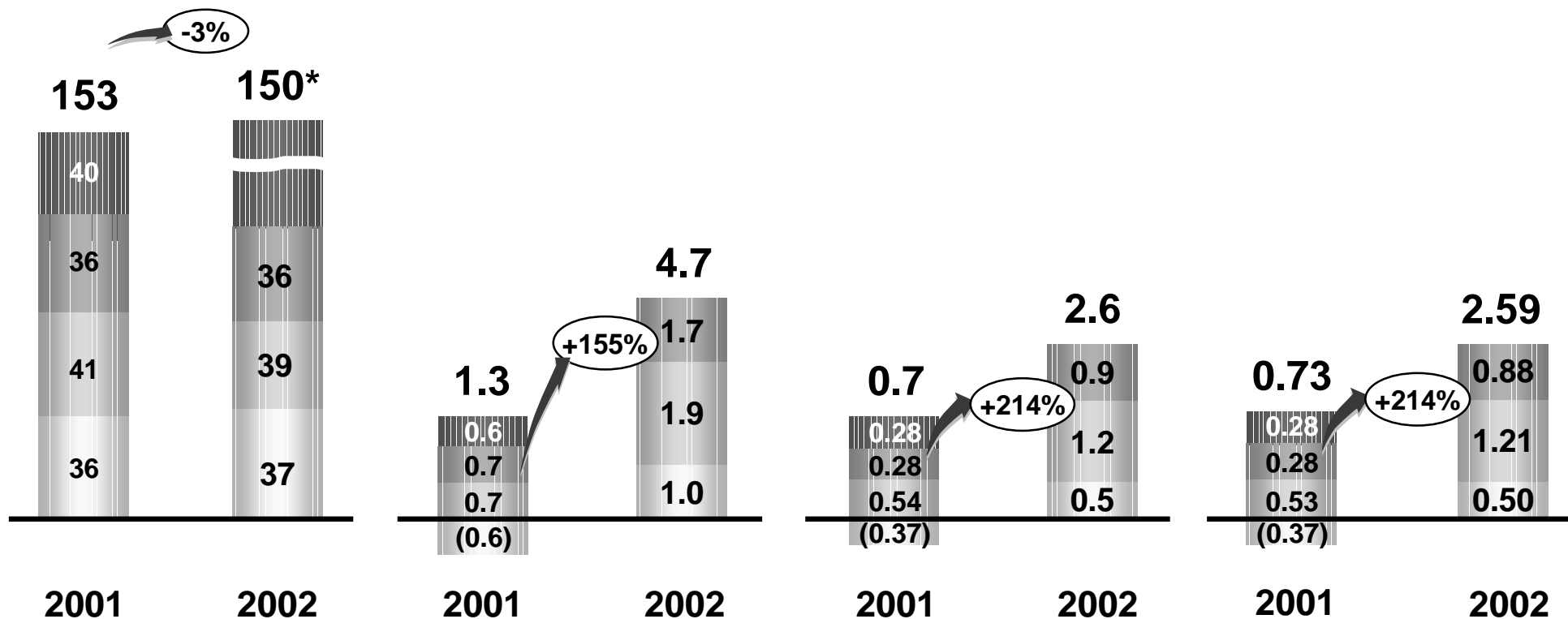
- EXCLUDING ONE-TIME EFFECTS -

Revenues
- in billions of EUR -

Operating Profit
- in billions of EUR -

Net Income
- in billions of EUR -

Earnings per share**
- in EUR -



■ Q1 ■ Q2 ■ Q3 ■ Q4

*) Preliminary figure

***) Average number of shares 2001: 1,003.2 million, Q3/2002: 1,012.8 million

KEY BALANCE SHEET FIGURES

- in billions of EUR -	Dec. 31 2001	June 30 2002	Sept 30 2002
Gross liquidity Group ■ as a percentage of total assets	14.5 7.0%	12.5 6.4%	12.5 6.4%
Gross liquidity industrial business	10.7	10.9	10.9
Equity ratio Group	18.3%	21.0%	21.3%
Equity ratio industrial business	25.7%	29.9%	30.9%
Financial liabilities Group	90.1	78.0	77.9
Financial liabilities industrial business	15.0	9.8	8.6
Net debt Group	(75.6)	(65.5)	(65.4)
Net cash (net debt) industrial business	(4.3)	1.1	2.3

A net cash position for the industrial business is also anticipated for end 2002

PENSION STATUS 2002 (Preliminary)

- **Due to weak performance of equity markets year-end returns on pension assets were a neagative 8.5% for US plan assets and 14.4% for German plan assets**

- **After a cash contribution of EUR 1.1 billion in 2002 and existing accruals, pension obligations were underfunded at year-end by around EUR 5.6 billion (thereof around EUR 3.7 bn North America).**

- **However, the underfunded status also results in a credit to pension accruals of around EUR 4.6 billion charged against equity.**

- **There will be no impact on the profit and loss account for 2002.**

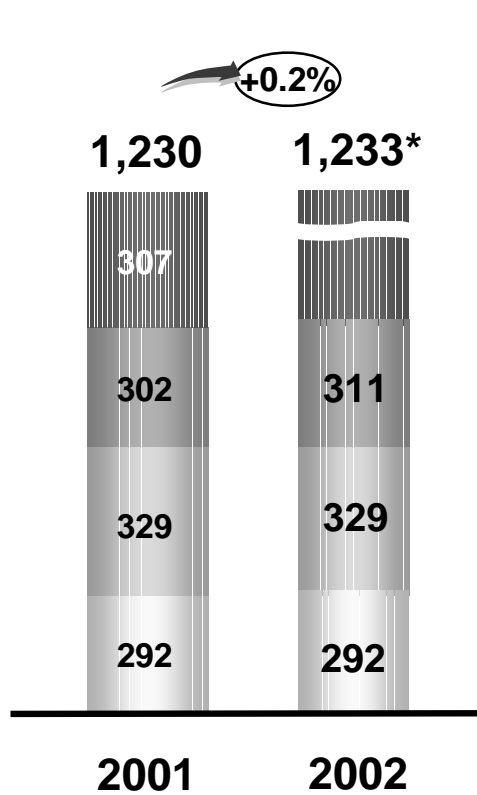
- **As a result of our current expectations for a lower return on plan assets in 2002, the pension expenses will increase in 2003 by around EUR 700 million.**

PENSION STATUS 2002 (Preliminary)

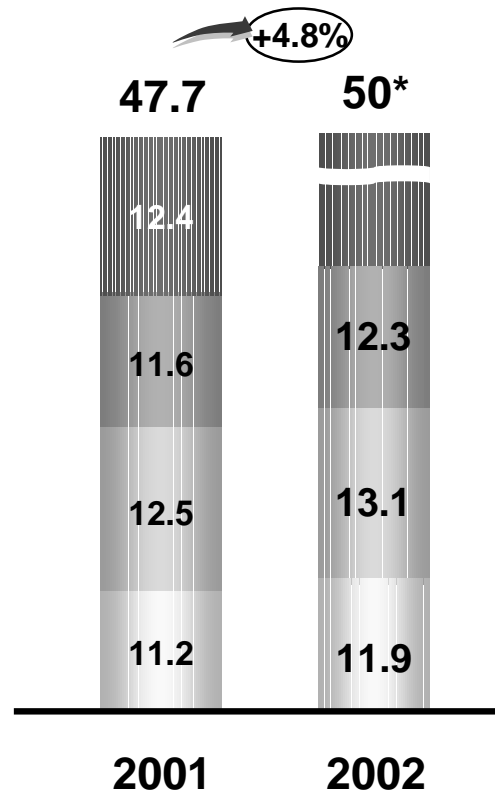
In billions of EUR	German Plans	US Plans	Other	DC Group
Projected benefit obligations (PBO)	(10.9)	(21.8)	(0.3)	(33.0)
Plan assets after EUR 1.1 bn cash contribution	6.8	17.6	0.2	24.6
Over / (under) funded position	(4.1)	(4.2)	(0.1)	(8.4)
Pension accruals before ABO underfunding	2.2	0.5	0.1	2.8
Over / (under) funded position including existing accruals	(1.9)	(3.7)	0	(5.6)
Increase in accruals to cover ABO underfunding	1.2	3.4	-	4.6
Over / (under) funded PBO position net of accruals	(0.7)	(0.3)	0	(1.0)

ABO value fully funded

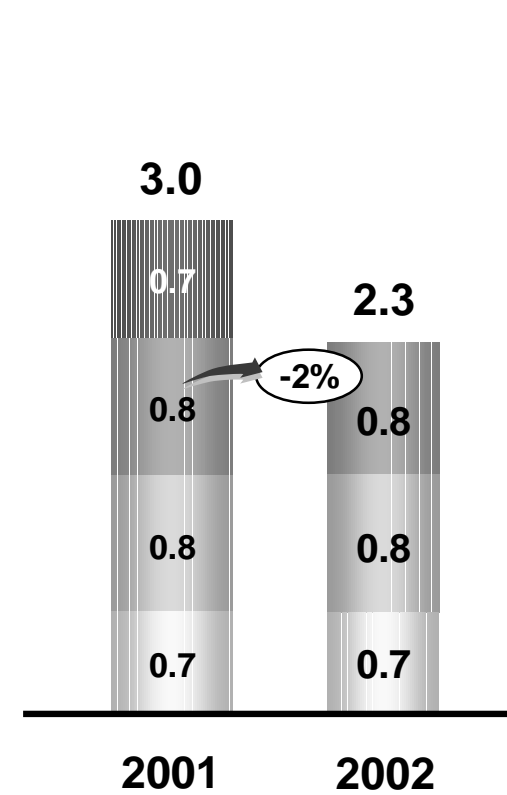
Sales
- in thousand units -



Revenues
- in billions of EUR -



Operating Profit**
- in billions of EUR -

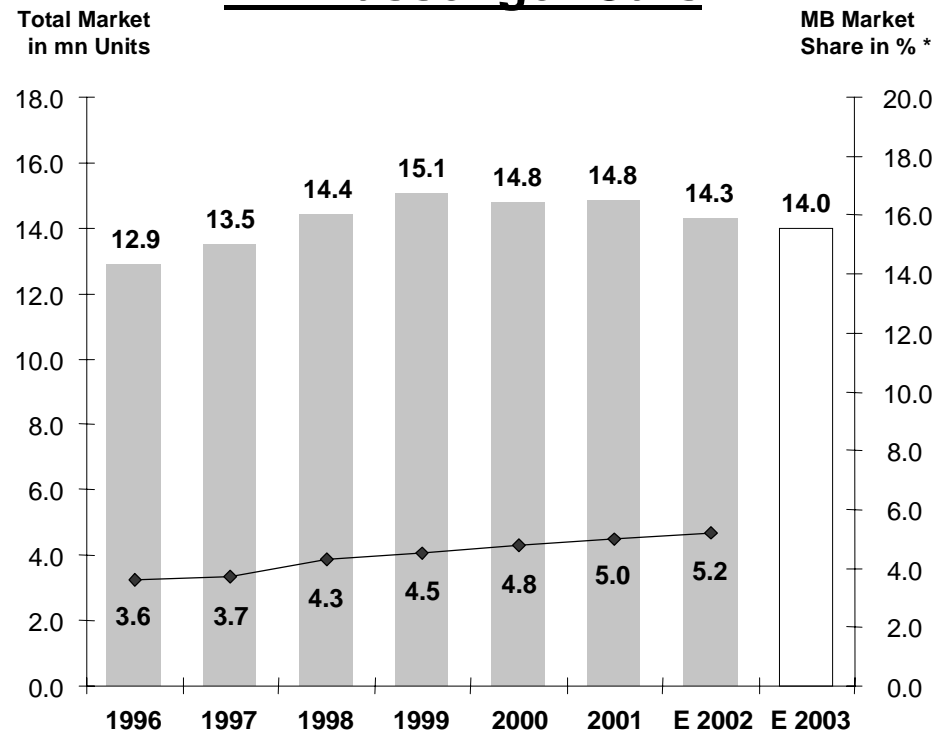


■ Q1 ■ Q2 ■ Q3 ■ Q4

*) Preliminary figure
**) Adjusted for one-time effects

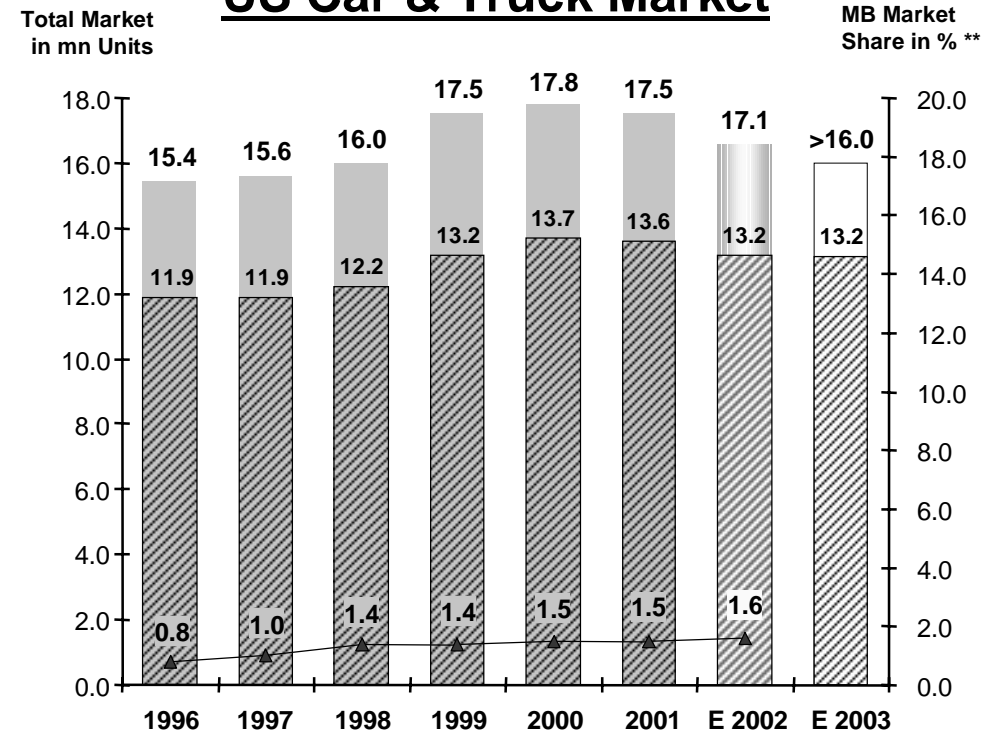
DEVELOPMENT OF MAJOR MARKETS

WE Passenger Cars



* Market share of Mercedes-Benz passenger cars (excl. smart) in % of total Western European passenger car market

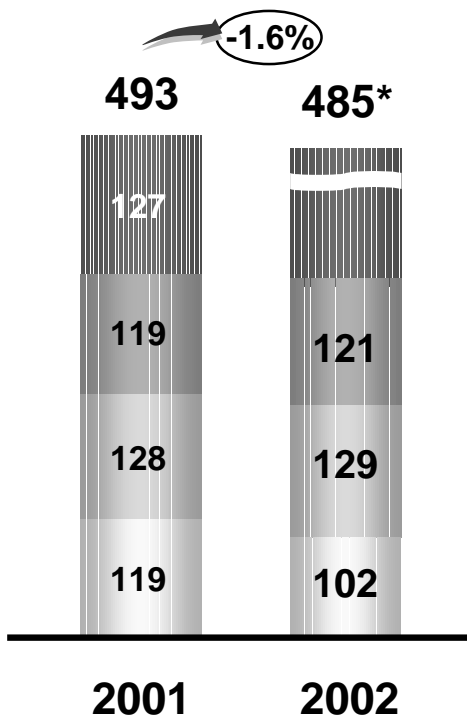
US Car & Truck Market



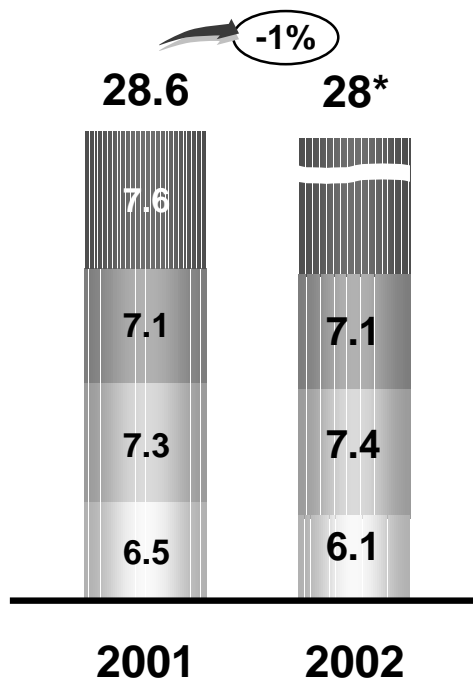
** Market share of Mercedes-Benz passenger cars (excl. smart) in % of US passenger car market (hatched)

- 2002 shows a reduction in Western Europe, driven by France and Italy; German market decreased further from 3.34 mn to 3.25 mn units; market volume only increased in the UK
- In 2003 modest decrease expected for Western European markets, especially in Italy and also in the UK; in Germany a volume of 3.3 mn units is anticipated
- US market volume is expected to be below 2002 levels; 2003 SAAR is assumed to be above 16 million vehicles

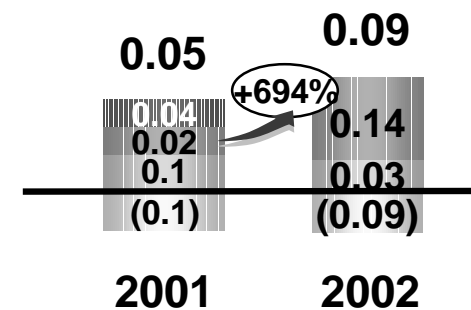
Sales
- in thousand units -



Revenues
- in billions of EUR -



Operating Profit**
- in billions of EUR -



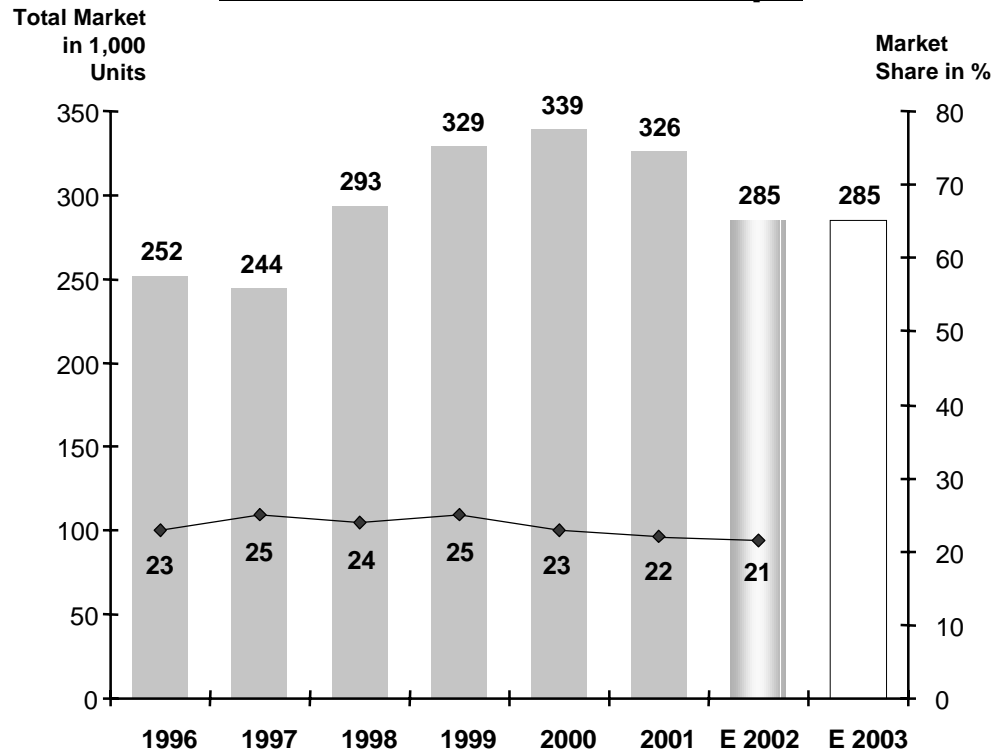
■ Q1 ■ Q2 ■ Q3 ■ Q4

*) Preliminary figure

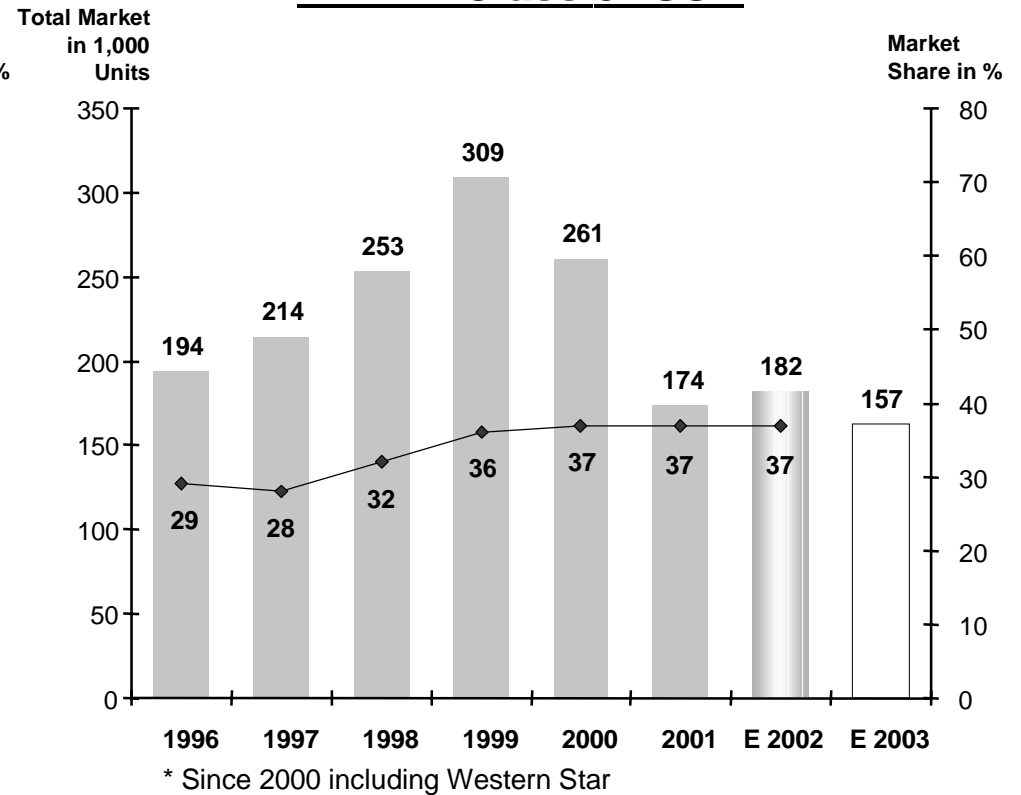
***) Adjusted for one-time effects

MARKET DEVELOPMENT

Trucks >6t Western Europe



NAFTA Class 8* USA



- Market volume in Western Europe remains at low 2002 levels
- In the US market volume for heavy duty trucks declines in 2003, reflecting the effect of pull forward due to changing emission regulations during 2002

ASIAN COMMERCIAL VEHICLE JOINT-VENTURES

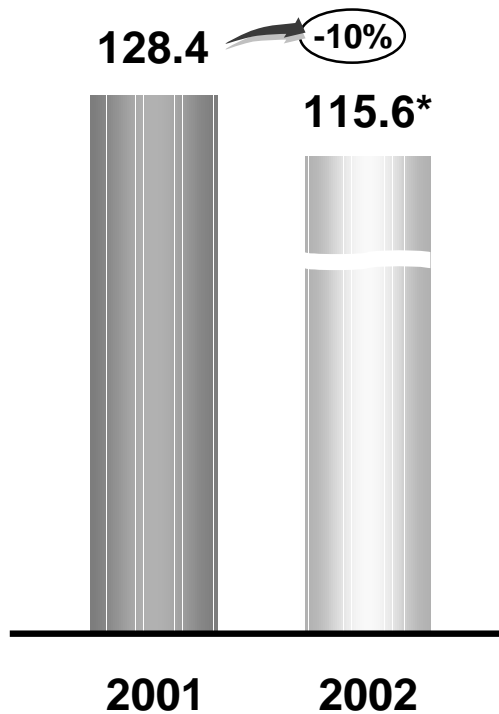
Mitsubishi Fuso Truck & Bus Corporation (MFTB)

- In March 2003, DaimlerChrysler will purchase a 43% stake in MFTB
- Investment of around EUR 760 million
- Mitsubishi Motors Corporation will hold 42% of the shares
- Mitsubishi Group companies will acquire 15% (EUR 265 million)
- Mitsubishi Fuso represents 30% of the Japanese CV market
- DaimlerChrysler's 37% holding in MMC remains unchanged

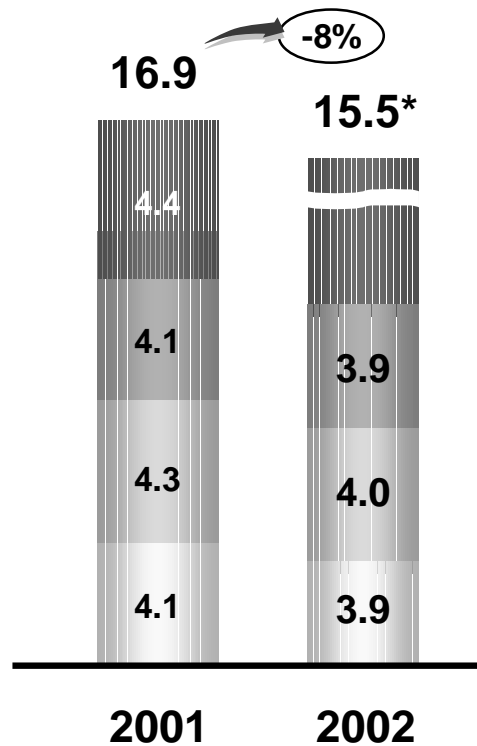
Daimler Hyundai Truck Corporation

- Purchase of a 50% share in Hyundai's spun-off commercial vehicle business
- Transaction to be completed in Q1/2003
- Investment of around EUR 400 million
- Hyundai represents 84% of the South Korean CV market
- 10% holding in HMC remains unchanged

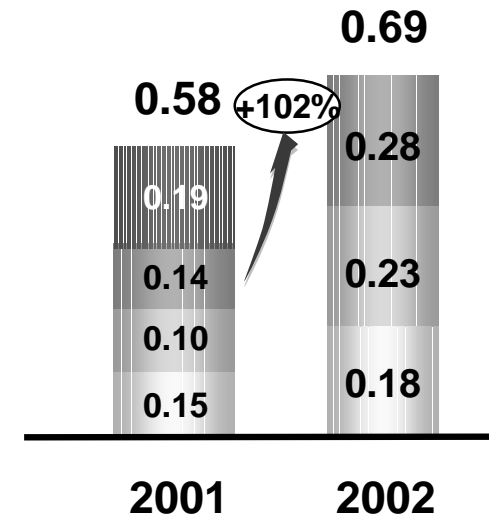
Contract Volume
- in billions of EUR -



Revenues
- in billions of EUR -



Operating Profit**
- in billions of EUR -



■ Q1 ■ Q2 ■ Q3 ■ Q4

*) Preliminary figure

**) Adjusted for one-time effects

RESTRUCTURING ON TRACK

Back to revenues growth

- **8% year-on-year increase in 1st half of FY 2002**
-

Turnaround ahead of schedule

- **JPY 102.4 bn improvement in 1st half FY2002**
 - **JPY 265.0 bn improvement expected for full year FY 2002**
-

12 to 15 major product events by FY2007 in each main region

Truck & bus spin-off with opportunities for both MFTBC and MMC

Successful launch of the Colt

- **Launched in November 2002**
- **Incoming orders above 15,000 units in less than 1 month**