

# **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

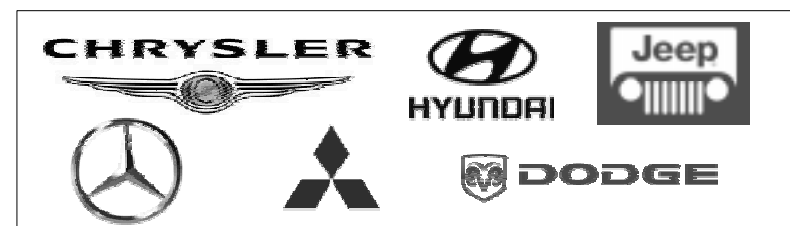
- Focus on establishing a lean cost structure
- Stabilizing volume and share in key segments
- Quality and efficiency improvements accelerating
- Regain short-term profitability



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



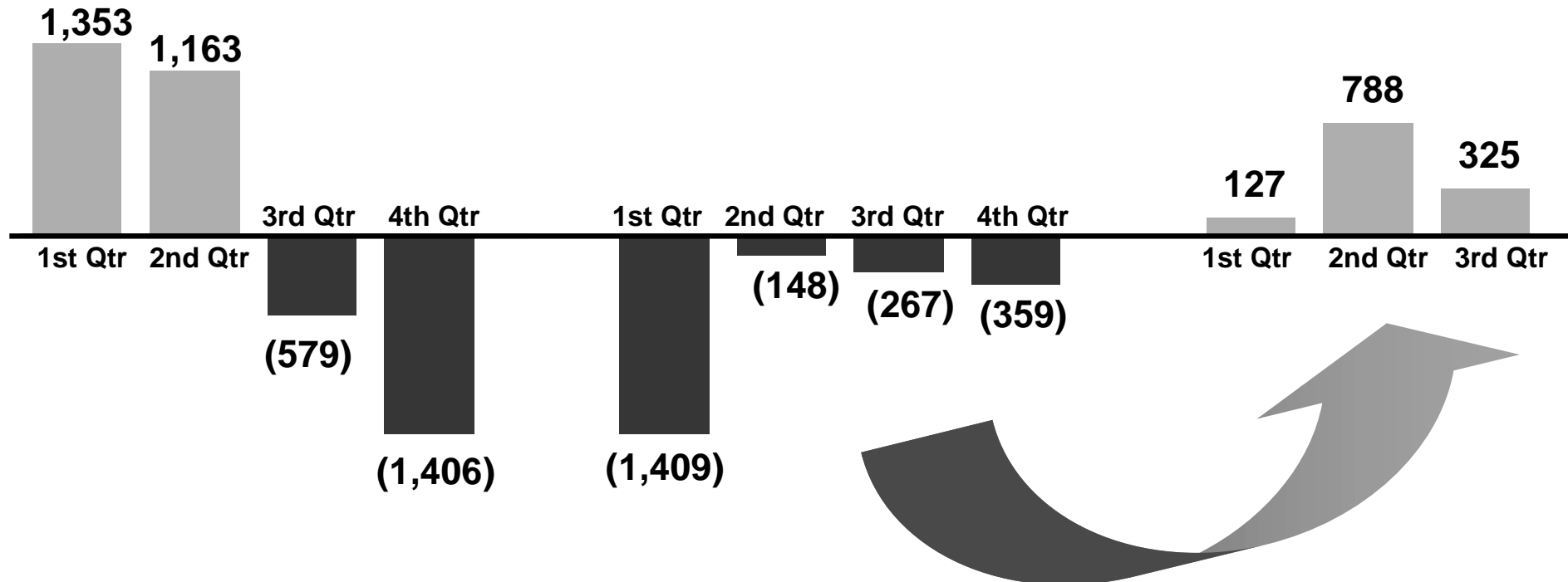
# CHRYSLER GROUP RETURNS TO PROFITABILITY

– 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
<b>Financial Projection</b>	Plan: (Operating Loss) €(2.2) - €(2.6) bn	Plan: Breakeven	Plan: Operating Profit > €2.0 bn
	Actual: €(2.183) billion	Actual 1Q-3Q: € 1.240 billion	
<b>Product Actions</b>	Launch all-new Jeep Liberty and Ram 1500 Pickup	Launch all-new Ram Heavy Duty and Viper	Launch all-new Pacifica, Crossfire, Durango
<b>Operative Actions</b>	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
<b>Headcount Reductions</b> (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

<b>2002</b>		
<u>Plan vs. Actual</u>		
Material Cost Improvement	↑	}
Plant Cost Reduction	↑↑	
Fixed Cost Reduction	↑↑	
Revenue Improvement	↓	}
<b>Cum. Reduction / Improvements</b>	<b>↑</b>	

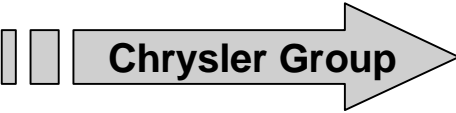
Cost over-achievement includes new reductions, quality and productivity improvements and partial pull-ahead of 2003 reductions

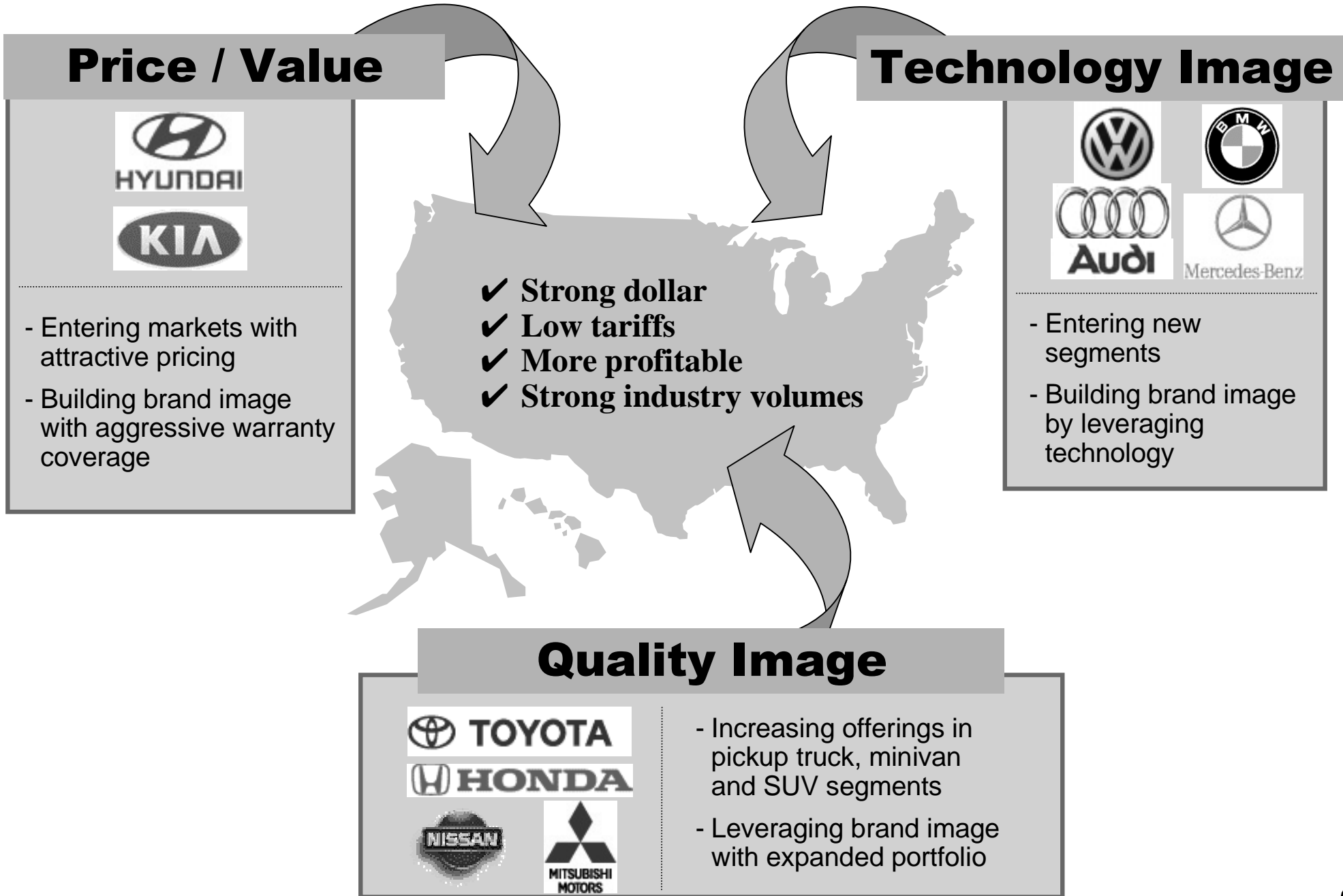
Marketing cost % of revenue (Incentives per unit)	↓↓
Restructuring of Sales Org.	↑
New product launches	↑
Dealer inventory level	→

### 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)

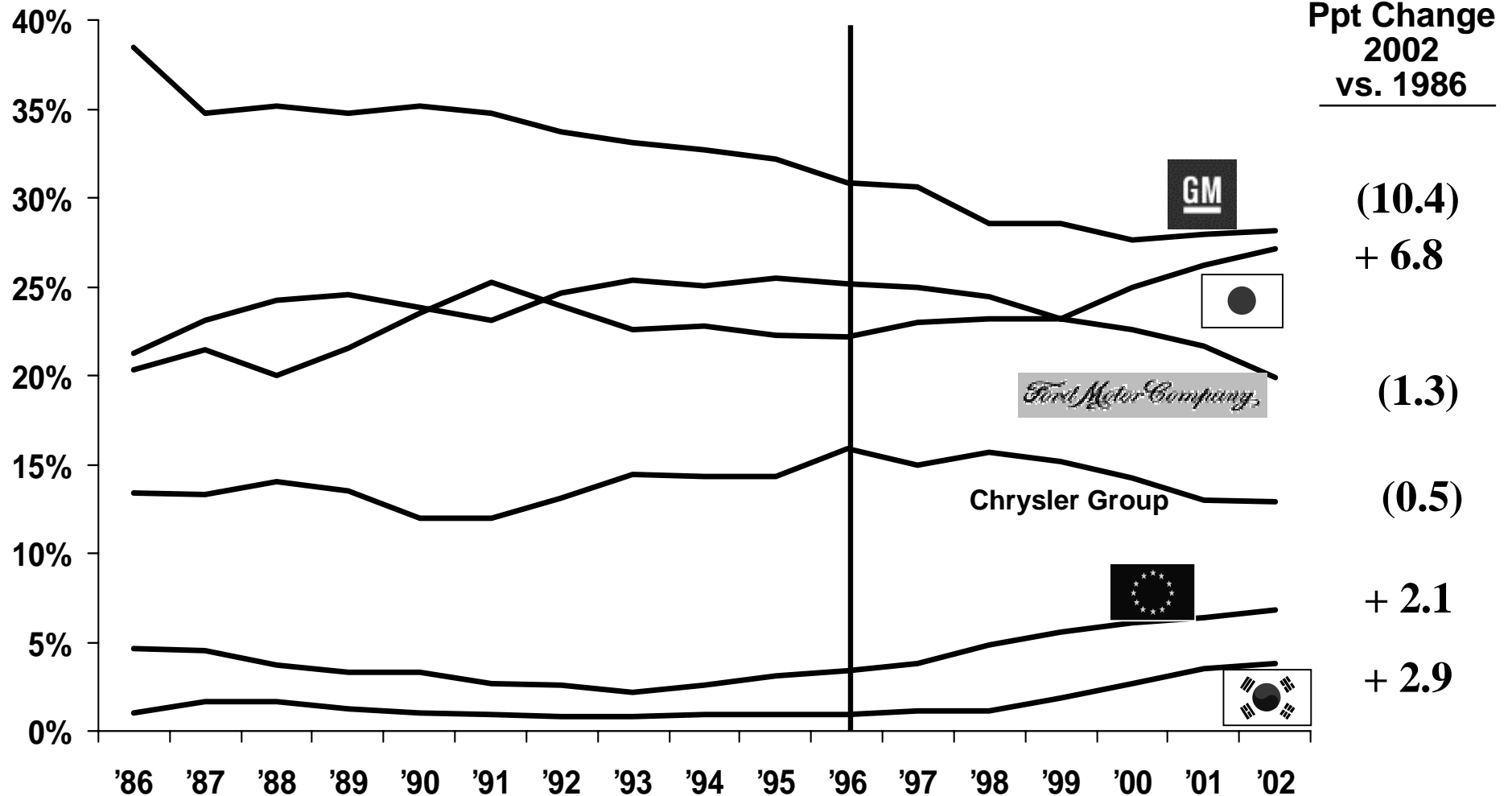
## 2003 U.S. MARKET ASSUMPTIONS

<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



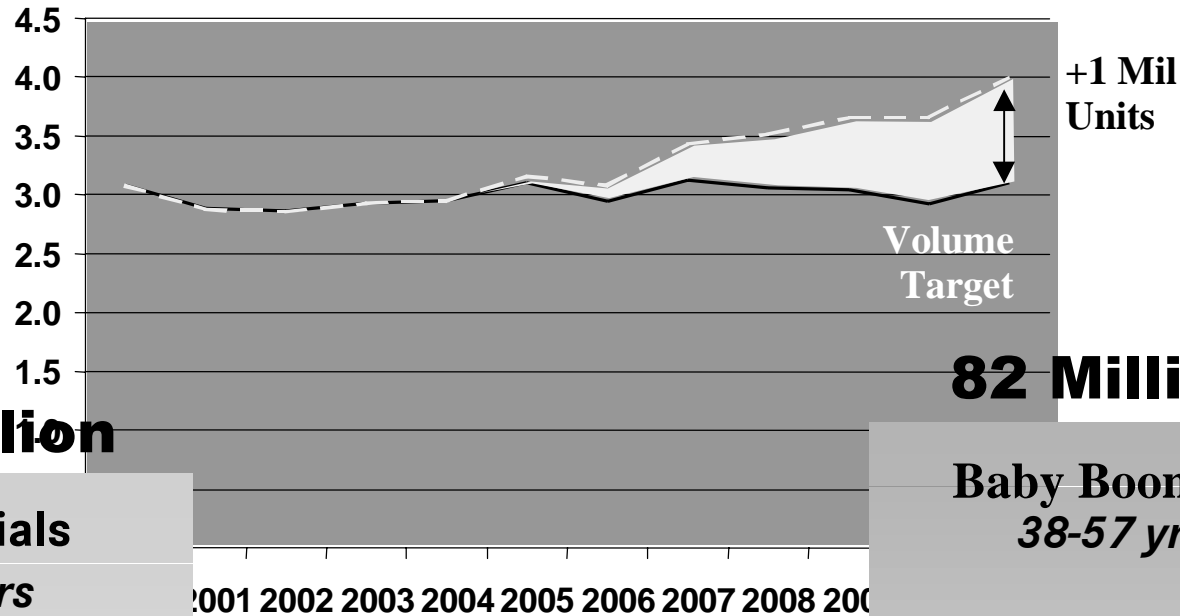


## UNIQUE PROPOSITION REQUIRED

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

# 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**

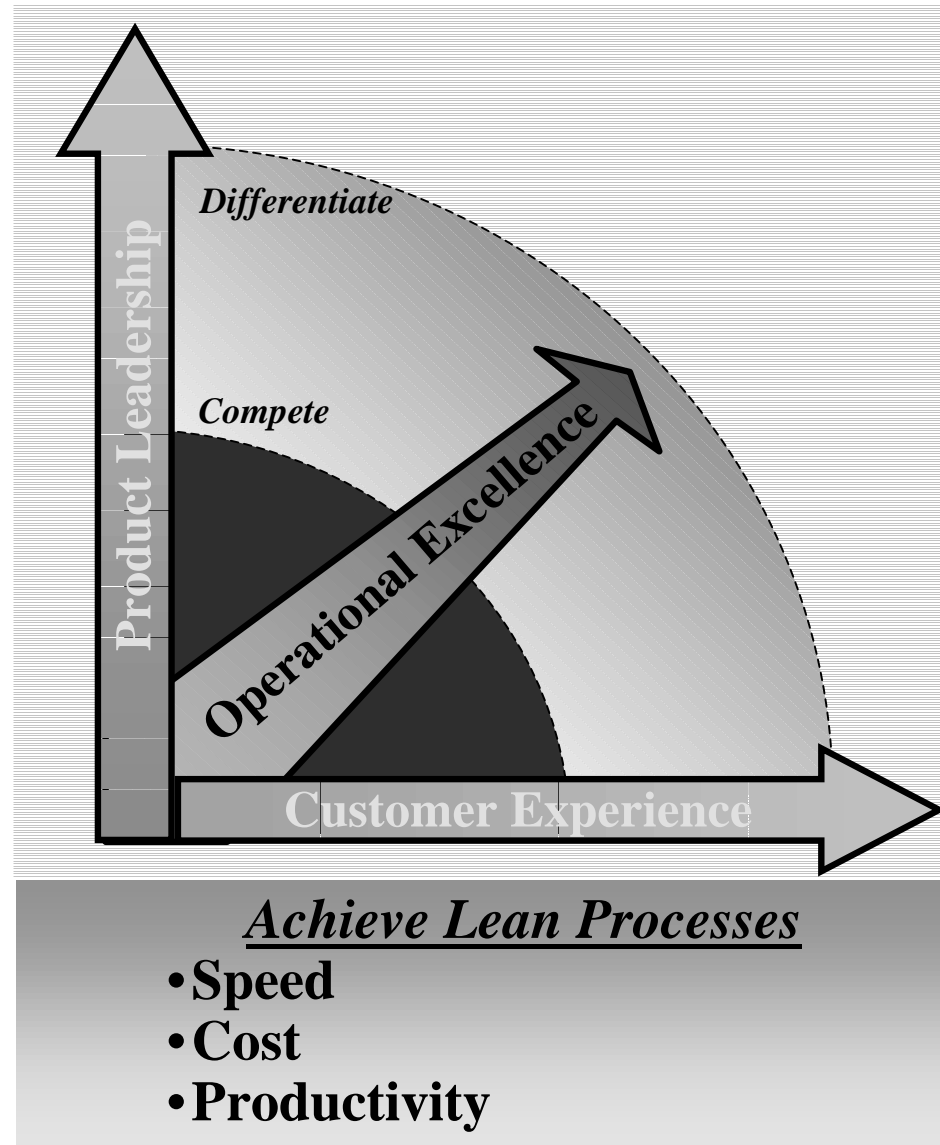
- Comfort
- Luxury
- Utility
- Safety



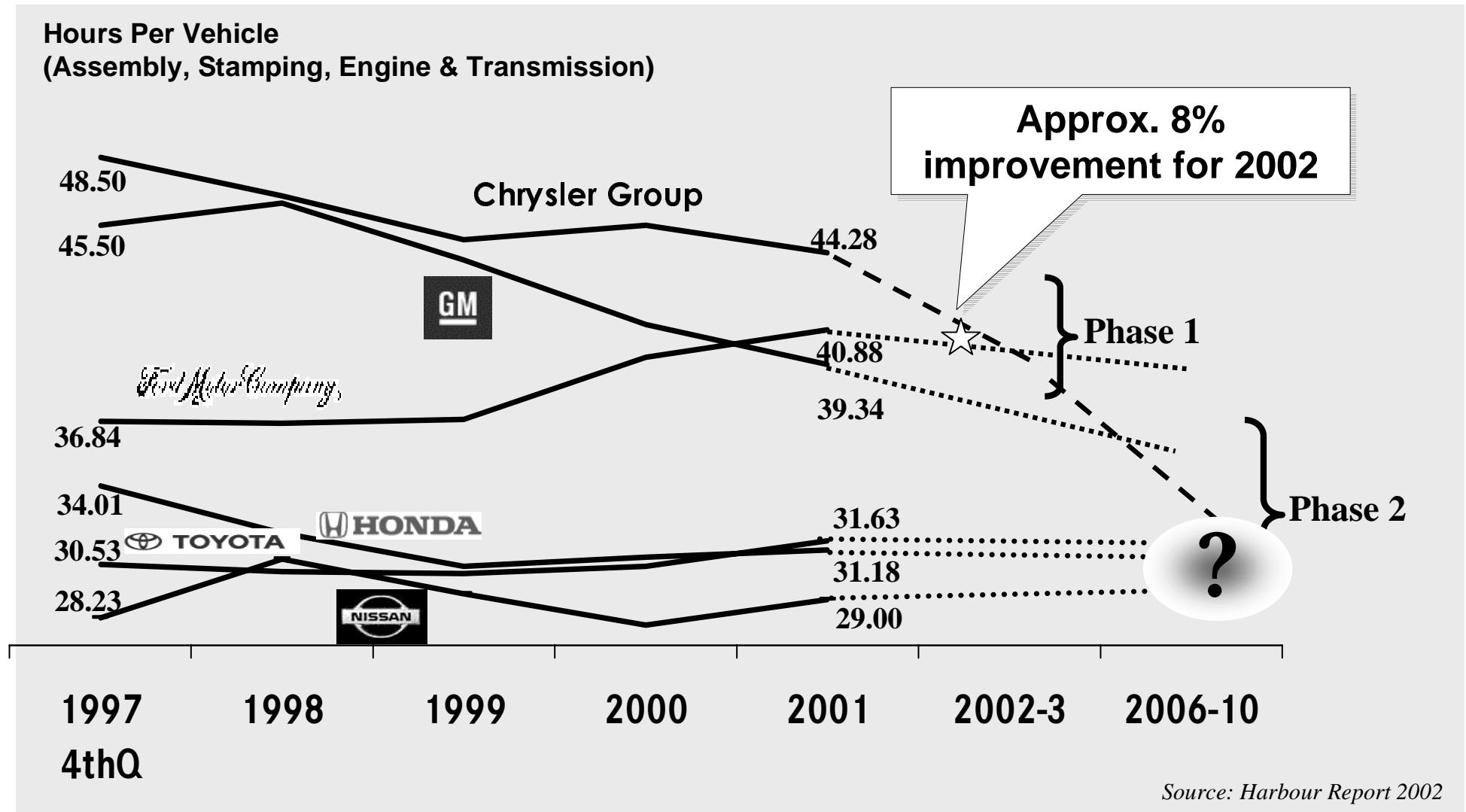
# PERFORMANCE DIMENSIONS



# OPERATIONAL EXCELLENCE - ACHIEVE LEAN PROCESSES

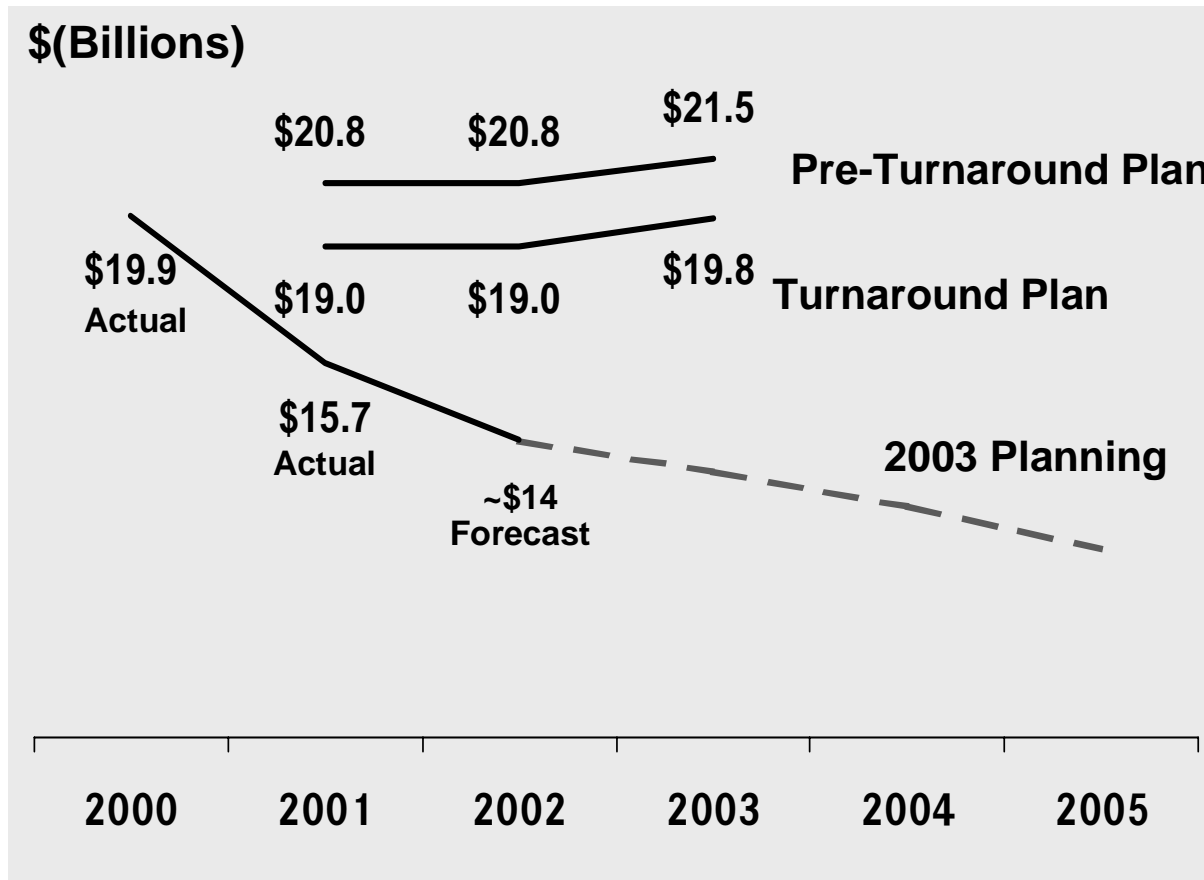


# HARBOUR RESULTS - 2-PHASE IMPROVEMENT



## REDUCED NET ASSET BASE

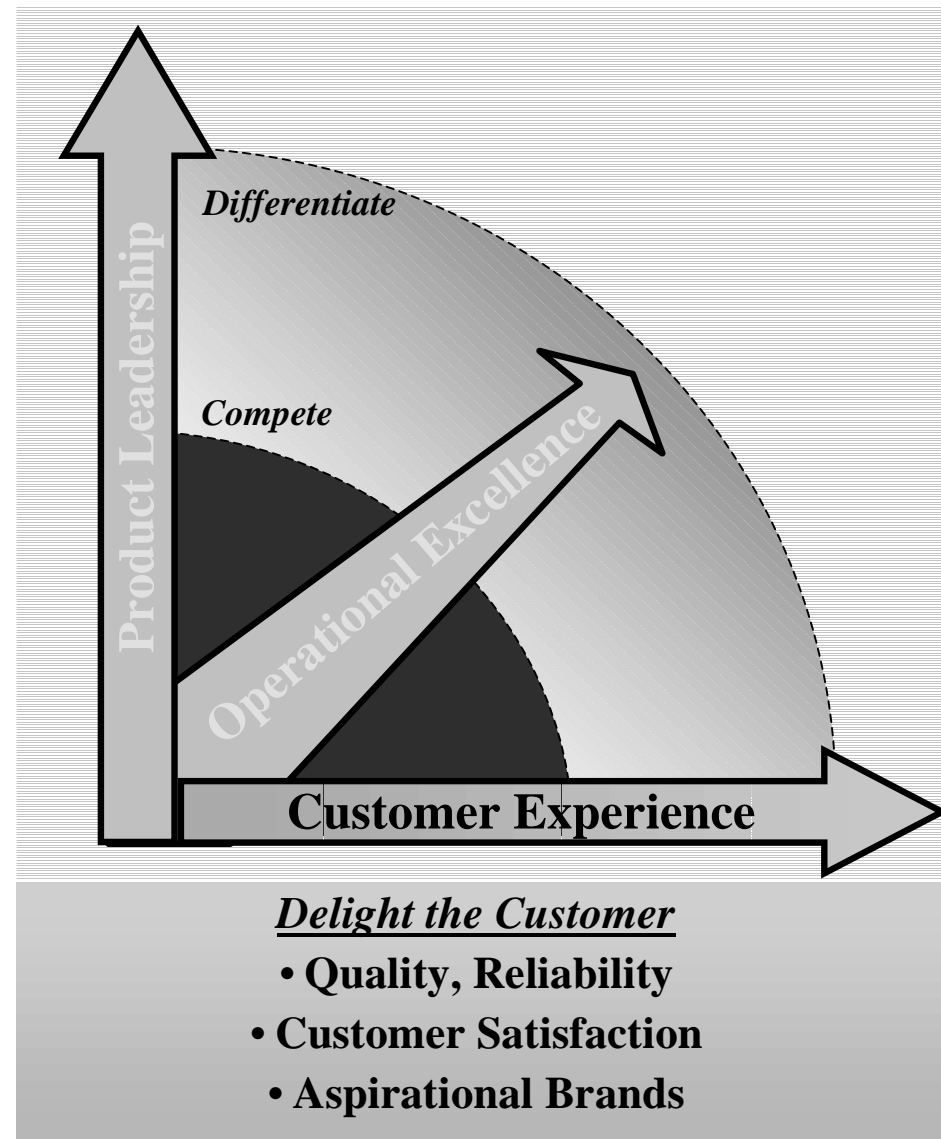
### Net Asset Reduction Targets



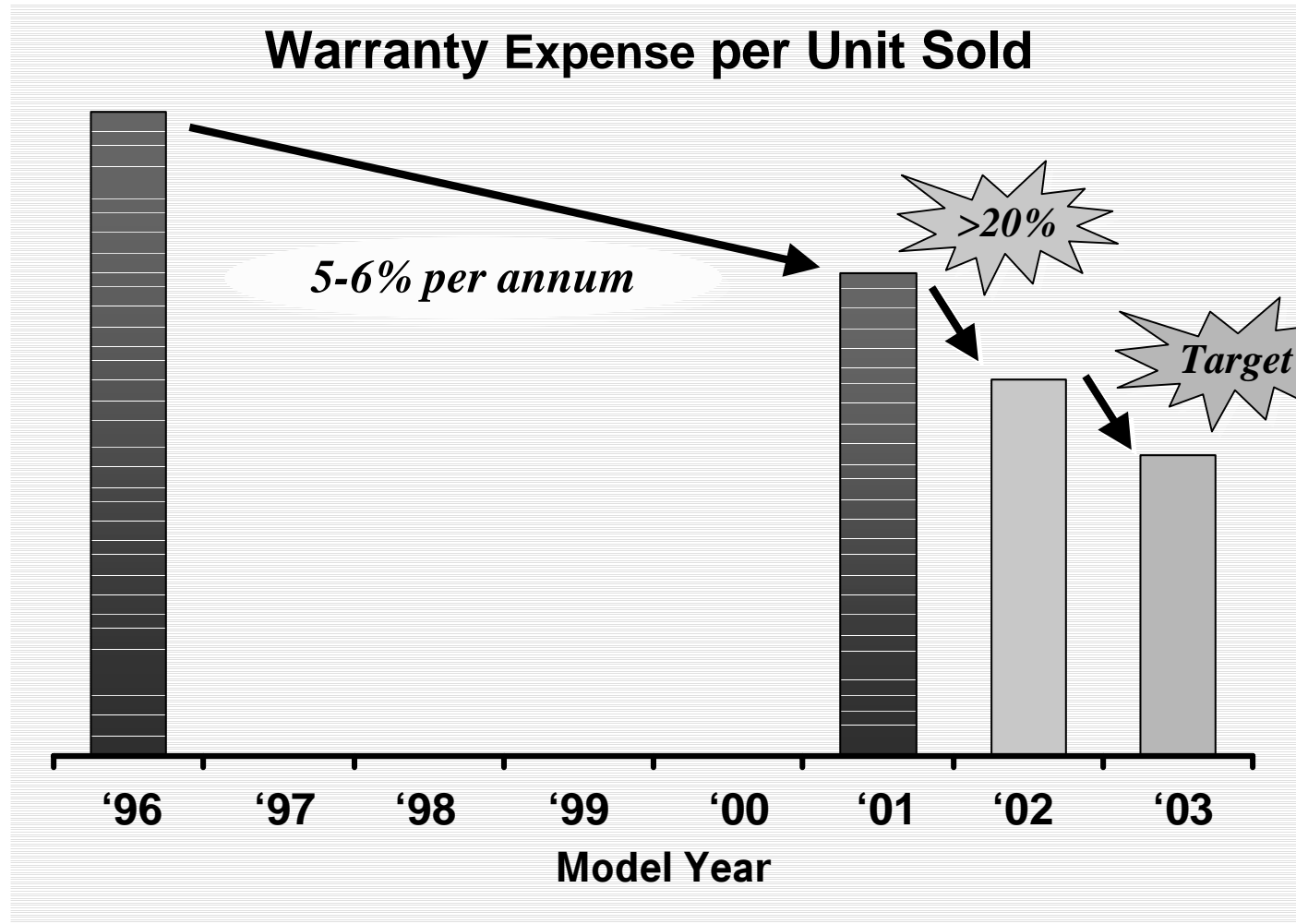
### Asset Reduction Initiatives

- 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

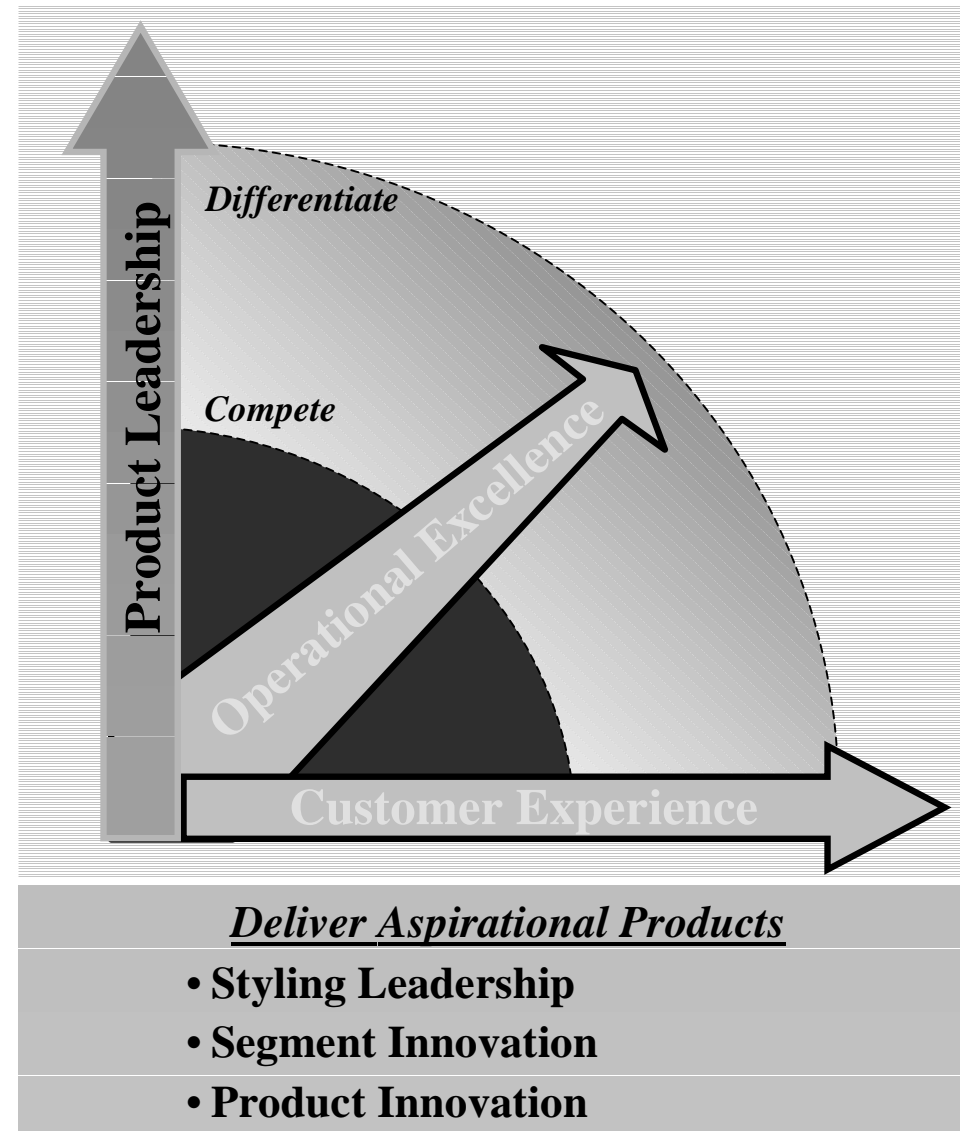


## FOCUS ON PRODUCT LEADERSHIP

### 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

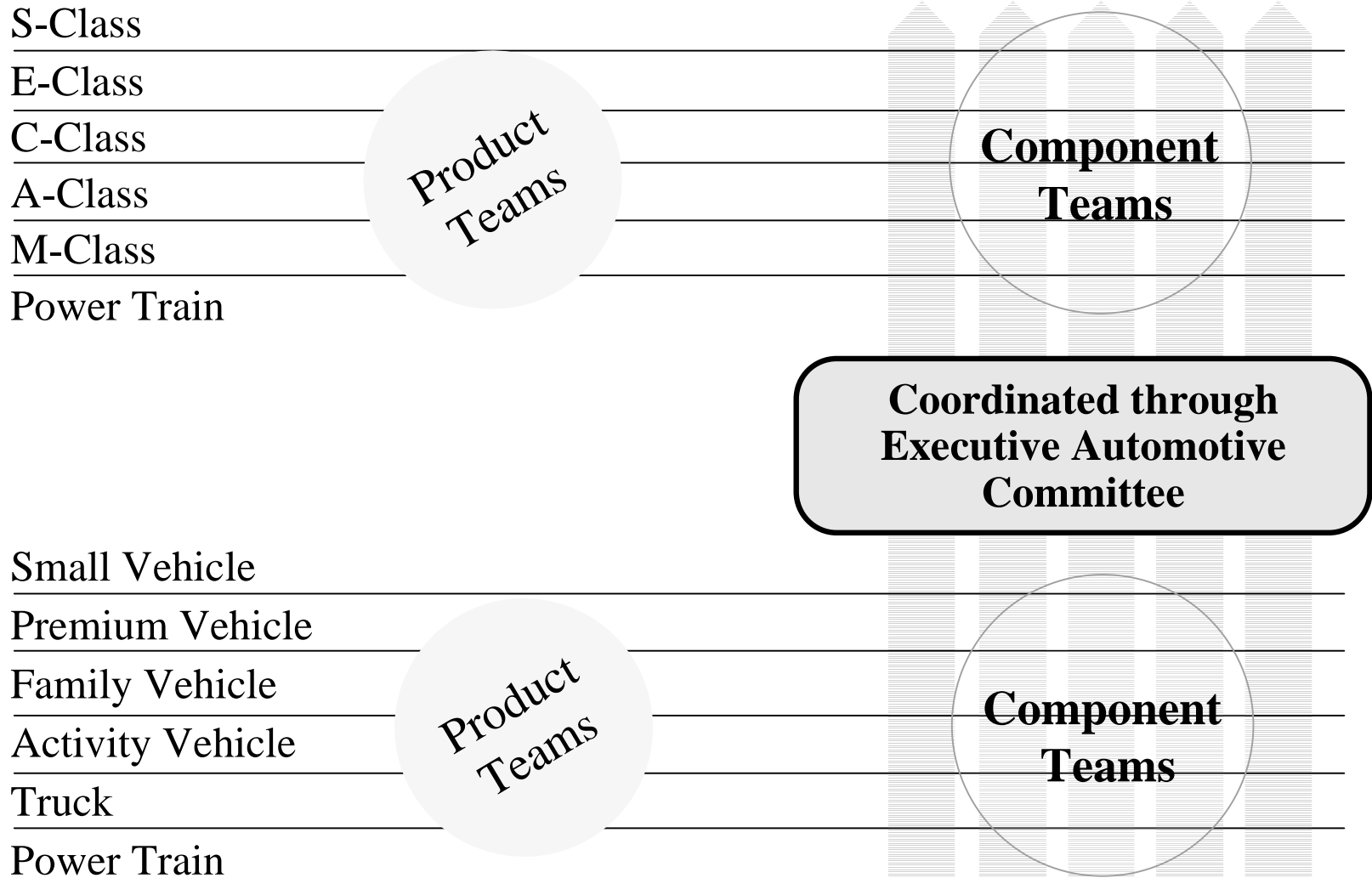


### Chrysler Pacifica (2004)

Business class seating  
in 1st and 2nd row



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



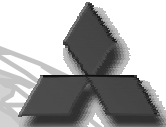
# INNOVATION SHARED ACROSS THREE CONTINENTS

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

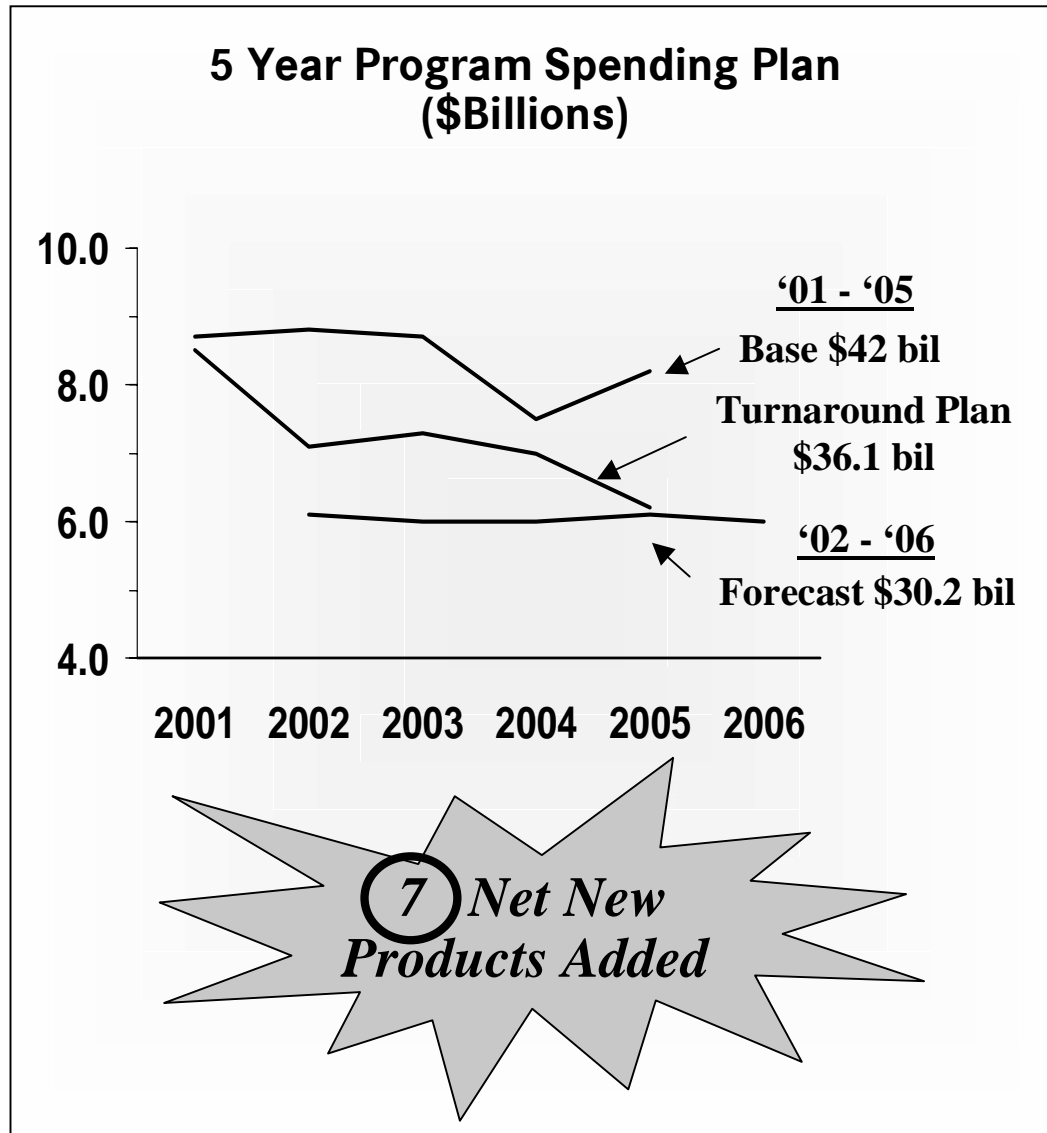
CHRYSLER



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