DaimlerChrysler

DCX approach to the new Block Exemption Regulation 1400 / 02

Morgan Stanley Automotive Conference, London
July 8th, 2003

Development Sales Organisation & Automotive eBusiness

What is BER?

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§81 EC - contracts:
No hindering of free trade of goods and / or services ➔
Target: One Common Market

But, exemptions are possible:

Exemptions can be granted, if advantages of exemption surpass the negative effects of the „hindering“ of free trade.

The new Block Exemption Regulation (EC) for automobile distribution in Europe:

1. Regulation No. 123 / 1985
   1985 - 1995
2. Regulation No. 1475 / 95
   1995 - 30.9.2002
3. Regulation No. 1400 / 02
   1.10.2002 - 31.5.2010

Coverage BER

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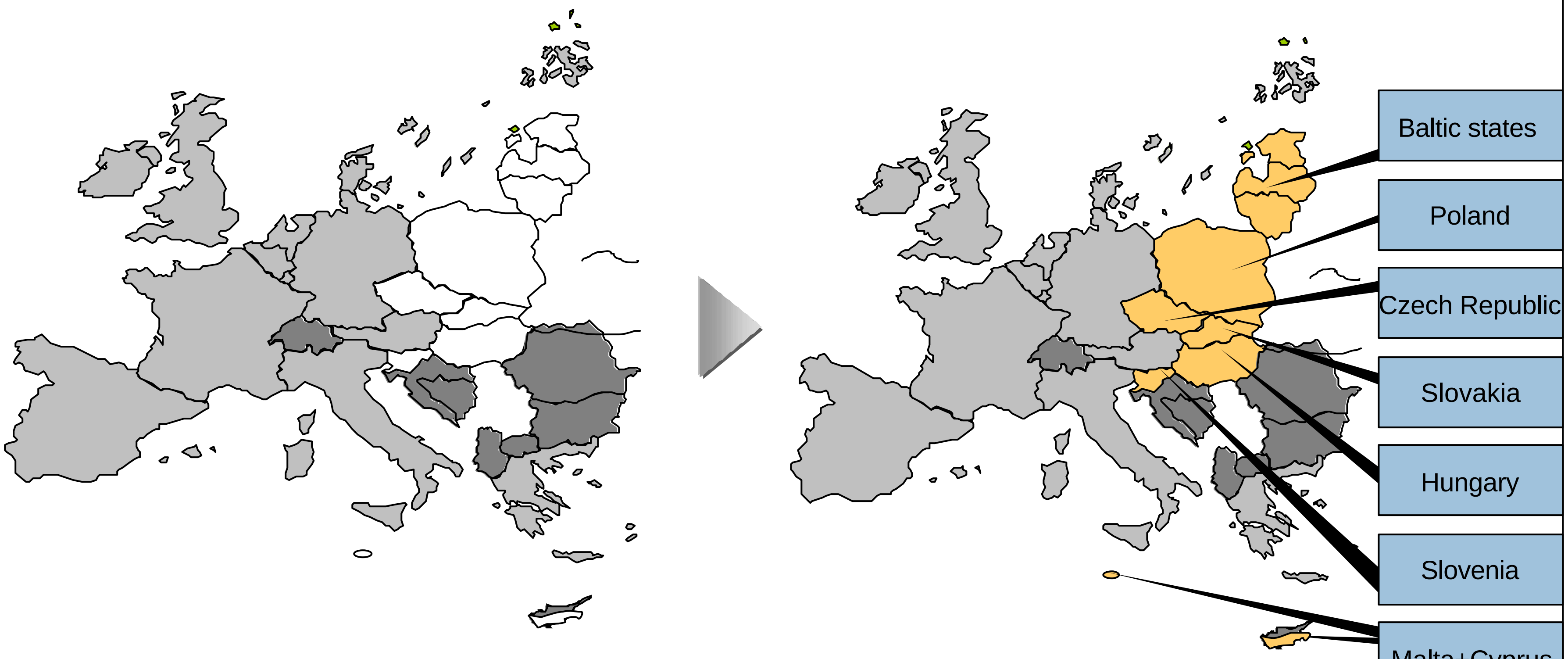
Validity of new BER



Since September 2003

EU applicant countries, May 2004

Implementation of BER

Main elements of former BER:

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1 **Qualitative Selection**

Dealers had to fulfill certain qualitative criterias

Main elements of former BER:

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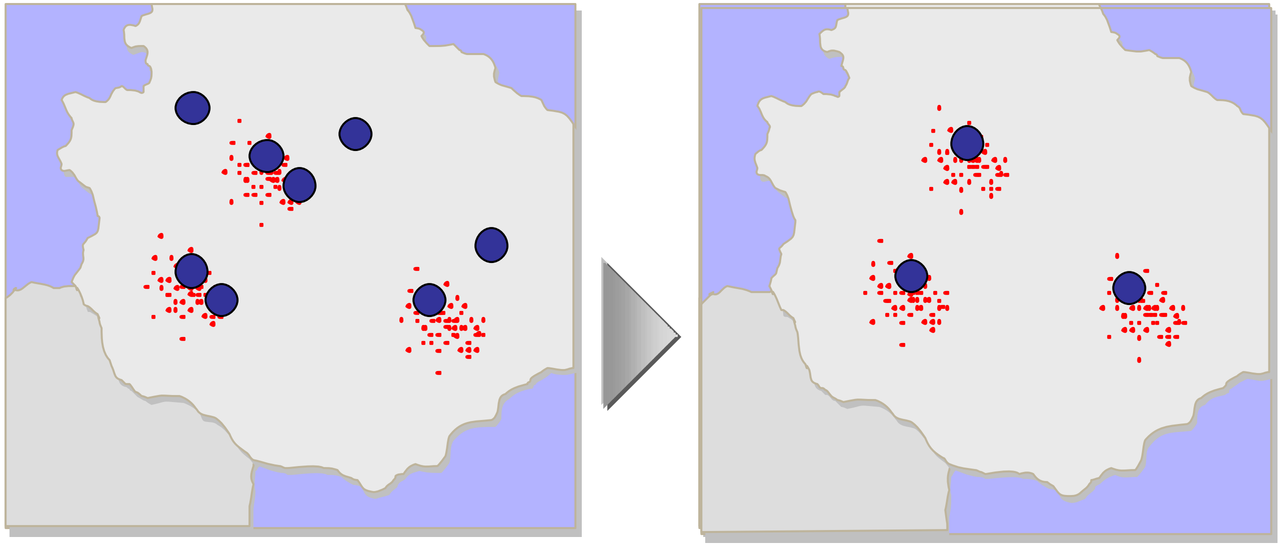
2 **Quantitative Selection**



Selection of a specific number of dealers from all potential candidates was possible.

Main elements of former BER:

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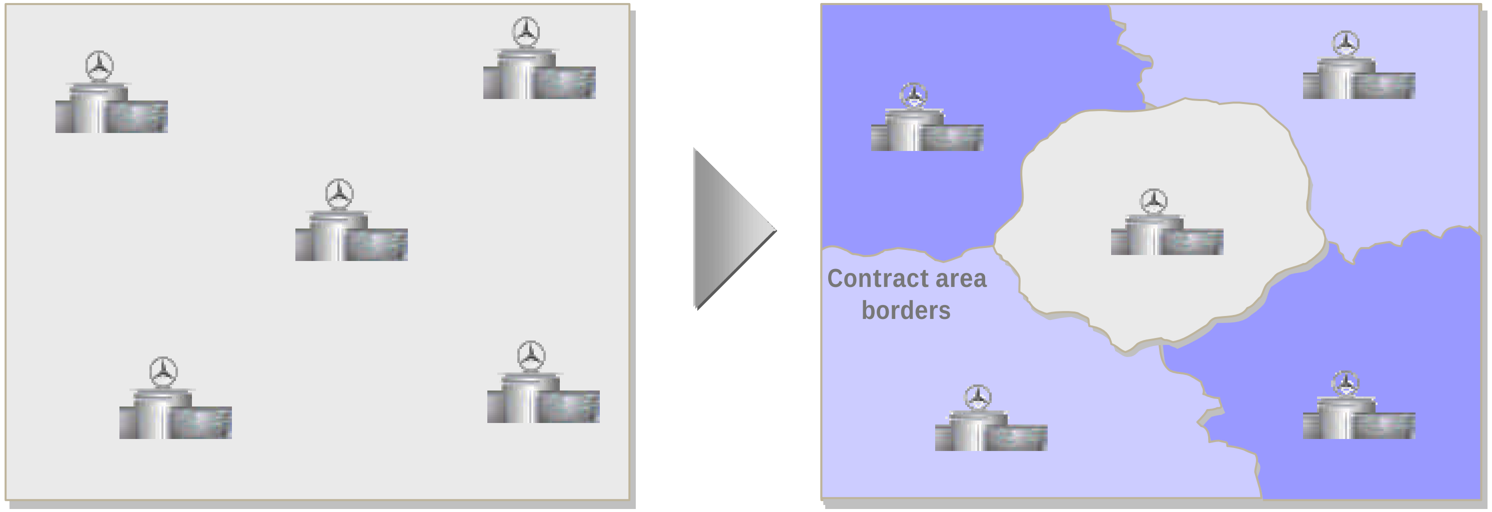
3 Exclusive assignment of territories



Main elements of former BER:

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4 **Brand exclusivity**

Main elements of former BER:

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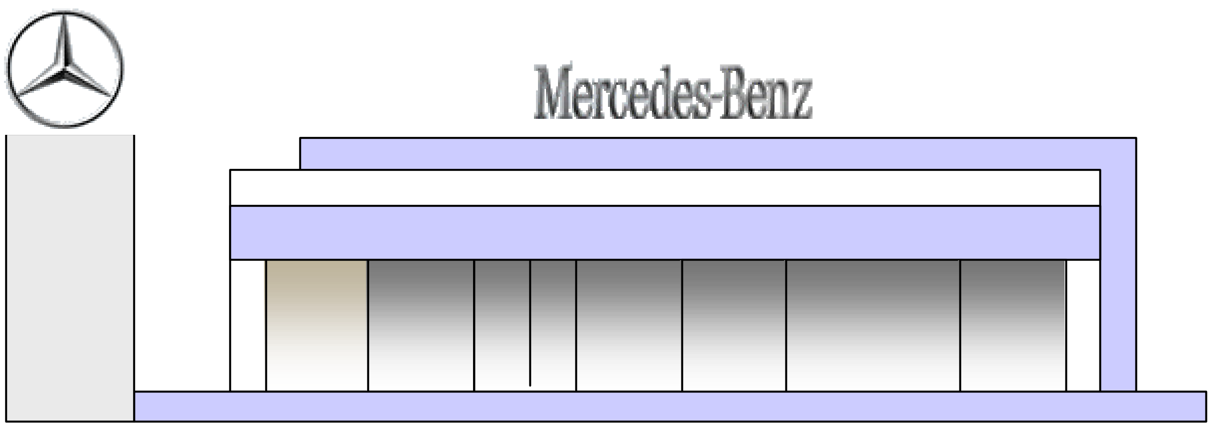
5

Mandatory Link between Sales and After-Sales

Sales	+	After-Sales



Main elements of former BER:

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6 Sales to non authorized retailers was prohibited

The „New BER“ - Major Changes

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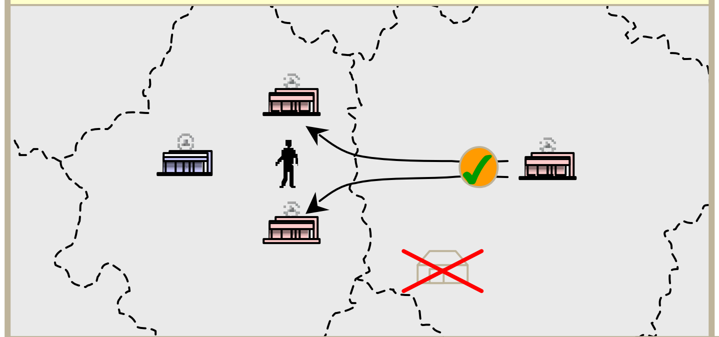
1 **Dealer area is EU**

A — Manufacturer to choose — B

EITHER OR

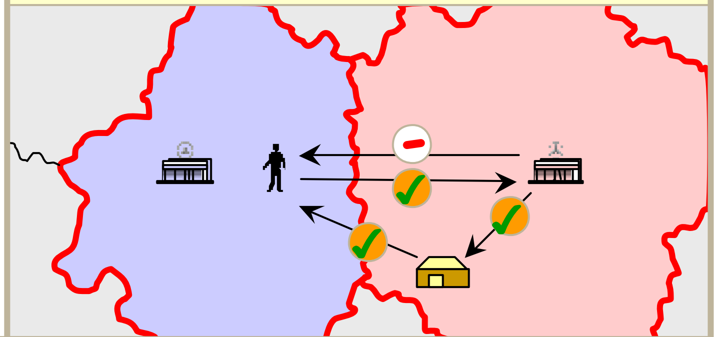
A: “Selective”



- Sales area is the EU
- NO Sales to reseller allowed!
- Sub outlets possible EU-wide

Authorized distributor
Non-authorized reseller
Customer
Allowed
Not allowed

B: “Exclusive”



- Assignment of exclusive contract territory
- But sales to non authorized reseller possible

The „New BER“ - Major Changes

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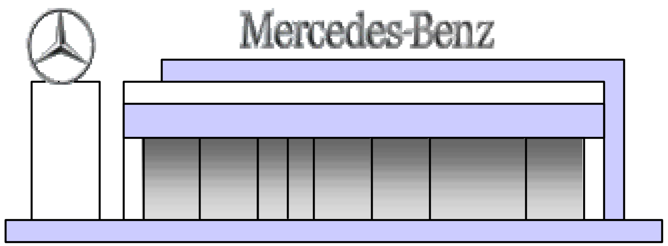
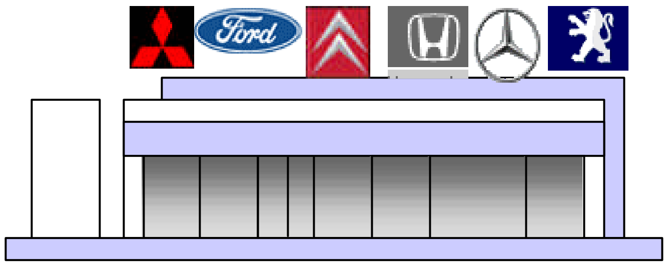
Reduced Brand exclusivity

Today



Future Possibility



The „New BER“ - Major Changes

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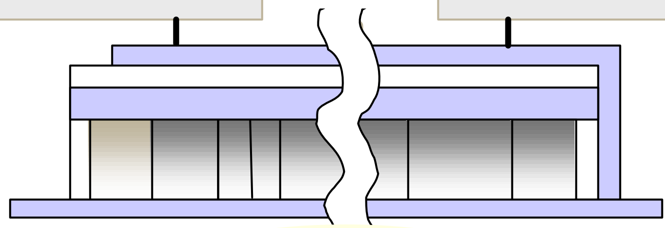
No mandatory combination of distribution and after-sales

Sales

After-Sales



Differentiation of distributor and authorised repairer!

Distributor may subcontract After-Sales to authorised repairer!

The „New BER“ - Major Changes

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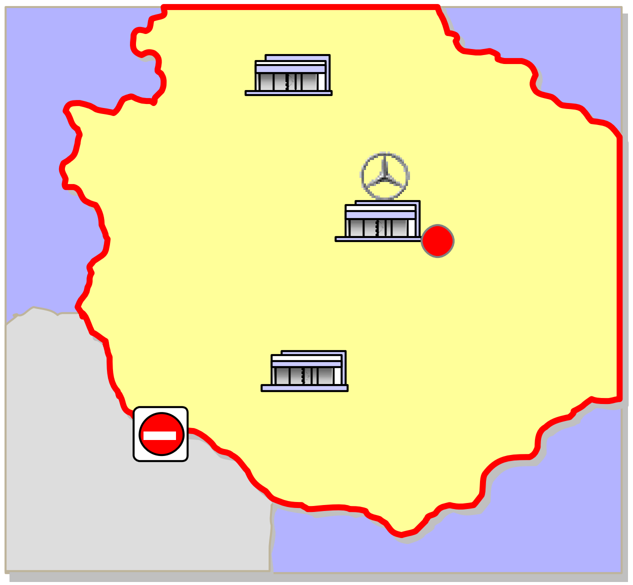
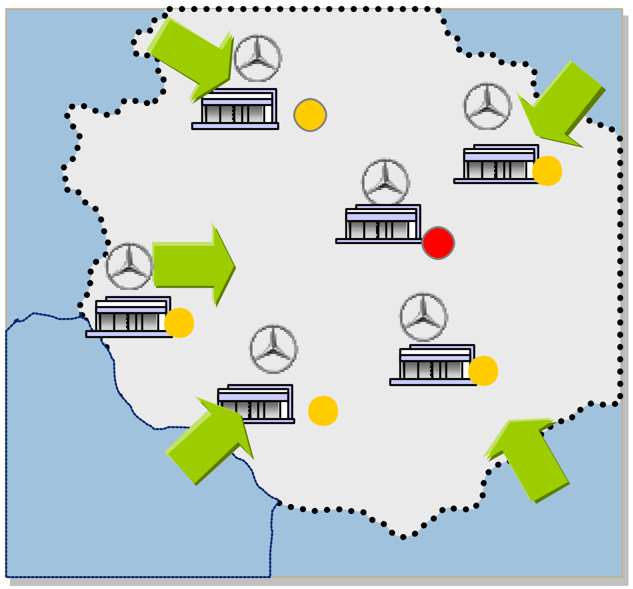
Only qualitative, not quantitative, selection of After-Sales partners.
No assignment of territories!





- Dealer as today (Sales + After-Sales in one location)
- New After-Sales entrants

Strategic action portfolio

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DCX Reaction:

1 Strong partnership with a professional and profitable dealer body

1.1 Restructuring Networks
1.2 Dealership standards Sales+After-Sales
1.3 Contracts

2 Close competitive gaps

2.1 Price
2.2 Dealer Margin

3 Strengthen own retail

3.1 DCX automotive retail activities
3.2 Metropolitan Area Concept

Strong partnership

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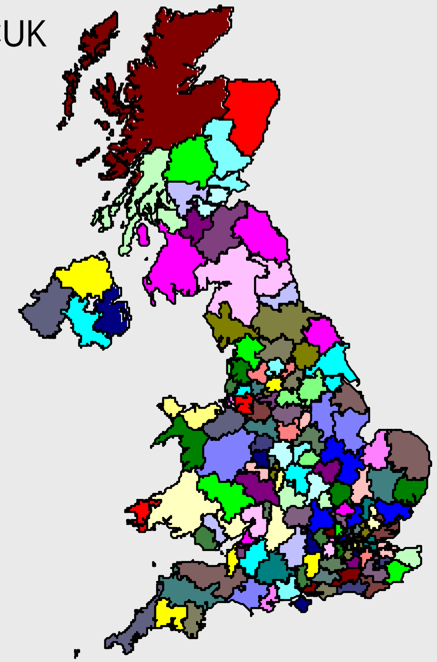
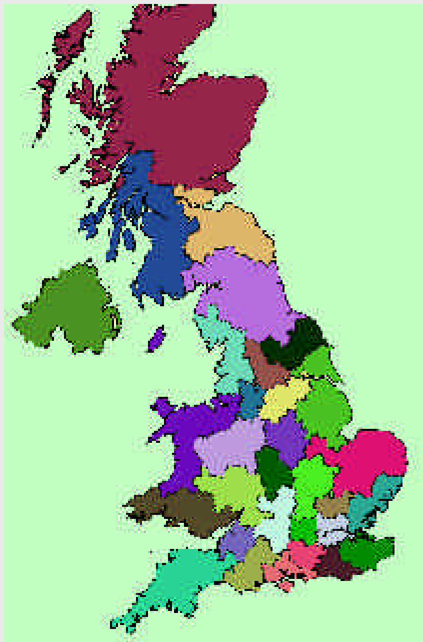
1 1.1 Restructuring of networks

Restructuring of dealer networks

e.g. DCUK





2000: 138 (Dealer Territories)

2003: 35 (Market Areas)

Sales per Dealer

2000

Average sales per outlet: **386**

Average Sales per dealer territory: **462**

2003 (forecast)

Average sales per outlet: **590**

Average sales per Market Area: approx. **2,500**

Strong partnership

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1 1.1 Restructuring of networks

Realization of Format concepts

Mercedes-Benz Center

Mercedes-Benz Spot

Mercedes-Benz Autohaus

Mercedes-Benz Service

Restructuring of outlet networks

Strong partnership

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1 1.2 Dealership standards Sales + After Sales

Example: Sales

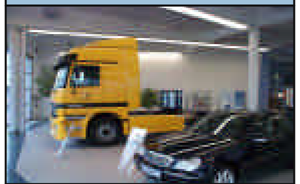
Brand Presence
(incl. Customer Satisfaction)

e.g. number of showroom vehicles

Personnel & Training

e.g. certified sales staff required

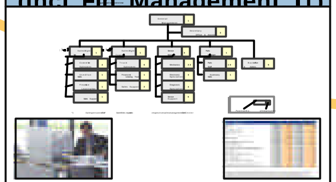
New Vehicle Sales



e.g. size of delivery area

Minimum Sales Standards

Management & Organization
(incl. Fin. Management, IT)



e.g. preparation of sales plan required

Marketing (incl. CRM)

e.g. preparation of annual marketing plan required

Strong partnership

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1 1.3. Contracts

One European Dealer Contract

Unified European standards

One European Margin Model

Synergy benefits, contracts adapted for smart and Chrysler Jeep®

<u>Only OEM which signed contracts with all dealers by end of September 2002 without structural termination</u>

Close competitive gaps

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2 2.1 Price

„It should help to remedy the competition problems that we have observed in the sector over the past few years and allow the car buyer to purchase a vehicle <u>wherever it is cheapest [...]</u>“
Press release of EU commission, 05.02.02

List Price Differences in EU-countries (2002)	Country with lowest price	Country with highest price	Price difference
A 140	E	D	approx. 7 %
C 180	FIN	L	approx. 6 %
E 220	S	P	approx. 5 %

Close competitive gaps

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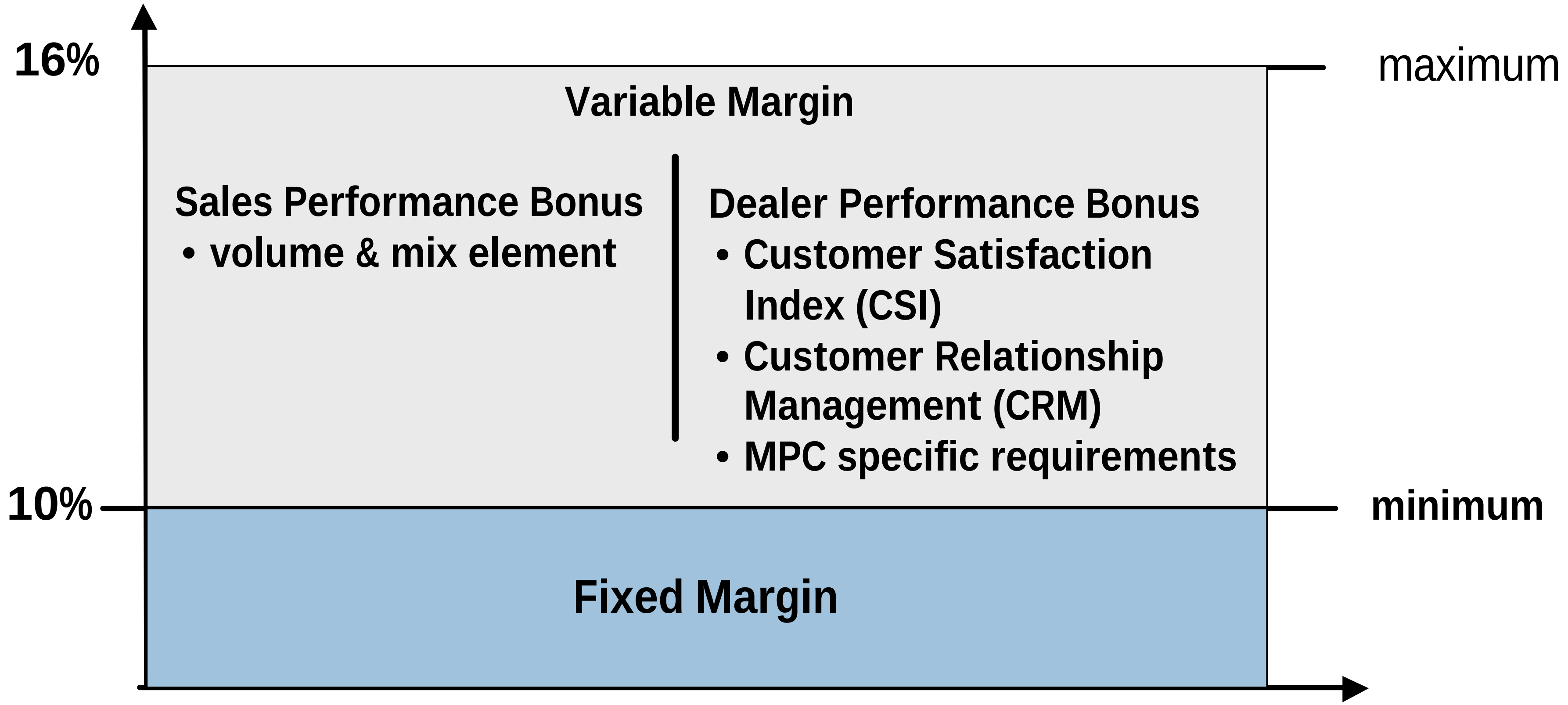
2 2.2 Dealer Margin

Total Dealer Margin



Strengthen own Retail

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3 3.1 DaimlerChrysler is already the largest automotive retail group in Europe

Net Revenue:

Rank	Company	Operating countries	Brand range	Net revenue (mil. €) 2001	Net revenue (mil. €) 2002
1.	Autonation Inc.	US	35 brands (e.g. BMW, MB, Audi)	22.319	20.611
2.	DaimlerChrysler	W. Europe, Can, Austral.	MBPC, MBCV, smart, CJ	13.162	13.831
3.	United Auto Group	US, UK	30 brands (e.g. BMW, MB, Lexus)	6.555	7.869
4.	Sonic Automotive	US	20 brands (e.g. BMW, MB, Audi)	6.565	7.482
5.	Inchcape Plc	UK, H, B, Asia / Pacific	BMW, Toyota, VW, PAG brands	5.339	5.594
6.	Group 1 Automotive	US	29 brands (e.g. Lexus, Ford)	4.462	4.459
7.	Pendragon PLC	UK, G, US	8 Brands, mainly Ford	2.780	2.983
8.	Jardines Motors Group	UK, F, US, China, Sing.	MB, Ford, other brands	2.799	2.090

Close competitive gaps

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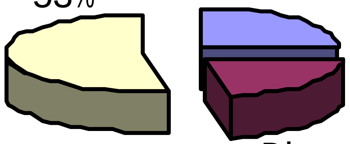
3 3.2 Metropolitan Area concept

Retail organisation - The “Own Retail” strategy targets in Metropolitan Areas

Initial situation (PC Units 2000)



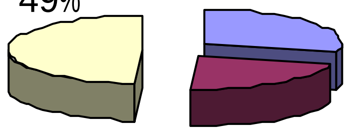
Western Europe incl. Germany

Considered metropolitan areas

Takeover of distribution rights and set up of MB Center

Takeover of distribution rights and / or restructuring network

Target (PC units 2005)



Western Europe incl. Germany

Summary

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DaimlerChrysler: Well prepared for future challenge

Good relationship with brand committed professional dealers ✓

Harmonized margins ✓

Harmonized prices ✓

Summary

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DaimlerChrysler: Well prepared for future challenge

... and furthermore, we have the assets:

Fascinating products

Good brand image

High customer loyalty

MB-Sales is and will remain in an excellent competitive shape!

Thank you

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Questions and Answers

Development Sales Organisation