



CHRYSLER

Purchasing

Dan Knott

Chrysler Group LLC 2010-14 Business Plan

November 4, 2009

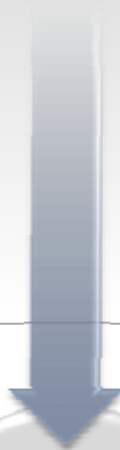
DODGE

Jeep





Chrysler Purchasing has developed and begun implementation of strategies that will strongly contribute to Chrysler profitability and purchased part quality



**Supply
chain**

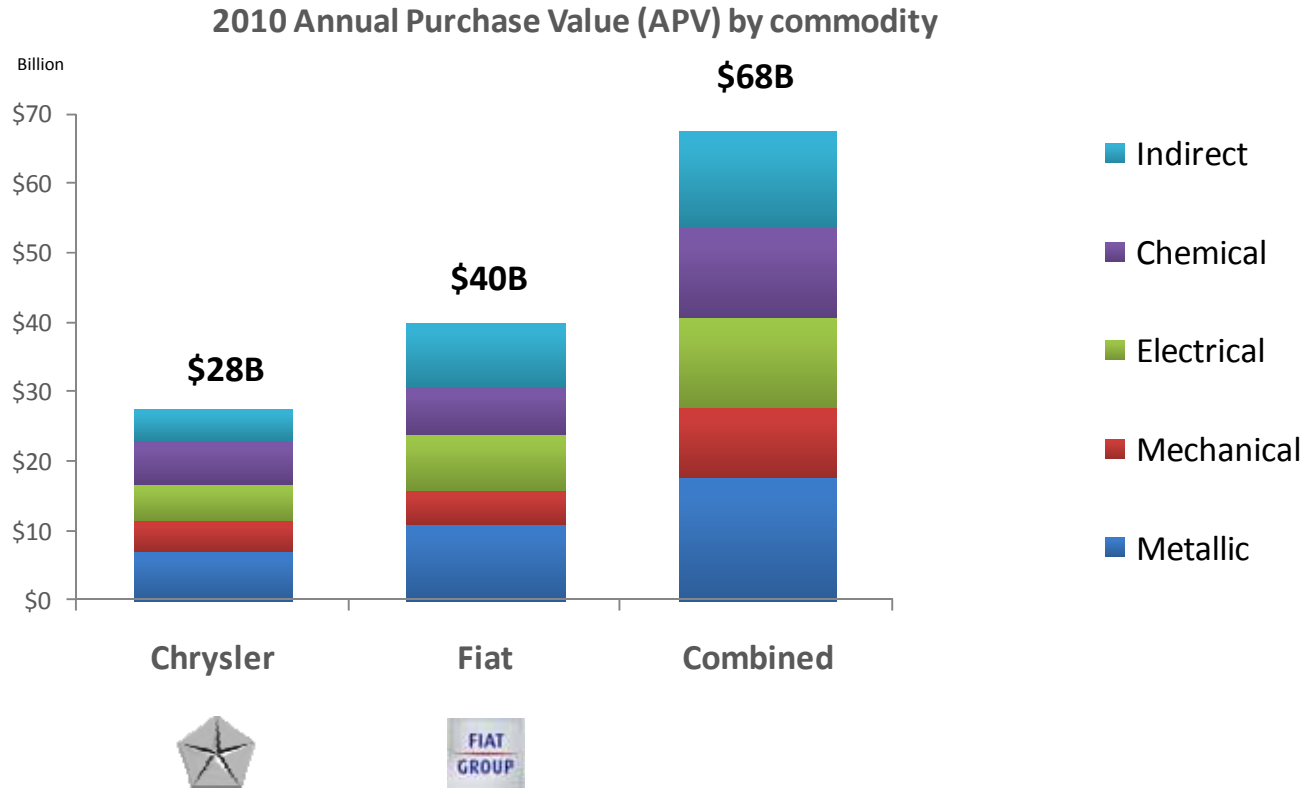
Key elements of new Chrysler procurement strategies



- **Supply base optimization** driven through an aligned Chrysler-Fiat Group Purchasing Organization
- **Part cost reduction** through new dedicated teams, collaborating with Fiat Group and Suppliers
- **Component sharing** creating new opportunities across global platforms
- **Unwavering commitment to part quality** through increased resources and rigorous compliance to supplier quality guidelines
- **Supplier relationships** significantly improved through increased communication and streamlined internal processes



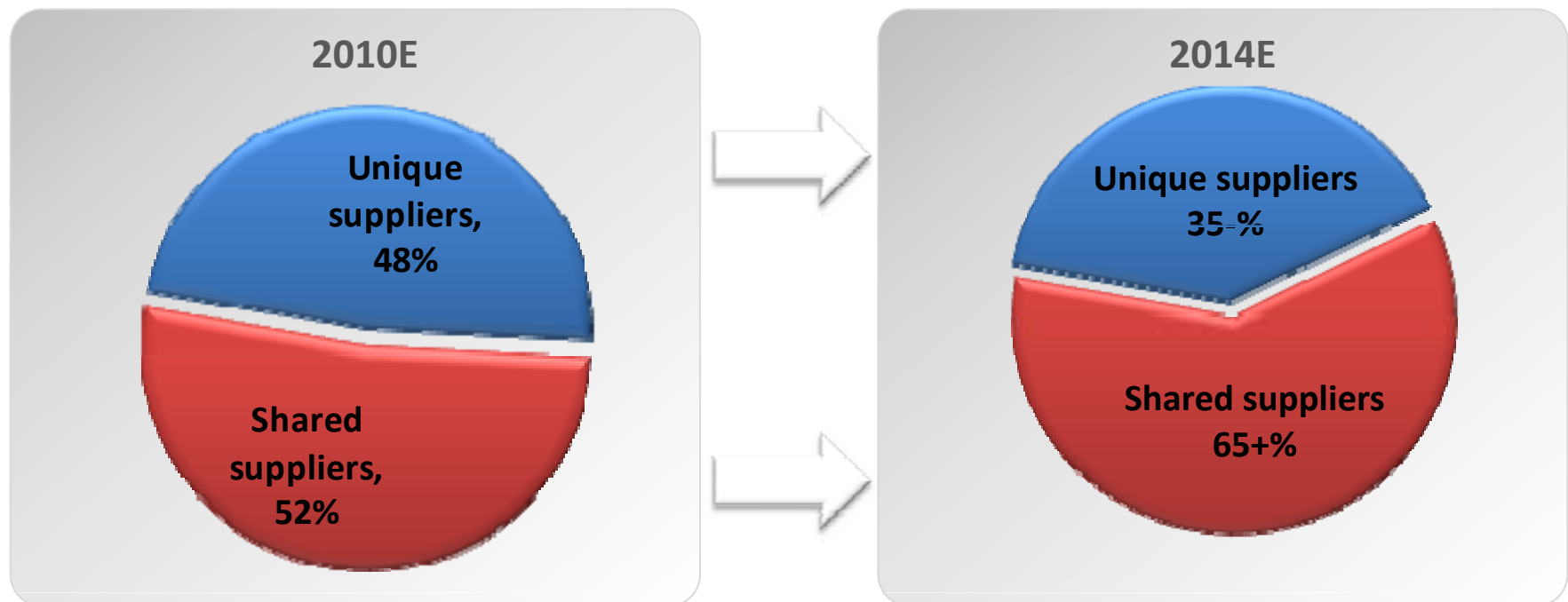
Leverage Fiat Group synergies



Purchasing power has more than doubled



Shared suppliers will have chance to compete for greater volumes and drive common solutions



Calculation based on combined APV

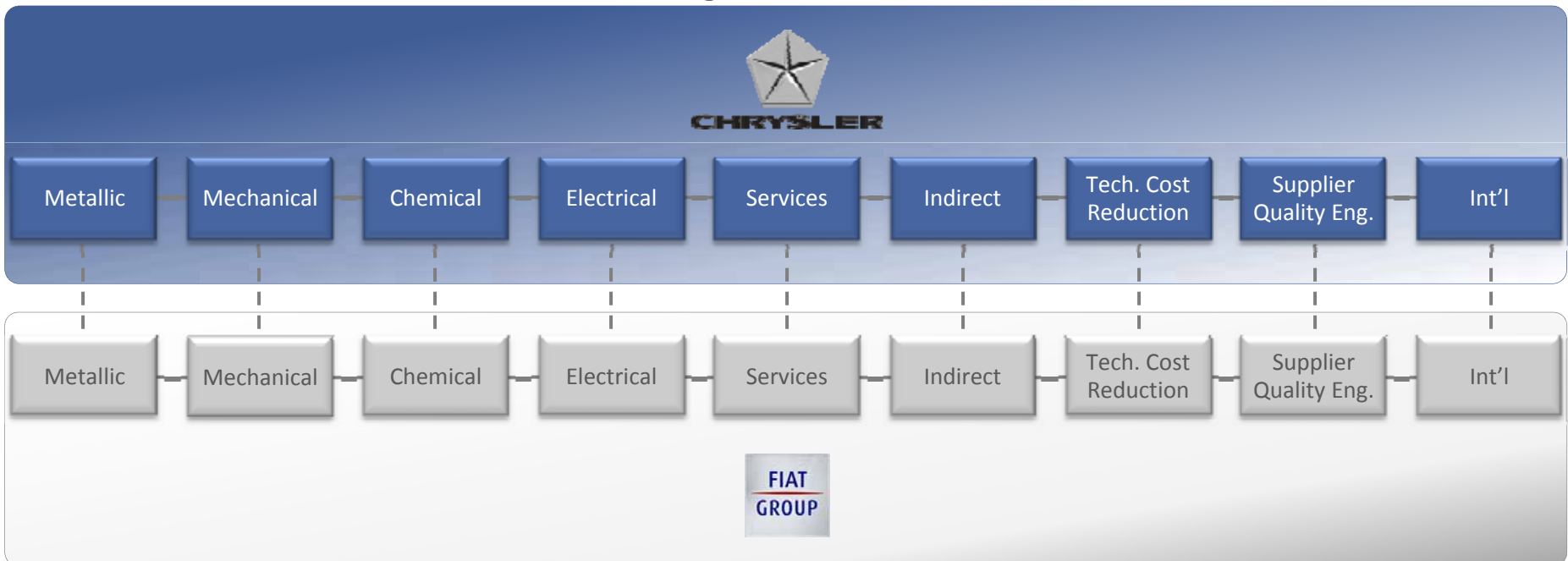
Leverage Fiat Group relationship through organizational alignment



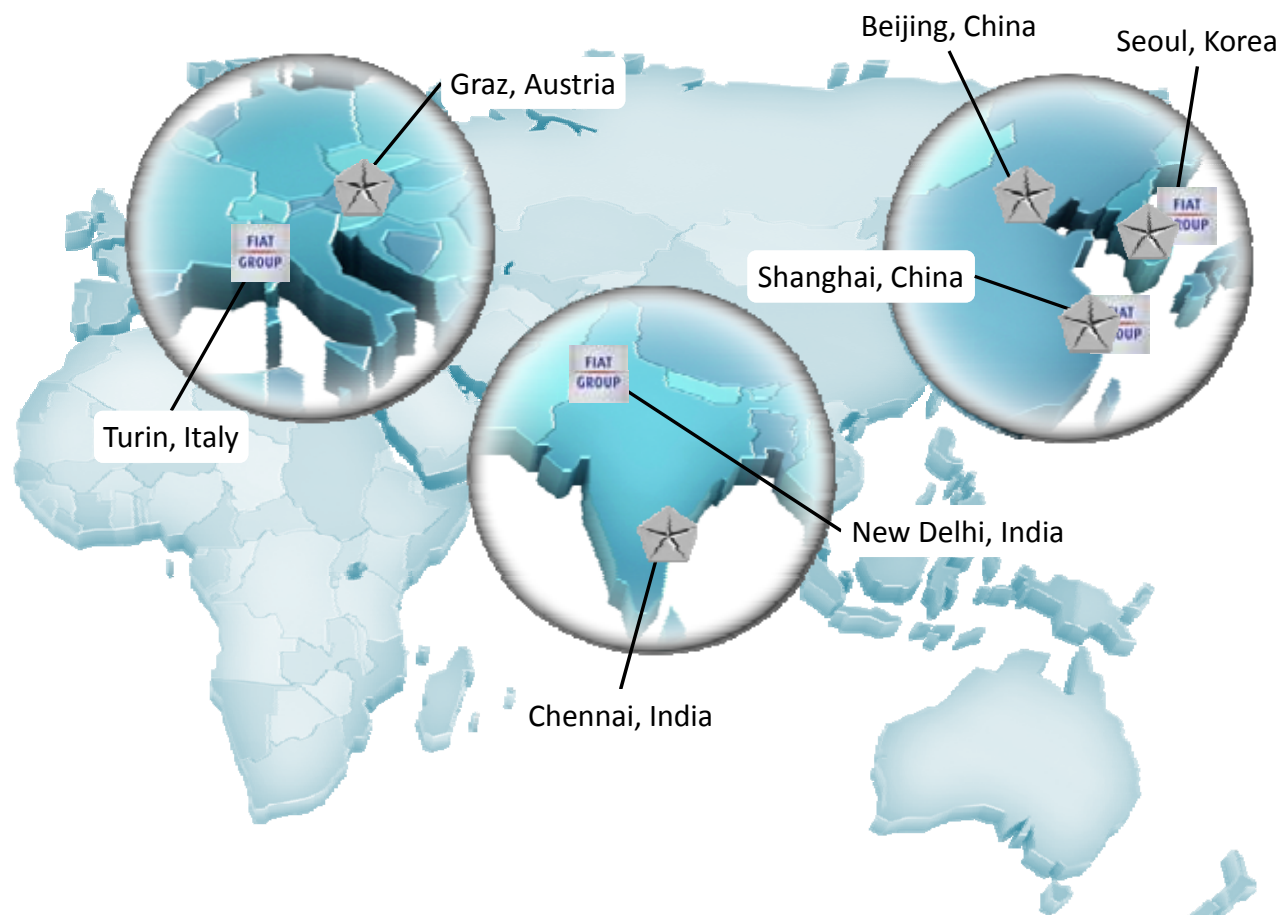
Former Chrysler Purchasing organization



New organization structure



Leverage Fiat Group relationship through regional sourcing offices



**Regional sourcing offices to streamline and leverage competencies;
completion expected in 2010**

Leverage Fiat Group synergies



Almost half of overall savings expected from synergies through following actions

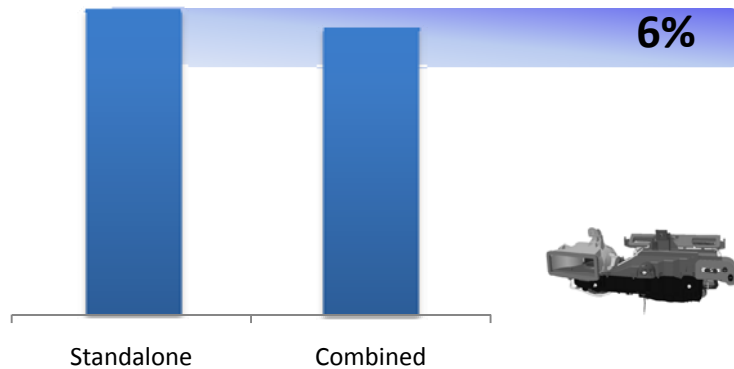
- Aligned teams, weekly synergy meetings
- Developing shared strategies for all major commodities and major suppliers
- Achieving greater insight into global supplier capability and leveraging best cost country opportunities
- Maximizing value engineering and part commonization



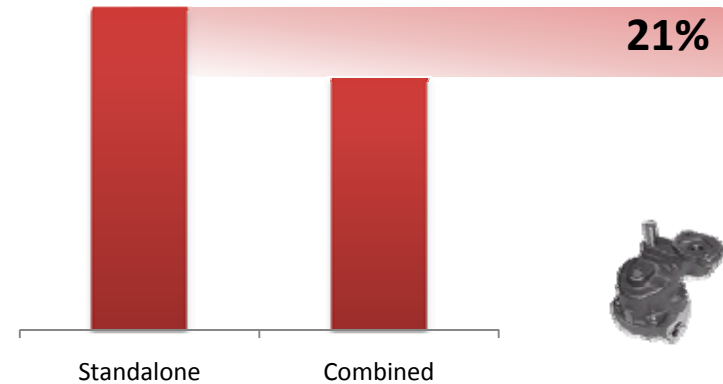
Realized relationship savings (some examples)



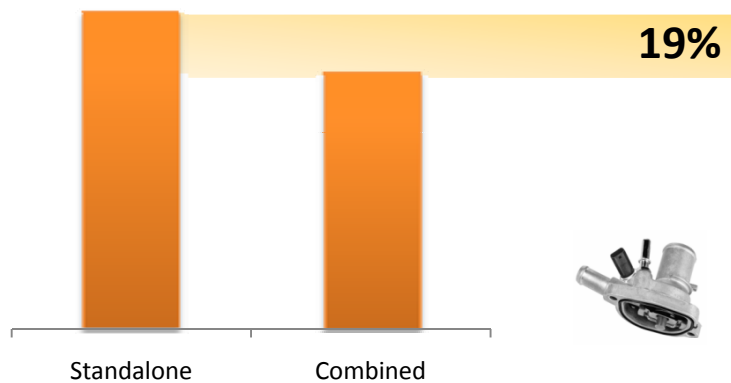
HVAC/Thermal System
~\$1.5M / year



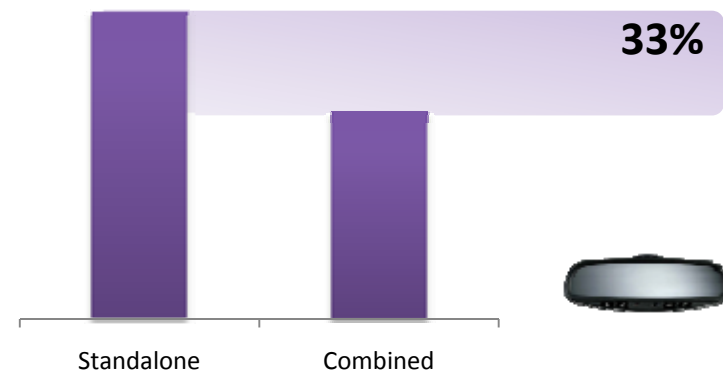
Oil Pump
~\$2.0M / year



Thermostat
~\$0.3M / year



Rearview Mirror
~\$0.125M / year



Annual savings beginning 2011

Value engineering to drive material cost reduction



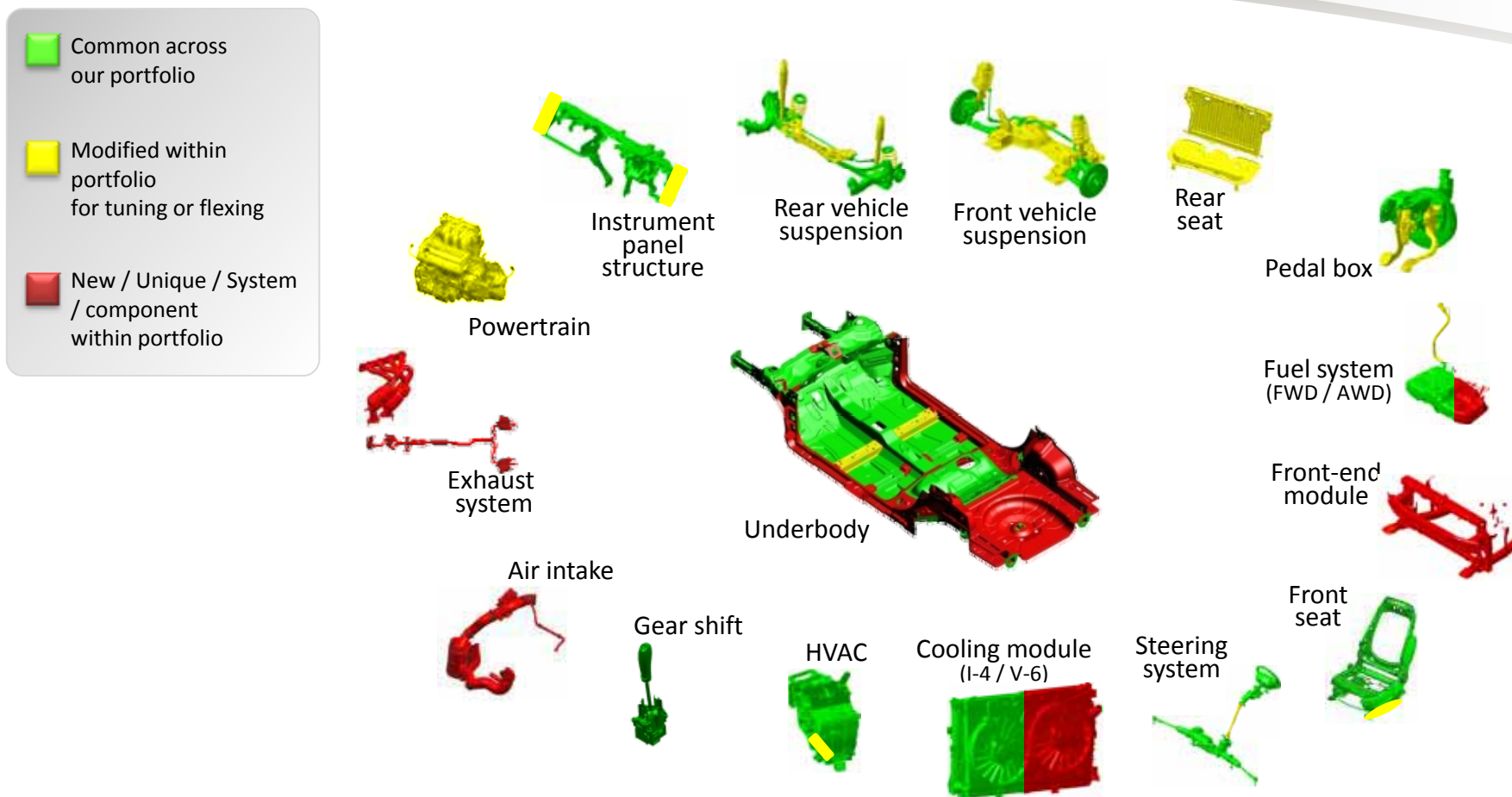
Almost a quarter of overall savings expected from technical cost reduction through following actions

- Creation of a dedicated technical cost reduction group & process (work with suppliers to generate and execute ideas)
- Dedicated group includes 24 Purchasing experts and 40 Engineering experts
- Program featuring 50/50 sharing of realized savings for supplier ideas



Leveraging component sharing

Example - C & D platform architecture



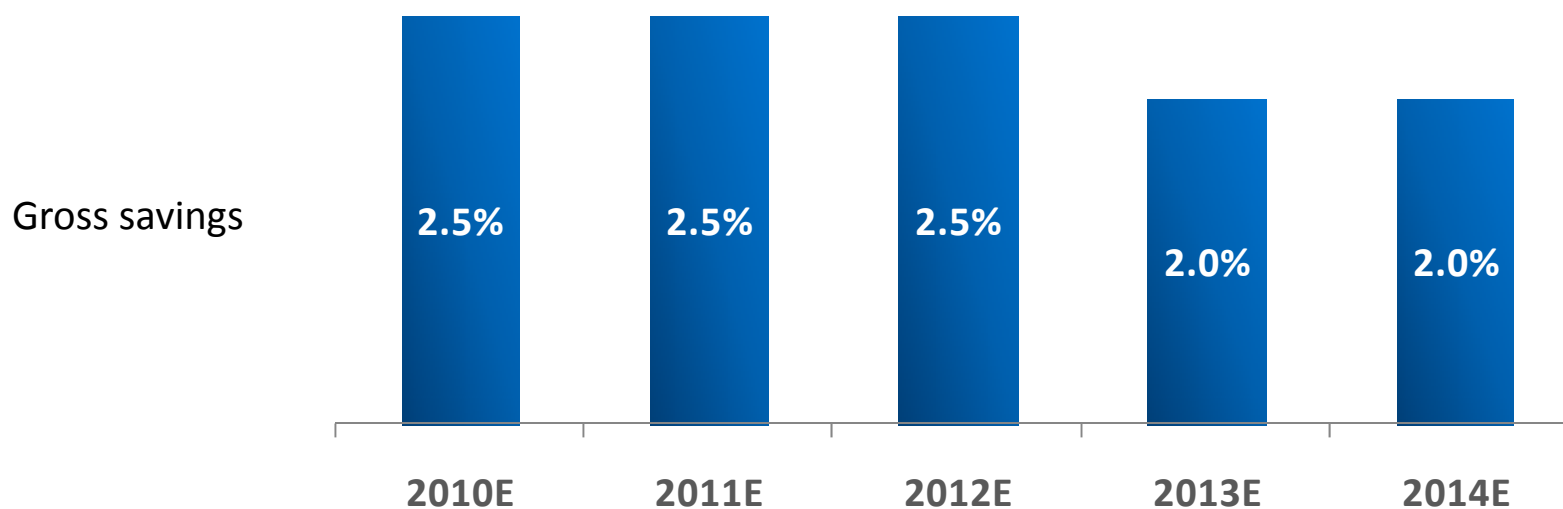
Commonization drives increased volumes per part (~700k units)

Purchasing & Supply Chain Management

Direct material savings



Forecasted impact of net cost reductions and synergies



	2010E	2011E	2012E	2013E	2014E	2010-14 cumulative savings
Gross savings (M)	\$600	\$765	\$825	\$710	\$750	\$2.9B
Raw material impact (M)	\$(100)	\$(155)	\$(165)	\$(180)	\$(190)	
Net savings (M) *	\$500M	\$610M	\$660M	\$530M	\$560M	

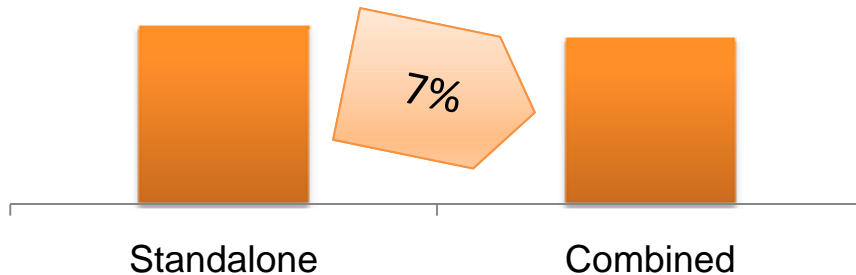
*ex one-OFT critical supplier interventions

Indirect material savings

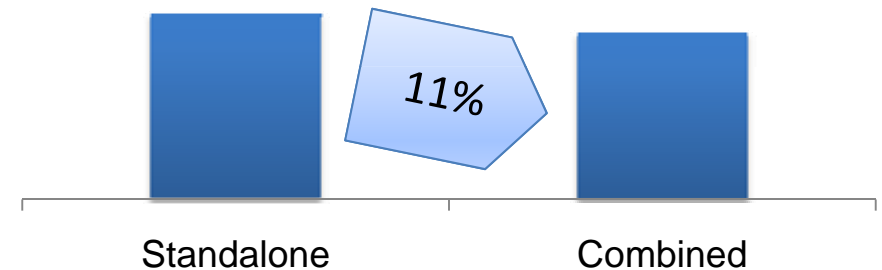


- Best cost analysis between Fiat and Chrysler
- Leveraging shared suppliers
- Renegotiate legacy contracts, including market testing
- Aggregating spend to maximize cost leverage

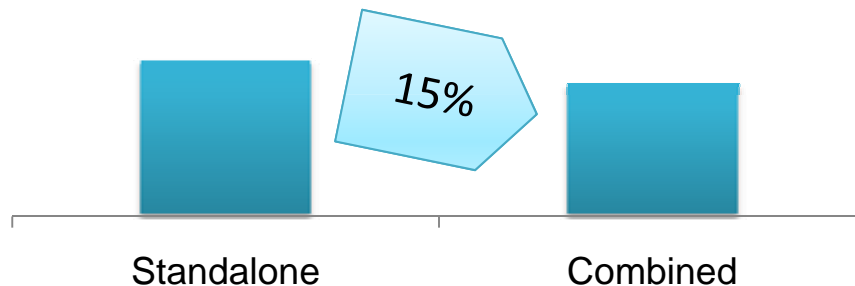
Crankshaft Mass Balancer



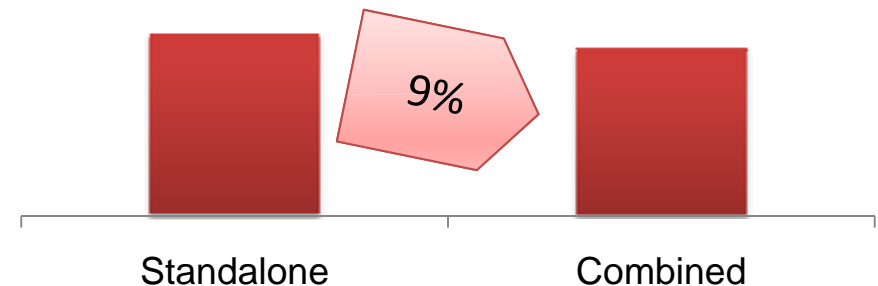
Engine Washers



IT/Services

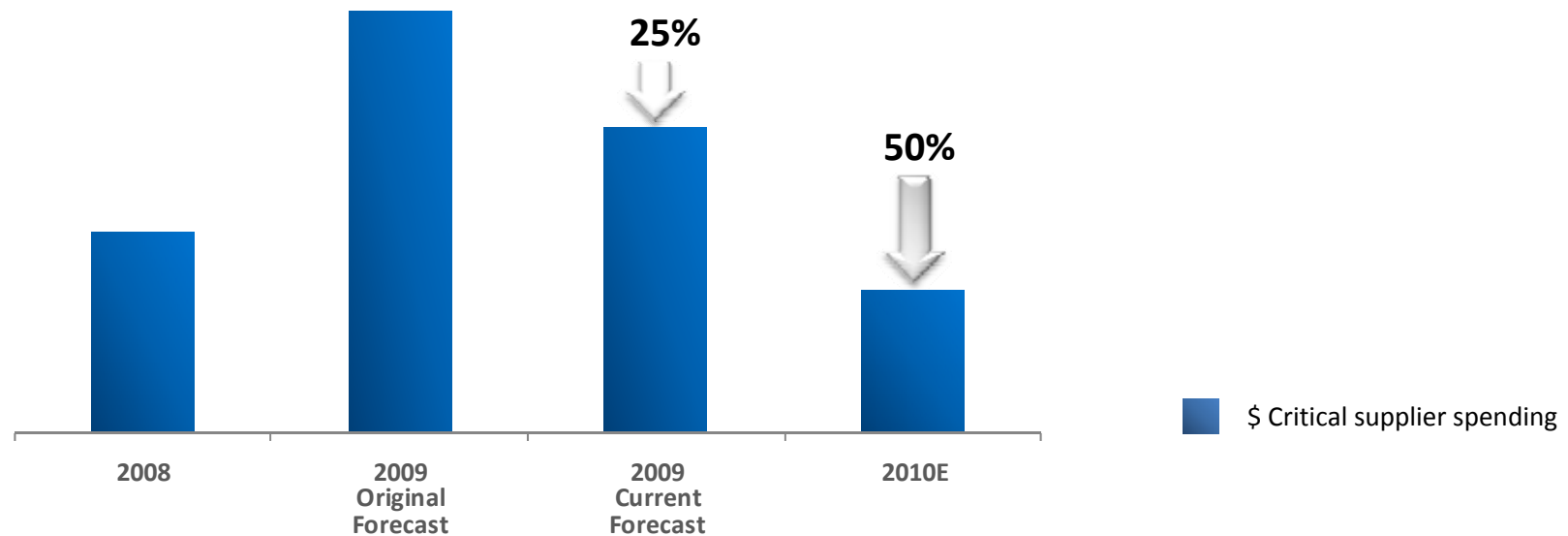


Cam Carrier Leak Test



Examples of 2010 synergy savings (\$2.1M) already identified

Critical Supplier Support Spending



- 2009 peak, over 150 suppliers on financial watch list representing 34% of annual spend
- Chrysler avoided substantial costs in 2009 by aggressive case management
 - Resourced away from ~60 troubled suppliers, representing 5% of APV
 - Jump start our supply base optimization
- 2010 watch list count expected to reduce by ~50%



- Commitment to accountability and transparency
- Regular top level supplier meetings
- Expand Supplier Advisory Council and relevance
- Regular communication through webcasts and town halls
- Accelerated processes for supplier claims and tooling validation
- Established new Supply Chain Management group to optimize inventory to meet demand

**Improved supplier relationships will enhance supplier motivation,
improve quality and unlock value**

Unwavering Commitment on Supplier Quality



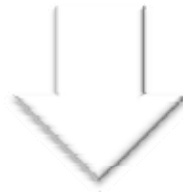
Supplier Quality is being optimized through following actions

- Inclusion in Purchasing organization now complete
- Increasing resources by 80+ experts, a 45% increase for 2010
- Increasing engagement with suppliers (training, developing, and engaging early and often)
- Require rigorous validation of suppliers' product and process

New Chrysler Group Purchasing commitment



- Alignment with Fiat Group
- Supply base optimization
- Part cost reduction
- Component sharing
- Unwavering commitment to part quality
- Supplier relationships



Targeting over the plan
~\$3B cumulative direct material savings
~\$0.4B indirect material savings