Purchasing

Dan Knott

Chrysler Group LLC 2010-14 Business Plan

November 4, 2009
The new Chrysler

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

2010 Annual Purchase Value (APV) by commodity

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Chrysler APV</th>
<th>Fiat APV</th>
<th>Combined APV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Chemical</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Electrical</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Mechanical</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Metallic</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

Purchasing power has more than doubled
Leverage Fiat Group relationships

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

2010E

Unique suppliers, 48%

Shared suppliers, 52%

2014E

Unique suppliers 35-%

Shared suppliers 65+%
Leverage Fiat Group relationship through organizational alignment

Former Chrysler Purchasing organization

Chassis & Interior → Commodity → Electrical & Powertrain → Indirect → Operations → Raw Materials & Structural Components → Supplier Relations

New organization structure

Metallic → Mechanical → Chemical → Electrical → Services → Indirect → Tech. Cost Reduction → Supplier Quality Eng. → Int’l

Metallic → Mechanical → Chemical → Electrical → Services → Indirect → Tech. Cost Reduction → Supplier Quality Eng. → Int’l
Leverage Fiat Group relationship through regional sourcing offices

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

- **Standalone**: ~$1.5M / year
- **Combined**: ~$1.5M / year

**Oil Pump**
~$2.0M / year

- **Standalone**: ~$2.0M / year
- **Combined**: ~$2.0M / year

**Thermostat**
~$0.3M / year

- **Standalone**: ~$0.3M / year
- **Combined**: ~$0.3M / year

**Rearview Mirror**
~$0.125M / year

- **Standalone**: ~$0.125M / year
- **Combined**: ~$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

Common across our portfolio

Modified within portfolio for tuning or flexing

New / Unique / System / component within portfolio

Commonization drives increased volumes per part (~700k units)
Purchasing & Supply Chain Management
Direct material savings

Forecasted impact of net cost reductions and synergies

Gross savings

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross savings (M)</td>
<td>$600</td>
<td>$765</td>
<td>$825</td>
<td>$710</td>
<td>$750</td>
</tr>
<tr>
<td>Raw material impact (M)</td>
<td>$(100)</td>
<td>$(155)</td>
<td>$(165)</td>
<td>$(180)</td>
<td>$(190)</td>
</tr>
<tr>
<td>Net savings (M)*</td>
<td>$500M</td>
<td>$610M</td>
<td>$660M</td>
<td>$530M</td>
<td>$560M</td>
</tr>
</tbody>
</table>

*ex one-OFT critical supplier interventions

2010-14 cumulative savings $2.9B

Chrysler Group LLC 2010-14 Business Plan
November 4, 2009
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

Examples of 2010 synergy savings ($2.1M) already identified
• 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%
Supply base optimization/Enhance relationships

- 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