

(Slide 1: Title Slide)

Good afternoon, it's a pleasure to be here with you today.

As I was preparing to speak to you, I decided to do some preliminary research on the Rockford area. And I discovered that this part of Illinois is the hotspot for one particular commodity. Just a few weeks ago, you hosted the Third Annual Sock Monkey Madness Festival, attracting people and sock monkeys from all over the country. With the high demand for sock monkeys, I got to thinking about the great flexibility we have at Belvidere Assembly. Maybe there's an opportunity? Our plant manager, Kurt Kavajecz, explained however, that with three hot new products, Belvidere really doesn't have the capacity to manufacture socks right now.

Aside from sock monkeys, there is one topic that I'd like to address right up front. I'm sure many of you have read the media reports speculating about the future of the Chrysler Group. Countless potential buyers have been mentioned and I believe Bill Gates' name got some ink somewhere—and although I didn't see it—I wouldn't be surprised if Oprah Winfrey was rumored to be interested in adding an auto company to her portfolio. Seriously, I have nothing to say on the current speculation – nor will I add to it today.

Instead, I'm here to talk with you about Chrysler Group's procurement and supply organization. I want to do three things:

- Share with you Chrysler Group's supplier strategy
- Explain how our suppliers collaborate with us on innovative features and technology
- And give you some insight into our presence in Belvidere

(Slide 2: Extended Enterprise)

Chrysler Group's Procurement and Supply organization has a philosophy that has been evolving over many years and that guides all purchasing decisions. This philosophy, called Extended Enterprise, is defined by four performance criteria: quality, delivery, technology and cost. Our strategy also uses three value criteria: communications, commitment and integrity. These seven ideals are the foundation for a transparent and performance-based relationship with our suppliers.

The value drivers are guided by three strategic directions: Global Scale Leverage, Global Supply Base Management and Global Infrastructure and Processes.

Global Scale Leverage involves bundling and coordinating purchasing volumes around the world. A cooperation model defines how all of our main commodities are purchased.

Global Supply Base Management focuses on supplier performance. We evaluate our suppliers' performance based on the four performance criteria that I just mentioned: quality, delivery, technology and cost. This helps our suppliers become more properly aligned with our plans and requirements.

Global Infrastructure and Processes promotes integrated, standardized systems and processes for our suppliers.

(Slide 3: Supplier Portal)

In 1998, after the merger, DaimlerChrysler had no common systems between divisions. Today, more than 60 percent of our processes are shared. A great example of this is the Global Supplier Portal.

The portal helps us develop strong relationships with our suppliers as we build our businesses together. The site currently has more than 10,000 external users monthly.

With more than 173 applications on the portal, I'd like to take a moment to highlight just one: the External Balanced Scorecard, or EBSC. This feature allows suppliers to see, in real time, 24 hours per day, how they are performing against the four performance criteria.

The EBSC enables us to make business decisions based on measurable performance. It is important to us that our relationships with suppliers are based on objective and quantifiable data. The EBSC allows Chrysler Group and our suppliers to manage and analyze this information.

(Slide 4: CAM)

This chart depicts one of our EBSC tools. The Competitive Assessment Matrix, or CAM, illustrates competition in a commodity. The diagonal lines represent the overall rating, with the average line clearly shown in bold. CAM evaluates suppliers based on quality, technology, supply and cost. Those suppliers in the “reward zone” earn the right-of-first refusal on resourced business; a first opportunity to pursue future rewards; and the chance to become long-term partners through continued high performance.

Positive relationships with our suppliers are so important because purchased materials make up approximately 70 percent of the total cost of a new Chrysler Group vehicle. Our goal is that—together with our suppliers—we will produce top quality, innovative products, delivered on time at a globally competitive price. In fact, we’ve achieved lower capital spending while simultaneously increasing the number of available products.

(Slide 5: Cost Reduction)

One way that we accomplish this is to involve our suppliers in the early development stages of future product. This improves our opportunity to save money and enhance quality by using carryover tooling and reuse of parts from other successful programs. Early integration also reduces the need for wasteful or late engineering changes and provides added lead time to develop and prototype new features and technology.

One of our suppliers in particular is integrated with Belvidere Assembly. TDS/US operates our 500,000-square-foot sequencing center, which is physically connected to the plant. This center manages more than 1,797 different parts used in production and provides parts and container management. It also delivers complete subassemblies just-in-time to the plant floor. These pre-assembled modules reduce the number of components required for assembly and improve quality, productivity and worker

ergonomics. In fact, we estimate that this partnership has reduced our costs by approximately 12 percent per year.

Partnerships like this make our capacity management initiative possible. As you know, Belvidere is the flagship for Chrysler Group's adoption of flexible manufacturing. We're running three shifts producing three different vehicles, which allows us to respond to market demand quickly and to run at full capacity.

(Slide 6: Supplier Quality)

When we talk about market demand, we also take quality into consideration. Consumers expect high levels of quality as a price of entry. That's why it's important that both Chrysler Group and our suppliers are committed to producing quality products. In fact, this point is so vital to our business, that we developed Quality Assurance and Audit Teams or QAAT.

QAAT teams use a structured approach to align our suppliers with the Chrysler Group, improve their processes and monitor their progress. Working with them, we're able to help our suppliers facilitate improvements in quality, which also leads to improvements in productivity and cost.

Metaldyne is a great example. In 2005, a QAAT team worked with Metaldyne's plant in New Castle, Indiana. Together, we identified eight processes that needed improvement, including operational control, material control and root cause analysis. Metaldyne worked on all eight processes simultaneously and customer defects and complaints plummeted.

In 2006, we chose Metaldyne as the benchmark supplier in QAAT implementation.

(Slide 7: MusicGate Power™)

We look for suppliers that excel in innovation as well as quality. If any of you have driven the Compass, Patriot or Caliber, you know that they are packed with great technology and features. One of our favorites is found in all three vehicles and is called MusicGate Power™. This feature consists of an available nine-speaker, Boston Acoustics premium sound system with subwoofer and includes two speakers packaged in

the liftgate. When the liftgate is open, the speakers can swing down to face rearward for tailgating and other activities.

(Slide 8: YES Essentials®)

Also featured in all three is YES Essentials® Fabric. Developed in collaboration with Milliken & Company, the material protects seats from stains, odors and discoloration.

(Slide 9: Chill Zone™)

We've also been receiving great feedback on Chill Zone™, created in cooperation with Lear. This feature, found in Caliber, is a cooled beverage storage bin that can hold up to four 20-oz. bottles or cans.

These innovations, as well as the suppliers who created them, have helped make Patriot, Compass and Caliber a success,.

(Slide 10: Supplier Diversity)

Another way that we are building closer supplier relationships and developing customer demand is through our diversity programs. In this competitive auto market, companies need products, and people, who can relate to the changing face of the marketplace. Investing in minority suppliers with a deep understanding of consumers' diverse cultures and heritage is smart business and simply good for the bottom line.

Specifically, we have spent more than \$34 billion since we began our minority supplier program in 1983. That's more than the gross domestic product of about two-thirds of the world's countries! In 2006, we spent \$3.9 billion with minority suppliers, representing 13.5 percent of our total purchases. We challenge all Tier Ones to source at least eight and a half percent of their Chrysler Group business to minority suppliers.

We also have two initiatives that help minority business owners develop their skills and access new business opportunities.

The Minority Enterprise Initiative, or MEI, is a mentoring program that helps minority-owned suppliers reach and maintain world-class quality and cost levels.

Our second effort, the annual Matchmaker event, provides a forum for Tier One suppliers and minority- and women-owned businesses to meet each other, in order to form new business partnerships. Since the first event in 2000, Matchmaker has generated \$1.2 billion dollars in new business.

In regards to new business, many of our suppliers have asked me about our strategy in emerging markets. These markets play an increasing role for both the Chrysler Group and our supply base. As we grow globally, we will continue to look for the best partners both in the U.S. and abroad.

(Slide 11: Supplier Advisory Council)

As the industry grows globally, it is increasingly important for us to communicate openly with our suppliers. To achieve this, we've created the Supplier Advisory Council. The council is made up of 10 supplier CEOs who act as a sounding board. They represent large and small companies, production and non-production and minority-owned. They continually provide us with feedback, and we take it very seriously. For example, the council is helping us create a more transparent method for measuring how we collaborate with suppliers on technology in our products and operations.

(Slide 12: Belvidere)

Our direct investment in the Rockford area began in 1965 when our Belvidere plant was built. When it was first constructed, it produced the Plymouth Fury and the Dodge Monaco. In 2005 when we announced that Belvidere would produce the Dodge Caliber, we also announced a significant investment in Belvidere, which has contributed to Chrysler Group's competitive advantage. Today, the Chrysler Group is Rockford's largest employer with 2,885 employees who generate \$188 million in annual wages. It produces the Dodge Caliber, the Jeep Compass and the Jeep Patriot.

Many of our suppliers also have locations right here in the Rockford area. Android Industries, Grupo Antolin, Johnson Controls, Arvin Meritor, Collins & Aikman, TDS/US, Oakley Industries Sub Assembly and Product Action have all located facilities next to Belvidere Assembly to service the plant on a just-in-time basis. These companies have added approximately 1,000 additional jobs to the area. In fact, in 2006 we spent \$1 billion with our 327 suppliers in the state of Illinois. Chrysler Group's presence here has certainly had a positive economic impact, including a "ripple" effect.

For example, Arvin Meritor, a manufacturer of suspension modules built a new facility to provide just-in-time product to Belvidere. The company currently employs nearly 300 local people. In 2006, the company spent on average \$60,000 per week with one of its local suppliers: Workplace. They also engaged in contracts with no less than seven other local companies including: Accurate Business Control, Circle Boring, Word CNC, Steiner Electric, Rockford Fire and Safety, Larson Sheet Metal and Entre Computer.

According to the Illinois Chamber of Commerce for every 100 manufacturing jobs in the state of Illinois, there are 415 more jobs, \$12,700,000 more personal income per year, \$5,000,000 more in bank deposits, \$7,700,000 more in retail sales, \$540,000 increased tax revenue, and \$2,000,000 more in service receipts.

Charitable work is also an important part of Chrysler Group's role in the Rockford area. Last year, we awarded \$132,500 in charitable grants to Rockford Rescue Mission, Salvation Army, Junior Achievement, Belvidere/Boone County Food Pantry, Rockford Symphony Orchestra, Grace Family Church Pantry, United Way of Boone County, United Way of Rock River Valley and Community Foundation of Northern Illinois.

Needless to say, we're proud to be part of the Rockford area. I'm certain that if you're not already proud to be home to Belvidere Assembly, you will be after these two commercials.

(Slide 13: Commercials)

That's quite an exciting vehicle! Those ads began airing on March 15, and many of you may have already seen them on TV.

(Slide 14: Vehicles)

By the way, the Jeep Compass, Jeep Patriot and Dodge Caliber have been quite a hit with consumers and the media. Last month, sales of these vehicles totaled nearly 15,000 units. The Caliber has led Dodge's very successful expansion into Europe and both the Compass and Patriot have expanded the Jeep brand's lineup into new territory.

(Slide 15: Chrysler Group and Belvidere)

To wrap up, I've heard that a new company in town is causing quite a stir: Lowe's. Apparently, Lowe's new distribution center is so large that it's become a major topic of conversation. But, as the Rockford Register Star pointed out, Lowe's warehouse is only one-third the size of our plant! Now I'm not saying that size matters, but I do hope that when you drive by the Belvidere plant, you will remember our "big" presence in this community.

(Slide 16: Title Slide)

Thank you again for your continued support of DaimlerChrysler and for the opportunity to be with you today. I'll be happy to answer your questions.

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