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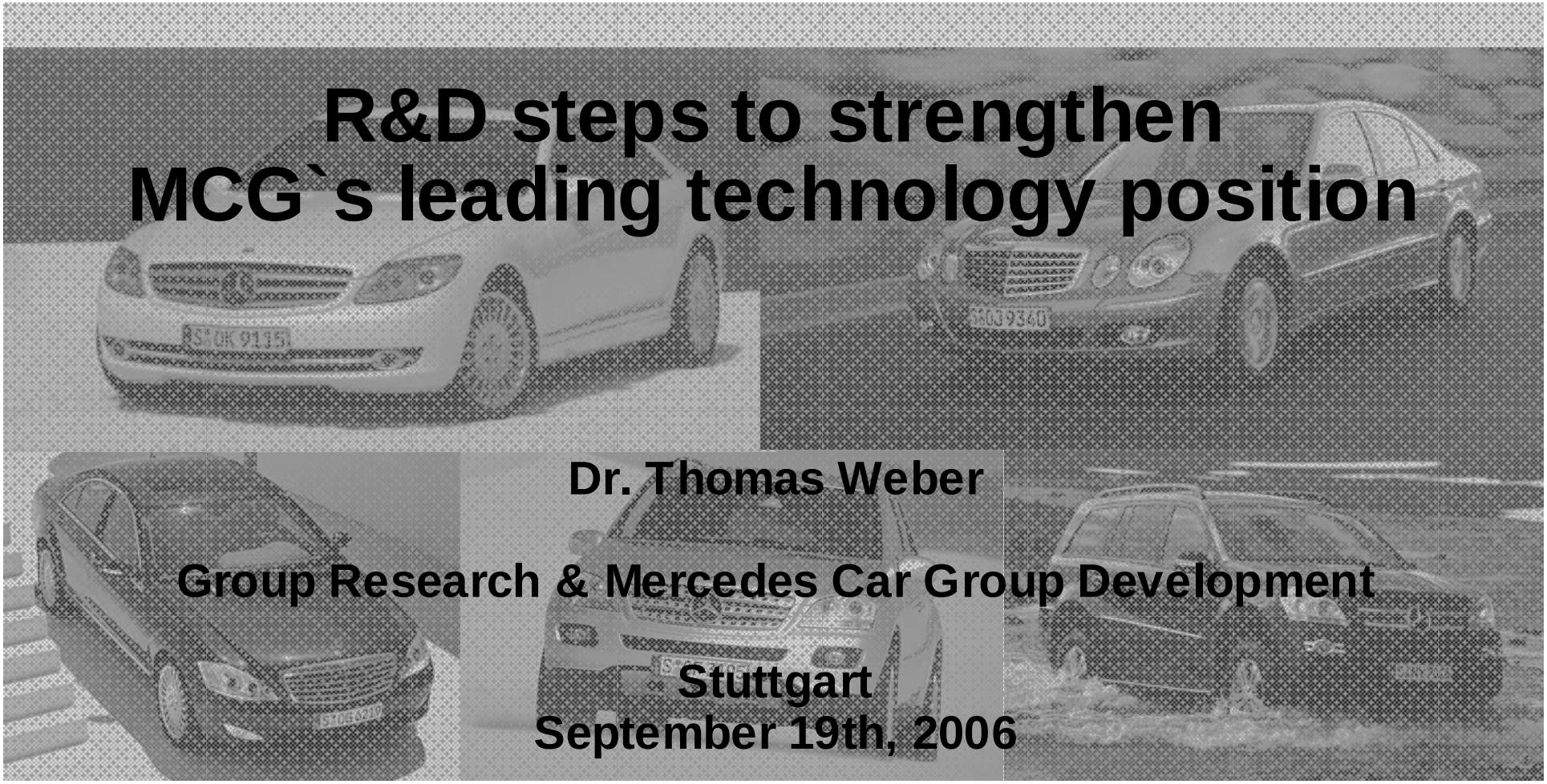
MERCEDES CAR GROUP

DIVISION DAY



R&D steps to strengthen MCG`s leading technology position

Dr. Thomas Weber

Group Research & Mercedes Car Group Development

Stuttgart
September 19th, 2006

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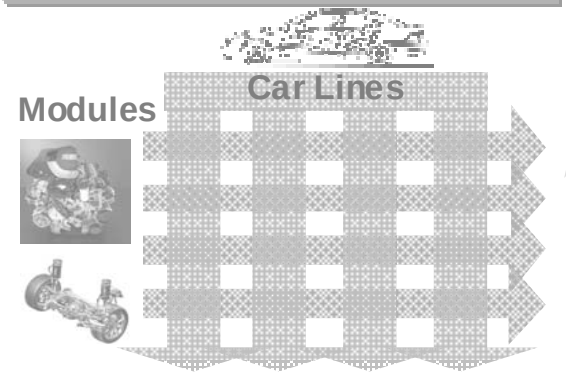
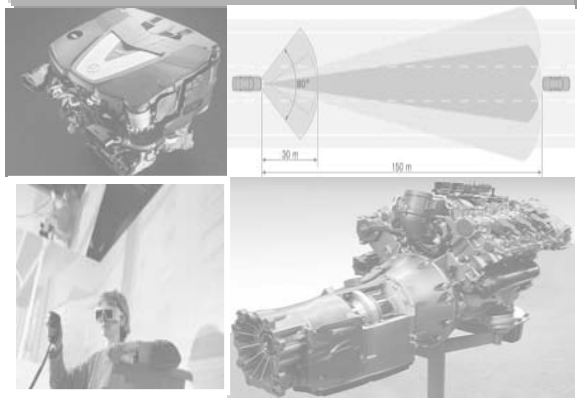
Challenges for the MCG Development in the future

Cost and complexity reduction



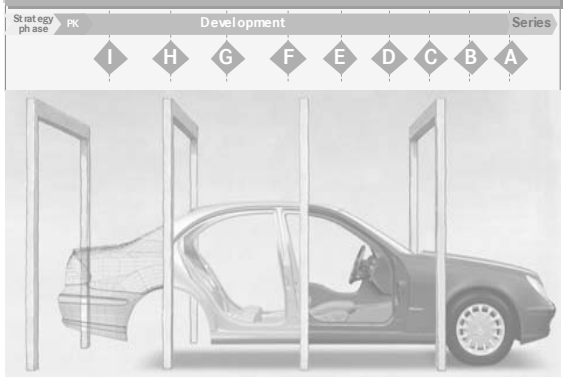
MTC Sindelfingen

Customer oriented Inno‘s & technologies



Mercedes Car Group Development

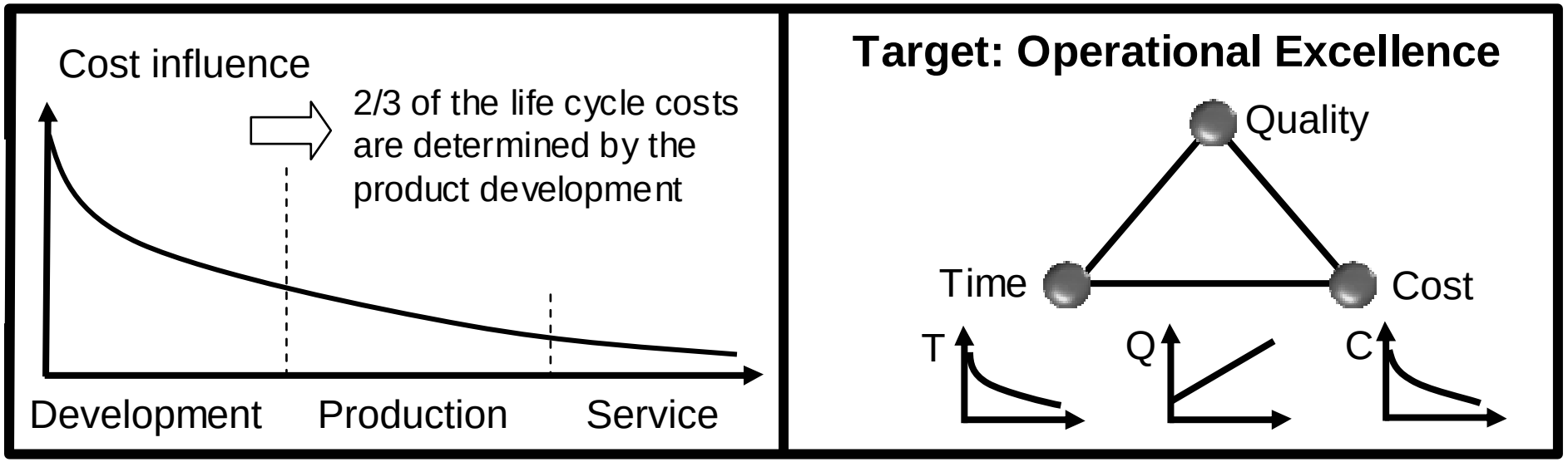
Further quality improvements

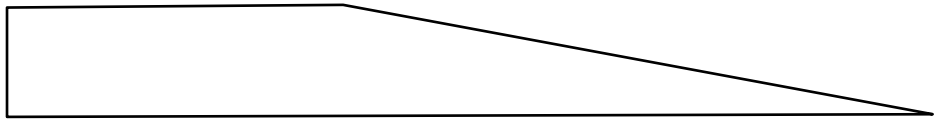


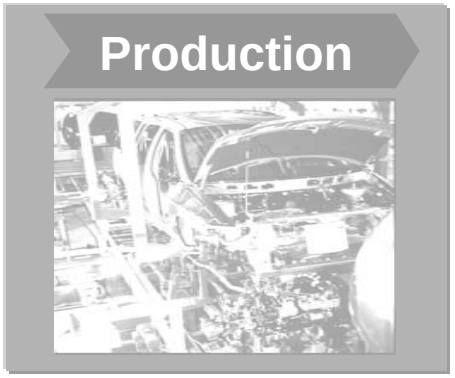
MTC Untertürkheim

Fascinating products for the future

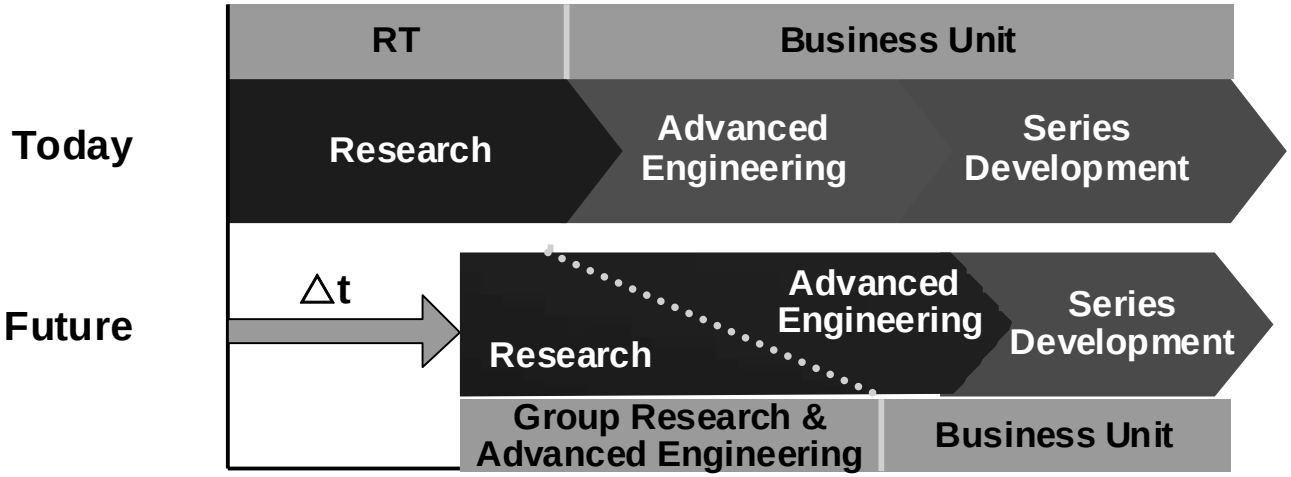
The cost structure of a vehicle is mainly influenced by development







More efficiency through integration of Group Research and Advanced Engineering



Targets:

- Increase speed of technology transfer
- Focus resources on relevant fields
- Increased innovation hit rate
- Synergies out of modular R&D-work

Advanced Eng. altern. Propulsion

- e.g. Fuel Cell, Hybrid-house

Advanced Eng. Electric/Electronic

FlexRay™

- e.g. AUTOSAR, FlexRay

Advanced Eng. Powertrain

- e.g. BLUETEC

➡ Extension of Group Research to Advanced Engineering enables 'more for less'

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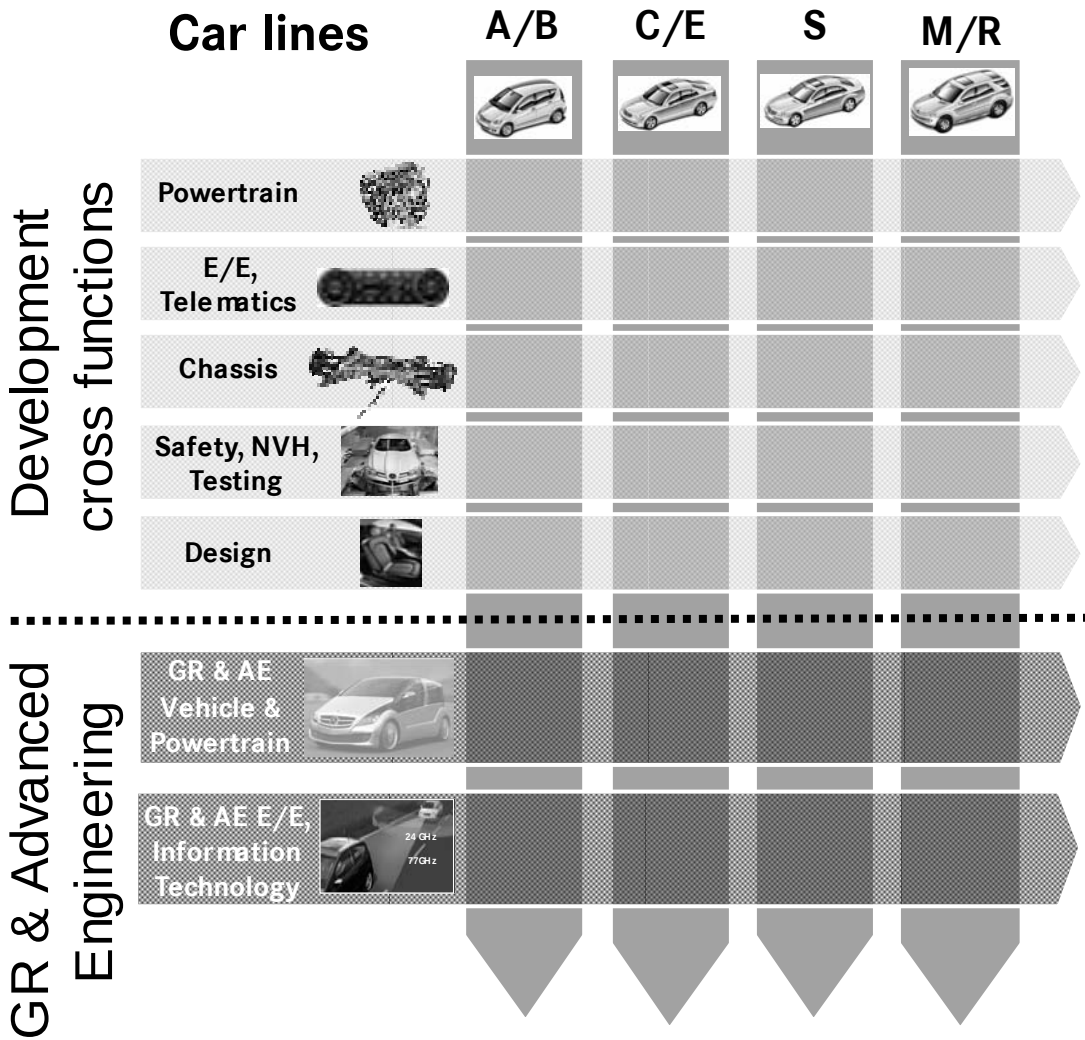
Integrated organisation structure in the new organisation Group Research & Mercedes Car Group Development

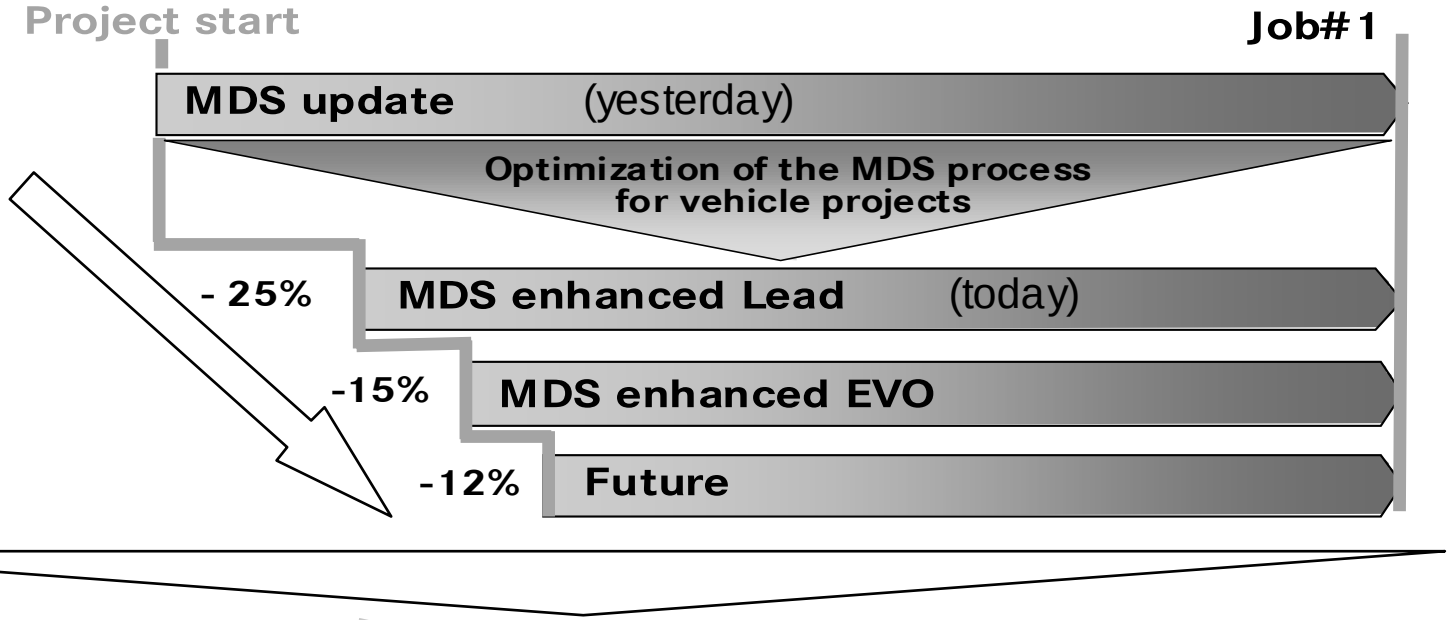


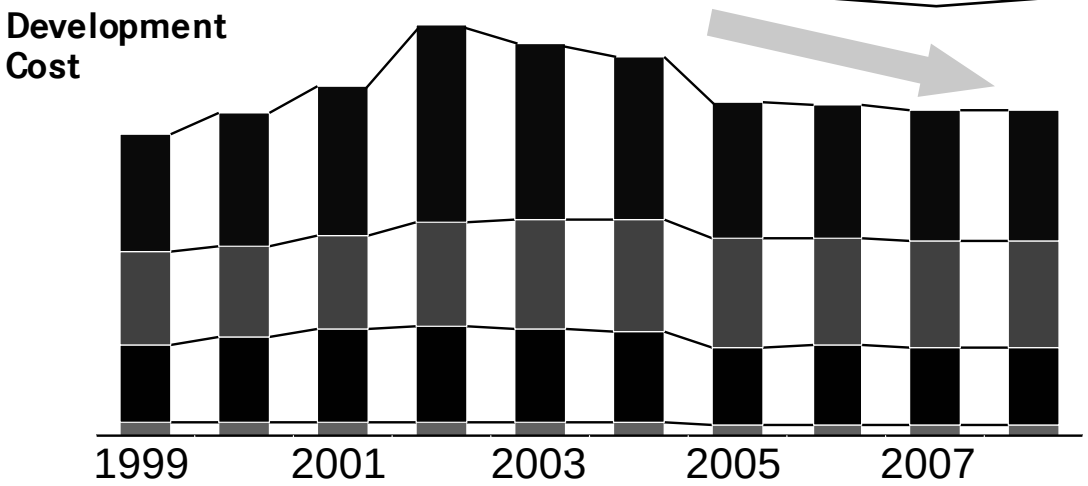
- Strong Program Management & cross functions
- Focus modularisation and standardisation
- Goal: fascinating vehicles & top quality

- Focus on customer & product relevant research projects
- Accelerated technology transfer into products

Increased efficency through shortened product creation process and focussed R&D budget allocation

Mercedes-Benz
Development
System





- **Focussing development activities and adjusted R&D budget**
- **More projects with better quality and less resources**

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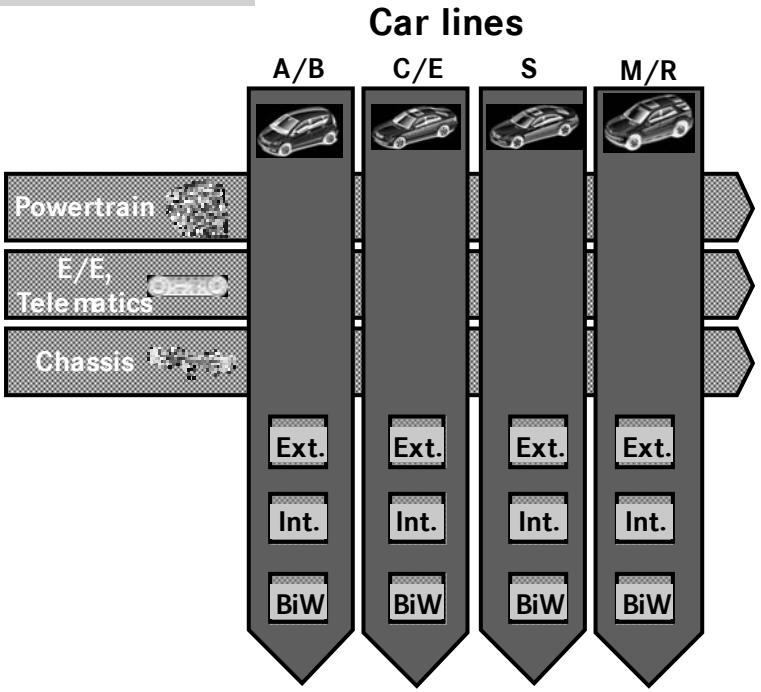
From a car line specific organisation to a cross-modular organisation

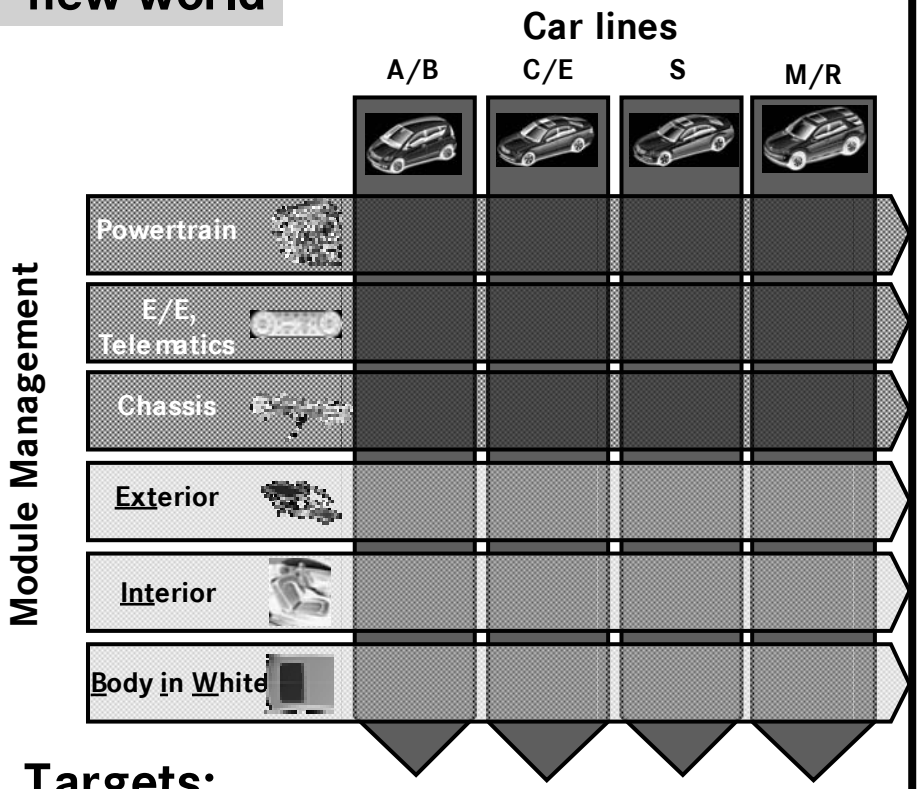
"old world"



Lessons Learned:

- Car line specific development
- „Start from zero" for every car line

"new world"



Targets:

- Reduced complexity
- Less variants
- Top quality
- Competitive cost position

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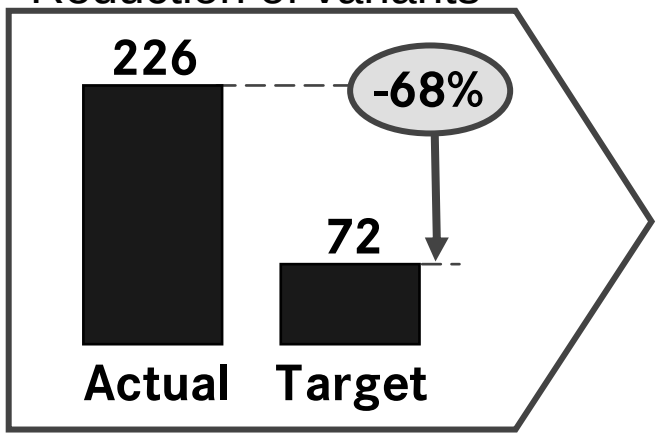
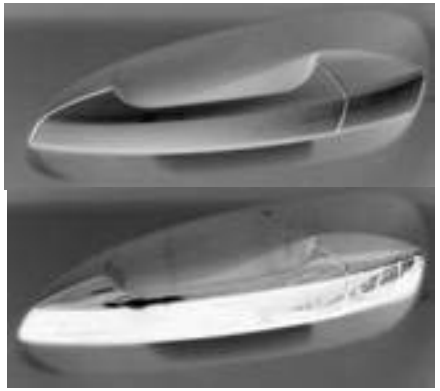
Modularisation to reduce complexity, improve quality and strengthen cost position

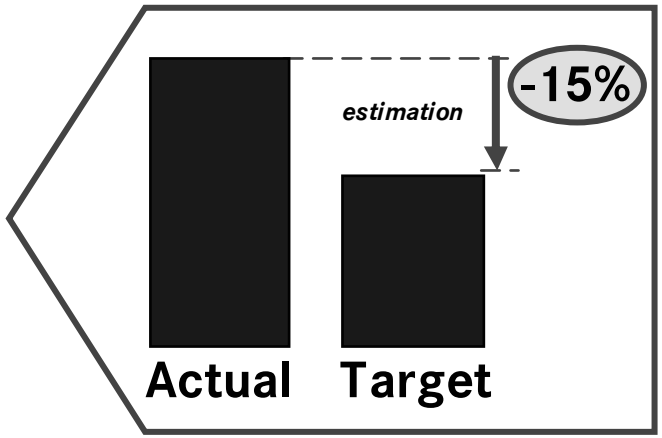
Door handle

Reduction of variants

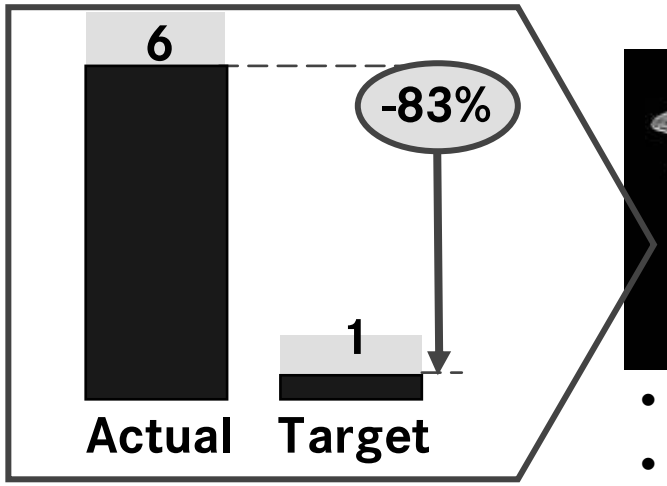


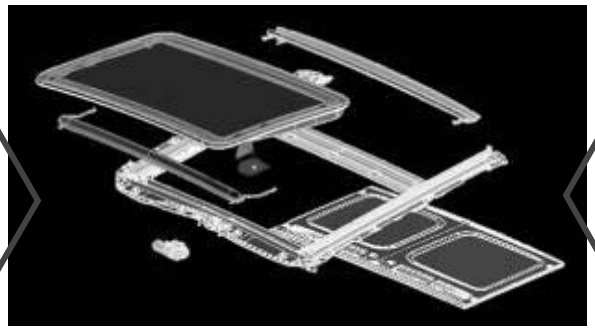


Cost reduction

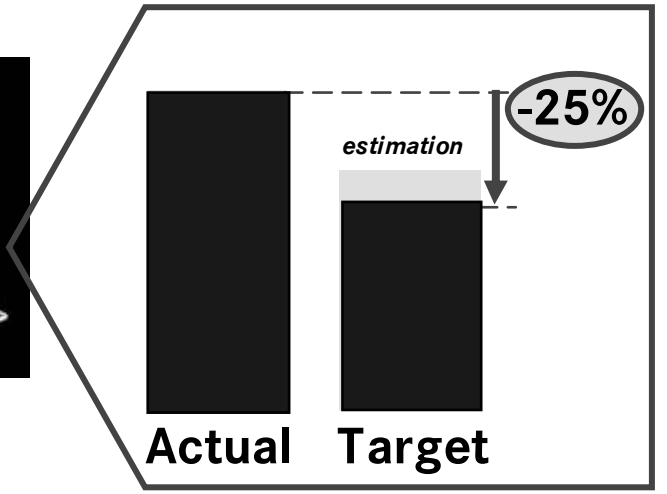


Sunroof





- Reduce production cost
- Increase process quality



Contributions from development to further improve the quality of our vehicles

Concept Quality

IQS APEAL Q-Sensor Concept-map J.D. POWER AND ASSOCIATES

Voice of the customer has to determine the concepts

Delivered Quality

Q-Sensor Delivery Quality IQS APA

MB has to achieve No.1 ranking in delivered quality

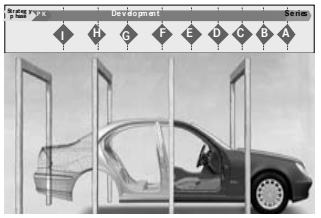
Reliability

ADAC VDS TÜV SÜD

An overshoot in reliability for regaining trust

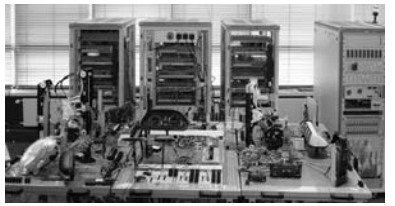
Contributions from development

- Improved specification books for vehicles and components



- Early digital prototype simulations

- Design for manufacturing
- Perform quality and reliability methods (e.g. FMEA)

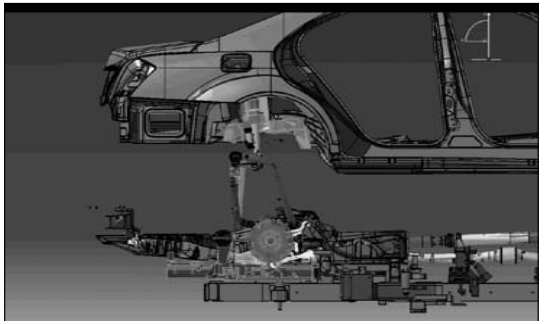


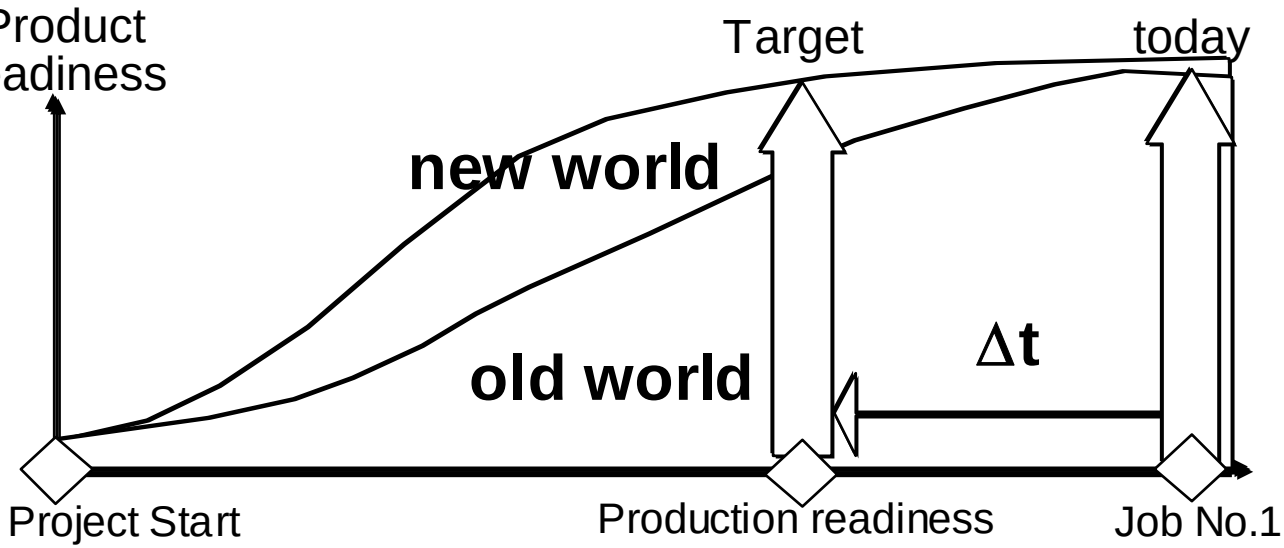
- Extensive hardware testing

- Modularization for less complexity and top reliability

Early product readiness provides additional time for testing

Tools:
- Digital engineering
- Digital production planing





Intensified testing ensures top quality

bench tests for vehicles and components

early durability tests with prototypes

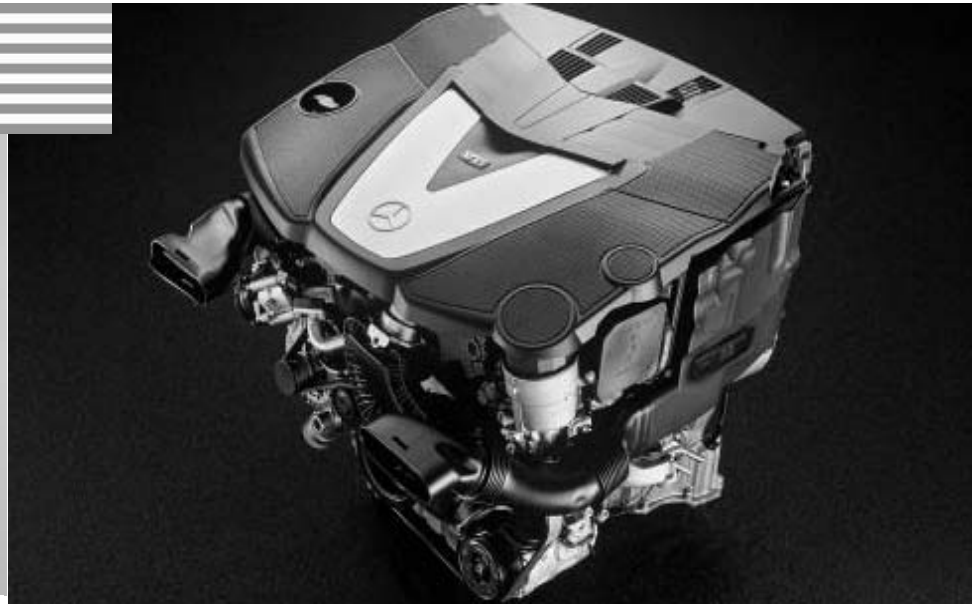
S-Class

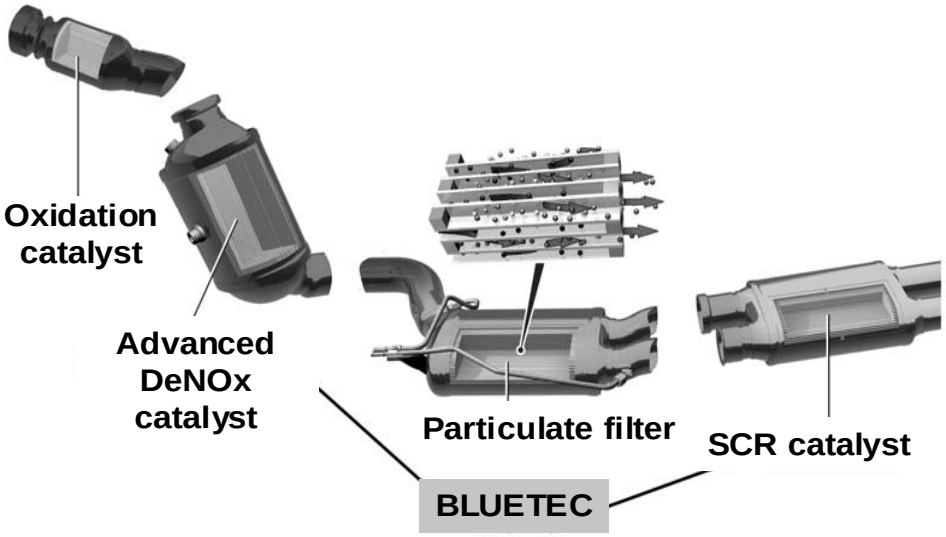
approx. 8 mill. test-km
approx. 500 test vehicles

New Generation E-Class

approx. 5.6 mill. test-km

Cleanest Diesel passenger car in the world: E 320 BLUETEC





First market introduction of BLUETEC in the passenger car

E 320 BLUETEC

October 15th, 2006 in the US. and Canada

Estimated consumption of approx.

6,7 l/ 100 km (35 mpg)

To be continued: The success story of Diesel vehicles from Mercedes-Benz

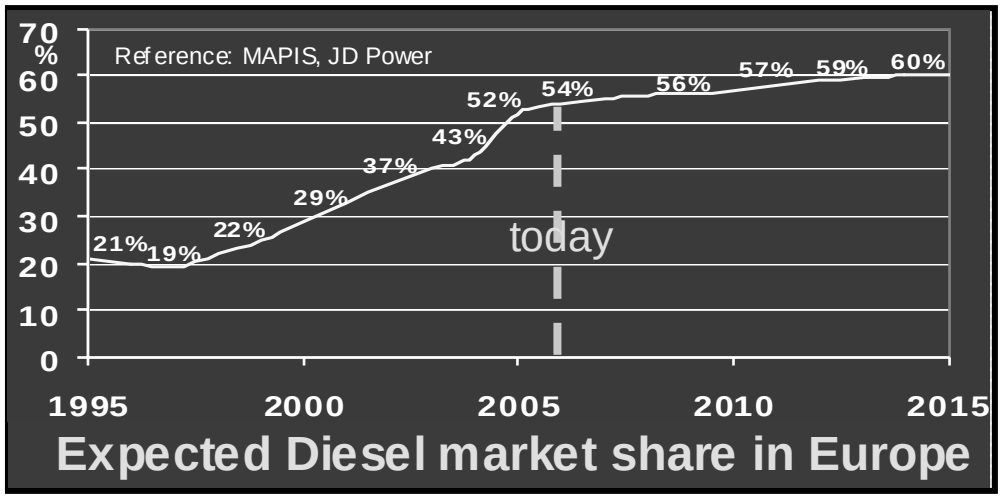
First successes in North America

E 320 CDI
since 2004
11.000 veh.

Jeep Liberty CRD

smart fortwo CDI

Increasing market share in Europe



Further diesel plans

Additional BLUETEC cars in the US in 2008

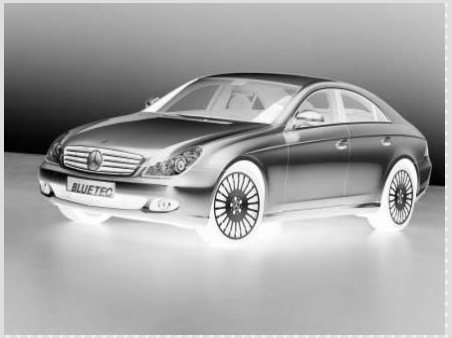
GL-class

R-class

ML-class

BLUETEC in Europe

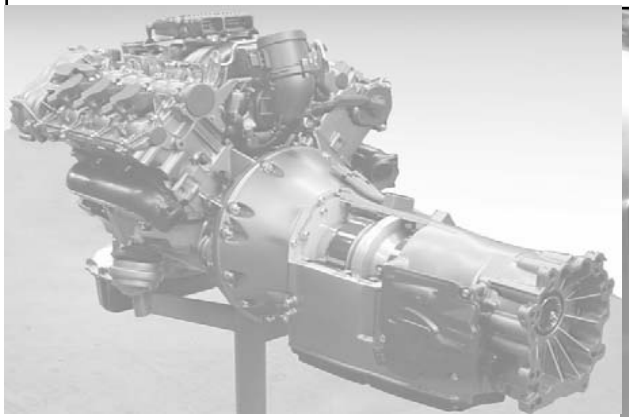
At least one BLUETEC passenger car in Europe in 2008.

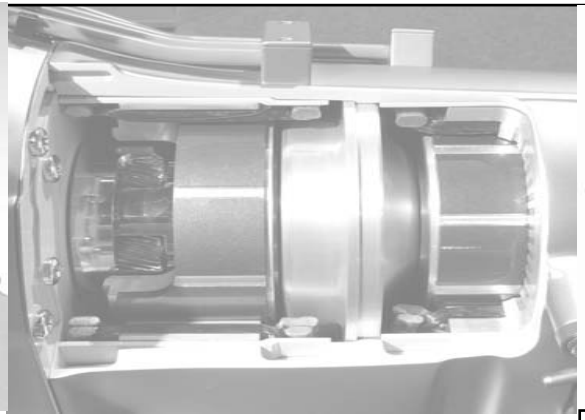


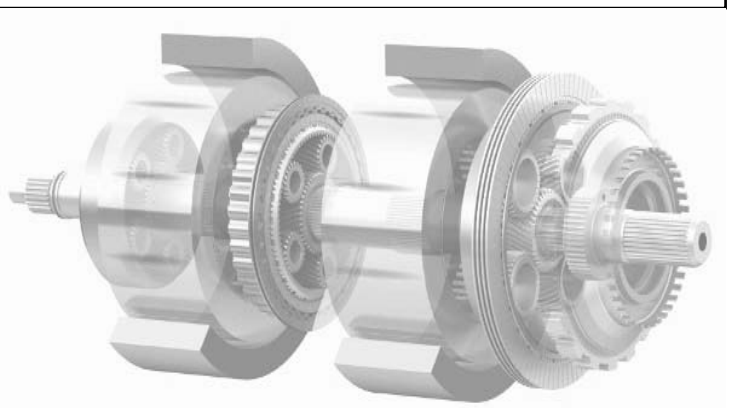
Vision CLS 320 BLUETEC

Remarkable advantages of the Two-Mode-Hybrid: more efficient, more comfortable, more dynamic

Two-Mode-Hybrid system







Advantages of the Two-Mode-Hybrid system:

- 2 basic operating modes:
  - Input-split Electrically Variable Transmission (EVT)
  - Compound-split EVT
- Parallel hybrid operation modes with 4 fixed gears
- Top boost function
- Less space needed due to small electric engines
- Up to 25% less consumption

GM – DaimlerChrysler – BMW – Hybrid Development Center

GM DAIMLERCHRYSLER BMW

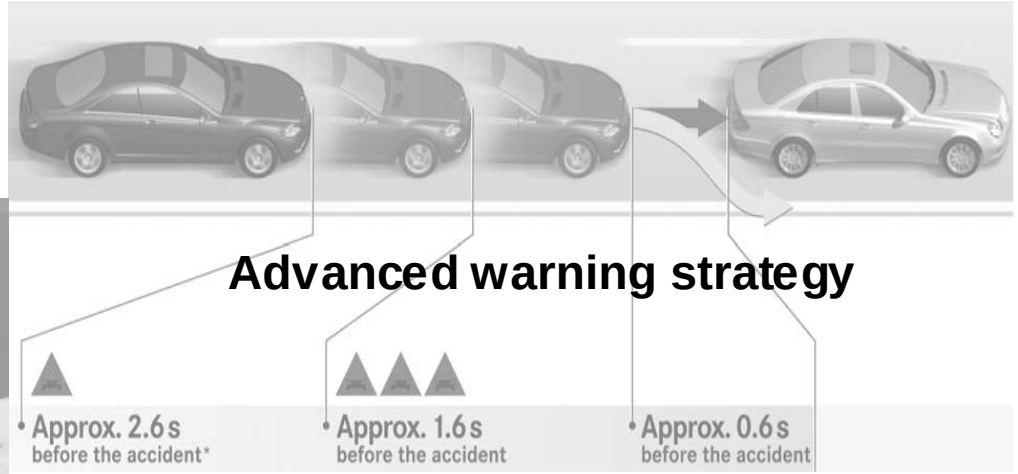
Troy, Michigan

Innovation leadership and unique selling proposition with advanced safety innovations

S-Class

CL-Class

PRE-SAFE®-Brake (10/06)



DISTRONIC PLUS® & BAS PLUS (09/05)

Nightview Assist (09/05)

PRE-SAFE® (09/05)

Examples of further safety innovations to realize step-by-step the vision of “Accident Free Driving”

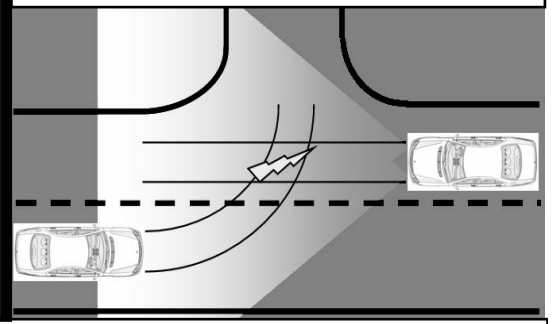
Fatigue Detection System

Lane Departure Warning

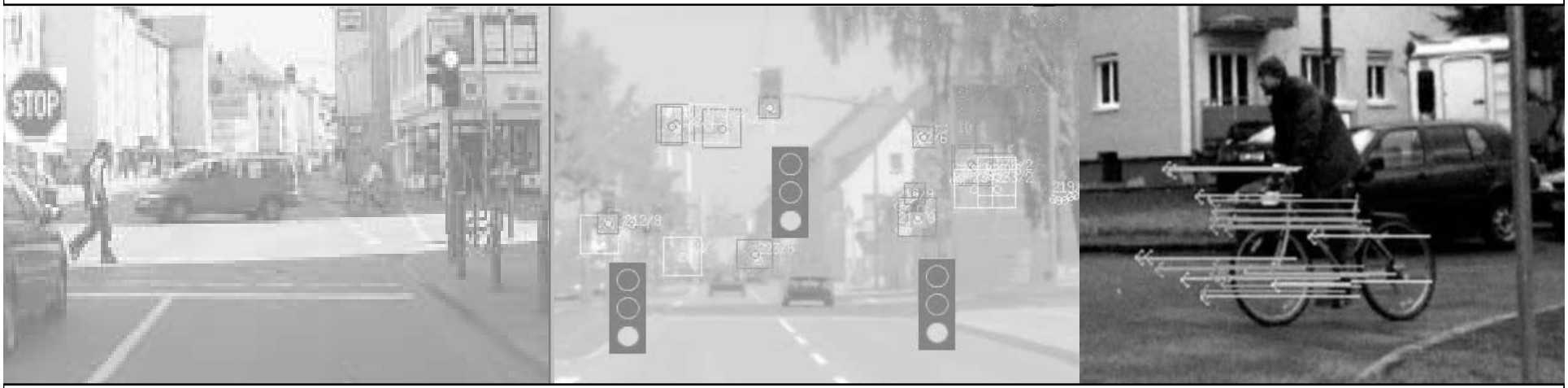
Collision Mitigation System

Advanced Parking Guidance

Advanced PRE-SAFE

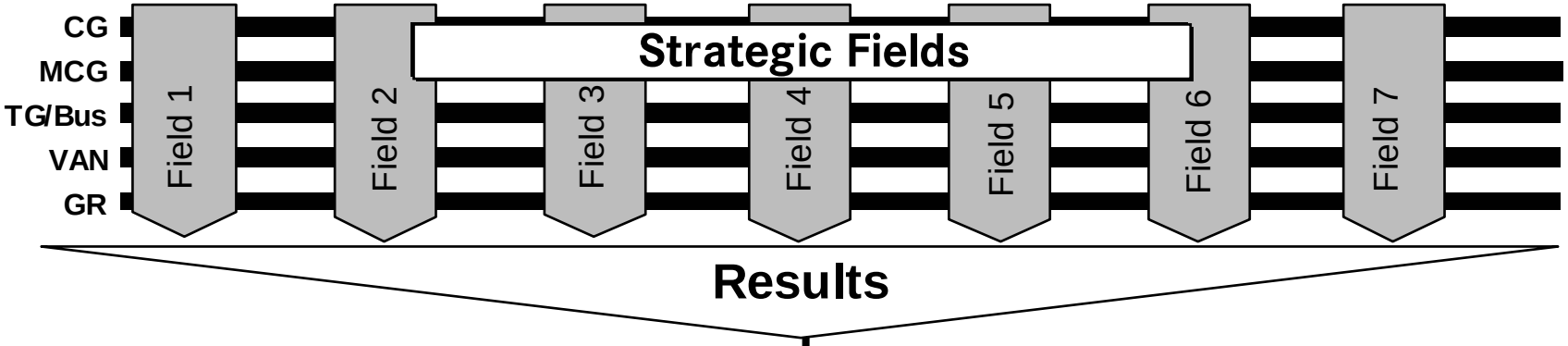


Examples for future innovations



Intersection Assistant: Object -, sign – and movement recognition

Controlled technology transfer to the Chrysler Group to gain synergy effects



Vehicle concepts

Components and modules

E/E-components & functionalities

Modern Diesel technology – BLUETEC –

A distinctive innovation management ensures the brand specific characteristics of Mercedes-Benz and Chrysler products

Successful new vehicles launched with distinctive technical characteristics

S/CL-Class

SL-Class

M/R/G-Class

E/CLS-Class

C/CLK/SLK-Class

A/B-Class

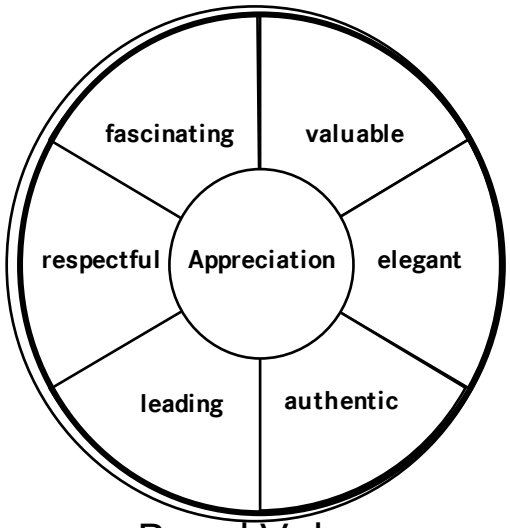
2005

2006

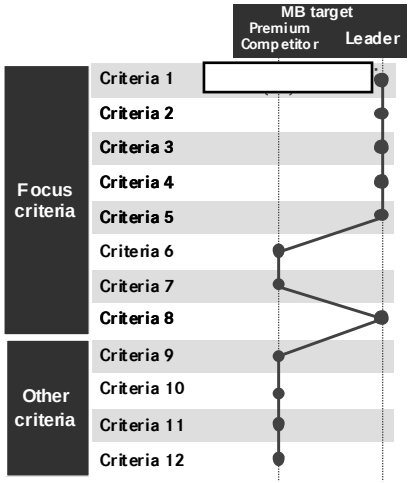
The product pipeline is filled with fascinating vehicles that will hit the markets successfully.

Future

Fascinating and competitive future products are developed based on the new brand model „Appreciation“



Brand Values



Performance Profiles

Competitive & successful Products

today

C-Class

Successor C-class

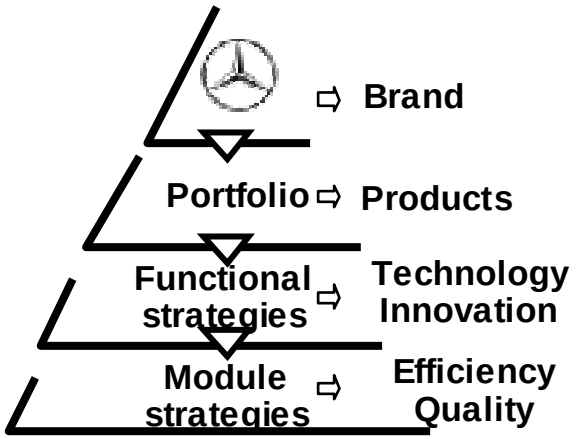
E-Class

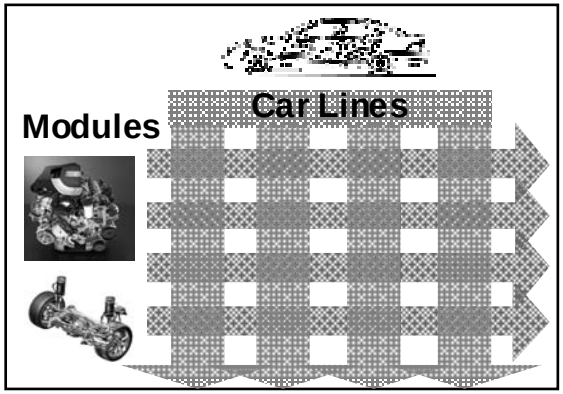
Successor E-class

New vehicles and their variants with lots of innovations are coming up on the basis of the new brand profile “Appreciation”

A clearly defined development strategy ensures fascinating vehicles and efficient processes

GR&MCG/D-Strategy

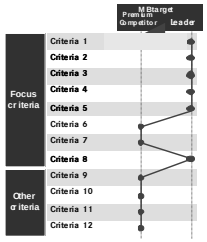




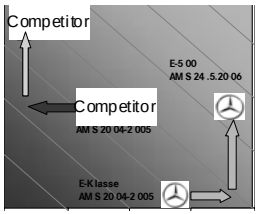
Action plan

1. "new" core brand values

2. Product performance profiles (actual versus target)

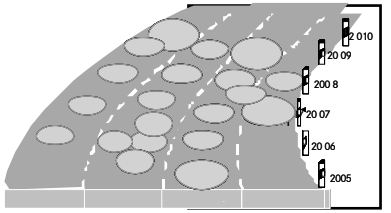


3. Definition of measurables for all product performance criteria



4. Functional strategies Defined and approved

5. Committed Innovations road maps



6. Vehicle Architecture & Module strategies for MCG

Summary & Conclusion

- The new division Group Research & Mercedes Car Group Development is well prepared for the challenges of the future
- Optimized processes and new structures are in place
- First successes with the new products are already visible
- All new future products on track in development

DISCLAIMER

This presentation contains forward-looking statements that reflect management's current views with respect to future events. The words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “project” and “should” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties, including, but not limited to: an economic downturn in Europe or North America; changes in currency exchange rates, interest rates and in raw-material prices; introduction of competing products; increased sales incentives; the effective implementation of our New Management Model, and the CORE program, including the new business model for smart, at the Mercedes Car Group; renewed pressure to reduce costs in light of restructuring plans announced by our major competitors in NAFTA; disruption of production or vehicle deliveries, resulting from shortages, labor strikes or supplier insolvencies; the resolution of pending governmental investigations; and decline in resale prices of used vehicles. If any of these or other risks and uncertainties occur (some of which are described under the heading “Risk Report” in DaimlerChrysler’s most recent Annual Report and under the heading “Risk Factors” in DaimlerChrysler’s most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission), or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statement, which speaks only as of the date on which it is made.