

# DAIMLERCHRYSLER

## 2004 RESULTS - STATUS AND OUTLOOK

**Jürgen E. Schrempp**  
Chairman of the Board of Management  
&  
**Bodo Uebber**  
Chief Financial Officer

March 2005

# **2004 RESULTS - STATUS AND OUTLOOK**

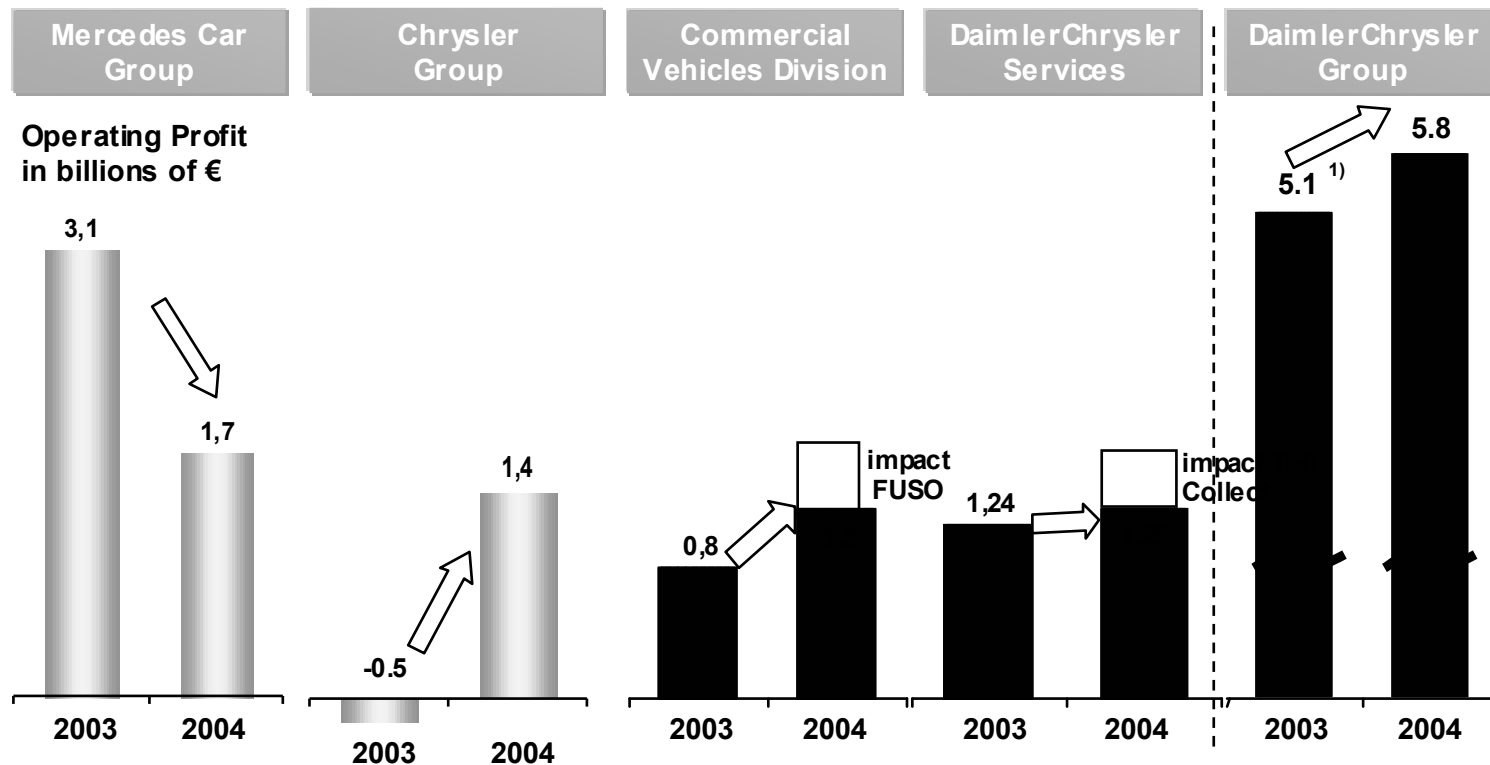
**Jürgen E. Schrempp**  
**Chairman of the Board of Management**

## SIGNIFICANT IMPROVEMENT IN OPERATING PROFIT

	2003	2004
<b>Revenues</b>	€ 136.4 bn	€ 142.1 bn
<b>Operating Profit</b>	€ 5.7 bn	€ 5.8 bn
<b>Operating Profit adjusted<sup>1)</sup></b>	€ 5.1 bn	
<b>Net income</b>	€ 0.4 bn	€ 2.5 bn
<b>Equity ratio industrial business</b>	26.1 %	25.3 %
<b>Net Liquidity industrial business</b>	€ 1.8 bn	€ 2.2 bn
<b>Dividend</b>	€ 1.5	€ 1.5

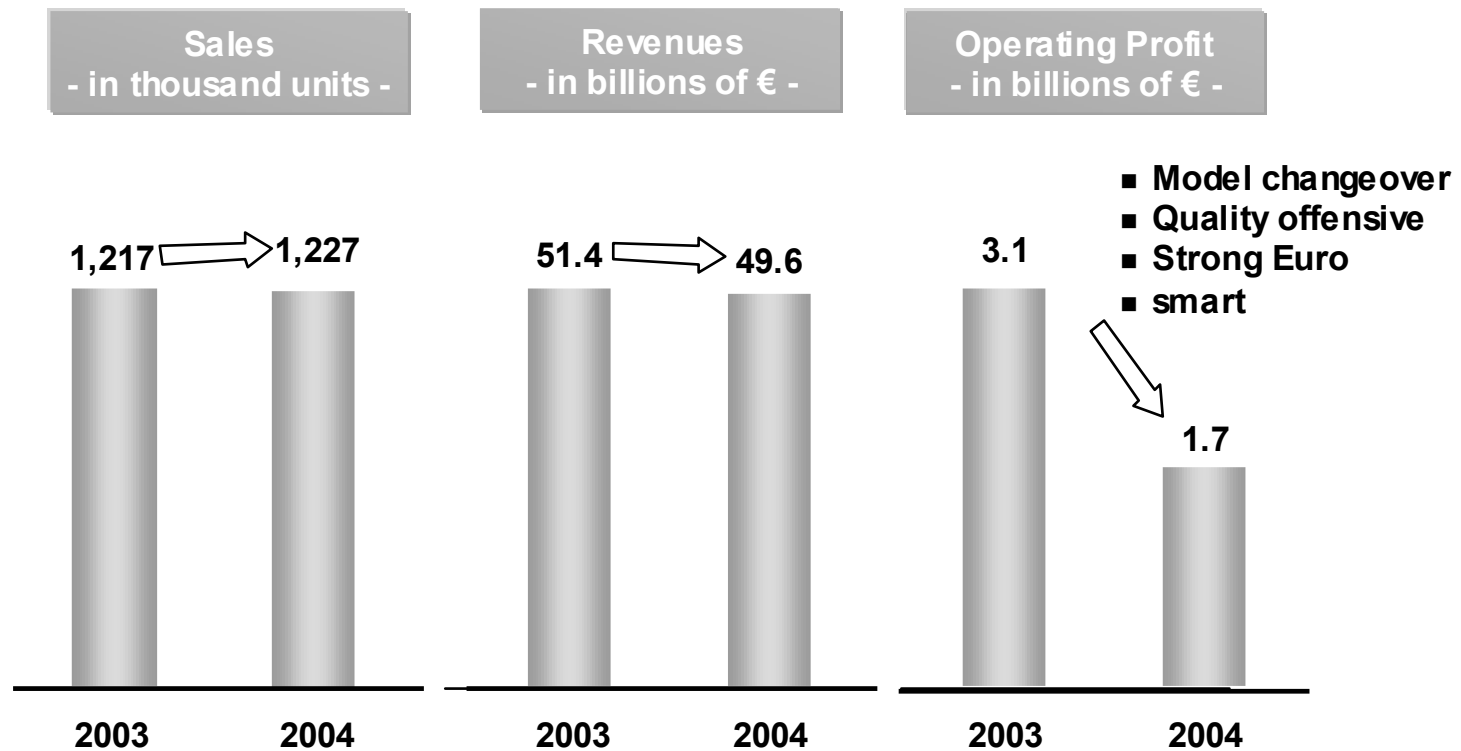
1) Excluding Chrysler Group restructuring costs and gain of sale MTU Aero Engines in 2003

## CHRYSLER GROUP AND CVD MORE THAN COMPENSATE DECLINE AT MERCEDES CAR GROUP



1) Excluding Chrysler Group restructuring costs and gain of sale MTU Aero Engines in 2003

## DECREASE IN OPERATING PROFIT PRIMARILY DUE TO CURRENCY EFFECTS AND QUALITY OFFENSIVE



## PROGRAM FOR STRENGTHENING OF PROFITABILITY

### Efficiency

- Implement comprehensive transformation and optimization program "CORE"
- Develop sustainable business model for smart

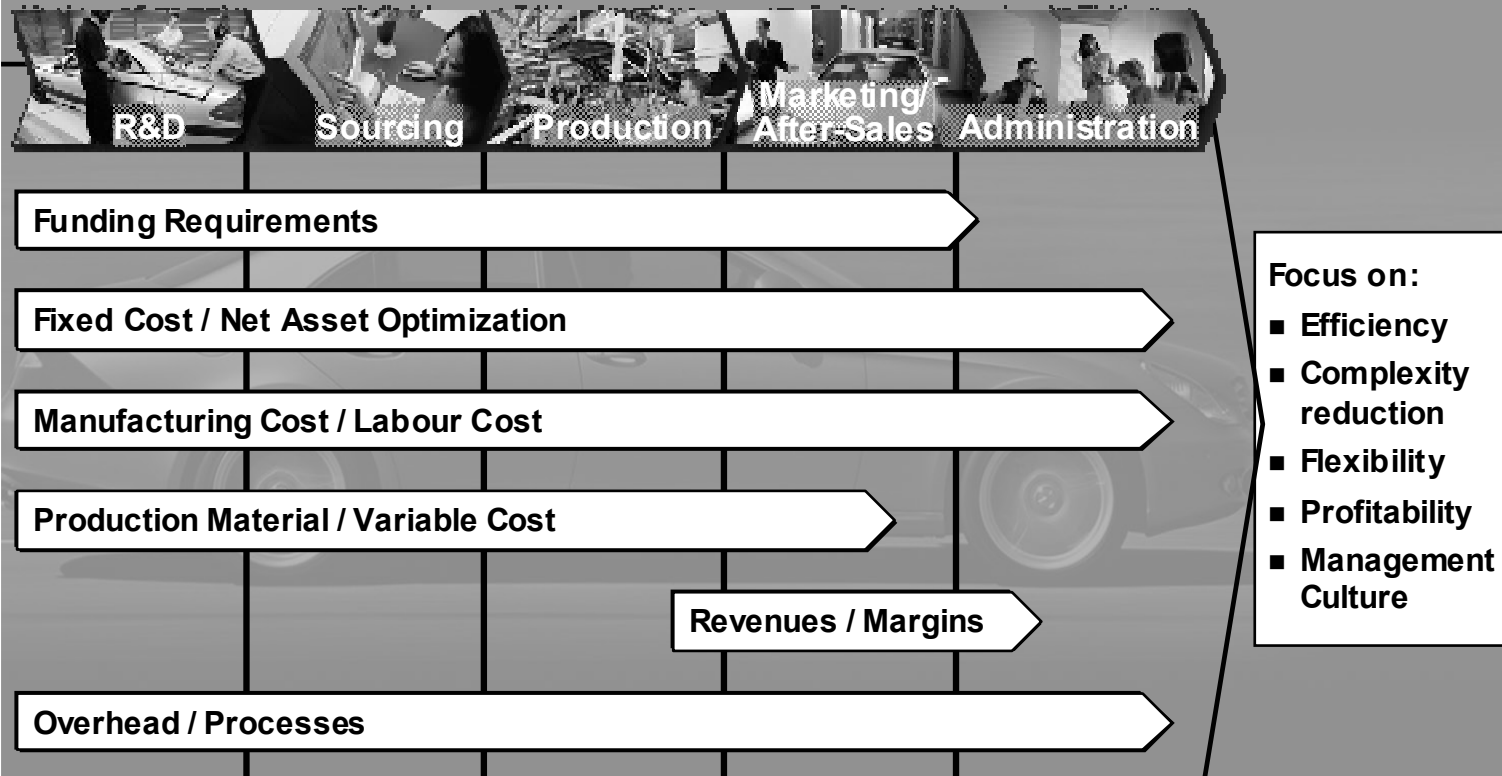
### Quality

- Comprehensive quality offensive Mercedes-Benz

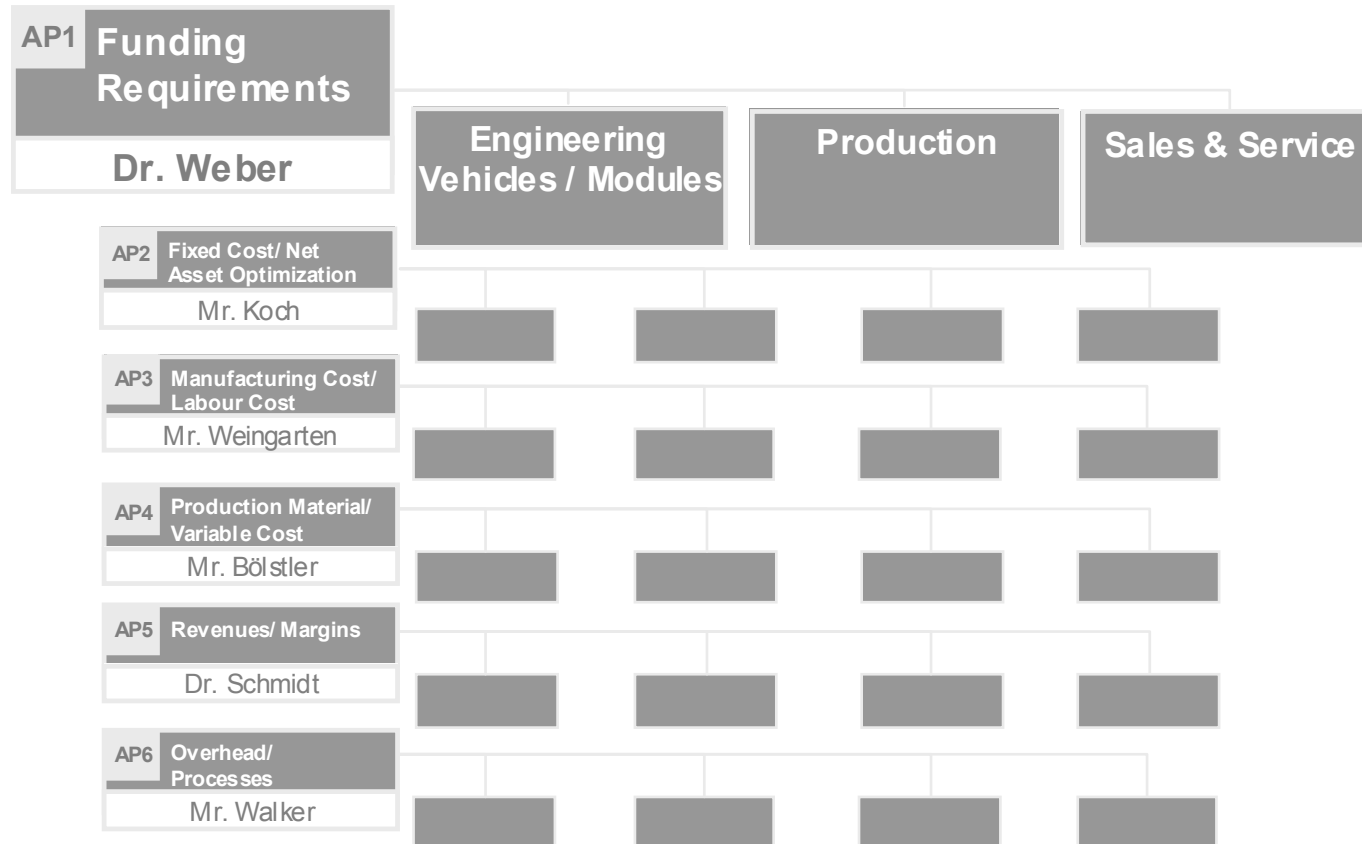
### Profitable Growth

- Strengthen innovation leadership with S-Class successor
- Launch of M-Class successor
- Launch of B- and R-Class in sports tourer segment
- China activities

## TRANSFORMATION AND OPTIMIZATION PROGRAM ACROSS ENTIRE VALUE CHAIN

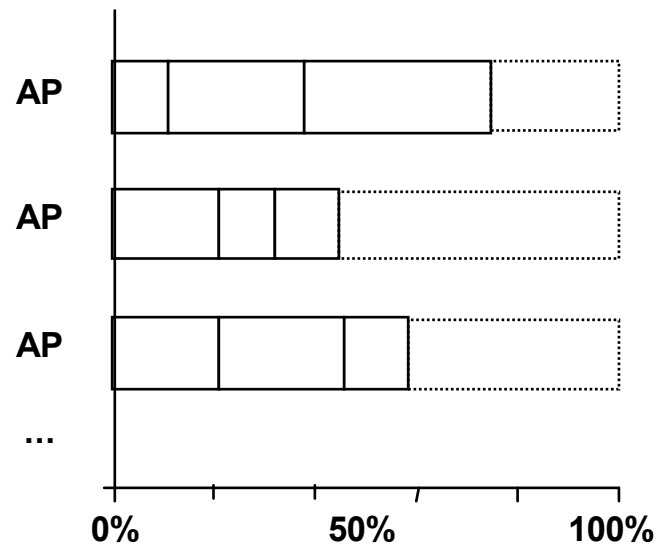


## PERSONAL RESPONSIBILITY OF MCG EXECUTIVE COMMITTEE AND CLEAR PROJECT STRUCTURE



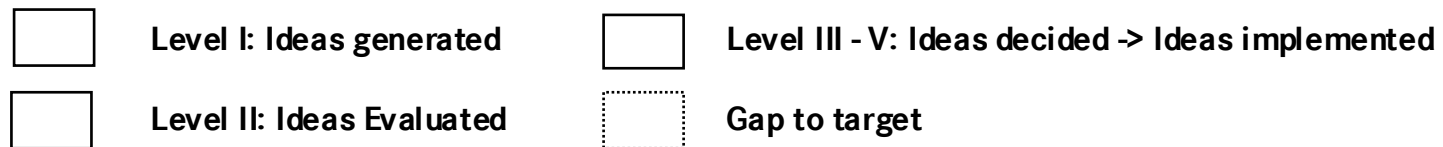


## FOCUS ON CONSEQUENT TRACKING AND EXECUTION

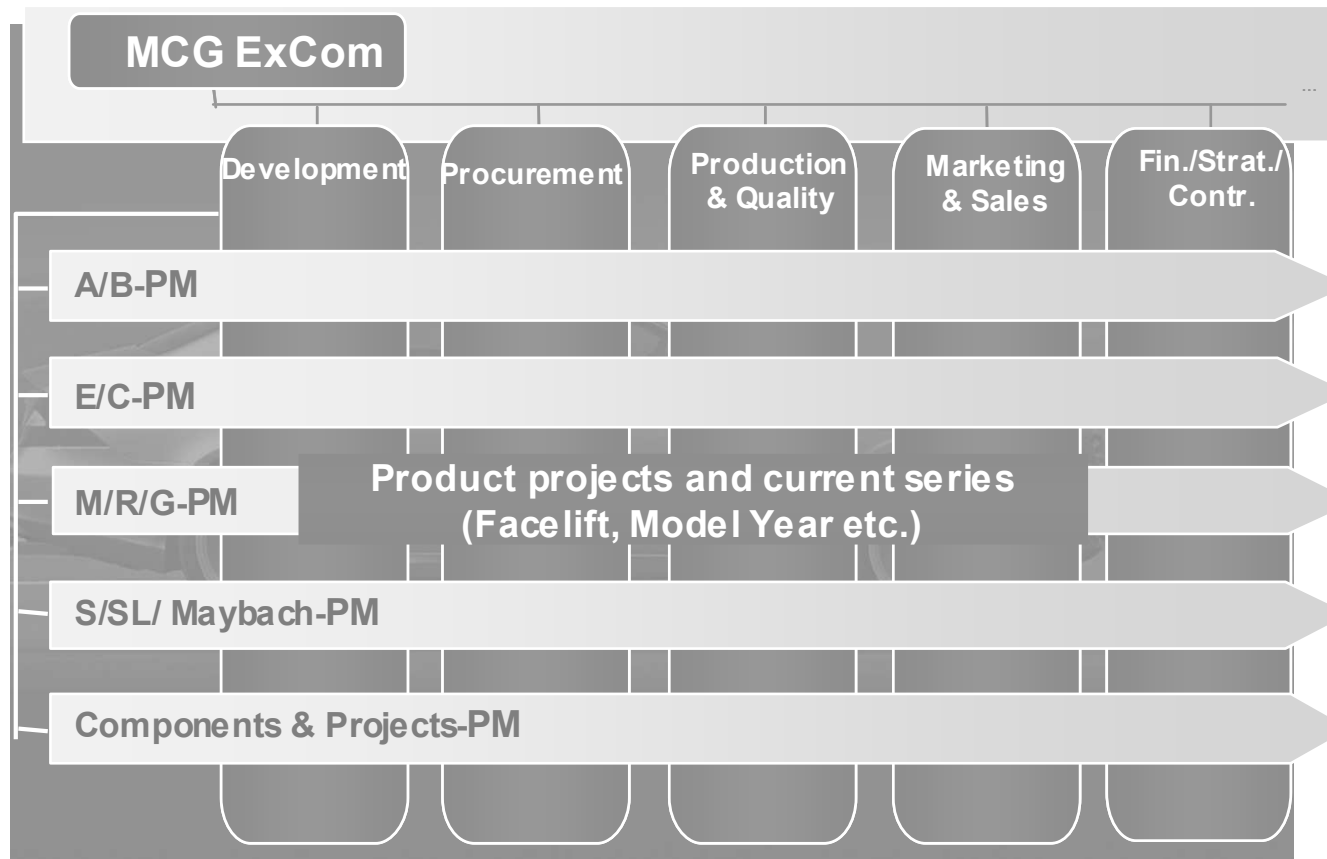


### Target

- Improvement of Operating Profit by € 3 bn.
- RoS 7% by 2007



## NEW EMPOWERED PROGRAM MANAGEMENT WITH PERSONAL ACCOUNTABILITY FOR COST, TIME, QUALITY



## QUALITY OFFENSIVE TO REACH BEST IN CLASS QUALITY MID-TERM

### Development

- Reduce complexity
- Increase maturity
- Increase use of digital tools
- Supplier support program

### Production

- Improve initial quality
- Milestones achieved
  - Failure rate reduction
  - W&G improvement faster than planned

### Service

- Conduct preventive product measures
- Ensure top service quality

“New” products

Products in the field

## VISIBLE IMPROVEMENTS IN QUALITY PERCEPTION

### Quality Indicators

- JD Power IQS (2003-2004)

+20%

- Best result ever for MB
- Better than luxury average
- MB only German brand in Top 10

- JD Power SSI (2003-2004)

Rank 5  
(7 in 2003)

- MB clearly ahead of German Competitors

- ADAC AutoMarxx (2004)

Rank 1  
kept

- MB with best image among automobile brands

- ADAC Breakdown Statistics (2003)

+20%

- Rank 1 for SLK-Class
- Rank 2 for A-, S-, M-, CLK-Class

## QUALITY AS KEY LEVER FOR OPERATIONAL EXCELLENCE AND SUSTAINABLE PROFITABLE GROWTH

Problems / 100 vehicles  
after 12 months of operating

~50%

2002

2003

2004

## DEVELOP SUSTAINABLE BUSINESS MODEL FOR SMART

### Topics currently addressed

- Sales performance  
(Network density, market entry USA under evaluation)
- Cost structure
- Productivity  
(Across all product lines and through entire value chain)

### First decisions already taken

- Improve sales performance  
(e.g. shop in shop, market and sales initiative)
- Product and market strategy



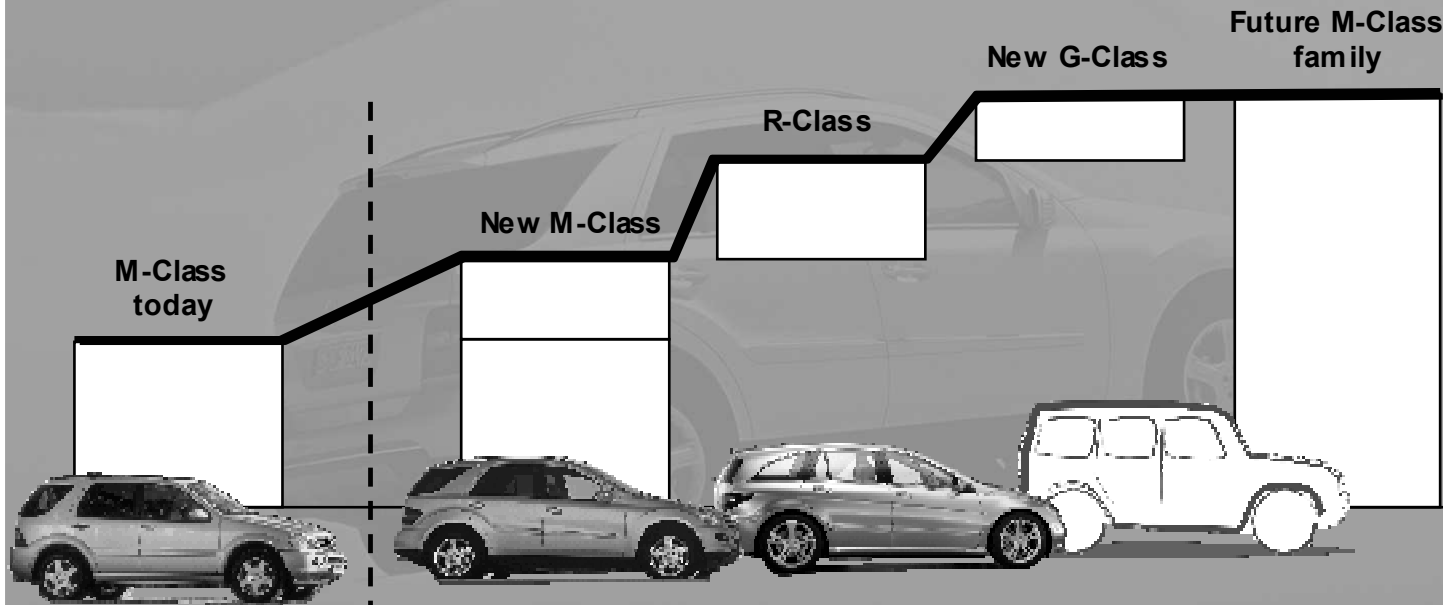
## NEW PRODUCTS IN 2004



- **CLS defining new segment of 4-door coupe**
- **Overwhelming market acceptance**

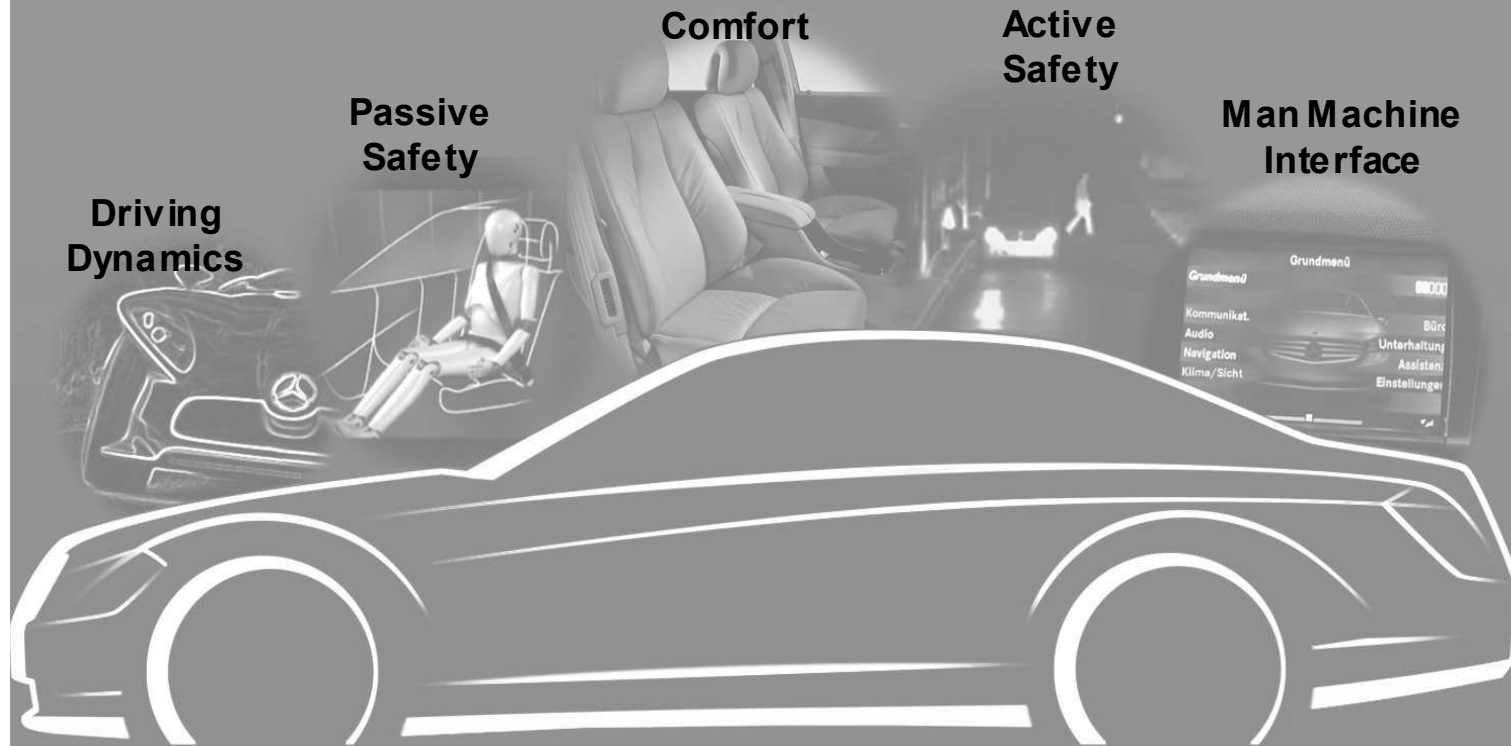
- **SLK wins 32 out of 33 international awards**
- **Undisputed market leader in its segment**

## NEW M- AND R- CLASS: MAJOR STEPS IN VOLUME EXPANSION OF M-CLASS FAMILY





## S-CLASS AGAIN DEFINING THE STANDARD



**S-Class No. 1 in luxury segment since 1965**

## PRODUCT OFFENSIVE MERCEDES CAR GROUP

2005

- M-Class
- R-Class
- B-Class
- S-Class

2006

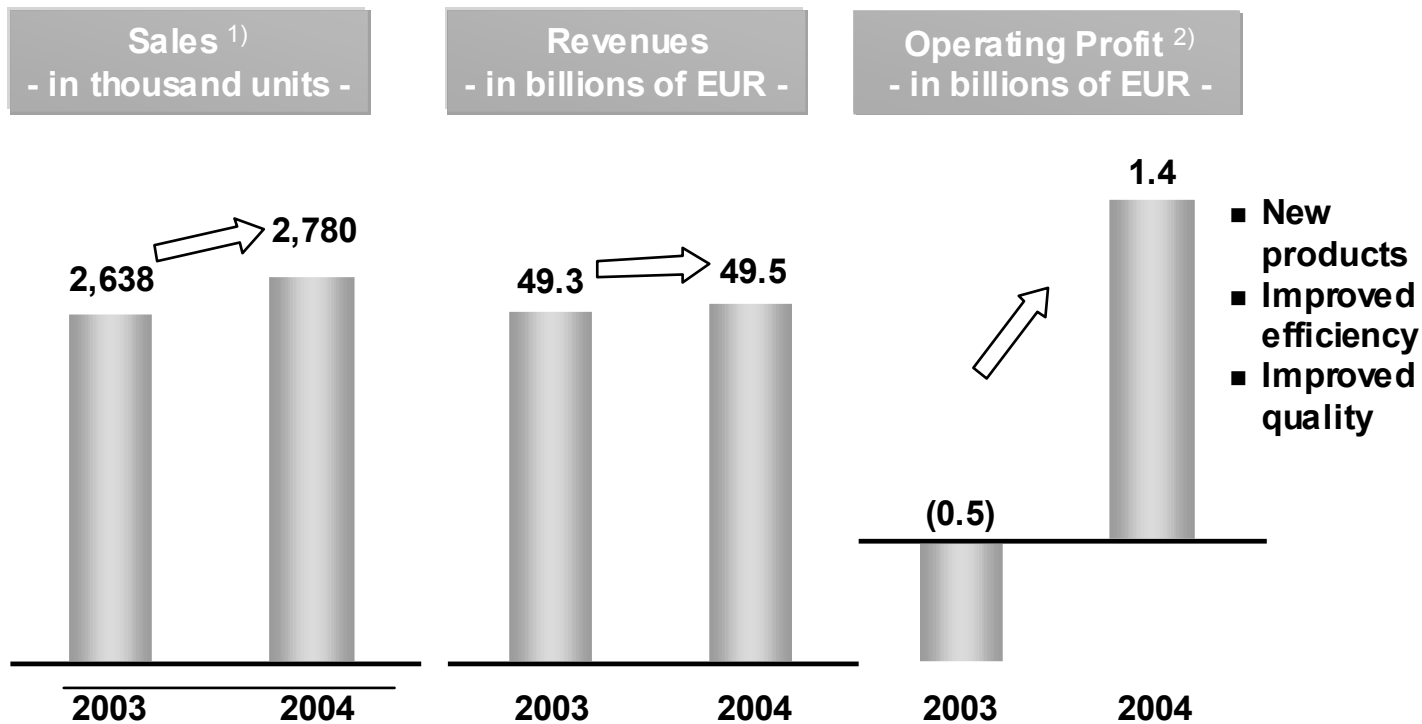
- G-Class
- S-Coupe
- ...

2007

- C-Class
- smart fortwo
- ...



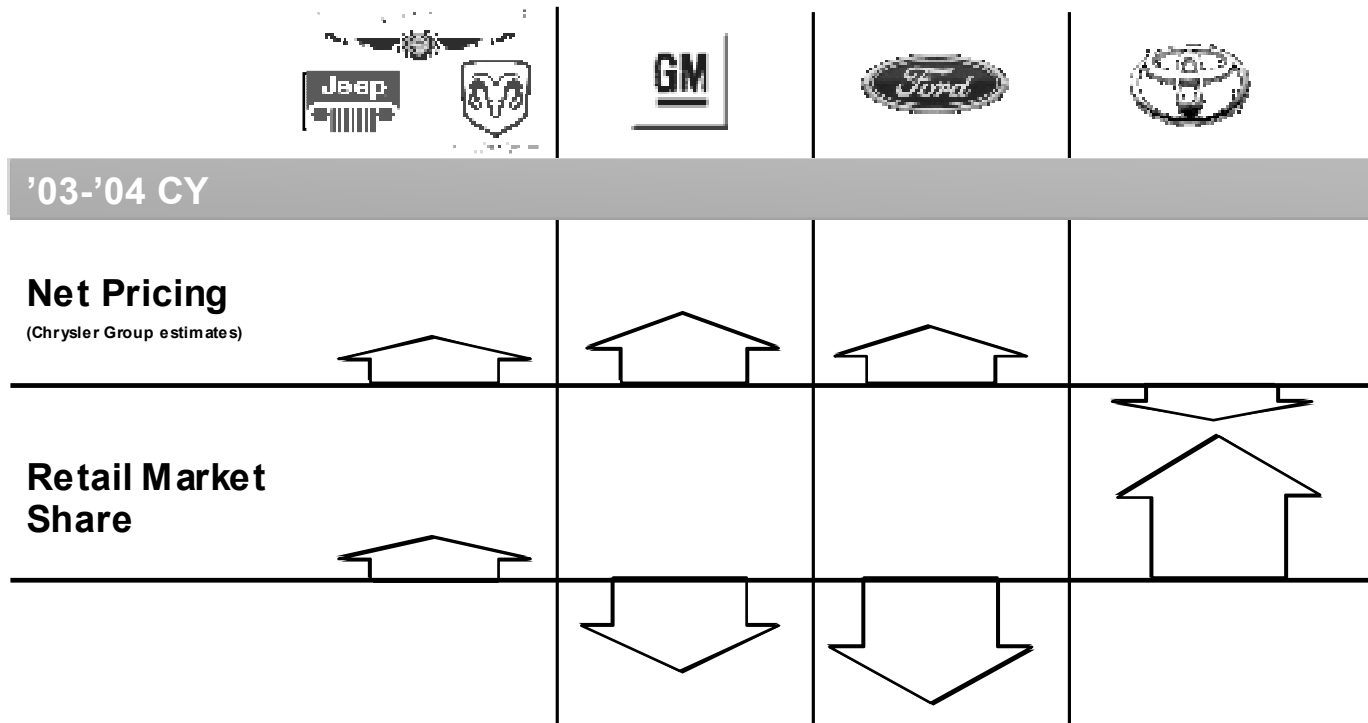
## TURNAROUND DESPITE DIFFICULT MARKET CONDITIONS



1) Corresponds to Chrysler shipments

2) Including restructuring charges of EUR 0.5 bn in 2003

**IN 2004, CHRYSLER ACHIEVED BOTH POSITIVE NET PRICING AND AN INCREASE IN MARKET SHARE**



## CONTINUED EFFICIENCY AND QUALITY IMPROVEMENT FOR FURTHER GROWTH

### Efficiency

- Continued striving for benchmark cost position
  - Productivity
  - Material costs
  - Capital expenditure
  - Workforce
- Optimize retail network

### Quality

- Target benchmark quality
  - Concept quality (APEAL)
  - Initial quality (IQS)
  - Service quality (CSI)

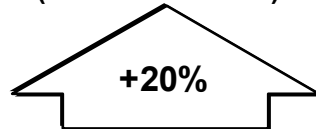
### Profitable Growth

- Continued product offensive
- International strategy, e.g.
  - China strategy
  - Cooperation with CMC in Taiwan (MPV)
  - Dodge Europe

## IMPROVEMENTS SINCE 2000

### Productivity

(2000 – 2004 fcst)



Harbour Report: Best  
Industry Improvement in  
2002, 2003

### Material Costs

(2000 - 2004)



Net Savings: - 20 %  
Gross Savings: - 26 %

### Net Assets

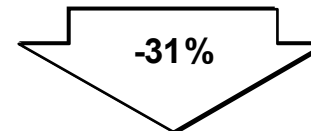
(2000 - 2004)



2000: 19.2 bn US\$  
2004: 11.1 bn US\$

### Program Spending

(2000 - 2004)

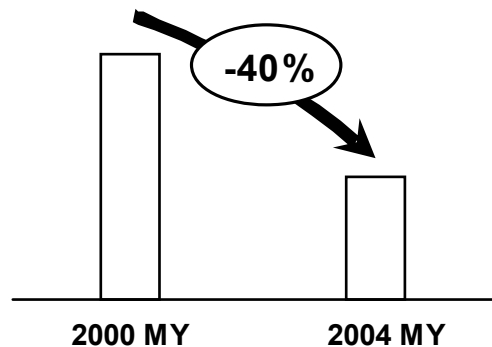


Decrease by 13 bn US\$

## QUALITY: IMPROVEMENTS IN COST AND PERCEPTION

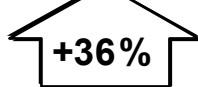

### Warranty Expenses

(\$ per unit sold)



Warranty expense per unit sold significantly decreased since 2000 MY

### Quality Indicators

- JD Power IQS: (1998-2004)  +36%
- JD Power APEAL: 2 Category Winners in 2004
- JD Power CSI:  Rank 3 (6 in 2000)
- 36% of CG products on Consumer Report's "Recommended List"

## PRODUCT OFFENSIVE CHRYSLER GROUP TO BE CONTINUED

### 2005

- Jeep Commander
- Dodge Charger
- Dodge Viper Coupe
- Dodge RAM Mega Cab
- SRT8-models

### 2006

- Chrysler models
- Jeep models
- Dodge models

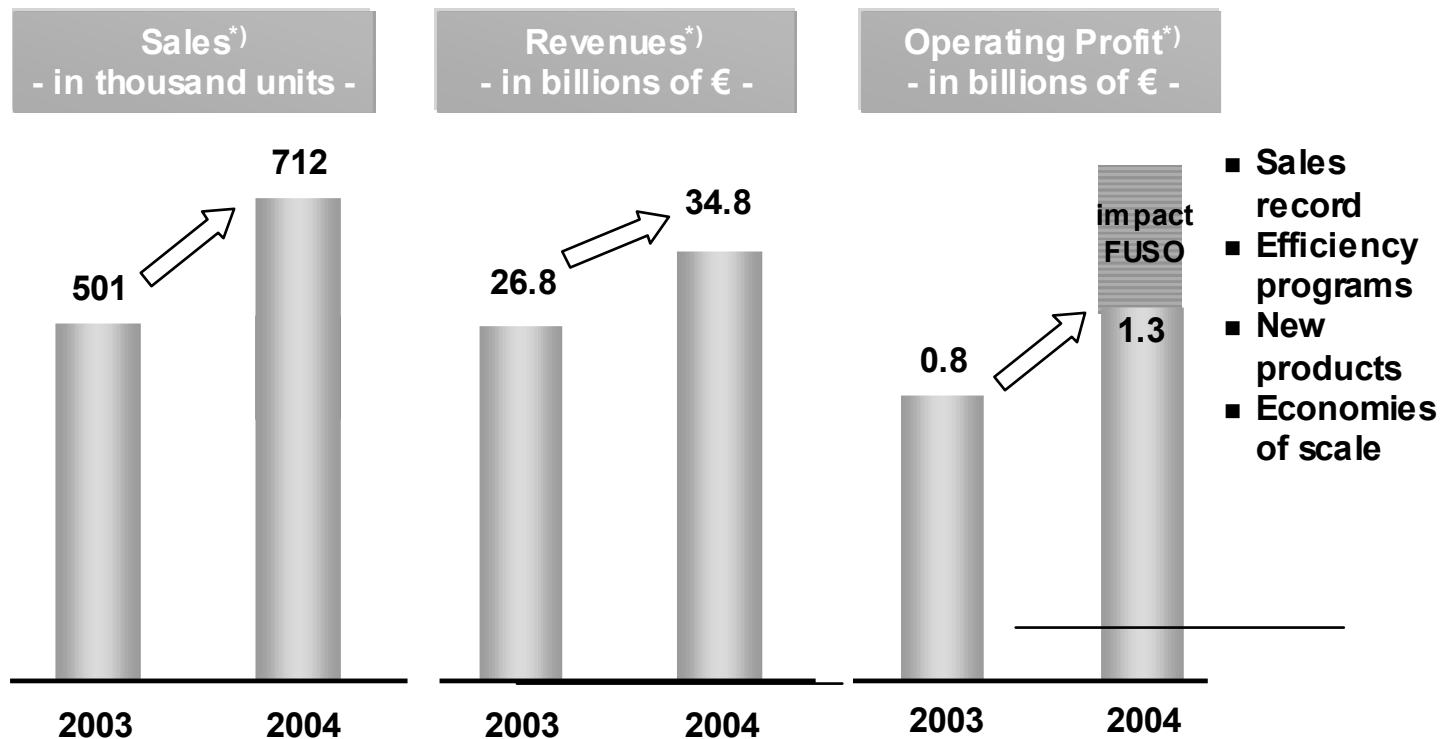
### 2007

- Chrysler models
- Jeep model
- Dodge models





## CONTINUED STRONG INCREASE IN OPERATING PROFIT DESPITE DIFFICULT SITUATION AT MFTBC (FUSO)



\*) Change of consolidation basis of MFTBC from 2003 to 2004

## MEASURES TO SECURE SUSTAINABLE PROFITABILITY

### Efficiency

- Ongoing efficiency programs in every business unit
- Scale effects through new integrated Truck organization

### Quality

- Significant improvements realized with new products
- Continued establishment of DaimlerChrysler-quality standards at MFTBC (FUSO)

### Profitable Growth

- Continued product offensive
- Further strengthen leading position in Western Europe and NAFTA region
- Strong presence in Asia

## COMMERCIAL VEHICLES WITH ONGOING PRODUCT OFFENSIVE IN NEXT THREE YEARS

### 2005

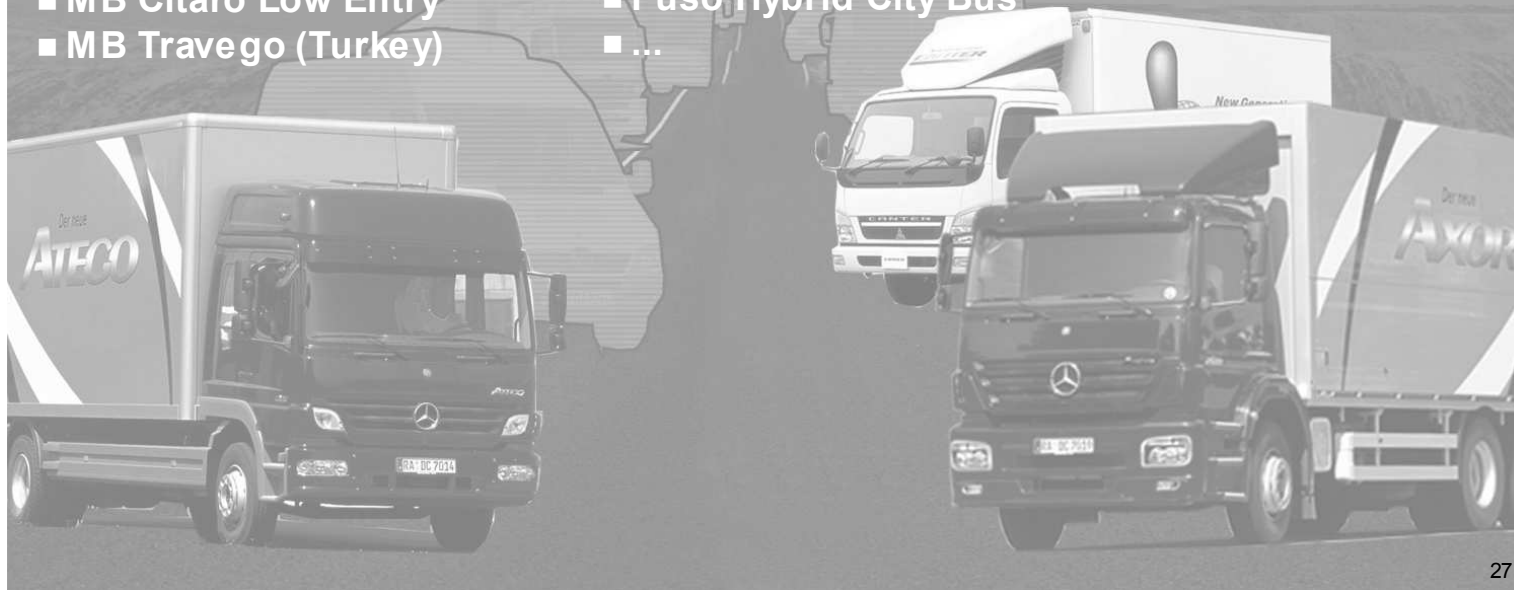
- MB Atego (Turkey)
- MB Axor (Brazil/Turkey)
- New Fuso Canter (Europe)
- MB Citaro Low Entry
- MB Travego (Turkey)

### 2006

- MB Sprinter successor
- MB Vito/Viano (China)
- MB Interurban Bus
- Setra MultiClass
- Fuso Hybrid City Bus
- ...

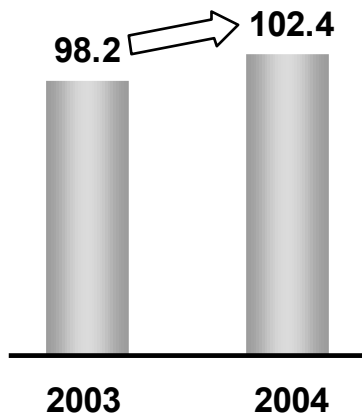
### 2007

- Freightliner Century Class successor
- MB Conecto City Bus
- ...

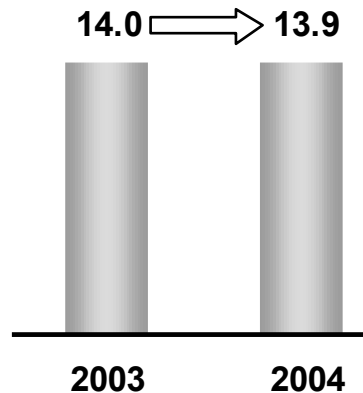


## DESPITE TOLL COLLECT OPERATING PROFIT ON LAST YEAR'S LEVEL

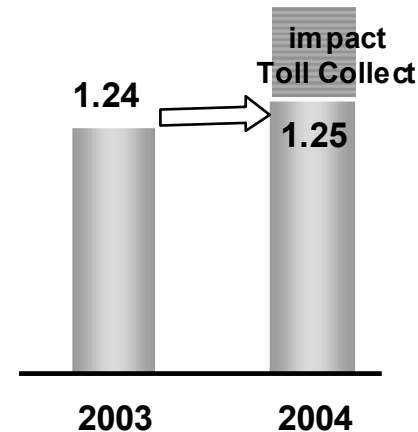
Contract Volume  
- in billions of EUR -



Revenues  
- in billions of EUR -



Operating Profit  
- in billions of EUR -



- High margins
- Improved cost position
- Improved risk management

## CUSTOMER FOCUS IN CORE BUSINESS AS BASIS FOR PROFITABLE GROWTH

### Efficiency

- Further focus on core business
- Improve cost position
- Improved risk management

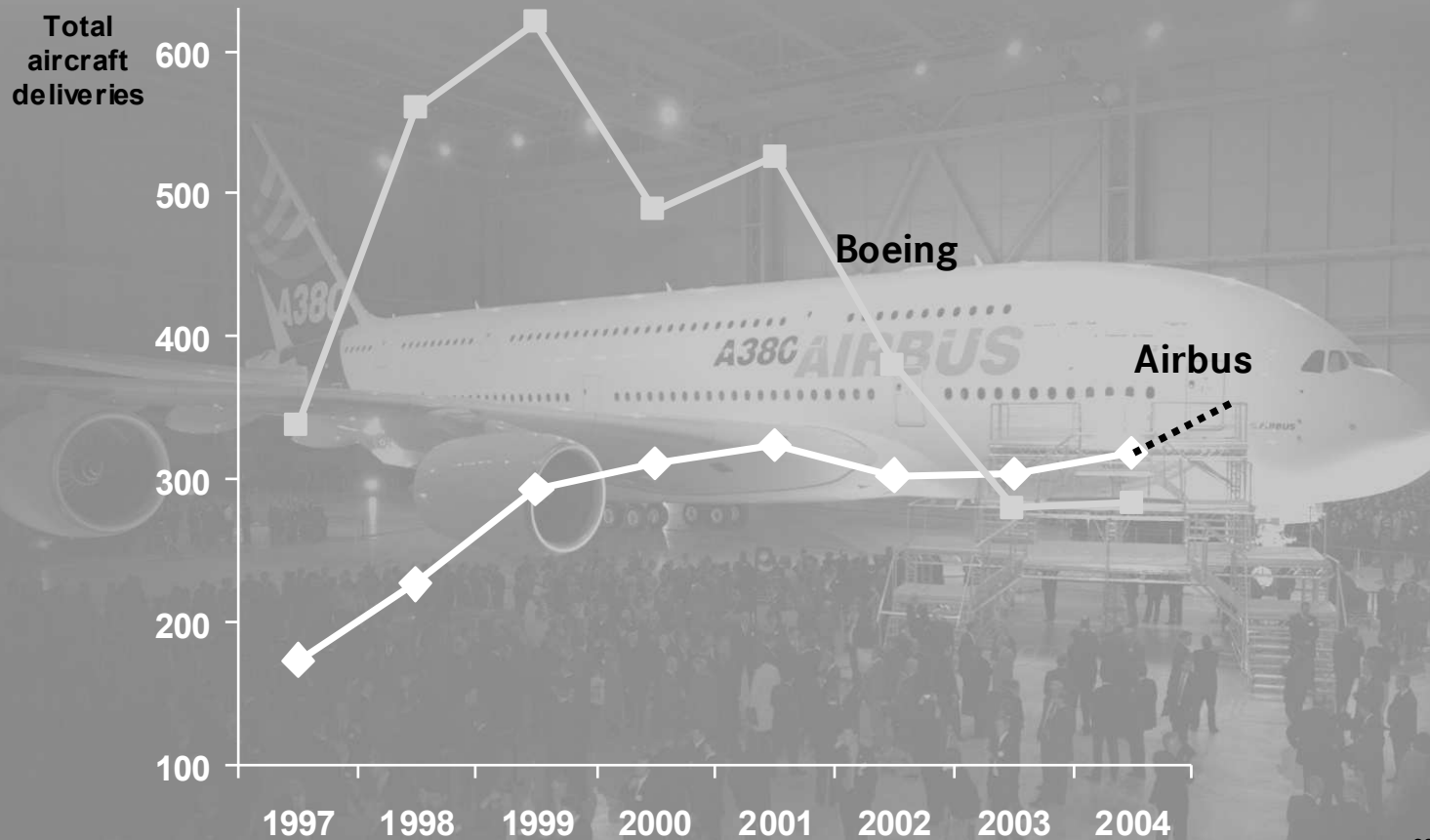
### Quality

- Closer cooperation with automotive divisions
- Product Innovations
- Higher customer value

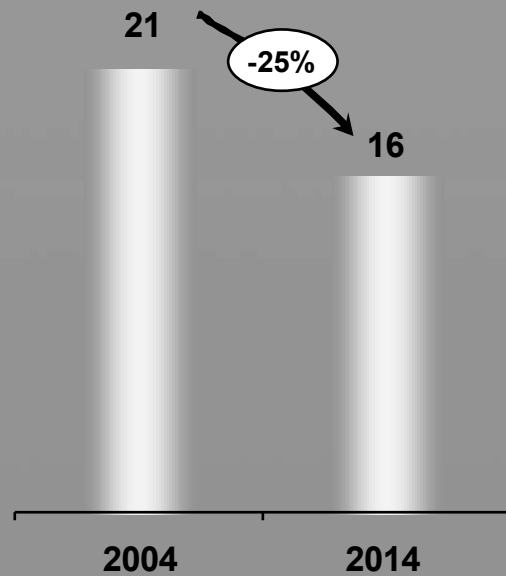
### Profitable Growth

- Increase automotive brand support
- Ensure brand support in non-triad markets

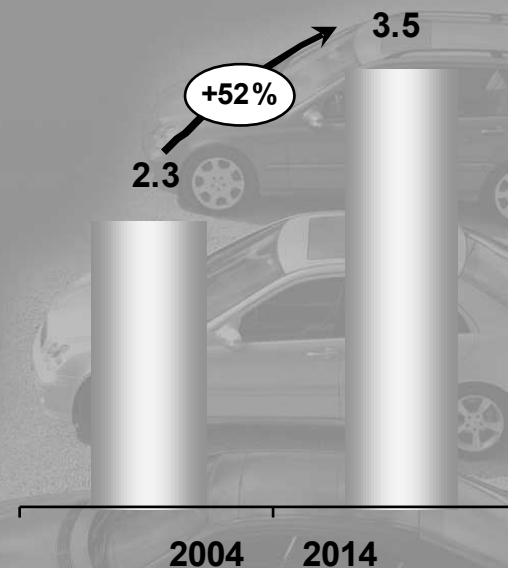
## AIRBUS AGAIN AHEAD OF BOEING IN 2004



## SIGNIFICANT INCREASE IN AVERAGE NUMBER OF PV DERIVATES PER ARCHITECTURE



No. of PV architectures



Average no. of PV derivatives per architecture

## PRIORITIES FOR THE COMING YEARS

**Operational  
Excellence**

**Profitable  
Growth**

**Successful launch of new products**

**Quality Improvements**

**Cost reduction and efficiency**

**Value Added increase**



# FINANCIAL HIGHLIGHTS OF 2004 RESULTS

**Bodo Uebber**  
**Chief Financial Officer**

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## KEY FINANCIAL HIGHLIGHTS IN 2004

### ● Earning power strengthened:

- Operating profit of EUR 5.8 billion
- Net income of EUR 2.5 billion
- Earnings per share of EUR 2.43

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### ● Key financial metrics improved:

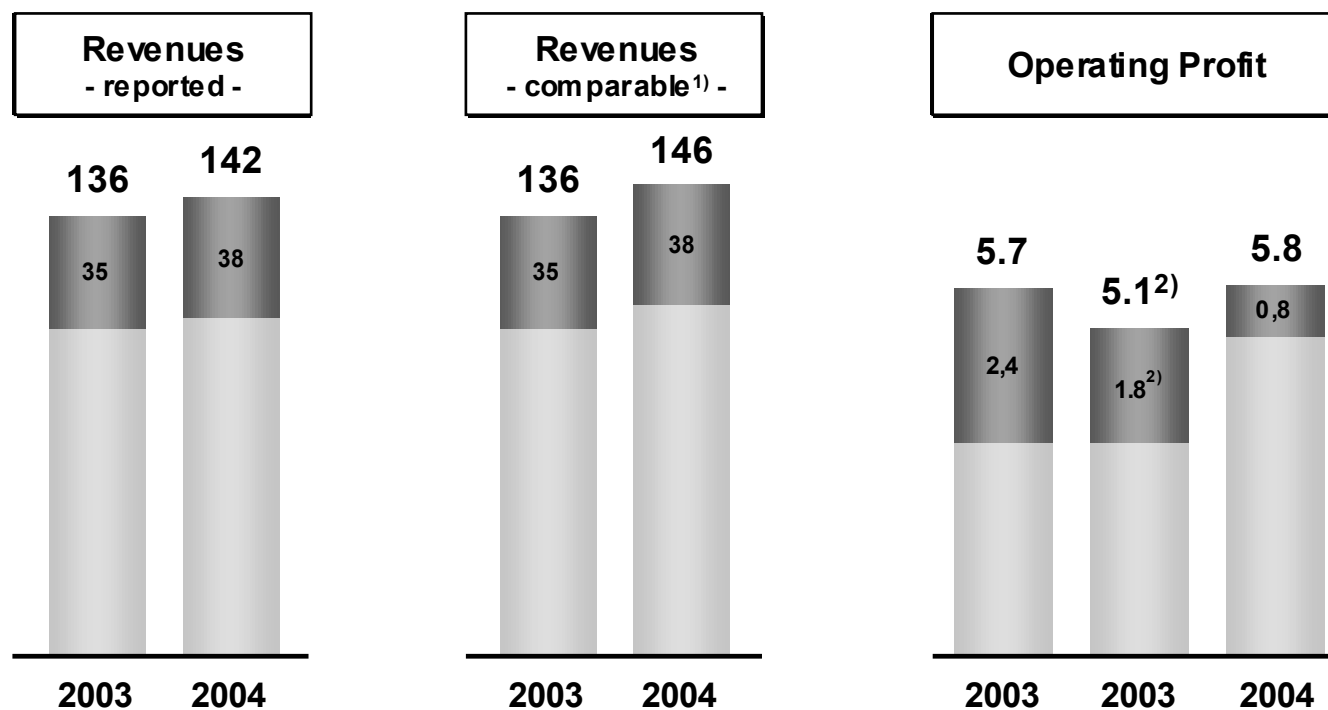
- Net liquidity of the industrial business at EUR 2.2 billion
- Positive free cash flow in the industrial business of EUR 1.8 billion
- Stable dividend payment of EUR 1.50 per share

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### ● Credit rating's outlook improved

## REVENUES AND OPERATING PROFIT

– in billions of EUR –

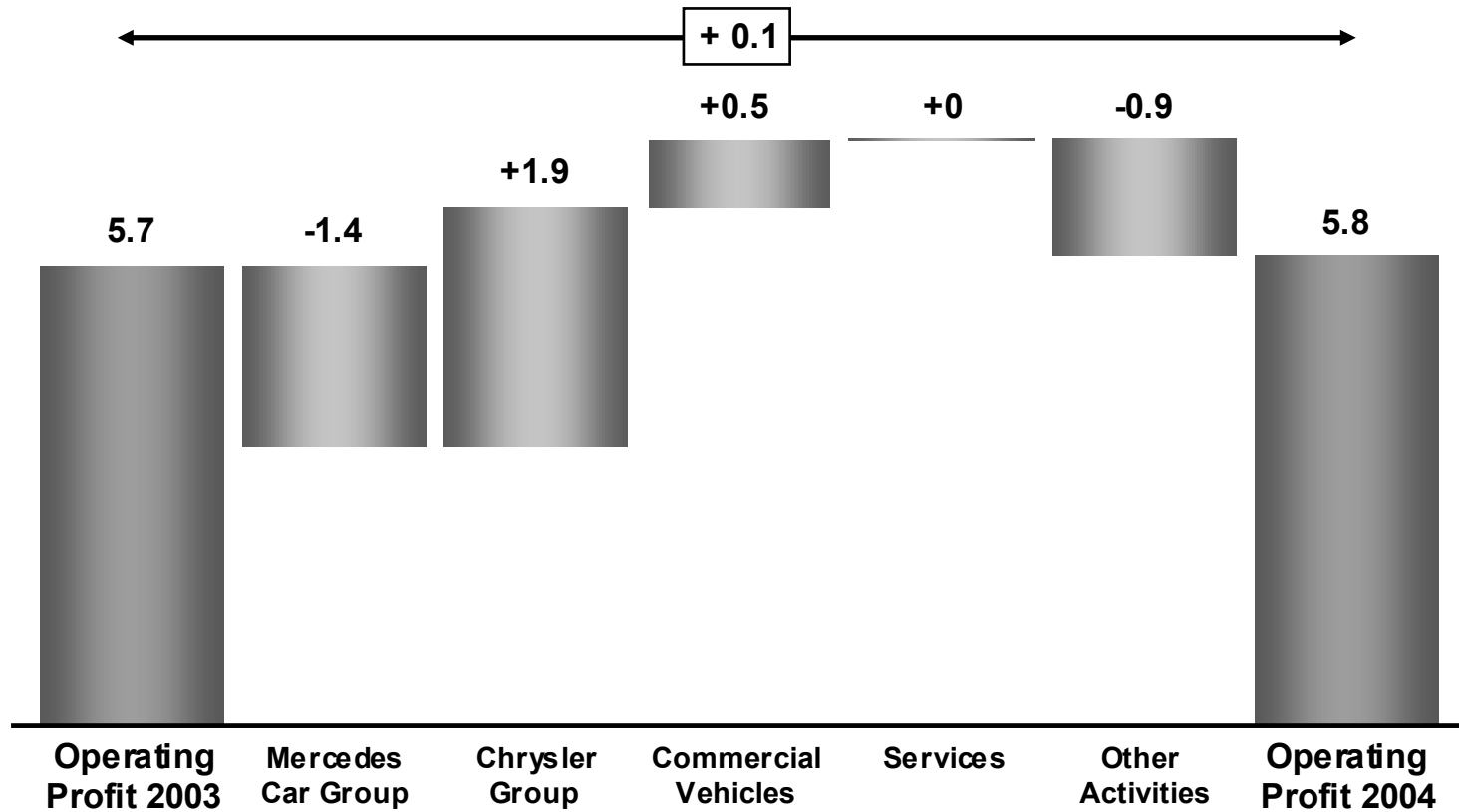


■ Q1-3 ■ Q4

- 1) Adjusted for exchange rate effects and changes in the consolidated Group  
 2) Excluding the gain on sale of MTU Aero Engines (EUR 1,031 mn) and restructuring charges at Chrysler Group (FY 2003: EUR 469 mn, Q4/2003: EUR 427 mn)

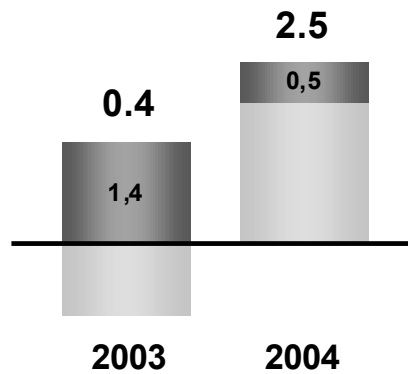
## OPERATING PERFORMANCE STRENGTHENED

– in billions of EUR –

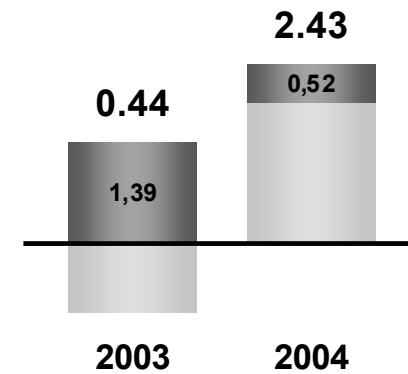


## NET INCOME AND EARNINGS PER SHARE

Net Income  
- in billions of EUR -



Earnings per Share  
- in EUR -



■ Q1-3 ■ Q4

## KEY BALANCE SHEET FIGURES AND CASH FLOW

- in billions of EUR -	Dec. 31 2003	Dec. 31 2004
Gross liquidity Group	14.3	11.7
<b>Gross liquidity industrial business</b>	<b>12.5</b>	<b>10.2</b>
Equity ratio Group <sup>1)</sup>	18.5%	17.5%
<b>Equity ratio industrial business <sup>1)</sup></b>	<b>26.1%</b>	<b>25.3%</b>
Financial liabilities Group <sup>2)</sup>	74.7	76.0
<b>Financial liabilities industrial business <sup>2)</sup></b>	<b>10.7</b>	<b>8.0</b>
Net debt Group	(60.4)	(64.3)
<b>Net cash industrial business</b>	<b>1.8</b>	<b>2.2</b>
Free cash flow Group	0.6	(4.8)
<b>Free cash flow industrial business</b>	<b>3.9</b>	<b>1.8</b>

1) Excluding dividend payment for 2003 and 2004

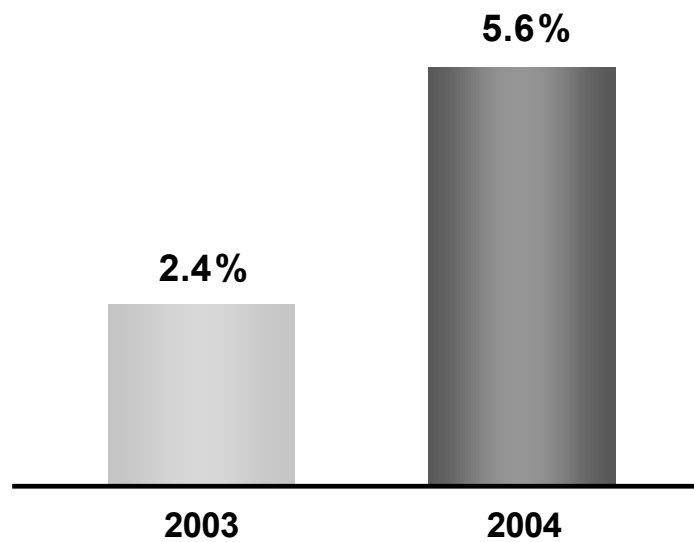
2) Adjusted for the effects of the mark-to-market valuation according to SFAS 133

## STATUS OF PENSIONS AND POSTRETIREMENT HEALTHCARE BENEFITS

- in billions of EUR -	Pensions		Healthcare	
	Dec. 31 2003	Dec. 31 2004	Dec. 31 2003	Dec. 31 2004
	DC Group	DC Group <sup>1)</sup>	DC Group	DC Group
PBO / APBO	(32.1)	(34.4)	(14.9)	(14,4)
Plan assets	26.3	27.8	1.5	1.6
<b>Underfunded position</b>	<b>(5.8)</b>	<b>(6.6)</b>	<b>(13.4)</b>	<b>(12.8)</b>
Accruals	5.0	5.6	8.2	8.0
<b>Underfunded position net of accruals</b>	<b>(0.8)</b>	<b>(1.0)</b>	<b>(5.2)</b>	<b>(4.8)</b>

1) Including PBO of EUR (0.8) bn, plan assets of EUR 0.2 bn and pension accruals of EUR 0.6 bn resulting from the consolidation of Mitsubishi Fuso Truck & Bus Corporation

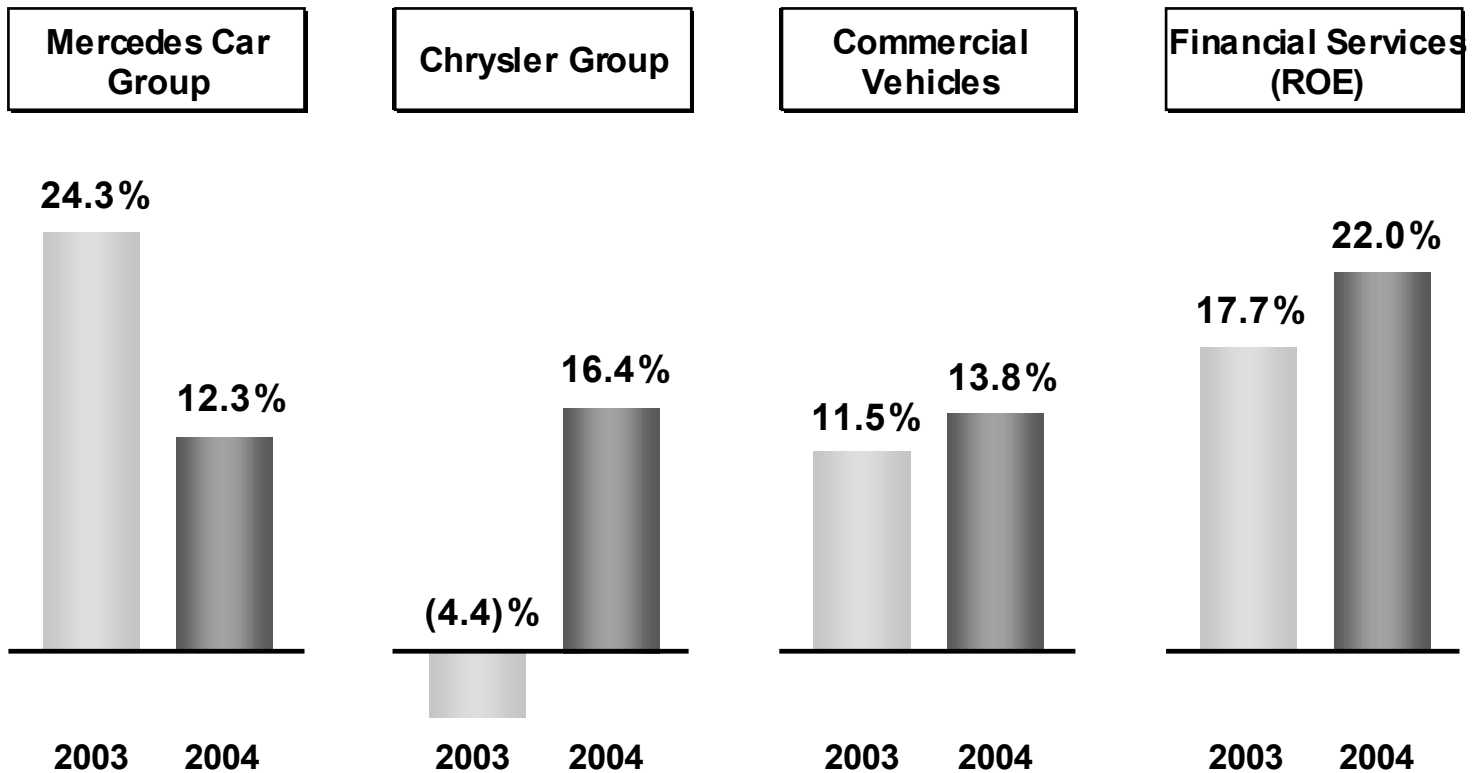
**RETURN ON NET ASSETS**  
– after tax at Group level –





## RETURN ON NET ASSETS OF THE DIVISIONS

- before taxes -



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## FINANCIAL OUTLOOK 2005 AND UNDERLYING ASSUMPTIONS

- **Assumptions for the automotive markets:**
  - Stable car markets in Western Europe, NAFTA and Japan
  - Stable truck market in Western Europe, further increase in the NAFTA region
  - Further growth in emerging markets

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- **Higher unit sales for all automotive divisions of DaimlerChrysler**

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- **Group operating profit expected to be slightly higher than in 2004**

## DISCLAIMER

These figures are preliminary and have neither been approved yet by the Supervisory Board nor audited by the external auditor. Publication of Annual Report and Consolidated Financial Statement is scheduled for February 23, 2005. Publication of Form 20-F Report is scheduled for February 28, 2005. 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; 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.

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Chairman of the Board of Management  
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**Bodo Uebber**  
Chief Financial Officer

February / March 2005