

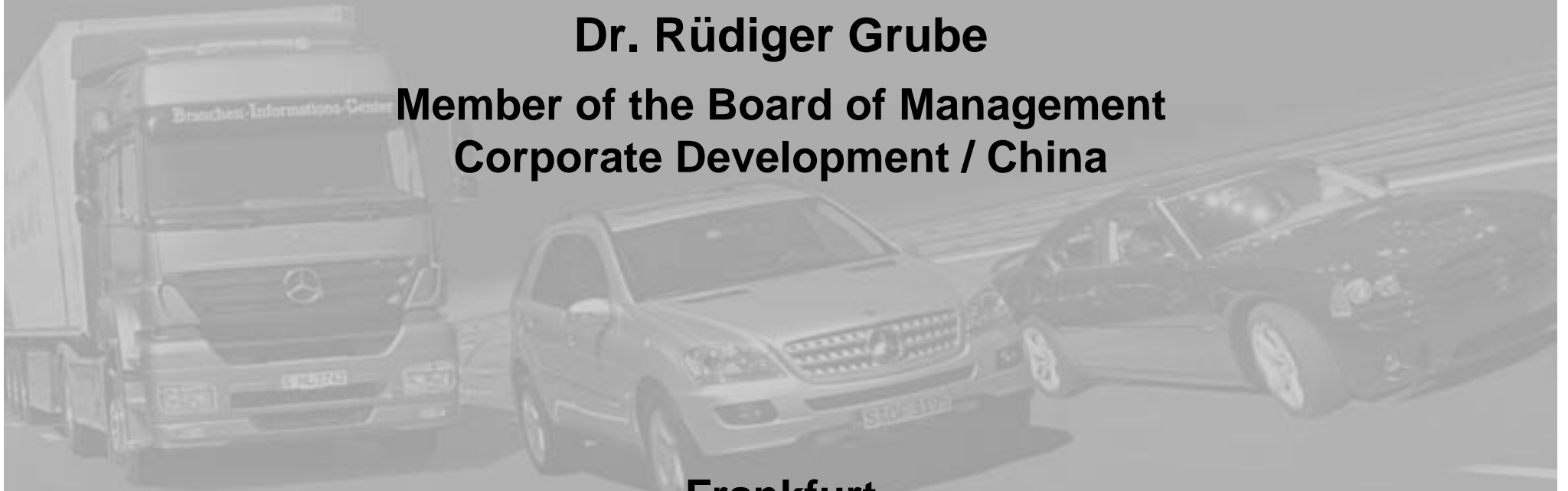
# **DAIMLERCHRYSLER**

## **German Corporate Conference**

**Dr. Rüdiger Grube**

**Member of the Board of Management  
Corporate Development / China**

**Frankfurt  
June 2, 2005**



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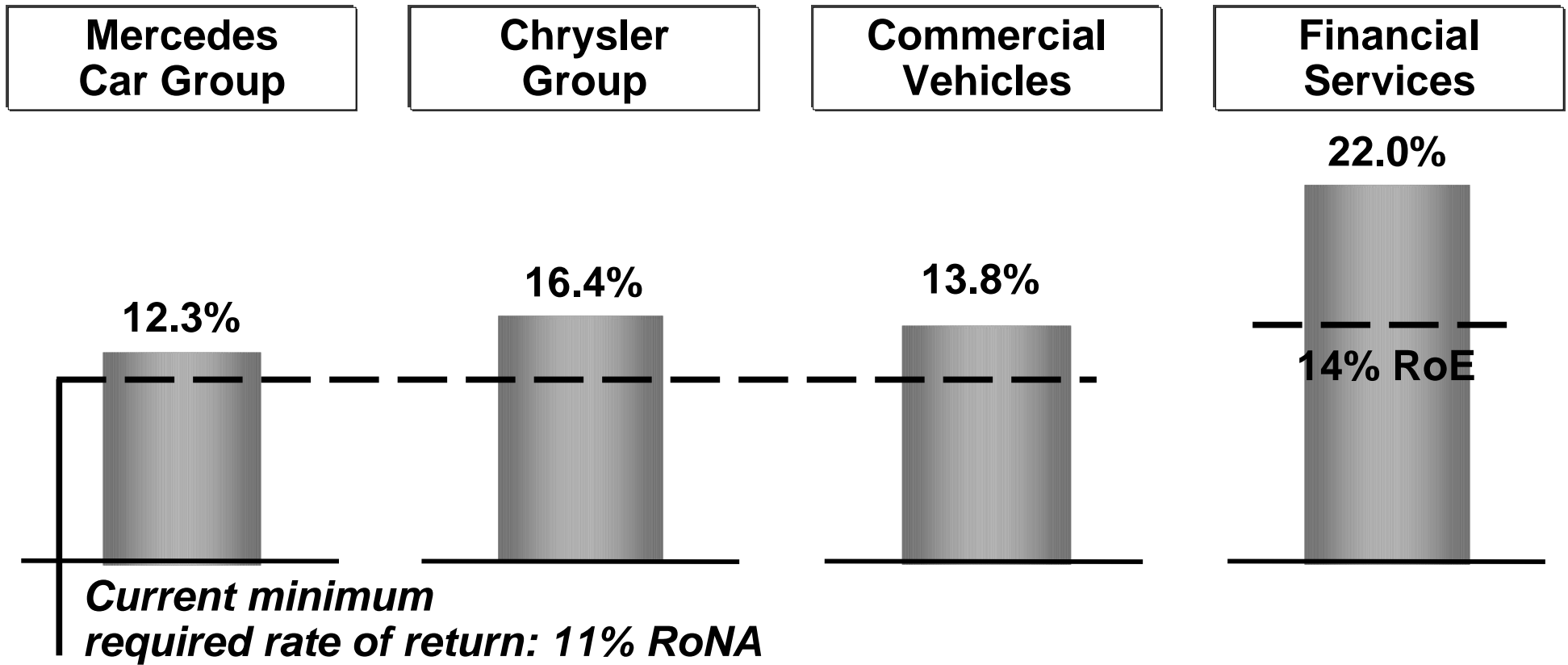
## AGENDA

- 1 Group Financial Performance in Q1 2005 and Outlook**

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- 2 Strategy and Long-Term Outlook**

# MOST IMPORTANT: ALL DIVISIONS EARN COST OF CAPITAL

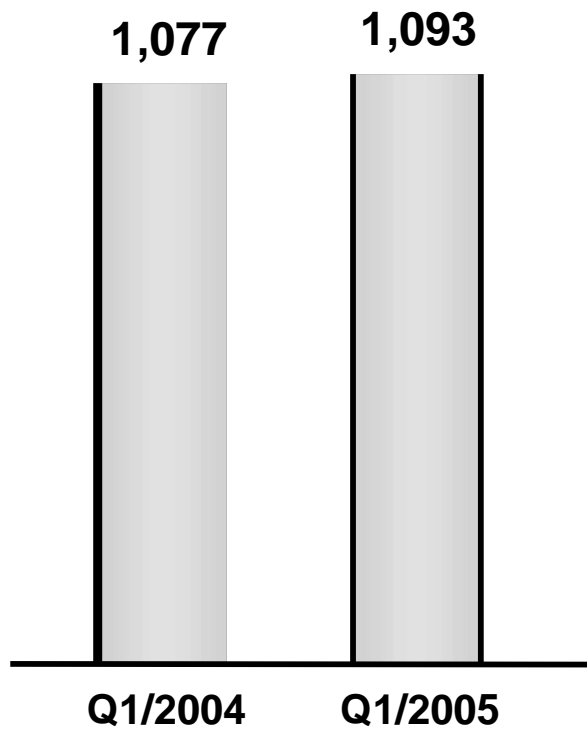
RoNA 2004 before Taxes



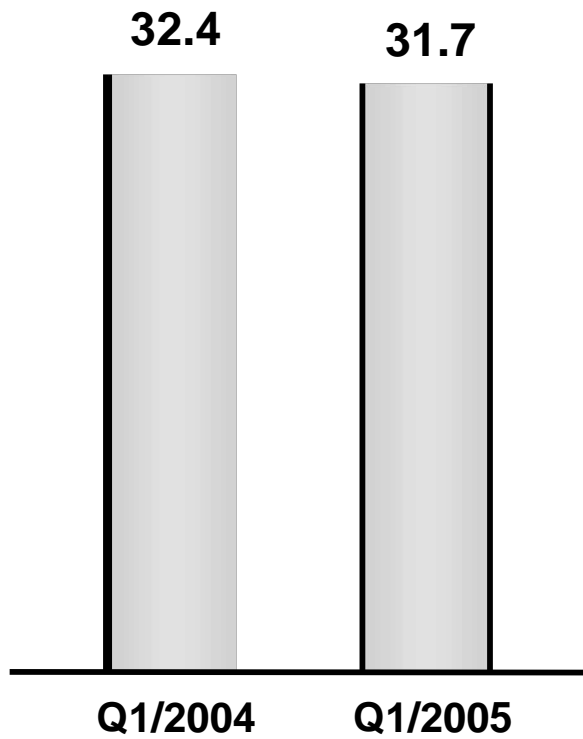
In 2004 All Divisions Above New Hurdle Rates

# GROUP FIRST QUARTER PROFIT IMPACTED BY EXPENSES FOR REALIGNMENT OF SMART

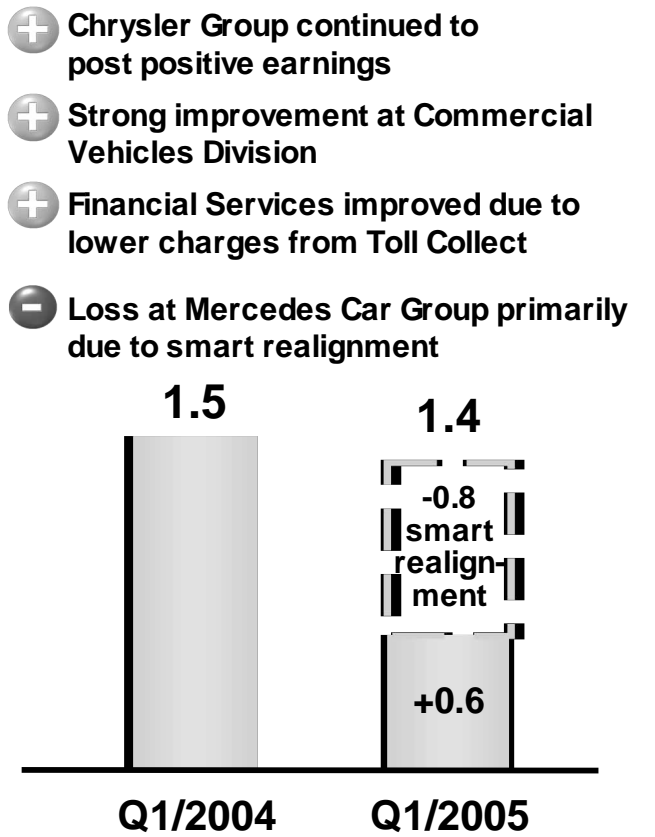
**Unit Sales**  
- in thousand units -



**Revenues**  
- in billions of EUR -



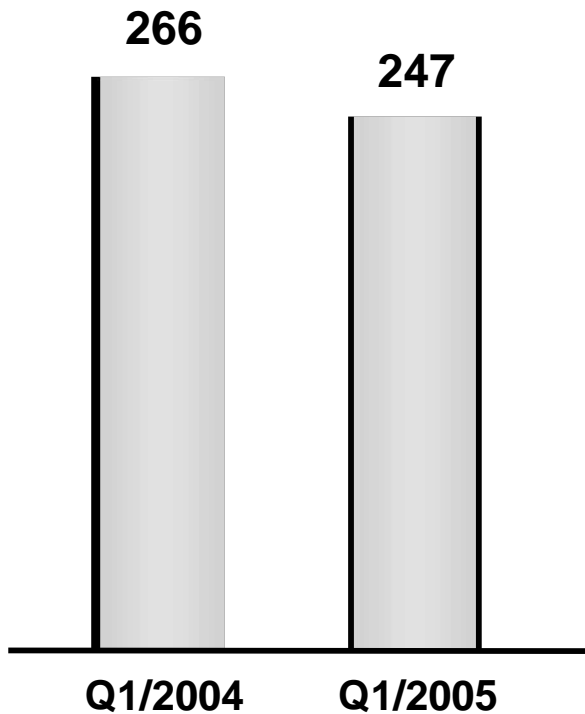
**Operating Profit**  
- in billions of EUR -



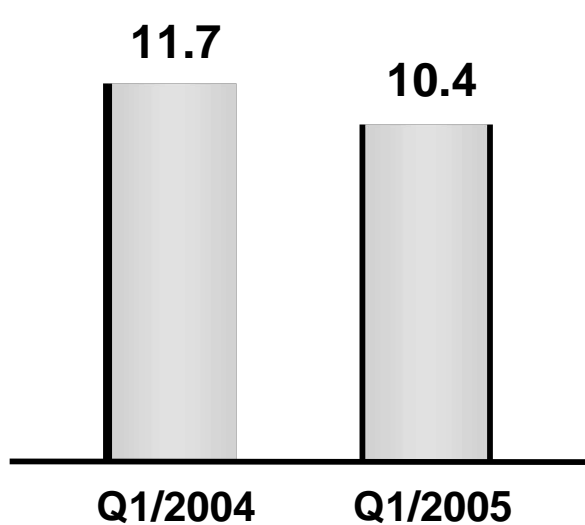
- + Chrysler Group continued to post positive earnings
- + Strong improvement at Commercial Vehicles Division
- + Financial Services improved due to lower charges from Toll Collect
- Loss at Mercedes Car Group primarily due to smart realignment

# MCG OPERATING PROFIT SUBSTANTIALLY LOWER THAN IN Q1/2004

**Unit Sales**  
- in thousand units -

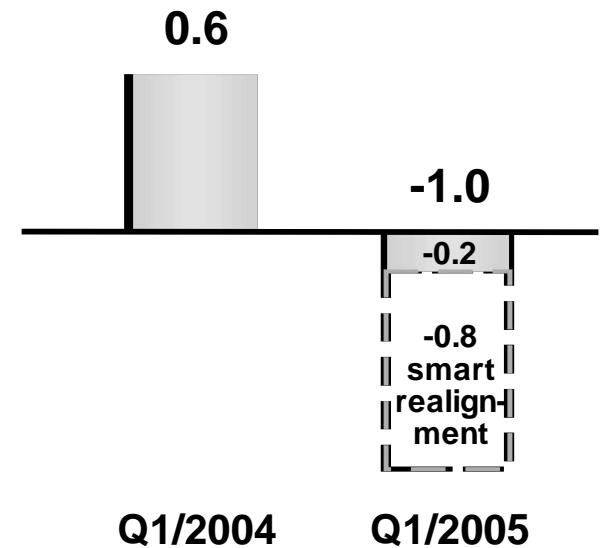


**Revenues**  
- in billions of EUR -



**Operating Profit**  
- in billions of EUR -

- ⊖ Model changeover (mix & sales)
- ⊖ Depreciation of the US dollar
- ⊖ Ongoing quality offensive
- ⊖ New business model for smart



## NEW BUSINESS MODEL FOR SMART

- **Key components:**
  - **Integration of specific functions into MCG organization**
  - **Significant reduction in headcount**
  - **Discontinuation of the smart roadster by year-end 2005**
  - **Discontinuation of the SUV concept**

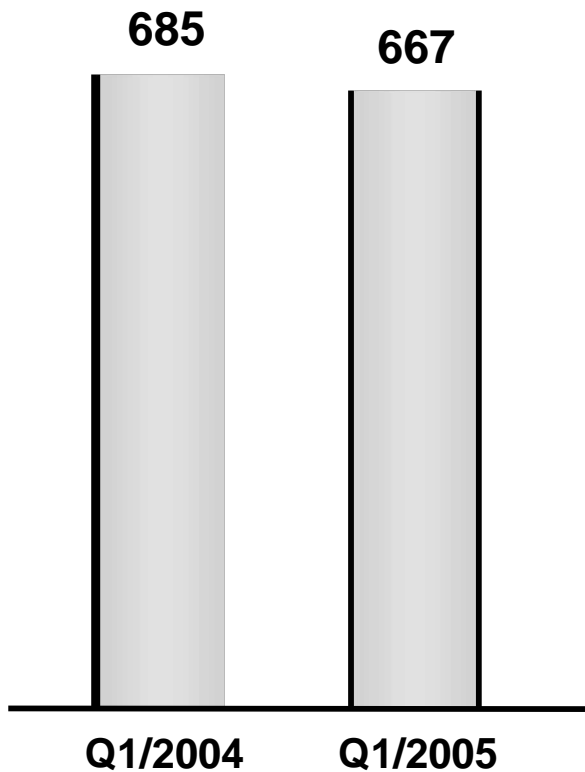
---
- **Restructuring concept will make smart forfour cash positive**

---
- **Alternatives were considered thoroughly**
  - **complete exit**
  - **discontinuation of the smart forfour**

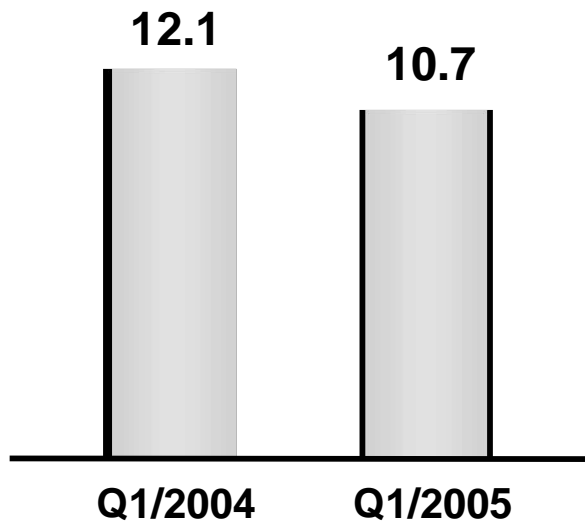
**From an economic perspective, the new business model is the optimum for the company and its shareholders**

## CG WITH SUCCESSFUL PERFORMANCE DESPITE DIFFICULT MARKET CONDITIONS

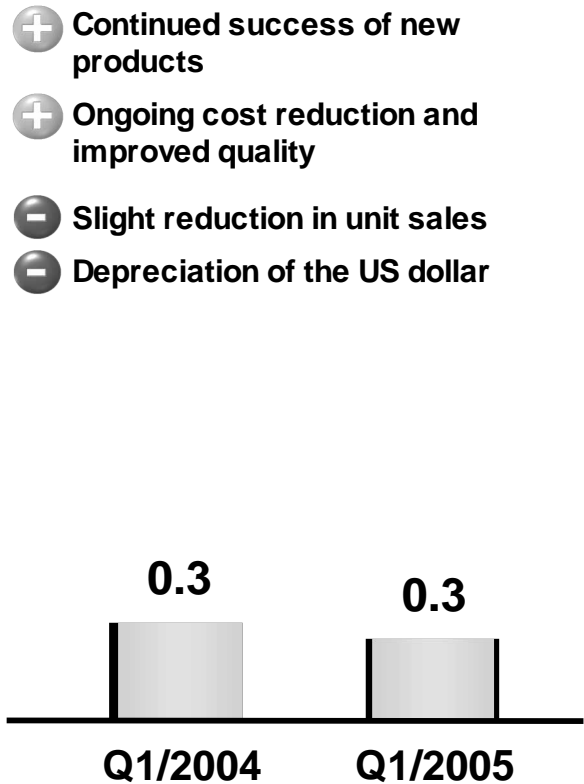
Unit Sales / Shipments  
- in thousand units -



Revenues  
- in billions of EUR -



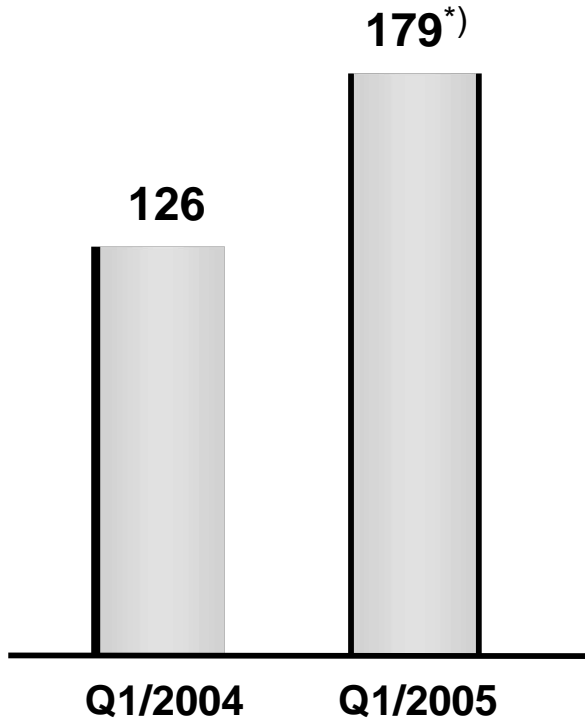
Operating Profit  
- in billions of EUR -



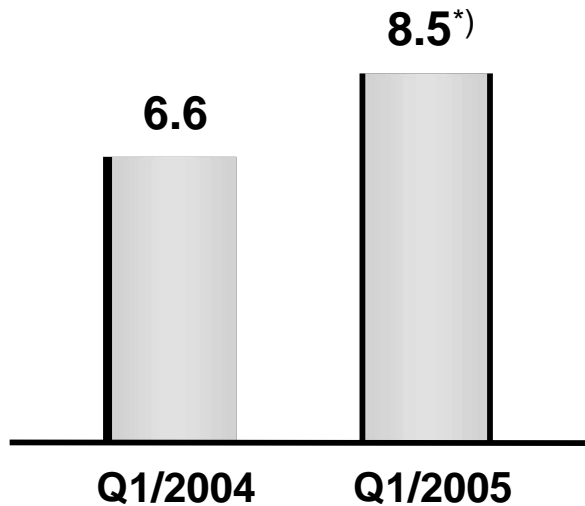
- ⊕ Continued success of new products
- ⊕ Ongoing cost reduction and improved quality
- ⊖ Slight reduction in unit sales
- ⊖ Depreciation of the US dollar

# CVD WITH STRONG OPERATING PERFORMANCE

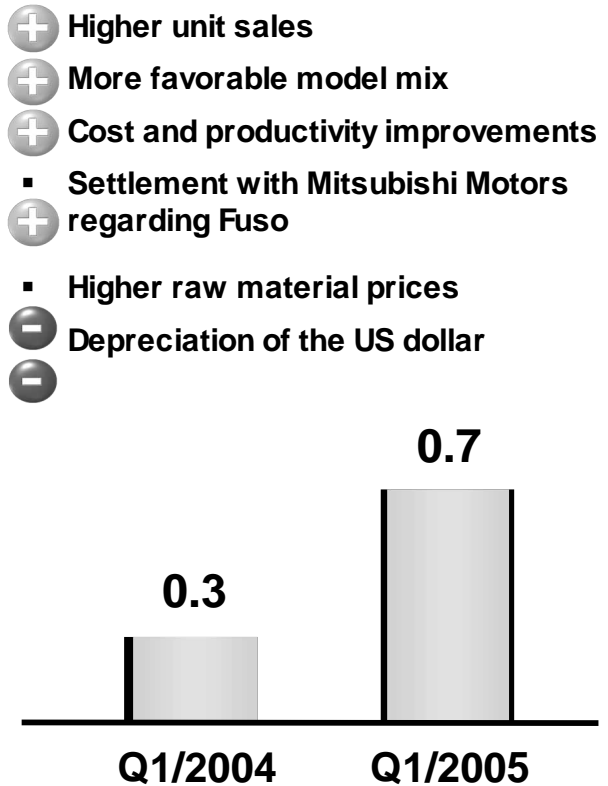
**Unit Sales**  
- in thousand units -



**Revenues**  
- in billions of EUR -



**Operating Profit**  
- in billions of EUR -

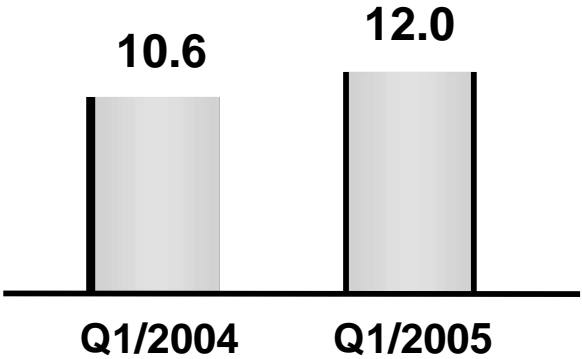


<sup>\*)</sup> Excluding the effect of the first time consolidation of Fuso, the increase was 11% for both unit sales and revenues.

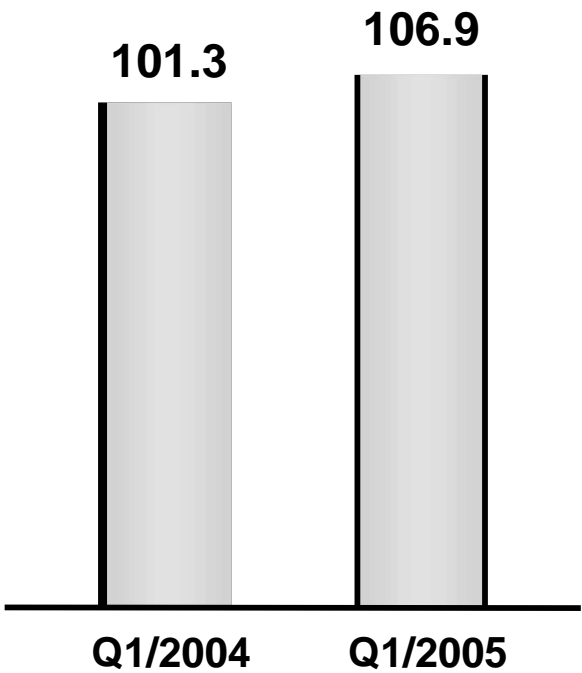


# DCFS WITH INCREASE IN OPERATING PROFIT DUE TO SIGNIFICANTLY REDUCED CHARGES FROM TOLL COLLECT

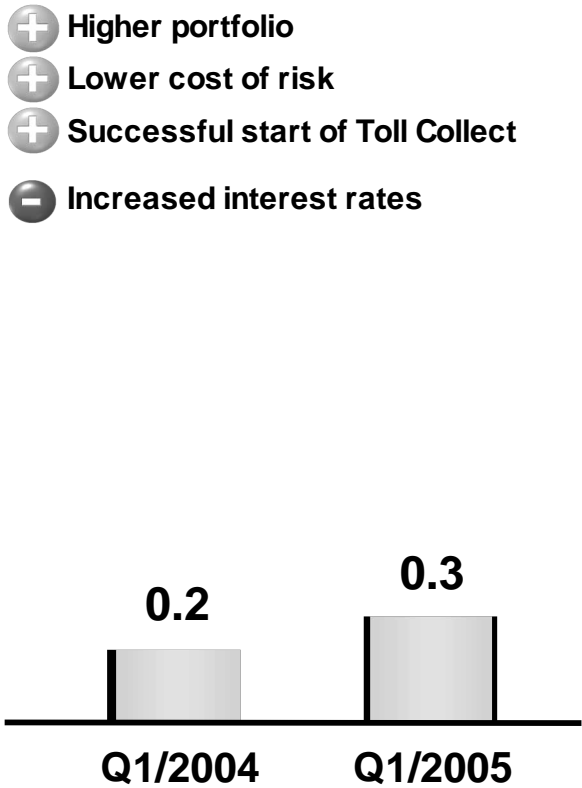
**New Business**  
- in billions of EUR -



**Contract Volume**  
- in billions of EUR -



**Operating Profit**  
- in billions of EUR -



## KEY BALANCE SHEET FIGURES

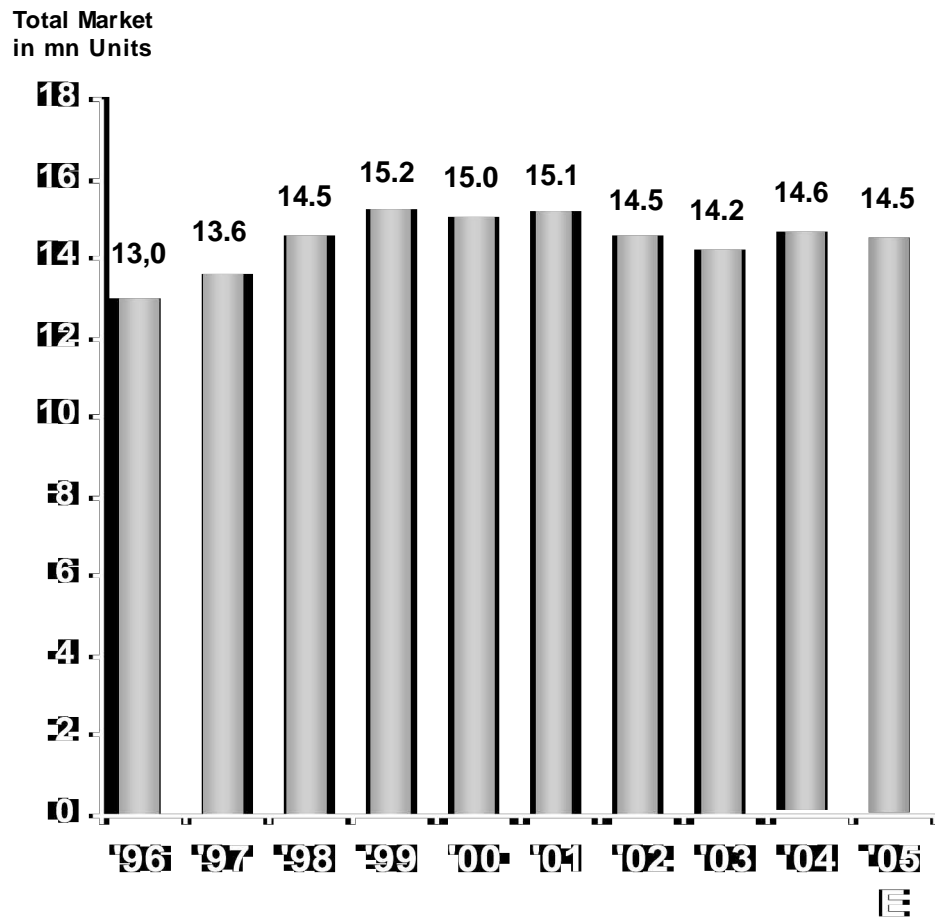
- in billions of EUR -	Dec. 31 2004	March 31 2005
Gross liquidity Group	11.7	13.0
<b>Gross liquidity industrial business</b>	<b>10.2</b>	<b>11.4</b>
Group equity <sup>1)</sup>	32.0	32.9
Equity ratio Group <sup>1)</sup>	17.5%	17.5%
<b>Equity ratio industrial business <sup>1)</sup></b>	<b>25.3%</b>	<b>24.7%</b>
Financial liabilities Group <sup>2)</sup>	76.0	77.0
<b>Financial liabilities industrial business <sup>2)</sup></b>	<b>8.0</b>	<b>7.8</b>
Net debt Group	(64.3)	(64.0)
<b>Net liquidity industrial business</b>	<b>2.2</b>	<b>3.6</b>

1) Excluding dividend payment for 2004

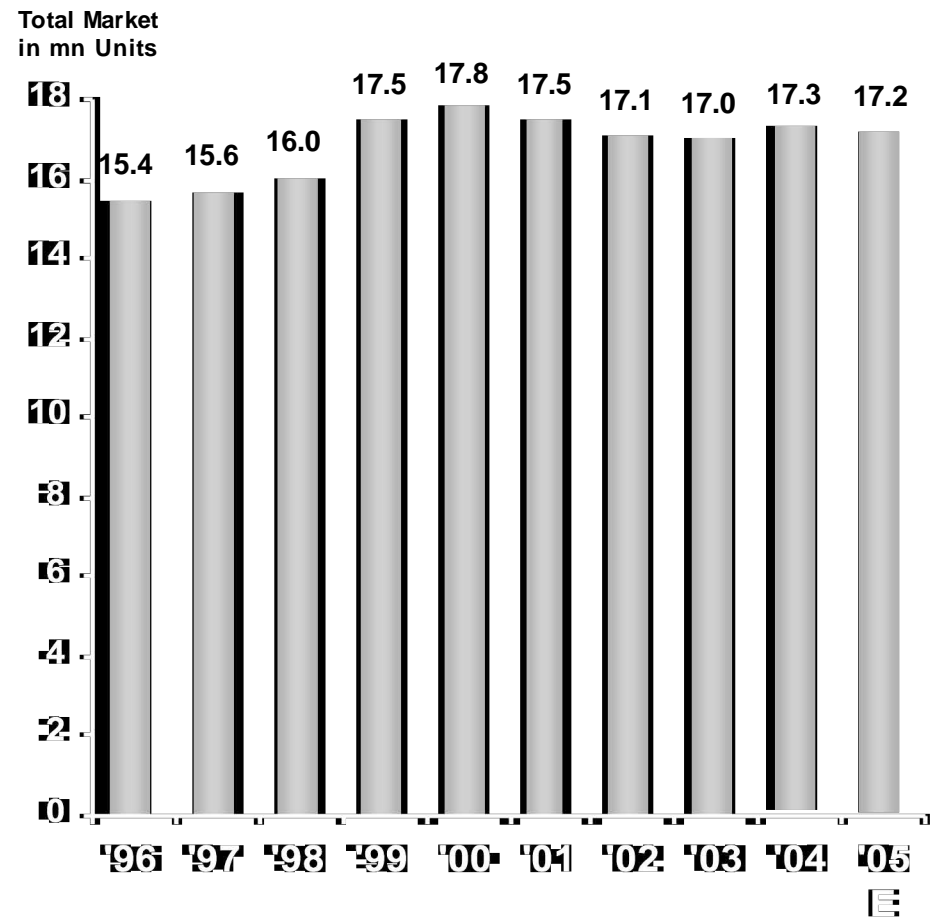
2) Adjusted for the effects of the mark-to-market valuation according to SFAS 133

# DEVELOPMENT OF MAJOR PASSENGER CARS MARKETS

## WE Passenger Cars



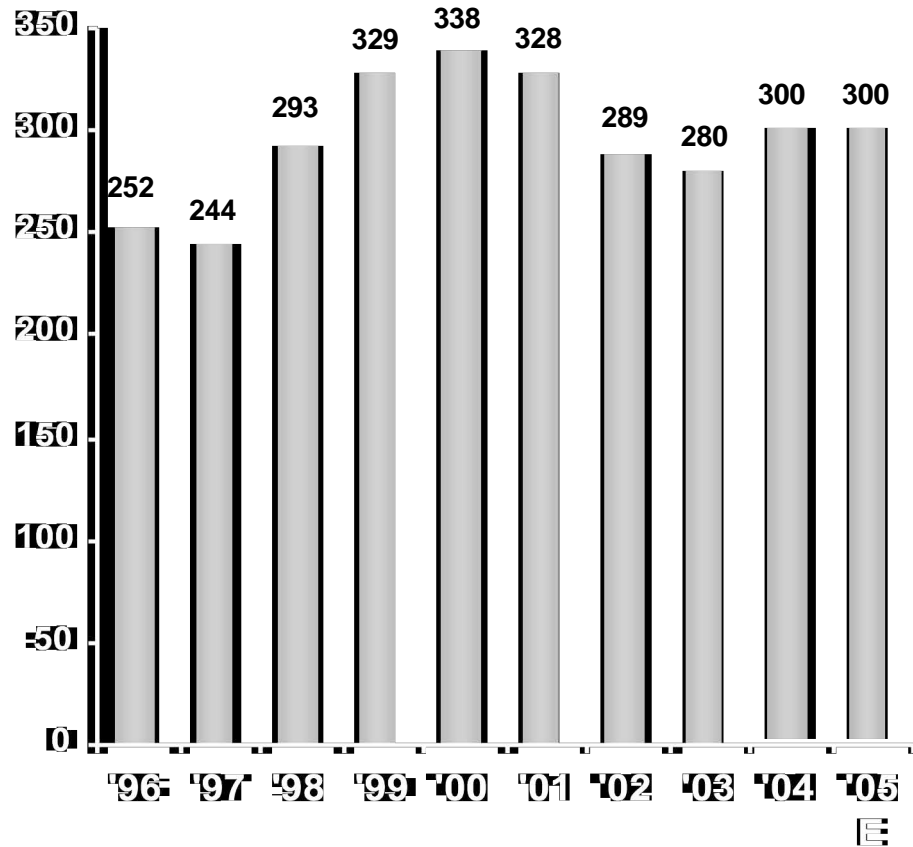
## US Car & Truck Market



# DEVELOPMENT OF MAJOR COMMERCIAL VEHICLES MARKETS

## Trucks Western Europe\*

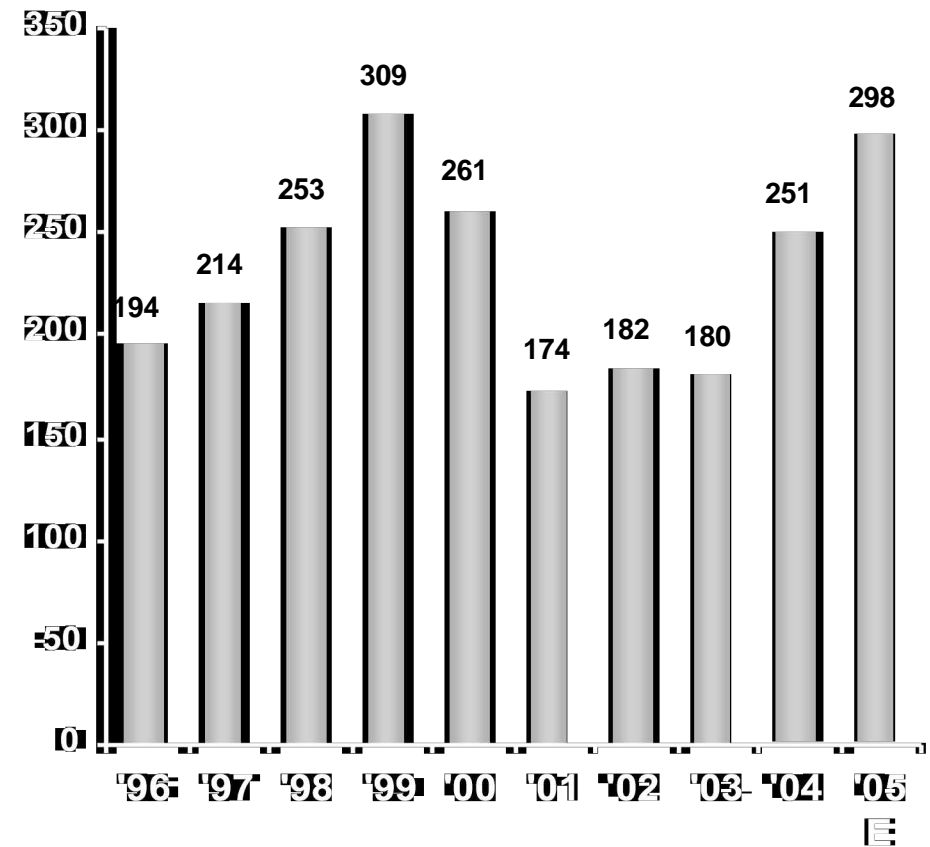
Total Market  
in 1,000 Units



\* Medium & heavy duty trucks

## NAFTA Class 8\*\*

Total Market  
in 1,000 Units



\*\* Since 2000 including Western Star

## **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**

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

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- **Following a weaker first half, excluding the exceptional charges from smart, DaimlerChrysler expects a slight increase in operating profit in 2005 compared to the prior year (EUR 5.8 billion)**

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## AGENDA

- 1 Group Financial Performance in 2004 and Outlook 2005**

---
- 2 Strategy and Long-Term Outlook**

# STRATEGY DESCRIBED BY CONSISTENT TARGET SYSTEM



## MERCEDES CAR GROUP



Mercedes-Benz

**No. 1  
luxury and premium  
cars worldwide**



MAYBACH

**No. 2  
super luxury  
USA**



smart

**No. 4  
micro cars  
WEU**



## PROGRAM FOR STRENGTHENING OF PROFITABILITY

### Efficiency

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

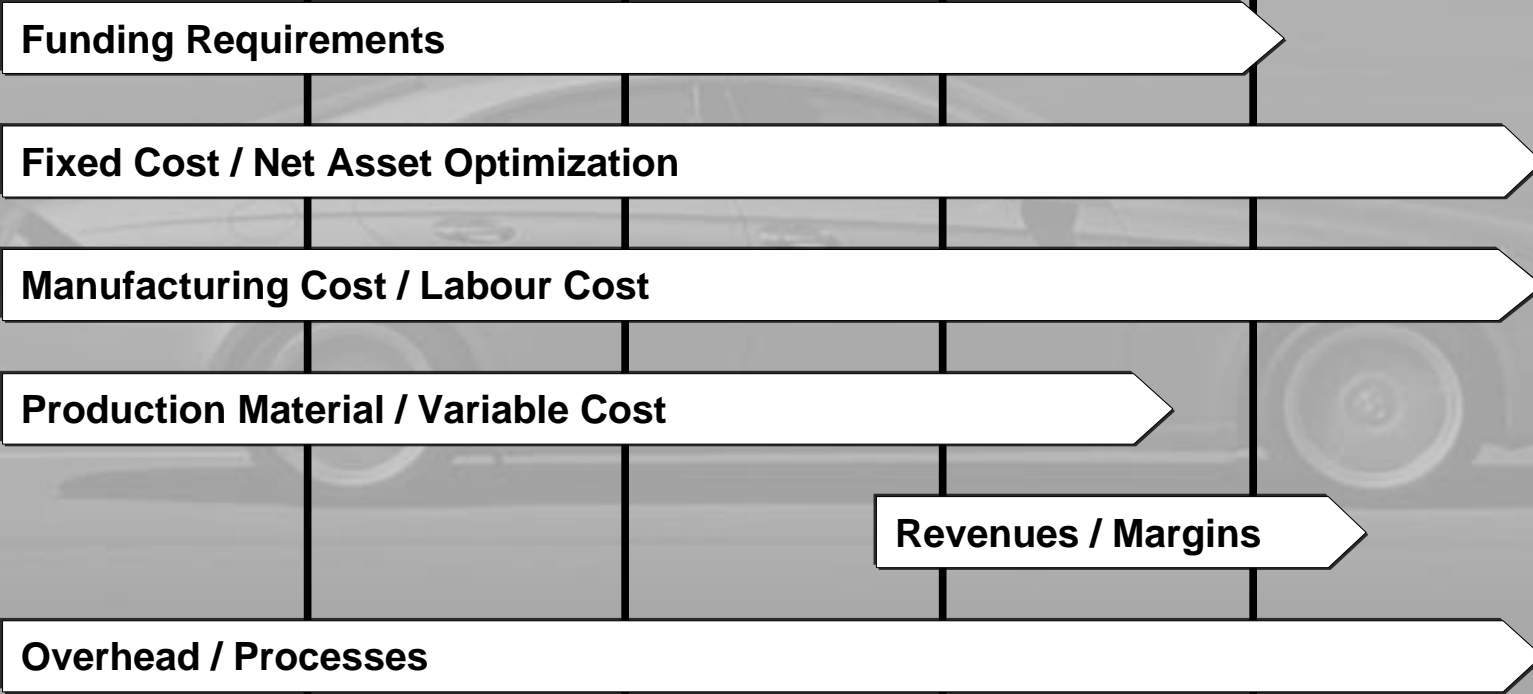
### Quality

- Comprehensive quality offensive Mercedes-Benz

### Profitable Growth

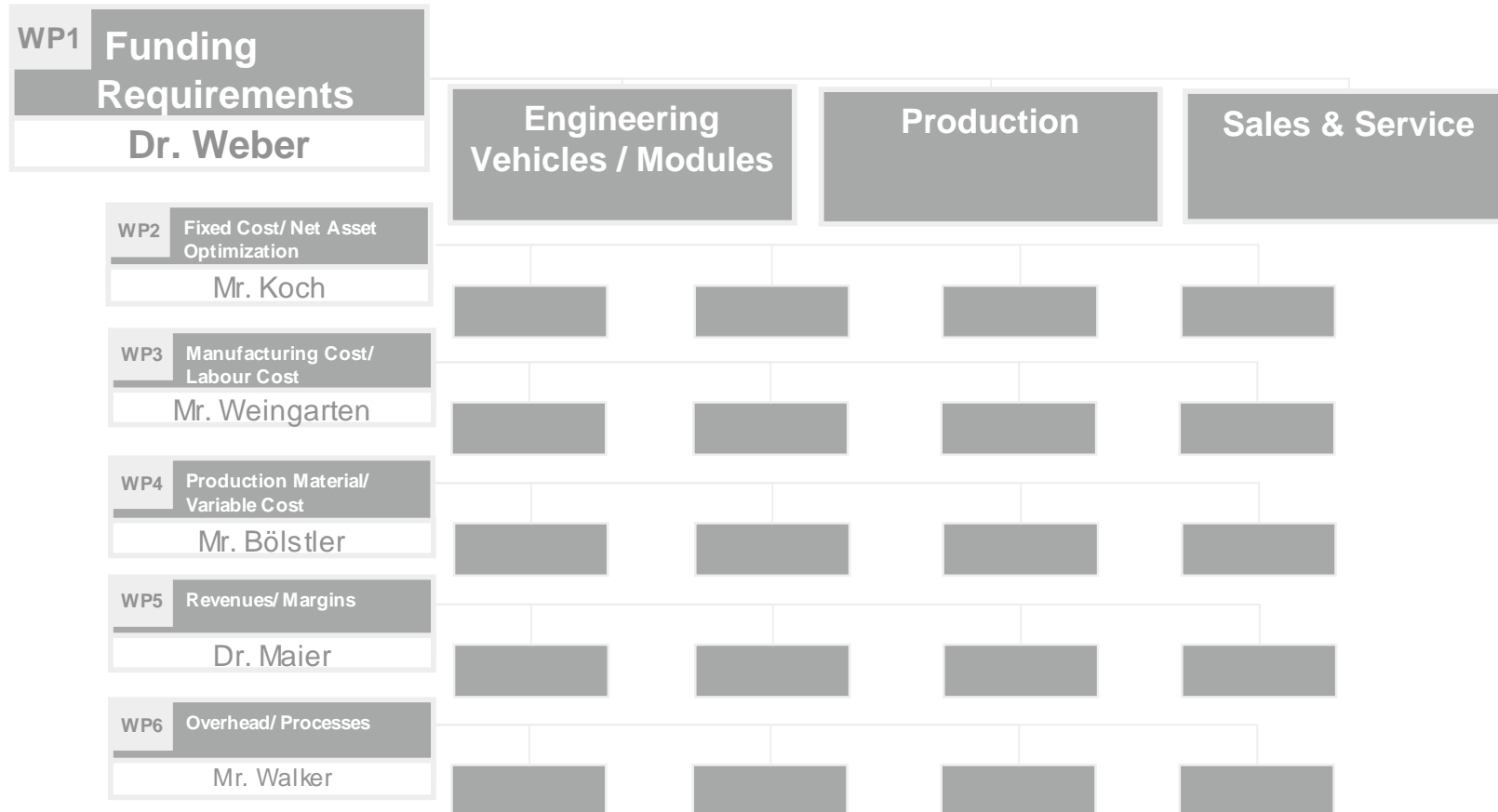
- Strengthen innovation leadership with S-Class successor
- Launch of M-Class successor
- Launch of B- and R-Class in Sports Tourer Segment
- China activities

# TRANSFORMATION AND OPTIMIZATION PROGRAM ACROSS ENTIRE VALUE CHAIN



- Focus on:**
- Efficiency
  - Complexity reduction
  - Flexibility
  - Profitability
  - Management Culture

# PERSONAL RESPONSIBILITY OF MCG EXECUTIVE COMMITTEE AND CLEAR PROJECT STRUCTURE



**Target:**  
**Improvement of Operating Profit by EUR 3 bn., RoS 7% by 2007**

## 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

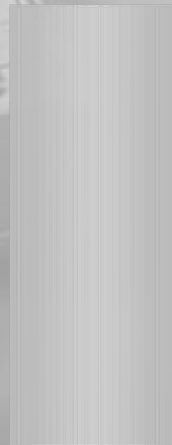
# QUALITY AS KEY LEVER FOR OPERATIONAL EXCELLENCE AND SUSTAINABLE PROFITABLE GROWTH

Problems / 100 vehicles  
after 12 months of operating

~50%



2002



2003



2004

# “ADAC” BREAKDOWN STATISTICS

No.1



No.2



No.3



No.4

## PRODUCT LAUNCHES 2005



New M-Class

*“Comfort of a Limousine in a SUV”*



*“Comfortable interior offers space for all occasions”*



New B-Class

*“...incredibly well packaged”*



*“ideal dynamic driving experience”*

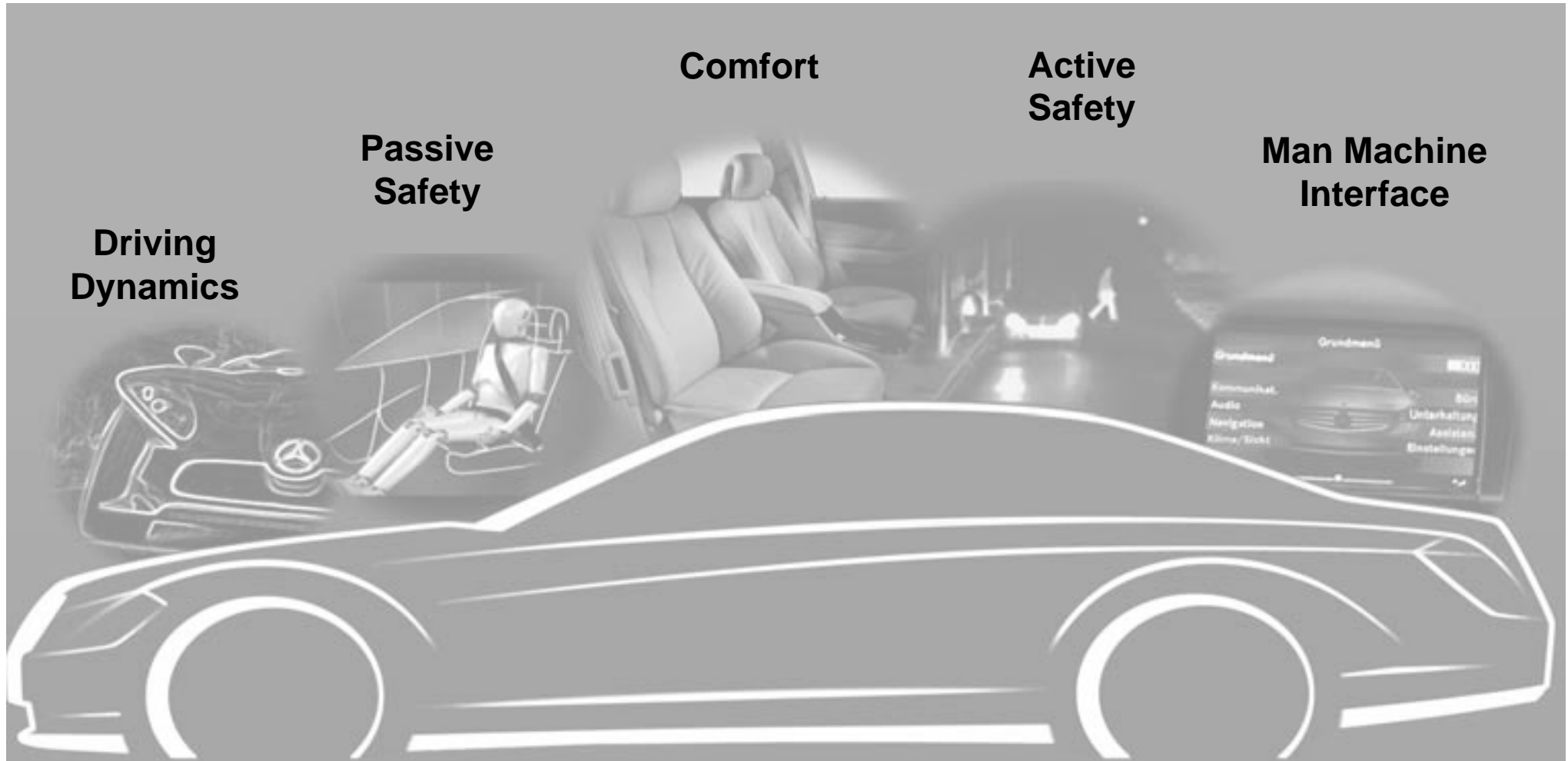


## PRODUCT LAUNCHES 2005: NEW R-CLASS





## S-CLASS AGAIN DEFINING THE STANDARD



Comfort

Active  
Safety

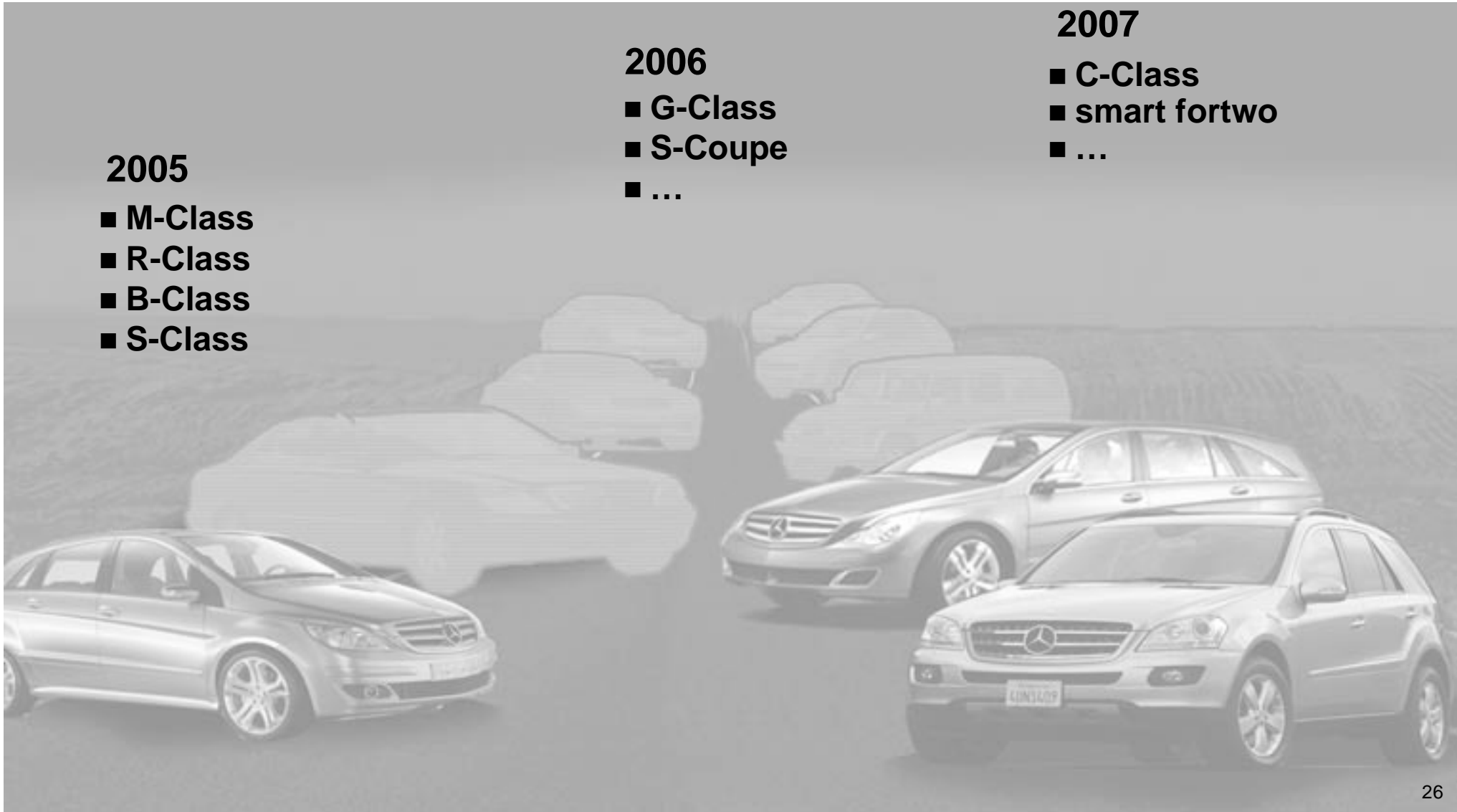
Man Machine  
Interface

Passive  
Safety

Driving  
Dynamics

**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
- ...

# CHRYSLER GROUP



**No.1  
luxury full size cars  
USA**



**No. 1  
MPV  
USA**



**No. 3  
SUV  
USA**

# PRODUCT OFFENSIVE 2004 SUCCESSFULLY LAUNCHED

Dodge Ram SRT-10



Chrysler 300



Chrysler Crossfire Roadster



PT Cruiser Convertible



Jeep Wrangler XL



Jeep Grand Cherokee



Chrysler/Dodge Minivans



Dodge Magnum



Dodge Dakota

# CHRYSLER 300: MOST-DECORATED CAR EVER IN THE USA

“North American Car  
of the Year 2005”  
(NACOTY)

“Top Ten Cars for CEOs”  
Executive Life

“Automobile of the year”  
**Automobile**

“America’s Best Sedan”  
**AutoWeek**

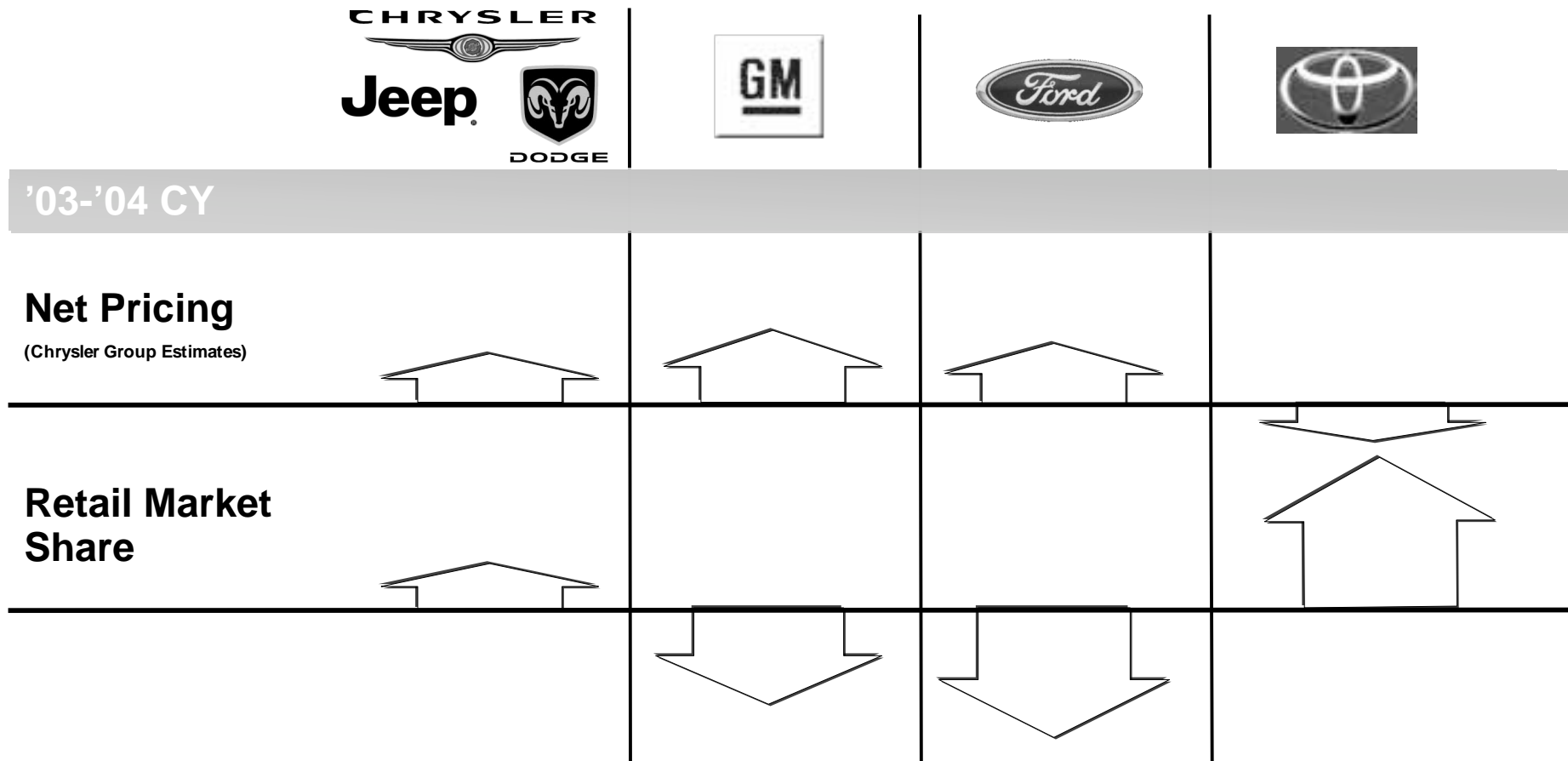
“Car of the Year 2005”  
**MOTOR TREND**

“Car of the Year”  
FOCUS Magazine

“Car of the Year”  
The Detroit News



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



## CONTINUED EFFICIENCY AND QUALITY IMPROVEMENT FOR FURTHER GROWTH

### Efficiency

- Continued strive for cost benchmark position
  - Productivity
  - Material cost
  - Capital expenditure
  - Work force
- Optimize retail network

### Quality

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

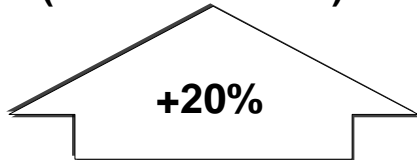
### Profitable Growth

- 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 Cost

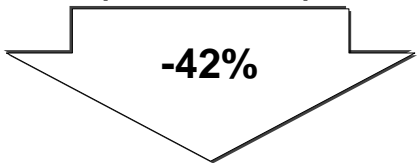
(2000 - 2004)



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

### Net Assets

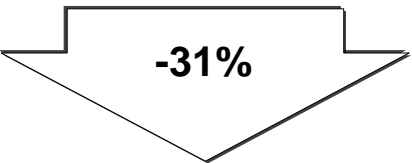
(2000 - 2004)



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

### Program Spending

(2000 - 2004)



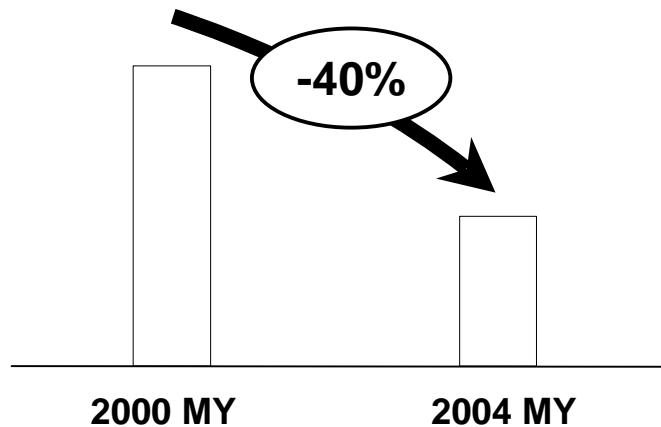
Decrease by 13 bn US\$



## QUALITY: IMPROVEMENTS IN COST AND PERCEPTION

### Warranty Expenses

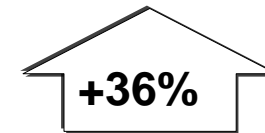
(\$ per unit sold)



Warranty expense per unit sold significantly decreased since 2000 MY

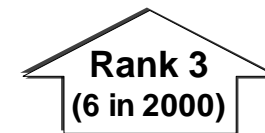
### Quality Indicators

■ JD Power IQS: (1998-2004)



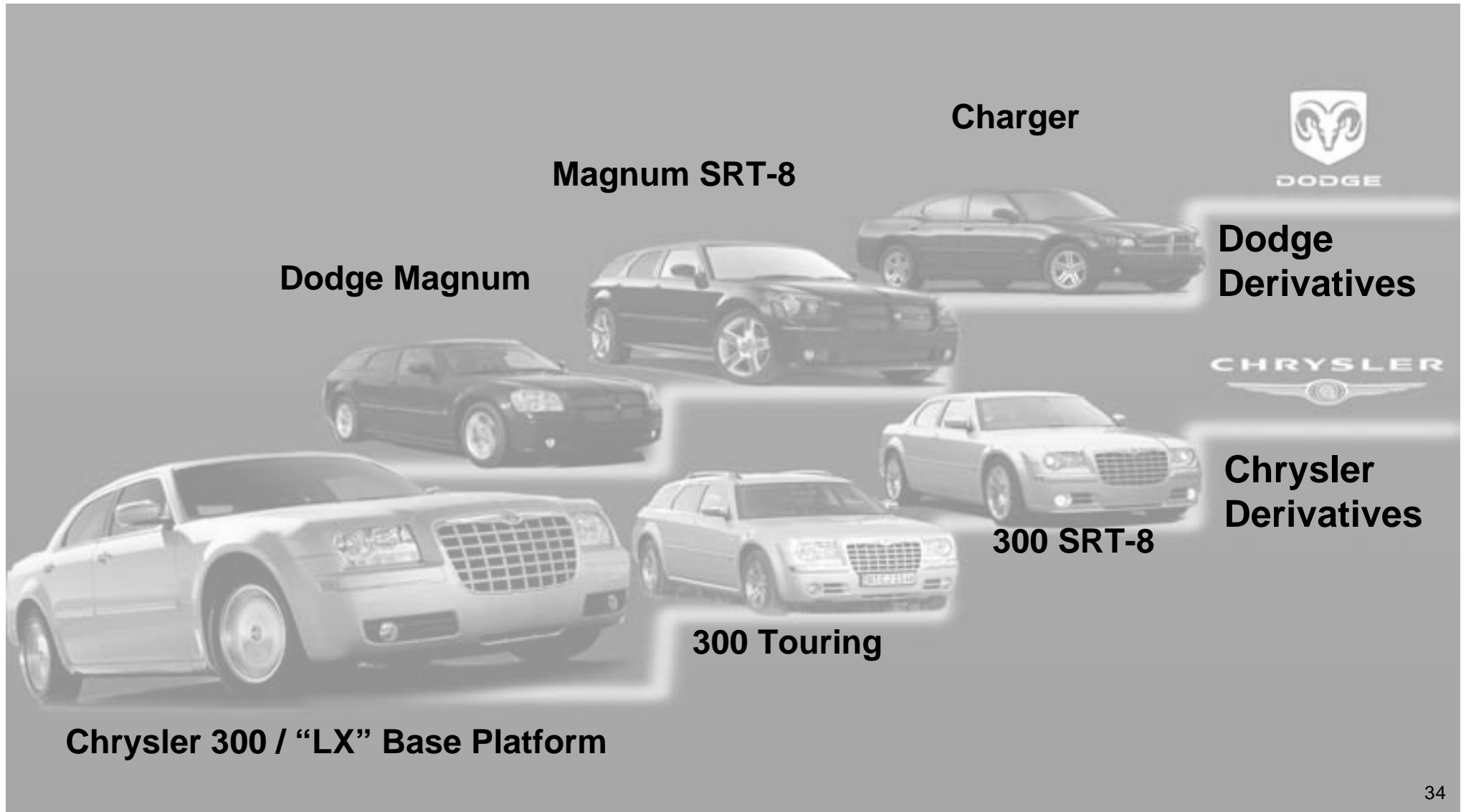
■ JD Power APEAL: 2 Category Winners in 2004

■ JD Power CSI:



■ 36% of CG products on Consumer Reports "Recommended List"

# “LX” FAMILY CONCEPT



## PRODUCT OFFENSIVE CHRYSLER GROUP TO BE CONTINUED

### 2005

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

### 2006

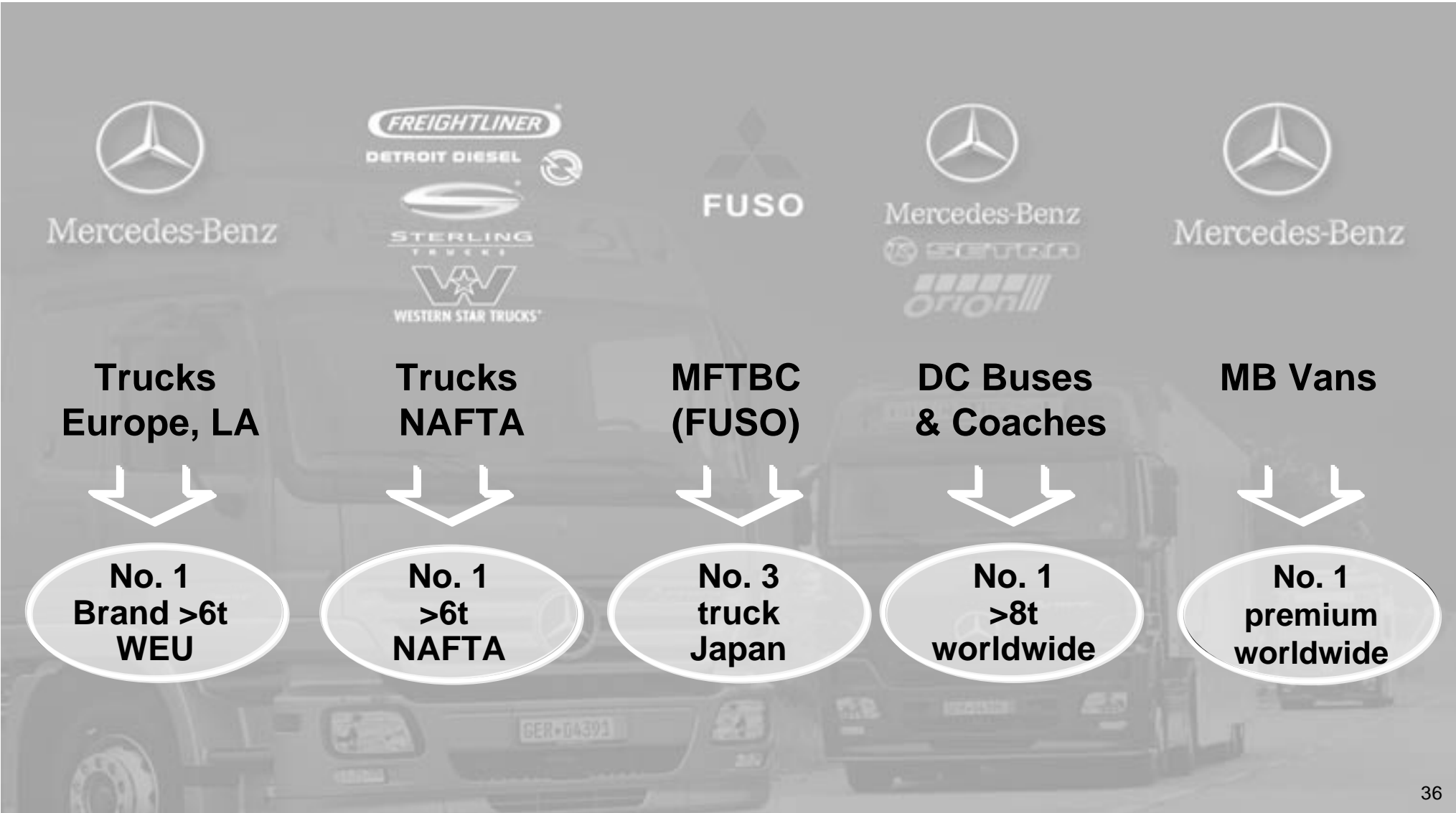
- Chrysler models ...
- Jeep models ...
- Dodge models ...

### 2007

- Chrysler models ...
- Jeep models ...
- Dodge models ...



# COMMERCIAL VEHICLES DIVISION



## 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
- Strong Asia presence

# TURNING SCALE INTO PROFIT

Yesterday:  
4 Concepts

**Europe**



**Axor**      **Atego**

**Latin America**



**HPN**      **FPN**

Today:  
2 Architectures

**Axor new**

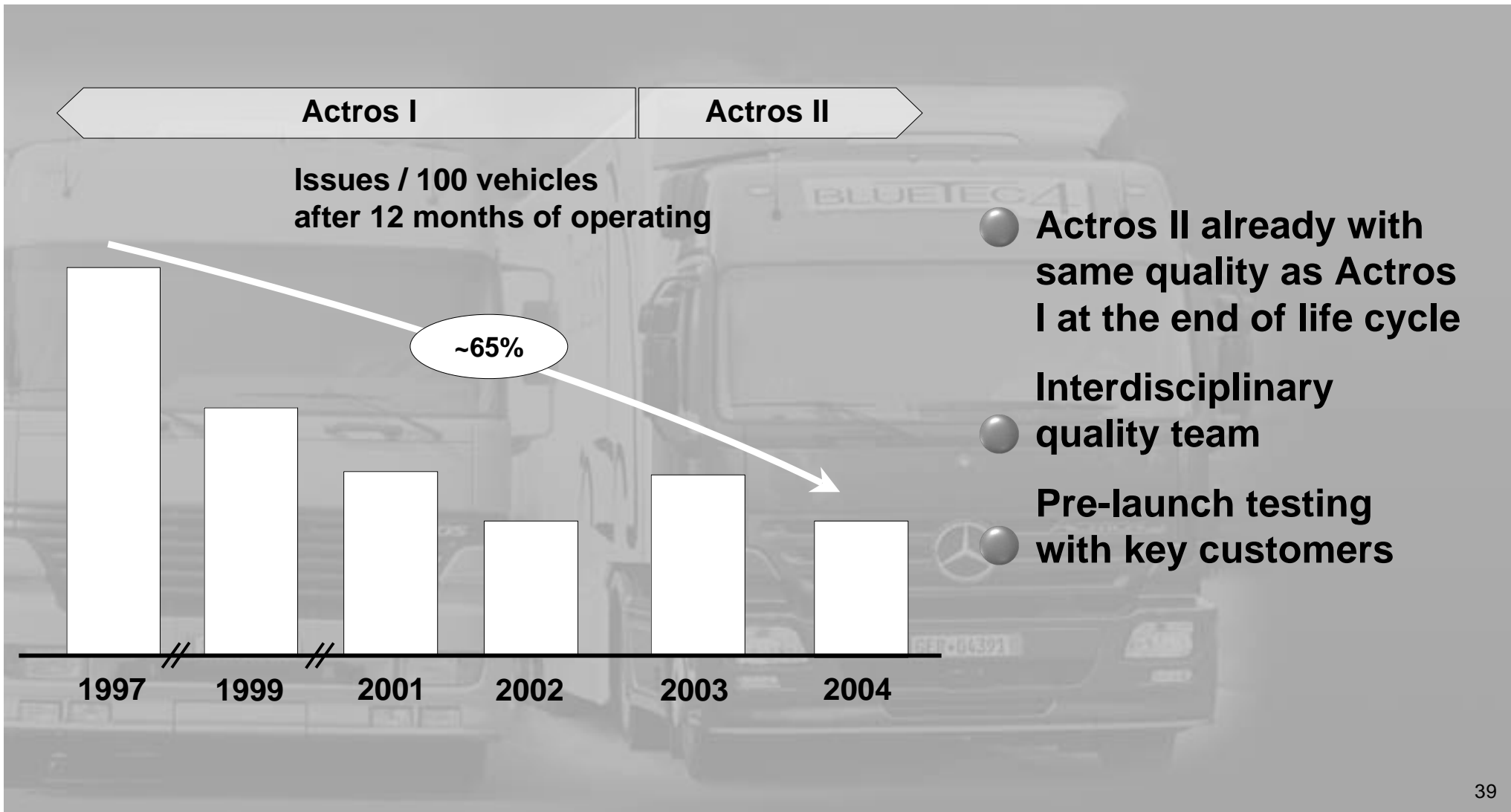


**Atego new**



**Regional Adaptations**

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



## PRODUCT LAUNCHES 2005



Fuso Canter New Generation



Mercedes-Benz Axor & Atego



Mercedes-Benz Travego



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

### 2005

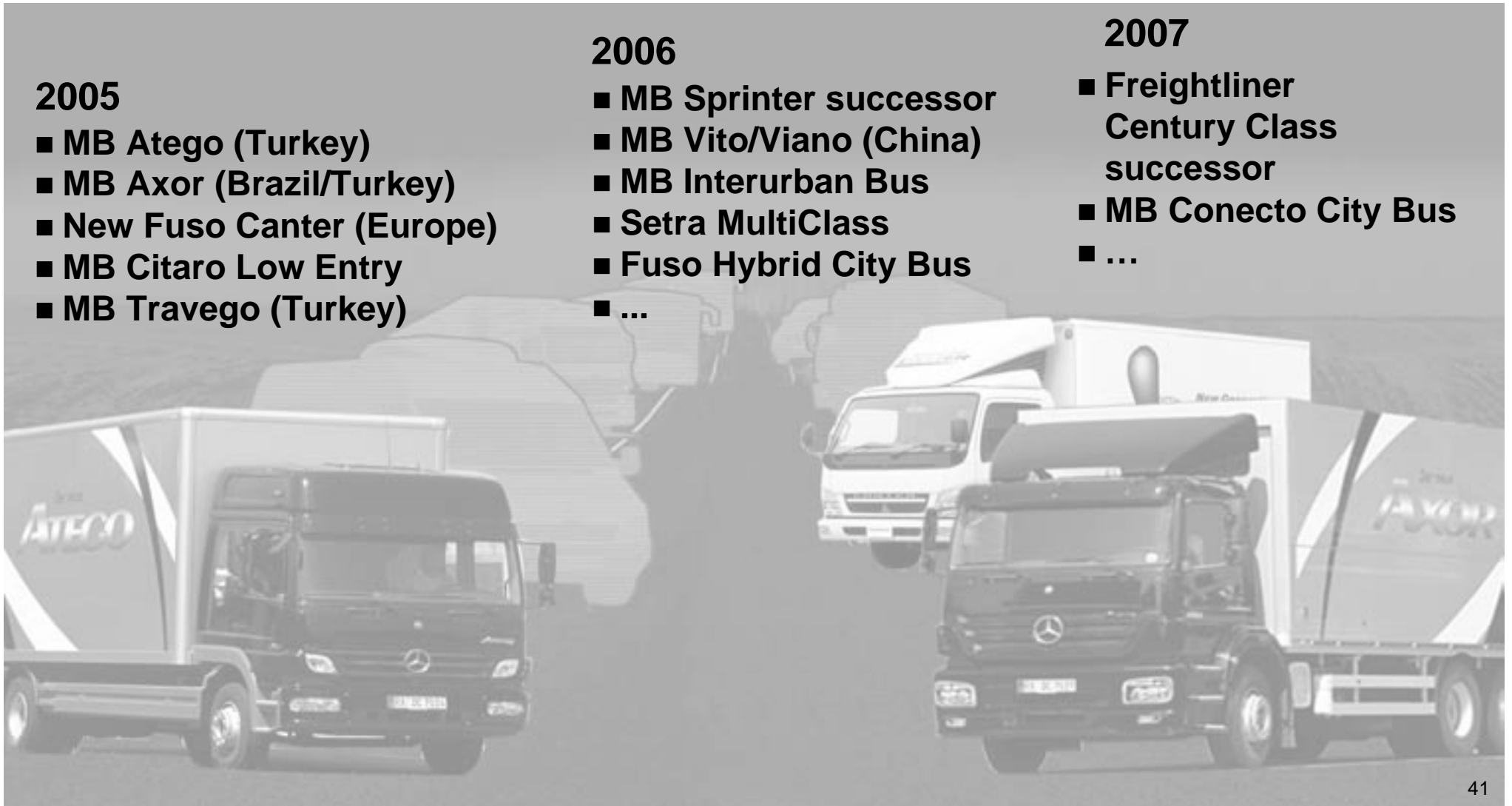
- MB Atego (Turkey)
- MB Axor (Brazil/Turkey)
- New Fuso Canter (Europe)
- MB Citaro Low Entry
- MB Travego (Turkey)

### 2006

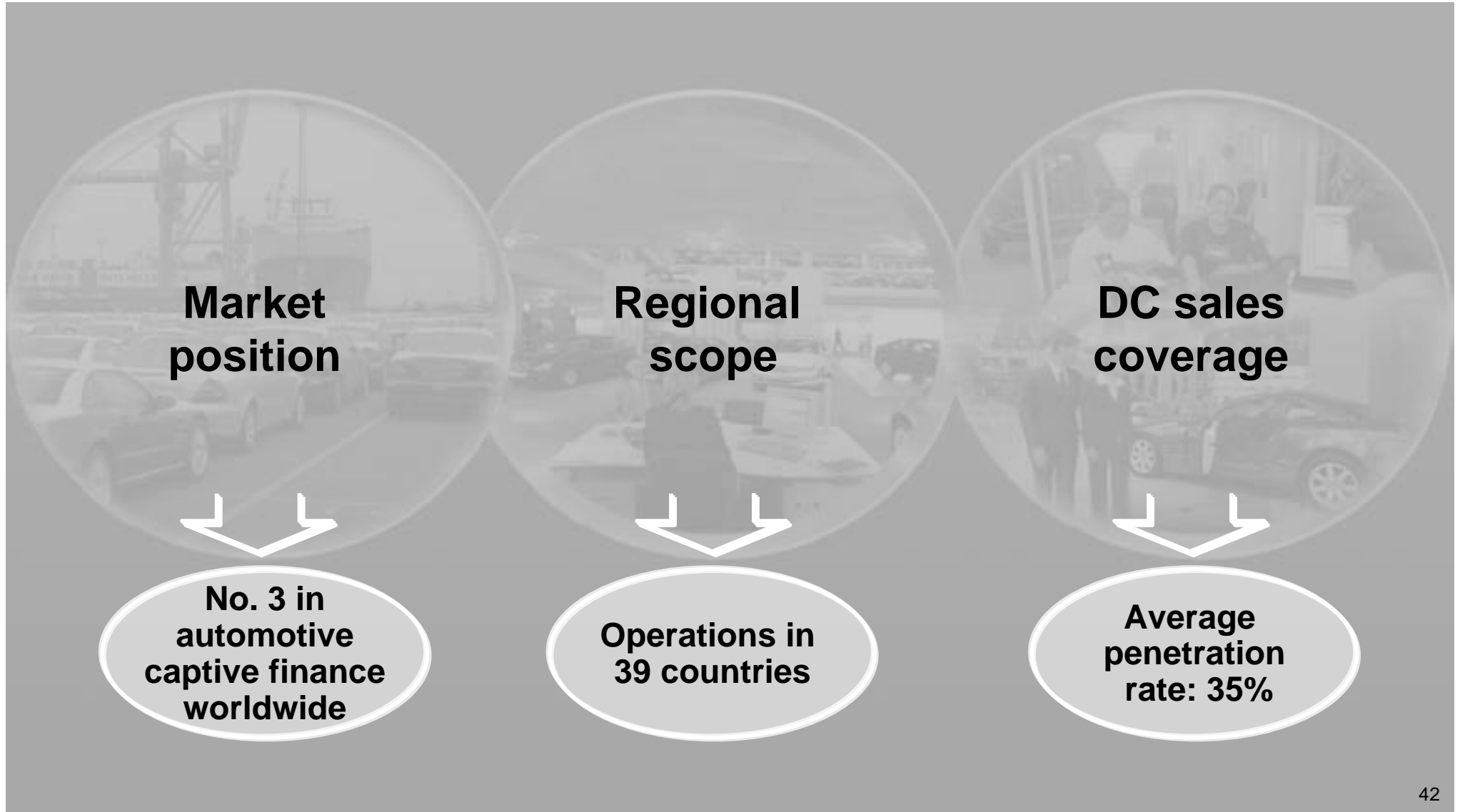
- MB Sprinter successor
- MB Vito/Viano (China)
- MB Interurban Bus
- Setra MultiClass
- Fuso Hybrid City Bus
- ...

### 2007

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



## FINANCIAL SERVICES



## 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

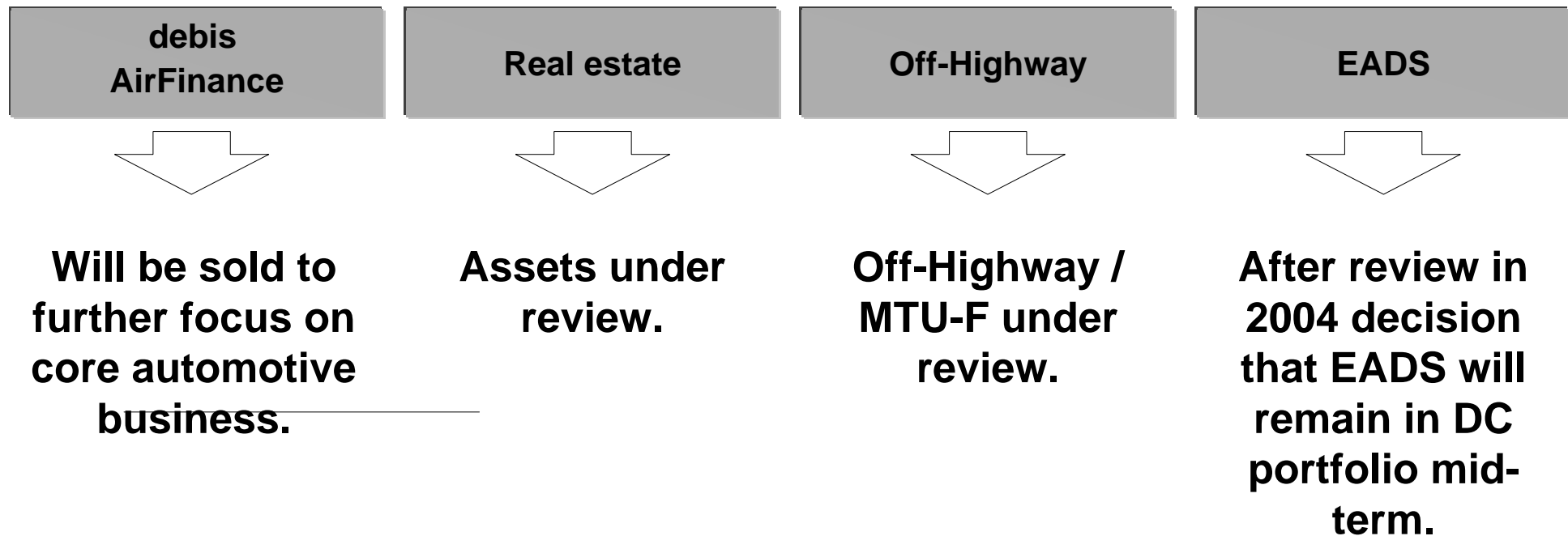
### Profitable Growth

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

## BUSINESS DEVELOPMENT TAILORED TO SPECIFIC MARKET SITUATIONS

	NAFTA	Europe	Emerging markets
Situation	<ul style="list-style-type: none"> <li>■ Large volume</li> <li>■ Economies of scale realized</li> <li>■ Automation implemented</li> </ul>	<ul style="list-style-type: none"> <li>■ Multiple companies of varying size</li> <li>■ Variations in processes and automation</li> </ul>	<ul style="list-style-type: none"> <li>■ Specific business scope</li> <li>■ Low level of automation</li> </ul>
Approach	<ul style="list-style-type: none"> <li>■ External benchmark</li> <li>■ Next level of automation</li> </ul>	<ul style="list-style-type: none"> <li>■ Realize economies of scale</li> <li>■ Best practice for processes and automation</li> </ul>	<ul style="list-style-type: none"> <li>■ Expand supporting DC vehicle business</li> <li>■ Leverage best practices</li> <li>■ Automate</li> </ul>
Focus	Sustain	Use scale effects	Expand

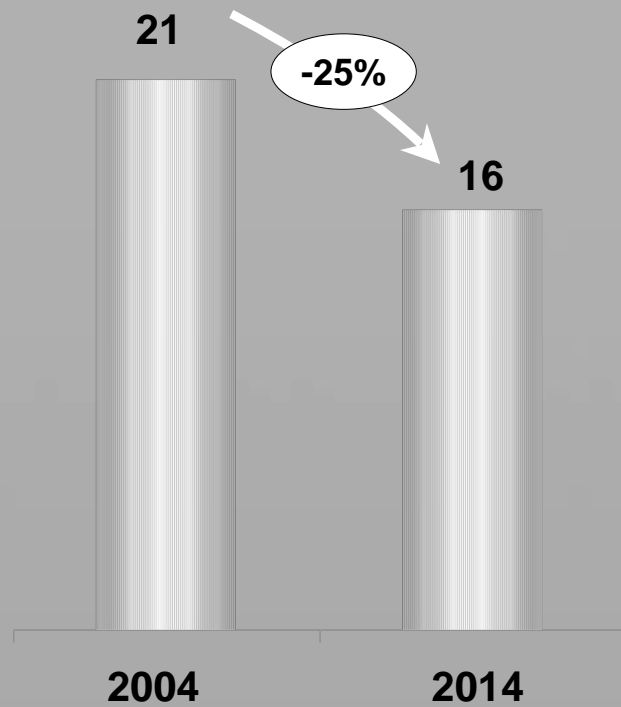
## STRATEGIC DECISIONS REGARDING NON-AUTOMOTIVE BUSINESS PORTFOLIO



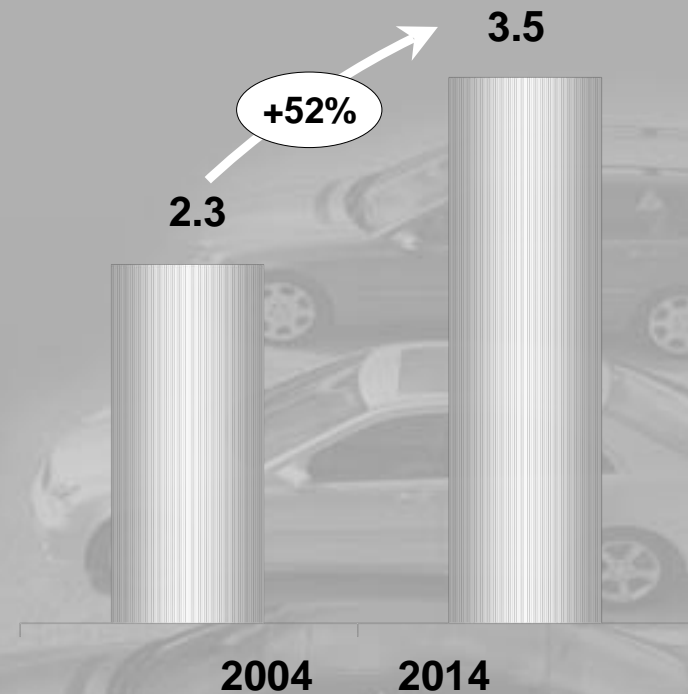
# MID TERM FOCUS IS ON SUPERIOR PRODUCTS AND OPERATIONAL EXCELLENCE



# SIGNIFICANT INCREASE OF AVERAGE NUMBER OF PV DERIVATES PER ARCHITECTURE



No. of PV architectures



Average no. of PV derivatives per architecture

## COMPREHENSIVE PROPULSION STRATEGY

### Optimization of Combustion Engines



### Hybrid Vehicles



### Fuel Cell Technology





**Superior Products  
Customer Satisfaction**

**Operational  
Excellence**

**Profitable Growth**

## 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 successful implementation of the new business model for smart; 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.**