

# DAIMLERCHRYSLER

## 9<sup>th</sup> DEUTSCHE BANK GERMAN CORPORATE CONFERENCE

June 1, 2006

**Bodo Uebber**  
Member of the Board of Management  
responsible for Finance & Controlling and Financial Services

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## AGENDA

- 1 Financial Performance Q1 2006 and Outlook 2006**

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- 2 Strategy and Long-Term Outlook**

## KEY FIGURES Q1 2006

- **Unit sales up 6% to 1.2 million vehicles**
- **Revenues increased by 17% to EUR 37.2 billion**
- **Operating profit of EUR 0.9 billion (+42%), including:**
  - EUR 982 million for focusing on smart fortwo
  - EUR 203 million related to headcount reduction at Mercedes Car Group
  - a gain of EUR 234 million on the disposal of DaimlerChrysler Off-Highway
- **Net income up 4% to EUR 299 million**

## KEY FINANCIAL FIGURES Q1 2006

- in billions of EUR -	Q1 2005	Q1 2006
<b>Unit Sales</b> (in thousand units)	1,088	1,153
<b>Revenues</b>	31.7	37.2
<b>Operating Profit</b>	0.6	0.9
<b>Net Income</b>	0.3	0.3
<b>Earnings per Share</b> (in EUR)	0.28	0.29
<b>Free Cash Flow Industrial Business</b>	0.2	1.1
<b>Net Liquidity Industrial Business</b> (at period end)	7.3	7.1

## KEY BALANCE SHEET FIGURES

- in billions of EUR -	Dec. 31 2005	March 31 2006
<b>DaimlerChrysler Group</b>		
▪ Equity ratio <sup>1)</sup>	17.3%	17.6%
▪ Gross liquidity	12.6	11.0
▪ Financial liabilities <sup>2)</sup>	80.9	79.7
<b>Industrial Business</b>		
▪ Equity ratio <sup>1)</sup>	24.8%	25.5%
▪ Net liquidity	7.3	7.1
<b>Funded Status</b>		
▪ Pensions	(7.2)	(5.6)
▪ Healthcare	(15.8)	(14.8)

1) Excluding dividend payment

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

## SALES OUTLOOK 2006

- **The Mercedes Car Group expects unit sales in the magnitude of 2005, while the model mix is expected to improve**
- **The Chrysler Group expects shipments at 2005 levels in a difficult market environment**
- **For the Truck Group we expect unit sales at the prior year's level**

## PROFIT OUTLOOK 2006

- **The DaimlerChrysler Group anticipates operating profit to exceed EUR 6 billion, including:**
  - **Charges of EUR 1 billion for focusing on the smart fortwo**
  - **EUR 0.5 billion for the implementation of the new management model**
  - **EUR 0.4 billion related to the Mercedes Car Group headcount reduction**
  - **and a gain on the disposal of the Off-Highway business (EUR 0.2 billion)**

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## AGENDA

**1** Financial Performance Q1 2006 and Outlook 2006

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**2** Strategy and Long-Term Outlook



## TARGET: BACK TO BENCHMARK PROFITABILITY AND QUALITY

### Challenges

- **Costs, efficiency and processes**
- **smart**
- **Stronger customer focus**

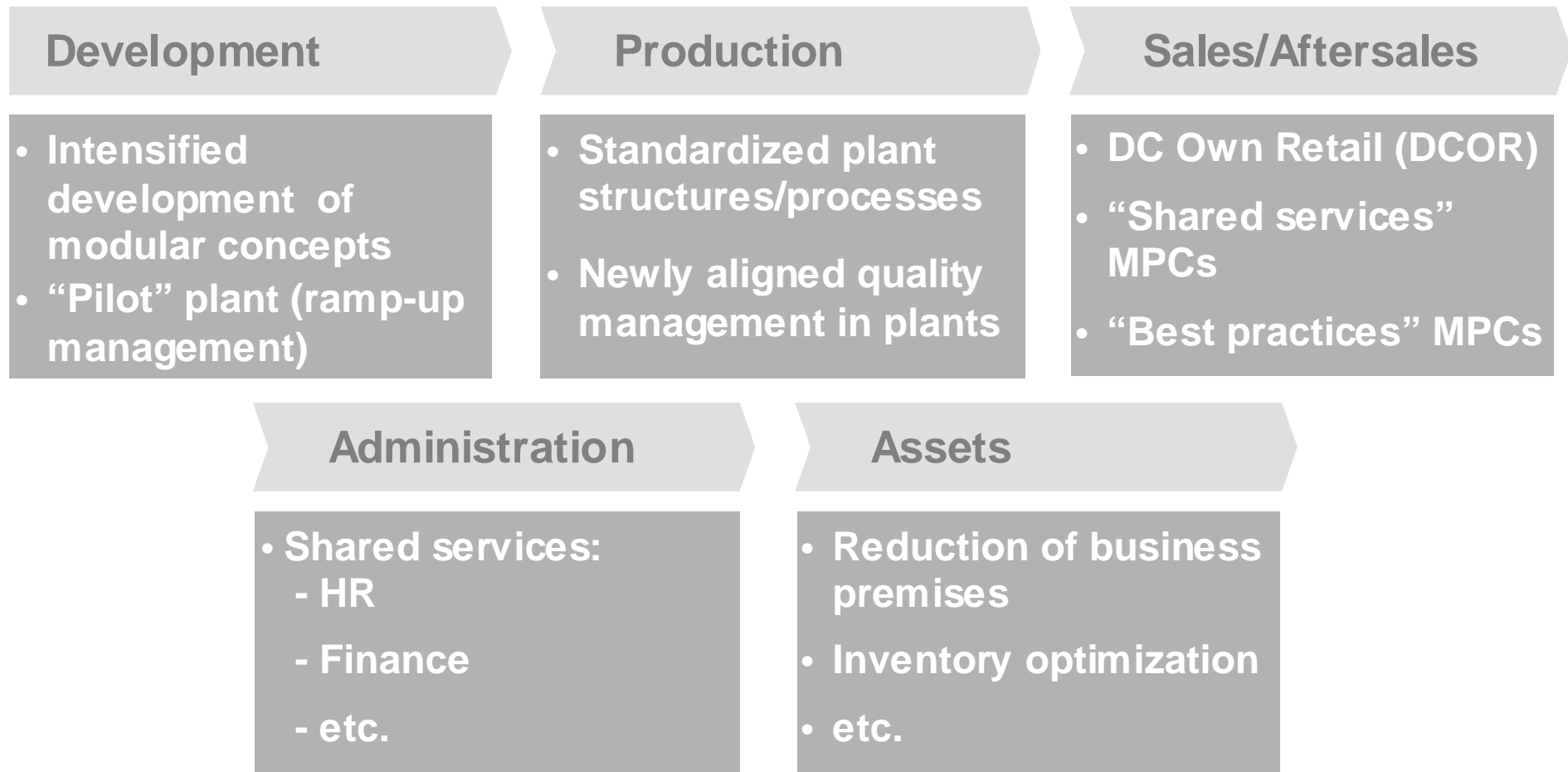
### Measures & Opportunities

- **“CORE” program, including smart**
- **Customer satisfaction offensive**
- **Ongoing product offensive**

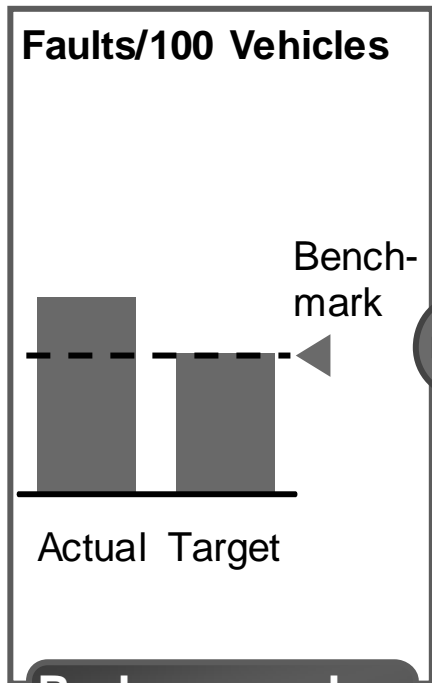
## FOCUSING ON SMART FORTWO

- **Measures to enhance smart business model:**
  - Discontinuation of production of smart forfour
  - Clear focus on smart fortwo
  - Complete integration of smart into the Mercedes-Benz organization
- **Costs are estimated to impact earnings by around EUR 1 billion, of which EUR 982 million is included in Q1 2006**
- **New smart fortwo to be launched in 2007**
- **Positive earnings expected from 2007 onwards**

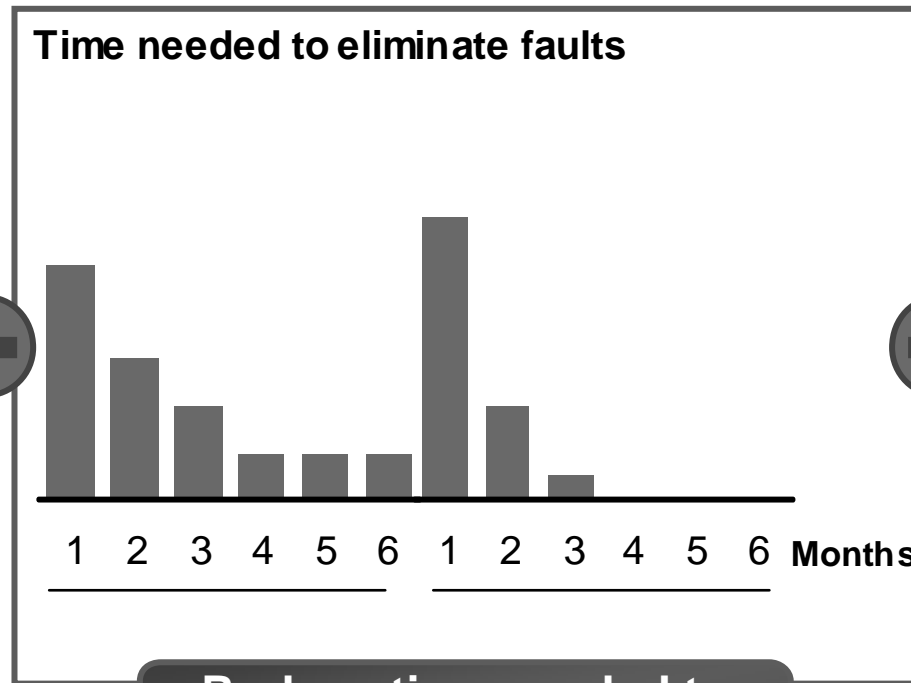
# „CORE“ TO DRIVE STRUCTURAL CHANGES



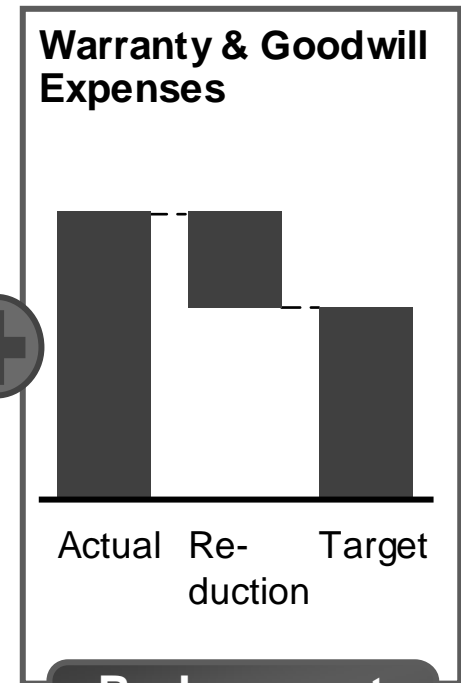
# COMPREHENSIVE QUALITY STRATEGY (1/2): REDUCE FAULTS, TIME AND COST



**Reduce number of faults**



**Reduce time needed to eliminate faults**



**Reduce cost significantly**

## COMPREHENSIVE QUALITY STRATEGY (2/2): IMPROVE LEVEL OF CUSTOMER SATISFACTION

SUCCESS FACTOR	KEY PERFORMANCE INDICATOR	
Quality	e. g. JD Power “IQS”	<p><b>TARGETS AND GLIDEPATH DEFINED.</b></p> <p><b>MEASURES ADDRESSED.</b></p>
Customer Satisfaction	e. g. JD Power “CSI”	
Consumer Perception	e. g. “ADAC” (Germany), “Consumer Reports” (US)	
Cost of Ownership	e. g. “ADAC TCO” (Germany), “Edmunds” (US)	
Product Appeal	e. g. JD Power “APEAL”	
Residual Value	e. g. “Eurotax Schwacke”, “ALG” (US)	

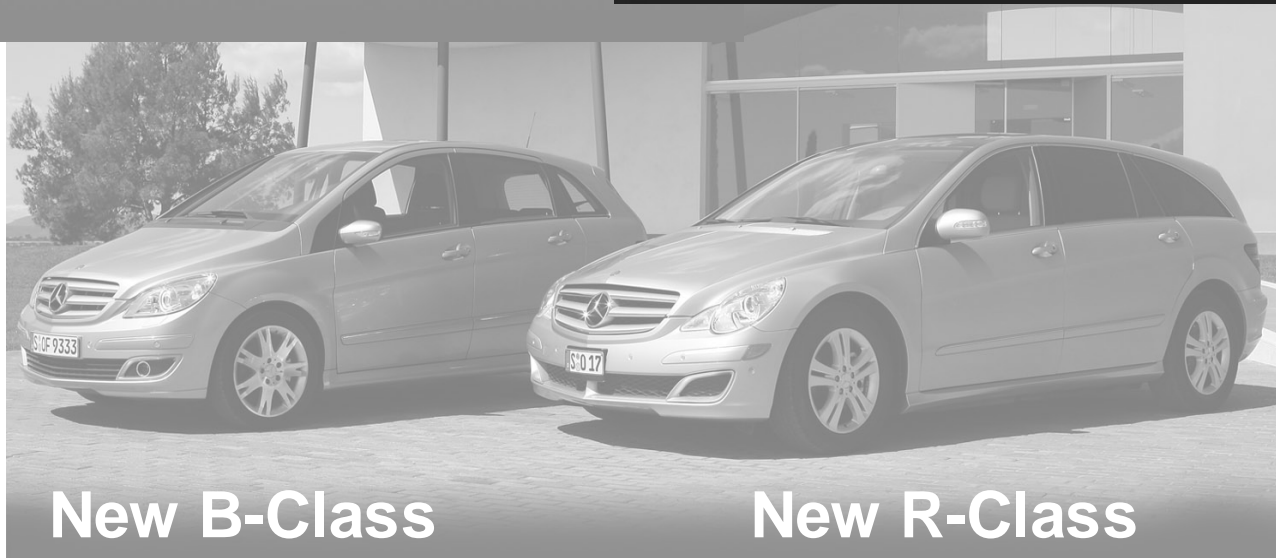
**NEW PRODUCTS 2005**



**New M-Class**



**New S-Class**



**New B-Class**

**New R-Class**

**NEW PRODUCTS 2006**



**New  
GL-Class**

**New  
Generation  
E-Class**



**New  
CL-Class**



**Facelift SL-Class**



## MERCEDES-BENZ GL-CLASS





## MERCEDES-BENZ E-CLASS



# TARGET: SUSTAINABLE PROFITABILITY

## Challenges

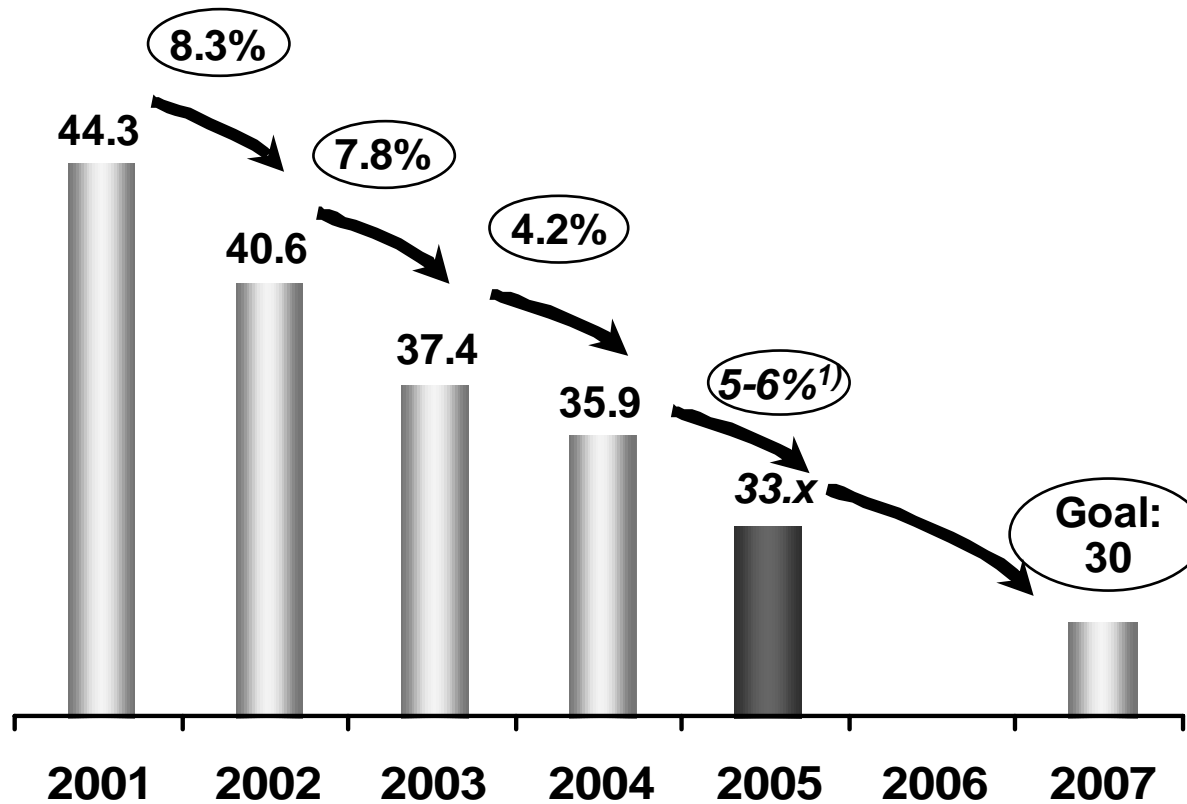
- **Cost position**
- **U. S. market highly competitive, incentive pressure**
- **Increased energy/ fuel prices, material costs**
- **Presence on international markets**

## Measures & Opportunities

- **Continuous improvements in efficiency and market performance**
- **Regional expansion (WEU, China)**
- **Continued product offensive**

EFFICIENCY IMPROVEMENTS ON TRACK

Hours Per Vehicle



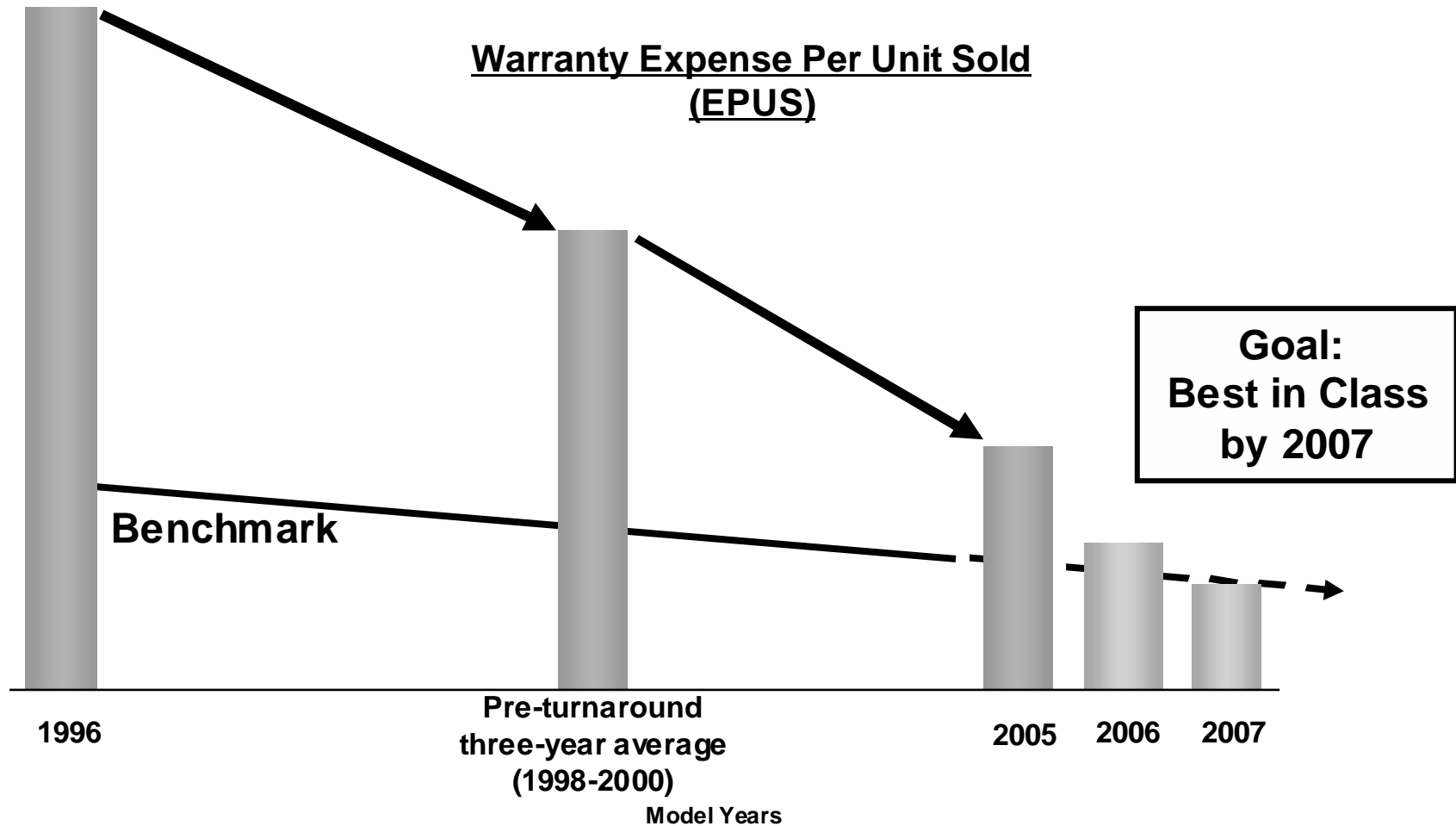
Harbour North America  
2004 Results:

- Overall productivity improvement of 4.2%
- Best of US OEMs in transmission productivity
- Engine productivity most improved (9.5%)

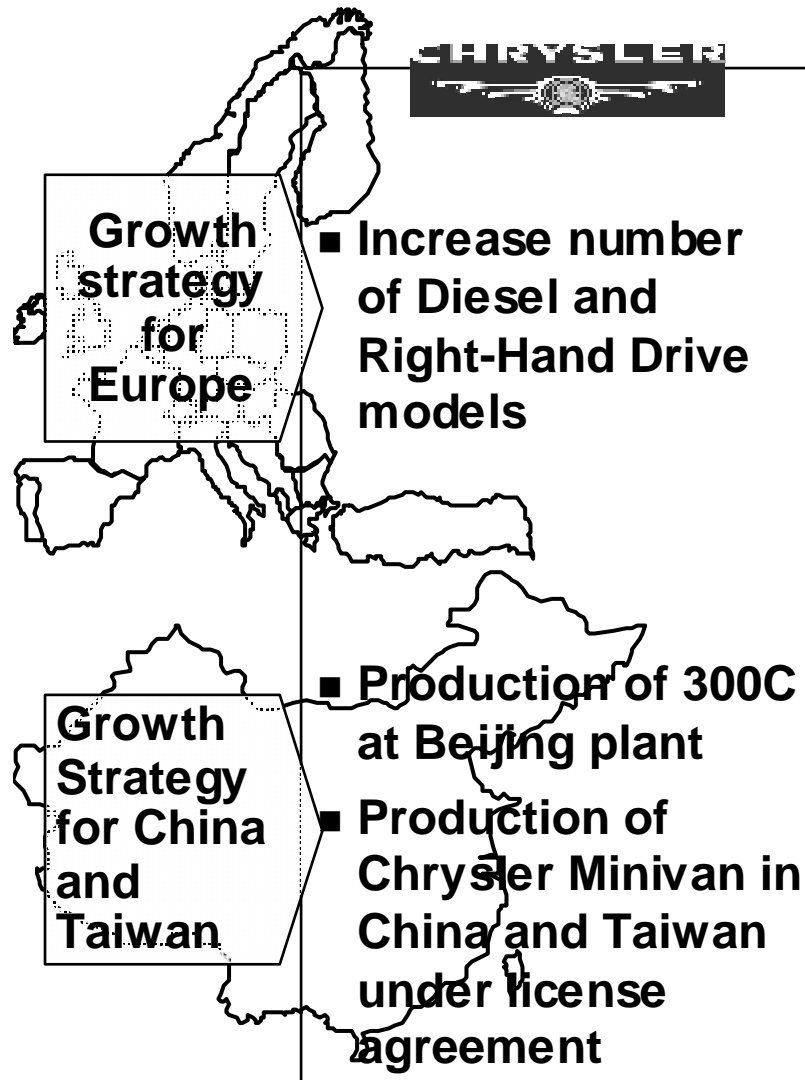
Source: Harbour Report

1) Internal estimate

# QUALITY OFFENSIVE: THE GOAL IS TO REACH THE EPUS BENCHMARK BY 2007



# REGIONAL EXPANSION



- Brand launch across Europe: “Discover Dodge”
- New global products introduced at Geneva 2005: Caliber, Nitro

- Reload and expand brand with new/ additional global products: Wrangler, Commander, Compass, Patriot

**NEW PRODUCTS 2005**

**Dodge Viper SRT10 Coupe**



**Dodge Charger**



**Dodge RAM Mega Cab**



**Jeep Commander**



**Dodge Magnum • Chrysler 300C • Dodge Charger**

NEW PRODUCTS 2006

Jeep Patriot



Dodge Caliber



Dodge Nitro



Chrysler Aspen

# CONCEPT VEHICLES



**“Dodge Challenger Returns – Fast Company for the Mustang”**

*Road and Track, February 2006*

Dodge  
Challenger

**“ Motown Magic: Chrysler Imperial Stars in Detroit Auto Show”**

*Automotive News January 6, 2006*



Chrysler Imperial



## CONCEPT VEHICLES



# TARGET: BEAT THE CYCLE

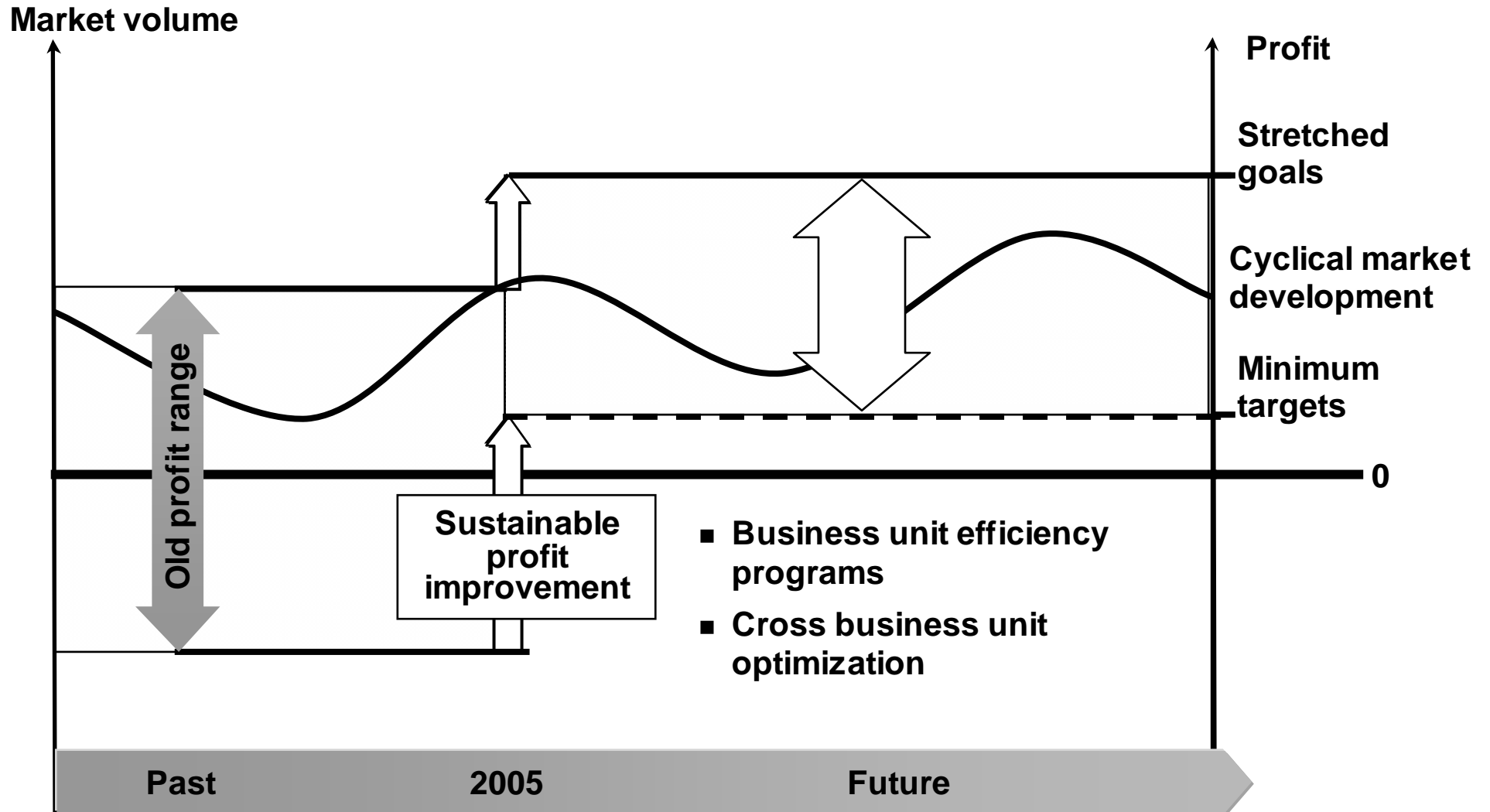
## Challenges

- **Managing market cycles**
- **Cost position**
- **Regulatory environment**
- **Fuso home market position**

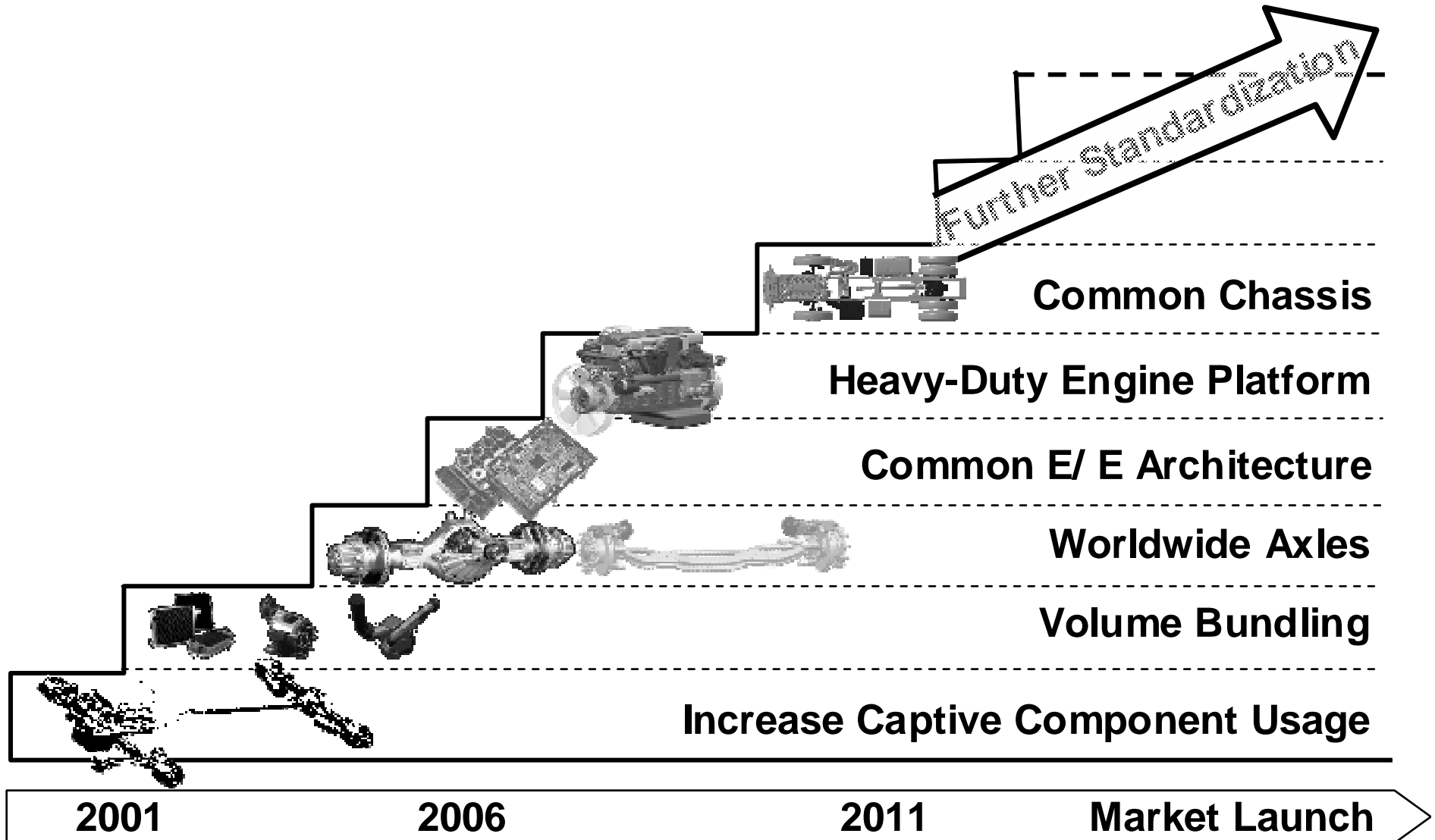
## Measures & Opportunities

- **Global Excellence**
- **Asia expansion through Fuso**
- **Ongoing product offensive**

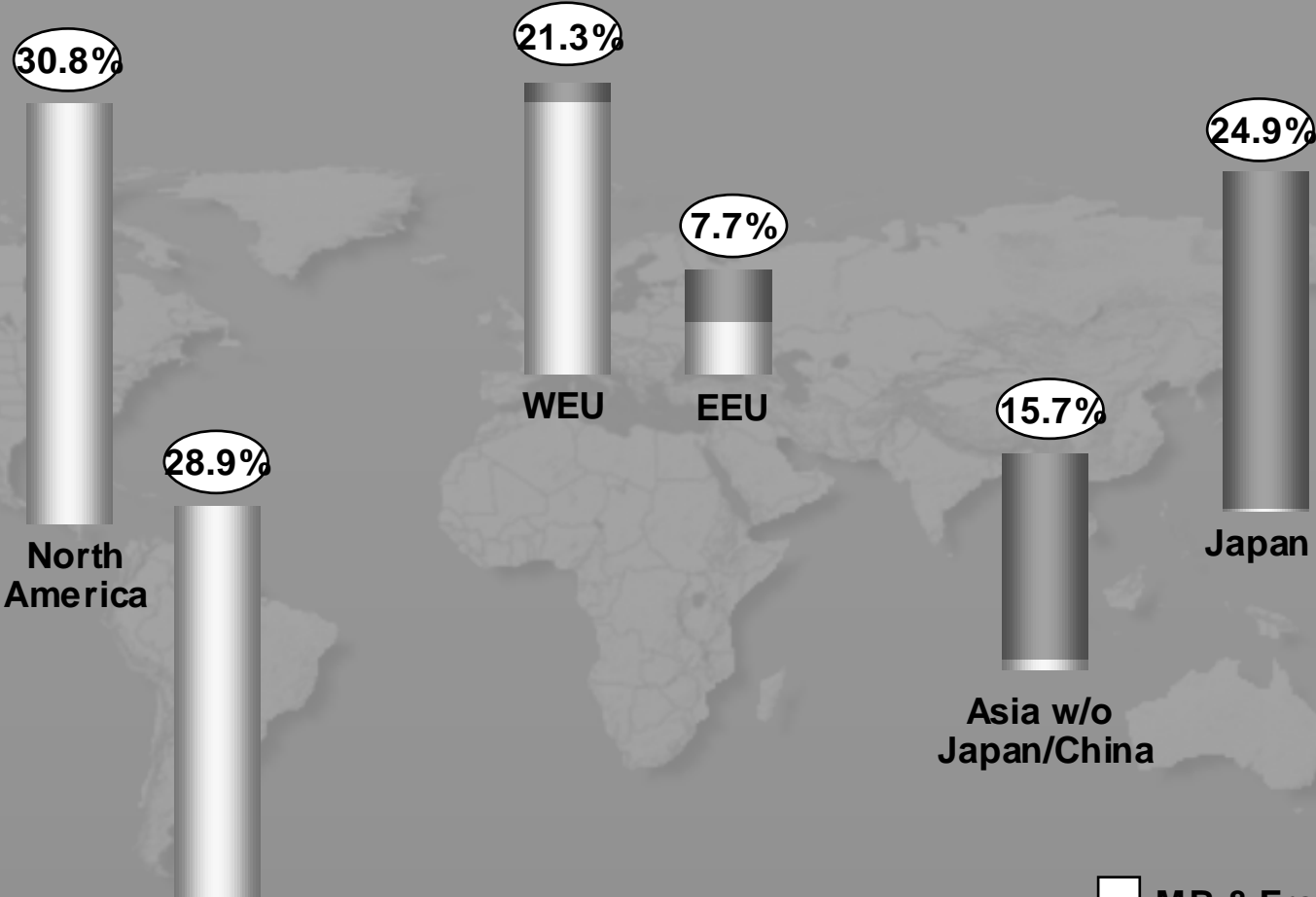
## GLOBAL EXCELLENCE INITIATIVES TO REDUCE COSTS



# COMMONALIZATION FOR FUTURE PRODUCTS



# FUSO IMPORTANT PILLAR FOR ASIA STRATEGY

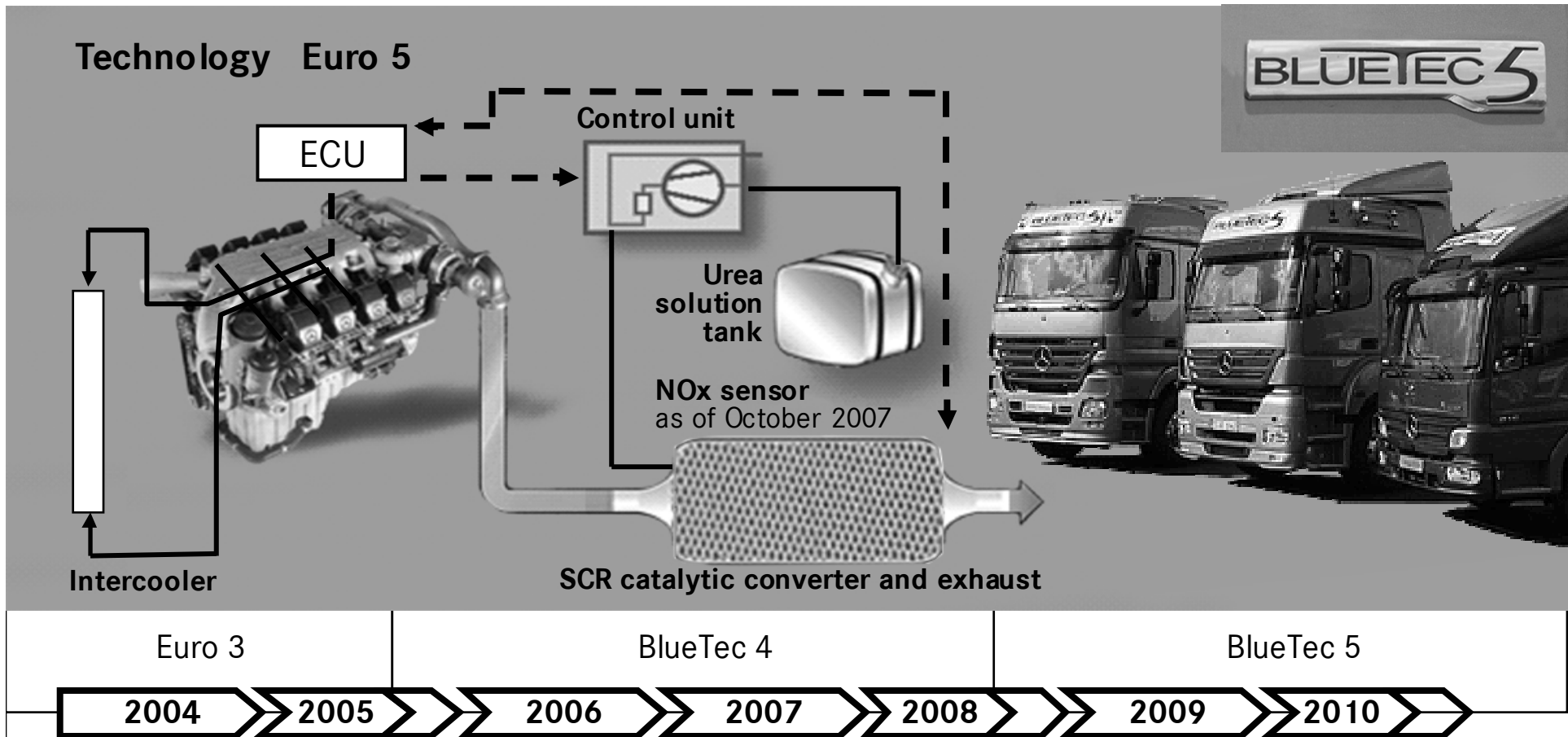


x%  $\hat{=}$  Combined market share (LDT/MDT/HDT)

MB & Freightliner  
FUSO

Source: Global Insight, Estimate 2005

# NUMBER 1 IN TECHNOLOGY: IN EUROPE MORE THAN 20,000 MERCEDES-BENZ BLUETEC TRUCKS SOLD



NEW PRODUCTS TRUCK GROUP



## TARGET: EFFICIENCY AND EXPANSION OF CAPTIVE BUSINESS

### Challenges

- Higher interest rates
- Costs

### Measures & Opportunities

- Reduce costs and improve operating margins
- Concentration on captive business
- Further expand support of automotive business in new markets



# DCFS TO STRENGTHEN CAPTIVE BUSINESS

### Focused Business portfolio

#### Sale of:

- debis AirFinance
- Structured Finance GmbH
- Commercial Insurance Brokerage Germany

### Expanded support of captive business

- New segments, e.g. Fuso Financial Services
- New markets, e.g. China: DaimlerChrysler Automotive Finance Ltd.

## MARKET EXPLOITATION: WORLDWIDE 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

# TARGET: SAFEGUARD AND BROADEN BUSINESS MODEL

## Challenges

- **Costs, efficiency and processes**
- **Safeguarding existing markets and exploring new market opportunities**
- **Ensuring product success and exploring opportunities in new segments**

## Measures & Opportunities

- **Programs initiated to continuously improve efficiency and processes**
- **Increase market penetration**
- **Product improvements**

# TARGET: SECURE LONG TERM PROFITABILITY

## Challenges

- Enforce global leadership in sales and profitability
- Ensure No 1 position in brand quality
- Cost position
- Profitable long term growth

## Measures & Opportunities

- Second wave product offensive
- Quality related process engineering
- Business Excellence programs in all regions

## SPECIFIC FOCUS OF DIVISIONS

**Mercedes Car  
Group**

**Back to  
benchmark  
profitability  
and quality**

**Chrysler Group**

**Sustainable  
profitability**

**Truck Group**

**Beat the cycle**

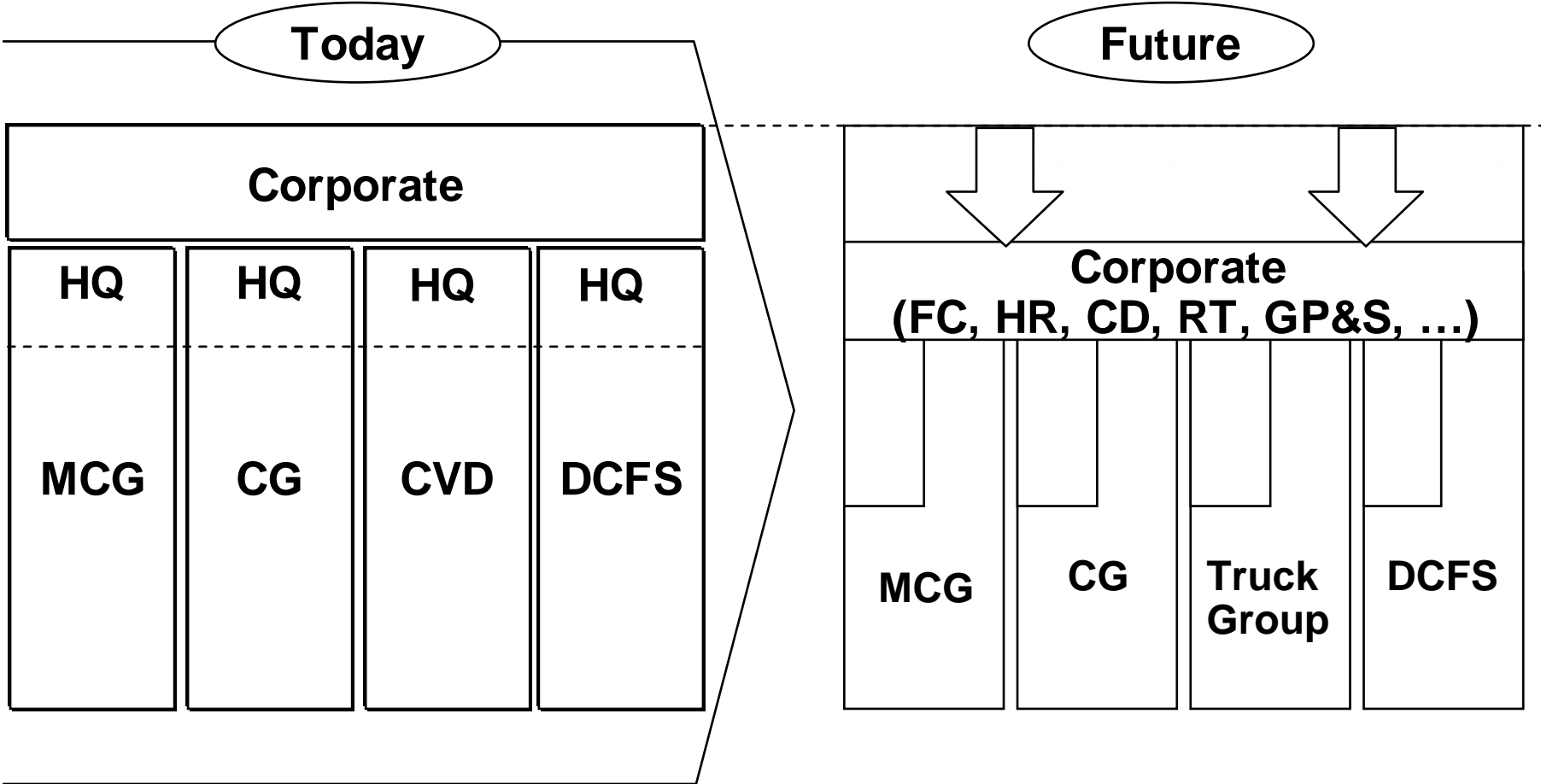
**DC Financial  
Services**

**Efficiency and  
expansion of  
captive business**

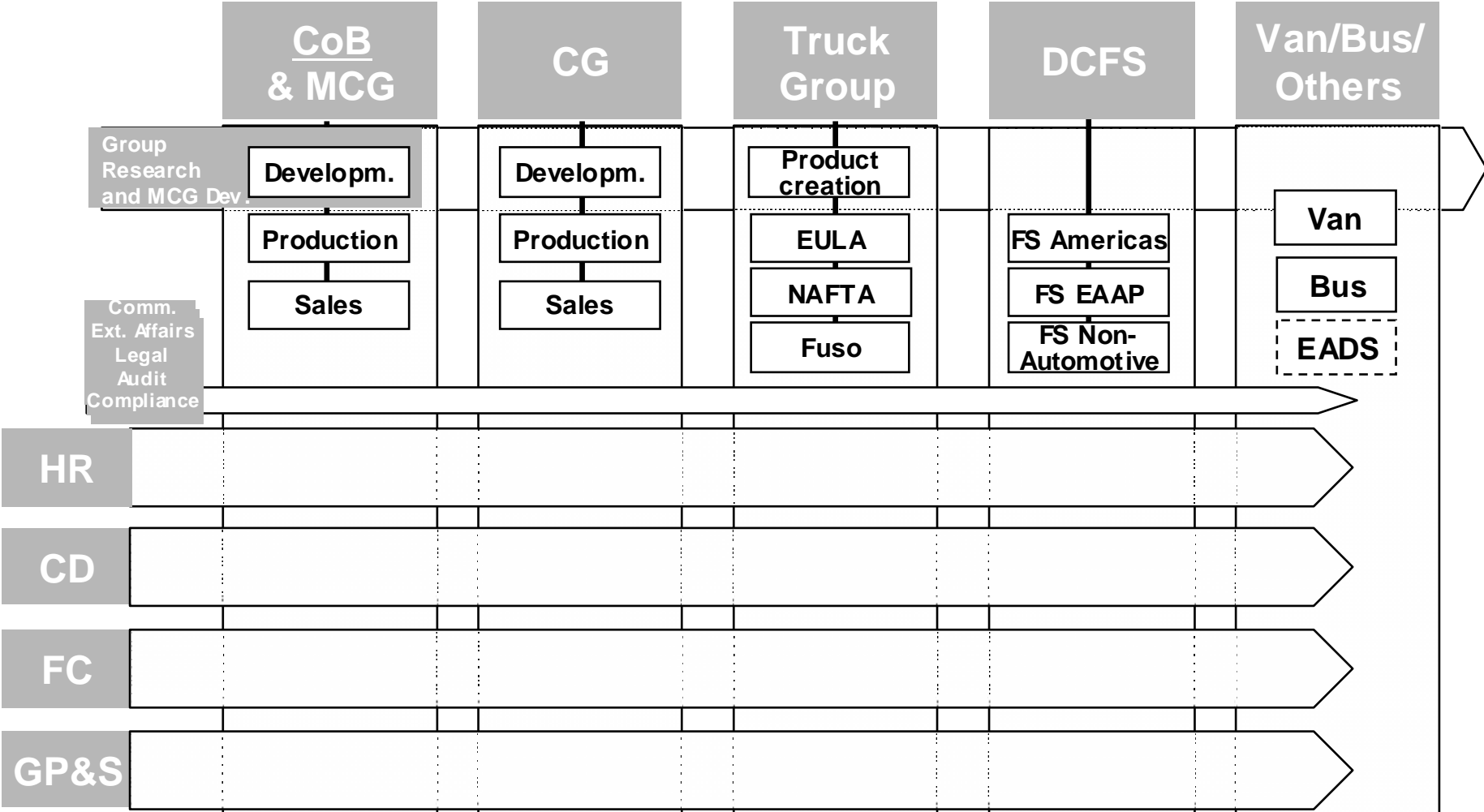
# CONTINUOUS INCREASES IN OPERATING PROFIT ANTICIPATED DURING THE FOLLOWING YEARS

- **Product offensive with more than 50 new vehicles in the period of 2005 through 2008**
- **Ongoing efficiency improvement programs in all divisions**
- **Enhanced cooperation within the Group through New Management Model**

# NEW MANAGEMENT MODEL – THE NEW ORGANIZATIONAL APPROACH –

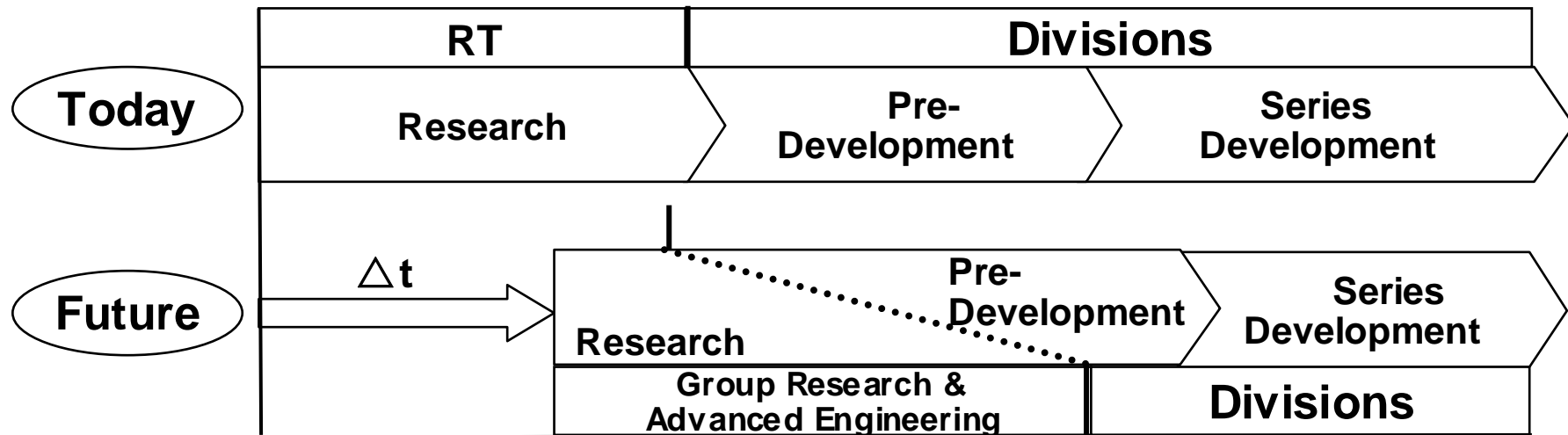


# TARGET: FUNCTIONAL INTEGRATION – FOCUS ON OPERATIONAL CORE PROCESSES & PRODUCTS





# INTEGRATION OF GROUP RESEARCH AND ADVANCED ENGINEERING ENABLES OPERATIONAL EXCELLENCE



Extension of Group Research to Advanced engineering enables 'more with less'

# NEW MANAGEMENT MODEL – TARGETS AND FINANCIAL IMPACT –

- **Key issues to be achieved by 2008:**
  - Higher level of integration of G&A functions to make the organization faster, more flexible, leaner and more efficient
  - Intensified cross-divisional cooperation
  - G&A costs to be reduced by EUR 1.5 billion per year
  - G&A staff to be reduced by up to 6,000 employees over three years
  
- **From 2006 to 2008, expenditures of EUR 2 billion expected, of which EUR 0.5 billion is anticipated to be charged in 2006**

## OUR COMMON GOALS

Superior and inspiring  
Products and Services

Fascinating products

Best price/value ratio

Excellent customer  
service

Operational Excellence

High performance organization

Efficient processes

Cross-divisional  
cooperation

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 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.