

DAIMLERCHRYSLER

Q1 2005 Outlook & Strategy

Investor Relations
June 2005

AGENDA

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

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

KEY FINANCIAL HIGHLIGHTS IN Q1/2005

- **Unit sales up 1% to 1.1 million vehicles**

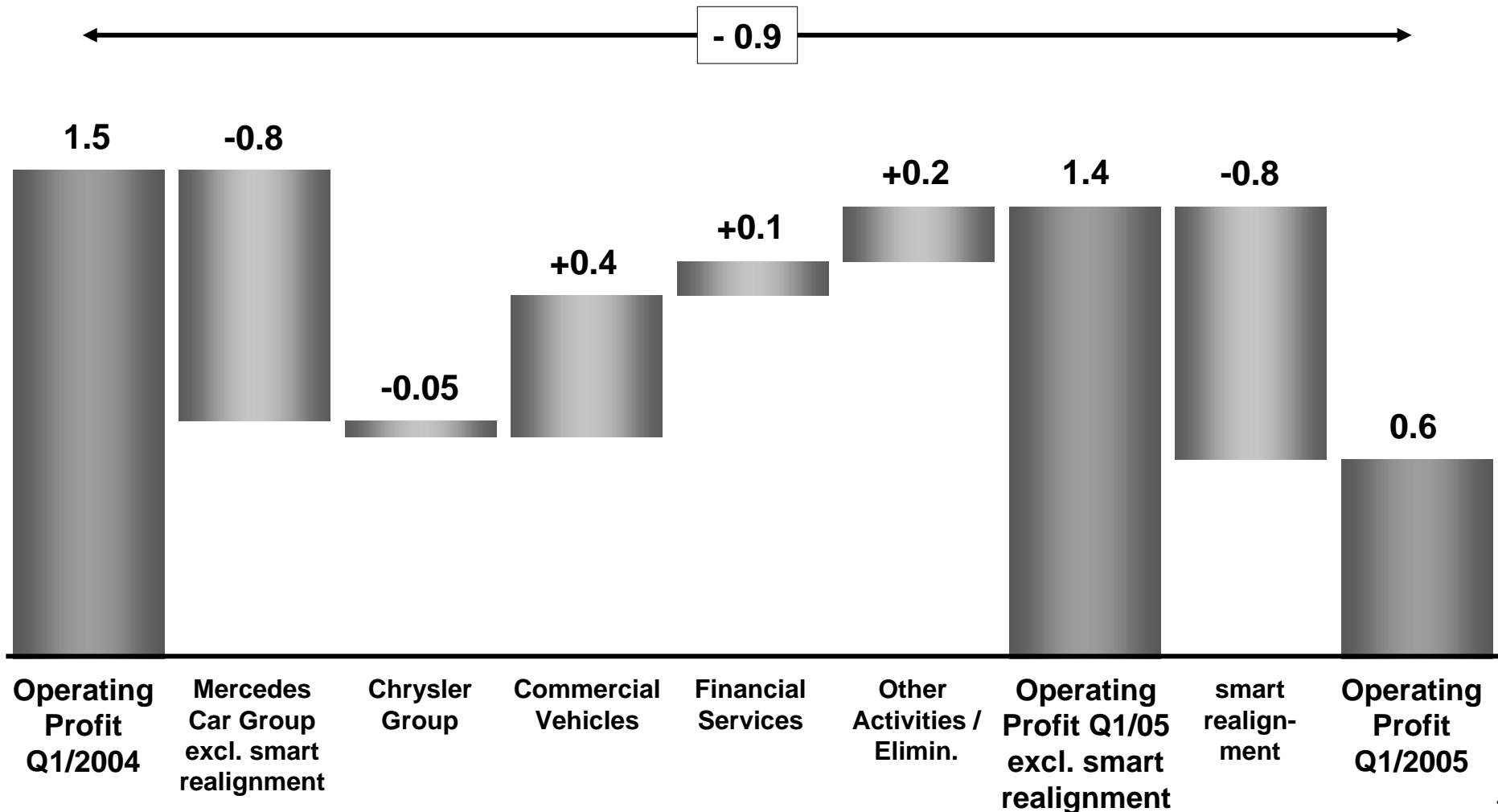
- **Revenues decreased 2% to EUR 31.7 billion**

- **Operating profit of EUR 0.6 billion (Q1/2004: EUR 1.5 billion)**

- **Operating profit excluding charges for realignment of smart at EUR 1.4 billion – almost at the level of Q1/2004**

RESULTS IMPACTED BY LOWER EARNINGS AT MERCEDES CAR GROUP AND EXCEPTIONAL CHARGE FROM SMART

– in billions of EUR –



SPECIAL ITEMS AFFECTING OPERATING PROFIT IN Q1/2005

- in millions of EUR -

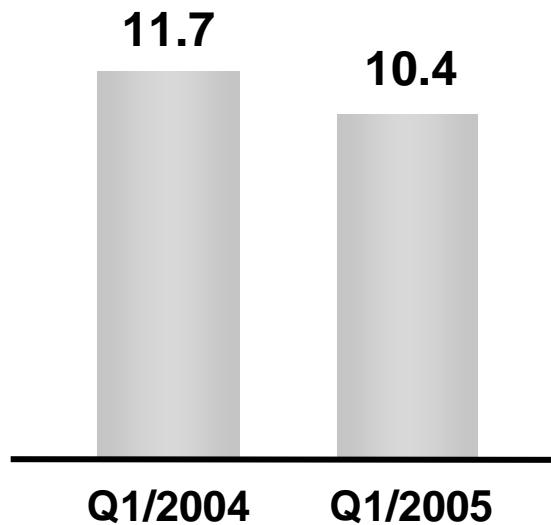
	Operating Profit
smart realignment:	-800
▪ Impairment charge on production facilities	-440
▪ Inventory write-downs	-97
▪ Supplier claims	-48
▪ Write off of tooling and equipment designated for the smart SUV	-61
▪ Charges due to cancellation of supplier contracts for smart SUV	-154
MMC settlement:	+276
▪ Transfer of MMC's 20% stake in MFTBC	
▪ Cash payment and promissory notes	
▪ Transfer of certain other assets and rights related to the distribution of Fuso products	

OPERATING PROFIT SUBSTANTIALLY LOWER THAN IN Q1/2004

Unit Sales
- in thousand units -

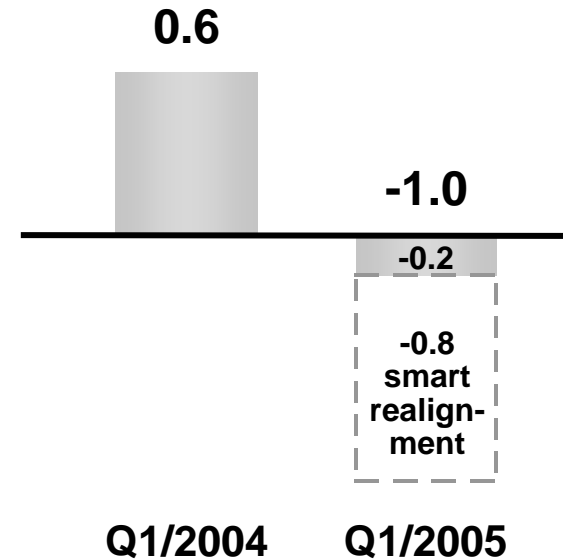


Revenues
- in billions of EUR -



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

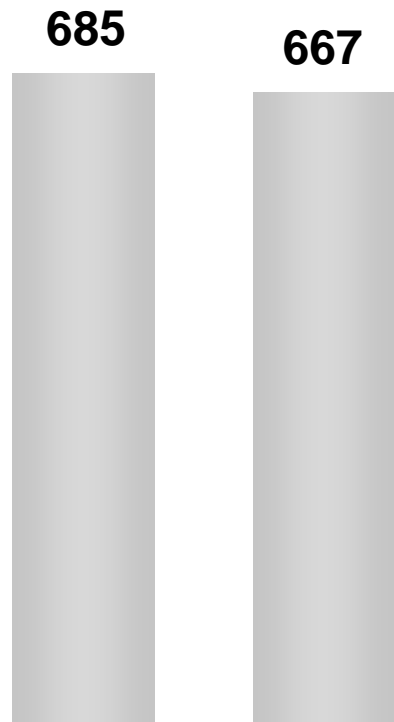
● Alternatives were considered thoroughly

- complete exit
- discontinuation of the smart forfour

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

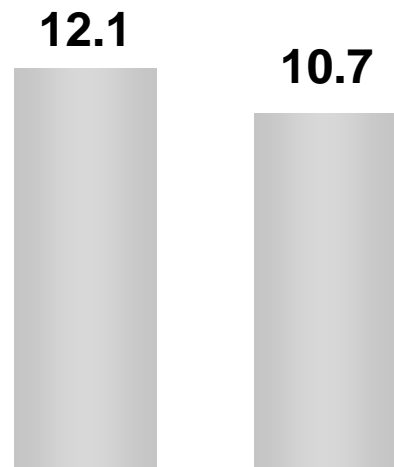
SUCCESSFUL PERFORMANCE DESPITE DIFFICULT MARKET CONDITIONS

Unit Sales / Shipments
- in thousand units -



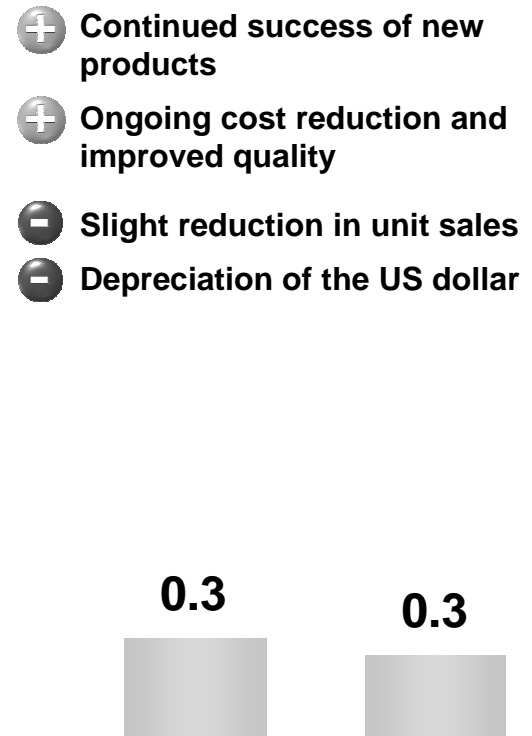
Q1/2004 Q1/2005

Revenues
- in billions of EUR -



Q1/2004 Q1/2005

Operating Profit
- in billions of EUR -

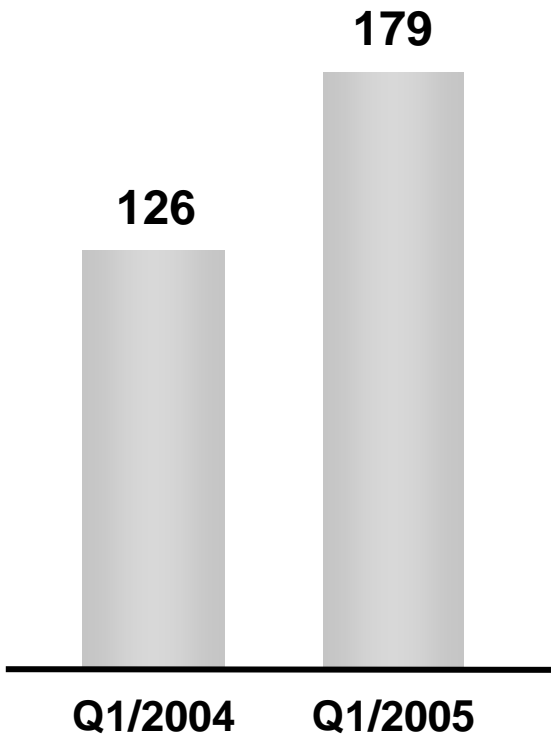


Q1/2004 Q1/2005

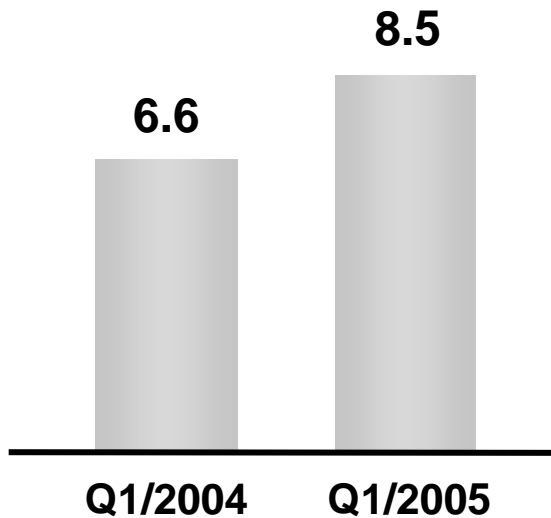
- ⊕ Continued success of new products
- ⊕ Ongoing cost reduction and improved quality
- ⊖ Slight reduction in unit sales
- ⊖ Depreciation of the US dollar

STRONG OPERATING PERFORMANCE

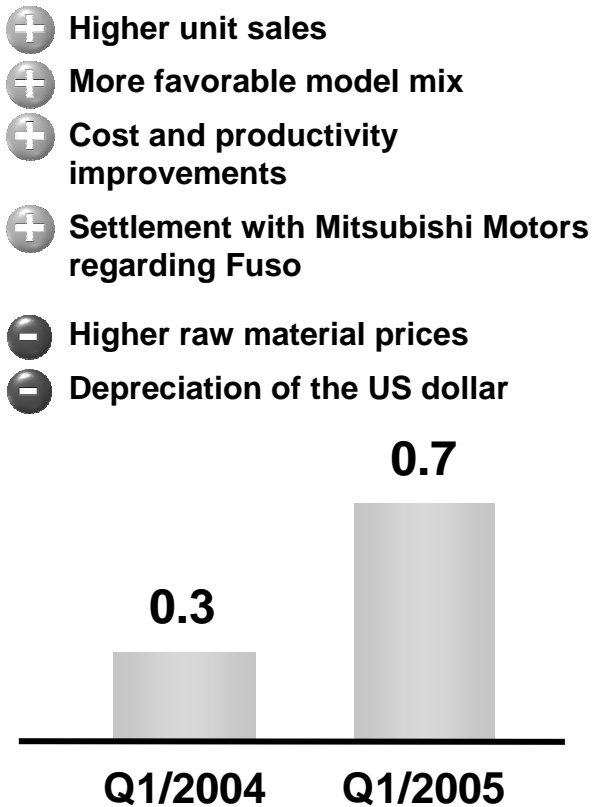
Unit Sales
- in thousand units -



Revenues
- in billions of EUR -

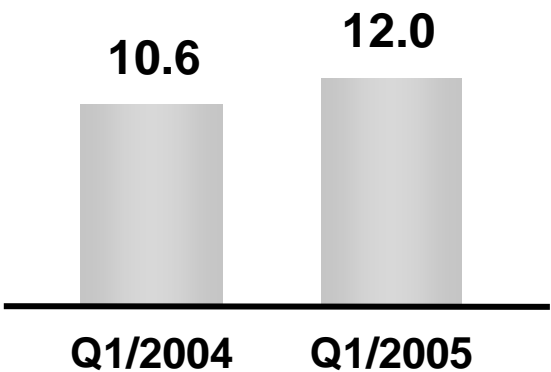


Operating Profit
- in billions of EUR -

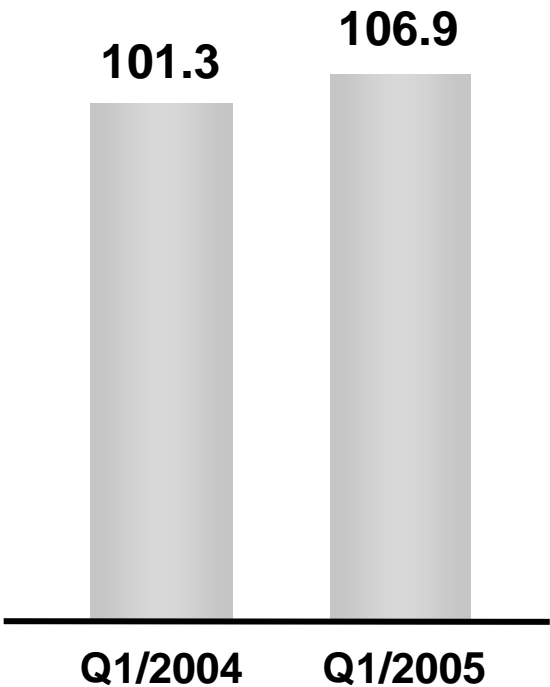


INCREASE IN OPERATING PROFIT DUE TO SIGNIFICANTLY REDUCED CHARGES FROM TOLL COLLECT

New Business
- in billions of EUR -

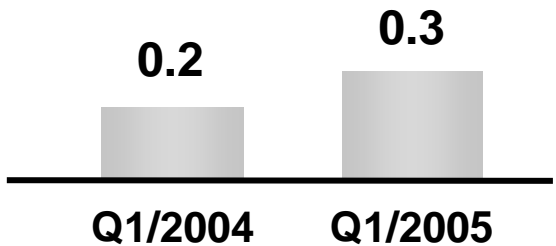


Contract Volume
- in billions of EUR -



Operating Profit
- in billions of EUR -

- ⊕ Higher portfolio
- ⊕ Lower cost of risk
- ⊕ Successful start of Toll Collect
- ⊖ Increased interest rates



KEY BALANCE SHEET FIGURES

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

1) Excluding dividend payment for 2004

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

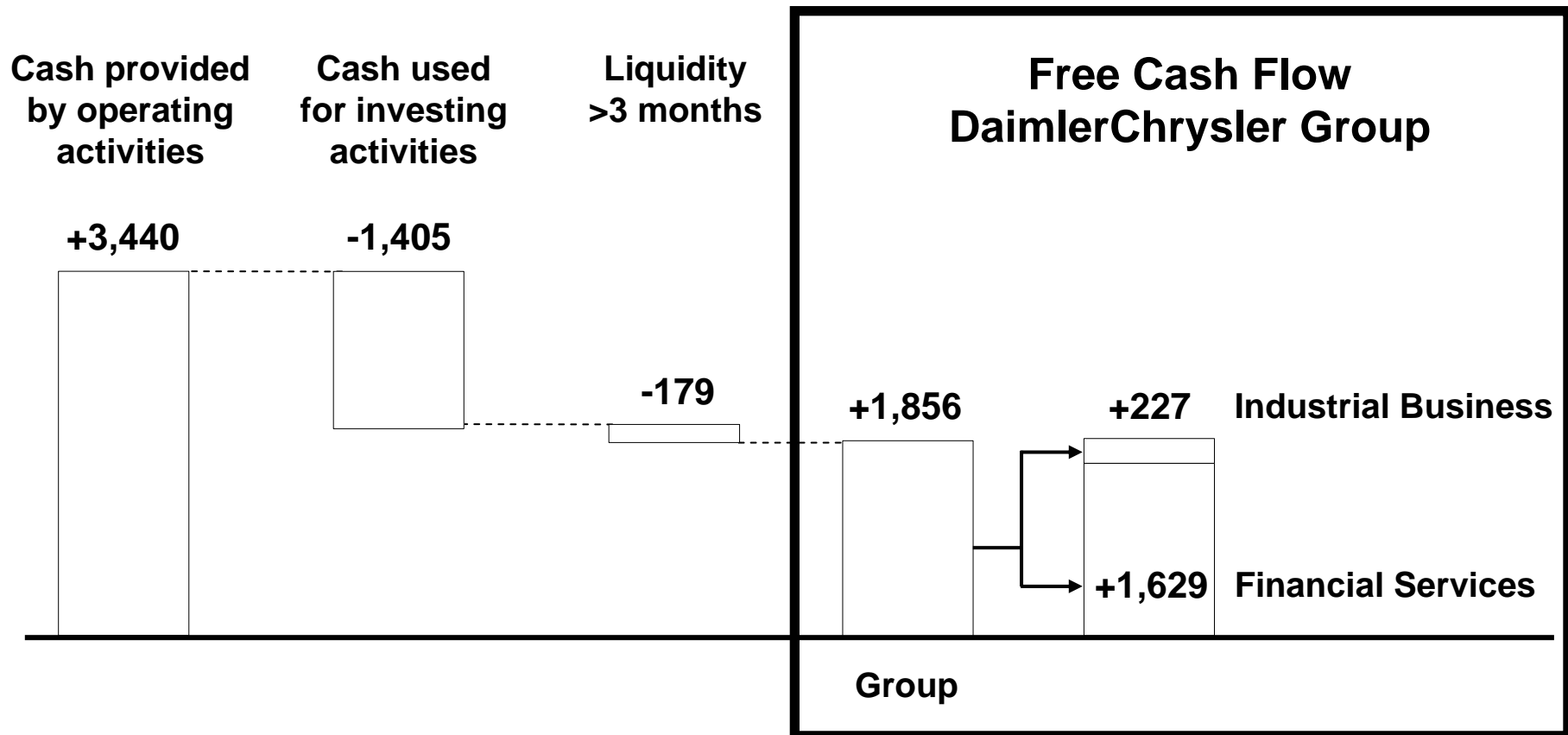
STATUS OF PENSIONS AND POSTRETIREMENT HEALTHCARE BENEFITS

	Pensions		Healthcare	
	Dec. 31 2004	March 31 2005	Dec. 31 2004	March 31 2005
	DC Group	DC Group	DC Group	DC Group
- in billions of EUR -				
PBO / APBO	(34.4)	(35.6)	(14.4)	(15.1)
Plan assets	27.8	28.5	1.6	1.6
Underfunded position	(6.6)	(7.1)	(12.8)	(13.5)
Accruals	5.6	5.9	8.0	8.5
Underfunded position net of accruals	(1.0)	(1.2)	(4.8)	(5.0)

RECONCILIATION TO FREE CASH FLOW

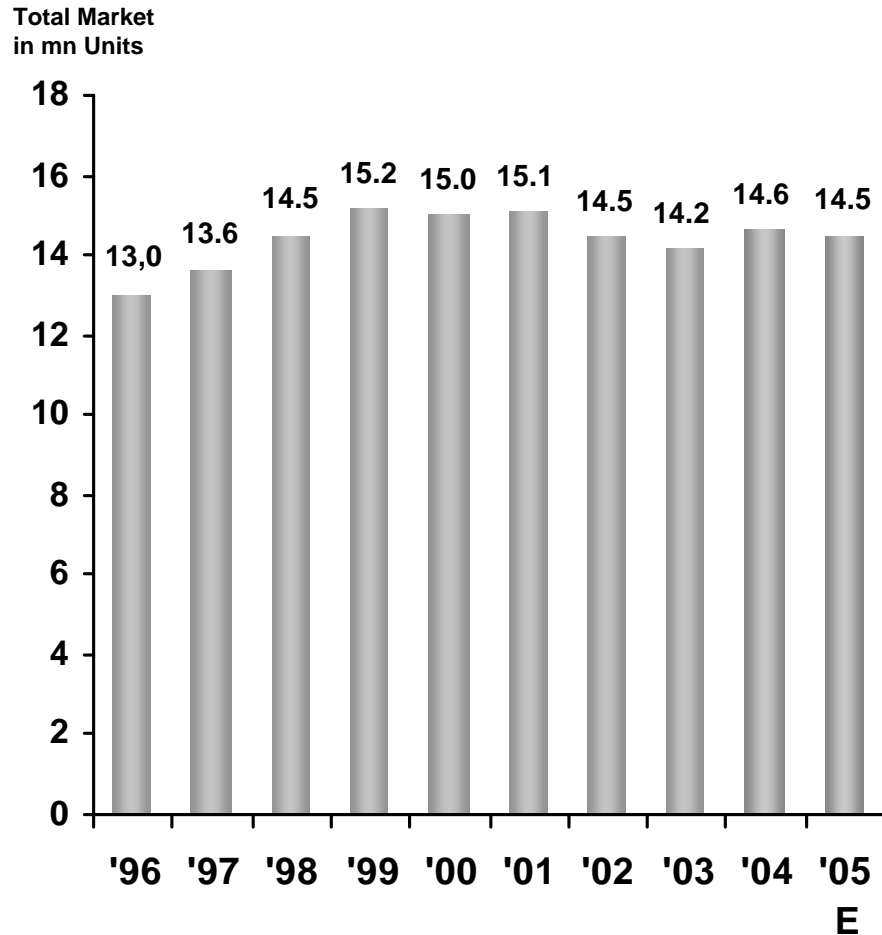
January – March 2005

– in millions of EUR –

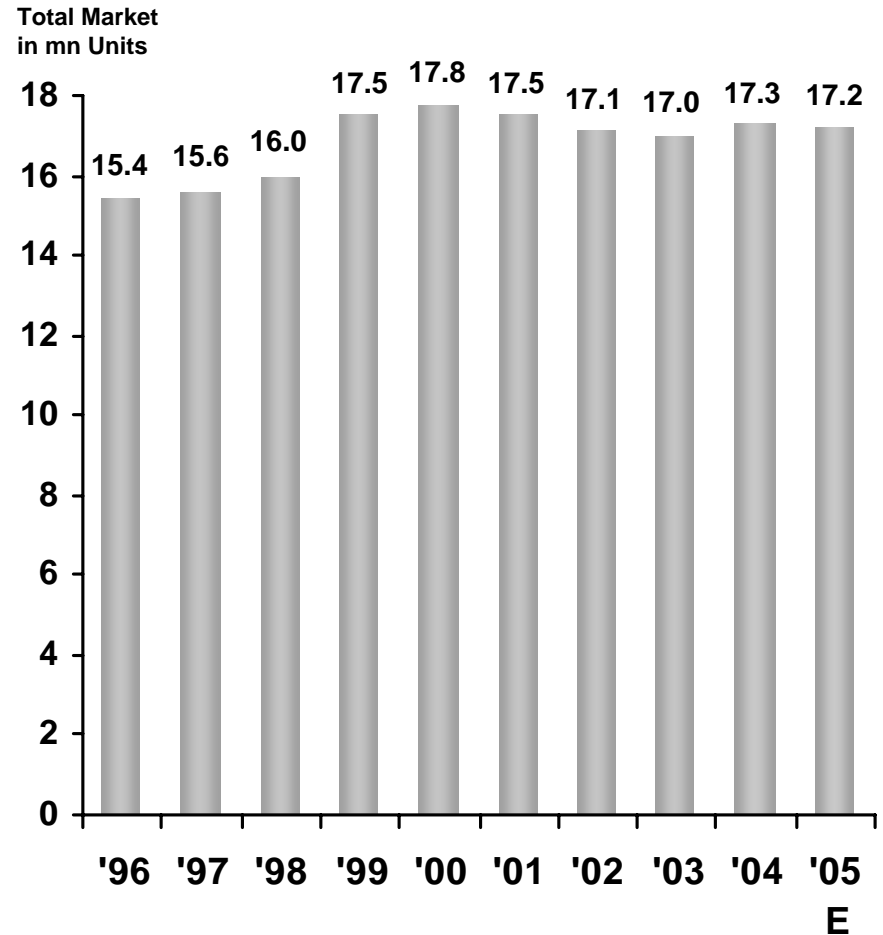


DEVELOPMENT OF MAJOR PASSENGER CARS MARKETS

WE Passenger Cars



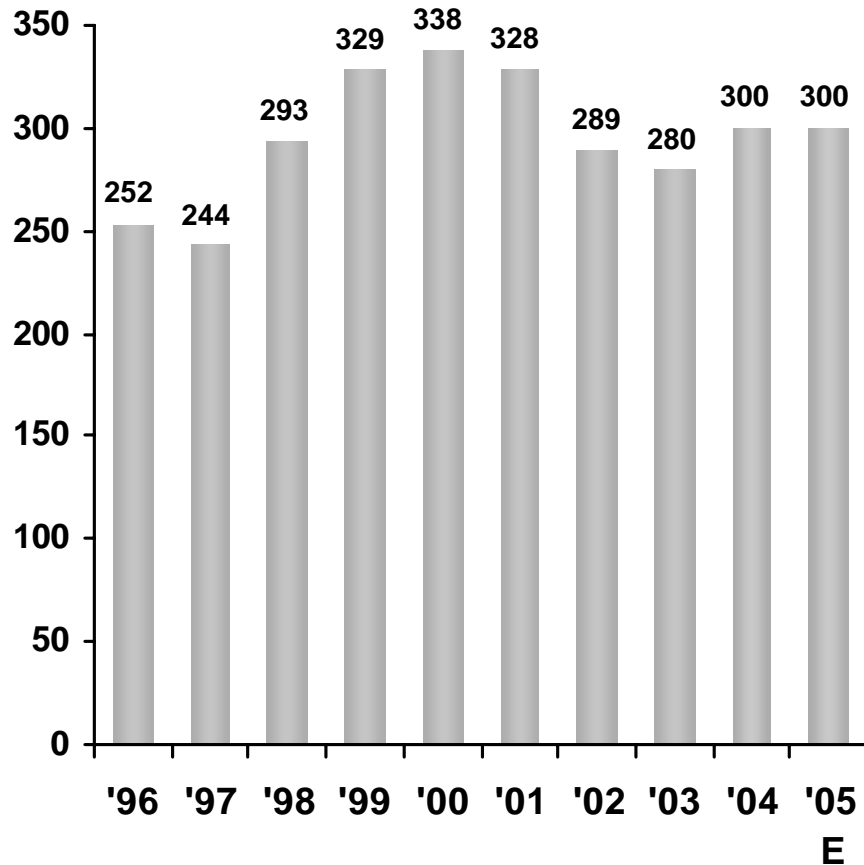
US Car & Truck Market



DEVELOPMENT OF MAJOR COMMERCIAL VEHICLES MARKETS

Trucks Western Europe*

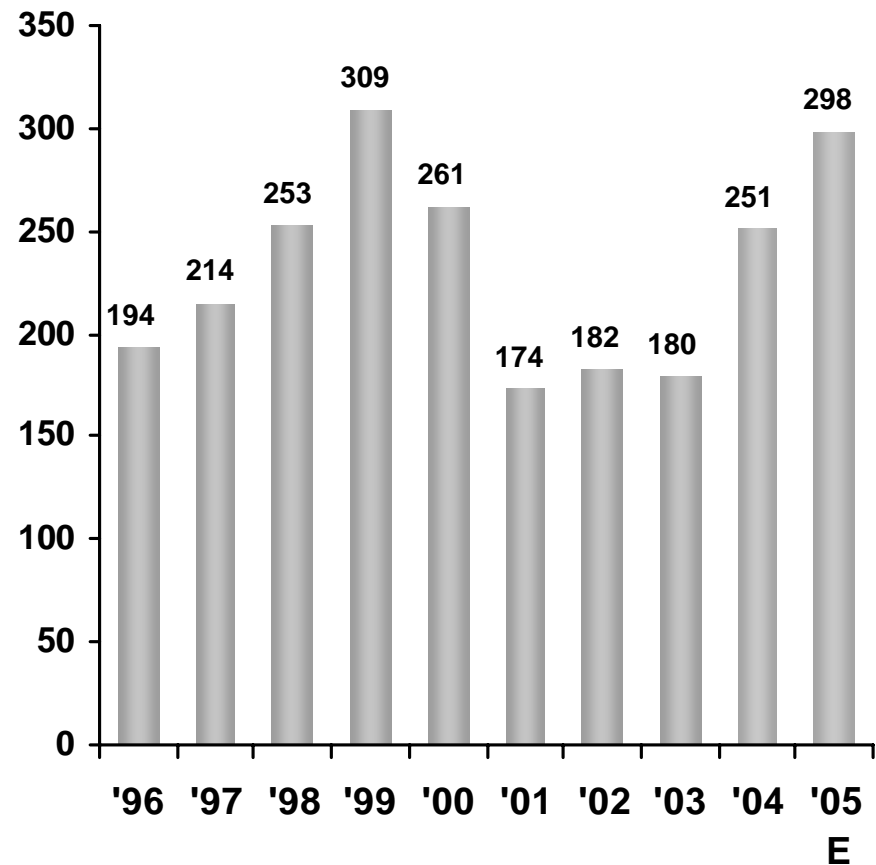
Total Market
in 1,000 Units



* 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**

- **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)**

AGENDA

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

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

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

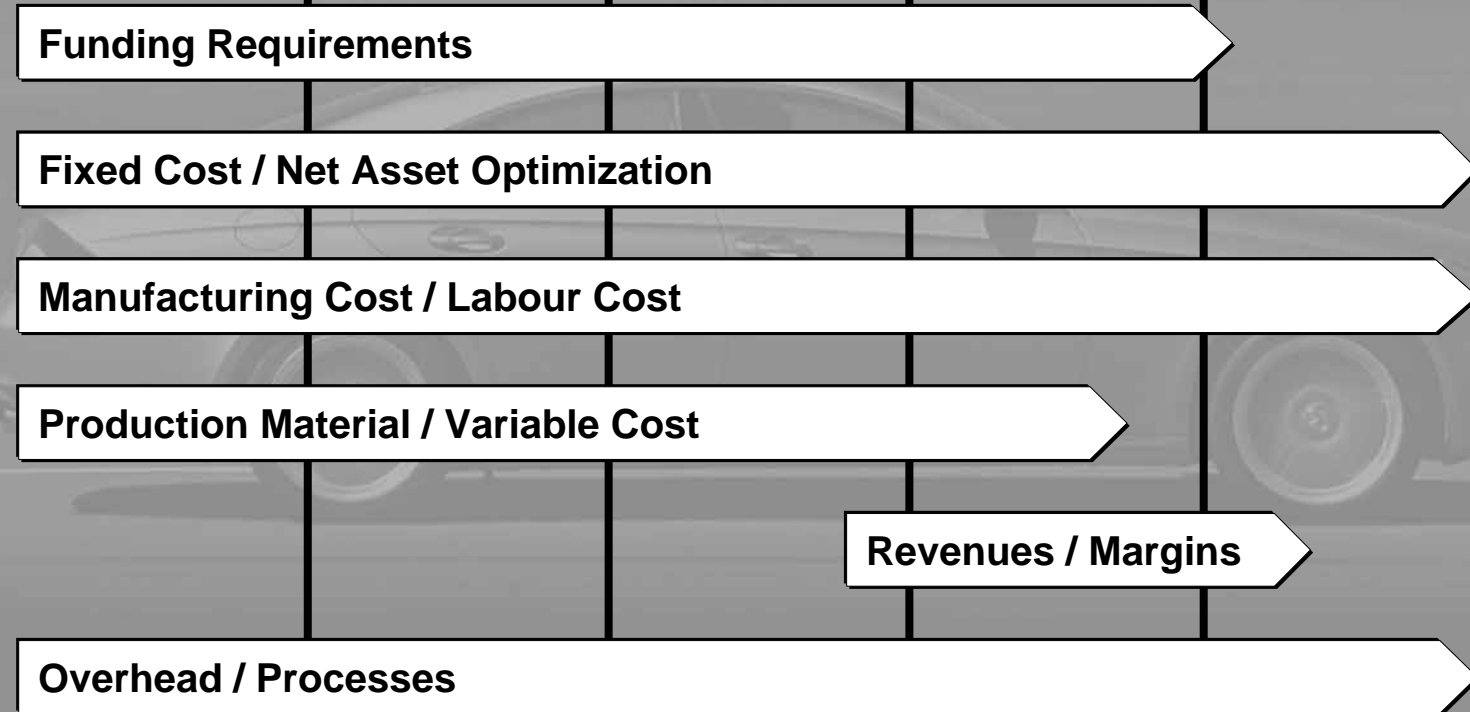
Quality

- Comprehensive quality offensive Mercedes-Benz

Profitable Growth

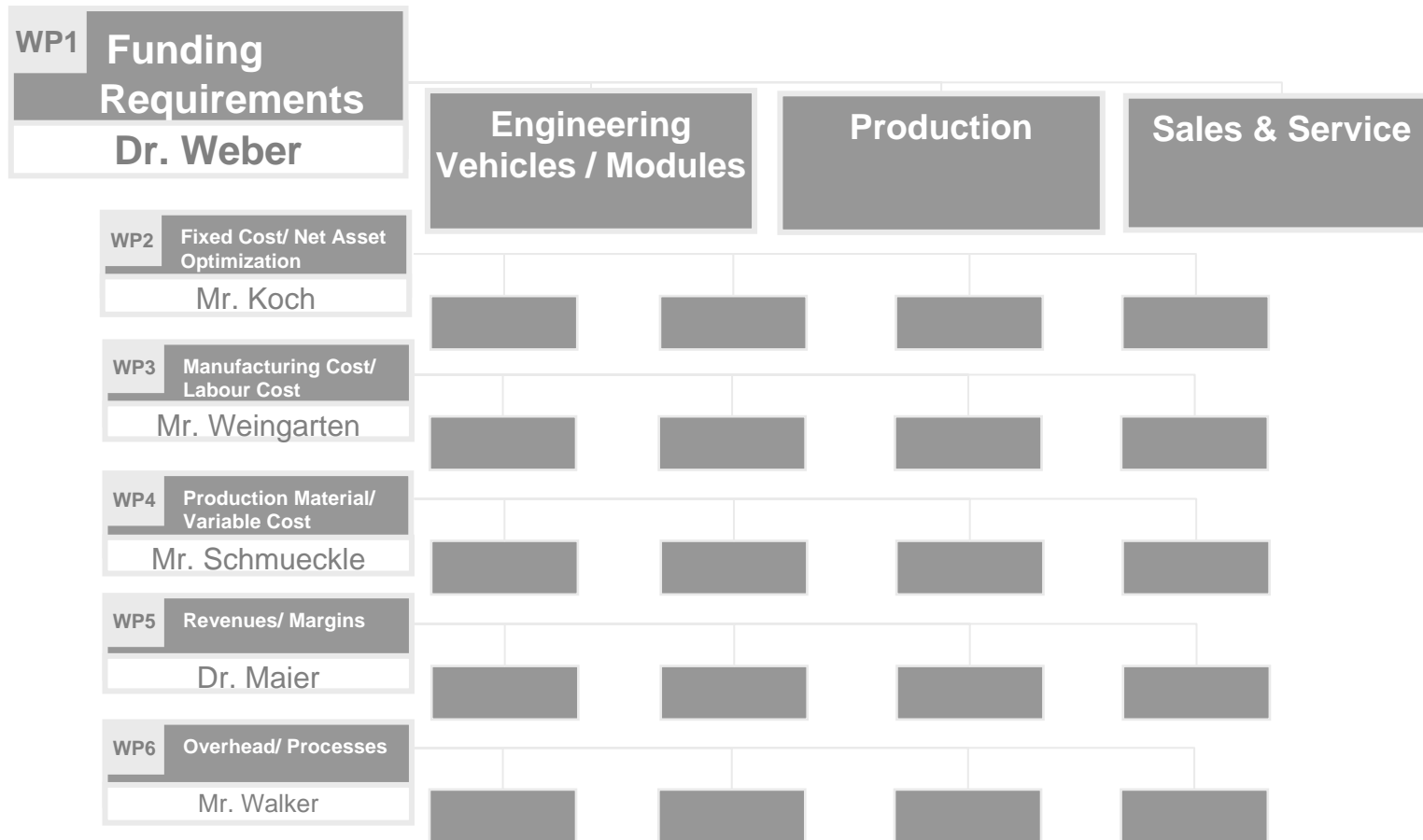
- Strengthen innovation leadership with S-Class successor
- Launch of M-Class successor
- Launch of B- and R-Class in Sports Tourer Segment
- China activities

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

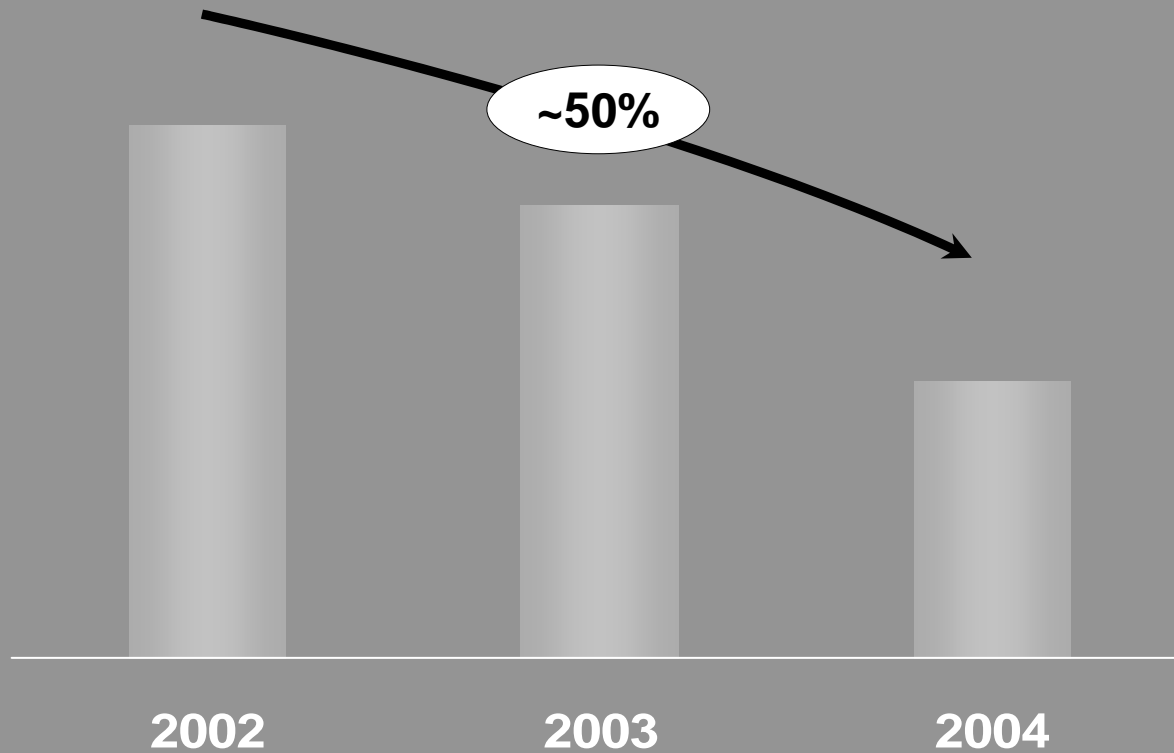
- Conduct preventive product measures
- Ensure top service quality

“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



VISIBLE IMPROVEMENTS IN QUALITY PERCEPTION

Quality Indicators

● **JD Power IQS
(2004-2005)**



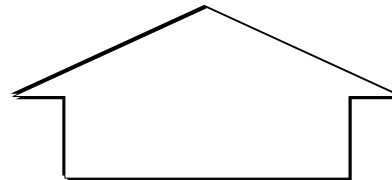
- MB among best five brands
- Slightly better than luxury average

● **JD Power APEAL
Interim (2004-2005)**



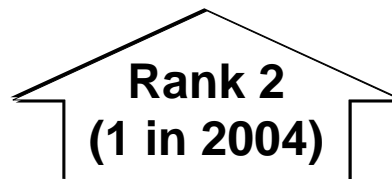
- MB improves in all APEAL measures

● **ADAC Breakdown
Statistics (2004)**



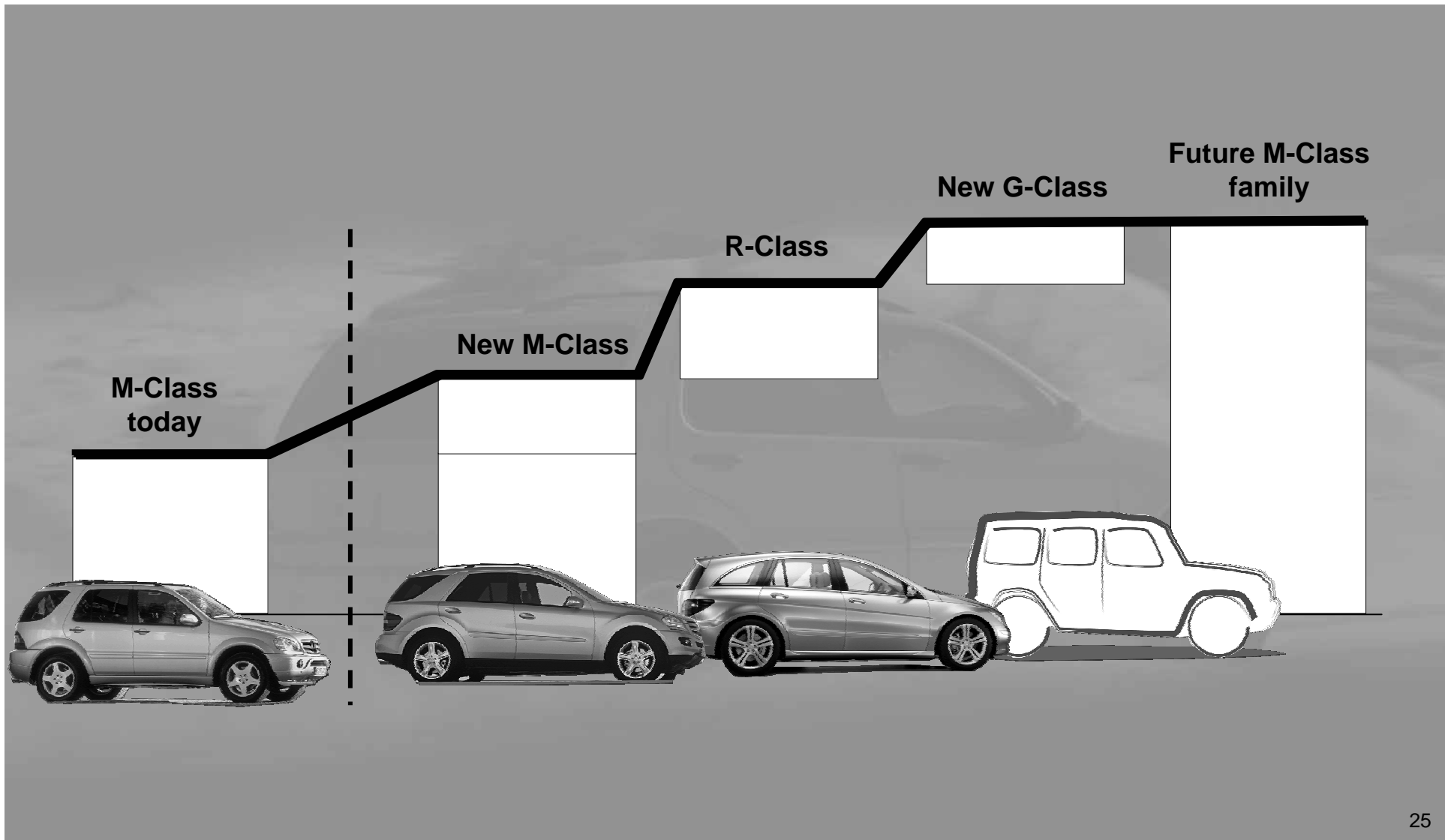
- Rank 1 for A-, M-Class
- Rank 2 for S-Class
- Rank 3 for E-Class

● **ADAC AutoMarxX
(June 2005)**



- MB with best image among automobile brands

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



PRODUCT LAUNCHES 2005



New M-Class

“Comfort of a Limousine in a SUV”

**auto
motor
sport**

*“Comfortable interior offers
space for all occasions”*

**Auto
Bild**



New B-Class

“...incredibly well packaged”

AUTOCAR

“ideal dynamic driving experience”

**auto
motor
sport**

PRODUCT LAUNCHES 2005: NEW R-CLASS



Mercedes Car Group - Profitable Growth

DAIMLERCHRYSLER



S-CLASS AGAIN DEFINING THE STANDARD



S-CLASS AGAIN DEFINING THE STANDARD



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

CHRYSLER



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

DODGE



**No. 1
MPV
USA**

Jeep



**No. 3
SUV
USA**

PRODUCT OFFENSIVE 2004 SUCCESSFULLY LAUNCHED

Dodge Ram SRT-10



Chrysler 300



Chrysler Crossfire Roadster



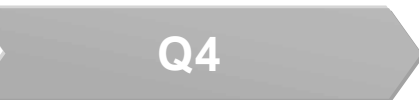
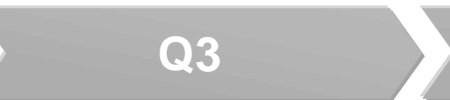
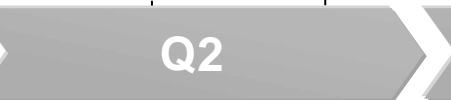
PT Cruiser Convertible



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



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

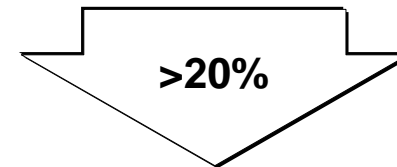
(2000 – 2004 fcst)



Harbour Report: Best Industry Improvement in 2002, 2003

Material Cost

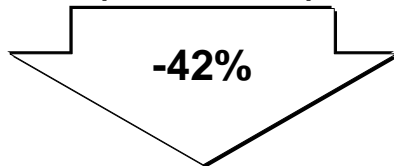
(2000 - 2004)



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

Net Assets

(2000 - 2004)



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

Program Spending

(2000 - 2004)

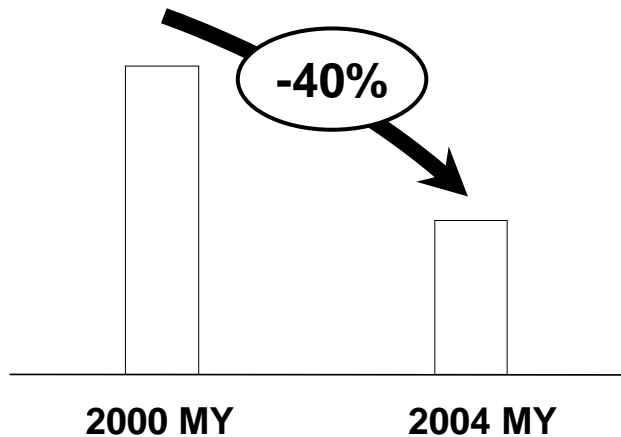


Decrease by 13 bn US\$

QUALITY: IMPROVEMENTS IN COST AND PERCEPTION

Warranty Expenses

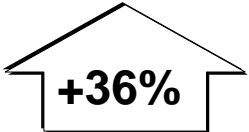
(\$ per unit sold)



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

The image displays a variety of vehicles from the LX family concept. At the top right is the Dodge logo (a ram's head) with the word "DODGE" underneath. Below it, the text "Dodge Derivatives" is written. In the center, there are several cars: a Dodge Charger, a Dodge Magnum SRT-8, and a Dodge Magnum. At the bottom right is the Chrysler logo (a winged pentastar) with the word "CHRYSLER" above it. Below it, the text "Chrysler Derivatives" is written. In the bottom left, there are two Chrysler 300 models: a 300 SRT-8 and a 300 Touring. At the very bottom left, the text "Chrysler 300 / 'LX' Base Platform" is written.

PRODUCT LAUNCHES 2005



Dodge Charger



Dodge RAM
Mega Cab



Jeep Commander



Chrysler 300
SRT8



Dodge Viper
Coupe



Dodge Magnum
SRT8

2005 CONCEPT VEHICLES



Jeep Gladiator



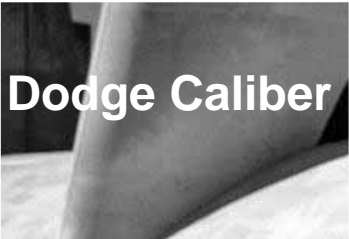
Chrysler Firepower



Dodge Nitro



Jeep Hurricane



Dodge Caliber



PRODUCT OFFENSIVE CHRYSLER GROUP TO BE CONTINUED

2005

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

2006

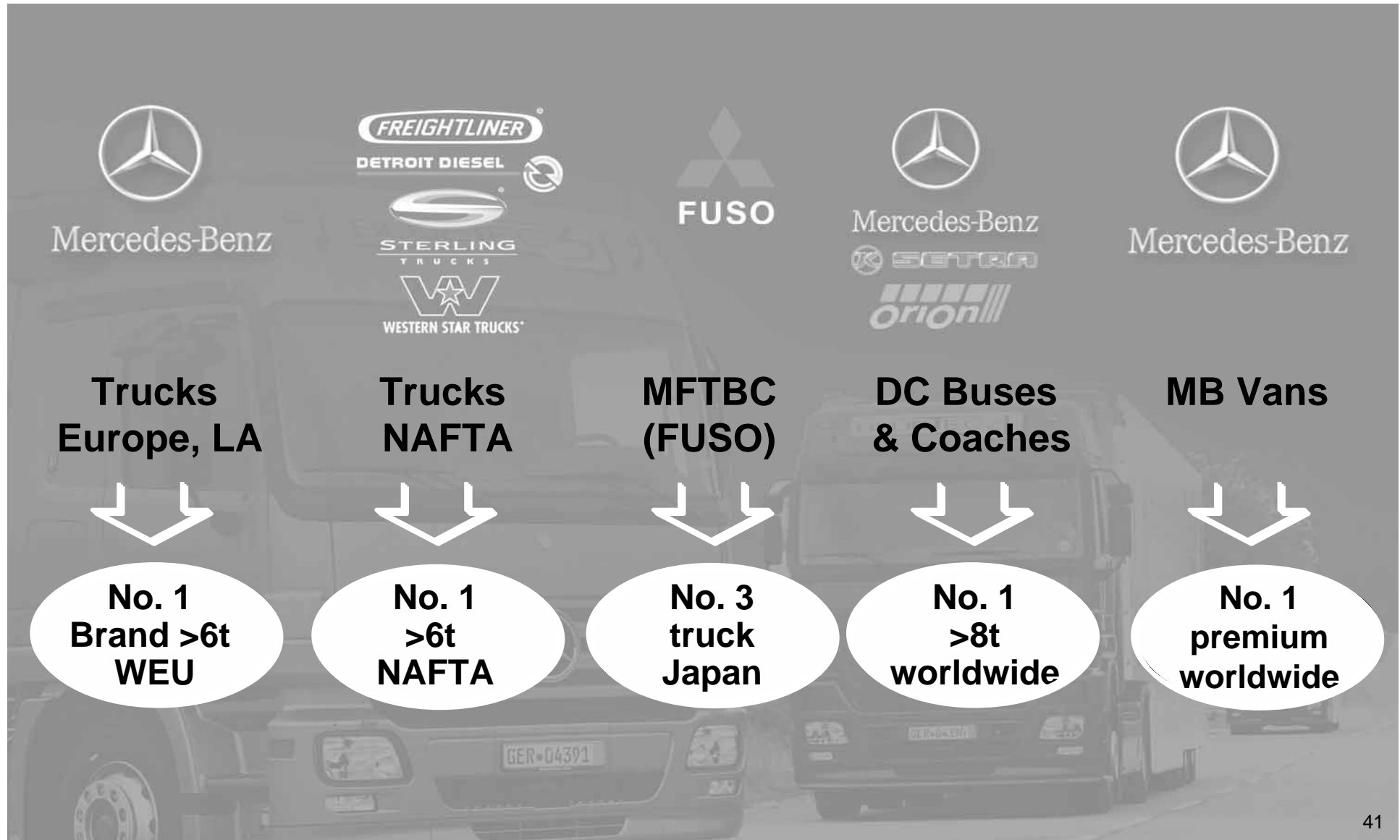
- Chrysler models
- Jeep models
- Dodge models

2007

- Chrysler models
- Jeep model
- Dodge models



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

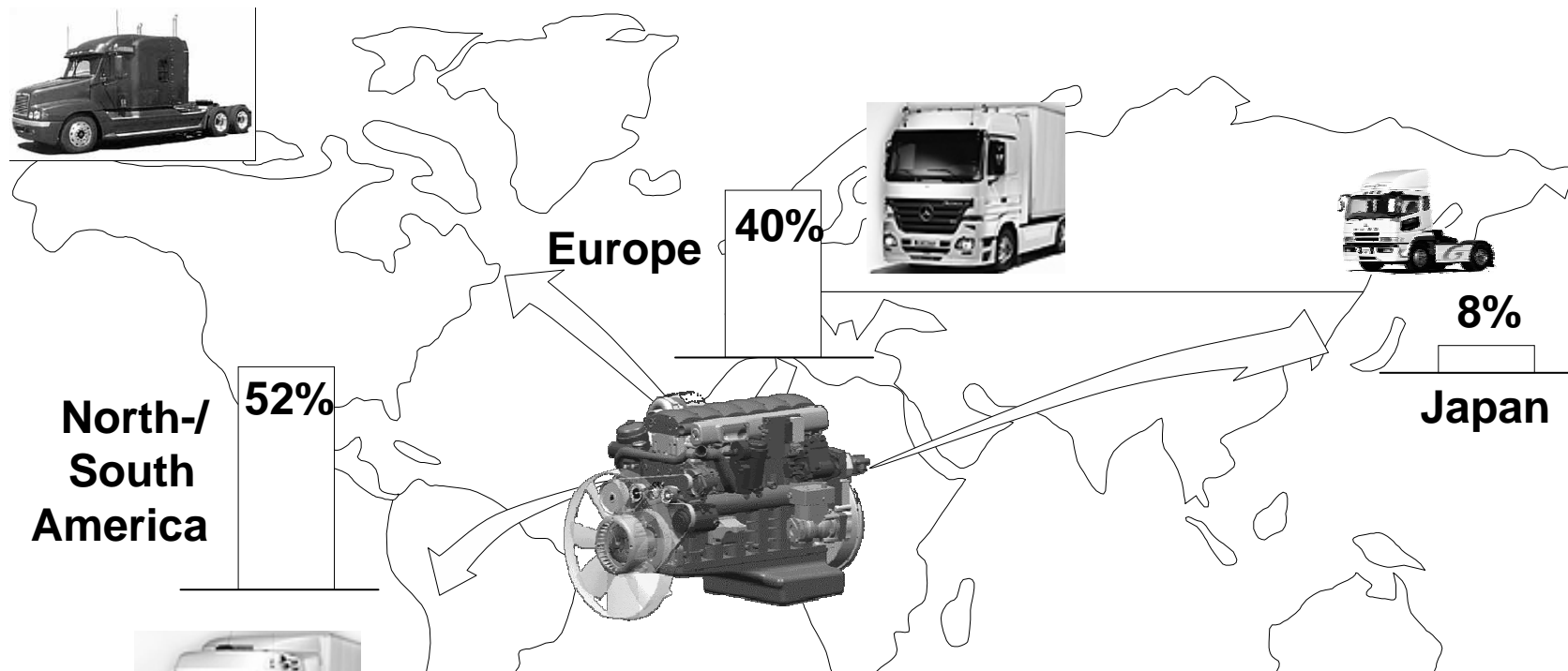


Atego new



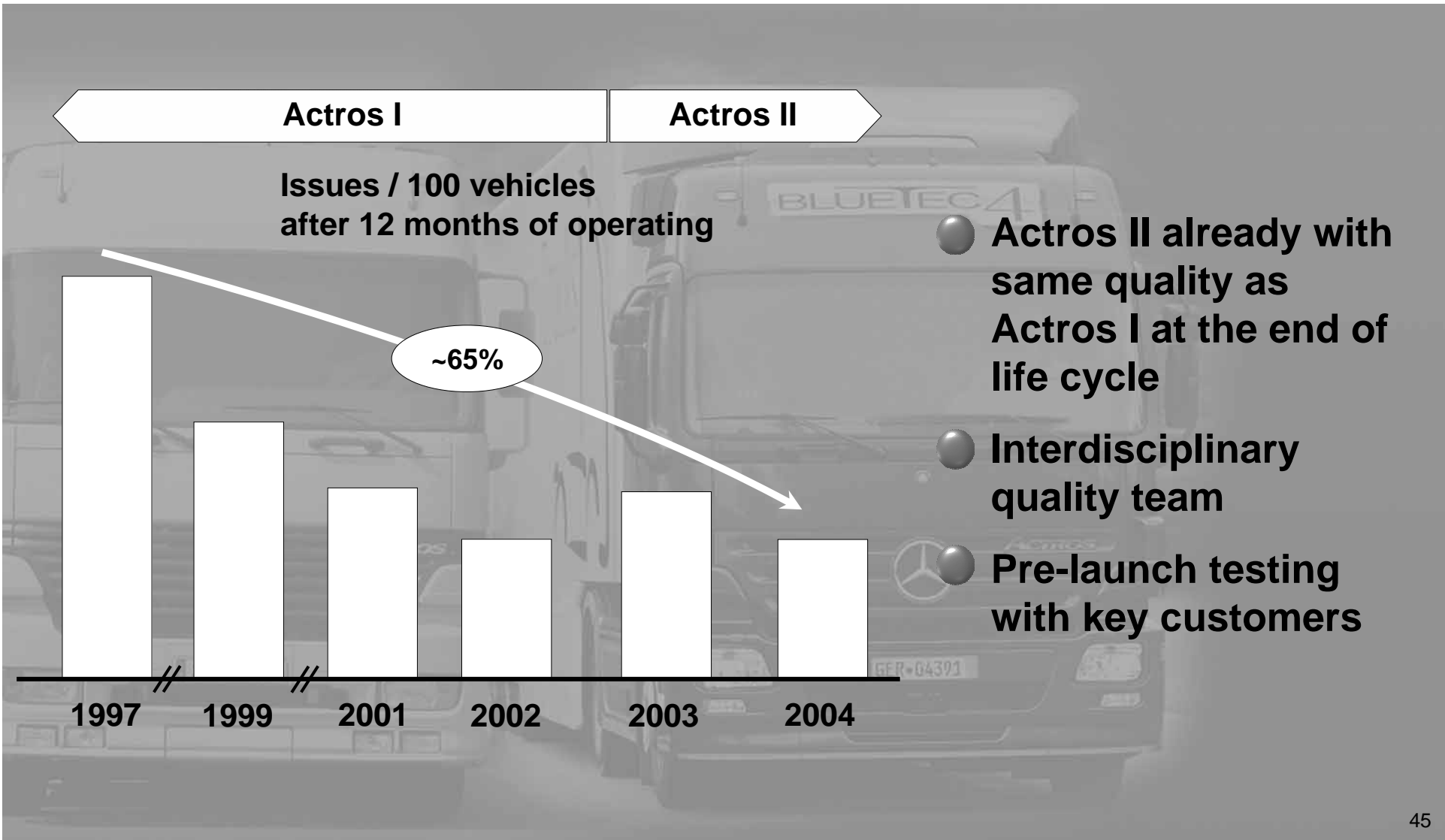
Regional Adaptations

LAUNCHING A WORLD HEAVY DUTY ENGINE FAMILY LEADS TO SIGNIFICANT SCALE EFFECTS



- Global module concept with local applications
- Top selling HD-engine worldwide
- Most advanced emission technologies
- 176.000 units p.a.
- Start of production in 2007
- 30% lower production costs

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
- ...



DAIMLERCHRYSLER SERVICES



**Market
position**

**No. 3 in
automotive
captive finance
worldwide**



**Regional
scope**

**Operations in
39 countries**



**DC sales
coverage**

**Average
penetration
rate: 35%**

CUSTOMER FOCUS IN CORE BUSINESS AS BASIS FOR PROFITABLE GROWTH

Efficiency

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

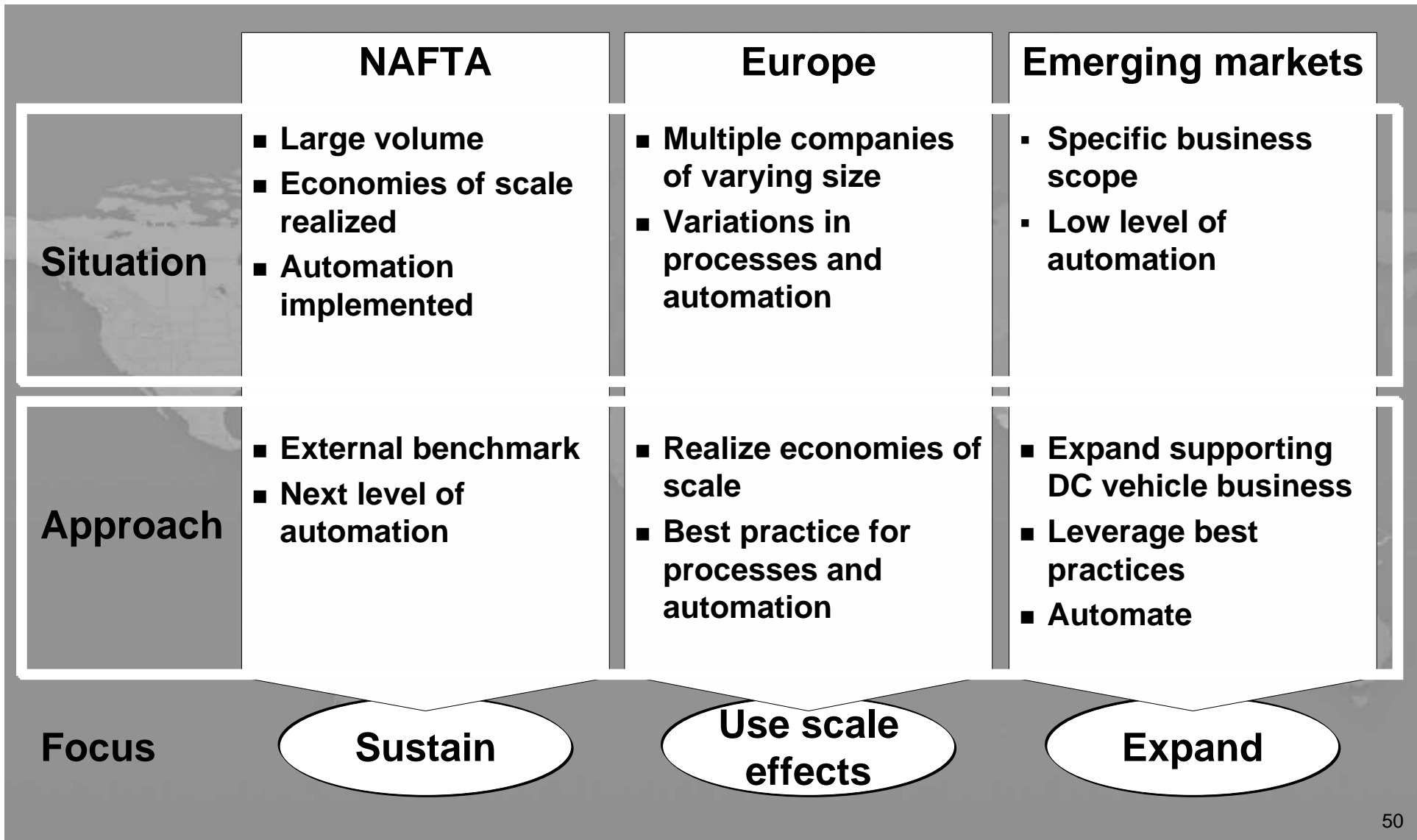
Quality

- Closer cooperation with automotive divisions
- Product Innovations
- Higher Customer Value

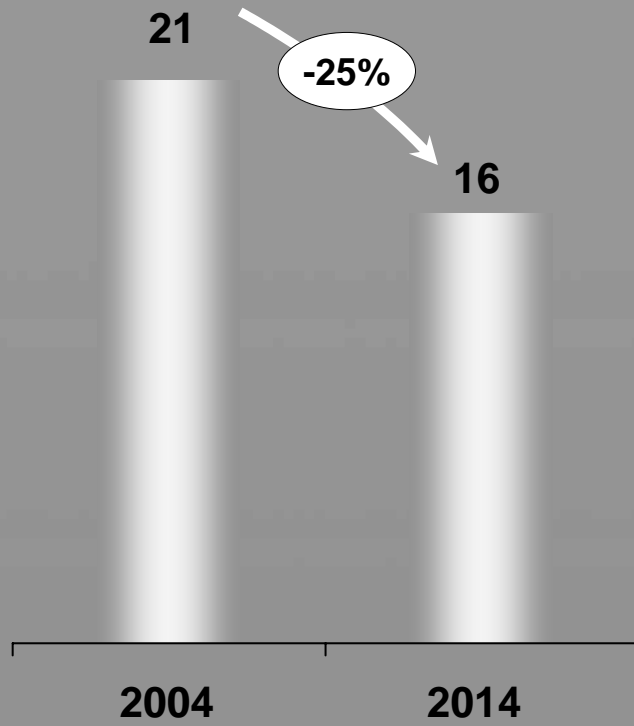
Profitable Growth

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

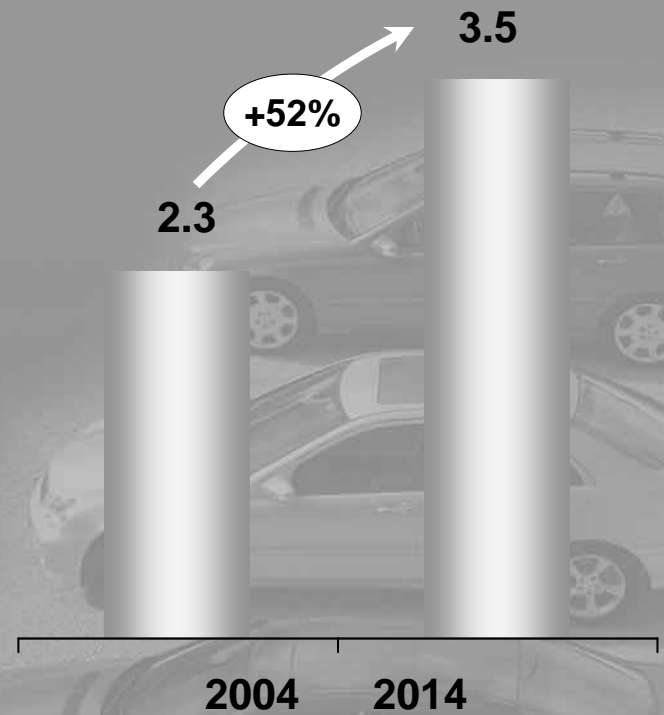
BUSINESS DEVELOPMENT TAILORED TO SPECIFIC MARKET SITUATIONS



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.