

DAIMLERCHRYSLER

Transition to IFRS Impact on Financial Statements

Bodo Uebber
Stuttgart, April 26, 2007

Agenda

- **Introduction**
- **Major Differences between IFRS and U.S. GAAP**
- **Impact on Financial Statements 2006**
- **Key Figures 2005/2006**
- **Conclusion**
- **Appendix**

Basic Approach

- Beginning with Q1 2007, DaimlerChrysler will change its financial reporting to International Financial Reporting Standards (“IFRS”)
- The IFRS consolidated financial statements FY 2006 are the basis for DaimlerChrysler’s future IFRS reporting
- IFRS transition date was January 1, 2005
- As an SEC registered company, DaimlerChrysler will provide reconciliations to U.S. GAAP as and when required by the SEC

Guiding Principles

- Transition to IFRS used to further
 - increase transparency of financial reporting
 - improve internal performance management

- Strengthening of internal = external philosophy
 - Change from Operating Profit to EBIT
 - EBIT can be derived from P&L
 - Profit effect of at-equity investments as in P&L

Segment Reporting

- Minimizing reconciling items to Group
 - Manufacturer's lease
 - Allocation of corporate research costs

- Enhanced footnote disclosure

- Shift of charges related to the new management model ("NMM") and other corporate items from segment "Van, Bus, Other" to "Reconciliation"

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Major Differences between IFRS and U.S. GAAP

● Development Costs

- Capitalized under IFRS, if recognition criteria are met
- Subsequently, amortization on a straight-line basis over the expected useful lives of the products
- Financial impact FY 2006 (pre-tax):

△ Equity: € +5.1bn

△ EBIT: € +0.1bn

Major Differences between IFRS and U.S. GAAP

● EADS Investment

- Adjustment of carrying value of EADS investment as of January 1, 2005 by € 2.0bn (“reversal” of U.S. GAAP impairment)
- Certain U.S. GAAP/IFRS valuation adjustments
- Specific charges at EADS (financial exposure of A380 delays and costs related to A350) that needed to be recognized in 2006 under IFRS
- Financial impact FY 2006 (pre-tax):

△ Equity: € +0.8bn

△ EBIT: € -0.8bn

△ Net Profit: € -0.5bn

Major Differences between IFRS and U.S. GAAP

● Asset backed securities (“ABS”) entities

- Generally consolidated under IFRS
- Financial impact FY 2006 (pre-tax):

△ Equity: no material effect

△ EBIT: € -0.1bn

△ Total Assets: € +21.7bn

△ Revenues: € +0.9bn

Major Differences between IFRS and U.S. GAAP

● Pension & Healthcare

- In line with IFRS 1, immediate recognition (“fresh start”) of accumulated unrecognized actuarial gains/losses and prior service cost of vested benefits within equity at January 1, 2005
- Under IFRS, plan amendments (vested benefits) are recognized immediately in P&L
- Financial impact FY 2006 (pre-tax):

△ Equity: € -0.8bn

△ EBIT: € +0.3bn

△ Net Profit: € +1.6bn

Major Differences between IFRS and U.S. GAAP

● Provisions

- In accordance with IFRS, long-term provisions are discounted to their present value
- Financial impact FY 2006 (pre-tax):

△ Equity: € +0.8bn

△ EBIT: € +0.1bn

- German early retirement agreements (“Altersteilzeit”):
In accordance with IFRS, full recognition of incremental benefit payments as expenses at the time the agreement is signed
- Financial impact FY 2006 (pre-tax):

△ Equity: € -0.5bn

△ EBIT: € -0.5bn *)

*) U.S. GAAP: release of provision by € 0.2bn

Summary

- Nature of differences between IFRS and U.S. GAAP mainly temporary, such as
 - Development costs
 - Pension/Healthcare (plan amendments)
 - Provisions (e.g. “Altersteilzeit”)
 - EADS
- Pension/Healthcare “fresh start” has positive impact on Net Profit
- IFRS FY 2006 (compared to U.S. GAAP)
 - Operative result in same order of magnitude (€ 5.5bn)
 - Increase of Net Profit by € 0.6bn mainly due to lower pension costs

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Key Balance Sheet Figures 2006

- in millions of € -

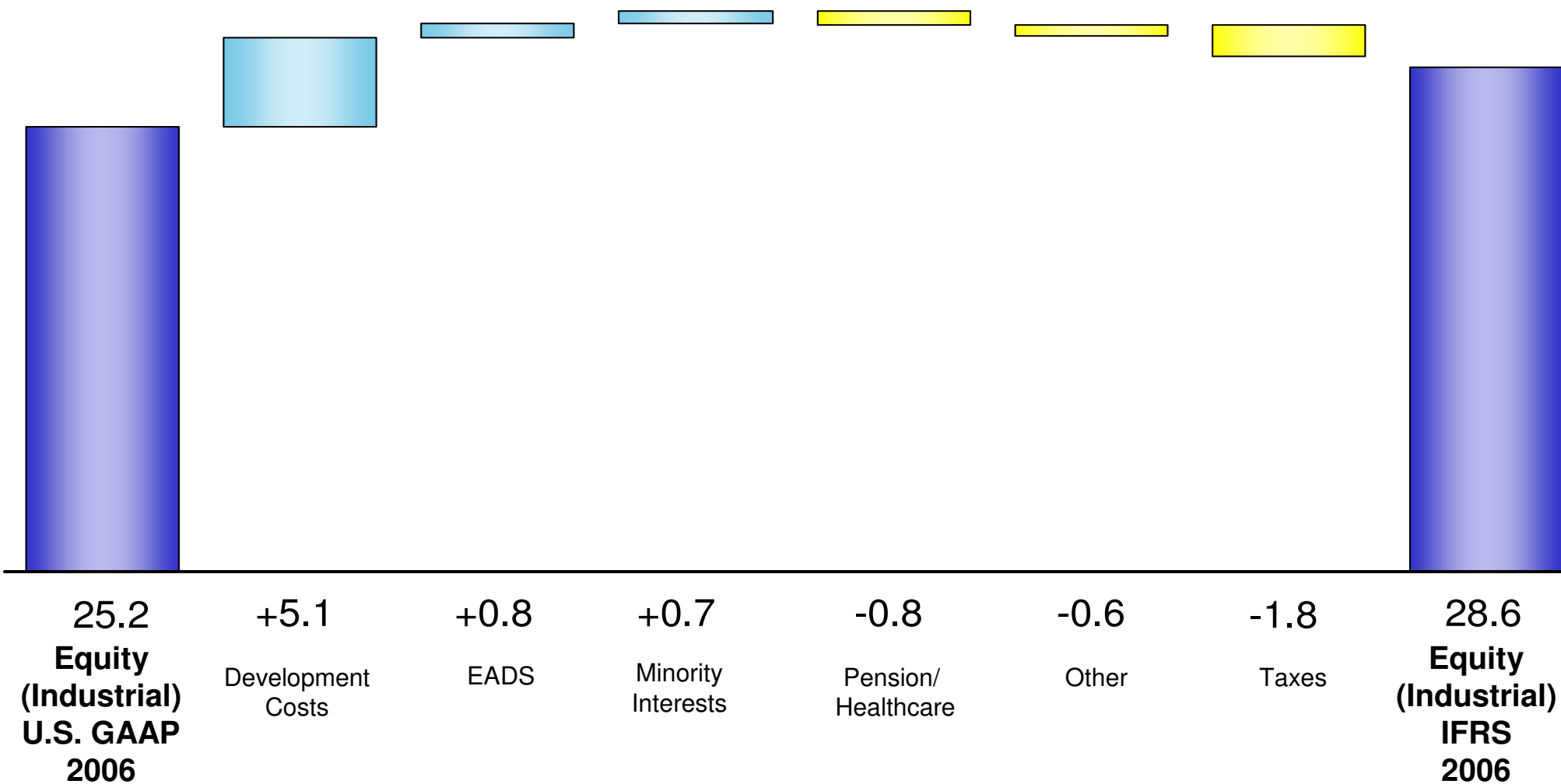
	December 31, 2006		
	U.S. GAAP	IFRS	Change
Group:			
Equity	34,155	37,449	3,294
Gross Liquidity	13,121	14,447	1,326
Financial Liabilities ²⁾	-78,584	-98,553	-19,969
Total Assets	190,022	217,634	27,612
Industrial Business:			
Equity	25,248	28,628	3,380
Equity Ratio ¹⁾	25.1%	27.2%	2.1%
Gross Liquidity	11,522	11,522	0.0
Financial Liabilities ²⁾	-5,122	-1,661	3,461
Net Liquidity	6,400	9,861	3,461
Total Assets	94,541	99,427	4,886

¹⁾ Excluding dividend payment

²⁾ U.S. GAAP: nominal value; IFRS: hedged nominal value

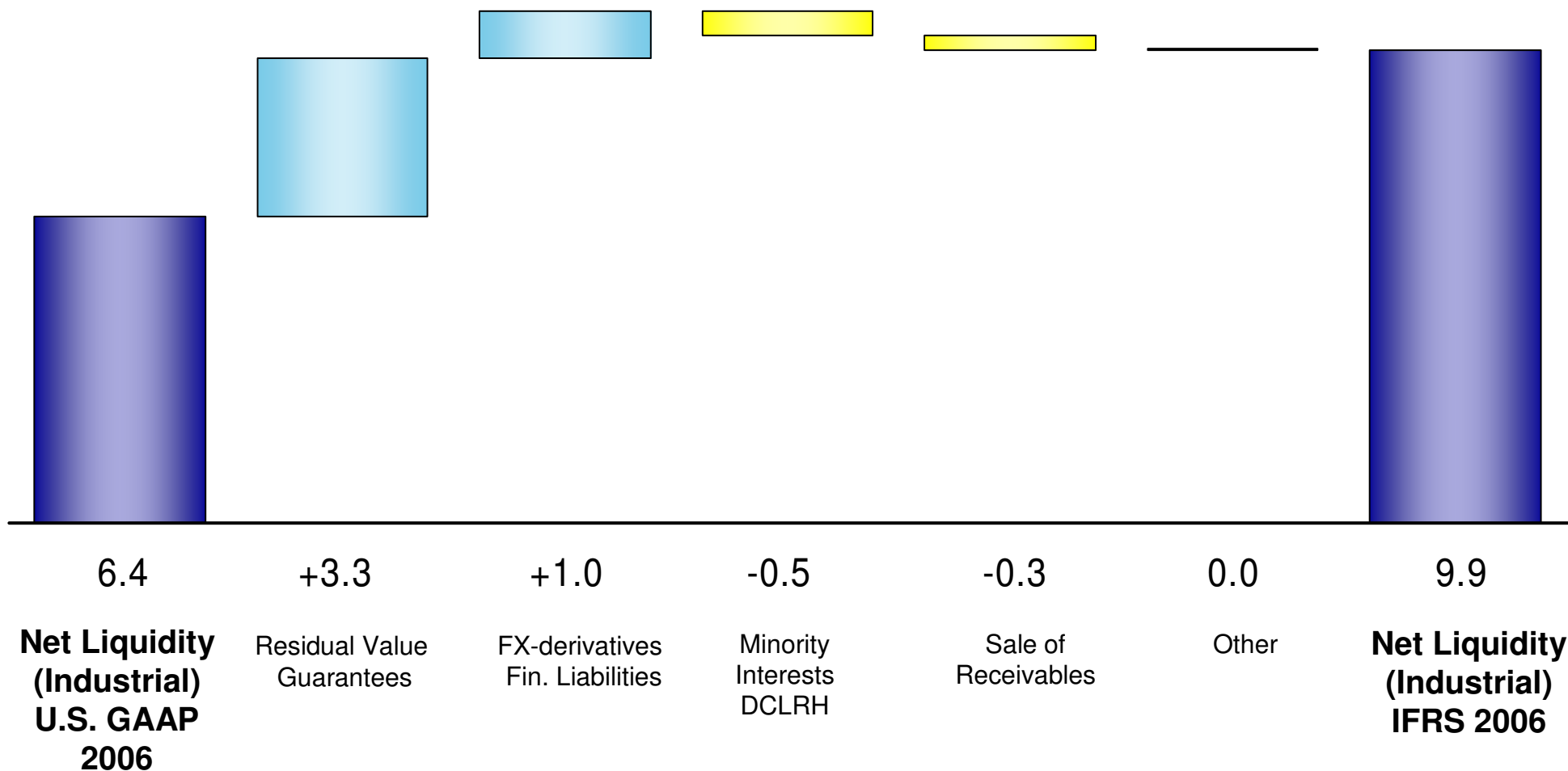
Equity Industrial Business 2006

- in billions of € -



Net Liquidity Industrial Business 2006

- in billions of € -



Key Profit Figures 2006

- in millions of € -

	2006		Change
	U.S. GAAP	IFRS	
Revenues	151,589	152,809	1,220
Operating Profit / EBIT	5,517	5,489	-28
Net Income / Net Profit	3,227	3,783	556
EPS (€)	3.16	3.66	0.50

Revenues by Segments 2006

- in billions of € -

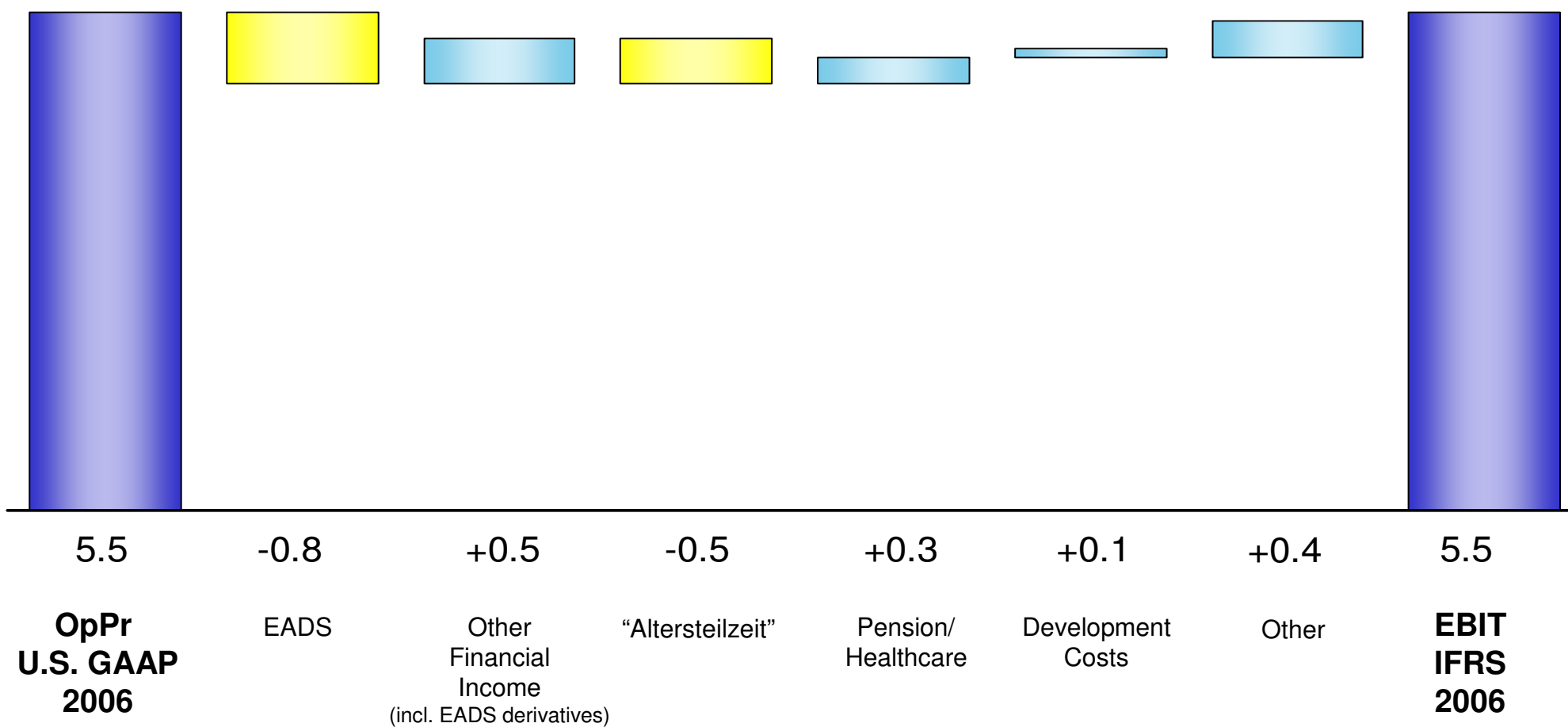
	U.S. GAAP	IFRS	Change
Mercedes Car Group	54.6	51.4	-3.2 ¹⁾
Chrysler Group	47.1	47.0	-0.1
Truck Group	32.0	31.8	-0.2 ¹⁾
Financial Services	17.2	16.0	-1.2 ^{1), 2)}
Van, Bus, Other	13.4	13.2	-0.2 ¹⁾
Eliminations	-12.7	-6.6	+6.1 ¹⁾
DC Group	151.6	152.8	+1.2²⁾

¹⁾ Changes mainly due to modified management approach regarding manufacturer's lease

²⁾ Incl. different revenues from ABS transactions (€ 0.9bn) / leveraged lease (€ 0.2bn)

Operating Profit (U.S. GAAP) vs. EBIT (IFRS) 2006

- in billions of € -

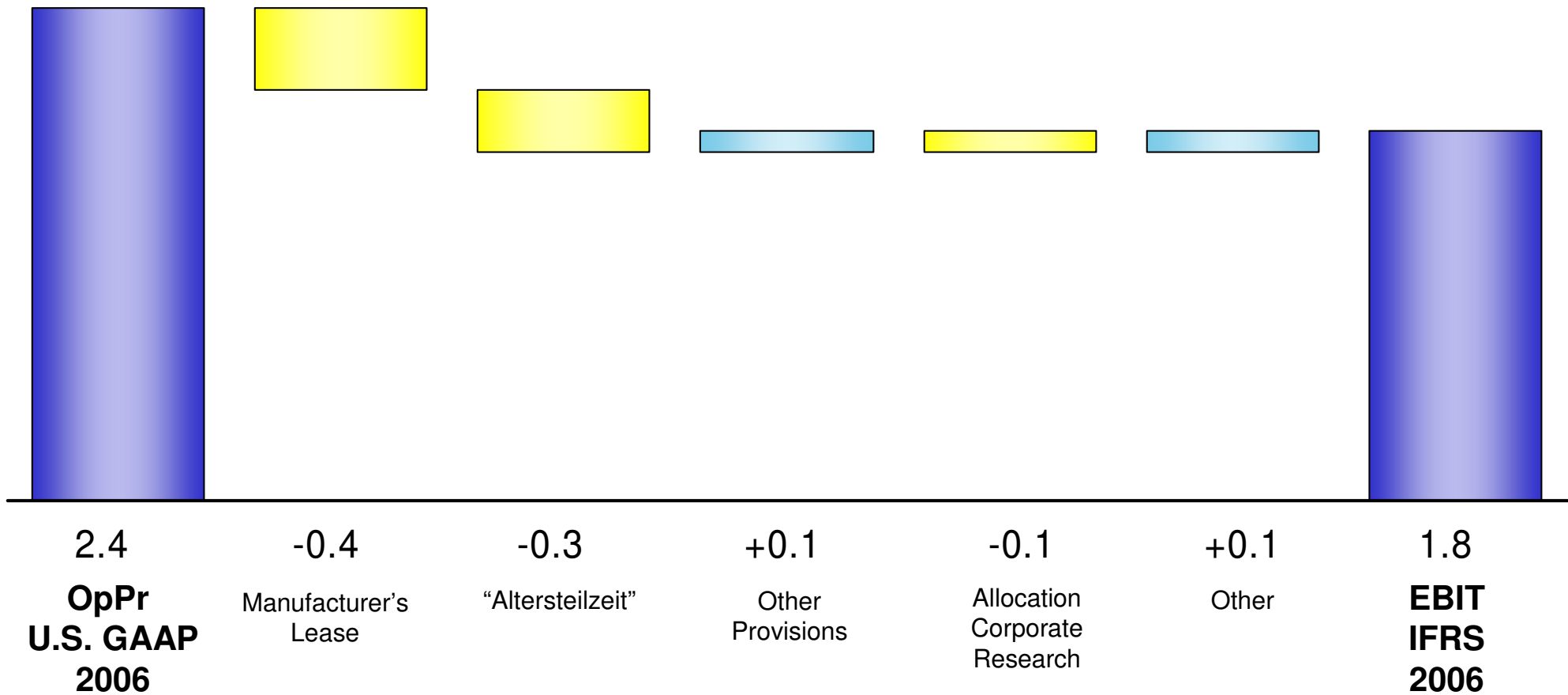


Special Reporting Items 2006

- in millions of € -	OpPr U.S. GAAP	EBIT IFRS	Change
Mercedes Car Group			
"Altersteilzeit": Release of provision (U.S. GAAP) / Immediate recognition (IFRS)	91	-216	-307
Workforce reduction MCG	-286	-286	0
Restructuring smart	-946	-946	0
Chrysler Group			
Support of supplier (Collins & Aikman)	-66	-66	0
Immediate consideration of pension/OPEB plan changes		390	390
Truck Group			
"Altersteilzeit": Release of provision (U.S. GAAP) / Immediate recognition (IFRS)	55	-134	-189
Sale of Off-highway	13	13	0
Immediate consideration of pension/OPEB plan changes		-161	-161
Financial Services			
Van, Bus, Other			
Sale of Off highway	248	253	5
Sale of property	133	271	138
"Altersteilzeit": Release of provision (U.S. GAAP) / Immediate recognition (IFRS)	20	-29	-49
EADS:			
- Valuation of derivatives		519	519
- A350 & A380 charges		-435	-435
NMM	-393		393
Reconciliation			
NMM		-393	-393
			} 0

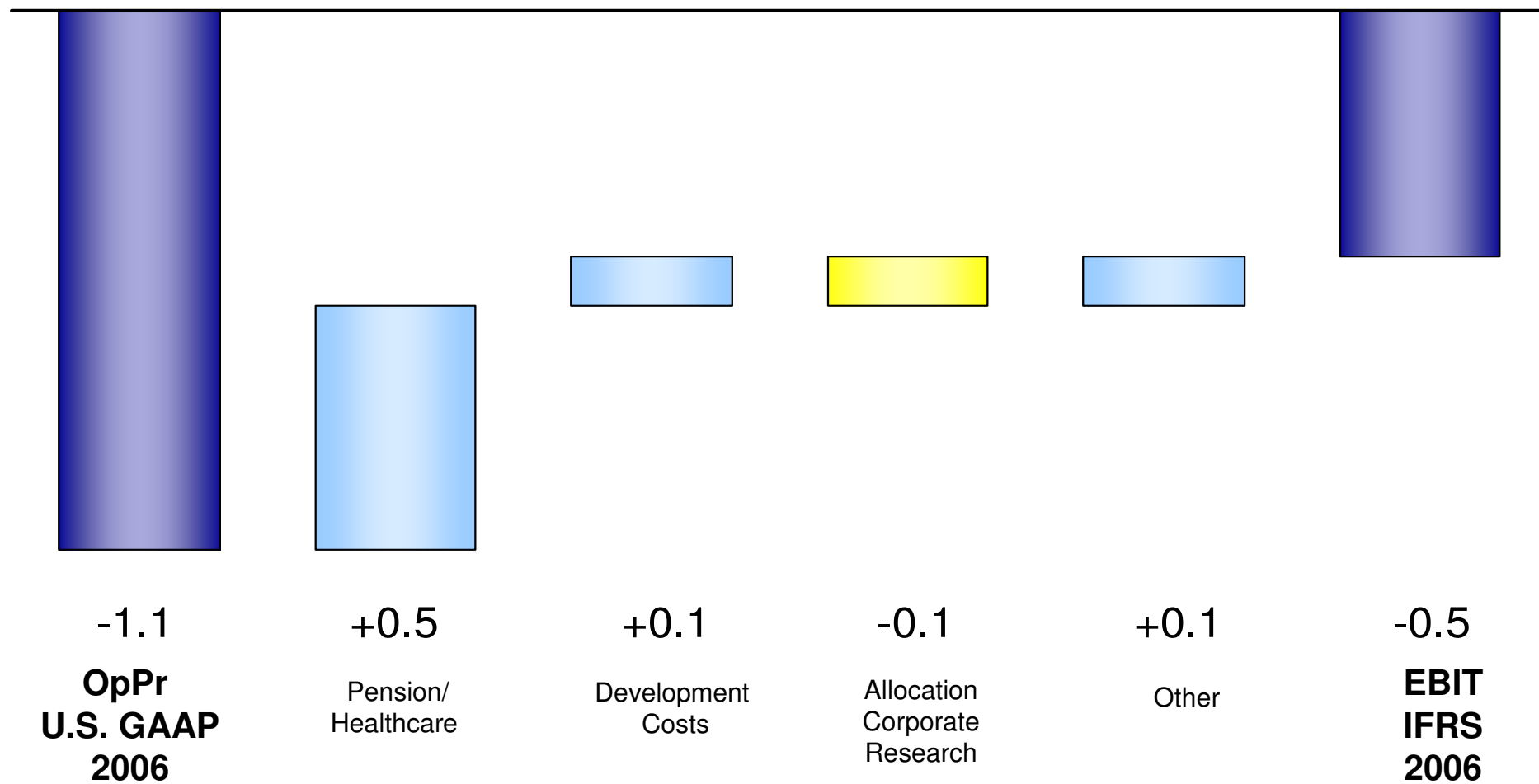
Operating Profit (U.S. GAAP) vs. EBIT (IFRS) 2006

- in billions of € -



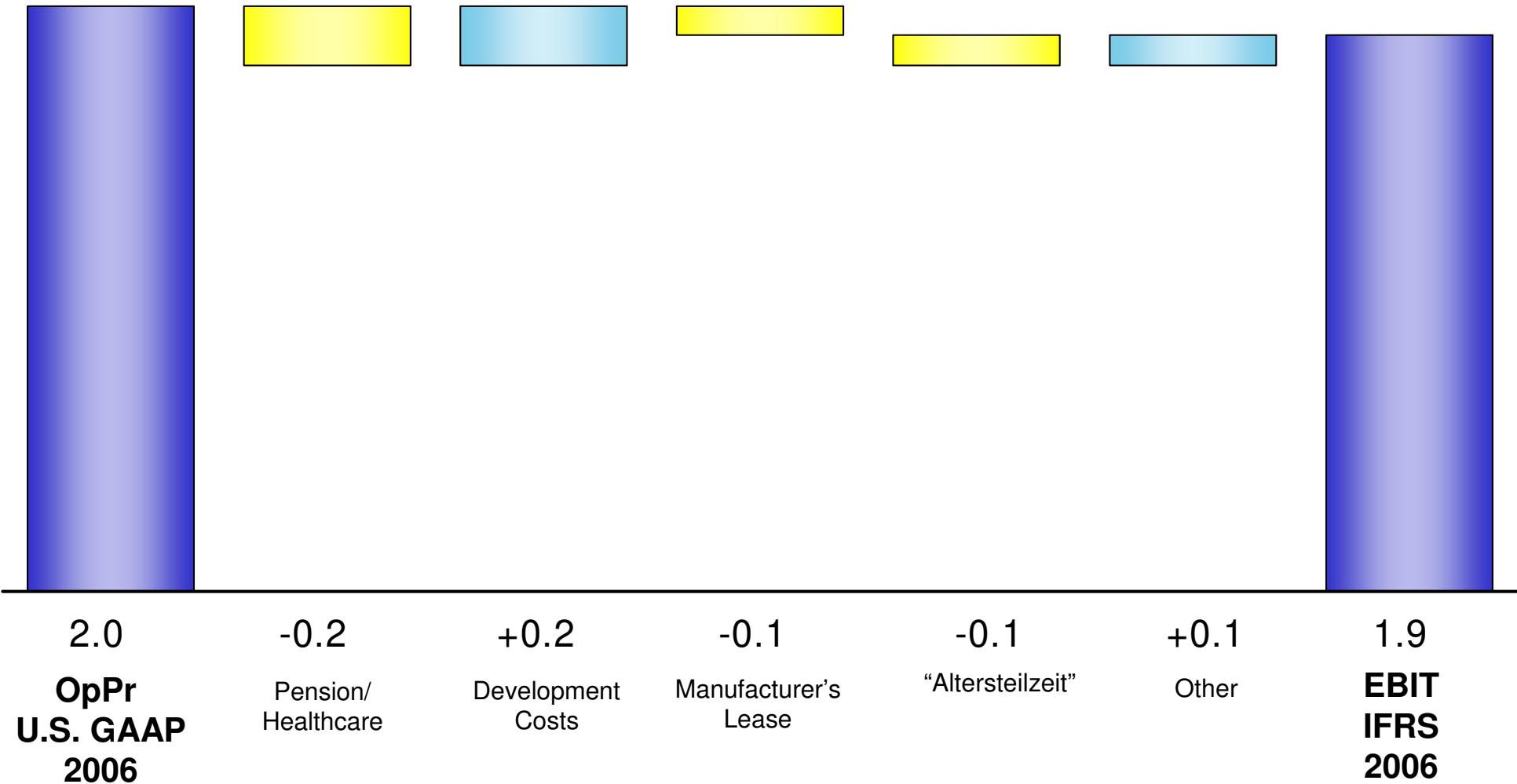
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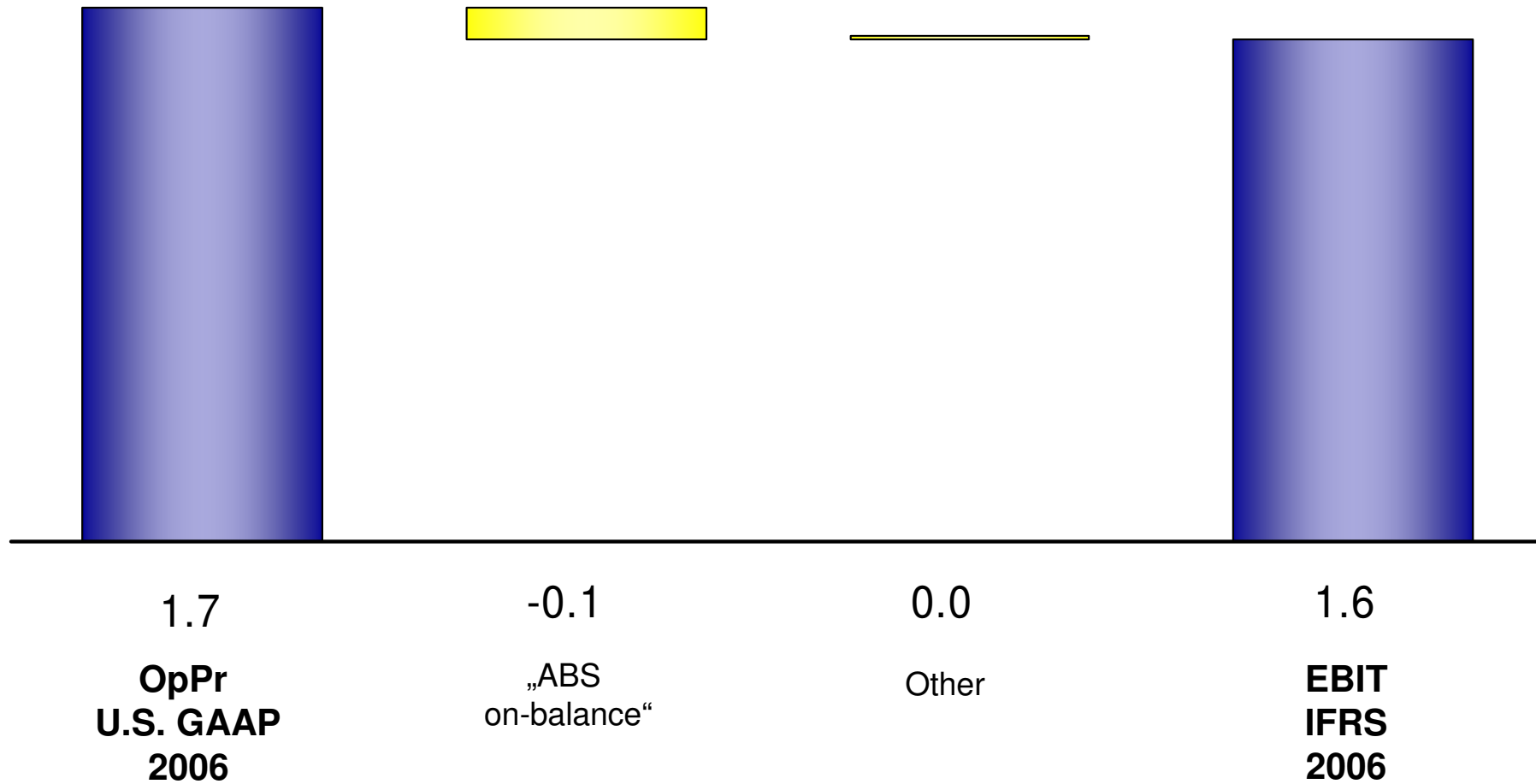
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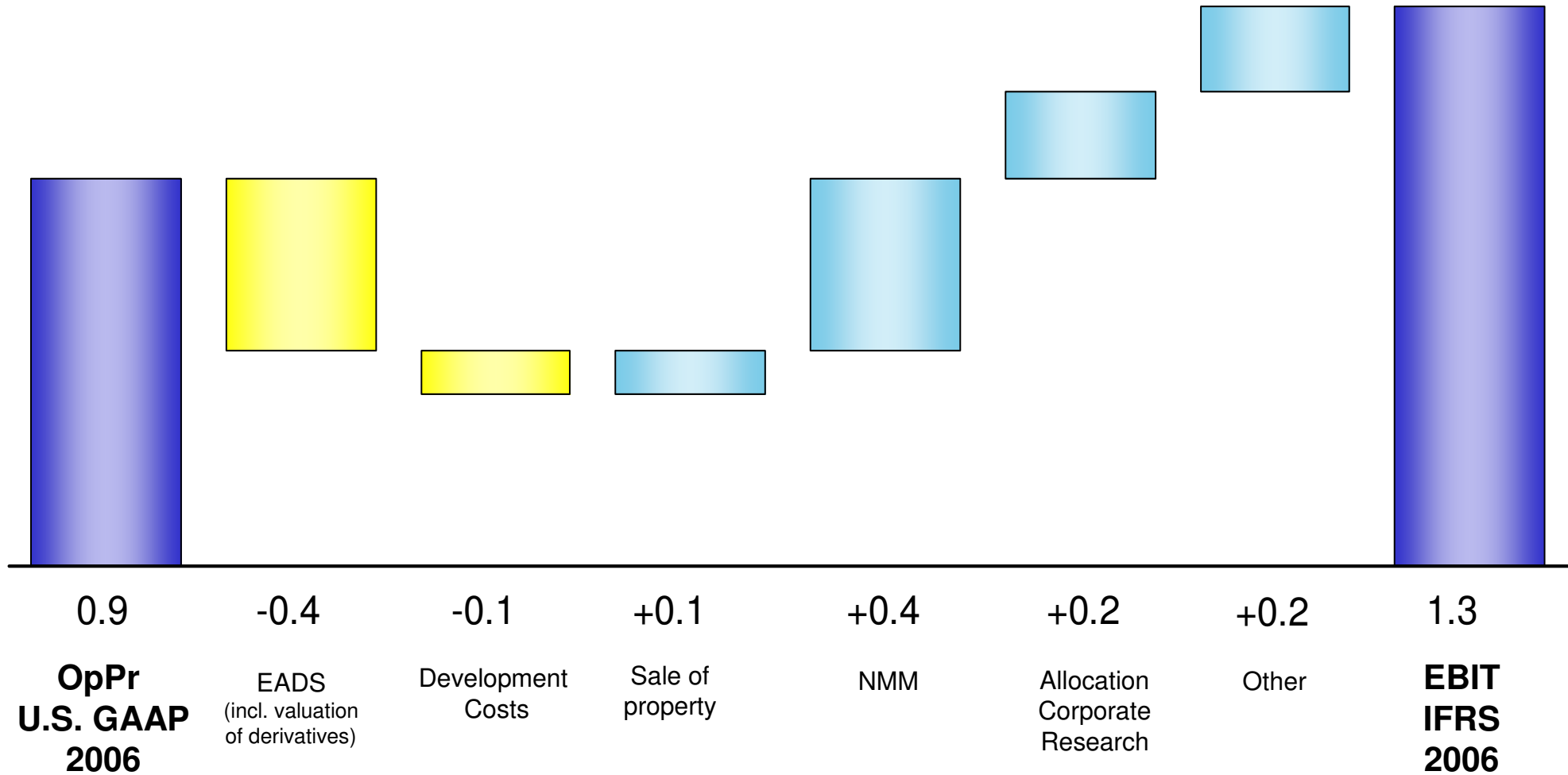
Operating Profit (U.S. GAAP) vs. EBIT (IFRS) 2006

- in billions of € -



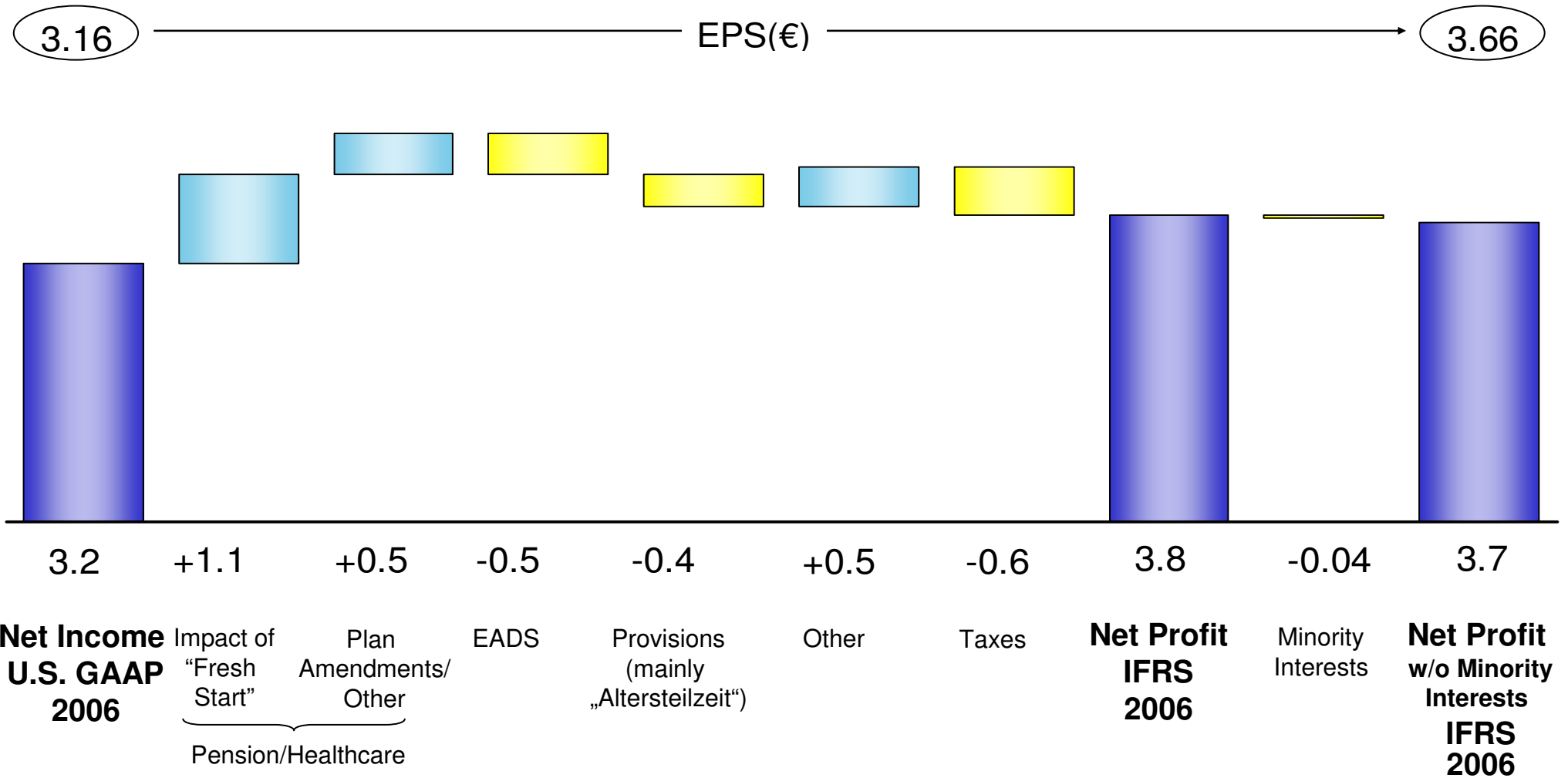
Operating Profit (U.S. GAAP) vs. EBIT (IFRS) 2006

- in billions of € -



Net Income (U.S. GAAP) vs. Net Profit (IFRS) 2006

- in billions of € -



Cash Flow Information 2006

- in millions of € -

	DC Group			Industrial Business		
	U.S. GAAP	IFRS	Change	U. S. GAAP	IFRS	Change
Cash Flow from						
- Operating Activities	14.016	14.337	321	5.176	6.457	1.281
- Investing Activities	-14.581	-15.857	-1.276	-4.746	-5.234	-488
- Financing Activities	496	2.396	1.900	-744	-1.660	-916
Free Cash Flow	898	3.477 ^{*)}	2.579	1.948	2.679	731

^{*)} after net debt financing Financial Services

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Key Figures 2005/2006

- in millions of € -

	IFRS	
	2005	2006
Revenues	150,790	152,809
EBIT	6,076	5,489
Net Profit	4,215	3,783
EPS (€)	4.09	3.66
Free Cash Flow (Industrial)	2,423	2,679
Net Liquidity (Industrial)	8,016	9,861
ROS	4.0%	3.6%

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Conclusion

- Transition to IFRS used to further enhance financial reporting and improve internal performance management

- Financial targets remain unchanged
 - Mercedes Car Group: RoS at least 7% in 2007
 - Chrysler Group: Break-even 2008, RoS of 2.5% in 2009
 - Truck Group: Average RoS more than 7% over the entire business cycle, starting in 2008
 - Financial Services: RoE at least 14% while supporting the Group's automotive sales

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Pension and Healthcare Status 2006

- in billions of € -

	Pension			Healthcare		
	U.S. GAAP	IFRS	Change	U.S. GAAP	IFRS	Change
Benefit Obligation	37.5	37.5	0.0	16.0	17.3	1.3
Plan Assets	-35.2	-35.2	0.0	-1.9	-1.9	0.0
Sub-Total	2.3	2.3	0.0	14.1	15.4	1.3
Reimbursement Medicare Act	-	-	-	-	-1.3	-1.3
Funded Status	2.3	2.3	0.0	14.1	14.1	0.0

Pension and Healthcare Cost 2006

- in billions of € -

	Pension			Healthcare		
	U.S. GAAP	IFRS	Change	U.S. GAAP	IFRS	Change
- Service Cost	0.8	0.8	0.0	0.3	0.3	0.0
- Amortization of unrecognized prior service cost	0.3	0.1	-0.2	-0.1	-0.2	-0.1
- Settlement/curtailment loss	0.1	0.1	0.0	0.0	0.0	0.0
EBIT components	1.2	1.0	-0.2	0.2	0.1	-0.1
- Interest Cost	1.9	1.9	0.0	0.9	1.0	0.1
- Expected return on plan assets	-2.5	-2.6	-0.1	-0.1	-0.2	-0.1
- Expected return on reimbursement rights	-	-	-	-	-0.1	-0.1
- Amortization of unrecognized net actuarial losses	0.7	0.0	-0.7	0.4	0.0	-0.4
Interest Income components	0.1	-0.7	-0.8	1.2	0.7	-0.5
Net Pension/Healthcare Cost	1.3	0.3	-1.0	1.4	0.8	-0.6

Definition of Segment Profit Measure

U.S. GAAP	IFRS
+ Revenues	+ Revenues
- Cost of sales	- Cost of sales
= Gross profit	= Gross profit
- Functional costs	- Functional costs
-/+ Other expenses/income	+ Other operating income, net
+/- Operating profit/loss from investments	+/- Profit/loss from companies consolidated at-equity, net
+ Financial pension costs (reversal)	+/- Other financial income (expenses), net
- Other non-operative result	+/- Income/expenses from discontinued operations, before taxes
+/- Income/expenses from discontinued operations, before taxes	+/- Pre-tax gain/loss from disposal of discontinued operations
+/- Pre-tax gain/loss from disposal of discontinued operations	
= Operating profit	= EBIT

Disclaimer

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