

DAIMLERCHRYSLER

Q3 2006 RESULTS CONFERENCE CALL

Bodo Uebber
Member of the Board of Management
Finance & Controlling / Financial Services



October 25, 2006

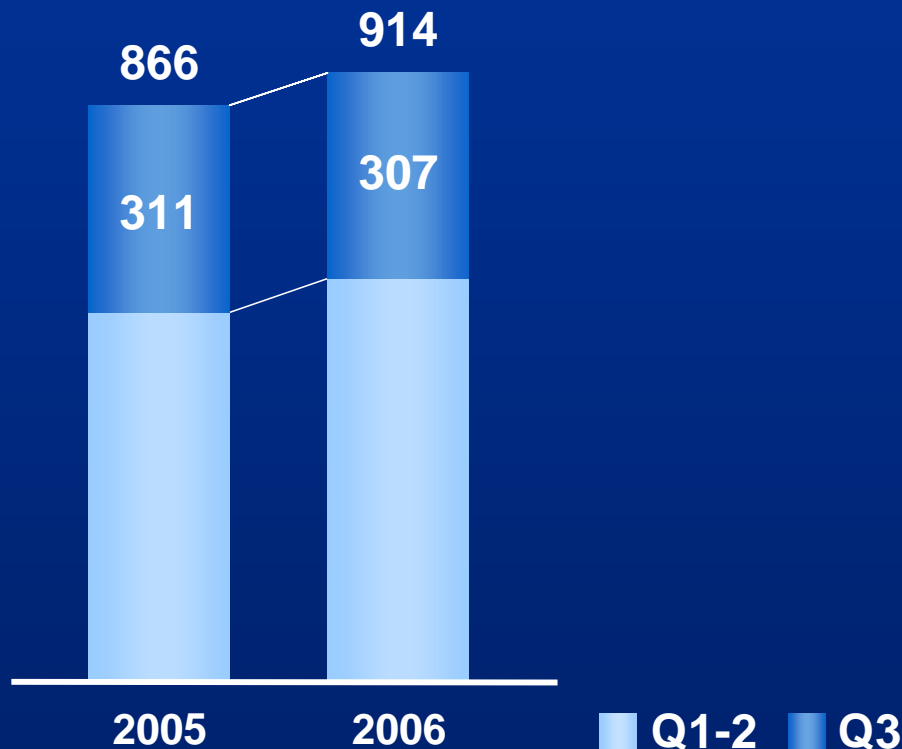
KEY FINANCIAL FIGURES Q3 2006

– in billions of EUR –

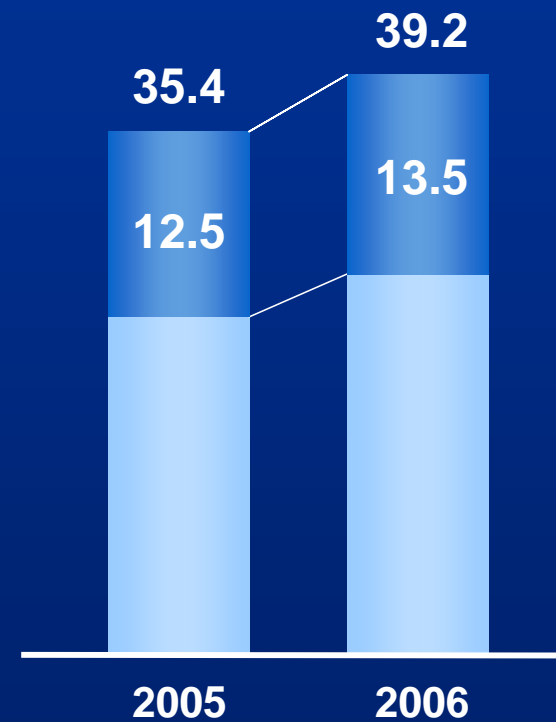
	Q3 2005	Q3 2006
Unit Sales (in thousands of units)	1,178	1,011
Revenues	38.2	35.2
Operating Profit	1.8	0.9
Net Income	0.9	0.5
Earnings per Share (in EUR)	0.84	0.53
Free Cash Flow Industrial Business (Jan. – Sept.)	1.5	(0.7)
Net Liquidity Industrial Business (at period end)	5.2	3.3

NEW PRODUCTS ARE DRIVING SALES AND REVENUES

Unit Sales
- in thousand units -



Revenues
- in billions of EUR -



STRONG IMPROVEMENT IN EARNINGS REFLECTS BENEFITS OF CORE PROGRAM AND SUCCESS OF NEW PRODUCTS

– in millions of EUR –



991



- Higher efficiency due to CORE
- Improved model mix



- Less favorable US\$ hedge rates
- Charges for headcount reduction

436

Operating Profit
Q3 2005

Operating Profit
Q3 2006

IMPLEMENTATION OF CORE IS ON TRACK

2006 targets

Achievements and prospects

Projects



- Project optimization right on track
- Continuing work on strategic levers, e.g. module strategy

Fixed Costs / Net
Asset Optimization



- Fixed costs and net asset optimization right on track
- Further focus on structural changes (e.g. shared service centers)

Efficiency
Production



- „Standardbegehung“ – optimization of all Mercedes assembly lines
- Hours per vehicles (HPV) controlling and tracking system currently in implementation

Material Costs



- Measures have resulted in high gross savings potential for 2006
- Compensation of negative effects, e.g. raw material price steel

Revenue Offensive



- Focusing on new brand positioning incl. customer appreciation
- Operational excellence within complete sales organization

Quality / Warranty



- Positive trend within warranty & goodwill costs
- Successful work within field of quality strategy

smart



- Successful integration of smart into Mercedes-Benz organization
- Turnaround with smart fortwo successor

Focus on future working packages with strategic relevance as module strategy, quality, customer appreciation, etc.

NEW PRODUCTS IN 2006



SL-Class
(Facelift)

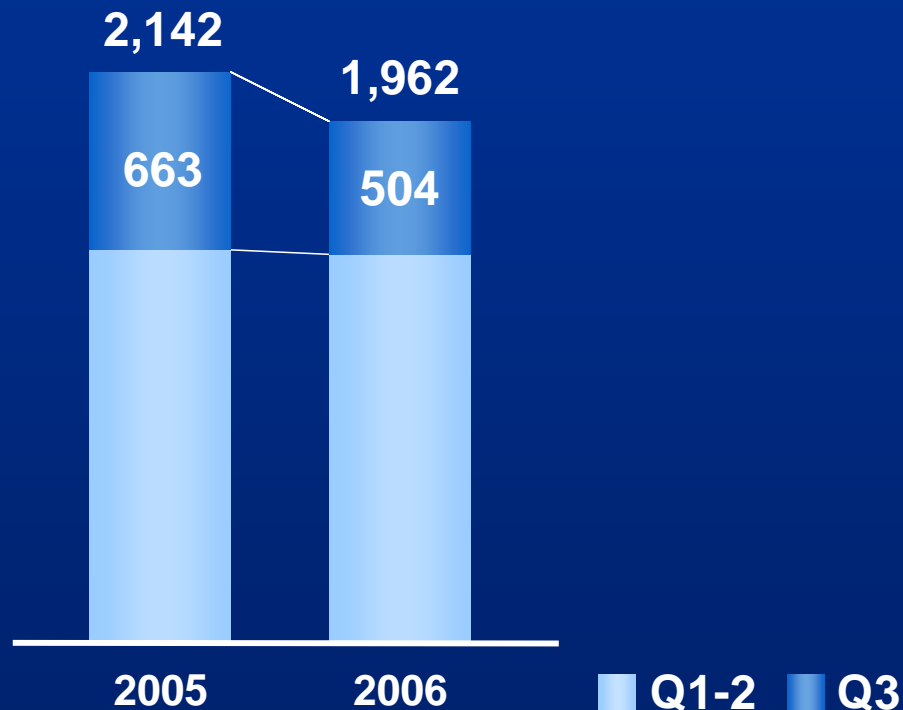
CL-Class

E-Class
(New Generation)

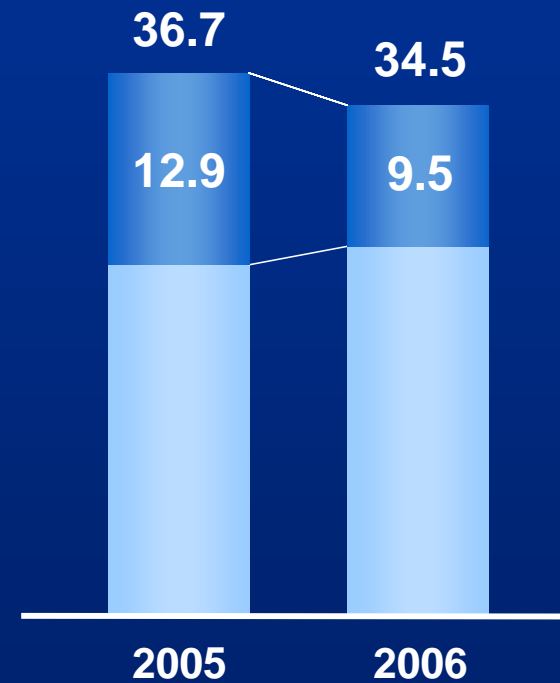
GL-Class

LOWER SHIPMENTS DUE TO CHANGES IN MARKET DEMAND AND INVENTORY REDUCTION

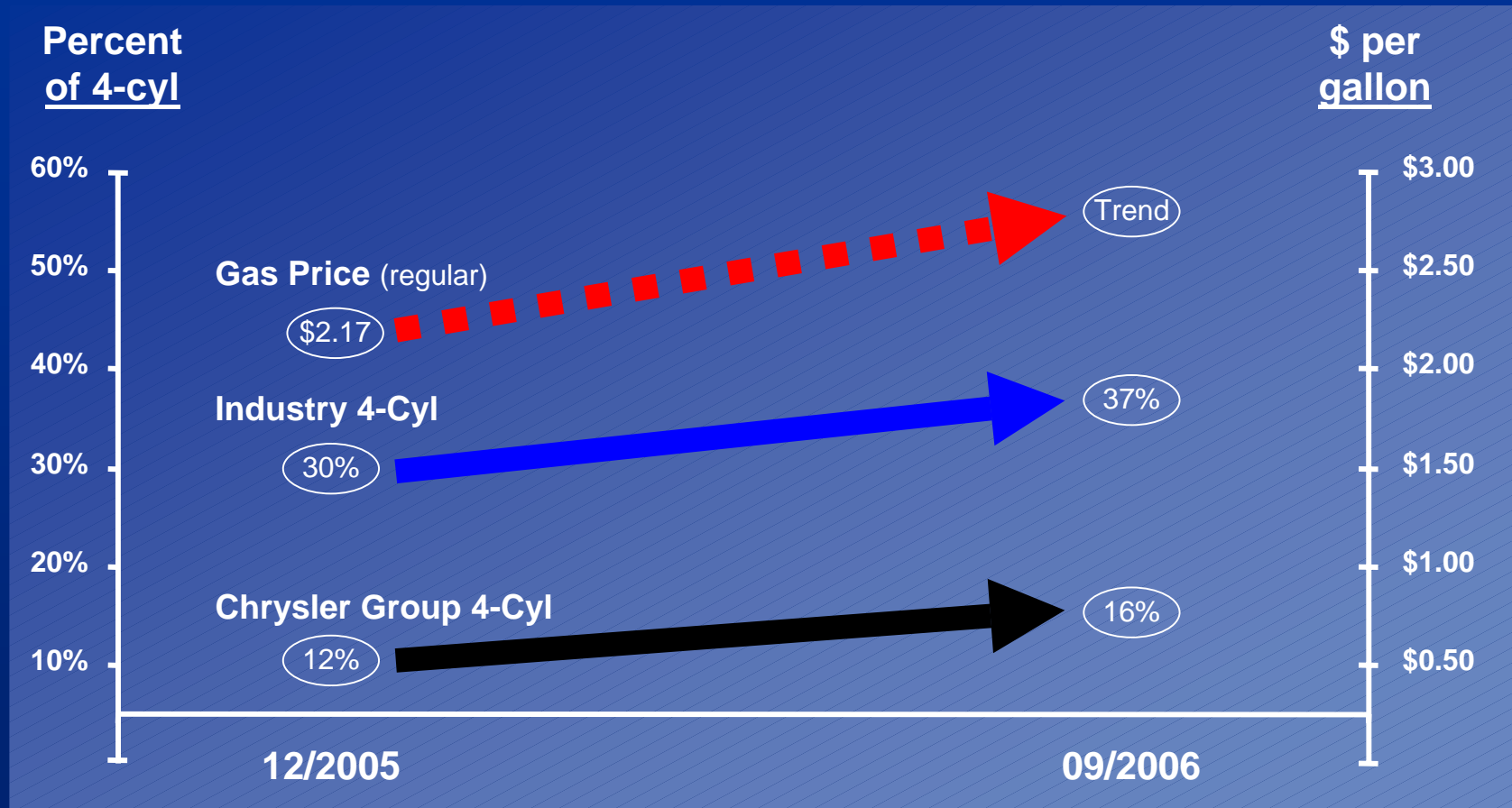
Unit Sales / Shipments
- in thousand units -



Revenues
- in billions of EUR -



INDUSTRY SALES MIX SHIFTED TOWARDS SMALLER VEHICLE SEGMENTS



Source: Power Information Network (PIN)

PLANS ADJUSTED TO CHANGED MARKET ENVIRONMENT

– Figures shown for the third quarter of 2006 –

	Prior plan	Revised plan		Change	Q3 actuals
Retail of retail share	11.2%	10.6%	=	20 k ↓ sales	10.3%
Retail shipments (in thousand units)	380	290	=	90 ↓	280
Dealer inventory at September 30 (in thousand units)	approx. 600	low - mid 500's	=	50 – 100 ↓	534
Operating profit target (in billions of EUR)	(0.5)	(1.2)	=	0.7 ↓	(1.2)

EARNINGS DECLINED AS A RESULT OF LOWER PRODUCTION AND SALES VOLUME

– in millions of EUR –



310



- Higher efficiency due to process optimization

-1,164



- Adjustments of production volume
- Decrease in shipments
- Less favorable mix
- Negative net pricing
- Higher material cost

Operating Profit
Q3 2005

Operating Profit
Q3 2006

COMPLETE AND DISCIPLINED EXECUTION TO OPTIMIZE VALUE ACROSS THE ORGANIZATION

- **Guiding principles will be determined by what is needed to run the business on a benchmark level and what is needed to keep it sustainable**
- **Strategic initiatives will be aimed at:**
 - **Increasing efficiency and flexibility**
 - **Achieving and sustaining a competitive cost position**
 - **Reducing fixed cost and net assets**
 - **Increasing revenues and margin**
- **Focus will be on strategic initiatives aimed at maximizing return objectives**

CHRYSLER GROUP OPTIMIZATION PROGRAM IS STRUCTURED TO ENSURE COMPLETE TRANSPARENCY AND AID DECISION MAKING



NEW PRODUCTS 2006



Jeep Patriot
(December 2006)



Jeep Compass
(August 2006)



Jeep Wrangler Unlimited
(September 2006)



Jeep Wrangler
(October 2006)

NEW PRODUCTS 2006



**Dodge Ram
Chassis Cab**
(October 2006)



Chrysler Sebring
(November 2006)



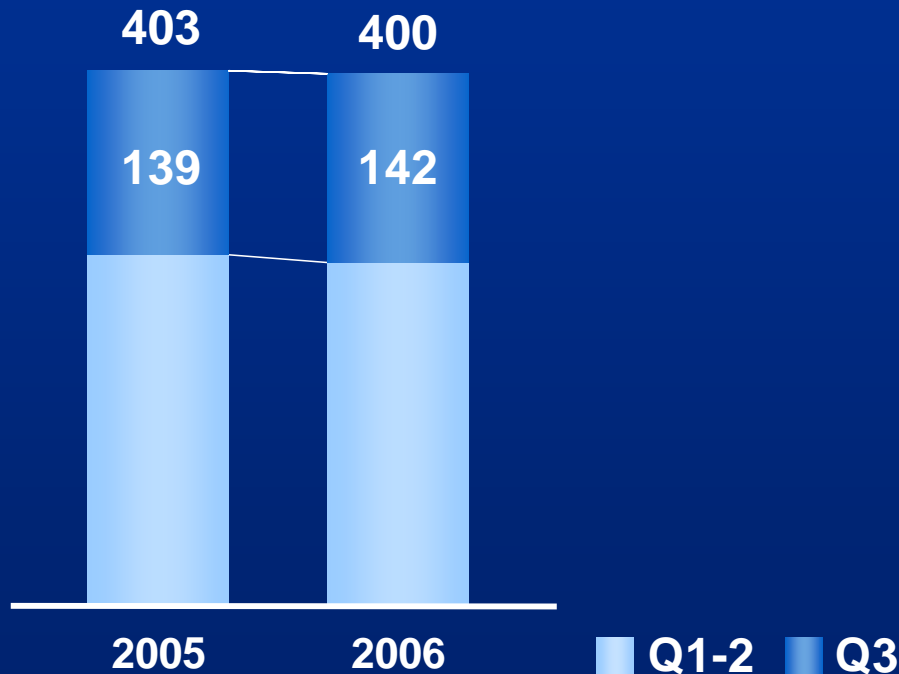
Chrysler Aspen
(September 2006)



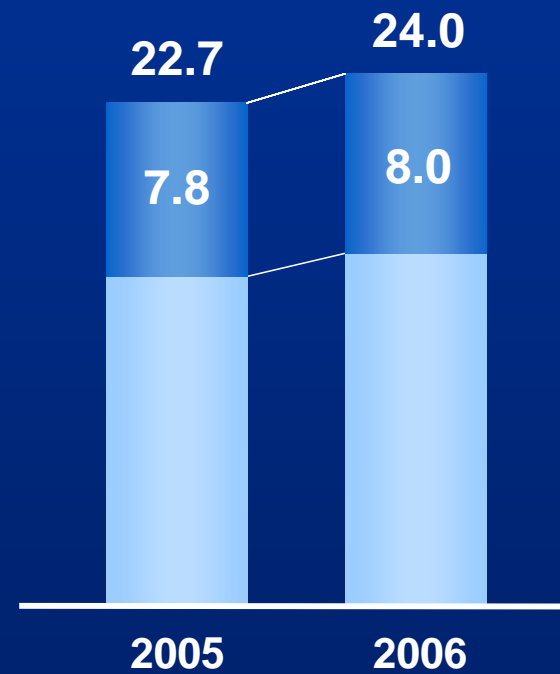
Dodge Nitro
(October 2006)

CONTINUED STRONG DEMAND FOR HEAVY TRUCKS AND SUCCESS OF BLUETEC-TECHNOLOGY

Unit Sales
- in thousand units -



Revenues
- in billions of EUR -



FURTHER EARNINGS IMPROVEMENT

– in millions of EUR –



NEW PRODUCTS



**Actros
Space Max**

**Mitsubishi FUSO
Super Great**

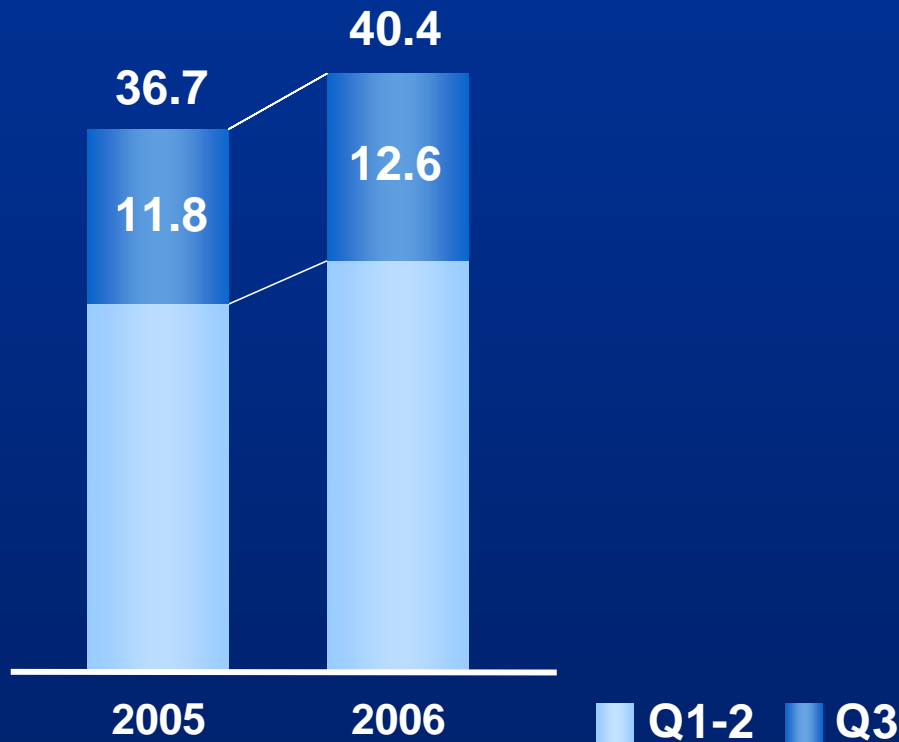
**Freightliner
Coronado**

**Actros
1860 LS 4x2**

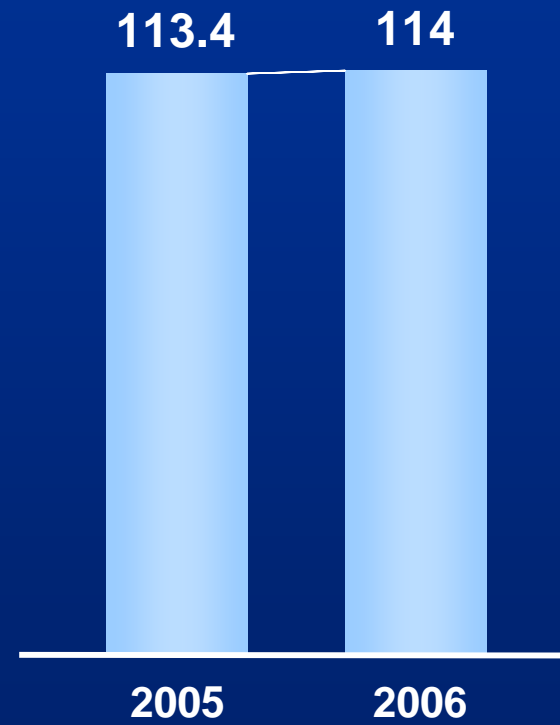
**Unimog
U20**

INCREASE IN NEW BUSINESS

New Business
- in billions of EUR -



Contract Volume
- in billions of EUR -



PROFIT REMAINS ON HIGH LEVEL

– in millions of EUR –



408

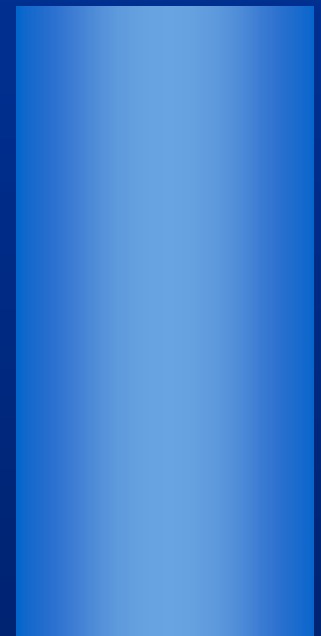


- Higher new business volume
- Improved efficiency



- Increased costs of risk versus last year

445

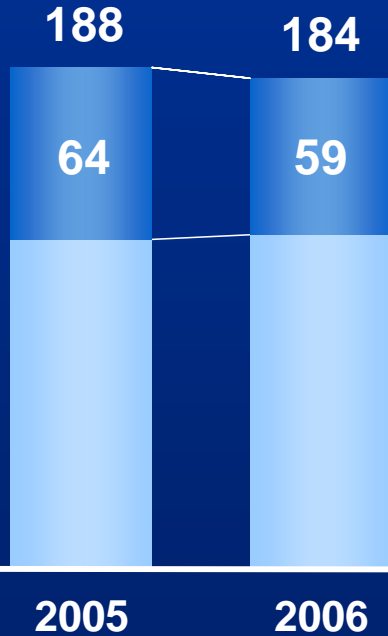


Operating Profit
Q3 2005

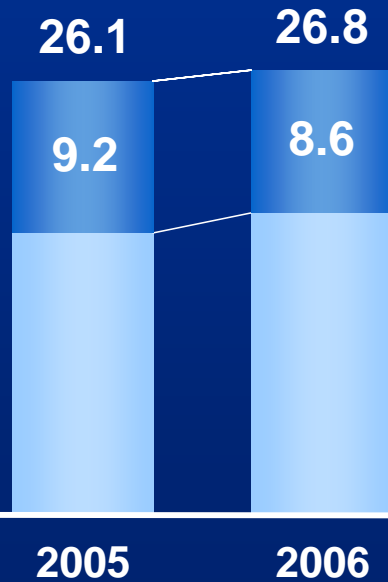
Operating Profit
Q3 2006

VAN SALES IMPACTED BY CHANGEOVER TO THE NEW SPRINTER

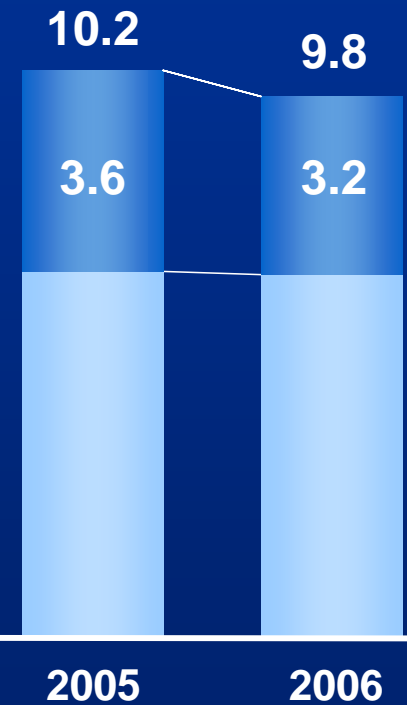
Unit Sales Vans
- in thousand units -



Unit Sales Buses
- in thousand units -



Revenues
- in billions of EUR -



■ Q1-2 ■ Q3

EARNINGS IMPACTED BY CHARGES FOR NEW MANAGEMENT MODEL

– in millions of EUR –



379



- Sale of real estate no longer required for operating purposes
- Efficiency improvements and better model-mix at Buses



- Charges for new management model
- Changeover to new Sprinter
- Off-highway business no longer included

315



Operating Profit
Q3 2005

Operating Profit
Q3 2006

RECENT DEVELOPMENTS AT EADS

- **EADS revised its A380 delivery schedule for the period 2007 to 2010.**

- **The revised delivery schedule results in substantial earnings shortfall for the years 2006 to 2010.**

- **EADS launches the “Power8” program to counter the financial impact, speed up the development and restore competitiveness.**

SALES OUTLOOK 2006

- **Mercedes Car Group expects unit sales at least as high as in 2005, while the model mix is expected to improve.**
- **Chrysler Group's shipments will be lower than last year due to intense competition and the shift in customer demand in the U.S. towards smaller vehicles.**
- **The Truck Group anticipates unit sales at least at the prior year's level due to strong demand, reflecting pull-forward effects from upcoming stricter emission regulations in Europe, the United States and Japan.**

DIVISIONAL EARNINGS OUTLOOK 2006

- Mercedes Car Group expects the positive profit trend to be continued.
- For full-year 2006, the Chrysler Group is expected to post an operating loss of approx. EUR 1.0 billion.
- The Truck Group expects to significantly exceed the prior year's earnings.
- Operating profit of Financial Services is expected to exceed the prior year's level.

GROUP PROFIT OUTLOOK 2006

- **Due to the unsatisfying sales level at the Chrysler Group, DaimlerChrysler reduced its profit target on September 15, 2006.**
- **Although A380 delivery delays are expected to impact the Group's operating profit by EUR 0.2 billion, the DaimlerChrysler Group is maintaining its operating profit target in the magnitude of EUR 5 billion for FY 2006, reflecting the very positive developments in the other divisions.**
- **This guidance includes:**
 - **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,**
 - **a gain of EUR 0.2 billion on the disposal of the off-highway business,**
 - **gains of EUR 0.1 billion from sale of real estate,**
 - **and the release of early retirement provisions of EUR 0.2 billion.**

DAIMLERCHRYSLER

Q3 2006 RESULTS CONFERENCE CALL

– Additional information –



October 25, 2006

SPECIAL ITEMS AFFECTING OPERATING PROFIT

		3rd Quarter		January - September	
		2005	2006	2005	2006
- in millions of EUR -					
MCG	Restructuring smart	-	40	(1,111)	(955)
	Workforce reduction MCG	-	(47)	-	(270)
	Release of provision for early retirement	-	-	-	91
	Release of provision after favorable verdict on EU competition law	60	-	60	-
CG	Collins & Aikman	(57)	(10)	(57)	(40)
TG	MMC settlement on Mitsubishi Fuso	-	-	276	-
	Impairment American LaFrance	(63)	-	(87)	-
	Release of provision for early retirement	-	-	-	55
VBO	Disposal of off-highway business	-	-	-	234*
	New Management Model	-	(72)	-	(217)
	Sale of real estate	-	86	-	86
	Release of provision for early retirement	-	-	-	20

*) Including ongoing result of EUR 35 million

KEY BALANCE SHEET FIGURES

- in billions of EUR -

	Dec. 31 2005	June 30 2006	Sept. 30 2006
DaimlerChrysler Group			
▪ Equity ratio ^{1) 3)}	17.3%	18.6%	18.8%
▪ Gross liquidity	12.6	9.6	10.2
▪ Financial liabilities ²⁾	80.9	79.1	80.7
Industrial Business			
▪ Equity ratio ^{1) 3)}	24.8%	27.6%	27.5%
▪ Gross liquidity	11.4	8.2	9.0
▪ Financial liabilities ²⁾	4.1	2.9	5.7
▪ Net liquidity	7.3	5.3	3.3

1) Excluding dividend payment

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

3) First time application of SFAS 158 at year-end 2006 will negatively impact equity and equity ratio.

STATUS OF PENSIONS AND POSTRETIREMENT HEALTH CARE BENEFITS

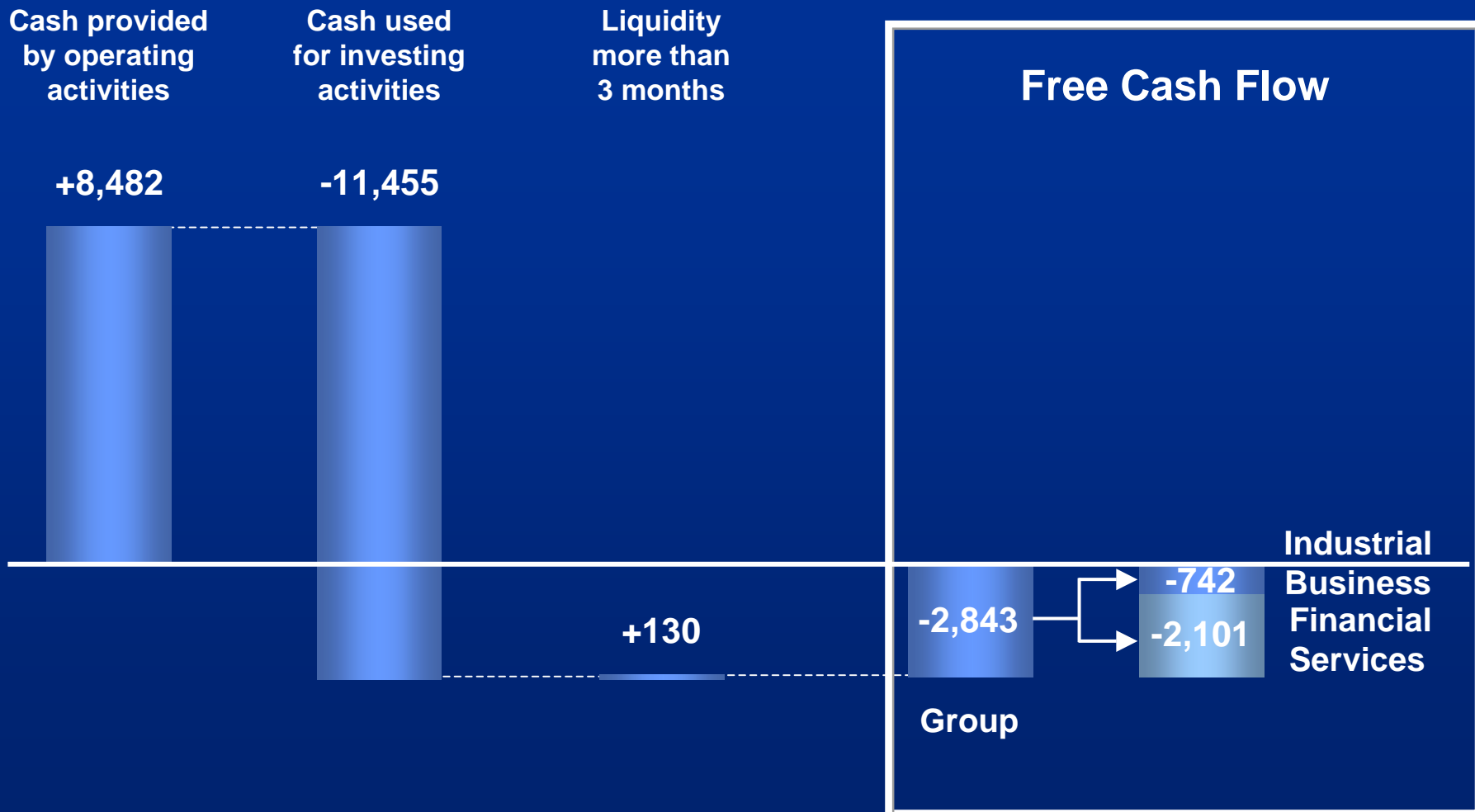
	Pensions		Health Care	
	Dec. 31 2005	Sept. 30 2006	Dec. 31 2005	Sept. 30 2006
- in billions of EUR -				
PBO ¹⁾ / APBO ²⁾	(41.5)	(39.9)	(17.7)	(16.3)
Plan assets	34.3	34.5	1.9	1.9
Funded status	(7.2)	(5.4)	(15.8)	(14.4)
Accruals	5.3	5.4	9.8	9.6
Funded position net of accruals	(1.9)	(0.0)	(6.0)	(4.8)

1) PBO = projected benefit obligations

2) APBO = accumulated postretirement benefit obligations

RECONCILIATION TO FREE CASH FLOW JANUARY – SEPTEMBER 2006

– in millions of EUR –



DISCLAIMER

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