
DAIMLERCHRYSLER

2006 RESULTS
ANNUAL PRESS CONFERENCE
& CONFERENCE CALL

Dr. Dieter Zetsche

Chairman of the Board of Management DaimlerChrysler AG
Head of Mercedes Car Group

Auburn Hills
February 14, 2007

GROUP ACTUALS

	2005	2006
Unit Sales	4,829 k	4,700 k
Revenues	€ 149.8 bn	€ 151.6 bn
Operating Profit	€ 5.2 bn	€ 5.5 bn
Net income	€ 2.8 bn	€ 3.2 bn
Dividend	€ 1.50	€ 1.50

DISAPPOINTING YEAR FOR CHRYSLER GROUP – GOOD PERFORMANCE BY ALL OTHER DIVISIONS



**Chrysler
Group**

**Substantial loss mainly due to changed
market environment**



**Mercedes
Car Group**

Significant improvement in profitability



**Truck
Group**

Profitability on record level



**Financial
Services**

Further profit increase

DAIMLERCHRYSLER

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& CONFERENCE CALL

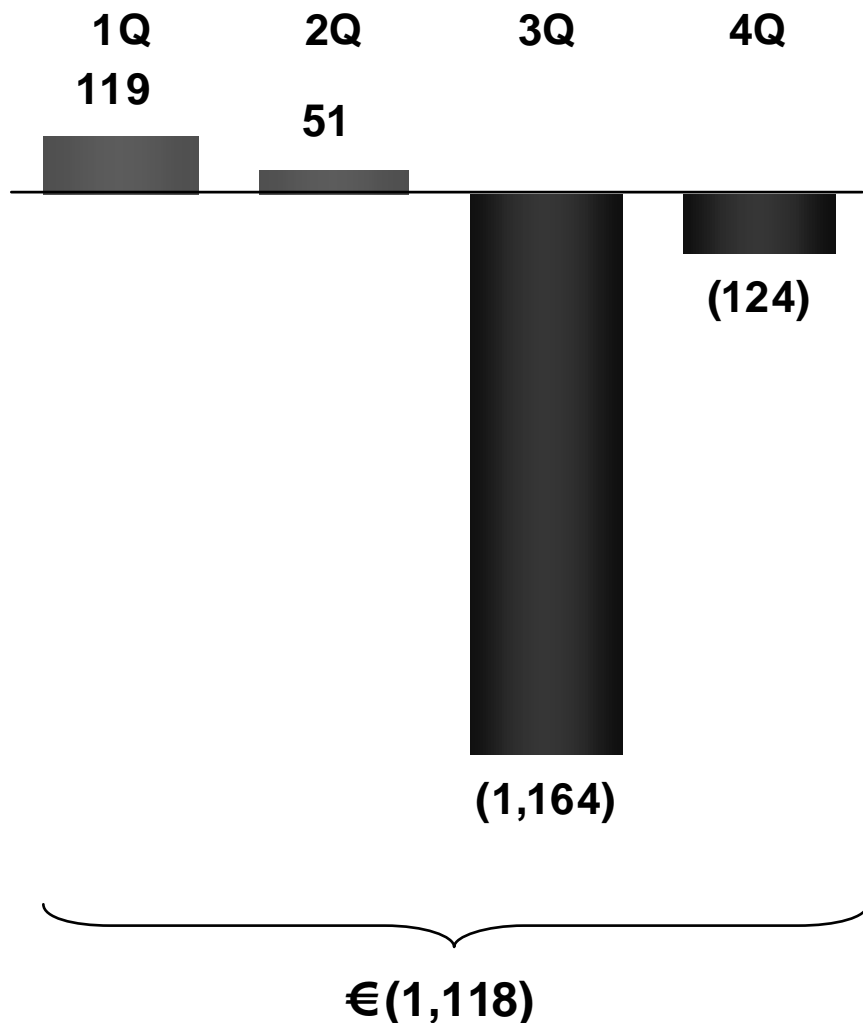
CHRYSLER GROUP

RECOVERY & TRANSFORMATION PLAN

Tom LaSorda
Member of the Board of Management
Chrysler Group

Auburn Hills
February 14, 2007

**2006 Operating Results
Euro (Millions)**



Observations

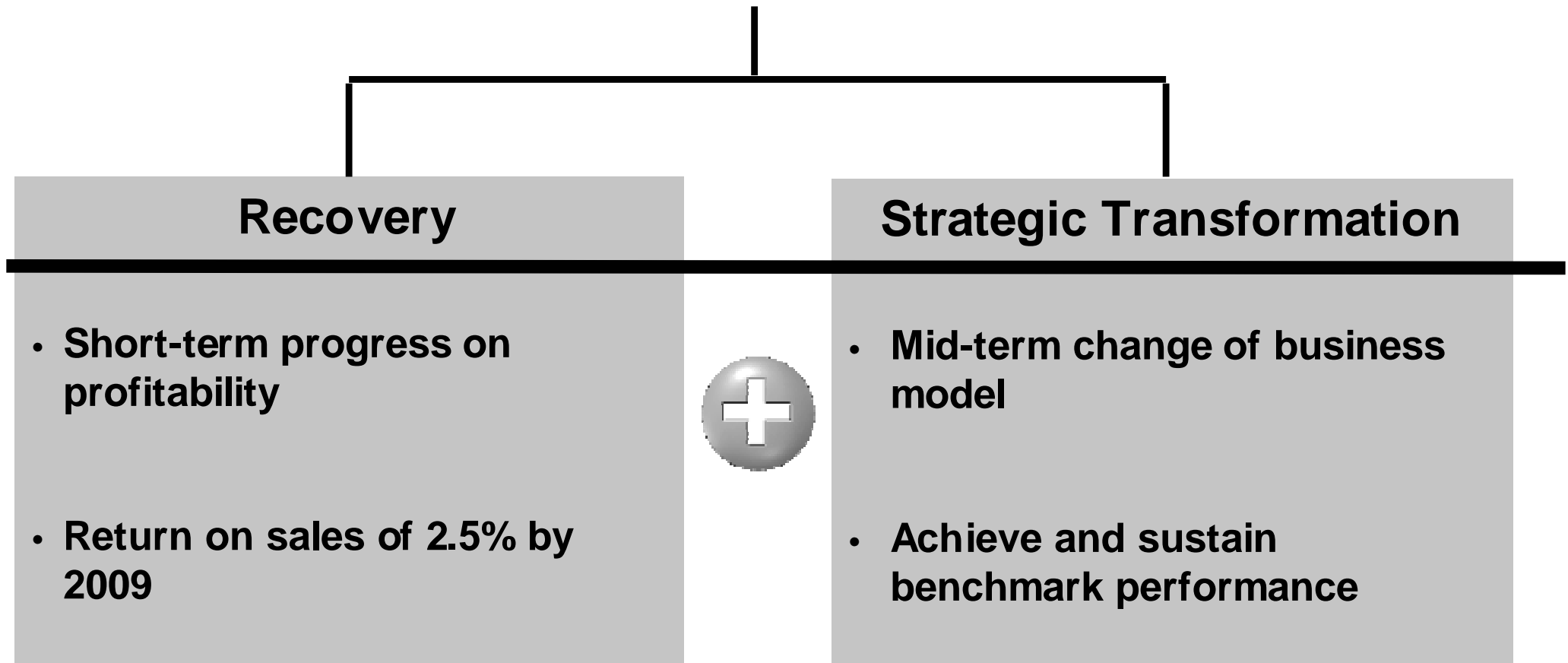
- Intense competition in U.S.
- Gas prices drive shift in consumer preferences from large SUV's, trucks, minivans to mid/small vehicles
- CG derives over 70% of its retail sales from the minivan / truck / SUV segments
- Global commodity and continued material cost headwinds pressure margins
- Vehicle inventories not aligned with market demand
- Dealer relations

PROFIT DETERIORATION FACTORS

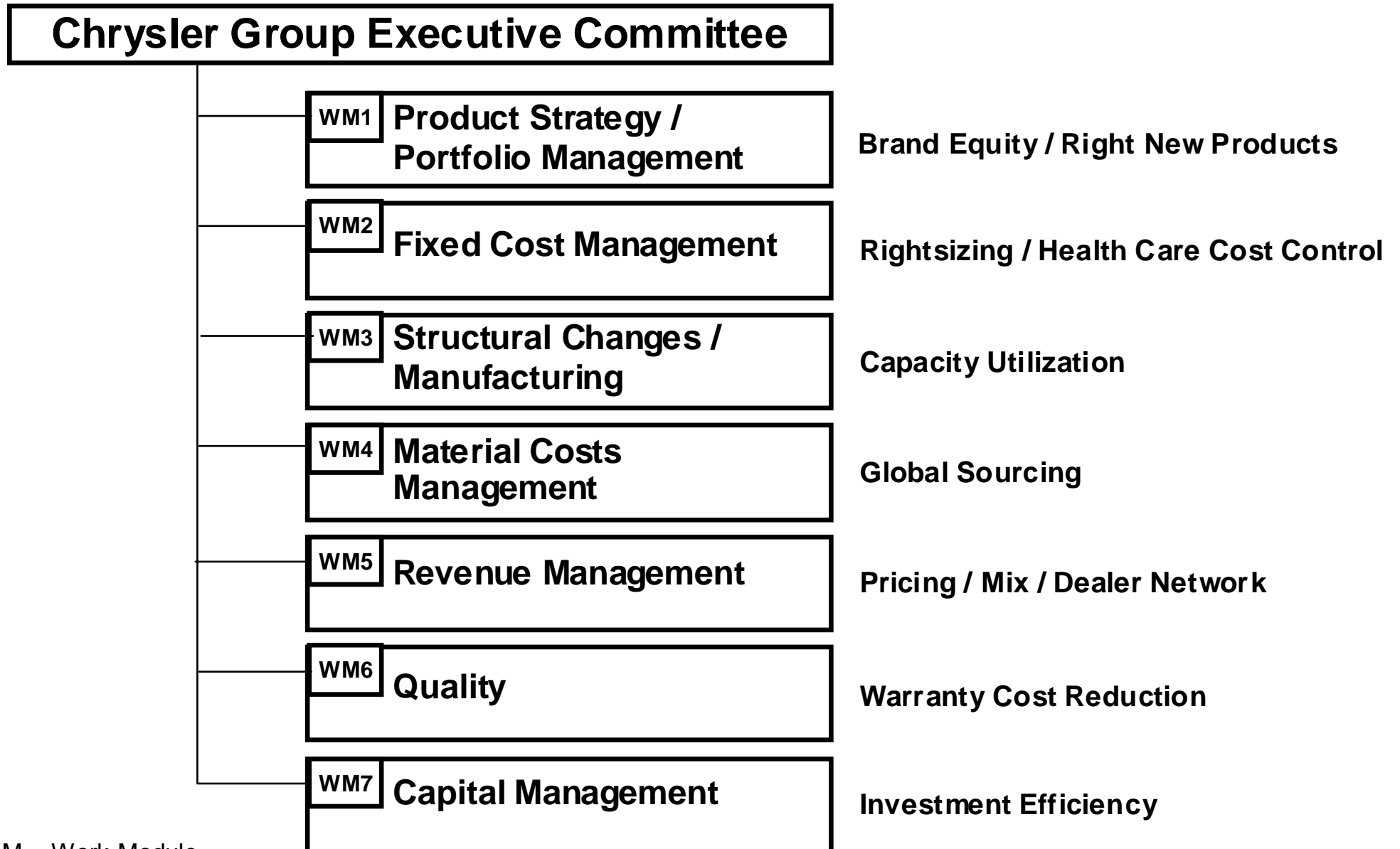
Euro (Millions)



TWO PART PLAN



IMPLEMENTATION TEAMS



WM – Work Module

KEY MEASURES

Revenue Management

- **Continue product offensive (8 new and 5 refreshed products in 2007)**
- **Improve retail / fleet mix**
- **Accelerate global growth**
- **Effective marketing / incentive spending**
- **Reduce and optimize dealer network to improve dealer profitability**

Material & Fixed Costs

Capacity / Productivity

KEY MEASURES

Revenue Management

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Material & Fixed Costs

- **Reduce material costs by up to \$1.5b by 2009**
- **Explore sale / outsourcing of non-core operations**
 - **Select parts distribution processes**
 - **Transportation services**
 - **Select support functions**
- **Assumptions for successful union negotiations**

Capacity / Productivity

KEY MEASURES

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Capacity / Productivity

- **Reduce total assembly capacity by 400,000**
- **Eliminate shifts: Newark & Warren in 2007, St. Louis South in 2008**
- **Idle Newark Assembly plant in 2009**
- **Idle Cleveland parts distribution center in December 2007**
- **Reduce powertrain, stamping and component capacity**

EMPLOYEE IMPACT – 13,000 TOTAL

Hourly

**Reduce Hourly employment by 11,000 over three years
(9,000 in U.S. and 2,000 in Canada)**

4,000	Assembly Plants
1,000	Powertrain and Stamping
1,000	Other, including potential sale of non-core functions
3,000	Technology, efficiency and productivity
<u>2,000</u>	Canada - Technology, investment efficiency, and productivity
11,000	TOTAL HOURLY

Salary

Reduce Salaried employment by 2,000 over two years

**Special retirement, separation and attrition programs will
be announced later**

RESTRUCTURING CHARGES AND ADDITIONAL EFFECTS

Restructuring Charges (in €/\$ bn)

	2007	Total
Restructuring Charge	Up to € 1.0 (\$ 1.3)	Up to € 1.0 (\$ 1.3)
Cash Effect	€ 0.8 (\$ 1.0)	€ 1.0 (\$ 1.3)

Additional Effects (in €/\$ bn)

	2007
Inventory Adjustment	€ 0.2 (\$ 0.3)

ASSUMPTIONS AND IMPROVEMENTS

Base Planning Assumptions

	2006	2007	2008	2009
SAAR (in Mil)	17.2	17.0	17.2	17.3
Pricing	< 0	< 0	< 0	< 0

Recovery Improvements (% break down)

	2009
Revenue Management	20%
Material, Manufacturing Variable and Fixed Costs	80%
TARGETED SAVINGS *	€3.5 bn (\$4.5 bn)
Return on Sales	2.5%

* - Stretch savings included to help offset unknown market factors

STRATEGIC TRANSFORMATION

Current Business Model

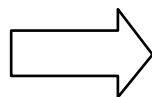
Product-centric



NAFTA-centric



**Internal Resource
Driven**



Redesigned Business Model

Customer and Brand Focus

- Product offensive, mix shift and powertrain investment
- Dealer network optimization and component / architecture sharing

Global Balance

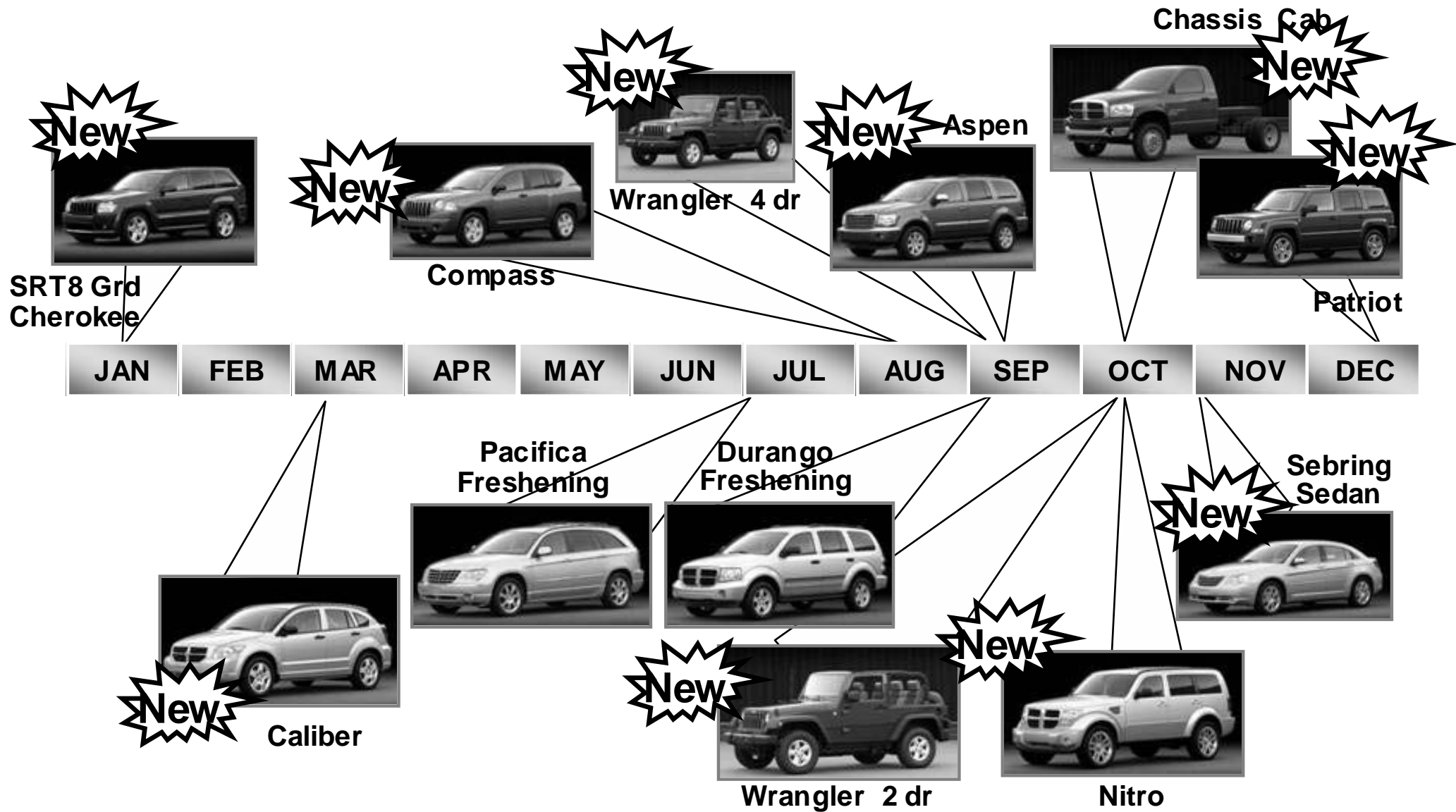
- Manufacturing, supply and sales footprints optimized to maximize global growth and profitability

Alliances and Partnerships

- Leveraging partnerships for growth & to manage costs
- Creative and efficient use of alliances to achieve geographic, market segment, and product opportunities

CUSTOMER AND BRAND FOCUS

2006 PRODUCT OFFENSIVE



CUSTOMER AND BRAND FOCUS

2007 PRODUCT OFFENSIVE (8 NEW, 5 REFRESH)

Grand Cherokee CRD

Sebring Convertible

Magnum Freshening

Viper SRT10

Liberty

Ram 4500/5500 Chassis Cab

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

Avenger

Sprinter

Caravan

Town & Country

Caliber SRT4

Dakota Freshening

300 & Charger Freshening

CUSTOMER AND BRAND FOCUS

- **Product offensive continues (brand equity and differentiation)**
 - **New versions of minivans, pick-up truck, and select LX vehicles**
 - **20 plus all-new vehicles; 13 refreshed**
 - **All-new commercial segment expansion (Sprinter and Class 4&5)**
- **Product mix shift to more fuel efficient vehicles**
- **Powertrain revolution**
 - **\$ 3 billion investment plan in new engines, transmissions, and axles**
 - **BLUETEC diesel engines from MCG / Cummins**
- **Dealer network optimization / stronger brand focus**

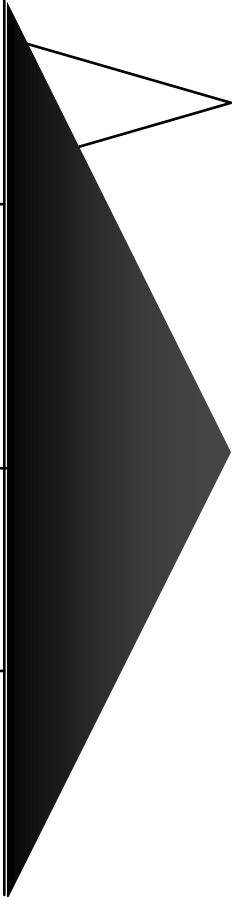
CUSTOMER AND BRAND FOCUS

POWERTRAIN PORTFOLIO MEASURES

Action

Benefits

GASOLINE	I-4 World Engine V-6 Phoenix Engine
DIESEL	I-4 MB Engine V-6 MB Engine LD Cummins Diesel
HYBRID	Full Hybrid Mild Hybrid
TRANS / AXLE	Dual Clutch Transmission Common Axle Program



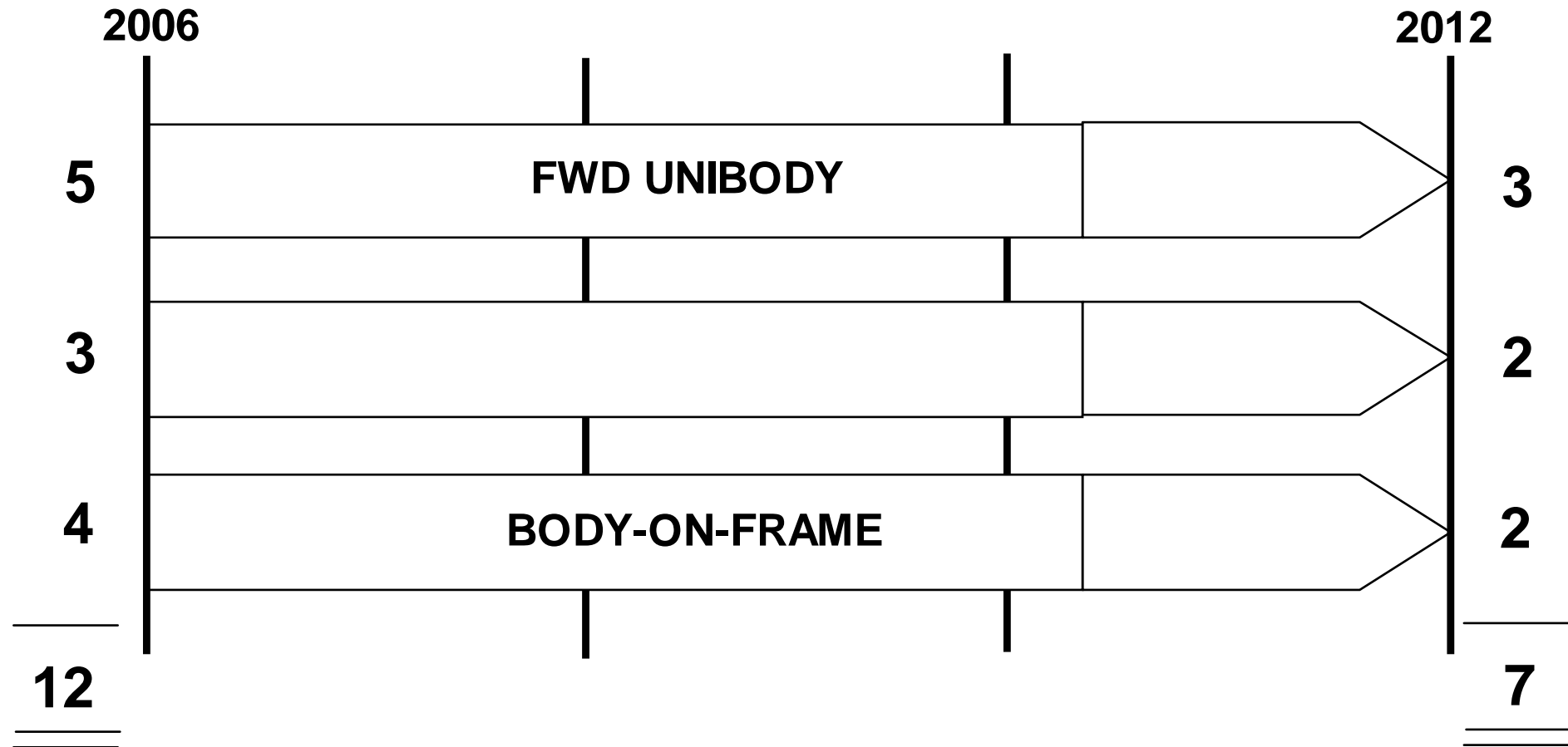
- I-4 families: from 3 to 1**
- V-6 families: from 4 to 1***

- Increased Fuel Economy**
- Increased Performance**
- Reduced Complexity**

* Target

CUSTOMER AND BRAND FOCUS

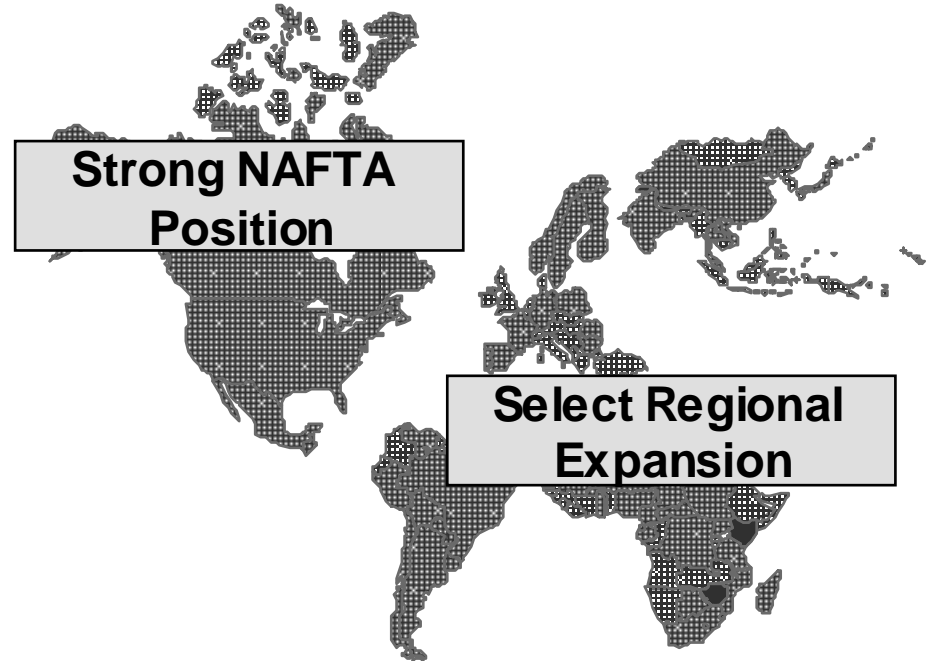
REDUCE NUMBER OF PLATFORMS FROM 12 TO 7 BY 2012



GLOBAL BALANCE

- **Defend and grow Chrysler Group NAFTA strongholds**
- **NAFTA nameplate consolidation in selected vehicle segments**
- **Add new non-NAFTA vehicle programs crucial to global expansion**
- **Leverage 3rd party alliances to cost effectively access regional products and markets**
- **\$5+ billion additional purchasing to low cost sources – balance supplier footprint**

ALLIANCES AND PARTNERSHIPS



- **Partner to accelerate growth and leverage resources**
 - **Manufacturing** ⇒ **Assemble minivans for VW in U.S.**
 - **Retail Network** ⇒ **Marketing Hyundai in Mexico**
 - **Small Vehicle Segment** ⇒ **Chery in China**
 - **Focused Alliances** ⇒ **GEMA World Engine, Hybrid**

KEY MEASURES

By 2009 ...

- **400,000 unit capacity reduction**
- **Shift reductions; 1 plant to be idled; 1 parts distribution center to be idled**
- **Workforce reductions of 13,000**
- **Global market opportunities with low cost sourcing**
- **Strong product pipeline**
- **\$3 billion powertrain investment leads to a more fuel efficient product line-up**
- **Dealer network optimization**
- **\$4.5 billion targeted savings; including up to \$1.5 billion targeted material savings**
- **2.5% return on sales**

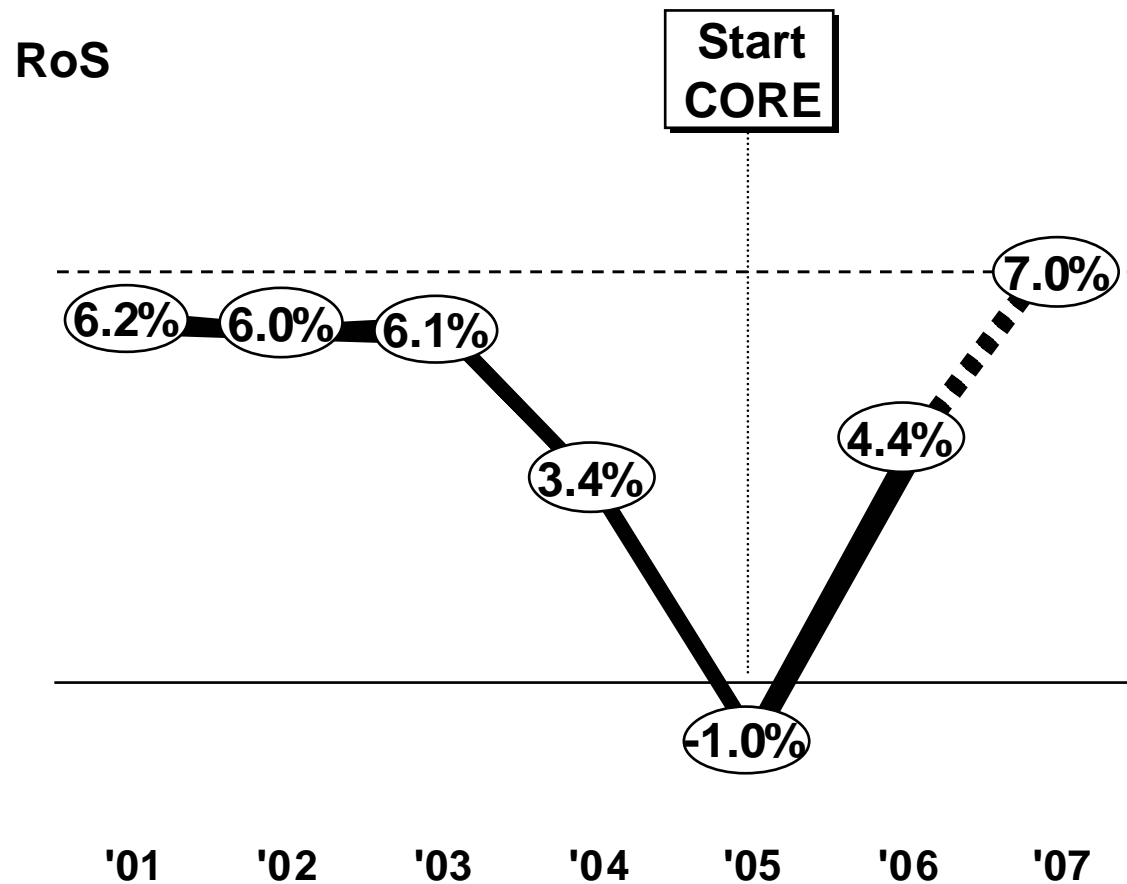
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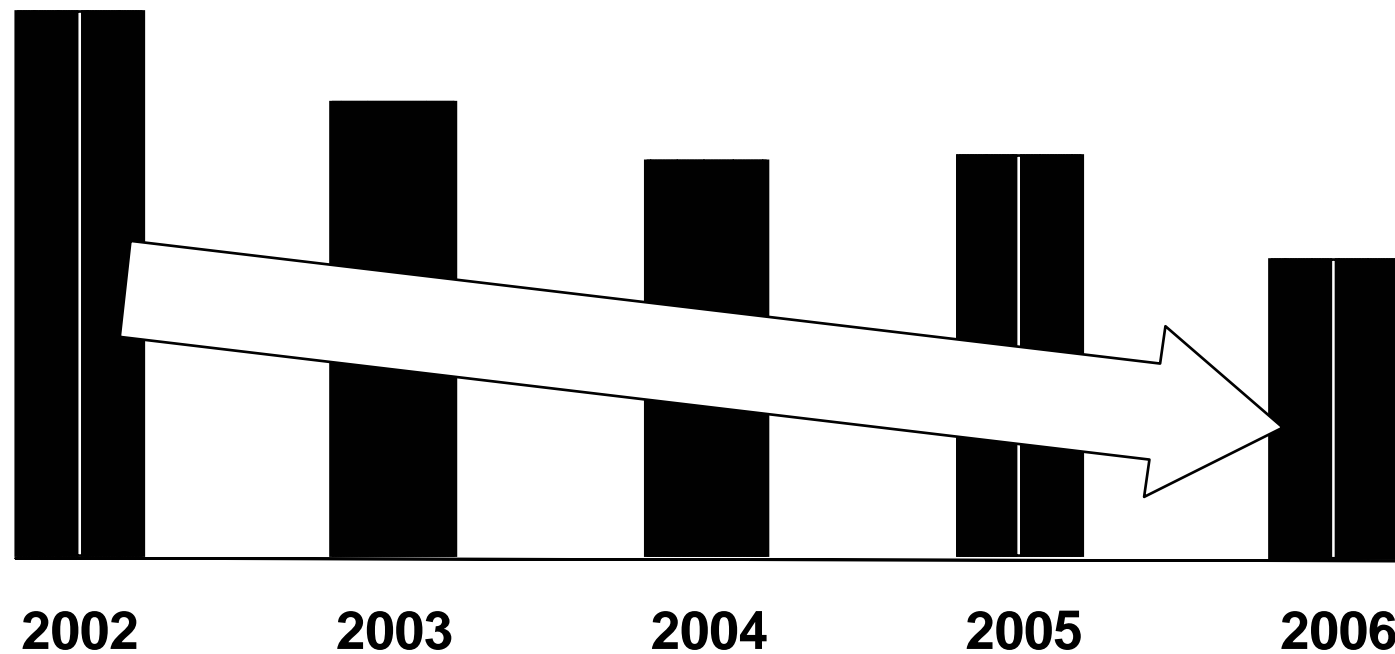
TARGET: ACHIEVE 7% RoS IN 2007**Major levers**

- **CORE**
 - Production & material efficiency
 - Quality
- **Module strategy**
- **Brand positioning**
- **Customer care & future growth**

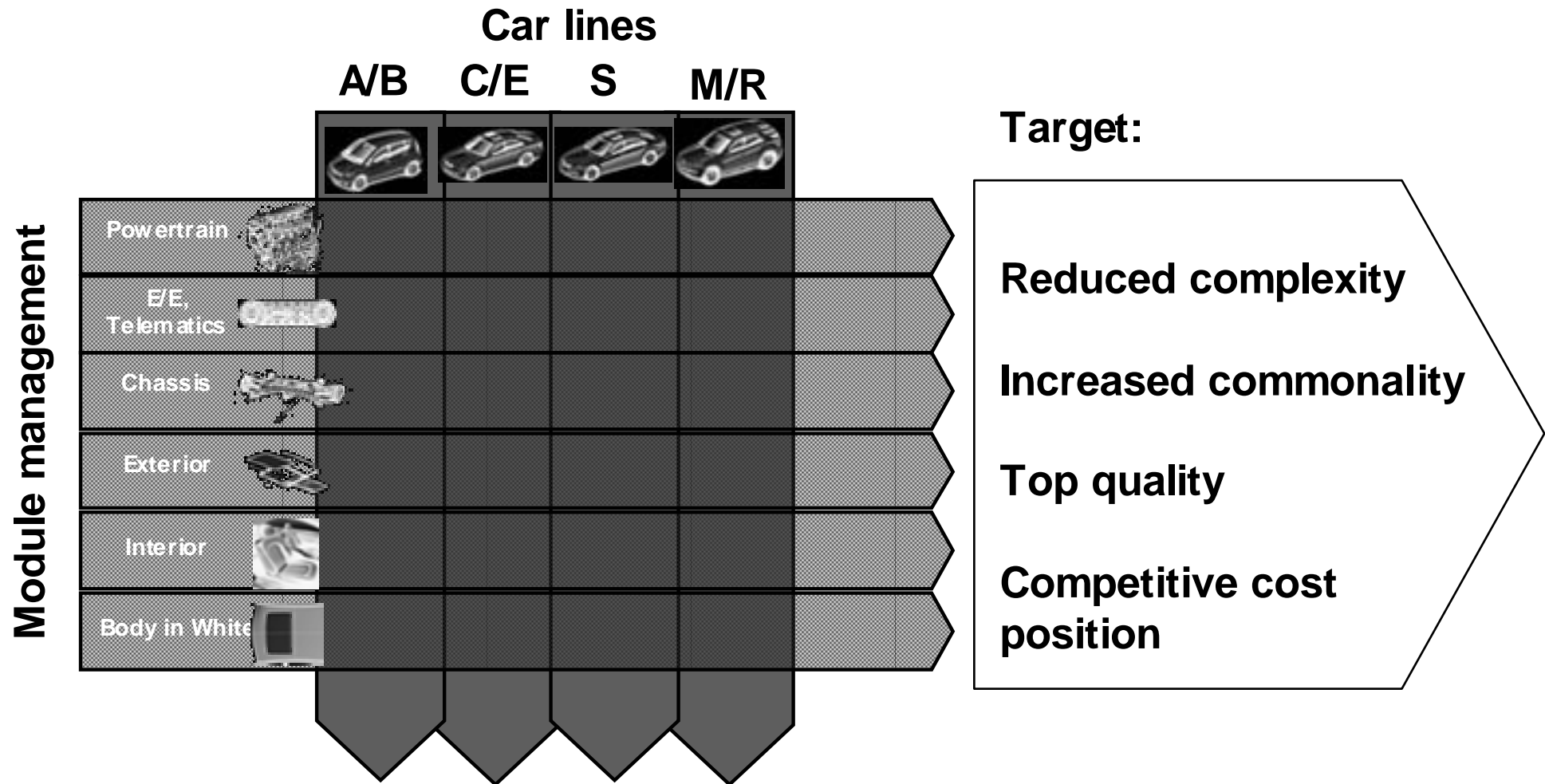
Note: RoS as reported

PRODUCT QUALITY: SIGNIFICANT IMPROVEMENT

Failures/100 Vehicles ("12 Months in Service")



MODULE STRATEGY: FROM CAR LINE SPECIFIC ORGANIZATION TO CROSS-MODULAR ORGANIZATION



GROWTH: FUELED BY SHARPENED BRAND POSITIONING AND IMPROVED CUSTOMER CARE



NEW MERCEDES-BENZ PRODUCTS 2006



**CL-Class
(September)**

**New Generation
E-Class
(June)**

**GL-Class
(May, US)**



Avantgarde

Elegance

SMART: NEW BUSINESS MODEL, PRODUCT, MARKET

2006

smart fortwo

- Integration into Mercedes-Benz organization completed
- Sales above plan

2007

Successor

- Substantially improved product
- Significantly improved cost position

2008

smart USA

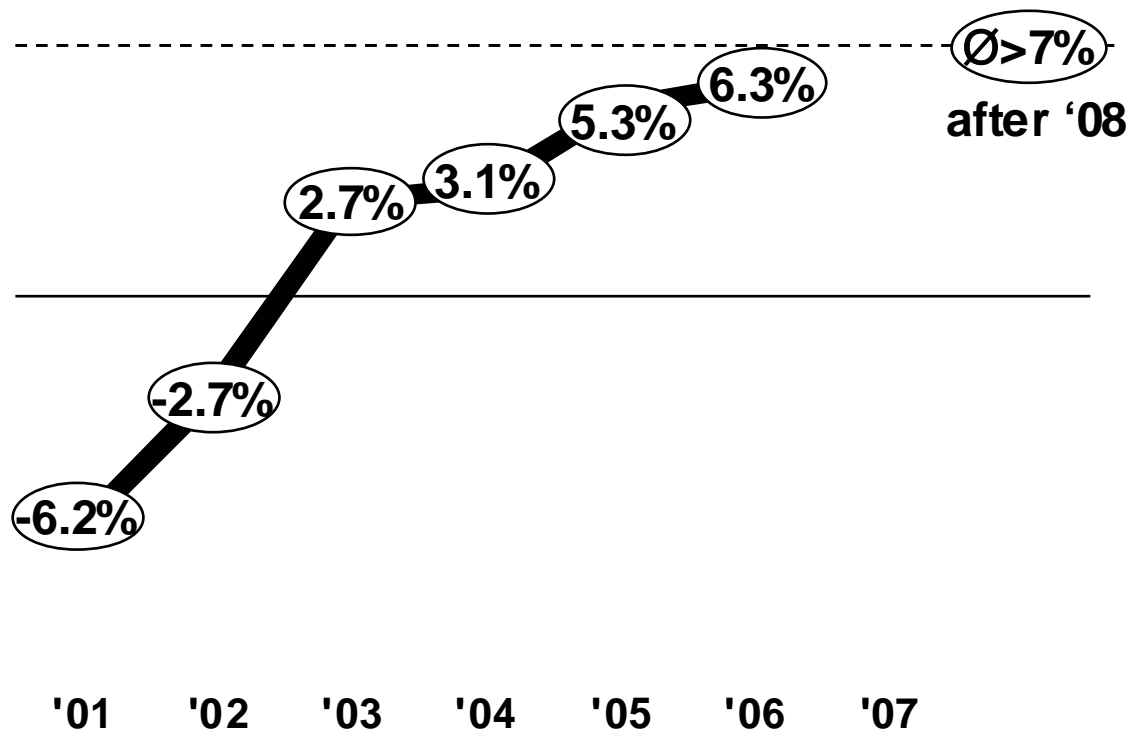
- Cooperation with United Auto Group as the general distributor

UnitedAuto



TARGET: RoS OF AT LEAST 7% AND RoNA OF 30% OVER THE CYCLE

RoS

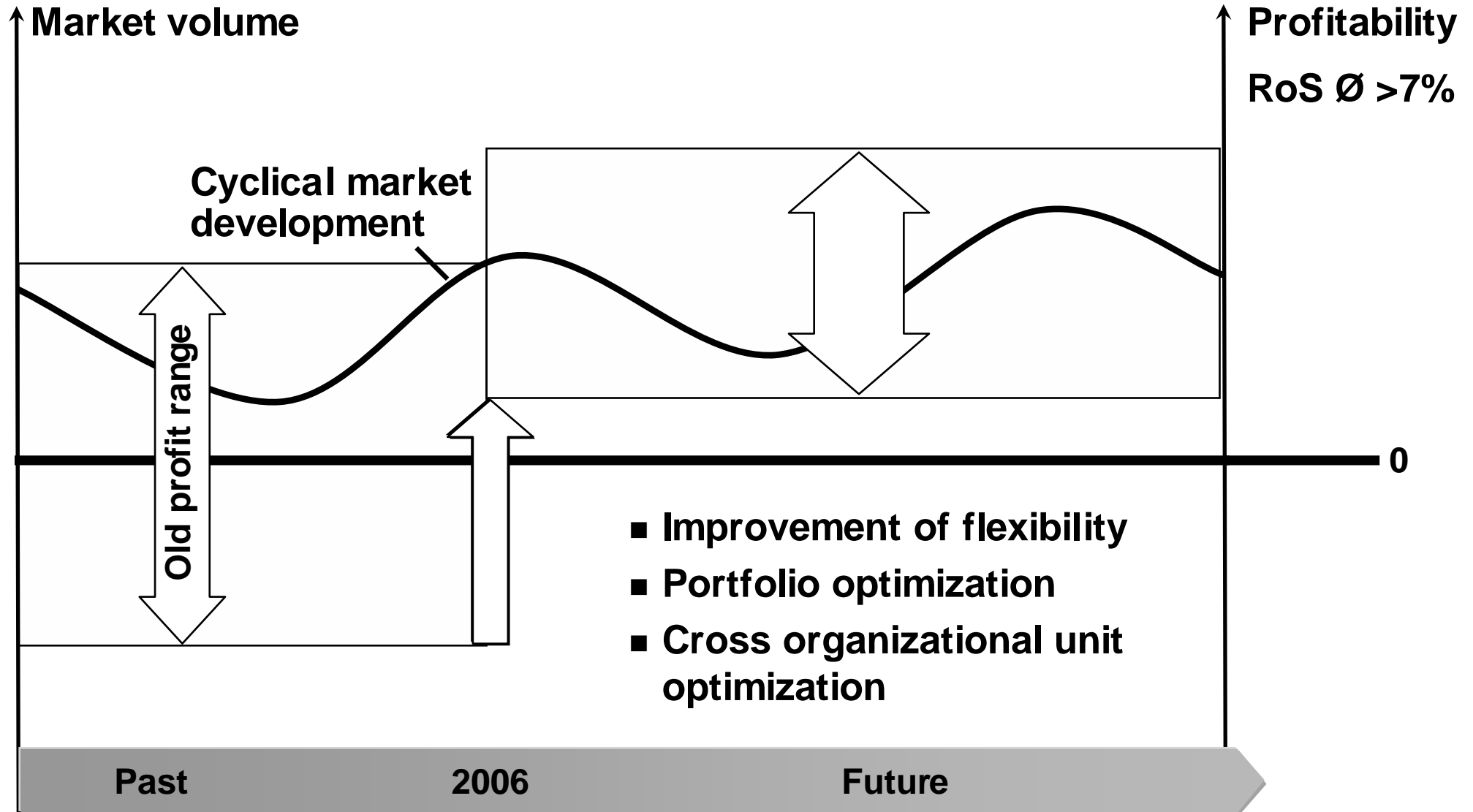


“Global Excellence” as major lever

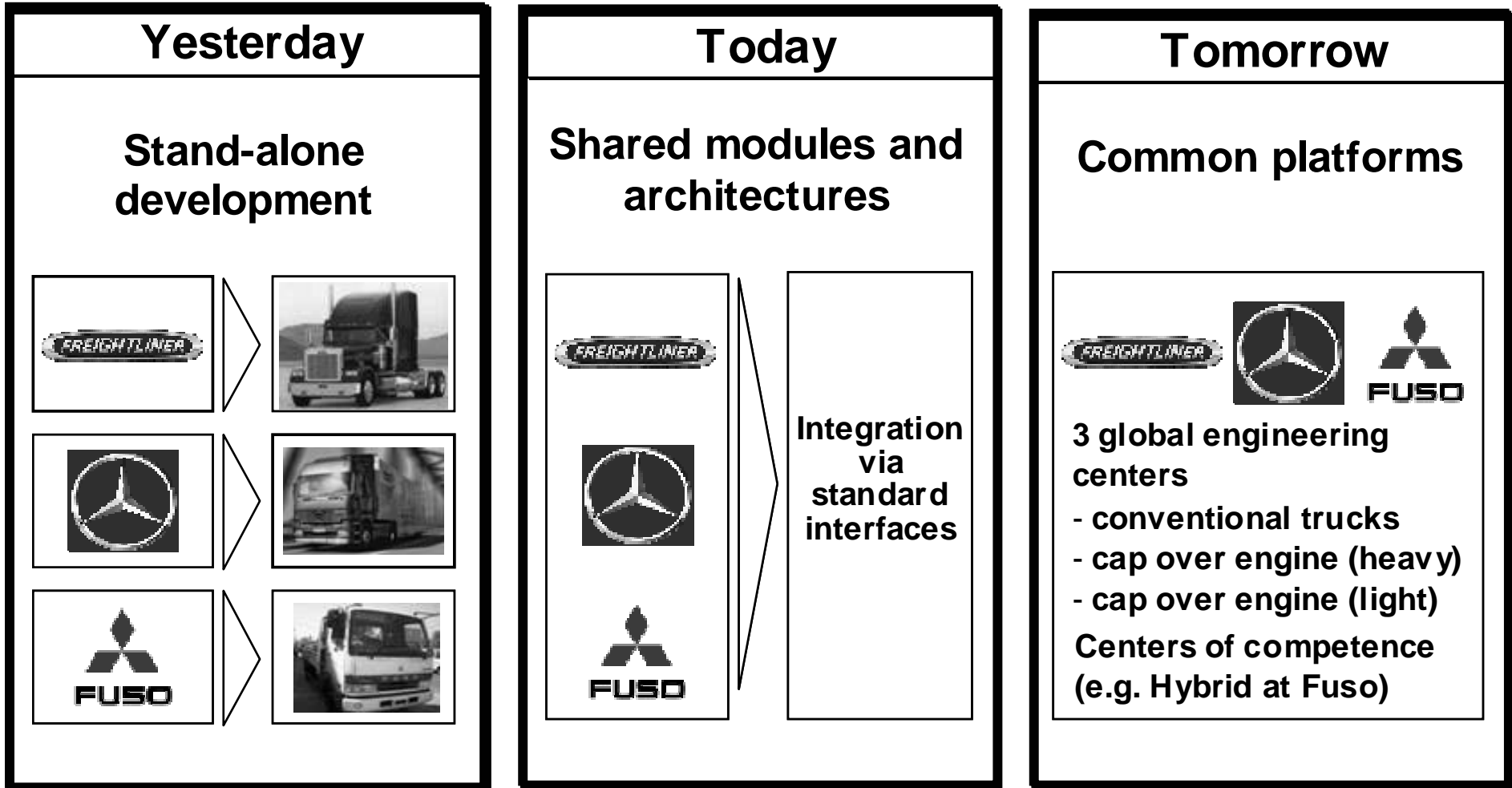
- Management of cycles
- Operational excellence
- Market penetration & growth
- Future products

Note: RoS as reported

MANAGEMENT OF CYCLES: SUSTAINABLE PROFITABILITY IMPROVEMENT



OPERATIONAL EXCELLENCE: MANAGE COMMON PLATFORMS



MARKET PENETRATION AND GROWTH

Traditional markets

- Europe: Truck Dedication
- NAFTA: Product/market approach Sterling
- Fuso: International markets



Dedicated downstream activities

Enhance product portfolio

Emerging markets

- China
- India
- Eastern Europe



Tailor business model to market (esp. sales & after sales)

Adapt products to region

NO. 1 IN DIESEL TECHNOLOGY AND SAFETY



EPA '07

EURO 5

Japan '09

**Clean Diesel Technology
(e.g. BLUETEC)**

Mercedes-Benz Safety Technology

NEW TRUCKS 2006



**Mitsubishi Fuso
Canter Eco Hybrid (July)**

**Sterling 360 LDT
(May)**

**Western Star
Stratosphere
(October)**

NEW TRUCKS 2007



**Freightliner
Columbia/Century
S/T successor**

Fuso - Super Great

**Mercedes-Benz
Compact Unimog**

MAJOR LEVERS FOR INCREASED PROFITABILITY

Vans

- Global presence
- Product-related efficiency programs

Buses

- Secure No. 1 position
 - Product leadership
 - Efficiency improvement

NEW VANS AND BUSES 2006



**Mercedes-Benz
Tourismo**



**Mercedes-Benz
Citaro LE**



**Setra
Multiclass**



**Mercedes-Benz
Sprinter**

NEW VANS AND BUSES 2007



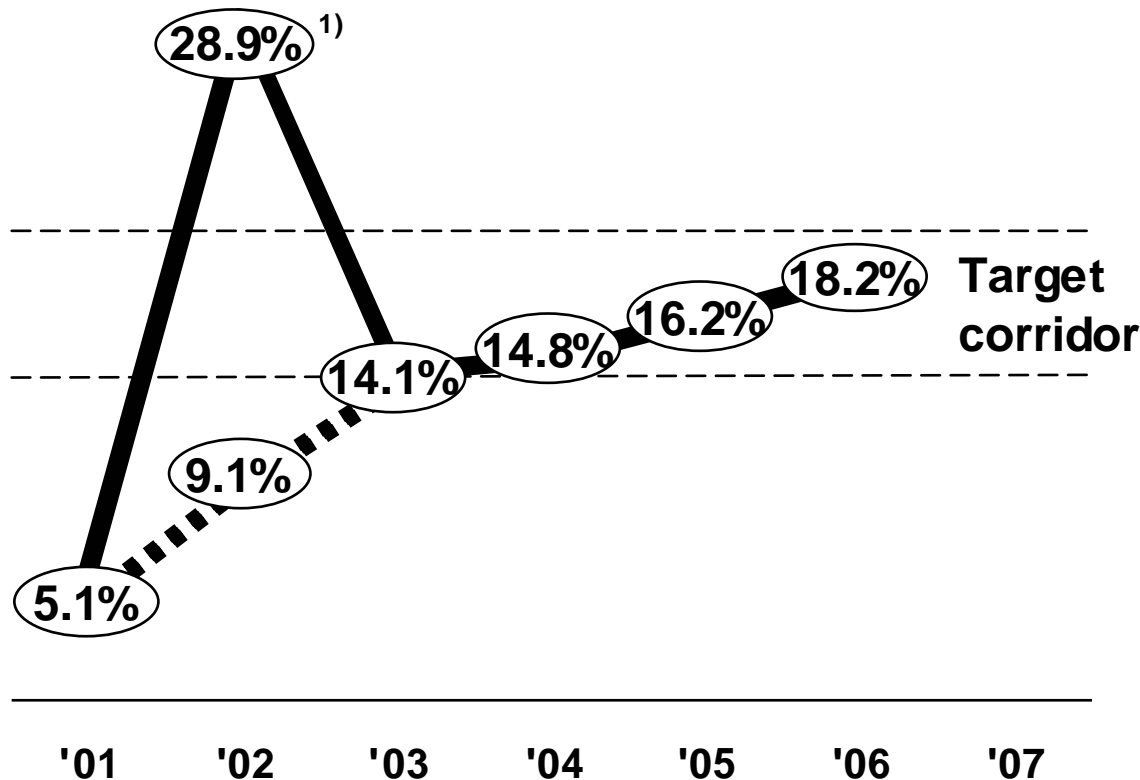
**Mercedes-Benz
CapaCity**

**Mercedes-Benz
Conecto**

**Freightliner
Sprinter**

TARGET: MAINTAIN HIGH PROFITABILITY IN CHALLENGING BUSINESS ENVIRONMENT

RoE



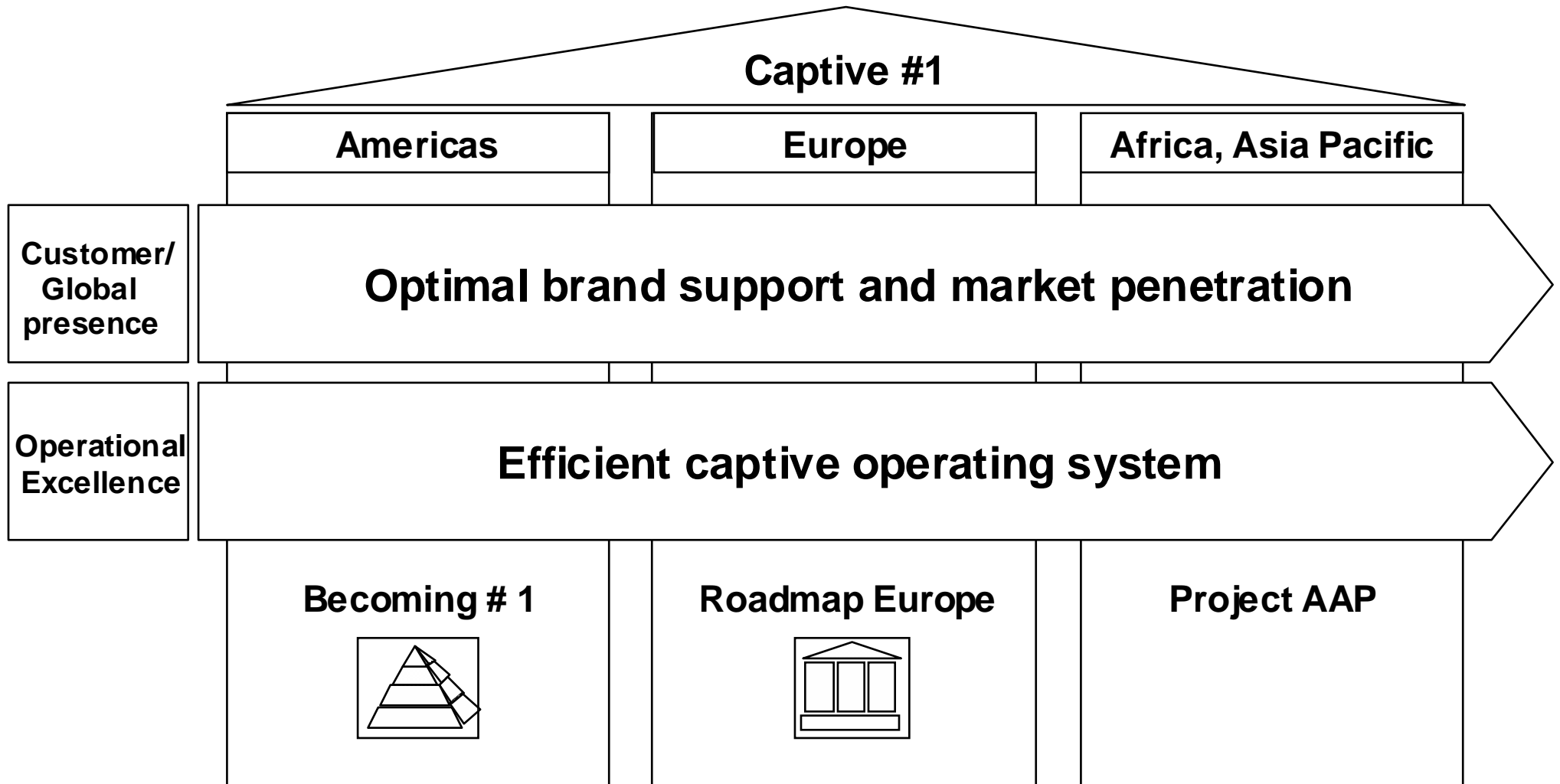
Major levers

- Brand support
- Operational excellence
- Regional initiatives and best practices

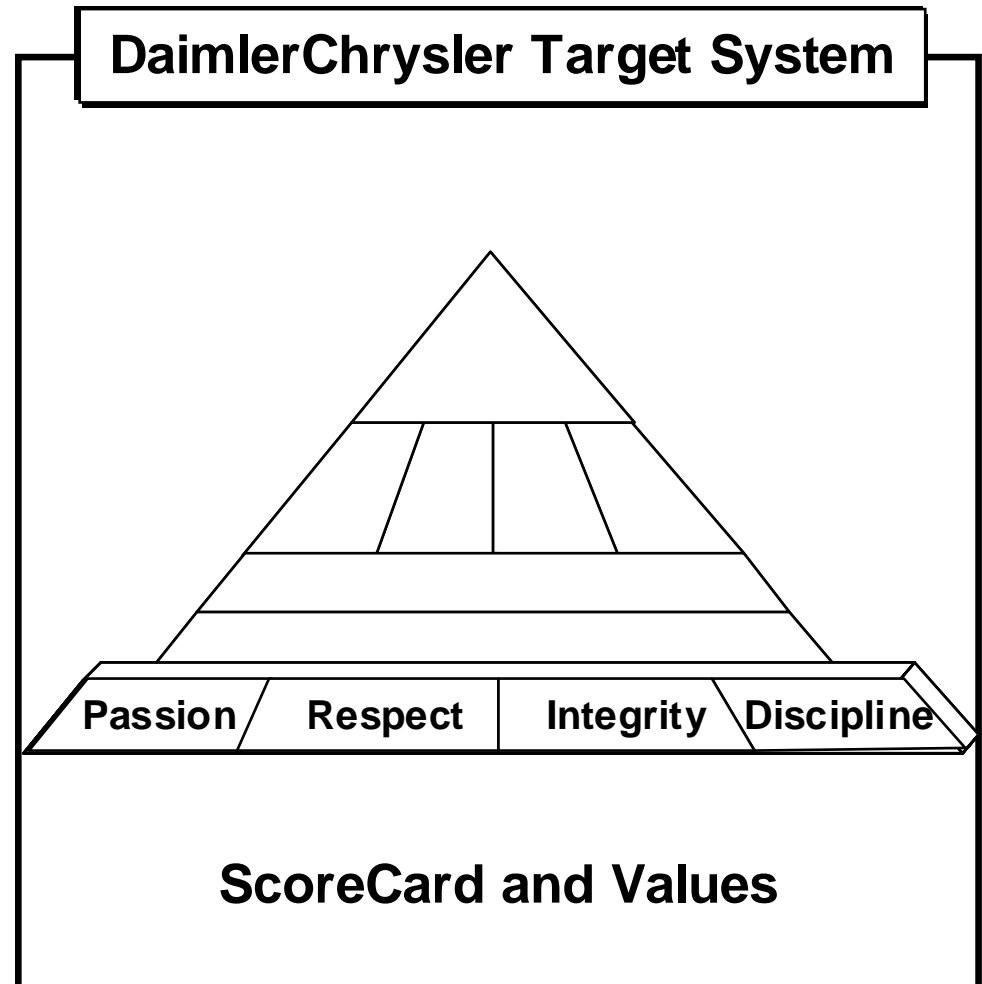
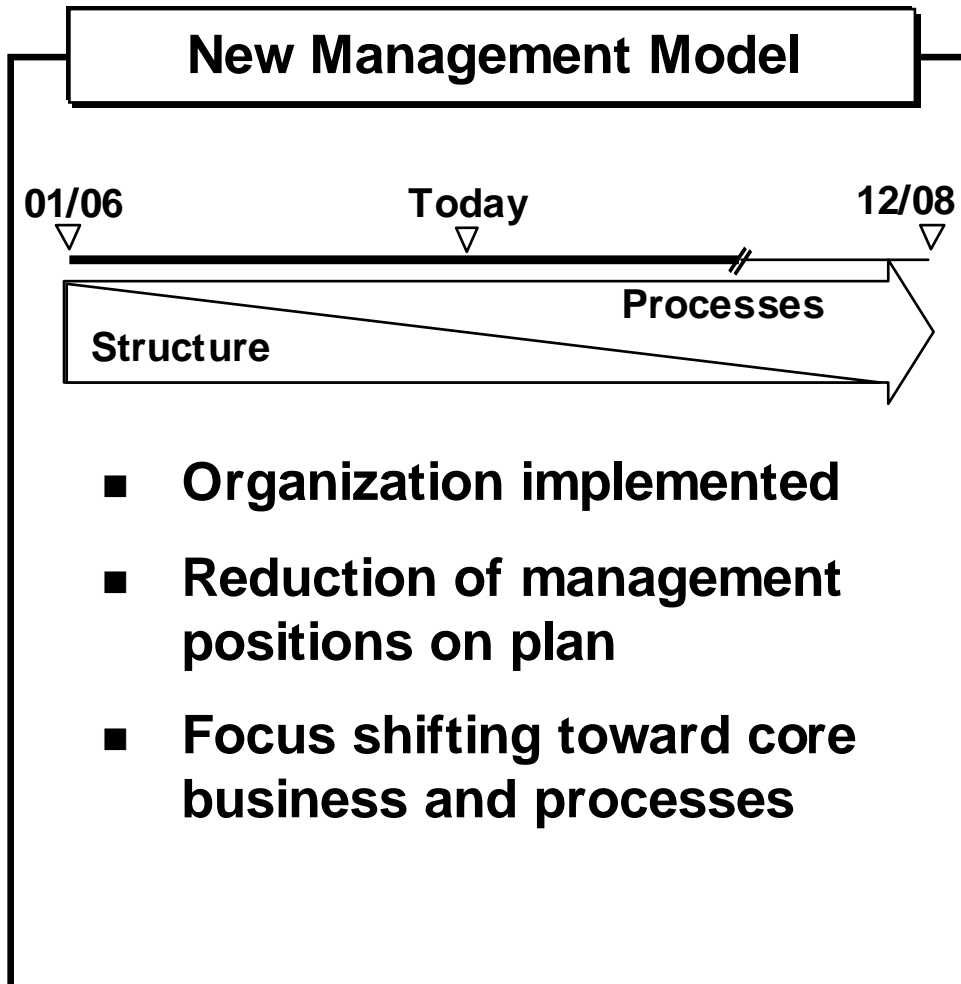
Note: RoE as reported

1) Incl. sale of IT Services

LEVERAGE REGIONAL AND FUNCTIONAL INITIATIVES TO ACHIEVE JOINT TARGET



CREATING A HIGH PERFORMANCE ORGANIZATION



PRIORITIES FOR THE COMING YEARS

Summary



**Chrysler
Group**

Stabilize the business for the long-term



**Mercedes
Car Group**

Sustain momentum to first achieve and then exceed 7% RoS



**Truck
Group**

Further optimize cycle management; capitalize on growth in emerging markets



**Financial
Services**

Score globally with regional initiatives & operational excellence

DAIMLERCHRYSLER

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

**Auburn Hills
February 14, 2007**

FY2006 FROM A FINANCIAL PERSPECTIVE

● Profitability improved, reflecting

- Higher unit sales and better model mix at Mercedes Car Group and Truck Group
 - Successful implementation of efficiency programs
 - Compensation of higher raw material prices and less favorable US dollar hedge rates
 - Loss at Chrysler Group due to difficult market conditions in the US
 - High special charges
-

● Key earnings indicators

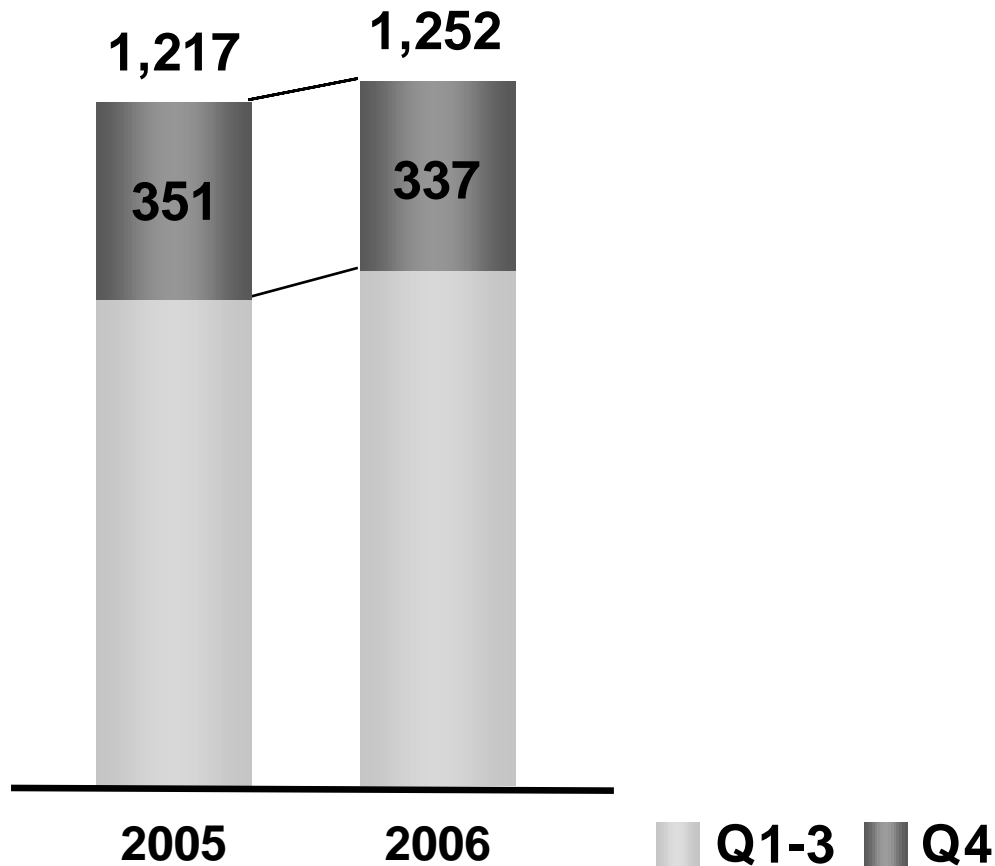
- Operating profit of EUR 5.5 billion, up 6%
 - Net income rose 13% to EUR 3.2 billion
-

● Key financial metrics

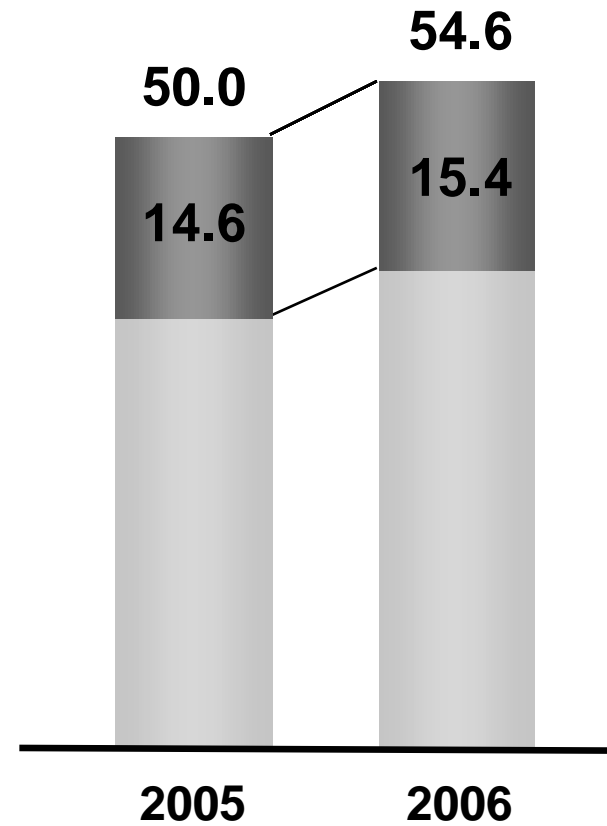
- Positive free cash flow in the industrial business of EUR 1.9 billion
- Net liquidity of the industrial business at EUR 6.4 billion

SUCCESSFUL NEW PRODUCTS INCREASED UNIT SALES AND STRENGTHENED MARKET POSITION

Unit Sales
- in thousand units -

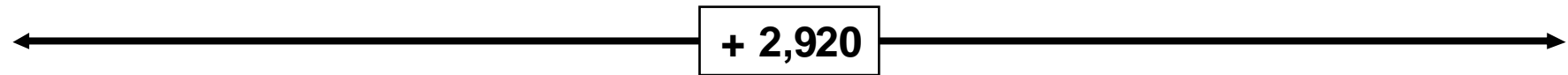


Revenues
- in billions of EUR -


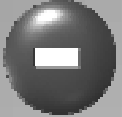


EARNINGS IMPROVED DUE TO BENEFITS OF CORE PROGRAM AND SUCCESS OF NEW PRODUCTS

– in millions of EUR –



2,415

- 
 - Higher efficiency due to CORE
 - Higher unit sales
 - Improved model mix
 - Improved operating result at smart
- 
 - Less favorable US\$ hedge rates

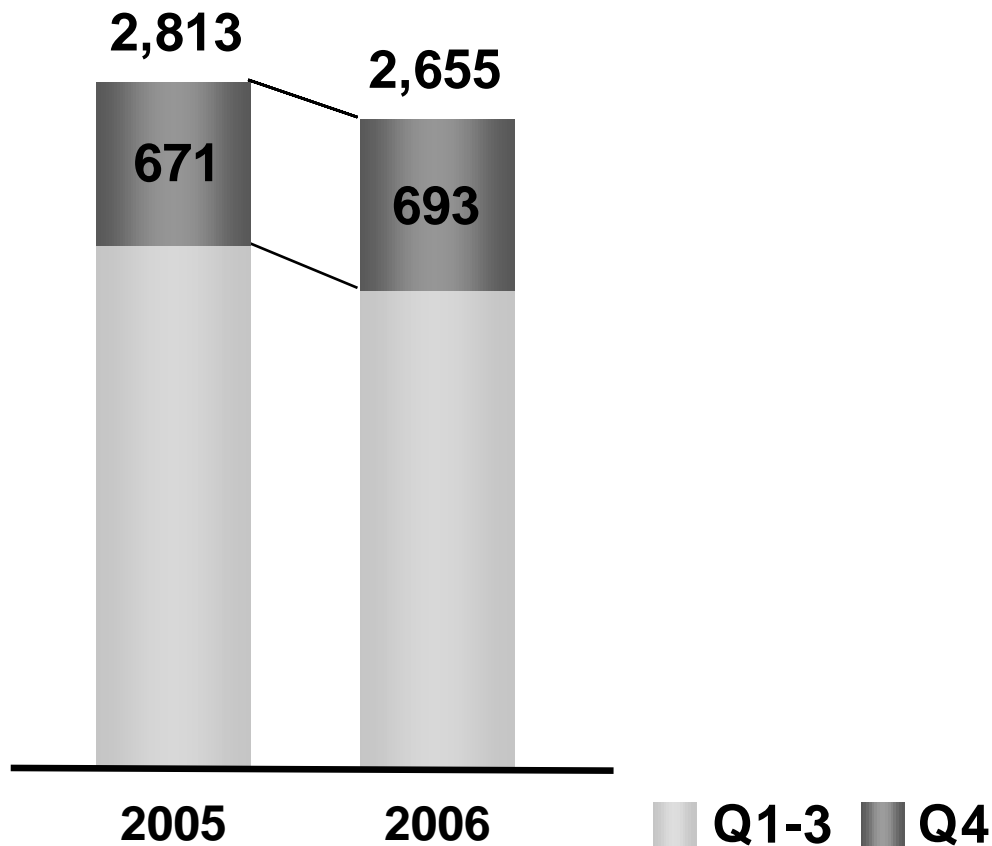
(505)

Operating Profit
FY 2005

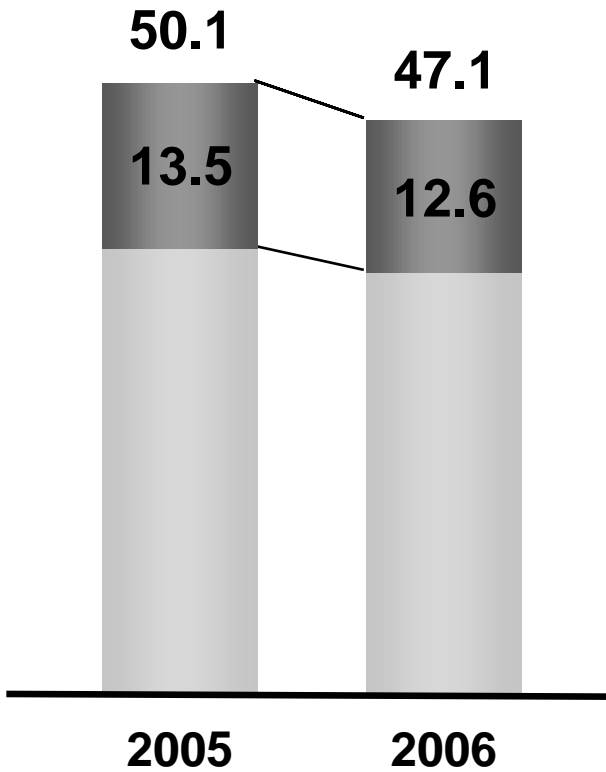
Operating Profit
FY 2006

LOWER SALES REFLECT SHIFT IN DEMAND TOWARDS SMALLER VEHICLES AND EFFORTS TO REDUCE DEALER INVENTORIES

Unit Sales / Shipments
- in thousand units -

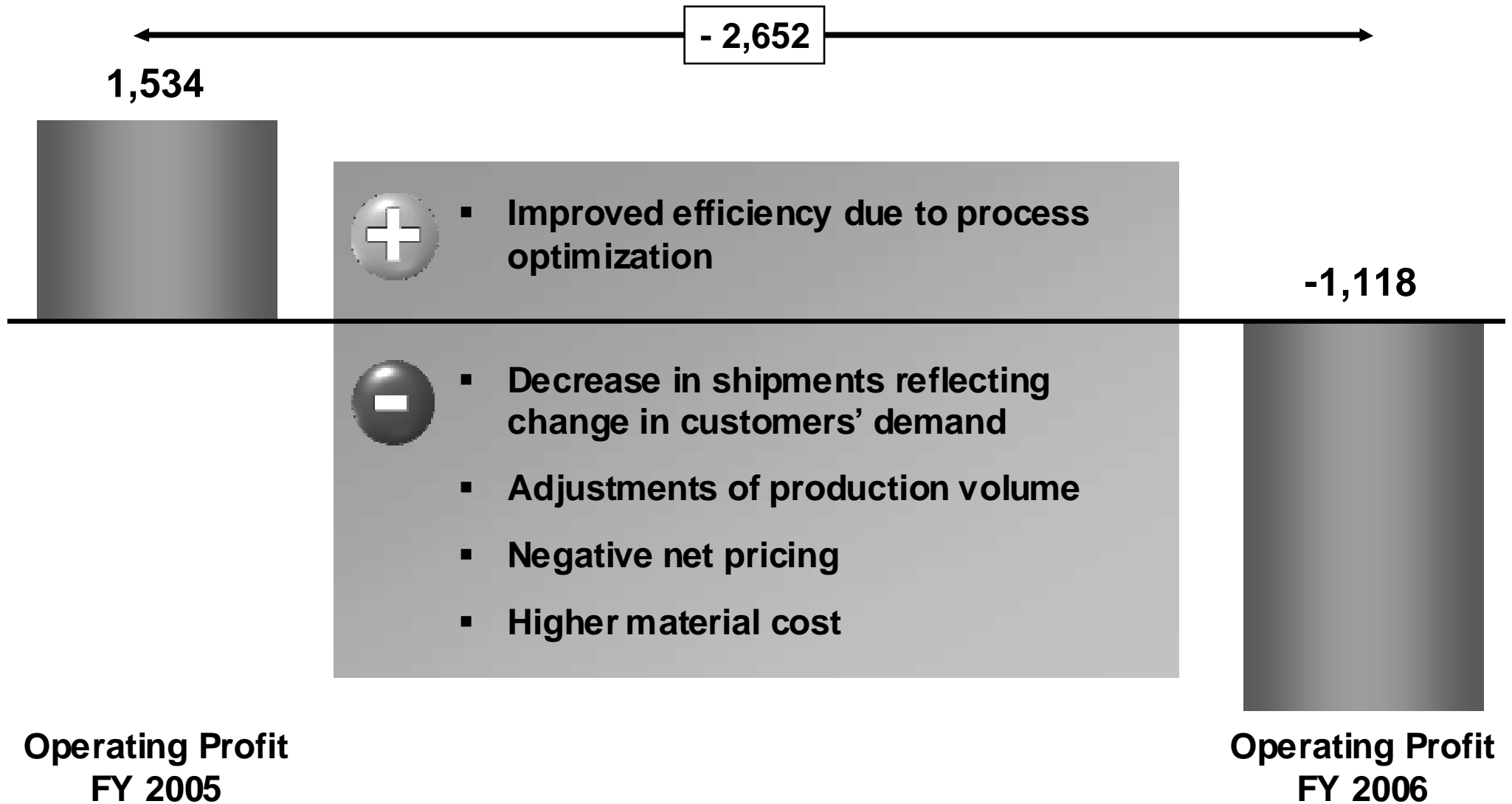


Revenues
- in billions of EUR -



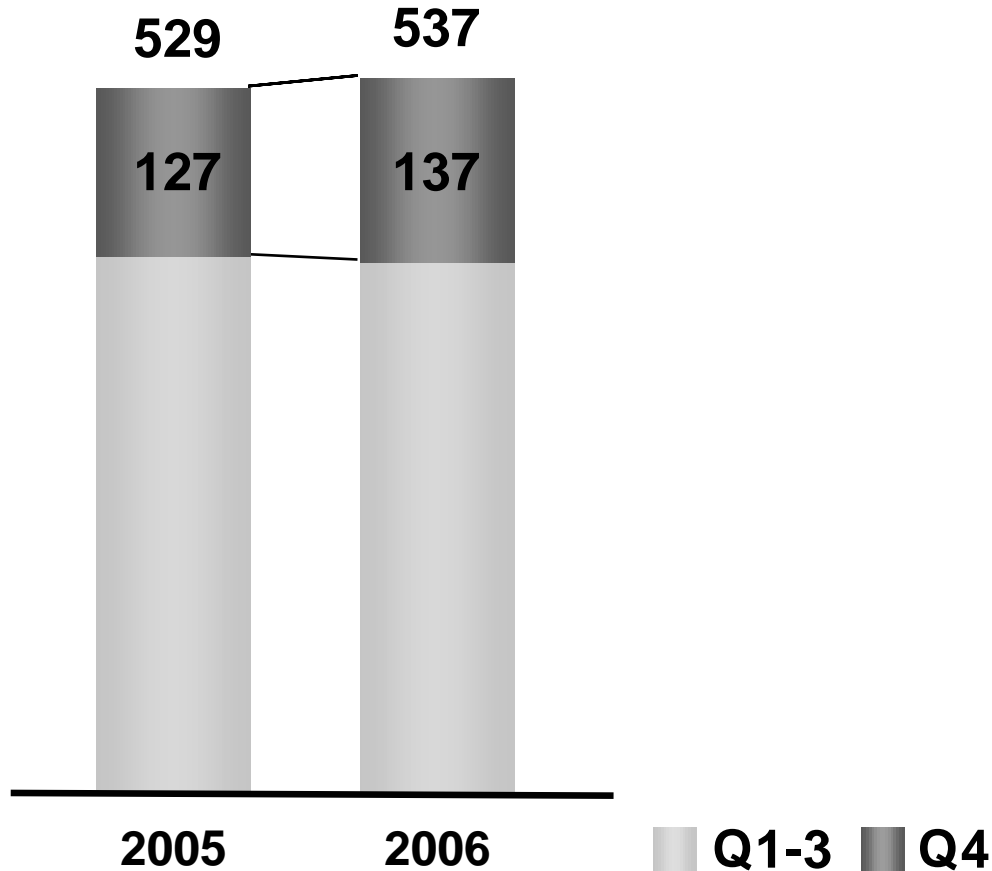
LOWER SHIPMENTS RESULTED IN A SUBSTANTIAL LOSS

– in millions of EUR –

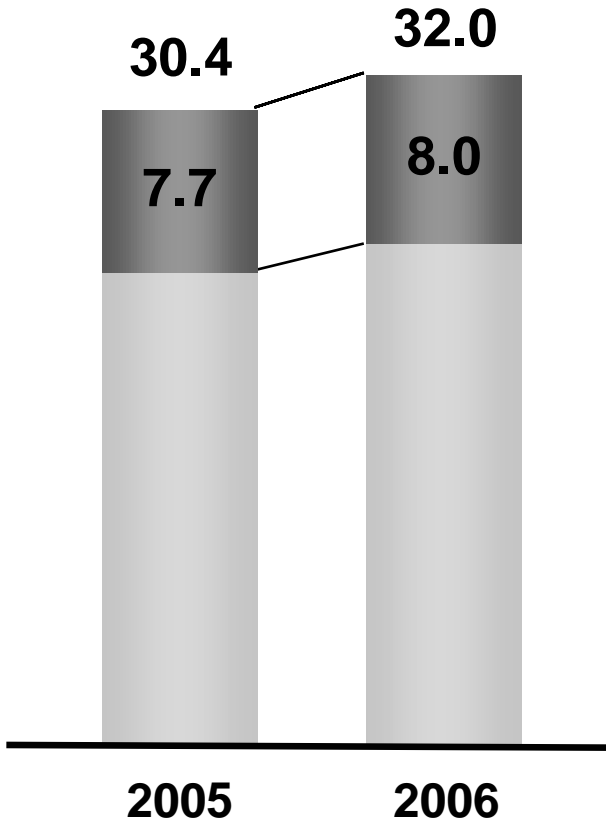


RECORD SALES DUE TO STRONG TRIAD MARKETS

Unit Sales
- in thousand units -

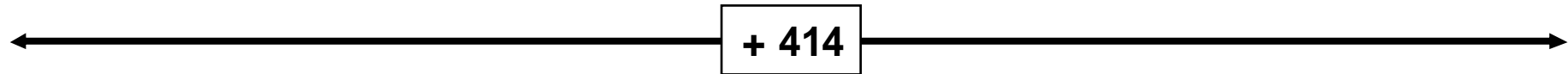


Revenues
- in billions of EUR -



EARNINGS BOOSTED BY EFFICIENCY IMPROVEMENTS AND STRONG SALES


– in millions of EUR –

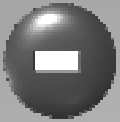


1,606

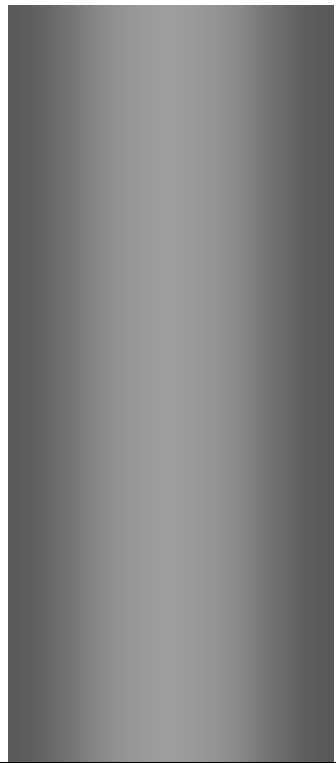


Operating Profit
FY 2005

- 
 - Further efficiency improvements
 - Improved product positioning
 - Higher unit sales / better model mix

- 
 - Expenses for new vehicles and components

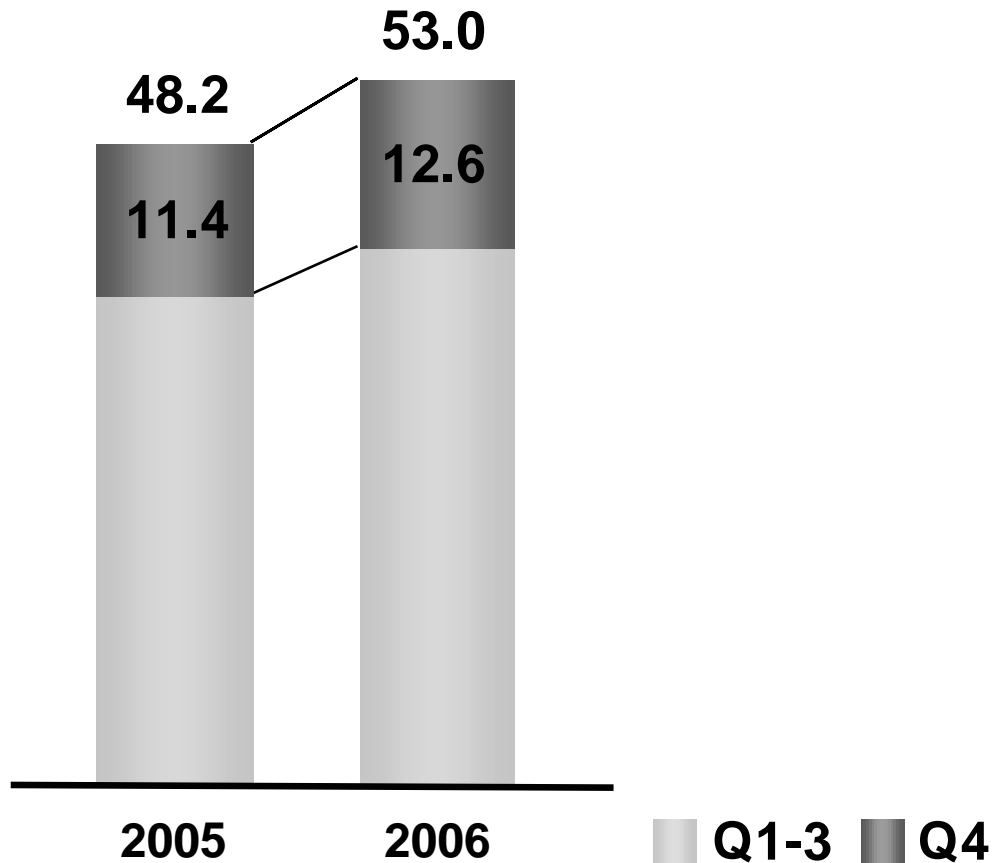
2,020



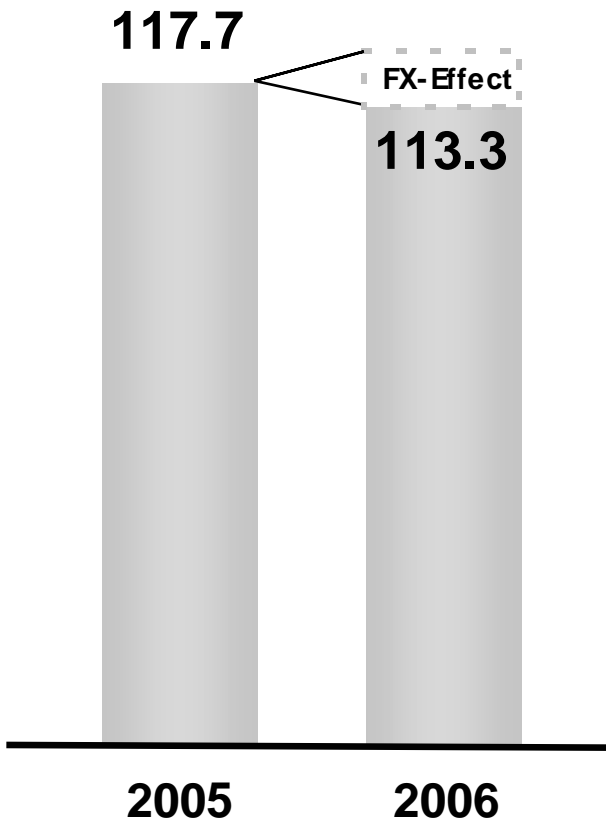
Operating Profit
FY 2006

INCREASE IN NEW BUSINESS AND STRENGTHENED MARKET POSITION

New Business
- in billions of EUR -

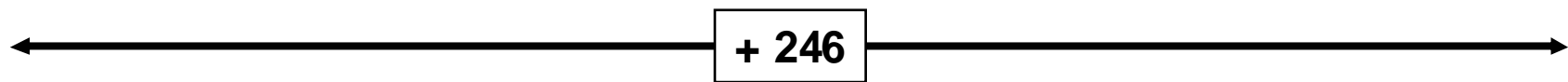


Contract Volume
- in billions of EUR -



PROFIT FURTHER IMPROVED DESPITE HIGHER INTEREST RATE LEVELS


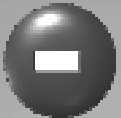
– in millions of EUR –



1,468



Operating Profit
FY 2005

- 
 - Higher new business
 - Increased efficiency
 - Toll Collect slightly positive
- 
 - Higher interest rates and costs of risk

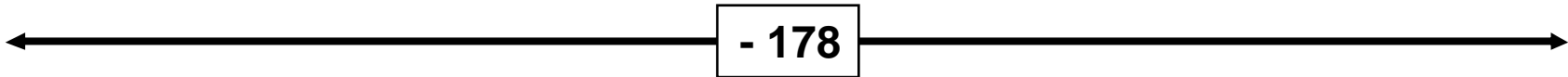
1,714



Operating Profit
FY 2006

EARNINGS IMPACTED BY CHARGES FOR NEW MANAGEMENT MODEL AND GAINS FROM SALE OF ASSETS

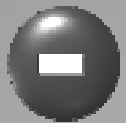
– in millions of EUR –



1,091

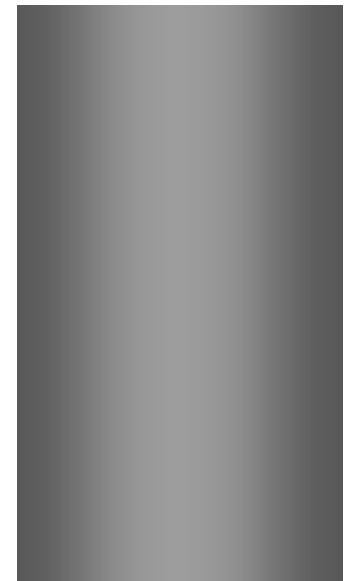


- Improved efficiency at Vans and Buses
- Sale of off-highway business and real estate



- Launch of new Sprinter
- Charges for new management model
- Lower contribution from EADS

913



Operating Profit
FY 2005

Operating Profit
FY 2006

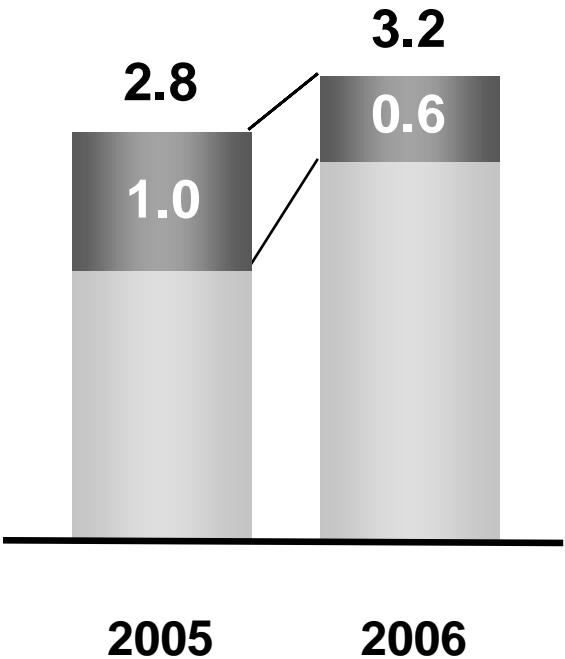
STRONG OPERATING PROFIT IMPROVEMENT IN Q4 2006

– in millions of EUR –

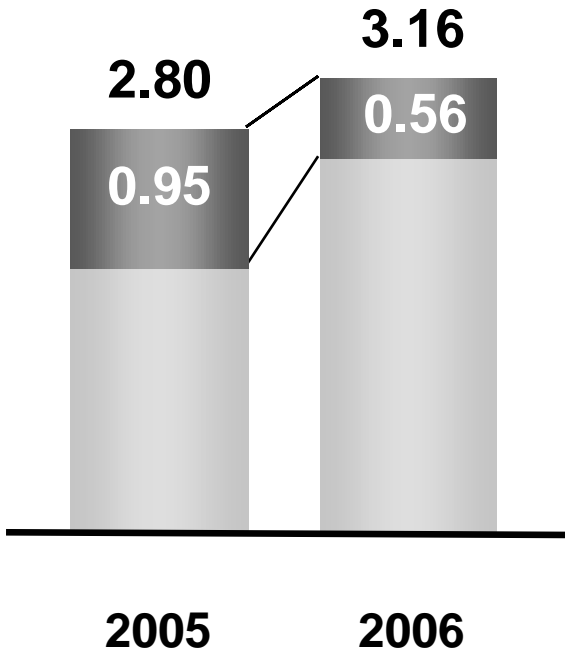
	Q4 2005	Q4 2006
Mercedes Car Group	1	1,295
Chrysler Group	428	(124)
Truck Group	144	487
Financial Services	347	399
Van, Bus, Other	201	16
Eliminations	(73)	(196)
DaimlerChrysler Group	1,048	1,877

NET INCOME AND EARNINGS PER SHARE

Net Income
- in billions of EUR -

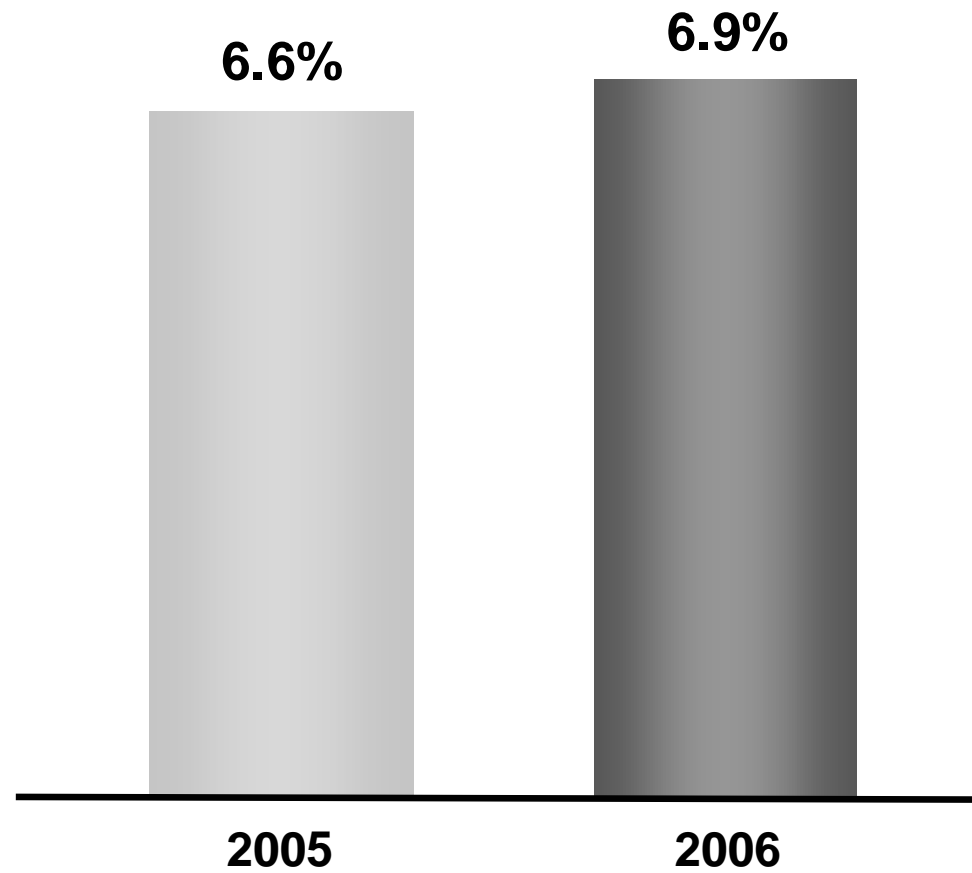


Earnings per Share
- in EUR -



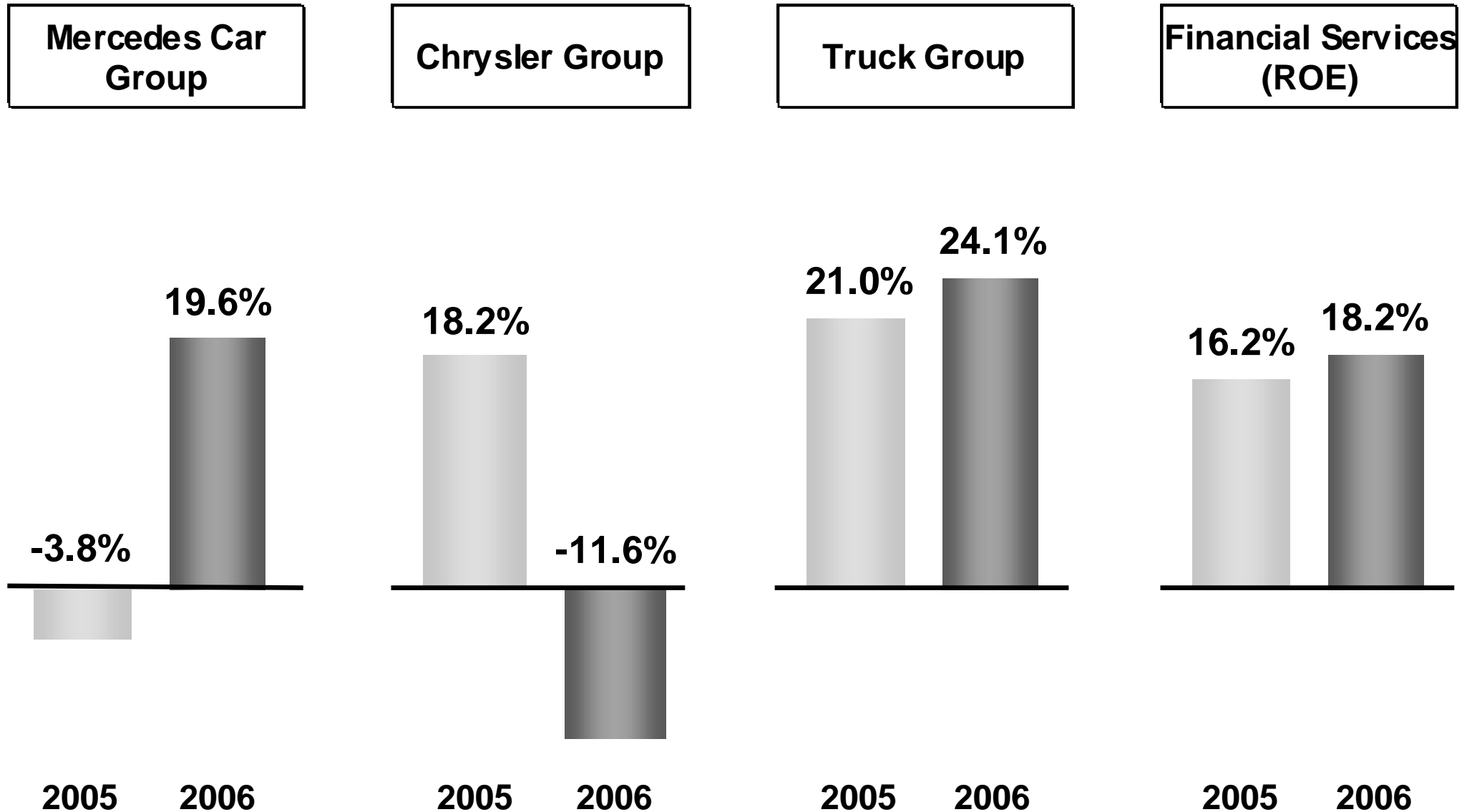
RETURN ON NET ASSETS

– after tax at Group level –



RETURN ON NET ASSETS OF THE DIVISIONS

– before taxes –



KEY BALANCE SHEET AND FINANCIAL FIGURES

- in billions of EUR -	Dec. 31 2005	Dec. 31 2006
DaimlerChrysler Group		
▪ Equity ratio ¹⁾	17.3%	17.2%
▪ Gross liquidity	12.6	13.1
Industrial Business		
▪ Equity ratio ¹⁾	24.8%	25.1%
▪ Net liquidity	7.3	6.4
Funded Status		
▪ Pensions	(7.2)	(2.3)
▪ Healthcare	(15.8)	(14.1)
Free cash flow industrial business	2.1	1.9

1) Excluding dividend payment

ASSUMPTIONS FOR THE AUTOMOTIVE MARKETS IN 2007

- **Mixed development of car and light truck markets:**
 - Slightly shrinking North American market to 17.0 million cars and light trucks
 - Western Europe similar to 2006 levels at best
 - Slight growth in Japan
 - Substantial growth in emerging markets

- **Cyclical decrease in truck markets:**
 - Sharp decline in North American heavy truck sales (up to -40%)
 - Significant decrease in Japan
 - Slight decrease in Western Europe
 - Further growth in emerging markets

DIVISIONAL EARNINGS OUTLOOK 2007

- **Mercedes Car Group expects to achieve at least 7% ROS.**
- **Earnings at Chrysler Group will be impacted by restructuring charges of up to EUR 1.0 billion. In 2007, the loss from ongoing business is expected to be less than in 2006.**
- **The Truck Group earnings will be below 2006 level due to lower volume in major markets. However, it expects to earn at least its costs of capital.**
- **Financial Services will continue to support Group sales and aims to achieve a return on equity of at least 14%.**

GROUP PROFIT OUTLOOK

- **DaimlerChrysler's profitability will be strengthened by the ongoing efficiency programs throughout the Group.**
- **The implementation of the Chrysler Group's recovery and transformation plan will impact the operating result in 2007.**
- **As of 2007, the Group will adopt the International Financial Reporting Standards (IFRS).**
- **DaimlerChrysler will provide an earnings outlook for 2007 based on IFRS with the Q1 disclosure.**

DISCLAIMER

The figures in this document are preliminary and have neither been approved yet by the Supervisory Board nor audited by the external auditor.

This document contains forward-looking statements that reflect our current views about future events. The words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “project”, “should” and similar expressions are used to identify forward looking statements. These statements are subject to many risks and uncertainties, including an economic downturn or slow economic growth, especially in Europe or North America; changes in currency exchange rates and interest rates; introduction of competing products and possible lack of acceptance of our products or services; competitive pressures which may limit our ability to reduce sales incentives and raise prices; price increases in fuel, raw materials, and precious metals; disruption of production or delivery of new vehicles due to shortages of materials, labor strikes, or supplier insolvencies; a decline in resale prices of used vehicles; the ability of the Chrysler Group to reduce costs, especially in light of restructuring activities underway at some of our major competitors in the NAFTA region, and to respond to shifts in market demand towards smaller, more fuel efficient vehicles; effective implementation of cost reduction and efficiency optimization programs, including our new management model; the business outlook of our equity investee EADS, including the financial impact of delays in and potentially lower volume of future aircraft deliveries; changes in laws, regulations and government policies, particularly those relating to vehicle emissions, fuel economy and safety, the resolution of pending governmental investigations and the outcome of pending or threatened future legal proceedings; and other risks and uncertainties, some of which are described under the heading “Risk Report” in DaimlerChrysler’s most recent Annual Report and under the headings “Risk Factors” and “Legal Proceedings” in DaimlerChrysler’s most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission. If any of these risks and uncertainties materialize, or if the assumptions underlying any of our forward looking statements prove incorrect, then our actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward looking statements. Any forward looking statement speaks only as of the date on which it is made.