

**Address by the Chairman of the Board of Management  
at the Extraordinary Shareholders' Meeting of DaimlerChrysler AG**

**Berlin**

**October 4, 2007**

Check against delivery!

## I. Greeting

Dear shareholders,  
shareholder representatives,  
ladies and gentlemen,

On behalf of the Board of Management and the employees of DaimlerChrysler, I'd like to extend a warm welcome to you and to this Extraordinary Shareholders' Meeting.

The main item on the agenda that brings us together for the second time this year is the resolution concerning our company's future name. However, so much has happened since April that I would like to report to you today on four current topics:

- first, on the sale of the majority of Chrysler's shares to Cerberus;
- second, on the reasons why we are recommending that our company be called Daimler in the future;
- third, on the starting position of our Group following the Chrysler sale and the strategies we are pursuing in our business operations;
- and, fourth, on our future targets.

I'll begin with the sale of our majority stake in Chrysler to Cerberus.

## II. Reasons for the Chrysler sale

At our meeting on April 4, I told you that we were examining all of our options in order to find the best solution for the Chrysler Group and for DaimlerChrysler as a whole.

On August 3, we implemented this solution with the transfer of the majority of Chrysler shares and associated financial services operations to the private equity firm Cerberus.

After a very thorough consideration of all options, including their respective risks and opportunities, we had concluded that this was the best solution, for the following reasons:

- We have more organizational and investment strength, as Chrysler retains its healthcare and pension liabilities, which total 37 billion euros.
- Our earnings will be more sustainable, as in the future we will no longer be so strongly dependent on the volatile North American volume market.
- And we can now fully focus our attention and efforts on doing what we do best:
  - developing and marketing compelling premium vehicles that win over our customers;
  - producing best-in-class trucks, vans, and buses that offer maximum customer utility; and
  - providing a comprehensive range of financial and other services that support these products.

We aim to fully exploit our Group's potential and thereby increase its value.

## III. Consequences of the Chrysler sale

So, what are the specific details of the transaction? And how will they affect your company?

To ensure the continuity of the joint projects that are of economic interest to both Daimler and Chrysler, we maintained a 19.9 percent share in Chrysler Holding. The remaining 80.1 percent will be held by a subsidiary of Cerberus Capital Management.

DaimlerChrysler has provided a guarantee of \$1 billion (US) to be paid only in the event that Chrysler LLC's pension plans terminate within the next five years.

Due to the current difficulties in the corporate financing market, we have agreed with Cerberus that both companies will provide an initial line of credit of \$2 billion (US) dollars to Chrysler's industrial business, to be drawn within one year.

Our company's portion of that loan will be \$1.5 billion (US) dollars. The loan will be priced at attractive market rates and have a maturity of seven years. We will be able to sell the loan in the money market after August 3, 2008, which is one year after the transaction was concluded.

This year, the Chrysler transaction is expected to negatively affect our earnings by about 2.5 billion euros, mainly due to the depreciation of tax assets on our balance sheet that may be necessary. We had originally expected to sustain losses on the order of three to four billion euros.

In total, our cash flow will only be reduced by about 500 million euros.

In August, the overall transaction led to a cash inflow of 25.6 billion euros, most of which came from the divestment of Chrysler Financial's leasing and sales financing portfolio in the U.S.

For us, this will have a very positive byproduct: it means we won't have to borrow any additional capital until next year. In this respect, we will not be affected by the global money market crisis.

The net liquidity in our industrial business was almost 14 billion euros at the end of June.

Over the medium term, the deconsolidation of Chrysler will raise the equity ratio for our industrial business to substantially more than 40 percent. This number is significantly higher than the industry average and underscores the fact that our balance sheet is very healthy.

However, this capital structure isn't really efficient, as it would substantially increase the capital costs for investments.

We have therefore decided to buy back about 10 percent of our shares, totaling up to 7.5 billion euros, by next August.

In doing so, we are exercising the authority that you gave us at the last Annual Shareholders' Meeting in April.

We have already bought back 15.8 million shares with a total value of more than 1 billion euros during the period ending September 30. These shares' pro rata amount of capital stock was about 41 million euros, which corresponds to approximately 1.5 percent.

The share buyback has three main goals:

- First, to allow you to participate in your company's success. Of the shares that were bought back through September 28, 13.2 million were called in without any reduction in the capital stock – thereby increasing each individual share's pro rata amount of capital stock.
- Second, the share buyback is enabling us to optimize our capital structure, as it:
  - reduces the company's equity, thus
  - lowering our average cost of capital, while
  - securing investment projects – which ultimately safeguards jobs as well.
- Third, the share buyback demonstrates that we are very optimistic about our company's future prospects.

#### **IV. Name change**

Why are we now proposing that the company embark on this future course under the name of Daimler? People from Mannheim, Karl Benz's birthplace, and many other places have asked us, "Why don't we go back to the name Daimler-Benz?"

There are several answers to that question, the most important being that the strength of our brands is one of our most valuable assets. Clearly, one of our central tasks is to maintain and enhance that strength.

Take the Mercedes-Benz brand, for example:

- It has the richest tradition of any automobile brand;
- it's the world's most valuable premium automobile brand;
- and, according to a recent study, it's still the most coveted automobile brand in Germany.

No other automobile brand shines as brightly as the Mercedes star. For more than 80 years, Mercedes-Benz has been our business card in our dealings with customers all over the world. In the future, the star will continue to take center stage at our Group. Rest assured that we will treat both it and our other brands with the greatest respect.

And that's why we want to clearly distinguish between our Group brand on the one hand and our product brands on the other.

Wherever the focus is on our Group as a whole, we want to present ourselves consistently as Daimler – for example,

- in our dealings with political decision-makers and the general public,
- in financial markets,
- in our relations with the business media, and
- as an employer.

It's also logical that we represent ourselves as Daimler in areas involving several of our brands:

- The Truck Group with its five brands will become "Daimler Trucks."
- We will manage our bus brands under the name "Daimler Buses."
- And Financial Services will become "Daimler Financial Services."

On the other hand, it's equally clear that in our direct dealings with our customers our product brands must be front and center. Our customers' perception of us is determined at the point of sale. This is where we aim to win over customers with our products and services.

Customer orientation is our top priority. And that's why our "business cards" at the point of sale are our product brands: Mercedes-Benz, smart, Maybach, Setra, Freightliner, and Fuso.

Wherever the primary focus is on products from Mercedes-Benz, the proud name of Benz will not only remain prominent, it will have significantly higher visibility.

- For example, the Mercedes Car Group will be renamed "Mercedes-Benz Cars."
- The vans unit will be called "Mercedes-Benz Vans."
- Our production plants, such as the one here in Berlin-Marienfelde, will also bear the name "Mercedes-Benz."
- DaimlerChrysler Bank will be renamed "Mercedes-Benz Bank."
- And most of our foreign subsidiaries throughout the world will also operate under the name "Mercedes-Benz." That will apply to our financing and leasing subsidiaries as well.

We are convinced that by making this clear distinction between the Group and product brands we will more clearly position our brands overall and make them even stronger. That's a key factor to competing in the market – especially for premium automakers.

There's also a second important aspect we took into account.

The name "Daimler" will immediately make it clear that we are a different company today than we were before:

- The total annual revenues of the Mercedes Car Group and the Truck Group today are double what they were ten years ago.
- We now have seven additional model series in the Mercedes Car Group – and three new brands, namely Maybach, smart, and AMG.
- The Truck Group has incorporated FUSO, Detroit Diesel, and Western Star.
- Financial Services' portfolio is two and a half times as big as it was in 1997.
- And in general we can say that our business is now much more international in scope.

The Group name "Daimler" clearly indicates that we are writing a new chapter in our history, while at the same time continuing our tradition as the inventor of the automobile. And this rich heritage will remain an essential part of our identity – of our DNA, so to speak.

But, at the same time, we're also looking forward. We're combining our proud origins and a bright future – honoring our long tradition and harnessing our pioneering spirit. The name Daimler is an expression of this dual identity. And that, ladies and gentlemen, is why we are asking you to approve it as our new name today.

## **V. Status of the Group**

Our starting position is excellent. In the past 18 months we have systematically reexamined our company:

- We've reorganized our divisions and defined specific strategies for moving forward – with benchmark milestones we're poised to achieve.

- The New Management Model has enabled us to streamline our administrative functions. We've reduced complexity and made our decision-making processes shorter and much faster. We are meeting our competitors head-on here as well.
- As announced at last year's Shareholders' Meeting, we've reduced our holding in EADS.
- We've optimized our net assets by selling some of our real estate holdings.
- We've sold the majority of our shares in Chrysler.
- At Mercedes-Benz, we've implemented and concluded the CORE program and sharpened the brand's profile. Our current model range ensures that we are well positioned in the market, and our quality is once again outstanding.
- At smart, we've focused on the successful fortwo model.
- At the Truck Group, we've become noticeably more efficient thanks to the Global Excellence program, and we can now cope with market cycles more effectively.
- We've made massive investments in research and development, and today we have gained additional know-how in areas such as CO2 reduction, emissions reduction, and vehicle safety.
- At Financial Services, we continue the steady progress of recent years.
- And in emerging markets we've laid foundations that will help us exploit future growth potential – for example, by opening a production plant for Mercedes-Benz passenger cars in China and establishing a partnership with a bus manufacturer in India.

These, ladies and gentlemen, are the "headlines," so to speak. I'd now like to talk specifically about our divisions.

Let's begin with the Mercedes Car Group.

## **VI. Mercedes Car Group**

Two weeks ago at the IAA in Frankfurt, our passenger car brands and products clearly demonstrated that fascination and responsibility are a winning combination. We presented 19 vehicles, each of which equipped with a tailor-made, environmentally friendly drive solution.

These vehicles combine our efficient gasoline engines and the world's cleanest diesels with flexible hybrid modules and technologies such as the automatic start-stop function that you can order today in the smart fortwo "micro hybrid drive."

Here are some more examples:

- Following the successful introduction of our BLUETEC technology in the U.S., we'll also be bringing the "world's cleanest diesel engine" to Europe this year in our E 300 model.
- The next step comes in the form of the S 300 BlueTec Hybrid. Thanks to its combination of BlueTec diesel and hybrid technology, this vehicle can cover 100 kilometers on just 5.4 liters of fuel – while providing increased agility and the driving comfort that customers expect from an S-Class. By the way, we've put its "big brother" – the S 400 BlueTec Hybrid – on display for you here in the ICC.
- With our DiesOtto engine, we're providing a glimpse of what tomorrow's combustion engines could look like. This unique engine offers the best of both worlds: the fuel efficiency of a diesel and the low emissions of a gasoline engine.

- By the end of this year, our latest-generation smart vehicles with electric drive systems will be driving in a test fleet in London. The zero-emissions car will soon be a reality at the local level.
- And in 2010 we will launch the series production of clean fuel cell vehicles at our Rastatt plant.

We've made good progress on our road map to sustainable mobility. And we will continue to offer our customers vehicles that not only stand out in terms of safety, emissions, and fuel efficiency, but also provide a level of driving sophistication that only Mercedes-Benz can offer.

Thanks to those qualities, our current models are also extremely successful on the market. In the first three quarters of 2007, the Mercedes-Benz brand delivered 872,700 vehicles – a new record. And that goes for the Mercedes Car Group as a whole. Including the Maybach and smart brands, MCG achieved a new all-time sales record of 942,300 units in the first three quarters of 2007.

One of the main reasons we achieved these benchmarks was the positive response to our new C-Class – even though the C-Class station wagon won't be available until the end of this year.

The S-Class is the undisputed market leader. As of August, we had sold 39 percent more units in this segment than our competitors at BMW and Audi combined. The E-Class has also gone from strength to strength this year. Our A- and B-Class models are the market leaders in the premium compact segment.

In China, one of the most important growth markets for our brand, Mercedes-Benz sold 64 percent more vehicles until August 2007 than in the same period of the prior year.

And finally, the new smart fortwo, which made its market debut at the end of March, is also extremely popular with customers. Next year our smallest vehicle – which also has the lowest fuel consumption and emissions – will be available in the world's biggest automobile market: the U.S.

The Mercedes Car Group as a whole posted EBIT of almost two billion euros in the first half of this year alone – thanks not only to its successful products, but to improved efficiency resulting from our CORE program.

We concluded CORE at the end of last month. And its impact has been extremely positive.

- For example, the various measures we implemented yielded more than seven billion euros in additional earnings.
- We boosted our productivity by 12 percent last year – and we'll do even better in the years to come.
- At the same time, we also significantly improved the quality of our vehicles. That's clearly demonstrated by the seven awards we received in this year's J.D. Power Quality Study. Six of them were gold; one was silver. In fact, this achievement set a new benchmark in the history of this renowned market survey.

The impact of many of the cost-reducing and quality-boosting measures we developed within the CORE program will only be fully realized in the years to come. And we haven't yet reached our goal – which is why we will continue to boost our efficiency in the coming years.

In the last quarter we already considerably exceeded our intermediate target for the Mercedes Car Group, which was a seven percent return on sales. We'll do the same for the year as a whole – and the outlook for the following years is also bright.

As you can see, the Mercedes Car Group is back on track – and we intend to consolidate and further enhance our strong position over the long run.

## **VII. Truck Group**

We have introduced a range of measures to ensure sustained success at the Truck Group as well – primarily through our Global Excellence Program. We are pursuing four goals here:

- First of all, we want to make ourselves less susceptible to cyclical fluctuations in the world's truck markets.
- Second, we plan to exploit existing productivity potential and leverage cross-brand synergies.
- Third, we intend to strive for further growth in our existing and new markets.
- And fourth, we want to remain a market leader with state-of-the-art products and innovative technologies.

We've made noticeable progress in all four areas.

For example, six of our products took first place in a reader survey conducted by the automotive press to select the "Best Commercial Vehicles of 2007."

Our Mercedes-Benz Actros even came out on top in two categories. This truck is very special to us for three reasons:

- As a pioneer for our BlueTec technology, the Actros has been equipped with the world's cleanest diesel engine since 2005. Today there are more than 90,000 BlueTec trucks on the road.
- With the Active Brake Assist emergency braking system, the Actros also sets the standard as the world's safest truck.
- And in June this year, the 500,000th Actros rolled off the assembly line. Our flagship model is Europe's best-selling heavy-duty truck. In addition, Mercedes-Benz Trucks is the market leader in Europe.

In order to meet the strong demand for our trucks, we are expanding our production locations in Germany. Among other things, we are creating a "synchronous factory" at our Mannheim plant and building a new Development and Testing Center in Wörth.

Our other truck brands are also making steady progress. The new Freightliner Cascadia, for example, is the most powerful and the most fuel-efficient semitrailer on the U.S. market.

Equally important, it's also the first truck to be equipped with an engine from our new heavy-duty engine family.

The use of these engines and other components across all our brands worldwide will ensure that our expertise and resources are employed even more effectively for the benefit of the entire Truck Group. It will also enable us to consistently exploit economies of scale as the sector's global market leader.

Today, we can already say with confidence that our Global Excellence program is working.

Despite the massive slump in the U.S. truck market and the significant decline in the Japanese market, the Truck Group posted EBIT in excess of 1.1 billion euros in the first half of 2007.

That corresponds to a 12 percent increase over the same period in 2006. It also means that we have reached the first major milestone as we strive to ensure that the Truck Group can achieve sustained success, even during market downturns.

Despite the slowing demand in some markets, we still expect the Truck Group's earnings for full-year 2007 to be on a par with the record result achieved in 2006.

### **VIII. Van, Bus, Other**

The effects of the early stages of a cyclical downturn in several key bus markets have been offset by very favorable developments in Latin America.

We already have more than 1,000 hybrid buses on the road in the U.S., and next year we will begin testing a new Mercedes-Benz hybrid bus. We plan to strengthen our position as the global market leader in this area.

Our vans also continue to perform well:

- In terms of value retention, the Viano is the best van in its class.
- And the Vito was selected "Van of the Year" in recognition of its great handling and fuel economy.
- The Sprinter is selling so well that our plants in Düsseldorf and Ludwigsfelde have been running extra shifts for months.

We sold more than 80,000 Sprinters in the first half of 2007 alone.

Even more important, however, is the fact that both units – Vans and Buses – are very profitable.

In addition, our position in the future high-growth markets is steadily improving. Our van joint venture in China has been approved and construction of the plant has begun. Our plans call for production to start at the end of 2008. We will build production capacity for up to 40,000 Vitos, Vianos, and Sprinters – another important component of our China strategy.

### **IX. Financial Services**

Developments at Financial Services are heavily influenced by measures associated with the separation from Chrysler Financial.

The structures and processes were more closely integrated here than in any other division.

However, our financial services business has remained stable:  
The contract volume actually rose eight percent in the last quarter.

And Mercedes-Benz Financial was named the best provider of financial services in the premium segment by the National Automobile Dealer Association in the U.S.

Despite rising interest rates in Europe and the effects of the subprime mortgage crisis in the U.S., our earnings in the first half of the year equaled the high level posted in 2006.

## **X. Overall Group goals**

Ladies and gentlemen, your company has one common goal that extends across all divisions and functional units: achieving high performance.

The exact definition of high performance varies according to markets, brands, and customer demands:

- With regard to passenger cars, we are clearly committed to providing premium products;
- as far as our trucks are concerned, we are striving to achieve outstanding levels of safety and reliability, while also maximizing economy;
- and with respect to services, our aim is to provide innovative and customized total solutions.

However, our overall objective – the glue that holds everything together, so to speak – is always the same: We want to be the best in those areas that are most important to our customers in specific markets.

Our strategies at the functional units are also geared toward the Group as a whole.

Our financial strategy, for example, is designed to continually improve our capital structure and optimize methods for obtaining the necessary funds to invest in our divisions. What's more, this must be done in a manner that will enable the Group to achieve profitable growth on a sustained basis.

The creation of Shared Service Centers in the financial sector – for example, in Spain and here in Berlin – has made our administrative processes much more efficient. This is a perfect example of what can be achieved through the consistent implementation of the New Management Model.

Our human resources strategy has been conceived to ensure that we become a preferred employer. More specifically, this means

- we will continue to improve our employees' working conditions, including measures that enable them to more effectively meet their work and family obligations;
- we offer high potential employees the best possible career opportunities; and
- we want to be the first choice for the top people in our industry.

And with our overall research and development strategy we make sure that we will play a leading role in technologies that set us apart from our competitors.

## **XI. Financial outlook for 2007**

Next, what do we expect to achieve this year?

For the Group as a whole, we expect to record EBIT of approximately 8.5 billion euros for full-year 2007.

This clearly shows that:

- We've done our homework – at both the Group level and at the divisions. We are closing the gap with the sector's top performers in terms of quality, productivity, efficiency, and service.
- The financial markets have confirmed that our share price has further growth potential.
- On Monday of this week the rating agency Moody's raised our credit rating to "A3 positive outlook."
- And following the systematic preparations of the last two years, we are once again well positioned to fulfill the financial market's expectations.

## **XII. Thanks to employees / promotion of women / daycare centers**

We will devote all our energies to achieving this goal. In the past two years our workforce has demonstrated its ability to perform even during times of change.

Without their expertise and dedication, the positive developments I have just reported wouldn't have been possible.

On behalf of the entire Board of Management, I would therefore like to express my deepest thanks to each and every one of them!

In recognition of the results we have achieved, more than 130,000 of our employees in Germany received a one-time bonus of 2,000 euros from the Group this year – the highest such voluntary profit-sharing payout ever made.

For us this is about more than just providing rewards in paychecks. It's also about long-term professional development opportunities:

As I speak, 2,600 young men and women are in their first day of professional training with us. We employ more than 8,000 apprentices across Germany – that's 40% of all apprentices working for German auto manufacturers. And that number far exceeds our own company's demand. We're giving young people some professional experience and perspective.

According to a recent study, we also have the best health management system in German industry. In terms of ergonomics, our work stations are far out in front of the industry.

Another important issue is the role of women at our company. To continually increase the percentage of female top performers at our Group, we have launched a mentoring program and other measures to promote women.

And to make it easier for employees to reconcile the needs of their families and their careers, we will open daycare centers at all of our German plants.

Tomorrow, Ursula von der Leyen – Germany's Minister for Family, Seniors, Women and Youth – will come to our main factory in Stuttgart-Untertürkheim in order to jointly open our first daycare center for children up to three years of age. This center has been fittingly named *Sternchen* ("Little Stars").

Other childcare centers will be opened in Sindelfingen and Bremen a few days later. By 2009, all of our German plants will have daycare centers.

One thing is certain: We have set ambitious goals for ourselves. To achieve them, we will need to continue to attract, keep, and promote the most talented employees – be they men or women. In other words, we must also ensure that our employees can combine their careers with family life.

### **XIII. Long-term goals for the divisions**

What are our individual divisions' long-term goals?

- At the Mercedes Car Group, we want to achieve an average return on sales of ten percent by 2010 at the latest.
- At the Truck Group, we are aiming for a sustained return on sales of at least seven percent and a return on net assets of approximately 30 percent. And we intend to achieve these numbers on average over the entire business cycle.
- Our bus business already is the benchmark for profitability. We want to further improve our position here on a sustained basis.
- We also plan to expand our strong market position in the vans sector.
- And the goal at Financial Services is to post a return on equity of at least 14 percent.

In order to achieve these aims, we plan to utilize four levers:

The first is operational excellence. Here we need to consolidate the efficiency gains we've achieved and make further improvements. We want to firmly instill a high-performance culture in all of our employees at all levels of the entire Group.

The second lever is growth in our core business. We plan to use our compelling products and strong brands to inspire our customers in traditional segments and exploit new regional market opportunities – for example, by expanding sales channels or providing commercial vehicles tailored to the needs of emerging markets.

The third lever is the expansion of our service portfolio. We plan to expand the customer-focused services we offer up and down the entire value chain, including services such as fleet management and insurance.

The fourth lever is achieving growth by the exploiting new business potential. We can stake a strong claim to leadership in our industry, particularly when it comes to safety and environmental protection. And we plan to live up to our reputation in these areas by offering pioneering solutions for sustainable mobility. We will therefore continue to systematically invest in future-oriented technologies.

During the past week we have had in-depth discussions with the Supervisory Board to analyze and confirm these goals as well as the strategies we will pursue to achieve them.

### **XIV. Conclusion**

To sum up, we are not striving to become the world's largest automotive company. Instead, our aim is to be one of the most respected and admired on a permanent basis.

- When our customers are asked to think of great cars, their first thought should be "Daimler."
- When the most talented people are asked to name the companies they would most like to work for, Daimler should be at the top of their list.
- When our children ask us which companies are really doing something for the environment, we must be able to say "Daimler."
- And when you, the shareholders, want to invest in automotive shares, it should be very difficult for you not to choose Daimler.

We're working hard to achieve all these goals. And we would like to take this opportunity to ask you to continue to support our efforts in the future.

Thank you very much!