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## Press Information

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## **DaimlerChrysler posts operating profit of \$814 million in first quarter of 2005**

- **Group operating profit of \$1,852 million, excluding exceptional charges from smart**
- **Group revenues of \$41.2 billion**
- **Net income of \$374 million**
- **A slight increase in Group operating profit expected for full-year 2005, excluding exceptional charges from smart, compared to 2004**
- **Supervisory Board approves new smart business model**

Stuttgart/Auburn Hills - DaimlerChrysler (stock-exchange abbreviation DCX) recorded an operating profit of \$814 million in the first quarter of 2005, compared with \$2,005 million in Q1 2004. The decrease was primarily caused by expenses of \$1,038 million related to the realignment of the smart business model. Without this exceptional impact, Group operating profit in the first quarter would have been \$1,852 million.

Net income of \$374 million was reported for the first quarter of 2005, compared with \$534 million for the same period of last year. The exceptional impact from smart reduced net income by \$664 million. Earnings per share amounted to \$0.36, compared with \$0.53 in Q1 2004.

The net liquidity of the industrial business increased from \$2.9 billion at the end of 2004 to \$4.7 billion at the end of the first quarter of 2005.

Page 2

### **First-quarter revenues of \$41.2 billion**

In the first quarter of this year, DaimlerChrysler sold 1.1 million vehicles worldwide (+1%).

Primarily due to the appreciation of the euro against the US dollar, DaimlerChrysler's total first-quarter revenues decreased by 2% to €31.7 billion.

At the end of the first quarter of 2005, DaimlerChrysler employed a total workforce of 386,789 people worldwide, which was 23,882 more than a year earlier (+7%). Adjusted for changes in the consolidated Group, the number of employees increased by 3% (+9,526).

### **Details of the divisions in Q1 2005**

The **Mercedes Car Group's** first-quarter unit sales decreased by 7% to 247,000 vehicles, while revenues were 11% lower at \$13.5 billion.

The division reported a first-quarter operating loss of \$1,237 million, compared with an operating profit of \$829 million in Q1 2004. The result for the first quarter 2005 was affected by expenses relating to the realignment of the smart business unit of \$1,038 million. At smart there was an operating loss from ongoing business activities.

At Mercedes-Benz Passenger Cars, operating profit decreased due to lower unit sales, mainly caused by lifecycle reasons, a less favorable model mix, and the ongoing strength of the euro. Expenses for the

continuation of the quality offensive also contributed to the decrease. Page 3  
Operating profit in the first quarter was additionally impacted by increased prices for raw materials.

Unit sales by the Mercedes-Benz brand in the first quarter fell from last year's 246,000 to 220,600 vehicles. This is mainly a result of the lifecycle-related decreasing demand for M-class and S-class and the continuing weak demand in several major markets in Western Europe. Three new models were revealed in the first quarter: the new M-Class and the B-Class and R-Class sports tourers. Customers have given an excellent reception to the new B-Class: about six weeks before the market launch at the beginning of June, more than 20,000 cars had already been ordered by customers in Western Europe. The M-Class has made an excellent start following its launch at the beginning of April in the United States, the major market for this vehicle. And customers are already keenly anticipating the launch of the new M-Class in Western Europe in three months time.

As a part of the CORE program initiated in February 2005, the Mercedes Car Group's business system will be optimized. The key areas for action are cost reductions, revenue increases, and the effective implementation of all the required measures. By the year 2007, the Mercedes Car Group intends to improve its earnings by \$3.89 billion and to achieve a return on sales of 7%.

Worldwide unit sales of the smart brand increased by 32% to 26,400 vehicles. This growth was primarily due to first-quarter sales of 8,200 units of the smart forfour, which was launched in 2004. Sales of the smart fortwo, which is now in its seventh year of production, were slightly above the prior-year's level.

The Supervisory Board of DaimlerChrysler AG has approved the new smart business model, the key elements of which were announced on April 1, 2005. As part of the new business model, fixed costs are to be reduced by 30% within the next two years and productivity will be boosted. The successor to the smart fortwo planned for the year 2007 will also be specified to meet the requirements of the US market. smart's goal is to achieve breakeven by 2007.

The **Chrysler Group** increased its first-quarter retail sales by 5% to 664,500 units. The increase was primarily due to higher sales of minivans (+9%) and the Dodge Durango (+17%). Unit sales (factory shipments) decreased by 3% to 666,700 vehicles.

Primarily due to a slight decrease in unit sales and the appreciation of the euro against the US dollar, first-quarter revenues of \$13.9 billion were 7% lower than in Q1 2004. Measured in euros, revenues decreased by 11%.

Due to lower factory unit sales and the appreciation of the euro against the US dollar, the Chrysler Group posted an operating profit of \$327 million in the first quarter of 2005 compared with an operating profit of \$393 million in the first quarter of 2004.

Production of the new Dodge Charger sedan started at the end of the first quarter of 2005. It will be launched in the second quarter of this year. The Chrysler Group revealed another three models that are set for market launch later in the year: the new Viper Coupe sports car, the Dodge Ram Mega Cab with the most interior space in a pickup truck, and the new Jeep<sup>®</sup> Commander with three rows of seats. The 2005 MY production cars have captured a total of 125 "best of" awards so far.

Within the framework of its worldwide expansion, the Dodge brand had its European debut at the Geneva Motor Show in March. In the medium term, the Chrysler Group plans to significantly expand its presence with the launch of the Dodge brand in Europe and Asia as well as in additional markets in the Middle East, Latin America and Africa. The number of models offered by Chrysler Group outside the United States is to be more than doubled by the year 2007.

The **Commercial Vehicles Division** increased its first-quarter unit sales by 43% to 179,400 vehicles, while revenues rose by 29% to \$11.0 billion. Excluding Mitsubishi Fuso Truck and Bus Corporation (MFTBC), which has been consolidated since March 31, 2004 with a one-month time lag, unit sales and revenues would have both increased by 11%.

The Commercial Vehicles Division increased its first-quarter operating profit from \$348 million to \$926 million. This increase in earnings was primarily a result of the worldwide market success of the products of the truck business and the settlement reached with Mitsubishi Motors Corporation (MMC) on compensation relating to the quality measures and recall campaigns at MFTBC. The ongoing positive sales trend in nearly all business units and the successful continuation of the current programs to enhance efficiency more than offset negative effects which resulted from higher raw material prices and the ongoing strength of the euro.

In the truck business, the positive development of unit sales continued in the first quarter of 2005. Thanks to strong demand in the North American market, unit sales by the Trucks NAFTA business unit (Freightliner, Sterling, Thomas Built Buses, Western Star) increased by 29% to 44,000 vehicles. Unit sales by the Trucks Europe/Latin America business unit (Mercedes-Benz) increased by 20% to 32,200

vehicles. At MFTBC, unit sales decreased by 12% to 41,100 vehicles. Unit sales by the Vans business unit decreased by 6% compared with the prior-year period to 51,600 vehicles. The DaimlerChrysler Buses business unit sold 7,500 vehicles, 11% more than in the first quarter of last year.

Based on the contractual regulation of warranties related to the acquisition of shares in MFTBC, DaimlerChrysler has achieved a satisfactory settlement with MMC. Among other things, the settlement reached provides for MMC to transfer the remaining 20% of its shares in MFTBC to DaimlerChrysler without any payment. MMC will also pay compensation to DaimlerChrysler under the terms of this settlement.

The Services division was renamed **Financial Services** in the quarter under review to reflect its focus on the offering of automotive financial services.

In the first quarter of 2005, the Financial Services division improved its operating profit significantly compared with the same quarter last year to \$425 million (Q1 2004: \$287 million). The increase in earnings resulted from lower charges from Toll Collect.

Financial Services' new business increased by 13% to \$15.6 billion; adjusted for exchange-rate effects, the increase amounted to 16%. Contract volume of \$138.6 billion was 6% above the prior-year's level. Adjusted for exchange-rate effects, the portfolio expanded by 10%.

Attractive special financing programs caused new business in the NAFTA region to increase by 22% to \$10.9 billion. Measured in US dollars, this increase amounted to 27%. Contract volume increased to \$99.0 billion (Q1 2004: \$94.4 billion). Contract volume in Europe rose by 7% to \$32.6 billion. In Germany, DaimlerChrysler Bank had a

contract volume of \$18.5 billion at the end of the quarter (end of Q1 2004: \$17.2 billion). At the end of the first quarter, DaimlerChrysler Bank had a total of 940,000 customers, 8% more than a year earlier.

The successful start of the Toll Collect system on January 1, 2005 was an important milestone for Financial Services. Toll charging for trucks above 12 tons on German highways ran smoothly in the first quarter. By the end of March, some 4.5 billion toll kilometers had been recorded correctly. Financial Services holds a 45% interest in the Toll Collect consortium.

The operating profit contributed by **Other Activities** amounted to \$284 million in the first quarter of 2005, which was \$110 million higher than in Q1 2004. This increase was mainly caused by a substantial improvement in earnings by the DaimlerChrysler Off-Highway business unit and a strong operating result of **European Aeronautic Defence and Space Company (EADS)** due to its higher Airbus deliveries.

The contribution to operating profit generated by the Group's shareholding in EADS is included in DaimlerChrysler's operating profit with a time lag of one quarter. EADS will publish its figures on the first quarter of 2005 on May 9, 2005. The **DaimlerChrysler Off-Highway** business unit increased its first-quarter revenues by 23% to \$490 million.

### **Outlook for full-year 2005**

For the further course of the year, the growth of worldwide demand for automobiles is likely to be slower than in 2004. Whereas further expansion of truck markets is expected in the NAFTA region, there are indications of decreasing market expansion in Europe. In general, the

Group expects the highly competitive situation across the entire automotive industry to continue, due to further reductions in product lifecycles and ongoing over-capacity.

The development of DaimlerChrysler's earnings during the further course of this year will be impacted by increases in oil and raw-material prices, higher interest rates and the weakness of the dollar against the euro.

DaimlerChrysler anticipates a slight increase in unit sales in full-year 2005 compared with 2004.

The **Mercedes Car Group** expects the launch of the M-, B-, R- and S-Class and the model update of the CLK to result in a significant boost to unit sales, especially from mid 2005 onwards. The division also expects positive effects from the new V6 and V8 gasoline and diesel engines, which are gradually being introduced in its model range. In total, the Mercedes Car Group anticipates a slight increase in unit sales. The division expects the turning point in profitability as soon as in the second quarter this year and a further substantial improvement in the third quarter.

The **Chrysler Group** anticipates a very intensive competitive situation for the rest of this year. Total industry sales of 17.2 million vehicles are expected for the US market. With the launch of additional new products, the division intends to continue the positive development of the year 2004. Overall, the Chrysler Group expects to achieve higher unit sales in 2005.

For full-year 2005, the **Commercial Vehicles Division** expects its unit sales to continue the pleasing developments of 2004. There will be positive impetus in particular from the strong demand (evident since

last year) for Freightliner's heavy-duty trucks in the NAFTA region as well as for Mercedes-Benz trucks.

Page 9

The **Financial Services** division looks forward to stable business developments and continued portfolio growth in the financial services business.

**EADS** anticipates a continued upswing of the civil aircraft market in 2005. For the full year, EADS plans to deliver 350 to 360 Airbus aircraft (2004: 320 aircraft).

**DaimlerChrysler** Group continues to expect higher revenues in 2005 compared with 2004.

The size of the total workforce should also increase slightly in 2005. In particular in the Commercial Vehicles Division and the Chrysler Group, employment levels should rise compared with those at the end of 2004.

After first-quarter operating profit was substantially impacted by exceptional charges from smart, DaimlerChrysler expects additional exceptional charges from smart also in the course of this year up to \$0.5 billion.

Following a weaker first half, excluding the exceptional charges from smart, DaimlerChrysler expects a slight increase in operating profit for full-year 2005 compared with the prior year.

For the reader's convenience, the financial information has been translated from euros into U.S. dollars at an assumed rate of €1 = \$1.2969 (noon buying rate on March 31, 2005). The convenience translation does not mean that the euro amounts actually represent the corresponding dollar amount stated or could be converted into dollars at the assumed rate.)

This document contains forward-looking statements that reflect management's current views with respect to future events. The words „anticipate,“ „assume,“ „believe,“ „esti-

mate, „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.

Further information from DaimlerChrysler is available on the internet at: **[www.media.daimlerchrysler.com](http://www.media.daimlerchrysler.com)**