

Investor Relations Release

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DaimlerChrysler: second-quarter operating profit increases to €1.9 billion

- **Net income of €1.8 billion (Q2 2005: €0.7 billion)**
- **Earnings per share of €1.77 (Q2 2005: €0.73)**
- **Net income and earnings per share include €0.8 billion and €0.78 respectively due to valuation gain related to the derivative contracts to hedge EADS shares**
- **Revenues of €38.6 billion at prior-year level**
- **Operating profit of more than €6 billion still anticipated for full-year 2006**

Stuttgart - In the second quarter of 2006, DaimlerChrysler (stock-exchange abbreviation DCX) increased its operating profit by 11% compared with the same period of last year to €1,857 million.

The earnings improvement was primarily due to the significant increase in operating profit achieved by the Mercedes Car Group. The Truck Group and Financial Services also improved their operating profit. In total, these increases more than offset the decrease in operating profit recorded by the Chrysler Group.

Net income amounted to €1,810 million (Q2 2005: €737 million). The mark-to-market valuation of derivatives to hedge the price risks of shares of the European Aeronautic Defence and Space Company (EADS) had a positive impact on net income of approximately €800 million (after taxes). Earnings per share amounted to €1.77, compared with €0.73 in the second quarter of 2005. €0.78 of this amount resulted from the valuation gain related to the derivative contracts to hedge EADS shares.

Revenues at prior-year level

DaimlerChrysler sold 1.3 million vehicles in the second quarter, which was 3% lower than in Q2 2005.

The Group's total revenues of €38.6 billion were on par with the second quarter of 2005.

At the end of the second quarter of 2006, DaimlerChrysler employed 368,321 people worldwide (end of Q2 2005: 388,758). Of this total, 169,603 were employed in Germany and 97,518 in the United States (end of Q2 2005: 184,029 and 100,442, respectively).

Details of the divisions in the second quarter of 2006

The **Mercedes Car Group** sold 325,500 vehicles in the second quarter of this year, surpassing the figure for Q2 2005 by 6%. The Mercedes-Benz brand increased its second-quarter unit sales by 6% to 291,000 vehicles. smart unit sales of 34,500 vehicles were at the prior-year level. Revenues increased by 7% to €13.4 billion.

The Mercedes Car Group reported an operating profit of €807 million, a substantial improvement compared with the second quarter of last year (€12 million). The increase was caused by the division's higher unit sales (+17,400 vehicles) and an improved model mix, due to the full availability of the new S-Class and M-/R-Class. Within the framework of the CORE program, additional important efficiency-improving actions were implemented, which also had a significant positive effect on earnings.

CORE examines the Mercedes Car Group's entire value chain and develops it further – to make processes leaner and faster, to reduce costs and to continue improving quality.

The staff reductions planned at Mercedes-Benz Passenger Cars led to additional expenses of €20 million. Furthermore, charges arising from the discontinuation of the smart forfour model reduced operating profit by €13 million; in the prior-year quarter, expenses of €311 million arose in connection with the realignment of the smart business model.

The new generation of the E-Class has been available since June. With all versions on sale, this car offers the most versatile model range in its market segment. In June, the CL-Class, the new luxury coupe from Mercedes-Benz, was presented to the press, which will be delivered to customers beginning in September. At the same time, the GL-Class, the first Mercedes-Benz full-size SUV, will be launched in Europe.

At the end of June, DaimlerChrysler announced that the successor to the smart fortwo is intended to be launched in the United States in 2008. For the U. S. launch, a cooperation with the United Auto Group is planned.

The **Chrysler Group**'s worldwide retail and fleet sales in Q2 2006 totaled 713,600 units, a decrease of 9% compared with the second quarter of last year. Factory shipments decreased to 761,700 vehicles (Q2 2005: 812,200 vehicles).

Second-quarter revenues amounted to €12.5 billion (Q2 2005: €13.0 billion); measured in U.S. dollars, there was a decrease of 4%.

The Chrysler Group posted an operating profit of €51 million in the second quarter of 2006, compared with an operating profit of €544 million in the second quarter of 2005. The decrease in operating profit was primarily the result of a decrease in worldwide factory unit sales, a higher mix of fleet vehicles and negative net pricing.

The Chrysler Group improved its overall manufacturing productivity by 6% in 2005 and by 24% over the last four years, according to the Harbour Report North America 2006. These improvements were the largest of all automakers for the two periods.

The Chrysler Group's Chrysler and Dodge minivans led J. D. Power's 2006 Initial Quality Survey in the Van category, ranking first and third respectively for the entire industry.

Production of the all-new Jeep® Compass commenced in June 2006 at the Belvidere Assembly Plant in Illinois. The first of these vehicles were shipped to dealers in the U.S. during July. The Chrysler Group will expand its product range with the launch of eight new models in the second half of the year.

Unit sales by the **Truck Group** of 138,600 units were slightly lower than in the prior-year period, while revenues climbed from €8.1 billion to €8.5 billion.

The Truck Group increased its second-quarter operating profit by 34% to €551 million. An improved model mix, as well as the efficiency-improving measures taken as part of the Global Excellence program contributed to these increased earnings.

Unit sales of 36,600 Mercedes-Benz brand vehicles by Trucks Europe/Latin America were 9% below the prior-year quarter. An increase in unit sales in Western Europe, particularly in Germany, was offset by lower sales in the Middle East and in Brazil. Unit sales by Trucks NAFTA of 53,000 vehicles under the Freightliner, Sterling, Western Star and Thomas Built

Buses brands nearly reached the very high figure of the prior-year quarter (-2%). Mitsubishi Fuso's unit sales increased by 4% to 49,800 vehicles.

The **Financial Services** division continued its positive development in the second quarter of 2006, achieving an operating profit of €422 million (Q2 2005: €385 million). This increase in earnings was aided by the increased volume of business and the positive earnings trend at Toll Collect. These effects compensated the negative impact from the higher level of interest rates.

New business of €14.1 billion was 9% higher than in Q2 2005. Contract volume increased slightly by 1% to €115.3 billion; the increase amounted to 4% after adjusting for the effects of currency translation.

Contract volume of €83.8 billion in the Americas region (North and South America) was of the same magnitude as a year earlier. Adjusted for exchange-rate effects, the increase amounted to 4%. Contract volume of €31.4 billion in Europe, Africa, and Asia/Pacific exceeded the level of the prior-year quarter by 3%. In Germany, DaimlerChrysler Bank's contract volume increased by 6% to €15.5 billion.

The **Van, Bus, Other** segment posted a second-quarter operating profit of €159 million (Q2 2005: €277 million). Second-quarter operating profit included expenses of €145 million incurred for staff reductions in administrative functions in connection with the new management model.

As expected, **Mercedes-Benz Vans'** unit sales of 65,600 were 9% lower than the very high level of unit sales in the second quarter of last year. The reduction was mainly a result of the startup of the new Sprinter and the related production changes in the Düsseldorf and Ludwigsfelde plants in Germany.

Worldwide sales of **buses** and chassis by the brands Mercedes-Benz, Setra and Orion increased by 9% to 10,300 units in the second quarter.

The contribution to earnings from the **European Aeronautic Defence and Space Company (EADS)** also increased, mainly due to higher Airbus deliveries, to €231 million from €154 million in the prior-year quarter.

Outlook

Parallel to the development of the world economy, the dynamics of global demand for automobiles will probably decrease slightly. For full-year 2006, DaimlerChrysler, therefore, anticipates a growth rate similar to that in 2005. Whereas automobile sales in the United States, the world's largest market, are likely to decrease slightly, demand should slightly increase in Western Europe and Japan. Car sales are expected to increase in nearly all of the larger emerging markets this year, with significant growth rates in some of those countries. Worldwide demand for commercial vehicles is likely to remain at a high level in the second half of 2006. However, risks will arise if oil and fuel prices continue to rise. The company assumes that competitive pressure in the automotive industry will remain intense as a result of worldwide over-capacity.

DaimlerChrysler continues to anticipate unit sales in 2006 in the magnitude of the prior year (2005: 4.8 million vehicles).

The **Mercedes Car Group** expects full-year unit sales at least as high as in 2005. The company assumes that unit sales by Mercedes-Benz will exceed last year's figure due to the brand's new products. The Mercedes Car Group will continue to effectively implement the CORE efficiency-improving program. The division therefore anticipates further earnings improvements in the coming quarters. The Mercedes Car Group is thus on track to achieve the 7% return on sales targeted for 2007.

In an unchanged difficult market environment, the **Chrysler Group** assumes that unit sales (shipments) in 2006 will be in the range of last year. The division will launch a total of ten new models this year, although a large number of them will not be available at dealerships until the second half of the year. The Chrysler Group will continue to implement its activities to improve productivity, quality and customer satisfaction. Due to high dealer inventories, the Chrysler Group intends to reduce production volumes and shipments to dealers in the third quarter. In addition, the upcoming model changeovers will cause downtime in certain plants. The development of earnings in the second half of the year will also be impacted by the launch costs of the eight new models. The division, therefore, anticipates a third-quarter operating loss of up to €0.5 billion. The Chrysler Group then expects positive earnings once again in the fourth quarter as a result of the new models to be launched in the second half of the year. For full-year 2006, the Chrysler Group plans for a positive result.

The **Truck Group** assumes that full-year unit sales will remain stable. A high level of earnings should continue to be achieved, due not least to the efficiency improvements resulting from the Global Excellence program. There will be a positive impact on demand for

trucks from upcoming stricter emission regulations planned in the core markets of Europe, the United States and Japan. The Truck Group is very well prepared for these changes, not the least due to its innovation leadership in Bluetec diesel technology.

The **Financial Services** division anticipates a continuation of its stable business and earnings development during the second half of the year. However, rising interest rates will be a challenge. The division intends to further improve its competitive position as a result of optimized processes, enhanced efficiency, comprehensive market coverage and even closer cooperation with the vehicle divisions and their dealerships.

The **Vans** unit expects lower unit sales than in 2005, due to the Sprinter model changeover. Unit sales of **buses** are likely to exceed the high level of the prior year. **EADS** continues to plan for a stable market for civil aircraft in the year 2006; Airbus deliveries are expected to increase again compared to the prior year.

The **DaimlerChrysler Group** anticipates a slight increase in revenues in full-year 2006 (2005: €149.8 billion).

Due to the implementation of the staff-reduction program, the number of persons employed by the Group will continue to decrease until the end of this year.

For full-year 2006, DaimlerChrysler continues to anticipate an operating profit in excess of €6 billion. This figure includes charges for the implementation of the new management model (€0.5 billion), the focus on the smart fortwo (€1 billion), the staff reductions at the Mercedes Car Group (€0.4 billion), as well as gains on the disposal of the off-highway business (€0.2 billion), on the sale of real estate no longer required for operating purposes (€0.1 billion) and the release of provisions for retirement-pension obligations (€0.2 billion).

The development of the Group's earnings in the second quarter of 2006 was affected by the **special items** shown in the following table:

Amounts in millions of €	Q2 2006	Q2 2005
Mercedes Car Group		
Expenses relating to staff reductions in the context of CORE	(20)	
Restructuring expenses at smart	(13)	(311)
Truck Group		
Impairment American LaFrance		(24)
Van, Bus, Other		
Expenses relating to the new management model	(145)	

This document contains forward-looking statements that reflect management's current views with respect to future events. The words „anticipate,“ „assume,“ „believe,“ „estimate,“ „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 effective implementation of our New Management Model, and the CORE program, including the new business model for smart, at the Mercedes Car Group; renewed pressure to reduce costs in light of restructuring plans announced by our major competitors in NAFTA; disruption of production or vehicle deliveries, resulting from shortages, labor strikes or supplier insolvencies; the resolution of pending governmental investigations; 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.

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Figures for the 2nd Quarter 2006/First Half-Year 2006

DaimlerChrysler Group values in €	Q2 2006	Q2 2005	Change 06/05	YTD 2006	YTD 2005	Change 06/05
Revenues, in millions	38,562	38,423	+ 0 %	75,747	70,167	+ 8 % ¹⁾
Operating profit, in millions	1,857	1,671	+ 11 %	2,748	2,299	+ 20 %
Net income, in millions	1,810	737	+ 146 %	2,109	1,025	+ 106 %
Earnings Per Share (EPS)	1.77	0.73	+ 142 %	2.07	1.01	+ 105 %
Employees (June 30)	368,321	388,758	- 5 %	368,321	388,758	- 5 %

Operating profit (loss) by Divisions in millions of €	Q2 2006	Q2 2005	Change 06/05	YTD 2006	YTD 2005	Change 06/05
Mercedes Car Group	807	12	-	129	(942)	-
Chrysler Group	51	544	- 91 %	170	796	- 79 %
Truck Group	551	410	+ 34 %	977	1,108	- 12 %
Financial Services	422	385	+ 10 %	870	713	+ 22 %
Van, Bus, Other	159	277	- 43 %	582	511	+ 14 %

Revenues by Divisions in millions of €	Q2 2006	Q2 2005	Change 06/05	YTD 2006	YTD 2005	Change 06/05
Mercedes Car Group	13,394	12,472	+ 7 %	25,718	22,855	+ 13 %
Chrysler Group	12,461	13,030	- 4 %	25,033	23,765	+ 5 %
Truck Group	8,547	8,127	+ 5 %	15,925	14,860	+ 7 %
Financial Services	4,276	3,812	+ 12 %	8,385	7,379	+ 14 %
Van, Bus, Other	3,359	3,801	- 12 %	6,562	6,606	- 1 %

Unit Sales	Q2 2006	Q2 2005	Change 06/05	YTD 2006	YTD 2005	Change 06/05
DaimlerChrysler Group	1,290,300	1,335,100	- 3 %	2,443,600	2,423,400	+ 1 %
Mercedes Car Group	325,500	308,100	+ 6 %	607,000	555,000	+ 9 %
Chrysler Group	761,700	812,200	- 6 %	1,457,100	1,478,900	- 1 %
Truck Group	138,600	141,900	- 2 %	257,900	263,600	- 2 %
Vans	65,600	72,300	- 9 %	125,300	123,900	+ 1 %
Buses	10,300	9,500	+ 9 %	18,100	16,900	+ 7 %

1) Adjusted for exchange-rate effects revenues increased by 6%.