

## Investor Relations Release

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October 25, 2006

### **DaimlerChrysler achieves operating profit of €0.9 billion in third quarter 2006**

- **Net income of €541 million (Q3 2005: €855 million)**
- **Earnings per share of €0.53 (Q3 2005: €0.84)**
- **Revenues below prior-year level at €35.2 billion**
- **Operating profit in the magnitude of €5 billion anticipated for full-year 2006**

Stuttgart - DaimlerChrysler (stock abbreviation DCX) achieved a third-quarter operating profit of €892 million (Q3 2005: €1,838 million).

The continuation of the very positive earnings trend at the Mercedes Car Group, the distinct increase in operating profit at the Truck Group as well as the Financial Services' operating profit, which is above the high level of earnings in the prior-year quarter, only partially compensated for the loss contributed by the Chrysler Group.

Net income amounted to €541 million in the third quarter (Q3 2005: €855 million). Earnings per share amounted to €0.53, compared with €0.84 in the third quarter of 2005.

#### **Unit sales below prior-year level**

DaimlerChrysler sold 1.0 million vehicles worldwide in the third quarter, not equaling the high level recorded in Q3 2005 (-14%).

As a result of the lower unit sales, the Group's revenues decreased from €38.2 billion to €35.2 billion. Adjusted for currency-translation effects, the decrease was 5%.

At the end of the third quarter of 2006, DaimlerChrysler employed a workforce of 365,451 people worldwide (end of Q3 2005: 388,014). Of this total, 168,965 were employed in Germany and 95,647 were employed in the United States (end of Q3 2005: 185,288 and 98,945 respectively).

## **Details of the divisions in the third quarter of 2006**

The **Mercedes Car Group** sold 307,500 vehicles worldwide in the third quarter of this year (Q3 2005: 310,900). Third-quarter unit sales by Mercedes-Benz increased slightly to 282,800 vehicles (Q3 2005: 282,100), primarily due to the success of the new models launched in 2005 and 2006. At smart, due to the focus on the smart fortwo, unit sales decreased, as expected, to 24,700 vehicles (Q3 2005: 28,800). Customer orders have been received for nearly all smart fortwo cars that will be produced prior to the model changeover next year. The divisions's revenues increased by 8% to €13.5 billion.

The Mercedes Car Group increased its operating profit by 127% to €991 million. This significant increase in earnings is primarily due to the efficiency improvements achieved in the context of the CORE program. An additional factor was that earnings were favourably impacted by the improved model mix since the launch of the new S-Class and M-/R-/GL-Class. Exchange-rate effects had a negative impact on operating profit.

Staff reductions at Mercedes-Benz Passenger Cars in the context of the CORE program led to charges of €47 million. Within the framework of the voluntary headcount reduction program announced in September 2005, approximately 9,300 employees had signed severance agreements or had already left the company. The expenses originally planned for the restructuring of smart were adjusted, resulting in a gain of €40 million.

Within the context of the CORE program, further decisions were made during the third quarter that will strengthen the competitiveness of the Mercedes Car Group on a sustained basis. For example, a modular- system has been developed with more than 100 defined modules, which will be available for all vehicle series in the future and will help the division to achieve further quality enhancements, to reduce costs, and to shorten product-development times. In order to improve productivity, production has been restructured and processes and routines have been consistently standardized. Together with its suppliers, the division has taken numerous measures to enable it to reduce material costs in the year 2006, despite the difficult situation on the raw-material markets.

The CL luxury coupe, based on the new S-Class, was presented to the public for the first time at the Paris Motor Show. Media reporting has been very positive about this car.

The integration of smart into the Mercedes-Benz organization is progressing according to plan and should be completed by the end of this year. The resulting efficiency improvements will provide a foundation for smart's profitability as of the year 2007.

In a difficult market environment, the **Chrysler Group's** third-quarter retail and fleet sales totaled 635,300 vehicles (-14%). Total factory shipments amounted to 504,400 vehicles (Q3 2005: 663,400).

Third-quarter revenues amounted to €9.5 billion (-26%); measured in US dollars, revenues decreased by 23%.

The Chrysler Group posted an operating loss of €1,164 million in the third quarter of 2006, compared with an operating profit of €310 million in the same quarter of last year.

The operating loss was primarily the result of a decrease in worldwide factory unit sales, an unfavorable shift in product and market mix, and negative net pricing. These factors reflect a continuing difficult market environment in the United States as the Chrysler Group faced increased dealer inventory levels from the prior quarter, a shift in consumer demand toward smaller vehicles due to higher fuel prices, and increased interest rates.

In order to reduce the high levels of dealer inventories, Chrysler Group reduced shipments to dealers, which necessitated corresponding production adjustments. Total factory shipments of 504,400 vehicles in the third quarter were 158,900 units lower than in the third quarter of last year.

During the third quarter, the Chrysler Group launched the compact SUV Jeep® Compass and the Jeep® Wrangler Unlimited (4-door). The Chrysler Aspen, the first SUV from the Chrysler brand, was also launched in the third quarter. By the end of the year, the Chrysler Group will launch three more all-new vehicles featuring fuel-efficient engines: the Chrysler Sebring, the Dodge Nitro and the Jeep® Patriot.

In July, the Chrysler Group opened its new flexible assembly plant and supplier park in Toledo (Ohio, USA), where the all-new Jeep® Wrangler models are produced. This supplier co-location project represents the latest example of Chrysler Group's overall manufacturing strategy, enabling various models to be built on the same assembly line.

Unit sales by the **Truck Group** of 141,900 vehicles were 2% above the level of Q3 2005. Due to the higher unit sales and a better model mix, revenues increased by 3% to €8.0 billion.

The Truck Group posted an operating profit of €556 million (Q3 2005: €354 million). This significant increase in earnings was due to higher unit sales, a high utilization of capacity combined with strong productivity, and an improved model mix. In addition, further efficiency improvements were realized in the context of the Global Excellence program, which more than compensated for the higher expenses incurred for new vehicle projects and the fulfillment of future emission regulations.

Sales by Trucks Europe/Latin America of 37,700 units were slightly higher than in Q3 2005. Unit sales of 55,400 vehicles by Trucks NAFTA under the Freightliner, Western Star and Sterling brands were 3% higher than in Q3 2005. Trucks Asia sold 49,300 units under the Mitsubishi Fuso brand, a 2% increase compared to the prior-year quarter.

The “Truck Dedication” initiative, which was launched during the third quarter of this year, aims to focus sales and service activities even more closely on customers’ needs. The key elements of the program include more intensive customer interaction such as additional service stations near logistics centers and autobahns, as well as service teams with 24-hour availability.

The **Financial Services** division continued its positive business trend in the third quarter, and improved its operating profit to €445 million, compared with €408 million in the third quarter of last year.

This increase in earnings was assisted by the higher volume of new business and improved efficiency. There were opposing effects from increased risk costs, which had been extremely low in the prior-year quarter.

New business of €12.6 billion was 6% higher than in Q3 2005, while contract volume of €114.0 billion was at the prior-year level. Adjusted for the effects of currency translation, the portfolio grew by 4%.

Contract volume of €82.1 billion in the Americas region (North and South America) was at the same level as a year earlier; adjusted for exchange-rate effects, there was an increase of 4%. Contract volume in the region Europe, Africa and Asia/Pacific increased by 4% to €31.9 billion. In Germany, DaimlerChrysler Bank increased its contract volume by 5% to €15.5 billion.

The **Van, Bus, Other** segment posted a third-quarter operating profit of €315 million (Q3 2005: €379 million), including expenses of €72 million for the implementation of the new management model, mainly for the voluntary headcount reduction program in administrative areas. The sale of real estate properties not required for operating purposes led to a gain of €86 million in the third quarter.

**Mercedes-Benz Vans** posted unit sales of 58,800 vehicles in the third quarter, which was lower than the very high prior year number. The decrease was a result of the launch of the new Sprinter and the associated production changeover in the Düsseldorf and Ludwigsfelde plants.

**DaimlerChrysler Buses** sold 8,600 buses and chassis of the Mercedes-Benz, Setra and Orion brands (Q3 2005: 9,200).

The Mercedes-Benz Citaro LE Ü was voted “Bus of the Year 2007” in the urban-bus category.

The contribution to earnings from the **European Aeronautic Defence and Space Company (EADS)** amounted to €247 million, which was slightly below the result of €256 million in the prior-year quarter. This was primarily caused by less favorable currency-hedging rates. The delays with the delivery of the Airbus A380 did not affect the profit contribution from EADS to DaimlerChrysler in the third quarter, as the results of EADS are consolidated by the DaimlerChrysler Group with a three-month time lag.

## **Outlook**

DaimlerChrysler expects a slight decrease in worldwide demand for automobiles in the fourth quarter and thus slower market growth than in Q4 2005. For full-year 2006, the company anticipates market growth of around 3% (2005: 4%). In the United States, the world’s largest market, demand is likely to decrease slightly (2005: 16.9 million cars and light trucks). The Japanese market is also expected to be smaller than in 2005 (4.7 million passenger cars), while there should be a moderate increase in demand in Western Europe (2005: 14.5 million passenger cars). Car sales are expected to increase significantly in full-year 2006 in nearly all of the major emerging markets of Asia, South America and Eastern Europe. The strong demand for commercial vehicles, especially in the heavy categories, should continue for the rest of this year, although with lower growth rates. In view of the ongoing overcapacity in the automotive industry, DaimlerChrysler assumes that the situation of intense competitive pressure will continue.

DaimlerChrysler expects unit sales in 2006 to be lower than in the previous year (4.8 million units).

The **Mercedes Car Group** anticipates full-year unit sales at least as high as in 2005. The division assumes that unit sales by Mercedes-Benz will exceed last year’s figure as a result of the market success of the brand’s new products. The Mercedes Car Group will continue to effectively implement the CORE efficiency-improving program. The division’s positive earnings trend is expected to continue in the fourth quarter.

Due to intense competition and the shift in demand towards smaller vehicles, the **Chrysler Group** assumes that unit sales (factory shipments) in 2006 will be lower than in the prior year. Eight new models, many of which are in the growing segments of passenger cars and small SUVs, are now being launched or will be launched this year. The Chrysler Group will implement further cuts in

production volumes during the fourth quarter in order to reduce dealer inventories and clear the way for the current product offensive. DaimlerChrysler expects the division to post a loss of approximately €1 billion for full-year 2006.

The **Truck Group** expects full-year unit sales at least to reach 2005 sales figures. Due to positive market developments in the core markets of Europe, the United States and Japan in connection with upcoming new emission regulations, the ongoing strong demand for its products and further improvements in productivity and efficiency, the Truck Group expects to significantly exceed the prior year's earnings.

The **Financial Services** division anticipates a continuation of its stable business development in the remaining months of the year 2006, despite the higher level of interest rates and falling growth in consumption in the United States. Enhanced process quality and efficiency will help to further improve the division's competitive position. Operating profit in full-year 2006 should be higher than in the prior year.

The **Vans** unit expects lower unit sales than in 2005 due to the Sprinter model change. Unit sales of **buses** are likely to exceed the high level of the prior year. In connection with the revised delivery planning for the Airbus A380, **EADS** revoked its original earnings forecast at the beginning of October. EADS has not issued any new earnings guidance since then.

The **DaimlerChrysler** Group's revenues in full-year 2006 should be slightly higher than in 2005 (€149.8 billion).

On September 15, DaimlerChrysler reduced the Group's operating-profit target for 2006 to an amount in the magnitude of €5 billion. Although the company now has to assume that the profit contribution from EADS will be €0.2 billion lower than originally anticipated because of the delayed delivery of the Airbus A380, DaimlerChrysler is maintaining this earnings target due to very positive business developments in the divisions Mercedes Car Group, Truck Group and Financial Services.

This forecast also includes charges for the implementation of the new management model (€0.5 billion), the focus on the smart fortwo (€1 billion) and the staff reductions at the Mercedes Car Group (€0.4 billion). There are positive effects from gains on the disposal of the off-highway business (€0.2 billion), 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 was affected by the **special items** shown in the following table:

Amounts in millions of €	Q3 2006	Q3 2005
<b>Mercedes Car Group</b>		
Restructuring at smart	40	
Expenses relating to staff reductions in the context of CORE	(47)	
Release of a provision after a favorable verdict in a case concerning the infringement of EU competition law		60
<b>Chrysler Group</b>		
Financial support for supplier Collins & Aikman	(10)	(57)
<b>Truck Group</b>		
Impairment American LaFrance		(63)
<b>Van, Bus, Other</b>		
Expenses relating to the new management model	(72)	
Sale of real estate not required for operating purposes	86	

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; the ability of the Chrysler Group to reduce dealer inventories with current incentive programs and respond to a shift in market demand for smaller, more fuel efficient vehicles; lower profit contributions by EADS due to delays in deliveries of the Airbus A380; 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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# DAIMLERCHRYSLER

Figures for the 3<sup>rd</sup> Quarter 2006/Nine Months Ended September 30, 2006

DaimlerChrysler Group values in €	Q3 2006	Q3 2005	Change 06:05	01-09 2006	01-09 2005	Change 06:05
Revenues, in millions	35,176	38,155	-8% <sup>1)</sup>	110,923	108,322	+2%
Operating Profit, in millions	892	1,838	-51%	3,640	4,137	-12%
Net Income, in millions	541	855	-37%	2,650	1,880	+41%
Per Share (EPS)	0.53	0.84	-37%	2.60	1.85	+41%
Employees (September 30)	365,451	388,014	-6%	365,451	388,014	-6%

Operating Profit (Loss) by Divisions in millions of €	Q3 2006	Q3 2005	Change 06:05	01-09 2006	01-09 2005	Change 06:05
Mercedes Car Group	991	436	+127%	1,120	(506)	-
Chrysler Group	(1,164)	310	-	(994)	1,106	-
Truck Group	556	354	+57%	1,533	1,462	+5%
Financial Services	445	408	+9%	1,315	1,121	+17%
Van, Bus, Other	315	379	-17%	897	890	+1%

Revenues by Divisions in millions of €	Q3 2006	Q3 2005	Change 06:05	01-09 2006	01-09 2005	Change 06:05
Mercedes Car Group	13,477	12,519	+8%	39,195	35,374	+11%
Chrysler Group	9,511	12,889	-26%	34,544	36,654	-6%
Truck Group	8,030	7,814	+3%	23,955	22,674	+6%
Financial Services	4,303	3,913	+10%	12,688	11,292	+12%
Van, Bus, Other	3,200	3,630	-12%	9,762	10,236	-5%

Unit Sales	Q3 2006	Q3 2005	Change 06:05	01-09 2006	01-09 2005	Change 06:05
DaimlerChrysler Group	1,010,800	1,177,900	-14%	3,454,400	3,601,200	-4%
Mercedes Car Group	307,500	310,900	-1%	914,400	865,900	+6%
Chrysler Group	504,400	663,400	-24%	1,961,500	2,142,300	-8%
Truck Group	141,900	138,900	+2%	399,800	402,500	-1%
Vans	58,800	64,200	-8%	184,100	188,100	-2%
Buses	8,600	9,200	-6%	26,800	26,100	+2%

1) A 5% decrease after adjusting for the effects of currency translations.