

## Investor Relations Release

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May 14, 2007

### **Cerberus takes over majority interest in Chrysler Group and related financial services business for €5.5 billion (\$7.4 billion) from DaimlerChrysler**

- **Affiliate of Cerberus to acquire 80.1% equity interest in new company Chrysler Holding LLC; DaimlerChrysler AG to retain 19.9%**
- **Obligations for pensions and healthcare costs to be retained by Chrysler companies**
- **Transaction expected to result in net cash outflow of €0.5 billion for DaimlerChrysler**
- **DaimlerChrysler's net profit according to IFRS in 2007 to be reduced in a range of €3-4 billion**
- **Equity ratio of DaimlerChrysler's industrial business is expected to be over 40% by the beginning of 2008**
- **Extraordinary Shareholders' Meeting to decide on change of name to Daimler AG**
- **DaimlerChrysler CEO Dieter Zetsche on the realignment of DaimlerChrysler AG: "We will be the leading manufacturer of premium vehicles and a provider of premium services in every market segment we serve worldwide."**
- **UAW President Ron Gettelfinger: "The transaction with Cerberus is in the best interests of our UAW members, the Chrysler Group and Daimler."**
- **Cerberus Capital Management Chairman John Snow: "Cerberus believes in the inherent strength of U.S. manufacturing and of the U.S. auto industry. Most importantly, we believe in Chrysler."**

Stuttgart - The Board of Management of DaimlerChrysler AG (stock-exchange abbreviation DCX) has today decided, subject to the approval of the Supervisory Board, on the future concept for the Chrysler Group and the realignment of DaimlerChrysler AG. Completion of the transaction is subject to the satisfaction of customary closing conditions, including the receipt of regulatory approvals and Cerberus financing arrangements.

Details will be explained at a press conference in Stuttgart today at 2 p.m.

## Structure of the transaction

- An affiliate of private equity firm Cerberus Capital Management, L.P., New York, will make a capital contribution of €5.5 billion (\$7.4 billion) in return for an 80.1% equity interest in the future new company, **Chrysler Holding LLC**. DaimlerChrysler will hold a 19.9% equity interest in the new company. Chrysler Holding LLC will hold 100% each of the future **Chrysler Corporation LLC**, which produces and sells Chrysler, Dodge and Jeep® vehicles, and the future **Chrysler Financial Services LLC**, which provides financial services for these vehicles in the NAFTA region.
- Of the total capital contribution of €5.5 billion, €3.7 billion will flow into the industrial business (Chrysler Corporation LLC) and €0.8 billion will flow into the financial services business in order to strengthen the **equity base** of both businesses. DaimlerChrysler will receive the balance of €1.0 billion. In addition, DaimlerChrysler will grant a loan of €0.3 billion to Chrysler Corporation LLC.
- According to the agreement, upon the closing of the transaction, DaimlerChrysler will transfer the industrial business of the Chrysler Group completely **free of debt**. Due to the Chrysler Group's anticipated negative cash flow until closing in connection with its restructuring plan, the transaction will give rise to a cash outflow of €1.2 billion for DaimlerChrysler. The overall net cash outflow resulting from the transaction will therefore be €0.5 billion. In addition, DaimlerChrysler will have to discharge long-term liabilities of the Chrysler Group in connection with the transaction. This will result in prepayment compensation of approximately €650 million, to be borne by DaimlerChrysler. The usual transaction costs will also be incurred.
- The Chrysler Group's financial obligations for **pension and healthcare benefits** towards its employees and the employees of the financial services business related to the Chrysler Group will be retained by the Chrysler companies. The pension plans are significantly over-funded at present.

## Effects on key figures

The transaction will have the following effects on **DaimlerChrysler AG**:

- In total, current estimates indicate that **net profit** according to IFRS in 2007 will be reduced by €3-4 billion.
- Due to the deconsolidation of the Chrysler companies and the resulting reduction in the balance-sheet total, the **equity ratio** of DaimlerChrysler's industrial business is expected to increase to more than 40% by the beginning of 2008.
- There will be no changes relating to the **bonds** issued and guaranteed by DaimlerChrysler AG. In the financial services business for the Chrysler, Jeep ® and Dodge brands, Cerberus will take over the financing previously provided by DaimlerChrysler AG.
- The 19.9% equity interest held by DaimlerChrysler AG in the new company Chrysler Holding LLC will be included after closing at equity in the **Van, Bus, Others** segment.
- The **closing** of the transaction is expected to take place in the third quarter of 2007.

Dr. Dieter Zetsche, Chairman of the Board of Management of DaimlerChrysler AG and Head of the Mercedes Car Group: "We're confident that we've found the solution that will create the greatest overall value – both for Daimler and Chrysler. With this transaction, we have created the right conditions for a new start for Chrysler and Daimler."

Ron Gettelfinger, President of the United Autoworkers (UAW): “The transaction with Cerberus is in the best interests of our UAW members, the Chrysler Group and Daimler. We are pleased that this decision has been made. Because our members and the management can now focus entirely on the development and manufacture of quality products for the future of the Chrysler Group.”

John W. Snow, Chairman of Cerberus Capital Management, L.P.: “We welcome Chrysler into the Cerberus family of companies and believe Cerberus will be a good home for Chrysler. Cerberus believes in the inherent strength of U.S. manufacturing and of the U.S. auto industry. Most importantly, we believe in Chrysler.”

Snow continued: “We would like to thank DaimlerChrysler for their good stewardship of this American icon over the last decade. We are aware that Chrysler faces significant challenges, but we are confident that they can and will be overcome. A private investment firm like Cerberus will provide management with the opportunity to focus on their long-term plans rather than the pressures of short-term earnings expectations.”

### **Business progress**

In nearly ten years as DaimlerChrysler, a lot has been done to move the businesses forward. The synergies possible between Mercedes-Benz and Chrysler have been fully utilized. Additional potential for collaboration is limited between two businesses operating in such different market segments. The strong volatility and pressure on margins in the Chrysler Group’s North American core market have an increasingly negative impact on DaimlerChrysler’s overall profitability and share-price development.

The Chrysler Group has made substantial progress in recent years. For example, production hours per vehicle have fallen from 48 hours in 2001 to just over 30 at present. Quality has improved by more than 40% over the past six years. Since 2002, more than €7.4 billion (\$10 billion) has been invested in new production facilities and technologies. And with 34 new models since 2001, Chrysler has one of the youngest product lines in the industry.

Zetsche: “As a result, Chrysler today is structurally more sound than its North American based competitors. And with Cerberus as a partner, Chrysler will have the best chances of utilizing its full potential.”

### **Ongoing collaboration**

Existing projects with the Mercedes Car Group will be continued, for example in the development of conventional and alternative drive systems, purchasing, and sales and financial services outside the NAFTA region. Furthermore, a Joint Automotive Council will be established in which representatives of both sides will assess and decide on the potential of new and current projects. The Council will be led by board-level members from each company.

Zetsche: “We very much look forward to our continued cooperation as business partners, as we want to continue to reap the mutual benefits of working together. That’s one of the reasons why we’re retaining a 19.9% equity position in Chrysler.”

### **New Daimler AG**

Due to the new corporate structure, the name of DaimlerChrysler AG is to be changed to Daimler AG. A decision on this is to be taken by the shareholders at an Extraordinary Shareholders’ Meeting probably in fall 2007.

The Board of Management of the new company will be reduced to six members. Tom LaSorda, Eric Ridenour and Tom Sidlik will leave the Board of Management with the Group's sincere thanks.

There will no longer be a separate board position for procurement in the new Daimler AG. In the future, all procurement activities will be directly coordinated between the divisions. Within the Board of Management, Bodo Uebber will additionally assume overall responsibility for procurement.

The leadership teams of the Mercedes Car Group, the Truck Group and Financial Services will remain unchanged, as will the teams in the vans and buses businesses.

Zetsche: "We've done our homework in our corporate functions and in all of our divisions. As a result of our strategic review, we have a well-defined roadmap to lead us into a good future."

The **Mercedes Car Group** will generate a return on sales of at least 7% this year, with higher rates to follow in the coming years.

The **Truck Group** will achieve an average return on sales of 7% over the cycle as of 2008. This represents a return on net assets of approximately 30%.

DaimlerChrysler is also a world leader and profitability benchmark for **buses**. And in the **vans** business, which is performing very well, the new Sprinter will continue the success story of its predecessor.

The **Financial Services** division aims to earn a return on equity of more than 14%.

## **Growth perspectives**

Zetsche: "We have a strong starting position. We have an above-average financial power. And our future prospects are promising." The Group has defined the following main areas for continued growth:

- Further expansion in the core business, which means in the traditional segments that are the most profitable and have the highest growth rates, as well as exploiting new market opportunities on a regional basis.
- Continued development of innovative, customer-oriented and tailor-made services and activities, pursuing opportunities both up and down the value chain.
- Strengthening leadership in sustainable, responsible and environmentally friendly technologies.

By focusing on these three areas, Daimler's full potential is to be exploited and enterprise value is to be increased further through profitable and sustainable growth. Daimler intends to do this on its own, while continuing to benefit from opportunities of scale with Chrysler.

Zetsche on Daimler's goals: "We will be the leading manufacturer of premium products and a provider of premium services in every market segment we serve worldwide. And we will pursue our commitment to excellence based on a common culture, a great heritage of innovation and pioneering achievements and – with Mercedes-Benz – the strongest automotive brand in the world."

## **Cerberus**

Cerberus Capital Management, L.P., New York, is one of the largest private investment firms in the world, with approximately \$23.5 billion under management in funds and accounts. Founded in 1992, Cerberus currently has significant investments in more than 50 companies that, in aggregate, generate more than \$60 billion in annual revenues worldwide.

For the reader's convenience, the financial information has been translated from euros into US dollars at an assumed rate of €1 = \$1.35. The convenience translation does not mean that the euro amounts actually represent the corresponding dollar amounts stated or that they could be converted into dollars at the assumed rate.

This document contains forward-looking statements that reflect our current views about future events, including, among others, the pendency and consummation of the transaction with Cerberus Capital Management, L.P. regarding Chrysler Group. 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; our ability to close the transaction with Cerberus Capital Management, L.P., regarding Chrysler Group; the ability of the Chrysler Group to implement successfully its Recovery and Transformation Plan; the business outlook for our Truck Group, which may experience a significant decline in demand as a result of accelerated purchases in 2006 made in advance of the effectiveness of new emission regulations; 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 effects 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 we describe 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.

If you have any questions, please contact our Investor Relations Team:

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