

# DAIMLERCHRYSLER

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## Press Information

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### **Significant increase in DaimlerChrysler's third-quarter operating profit to \$2.2 billion (+38%)**

- **Group revenues up 9% to \$46.0 billion**
- **Net income of \$910 million (Q3 2004: \$1,147 million)**
- **Earnings per share of \$0.89 (Q3 2004: \$1.13)**
- **Excluding charges related to realignment of the smart business model, Group operating profit for full year still expected to increase slightly compared with 2004 (\$7.0 billion)**

Stuttgart/Auburn Hills - DaimlerChrysler (stock-exchange abbreviation DCX) recorded an operating profit of \$2,216 million in the third quarter, compared with \$1,606 million in the same period of last year. All automotive divisions contributed to this positive development.

The Group posted third-quarter net income of \$910 million (Q3 2004: \$1,147 million). The increase in operating profit was partially offset by higher income-tax expenses and financial expenses. Last year's third quarter net income was positively influenced by a tax-free income from the sale of the interests in Hyundai Motor Company. Earnings per share amounted to \$0.89 compared with \$1.13 in the third quarter of 2004.

In the industrial business, DaimlerChrysler was able to maintain the very solid net liquidity position reached in the second quarter.

## **Strong increase in unit sales and revenues**

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Due primarily to the market success of new products from the Mercedes Car Group and the Chrysler Group and a significant increase in unit sales by the Commercial Vehicles Division, compared with last year's third quarter figures, DaimlerChrysler increased its worldwide unit sales by 9% to 1.2 million vehicles.

As a result of the higher unit sales, DaimlerChrysler's third-quarter revenues increased by 9% to \$46.0 billion.

At the end of this year's third quarter, DaimlerChrysler employed a workforce of 388,014 people worldwide (end of Q3 2004: 386,195).

## **Details of the divisions in the third quarter of 2005**

The **Mercedes Car Group's** third-quarter unit sales of 310,900 vehicles were 6% higher than in 2004. Revenues reached \$15.1 billion (+3%).

Operating profit surpassed the prior-year level at \$526 million (Q3 2004: \$367 million), continuing its positive earnings trend. The better profitability was due in particular to the new products and the efficiency-improving measures.

The positive effects on earnings from increased unit sales were partially offset by the unfavorable model mix due to the S-Class model changeover.

In the third quarter of this year, the Mercedes-Benz brand increased its unit sales by 10% to 282,100 vehicles. The new M-Class and B-Class were again very successful, selling 21,300 and 23,000 units,

respectively. Sales of the A-Class soared compared with the prior-year quarter (+125%), while the E-Class increased by 3%. Additional sales stimulus is also anticipated in the fourth quarter due to the launch of the new S-Class and the introduction of the R-Class in the United States. Page 3

The new S-Class, which sets a new benchmark with approximately a dozen pioneering innovations, made its world debut at the Frankfurt Motor Show in September. Feedback was exceptionally positive. Mercedes-Benz also presented the European version of the R-Class and the ML 63 AMG - the high-performance version of the new M-Class.

At the end of September, the Board of Management of DaimlerChrysler AG approved a package of measures to be taken to reduce personnel levels at the Mercedes Car Group in Germany by 8,500 jobs. The staff reductions are to be achieved by means of voluntary severance agreements over the next twelve months. These measures will help to achieve much-needed advances in productivity and competitiveness for the Mercedes Car Group. Most of the anticipated charges of approximately \$1,146 million are expected to be taken in the fourth quarter of 2005.

Unit sales by the smart brand totaled 28,800 vehicles in the third quarter (Q3 2004: 36,500). During the first nine months of the year, dealers' inventories were reduced significantly. Third-quarter retail sales amounted to 30,800 vehicles (Q3 2004: 36,000).

The implementation of the measures for the realignment of the smart business model, initiated on April 1, 2005, is making progress. In 2005, smart has already reduced fixed costs by a quarter. In addition, the functions of procurement and supply as well as design and some IT functions have been integrated into the Mercedes-Benz organization.

The **Chrysler Group**'s worldwide third-quarter retail sales increased by 13% to 736,200 vehicles. The increase was due to the market success of new products as well as the attractive sales program for employees extended to all customers in the United States and Canada. Global unit sales (factory shipments) were 12% above the prior-year quarter, totaling 663,400 vehicles.

Revenues rose by 12% to €12.9 billion; when measured in US-Dollar the increase was also 12%.

As a result of increased shipments, the Chrysler Group continued its positive earnings development by posting an operating profit of \$374 million in a difficult market environment (Q3 2004: \$262 million). The positive effects were partially offset by a slight negative net pricing.

At the Frankfurt Motor Show, the Chrysler Group presented the Dodge Caliber and the Dodge Nitro, two new models that will be launched in the US and Europe in 2006. Two concept vehicles were introduced: the Jeep® Compass and the Jeep® Patriot.

In September 2005, the Chrysler Group announced its intention to license production in China of the Chrysler 300C sedan as well as a minivan to be sold in the Chinese and Taiwanese markets from the end of 2006. An investment of \$362 million is planned for this project.

Also in September, the division and the National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW) agreed on a three-year contract covering approximately 11,400 employees in Canada. The new agreement provides for moderate wage, pension and benefit increases for employees and allows management more flexibility in staff deployment, which the Chrysler Group believes will allow for improved productivity in its plants.

The **Commercial Vehicles** Division once again increased unit sales in the third quarter with sales of 210,400 vehicles surpassing the high level of Q3 2004 by 9%. Revenues also continued their rise to \$12.8 billion (+15%).

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The division continued the positive trend of this year and increased its third-quarter operating profit from \$192 million to \$600 million. The result for Q3 2004 was impacted by expenses related to the quality measures and recall campaigns at Mitsubishi Fuso Truck and Bus Corporation (MFTBC).

The positive development of the truck business also continued in the third quarter of 2005. Unit sales by the Trucks Europe/Latin America business unit (Mercedes-Benz) of 37,000 trucks were slightly higher than in the same quarter last year (+3%). Unit sales by the Trucks NAFTA business unit (Freightliner, Sterling, Thomas Built Buses, Western Star) increased by 22% to 48,300 vehicles, primarily as a result of strong demand for Class 8 heavy-duty trucks. MFTBC increased its unit sales by 6% to 46,000 trucks and 2,200 buses. Sales of 64,200 vehicles by the Vans business unit were 7% higher than in Q3 2004. The DaimlerChrysler Buses business unit sold 9,200 vehicles and chassis, 9% more than in last year's third quarter.

In September, the Commercial Vehicles Division presented the second generation Mercedes-Benz Travego coach, the Mercedes-Benz urban and regional bus, the Citaro Low Entry, and the new Setra regional bus MultiClass 400.

The **Financial Services** division posted an operating profit of \$492 million, compared with \$497 million in the prior-year quarter. The stable earnings situation in the third quarter was primarily due to the continuing positive development of risk costs partially offset by a higher

level of interest rates, especially in the United States, and lower charges from the involvement in Toll Collect (\$18.1 million; Q3 2004: \$143.5 million).

Contract volume increased by 8% to \$136.7 billion; after adjusting for exchange-rate effects the increase amounted to 5%. At the end of the quarter under review, the worldwide portfolio comprised a total of 6.4 million vehicles. New business decreased from \$17.7 billion to \$14.2 billion.

In the 'Americas' region, the division increased its contract volume by 8% to \$99.7 billion. Adjusted for exchange-rate effects the growth amounted to 4%. Contract volume of \$37.0 billion in the region of Europe, Africa, Asia/Pacific exceeded the high level of last year's third quarter. In China, Financial Services received official approval to establish a financing company. In Germany, DaimlerChrysler Bank's attractive products enabled it to further increase the proportion of Group vehicles sold that are leased or financed by the Group. Contract volume grew by 6% to \$17.8 billion. DaimlerChrysler Bank provided services to 973,000 customers, 7% more than a year earlier.

The toll-collection system for trucks on German autobahns operates smoothly.

**Other Activities** achieved a third-quarter operating profit of \$292 million, compared with \$311 million in 2004. The prior-year result included exceptional income from the agreement reached with Bombardier to settle all disputes relating to the sale of DaimlerChrysler Rail Systems GmbH (Adtranz). The **European Aeronautic Defence and Space Company (EADS)** made an increased contribution to the Group's operating profit in the past quarter, due in part to higher deliveries of Airbus aircraft. EADS will publish its third-quarter figures on November

9, 2005.

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The **DaimlerChrysler Off-Highway** business unit posted third-quarter revenues of \$620 million, exceeding the last year's result by 17%. Incoming orders of \$714 million were also significantly higher than in Q3 2004 (\$523 million).

In September, DaimlerChrysler reached an agreement with the minority shareholders of MTU Friedrichshafen to acquire their 11.65% interest in that company, thus increasing DaimlerChrysler's ownership of MTU Friedrichshafen to 100%. In mid-October, the bidding process opened for the intended sale of MTU Friedrichshafen.

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

DaimlerChrysler assumes that dynamic growth in demand for passenger cars will continue in the emerging markets, while only slight growth is expected for the markets of North America, Western Europe and Japan. Global demand for commercial vehicles is expected to further increase in the fourth quarter. Prospects are still generally positive in the United States, while demand may weaken slightly in Western Europe. The Group expects a slight increase in demand for commercial vehicles in Japan, while emerging markets should continue their dynamic development. In view of further reductions in model lifecycles and continuing over-capacity, DaimlerChrysler does not expect any alleviation of the intensely competitive pressure in the automobile industry.

Compared with 2004, DaimlerChrysler still expects a slight increase in unit sales for full-year 2005.

The **Mercedes Car Group** is confident that the positive unit-sales trend will continue in the fourth quarter. Stimulus is expected from the M-Class and the B-Class as well as from the new S-Class, which was launched in Europe in September. The division assumes that unit sales for the full year will be of the same magnitude as in 2004, while retail sales are expected to rise.

The **Chrysler Group** anticipates a continuation of the tough competition in the North American market during the fourth quarter. Due to the continued success of its attractive products, the division expects full-year unit sales to surpass last year's figure.

The **Commercial Vehicles Division** assumes that unit sales will remain stable in the fourth quarter. Due particularly to the strong demand for trucks, unit sales are expected to increase substantially in full-year 2005.

The **Financial Services** division anticipates moderate growth in contract volume in 2005.

**EADS** expects the recovery of the market for civil aircraft to continue in the fourth quarter. Incoming orders in the full year should significantly exceed last year's figure. EADS plans to deliver more than 360 Airbus aircraft in 2005 (2004: 320).

The **DaimlerChrysler Group** anticipates a significant increase in revenues in 2005.

Compared with the end of 2004, the Group's workforce is expected to grow slightly, although the headcount at the Mercedes Car Group should decrease slightly by the end of this year. Year-end employment levels at the Commercial Vehicles Division should be higher than at the

end of last year.

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Earnings in full-year 2005 will be impacted above all by the less favorable dollar-euro exchange rate and hedging rates than in the prior year, as well as by increases in raw-material prices. An additional factor is that over the next twelve months, DaimlerChrysler expects to incur costs of \$1,146 million in connection with workforce adjustments at the Mercedes Car Group. Most of this expense is expected to be recorded in the fourth quarter of 2005.

DaimlerChrysler assumes that the expenditure for headcount reductions will be offset by income from special items and improvements in the ongoing business. Therefore, the earnings guidance for full-year 2005 remains unchanged: The Group continues to expect a slight increase in operating profit compared with the prior year (\$7 billion), excluding charges related to the realignment of the smart business model.

For the reader's convenience, the financial information has been translated from euros into U.S. dollars at an assumed rate of €1 = \$1.2058 (noon buying rate on September 30, 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,“ „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 successful implementation of the CORE program by the Mercedes Car Group and the new business model for smart; supply interruptions of production materials, 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.

Further information from DaimlerChrysler is available on the internet at: Page 10  
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