

## **Daimler posts Group EBIT of €1.9 billion in third quarter of 2007**

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- **Net loss of €1,533 million (Q3 2006: net profit of €868 million), thereof minus €2.6 billion from the Chrysler transaction**
- **Revenues up by 6% to €25.7 billion**
- **EBIT of at least €8.5 billion anticipated for full-year 2007 (FY 2006: €5.0 billion)**

Stuttgart - The new Daimler AG (stock exchange abbreviation DAI) today presented its interim report on the third quarter of 2007.

Daimler achieved EBIT of €1,891 million in the third quarter of this year (Q3 2006: €1,823 million). There was a positive impact from the significantly higher EBIT from the Mercedes-Benz Cars division, which profited from a favorable development of unit sales as well as from ongoing efficiency improvements.

Daimler Trucks division's earnings were below the high level of the prior-year quarter as a result of the expected decrease in unit sales in the NAFTA region and in Japan. The EBIT of Daimler Financial Services was significantly lower than in Q3 2006, primarily due to expenses for the set-up of a separated financial services organization in the NAFTA region following the separation of Chrysler Financial.

The Vans, Buses, Other segment posted a lower EBIT in the third quarter as a result of a lower earnings contribution from EADS. The units Mercedes-Benz Vans and Daimler Buses benefited from the favorable unit sales development and both achieved higher earnings. In addition, the result of the prior-year quarter included a gain of €86

million in connection with the sale of real-estate properties not required for operating purposes. Page 2

Within the context of the efficiency-improving programs, measures were defined to further improve the utilization of the Group's production facilities. As a result, effective since January 1, 2007, the depreciation of property, plant and equipment was adjusted to the longer useful lives. In the third quarter of 2007, this led to a positive effect on Group EBIT in an amount of €230 million. Of that total, €159 million is attributable to Mercedes-Benz Cars, €34 million to Daimler Trucks and €37 million to Vans, Buses, Other.

The reconciliation to Group EBIT includes corporate expenses of €329 million (Q3 2006: €127 million) and eliminations of Group internal transactions (Q3 2007: income of 3 million; Q3 2006: expense of €27 million). The increase in corporate expenses is particularly the result of expenses in connection with legal proceedings that are not attributable to the divisions.

Third quarter net loss of €1,533 million (Q3 2006: net profit of €868 million); equivalent to earnings per share were minus €1.47 (Q3 2006: €0.82). There was also a net loss from continuing operations of €1,003 million (Q3 2006: net profit of €1,105 million). The decrease in net profit is mainly caused by valuation allowances of €2,216 million recorded on deferred tax assets, recognized because the Chrysler transaction has changed the conditions to use these deferred tax assets. Earnings per share from continuing operations were minus €0.97 (Q3 2006: €1.05).

All the transaction-related issues in Q3 amounted to €2.6 billion, including the valuation allowances. Excluding this impact, net profit would have been positive at €1.1 billion and thus 21% higher than last year.

## **Discontinued operations**

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Net loss from discontinued operations includes the operating results of the Chrysler Group and the related financial services business in North America as well as the net interest result and income taxes related to these activities until August 3, 2007, and amounted to €530 million (Q3 2006: net loss of €237 million). Therein included in the third quarter of 2007 is a loss from the deconsolidation of the Chrysler activities of €750 million.

The entire transaction for the transfer of a majority interest in Chrysler had reduced net profit by €2.2 billion by the end of the third quarter. Following a positive effect of €0.4 billion in the second quarter, the loss of €2.6 billion in the third quarter was actually lower than previously announced (approximately €3 billion). This amount includes the above mentioned €2.2 billion related to the valuation allowance of deferred tax assets. In total, Daimler continues to assume that including the effects in the coming quarters, the overall net loss will amount to €2.5 billion.

## **Unit sales and revenues**

The development of the Daimler Group was generally positive in the third quarter, with unit sales rising by 4% to 537,000 vehicles.

As a result of the higher unit sales, revenues increased by 6% to €25.7 billion. Adjusted for exchange-rate effects, revenues increased by 9%.

At the end of the third quarter of 2007, 271,961 people were employed by Daimler worldwide (end of Q3 2006: 277,478). Of this total, 166,971 were employed in Germany and 24,324 were employed

in the United States (end of Q3 2006: 168,944 and 27,760 respectively). The size of the workforce decreased compared with September 30, 2006, mainly due to the implementation of the new management model. Page 4

### **The divisions in detail**

Unit sales of **Mercedes-Benz Cars** division increased by 10% to 337,300 vehicles. The Mercedes-Benz brand increased its unit sales by 9% to 308,000 vehicles, thus achieving a new record for the third quarter. And the smart brand sold 26,900 cars, also 9% more than in the prior-year quarter despite its focus on one model series; unit sales of the smart fortwo increased by 77%. The division's revenues grew by 12% to €14.1 billion.

The division Mercedes-Benz Cars improved its third-quarter EBIT from €850 million to €1,331 million. The significant improvement in the division's earnings was primarily due to the positive development of unit sales, especially of the C-Class, the S-Class and the M-/R-/GL- and G-Class. In addition, continued efficiency improvements within the context of the CORE program had a positive impact on earnings. However, third-quarter EBIT was reduced by currency translation effects.

At the Frankfurt Motor Show in September, Mercedes-Benz Cars presented 19 particularly fuel-efficient and low-emission premium vehicles that will be launched within the next three years. The new models include hybrid vehicles, BLUETEC models (the cleanest diesel cars in the world) and the F700 research vehicle with the DIESOTTO engine (an engine which combines the advantages of the diesel and the gasoline engine). The division also unveiled the new station-wagon version of the C-Class, for which orders have been taken all over Europe since September.

Also in September, Mercedes-Benz Cars successfully completed its CORE program. CORE has resulted in annual savings and earnings improvements of €7.1 billion compared to the year 2004. The structural and process-oriented changes realized through CORE will now be transferred into the line organization and will also contribute towards achieving the new return-on-sales target in the coming years. Page 5

The **Daimler Trucks** division sold 117,700 vehicles worldwide in the third quarter of this year (Q3 2006: 136,100). The figure reported for unit sales in Q3 2006 included an additional 5,854 Sprinter vans produced by Trucks NAFTA. The decrease in unit sales was primarily a result of low demand caused by stricter emission regulations in the United States, Canada and Japan, as well as a general market downturn in the United States. Revenues therefore decreased from €8.0 billion to €7.0 billion.

The division posted EBIT of €480 million (Q3 2006: €565 million). The decrease in earnings was mainly caused by the expected lower unit sales in the NAFTA region and in Japan as well as a cyclical lower demand in the United States. On the other hand, there was a positive effect from the ongoing favorable development of unit sales in Europe and Latin America. Furthermore, additional efficiency improvements were realized within the context of the Global Excellence program.

Unit sales by Trucks Europe/Latin America increased by 12% to 42,100 vehicles. Trucks NAFTA sold 24,000 vehicles of the Freightliner, Sterling, Western Star and Thomas Built Buses brands in the third quarter. As expected, this was significantly fewer than in Q3 2006 (49,500 units). Trucks Asia increased unit sales in the third quarter by 5% to 51,600 vehicles of the Mitsubishi Fuso brand, due to higher exports.

Mercedes-Benz has already sold more than 90,000 BLUETEC trucks since the introduction of BLUETEC technology at the beginning of 2005. Most of these trucks already fulfill the Euro 5 emission standard, which comes into force in October 2009. Mercedes-Benz was the first manufacturer to introduce this innovative diesel technology in a series model. In view of the great market success of BLUETEC 5 technology in the Actros heavy-duty truck, this technology will now also be supplied with the Atego, which encompasses light-duty and medium-duty trucks as well as semi-trailer tractors. Page 6

In order to satisfy sustained strong demand in Europe, Daimler Trucks has decided to expand its manufacturing facilities in Germany. Production capacities are now being expanded at the sites in Wörth, Mannheim, Gaggenau and Kassel.

The business development of **Daimler Financial Services** in the third quarter was impacted by the separation from the operations of the Chrysler financial services business in North America, which had become necessary due to the transfer of a majority interest in Chrysler.

EBIT of €87 million reported by the Daimler Financial Services division was significantly below the prior year level (Q3 2006: €221 million). As a result of the transfer of a majority interest in the Chrysler activities, expenses for the set-up of a separated financial services organization in the NAFTA region are included in the division's EBIT.

Worldwide contract volume rose by 3% to €57.6 billion; adjusted for exchange-rate effects, the increase was 8%. New business of €6.4 billion was 6% lower than in the third quarter of the prior year; adjusted for exchange-rate effects, the decrease amounted to 4%.

Contract volume in the region Europe, Africa & Asia/Pacific increased by 5% to €33.4 billion. In Germany, the most important market in this region, DaimlerChrysler Bank increased its contract volume by 4% to €16.2 billion. In the Americas region, contract volume amounted to €20.3 billion (Q3 2006: €19.8 billion). Adjusted for exchange-rate effects, the portfolio expanded by 13%. Page 7

The separation from Chrysler Financial in the NAFTA region is developing according to plan. The legal separation of Truck Financial and Mercedes-Benz Financial from Chrysler's financial services business has now been completed.

The **Vans, Buses, Other** segment's third-quarter EBIT amounted to €319 million (Q3 2006: €341 million). The units Mercedes-Benz Vans and Daimler Buses benefited from the favorable unit sales development and both achieved higher earnings. The earnings contribution from EADS amounted to €13 million in the period under review (Q3 2006: €160 million). This decline was a result of higher costs at EADS for the program start of the Airbus A350XWB as well as a lower profit contribution due to the reduction in Daimler's interest in EADS. The prior-year result was moreover positively impacted by a gain of €86 million on the sale of real-estate properties not required for operating purposes.

The **Mercedes-Benz Vans** unit continued its very positive business development in the third quarter and achieved a strong 23% increase in unit sales to a record level in the third quarter of 72,600 vehicles.

The **Daimler Buses** unit sold 9,400 buses and chassis in the third quarter, surpassing the figure for the prior-year quarter by 9%.

Following the transfer of a majority interest in **Chrysler**, Daimler now holds a 19.9% equity interest in Chrysler Holding LLC. That holding company's subsidiary, Chrysler LLC, sold 615,500 vehicles in the third quarter of this year (-3%).

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## **Outlook**

In full-year 2007, Daimler expects global demand for passenger cars and commercial vehicles to grow by around 3% (2006: 4%). This expansion is mainly the result of very positive market developments in the emerging markets of China, India, Russia and Brazil, where double-digit growth rates are likely. Both the Japanese car market and the North American market for cars and light trucks will probably be smaller than in the prior year. The market volume for passenger cars in Western Europe is expected to be similar to the prior-year level. In the area of trucks, the company anticipates a sharp drop in demand in full-year 2007 in both North America and Japan. But Daimler assumes a slightly positive development in demand for trucks in Western Europe in view of the generally healthy economic situation in that region.

For full-year 2007, Daimler anticipates **total unit sales** in a similar magnitude to the prior year (2006: 2.1 million vehicles). Lower unit sales of trucks should be offset by higher unit sales at Mercedes-Benz Cars and at the Vans and Buses units.

**Mercedes-Benz Cars** assumes that its unit sales in the year 2007 will exceed the record level of the prior year. Total unit sales will be boosted by the high-volume models launched in the spring of 2007: the new C-Class sedan and the new smart fortwo. The earnings trend will be positively impacted by the structural and process-oriented changes made in the context of the CORE program. For full-year 2007, Mercedes-Benz Cars anticipates a return on sales of significantly more



than 8%. Despite increased expenditure for more efficient and alternative drive systems, the division aims to increase its return on sales to 10% by the year 2010 at the latest. Page 9

**Daimler Trucks** anticipates lower unit sales in 2007 than in the prior year. This is primarily due to a sharp drop in demand caused by stricter emission regulations in the United States, Canada and Japan. However, there are positive effects from rising unit sales in Europe and Latin America. Due to the implementation of the Global Excellence program, earnings are expected to be of the same magnitude as in the prior year despite lower demand in some key markets.

For full-year 2007, **Daimler Financial Services** expects a slight increase in total contract volume. Expenses for the separation from the financial services business in the NAFTA region will have a negative impact on earnings. Daimler Financial Services, however, assumes that it will again achieve a return on equity of more than 14% this year.

As a result of strong demand for the Sprinter and the very positive development of the Vito/Viano models, Daimler continues to expect **Mercedes-Benz Vans** to increase its unit sales compared to the year 2006. **Daimler Buses'** unit sales are likely to surpass the high prior-year level due to the very positive development of business in Latin America.

For the **Group** as a whole, Daimler continues to anticipate total revenues of the same magnitude as in 2006 (€99 billion).

Daimler expects the Group in its new structure to achieve EBIT of at least €8.5 billion in 2007 (2006: €5.0 billion). Significant special items affecting earnings in 2007 are the gain of €1.4 billion realized on the

transfer of interest in EADS and charges of €0.3 billion resulting from the implementation of the new management model. Page 10

The **special items** shown in the following table affected EBIT in the third quarters of 2007 and 2006:

<b>Special items affecting EBIT</b>		
Amounts in millions of €	<b>Q3 2007</b>	<b>Q3 2006</b>
<b>Mercedes-Benz Cars</b>		
Discontinuation of the smart forfour	-	40
Headcount reductions in the context of CORE	-	(47)
<b>Vans, Buses, Other</b>		
Income relating to the transfer of interest in EADS	37	4
Disposal of real-estate properties	-	86
<b>Reconciliation / elimination</b>		
New management model	(67)	(47)

This document contains forward-looking statements that reflect our current views about future events. 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 in important economic regions, especially in Europe or North America; changes in currency exchange rates and interest rates; the introduction of competing products and the possible lack of acceptance of our products or services which may limit our ability to raise prices; price increases in fuel, raw materials, and precious metals; disruption of production due to shortages of materials, labor strikes, or supplier insolvencies; a decline in resale prices of used vehicles; the business outlook for Daimler Trucks, which may be affected as a result of a longer than originally expected sustained weakness in demand of the US and Japanese commercial vehicle markets; the effective implementation of cost reduction and efficiency optimization programs; the business outlook of Chrysler, in which we hold an equity interest, including its ability to successfully implement its Recovery and Transformation Plan; the business outlook of EADS, in which we hold an equity interest, including the financial effects of delays in and potentially lower volumes 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.

Further information on Daimler is available on the internet:

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[www.daimler.com/investors](http://www.daimler.com/investors)

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## Figures for the 3rd Quarter and the first nine months 2007 and 2006

<b>Daimler Group, continuing operations</b> values in €	<b>Q3 2007</b>	<b>Q3 2006</b>	<b>Change 07/06</b>	<b>Q1-3 2007</b>	<b>Q1-3 2006</b>	<b>Change 07/06</b>
Revenues, in millions	25,681	24,234	6% <sup>1)</sup>	72,895	72,198	1% <sup>2)</sup>
EBIT, in millions	1,891	1,823	+ 4 %	7,317	4,442	+ 65 %
Net profit (loss) in millions	(1,533)	868	-	2,288	3,795	- 40 %
Net profit (loss) from continuing operations, in millions	(1,003)	1,105	-	3,155	3,111	+ 1 %
Earnings per share (EPS)	(1.47)	0.82	-	2.13	3.66	- 42 %
Employees (September 30)	271,961	277,478	- 2 %	271,961	277,478	- 2 %

<b>EBIT by Divisions</b> in millions of €	<b>Q3 2007</b>	<b>Q3 2006</b>	<b>Change 07/06</b>	<b>Q1-3 2007</b>	<b>Q1-3 2006</b>	<b>Change 07/06</b>
Mercedes-Benz Cars	1,331	850	+ 57 %	3,327	805	+ 313 %
Daimler Trucks	480	565	- 15 %	1,609	1,572	+ 2 %
Daimler Financial Services	87	221	- 61 %	521	660	- 21 %
Vans, Buses, Other	319	341	- 6 %	2,448	1,828	+ 34 %

<b>Revenues by Divisions</b> in millions of €	<b>Q3 2007</b>	<b>Q3 2006</b>	<b>Change 07/06</b>	<b>Q1-3 2007</b>	<b>Q1-3 2006</b>	<b>Change 07/06</b>
Mercedes-Benz Cars	14,077	12,581	+ 12 %	38,705	37,015	+ 5 %
Daimler Trucks	7,007	7,959	- 12 %	21,227	23,828	- 11 %
Daimler Financial Services	2,213	1,990	+ 11 %	6,460	6,017	+ 7 %
Vans, Buses, Other	3,557	3,127	+ 14 %	9,815	9,553	+ 3 %

<b>Unit Sales</b>	<b>Q3 2007</b>	<b>Q3 2006</b>	<b>Change 07/06</b>	<b>Q1-3 2007</b>	<b>Q1-3 2006</b>	<b>Change 07/06</b>
Daimler Group	536,973	514,257	+ 4 %	1,513,620	1,516,344	-0%
Mercedes-Benz Cars	337,348 <sup>3)</sup>	307,483	+ 10 %	928,557 <sup>4)</sup>	914,442	+ 2 %
Daimler Trucks	117,675	136,051 <sup>5)</sup>	- 14 %	348,947	381,834 <sup>6)</sup>	- 9 %
Mercedes-Benz Vans	72,576	58,812	+ 23 %	208,102	184,110	+ 13 %
Daimler Buses	9,374	8,620	+ 9 %	28,014	26,755	+ 5 %

1) Adjusted for the effects of currency translation, increase in revenues of 9%.

2) Adjusted for the effects of currency translation, increase in revenues of 4%.

3) Including 2,420 Mitsubishi L200 pickups and Pajeros made in South Africa; these vehicles were reported in the Vans, Buses, Other segment in the prior year.

4) Including 7,636 Mitsubishi L200 pickups and Pajeros made in South Africa; these vehicles were reported in the Vans, Buses, Other segment in the prior year.

5) The figure reported for unit sales in Q3 2006 included an additional 5,854 Sprinter vans produced by Trucks NAFTA.

6) The figure reported for unit sales in the first nine months of 2006 included an additional 17,974 Sprinter vans produced by Trucks NAFTA.