

Investor Relations Release

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DaimlerChrysler increases EBIT to €2,041 million in Q1 2007

- **Net profit of €1,972 million (Q1 2006: 781 million)**
- **Earnings per share of €1.89 (Q1 2006: €0.77)**
- **Group revenues of €35.4 billion (Q1 2006: €37.4 billion)**
- **EBIT of €7 billion expected for full-year 2007
(2006: €5.5 billion) before impact on realignment of DaimlerChrysler AG**

Stuttgart - DaimlerChrysler (stock-exchange abbreviation DCX) today presents its interim report on the first quarter of 2007 for the first time in accordance with International Financial Reporting Standards (IFRS). The pre-tax performance measure operating profit, which was previously used to report the profitability of the Group and its divisions, has now been replaced by EBIT (earnings before interest and taxes) as shown in the income statement. The measure of after-tax earnings is now net profit instead of the previous net income.

Within the context of the changeover, the internal financial management and the external reporting were converged even more closely. Items previously accounted for in the Van, Bus, Other segment or under eliminations have been allocated to the relevant divisions. This mainly applies to central research activities and the sale of new vehicles which are leased out by companies of the Group. This leads to earnings effects within the divisions that were previously shown at the Group level.

DaimlerChrysler increased its EBIT to €2,041 million in the first quarter of this year (Q1 2006: €1,181 million). Earnings were reduced particularly by restructuring expenses related to the implementation of the Chrysler Group's Recovery and Transformation Plan (€914 million). There were additional charges from the financial support provided to troubled suppliers (€120 million) and the implementation of the new management model (€54 million). Income of €1,563 million, however, was realized in connection with DaimlerChrysler's equity interest in EADS, partially offset by expenses of €114 million from the Power8 restructuring program at EADS.

In the prior-year quarter, the discontinuation of the smart forfour and headcount reductions at the Mercedes Car Group caused expenses of €1,185 million. There were opposing effects from the disposed off-highway business (€238 million) and from reductions in healthcare benefits at the Chrysler Group (€390 million).

Improved operating results at the Mercedes Car Group and the Truck Group largely offset the decline in earnings at the Chrysler Group.

Within the context of the efficiency-improving programs, measures were defined to further improve the utilization of production facilities. As a result, depreciation of property, plant and equipment has been adjusted to the extended useful lives. In the first quarter of 2007, this led to a positive impact on Group EBIT in an amount of €213 million; thereof €151 million is considered at the Mercedes Car Group, €24 million at the Truck Group and €38 million at Van, Bus, Other.

Net profit amounted to €1,972 million (Q1 2006: €781 million); earnings per share amounted to €1.89 (Q1 2006: €0.77).

Unit sales below prior-year levels

In the first quarter of 2007, DaimlerChrysler sold 1.1 million vehicles worldwide, not equaling the level of the prior-year quarter (-5%).

DaimlerChrysler's total first-quarter revenues decreased from €37.4 billion to €35.4 billion (-6%); adjusted for exchange-rate effects and changes in the consolidated Group, revenues were at the same level as in 2006.

At the end of the first quarter of 2007, DaimlerChrysler employed a workforce of 356,749 people worldwide (end of Q1 2006: 368,853). Of this total, 165,779 were employed in Germany and 91,170 were employed in the United States (end of Q1 2006: 171,176 and 96,531 respectively).

Details of the divisions in the first quarter of 2007

The **Mercedes Car Group** sold 271,100 vehicles in the first quarter of 2007 (Q1 2006: 281,500). Sales of 257,800 Mercedes-Benz passenger cars exceeded the high figure for the first quarter of 2006 by 1%, despite the model change of the C-Class. As expected, unit sales by the smart brand decreased to 10,800 units due to the discontinuation of the smart forfour and the model change of the smart fortwo at the end of March (Q1 2006: 26,200). The division's revenues increased by 1% to €12.1 billion.

The Mercedes Car Group achieved first-quarter EBIT of €792 million compared with a loss of €735 million in Q1 2006.

The prior-year result had been substantially impacted by charges relating to the discontinuation of the smart forfour (€982 million) and expenses for headcount reductions in the context of the CORE program (€203 million). In the first three months of 2007, financial support for troubled suppliers led to charges of €82 million.

Even without the effects of these special items, the Mercedes Car Group still increased its operating results significantly. This was partially due to an improved model mix, resulting from increased unit sales of the S-Class, E-Class and the M-/R-/GL-/G-Class. In addition, the cost efficiency of the Mercedes Car Group was further improved by the implementation of the CORE program. Currency effects had a negative impact on earnings in the first quarter of 2007.

In January, Mercedes-Benz celebrated its 100th anniversary of the all-wheel-drive technology at the North American International Auto Show (NAIAS) in Detroit and presented a concept study vehicle – the Ocean Drive – as well as the Vision GL 420 BLUETEC. BLUETEC technology makes this vehicle the cleanest diesel in the world. In March, the new C-Class was presented to the public for the first time at the Geneva Motor Show. 80,000 orders had already been received for this car by the time

of its market launch at the end of March. The new C-Class station wagon will be presented in fall. The Vision C 220 BLUETEC was also unveiled in Geneva, pointing the way to the future of emission technology. The new smart fortwo also received a very positive response from customers and the media. 50,000 customer orders had been received for the smart fortwo by the end of March.

The CORE efficiency-improvement program is continuing according to plan. In the first quarter of 2007, several thousand changes were made along the entire value chain with the goal of further enhancing the profitability and competitiveness of the Mercedes Car Group. The main focus in the coming months is on implementing actions that have already been defined in order to achieve the division's goals at the year 2007.

The **Chrysler Group** posted worldwide unit sales (factory shipments) of 642,200 vehicles in the first quarter of 2007, 8% lower than in the first quarter of the prior year. Overall retail and fleet sales fell by 2% to 673,500 vehicles. As a result of lower unit sales, revenues of €10.2 billion were 18% lower than in Q1 2006; measured in US dollars, revenues decreased by 11%.

The Chrysler Group posted an EBIT of minus €1,485 million in the first quarter of 2007, compared with EBIT of €641 million in the prior-year.

The result for the first quarter of 2007 includes restructuring charges of €914 million incurred in connection with the Chrysler Group's Recovery and Transformation Plan. The result for the first quarter of 2006 included a gain of €390 million related to changes to the healthcare programs offered to active and retired employees.

The decline in the first quarter of 2007 result also reflects a decrease in factory unit sales in the United States and an unfavorable product and market mix. However, as a result, the Chrysler Group further reduced its dealer inventories to approximately 500,500 vehicles at the end of the quarter. Additional charges resulted from negative net pricing developments and financial support provided to suppliers. These negative factors were partially offset by an increase in unit sales outside the United States.

The Chrysler Group continued its product offensive in the quarter under review with the market launch of the Dodge Avenger mid-size sedan and the continued deliveries of the Jeep® Patriot compact SUV. In January, the Chrysler Group revealed the all-new 2008 Chrysler Town & Country and Dodge Grand Caravan minivans at the North American International Auto Show in Detroit. These vehicles are to be launched in the fall of 2007.

The **Truck Group** sold 119,200 vehicles worldwide in the first quarter, similar to the high level of Q1 2006 (119,300); adjusted for the Sprinter vans still produced by Trucks NAFTA last year, unit sales increased by 5%. Revenues of €7.3 billion were of the same magnitude as in the prior-year quarter.

The Truck Group reported EBIT of €528 million in the first quarter (Q1 2006: €422 million). The earnings increase is primarily due to efficiency improvements related to the Global Excellence program. Higher truck sales in Europe and Latin America also contributed to the positive earnings trend. On the other hand, currency effects slightly reduced earnings in the first three months of 2007. In the NAFTA region, the Truck Group continued to profit from the high order backlog carried over from the prior year.

Unit sales by Trucks Europe/Latin America of 33,600 Mercedes-Benz brand trucks were significantly higher than in the prior-year quarter (+12%). The Trucks NAFTA unit sold 46,200 vehicles of the Freightliner, Sterling, Western Star and Thomas Built Buses brands in the first quarter (Q1 2006: 50,700). Trucks Asia increased its unit sales to 39,600 vehicles of the Mitsubishi Fuso brand (+2%).

At the National Truck Equipment Association (NTEA) Work Truck Show in Indianapolis in March, the new Sterling Bullet pickup was unveiled, a light truck for US Classes 4 and 5. The new generation of the light Mitsubishi Fuso Canter was launched in Taiwan and Indonesia in the quarter under review.

At the beginning of the year, the Series 60 engines from Detroit Diesel and the MBE 900 and MBE 4000 from Mercedes-Benz were certified by the US Environmental Protection Agency (EPA) and are thus approved for general sale. These engines, which fulfil EPA07, reduce particulate emissions by 95% compared with conventional engines, while nitrogen-oxide emissions are halved.

In January, DaimlerChrysler and Chinese truck manufacturer Foton signed an agreement by which DaimlerChrysler acquires a 24% equity interest in Foton. The relevant approval from the Chinese Economics Ministry is expected to be granted in the course of this year.

The **Financial Services** division reported stable business developments in the first quarter of this year. The division's EBIT decreased by €36 million compared with the prior-year quarter to €419 million.

The reduction in earnings is partially due to currency effects, caused especially by the weaker US dollar. Another factor is that risk costs were higher than the exceptionally low level of the prior-year quarter. However, this was almost offset by an increased profit contribution of the overall portfolio, which, adjusted for currency translation effects, expanded slightly, and by efficiency improvements.

The division's worldwide contract volume decreased by €5.2 billion to €112.5 billion; adjusted for exchange-rate effects, there was an increase of 3%. New business of €11.8 billion was 14% below the high level attained in the prior-year quarter; adjusted for exchange-rate effects, the decrease was 9%.

Contract volume in the Americas region (North and South America) amounted to €79.8 billion at the end of the quarter (Q1 2006: €86.6 billion). Contract volume of €32.8 billion in the Europe, Africa & Asia/Pacific region was 5% higher than a year earlier. In Germany, DaimlerChrysler Bank's portfolio grew by 5% to €15.9 billion.

The **Van, Bus, Other** segment posted first quarter EBIT of €1,872 million (Q1 2006: €366 million).

The earnings improvement was primarily due to gains realized in connection with the Group's equity interest in **EADS**; the execution of a derivatives transaction in connection with the transfer of a 7.5% equity interest in EADS led to a gain of €762 million. There was an additional gain of €754 million resulting from the issue of equity interests in a subsidiary that holds the EADS shares. The valuation of a hedging transaction relating to a 3% interest in EADS led to a positive effect of €47 million (Q1 2006: charges of €58 million). DaimlerChrysler's interest in the earnings of EADS amounted to €165 million in the first quarter; this includes expenses of €114 million incurred in the first quarter of 2007 in connection with the Power8 restructuring program at EADS.

The result of the prior-year quarter was positively affected by €238 million from the disposed off-highway business.

The **Mercedes-Benz Vans** unit achieved a new unit-sales record of 61,700 vehicles in the first quarter of 2007 (+3%). Due to strong demand for the new Sprinter, production is running at full capacity in the Düsseldorf and Ludwigsfelde plants.

DaimlerChrysler Buses sold 8,300 buses and chassis of the Mercedes-Benz, Setra and Orion brands in the first quarter, surpassing the prior-year figure by 6% and thus maintaining its worldwide market leadership.

Outlook

As the year progresses, DaimlerChrysler expects growth in global automobile markets to be lower than in the prior year (+4%), in line with overall economic developments. In full-year 2007, demand for vehicles in North America and Western Europe – DaimlerChrysler’s core markets – is likely to be slightly weaker than in 2006. In the emerging markets of Asia, Eastern Europe and Latin America, the company anticipates an increase in demand for passenger cars and commercial vehicles. In the commercial-vehicles business, DaimlerChrysler expects a sharp decrease in demand for trucks in North America and Japan; markets should remain stable in Western Europe, however.

On the basis of the divisions’ planning, DaimlerChrysler expects overall **unit sales** to increase slightly in 2007 (2006: 4.7 million vehicles).

The **Mercedes Car Group** assumes that its unit sales in full-year 2007 will at least be equal to the record level of the prior year. In order to achieve profitable growth and to create sustained value, the division will continue to effectively implement the CORE efficiency-improving program. The Mercedes Car Group expects to achieve a return on sales of more than 7% in full-year 2007.

During 2007, the **Chrysler Group** will implement the Recovery and Transformation Plan that was presented in February. In addition, the Chrysler Group will continue its product offensive with the launch of eight new and five refreshed models. Unit sales should be higher than in the prior year despite the difficult market conditions and the slightly lower US market volume of 17.0 million vehicles (2006: 17.1 million). The division expects a significant increase in unit sales particularly outside the NAFTA region. For full year 2007, the Chrysler Group expects EBIT of minus €1.6 billion, including charges of €1.0 billion for the Recovery and Transformation Plan.

The **Truck Group** anticipates significantly lower unit sales in 2007 than in the prior year. Due to customer purchases pulled forward to 2006 in advance of new, stricter emission regulations coming into effect this year, unit sales are expected to significantly decrease in the United States and Japan. As the year progresses, the division will renew and extend its product range with the new Freightliner heavy-duty truck Cascadia, the refreshed heavy-duty truck Mitsubishi Fuso Super Great, the light-duty truck Mercedes-Benz Unimog U20, the light-duty truck Sterling 360 in US Class 3, and the new Sterling Bullet pickup truck. The Truck Group’s result will be below the 2006 level, but it is expected to be well above its cost of capital.

The **Financial Services** division strives to achieve further efficiency improvements this year. In addition, it will collaborate even more closely with the dealers and brands worldwide in order to achieve optimal sales support for the automotive divisions. The division anticipates a slight reduction in Financial Services’ contract volume due to the effects of currency translation. Financial Services aims to achieve a return on equity of more than 14% in 2007.

The **Vans** unit expects the strong demand for the new Sprinter and the very positive development of Vito/Viano sales to lead to a significant increase in unit sales compared to the year 2006. The **Buses** unit anticipates lower unit sales than in the prior year due to cyclical reductions in demand in some key markets.

The **DaimlerChrysler Group**'s total revenues in full-year 2007 are likely to be of the same magnitude as in 2006 (€152.8 billion).

DaimlerChrysler expects to achieve **EBIT** of €7 billion for full-year 2007 (2006: €5.5 billion). Significant special factors affecting earnings in 2007 are the gain of €1.6 billion realized on the transfer of interest in EADS and charges of €1.0 billion resulting from the implementation of the Recovery and Transformation Plan at the Chrysler Group and of €0.6 billion from the new management model. This earnings guidance relates to the current structure of the Group. The effects of the future concept for the Chrysler Group and the realignment of DaimlerChrysler AG as published on May 14, 2007, have not yet been taken into consideration.

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

Special items affecting EBIT		
Amounts in millions of €	Q1 2007	Q1 2006
Mercedes Car Group		
Financial support for suppliers	(82)	-
Discontinuation of smart forfour	-	(982)
Headcount reductions in the context of CORE	-	(203)
Chrysler Group		
Implementation of the Recovery and Transformation Plan	(914)	-
Financial support for suppliers	(38)	(15)
Changes in health care benefits	-	390
Van, Bus, Other		
Income/expenses relating to the transfer of interest in EADS	1,563	(58)
Restructuring program at EADS	(114)	-
Disposal of the off-highway business	-	238
Reconciliation/eliminations		
New management model	(54)	-

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.

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