

DaimlerChrysler AG: Business Development 2004
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DaimlerChrysler achieves an operating profit of EUR5.8 billion despite profit decrease at Mercedes Car Group

Stuttgart/Auburn Hills. DaimlerChrysler (stock-exchange abbreviation DCX) has today published its preliminary consolidated financial statements and the divisions' results for the year 2004.

The operating profit with EUR5.8 billion was considerably higher than EUR5.1 billion, the operating profit of Full Year 2003 excluding restructuring expenditures at the Chrysler Group and excluding the capital gain realized on the sale of MTU Aero Engines. This increase was primarily due to the improved earnings of the Chrysler Group and in the Commercial Vehicles divisions. The profit contribution from the Services division was at the high level of the prior year, despite the charge from Toll Collect. The contribution to the Group's operating profit from the Mercedes Car Group decreased sharply, however.

Net income rose from EUR0.4 billion to EUR2.5 billion. Earnings per share of EUR2.43 were also significantly higher than in the prior year.

The Board of Management will propose to the Supervisory Board that an unchanged dividend of EUR1.50 per share should be distributed (2003: EUR1.50).

DaimlerChrysler sold a total of 4.7 million vehicles in 2004, surpassing the level of the prior year by 8%. The DaimlerChrysler Group's revenues increased by 4% to EUR142.1 billion. Adjusted for currency-translation effects and changes in the consolidated Group, revenues were actually 7% higher than in the prior year.

At EUR1.7 billion, operating profit of the Mercedes Car Group was significantly lower than the EUR3.1 billion posted in 2003. This was due partially to the changed model mix and exchange-rate effects, but also due to the high launch costs for new products and the costs of the quality offensive at Mercedes-Benz. In addition, the contribution from the smart brand was significantly negative as a result of higher marketing expenses and launch costs for the smart forfour.

The Mercedes Car Group started a comprehensive program designed to improve efficiency and increase earnings. With the CORE program, the Mercedes Car Group aims to improve its performance by more than EUR3 billion. As a result, the division should once again achieve a return on sales of 7% in 2007. It also expanded its quality offensive in 2004. For the smart brand, a business model is now being prepared with the goals of increasing unit sales as a result of measures taken in the sales network, improving cost structures and boosting productivity.

The Chrysler Group's business development was very positive in 2004, despite the continuation of difficult market conditions in North America: After reporting an operating loss of EUR506 million in the prior year, in 2004 the Chrysler Group achieved an operating profit of EUR1.4 billion. Lower average price incentives also contributed to the better result.

Commercial Vehicles division's operating profit of EUR1.3 billion was far higher than the prior-year earnings of EUR0.8 billion. This strong result was achieved although the Commercial Vehicles division was burdened by charges of EUR475 million relating to the expenditure arising at MFTBC for quality measures and recall campaigns.

The Services division continued its positive business development in the year 2004. Its operating profit of EUR1.25 billion was at last year's high level (2003: EUR1.24 billion), despite the charges of EUR472 million from Toll Collect.

Assuming a moderate increase in the worldwide demand for automobiles, the DaimlerChrysler Group expects total unit sales to increase in 2005 and the following years. Higher unit sales by all divisions will contribute to this development. Revenues should also continue rising.

After a weaker first and second quarter, for the full-year 2005 DaimlerChrysler expects a slightly higher operating profit than in the previous year. Significant earnings improvements are to be expected as of the year 2006, when the Mercedes Car Group's product offensive takes full effect and additional new models become available from the Chrysler Group. A key contribution to this positive earnings development will also be made by the efficiency-enhancing programs which will be pushed steadily forward in all divisions. Challenges may arise, however, from a continuation of the weak US Dollar and high raw-material prices.

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