

Dear Colleagues,

We are very pleased about the news today that DaimlerChrysler has signed a definitive agreement to sell Chrysler Group, including Chrysler Financial, to Cerberus Capital Management, L.P. I would like to take this opportunity to discuss this exciting news and what it means for the future of the Chrysler family.

We are confident that this transaction will create a stand-alone Chrysler that is financially stronger, with a winning combination of people, industry know-how, operational expertise and spirit of innovation that will accelerate the company's recovery and help us regain our position as a competitive industry leader.

As you know, DaimlerChrysler looked long and hard for the right partner for Chrysler in a competitive marketplace. We are confident that Cerberus is the right strategic buyer for Chrysler, with a long-term commitment to our growth and success. Cerberus has expressed great confidence in and respect for the people of Chrysler and our leadership team, and is committed to working constructively with both union leadership and Chrysler's management team to help us realize our full potential.

As a private (non-public) company, we will be better positioned to concentrate on our long-term plan for recovery, rather than on short-term results. With the financial strength and additional operational expertise brought by our investment partner Cerberus, Chrysler will renew its focus on what has always made us special: the passion, creativity and commitment of our employees, suppliers and dealers to delivering exciting Chrysler, Jeep and Dodge vehicles and quality Mopar parts to our customers.

The finance arm -- DaimlerChrysler Financial Services Americas -- also is affected by this decision. The most important piece of information is that Chrysler Financial will continue to support us and our dealers. However, the framework for DCFS will change. The company will be split up into two legal entities with Chrysler Financial as one company and Mercedes-Benz and DaimlerChrysler Truck Financial as another.

Our future success will be supported by our continued relationship with Daimler. We will continue to work together on technologies to bring even better products to our customers. In particular, we will continue to collaborate on technologies for clean diesel engines, two-mode hybrids, fuel cells and other alternative powertrains that are especially important in this climate of rising consumer demand for more fuel-efficient vehicles. Other ongoing joint projects with Mercedes-Benz also will continue.

Attached to this message is a letter from Dieter Zetsche that I encourage you all to read. He remains a passionate supporter of Chrysler, and he truly believes -- as I do -- that the new company structure will offer us even greater prospects for success.

For those of you who may not be familiar with Cerberus, it is one of the leading private investment firms in the world, with approximately \$23.5 billion under management in funds and accounts.

Currently, Cerberus has significant investments in more than 50 companies that, in aggregate, generate more than \$60 billion in annual revenues worldwide, including Air Canada and GMAC.

Cerberus is highly respected for its long-term investment horizon and focus on value creation. In addition, Cerberus has a team of experienced operational professionals that includes industry veterans with management backgrounds in the automotive industry.

You should know that there are no new plans -- other than those previously announced -- to reduce headcount. There are no additional job cuts planned in connection with the transaction announced today. This announcement also will not impact the provisions of the early retirement and buyout packages previously announced.

Additionally, we do not foresee any impact on current union contracts; all of the collective bargaining agreements remain in place, and the upcoming negotiations will take place as scheduled. Cerberus has worked together with unions in the past, and recognizes the important role they play for Chrysler.

The transaction is expected to close this summer. In the meantime, we will continue to operate under the vision established by the Recovery and Transformation Plan (RTP), which will return us to profitability in 2008 and will deliver 2.5 percent return on sales by 2009. There are several forward-looking elements in the RTP that take into account the realities needed to succeed in the global marketplace. We must grow our brands with strong, customer-focused products. We must defend our areas of strength in the North American markets, while growing internationally. And we must continue to build with alliances, partnerships and innovative approaches to our business challenges.

Also attached to this message is a Q&A document with answers to other questions you may have today. In addition, you should expect frequent communication from the leadership team as this process moves forward.

As a stand-alone company, with strong backing from Cerberus, we must demonstrate once and for all that we can win in this global marketplace. It is ours to win. And we have it in our DNA to do just that.

On a personal level, as a fourth-generation Chrysler employee, this is a dream come true for me to be given an opportunity to work with you to restore Chrysler back to greatness. It will take hard work, but I know that I can count on you to do whatever it takes to get the job done.

Sincerely,

Tom

## **Q&A on announcement**

### **About the announcement**

#### **1. Why is Cerberus purchasing Chrysler?**

Cerberus is very pleased to partner with an icon of American industry. This partnership creates the right combination of financial support, operational expertise and industry know-how to re-establish Chrysler as a stand-alone industry leader. Cerberus believes that patient capital and access to additional operational expertise can help Chrysler regain financial stability and return to a path of global growth and competitiveness.

Cerberus' investment will provide lasting benefits to Chrysler, its employees, dealers, suppliers, customers and other stakeholders. Cerberus has confidence in and respect for the people of Chrysler and looks forward to continuing to provide opportunities for the valued employees of Chrysler.

#### **2. What does Chrysler have to gain?**

Cerberus' investment will provide lasting benefits to Chrysler, its employees, dealers, suppliers, customers and other stakeholders. Chrysler will gain financial support,

operational expertise and industry know-how to re-establish Chrysler as a stand-alone industry leader.

### **3. Who is Cerberus Capital Management?**

Cerberus is one of the largest private investment firms in the world, with approximately \$25 billion under management in funds and accounts and more than 175,000 employees worldwide. Currently, Cerberus has significant investments in more than 50 companies that, in aggregate, generate more than \$60 billion in annual revenues worldwide, including household names such as Air Canada GMAC, as well as investments in the automotive sector and banking institutions around the world. Cerberus is highly respected for its long-term investment horizon and focus on value creation. It has a track record of working closely with management in long-term partnerships to help businesses realize their full potential. Cerberus Capital Management, L.P., was founded in 1992 and is headquartered in New York with affiliate and/or advisory offices in Atlanta, Chicago, Los Angeles, London, Baarn, Frankfurt, Tokyo, Osaka and Taipei.

### **4. Who is Cerberus' operational management team?**

Cerberus' operational management team comprises highly skilled leaders with broad experience across a range of industries and areas of expertise. It includes industry veterans with management backgrounds at OEMs.

### **5. How does Cerberus work with companies in which it invests?**

Cerberus has a tradition of working patiently and constructively with management teams to help them maximize the company's full potential. Moreover, Cerberus believes that the firm succeeds when its partner companies succeed, and anticipates a strong, long-term partnership with Chrysler.

### **6. How much experience does Cerberus have in the automotive business?**

Cerberus knows and believes in the automotive industry. Cerberus' portfolio companies produce a wide range of products including fuel seals, automobile upholstery, acoustic equipment and dashboards. That said, nobody knows the business better than the people who run it, and that is why Cerberus invests in businesses like Chrysler where excellent management teams are already in place.

### **7. Why did DaimlerChrysler choose a private equity firm to buy Chrysler?**

DaimlerChrysler looked long and hard for the right partner for Chrysler in a competitive marketplace, and we are confident that Cerberus is the right strategic buyer. Cerberus has a long-term commitment to the global growth and success of Chrysler. As a private company, Chrysler will be better positioned to focus on its long-term plan for recovery, rather than on short-term quarterly results, as public companies do.

Chrysler has a job to do, and it has the right team, and a strong, committed partner in Cerberus. Cerberus knows and believes in this business and is focused on improving the competitiveness and operating performance of Chrysler.

**8. Is Cerberus making a long-term commitment to Chrysler?**

Cerberus has a long-term investment horizon and focus on value creation. This partnership creates the right combination of financial support, operational expertise and industry know-how to re-establish Chrysler as a stand-alone industry leader.

**9. Will Cerberus remain committed to Chrysler's Recovery and Transformation Plan?**

Cerberus recognizes the progress Chrysler has made and will continue to support the vision established by the Recovery and Transformation Plan.

**10. When will this transaction be completed? How long will it take?**

The agreement is subject to approval by various regulators and is expected to close this summer. The DaimlerChrysler Board of Management has approved the transaction. We expect that all of the regulatory approvals will be granted.

**11. Will the company change its name?**

We will no longer be part of DaimlerChrysler, and our name will change to reflect that. We recognize that the Chrysler brand has a strong reputation and is one of the most recognized and respected brands in the automotive industry.

**12. Will Chrysler maintain all of its brands (Chrysler, Dodge, Jeep®, Mopar®)?**

Yes.

**13. What will be the relationship with Daimler? Will cooperation on technology and previously announced joint ventures continue?**

Chrysler's relationship with Daimler will continue and will be important to the success of our organization. In particular, we will continue to collaborate on technologies for clean diesel engines, two-mode hybrids, fuel cells and other alternative powertrains that are especially important in this climate of rising consumer demand for more fuel-efficient vehicles. Other ongoing joint projects with Mercedes-Benz also will continue.

**14. Will the various powertrain investments being discussed by Chrysler Group still continue, including a new engine plant in Trenton, Michigan, and new axle plant in Marysville, Michigan?**

Yes. Chrysler's announcement in April of a \$1.78 billion investment in various Michigan facilities will continue as planned. Overall, the \$3 billion investment in powertrain, which will lead to a more fuel-efficient lineup of vehicles, also will continue as planned.

**15. With the various joint projects (aside from Daimler) that were connected to the Recovery and Transformation Plan continue, including the small car project from China's Chery and the new transmission joint venture with German supplier Getrag?**

Yes. The joint projects, including those ongoing projects with Mercedes-Benz, will continue.

**16. How do we operate from a governance standpoint from the signing until the close of the transaction?**

Business will continue as usual, and Chrysler will continue to work with Daimler until the close of the transaction. After the close, Chrysler's relationship with Daimler will continue and will be important to the success of our organization. As of today, Cerberus will be involved with all major business decisions.

**17. Will the company continue to support Chrysler's local communities?**

Chrysler will continue to be a good corporate citizen in the communities in which it operates. We do not anticipate any changes in current corporate philanthropy obligations.

**Management and Employees**

**18. Will there be changes to Chrysler's management? Will employees maintain the same supervisors?**

Tom LaSorda will be the CEO of Chrysler. Cerberus believes in Chrysler's leadership team and is committed to working constructively with the company's management team to return Chrysler to a path for global growth and competitiveness. Chrysler's management team will have the additional support of Cerberus' team of operational leaders with years of experience in the automotive industry and other functional and industry areas.

Management changes take place from time to time in the normal course of business and are not necessarily transaction related. All employees should remain focused on their day-to-day job responsibilities.

**19. What role will former Chrysler COO Wolfgang Bernhard play in the new Chrysler?**

Wolfgang Bernhard has joined Cerberus. Mr. Bernhard will be helping Cerberus manage its investment in Chrysler. However, Mr. Bernhard will not be joining Chrysler's leadership team.

**20. Where will Chrysler's headquarters be located?**

Chrysler's headquarters will be in Auburn Hills, Michigan.

**21. Will Chrysler eliminate more jobs as a result of this transaction?**

There are plans that have already been announced that will result in headcount reductions in some areas. There are no job cuts planned at this time that are a result of the transaction.

**22. How will staffing at various levels throughout the company be determined?**

As always, Chrysler will continue to staff its operations to meet the needs of its customers.

**23. Will you offer any early retirement packages? What are the terms of the separation packages?**

The company has no immediate plans - other than those previously announced - to reduce headcount.

**24. What will happen to the DaimlerChrysler Financial Services Americas, LLC, business?**

Chrysler Financial will continue to support Chrysler and its dealers. However, the framework for DaimlerChrysler Financial Services Americas, LLC, will change. The company will be split into two legal entities with Chrysler Financial as one company and Mercedes-Benz Financial and DaimlerChrysler Truck Financial as another.

**25. What will happen to the DaimlerChrysler Financial Services Americas, LLC, employees who focus on the Mercedes-Benz brand?**

They will continue to focus on the Mercedes-Benz brand as before. The only difference is that they will be a part of a different legal entity.

**Benefits, Compensation and Pensions**

**26. Will benefits and compensation change?**

While specific benefit plans may change in the normal course of business, most of the compensation and benefits plans currently in place will remain the same. There will be slight changes to the bonus plans to address the transaction occurring in the middle of the

year. In conjunction with DaimlerChrysler, we will communicate the details of any plan that is affected by the transactions.

We value Chrysler's talented employees and remain committed to offering compensation and benefits to retain and attract the best talent. As always, if any changes are planned in the future, there will be information provided at that time.

**27. What will happen to employee pensions? Will the 401K matching remain the same?**

The pension plans and 401k plans will remain the same with the same plan provisions.

**28. Will this have any effect on the current employee buy-out plan/early retirement packages?**

We do not anticipate any changes to the provisions of the buy-out plan/early retirement packages announced previously.

**29. How will this impact union contracts going forward?**

We do not foresee any impact on the union contracts. All of the collective bargaining agreements remain in place, and the upcoming negotiations will take place as scheduled.

**30. How will Cerberus work with the unions?**

Cerberus has worked together with unions in the past and is committed to constructive dialogue with the unions. Chrysler management will continue to have direct responsibility for union relations.