

Speech by

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- Check against delivery -

Important achievements in FY 2007

Ladies and Gentlemen,

Dieter Zetsche has explained to you last year's business development and our outlook for the future.

I would now like to look in a little more detail at the key figures of our financial statements, which are preliminary and not yet audited.

From a financial perspective, 2007 was a very challenging, but also a very successful year for us. A key factor was the significant increase in the profitability of our core business.

We further optimized our business portfolio last year with the realignment of the Group and the transfer of a majority interest in Chrysler.

And we also started to improve our capital structure with an extensive share buyback program. We will continue the program already today and want to further optimize our capital structure, depending on future earnings and cash flows and our net liquidity.

Transfer of majority in Chrysler to Cerberus

The transfer of a majority interest in Chrysler has significantly improved our risk exposure.

The transaction impacted the cash flow negatively by €0.5 billion. Net profit was reduced by €2.2 billion.

The risks from pension and healthcare obligations have been transferred to the new owner. We have provided a guarantee of one billion US dollars, which will only be called upon if the Chrysler Group's pension plans terminate within the next five years.

In addition, we supported the transaction with a second-lien credit line of 1.5 billion US dollars for Chrysler's automotive business.

Key financials

Ladies and gentlemen, let's now have a look at the key figures of the "new" Daimler Group.

EBIT, which solely reflects the continuing operations, increased compared with the prior year by a substantial €3.7 billion to €8.7 billion. So we surpassed our announced goal of at least 8.5 billion although we had to accept charges from Chrysler and EADS in the fourth quarter. I will return to that later.

Net profit improved by 5% to €4 billion. It includes charges of €2.2 billion related to the Chrysler transaction. In terms of our continuing activities, we increased net profit by €1.7 billion to €4.9 billion.

And, as shown in the table, we can also report today on very solid results for the free cash flow and the net liquidity of the industrial business.

Mercedes-Benz Cars

Ladies and gentlemen, now let's look at the development of the individual divisions:

Mercedes-Benz Cars increased its unit sales by 3% to a new record of 1,293,000 passenger cars. This was largely due to the market success of the new C-Class. But the S-Class was also very successful, and remained the undisputed market leader in the luxury segment.

At smart, we sold 103,000 cars, close to the prior-year figure despite the focus on the smart fortwo. In April 2007, we launched the new model of the smart fortwo, which has been very well received by the customers.

The revenue posted by Mercedes-Benz Cars increased once again, despite unfavorable exchange rates, and reached €52.4 billion in 2007, which is 2% more than in the prior year.

The Mercedes-Benz Cars division nearly tripled its EBIT last year to €4.8 billion. We thus significantly surpassed our targeted return on sales of 7%. Return on sales for the full year amounted to 9.1%. This impressive increase in earnings was partially due to the higher unit sales and a better model mix. The efficiency-enhancing measures that we implemented in the context of the CORE program did also contribute to the earnings increase.

We successfully completed the CORE program in September 2007. As a result, Mercedes-Benz Cars achieved annual savings and earnings improvements totaling €7.1 billion compared with the year 2004. CORE also helped us to further optimize the utilization of our production facilities.

On the other hand, earnings were impacted by the ongoing weakness of the US dollar and by the weakness of the Japanese yen.

Daimler Trucks

We had a very mixed development of unit sales in the Daimler Trucks division. In Europe and especially in Latin America, the strong demand for trucks continued in 2007. Our Trucks Europe/ Latin America unit posted a 13% increase in unit sales to 160,000 vehicles. Demand was particularly strong in Germany, Eastern Europe, the Middle East and Latin America.

The situation was quite different in the NAFTA region. As we had expected, the stricter emission limits that came into force at the beginning of 2007 led to a market slump, particularly in Class 8, of approximately 40%. This trend was accelerated by the softer economic climate.

Market developments in Japan were similar, although not quite as drastic.

In total, sales by the Daimler Trucks division decreased from 516,000 to 468,000 units, or by about 9%. Revenue of €28.5 billion was 10% below the prior-year level.

Within the framework of our Global Excellence initiative, our top priority was to achieve satisfactory earnings in years when market demand is weaker. The year 2007 shows that we have succeeded with that aim. The earnings of €2.1 billion posted by Daimler Trucks are 15% higher than the very good prior-year result.

Even when we consider the fact that prior-year EBIT was reduced by special items, and that in 2007 we had gains from the sale of real estate and the adjustment of pension plans at Mitsubishi Fuso, the earnings achieved in 2007 are more than respectable.

This development was assisted above all by the higher unit sales and the improved model mix in Europe and Latin America.

It was also important that despite the sharp decrease in unit sales Trucks NAFTA was able to finish the year 2007 with positive earnings.

On the other hand, expenses resulted from the fulfillment of new emission limits. This is a major issue for both our passenger cars and our commercial vehicles, for which we have to make advance expenditure in future technologies.

Daimler Financial Services

The Daimler Financial Services division was particularly affected by the separation from Chrysler, and in two different ways.

On the one hand, the division lost about half its business volume from the loss of the Chrysler business in the NAFTA region. On the other hand, operations in the NAFTA region were fully integrated in terms of processes and systems, so after the separation we had to start setting up our own financial services organization in North America. Despite these challenges, our financial services business developed well.

Worldwide contract volume increased by 4% to €59.1 billion. Adjusted for currency translation effects, the increase was 9%. At the end of 2007, our portfolio comprised 2.3 million financed and leased vehicles.

New business of €27.6 billion was at the same high level as in the prior year, adjusted for currency translation effects it grew by 3%.

The reduction in EBIT from €807 million to €630 million is mainly due to the charges on earnings connected with the establishment of a new financial services organization in the NAFTA region.

In addition, costs of risk increased slightly, but they were still significantly lower than the long-term average. Positive effects on earnings resulted from the higher contract volume.

Overall, our return on equity of 14,8% surpassed our announced target of at least 14%.

Vans, Buses, Other

In our van business, we increased unit sales by 13% to 289,000 units, setting another record. The new Sprinter seamlessly continued the success story of the predecessor model. And unit sales of the Vito and Viano models developed very positively in 2007.

This led to revenue growth at Mercedes-Benz Vans of 13% to €9.3 billion.

We were also very successful in our bus business, which operates under the brands Mercedes-Benz, Setra and Orion. In the year 2007, we sold 39,000 complete buses and chassis, which was 8% more than in the prior year. We thus defended our leading market position in all core markets once again.

With growth of 20%, business was particularly dynamic in Latin America, where we mainly sell bus chassis.

Daimler Buses increased its revenue by 8% to €4.4 billion in 2007.

The EBIT posted by the Vans, Buses, Other segment increased from €1.3 billion to €2 billion. A key contribution resulted from the market success of our vans and buses. But the strong growth in earnings was also assisted by special gains from the transfer of EADS shares. In the fourth quarter, however, there were expenses of €235 million from the A400M project.

Also in the fourth quarter, we had a negative impact on earnings from our 19.9% stake in Chrysler. This mainly resulted from expenses of €322 million relating to additional restructuring measures at Chrysler as well as to the new agreement reached with the UAW in the fall of 2007.

According to IFRS, the expenses resulting from the new agreement have to be recognized immediately at fair value. On the other hand, there will be opposing effects in the future due to significant savings on healthcare benefits resulting from the same agreement.

EBIT development in Q4 2007

Let's now have a look at the development of earnings in the fourth quarter, which you can see in this table. Group EBIT more than doubled to €1.4 billion. The development at Mercedes-Benz Cars was particularly pleasing. EBIT of €1.4 billion in the fourth quarter was the highest level of quarterly earnings in 2007.

Also at Daimler Trucks, despite the difficult market situation in the NAFTA region and Japan, earnings were higher than in the fourth quarter of 2006. EBIT at Daimler Financial Services reflects the expenses of setting up our own financial services organization in the NAFTA region. And at Vans, Buses, Other segment, the fourth quarter of 2007 was impacted by the earnings effects from Chrysler and EADS that I mentioned earlier.

Value added - Group

Let me now return to the figures for full-year 2007. On this chart, you can see the development of value added, which shows the extent to which we exceeded the cost of capital and created value for our shareholders. The value added by the Daimler Group increased from €631 million to €1.4 billion in 2007.

Average net assets decreased from €48.6 billion to €39.2 billion, not least due to the transfer of a majority interest in Chrysler.

Another step in the direction of net asset optimization is the sale of our real-estate properties at Potsdamer Platz for €1.4 billion. This will result in a positive effect on EBIT of €0.4 billion in the first quarter of 2008.

Value added by divisions

When we consider the value added by the business segments, we see that all the divisions earned more than their cost of capital in 2007. Both the increase and the absolute level of value added are particularly impressive at Mercedes-Benz Cars. But Daimler Trucks also performed very well in a difficult market environment.

Key balance sheet and financial figures

This table shows the key data on the balance sheet and the free cash flow of the industrial business. At €7.6 billion, this clearly demonstrates our financial strength.

The Group's equity ratio increased from 16.5% to 26.8%. The increase was even more impressive in the industrial business, where we reached an equity ratio of 43.5% at the end of the year.

Our gross liquidity of €17.1 billion was at an extremely high level as a result of transferring the refinancing of our financial services business to Cerberus. We will continue reducing it this year by repaying mature liabilities and through our share buyback program. This also applies to the net liquidity of the industrial business, which is at €12.9 billion.

In the medium term, we want to further optimize our capital structure.

Share Buyback

For this reason, we initiated a share buyback program in August 2007.

In this context, we announced that we would apply €7.5 billion to buy back up to 10% of our own shares.

Between the end of August and the middle of December 2007, we acquired 50 million shares worth €3.5 billion. These shares were cancelled by the end of the year.

We will resume the share buyback program already today.

Retained earnings of Daimler AG

This is based on the retained earnings in the parent company's financial statements, which amounted to €3.5 billion at the end of 2006 and which were used to buy back shares in 2007.

In the financial statements for 2007, Daimler AG will report a net profit of €12.4 billion. As allowed by the German Stock Corporation Act, the Board of Management and the Supervisory Board will transfer half of that to retained earnings; this is equivalent to €6.2 billion.

After deducting the proposed dividend of €2.0 billion, an amount of €4.2 billion remains. With the approval of the shareholders at the Annual Meeting in April, we will transfer this amount to retained earnings as well. This will provide us with sufficient resources to buy back more shares.

The very high net profit of Daimler AG is a result on the one hand of the good business development at Mercedes-Benz Cars and Daimler Trucks. On the other hand, the parent company received dividend payouts from its foreign subsidiaries. In addition, we realized gains on the sale of EADS shares and on the transfer of investments.

Assumptions for the automotive markets in 2008

Let me now turn to the outlook.

Economic developments in the year 2008 are currently dependent on many uncertainties. The weakening of demand for passenger cars in North America will probably continue.

In Western Europe, car sales are likely to remain flat, although demand in Germany, Europe's biggest market, should expand again slightly after the weak year 2007.

And as there will be no significant demand impetus from the Japanese market this year, we expect the global growth of the automobile business once again to be driven by the emerging markets in 2008.

A return to growth is expected for the worldwide commercial vehicle market this year. We anticipate a cyclical recovery of the North American market, mainly taking place in the second half of the year.

In Western Europe, there are signs of a sustained robust development in the areas of medium and heavy-duty trucks, so demand should around the same level as in 2007. We also anticipate a volume in the magnitude of the prior year for the Japanese commercial vehicle market in 2007.

Sales outlook FY 2008

What does this mean for our sales assumptions ?

We assume that Mercedes-Benz Cars will continue increasing its unit sales in 2008. The full availability of the sedan and the station wagon of the C-Class and the new smart fortwo will play a major role – in addition to the eight new products we will launch by the fall of this year.

Following the market-related decrease in 2007, we anticipate growth of truck unit sales once again this year. We intend to profit from the revival of demand expected in North America during the second half of the year, so unit sales should rise in that region. We assume that unit sales by our Trucks Europe/Latin America and Trucks Asia units will increase slightly. This will be mainly due to the market success of our environmentally friendly trucks with BLUETEC technology. In January, we presented the new Actros with further improved economy and enhanced comfort.

For the Mercedes-Benz Vans unit, we anticipate a continued rise in unit sales, mainly due to the new Sprinter.

For Daimler Buses, we expect unit sales to remain stable overall. The main growth opportunities will be in the bus markets of Asia and Russia.

Earnings outlook

What does all that mean for our earnings trend?

Mercedes-Benz Cars anticipates another increase in EBIT. We will effectively pursue our policy of continuous efficiency improvements and will continue inspiring our customers with fascinating products.

On this basis, we have the aim to achieve a return on sales of 10% on average as of 2010 at the latest.

At Daimler Trucks, further efficiency enhancements in combination with the anticipated higher unit sales should increase earnings once again in 2008. As of the year 2010, we aim to achieve an average return on sales of 8% over the business cycle.

At Financial Services, we are confident that we will achieve a return on equity of at least 14% also in the year 2008, despite the expenses for setting up our own financial services organization in North America.

On the basis of the divisions' projections, in 2008 we expect Daimler to post EBIT from ongoing operations of well above the prior-year level. In the automotive business, we aim to achieve an average return on sales of 9% over the market and product cycles.

Ladies and gentlemen, thank you for your attention, we will now be glad to answer your questions.

These figures are preliminary and have neither been approved yet by the Supervisory Board nor audited by the external auditor.

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 if the U.S. and Japanese commercial vehicle markets experience a sustained weakness in demand for a longer period than originally expected; 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 restructuring plans; 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 Daimler’s most recent Annual Report and under the headings “Risk Factors” and “Legal Proceedings” in Daimler’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.