

Daimler AG

Nachricht vom 17.02.2009 | 10:00

Daimler AG: Financial year 2008: Group EBIT of €2.7 billion (2007: €8.7 billion)

Daimler AG / Final Results

Release of an Ad hoc announcement according to § 15 WpHG, transmitted by DGAP - a company of EquityStory AG.

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- Net profit of €1.4 billion (2007: €4.0 billion)
- Revenue of €95.9 billion (2007: €99.4 billion)
- Dividend to amount to €0.60 per share (2007 €2.00)
- Outlook: substantial burdens on EBIT anticipated for 2009
- Intensified efficiency programs

Stuttgart - Daimler AG (stock abbreviation DAI) today presented its preliminary and unaudited figures for the Group and the divisions for the 2008 financial year.

Daimler achieved EBIT of €2,730 million in 2008 (2007: €8,710 million).

The decrease in Group EBIT was mainly the result of expenses totaling €3,228 million (2007: charges of €377 million) related to the investment in Chrysler and the lower earnings achieved by Mercedes-Benz Cars. Another factor is that prior-year EBIT included higher gains realized on the transfer of portions of Daimler's equity interest in EADS (2008: €130 million; 2007: €1,573 million). Daimler Trucks did not achieve its prior-year earnings, primarily due to the difficult economic situation in the United States and expenses incurred for the repositioning of its activities in the NAFTA region. The development of earnings was positive at Daimler Financial Services and the Mercedes-Benz Vans and Daimler Buses units.

Based on the divisions' projections, the Group had forecast EBIT from continuing operations of more than €6 billion. This did not include special items from the revaluation of leased vehicles' residual values at Mercedes-Benz Cars, the sale of real estate at Potsdamer Platz, the transfer of interest in EADS, the repositioning of Daimler Trucks North America, the new management model and effects related to Chrysler. Excluding those special items, Daimler achieved that goal.

Net profit for the full year amounted to €1.4 billion (2007: €4.0 billion) and earnings per share amounted to €1.41 (2007: €3.83).

The Board of Management proposes to the Supervisory Board that a dividend of €0.60 per share be distributed for the year 2008 (2007: €2.00 per share). Related to the number of shares entitled to a dividend at December 31, 2008, this constitutes a dividend distribution of €556 million (2007: €1,928 million). The main reasons for the dividend adjustment are the level of earnings achieved in 2008 and the difficulty in estimating the further development of the world economy and the automotive markets.

Unit sales and revenue

Despite extremely difficult market conditions, especially in the second half of the year, Daimler sold a total of 2.1 million vehicles in 2008, thus nearly equaling the prior-year level. Daimler's total revenue amounted to €95.9 billion in 2008, compared with €99.4 billion in the prior year; adjusted for exchange-rate effects, there was a decrease of 1%.

Free cash flow and liquidity

Due to the crisis-like development in the second half of the year, the free cash flow of the industrial business for the full year of minus €3.9 billion was not satisfactory (2007: plus €7.6 billion). This was primarily caused by the unexpected sharp decrease in unit sales at Mercedes-Benz Cars in the fourth quarter. Despite cuts in production, inventory levels remained high. In addition, there were disproportionately high payments to suppliers because many invoices regularly have to be paid at the end of the year and trade payables from the third quarter had to be settled. The reduction in the free cash flow was also caused by the temporarily increased investment in the new E-Class and in technologies for the reduction of CO₂ emissions, as well as by the acquisition of a 10% equity interest in Kamaz, a Russian truck manufacturer.

Workforce

For the year 2008, the Board of Management has decided on a discretionary profit-sharing bonus of €1,900 for the approximately 118,000 eligible employees of Daimler AG. The bonus will be paid out with the salaries for the month of April 2009. With this profit sharing, the Board of Management is honoring the employees' contribution to the operating profit achieved in 2008.

In order to secure the Group's cash flows in 2009, however, contributions will be required from all sections of the workforce. The Board of Management has therefore decided that the wage increases for 2009 agreed upon in collective bargaining for the approximately 140,000 employees covered by such agreements will only apply to that portion of wages covered by collective bargaining and not to the portion of wages additionally paid by Daimler outside the agreement. This possibility is foreseen by the agreement signed by management and employee representatives in 2004, 'Securing the Future 2012.' Furthermore, the Board of Management has decided not to increase the remuneration of the Group's IC managers in 2009. An additional measure taken in this context is the suspension of the employee shares program in 2009.

Investment in safeguarding the future

Despite the difficult environment, the Daimler Group invested €8 billion to secure its future, €1 billion more than in the prior year.

Daimler's expenditure for research and development increased to €4.4 billion last year (2007: €4.1) billion.

Daimler invested €3.6 billion in property, plant and equipment in 2008 (2007: €2.9 billion).

The divisions in detail

The Mercedes-Benz Cars division's EBIT of €2,117 million in 2008 was substantially lower than its prior-year earnings of €4,753 million; in the fourth quarter of 2008, Mercedes-Benz Cars' loss amounted to €359 million compared with a profit of €1,426 million in Q4 2007. While EBIT continued to develop very positively in the first six months of 2008, the abrupt slump in demand in the NAFTA region and in major European markets led to substantial burdens on earnings as of the third quarter.

There were additional burdens on earnings from a shift in demand towards smaller models and from exchange-rate effects. The revaluation of leased vehicles' residual values necessitated by the significant weakening of the world economy in the second half of 2008 resulted in impairment charges of €465 million. Sales incentives and higher raw-material prices also had a

negative impact on operating profit. These burdens on earnings were only partially offset by further efficiency improvements.

The division Daimler Trucks achieved EBIT of €1,607 million (2007: €2,121 million). The reduced operating profit was mainly due to lower vehicle deliveries caused by the ongoing difficult economic situation in the NAFTA region. Other factors with a negative impact on earnings were exchange-rate effects and increased raw-material prices. In addition, measures taken for the repositioning of Daimler Trucks North America led to expenses of €233 million. These measures are expected to lead to annual earnings improvements of US \$900 million as of 2011.

Daimler Financial Services posted EBIT of €677 million, significantly surpassing the prior-year result of €630 million. The main positive effects on earnings came from the increased contract volume. Increased cost of risk had a negative impact on EBIT.

The EBIT posted for 2008 by Vans, Buses, Other amounted to minus €1,239 million (2007: €1,956 million). Mercedes-Benz Vans achieved EBIT of €818 million due to its good revenue situation (2007: €571 million). Daimler Buses' EBIT improved from €308 million to €406 million as a result of its strong unit sales. Daimler's share of the earnings of EADS amounted to €177 million (2007: €13 million).

The reduction in the segment's EBIT was primarily due to special items, including the negative contribution to earnings from Chrysler and other charges related to that equity interest. Another factor is that prior-year earnings included higher gains on the transfer of interest in EADS (2008: €130 million; 2007: €1,573 million). The sale of real estate at Potsdamer Platz led to a gain of €449 million in 2008.

The equity-method accounting of Daimler's 19.9% interest in Chrysler reduced the Group's EBIT for the year 2008 by €1,390 million (2007: charge of €377 million). In addition, the impairment of loans and other Chrysler-related assets led to charges of €1,838 million.

Outlook

The great uncertainty about the duration and extent of the global economic downturn is connected with substantial risks for the development of the world's automotive markets.

From today's perspective, global demand for automobiles could decrease by another 10% in 2009 compared with the prior year. In the world's triad markets, further significant falls in overall unit sales are anticipated; falling unit sales are also to be expected in most of the emerging markets.

Prospects for the major markets for commercial vehicles are also unfavorable. The triad markets are likely to suffer a substantial drop in demand. And in Western Europe, the commercial vehicle business is at the beginning of a distinct cyclical downturn phase, which will particularly affect sales of medium and heavy-duty trucks. The global economic slowdown will dampen demand for commercial vehicles also in the growth regions of Asia, Eastern Europe and Latin America. In the major emerging markets therefore, distinct market contraction is expected in all commercial-vehicle segments for the first time in many years.

Mercedes-Benz Cars cannot avoid the expected weakness of key sales markets and in particular of those market segments important to the unit. Total unit sales in the year 2009 are therefore likely to be below the level of the year 2008. As a result of the weakness of demand in major markets, the Daimler Trucks division anticipates a significant decrease in unit sales in 2009. Mercedes-Benz Vans and Daimler Buses will not match their high unit

sales of the prior year.

On the basis of assumptions concerning the development of the automotive markets and the divisions' planning, the Daimler Group expects total unit sales to decrease significantly in 2009. However, due to innovative and high-quality new products and an attractive model range, the Group assumes that its divisions will be able to further strengthen their market positions.

From the starting point of the currently projected unit sales, the Daimler Group's revenue is likely to be lower than in 2008 in all of the vehicle divisions.

Further substantial burdens are anticipated on the earnings of the Group and its divisions. A more detailed statement on earnings will only be possible later in the year, when the development of the world economy and the automotive markets can be better assessed.

In order to improve the earnings situation on a sustained basis and in all divisions, Daimler has continued and intensified its actions designed to reduce costs and improve efficiency. These actions include the adjustment of production and employment levels by means of flexible working-time models and short-time work, the reduction of inventories, the limitation of expenses and the optimization of refinancing instruments.

Further information on Daimler is available on the Internet at www.media.daimler.com.

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 a lack of improvement or a further deterioration of global economic conditions; a continuation or worsening of the turmoil in the credit and financial markets, which could result in ongoing high borrowing costs or limit our funding flexibility; changes in currency exchange rates and interest rates; the introduction of competing, fuel efficient products and the possible lack of acceptance of our products or services which may limit our ability to adequately utilize our production capacities or 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 further decline in resale prices of used vehicles; the effective implementation of cost reduction and efficiency optimization programs at all of our segments, including the repositioning of our truck activities in the NAFTA region; the business outlook of Chrysler, in which we hold an equity interest and some of whose obligations we have guaranteed; the business outlook of companies in which we hold an equity interest, most notably EADS; 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.

About Daimler

Daimler AG, Stuttgart, with its businesses Mercedes-Benz Cars, Daimler Trucks, Daimler Financial Services, Mercedes-Benz Vans and Daimler Buses, is a globally leading producer of premium passenger cars and the largest manufacturer of heavy- and medium-duty trucks in the world. The Daimler Financial Services division has a broad offering of financial services, including vehicle financing, leasing, insurance and fleet management. Daimler sells its products in nearly all the countries of the world and has production facilities on five continents. The company's founders, Gottlieb Daimler and Carl Benz, continued to make automotive history following their invention of the automobile in 1886. As an automotive pioneer, Daimler and its employees willingly accept an obligation to act responsibly towards society and the environment and to shape the future of safe and sustainable mobility with groundbreaking technologies and high-quality products. The current brand portfolio includes the world's most valuable automobile brand, Mercedes-Benz, as well as smart, AMG, Maybach, Freightliner, Sterling, Western Star, Mitsubishi Fuso, Setra, Orion and Thomas Built Buses. The company is listed on the stock exchanges in Frankfurt, New York and Stuttgart (stock exchange abbreviation DAI). In 2008, the Group sold 2.1 million vehicles and employed a workforce of over 270,000 people; revenue totaled €95.9 billion and EBIT amounted to €2.7 billion. Daimler is an automotive Group with a commitment to excellence, and aims to achieve sustainable growth and industry-leading profitability.

17.02.2009 Financial News transmitted by DGAP
