

**Address by the Chairman of the Board of Management  
at the Annual Shareholders' Meeting of Daimler AG**

**Berlin,  
April 8, 2009**

Check against delivery!

## Introduction

Dear shareholders, shareholder representatives, ladies and gentlemen,

On behalf of the Board of Management and the employees of Daimler AG, I'd like to welcome you to this Ordinary Shareholders' Meeting.

This year's meeting is taking place in quite "extra-ordinary" conditions. Economies have rapidly contracted around the world. In 2009 the global economy will shrink for the first time since World War II. The automotive industry didn't cause this crisis. But it is feeling the full brunt of its impact. And suppliers and dealers are suffering just as much as manufacturers. Ultimately nobody in our sector will go unscathed by an economic crisis, the likes of which might occur once in a century.

However, companies differ in their ability to, first, effectively arm themselves to counter the crisis; second, act during the crisis in order to set the right course for the period that follows. Our goal at Daimler is to be one of the best in terms of these two key abilities.

We want to remain a strong company in spite of weak markets. I'll cover the things we're doing to achieve this goal in my speech today.

The first part will, of course, be a report on the developments that have taken place at the Group and individual business areas since our last Shareholders' Meeting. In the course of my remarks, it will become clear that, to a large extent, today's market environment calls for completely different approaches than was the case 12 months ago – and that we are acting accordingly.

Following that section, I will explain the basic components of our crisis management program, namely, what we are doing today – in the acute phase of the crisis – to effectively protect ourselves from being caught up in the markets' downward slide. The spectrum of issues we are addressing ranges from strict cost management and the optimization of our working capital to human resources measures. We will do whatever needs to be done – consistently in all areas. We will not permit our company to be put at risk – a company whose brands and products are regarded as hallmarks of German industry throughout the world.

In the final part of my speech, I will deal with our strategic investments in the future. After all, although radical cost-cutting is indispensable in times of crisis, it cannot by itself point the way to a prosperous future. That's especially true given that the economic recession isn't the only challenge facing our sector today. We must also master a technological one – the gradual transition from a petroleum age to a post-petroleum age. At Daimler we will continue to actively shape this transition. That's why we are investing in a targeted way in areas that will shape our industry in the future.

But now I'd like to turn to the business developments that have taken place since our last Shareholders' Meeting.

## Developments at the Group

In the first half of 2008, many of our business operations were not only doing well – they were heading for new records. In the first half of the year we sold more passenger cars, vans, and buses than ever before.

Then came the third quarter – and it became clear that markets were noticeably weakening. At the end of July we therefore revised our earnings forecast for 2008 as a whole from “more than 7.7 billion euros” to “more than 7 billion euros,” calculated in both cases in terms of our ongoing business. In September, the dam broke: The bankruptcy of Lehman Brothers caused the financial sector to implode. The real economy – including automotive markets – took the full brunt of the impact. Accordingly, at the end of October we too revised our earnings forecast – this time to “more than 6 billion euros from ongoing operations.” And this forecast was justified: In the past year as a whole our EBIT from ongoing business operations was 6.2 billion euros.

However, after taking all of the one-time charges into account, our EBIT decreased to 2.7 billion euros. In particular, the financial burden associated with our remaining stake in Chrysler was 3.2 billion euros. 1.4 billion euros of that total resulted from the at equity accounting of Chrysler’s results, and 1.8 billion euros were due to the valuation adjustment of loans and other Chrysler-related assets.

The Group’s net profit in business year 2008 was 1.4 billion euros. In view of these developments and the continuing economic crisis, the Board of Management and the Supervisory Board propose to the Annual Shareholders’ Meeting that the dividend for business year 2008 be reduced to 60 euro cents per share.

In the course of 2008, our shares dropped by about 60 percent. At the moment, Daimler shares are trading extremely low when viewed in a historical context. This development is extremely dissatisfying for us all. Clearly, although we can’t influence the overall economic situation, it’s our responsibility to effectively prepare Daimler to deal with the challenges it is currently facing. And that’s exactly what we’re doing.

The ongoing optimization of our capital structure is one example of that: A year ago we had a comparatively high equity ratio in our industrial operations. That was basically a good thing, but it also increased our capital costs and thus made our investments more expensive. To prevent this from happening, at the last Shareholders’ Meeting you authorized us to buy back some of our own shares. And we did so to the tune of 1.4 billion euros.

However, as the financial crisis spread to engulf the real economy, the economic environment has undergone a radical change: The reduced sales volume has led to a lower cash inflow from ongoing business – and conditions for borrowing capital have also worsened. Consequently, we suspended the buyback program at the end of October 2008. In March 2009 we decided to increase our capital stock by ten percent with exclusion of the subscription rights of existing shareholders.

Following approval by the Supervisory Board, on March 22, 2009, Aabar Investments from Abu Dhabi became a new major shareholder in our company. Aabar has acquired all of the newly issued shares and now owns 9.1 percent of our total equity. We decided against a rights issue because such a step would have risked volatility and a significant drop in the share price. And, as a consequence, significantly lower funds would have flowed to your company from the transaction.

The involvement of Aabar is positive for Daimler for three reasons: First, we have received 1.95 billion euros due to our capital increase. That has strengthened our financial base and given us additional flexibility to invest in new automotive technologies. Second, we are gaining an anchor investor that is committed to cooperating with us on a long-term basis and whose investment is an important signal to the capital markets. It's a vote of confidence in our ability to master not only the current crisis but, in particular, the challenges beyond. Third, we will also conduct joint initiatives and projects with Aabar – especially when it comes to environmentally friendly drive technologies, optimized composite materials, and new mobility concepts.

I would now like to turn to developments in our individual business areas.

### **Mercedes-Benz Cars**

For Mercedes-Benz Cars, 2008 was a year with two very different stories. In the first half of the year, no other large premium automaker grew faster or posted higher profits than Mercedes-Benz. But in the second half of the year, our passenger car division also felt the full impact of the financial crisis. With 1.2 million units sold overall, our full-year sales figures almost matched those of the prior year – despite a decrease of 22 percent in the fourth quarter. But our revenues decreased by 9 percent to 47.7 billion euros. EBIT was 2.1 billion euros – all of which was earned during the first half of the year.

In the second half of the year, the worldwide downturn of the passenger car markets resulting from the financial crisis had a particularly strong impact. Another important factor was the upcoming model changeover of the E-Class, one of our most important volume models. In 2008 we were able to retain our relative market position in important segments. With the S-Class, we successfully defended our position as global market leader in the luxury segment. The C-Class sedan also remained the Number 1 vehicle in its segment.

Although emerging markets weren't immune to the financial crisis, our business there developed positively in 2008. In China, for example, the Mercedes-Benz brand sold 59 percent more vehicles than in the prior year. In the Middle East our sales grew by 36 percent.

For smart, 2008 was the best year ever, with global sales increasing by 35 percent – and more importantly, profitability also developed favorably. The U.S. immediately became the third most important market for the brand.

In the current year, neither Mercedes-Benz nor smart has so far been able to escape the continuing downturn of the markets – even though sales figures and incoming orders improved slightly in March. In the first quarter as a whole, sales at Mercedes-Benz Cars decreased by 23 percent. For the Mercedes-Benz brand, the decrease was 25 percent. Once again, the model changeover of the E-Class exacerbated the negative trend.

However, the new E-Class hit dealerships two weekends ago – and you can see it here on the stage in its sedan and coupe versions. Without a doubt, the E-Class is the most important product we will introduce this year. It can already be purchased in the dealerships as a sedan; in May it will be available as a coupe and in November as a station wagon. Later on, customers will also be able to buy a convertible version.

This vehicle is not only by far and away the safest and most comfortable E-Class ever; it's also by far the cleanest and most economical. With its new four-cylinder diesel engine, the sedan consumes up to 23 percent less fuel than its predecessor model. It requires only 5.3 liters of fuel per 100 kilometers. That corresponds to 139 grams of CO<sub>2</sub> emissions per kilometer, which puts it at the top of this segment. All of the diesel and gasoline engines we offer already meet the EU5 emission limits that will be introduced in 2011. The E 350 BlueTEC, which will be launched on the market in September, even meets the EU6 standard that won't go into effect until 2014.

A further milestone in terms of fuel efficiency and clean operation awaits you this summer in the S-Class. The S 400 HYBRID will be Mercedes-Benz' first vehicle with hybrid drive. With fuel consumption of 7.9 liters per 100 kilometers, the S 400 HYBRID is the world's most fuel-efficient luxury sedan with a gasoline engine. What's more, the S 400 HYBRID is also the first series-produced hybrid vehicle made by a European automaker; the luxury segment's CO<sub>2</sub> emissions champion; and the first series-produced hybrid vehicle with a lithium-ion battery. This technology was specially modified by Daimler engineers to meet automotive requirements. It will play a key role in the further development of electric drive systems; and has appropriately received the ADAC's "Yellow Angel" in the category "Innovation and the Environment."

All of this illustrates that we take our claim to combine "fascination and responsibility" seriously.

We can also stand up to comparison in other categories. Last year alone, Mercedes model series claimed 11 "Gold" awards in competitions organized by the automotive media in Germany. Our model range is among the youngest in the automotive industry today. We are doing our utmost to buck this most difficult market by offering strong products.

Nonetheless, it's clear that as long as extremely weak market conditions prevail, we too will experience severe setbacks. As a result, sales of Mercedes-Benz Cars will be significantly lower in full-year 2009 than was the case in 2008.

### **Daimler Trucks**

For our truck division, 2008 as a whole was a good year, despite an extremely difficult market environment in North America.

Sales and revenues increased slightly. With approximately 472,000 units sold, we were once again the global market leader for heavy-duty and medium-duty trucks. In fact, as far as Mercedes-Benz trucks are concerned, 2008 was the best year ever, as sales in Europe and Latin America increased by 6 percent. Trucks Asia, meanwhile, grew by 5 percent.

In contrast, sales in North America dropped by 12 percent. Against this backdrop and for other reasons, at the end of October we announced a comprehensive restructuring of our operations in North America. Thanks to these changes, we expect EBIT to improve by 900 million US dollars annually starting in 2011. However, this reorganization led to negative one-time effects in business year 2008. In conjunction with the downturn of demand at the end of 2008, they explain why earnings at Daimler Trucks' fell in 2008 compared with the prior year.

Overall EBIT was 1.6 billion euros – thanks to excellent business developments in Europe and Latin America, but first and foremost due to our products and technologies that have been well received around the world. Our new Actros was named “Truck of the Year,” just like its two predecessors. Our innovative BlueTec diesel technology is setting benchmarks for clean operation and fuel efficiency. The Freightliner Cascadia is the most fuel-efficient truck in its class made in the U.S. And sales of our hybrid truck, the Fuso Canter Eco Hybrid, are also improving, although the absolute numbers are relatively small.

In general, it took longer for the economic crisis to affect the commercial vehicle business. However, the market collapse is now all the more dramatic. At Daimler Trucks, we expect a massive downturn in our markets in full-year 2009:

- The truck market in Europe will probably contract by 30 to 50 percent compared to the prior year.
- In Japan we can expect the market to shrink by 40 percent.
- And in the U.S., the truck industry – which was already at a very low ebb – must prepare to face a further decline of almost 30 percent.

In the first quarter of 2009, sales at Daimler Trucks were down 39 percent over the prior year. Incoming orders fell by 68 percent. But even so, we are still doing relatively well compared with other manufacturers and we’re gaining market share. This shows just how weak the overall market is.

### **Mercedes-Benz Vans**

And now I would like to turn to our vans. Here, sales in 2008 roughly matched the prior year’s level. In particular, the figures for the first half of the year were extremely positive. During the first few months, our plants were operating close to their capacity limits. Toward the end of the year, however, the financial crisis was affecting growth rates here as well. Nonetheless, by selling more than 287,000 vehicles in full-year 2008, we posted the second-highest sales figures ever.

In Western Europe we further increased our market share to more than 17 percent, thereby strengthening our position as the market leader. In the German market we set a new sales record. At 818 million euros, our vans also posted a new earnings record in 2008.

However, the current year will see van markets slump severely as well. As a result, we will clearly fail to achieve the high sales figures posted last year. However, we have good prospects for remaining Western Europe’s leading van manufacturer. The Sprinter and Vito models are still just as popular as ever with customers.

## **Daimler Buses**

In comparative terms, our bus unit has been affected relatively little by the economic crisis so far, as Daimler Buses has just completed an outstanding business year.

In 2008 we sold more than 40,000 buses and chassis of the Mercedes-Benz, Setra, and Orion brands, and thus further increased our sales figures. In the segment over 8 tons, we are the market leader by a long shot. In some regions, our market share is greater than 50 percent. But that's not all: In 2008 our buses posted their best earnings in Daimler's history. Our return on sales was 8.4 percent. In other words, Daimler Buses was the global benchmark for profitability.

However, bus markets will also decline in 2009. Sales in 2009 could therefore be significantly lower than in the prior year. Nonetheless, our declared goal is to remain the global Number 1 in the segment over 8 tons. And we will achieve this goal.

## **Daimler Financial Services**

Last but not least we come to Daimler Financial Services. Here the contract volume increased worldwide by 7 percent in 2008. At 677 million euros, EBIT was also higher than in the prior year. The main focus at Financial Services was on reorganizing our North American business, expanding the insurance business and intensifying business with commercial customers.

In addition, with our entry into the Romanian market, we further expanded our business in Central and Eastern Europe. We have also acted quickly to minimize the financial impact of what are in some cases substantial loan defaults. And our claims management has also been improved.

However, a financial services company in particular must also be affected by the impact of a financial crisis. That's why we are preparing to deal with a significant increase in the number of loan defaults. Proactive crisis management demands such a step. Our refinancing costs will also be significantly higher in 2009 than those of the prior year.

## **Group Holdings**

And that brings me to our holdings – and first of all to Chrysler. As I've already mentioned, our 19.9 percent stake in Chrysler had a significant negative impact on our 2008 Group results. In addition, for the annual financial statement we carried out a valuation adjustment of Chrysler-related assets.

Of the 3.2 billion euro total burden associated with our stake in Chrysler, a loan of 1.5 billion U.S. dollars to Chrysler negatively impacted our industrial cash flow. In the meantime, both the equity value and the two loans we granted to Chrysler in connection with the separation are valued at zero on our balance sheets. From an accounting perspective, this enabled us to markedly reduce our exposure to Chrysler-related risks. In another positive development, we recently transferred to Chrysler the 22 Chrysler sales companies that we had formed and continued to operate on a temporary basis in various countries.

At the end of March the U.S. government imposed a deadline by which Chrysler was required to present a viability plan for its future operations: Chrysler must finalize its plan by the end of this month. In addition, the negotiations with Fiat must also be concluded by this deadline. We are essentially in favor of a Chrysler restructuring. However, here the principle of proactive crisis management applies as well. In other words, we are preparing for all eventualities. We are still negotiating with Cerberus regarding the transfer of our remaining Chrysler shares. However, Cerberus' demands are making it difficult to reach an agreement. We have analyzed these demands in detail and regard them as unacceptable.

Overall, business developed positively at EADS in 2008. Effective June 30, 2010, we can reduce our stake to 15 percent. We will remain a strong and reliable partner.

New acquisitions in 2008 included a share in Tognum AG, one of the world's leading suppliers of off-highway engines. As a result, we can rest assured that Tognum will remain a reliable supplier over the long term.

In 2008 we also acquired stakes in Li-Tec, which produces lithium-ion cells, and in Kamaz, a Russian truck manufacturer. I will say more about these two acquisitions when I talk about strategic investments to secure our future.

### **Outlook for 2009**

So, what can we now expect in 2009?

According to our assessment, the automotive markets will not bottom out before the second half of the year, at the earliest. For this reason, we assume that our business volume will decline sharply this year. Our revenues in all automotive divisions will fall significantly below the prior year's levels.

We assume that Group earnings will be subject to additional significant pressures in 2009. It will not be possible to make a more detailed statement until we can predict the markets' overall development more accurately. What we can say with certainty is that the first quarter will be significantly negative. As the year progresses, we expect to see our results gradually improve. One factor contributing to this improvement will be the full availability of the new E-Class. Another will be the crisis management measures we have introduced, which I would now like to discuss.

### **Proactive Crisis Management**

Ladies and gentlemen, successful crisis management is measured according to the quality of the proactive measures involved. Those who only react to crises as they develop will soon be driven by events and will no longer be able to decide which fire to put out first.

In other words, those who wish to shape the future in spite of the crisis must ride ahead of the crest of the wave of ongoing developments. In order to do that, they must analyze in advance where fires could break out and prevent that from happening by taking the appropriate preventive measures. This concept of proactive crisis management is the approach we practice at Daimler.

I admit that in retrospect we would like to have stepped on the brake at an even earlier point in the middle of last year. However, as soon as it became clear the dimensions this economic crisis could reach we rigorously applied a proactive crisis management approach.

Without a doubt, a key role is played by the reduction of our working capital – in particular, the reduction in our vehicle inventories. At the same time, this measure is an important lever for improving our cash flow position. Because of the abrupt downturn in the market in the fourth quarter, our passenger car inventories at times were considerably above normal levels. But by end of March we had already managed to return our inventories, as an initial step, to the level of spring 2008.

Yet in the current situation even that is not enough – and that's why the issue of inventory reduction remains one of our top priorities. By the end of the second quarter we aim to bring our vehicle inventory back to a level that corresponds to the current market volume.

In order to reach this goal, we have further adjusted production and instituted short-time work in Germany at the beginning of this year. We are now also taking this measure in the Vans unit, and since the beginning of the second quarter at Daimler Trucks as well. At all of our divisions, roughly 68,000 of our employees in Germany are currently doing short-time work. In addition, we will institute collective breaks throughout the Group – in administrative functions as well – next week and during a three-week period in August. These breaks are covered by vacation and time accounts.

Short-time work is not only having a positive effect on our vehicle inventory; it's also reducing our labor costs – though to an extent that is still not sufficient. For this reason we have either already introduced a series of additional necessary human resources measures or we are making them the subject of negotiations with the General Works Council. Important issues here are:

- limiting the wage increase to areas covered by the collective bargaining agreement and postponing the second stage of the wage increases;
- significantly reducing additional pay allowances for employees on short-time work;
- significantly shortening work time and proportionally reducing wages for all employees that are not doing short-time work;
- proportionately reducing vacation and Christmas bonuses;
- and temporarily suspending voluntary benefits previously provided by the Group, such as construction loans or employee shares.

What is clear is that we will not succeed in our endeavors without a substantial contribution by employees.

It is a question of corporate culture – and by that I also mean a question of responsibility – that you sometimes have to act on unavoidable decisions, even if they are initially unpopular. The alternative would be to evade uncomfortable truths. And although such a course of action avoids conflicts in the short term, it ultimately causes much more damage. Our workforce knows that – and I am convinced that the vast majority of our employees is ready to act in solidarity with us in the best interest of Daimler.

This applies all the more to our senior managers, who will, of course, make additional, and in some instances disproportionately large contributions. They already have had to accept salary reductions averaging nearly 30 percent. Last year the Board of Management's remuneration was already reduced by 41 percent, and in the case of the Chairman by 47 percent. We plan to make further reductions this year. As you may have already heard this morning, we will not immediately fill Rüdiger Grube's board position.

The measures I have mentioned will involve considerable sacrifices for our workforce. That's why I would all the more like to thank all of our colleagues for being 100% committed to their company – particularly in times like these. We will do everything we can to keep as many of our employees on board as possible. In all honesty, however, I must add two comments: first, we will only have the opportunity to achieve this aim if everyone makes a contribution; and second, we cannot rule out layoffs – in a worst-case scenario – if the crisis continues.

To avoid this worst-case scenario, we will take further action in other areas. Starting in the second quarter of 2009, for example, we have once again drastically reduced our operating costs. And to that end we're taking a "zero-based" approach on an ongoing basis. That means we question every cost independent of original budgets. We have set extremely ambitious targets throughout the Group and the individual divisions, and we have initiated the appropriate measures to achieve these goals. What's more, we have further increased the pace of our efficiency-enhancing programs. At Mercedes-Benz Cars, for example, we are striving to

- reduce consumption of resources,
- review our net assets,
- reduce fixed costs,
- further streamline the organization
- and increase earnings.

And we also are setting the bar higher at Daimler Trucks: At Mercedes-Benz Trucks we are launching an additional program for cutting costs. In North America we shut down our truck plant in St. Thomas, Canada last month. In June 2010, we will also terminate truck production in Portland, Oregon. Since February we have reduced the number of workers involved in production in North America by about one third. Soon we will also be presenting a restructuring plan for Trucks Asia. We have also reduced salaries there – as we've done in North America – by between five and ten percent.

And we are exploiting further potential for increasing efficiency at Vans, Buses and Financial Services.

Starting this year, our New Management Model will enable us to reduce baseline administrative costs by more than one billion euros this year compared to 2004. And that's not all. In this year we aim to cut our administration costs by another 500 million Euros.

We will consistently suspend everything that is not directly relevant to our competitiveness, including IT projects and the construction of our new administration building in Stuttgart-Untertürkheim. We have also canceled, or at least postponed, certain additional vehicle projects.

At the same time, we are taking the necessary steps to secure our financial foundation. We have reliable access to the credit markets – although this entails significantly higher costs than in the past. Our funding is secured.

All of this shows that we are doing everything that is necessary in order to remain capable of shaping our future even in the crisis. Altogether, we calculate that our measures will generate savings of several billion euros in the divisions and the Group this year.

### **Investing in the future**

Ladies and gentlemen, it's true that rigid cost discipline is necessary for survival in the automotive industry at the present time. However, a company that allows cost-cutting to replace strategic planning is putting its future at risk. And we are not going to make that mistake at Daimler.

Although this crisis is forcing us to save wherever we can, we will not eat the seed corn that will bring us a rich harvest tomorrow and beyond. And here, our top priorities are new products and green technologies. We want to be the driving force behind sustainable mobility.

To meet this goal, we will continue to massively invest in research and development this year. It's money well spent. After all, an increasing number of premium customers want to drive their S-Class vehicles with a clear "green conscience." In the future, outstanding fuel efficiency and environmental compatibility will join safety, styling, and prestige as the defining attributes of the premium segment. As a result, much rather than having to deal with a change in the demand for premium cars, we will address the way the "premium" segment is defined.

Over the short- and medium terms, innovative internal combustion engines will primarily decide how much CO<sub>2</sub> levels are actually reduced in road traffic. The potential of the internal combustion engine is far from fully realized – a fact that is demonstrated, for example, by the most fuel-efficient S-Class ever. Our S 320 CDI BlueEFFICIENCY, available since the end of 2008, which consumes just 7.6 liters of fuel per 100 kilometers.

We plan to reduce the average CO<sub>2</sub> emissions of our fleet of new vehicles in Europe to less than 140 grams per kilometer by 2012, thereby meeting the target the EU has set for us. Today, 24 models from Mercedes-Benz Cars already emit less than 140 grams of CO<sub>2</sub> per kilometer. And almost one-third of Mercedes-Benz passenger vehicles are so-called "five-liter" automobiles. Moreover, at least half of the cars we will sell in 2009 will benefit from Germany's new motor vehicle tax.

Our commercial vehicles are the leaders when it comes to fuel efficiency and economy. In fact, Daimler has more trucks with alternative drive systems on the road than any other manufacturer.

The combination of combustion engines with electric components – in other words, hybridization – will further boost the efficiency of our vehicles. A good example of what I mean is provided by the S 400 HYBRID I mentioned earlier.

Of course, in the long run our aim remains zero-emission driving with a battery-powered electric drive or fuel cells – and in 2009 we will pass new milestones in regard to both technologies.

Here in Berlin, we will deliver the first electric smart models to selected customers as part of our large-scale “e-mobility” pilot project. In 2010 we will also start delivering Mercedes-Benz electric vehicles. By the time we’re done, more than 100 electric vehicles from both brands will be on the road here in the capital. Additional “e-mobility” projects will be launched in 2010 in Rome, Milan, and Pisa. We are currently discussing similar projects with other cities in Europe and the U.S.

This year we will also begin limited production of a B-Class model equipped with fuel-cell drive. In 2010 we will hand over 20 of these vehicles to customers in Hamburg. Comparable initiatives will also soon be launched in other major cities in Europe, the U.S., and Japan. With regard to fuel-cell technology, we have significantly improved our new fuel cell compared to its predecessor:

- its range is 60 percent longer;
- a full tank of hydrogen now takes you almost 400 kilometers;
- and refueling takes only a few minutes.

From a technical point of view, there’s practically nothing to prevent the introduction of fuel cells – a fact demonstrated by our Citaro fuel cell bus, which has been successfully operating under real-life conditions for several years now.

I would like to emphasize at this point that battery-powered systems and fuel-cell drives are not mutually exclusive. On the contrary, they complement one another, especially when it comes to range. What’s more, both systems are based on electricity. That’s why our electrically powered drive systems exploit a modular building block system.

We presented this principle in Detroit last January in the form of our “BlueZERO” concept. This relies on a single vehicle architecture that is already being used to create three models with different drive configurations. These are:

- a battery-only system;
- a fuel-cell drive;
- and an electric motor that is connected to a combustion engine that serves as a range extender.

Speaking in Berlin a few weeks ago, Horst Köhler, Germany’s president, said it isn’t enough to build “the best cars in the world – we must also build the best cars in the world’s future.” Daimler accepts this challenge from the nation’s highest authority. We’ve already set a promising course.

Nevertheless, I want to expressly warn you not to set false expectations: At the moment, we’re still talking about limited series when it comes to producing fully electric vehicles. Zero-emission driving in a large number of vehicles at affordable prices will not become reality overnight. That’s why it’s so important to continue optimizing the internal combustion engine.

One hurdle on the road to achieving zero-emission driving is the inadequate infrastructure. After all, without electrical charging stations and hydrogen filling stations, we won’t see the large-scale use of either battery-operated or fuel cell-powered vehicles. The construction of a comprehensive network of about 1,000 hydrogen filling stations in Germany would require an initial investment of around 1.7 billion euros. That’s not in the realm of the impossible – but no single source would be able to fund it alone.

That's why Daimler continues to move ahead systematically with the partnerships that will be needed here – for example, with energy suppliers like RWE, Vattenfall, and Enel, as well as with oil companies such as Shell and Total.

Battery technology has so far been another bottleneck on the road to zero-emission mobility, and here, too, we believe that progress can be accelerated by joining forces.

Our competitive edge in lithium-ion technology that I talked about earlier is, for example, based not only on extensive in-house research but also on successful cooperation with Continental and JC Saft.

However, these aren't our only partnerships in this field: Last December, we acquired a stake in Li-Tec GmbH, a global leader in the production of lithium-ion cells. Then, in March 2009, we joined forces with Li-Tec's second major shareholder, Evonik Industries AG, to establish a further joint venture in which we have a 90 percent interest. This company – Deutsche Accumotive GmbH – is headquartered in Nabern near Stuttgart and will specialize in the development, production, and sale of batteries for automotive applications. Initially, cells from Li-Tec and batteries produced by Deutsche Accumotive GmbH will be used to power Daimler vehicles. And here, I'm referring to both passenger cars and trucks.

Over the medium term, however, we also see definite business potential in selling these energy storage devices to third parties. We plan to begin delivering the first lithium-ion batteries manufactured at our own production facilities in about two to three years.

All of this illustrates that while the automotive industry is experiencing an economic downturn, it's also enjoying a technological upswing. And in connection with the effects of the crisis on the infrastructure, this could result in significant growth potential for the economy as a whole. To put it another way, the automobile is the point of departure, but not the destination, of a fundamental transition to post-fossil-fuel mobility.

### **New markets**

The second major future issue for our industry, which despite the economic crisis still holds a top spot on our strategic agenda, is the fact that the large emerging markets are discovering the automobile.

Even though it hardly seems possible at the moment, the number of automobiles on the world's roads will most likely double over the next 30 years. And countries such as China, India, Brazil, and Russia will be the driving forces behind this growth. Even the current economic crisis will scarcely influence this long-term trend. That's why we are strategically expanding our position in growth markets.

China is about to become the world's biggest automobile market – and Mercedes-Benz was the fastest-growing premium brand there in 2008. We must – and will – continue to add new chapters to this success story. This year we will introduce smart to China. We will also launch the local production of our Vito and Viano vans in China. The Sprinter will follow in 2010.

We are expanding our commercial vehicle activities in Russia, which is now Europe's biggest market for heavy-duty trucks. To this end, we have established a strategic partnership with the Russian truck manufacturer Kamaz, in which we have acquired a ten percent stake. Kamaz is the market leader for heavy-duty trucks in Russia.

In India, we are collaborating with Sulej Motors Ltd. in order to produce and sell buses in the country. Our first product here – a new Mercedes-Benz luxury intercity travel coach – celebrated its market launch in September 2008.

### **Business Innovation**

I would like to mention a third example of a future issue that we are keeping in sight at Daimler in spite of the economic crisis: namely, new ideas for growth related to our core business.

In my presentation to you one year ago, I reported on the formation of a small team that is empowered to search out ideas for growth and implement them.

Today I can introduce an initial result: “car2go” – an innovative mobility concept that we’re currently testing in Ulm.

Following a one-time registration, customers can book a smart vehicle in advance or on the spur of the moment. The vehicles are distributed throughout the city. A chip in the user’s driver’s license opens the car; all the customer has to do is get in and drive off. At the end of the trip, the customer can park the rented smart anywhere in the city. All of the cars are equipped with a GPS transmitter, which enables the next customer to locate the vehicle on a cell phone at any time. A total of 200 car2go vehicles are currently available for use in Ulm, where all of the city’s inhabitants can now take part in the pilot program. The feedback we’ve received so far has been very encouraging.

That’s why next fall we’re going to test “car2go” outside of Germany as well for the first time – initially with a further pilot project in Austin, Texas. It’s no accident that we’re taking this step in the U.S. – the carsharing market is growing faster in the U.S. than in any other country.

Of course, we cannot say today what kind of market potential such business ideas may one day have. But this example shows that we are actively addressing alternatives to, and enhancements of, the traditional methods of selling or leasing automobiles. In other words, if the demand for flexible vehicle utilization models should grow, Daimler wants to – and will – be prepared to meet it.

### **Relationship between government and business**

Dear shareholders, ladies and gentlemen, the automotive industry is feeling the full brunt of the global economic crisis; as are governments, which are now facing challenges of historic dimensions.

Just think about how quickly even the most pro-market governments have moved to partially nationalize their countries’ banking systems in order to prevent a total meltdown of the global financial system. I emphatically approve of the decisive action taken by political leaders. After all, extraordinary circumstances call for extraordinary measures – and governments simply have to step in when a crisis threatens the very foundation of our free-market system.

The German government and a large segment of the parliamentary opposition did not shirk their responsibilities here. On the contrary, they implemented important measures to boost the economy as a whole and thus mitigate the effects of the crisis. They were right to do so.

But now it should be left at that. It's not the government's job to address all the effects of the crisis and thereby directly intervene in the competitive environment. Trying to answer the question whom the government should help and whom it shouldn't automatically leads to arbitrariness and injustice. Even in this "super election year" for Germany, we therefore must be strong enough to remain true to the principles of the socially responsible market economy.

And we mustn't forget that times of crisis are also always times of change, of temporarily painful structural transformations and new beginnings. Understanding this enables a society to renew itself. It's the essence of the popular aphorism that "a crisis is also an opportunity" – an opportunity for renewal.

### **Conclusion**

Only three percent of all German companies are more than 50 years old. And less than two percent have made it to one hundred. But your company belongs to that two percent, ladies and gentlemen – and that's not a coincidence. Daimler has always had the power to change – in recent years as well. I, for one, wouldn't like to contemplate what shape we'd be in during the current economic crisis if we hadn't implemented our efficiency-boosting programs and were still merged with Chrysler. Daimler is both willing and able to repeatedly adjust to new customer requirements and new market conditions. That applies to the present crisis as well.

I hope that I have been able to communicate - first, what your company is capable of achieving in a "normal" market environment, and what it therefore achieved in the first half of 2008; second, that we are doing everything necessary to equip Daimler to handle the crisis; and, third, that even in the midst of the crisis we continue our targeted investments in long-term issues that will shape our industry in the future.

Even without the recession, it would be a huge undertaking to reinvent the automobile for the post-oil era. Now, however, we are faced with an economic earthquake right in the middle of a far-reaching technological transformation.

Not every company will be in the position to master this dual challenge. But Daimler will. We will master this challenge. We will play a leading role in the next stage of automobile evolution.

Thank you for your support!

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