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Daimler AG: Daimler posts EBIT of minus EUR1,426 million in first quarter of 2009

Daimler AG / Quarter Results

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- \* Net loss of EUR1,286 million (Q1 2008: net profit of EUR1,332 million)
- \* Revenue significantly below prior-year level at EUR18.7 billion
- \* Decreases in unit sales and revenue expected for full-year 2009
- \* Implementation of measures with the aim of saving EUR4 billion in 2009
- \* Gradual improvement in operating profitability expected during 2009, but renewed significant operating loss in second quarter
- \* Mercedes-Benz Cars expects positive earnings again in second half of this year

Stuttgart - The global financial and economic crisis and the resulting difficult automotive markets placed a significant burden on the earnings of the Daimler Group (stock-exchange abbreviation DAI) in the first quarter of 2009.

Daimler posted EBIT of minus EUR1,426 million for the first quarter of 2009 (Q1 2008: plus EUR1,976 million).

The significant decline in earnings primarily reflects the sharp drops in unit sales at Mercedes-Benz Cars, Daimler Trucks and Mercedes-Benz Vans in the first quarter of 2009. The measures already taken mitigated the decline in earnings, but were far from sufficient to compensate for the effect of the decrease in

Group revenue related to lower unit sales. Increased cost of risk at Daimler Financial Services led to a fall in that division's operating results.

Earnings in the first quarter of 2008 were positively affected by gains realized on the sale of real estate properties at Potsdamer Platz (EUR449 million) and gains connected with the transfer of EADS shares (EUR102 million). There was an opposing effect from charges relating to Daimler's equity interest in Chrysler (EUR491 million).

The Group posted a net loss for the period of EUR1,286 million (Q1 2008: net profit of EUR1,332 million); earnings per share amounted to minus EUR1.40 (Q1 2008: plus EUR1.29).

Unit sales down by 34% in the first quarter

In the first quarter of 2009, Daimler sold 332,300 cars and commercial vehicles worldwide, which was 34% lower than in the same period of last year.

The Daimler Group's first-quarter revenue decreased significantly from EUR24.0 billion to EUR18.7 billion in 2009. Adjusted for exchange-rate effects, revenue fell by 25%.

At the end of the first quarter of 2009, Daimler employed 263,819 people worldwide (end of Q1 2008: 273,902). Of that total, 164,983 people were

employed in Germany (end of Q1 2008: 166,661).

The free cash flow of the industrial business was negative and fell significantly by EUR2.2 billion to minus EUR1.1 billion.

The main reason for the decrease in the free cash flow was the development of the divisions' earnings. In addition, the free cash flow of the prior-year period included proceeds from the sale of real estate at Potsdamer Platz and from the transfer of EADS shares totaling EUR1.4 billion. However, there were positive effects on the free cash flow of the industrial business from the development of inventories.

Details of the divisions in the first quarter of 2009

Due to the ongoing contraction of worldwide automobile markets and the model changeover of the high-volume E-Class, Mercedes-Benz Cars sold 231,200 vehicles in the first quarter of 2009 (Q1 2008: 318,300). First-quarter revenue decreased by 27% to EUR9.1 billion.

The division posted EBIT of minus EUR1,123 million in the first quarter, which was significantly below the result of the prior-year quarter (plus EUR1,152 million).

The decline in earnings is mainly a result of the significant decrease in demand for automobiles and the resulting drop in unit sales. The lifecycle-related replacement of the E-Class also had a negative impact on sales. Earnings were additionally reduced by a shift in demand towards smaller models and ongoing price pressure in automobile markets. The decline in earnings was partially offset by the timely initiation of cost-adjusting actions such as the introduction of short-time work at plants in Germany.

Daimler Trucks sold 65,400 vehicles worldwide in the first quarter of 2009 (Q1 2008: 107,700). The significant decrease was caused by the worldwide recession. Revenue decreased from EUR6.3 billion to EUR4.9 billion.

Due to the significant decline in unit sales, the division recorded EBIT of minus EUR142 million, which was significantly below the EBIT of plus EUR403 million posted in the prior-year quarter. There was an additional negative impact on EBIT in Q1 2009 of EUR45 million from the measures initiated in 2008 for the repositioning of Daimler Trucks North America. Positive effects resulted from cost adjustments and further efficiency improvements.

The Trucks Europe/Latin America unit (Mercedes-Benz) sold 23,100 vehicles in the first quarter (Q1 2008: 33,800), a decrease compared with the prior-year quarter, as expected. Sales of 17,200 units by Trucks NAFTA (Freightliner, Sterling, Western Star and Thomas Built Buses) were also lower than in the prior-year period (Q1 2008: 27,500). Trucks Asia (Mitsubishi Fuso) sold 25,100 vehicles in the first quarter (Q1 2008: 46,500).

The Daimler Group adjusted its segment reporting at the beginning of 2009. The business activities of Mercedes-Benz Vans and Daimler Buses, which were previously reported under Vans, Buses, Other, are now presented separately.

Due to a severe market slump, Mercedes-Benz Vans' unit sales decreased to 28,800 vehicles in the first quarter (Q1 2008: 68,600). Revenue of EUR1.3

billion was also well below the figure for the prior-year period.

The Mercedes-Benz Vans division posted EBIT of minus EUR91 million (Q1 2008: plus EUR186 million). Positive effects resulted from efficiency increases and the development of some currencies.

Despite the difficult market situation, Mercedes-Benz Vans continued to defend its market leadership for medium-sized and large vans in Western Europe, taking a market share of 16.7% (Q1 2008: 16.3%).

Daimler Buses sold 6,800 buses and chassis worldwide in the first quarter of this year (Q1 2008: 9,200). As the decline in unit sales is almost solely accounted for by lower volumes of chassis in Latin America, revenue decreased at the much lower rate of 2% to EUR904 million. The division achieved EBIT of EUR65 million (Q1 2008: EUR75 million).

At Daimler Financial Services, new business decreased by 12% compared with the prior-year quarter to EUR5.9 billion. Contract volume amounted to EUR62.0 billion at the end of the first quarter, which was 2% lower than at the end of 2008.

The division posted first-quarter EBIT of minus EUR167 million (Q1 2008: plus EUR168 million). The decline in earnings was primarily due to charges resulting from further increases in risk provisions. An additional factor is that the EBIT for the period includes losses from the sale of parts of the non-automotive leasing portfolio. Furthermore, expansion of Mercedes-Benz Bank's direct banking business entailed expenses, which had a negative impact on first-quarter earnings.

The other business activities - in particular the equity holdings in Chrysler, EADS and Tognum, which were previously allocated to Vans, Buses, Other - have been included in 'Reconciliation' since the beginning of 2009.

In the first quarter of 2009, Daimler's share in the net profit of EADS amounted to EUR83 million (Q1 2008: EUR22 million). The equity-method inclusion of the 19.9% equity interest in Chrysler did not lead to any further charges on earnings. In connection with the legal transfer of Chrysler's international sales activities to Chrysler LLC and due to the valuation of Chrysler-related assets, the Group recorded a total gain of EUR40 million in the first quarter of 2009.

## Outlook

Based on the divisions' planning, Daimler expects its total unit sales to decrease significantly in the year 2009 (2008: 2.1 million vehicles).

Mercedes-Benz Cars has an up-to-date and competitive product range. Mercedes-Benz Cars will not be able to avoid the expected weakness of major sales markets and in particular of its main market segments. Overall, unit sales in 2009 will therefore be lower than in the prior year. Lower volumes are anticipated above all in the markets of the United States, Western Europe and Japan, which have been particularly hard hit by the economic and financial crisis. Unit sales should be partially stabilized by growth in the emerging markets, however.

Mercedes-Benz Cars assumes it will at least maintain its market shares and that the bottom of the EBIT curve was reached in the first quarter. Due in particular to the cost-reducing measures and the launch of the new E-Class

in Europe and the US launch planned for June 2009, there should be a gradual improvement in profitability over the next three quarters and positive earnings in the second half of the year.

As a result of the global economic crisis, Daimler Trucks assumes that unit sales will fall significantly in all its major markets in full-year 2009. The division expects to maintain its shares of core markets, however. The full impact of the significant drop in demand in all markets since the beginning of this year will be felt as of the second quarter. Further burdens on earnings are therefore anticipated, especially in the second quarter.

Due to stagnating demand and the ongoing recession in major economies, Mercedes-Benz Vans does not expect an improvement in unit sales in the coming months. In line with the significant fall in demand in all markets, further burdens on earnings are anticipated, particularly in the second quarter.

Daimler Buses anticipates lower unit sales in 2009 than in the record year 2008. Nonetheless, the unit expects to achieve positive earnings, though substantially lower than in 2008.

Daimler Financial Services anticipates rising credit defaults and higher refinancing expenses in full-year 2009. The lowest point for earnings should have been reached in the first quarter, however. Contract volume is expected to decrease compared with 2008.

The Daimler Group's total revenue is likely to decrease significantly in full-year 2009 (2008: EUR95.9 billion).

In order to alleviate the impact of the significant decline in unit sales and revenue caused by the global financial and economic crisis, at short notice Daimler has initiated measures designed to adjust costs and avoid expenditure across all divisions and at the Group's headquarters. As well as actions to reduce labor costs, this includes the reduction of fixed costs and administrative expenses and further streamlining of the Group's organizational structures. In addition, projects are being postponed if they are not directly relevant to competitiveness.

The measures initiated supplement the existing efficiency-enhancing programs and will be implemented at the Group in the coming months. As a result, Daimler expects to achieve cost reductions or to avoid cost increases in a total amount of EUR4 billion. Based on these measures, which will have their full impact in the second half of the year, and due to the launch of the new E-Class, the Daimler Group anticipates a gradual improvement in operating profitability as the year progresses. Earnings in the second quarter are expected to be significantly negative once again, however.

Further information on Daimler is available on the internet:  
[www.media.daimler.com](http://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 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 global market leader of heavy- and medium-duty trucks as well as buses. 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, 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 EUR95.9 billion and EBIT amounted to EUR2.7 billion. Daimler is an automotive Group with a commitment to excellence, and aims to achieve sustainable growth and industry-leading profitability.

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