

Speech by

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Introduction

Good morning, ladies and gentlemen. Welcome to our Annual Press Conference!

Today we'll be reporting to you about a year that has been unusual – for the global economy, for the automotive industry, and also for Daimler. In 2009 the global economy contracted for the first time since 1950. This has been an abnormal recession, and it has hit the automotive industry particularly hard: Some of our markets plummeted in the short term by as much as 20 to 40 percent. In the truck markets, the downturn was in some cases even more severe.

Of course, these developments affected our business results: As we forecasted here twelve months ago, Daimler sold significantly fewer vehicles in 2009 than in the prior year. Altogether, we sold 1.6 million passenger cars, trucks, vans, and buses, and posted revenue of approximately 79 billion euros. Our EBIT from ongoing business operations was minus 1.5 billion euros. When all one-time effects are taken into account, it was minus 800 million euros. One-time charges resulted primarily: from the realignment of our truck business in the U.S. and Japan, as well as the divestment of our remaining shares in Chrysler. The Group's net earnings were negative at minus 2.6 billion euros.

Given this unusual situation, the Board of Management is proposing to the Supervisory Board, by way of exception, that Daimler refrain from paying any dividends for the past business year. The proposal reflects only the business developments and the earnings situation in 2009. It does not have any implications for our current year's business expectations. You can assume that we will once again pay a dividend for business year 2010.

Although our figures for 2009 were disappointing, it's clear that 2009 was not a lost year for Daimler: In the course of the past year, we became significantly more efficient. Even though the markets remained weak, we increased our sales as the year progressed – particularly in the fourth quarter. And we did so more strongly than our competitors. Above all, we've introduced measures that will enable us not only to successfully cope with the long-term transformation of our sector but also to shape it from a leading position.

After playing a calculated defensive game in 2009, we will once again go on the offensive in 2010. Our path is set. Our leadership team is ready.

Group Overview

Now on to the details. Last year at this Annual Press Conference, I said that we wanted to improve our performance quarter by quarter. We've kept this promise: In the third quarter we returned to profitability. In the fourth quarter we further improved our ongoing business operations.

These developments were based on a comprehensive and consistently implemented package of measures: We radically adjusted our costs to our market volume and boosted our baseline efficiency. In 2009 we made fundamental improvements that boosted our earnings by more than five billion euros. In concrete terms, we reduced our labor costs, saved on our material costs, and rigorously cut all expenditures that did not affect our competitiveness.

The most important performance measure in 2009 was our cash flow – and we significantly improved this key figure as well. By the end of the year, the free cash flow of our industrial business was clearly positive, and amounted to around 2.7 billion euros. Our gross and net liquidity also developed in a satisfactory manner. One factor contributing to this development was the new capital we raised in the first quarter. Our new anchor investor, Aabar Investments, has a long-term orientation. This not only increases our leeway when it comes to future investments, but also strengthens our position in the Middle East.

Last but not least, we fully completed our separation from Chrysler in 2009.

In the second half of 2009, we were once again successful in our markets, even though we couldn't fully compensate for the massive market downturn of the first half-year. Nonetheless, the basic trend was the same in almost all of our business activities. Sales, revenue, and earnings increased in the course of the year.

Mercedes-Benz Cars

Let's begin with developments at Mercedes-Benz Cars.

Over the year as a whole, our passenger car division delivered some 1.1 million Mercedes-Benz, smart, and Maybach brand vehicles to customers. Its revenue of 41 billion euros was lower than in the prior year, and its earnings of 500 million euros were negative. However, we significantly boosted sales over the course of the year. In terms of earnings, Mercedes-Benz Cars also demonstrated a positive trend as the year progressed.

Our new E-Class in particular has been a big hit with customers. In fact, the sedan was by far the world market leader in its segment in 2009. In Germany our market share was 56 percent, in Western Europe it was 31 percent, and in the U.S. it was 26 percent. And there were even more "first places" for Mercedes: The S-Class was the leader in its segment once again in 2009 – even though a competitor launched a completely new model. The C-Class sedan was also Number 1 in its respective segment.

Overall, no other premium brand grew faster worldwide in the fourth quarter than Mercedes-Benz. We aim to increase our market share in 2010 as well.

So, what's the situation at our other divisions?

Daimler Trucks

In commercial truck markets demand practically evaporated during some months of last year. In this environment, Daimler Trucks still managed to sell around 259,000 vehicles. EBIT from ongoing business operations was minus one billion euros.

Still, there's been a noticeable recent upswing here as well: In the fourth quarter we sold 12 percent more trucks than in the previous quarter. There was also a rise in incoming orders: Compared to the first half, orders increased by 59 percent in the second half of the year.

And in spite of the dramatic declines in sales and earnings in full-year 2009, we outperformed our competitors in important markets. Mercedes-Benz Trucks increased its share of the European market for heavy-duty trucks by one percentage point and for medium-duty trucks by 2.5 percentage points. In North America and Japan we've put the necessary measures in place to ensure that we can be profitable in structurally changed markets.

So, what do all of these developments mean for the bottom-line performance of Daimler Trucks in 2009? To put it in metaphorical terms, almost every cycling race includes mountain stages. The absolute speeds aren't as fast here, but it's where the riders first demonstrate their true ability to perform.

That's basically what's happening at Daimler Trucks: For the entire commercial vehicle industry, 2009 was an extreme "mountain stage." That's why the absolute figures are poor at Daimler Trucks as well. But compared to the competition our performance clearly set us apart.

Mercedes-Benz Vans

The same goes for our Vans business. Here too, our relevant markets experienced a massive decline: With sales of approximately 166,000 units, Mercedes-Benz Vans sales were considerably below those of 2008. Revenue amounted to 6.2 billion euros, a reduction of more than a third. Nonetheless, Mercedes-Benz Vans was profitable; EBIT was 26 million euros.

We earned 126 million euros in the fourth quarter alone, more than compensating for the losses we sustained in the first half of the year. Our vans were once again market leaders in Germany and Europe as a whole. What's more, we were able to build on our lead even further.

Daimler Buses

Overall, our buses were somewhat less affected by the economic crisis. To be sure, sales decreased here as well. Nonetheless, with sales of approximately 32,500 complete buses and chassis in 2009, Daimler Buses was once again the world's biggest bus manufacturer in the segment over eight tons gross vehicle weight.

More importantly, we were also the most profitable. The unit's earnings of 183 million euros were positive. In several core markets, we clearly outperformed the competition. We not only improved on our strong market position in Latin America, but in the U.S. and Canada as well.

Daimler Financial Services

At Daimler Financial Services, new business and contract volume in 2009 fell to 25 billion and 58 billion euros respectively compared to the previous year. These declines were, of course, due to decreases in vehicle sales.

Still, our financial services were in the black, with EBIT of nine million euros. What's more, our financial services division continued to provide us with reliable sales support in 2009: With its help we put 2.4 million vehicles on the road the world over.

Four strategic key aspects

To sum up, as unsatisfactory as our figures for the year as a whole are, we definitely picked up momentum in the course of 2009. We're emerging from the crisis generating a lot of "torque." And this is the case because we never lost sight of our long-term strategic targets.

On the basis of our strategy for profitable growth, we have defined four levers for 2010:

- First: Leading products and brands.
- Second: Pioneering technologies and business models.
- Third: New markets and networks.
- And fourth: Continuing efficiency gains.

All of these are built on a common foundation of highly motivated and high-performing employees.

What does this mean in concrete terms?

Leading products and brands

Leading products and brands are essential components of an explicit premium strategy – which is exactly the strategy we are pursuing at Mercedes-Benz Cars. There are discount stores – and there are gourmet shops. Mercedes is an automotive gourmet shop.

One of our new models illustrates that in a very special way: the SLS AMG – which for many people is the ultimate dream car. It's certainly one of the automotive highlights of the year. The SLS AMG has already received a whole series of awards, including the Golden Steering Wheel, the Auto Trophy, the title “TOPauto 2010”, and many more.

But the SLS is by no means the only example of leading products that bear the Mercedes star. In the next twenty-four months, we will launch a total of 16 new Mercedes-Benz models. They include the new CLS, the new S-Class coupe, and the most fuel-efficient and cleanest S-Class of all time: a luxury sedan with a four-cylinder engine. The new E-Class family has also been fully available in the market since we launched the convertible. This gave us a head start on our competitors in 2010.

But, as we all know, the fascination of premium vehicles is not limited to large sedans or super sports cars. Premium passenger cars in the lower range of the Mercedes model spectrum are very popular as well when they appeal to customers on an emotional level. Starting at the end of 2011, we will therefore launch in succession four new models in segments below the C-Class. As a result, we expect to further boost our prospects for sales growth. In fact, at Mercedes-Benz Cars we aim to sell around 1.5 million vehicles worldwide annually by 2015.

Top performance is also a focus at Trucks, Vans, and Buses. However, the attributes that ensure top performance here are somewhat different from those in the passenger car market. Whether or not a truck is regarded by customers as “fascinating” is mainly decided by its total cost of ownership and its reliability. Accordingly, Daimler Trucks has to be the top performer in these categories for freight transporters.

At Daimler Trucks, the current year will see the updated Atego and Axor, the new Freightliner Coronado, and the new Fuso Super Great and, last but not least, a complete new generation of Fuso light trucks. We'll also be offering updated versions of our Vito and Viano vans, as well as two new buses: the Comfort and the MultiClass from Setra.

Across all divisions, the quality and appeal of our product range are clearly demonstrated by the more than 100 awards and honors we received in 2009: The Actros, for example, has been named “Truck of the Year” for the third time, the E-Class is “Germany's Favorite Car,” and in the “Best Cars” survey, Mercedes-Benz gained in appeal across the board in 2010.

And then, of course, there's Formula 1. The sensational amount of public interest and the positive expectations generated by the new Mercedes Grand Prix team symbolize the charisma of our Mercedes star and the momentum I mentioned earlier – that extend far beyond our motor sports program. And here too, I'd like to strongly reinforce a point I've previously made: We aim to be not only the Formula 1 champion but also the world champion in terms of “Formula green.”

Pioneering technologies and business models

Our second strategic lever is therefore pioneering technologies and business models.

For decades we have been leading the way forward in safety technology. We now aim to play the same role in the area of environmental compatibility. And we have a clear strategy for achieving our goal: We're optimizing combustion engines. We're supplementing them with hybrid drives. And we're developing and producing fully electric vehicles that are locally emission free – be it with battery-electric drive or with fuel cells.

In all of these areas we are making very good progress.

At Mercedes-Benz Cars, we want to offer our customers the most environmentally friendly vehicle in each segment. In 2009 alone we reduced our average fleet CO₂ emissions by 13 grams to 160 grams. And we continue to make progress here: For example, the new six- and eight-cylinder engines scheduled for launch in 2010 will consume up to 25 percent less fuel than their respective predecessors. By the end of this year we'll expand our BlueEFFICIENCY fleet to 76 models.

We aim to reduce our average fleet CO₂ emissions to less than 140 grams by 2012. We'll not only meet legislative requirements, but actually exceed them.

A key component of our approach involves drive-system electrification. Daimler is extremely well equipped for this challenge, thanks in part to our modern hybrid drive systems. Our S 400 HYBRID has been successful in the market since mid-2009, we are offering the ML 450 HYBRID in the U.S., and we unveiled the concept for a “three-liter S-Class” at the last IAA. Thanks to our plug-in hybrid drive, we will reduce the CO₂ emissions of this S-Class to only 74 grams per kilometer. We're going to build a luxury sedan that offers the fuel economy of a small car.

When it comes to “green” commercial vehicles, Daimler is already the global market leader – and here too, hybrid technology is playing an increasingly important role. In this area our product lineup is unique worldwide. It ranges from the Fuso Canter Eco Hybrid and our Orion-brand hybrid buses to hybrid commercial vehicles with the Mercedes star. At Mercedes-Benz alone our product range includes hybrid buses that are being operated by customers, hybrid vans that are undergoing testing, and hybrid trucks in small-volume production.

Naturally, our long-term goal remains zero-emission driving, and we're making progress here as well: Since the end of 2009, smart brand electric vehicles have been proving themselves in daily use in Berlin. We'll continue further down the road to "electrification" in 2010 as well. Specifically: We'll deliver E-smart models to another seven countries, we'll put a fully electric A-Class on the road, and we'll put the first 100 electric Vito vehicles in customers' hands. The electric Vito is the first vehicle in its class worldwide that is delivered from the factory with an electric drive system as standard equipment.

However, it's clear that the range of vehicles powered solely by batteries will remain limited – whether we're talking about passenger cars or vans. Our response to this limitation is to systematically further develop fuel cell systems. In addition to making it possible to travel more than 400 kilometers, fuel cells also offer the advantage of short refueling times. What's more, as a relatively new technology, they also offer by far the greatest development potential.

Despite all the progress that's been made, there are still two major hurdles to electric mobility based on fuel cells and batteries: For drive systems powered exclusively by batteries it's the performance of the energy storage unit. And for both battery-powered vehicles and fuel-cell drives it's the establishment of an appropriate infrastructure.

We are addressing both issues – and we are doing so in collaboration with strong partners. Let me give you just a few examples. Together with Evonik, we are now building Europe's biggest factory for lithium-ion batteries in the city of Kamenz in the German state of Saxony. We are also working with Linde and other partners to set up a hydrogen filling station network in Germany. Together with energy suppliers such as RWE and Enel, we are working hard to establish charging stations for battery-powered vehicles.

Partnerships like these make it possible to increase the expertise at our disposal while sharing the huge costs associated with the development of green technologies. Daimler alone invests well over four billion euros in research and development every year. It therefore goes without saying that we are determined to ensure that every cent is spent wisely. That's why we don't just develop green technology; we also make it profitable – for example, through large-scale modularization.

Our commitment here will pay off in the end. Today, no other automaker is as well positioned across the entire range of environmentally friendly drive systems as Daimler.

Our technological know-how is one of the key factors that set Daimler apart from our competitors – especially in vehicle safety, one of our traditional areas of strength. This was demonstrated by the ESF – the Experimental Safety Vehicle – which we presented in 2009. The model is equipped – besides other top safety innovations – with inflatable metal structures that improve vehicle-body stability within fractions of a second after a collision. In the near future, this and other safety systems will also be available in our passenger cars.

Our Safety Truck shows what's possible in commercial vehicle safety. And the demand is there: We've already sold more than 10,000 Actros trucks equipped with our emergency braking system.

But our innovative strength doesn't stop with technology. That's demonstrated, for example, by our "car2go" car-sharing project. The background: Some customers prefer not to purchase a vehicle, but they still want to be able to use one on the spur of the moment. car2go makes this possible in a simple, reliable, and affordable manner. We launched the initial pilot project in Ulm, Germany, in 2009. It has been a resounding success. That's why we've also been testing car2go in Texas since last fall. However, the "moment of truth" will come later this year when car2go begins operating commercially in several cities.

New markets and networks

I'd now like to turn to our third strategic lever: new markets and networks.

As you know, the automobile sector's growth is shifting from the triad to the emerging markets. The economic crisis has actually reinforced this trend. The Chinese market in particular continued to grow in 2009. At 65 percent, retail sales growth of the Mercedes-Benz brand outpaced that of all other premium manufacturers for the third time in a row. To ensure that this trend continues, we will launch the longer-wheelbase version of the E-Class in the Chinese market in July. We also plan to gain additional market share in the U.S., where, as in China, we are expanding our sales network.

We also realigned our global production network for passenger cars in 2009: Our plant in Tuscaloosa, Alabama, will begin manufacturing the C-Class in 2014. We will build more C-Class and E-Class models in China in the future. We laid the cornerstone for our plant in Kecskemét, Hungary, where we will build the successor models of the A-Class and the B-Class in a production network with Rastatt, Germany.

Daimler Trucks opened a new plant in Saltillo, Mexico last year. We have intensified our cooperation in Russia with the truck manufacturer Kamaz, in which we increased our financial stake a week ago today. We're making progress in India as well, where we are building a new truck plant in Chennai.

All of this shows that we're not cutting back when it comes to safeguarding the future. In fact, even at the height of the financial and economic crisis we didn't cut back. That's why it's all the more important that we control our current costs.

Continuing efficiency gains

For this reason, our fourth strategic lever focuses on continuing efficiency gains.

Several of the measures that enabled us to cut costs in 2009 will be phased out in 2010. One example is the reduction in working hours, which will be discontinued on June 30, 2010. We also plan to significantly scale back short-time work schemes in passenger car units, and completely eliminate them wherever market conditions allow it.

On the one hand, the impact of such short-term measures will become weaker. On the other hand, certain measures aimed at achieving permanent improvements will first take full effect in 2010.

Our goal remains to continue moving forward in this area. The responsibility to do so remains squarely in our individual business areas, which continue to tenaciously pursue improvements through existing strategies such as "GoFor10" at Mercedes Cars or "Global Excellence" at Daimler Trucks.

Outlook

Now the question is what business developments do we expect to see in 2010?

According to the latest forecasts of leading institutes, the global economy could grow by nearly three percent this year. It also appears possible that global passenger car markets will expand by three to four percent. The premium segment is expected to grow faster than the overall market: Because we didn't get high on a scrappage-program in 2009, we needn't worry about a hangover in 2010.

Against this backdrop, what are we expecting for Daimler?

At Mercedes-Benz Cars, we expect to see both a slight increase in sales and a higher profit margin. EBIT will probably total around 1.5 billion euros.

At Daimler Trucks we also expect a slight increase in sales, even though the underlying level will be low in absolute terms. Together with decreasing costs and the initial positive effects of the realignment of our business activities in North America and Asia, we expect to yield an EBIT of approximately 200 million euros.

The positive sales trend that began at Mercedes-Benz Vans in mid-2009 should become stronger. From today's perspective, EBIT should be in the order of about 250 million euros.

The expected sales growth at Buses will probably be driven primarily by markets in Latin America. In 2010 we therefore expect EBIT that is again about 180 million euros.

Finally, at Daimler Financial Services we anticipate stable development of the division's global contract volume and EBIT of at least 350 million euros.

We expect the Group as a whole to post EBIT of more than 2.3 billion euros from our ongoing business.

Before Bodo Uebber provides you with more details on our 2009 business developments, I would like to conclude my remarks with a rather basic consideration. This press conference will take about two hours in total. During that time, approximately 14,000 automobiles will roll off assembly lines around the world. In 2010, we can expect about 66 million new vehicles to hit the road.

This figure will increase further in the future – the rapid spread of the automobile in the emerging markets leaves no doubt of that. From 2020 on, more than 90 million passenger cars and commercial vehicles will be manufactured annually worldwide. This leads us to two conclusions. First: The automotive industry remains a future-oriented sector. And second: In order for the expansion of self-determined mobility – a positive development in social and economic terms – to be ecologically acceptable, we have to build increasingly clean automobiles. And that's exactly what we're doing.

Daimler will be at the forefront of the pioneers who are shaping this transformation. The history of the automobile began right here in Stuttgart – and from here we'll also make many more substantial contributions to its next chapters.

Thank you!

The figures in this document are preliminary and have not yet been approved by the Supervisory Board nor audited by the external auditors.

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 further improvement or a renewed deterioration of global economic conditions, in particular a renewed decline of consumer demand and investment activity in Western Europe or the United States, or a downturn in major Asian economies; a continuation or worsening of the tense situation in the credit and financial markets, which could result in a renewed increase in borrowing costs or limit our funding flexibility; changes in currency exchange rates or interest rates; the ability to continue to offer fuel-efficient and environmentally friendly products; a permanent shift in consumer preference towards smaller, lower margin vehicles; 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 and in Asia; 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.