

Speech by

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Overview

Ladies and gentlemen, I would now like to talk in more detail about the key figures of our financial statements, which are preliminary and not yet audited.

2009 was the most challenging year of recent decades in economic terms. The global financial and economic crisis had a severe impact also on the automotive markets. But, at the end of last year, we had the first signs of market recovery – even though from a low level.

The impact of the crisis is also reflected in our results of operations: Although we improved from quarter to quarter, we report Group EBIT of minus €1.5 billion for 2009. In order to counteract the decline in unit sales and earnings across all our divisions, we implemented a broad range of measures at an early stage to increase our efficiency and improve our cost situation. We also benefited significantly from the launch of the new E-Class.

The steps we took to improve our working capital, in particular the reduction of vehicle inventories, had a very positive effect on the free cash flow from the industrial business. This also resulted in a significant increase in the net liquidity of the industrial business as the year progressed. And we maintained a solid balance sheet situation.

Automotive markets

This chart shows how drastically the triad markets slumped in 2009. Following a substantial drop in global demand for cars in the middle of 2008, the lowest point of recent decades was reached in the fourth quarter of 2008 and the first quarter of 2009.

We experienced the biggest slump in demand in nearly 30 years – and this was despite the national car-buyers' incentive programs, which mainly benefited the small-car segment. In the segments for premium automobiles important to Daimler, unit sales fell even more drastically in some markets.

The demand slump in commercial vehicle markets was even more severe. The need for transport services fell drastically due to the economic crisis; in many important markets, truck orders fell almost to zero in some months. The situation was the worst in the segment of medium and heavy-duty trucks, where demand fell over the full year by more than 30% in the United States, by over 40% in Western Europe, and even by more than 45% in Japan.

Only China achieved growth in both its car and commercial vehicle markets.

Unit sales

What this market environment meant for Daimler's vehicle unit sales is shown on this chart.

Total unit sales fell sharply as of the second half of 2008. The lowest point for cars was in the first quarter of 2009, for trucks it was in the second. A distinct upward trend has been apparent since the third quarter, although we have still not returned to pre-crisis levels, in particular with commercial vehicles.

The incipient revival for cars can be seen in unit sales for the fourth quarter of 2009, in which Mercedes-Benz for the first time sold more cars than in the prior-year period, with an increase of 7%.

Key financials

The continuous improvement during 2009 is also reflected by our key financials.

After the significantly negative results of the first two quarters, EBIT and net loss/profit improved distinctly in the second half of the year, although not enough to offset the losses of the first half.

EBIT for full-year 2009 amounted to minus €1.5 billion; in the prior year, we achieved positive EBIT of €2.7 billion. When special items are excluded, EBIT from ongoing operations amounts to minus €0.8 billion.

EBIT for 2009 was also negatively impacted by €388 million related to the discounting of non-current provisions due to falling interest rates and by €164 million related to the higher contribution to the German Pension Security Association.

As a result of the significantly lower business volume and net interest result, the Group posted a net loss of €2.6 billion.

Possible charges have not yet been taken into consideration from ongoing negotiations between EADS and the ordering countries concerning the financing of the A400M military transport airplane.

The free cash flow and net liquidity of the industrial business developed very positively, however.

Net industrial liquidity

The free cash flow of the industrial business increased from minus €3.9 billion in 2008 to plus €2.7 billion last year.

This was primarily due to our effective working capital management, which led to significantly lower inventories. This more than compensated for the charges from the negative development of earnings in the first two quarters.

In addition, the capital increase carried out in March led to a cash inflow of nearly €2 billion.

In total, the net liquidity of the industrial business increased from €3.1 billion at the end of 2008 to €7.3 billion at the end of 2009.

Key balance sheet figures

This development strengthened our already-healthy balance sheet figures: The Group's gross liquidity amounted to €16.1 billion at the end of 2009.

In view of the uncertain macroeconomic situation, we deliberately maintained higher levels of liquidity. We were helped in this by the successful deposit business of Mercedes-Benz Bank. We will gradually reduce our levels of liquidity again this year.

Our equity ratios of 24.7% for the Daimler Group and 42.6% for the industrial business are still very solid.

Dividend

In view of the net loss, the Board of Management recommends to the Supervisory Board that no dividend should be distributed for the year 2009.

The sole reason for this recommendation is last year's weak business development; it is not related to our expectations for unit sales and earnings in 2010.

We assume that we will pay a dividend again for this year and the coming years.

Let me now turn to the results of the individual divisions.

Mercedes-Benz Cars

At Mercedes-Benz Cars, full-year EBIT decreased from plus €2.1 billion to minus €0.5 billion. This sharp decrease was primarily caused by the lower unit sales.

Earnings were also reduced by the ongoing price pressure and intense competition in the automotive markets, by the less favorable model mix, and by expenditure for the reduction of CO₂ emissions.

There were positive effects on earnings from the measures taken to reduce costs, such as the adjustment of personnel costs and the intensification of the optimization and efficiency-enhancing programs already in place.

You can see the results in the development of EBIT and return on sales over the quarters: Our car division continuously improved its earnings during the year and returned to the profit zone in the second half of 2009.

Return on sales improved continuously during the year and reached 5.3% in the fourth quarter.

This positive development was primarily due to the market success of the E-Class and the S-Class.

The new E-Class sedan was the global market leader in its segment in 2009. The coupe is also successful in the market, as is the station wagon, which has only been available since the end of November. These new models have resulted in a significant improvement in our model mix.

But the new generation of the S-Class also started successfully: Despite new models from competitors, the S-Class was once again the world's bestselling luxury sedan in 2009. Above all, the new S 400 HYBRID significantly surpassed our expectations.

Mercedes-Benz also increased its unit sales in the SUV segment, mainly due to the success of the GLK, our new compact SUV.

Daimler Trucks

Let's now turn to the Daimler Trucks division.

EBIT here fell from the prior year's plus €1.6 billion to minus €1.0 billion. In view of the prevailing environment, we believe that was a very respectable result. The flexibilization of the cost structure achieved in recent years yielded benefits in Europe.

The traditionally cyclical truck markets collapsed to a previously unknown extent last year. All of our core markets were affected by the resulting slump in unit sales of 45% overall.

In addition, Daimler Trucks' earnings were reduced by €245 million due to the repositioning of the business operations of Mitsubishi Fuso Truck and Bus Corporation. The measures initiated in 2008 to reposition Daimler Trucks North America reduced earnings by €95 million in 2009.

Our efficiency-enhancing actions had increasing effects also at Daimler Trucks as the year progressed: Operating profitability stabilized in the second half of the year, although it was still slightly negative.

Incoming orders developed positively as the year progressed. Compared to the first quarter of 2009, orders received in the fourth quarter nearly doubled – although they are by no means back to a satisfactory level.

All business units were faced with the challenge of adjusting their capacities to substantially lower production volumes. By applying numerous flexibility instruments such as working-time accounts and temporary workers, we were able to react quickly to falling orders received in Germany, for example.

In Brazil, however, demand for trucks revived again slightly in the second half of the year.

Mercedes-Benz Vans

The Mercedes-Benz Vans division was also unable to avoid the general market development.

Its EBIT of €26 million for the full year was substantially lower than the €818 million achieved in 2008.

Following a significant worsening of earnings in the first quarter, cost adjustments and a slight revival of demand meant that EBIT reached breakeven in the third quarter.

And in the fourth quarter, Mercedes-Benz Vans posted a respectable profit once again; although it was partially boosted by items of aperiodic income.

Daimler Buses

Despite the crisis, Daimler Buses was in the black in each quarter of the year.

The bottom line is that our Daimler Buses division posted EBIT of €183 million for the full year. The fact that this is below the prior-year result is due to three main reasons: first, the general decline in demand; second, increased development expenses and investment in new products and environmental technology; third, negative exchange-rate effects.

But, we took countermeasures also at this division, and their success is clear to see: Return on sales was 4.3% despite the economic crisis. No bus manufacturer in the world was more profitable than that in 2009.

Daimler Financial Services

Daimler Financial Services achieved just over breakeven with EBIT of €9 million in 2009. The division's EBIT in the prior year amounted to €677 million.

Increased cost of risk was the main reason for this decrease.

EBIT also included charges totaling €100 million relating to the non-automotive portfolio. A substantial part of this portfolio has been sold or is available for sale. But there were also positive effects on earnings at Daimler Financial Services from the successful efficiency enhancements.

EBIT from ongoing business and free cash flow

This chart presents the development of EBIT and of the free cash flow of the industrial business over the quarters once again.

EBIT adjusted for special reporting items improved continuously and amounted to €0.6 billion in the fourth quarter. This is still below the level we aim for, and which we are confident of achieving under normal market circumstances. But the trend is clearly moving in the right direction.

We have rigorously reduced our costs and substantially improved our efficiency. Furthermore, we profited from the slight increase in demand for cars – particularly in the premium segment – at the end of the year. And we were able to offer exactly the right products with the new models of the E-Class and the new-generation S-Class.

This upward trend is confirmed by the development of the free cash flow from the industrial business, which benefited from our successful working capital management and strict cost discipline.

Countermeasures

Daimler reacted to the crisis quickly and decisively, and initiated a comprehensive program last spring.

The improvements affecting earnings I mentioned before in an amount of €5.3 billion resulted from, among other things, reductions in material expenses, strict cost discipline across all divisions and a substantial reduction in labor costs. The most important levers for the successful flexibilization of labor costs were the selective introduction of short-time work and reductions in working time with proportionate reductions in wages and salaries.

The package of measures that has been signed by management and the central works council is effective until the end of June 2010, so we will profit from it also during this year.

But senior executives, the Board of Management and the Supervisory Board also made significant contributions in 2009.

In addition, we have increased the pace of our efficiency programs once again, which will permanently improve our cost position.

Assumptions for automotive markets

What do we now expect for automotive markets in 2010?

The financial and economic crisis should meanwhile have bottomed out. But it still seems too early to speak of a self-sustaining, long-term upswing. Based on current estimates, we assume that global demand for automobiles will grow by between 3 and 4% in 2010.

In Western Europe, we expect the end or gradual expiry of scrappage incentives to lead to a decrease in new car registrations. In the United States, the market for cars and light trucks should recover gradually from a low level following the massive declines of recent years.

Markets such as Russia, which went through a deep crisis last year, should improve slightly at a low level. The Chinese and Indian markets will probably continue to expand – although not as dynamically as in 2009.

Worldwide, growth in the upper premium car segments could be more pronounced than in the market overall, because these markets hardly profited from state incentive programs last year so there should be no related reduction in demand.

Worldwide demand for commercial vehicles should also increase again moderately overall, after last year's crisis. In Europe, market volume in the segment of trucks above six tons should be slightly above the level of 2009. For the NAFTA region, we anticipate growth of 10 to 15% for medium and heavy-duty trucks, after three years of decline. And in Japan, we assume that demand in this segment will be at the same low level as last year.

The truck markets of the large emerging economies are also likely to expand moderately in 2010. Demand should at first stabilize in Russia and Eastern Europe and then increase as the year progresses. A recovery of demand for trucks is also to be expected in India and Brazil, following the falls of 2009. China will remain by far the world's biggest market for medium and heavy-duty trucks, and should roughly maintain its strong level of demand.

Demand for vans should increase from a low level. We anticipate worldwide market growth for buses, mainly driven by the Latin American markets. In Western Europe, however, demand for buses is likely to decrease.

Outlook for Daimler unit sales

On the basis of these market expectations, we assume that Mercedes-Benz Cars will increase its unit sales in 2010. We will profit from our attractive and competitive model range, and in particular from the full availability of the new E-Class models.

Daimler Trucks also anticipates higher unit sales in 2010. We foresee impetus from some Latin American markets as well as – from a very low base – the NAFTA region. In our Asian markets, Fuso's unit sales should increase once again.

We also anticipate higher unit sales from Mercedes-Benz Vans and Daimler Buses this year. At Daimler Buses, the growth will be primarily driven by the Latin American markets, whereas in Western Europe we will probably not quite achieve the level of 2009 for market reasons.

Outlook for EBIT

What does that mean for our earnings?

Although the economic environment will remain challenging, we expect the Daimler Group to post EBIT from its ongoing business of more than €2.3 billion in 2010.

Earnings could be affected by the continuation of a very tough competitive situation in many markets, as well as by currency translation. Another factor is that we will continue our investment in new technologies, especially in reducing fuel consumption and emissions, and in expanding in the markets of the future.

We will also continue to monitor the risks in the automotive value chain.

At Mercedes-Benz Cars, we anticipate EBIT of more than €1.5 billion this year, assisted by increased unit sales and higher margins.

We expect Daimler Trucks to achieve EBIT of approximately €200 million in 2010, with contributions from increased unit sales as well as from our programs to reposition the truck business in North America and Asia. These programs will result in lower charges than in 2009 and have a positive impact on earnings.

For the Mercedes-Benz Vans division, we anticipate EBIT of approximately €250 million in 2010.

At Daimler Buses, we foresee significantly positive EBIT in the magnitude of the prior year.

In the financial services business, we assume that the cost of risk will decrease this year. Furthermore, Daimler Financial Services will continue its efficiency-enhancing actions and as a result anticipates EBIT of at least €350 million.

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

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.