

Rating Report

Report Date:

November 10, 2009

Previous Report:

September 10, 2008



Insight beyond the rating.

Daimler AG and Related Companies

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The Company

Daimler AG operates in three main business segments:

- (1) Mercedes-Benz Cars,
- (2) Trucks (trucks over six metric tonnes), and
- (3) Financial Services.

The Company sold its Chrysler Group and related financial services business in August 2007. Subsequently, as of June 3, 2009, Daimler's remaining 19.9% equity interest was redeemed, resulting in a final separation from Chrysler.

Guarantee

The senior debt of Daimler Canada Finance Inc. and Daimler North America Corporation is guaranteed by Daimler AG. The commercial paper issued by Daimler Canada Finance Inc. and Daimler North America Corporation is guaranteed by Daimler AG.

Rating

Issuer	Debt	Rating	Rating Action	Trend
Daimler Canada Finance Inc.*	Commercial Paper	R-1 (low)	Confirmed	Stable
Daimler North America Corporation*	Commercial Paper	R-1 (low)	Confirmed	Stable
Daimler AG	Senior Debt	A (low)	Confirmed	Stable
Daimler Canada Finance Inc.*	Medium-Term Notes	A (low)	Confirmed	Stable
Daimler North America Corporation*	Senior Debt	A (low)	Confirmed	Stable

* See Guarantee section

Rating Rationale

DBRS has confirmed the long- and short-term ratings of Daimler AG (Daimler or the Company) and its related companies at A (low) and R-1 (low), respectively. The confirmation reflects the Company's strong business profile based on its leading positions in premium automotive vehicles and in trucks. The trend on the ratings remains Stable. While DBRS acknowledges that the Company's recent weak financial results and associated credit metrics are not commensurate with the current ratings, DBRS notes that these are a function of a severe cyclical downturn resulting in sharp volume declines across most major automotive and trucking markets. DBRS also observes that Daimler has been able to maintain a moderately leveraged balance sheet and ample liquidity through the global financial crisis. In addition, it would appear that the downturn has bottomed out as the Company's performance through the first nine months of 2009 has been progressively improving. In the most recent quarter, Daimler's core Mercedes-Benz Cars (MBC) segment reverted to profitability, which also led to positive results on a consolidated basis. DBRS expects this trend of gradual improvement to continue, although significant headwinds persist as demand in both the automotive and trucking industries remains at very weak levels relative to historical norms. (Continued on page 2.)

Rating Considerations

Strengths

- (1) Global leader in luxury cars and commercial vehicles
- (2) Strong technological capabilities
- (3) Profitable and stable finance operations
- (4) Access to worldwide capital markets

Challenges

- (1) Sensitive to the value of the Euro
- (2) Significant production in Germany, which is high-cost
- (3) Relatively low production volume leading to high development costs per unit
- (4) Volatile raw materials costs

Financial Information

(€millions)	12 mos. to	For the year ended December 31				
	Sep 30/09	2008	2007	2006	2005	2004
Sales ⁽¹⁾	69,318	86,591	90,688	91,116	134,340	128,133
Operating income (loss) ⁽¹⁾	-406	5,039	7,565	5,048	2,338	2,438
Financial services pre-tax income	154	666	619	797	1,679	1,927
Net income before non-recurring	-1,646	3,672	4,146	3,198	3,194	2,840
EBITDA Interest coverage ⁽¹⁾	2.2	12.0	24.6	23.1	8.3	11.0
% gross debt in the capital structure ⁽¹⁾	34%	25%	24%	11%	10%	21%
% net debt in the capital structure ⁽¹⁾	19%	16%	-9%	-5%	-8%	5%
Cash flow / total debt ⁽¹⁾	0.01	0.60	0.82	2.00	1.77	0.77
Return on equity	-4.9%	10.8%	11.2%	9.0%	9.1%	8.4%
Operating profit per unit (Mercedes-Benz & smart)	-1,364	1,663	3,739	2,581	966	1,358

(1) Industrial operations only



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Rating Rationale (Continued from page 1.)

The truck industry remains challenging across all major geographic markets. In Asia, volumes are lower, with the primary Japanese market in consistent decline for several years. In North America, the industry has also been contracting since 2007; the pre-buy effect that typically boosts sales in advance of upcoming emissions legislation would appear to be highly muted or even non-existent this year. In Europe, after strong conditions in the first half of 2008, demand has plummeted, with 2009 industry volumes expected to drop by more than 40% over prior-year levels. However, DBRS notes that the relative market performance of Daimler Trucks (DT) has nonetheless been solid, with the truck segment maintaining share or achieving gains in most regions. Additionally, DT has initiated several countermeasures to help mitigate the negative earnings impact of the industry downturn, the most significant of which is personnel reductions. Yet given the extent of the trucking downturn, DBRS expects this segment to incur an operating loss and negative cash flow this year. While 2010 results are expected to moderately improve, it remains unlikely that profitability will be significantly above break-even levels. However, DBRS notes that DT, as the world's largest manufacturer of heavy- and medium-duty trucks, remains well positioned to benefit from the eventual recovery in a sector that could begin to emerge by 2011. Future performance should be bolstered by the segment's current efficiency improvements, as well as by new production facilities such as the Saltillo, Mexico plant.

In the automotive sector, 2008 annual sales volumes were at well more than ten-year lows in each of the United States, Western Europe and Japan. Additionally, through the first nine months of 2009, while Europe was somewhat buoyed by the successful implementation of various vehicle scrappage programs across the continent, sales were still relatively weak while volumes in the United States and Japan remain at very poor levels (U.S. sales rose sharply in August as a result of the Car Allowance Rebate System (CARS) program; however, upon the conclusion of this program, September sales retrenched heavily, with volumes in October only moderately rebounding). Going into 2010, the outlook remains lacklustre. Sales in Europe are likely to be further adversely impacted by demand pulled forward by current incentive programs, while in the United States, volumes are expected to moderately increase, although a significant recovery is not expected to commence until 2011. However, DBRS notes that MBC has proven rather resilient through these severe industry conditions as sales performance has been improving throughout 2009, despite minimal benefits derived from various vehicle scrappage incentive programs, which typically boosted the sales of small entry-level vehicles.

From January through April, the year-over-year decrease in the automotive segment averaged 24%; however, from May to September, the average decline was reduced to 10% relative to strong 2008 levels. The improving performance at MBC is attributable to new product introductions, the most significant being the new E-Class, which has been very well received since its launch earlier this year (the new S-Class was also recently introduced). DBRS notes that the improving product cadence has significantly bolstered MBC's sales mix, with the E-Class, S-Class and ML/R/GLK/GL/G-Class models accounting for approximately 42% of total vehicle sales in Q3 2009; this should benefit future margins. DBRS also observes that MBC has been generating strong sales increases in emerging markets such as Brazil and China, which are expected to become significant markets for the Company over the long term. Furthermore, as the Company redeemed its 19.9% interest in Chrysler in Q2 2009, future performance (apart from agreed-upon payments to Chrysler's pension plans totalling US\$600 over the next three years) will no longer be affected by Chrysler.

DBRS notes that Daimler's financial profile has not been immune to the negative impacts of the economic downturn, with profitability and coverage-based metrics sharply weaker than historical levels and not compatible with the current ratings. However, DBRS also notes that the Company's balance sheet has remained robust, with net debt-to-total capitalization as of September 30, 2009, being less than 20%. Furthermore, liquidity continues to be ample, with industrial operations liquidity further reinforced through a 10% capital increase by way of a EUR1.95 billion equity investment by Aabar Investments PJSC (Aabar) of Abu Dhabi.

Going forward, DBRS expects the Company on a consolidated basis to incur an operating loss in 2009, as negative results in the first half of the year should more than offset progressively improving results in the final two quarters. Free cash flow should, however, be positive, largely as a result of significant cash generated from working capital (primarily through inventory reduction). DBRS expects the Company's



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balance sheet and liquidity position to remain solid. DBRS notes that over the long term, Daimler remains very well positioned to benefit from the recovery of the automotive and trucking industries, although a significant upturn in either sector is not forecast prior to 2011. However, the ratings are expected to remain constant over the near to medium term, in line with financial performance that is projected to gradually improve. In the event that the Company again incurs significant losses that would have a materially adverse impact on its financial profile, negative rating actions would likely result.

Rating Considerations Details

Strengths

- (1) Daimler has a well-diversified industrial business portfolio: (a) The Mercedes-Benz brand is among the global leaders in the luxury car segment, which is typically more profitable and less volatile. (b) Daimler is the world leader in commercial vehicles and buses. Mercedes-Benz is the market leader in Western Europe for trucks. Freightliner is the leader in heavy trucks in the North American market (including Mexico). Daimler is also the world leader in buses.
- (2) Daimler has a strong research and development group supporting the operating businesses. This enables the Company to adopt new technologies to improve the manufacturing processes, as well as incorporating innovation in new products and bringing them to market faster.
- (3) Daimler continues to have a sizeable financial services operation. In addition to supporting its parent in generating vehicle sales, it acts as a stable source of income.
- (4) The history and recognition of the Daimler name in Europe gives the Company favoured access to capital markets.

Challenges

- (1) Daimler’s earnings are sensitive to the value of the Euro, particularly against the U.S. dollar. The sharp rise of the Euro against the U.S. dollar during the past few years has had a negative impact on the Company’s performance, with MBC particularly affected.
- (2) Most of the manufacturing facilities of MBC are in Germany, which tends to be high-cost given the highly paid unionized workforce (particularly relative to Asian-Pacific competitors).
- (3) The Company focuses on the premium segment of the automotive market. Production capacity is small relative to larger global automotive original equipment manufacturers; this results in high fixed costs per vehicle. In addition, new regulations and increasingly complex product development will likely drive costs even higher in the future, adding to margin pressure.
- (4) The Company’s vehicle production costs are sensitive to volatile raw material (e.g., steel, aluminum, precious metals) and energy costs, which are difficult to pass on to customers and can present added pressure to margins.

Earnings and Outlook

(€ millions)	Rolling 12			For the year ended December 31				
	9 months to Sep 30	2008	30/09/2009	2008	2007	2006	2005	2004
Sales	48,479	65,752	69,318	86,591	90,688	91,116	134,340	128,133
Operating profit*	-456	4,989	-406	5,039	7,565	5,048	2,338	2,438
Financial services (pre-tax)	5	517	107	666	619	797	1,679	1,927
Net income before non-recurring	-1,925	3,392	-1,646	3,672	4,146	3,198	3,194	2,840
Disc oper & non-recurring items	-367	-548	-2,142	-2,324	-167	546	-	-
Reported net income	-2,292	2,844	-3,788	1,348	3,979	3,744	2,846	2,466

*As defined by DBRS.

Summary

Operating profit in 2008 fell significantly, primarily due to the much weaker performance of MBC (see segmented information for details). Through the first half of 2009, the Company incurred an operating loss, with all industrial segments generating negative earnings with the exception of Daimler Buses, which only incurred a nominal operating profit through September 2009.

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DT profitability was also weaker, in line with the protracted downturn in the trucking industry. Ongoing cost-efficiency improvements across the industrial businesses helped moderate the negative impact on earnings.

Contribution from the financial services segment increased moderately in 2008 as the growth in contract volumes more than offset the higher cost of risk. However, through the first nine months of 2009, the segment has generated only nominal profitability, given lower volumes and an increase in non-performing loans attributable to the economic downturn.

Discontinued operations and non-recurring items in 2008 mostly reflect the negative results of Chrysler (accounted by the equity method from August 4, 2007, through December 31, 2008), as well as impairments of loans and other assets relating to Chrysler. As of December 31, 2008, the carrying amount of Daimler's equity interest in Chrysler was reduced to zero. Subsequently, as of June 3, 2009, Daimler's 19.9% interest in Chrysler was redeemed, resulting in a final separation.

Outlook

Over the near to medium term, Daimler's profitability is expected to remain under significant pressure, in line with the severe conditions in both the automotive and trucking industries. Earnings in the last quarter of 2009 are nonetheless expected to be moderately positive; however, on an annual basis, the Company will most likely incur an operating loss for 2009.

In the automotive sector, conditions are expected to remain weak over the near term. Additionally, the completion of various vehicle scrappage programs across Europe and the United States may further undermine any potential recovery, given the level of sales pulled forward by such incentive programs.

The trucking industry is also undergoing very challenging conditions across all markets, with Western Europe now experiencing sharp declines along with North America and Japan, both of which are struggling through protracted downturns. The sector is expected to remain weak through the end of next year, with a significant recovery not expected until 2011.

The Company is highly focused on cost-efficiency improvements across its business segments to help moderate the negative impact on earnings caused by the difficult market conditions and associated depressed unit volumes. Through year-end 2009, these countermeasures are targeted to total more than EUR4 billion.

Major Segment Results

(€millions)	9 months to Sep 30		Rolling 12	For the year ended December 31				
	2009	2008	30/09/2009	2008	2007	2006	2005	2004
Revenue								
Mercedes-Benz Cars	29,873	37,206	40,439	47,772	52,430	51,410	50,015	49,630
Daimler Trucks ⁽¹⁾	13,523	21,019	21,076	28,572	28,466	31,789	40,634	34,764
Financial Services	9,122	8,721	9,683	9,282	8,711	8,106	15,439	13,939
Chrysler Group (Disc. oper.)	disc	disc	disc	disc	disc	disc	50,118	49,498
Vans, Buses, Other ^{(1) (2)}	7,404	10,722	11,652	14,970	14,123	13,151		
Adjusted Operating Profit⁽³⁾								
Mercedes-Benz Cars	-1,108	2,476	-1,467	2,117	4,835	3,231	1,176	1,666
Daimler Trucks	-777	1,521	-720	1,578	1,957	2,133	1,904	1,807
Financial Services	13	524	166	677	630	807	1,522	1,722
Chrysler Group (Disc. oper.)	disc	disc	disc	disc	disc	disc	1,500	1,572
Vans, Buses, Other	37	937	510	1,410	801	313		
Operating Margin								
Mercedes-Benz Cars	-3.7%	6.7%	-3.6%	4.4%	9.2%	6.3%	2.4%	3.4%
Daimler Trucks	-5.7%	7.2%	-3.4%	5.5%	6.9%	6.7%	4.7%	5.2%
Financial Services	0.1%	6.0%	1.7%	7.3%	7.2%	10.0%	9.9%	12.4%
Chrysler Group (Disc. oper.)	disc	disc	disc	disc	disc	disc	3.0%	3.2%
Vans, Buses, Other	0.5%	8.7%	4.4%	9.4%	5.7%	2.4%		

(1) Starting 2006, Commercial Vehicles results are divided into Daimler Trucks (truck operations only) and Van, Bus and Other.

(2) As of 2009, only Vans and Buses data are included (other data excluded).

(3) As defined by DBRS and adjusted for non-recurring items.

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Mercedes-Benz Cars

MBC reported lower operating profit in 2008 relative to prior-year levels, as strong performance in the first half of the year was more than offset by sharply weaker results in the last six months. Through the first nine months of 2009, further volume declines amid severe industry conditions have resulted in operating losses, although on a sequential basis performance has been progressively improving from significant first quarter losses, with this segment returning to profitability in the third quarter. MBC results are reflective of weak conditions in major markets, with Germany, the rest of Western Europe and the United States accounting for more than 75% of unit sales. Additionally, vehicle scrappage programs implemented in Europe have tended to favour the sales of small cars (as opposed to premium vehicles), given their increased affordability.

In 2008, sales of the C-Class in the compact premium segment continued to increase year-over-year. Unit sales of luxury models declined year-over-year, although market share held firm and improved in many cases. Sales of the E-class, however, were significantly lower due to the upcoming model changeover. Through the first nine months of this year, unit sales have been lower across all segments, although second- and third-quarter sales were boosted by the introduction of the new E-Class and new-generation S-Class, as well as the full availability of the GLK model.

The smart brand had its best sales year in history in 2008 with sales of 139,000 units, which represents a year-over-year increase of 35%. The growth is mainly attributable to the successful introduction of the fortwo in the United States, which now represents the third largest market for smart, behind Italy and Germany. Through the first three quarters of 2009, smart sales are down, in line with the automotive downturn.

Outlook

MBC sales should continue their recent progressive improvement through the last quarter of 2009. However, this is not expected to fully offset the weak first-half results, with 2009 annual sales therefore expected to be lower year-over-year. With respect to profitability, the expected progressive improvement in sales should result in positive earnings through the second half of the year, which should be further enhanced by the ongoing implementation of announced countermeasures. However, on an annual basis, MBC will likely incur a modest operating loss for 2009.

Sales should be bolstered by the full availability of the E-Class line, including the sedan, coupe and finally the station wagon to be launched in the fall. The next generation S-Class was launched just recently, at the end of June 2009. MBC will also be introducing additional BlueEFFICIENCY models that are more environmentally friendly and fuel efficient.

Declining sales of smart should be partially offset by its introduction in several new markets, including China, Brazil, Denmark and Serbia. However, there is still uncertainty regarding smart's ability to achieve a critical mass with only the fortwo model (and its derivatives) to achieve a satisfactory return in the long run.

Developed markets such as the United States and Western Europe are expected to continue to struggle. However, this should be partially offset by growth in emerging markets, particularly China.

Daimler Trucks

Unit sales in 2008 nominally increased year-over-year as DT was able to defend its leading position for trucks above six tonnes. Sales in Europe and Latin America increased by 6% relative to 2007 levels, while strong growth was achieved in markets such as Brazil. However, sales in North America and Japan declined, in line with the protracted downturn in these trucking markets. Through the first three quarters of 2009, sales are markedly lower year-over-year in line with sharp declines across all major markets in both heavy-duty and medium-duty trucks.

In 2008, notwithstanding the increased unit sales, earnings declined year-over-year as a result of charges incurred with the repositioning of the North American truck business (for further details, please refer to [DBRS's press release dated October 14, 2008](#)). Additional negative factors included higher raw materials costs and adverse foreign currency developments. Through the first nine months of 2009, losses were incurred primarily as a function of significantly lower volumes, with the repositioning of Mitsubishi Fuso Truck & Bus Corporation and the North American operations having a negative impact on performance this year as well. These have been partially offset by initiated countermeasures such as staff cuts and overhead cost reductions.



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Outlook

While DT expects to continue defending its market position, unit sales for 2009 are forecast to be significantly lower than in 2008. For the year, the division expects to incur an operating loss given the markedly lower volumes, with the repositioning of the truck business in North America continuing to negatively affect results.

DBRS notes that in the long run, DT remains well positioned to benefit from an eventual recovery in the industry, with the BRIC countries and Eastern Europe representing markets of significant growth opportunities.

Financial Services

(€millions)	9 months to Sep 30		Rolling 12	For the year ended December 31				
	2009	2008	30/09/2009	2008	2007	2006	2005	2004
Revenue	8,653	8,365	9,570	9,282	8,711	8,106	15,439	13,939
Operating profit	13	358	332	677	630	807	1,522	1,722
Contract volume (at period end)	58,738	63,890	58,738	63,353	59,143	57,030	117,724	102,399
Finance receivable	23,660	25,305	23,660	25,009	22,933	41,180	62,275	57,892
Allowance for doubtful accounts	n.a	n.a	n.a	603	323	534	1,174	1,107
Allowance as % of receivables	n.a	n.a	n.a	2.4%	1.4%	1.3%	1.9%	1.9%
Provision	n.a	n.a	n.a	715	457	462	559	467
Write-offs	n.a	n.a	n.a	237	321	641	420	413
Debt/equity (at period end)	10.9	11.4	10.9	11.7	11.4	11.0	8.0	8.4

Profitability in 2008 increased year-over-year, as higher contract volumes more than offset the increased cost of risk. Additionally, in the first half of 2008, the segment incurred expenses associated with the development of a new financial services organization in the NAFTA region following the separation with Chrysler.

Through the first nine months of 2009, profitability is considerably lower year-over-year given lower volumes in addition to an increase in non-performing loans across almost all markets, which pushed the cost of risk even higher. Further contributing to the reduced earnings were costs associated with the expansion of Mercedes-Benz's direct banking business.

In response to the automotive downturn, this segment is placing increased efforts on collection activities while initiating additional measures to improve efficiencies, such as the centralization of the segment's U.S. activities in Fort Worth, Texas.

While write-offs and delinquencies have increased in line with the economic downturn, the credit quality of the portfolio remains reasonable.

Leverage remains in line with historical levels and is commensurate with industry standards.

The Company continues to be committed to increasing the scale of this business through the offering of additional products (e.g., maintenance and insurance services), as well as the geographic expansion into new markets such as Eastern Europe and Asia Pacific (in Q3 2009, this segment initiated business operations in the United Arab Emirates).

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Financial Profile

Industrial Business Only (€ billions)	9 months to	9 months to	Rolling 12	For the year ending December 31				
	30/09/2009	30/09/2008	30/09/2009	2008	2007	2006	2005	2004
EBITDA	2.00	7.21	2.94	8.16	11.79	12.22	9.26	8.68
Net income before non-recurring**	(1.96)	3.03	(1.78)	3.21	3.75	2.74	2.17	1.65
Depreciation/amortization	2.45	2.23	3.35	3.12	4.22	7.17	6.92	6.24
Deferred income tax	0.00	0.00	0.00	0.00	0.00	0.00	(0.36)	(1.21)
Other non-cash items	(0.37)	0.91	(1.35)	(0.06)	1.82	(1.01)	(1.40)	0.03
Cash flow from operations	0.12	6.17	0.23	6.28	9.79	8.90	7.33	6.71
Less: capital expenditures	1.86	2.44	2.93	3.52	4.21	5.85	6.79	6.79
Less: dividends	0.60	1.98	0.49	1.86	1.18	0.72	0.29	0.59
Gross free cash flow	(2.34)	1.75	(3.19)	0.90	4.40	2.34	0.26	(0.67)
Changes in non-cash working capital	5.42	(2.88)	4.50	(3.79)	(1.18)	0.23	(1.13)	(0.13)
Net free cash flow	3.08	(1.12)	1.31	(2.89)	3.23	2.56	(0.87)	(0.80)
Net divestitures (acquisitions)	(3.43)	0.57	(3.09)	0.91	9.43	0.40	0.69	1.64
Others	(1.67)	(2.14)	(2.91)	(3.38)	(4.17)	(2.90)	1.91	(0.83)
Free cash flow before financing	(2.02)	(2.70)	(4.69)	(5.36)	8.49	0.07	1.72	0.01
Cash inflow related to Chrysler activities					24.03			
Net share issued (repurchased)	1.81	(4.15)	1.73	(4.22)	(2.07)	0.28	0.17	(0.29)
Net change in debt	4.24	(1.37)	4.96	(0.65)	(21.62)	(1.22)	(1.46)	(2.81)
Net change in cash	4.02	(8.21)	2.00	(10.23)	8.83	(0.87)	0.42	(3.09)
Total debt in capital structure	34.2%	22.3%	34.2%	25.2%	24.5%	10.7%	10.2%	20.6%
% net debt in the capital structure	19.0%	7.7%	19.0%	15.8%	-8.9%	-4.6%	-2.6%	-8.2%
Cash flow/total debt	0.02	1.31	0.01	0.60	0.82	2.00	1.77	0.77
Total debt/ EBITDA	3.97	0.65	5.38	1.29	1.01	0.36	0.45	1.00
Gross interest coverage	-0.44	13.12	-0.31	7.40	15.76	9.54	2.10	3.09

** Includes DBRS estimates.

Summary

Cash flow from operations was lower in 2008 than in 2007; this was a function of reduced net income and depreciation levels (the latter being partly attributable to the separation from Chrysler), as well as lower other non-cash items.

Lower 2008 capital expenditures solely reflect the exclusion of Chrysler activities. However, dividends for the year increased to EUR2 per share for an aggregate payment of approximately EUR1.9 billion. Gross free cash flow (i.e., before working capital items) was therefore moderately lower, at EUR1.2 billion.

Exacerbating the above was a significant use of working capital of EUR3.8 billion, which was primarily attributable to higher inventory levels as production curtailments in the second half of the year were not sufficient to offset the sharp drop in demand. Net free cash flow for 2008 was therefore negative in the amount of EUR2.9 billion. The Company persisted with its share buyback activities last year, with share repurchases totalling EUR4.2 billion.

As a function of the above, Daimler's cash position dropped by EUR10.2 billion. However, the Company's cash position as of December 31, 2008, was still EUR4.7 billion, as 2007 balances were elevated due to large cash inflows associated with the sale of Chrysler.

Through the first three quarters of 2009, cash flow from operations is only nominally positive, given incurred losses and negative other non-cash items that are only slightly exceeded by depreciation levels. Capex levels were, however, significantly lower year-over-year. In April, a reduced dividend of EUR 0.60 per share was also approved, resulting in an aggregate payout of approximately EUR 0.6 billion. Furthermore, EUR5.4 billion in cash was generated by working capital, primarily through the reduction of inventories. Net free cash flow was therefore positive for the period. (Net acquisitions of EUR3.4 billion reflect the purchase and sale of securities in the context of liquidity management.)

Daimler's capital base was bolstered by 10% through the equity investment of Aabar, which acquired 9.1% of the new share capital (Aabar acquiring all new shares which were issued in the context of the capital increase) for a total investment of EUR1.95 billion. (This stands in sharp contrast to 2007 and 2008, when the Company was enthusiastically repurchasing shares.) Increases in debt reflect additional financing activities in the context of liquidity management.



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For 2009, cash flow from operations will be markedly lower, given softer earnings.

Capex levels for 2009 are projected to be moderately lower year-over-year, although ongoing emissions requirements still necessitate significant capital expenditures.

Cash generated by working capital through the first nine months of 2009 is unlikely to be repeated to the same degree in the final quarter. However, working capital is still expected to be a significant source of cash for the year, such that it will more than offset negative gross free cash flow. Net free cash flow for 2009 is therefore expected to be at positive levels.

Gross industrial leverage is expected to decrease through year-end 2009 as certain debt maturities will not be renewed in the context of the current elevated cash balances of the industrial operations.

While Daimler's financial profile and credit metrics have been adversely affected by the recent weak earnings, DBRS notes that the Company has managed to maintain ample liquidity through the economic downturn. We expect the Company's financial profile to revert to historical levels upon the eventual recovery of the automotive and trucking sectors.

Long-Term Debt Maturities and Bank Lines

Liquidity remains ample for Daimler in light of its sizeable cash balances, low industrial debt and ample availability of credit lines.

In the first quarter of 2009, the liquidity of the industrial operations was increased as Aabar of Abu Dhabi acquired approximately 9.1% of the Company's share capital by way of a capital increase, generating proceeds in the amount of EUR1.95 billion.

As of September 30, 2009, the Company's consolidated cash balances totalled EUR11.5 billion; (industrial cash balances as of the same date totalled EUR8.7 billion).

Additionally, as of December 31, 2008, Daimler had short-term and long-term credit lines totalling EUR22.7 billion, of which EUR8.5 billion was not utilized.

Included in the credit lines is a US\$5 billion revolving credit facility that matures in 2011. The Company is further supported by a EUR3.0 billion credit facility that matures in the same year. A portion of both of these facilities serves as a back-up for commercial paper drawings.

A wide variety of additional funding sources is maintained by the Company.

Total consolidated indebtedness as of December 31, 2008, consisted of the following:

<u>As at December 31, 2008</u>	(EUR Millions)
Notes and Bonds	22,935
Liabilities to financial Institutions 2009-2019	6,570
Liabilities from ABS transactions	327
Deposits for Direct Banking Business	977
Loans, Other financial Liabilities	9
Liab. From Finance Lease	391
Total Long-Term Financial Liabilities	31,209
Short-Term Financial Liabilities	27,428
TOTAL	58,637

Of the above amount, approximately 8% (EUR4.4 billion) was accounted for by the industrial operations.

The maturity schedule of the Company's financial liabilities as of December 31, 2008, is presented below:

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Thereafter</u>
29,183	12,723	10,703	5,084	3,564	4,740

Short-term refinancing requirements are readily covered by Daimler's liquid assets and well-diversified funding sources, which are being expanded to include, among others, increased development bank funding.



Daimler AG and Related Companies

Report Date:
November 10, 2009

Daimler AG
(with Financial Services on equity basis.)

Balance Sheet
(€millions)

	As at December 31			As at December 31		
	Sep 30 2009	2008	2007	Sep 30 2009	2008	2007
Assets				Liabilities & Equity		
Cash + marketable sec.	8,688	4,664	14,894	Accounts payable	6,633	6,268
Accounts receivable	5,240	6,793	6,135	Short term debt	-7,769	-6,057
Inventories	12,985	16,244	13,604	Other liabilities	13,756	15,391
Other assets	623	-2,375	9	Total Current Liab.	12,620	15,602
Total Current Assets	27,536	25,326	34,642	Long-term debt	15,838	10,505
Net fixed assets	15,916	16,022	14,600	Post-retirement liab.	4,225	3,969
Investment	7,161	7,185	8,186	Other accrued liabilities	7,125	6,343
Goodwill	6,437	5,964	5,128	Minority	1,476	1,508
Other assets	9,920	10,014	9,614	Shareholders' equity	30,441	31,216
Equity in finance subs.	4,755	4,632	4,390	Liabilities held for resale	0	0
Asset held for resale	0	0	922			
Total	71,725	69,143	77,482	Total	71,725	69,143

Balance Sheet / Coverage Ratios

	For the year ended December 31				
	Sep 30 2009	2008	2007	2006	2005
Current ratio	2.18	1.62	2.31	0.84	0.89
Inventory turnover (days)	96	83	84	87	55
Receivable turnover (days)	32	27	27	29	19
Cash flow/current liabilities	0.02	0.40	0.65	0.24	0.18
Accounts payable/inventory	0.51	0.39	0.49	0.76	0.81
Gross interest coverage (EBITDA)	2.2	12.0	24.6	23.1	8.3
Gross interest coverage (EBIT)	-0.3	7.4	15.8	9.5	2.1
% debt in the capital structure	34%	25%	24%	11%	10%
Net debt (cash)	6,527	8,216	-2,998	-2,098	-2,748
% net debt in the capital structure	19%	-9%	-9%	-5%	-8%
Cash flow/total debt	0.01	0.60	0.82	2.00	1.77
Cash flow/total debt plus benefits	0.01	0.43	0.63	0.38	0.44
Asset coverage	2.52	3.40	3.65	7.64	9.35
Cash flow/capital expenditure	0.08	1.78	2.33	1.52	1.08

Income Statement

	9 months to Sep 30		Rolling 12		For the year ended December 31				
	2009	2008	30/09/2009	2008	2007	2006	2005	2004	
(€millions)									
Sales (1)	48,479	65,752	69,318	86,591	90,688	91,116	134,340	128,133	
Operating expenses	46,483	58,538	66,374	78,429	78,903	78,895	125,084	119,458	
Depreciation	2,452	2,225	3,350	3,123	4,220	7,173	6,918	6,237	
Operating profit	-456	4,989	-406	5,039	7,565	5,048	2,338	2,438	
Interest expense	-1,027	-380	-1,327	-681	-480	-529	-1,112	-790	
Interest income	571	488	811	729	782	285	539	490	
Other income (expense)	-1,175	-163	-1,202	-190	-1,749	-136	662	888	
Income before taxes	-2,087	4,934	-2,124	4,897	6,118	4,668	2,427	3,026	
Income taxes	-39	2,003	-64	1,977	3,788	1,716	295	688	
Income after taxes	-2,048	2,931	-2,060	2,920	2,330	2,952	2,132	2,338	
Financial services – net income	34	359	132	457	394	459	1,022	1,187	
Non-controlling interests	89	102	282	295	1,422	-213	40	-685	
Income before non-recurring	-1,925	3,392	-1,646	3,672	4,146	3,198	3,194	2,840	
Discontinued operations	0	-25	-265	-290	-870	617	0	0	
Non-recurring items	-367	-523	-1,877	-2,034	703	-71	-348	-374	
Net income	-2,292	2,844	-3,788	1,348	3,979	3,744	2,846	2,466	

Cash Flow (1) (€millions)

Cash flow from operations	121	6,172	227	6,279	9,787	8,903	7,334	6,712
Less: capital expenditures	1,857	2,444	2,931	3,518	4,206	5,845	6,790	6,794
Less: dividend	601	1,976	486	1,861	1,179	722	287	585
Free cash flow before work. cap.	-2,337	1,752	-3,190	900	4,402	2,336	257	-667
Changes in working capital	5,415	-2,877	4,503	-3,789	-1,177	228	-1,131	-132
Free cash flow	3,078	-1,125	1,313	-2,889	3,225	2,564	-874	-799
Net divestiture (acquisition)	-3,432	568	-3,090	910	9,434	403	686	1,637
Others	-1,668	-2,138	-2,913	-3,384	-4,169	-2,898	1,906	-830
Net free cash flow before financing	-2,022	-2,695	-4,690	-5,363	8,490	69	1,718	8
Cash inflow related to Chrysler activities	0	0	0	0	24,029	0	0	0
Net change in debt	4,240	-1,365	4,958	-647	-21,615	-1,215	-1,464	-2,811
Net shares issued (repurchased)	1,806	-4,147	1,733	-4,220	-2,070	277	168	-285
Change in cash	4,024	-8,207	2,001	-10,230	8,834	-869	422	-3,088

Profitability Ratios

Gross margin	24.21%	27.60%	24.96%	27.38%	29.86%	30.17%	24.29%	24.25%
Operating margin	-0.94%	7.59%	-0.59%	5.82%	8.34%	5.54%	1.74%	1.90%
Pre-tax margin	-4.30%	7.50%	-3.06%	5.66%	6.75%	5.12%	1.81%	2.36%
Net margin	-3.97%	5.16%	-2.37%	4.24%	4.57%	3.51%	2.38%	2.22%
Return on equity	-12.18%	21.46%	-4.90%	10.81%	11.24%	8.99%	9.13%	8.35%
Return on capital	-2.98%	11.99%	-1.45%	7.22%	6.61%	5.31%	6.20%	5.13%

(1) Industrial businesses only.



Daimler AG and Related Companies

Report Date:
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Ratings

Issuer	Debt	Rating	Rating Action	Trend
Daimler Canada Finance Inc.*	Commercial Paper	R-1 (low)	Confirmed	Stable
Daimler North America Corporation*	Commercial Paper	R-1 (low)	Confirmed	Stable
Daimler AG	Senior Debt	A (low)	Confirmed	Stable
Daimler Canada Finance Inc.*	Medium-Term Notes	A (low)	Confirmed	Stable
Daimler North America Corporation*	Senior Debt	A (low)	Confirmed	Stable

* See Guarantee section

Rating History

	Current	2008	September 6, 2007	February 14, 2007	2006	2005
Commercial Paper	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)	R-1 (low)
Senior Debt	A (low)	A (low)	A (low)	BBB (high)	A (low)	A (low)
Medium-Term Notes	A (low)	A (low)	A (low)	BBB (high)	A (low)	A (low)

Related Research

- [DBRS Comments on Daimler's Fourth Quarter Results](#), February 19, 2009.
- [DBRS Comments on Daimler's Repositioning of its North American Truck Business](#), October 14, 2008.

Note:

All figures are in euros unless otherwise noted.

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