

**Speech by**

**Bodo Uebber**

**Member of the Board of Management**

**of Daimler AG**

**Finance & Controlling and Daimler Financial Services**

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## **Overview**

Ladies and gentlemen, I would now like to give you some details of the key financial figures of our consolidated financial statements, which are preliminary and not yet audited.

Daimler can look back on a very successful year in which we continued the momentum from the previous year. Our business continued to grow dynamically in 2011, and that applies to both revenue and earnings.

Total unit sales increased by 11 percent to 2.1 million vehicles. Demand was particularly strong in the markets of Asia and the NAFTA region. All divisions contributed to the growth, with a new record for unit sales by our car division.

Group revenue and EBIT also reached new records in Daimler's history. With these earnings, we significantly surpassed our cost of capital, so we created value added of 3.7 billion euros, which is almost 1 billion euros more than in the prior year.

These very good metrics are based on the balanced structure of our business. That applies to our well-positioned divisions with their attractive product portfolios as well as to the regional structure of our business, with which we were also able to utilize the dynamic growth of the BRIC countries and numerous emerging markets.

The positive business development is also reflected by our dividend proposal.

## **Key financials**

The Daimler Group's revenue grew by nearly 9 billion euros to 106.5 billion euros in 2011. Adjusted for exchange-rate effects, revenue growth amounted to 10 percent.

EBIT increased from 7.3 billion euros to 8.8 billion euros. EBIT from the ongoing business, that is, adjusted for special items, actually improved by 24 percent to 9 billion euros. This primarily reflects the very good situation of unit sales at nearly all our divisions.

The positive EBIT development also led to significantly higher net profit of 6.0 billion euros. Earnings per share improved accordingly to 5 euros and 32 cents.

Our net liquidity in the industrial business remained at a high level, with 12.0 billion euros at the end of the year. The free cash flow from the industrial business amounted to 1.0 billion euros. This includes high levels of expenditure for investment and research and development.

In addition, we contributed 2 billion euros to our pension plan assets and applied 0.7 billion euros for the takeover of Tognum AG.

As ever, our equity ratios are at high levels. At the end of 2011, the equity ratio for the Group was 26.3 percent and for the industrial business it was 46.4 percent.

## **Net profit and dividend**

Earnings per share improved to 5 euros and 32 cents. In view of this positive development, the Board of Management and the Supervisory Board will propose to the Annual Shareholders' Meeting on April 4 that Daimler should pay a dividend of 2 euros 20 per share. This represents a total dividend distribution of more than 2.3 billion euros.

This means that we will once again distribute slightly more than 40 percent of the net profit attributable to Daimler shareholders. We want our shareholders to participate appropriately in the Daimler Group's success, and we anticipate a sustainable dividend development in the coming years.

## **Mercedes-Benz Cars**

Now let's turn to the developments in the various divisions.

Mercedes-Benz Cars surpassed its prior-year EBIT by 0.5 billion euros and achieved a new record operating profit of 5.2 billion euros. The division's return on sales improved from 8.7 percent to 9.0 percent. The earnings improvement resulted primarily from the continued growth in unit sales, particularly in the mid-sized category and the SUV segment. Other factors that contributed to higher earnings were better pricing for new cars and lower warranty costs.

On the other hand, earnings were reduced by higher material costs and expenses connected with the launch of new models, increased research and development expenses, and exchange-rate effects.

Mercedes-Benz Cars sold 1,381,000 vehicles in 2011, the most cars it has ever sold in a year. And with growth of 9 percent, the Mercedes-Benz brand also set a new record. We were able to improve our position in numerous markets and gained market share.

The development of our car business in the emerging markets was especially strong, above all in China, where we sold 211,000 Mercedes-Benz cars in 2011. But we also achieved double-digit growth rates in Russia, Brazil, India and South Korea.

Our business development was very positive also in the NAFTA region, where Mercedes-Benz set a new record with sales of 281,000 vehicles. In the United States, our unit sales increased by 14 percent to 247,000 vehicles, allowing us to gain market share.

In Germany, Mercedes-Benz maintained its position as the most successful premium brand with sales of 262,000 cars. In Western Europe, we did not quite match the high prior-year level, mainly due to the difficult market situation in southern Europe.

The growth and new records set by Mercedes-Benz Cars are the result of our attractive model range. For example, the S-Class and C-Class sedans as well as the CLS and the E-Class convertible are the global market leaders in their respective segments.

Thanks to the great market success of the new generation of our C-Class, the new C-Class coupe and the new SLK roadster, unit sales in the C-Class segment increased by 20 percent to 412,000 automobiles. Also in the E-Class segment, we increased our unit sales by 3 percent to a total of 340,000 cars.

Unit sales of 81,000 cars in the luxury segment were slightly higher than in the prior year. Our S-Class sedan was once again the worldwide market leader in its segment. And with SUVs, we achieved substantial growth of 25 percent despite the model changeover for the M-Class.

Due to the model changes in the compact class, sales of the A- and B-Class decreased to 192,000 units. The new B-Class, which we have been delivering to customers since November 2011, has had a very positive market reception. The same applies to the new M-Class, which has been available since September 2011.

Sales of the smart also increased last year. We were particularly successful in China, where unit sales more than tripled.

## **Daimler Trucks**

EBIT of 1.9 billion euros posted by the Daimler Trucks division was also a substantial increase on the prior-year figure of 1.3 billion euros. Return on sales rose to 6.5 percent.

Also with our trucks, the strong growth in unit sales compared with the prior year was the main factor behind our positive earnings development. Another positive factor was the repositioning of our truck activities in North America and Asia, which we have meanwhile successfully completed. All three business units made positive contributions to earnings.

There were negative effects on earnings from higher material costs, as well as from advance expenditure for the new Actros. In connection with the natural disaster in Japan, we recognized expenses of 70 million euros. Excluding these charges and the impairment of our equity investment in Kamaz, Daimler Trucks' return on sales would be 6.9 percent.

Daimler Trucks increased its unit sales by 20 percent to 426,000 vehicles in 2011, with contributions from all of our core markets – the NAFTA region, Europe, Asia and Latin America.

With sales of 61,000 units, we were able to maintain our leading position for medium and heavy trucks in Western Europe. We also increased our unit sales in Eastern Europe, by 46 percent, and in Latin America, by 7 percent.

Trucks NAFTA profited from the continuation of strong demand for trucks in North America, which was mainly driven by the need to invest in replacement vehicles. With sales of 114,000 vehicles, Daimler Trucks increased its unit sales in the NAFTA region by nearly 50 percent.

Despite the production shortfalls caused by the natural disaster in Japan, Trucks Asia surpassed its unit sales of the prior year. Thanks to excellent demand for the Fuso Canter, we increased our unit sales in Japan by 9 percent to 27,000 vehicles and significantly improved our market position. The development of unit sales in Indonesia and Taiwan was also very positive.

Our orders received increased at an even higher rate than unit sales, with growth of 26 percent to 466,000 units in 2011. So we received orders for 40,000 more trucks than we actually sold. The order backlog of Daimler Trucks therefore increased compared with a year earlier. The market recovery in the NAFTA region was one of the main reasons for the strong growth rates, but orders in Asia, Europe and Latin America were also higher than in 2010.

## **Mercedes-Benz Vans**

Mercedes-Benz Vans also achieved a strong improvement in earnings in 2011. EBIT increased by 85 percent to 835 million euros. So this division set a new record for earnings. Its return on sales improved accordingly to 9.1 percent, and therefore already reached the target we had set.

The main reason for the positive development of earnings was the significant growth in unit sales. Another reason was that we were able to achieve further efficiency improvements and better pricing, which allowed us to more than offset higher material costs.

Unit sales increased by 18 percent to 264,000 vans of the Sprinter, Vito, Viano and Vario models. In Western Europe, the most important sales market, we achieved growth of 14 percent to 178,000 units. We set a new record for unit sales in Germany with plus 25 percent to 78,000 vans.

All regions contributed to this growth, with particularly strong growth rates in Eastern Europe and the NAFTA region. Following the successful market launch in Europe in 2010, the new generations of the Vito and Viano have been on the road in China as well since April 2011. And in October 2011, local production of the Sprinter was started in China.

Overall, worldwide unit sales of the Sprinter increased by another 14 percent compared with the prior year to 163,000 units. The Vito and Viano models posted even stronger growth of 26 percent and gained further market share. The Viano actually achieved a new record: Its unit sales increased by 40 percent to more than 30,000 units.

## **Daimler Buses**

The Daimler Buses division's EBIT of 162 million euros was not quite as high as in the prior year. Its return on sales was 3.7 percent.

The decrease in earnings is primarily due to lower unit sales of complete buses in Western Europe and North America. Positive effects resulted from higher shipments of bus chassis in Latin America and Mexico, and also from exchange-rate effects. There were opposing, negative effects from inflation-related price increases in Latin America.

Daimler Buses increased its unit sales by 2 percent to 39,700 units in 2011. The business with bus chassis in Latin America and our sales of complete buses in Turkey continued their positive development. In Brazil, the new emission standards that came into effect in 2012 resulted in additional sales brought forward to 2011.

In Western Europe, unit sales decreased by 17 percent to 5,900 buses. Ongoing weak demand from public-sector customers was particularly apparent in the city-bus business. Nonetheless, Daimler Buses, succeeded in maintaining its leading position in Western Europe.

## **Daimler Financial Services**

Daimler Financial Services' EBIT of 1.3 billion euros was substantially higher than the prior-year result of 0.8 billion euros. The division's return on equity reached 25.5 percent, which is significantly above the targeted level.

The increase in earnings was primarily due to growth in contract volume and lower expenses for risk provisions. As a result of the favorable risk situation, we reversed impairments by 200 million euros last year. After the repositioning of our business in Germany led to an exceptional expense of 82 million euros in 2010, the adjustments to the division's operations led to temporarily increased expenses in 2011.

Daimler Financial Services developed very positively in all regions last year. Its worldwide contract volume grew to more than 70 billion euros. Adjusted for exchange-rate effects, it grew by 12 percent. New business expanded by 15 percent to 33.5 billion euros, mainly as a result of the higher unit sales by our automotive divisions.

The growth of our business in China was also very dynamic in the field of financial services, with an increase in contract volume to 1.8 billion euros.

The division's insurance activities were also very successful.

## **Capital expenditure, research and development**

So much to the developments in our divisions.

In the context of our growth strategy, we want the Daimler Group to consistently utilize the opportunities presented by the international automotive markets. This requires substantial investment in new products, new technologies and local production facilities. We therefore increased our investment in property, plant and equipment to 4.2 billion euros in 2011.

In addition, we raised our research and development expenditure once again from 4.8 billion euros to 5.6 billion euros. This forms a foundation for us to continue to shape the technological change in the automotive sector in the future. As Dieter Zetsche has shown you, we have very ambitious plans for the coming years in terms of technologies and products.

Also in the years to come, we will not reduce our efforts and will continue to invest substantial amounts to strengthen our technology leadership and competitive position. In the years 2012 and 2013, Daimler intends to apply a total of 10.9 billion euros for research and development activities, thus maintaining the current high level. And we will accompany our product offensive in those two years with investment of 10.6 billion euros in property, plant and equipment.

## **Expectations for the automotive markets**

This chart shows our premises for the year 2012.

From today's perspective, the global automobile market is likely to grow by approximately 4 percent in 2012, although with a continuation of fairly strong regional differences. This growth will probably be driven mainly by the US market and Asia.

With medium and heavy trucks, we assume that worldwide demand in 2012 will be at least at the same level as last year. For the NAFTA region, we anticipate further growth of between 15 and 20 percent.

In view of modest economic prospects in Western Europe, we expect demand for trucks at best to remain flat at the level of 2011. But market contraction of up to 10 percent cannot be ruled out; however, we foresee a more positive market development in the second half of the year than in the first.

The Brazilian market is likely to shrink by 10 to 15 percent in connection with the introduction of new emission standards.

For the European van market, we anticipate a slight market decline due to the debt crisis and its effects on the overall economy. For the United States and China, however, we expect market growth of more than 10 percent in 2012.

With buses, we anticipate a stable market development for the Western European market. In Latin America, we expect demand for buses to decrease due to new emission regulations.

## **Unit sales outlook**

What does this mean for our unit sales outlook?

We assume that with six new products, Mercedes-Benz Cars will further increase its unit sales and grow faster than the market as a whole. We therefore aim to achieve a new record for unit sales. Further growth is anticipated primarily in the United States and China.

In the context of our "Mercedes-Benz 2020" growth strategy, we will continue to gradually increase our production volumes. Although the macroeconomic environment is a source of uncertainty, we expect to see further growth in unit sales especially in the emerging markets. But with our attractive model range, we aim to be successful also in our traditional markets even under less favorable conditions.

Daimler Trucks also anticipates further growth in unit sales in 2012. In Europe, we intend to develop better than the overall market. In the NAFTA region, Daimler Trucks should profit to an above-average degree from the need to renew vehicle fleets. And we expect unit sales to grow also in Japan in connection with the reconstruction activities.

While we assume that demand will decrease in Brazil after record year 2011, our activities in Russia, India and China have created the right conditions for further growth in those markets.

At Mercedes-Benz Vans, the positive trend of unit sales is likely to continue in 2012. This development should be supported by the new city van Citan, with which we will utilize additional growth potential in a new market segment.

Daimler Buses expects a slight reduction in unit sales in 2012, primarily due to the market development in Brazil. In Western Europe, the excellent response to the new Mercedes-Benz Citaro should lead to slightly higher unit sales.

## **Earnings outlook**

We made a good start to the new year and are currently cautiously optimistic for the ongoing development. Ahead of us lies investment in our product portfolio, in new plants and in the strengthening of our regional presence. This year, our new car plant in Kecskemét, Hungary and our new truck plant in India will go into operation.

We are expanding our model range in the compact class and working on new models to be introduced in the context of our Mercedes-Benz 2020 growth strategy, and we will launch further versions of the Actros in addition to the long-haulage version.

In parallel, we are expanding our production capacities and increasing our advance expenditure for new technologies. At the same time, we are consistently continuing our excellence programs in all business units.

Our assessments for the year 2012 are based on the assumptions that political and economic conditions will remain generally stable and that the upward trend of worldwide automotive demand will continue in 2012 as I have just described. Our earnings forecasts are also based on current levels of exchange rates.

Against this backdrop, we aim to post Group EBIT from our ongoing business in 2012 in the magnitude of last year. Mercedes-Benz Cars also targets EBIT at the prior-year level. For Daimler Trucks, we aim to achieve EBIT at least at the level of 2011. The same applies to the Mercedes-Benz Vans and Daimler Buses divisions.

Daimler Financial Services profited from a very good situation of risk costs last year. The income from the reversal of impairments will not be repeated this year. We therefore anticipate EBIT in 2012 of slightly below the prior-year figure.

## **Return targets**

The development of earnings in 2011 already shows that we have taken a large step nearer to the return targets that we intend to achieve on a sustained basis as of 2013.

The Mercedes-Benz Vans and Daimler Financial Services divisions already reached or surpassed their return targets last year. Mercedes-Benz Cars and Daimler Trucks are approaching their return targets of 10 and 8 percent respectively.

We are confident that the Daimler Group is on track for sustained profitable growth.

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

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**The figures in this document are preliminary and have neither been approved yet by the Supervisory Board nor audited by the external auditor.**

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 an adverse development of global economic conditions, in particular a decline of demand in our most important markets; a worsening of the public debt crisis in the eurozone; a deterioration of our funding possibilities on the credit and financial markets; events of force majeure including natural disasters, acts of terrorism, political unrest, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates; a shift in consumer preference towards smaller, lower margin vehicles; or a possible lack of acceptance of our products or services which limits our ability to achieve prices as well as to adequately utilize our production capacities; price increases in fuel or raw materials; disruption of production due to shortages of materials, labor strikes, or supplier insolvencies; a decline in resale prices of used vehicles; the effective implementation of cost-reduction and efficiency-optimization measures; the business outlook of companies in which we hold a significant equity interest, most notably EADS; the successful implementation of strategic cooperations and joint ventures; 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 conclusion 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. 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.