

## **Daimler Buses Seeking to Boost Sales and Return to Profitability in 2013**

March 19, 2013

- **Numerous product launches**
- **Growth and efficiency measures on track**
- **Return on sales target of six percent confirmed**
- **Financial result for 2012 negatively impacted by weak markets in Brazil and Europe, as well as by one-time charges**

Stuttgart – Daimler Buses expects to achieve higher sales and a return to profitability in 2013. The unit’s optimism is based on several developments. For one thing, Daimler Buses is currently in the midst of a major product offensive. In addition, the unit continues to consistently implement its GLOBE<sup>2013</sup> growth and efficiency program. While the market environment in Europe especially is likely to remain very challenging, other key markets such as Brazil are expected to begin expanding again.

“We plan to increase sales and revenues in 2013, and we will also make a profit – although the earnings situation at our European business remains challenging,” says Head of Daimler Buses Hartmut Schick. In addition, Schick reconfirmed Daimler Buses’ sales target of more than 40,000 units for 2015, as well as a return on sales target of 6% across the entire business cycle.

Sales at Daimler Buses declined in 2012. This negative development was largely due to the difficult situation in key markets such as Brazil and Western Europe. Global unit sales totaled 32,100 buses and chassis (2011: 39,700), although Daimler Buses was able to defend its leading position in the segment for buses over eight tons GVW in its core markets. The lower sales volume was in large part due to negative business development for chassis in Latin America.

Sales of Mercedes-Benz bus chassis in Latin America (excluding Mexico) declined by 29% to 17,800 units in 2012. The introduction of the more stringent Euro V emissions standard in Brazil in early 2012 led to a large number of advance purchases in 2011, which explains the sharp decline in sales last year. Nevertheless, Daimler Buses was able to expand its leadership in the Brazilian bus segment by boosting its market share to 44% (2011: 43%). The stable Mexican market produced the same result in 2012 as in the prior year: 3,500 units. Here as well, Daimler Buses successfully defended its leading position with a market share of roughly 48% (2011: 50%).

The sovereign debt crisis in Western Europe stalled customer demand in that region so that the bus market contracted and recorded its lowest sales volume in 20 years. Still, Daimler Buses' sales of 5,900 units were at the same level as in the prior year. As a result, Daimler Buses strengthened its leading market position in Western Europe, garnering a market share of around 28% (2011: 27%). Bus sales in Germany fell slightly to approximately 2,040 units (2011: 2,210), while sales in Turkey once again stood at 1,100 units. The Daimler Buses market share in the country rose to 51.5% (2011: 49.4%).

Due to the sharp sales decline in Brazil especially, as well as the difficult situation on many European bus markets, total revenues at Daimler Buses decreased by €0.5 billion to €3.9 billion in 2012. EBIT was negative at minus €232 million (2011: plus €162 million). The lion's share of the loss resulted from one-time charges of €155 million for the restructuring of the European and North American business systems. “Many of our core markets were struggling in 2012, and this was a major problem not only for us, but for other bus manufacturers as well,” says Schick. “Nevertheless, 2012 was not a lost year for Daimler, as we worked hard and accomplished a lot. Today, we're leaner, more flexible, and more balanced than we were a year ago. Plus, we've made no compromises when it comes to investing in our products for the future.”

Last year, Daimler Buses launched its GLOBE<sup>2013</sup> initiative for exploiting additional growth potential and strengthening competitiveness, especially in Europe. The program aims to safeguard long-term profitability, whereby the target is to increase earnings by roughly €200 million by the end of 2014. Activities in 2012 focused extensively and successfully on the implementation of the program. Among other things, the program generated several tens of millions of euros in cost savings last year.

### **GLOBE<sup>2013</sup>: Implementation under way**

Substantial progress was also made with measures for optimizing the Daimler Buses production network. Production of the Mercedes-Benz Travego travel coach is now concentrated at the plant in Hoşdere, Turkey, while Mannheim is now a center of expertise for vehicle body manufacturing. The body components themselves are brought in from a plant in Holýšov, Czech Republic. The Daimler Buses facility in Ligny, France, has been converted to assembly

operations, and Neu-Ulm took over responsibility for painting last year.

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The sales organization has also been revamped within the framework of GLOBE; the new sales structure began operating at the beginning of this year. Setra and Mercedes-Benz sales in Germany are now managed by the same organization, which ensures that sales strategies for both brands will be closely coordinated in the future. In addition, a new key account manager position has been created for internationally operating major customers.

Sales staff also have a lot they can offer to customers, as the bus lineup was extensively updated over the last few months. The two brands both now offer a broad range of Euro VI-compliant vehicles, long before the new emission standard goes into effect. Daimler Buses demonstrated its technology leadership here in the fall of 2012, when the unit staged field trials that proved the new Euro VI-compliant buses are much more fuel efficient than their predecessors. As a result, diesel fuel consumption has been lowered by 8%, despite Euro VI compliance.

### **Focus on India**

Daimler Buses doesn't just take advantage of opportunities in established markets; the unit also seeks to exploit potential in dynamically expanding bus markets such as those in India, Russia, and China. Priority is being given here to the development of business in India. At the beginning of the century, more buses were sold in Western Europe than in India. Since that time, however, Indian market volume for buses over eight tons GVW has more than doubled to over 52,000 units – and may very well expand by another two-thirds in the next ten years. “We aim to take part in this dynamic growth,” says Schick. To this end, Daimler Buses is looking to cooperate more closely with Daimler India Commercial Vehicles, which manages the Groups' Indian truck business from its base in

Chennai. Among other things, plans call for synergies to be achieved in the future in the areas of development, production, sales, service, procurement, and logistics, which is why local bus production is also now being moved from Pune to Chennai.

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Sales activities in Russia are being strengthened through the integration of the sales organization at EvoBus (the brand responsible for European bus operations) into its counterpart at the Mercedes-Benz Trucks Vostok joint venture managed by Daimler Trucks and the Russian truck manufacturer Kamaz. After an extensive market analysis, Daimler Buses has also now chosen to use a specific chassis concept to enter the Chinese market. The chassis in question was adapted to Chinese legal requirements in 2012, and Daimler Buses is now engaged in promising discussions with local body manufacturers.

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 sovereign-debt crisis in the euro zone; 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; 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.

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