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Daimler achieves EBIT of €917 million in first quarter of 2013

- **Net profit of €564 million (Q1 2012: €1,425 million)**
- **Total unit sales of 501,600 vehicles at prior-year level**
- **Group revenue of €26.1 billion (Q1 2012: €27.0 billion)**
- **Growth in unit sales and revenue anticipated for full-year 2013**
- **Group EBIT from the ongoing business in 2013 expected to be below the magnitude of the prior year**
- **Significant improvements expected for the coming quarters due to planned new models, the increasing impact of the efficiency programs and probable market developments**

Stuttgart –Daimler AG (stock-exchange symbol DAI) achieved earnings below the prior-year level in the first three months of 2013. The Daimler Group posted first-quarter EBIT of €917 million (Q1 2012: €2,098 million). Net profit amounted to €564 million (Q1 2012: €1,425 million). Earnings per share amounted to €0.50 (Q1 2012: €1.26).

“In the first three months of this year, many markets developed worse than expected for economic reasons, especially in Western Europe. Nonetheless, we maintained our unit sales and revenue almost at the levels of the prior-year quarter and gained market share in many segments,” explained Dr. Dieter Zetsche, Chairman of

the Board of Management of Daimler AG and Head of Mercedes-Benz Cars, with regard to business developments in the first quarter.

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“The response to our new products such as the CLA and the E-Class is excellent, and at Daimler Trucks, our successful product offensive is largely completed with the new Arocs and the new Atego. On the basis of the new products, the ongoing efficiency programs and our assumptions for future market developments, we expect earnings in the second half of this year to be higher than in the first half, due in particular to the launch of the new S-Class,” continued Dr. Zetsche.

“Daimler is now in the middle of the most comprehensive growth offensive in its history. To these ends, we are investing large amounts in products, technologies and markets, which, in combination with the generally weak markets, led to a moderate start to the year 2013 in terms of earnings. But due to the stimulus from new products and the effects of the ongoing efficiency programs, we naturally intend to improve significantly in the coming quarters,” explained Bodo Uebber, Member of the Board of Management of Daimler AG for Finance & Controlling and Financial Services.

The decline in earnings in the first three months of this year is a reflection of both a shift in the regional structure of unit sales and a changed model mix at Mercedes-Benz Cars and Mercedes-Benz Vans, as well as a decrease in unit sales by Daimler Trucks. At Daimler Buses, increased unit sales led to an improved operating profit, while the earnings posted by Daimler Financial Services remained almost constant.

The compounding of non-current provisions and effects from the reduction in discount rates led to charges of €47 million in the first quarter of this year (Q1 2012: €170 million). There was an opposing impact from slightly positive exchange-rate effects.

The special items shown in the table on page 10 affected EBIT in the first quarters of 2013 and 2012.

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Group revenue at the prior-year level

In the first quarter of 2013, Daimler sold 501,600 cars and commercial vehicles worldwide, and was thus close to the prior-year level (Q1 2012: 502,100).

Daimler's first-quarter revenue of €26.1 billion was 3% lower than in the first quarter of last year. Adjusted for changes in currency exchange rates, there was a decrease of 1.5%.

The free cash flow of the industrial business amounted to minus €1.2 billion, primarily due to ongoing high expenditure of €1.6 billion for investment in property, plant and equipment and intangible assets. The net liquidity of the industrial business amounted to €10.0 billion at March 31, 2013.

At the end of the first quarter of 2013, Daimler employed 274,555 people worldwide (end of Q1 2012: 274,127). Of that total, 166,265 were employed in Germany (Q1 2012: 168,017), 21,702 in the United States (Q1 2012: 21,520), 14,622 in Brazil (Q1 2012: 14,737) and 11,242 in Japan (Q1 2012: 11,344). The consolidated subsidiaries in China employed 1,743 persons at the end of the first quarter (Q1 2012: 2,269). The headcount changes in China result from the transition of the sales organizations for cars into a non-consolidated joint venture. In addition, employees in sales functions in South Africa, who were previously allocated to the Mercedes-Benz Cars division, are now allocated to the sales organization.

The divisions in detail

Mercedes-Benz Cars posted yet another high level of unit sales in the first quarter of 2013. Total sales by the car division increased to

341,500 units (Q1 2012: 338,300). First-quarter revenue fell by 6% to €14.1 billion. The division's EBIT of €460 million was significantly lower than in the first quarter of last year (Q1 2012: €1,230 million). Return on sales was 3.3% (Q1 2012: 8.2%).

Earnings reflect a shift in the regional sale structure and a changed model mix. Furthermore, EBIT was reduced by expenses for the enhancement of our products' attractiveness and capacity expansion, as well as advance expenditure for new technologies and vehicles. Exchange-rate effects were slightly positive.

Unit sales by **Daimler Trucks** decreased by 6% in the first quarter to 101,400 vehicles and revenue amounted to €7.0 billion (minus 5%). The division's EBIT of €116 million was lower than in the prior-year period (Q1 2012: €376 million). Return on sales was 1.7% (Q1 2012: 5.1%).

Earnings were affected by the overall negative development of unit sales and revenue, resulting from weak demand in some core markets. Earnings were reduced also by expenses for the development of business in India and China, product adjustments especially in the NAFTA region and Europe, and higher warranty costs.

Unit sales by **Mercedes-Benz Vans** increased slightly in the first quarter of 2013 to 52,600 vehicles (Q1 2012: 51,200), despite the difficult market environment in Western Europe. Revenue decreased slightly to €2.0 billion (Q1 2012: € 2.1 billion). The division achieved EBIT of €81 million (Q1 2012: €167 million) and its return on sales fell accordingly to 4.1%, from 8.0% in the first quarter of last year.

In a market environment featuring restrained demand and intense competition in the European markets, Mercedes-Benz Vans' unit sales in the first quarter of 2013 were slightly higher than in the prior-year period. Earnings decreased significantly, however, mainly

due to changes in the product mix and the regional sales structure. Advance expenditure for new products, including the launch of the Sprinter Classic in Russia, additionally reduced earnings.

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In the first quarter of 2013, **Daimler Buses** increased its worldwide unit sales by 23% to 6,000 buses and chassis as a result of rising demand for bus chassis in Latin America. The business with complete buses in Western Europe was below the prior-year level. Revenue rose by 3% to €751 million; however, the changed model mix following the repositioning of the North American business system had a dampening effect on revenue growth. The division's EBIT amounted to minus €31 million (Q1 2012: minus €105 million) and its return on sales was minus 4.1% (Q1 2012: minus 14.4%).

Compared with the previous year, EBIT rose as a result of increased unit sales. Daimler Buses achieved significantly higher shipments of bus chassis, especially in Latin America. Business in Europe developed disparately, however: While demand for city buses recovered somewhat, Daimler Buses recorded lower unit sales of coaches. Exchange-rate effects and the initiated efficiency measures had a positive impact on earnings. Expenditure for the repositioning of the European business system decreased substantially to €4 million (Q1 2012: €36 million).

The business of **Daimler Financial Services** continued to develop positively in the first quarter. Worldwide, some 253,000 new leasing and financing contracts with a total value of €8.6 billion were concluded, representing growth of 4% compared with the first quarter of 2012. Total contract volume of €81.7 billion at the end of the first quarter was 2% higher than at the end of 2012. Adjusted for the effects of currency translation, contract volume increased by 1%. The division's EBIT of €314 million was lower than in the first quarter of last year (Q1 2012: €344 million).

This earnings development was primarily due to lower interest margins and normalizing credit risk costs. As an opposing effect, the increased contract volume impacted positively on earnings.

The **reconciliation** of the divisions' EBIT to Group EBIT comprises our proportionate share of the results of our equity-method investment in EADS, other gains and losses at the corporate level, and the effects on earnings of eliminating intra-Group transactions between the divisions.

Daimler's share of the net profit of EADS in the first quarter of 2013 amounted to €34 million (Q1 2012: €133 million). The decrease in investment income was also due to the reduction of our equity interest in EADS following the sale of a block of shares in December 2012. The reconciliation also includes expenses at the corporate level of €91 million (Q1 2012: €35 million). The elimination of intercompany transactions in the first quarter of 2013 resulted in income of €34 million (Q1 2012: expense of €12 million).

Outlook

According to current estimates, **worldwide demand for cars** should grow in the range of 2% to 4% this year, driven primarily by the ongoing strong growth in demand in the United States and the further expanding Chinese market. However, as a result of the continuing economic weakness, a decline is again expected in the Western European market. Demand will thus continue to move around a 20-year low. The German market cannot detach itself from this development and is expected to fall significantly short of the previous year's level. A decline is expected also for the Japanese market compared with the previous year's level, which was unusually high as a result of government incentives for car buyers.

According to the current status, **global demand for medium-duty and heavy-duty trucks** is expected to grow perceptibly in 2013.

However, this depends very decisively on the development of the world's biggest market, China, which should experience a perceptible recovery in demand, although the start of the year proved to be below expectations. Demand in North America should stabilize in the coming months, but from today's perspective, Daimler anticipates market contraction of up to 5%. In view of the continued weak economic environment, the Group expects a drop of approximately 5% for the European truck market. Market volume in Japan could be up to 5% below the prior-year level, whereby the possible effects of the Japanese government's new economic stimulus package are still difficult to assess. A moderate recovery and market growth of as much as 10% are expected in Brazil, thanks to the improved economic outlook and favorable financing conditions. The Russian market has already returned to near-pre-crisis levels and is expected to grow again moderately in the year 2013. On the other hand, a drop in demand for trucks is expected in India due to the continued below-average economic momentum.

On the basis of the divisions' planning, Daimler anticipates another increase in its **total unit sales** in the year 2013.

Mercedes-Benz Cars is consistently moving ahead with its "Mercedes-Benz 2020" offensive. Numerous model changes and new products should ensure that the division achieves yet another record for unit sales in the year 2013. The new models in the high-volume compact car segment are likely to make a major contribution to sales growth. After the successful start of the A-Class and B-Class, the four-door CLA coupe came on the market as the third model based on the new compact car architecture in mid-April 2013. The extensively revised new E-Class sedan and station wagon have also been available at Mercedes-Benz sales and service centers and dealerships since April. As of June 2013, the new E-Class coupes and convertibles will also provide added sales momentum. The electrically driven, locally emission-free super sports car SLS AMG Coupe Electric Drive will come on the market in

June 2013. Mercedes-Benz Cars expects significant growth in the luxury segment for the second half of 2013, due mainly to the launch of the all-new S-Class. As the most important new model of the year 2013, the new S-Class equipped with trailblazing innovations will set new standards of comfortable and safe driving under the umbrella term “Mercedes-Benz Intelligent Drive.” In addition, the Mercedes-Benz brand will continue to profit from the market success of the models in the SUV segment in 2013.

The smart brand sees a good chance that the unique two-seater can continue to defy its advancing lifecycle in the highly competitive micro-car segment in 2013 and can achieve unit sales in the previous year’s range once again.

Daimler Trucks expects a slight increase in unit sales in the full year. In the first half of the year, however, the continued weak state of the economy will probably lead to a rather modest or even negative development of unit sales in a number of core markets. The extensive product offensive, which is now largely complete in all relevant regions, should provide a counterbalance to the difficult economic conditions. As a result of this offensive, the division is in a very good starting position: In Europe, unit sales will gain added impetus from a full product range already in line with the stricter Euro VI standards significantly ahead of the date of introduction, with the Actros, the Antos, the new Arocs for the construction sector, and the new Atego. In the NAFTA region, Daimler Trucks will maintain its competitive position with its excellent vehicle offering in combination with strong Detroit components. A convincing sales argument in favor of the Freightliner Cascadia Evolution for example is the optimization of vehicle aerodynamics and powertrain, which yields additional fuel savings of 5% compared to its predecessor, the previous market benchmark.

The Fuso and BharatBenz brands will continue to make an important contribution to sales growth in 2013. In the future, trucks of the

Fuso brand will also be produced in Chennai and exported to the Asian markets outside India and to Africa. The Fuso Canter and its hybrid versions, which have also been produced in Europe since 2012, should provide additional demand stimulus. Furthermore, additional models of the BharatBenz truck will be launched in India and the sales and service network will be further expanded. In Russia and China, the division is progressively expanding its collaboration with local partners Kamaz and Foton, and is thus creating the conditions for the further development of those growth markets.

Mercedes-Benz Vans expects to achieve growth in unit sales in full-year 2013. On the product side, this should be assisted by the new Mercedes-Benz Citan and as of mid-2013 by the new generation of the Sprinter. Moreover, the start of local production of the Sprinter Classic in Russia in the second quarter of 2013 should enable the division to continue increasing its unit sales in that growth market.

Daimler Buses anticipates a significant increase in unit sales for the year 2013, with bus chassis likely to account for a higher percentage of total unit sales. The division expects to see a distinct revival of demand in 2013 especially in Latin America. Daimler Buses assumes that its business with complete buses in Europe will follow a stable development at an ongoing low level.

Daimler Financial Services expects further growth in new business and contract volume for full-year 2013.

After the significant increase in the year 2012, Daimler assumes that **Group revenue** will continue to grow in 2013. In regional terms, above-average growth rates are anticipated in the emerging markets and North America.

On the basis of the planned new models, the increasing effects of the efficiency programs that have been initiated and the

assumptions made for the development of important markets, Daimler expects its earnings to improve in the second half of 2013 compared with the first half. Due to the fact that there will be no further equity-method results from EADS in the course of the year, as well as lowered market expectations and the weaker than expected EBIT in the first quarter, Group **EBIT from the ongoing business** in full-year 2013 is expected to be below the previous year's level.

Mercedes-Benz Cars anticipates full-year EBIT below the level of 2012. Daimler Trucks and Mercedes-Benz Vans expect to post EBIT from the ongoing business in the magnitude of the prior year, while Daimler Buses should improve on its negative earnings of 2012. In 2014 and the following years, Daimler expects an EBIT improvement for all its automotive divisions and for the Group as a whole. Daimler Financial Services anticipates a stable development of earnings.

From today's perspective, Daimler assumes that the size of its **worldwide workforce** will remain largely stable compared with the end of 2012.

The items shown in the following table affected EBIT in the first quarters of 2013 and 2012:

Special items affecting EBIT In millions of euros	Q1 2013	Q1 2012
Daimler Trucks		
Workforce adjustments	-13	-
Daimler Buses		
Business repositioning	-4	-36

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.

Further Investor Relations information on Daimler is available on the Internet via www.daimler.com/investors and on handhelds via www.daimler.mobi/ir.

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Figures for the 1st Quarter 2013

Daimler Group amounts in €	Q1 2013	Q1 2012	Change 13/12
Revenue, in millions	26,102	27,011	- 3 %
EBIT, in millions	917	2,098 ¹	- 56 %
Net profit, in millions	564	1,425	- 60 %
Earnings per share (EPS)	0.50	1.26	- 60 %
Employees (March 31)	274,555	274,127	+ 0 %

EBIT by Divisions/Segments in millions of €	Q1 2013	Q1 ¹ 2012	Change 13/12
Mercedes-Benz Cars	460	1,230	- 63 %
Daimler Trucks	116	376	- 69 %
Mercedes-Benz Vans	81	167	- 51 %
Daimler Buses	-31	-105	-
Daimler Financial Services	314	344	- 9 %
Reconciliation	-23	86	-

Revenue by Divisions/Segments in millions of €	Q1 2013	Q1 2012	Change 13/12
Mercedes-Benz Cars	14,110	14,937	- 6 %
Daimler Trucks	7,024	7,383	- 5 %
Mercedes-Benz Vans	1,986	2,088	- 5 %
Daimler Buses	751	730	+ 3 %
Daimler Financial Services	3,577	3,140	+ 14 %
Reconciliation	-1,346	-1,267	-

Unit Sales in units	Q1 2013	Q1 2012	Change 13/12
Daimler Group	501,600	502,086	- 0 %
Mercedes-Benz Cars	341,511	338,303	+ 1 %
Daimler Trucks	101,433	107,664	- 6 %
Mercedes-Benz Vans	52,623	51,223	+ 3 %
Daimler Buses	6,033	4,896	+ 23 %

¹ The previous year's figures were adjusted for the effects arising from the revised IAS 19.