

April 30, 2014

Daimler: Net profit almost doubles in first quarter of 2014

- Total unit sales of 565,800 vehicles at record level in first quarter
- Revenue up by 13% to €29.5 billion
- Disproportionately high increase in Group EBIT to €1,787 million (Q1 2013: €917 million)
- Net profit of €1,086 million (Q1 2013: €564 million)
- Significant growth in unit sales and revenue expected
- Group EBIT from ongoing business anticipated to be significantly higher than in 2013
- Dr. Dieter Zetsche: “Our strategy is paying off; our investments are bearing fruit. We made a good start to the year, as expected.”

Stuttgart, Germany – Daimler AG (ticker symbol DAI) started the year 2014 with significant growth in unit sales, revenue and earnings. Worldwide, the Group sold 565,800 cars and commercial vehicles in the first quarter – more than ever before – and thus increased its unit sales by 13% compared with the prior-year period. Despite unfavourable exchange rate developments, **revenue** increased by 13% to €29.5 billion. **Group EBIT** rose to €1,787 million (Q1 2013: €917 million). **Net profit** reached €1,086 million

(Q1 2013: €564 million), and thus nearly doubled compared with the prior-year period.

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“Our strategy is paying off; our investments are bearing fruit,” stated Dr. Dieter Zetsche, Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars. “We made a good start to this year, as expected. As the year progresses, we will continue working systematically on our profitable growth path.”

The significant increase in earnings at the beginning of the year was influenced by the very positive development of unit sales and revenue, a better model mix and further efficiency gains at all divisions. Foreign exchange rates had a negative impact on EBIT in the first quarter. The hedging of the investment in Tesla and the disposal of the shares in Rolls-Royce Power Systems Holding GmbH (RRPSH) resulted in expenses of €161 million and €118 million respectively. Without those two special items, operating profit would have more than doubled compared with the prior-year period. EBIT from the ongoing business increased to €2,072 million (Q1 2013: €949 million). The sale of the shares in Rolls-Royce Power Systems Holding and the changeover from the equity-method measurement of the shares in Tesla to first-time fair-value measurement at the reference date March 31, 2014, will lead to a significant contribution to earnings of approximately €1.7 billion.

The net interest expense decreased slightly, partially due to the expiry of refinancing at high interest rates. The income-tax expense of €564 million recognized in the first quarter was €368 million higher than in the prior-year period, primarily due to the increased **profit before income taxes**. Net profit of €1,027 million is attributable to the shareholders of Daimler AG (Q1 2013: €536 million); **earnings per share** increased to €0.96 (Q1 2013: €0.50).

The Daimler Group once again undertook refinancing at attractive conditions in the international money and capital markets in the first

quarter of 2014. In January 2014, Daimler AG issued a bond in the euro market with a maturity of eight years and a volume of €750 million. In March, Daimler Finance North America LLC issued bonds in the US capital market with maturities of three and seven years and a total volume of \$2.15 billion. And in China, Daimler was the first foreign company to issue a renminbi bond. This once again underscores the importance Daimler places on the Chinese market and continues its strategy of covering its financing requirements locally wherever possible. The **net liquidity of the industrial business** amounted to €14.5 billion at the end of the first quarter (end of 2013: €13.8 billion). The **free cash flow** of the industrial business developed well and increased by €1.8 billion to €0.7 billion. The improvement was primarily due to the positive contributions to earnings from the automotive divisions.

“The growth offensives and efficiency programs are taking effect and will be systematically continued,” stated Bodo Uebber, Member of the Board of Management of Daimler AG responsible for Finance & Controlling and Financial Services. “Due to the currently volatile environment, we are monitoring the sales and finance markets very carefully. With our liquid resources, we are well prepared for fluctuations.”

At the end of this March, Daimler employed 276,322 people worldwide (end of Q1 2013: 274,555). Of that total, 167,746 were employed in Germany (end of Q1 2013: 166,265). From today’s perspective, the company assumes that the number of employees worldwide will remain stable compared with the end of 2013.

Details of the divisions

In the past quarter, **Mercedes-Benz Cars** achieved a record level of unit sales in a first quarter. The total sales of the car division increased by 14% to 389,500 units. Due to a more favorable model mix, revenue increased at a higher rate of 21% to €17 billion. The

division achieved EBIT of €1,183 million, which was significantly higher than the earnings of the prior-year period (Q1 2013: €460 million). Return on sales improved to 7.0% (Q1 2013: 3.3%).

The earnings development in the first quarter primarily reflects the ongoing growth in unit sales, especially in China and the United States. This growth was driven in particular by the S-Class and the E-Class, as well as by the expanded range of compact cars. Mercedes-Benz Cars achieved earnings growth also as a result of better pricing. Efficiency actions from the “Fit for Leadership” program also had a positive impact on earnings. There were negative effects on earnings from expenses for the enhancement of products’ attractiveness, capacity expansions and advance expenditure for new technologies and vehicles. Exchange-rate effects also had a negative impact on earnings.

Unit sales of 108,500 vehicles in the first quarter by **Daimler Trucks** were 7% above the prior-year level. Revenue increased by 1% to €7.1 billion. Daimler Trucks’ EBIT of €341 million was substantially higher than in the prior-year period (Q1 2013: €116 million). The division’s return on sales was 4.8% (Q1 2013: 1.7%). In particular, increased unit sales in the NAFTA region and Asia contributed positively to the development of earnings. In Japan, there was a significant positive effect on demand from the increase in value-added tax as of April 1, 2014. There were negative effects on Daimler Trucks’ earnings, however, from lower unit sales in Latin America and from foreign exchange rates. Furthermore, expenses were incurred for workforce adjustments in connection with the ongoing optimization programs in Germany and Brazil. The efficiency measures of the “Daimler Trucks #1” program and lower warranty costs had a positive impact on earnings.

Unit sales by **Mercedes-Benz Vans** increased in the first quarter of 2014 by 16% to 61,100 units. Revenue rose by 11% to €2.2 billion. The Mercedes-Benz Vans division achieved operating profit of €123

million (Q1 2013: €81 million). Its return on sales increased to 5.6% from 4.1% in the first quarter of last year.

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Earnings in the first quarter of this year reflect the positive development of unit sales and revenue, which resulted from a significant increase in demand, especially in Europe and the NAFTA region. EBIT benefited also from improved pricing. There were opposing effects from expenses related to the launch of the new V-Class.

Daimler Buses' first quarter unit sales of 6,700 buses and bus chassis were significantly higher than the number of 6,000 units sold in the first quarter of last year. Revenue increased by 14% to €859 million. EBIT amounted to plus €53 million (Q1 2013: minus €31 million) and return on sales was plus 6.2% (Q1 2013: minus 4.1%).

The positive development of sales of complete buses and the advantageous model mix in Western Europe had a significantly positive impact on the development of earnings. Further improvements in efficiency also boosted earnings.

At **Daimler Financial Services**, new business in the first quarter increased compared with the prior-year period by 14% to €9.8 billion. Contract volume of €84.3 billion at the end of March was slightly higher than at the end of 2013. With EBIT of €397 million for the first quarter of this year, the earnings of the Daimler Financial Services division significantly surpassed the prior-year level (Q1 2013: €314 million). The main reasons for this earnings growth were the increased contract volume and a gain of €45 million on the sale of a non-automotive-related portfolio in the United States. However, exchange rate effects had a negative impact on EBIT.

The reconciliation of the divisions' EBIT to Group EBIT comprises income and expenses at the corporate level as well as effects on earnings from the elimination of intra-group transactions between the divisions.

Until the sale of the remaining EADS shares in the second quarter of 2013, income and expenses at the corporate level included Daimler's proportionate share of the earnings of the equity-method investment in EADS, which amounted to €34 million in the first quarter of 2013. Other items at the corporate level resulted in an expense of €314 million (Q1 2013: €91 million). This includes an expense from hedging Tesla's share price and an expense relating to the transfer of the 50% equity interest in Rolls-Royce Power Systems Holding GmbH (RRPSH) to the partner Rolls-Royce Holdings plc. In this context, Daimler exercised the put option on the investment in RRPSH that was agreed upon in 2011.

In April 2014, both sides agreed on a fair value of €2.43 billion for Daimler's shares in RRPSH, which are to be taken over by Rolls-Royce. The carrying value of the investment at March 31, 2014 was €1.42 billion. The transaction is expected to be closed by the end of the year, but is still subject to the usual regulatory approvals. Daimler will recognize the financial effects of the sale when the transaction is closed.

Among the positive effect from the sale of the stake in Rolls-Royce Power Systems Holding, also the changeover from the equity-method measurement of the shares in Tesla to first-time fair-value measurement will lead to a positive contribution: At March 31, 2014, the stock-market value of the investment in Tesla amounted to €736 million, compared with a carrying value of €12 million.

At the beginning of the second quarter, there are still good prospects that the world economy will continue its expansion and gain some dynamism in the coming quarters. This applies above all to the industrialized countries, and especially to the United States and Western Europe.

According to current assessments, worldwide **demand for cars** is likely to grow by a magnitude of 4-5% this year, whereby Daimler currently sees the markets developing at the lower end of that bandwidth. Once again, China is expected to deliver the biggest contribution to global growth; further expansion of the country's car market of approximately 10% should be possible. The US market is also likely to continue its growth; although only at a relatively moderate rate, the market volume will probably increase to approximately 16 million cars and light trucks. Daimler continues to anticipate a rather hesitant recovery of the Western European market. The region's recent quite significant growth rates were primarily a reflection of the weak prior-year level and are likely to decrease perceptibly as the year progresses. Nonetheless, increased demand can generally be expected in most of the core markets thanks to the improved economic outlook. A market correction is anticipated for Japan in full-year 2014, despite the dynamic start to the year. The increase in value-added tax that took place at the beginning of April will probably have a significant negative impact on demand in the coming months. In the large emerging markets (excluding China), it must be assumed that demand for cars will not be immune to the recent economic difficulties. From today's perspective, the Russian car market is likely to reach the prior-year level at best.

According to the current assessment, global demand for **medium- and heavy-duty trucks** in the year 2014 can only be expected at around the level of the previous year. With the exception of North

America, no significant dynamism is to be expected in most of the core markets. On the contrary, downward risks exist in some emerging markets due to the current turbulences. In the NAFTA region, the company anticipates market growth of around 10% thanks to the increasing economic momentum. In the European market, the positive effect of purchases brought forward is now likely to come to an end. Developments during the rest of 2014 will mainly depend on the extent to which the economic recovery can offset this negative element. From today's perspective, Daimler anticipates a market volume for the full year of slightly lower than the level of 2013. The Japanese market for light-, medium- and heavy-duty trucks will probably slow down significantly due to the recent increase in value-added tax. Nonetheless, demand in the full year should grow slightly. However, the Brazilian market for medium- and heavy-duty trucks is likely to be smaller than last year due to the country's weak economic development; demand is likely to decrease by around 10%. Further market contraction is meanwhile to be assumed for Russia and India due to those countries' weak economies. From today's perspective, the Chinese market should achieve moderate growth. But because new emission standards were introduced there in 2013, the outlook for 2014 is still connected with significant uncertainty.

Daimler assumes that overall demand in Europe for medium-sized and large **vans** will recover slightly in 2014. For small vans, a market volume in Europe is anticipated in the magnitude of last year. In the United States, demand for large vans is expected to increase significantly in the year 2014, and a further revival of demand is anticipated also in China. In Latin America, Daimler assumes that the market for large vans will contract in the full year.

Daimler anticipates a market volume for **buses** in Western Europe in 2014 that is slightly above the level of the previous year. Due to the difficult economic situation in Argentina and growing market

uncertainties in Brazil, demand for buses is expected to decrease in Latin America.

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On the basis of the divisions' planning, Daimler expects its **total unit sales** to increase significantly in the year 2014.

After its record year in 2013, **Mercedes-Benz Cars** has started another growth year in which it intends to significantly increase its unit sales with attractive new products. The two most important new Mercedes-Benz models of the year were launched in Europe in March: the new C-Class sedan and the GLA compact SUV. The C-Class wagon will be available to customers in the first half of this year and will create further sales stimulus. Shortly after the model changeover last year, the new S-Class had already reached the top position for worldwide sales in its segment. This spring, Mercedes-Benz added attractive versions to the S-Class model series. The new S-Class Coupé will be launched in September. Further growth in the luxury segment is to be expected from the model upgrade of the CLS-Class in June. With the V-Class, Mercedes-Benz is redefining the multipurpose vehicle. The smart fortwo and smart forfour will be presented in July and will become available to customers towards the end of the year.

Daimler Trucks anticipates a significant increase in overall unit sales in the year 2014. In Western Europe, the division expects the aftereffects of the introduction of Euro VI emission standards to counteract the assumed improvement in the general economic situation and to have a negative impact on the development of unit sales. But with the new Mercedes-Benz model range, Daimler Trucks intends to further strengthen its very good market position. After the Brazilian market had largely recovered from the low of 2012 last year, demand is now expected to decrease again significantly. The extensive measures being taken to optimize production, products and sales, for which approximately €300 million will be invested by the end of 2015, should further strengthen the market position.

However, there are risks from the current political and economic situation in some Latin American countries and in Turkey and Russia. Daimler Trucks anticipates significant growth in unit sales in the NAFTA region and Asia. In the NAFTA region, unit sales should benefit from the expected market expansion and should significantly surpass the level of the year 2013. In Asia, the availability of additional BharatBenz models in the Indian market and growth opportunities through exports should make an important contribution to growth in unit sales.

Mercedes-Benz Vans assumes that its unit sales will increase significantly in full-year 2014. The division expects significant growth in unit sales of mid-sized and large vans in Europe, where the new Sprinter as well as the new Vito and the V-Class will stimulate additional demand. A further increase in unit sales of the Citan is also expected.

Daimler Buses expects slight growth in its total unit sales in the year 2014, whereby the proportion of complete buses should develop positively. In Western Europe, the division anticipates significant expansion of its business with complete buses this year. Due to the currently difficult economic situation in Argentina and growing market uncertainty in Brazil, weaker unit sales of bus chassis are expected in Latin America.

Daimler Financial Services anticipates significant growth in new business and contract volume in 2014. The key growth drivers are the product offensives and market developments in the automotive divisions, effective marketing directed at younger target groups, the expansion of business especially in Asia, the further development of online sales channels, and the expansion of innovative mobility services.

Daimler assumes that **Group revenue** will increase significantly in the year 2014. Above-average growth rates are anticipated in North America and China.

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On the basis of the expected market development, the Group assumes that its **EBIT from the ongoing business** will increase significantly in 2014.

For the individual divisions, Daimler aims to achieve the following EBIT targets from the ongoing business in full-year 2014:

- Mercedes-Benz Cars: significantly above the prior-year level,
- Daimler Trucks: significantly above the prior-year level,
- Mercedes-Benz Vans: at the prior-year level,
- Daimler Buses: slightly above the prior-year level, and
- Daimler Financial Services: slightly above the prior-year level.

Daimler will continue with the systematic implementation of the **efficiency programs** it has initiated. With its “Fit for Leadership” program, the Mercedes-Benz Cars division aims to improve its cost position by approximately €2 billion by the end of 2014, and will increase its efficiency by means of structural optimizations with long-term effects. After approximately 40% of the total planned savings volume was achieved in 2013, Daimler intends to achieve 70-80% this year. As planned, “Daimler Trucks # 1” already achieved 30% of the program’s target of €1.6 billion last year, and a volume of 70-80% is to be achieved by the end of 2014.

“Financial strength is required for the development of innovations and for the growth of our divisions. We have worked systematically to achieve that with our efficiency programs. They are showing effects at all of our divisions. We will safeguard their structures and expand them,” explained Dr. Dieter Zetsche.

Bodo Uebber added: “Financial discipline remains an important benchmark for our actions. That applies to the successful implementation of the efficiency programs as well as to the Group’s financial structure.”

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The **special items** shown in the following table affected EBIT in the first quarters of 2014 and 2013:

Special items affecting EBIT		
In millions of euros	Q1 2014	Q1 2013
Daimler Trucks		
Workforce adjustments	-5	-13
Daimler Buses		
Business repositioning	-1	-4
Reconciliation		
Measurement of the put option on the 50% interest in RRPSH	-118	-15
Hedging of Tesla’s share price	-161	0

This document contains forward-looking statements that reflect our current views about future events. The words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “can,” “could,” “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; an increase in political tension in Eastern Europe; a deterioration of our refinancing 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 preferences towards smaller, lower-margin vehicles; a possible lack of acceptance of our products or services which limits our ability to achieve prices and adequately utilize our production capacities; price increases for 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 for 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 government 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 and Opportunity Report” in the current Annual Report. If any of these risks and uncertainties materializes or if the assumptions underlying any of our forward-looking statements prove to be incorrect, the 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 since they are based solely on the circumstances at the date of publication.

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 2014

Daimler Group	Q1 2014	Q1 2013	Change 14/13
Revenue, in millions of EUR	29,457	26,102	+ 13 %
EBIT (as reported), in millions of EUR	1,787	917	+ 95 %
EBIT (from ongoing business), in millions of EUR	2,072	949	+ 118 %
Net profit, in millions of EUR	1,086	564	+ 93 %
Earnings per share (EPS), in EUR	0.96	0.50	+ 92 %
Employees (March 31)	276,322	274,555	+ 1 %
Net liquidity (March 31), in millions of EUR	14,474	10,019	+ 44 %
Free cash flow (industrial business), in millions of EUR	694	-1,152	-

EBIT (as reported) by Divisions in millions of EUR	Q1 2014	Q1 2013	Change 14/13
Mercedes-Benz Cars	1,183	460	+ 157 %
Daimler Trucks	341	116	+ 194 %
Mercedes-Benz Vans	123	81	+ 52 %
Daimler Buses	53	-31	-
Daimler Financial Services	397	314	+ 26 %

EBIT (from ongoing business) by Divisions in millions of EUR	Q1 2014	Q1 2013	Change 14/13
Mercedes-Benz Cars	1,183	460	+ 157 %
Daimler Trucks	346	129	+ 168 %
Mercedes-Benz Vans	123	81	+ 52 %
Daimler Buses	54	-27	-
Daimler Financial Services	397	314	+ 26 %

RoS (as reported) by Divisions in %	Q1 2014	Q1 2013	Change 14/13
Mercedes-Benz Cars	7.0	3.3	+ 3.7 %pts.
Daimler Trucks	4.8	1.7	+ 3.1 %pts.
Mercedes-Benz Vans	5.6	4.1	+ 1.5 %pts.
Daimler Buses	6.2	-4.1	+ 10.3 %pts.
Daimler Financial Services (RoE)	23.7	19.6	+ 4.1 %pts.

RoS (from ongoing business) by Divisions in %	Q1 2014	Q1 2013	Change 14/13
Mercedes-Benz Cars	7.0	3.3	+ 3.7 %pts.
Daimler Trucks	4.9	1.8	+ 3.1 %pts.
Mercedes-Benz Vans	5.6	4.1	+ 1.5 %pts.
Daimler Buses	6.3	-3.6	+ 9.9 %pts.
Daimler Financial Services (RoE)	23.7	19.6	+ 4.1 %pts.

Revenue by Divisions	Q1	Q1	Change
in millions of EUR	2014	2013	14/13
Mercedes-Benz Cars	17,004	14,110	+ 21 %
Daimler Trucks	7,121	7,024	+ 1 %
Mercedes-Benz Vans	2,212	1,986	+ 11 %
Daimler Buses	859	751	+ 14 %
Daimler Financial Services	3,809	3,577	+ 6 %

Sales	Q1	Q1	Change
in units	2014	2013	14/13
Daimler Group	565,799	501,600	+ 13 %
Mercedes-Benz Cars	389,476	341,511	+ 14 %
Daimler Trucks	108,529	101,433	+ 7 %
Mercedes-Benz Vans	61,119	52,623	+ 16 %
Daimler Buses	6,675	6,033	+ 11 %