

DAIMLER



Speech by Dr. Dieter Zetsche, Chairman of the
Board of Management of Daimler AG
at the Annual Meeting

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Check against delivery!

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Introduction

**Dear shareholders,
shareholder representatives,
ladies and gentlemen,**



On behalf of the Board of Management and the employees of Daimler AG, I too would like to cordially welcome you to the 2013 Annual Shareholders' Meeting.

Five weeks from today – on May 15 – we will present the new S-Class. For more than 40 years now, we – along with many others – have considered this automobile to be the best in the world. That's why the S-Class is more important to Mercedes-Benz than any other model.

The S-Class success story is a good example of how every era places different demands on the world's best. To remain "S-Class" requires continuous development – and sometimes even change.

That applies to cars, but also to companies – especially when there is room for improvement in their key financials.

It is true that from a historical perspective, Daimler is in good shape. In various respects, we are performing better than ever before.

- Never before, had we sold more Mercedes-Benz cars than last year.
- Never before have we had better customer satisfaction.
- And you have just heard how Judge Freeh assesses our corporate integrity.

But I would like to say just as clearly: We are Daimler. We don't simply want to get better than we were yesterday or the day before. We want to beat the competition – on a permanent basis.

It's therefore not enough for us to merely "manage" our competitive disadvantages. On the contrary, we have to eliminate them. And that's what we're doing: with clear growth strategies and efficiency programs in all of our divisions.

The implementation of these measures will change Daimler. And that will almost inevitably lead to differences of opinion. That's why it's so important that the strategy developed by the Board of Management has the full support of the Supervisory Board. And the Chairman of the Supervisory Board has just confirmed that this is the case.

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"We are Daimler. We don't simply want to get better than we were yesterday or the day before. We want to beat the competition – on a permanent basis."

Together, we are convinced: The course we have set is the right one. But we also have to follow it.

"The course we have set is the right one. But we also have to follow it."

Today, I would like to tell you what our approach means in terms of products, numbers, and measures to be taken. I'll be focusing on three things:

- o first, a review of the key developments in 2012;
- o second, a report on the current situation and our expectations for full-year 2013;
- o and third, a look at our goals and strategies for the future.

Review of 2012

First, let's take a brief look at 2012, a year in which Daimler continued to grow

- by 5 percent at our Cars division,
- by 9 percent at our Trucks division,
- and by 12 percent at our Financial Services division.

Van sales were down slightly due to weak European markets. Our bus sales fell by just under a fifth.

Throughout the Group, we sold 2.2 million vehicles, including 1.4 million cars. Both of these totals represent new records.

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In total, Daimler posted revenue of 114.3 billion euros in 2012, which is also a new record.

Our EBIT was 8.6 billion euros. Net profit increased to 6.5 billion euros, and the Group's value added rose to nearly 4.2 billion euros. That corresponds to a return on net assets of 19.5 percent and is almost two and a half times as high as our cost of capital.

Ladies and gentlemen, in order to ensure that you participate appropriately in our business success, the Board of Management and the Supervisory Board are proposing to the Annual Meeting the same dividend as last year – 2.20 euros per share.

This translates into a total dividend distribution of 2.35 billion euros. The dividend payout ratio is around 40 percent of the Group's net profit attributable to the shareholders.

Now, what were the main factors of last year's success?

First and foremost, our outstanding products, of course – at all the divisions and across the entire model range. Take our new A-Class, for example.

At last year's Annual Shareholders' Meeting, I told you that we were aiming to attract new customer groups to this model – especially in the younger age group. Today we know: Our efforts have borne fruit.

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A-Class buyers in Germany are now ten years younger on average than they were before we launched the new model. But just as importantly, some 40 percent of A-Class customers in Germany used to drive a vehicle from another brand. In other words, they came to us from our competitors.

We also launched five more car models in 2012:

- three new or updated SUVs,
- our iconic SL convertible,
- and, of course, our all-new CLS Shooting Brake, which is a real gem for those who appreciate beautiful automobiles.

We also expanded our truck range to include new top-of-the-line products in 2012. One example is the new Mercedes-Benz Antos, the first truck we have designed specifically for heavy-duty distribution transportation. A further product we launched in Europe was the Fuso Canter Eco Hybrid.

"We also expanded our truck range to include new top-of-the-line products in 2012. One example is the new Mercedes-Benz Antos, the first truck we have designed specifically for heavy-duty distribution transportation."

In India, we started the production and sales of our BharatBenz trucks. In China, we transferred the production of heavy and medium-duty Auman brand trucks into our joint venture with Foton. And in Russia, we made further progress in the cooperation with our partner Kamaz.

Our Vans and Buses divisions also generated additional demand with new products such as the Citan city van, the Setra ComfortClass 500 coach, and the Mercedes-Benz city bus Citaro Euro VI.

Daimler Financial Services effectively supported the sales of all our vehicle divisions with attractive financing and leasing products in 2012.

However, it's not just the market success of our products and services that demonstrates their appeal. They have also received many awards. Let me give you a few examples.

The Mercedes-Benz brand's overall appeal was recently confirmed by yet another victory in the ADAC AutomarX study. This study once again concluded that we are, and I quote, "the strongest automotive brand in Germany" – unquote.

We were also the winners of the 2012 J.D. Power customer satisfaction survey.

We were especially pleased by the many awards won by the new A-Class, which was named "Germany's Favorite Car" and presented with the ADAC Yellow Angel award. Readers of Auto Bild magazine voted the model "Germany's Most Attractive Car," and the A-Class also received other national and international awards.

The new Citaro was named Bus of the Year in 2012, and our city van, Citan, captured top honors as Van of the Year in Spain.

Meanwhile, our financial services continued to set the standard in terms of customer orientation. In Germany, for example, Mercedes-Benz Bank was ranked as the best provider of automotive financial services in the "Autohaus Bankenmonitor" survey for the fourth time in succession.

So although there were a lot of positives in 2012, we have to admit that our business development in a key market – China – fell below our expectations.

Our sales had increased rapidly in China for five years in a row. During that period, we posted the strongest average growth of all the premium brands there. Last year, our business expanded only slightly and we lost market share. We have to change this situation, and we will. I'll come back to this topic a little later.

But first of all, I'd like to talk briefly about a personnel change that the Chairman of the Supervisory Board has already mentioned:

In view of the developments of recent years and the importance of the Chinese market, we have decided to firmly anchor responsibility for our business activities in China within the Board of Management.

Hubertus Troska's many years of international experience make him extremely well qualified to master this challenge. Mr. Troska has been at the Group for 25 years and has achieved great success in various management positions. It goes without saying that the entire Board of Management will support him as he takes on this new and important assignment.

Ladies and gentlemen, your company employed over 275,000 people worldwide at the end of last year – 3,700 more than at the end of 2011.

All of our employees contributed to the successes we have achieved. On behalf of the Board of Management, I would like to take this opportunity to express my heartfelt thanks to all of them for their commitment.

Their hard work will once again be rewarded this year. Specifically, all eligible Daimler AG employees will receive a one-time bonus of 3,200 euros with their April salaries. This is the third-highest profit-sharing payout in the history of our company.

Let me conclude this review of 2012 by briefly discussing a key change that has occurred at one of our holdings.

In line with an announcement we made some time ago, we reduced our equity interest in EADS to about 7.5 percent in December. Altogether, we sold 61.1 million EADS shares to KfW Bankengruppe, private investors from the consortium, and institutional investors.

This transaction generated a cash inflow of 1.7 billion euros, which we are investing in measures to strengthen our core business. Our exit from the EADS shareholder pact means that the value of the remaining shares we hold in EADS will be remeasured for accounting purposes, resulting in an increase in EBIT of approximately 2.7 billion euros in the year 2013. This is purely an accounting effect, however.

We plan to sell the remaining EADS shares as well. We have yet to decide on the exact time and procedure. The sale would then have a positive impact on our cash flow.

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Overall, one could sum up our business performance in 2012 with a short phrase like “Yes, but...”

- Yes, our products are outstanding, but the European markets were weak – and we are in the midst of restructuring our business operations in China.
- Yes, we are growing, but we can – and will – manage this growth even more efficiently. After all, that’s the only way we can achieve our profitability targets – despite the weak market environment and extensive investments in new products, plants and technologies.
- And yes, we’re on the right track, but we haven’t yet reached our goal.

That’s why the objectives for this year are to stay the course, continue our growth and enhance our efficiency. The last of them is particularly important because the start to the year 2013 was very weak in many markets, especially in the European car and commercial-vehicle markets.

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The current situation and our expectations for 2013

Mercedes-Benz Cars

The development of unit sales in the first quarter of 2013 was therefore more modest than expected. Nevertheless, we began the year with an increase at Mercedes-Benz Cars. In the first quarter, we sold 342,000 Mercedes-Benz and smart cars, an increase of one percent compared with the same period of last year. That represents growth of one percent in terms of wholesale shipments. Retail unit sales increased by three percent in the same period.

Plus, we set a new record in March: We sold more cars than ever before in one month.

Our new compact models are extremely popular. Since the beginning of the year, our A-Class has moved ahead of its rivals in Germany: the Audi A3 and the BMW 1 series. The B-Class is also the leader in its segment.

The third member of our new compact family, the new CLA, will go on sale the day after tomorrow.

As a four-door coupe, the CLA has established a new segment in the compact class. Like its “big brother,” the CLS, it unites sportiness and elegance. This model has been rolling off the assembly lines at our plant in Kecskemét, Hungary, since the end of January.

All in all, our new compacts are in such great demand that we’ve had to arrange additional shifts in both Rastatt and Kecskemét.

In addition, we’re also relying on further capacity that will be provided by our external partner, Valmet. We have commissioned Valmet to manufacture more than 100,000 additional units of the new A-Class between 2013 and 2016.

The number of product launches will remain high in the future as well. In ten days we will provide a sneak preview of our new compact SUV at the Shanghai Motor Show. The world premiere of the series version will follow at the Frankfurt Motor Show this fall.

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We also expect the new E-Class to provide additional sales momentum this year. This model has been thoroughly upgraded with more than 2,000 new parts and components.

The E-Class now reflects the new Mercedes-Benz design idiom as well. And regardless of whether it's equipped with a four, six or eight-cylinder engine – we can offer our customers engines that outperform those of our competitors in terms of fuel efficiency and emissions.

And that's by no means the end of the story. The E-Class also boasts a whole range of new assistance systems that make it safer and more comfortable: To quote the opinion of one journalist after a driving presentation, "The new E-Class ushers in a new era in driving." When you get the chance, you should definitely see for yourself what the new E-Class has to offer.

And that brings me to the absolute Mercedes highlight for 2013: the new S-Class. As I've already mentioned, this model will celebrate its world premiere in five weeks. The S-Class will be launched in Europe in the summer and in North America and China in the fall.

"That brings me to the absolute Mercedes highlight for 2013: the new S-Class. The S-Class will be launched in Europe in the summer and in North America and China in the fall."

"When Mercedes launches a new S-Class, the result is a cascade of superlatives. That has always been the case, and it must remain so." Those words were recently used by an automotive journal – and quite rightly. We demand nothing less than perfection from this automobile – and that's exactly what the new version will deliver:

- with technologies that show that autonomous driving is no longer science fiction;
- with an interior that raises the bar still higher, even in the luxury segment;
- and, of course, with the superior design one would expect from such an automobile, both inside and out.

For some time, the media have been outdoing one another with previews of the model. However, we won't officially unveil the car until May 15.

Still, everyone can already look forward to the new S-Class – except perhaps our competitors of course. It's not possible to pack any more Mercedes into this automobile. And we will prove that claim with five different S-Class versions that will be launched one after the other.

As you can see, ladies and gentlemen, our product offensive is in full swing. And that should also be reflected in our key financials starting in the second half of the year.

Despite a difficult first quarter, we therefore expect our car unit sales to increase again in 2013, with the assumption of total market growth of 2 to 4 percent.

Daimler Trucks

Unit sales at Daimler Trucks fell by 6 percent to approximately 101,000 vehicles in the first quarter of 2013. As our gains in share of important markets indicate, this development was largely due to generally weak demand in many commercial vehicle markets as a result of economic factors.

Especially in our traditional markets, we are facing substantial economic risks. The challenges here range from the sovereign debt crisis in Europe to the budgetary gridlock in the United States. Despite this, we were able to gain market share in both regions.

An important foundation for that was provided by our strong product portfolio – and we are continuing to expand it. Our new special truck for construction applications, the Mercedes-Benz Arocs, will hit the road in May. Following in the tracks of the Actros and Antos, the new vehicle is the third model based on our heavy-duty truck platform.

The fourth member of the new Mercedes-Benz truck family is the Mercedes-Benz Atego, our medium-duty truck, which will be on sale as of May. With this vehicle, we will become the first truck manufacturer to complete the changeover to Euro VI-compliant models – eight months before the new emission standard goes into effect.

These highly efficient products enable us to provide our commercial vehicle customers with trucks that offer not only state-of-the-art technology and outstanding ecological benefits, but also excellent economy. After all, despite their sophisticated Euro VI technology, our new trucks consume significantly less fuel than their predecessors.

This, in turn, greatly lowers freight companies' total cost of ownership – a key factor when making a purchasing decision. In Europe, for example, roughly 90 percent of the costs associated with owning a truck today are generated after the purchase.

We therefore expect these new products to help boost our truck sales as the year progresses. It's also true that we expect things to be difficult in key markets in the first half of the year, but the outlook for the second half from today's perspective is better. For this reason, on the basis of current market expectations, we anticipate a slight increase in truck unit sales for full-year 2013.

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Mercedes-Benz Vans

With an increase of 3 percent, unit sales of nearly 53,000 vehicles at Mercedes-Benz Vans in the first quarter were higher than in the prior-year period.

The Mercedes-Benz Citan made an important contribution to this increase after its launch in Europe at the end of October. Additional demand should be generated in the middle of this year with the introduction of the new-generation Sprinter.

However, the outlook for vans varies from region to region. Whereas the van market in Western Europe is likely to contract once again in 2013, a slight recovery is now on the horizon in China. In addition, North and Latin America promise to generate positive momentum.

From today's perspective, the signs therefore point to growth for Mercedes-Benz Vans, both this year and in 2014.

Daimler Buses

The same counts for Daimler Buses, which posted good results for the first quarter of 2013. Altogether, more than 6,000 units were sold from January through March, representing an increase of 23 percent compared with the first quarter of 2012.

We also expect unit sales to increase for the year as a whole for two key reasons: On the one hand, our GLOBE 2013 growth and efficiency offensive is now making an impact. On the other hand, this year will see the European market launch of the new Mercedes-Benz Tourismo and the new Setra TopClass 500 – the “S-Class” of travel coaches. As a result, we will also be the first bus manufacturer to offer a complete fleet of Euro VI-compliant vehicles.

In Brazil, we have already converted our chassis lineup to Euro V. And in Mexico, we're preparing to launch an all-new product family of five coach variants and city buses.

All of this shows that we are firmly focused on defending our leading position in all of our core markets and expanding it wherever possible.

Daimler Financial Services

The growth we have achieved in our vehicle divisions is also reflected in the development of Daimler Financial Services. This division's new business once again increased in the first quarter of 2013 compared with the same period of last year.

We plan to shift up a gear as the year proceeds. To this end, we will

- expand our business with commercial fleet customers,
- offer more financing options for used vehicles,
- and intensify our insurance activities.

In total, we plan to surpass the three-million mark for leasing and financing contracts for the first time ever in 2013.

We also see great potential in the expansion of our business operations in the area of innovative mobility services: car2go has made us the world's fastest-growing provider of car-sharing services. In fact, the number of car2go customers has increased roughly fivefold since January 2012. Altogether, we now have more than 300,000 customers in 18 cities in Europe and North America.

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Our moovel mobility platform aims to network different mobility options intelligently. moovel uses a smartphone app to show users how they can combine different modes of transport in order to get from point A to point B most efficiently. Whether by car2go, ridesharing, taxi, bus, subway, urban railway, or streetcar – moovel calculates and displays the best connections and combinations.

The system has been operating in Berlin and Stuttgart for several months now. That makes us the first automaker to offer such a comprehensively networked urban mobility solution.

We've also established a new subsidiary called Daimler Mobility Services GmbH to further promote the expansion of our mobility services business. Our plan is for this new company to generate revenues in excess of 100 million euros as early as next year.

As you can see, growth is the order of the day at Daimler Financial Services as well. What's more, there are many reasons to believe that our Financial Services division can look forward to another successful year.

The Group

What does all this mean in terms of the probable business development at the Group as a whole?

Since the beginning of the year, demand in the European truck and car markets – as I mentioned – has fallen more sharply than expected. And we don't anticipate much tailwind in the coming months, either. For the European truck and car markets, in particular, there are no signs of a trend reversal.

We will therefore reassess whether our previous market-related assumptions for 2013 are still valid.

With regard to our business development, thanks to the availability of important new products and the efficiency programs now running, we expect earnings in the second half of the year to be above the level of the first half.

In our first quarter reporting, we will give you further information regarding our market and earnings expectations for the Group and its divisions for the full year.

"With regard to our business development, thanks to the availability of important new products and the efficiency programs now running, we expect earnings in the second half of the year to be above the level of the first half."

Goals, strategies, and measures beyond 2013

Our goal: Doing business efficiently and growing profitably

This brings me to our long-term strategic approach.

Where do we want to go?

I basically answered that question at the beginning of my speech – namely, to the top!

In order to get there, we have launched the most extensive growth program in our company's history. Daimler is growing – at a faster pace, on a broader scale, and in more markets than ever before.

"Daimler is growing – at a faster pace, on a broader scale, and in more markets than ever before."

This growth is being generated by our comprehensive product offensives at all of our divisions. We are expanding our model portfolio, creating new segments, and taking measures that allow us to precisely meet the needs of different customers in various regions.

- With regard to cars, we plan to sell at least 1.6 million Mercedes-Benz vehicles in 2015. Our goal is to lead the way in the premium segment also in terms of unit sales by 2020 at the latest.
- With our trucks, we aim to build on our leadership position with annual sales of more than half a million units by 2015 and more than 700,000 by 2020.
- All the signs point to growth at our other divisions as well.

Nonetheless, I must make it clear that we don't want to grow "at any price." Our growth has to be sustainably profitable. In the medium term, we are striving to achieve an average return on sales of 9 percent from our vehicle operations across all market and product cycles – with different return targets for the individual divisions.

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As I said before, we have added efficiency enhancement programs to the growth strategies at all of our divisions in order to achieve this goal.

For example, our "Fit for Leadership" efficiency program is an integral part of our "Mercedes-Benz 2020" growth strategy for cars.

The program's short-term objective is to safeguard earnings – for instance, through efficiency enhancements in production and material utilization. By means of these and other measures, we are striving to improve our cost position on a sustained basis by around two billion euros by the end of 2014. We plan to achieve around one third of those improvements already this year.

Just as important, however, is the long-term component of our strategy. It is designed to optimize the structure of our business system. Let me explain to you what I mean.

Our existing structures have grown and developed over a long period of time. There are good reasons why they have their current form. However, they developed during a different era and under different conditions.

Today, we are facing a variety of new requirements and challenges.

- Geographically speaking, the focus of our growth is shifting to the new markets.
- In terms of technology, the transition toward electric mobility and digital networking continues/evolves.
- In the political realm, we are seeing an increase in the number and complexity of the regulations we have to comply with.
- Customer demands are becoming more sophisticated and differentiated.
- In terms of markets, the competition is becoming even more intense and increasingly global as companies from the new markets enter the playing field.

Taken together, all of these aspects create a profile of demands that no traditional automotive company can meet by leaving its existing structures in place and merely “expanding” them.

That’s why we need to have a business system that

- further develops existing structures in a future-oriented manner,
- combines them efficiently with new types of resources,
- and globally optimizes the resulting whole.

This is the type of business system we seek to implement: a highly flexible overall network of globally integrated development, procurement, production and sales functions.

And all of that applies of course not only to our car operations, but also to our commercial vehicles. That’s why we have reinforced the “Daimler Trucks Global Excellence” Strategy with the “Daimler Trucks Number One” program.

By taking this step, we aim to further increase unit sales, market share and profitability in all regions. We also aim to generate synergies and economies of scale through the even more effective global networking of Daimler Trucks. All in all, we expect “Daimler Trucks Number One” to make a positive contribution of 1.6 billion euros to the Group’s earnings by the end of 2014.

Similar programs are being implemented at the other divisions. The overall goal is to improve the Group’s cost position by four billion euros by the end of next year.

"The overall goal is to improve the Group's cost position by four billion euros by the end of next year."

Now that I’ve explained to you our medium and long-term goals, I’d like to describe to you in more detail how we plan to achieve them. I would like to do so by focusing on our four strategic growth areas.

Four strategic growth areas

For several years now, we at Daimler have been focusing on four Group-wide strategic growth areas:

- first, strengthening our core business;
- second, growing in new markets;
- third, further enhancing our leadership in “green technologies” and safety;
- and fourth, shaping new types of mobility concepts and services such as car2go, supported by innovations at the interface between mobility and digital networking.

It's obvious that well-qualified and motivated employees hold the key to our success in these areas. The concept of "team and values" is therefore very important to us, and I'll talk about this in greater detail later on.

First, let me discuss the strengthening of our core business.

Strengthening our core business

The key factors for success in this growth area are the modernization and expansion of our range of products and services.

We will launch a total of 13 additional Mercedes-Benz car models between now and 2020 – models that have never before existed in our product lineup.

The future "fleet with the star" will therefore be bigger than ever. In some cases, we will define completely new segments. The CLA is only the most recent example of this approach.

At the same time, we plan to capture market share from our competitors in our existing segments. The new A-Class is now demonstrating that this is possible. Its success has of course provided us with additional motivation.

We believe that our next new product, a compact SUV, also has every chance of being a great success. At the same time, we plan to attract new customers at the upper end of the SUV segment by launching a particularly dynamic new model that will be manufactured at our plant in Alabama.

Our truck product offensive in Europe is now being followed up by the further development of our flagship model in the United States: the Freightliner Cascadia Evolution.

We will also be launching new van and bus models in the coming years.

Throughout this process, Daimler Financial Services will continue to provide attractive financing and leasing packages to support the sales of all our vehicle divisions. In this context, it will expand its online presence.

To maximize the efficiency of our product offensive, we're utilizing several strategies.

First of all, we are making our production processes more flexible, by expanding our manufacturing network for example.

At the same time, we cooperate with partners wherever it makes sense to do so. This means that we will not produce engines in the USA alone: We have the right partner for that in Renault-Nissan.

Another element is a systematic strategy regarding vehicle variants. By this I mean the development of an increasing number of models based on the same vehicle architecture.

This will allow us to kill two birds with one stone: more variety for our customers and more efficiency for us.

"We will launch a total of 13 additional Mercedes-Benz car models between now and 2020 – models that have never before existed in our product lineup."

Take our new compact models, for example. Here, a progressive brand-defining design – like that of the CLA – is enabling us to attract new customer groups. Moreover, our shared front-wheel drive platform has made our new compacts much more profitable than the old A and B-Class.

At the same time, I can assure you that the platform strategy also improves quality. Less complexity in areas that are irrelevant in terms of customer utility means less susceptibility to errors, and thus higher quality. I suggest that you discover for yourselves the outstanding premium quality offered by the CLA.

Customized products are also important as far as our commercial vehicles are concerned. With its 14 variants, the new Arocs offers a previously unheard-of level of variety in the construction sector. The heavy-duty truck platform on which it is based ensures that this approach pays off for us. The Actros and the Antos use the same platform as well.

Our vehicles share not only platforms but also powertrain components and other parts. Here as well, we're dealing with a win-win situation.

- Our customers have access to innovative technology more quickly – for example, the assistance systems in the new S- and E-Class and the Euro VI technology in our trucks and buses.
- At the same time, we are benefiting from higher unit volumes.

This modular approach also functions well across the Group's divisions. Next year will see the launch of the new models of our mid-size vans. Just like their predecessors, they will share engines and components with the C-Class.

Of course, our product offensives at all our divisions are just one element of our strategy for getting back to the top. Our position in emerging markets such as China, India, Brazil, and Russia is equally important. And that brings me to the next element of our strategy – the growth in new growth markets.

Growing in new growth markets

The Chinese market in particular continues to offer enormous potential. In fact, it is likely that China will account for one out of every three vehicles sold worldwide in 2020. In other words, any company that aims to be a global leader must also have a strong presence in China.

It's a fact that our business there developed positively for many years. It's also a fact that we didn't live up to our own expectations there last year.

We know the reasons why, and we're now taking corrective measures. One of the most important of these measures is the reorganization of our business structures in China.

- We've already revamped our sales organization. The previously separate organizations for imported and locally manufactured Mercedes-Benz cars have now been combined into one sales structure. More precisely, they have been merged into a joint venture with our long-time partner BAIC.
- We have also agreed to make a strategic investment in BAIC. This will make us the first foreign automaker to acquire a financial interest in a Chinese car company.

"A progressive brand-defining design – like that of the CLA – is enabling us to attract new customer groups. Moreover, our shared front-wheel drive platform has made our new compacts much more profitable than the old A and B-Class."

- At the same time, we are significantly expanding our development center. Its work mainly focuses on adapting vehicles to Chinese market requirements.
- We are expanding our Chinese dealership network year by year by more than 50 new showrooms.
- We're stepping up local production as well. Our new engine plant in Beijing will begin operating in May. We also plan to add compact models to our locally manufactured portfolio in China in the future.

We know what we have to do. Our main aim now is to accelerate the pace. And that's exactly what we're doing. This year alone we will launch seven new or updated Mercedes models in China. They include a long version of the new E-Class that was developed specifically for the Chinese market, as well as the new A-Class and, most importantly, our new S-Class. In fact, we sell more of our luxury S-Class sedans in China than anywhere else in the world.

"We know what we have to do. Our main aim now is to accelerate the pace. And that's exactly what we're doing. This year alone we will launch seven new or updated Mercedes models in China."

Our automotive activities go hand in hand with the further expansion of our financial services. For example, we are the first premium automaker to offer leasing in China.

Although these developments are dynamic, it's also clear that none of them alone will be able to change the situation in China overnight. Our strategy is therefore to keep moving in the right direction. The results will gradually follow.

The fact that we're focusing closely on China doesn't mean we're neglecting other promising markets. Take India, for example:

- In 2014, we will have 17 truck models of our new BharatBenz brand on the market. We started production of heavy trucks in 2012, and we have been selling medium-duty models since this February.
- For our future growth in the Indian passenger car market, we are doubling our local production capacity for automobiles this year.
- And with the new A-Class, we are creating a new premium compact segment there.

"The fact that we're focusing closely on China doesn't mean we're neglecting other promising markets."

We are also continuing to expand our range of products and services in Russia and Brazil.

In general, our customers are becoming more international and our products and our company are following suit. This is just another example of the type of change I spoke about earlier.

Our third area of activity involves changes in terms of technology. The faster the number of vehicles rises worldwide, the more important it becomes that each vehicle becomes safer and more environmentally compatible. Therefore we aim to expand our leadership in technology with regard to safety as well as in "green technologies".

Enhancing our leadership in green technologies and safety

First, I'd like to talk about "green technologies". This is an area in which we have made major progress at all of our divisions in recent years.

- We reduced the CO2 emissions of our Mercedes-Benz Cars fleet in Europe by a further 10 grams in 2012. As a result, the average is now 140 grams of CO2 per kilometer.

- We offer the most fuel-efficient models in nearly every premium segment, including compacts and SUVs, as well as upper-range and luxury cars.
- Our trucks are setting fuel economy standards in their markets, regardless of whether they are built by Mercedes-Benz, Freightliner, Fuso or BharatBenz.
- We are also a global leader in terms of commercial vehicle compliance with emission standards. Our Euro VI truck and bus fleets in Europe are good examples of that.

And we are keeping the pedal to the metal: At Mercedes-Benz Cars, our goal is to reduce the average emissions of our European car fleet to 125 grams of CO₂ per kilometer by 2016.

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To achieve this target, we will utilize highly efficient combustion engines and increase the number of vehicles equipped with hybrid drive systems. For example, in the future, all of our models from the C-Class series upwards will also be available as full hybrids. The new S-Class will also come in as a 3-liter-plug-in hybrid version.

We are also systematically moving forward in the area of electric mobility. The B-Class Electric Drive and the SLS AMG Electric Drive – our latest battery-powered production vehicles – will soon be hitting the market.

At the same time, we are forging alliances that will benefit our fuel-cell activities. In January, we established a partnership in this field with Nissan and Ford.

Such collaboration offers obvious benefits. It enables us to split the development costs, substantially increase production volumes, and improve the chances of a successful large-scale market launch. Plans call for the first vehicle with a jointly developed fuel-cell powertrain to be launched in 2017.

This drive system is just one of several options for reducing fuel consumption. Aerodynamics is another one. Our cars are "aerodynamic champions" in nearly every segment. The CLA, which has a Cd value of 0.23, is the most aerodynamic series-produced car there is.

Although the term "aerodynamics" doesn't bring trucks or buses to mind at first, gains in aerodynamic efficiency can be made here as well. For example, the sleek design of the new Actros has resulted in a Cd value that is 10 percent lower than that of its predecessor. The air resistance of our new Setra coach, the ComfortClass 500, has been reduced with the help of a technology that is unique in the coach sector. Basically, the height of the vehicle is lowered by two centimeters at speeds of 95 km/h and above.

Driving is becoming not only greener but also more tightly networked, paving the way for autonomous vehicle operation. We believe that driving safety will greatly benefit from networked vehicles.

Lane-keeping Assist, Brake Assist, and proximity control – all of these systems utilize a large amount of sensor data. By linking such data, we are making automobiles even safer. You could almost say we're teaching our vehicles to perceive their surroundings with the help of radar and video cameras, just as people do using their own sense organs – only much faster.

I'd like to emphasize here that I'm not talking about research vehicles. I'm talking about production cars. This year, our first vehicles equipped with partially autonomous features will be going on sale in the form of the new E and S-Class.

What's more, our development colleagues have already taken the next step. Just a few weeks ago they sent journalists out on a highway trip with a prototype of a self-driving E-Class. The prototype not only automatically maintains a safe distance from the vehicle ahead but can also pass another car without the driver having to take any action.

One journalist described his experience in the vehicle as follows: "The driver thinks; the car drives." I should perhaps add that as soon as the driver grips the steering wheel, he or she immediately regains full control over the vehicle.

This is exactly our philosophy: Drivers should be relieved of certain actions, but only when they want to be – for example, when autonomous operation makes driving safer or more comfortable. On the other hand, drivers can fully enjoy the pleasure of driving whenever they want – no matter whether they are on a country road or a racetrack.

Emission-free driving is good, and so is accident-free driving. We're working to make both of them a reality. At the same time, driving a Mercedes should not be "free of emotion" – and definitely not "free of fun."

That is our vision of autonomous driving – and we've brought along a short video to show you the possibilities it offers.

Shaping new mobility concepts and services

Digital networking is not only the basis of new automotive technologies; it also holds the key to completely new business ideas for mobility in general. And that brings me to our fourth growth area: the development of new mobility concepts.

Renting instead of buying is certainly not a new idea. After all, ridesharing has been around for decades.

Nevertheless, sharing via the Internet – or, as the theme of this year's CeBIT fair puts it – the "Shareconomy" – is currently a booming sector. That's because new digital media make it possible to organize a familiar concepts even more intelligently.

For example, experts predict that the number of car-sharing customers in Europe alone will increase from 700,000 today to around 15 million by 2020. Thanks to car2go, we are pioneers when it comes to "shared mobility."

And that is reason enough to develop additional ideas around the principle of sharing.

- For example, we will transfer the car2go concept to commercial fleets.
- Since the beginning of this year, we have offered an online platform for renting privately owned cars: "car2share."
- And we are developing an intelligent IT solution for the shared use of parking spaces.

To return to the idea I presented at the very beginning: It's also business concepts such as these that will change our company. But there's another thing I'm sure of as well: They won't harm our existing operations. Instead, they will complement and refine them and enable us to attract new customer groups.

Team and values

Ladies and gentlemen,
I have already said that growth at any price is not an option at Daimler. This also applies to the way we do business. Integrity must be the overriding principle that guides our actions and behavior. Last year, we defined standards of business conduct in our new Integrity Code.

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When I say "we," I don't mean only the representatives of the Board of Management and the Works Council. Instead, "we" refers to the thousands of employees from all units, functions, and levels who engaged in a discussion about the ethical and moral principles that should apply at Daimler.

Concepts such as personal responsibility, mutual respect, transparency, and openness were mentioned repeatedly. All of them have been incorporated into our Integrity Code as key elements.

If you want to establish a culture of integrity at a globally operating company, it is advisable also to look beyond your own organization for ideas. That is why we created our Advisory Board for Integrity and Corporate Responsibility last year. Its members include prominent and independent individuals from business, the political sphere, the scientific community, and the media, and not least Louis Freeh.

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The committee will help us to maintain our culture of integrity by contributing its expertise and experience.

Our external monitor has gone, but the issue of integrity remains. And we must continue to address it and further develop the culture of integrity throughout the Group. After all, integrity is just as important as growth and efficiency when it comes to achieving sustained success.

This also applies to our activities aimed at promoting diversity and establishing an effective diversity management system. We are pursuing these activities not because such an approach is "politically correct" but because they are necessary from both a social and a business point of view. If we want to be the "S-Class" of the automotive industry, we need to recruit and retain the best minds in the business, regardless of their age, gender, or ethnic background.

That's why we're delighted that the Daimler AG Supervisory Board now also has two female members serving as employee representatives for the first time: Elke Tönjes-Werner and Sabine Maaßen.

In addition, Andrea Jung is up for election today as the third female Supervisory Board member representing the shareholders. Her election would mean that in the future, one quarter of the Supervisory Board members will be women.

We also plan to continue increasing the proportion of women in management positions at the company, from currently around 12 percent to 20 percent by the end of this decade. At the same time, we will boost the percentage of non-German managers. After all, no one knows more about business in China or India than people from those countries. We have therefore set ourselves the goal of ensuring that half the members of our International Management Associate Program will come from outside Germany in the future.

"We also plan to continue increasing the proportion of women in management positions at the company, from currently around 12 percent to 20 percent by the end of this decade."

One aspect of these activities is very important to me. The topic of diversity, like every other kind of change, frequently prompts discussion.

We believe it's good to have such discussions. However, it is crucial not to simply give in whenever we encounter resistance. One thing is certain: An organization that doesn't set itself concrete targets and regularly check on progress toward achieving them will never be able to implement change, regardless of whether the issue is diversity, integrity, growth or efficiency.

A constant focus of our human resources policy is the great importance of training programs and continuing education. Approximately 2,100 young men and women began a training program at Daimler last year. As a result, we are once again the company with the most apprentices in the German automotive industry.

I'm especially pleased to note that the Group was able to hire a good 90 percent of the apprentices who completed their programs in 2012. In fact, the hiring rate at our manufacturing plants was nearly 100 percent.

We also promote the continuing education of our workforce. For example, a qualified mechatronics specialist can take part in the "Daimler Academic Programs" to obtain a bachelor's degree, and an engineer can earn a master's degree in Green Mobility Engineering and thus keep himself up to date in this field.

All in all, we offer roughly 50 national and international qualifications within the framework of the Daimler Academic Programs. This is a record that no other company in our industry can match.

Wherever possible, we also seek to initiate or support positive developments outside our factory gates. Here, we often apply the principle that small contributions can have a big impact.

One example of this is our ProCent program, which was launched a year and a half ago on the initiative of the General Works Council.

ProCent is a special fund to which Daimler employees in Germany can contribute by donating the cent amounts from their monthly paychecks. Daimler matches every cent that is contributed. We use the money collected in this manner to support charitable projects that are suggested by our employees.

"ProCent is a special fund to which Daimler employees in Germany can contribute by donating the cent amounts from their monthly paychecks. Daimler matches every cent that is contributed."

The initial results have been very positive. We have already provided 750,000 euros in funding for 120 projects. They include an orphanage in Kenya, an organization for homeless people in Stuttgart and an association that offers therapeutic horseback riding programs in Bremen.

"We have already provided 750,000 euros in funding for 120 projects."

You can learn about many other examples of Daimler's support for charitable and social projects in the latest issue of our Sustainability Report. As always, we're happy to give you your personal copy at the information counters.

Closing words

Ladies and gentlemen,

At the beginning of my speech, I said:

"The course we have set is the right one –but we also have to follow it."

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At the end, I would like to add: We will follow it – undeterred by the ups and downs of the markets. Consistently and persistently.

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Doing business efficiently and growing profitably – ultimately, they are two sides of the same coin. And only when we bring the two sides together effectively will we create what we are passionately striving for:

- a sustainably competitive company with safe jobs for the future;
- a company that not only produces the S-Class, but which is the S-Class;
- an investment that deserves your trust, ladies and gentlemen, over the long term.

We are working for that company – and I am proud to belong to the team! Thank you.

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 forwardlooking 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.