

# DAIMLER

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## **Repositioning Daimler Trucks North America (DTNA) responding to changing market conditions**

Daimler Trucks  
Andreas Renschler

Stuttgart, October 14, 2008

## Key Messages

Deteriorating **economic conditions**, **rising fuel** and **raw material costs**, and diminished projected EPA 2010 pre-buy have led to **downwardly revised NAFTA market expectations**

As part of Daimler's Global Excellence program, **DTNA repositioning** will proactively address this new market environment

- Business model optimization
- Plant network restructuring
- Fixed cost optimization
- Direct material cost optimization

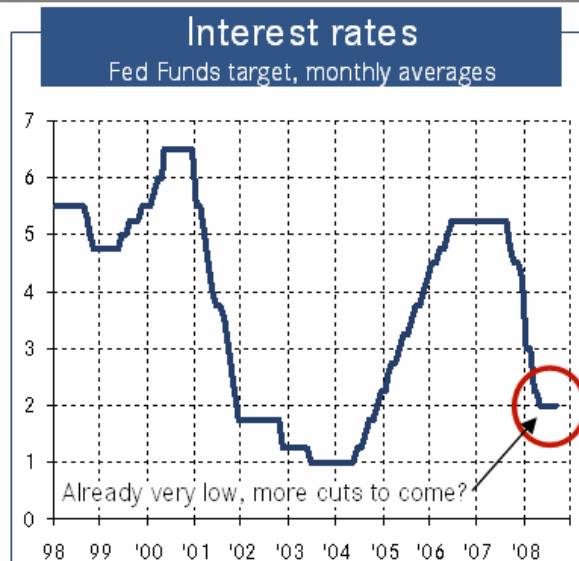
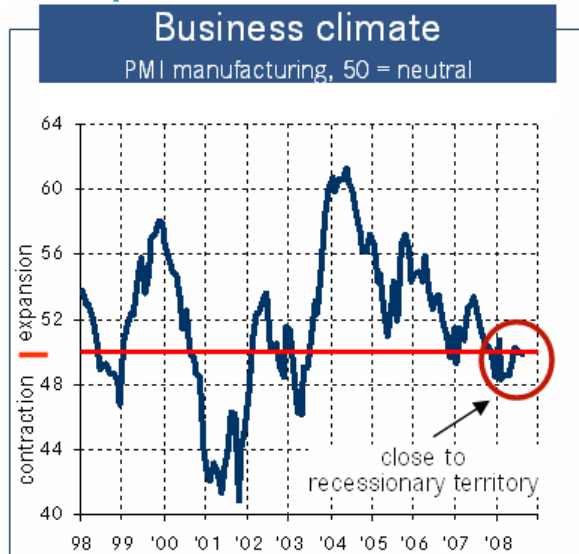
Repositioning DTNA will lead to an **EBIT improvement** of **USD \$900 million** per year by 2011

# Agenda

1. Changes in NAFTA business environment
2. DTNA Repositioning - Initiative of Global Excellence Program
3. DTNA Repositioning - Improvements and costs

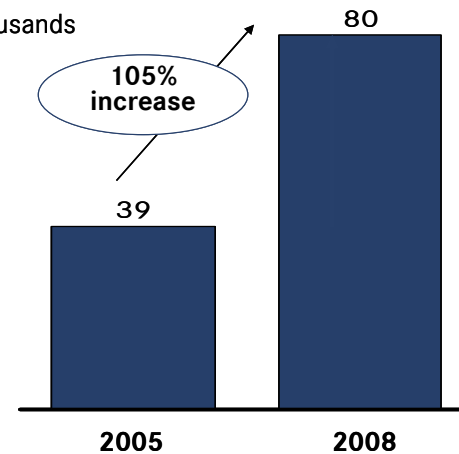
# Industry Environment put pressure on Truck OEMs and Truck Operators in the U.S.

Sources: Consensus Economics, FERI Research, Oxford Economic Forecasting, Global Insight, National Statistical Offices, EIU



### Annual fuel cost/truck

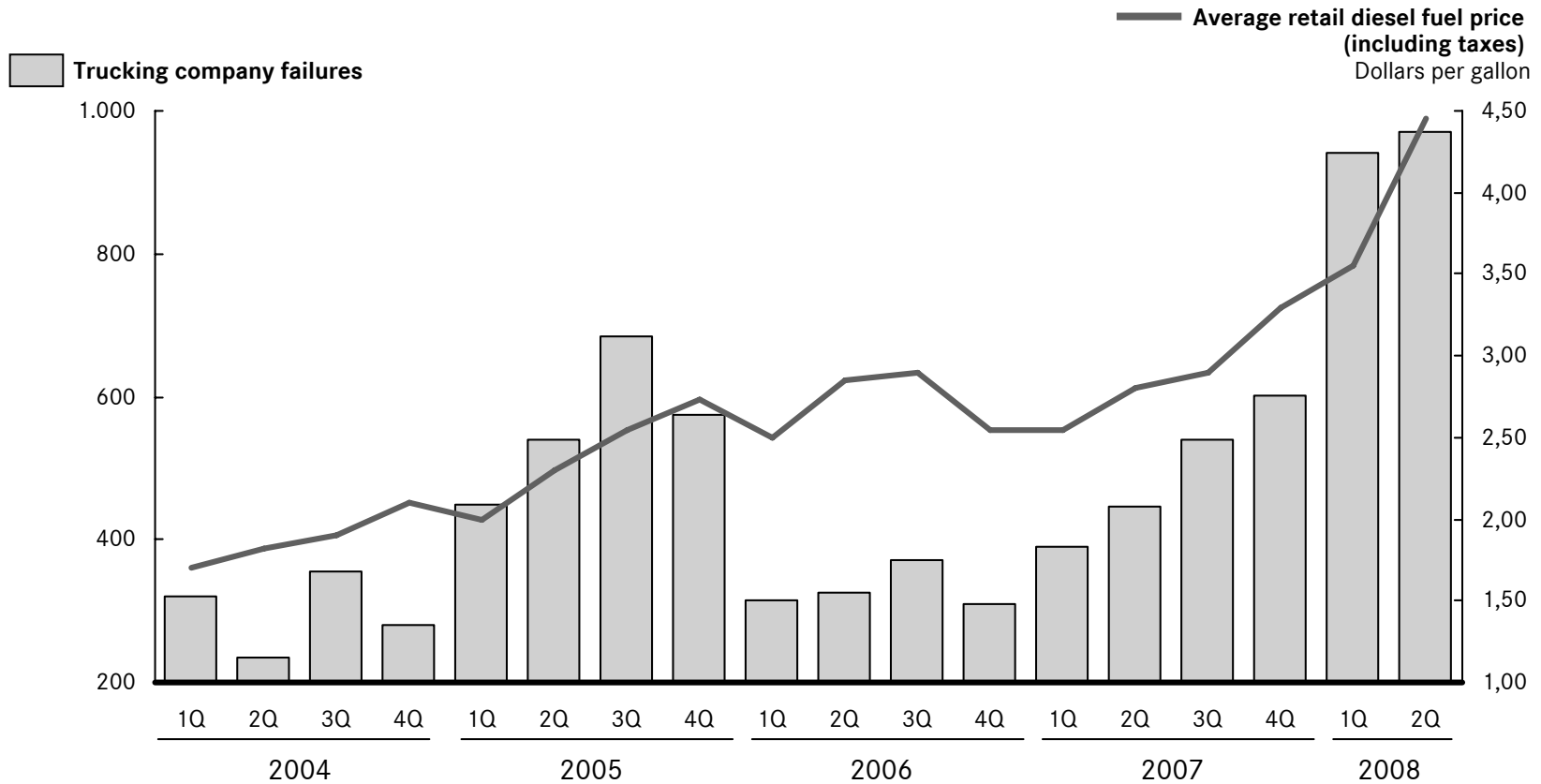
\$ thousands



Increase equals \$2.00 / gallon

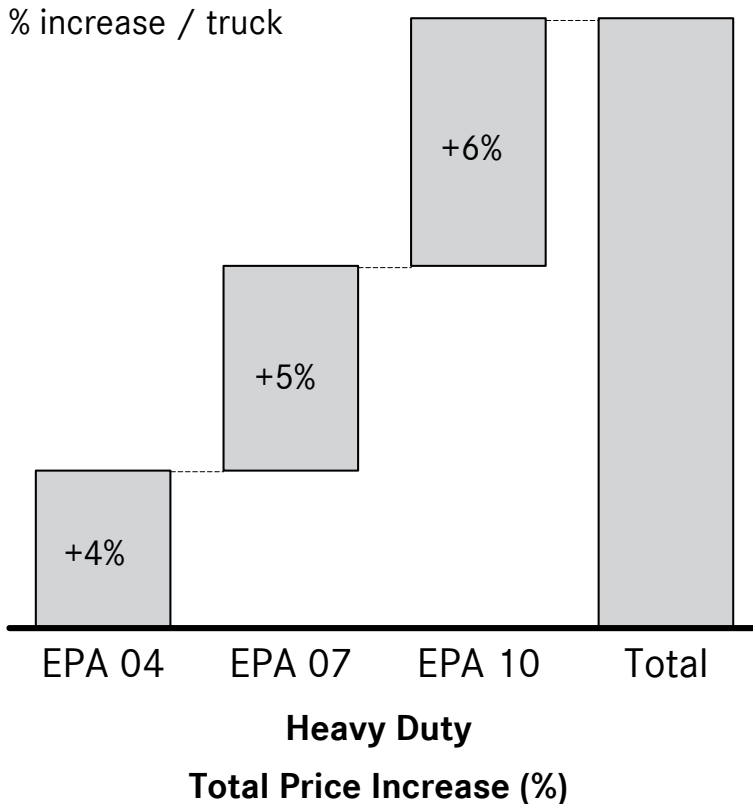
# Ever increasing fuel costs are taking a significant toll on trucking companies in the U.S.

Total trucking failures (on a quarterly basis) vs. average retail diesel fuel price (including taxes)

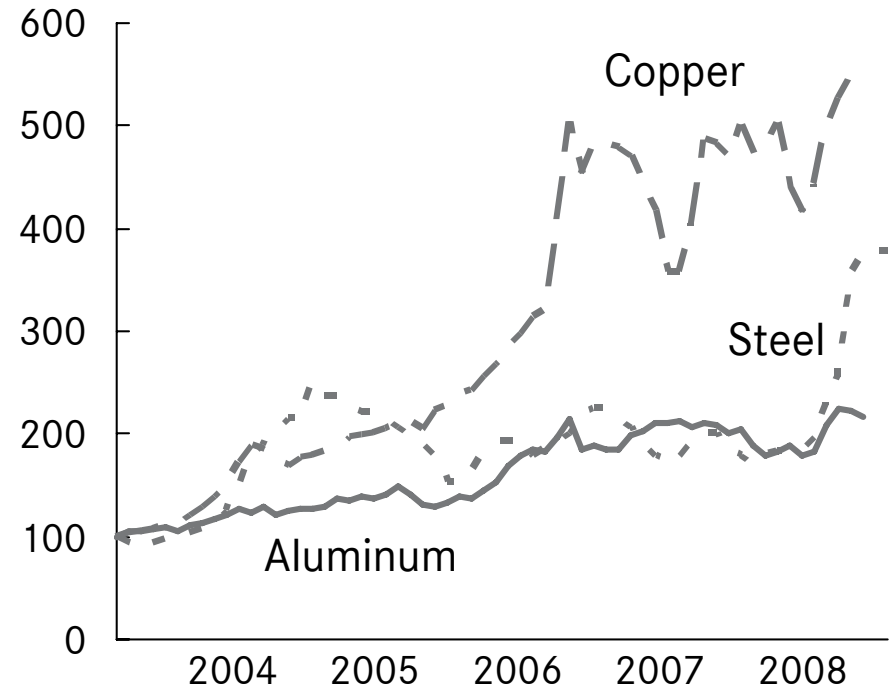


# Truck OEMs and customers face substantial headwinds from EPA-induced price increases and commodity inflation

## EPA-induced prices market has / needs to absorb



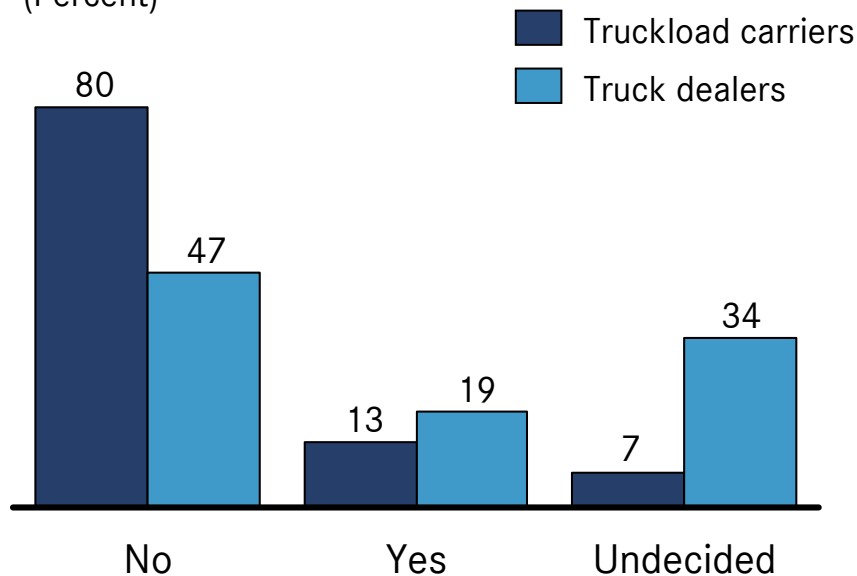
## Impact of rising raw materials costs in the U.S. (Indexed price)



## Economy has softened dramatically and pre-buy will be limited in 2009

### Survey in the U.S.: Will you pre-buy in 2008 and 2009?

(Percent)



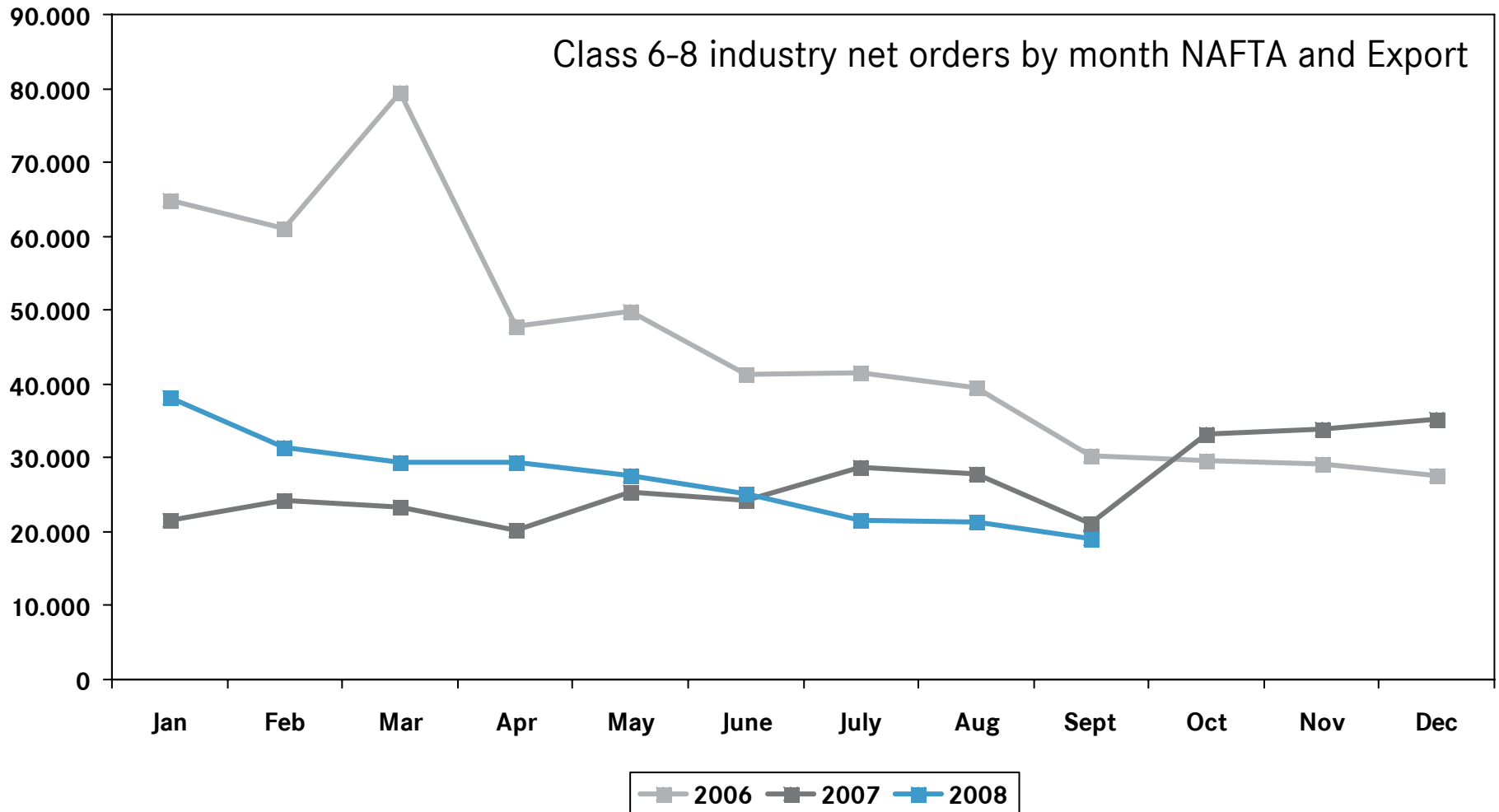
Customers and dealers feedback indicate limited pre-buy

Likely drivers:

- 2006 pre-buy resulted in trucking overcapacity
- Current economic outlook causing conservatism
- Customers increasingly comfortable with EPA '10 technology

2009 not a high market anymore

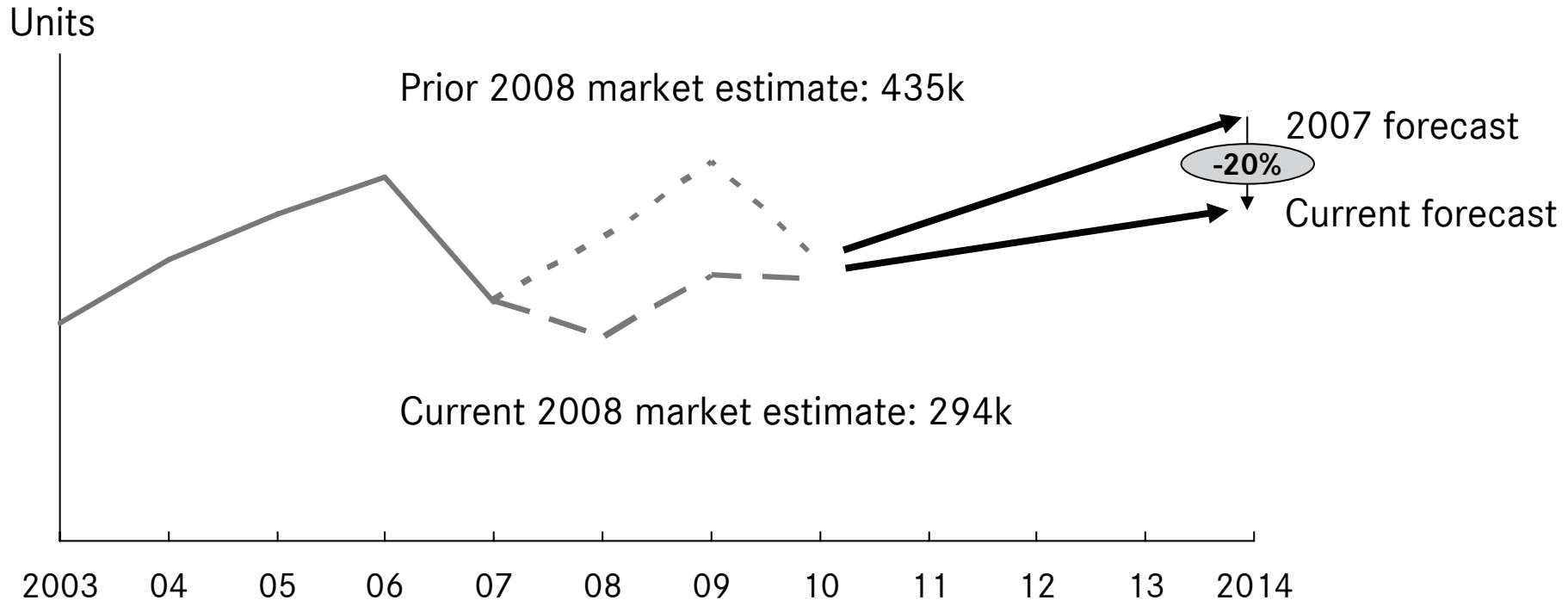
Incoming orders across the industry also illustrate that a near-term recovery is not on the way





Consequently, market short and long term outlook has been revised downward to reflect changes in the environment

### NAFTA Class 6-8 market size

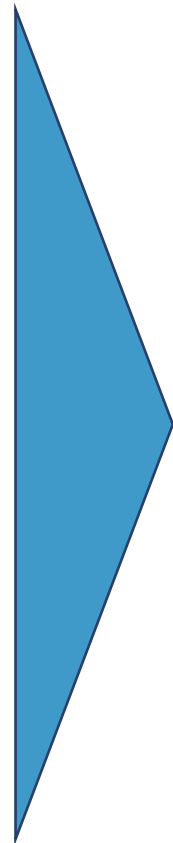
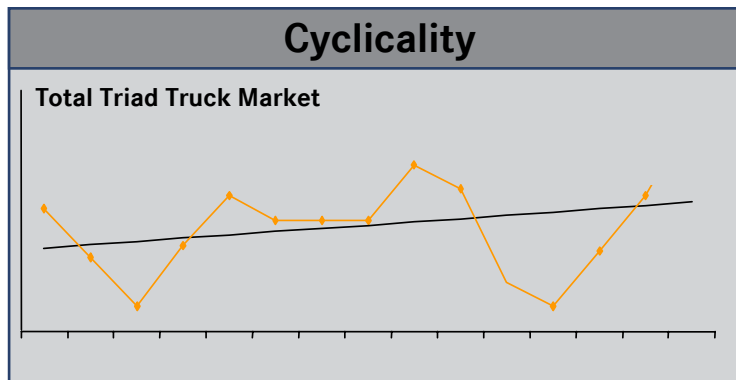
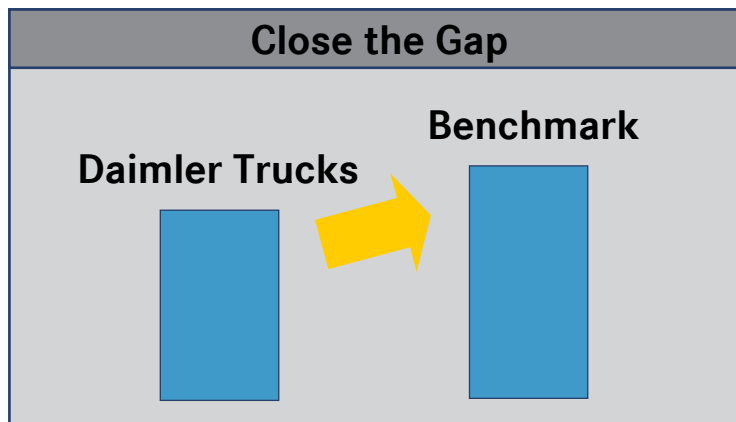


DTNA and industry analysts have revised long term market forecasts 20% downward in recent months as economic outlook has deteriorated

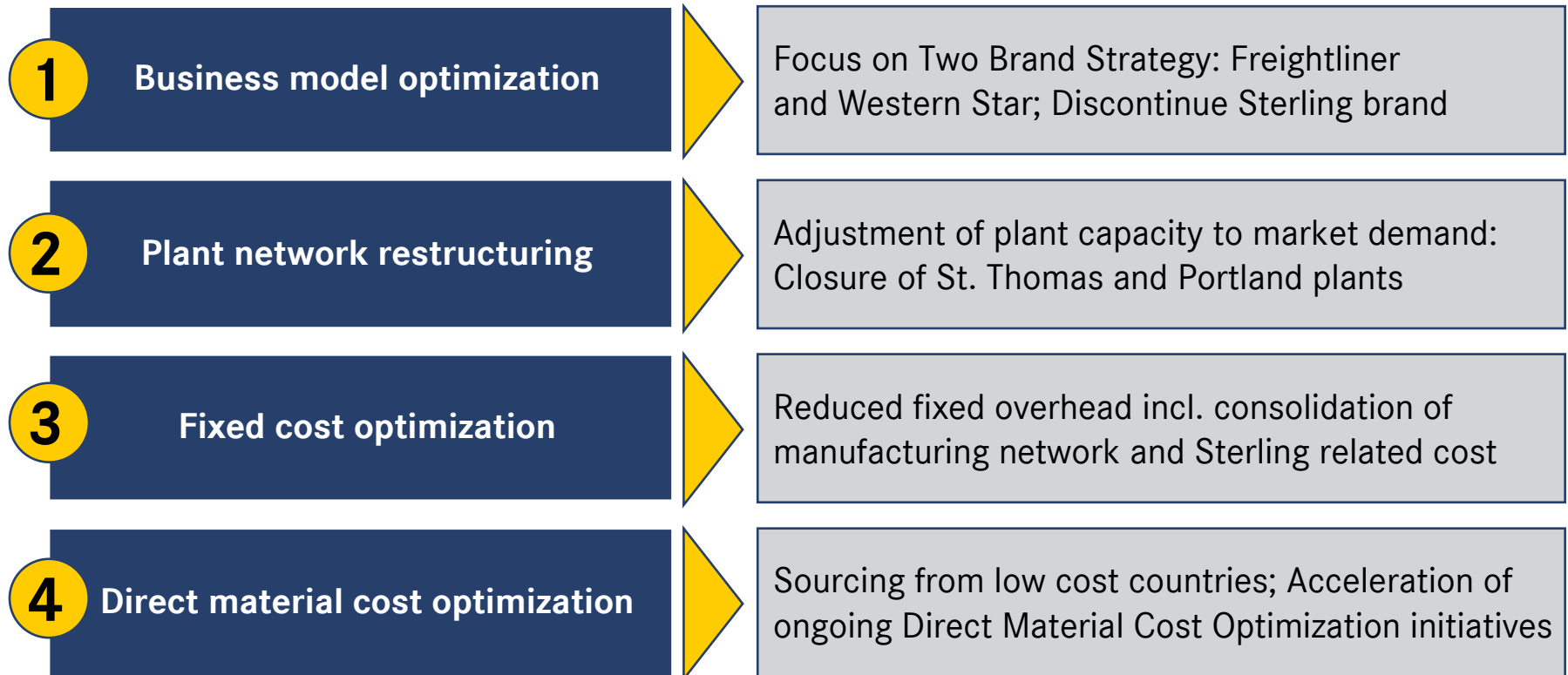
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# Global Excellence Program initiatives of Daimler Trucks



## Key elements of DTNA Repositioning will feed into broader Daimler Trucks' Global Excellence Program



# 1 Business Model Optimization: Sterling brand will be phased out due to high level of overlap with Freightliner



HD On Highway  
HD/MD Vocational  
Other Medium Duty



HD On Highway  
HD/MD Vocational  
Other Medium Duty



Premium HD On Highway  
Premium HD Vocational

Segment  
coverage

Significant **overlap** in:

- Segment coverage
- Product line up
- Price position
- Distribution network

Distinct **premium**

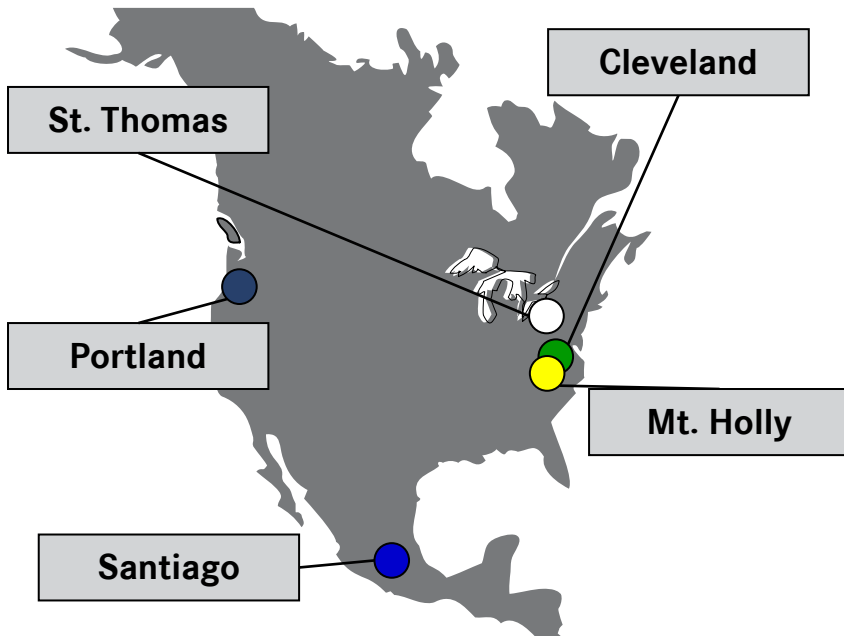
**position** in:

- Product
- Price position
- Brand image

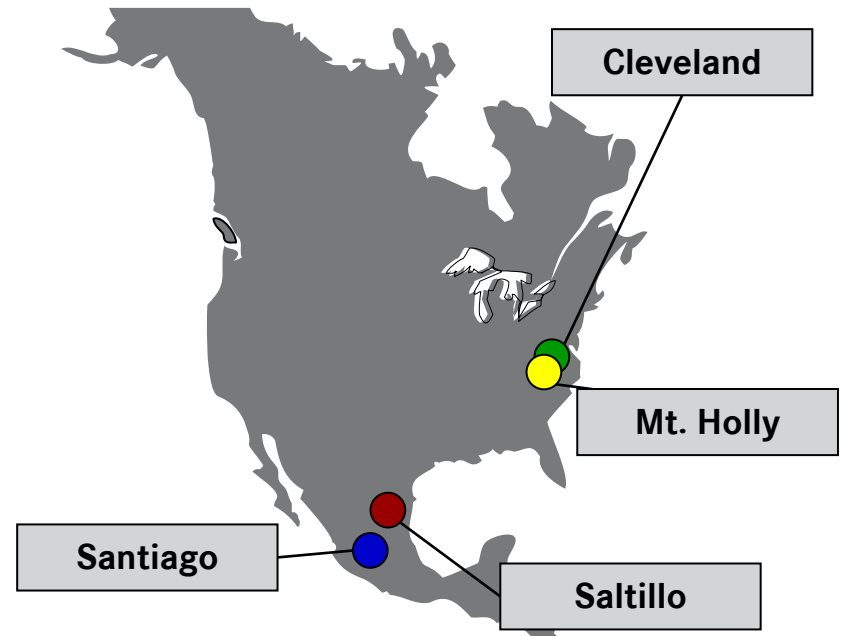
Going forward concentrating on Freightliner and Western Star

## 2 Plant Network Restructuring: Capacity adjusted to market demand and consolidated for more efficiency

**Current state:** 5 truck assembly plants



**End state:** 4 truck assembly plants



## 3 Fixed Cost Optimization

**Realigning DTNA fixed costs** around the revised markets

The **two brand strategy** (eliminating Sterling) will cover market segments with fewer resources significantly **reducing complexity** and **time to market**. Key areas affected:

- Engineering and product design
- Sales and marketing including aftermarket
- Streamlined facing functions to dealers / customers

A **lower fixed overhead base** will improve profitability in the down cycles by improving RoNA and RoS– active management of cycles

## 4 Direct material cost optimization: Increase of global sourcing opportunities and continuous cost improvement

### Global Sourcing

- Manufacturing network shift creates opportunity to realize piece part cost and logistics savings
- Align the supply base with the production move to lower cost countries

### Continuous Cost Improvement (CCI)

- Technical cost reduction targets have consistently been met in recent years
- Initiate/accelerate product projects with cost focus
- Further leverage Daimler's global scale



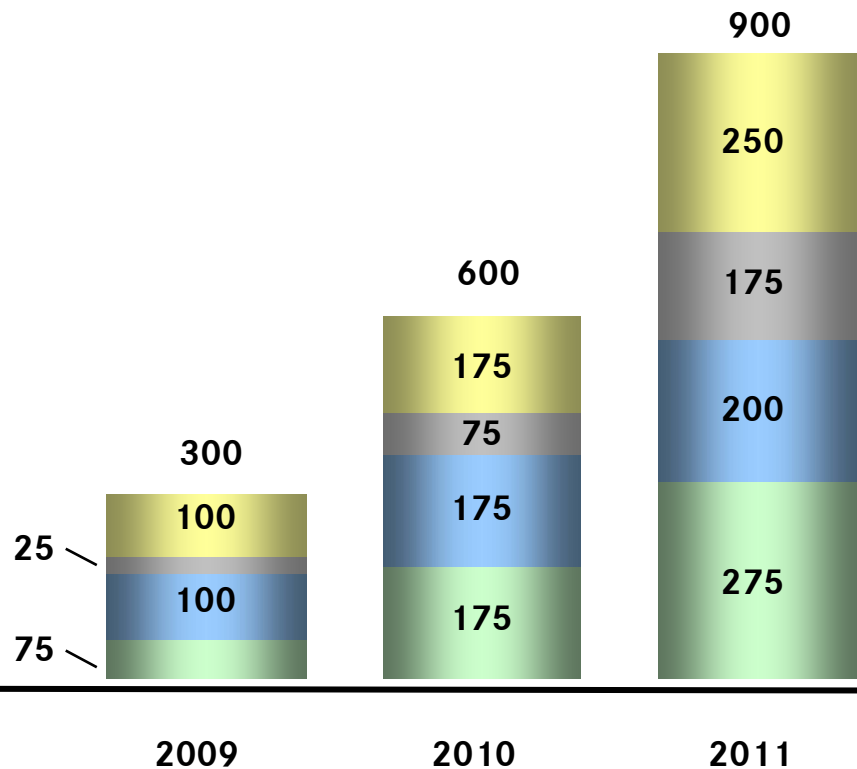
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Repositioning will improve EBIT by \$900 million in 2011 via a program which is 20% revenue and 80% cost focused

**Improvement**

Million USD



**Improvement levers**

**Comment**

Business model

Brand optimization, active portfolio management, segment penetration, aftermarket pricing and growth

Production

Manufacturing footprint and efficiency improvements

Fixed Overhead

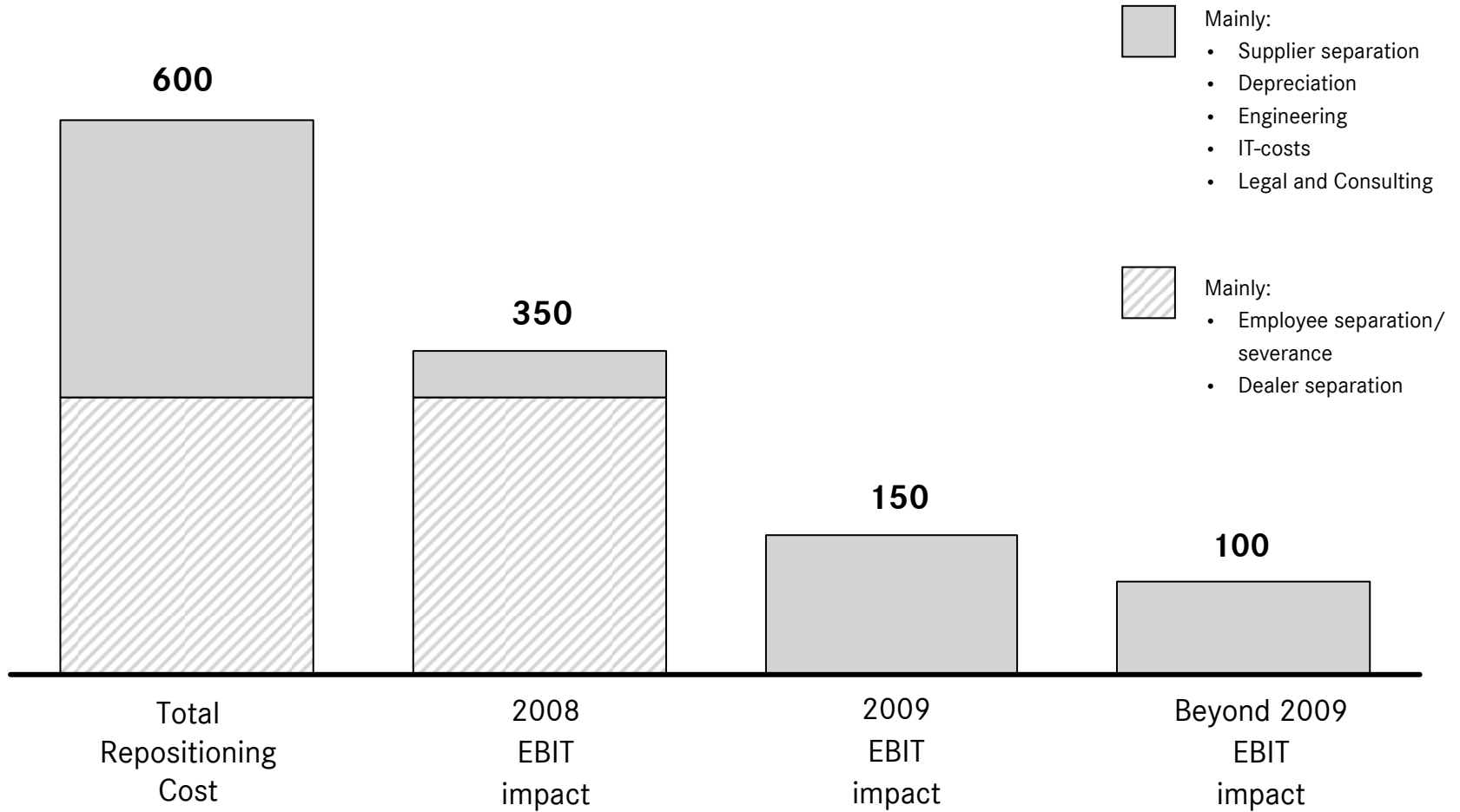
Includes headcount reduction

Direct Material Cost

Direct material optimization

# DTNA Repositioning – Estimated Program Costs (EBIT impact)

USD millions



Additionally Daimler Financial Services anticipates a one time impact of \$25 million

## Impact on Employee Headcount

### **St. Thomas Plant – 1,400 workers by March of 2009**

- Of this number 720 are second shift employees who are already informed that they are being laid off in November

### **Portland Plant – 900 workers in June of 2010**

### **Corporate SG&A / R&D – 1,200 employees & contractors over a 12-15 month period**

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## Repositioning Daimler Trucks North America (DTNA) responding to changing market conditions

### Questions & Answers

## Disclaimer

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 economic downturn or slow economic growth in important economic regions, especially in Europe or North America; the effects of the credit crisis which could result in a weaker demand for our products particularly in the U.S. but as well in the European market; changes in currency exchange rates and interest rates; the introduction of competing products and the possible lack of acceptance of our products or services; price increases in fuel, raw materials, and precious metals; disruption of production due to shortages of materials, labor strikes or supplier insolvencies; a decline in resale prices of used vehicles; the business outlook for Daimler Trucks, which may be affected if the U.S. and Japanese commercial vehicle markets experience a sustained weakness in demand for a longer period than expected; the effective implementation of cost reduction and efficiency optimization programs; the business outlook of Chrysler, in which we hold an equity interest, including its ability to successfully implement its restructuring plans; the business outlook of EADS, in which we hold an equity interest, including the financial effects of delays in and potentially lower volumes of future aircraft deliveries; 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 outcome 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 and under the headings “Risk Factors” and “Legal Proceedings” in Daimler’s most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission. 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.