Creative Global Investments

Friday, August 9th, 2013

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Daimler: A sharp improvement in 2Q13 results points towards strong earnings recovery in 2H13E & 2014E-15E

2Q13A EBIT: EUR 2.14bn/7.2% for the group, EUR 1.04bn/6.4% at M-B Cars and EUR 0.52bn/6.5% at Trucks. We expect adj. EPS to decline 17% to EUR 4.17 in FY13E and to recover 37% to EUR 5.71 in 2014E and 26% to EUR 7.20 in 2015E.

Strong recovery in 2Q13: Although down 6.7% yoy, 2Q13 group EBIT (on-going business) of EUR 2.14bn/7.2% was strongly improved from a disastrous 1Q13 (-57% yoy in EBIT and 3.6% margin). **Main 2Q13 positive factors** were a 6.2% yoy increase in sales and efficiency gains from restructuring at M-B Cars and Trucks. **Negative factors** included a worse product and country mix, pricing, the model cycle and most importantly, higher expenses for new products and additional capacity. (See pp. 3-19.)

Our FY13E forecast (5.2% increase in sales, an 11.3% decline in group EBIT to EUR 7.21bn/6.1%) implies a 2H13E (EUR 4.17bn/6.7%) considerably better than 1H13's EUR 3.07bn/5.5%. Factors that drove the 2Q13 improvement are gaining momentum: growing demand, an accelerating model momentum and rising efficiency gains. We expect a 14% decline in EBIT to EUR 3.78bn/5.9% at M-B Cars and a 1.2% dip to EUR 1.69bn/5.4% at Trucks. FY13E headline EPS of EUR 5.73 are in line with FY12's EUR 5.71 and include gains from the EADS divestment (EUR 1.5 vs. EUR 0.7). We expect FY13E adjusted EPS to decline 17% to EUR 4.17, from EUR 5.05 in FY12.

2014E-15E earnings recovery set to gain momentum as external and internal factors at M-B Cars and Trucks turn increasingly positive: growing demand should be compounded by a positive, accelerating model momentum and further cost benefits from efficiency programmes. We thus expect group EBIT to improve 24% to EUR 9.23bn/7.4% in 2014E and 24% to EUR 11.40bn/8.7% in 2015E. We expect that in 2015E profitability will reach 9.1% at M-B Cars and 7.6% at Trucks. We expect EPS to recover 37% to EUR 5.71 in 2014E and 26% to EUR 7.20 in 2015E. (See pp. 20-23.)

Daimler shares - our view: At EUR 54.21, Daimler shares are currently valued at 9.5x prospective 2014E earnings and 7.5x prospective 2015E earnings; the latter is at a 28% discount to the 5-yr average historic valuation of 10.5x and at a 15% discount to the 10-year low historic valuation of 8.9x. This is inconsistent with the implication that our estimates for 2015E EPS (EUR 7.20) are 75% above the 5-year average of EUR 4.11 and 99% above the 10-year average of EUR 3.62. (See pp. 24-25.)

Daimler– share summary (2006-15E)

Current price (EUR)	54.21									
Market capitalisation (EUR bn)	57.95									
December year-end	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
EPS (EUR)	3.66	3.83	1.41	-2.63	4.28	5.32	5.71	5.73	5.71	7.20
CFPS (EUR)	16.0	13.7	6.4	0.0	7.7	8.4	8.1	6.7	8.1	9.8
BVPS (EUR)	35.9	36.2	33.7	29.5	34.1	37.2	41.1	44.6	48.1	52.4
DPS (EUR)	1.50	2.00	0.60	0.00	1.85	2.20	2.20	2.20	2.28	2.88
Free CFPS (EUR)	2.62	7.36	-4.09	2.70	5.17	0.93	1.36	1.59	2.45	4.39
P/E (x)	14.8	14.1	38.5	NM	12.7	10.2	9.5	9.5	9.5	7.5
PCF (x)	3.4	4.0	8.4	NM	7.0	6.4	6.7	8.1	6.7	5.5
Price/BV (x)	1.5	1.5	1.6	1.8	1.6	1.5	1.3	1.2	1.1	1.0
P/revenue (x)	0.58	0.57	0.59	0.73	0.59	0.54	0.51	0.49	0.47	0.44
Dividend yield (%)	2.8	3.7	1.1	0.0	3.4	4.1	4.1	4.1	4.2	5.3
Free CF yield (%)	4.8	13.6	-7.5	5.0	9.5	1.7	2.5	2.9	4.5	8.1

Share price close 08.08.2013. Source: Company data and CGI estimates

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Group results – 2Q13A and new FY13E

2Q13 EBIT of EUR 2.14bn/7.2%…

…down 6.7% and 0.7%-pts…

In 2Q13, a 2.8% yoy increase in group revenue to EUR 29.69bn resulted in a 6.7% yoy decline in group EBIT (on-going business) to EUR 2.14bn and a 0.7%-pts margin squeeze to 7.2%, vs. 2Q12's EUR 2.29bn/7.9%. This compares favourably with a disastrous 1Q13 when EBIT and margin had more than halved. 2Q13's reported EUR 0.15bn yoy decline in EBIT was despite positive factors such as 1) a sharp yoy increase in volumes (by 6.2% in wholesales and 12.6% in production); 2) efficiency gains from restructuring programmes at M-B Cars and Daimler Trucks (of EUR 0.28bn); and small tailwinds from 3) currency (EUR 85m) and 4) discounting of provisions (EUR 90m) and was due to negative factors such as 1-2) a worse product and country mix; 3) continuing pricing pressures; 4) the model cycle; and 5) most importantly, higher expenses, mainly for new products and additional capacity and advance expenditure for new technologies and vehicles (of some EUR -0.8bn).

…mainly due to M-B Cars

The yoy decline in 2Q13 group EBIT by EUR -0.15bn/-6.7% was mainly due to a decline at M-B Cars of EUR -0.27bn/20.8% and exacerbated by Trucks and Financial Services with respective declines of EUR -19m/-5.6% and EUR -9m/-5.6%. Daimler Buses and M-B Vans generated increases of EUR 58m and EUR 7/+3.5% respectively. (See detailed discussion for M-B Cars on pp. 6-10, Trucks on pp. 11-14, M-B Vans on pp. 14-16, and Buses on pp. 16-18.)

Sharp qoq recovery in EBIT

2Q13 group results thus recovered sharply (by the factor 1.3) from an exceedingly weak 1Q13 result of EUR 0.93bn/3.6% thanks to 1) a jump in volume (by 20.8% in sales and 11.8% in production) that exceeds the normal seasonal pattern and reflects mainly a recovery in global demand; 2) an improving model cycle; 3) some improvement in pricing, and (4) the aforementioned efficiency benefits that had been absent in 1Q13.

Daimler – Divisional EBIT (1Q11-FY13E)

	1Q11	2Q11	3Q11	4Q11	FY11	1Q12[3]	2Q12[3]	3Q12	4Q12	FY12	1Q13	2Q13A	1H13A	new 2H13E	new FY13E	old FY13E
Revenue (EUR m)																
Mercedes-Benz Cars	13,860	14,647	13,826	15,077	57,410	14,937	15,364	15,238	16,121	61,660	14,110	16,324	30,434	33,692	64,126	63,818
Daimler Trucks	6,242	6,648	7,619	8,242	28,751	7,383	8,129	8,095	7,782	31,389	7,024	7,965	14,989	16,557	31,546	32,174
Daimler Fin. Services	3,034	2,907	3,006	3,133	12,080	3,140	3,260	3,524	3,626	13,550	3,577	3,548	7,125	7,103	14,228	13,821
Mercedes-Benz Vans	1,977	2,243	2,222	2,737	9,179	2,088	2,420	2,084	2,478	9,070	1,986	2,434	4,420	4,831	9,251	9,297
Daimler Buses	831	1,166	1,041	1,380	4,418	730	1,016	951	1,232	3,929	751	934	1,685	2,401	4,086	4,125
Intra-group/reconciliations	-1,215	-1,273	-1,307	-1,503	-5,298	-1,267	-1,305	-1,320	-1,409	-5,301	-1,346	-1,513	-2,859	-2,942	-5,801	-5,351
Group	24,729	26,338	26,407	29,066	106,540	27,011	28,884	28,572	29,830	114,297	26,102	29,692	55,794	61,642	117,436	117,884
EBIT[1] (EUR m)																
Mercedes-Benz Cars[1]	1,288	1,566	1,108	1,230	5,192	1,252	1,314	975	848	4,389	460	1,041	1,501	2,282	3,783	3,893
Daimler Trucks[1]	462	475	587	454	1,978	383	524	507	300	1,714	129	516	645	1,048	1,693	1,705
Daimler Fin. Services[1]	350	340	337	295	1,322	344	338	322	288	1,292	314	319	633	552	1,185	1,250
Mercedes-Benz Vans[1]	173	206	200	256	835	168	197	75	165	605	81	204	285	316	601	604
Daimler Buses[1]	-33	61	25	109	162	-67	-11	-29	30	-77	-27	47	20	25	45	25
Intra-group/reconciliations	-131	-78	-147	-156	-512	86	-73	87	102	202	-23	8	-15	-85	-100	-100
Group (ongoing bus.)[1]	2,109	2,570	2,110	2,188	8,977	2,166	2,289	1,937	1,733	8,125	934	2,135	3,069	4,139	7,208	7,377
One-off items[2]	-78	11	-142	-13	-222	-36	-46	-16	588	490	-17	3,107	3,090	-106	2,984	2,477
Headline group EBIT	2,581	1,968	2,175	2,175	8,755	2,130	2,243	1,921	2,321	8,615	917	5,242	6,159	4,033	10,192	10,079
Group excl. Chrysler	-	-														
Margin (%)																
Mercedes-Benz Cars[1]	9.3	10.7	8.0	8.2	9.0	8.4	8.6	6.4	5.3	7.1	3.3	6.4	4.9	6.8	5.9	6.1
Daimler Trucks[1]	7.4	7.1	7.7	5.5	6.9	5.2	6.4	6.3	3.9	5.5	1.8	6.5	4.3	6.3	5.4	5.3
Daimler Fin. Services[1]	11.5	11.7	11.2	9.4	10.9	11.0	10.4	9.1	7.9	9.5	8.8	9.0	8.9	7.8	8.3	9.3
Mercedes-Benz Vans[1]	8.8	9.2	9.0	9.4	9.1	8.0	8.1	3.6	6.7	6.7	4.1	8.4	6.4	6.5	6.5	6.5
Daimler Buses[1]	-4.0	5.2	2.4	7.9	3.7	-9.2	-1.1	-3.0	2.4	-2.0	-3.6	5.0	1.2	1.0	1.1	0.6
Group (ongoing bus.)[1]	8.5	9.8	8.0	7.5	8.4	8.0	7.9	6.8	5.8	7.1	3.6	7.2	5.5	6.7	6.1	6.3
Headline group	8.2	9.8	7.5	7.4	8.2	7.9	7.8	6.7	7.8	7.5	3.5	17.7	11.0	6.5	8.7	8.6

Note: Old FY13E estimates refer to our Daimler report of April 16th. (1) EBIT on-going business, before exceptional/one-off items. (2) The EUR 3.209bn one-off income from the EADS divestment consist of a EUR 3.356bn book gain due to the remeasurement of 122.23m EADS at their stock market value rather than using the "at-equity method", EUR 1,669m of which is allocable to Daimler shareholders (April 2nd). The actual sale on April 17th at EUR 37/share resulted in an additional net expense of EUR 134m. (3) As reported, not adjusted for effects from application of the amended version of IAS19. Source: Company data and CGI estimates

1Q13 EBIT of EUR 0.93bn/3.6%…

…down 57% and 4.4%-pts

Indeed, in 1Q13 a 3.4% yoy decline in group revenue had resulted in a 57% yoy decline in group EBIT to EUR 0.93bn and a 4.4%-pts margin squeeze to 3.6%, vs. 1Q12's EUR 2.17bn as M-B Cars and Trucks had seen yoy declines of EUR 0.79bn/-63% and EUR -0.25bn/-70%. In 1Q13, the negative impact from lack of growth in unit sales had been exacerbated by a negative country mix and negative model momentum at M-B Cars and Trucks and higher costs unrelieved by efficiency benefits.

EADS divestment generates EUR 3.21bn one-off profit

In 2Q13, one-off income amounted to EUR 3.11bn and is the result of restructuring charges at Trucks (EUR 82m for workforce adjustments) and Buses (EUR 24m) and a EUR 3.21bn profit due to the divestment of all remaining EADS shares, EUR 1.67bn of which are attributable to Daimler shareholders and EUR 1.69bn to minorities; the transaction resulted in a EUR 2.24bn cash inflow.

Capital gains from the EADS divestment that was largely tax free resulted in a jump in headline group results: EBIT jumped 134% yoy to EUR 6.16bn, PBT 151% to EUR 5.06bn; profit after tax +202% to EUR 4.58bn and net profit after minorities 99% to EUR 2.83bn.

Daimler – Sales, production and inventory (1Q11-FY13E)

	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13A	1H13A	2H13E	FY13E
(Units '000)															
Retail sales	456.1	524.5	512.7	580.8	2,074.1	502.7	561.2	519.2	578.4	2,161.5	510.1	596.4	1,106.4	1,057.6	2,164.1
Wholesales	461.7	527.6	525.5	596.2	2,111.1	502.1	570.3	528.6	597.0	2,197.9	501.6	605.8	1,107.4	1,204.5	2,311.9
Production	507.9	521.3	537.5	570.6	2,137.2	547.9	552.2	550.5	544.6	2,195.2	555.7	621.5	1,177.2	1,151.2	2,328.4
Inventory	46.1	-6.3	12.0	-25.6	26.1	45.8	-18.2	21.9	-52.3	-2.8	54.1	15.7	69.8	-53.3	16.5
% change yoy															
Retail sales	15.8	7.8	7.0	13.1	10.7	10.2	7.0	1.3	-0.4	4.2	1.5	6.3	4.0	-3.6	0.1
Wholesales	14.7	6.3	10.6	14.4	11.4	8.7	8.1	0.6	0.1	4.1	-0.1	6.2	3.3	7.0	5.2
Production	15.4	8.1	11.0	6.8	10.1	7.9	5.9	2.4	-4.5	2.7	1.4	12.6	7.0	5.1	6.1
% change qoq															
Retail sales	-11.2	15.0	-2.2	13.3	-	-13.5	11.6	-7.5	11.4	-	-11.8	16.9	-	-	-
Wholesales	-11.4	14.3	-0.4	13.5	-	-15.8	13.6	-7.3	12.9	-	-16.0	20.8	-	-	-
Production	-4.9	2.7	3.1	6.2	-	-4.0	0.8	-0.3	-1.1	-	2.0	11.8	-	-	-

Note: Old FY13E estimates refer to our Daimler report of April 16th. Source: Company data and CGI estimates

FY13 management guidance of April confirmed

Management confirmed their FY13 guidance of late April, expecting a yoy decline in group EBIT (on-going business) from last year's EUR 8.13bn/7.1%, despite expecting sales growth. Management also confirmed their expectation that 2H13 would be better than 1H13's EUR 3.07bn, as factors that drove the improvement in 2Q13 are set to gain momentum, they include a further improvement in demand, an accelerating model momentum and growing efficiency gains. (See table on p. 19 for details.) This implicitly provides a floor to management's FY13 guidance to EUR 6.14bn or a 24% decline. Management plan to achieve sustainable improvements in the cost-structure at Cars and Trucks of a combined EUR 3.6bn by 2014, more than EUR 1.0bn of which should be achieved in 2013.

FY13E group EBIT of EUR 7.21bn/6.1%...

…down by 11.3% and 0.7%-points

We now expect for FY13E that a 5.2% increase in sales to 2.31m vehicles will generate a 2.7% increase in group revenue to EUR 117.44bn and an 11.3% decline in group EBIT (on-going business) to EUR 7.21bn and a 0.7%-pts margin squeeze to 6.1%. (This is 2.7% lower than our previous forecast of EUR 7.38bn/6.3%) Our forecast incorporates following divisional estimates: a 13.8% decline in EBIT to EUR 3.78bn/5.9% at M-B Cars, a 1.2% dip to EUR 1.69bn/5.4% at Trucks, a 0.6% dip to EUR 0.60bn/6.5% at Vans and a return to profitability (EUR 45m/1.1%) at Buses, implying a EUR 0.12bn improvement.

2013E EPS of EUR 5.73 includes EUR 1.5 of one-off items

We now expect that Daimler will generate FY13E headline EPS of EUR 5.73 that are in line with FY12's headline EUR 5.71; they include estimated one-off income from the divestment of EADS of EUR 1.5 and EUR 0.7 respectively. Adjusted for these one-off items, we expect a 17% decline in EPS to EUR 4.17 in FY13E from EUR 5.05 in FY12. Our previous FY13E EPS were a headline EUR 5.48 that included an assumed one-off income of EUR 1.25.

Industrial FCF EUR 3.45bn in 2Q13 and EUR 1.72bn in FY13E

Daimler's 2Q13 industrial FCF of EUR 3.45bn included the aforementioned EUR 2.24bn cash inflow from EADS' Management gave a FY13 guidance of EUR 1-2bn and confirmed their commitment to a stable dividend.

Daimler – Group P&L (1Q11 – FY15E)

	1Q11	2Q11	3Q11	4Q11	FY11	1Q12[1]	2Q12[1]	3Q12	4Q12	FY12	1Q13	2Q13A	1H13A	new 2H13E	new FY13E	old FY13E
(EUR m)																
Revenue – ind.ops.	21,695	23,431	23,401	25,933	94,460	23,871	25,624	25,048	26,204	100,747	22,525	26,144	48,669	54,540	103,209	104,063
Revenue – fin. services	3,034	2,907	3,006	3,133	12,080	3,140	3,260	3,524	3,626	13,550	3,577	3,548	7,125	7,103	14,228	13,821
Group revenue	24,729	26,338	26,407	29,066	106,540	27,011	28,884	28,572	29,830	114,297	26,102	29,692	55,794	61,642	117,436	117,884
EBIT (headline)	2,031	2,581	1,968	2,175	8,755	2,130	2,243	1,921	2,321	8,615	917	5,242	6,159	4,033	10,192	10,079
Net interest inc./-exp.[1]	-148	-60	7	-105	-306	-151	-226	-282	-238	-897	-157	-184	-341	-369	-710	-600
Pre-tax profit[1]	1,883	2,521	1,975	2,070	8,449	1,979	2,017	1,639	2,083	7,718	760	5,058	5,818	3,664	9,482	9,479
Less tax charge/-credit[1]	703	817	615	285	2,420	563	502	434	-276	1,223	196	475	671	898	1,569	2,052
Net profit	1,180	1,704	1,360	1,785	6,029	1,416	1,515	1,205	2,359	6,495	564	4,583	5,147	2,766	7,913	7,427
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net profit – cont. ops.	1,180	1,704	1,360	1,785	6,029	1,416	1,515	1,205	2,359	6,495	564	4,583	5,147	2,766	7,913	7,427
Less minorities	121	97	74	70	362	78	88	102	132	400	28	1,749	1,777	13	1,790	1,586
Group NI - Daimler SHs	1,059	1,607	1,286	1,715	5,667	1,338	1,427	1,103	2,227	6,095	536	2,834	3,370	2,753	6,123	5,841
Margin (%)																
Group EBIT	8.2	9.8	7.5	7.5	8.2	7.9	7.8	6.7	7.8	7.5	3.5	17.7	11.0	6.5	8.7	8.6
Pre-tax profit[1]	7.6	9.6	7.5	7.1	7.9	7.3	7.0	5.7	7.0	6.8	2.9	17.0	10.4	5.9	8.1	8.0
Net profit	4.3	6.1	4.9	5.9	5.3	5.0	4.9	3.9	7.5	5.3	2.1	9.5	6.0	4.5	5.2	5.0
Tax rate[1] (%)	37.3	32.4	31.1	13.8	28.6	28.4	24.9	26.5	-13.3	15.8	25.8	9.4	11.5	24.5	16.6	21.6

Note: Old FY13E estimates refer to our Daimler report of April 16th. (1) As reported, not adjusted for effects from application of the amended version of IAS19. Source: Company data and CGI estimates

Daimler – Industrial operations – cash flow (1Q11 – FY13E)

(EUR m)	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13A	1H13A	new 2H13E	new FY13E	old FY13E
Net profit	989	1,481	1,158	1,589	5,217	1,194	1,290	994	2,197	5,675	367	4,402	4,769	2,391	7,160	6,633
Depreciation & amortisation	894	892	897	870	3,553	1,014	997	1,021	1,010	4,042	1,053	1,088	2,141	1,987	4,128	4,163
Non-cash items	420	581	529	-802	728	-13	76	-120	-1,970	-2,027	-290	-2,765	-3,055	-495	-3,550	-2,950
CF from operations	2,303	2,954	2,584	1,657	9,498	2,195	2,363	1,895	1,237	7,690	1,130	2,725	3,855	3,883	7,738	7,846
WCR (core)	-1,165	-30	-200	180	-1,215	-1,998	758	-786	1,252	-774	-447	-177	-624	224	-400	-400
WCR (incl. oper. leases)	-1,711	-520	-1,221	1,300	-2,152	-2,472	636	-505	2,178	-163	-676	251	-425	-75	-500	-500
CF from oper. activities	592	2,434	1,363	2,957	7,346	-277	2,999	1,390	3,415	7,527	454	2,976	3,430	3,808	7,238	7,346
Capex (PP&E)	-754	-992	-1,018	-1,373	-4,137	-1,038	-1,306	-1,015	-1,445	-4,804	-1,053	-1,034	-2,087	-3,064	-5,151	-5,176
Net investments	-317	-317	-1,115	-407	-2,156	-589	-693	-469	1,147	-604	-535	1,580	1,045	-1,238	-193	-900
Other	-37	520	-520	-27	-64	-73	5	-115	-484	-667	-18	-68	-86	-114	-200	-200
FCF	-516	1,645	-1,290	1,150	989	-1,977	1,005	-209	2,633	1,452	-1,152	3,454	2,302	-608	1,694	1,070
Dividends	-20	-1,951	0	0	-2,249	-2	-2,344	0	0	-2,346	-2	-2,347	-2,349	0	-2,349	-2,349
Other (incl. share reps/issue)	1,013	-620	243	389	1,303	91	-316	-22	668	421	-335	200	-135	169	34	1,058
Net cash decrease/-increase	-477	926	1,047	-1,539	-43	1,888	1,655	231	-3,301	473	1,489	-1,307	182	439	621	221
Net cash/-debt	12,415	11,489	10,442	11,981	11,981	10,093	8,438	8,207	11,508	11,508	10,019	11,326	11,326	10,887	10,887	11,287

Note: Old FY13E estimates refer to our Daimler report of April 16th. Source: Company data and CGI estimates

Mercedes-Benz Cars – 2Q13A and new FY13E

2Q13 EBIT of EUR 1.04bn/6.4%...

In 2Q13, a 6.2% yoy increase in revenue to EUR 16.32bn generated a divisional EBIT of EUR 1.04bn and a 6.4% margin. Though greatly improved from 1Q13's EUR 0.46bn/3.3%, 2Q13 results imply a 20.8% yoy decline in EBIT and a margin squeeze by 2.2%-pts from 2Q12's EUR 1.31bn/8.6%, despite sharp yoy volume increases of 9.3% in wholesales to 404.7k units and 15.9% in production to 412.0k units.

…much improved from 1Q13,…

…though down 21% yoy

In 2Q13, the yoy deterioration in EBIT of EUR 0.27bn/-20.8% was considerably less than the EUR 0.79bn/-63% incurred in 1Q13 and was attributable, besides a worse mix and pricing to 'other negative factors worth EUR -0.8bn that according to M-B refer to higher expenses, mainly for new products and additional capacity and advance expenditure for new technologies and vehicles. Positives included, in addition to the aforementioned yoy jump in in sales and production, first benefits from the 'Fit for Leadership' efficiency programme (EUR 0.18bn) and positive contributions from currency (EUR 81m) and discounting of provisions (EUR 58m).

Worse model mix…

…change in model momentum

The car division's model mix deteriorated in 2Q13 vs. 2Q12 as the positive effect of higher sales of SUVs (+19.9% yoy), driven by relatively new models and strong demand in the US and Russia, was overcompensated by the diluting effect of a sharp 65.5% jump in sales of compact cars and declining sales of all the other models due to their model cycle. M-B continued the roll-out of compact cars on its new FWD platform with the introduction of the third model, the CLA, a four-door coupé in 1Q13. Sales of the E-Class were down 1.8% yoy due to the introduction of a major face-lift of all four body-versions during 2Q13; sales of the S-Class were down 12.8% ahead of the launch of the successor model in mid July. Equally, sales of the C-Class declined (-11.7%), ahead of the anticipated model renewal in early 2014. (See table on p. 9 for details.)

Compact cars support European sales

In 2Q13, divisional sales growth of 9.3% to 404.7k units was spear-headed by the US (+16.8% to 76.5k units) and emerging markets where demand for premium products remained buoyant; divisional sales in 'Asia outside China' and 'Rest of World' grew 13.1% to 33.1k units and 27.0% yoy to 44.8k units respectively. In Western Europe (outside Germany) M-B outperformed a weak market thanks to the roll-out of the A- and B-Class generating an 11.3% yoy increase in that region to 98.5k units. For development of market demand in major markets, see our publication 'Global Automotive Demand Atlas' - July edition (of July 18th).

Mercedes-Benz Cars – Results, sales and production (1Q11 – FY13E)

	1Q11	2Q11	3Q11	4Q11	FY11	1Q12[1]	2Q12[1]	3Q12	4Q12	FY12	1Q13	2Q13A	1H13A	new 2H13E	new FY13E	old FY13E
(EUR m)																
Revenue	13,860	14,647	13,826	15,077	57,410	14,937	15,364	15,238	16,121	61,660	14,110	16,324	30,434	33,692	64,126	63,818
% change yoy	19.5	4.5	1.2	6.5	7.5	7.8	4.9	10.2	6.9	7.4	-5.5	6.2	0.4	7.4	4.0	3.5
EBIT	1,288	1,566	1,108	1,230	5,192	1,252	1,314	975	848	4,389	460	1,041	1,501	2,282	3,783	3,893
% change yoy	59.8	13.8	-14.7	4.7	11.5	-2.8	-16.1	-12.0	-31.1	-15.5	-63.3	-20.8	-41.5	25.2	-13.8	-11.3
EBIT margin (%)	9.3	10.7	8.0	8.2	9.0	8.4	8.6	6.4	5.3	7.1	3.3	6.4	4.9	6.8	5.9	6.1
One-offs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adj. EBIT	1,288	1,566	1,108	1,230	5,192	1,252	1,314	975	848	4,389	460	1,041	1,501	2,282	3,783	3,893
% change yoy	59.8	13.8	-14.7	4.7	11.5	-2.8	-16.1	-12.0	-31.1	-15.5	-63.3	-20.8	-41.5	25.2	-13.8	-11.3
Adj. EBIT margin (%)	9.3	10.7	8.0	8.2	9.0	8.4	8.6	6.4	5.3	7.1	3.3	6.4	4.9	6.8	5.9	6.1
Impl. unit/rev.(% - yoy)	6.6	0.1	-4.7	-3.7	-0.7	-1.0	1.3	7.6	1.1	2.2	-6.4	-2.8	-4.6	-0.4	-2.4	0.6
Units ('000)																
Retail sales	305.5	359.8	331.5	366.1	1,362.9	340.9	367.6	335.4	379.9	1,423.8	350.5	395.8	746.3	-	-	-
% change yoy	12.4	7.2	3.1	8.8	7.7	11.6	2.2	1.2	3.8	4.5	2.8	7.7	5.3	-	-	-
Wholesales	310.7	357.6	337.2	375.9	1,381.4	338.3	370.4	345.4	397.5	1,451.6	341.5	404.7	746.2	801.2	1,547.4	1,493.5
% change yoy	12.1	4.4	6.2	10.6	8.2	8.9	3.6	2.4	5.7	5.1	0.9	9.3	5.3	7.8	6.6	2.9
Production	341.7	349.2	334.1	367.0	1,392.1	364.0	355.6	367.2	368.9	1,455.7	374.0	412.0	786.1	771.3	1,557.4	1,503.5
% change yoy	11.0	7.1	5.3	1.5	6.1	6.5	1.8	9.9	0.5	4.6	2.8	15.9	9.2	4.8	7.0	3.3
Over-production	31.0	-8.4	-3.1	-8.9	10.7	25.7	-14.8	21.8	-28.6	4.1	32.5	7.3	39.8	-29.8	10.0	10.0

Note: Old FY13E estimates refer to our Daimler report of April 16th. (1) As reported, not adjusted for effects from application of the amended version of IAS19. Source: Company data and CGI estimates

1Q13 EBIT of EUR 0.46bn/3.3%...

The car division thus recovered sharply (grew by factor 1.3) from an exceedingly weak 1Q13 result of EUR 0.46bn/3.3% thanks to a jump in volume (by 18.5% in sales and 10.2% in production) that exceeds the normal seasonal pattern, some improvement in pricing, and the aforementioned efficiency benefits that had been absent in 1Q13.

…a nadir…

…due to model change-over costs and lack of efficiency gains

The 2Q13 results confirm our view that 1Q13 represented a nadir in profitability. Indeed, in 1Q13 a 0.9% increase in unit sales had resulted in a 5.5% decline in revenue and a 63% collapse in EBIT to EUR 0.46bn and a 3.3% margin vs. 1Q12's EUR 2.17bn/8.4%. The EUR 0.79bn yoy deterioration in divisional EBIT had been partly attributable to a worse mix and pricing (accounting for a EUR -0.3bn negative impact) and a considerably larger EUR -0.6bn impact of 'other negative factors' that according to M-B refer to higher expenses, mainly for new technologies, new products and additional capacity. In absence of efficiency gains there were only moderate positive factors such as currency and discounting of provisions of some EUR 0.15bn.

2H13E recovery should limit decline in FY13E profit and profitability to 14%

M-B confirmed their FY13 guidance of late April, expecting a yoy decline in EBIT from last year's EUR 4.39bn, despite growing sales. Management also confirmed their expectation that 2H13 would be better than 1H13's EUR 1.50bn, thus limiting the theoretical FY13 downside to a 30% decline to EUR 3bn. The guidance of an improvement during 2H13 has been supported by the announcement that most of the plants there are no summer breaks. (See tables on pp. 10 & 19 for details.)

FY13E EBIT of EUR 3.78bn/5.9%

We now expect for FY13E, that a 6.6% increase in wholesales to 1.55m units will generate a 4.0% increase in revenue and a 13.8% decline in EBIT 3.78bn and a 5.9% margin. Our forecast implies an improvement in 2H13E vs. 1H13 and 2H12 and is based on the assumption that a back-loaded demand profile (driven by a moderate improvement in key markets) should be compounded by an accelerating model momentum and growing benefits from the 'Fit for Leadership' efficiency programme that targets benefits of more than EUR 0.4bn. Note that management plan to achieve a sustainable EUR 2.0bn improvement of the cost structure by the end of 2014; one third or EUR 0.6bn of which should be achieved in 2013. However, headwinds in 2H13E remain formidable and include further pricing pressures and continuing high costs related to the model cycle, investment schedule and development programme for alternative drive-trains and lower CO_2 emissions.

Positive model momentum accelerating

Indeed, the division should enjoy a considerable improvement in model momentum and mix as the aforementioned new models (CLA, E-Class face-lift and S-Class) are being rolled out globally. Important milestones include in September the introduction of a new E-Class LWB in China and the introduction of the CLA in the USA, the brand's first serious offering in the US compact segment, competing with the BMW 1-Series and the Audi A3. Even more important should be the global roll-out of the S-Class following its European launch in mid-July with launches in the US and China planned for autumn.

Solving structural problems in China

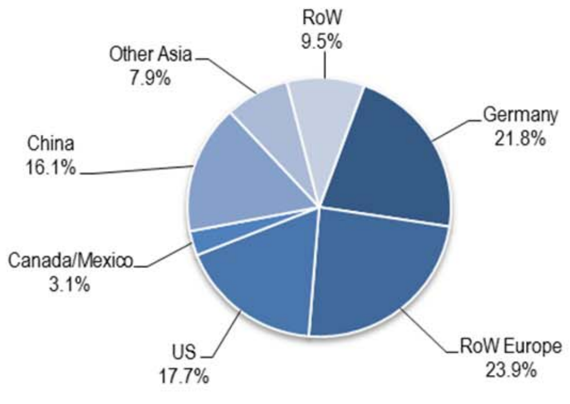
We also expect that the division will benefit from a gradual solution to its structural problems in China. M-B is in the process of reorganising and revamping the distribution network in China and widening its product portfolio that has been considerably narrower than those of its peers, in particular in the fast growing SUV segments. However, the most crucial step is the integration of the sales/distribution networks for imported and locally produced vehicles under one company Beijing M-B Sales Services Co, a 50:50 JV with BAIC (Beijing Automotive Group). This year, M-B is also planning to add some 75 new dealerships, predominantly in Tier 3 & 4 cities with fast growing car demand.

Mercedes-Benz Cars –Wholesales by region (1Q11 – FY13E)

	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13A	1H13A	new 2H13E	new FY13E	old FY13E
Units ('000)																
- Germany	55.7	82.8	73.5	78.6	290.7	64.7	80.9	68.5	75.9	289.9	61.1	79.8	140.9	148.4	289.3	288.5
- R of W Europe	84.2	93.4	76.2	80.7	334.5	91.6	88.4	74.7	86.8	341.5	88.6	98.5	187.0	167.7	354.7	330.3
Western Europe	139.9	176.2	149.7	159.3	625.2	156.3	169.3	143.2	162.6	631.4	149.7	178.2	327.9	316.1	644.1	618.8
- US	58.6	54.2	55.1	82.4	250.4	68.6	65.5	74.2	91.5	299.7	68.0	76.5	144.5	188.2	332.7	323.7
- Canada/Mexico	8.9	10.3	8.1	10.7	38.1	9.9	11.4	9.7	11.3	42.4	9.8	12.1	21.8	22.4	44.3	43.7
NAFTA	67.5	64.5	63.3	93.2	288.4	78.5	76.9	84.0	102.8	342.1	77.8	88.5	166.3	210.7	377.0	367.4
- China	48.9	52.5	59.3	62.4	223.1	42.5	59.7	47.1	59.2	208.5	46.4	60.0	106.5	117.7	224.1	229.3
- Other Asia	26.4	26.7	30.8	28.5	112.4	31.0	29.2	35.4	34.2	129.8	32.3	33.1	65.4	77.5	142.9	132.6
Asia	75.3	79.2	90.0	90.9	335.4	73.5	88.9	82.5	93.4	338.3	78.7	93.1	171.8	195.2	367.0	362.0
Rest of World	28.0	37.7	34.2	32.5	132.4	30.1	35.3	35.8	38.6	139.7	35.3	44.8	80.1	79.2	159.3	145.3
M-B Cars	310.7	357.6	337.2	375.9	1,381.4	338.3	370.4	345.4	397.5	1,451.6	341.5	404.7	746.2	801.2	1,547.4	1,493.5
% chge yoy																
- Germany	3.6	1.1	0.0	-6.1	-0.8	16.0	-2.3	-6.8	-3.5	-0.3	-5.5	-1.4	-3.2	2.8	-0.2	-0.5
- R of W Europe	3.6	-2.6	-4.8	-5.8	-2.4	8.8	-5.3	-1.9	7.4	2.1	-3.3	11.3	3.9	3.9	3.9	-3.3
Western Europe	3.6	-0.9	-2.5	-5.9	-1.7	11.7	-3.9	-4.3	2.1	1.0	-4.2	5.3	0.7	3.4	2.0	-2.0
- US	4.4	5.6	-1.2	44.1	13.6	17.0	20.8	34.7	11.0	19.7	-0.9	16.8	7.8	13.6	11.0	8.0
- Canada/Mexico	6.6	6.3	1.6	8.9	6.0	11.2	10.6	19.6	5.8	11.3	-0.9	5.9	2.7	6.2	4.5	3.0
NAFTA	4.7	5.7	-0.9	38.9	12.5	16.2	19.2	32.7	10.4	18.6	-0.9	15.2	7.1	12.8	10.2	7.4
- China	81.9	8.2	45.5	42.3	39.4	-13.0	13.7	-20.5	-5.2	-6.5	9.2	0.6	4.2	10.7	7.5	10.0
- Other Asia	9.8	5.5	10.1	17.4	10.6	17.1	9.6	15.0	20.1	15.5	4.4	13.1	8.6	11.4	10.1	2.2
Asia	47.9	7.3	31.1	33.5	28.2	-2.4	12.3	-8.4	2.7	0.8	7.1	4.7	5.8	11.0	8.5	7.0
Rest of World	5.1	26.7	8.6	-7.8	7.5	7.4	-6.5	4.6	19.0	5.6	17.4	27.0	22.6	6.4	14.0	4.0
M-B Cars	12.1	4.4	6.2	10.6	8.2	8.9	3.6	2.4	5.7	5.1	0.9	9.3	5.3	7.8	6.6	2.9
Share (%)																
- Germany	17.9	23.2	21.8	20.9	21.0	19.1	21.8	19.8	19.1	20.0	17.9	19.7	18.9	18.5	18.7	19.3
- R of W Europe	27.1	26.1	22.6	21.5	24.2	27.1	23.9	21.6	21.8	23.5	25.9	24.3	25.1	20.9	22.9	22.1
Western Europe	45.0	49.3	44.4	42.4	45.3	46.2	45.7	41.5	40.9	43.5	43.8	44.0	43.9	39.5	41.6	41.4
- US	18.9	15.2	16.3	21.9	18.1	20.3	17.7	21.5	23.0	20.6	19.9	18.9	19.4	23.5	21.5	21.7
- Canada/Mexico	2.9	2.9	2.4	2.9	2.8	2.9	3.1	2.8	2.9	2.9	2.9	3.0	2.9	2.8	2.9	2.9
NAFTA	21.7	18.0	18.8	24.8	20.9	23.2	20.7	24.3	25.9	23.6	22.8	21.9	22.3	26.3	24.4	24.6
- China	15.7	14.7	17.6	16.6	16.1	12.6	16.1	13.6	14.9	14.4	13.6	14.8	14.3	14.7	14.5	15.4
- Other Asia	8.5	7.5	9.1	7.6	8.1	9.2	7.9	10.2	8.6	8.9	9.5	8.2	8.8	9.7	9.2	8.9
Asia	24.2	22.1	26.7	24.2	24.3	21.7	24.0	23.9	23.5	23.3	23.1	23.0	23.0	24.4	23.7	24.2
Rest of World	9.0	10.6	10.1	8.6	9.6	8.9	9.5	10.4	9.7	9.6	10.3	11.1	10.7	9.9	10.3	9.7
M-B Cars	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

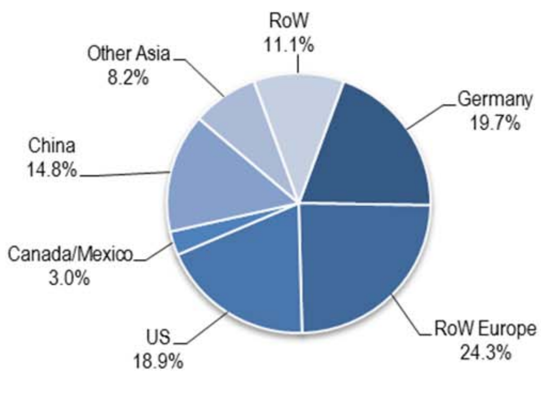
Note: Old FY13E estimates refer to our Daimler report of April 16th. Source: Company data and CGI estimates

M-B Cars – Geographic split wholesales (2Q12)



Source: Company data and CGI calculations

M-B Cars – Geographic split wholesales (2Q13)



Source: Company data and CGI calculations

Mercedes-Benz Cars – Retail sales by model (1Q11 – 1H13A)

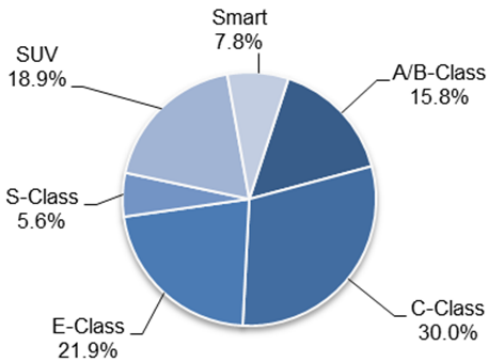
	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13A	1H13A
Units ('000)													
A-/B-Class	48.6	48.9	48.6	48.1	194.1	51.6	58.2	49.1	67.6	226.5	77.0	96.3	173.4
C-/CLK-/SLK-Class	78.5	104.2	103.8	114.9	401.3	99.7	110.3	102.1	101.1	413.2	90.2	97.3	187.5
E-/CLS-Class	78.8	91.4	82.9	85.4	338.4	79.9	80.7	70.6	79.2	310.4	64.6	79.2	143.8
S-Class[1] /Maybach	20.0	21.6	17.5	19.3	78.5	23.6	20.5	17.4	18.6	80.1	15.9	17.8	33.7
SUVs[2]	54.8	63.9	56.0	73.9	248.6	59.1	69.4	72.8	88.6	290.0	77.2	78.8	156.1
Mercedes-Benz	280.6	330.0	308.8	341.6	1,260.9	313.9	339.0	312.0	355.2	1,320.1	324.9	369.5	694.4
Smart	25.0	29.8	22.8	24.4	102.0	27.0	28.6	23.4	24.8	103.7	25.6	26.2	51.9
M-B Cars	305.5	359.8	331.5	366.1	1,362.9	340.9	367.6	335.4	379.9	1,423.8	350.5	395.8	746.3
% change yoy													
A-/B-Class	1.2	-19.2	-11.4	-18.6	-12.7	6.1	19.0	1.2	40.5	16.7	49.4	65.5	58.0
C-/CLK-/SLK-Class	3.8	17.9	15.8	27.8	16.8	27.0	5.8	-1.6	-12.0	3.0	-9.5	-11.7	-10.7
E-/CLS-Class	15.5	2.2	-1.4	4.9	4.7	1.5	-11.7	-14.9	-7.2	-8.3	-19.2	-1.8	-10.5
S-Class[1] /Maybach	28.0	6.6	-14.1	-11.7	0.4	18.4	-5.5	-0.9	-3.9	2.0	-33.0	-12.8	-23.6
SUVs[2]	33.3	28.7	15.8	20.4	24.0	7.9	8.7	30.0	19.9	16.6	30.6	13.5	21.4
Mercedes-Benz	12.9	7.1	3.9	8.9	8.0	11.9	2.7	1.1	4.0	4.7	3.5	9.0	6.4
Smart	7.6	8.4	-5.9	8.0	4.6	8.0	-4.0	2.7	1.2	1.7	-5.0	-8.3	-6.7
M-B Cars	12.4	7.2	3.1	8.8	7.7	11.6	2.2	1.2	3.8	4.5	2.8	7.7	5.3
Share (%)													
A-/B-Class	15.9	13.6	14.6	13.1	14.2	15.1	15.8	14.7	17.8	15.9	22.0	24.3	23.2
C-/CLK-/SLK-Class	25.7	29.0	31.3	31.4	29.4	29.2	30.0	30.5	26.6	29.0	25.7	24.6	25.1
E-/CLS-Class	25.8	25.4	25.0	23.3	24.8	23.4	21.9	21.0	20.9	21.8	18.4	20.0	19.3
S-Class[1] /Maybach	6.5	6.0	5.3	5.3	5.8	6.9	5.6	5.2	4.9	5.6	4.5	4.5	4.5
SUVs[2]	17.9	17.7	16.9	20.2	18.2	17.3	18.9	21.7	23.3	20.4	22.0	19.9	20.9
Mercedes-Benz	91.8	91.7	93.1	93.3	92.5	92.1	92.2	93.0	93.5	92.7	92.7	93.4	93.1
Smart	8.2	8.3	6.9	6.7	7.5	7.9	7.8	7.0	6.5	7.3	7.3	6.6	6.9

Mercedes-Benz Cars – Retail sales by region (1Q11 – 1H13A)

	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13A	1H13A
Units ('000)													
- Germany	56.2	82.6	73.6	78.9	291.3	63.7	80.1	68.5	76.6	289.0	60.4	78.7	139.1
- Rest of W Europe	86.0	95.0	79.2	78.2	338.4	89.4	89.3	76.6	80.2	335.5	91.4	94.9	186.4
Western Europe	142.2	177.6	152.8	157.1	629.7	153.1	169.4	145.1	156.8	624.5	151.8	173.6	325.5
- US	54.6	58.9	60.1	76.8	250.4	63.7	69.5	65.6	85.2	284.1	71.4	75.1	146.5
- Canada/Mexico	8.1	10.7	8.8	10.4	38.0	9.5	11.8	9.7	10.7	41.4	9.6	11.4	21.0
NAFTA	62.7	69.6	69.0	87.2	288.5	73.1	81.3	75.3	95.9	325.6	81.0	86.5	167.5
- Japan	7.7	7.3	9.5	8.5	33.6	10.8	7.5	11.4	10.8	41.9	12.1	7.6	24.8
- China	45.3	52.3	46.3	60.4	204.384	56.1	52.0	48.7	55.2	212.1	50.0	57.5	107.5
- Other Asia/Pacific	23.1	23.8	24.1	24.8	95.9	23.0	25.7	24.9	27.8	101.4	26.6	28.6	55.2
Asia/Pacific	76.1	84.1	79.901	93.7	333.88	89.9	86.7	85.0	93.8	355.4	88.8	98.8	187.5
Rest of World	24.6	28.5	29.8	28.0	110.9	24.7	30.2	30.0	33.4	118.4	28.9	36.8	65.8
M-B Cars	305.5	359.8	331.5	366.1	1362.9	340.9	367.6	335.4	379.9	1,423.8	350.5	395.8	746.3
% chge yoy													
- Germany	3.5	1.5	-0.4	-5.9	-0.7	13.3	-2.9	-6.9	-2.9	-0.8	-5.2	-1.8	-3.3
- Rest of W Europe	1.2	-2.3	-4.1	-2.6	-1.9	4.0	-6.0	-3.3	2.5	-0.9	2.2	6.4	4.3
Western Europe	2.1	-0.6	-2.4	-4.3	-1.4	7.7	-4.6	-5.1	-0.2	-0.8	-0.8	2.5	0.9
- US	7.9	4.4	4.6	32.8	12.6	16.6	18.1	9.1	10.9	13.5	11.9	8.0	9.9
- Canada/Mexico	1.5	5.1	4.1	9.8	5.3	16.7	9.9	9.8	2.4	8.9	3.2	-3.3	-0.4
NAFTA	7.0	4.5	4.5	29.5	11.6	16.6	16.9	9.2	9.9	12.9	10.8	6.4	8.5
- Japan	-9.9	2.0	8.2	24.0	7.3	40.6	2.0	20.0	26.9	24.6	12.7	2.0	25.9
- China	84.6	40.8	7.6	28.0	34.5	23.8	-0.6	5.3	-8.6	3.8	-10.8	10.5	-0.6
- Other Asia/Pacific	17.0	6.2	4.8	12.6	9.9	-0.4	8.0	3.2	11.9	5.8	15.4	11.3	13.2
Asia/Pacific	44.1	25.9	6.8	23.2	23.4	18.1	3.1	6.4	0.0	6.4	-1.3	13.9	6.2
Rest of World	16.5	20.0	23.6	-2.6	13.5	0.6	6.0	0.5	19.6	6.8	17.1	21.9	19.8
M-B Cars	12.4	7.2	3.1	8.8	7.7	11.6	2.2	1.2	3.8	4.5	2.8	7.7	5.3
Share (%)													
- Germany	18.4	22.9	22.2	21.6	21.4	18.7	21.8	20.4	20.2	20.3	17.2	19.9	18.6
- Rest of W Europe	28.1	26.4	23.9	21.4	24.8	26.2	24.3	22.8	21.1	23.6	26.1	24.0	25.0
Western Europe	46.5	49.4	46.1	42.9	46.2	44.9	46.1	43.3	41.3	43.9	43.3	43.9	43.6
- US	17.9	16.4	18.1	21.0	18.4	18.7	18.9	19.6	22.4	20.0	20.4	19.0	19.6
- Canada/Mexico	2.7	3.0	2.7	2.8	2.8	2.8	3.2	2.9	2.8	2.9	2.7	2.9	2.8
NAFTA	20.5	19.3	20.8	23.8	21.2	21.5	22.1	22.4	25.2	22.9	23.1	21.9	22.4
- Japan	2.5	2.0	2.9	2.3	2.5	3.2	2.0	3.4	2.8	2.9	3.5	1.9	3.3
- China	14.8	14.5	14.0	16.5	15.0	16.5	14.1	14.5	14.5	14.9	14.3	14.5	14.4
- Other Asia/Pacific	7.6	6.6	7.3	6.8	7.0	6.8	7.0	7.4	7.3	7.1	7.6	7.2	7.4
Asia/Pacific	24.9	23.4	24.1	25.6	24.5	26.4	23.6	25.3	24.7	25.0	25.3	25.0	25.1
Rest of World	8.0	7.9	9.0	7.6	8.1	7.2	8.2	8.9	8.8	8.3	8.3	9.3	8.8
M-B Cars	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

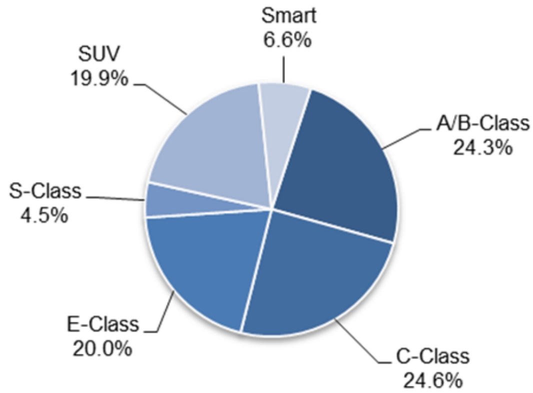
Source: Company data and CGI estimates

M-B Cars – Model mix retail sales (2Q12)



Source: Company data and CGI calculations

M-B Cars – Model mix retail sales (2Q13)



Source: Company data and CGI calculations

Management guidance 2013 (Feb 07)	Management guidance 2013 (Apr 24 & Jul 24)
Market assumptions: passenger vehicles	**Market assumptions: passenger vehicles**
• Global: +2% to 4% • Western Europe: moderate decline • US and Asia: growth in China and USA	• Global: +2% to 4% • Western Europe: moderate decline • US and Asia: growth in China and USA
Mercedes-Benz Cars: sales outlook	**Mercedes-Benz Cars: sales outlook**
• Further unit sales increase • Strong momentum from new compact cars and SUVs • Launch of new CLA, E-Class and S-Class	• Further unit sales increase • Strong momentum from new compact cars and SUVs • Launch of new CLA, E-Class and S-Class
Mercedes-Benz Cars: EBIT outlook	**Mercedes-Benz Cars: EBIT outlook**
• Full-year EBIT is expected to slightly lower than in 2012.	• Full-year EBIT is expected to be below the previous year's level.

Daimler Trucks – 2Q13A and new FY13E

2Q13 EBIT down only 1.5% yoy ...

…at EUR 0.52bn/6.5%

In 2Q13, a 1.3% yoy increase in wholesales to 123.8k units generated an EBIT (on-going business) of EUR 0.52bn and a 6.5% margin. This implies a 1.5% yoy decrease in divisional EBIT and a margin improvement by 0.1%-pts from 2Q12's EUR 0.52bn/6.4%. DT managed to outperform many markets following the completion of its global model offensive.

Sales recovery in South America

We identify the division's sales recovery in the highly profitably South American region by 57% yoy to 16.1k units, as the key positive impact on earnings; additional positives were benefits (of an estimated EUR 0.1bn) from the DT #1 restructuring programme (lower material costs and higher manufacturing productivity) and a small (EUR 20m) gain from discounting of provisions. Negatives included mainly the weakness of demand in Asia and Western Europe, where divisional sales incurred yoy sales declines by 9.2% to 42.0k units and by 5.1% to 14.3k units respectively. Lesser negatives included higher warranty expenses and currency. (See table with regional spit of wholesales on p. 12.) For development of market demand see pp. 19-21 in our publication 'Global Automotive Demand Atlas' - July edition (July 18th).

Daimler Trucks – Results, sales and production (1Q11 – FY13E)

	1Q11	2Q11	3Q11	4Q11	FY11	1Q12[1]	2Q12[1]	3Q12	4Q12	FY1A	1Q13	2Q13A	1H13A	new 2H13E	new FY13E	old FY13E
(EUR m)																
Revenue	6,242	6,648	7,619	8,242	28,751	7,383	8,129	8,095	7,782	31,389	7,024	7,965	14,989	16,557	31,546	32,174
% change yoy	28.1	13.6	18.4	20.1	19.7	18.3	22.3	6.2	-5.6	9.2	-4.9	-2.0	-3.4	4.3	0.5	2.5
EBIT[1]	413	486	555	422	1,876	383	524	507	300	1,714	103	434	550	948	1,498	1,705
% change yoy	210.5	62.0	11.9	4.7	40.8	-7.3	7.8	-8.6	-28.9	-8.6	-73.1	-17.2	-39.4	17.5	-12.6	-0.5
EBIT margin (%)	6.6	7.3	7.3	5.1	6.5	5.2	6.4	6.3	3.9	5.5	1.5	5.4	3.7	5.7	4.8	5.3
One-offs	-49	11	-32	-32	-102	0	0	0	0	0	-13	-82	-95	-100	-195	0
Adj. EBIT[1]	462	475	587	454	1,978	383	524	507	300	1,714	116	516	645	1,048	1,693	1,705
% change yoy	208.0	51.3	84.6	5.6	63.2	-17.1	10.3	-13.6	-33.9	-13.3	-69.7	-1.5	-28.9	29.9	-1.2	-0.5
Adj. EBIT margin (%)	7.4	7.1	7.7	5.5	6.9	5.2	6.4	6.3	3.9	5.5	1.7	6.5	4.3	6.3	5.4	5.3
Impl. unit/revenue (% chge yoy)	1.3	4.1	-2.9	-1.6	-0.1	-1.9	-8.5	3.1	8.3	0.6	1.0	-3.2	-1.4	-1.5	-2.3	-0.1
Units ('000)																
Incoming orders	118.9	121.3	107.2	118.1	465.5	106.6	106.1	95.4	109.0	417.1	126.2	125.8	251.9	-	-	-
% change yoy	64.8	24.4	12.0	12.7	25.8	-10.3	-12.6	-11.0	-7.8	-10.4	18.3	18.6	18.5	-	-	-
Wholesales	89.3	91.5	115.6	129.4	425.8	107.7	122.2	119.1	112.9	461.9	101.4	123.8	225.2	245.6	470.8	469.6
% change yoy	26.5	9.1	22.0	22.0	19.8	20.6	33.6	3.0	-12.8	8.5	-5.8	1.3	-2.0	5.9	1.9	1.7
Production	93.7	92.3	128.3	121.5	435.9	114.6	120.9	118.9	96.3	450.6	111.2	127.4	238.6	233.3	471.8	470.6
% change yoy	27.1	9.3	27.8	18.8	20.8	22.2	31.0	-7.4	-20.8	3.4	-3.0	5.4	1.3	8.4	4.7	4.4
Over-production	4.5	0.8	12.7	-7.9	10.2	6.9	-1.3	-0.3	-16.6	-11.3	9.7	3.6	13.4	-12.4	1.0	1.0

Note: Old FY13E estimates refer to our Daimler report of April 16th. (1) As reported, not adjusted for effects from application of the amended version of IAS19. Source: Company data and CGI estimates

The truck division thus recovered sharply (grew by the factor 4.5) from an exceedingly weak 1Q13 result of EUR 0.12bn/1.7% thanks to a jump in volume (by 22.0% in sales and 14.6% in production) that exceeds the normal seasonal pattern and the absence of expenses related to the expansion of business in India and China.

1Q13 nadir

2Q13 results point towards 1Q13 having been a nadir, when divisional EBIT had deteriorated by 70% or EUR 0.25bn yoy as the negative impact from a 5.9% yoy volume decline due to a weakening in global market demand, negative model and country mix and pricing was exacerbated by aforementioned considerable expenses (in the order of EUR 0.32bn) related to the expansion of business in India and China.

Management confirmed their FY13 guidance of late April of 'slight growth in unit sales' and EBIT in 'the magnitude of the prior year'. (See tables on pp.14 & 19 for details.)

FY13E EBIT of EUR 1.05bn/6.3%...

…as outlook keeps improving improving

We expect for FY13E that a 1.9% increase in sales to 470.8k units will result in a 1.2% dip in EBIT (on-going business) to EUR 1.69bn and a 5.4% margin, moderately lower than FY12's 5.4%. Our forecast implies a considerable 63% HoH improvement for 2H13E to an EBIT of EUR 1.05bn and a 6.3% margin. This is based on an expected moderate recovery in demand from low levels and the lion's share of EUR 0.4bn cost savings targeted for FY13E. The outlook for further improvement in 2H13 is supported by the fact that incoming orders accelerated to a 24.4% yoy increase in 2Q13, from 18.3% yoy in 1Q13 and the book-to-build ratio has remained above parity in 2Q13.

Further cost benefits targeted

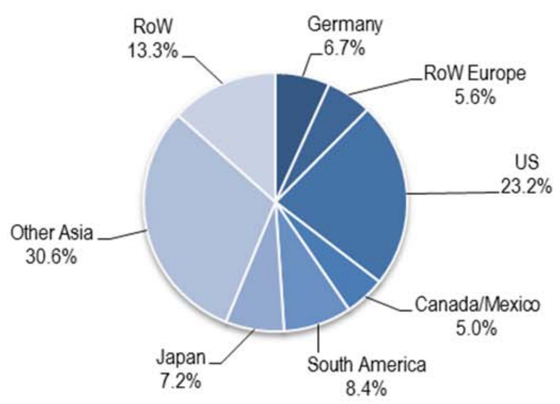
As announced in June 2012, Daimler is targeting additional cost and sales benefits of a combined EUR 1.6bn by 2014 from further optimising its operations and stepping up economies of scale by rolling out its modular strategy globally. Management target cost benefits of more than EUR 0.4bn already in 2013. One-off charges for staff reductions in Germany and Brazil amounted to EUR -95m in 1H13; one-off charges could reach a total of EUR 0.25bn.

Daimler Trucks – Wholesales by market (1Q11 – FY13E)

	1Q11	2Q11	3Q11	4Q11	FY11	1Q12[1]	2Q12[1]	3Q12	4Q12	FY12	1Q13	2Q13A	1H13A	new 2H13E	new FY13E	old FY13E
Units ('000)																
- Germany	5.2	8.2	8.4	9.5	31.2	4.7	8.2	8.0	8.5	31.1	6.2	7.6	13.8	16.3	30.2	30.2
- Rest W Europe	6.3	7.6	7.6	8.7	30.2	5.7	6.9	6.2	7.2	26.9	5.8	6.6	12.4	13.1	25.5	25.5
Western Europe	11.5	15.7	16.0	18.2	61.4	10.4	15.0	14.2	15.7	58.0	12.0	14.3	26.2	29.5	55.7	55.7
- US	19.3	23.3	27.6	26.7	96.9	27.9	28.4	29.9	27.4	113.1	26.6	30.0	56.7	62.1	118.7	107.4
- Canada/Mexico	3.0	4.0	5.1	4.9	17.0	3.8	6.2	5.3	5.3	21.9	4.0	4.9	8.9	14.1	23.0	19.5
NAFTA	22.2	27.3	32.8	31.7	114.0	31.8	34.6	35.2	32.6	135.0	30.6	34.9	65.6	76.2	141.8	126.9
South America	13.8	13.5	17.4	17.3	61.9	12.2	10.2	12.5	13.4	46.1	13.0	16.1	29.0	28.6	57.6	50.3
- Japan	5.6	5.1	6.8	9.4	27.0	7.3	8.8	8.2	8.2	35.0	8.9	8.8	17.6	16.3	33.9	35.3
- Other Asia	24.9	17.7	28.3	37.0	107.9	30.8	37.4	34.5	26.6	128.8	26.4	33.2	59.6	62.1	121.6	138.2
Asia	30.5	22.8	35.1	46.4	134.9	38.1	46.2	42.7	34.8	163.7	35.2	42.0	77.2	78.4	155.5	173.6
Rest of World	11.2	12.1	14.4	15.8	53.5	14.3	16.2	14.5	16.3	59.0	10.6	16.6	27.2	33.0	60.2	63.1
Daimler Trucks	89.3	91.5	115.6	129.4	425.8	106.7	122.2	119.1	112.9	461.9	101.4	123.8	225.2	245.6	470.8	469.6
% chge yoy																
- Germany	9.7	29.0	1.3	-13.5	3.0	-9.0	0.5	-5.0	-10.1	-0.4	-3.0	-6.9	-5.2	-1.1	-3.0	-3.0
- Rest W Europe	34.0	40.8	18.8	1.1	20.3	-10.8	-9.3	-17.9	-17.7	-10.9	-13.6	-3.0	-8.2	-2.0	-5.2	-5.2
Western Europe	21.9	34.4	8.9	-7.1	10.8	-10.0	-4.2	-11.1	-13.7	-5.5	-8.4	-5.1	-6.6	-1.5	-4.0	-4.0
- US	27.7	49.9	74.4	65.5	54.8	45.0	21.9	8.0	2.4	16.6	-2.9	5.6	1.4	8.5	5.0	-5.0
- Canada/Mexico	18.2	29.5	29.7	8.9	20.9	29.9	53.5	3.8	6.5	28.9	-23.2	-20.2	-21.6	33.5	5.0	-11.2
NAFTA	26.3	46.5	65.5	53.1	48.6	43.0	26.6	7.4	3.0	18.5	-6.1	1.0	-2.4	12.4	5.0	-6.0
South America	6.1	-5.0	18.0	6.5	6.5	-12.0	-24.3	-27.7	-22.2	-25.5	30.8	57.2	44.2	10.1	25.0	9.0
- Japan	14.1	-21.9	0.5	44.3	8.8	30.0	72.1	19.7	-13.0	29.6	-9.4	-0.6	-5.2	-0.5	-3.0	1.0
- Other Asia	44.7	-22.1	3.5	30.8	12.9	23.9	111.0	22.0	-28.2	19.3	-12.9	-11.2	-12.0	1.6	-5.5	7.4
Asia	37.9	-22.1	2.9	33.4	12.1	25.0	102.2	21.6	-25.1	21.4	-12.1	-9.2	-10.5	1.1	-5.0	6.0
Rest of World	33.6	21.6	25.2	7.1	20.0	27.1	33.9	0.8	3.0	10.2	-11.4	2.2	-3.6	7.1	2.0	7.0
Daimler Trucks	26.5	9.1	22.0	22.0	19.8	19.5	33.6	3.0	-12.8	8.5	-5.8	1.3	-2.0	5.9	1.9	1.7
Share (%)																
- Germany	5.8	8.9	7.2	7.3	7.3	4.4	6.7	6.7	7.6	6.7	6.1	6.2	6.1	6.6	6.4	6.4
- Rest W Europe	7.1	8.3	6.6	6.7	7.1	5.3	5.6	5.2	6.4	5.8	5.7	5.4	5.5	5.4	5.4	5.4
Western Europe	12.9	17.2	13.8	14.1	14.4	9.7	12.3	11.9	13.9	12.6	11.8	11.5	11.7	12.0	11.8	11.9
- US	21.6	25.5	23.9	20.7	22.8	26.2	23.2	25.1	24.3	24.5	26.3	24.2	25.2	25.3	25.2	22.9
- Canada/Mexico	3.3	4.4	4.4	3.8	4.0	3.6	5.0	4.5	4.7	4.8	3.9	4.0	4.0	5.8	4.9	4.2
NAFTA	24.9	29.9	28.3	24.5	26.8	29.8	28.3	29.5	28.9	29.2	30.2	28.2	29.1	31.0	30.1	27.0
South America	15.5	14.8	15.0	13.4	14.5	11.4	8.4	10.5	11.9	10.0	12.8	13.0	12.9	11.6	12.2	10.7
- Japan	6.3	5.6	5.9	7.3	6.3	6.8	7.2	6.9	7.3	7.6	8.7	7.1	7.8	6.6	7.2	7.5
- Other Asia	27.9	19.4	24.5	28.6	25.3	28.9	30.6	29.0	23.6	27.9	26.0	26.8	26.4	25.3	25.8	29.4
Asia	34.1	25.0	30.4	35.9	31.7	35.7	37.8	35.8	30.8	35.4	34.7	33.9	34.3	31.9	33.0	37.0
Rest of World	12.6	13.2	12.5	12.2	12.6	13.4	13.3	12.2	14.4	12.8	10.5	13.4	12.1	13.4	12.8	13.4
Daimler Trucks	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

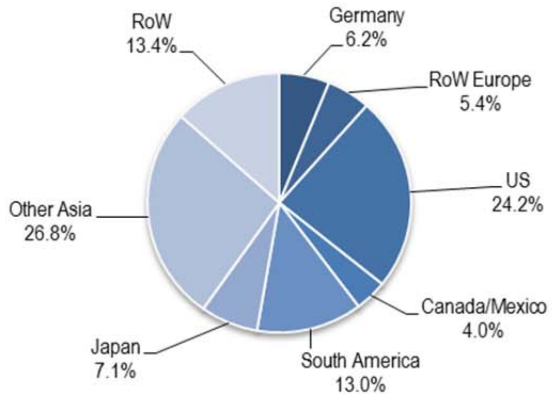
Note: Old FY13E estimates refer to our Daimler report of April 16th. (1) As reported, not adjusted for effects from application of the amended version of IAS19. Source: Company data and CGI estimates

Daimler Trucks – Geographic split unit sales[1] (2Q12)



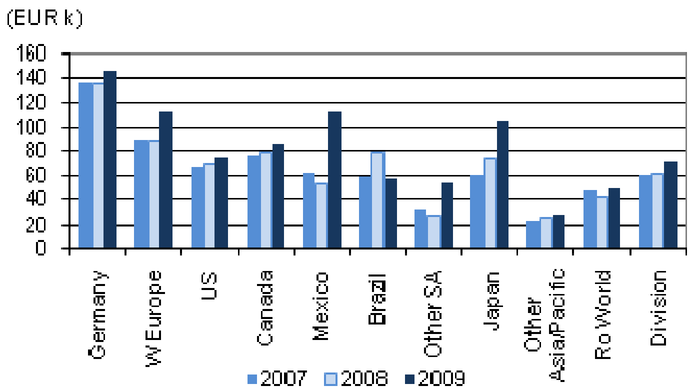
(1) Wholesales. Source :Company data and CGI calculations

Daimler Trucks – Geographic split unit sales[1] (2Q13)



(1) Wholesales. Source: Company data and CGI calculations

Daimler Trucks – Unit revenue per market (2007-09)



Source: Company data and CGI calculations

D-Trucks – Sales & incoming orders (1Q07-2Q13)

Source: Company data and CGI calculations

Daimler Trucks – Incoming orders by market (1Q10 – 1H13A)

	1Q10	2Q10	3Q10	4Q10	FY10	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13A	1H13A
Units ('000)																		
- Germany	6.1	7.9	7.7	7.8	29.4	7.6	7.4	7.6	7.3	29.9	8.8	7.2	6.4	6.5	28.8	7.6	7.4	15.0
- Rest W Europe	5.5	6.8	7.1	8.0	27.4	8.2	7.2	7.6	7.5	30.6	6.1	6.6	5.6	7.5	25.8	7.6	7.2	15.4
Western Europe	11.5	14.7	14.9	15.7	56.9	15.8	14.6	15.2	14.8	60.4	14.9	13.8	12.0	14.0	54.6	15.3	14.6	30.5
- US	6.0	15.2	13.9	30.4	65.5	32.2	28.0	23.7	31.5	115.4	23.7	19.2	20.7	31.9	95.4	31.2	28.0	60.2
- Canada/Mexico	2.7	4.5	2.8	3.5	13.5	6.2	4.8	4.1	7.3	22.4	4.3	3.3	3.0	3.3	13.9	4.7	4.8	11.0
NAFTA	8.7	19.7	16.7	33.9	79.0	38.4	32.8	27.9	38.8	137.8	27.9	22.4	23.7	35.2	109.2	35.9	32.8	71.2
South America	13.1	13.5	14.9	14.5	56.0	12.9	14.1	16.6	14.7	58.3	9.9	8.9	11.6	12.1	42.6	13.1	14.1	27.0
- Japan	5.2	7.1	6.8	6.2	25.3	7.1	7.6	7.7	8.4	30.8	8.9	9.2	8.4	8.5	35.0	9.9	7.6	14.6
- Other Asia	23.0	28.3	28.3	22.1	101.8	30.0	31.9	27.5	28.2	117.7	30.6	35.4	23.9	26.2	116.1	35.5	31.9	62.0
Asia	28.2	35.4	35.1	28.3	127.1	37.1	39.5	35.3	36.6	148.5	39.5	44.6	32.2	34.7	151.1	45.4	39.5	76.6
Rest of World	10.6	14.2	14.1	12.3	51.2	14.6	20.3	12.3	13.3	60.5	14.4	16.3	15.9	13.0	59.6	16.5	20.3	34.9
Daimler Trucks	72.1	97.5	95.7	104.8	370.2	118.9	121.3	107.2	118.1	465.5	106.6	106.1	95.4	109.0	417.1	126.2	121.3	240.2
% chge yoy																		
- Germany	31.2	62.2	46.5	28.4	41.5	25.4	-5.7	-2.1	-6.4	1.5	15.7	-3.6	-15.6	-11.0	-3.5	-13.5	-5.7	7.8
- Rest W Europe	111.2	99.3	80.1	39.5	74.6	50.2	5.4	7.1	-6.3	11.4	-25.9	-8.4	-26.7	0.0	-15.6	25.4	5.4	25.3
Western Europe	60.0	77.6	60.9	33.8	55.8	37.2	-0.6	2.3	-6.3	6.3	-5.9	-6.0	-21.2	-5.4	-9.7	2.4	-0.6	16.0
- US	-38.0	101.7	-37.2	81.8	16.8	436.5	84.3	71.1	3.4	76.2	-26.6	-31.5	-13.0	1.3	-17.4	31.8	84.3	184.2
- Canada/Mexico	131.1	242.4	66.0	4.2	79.3	131.0	6.4	46.4	109.0	66.0	-30.7	-31.9	-27.2	-54.7	-38.1	10.7	6.4	52.8
NAFTA	-19.9	122.7	-29.9	68.9	24.2	342.4	66.5	67.0	14.2	74.5	-27.2	-31.6	-15.1	-9.2	-20.7	28.6	66.5	150.9
South America	101.9	58.5	45.0	34.0	55.1	-1.1	4.1	11.5	1.0	4.1	-23.7	-36.5	-30.0	-17.4	-27.0	32.7	4.1	1.6
- Japan	-4.9	37.7	35.4	18.8	21.2	34.9	7.3	13.7	36.4	21.8	26.2	21.5	8.2	1.3	13.7	11.0	7.3	19.1
- Other Asia	265.3	54.2	56.8	22.8	67.6	30.6	12.6	-2.8	27.4	15.6	2.0	10.9	-13.4	-7.1	-1.4	16.0	12.6	20.7
Asia	139.3	50.6	52.2	21.9	55.7	31.4	11.6	0.4	29.4	16.8	6.6	13.0	-8.6	-5.2	1.8	14.9	11.6	20.4
Rest of World	229.7	114.3	72.4	14.8	78.1	37.9	43.0	-13.2	8.2	18.1	-1.6	-19.7	29.9	-2.6	-1.5	14.6	43.0	40.9
Daimler Trucks	82.4	74.8	28.3	36.7	50.1	64.8	24.4	12.0	12.7	25.8	-10.3	-12.6	-11.0	-7.8	-10.4	18.3	24.4	41.6

Source: Company data and CGI calculations

Management guidance 2013 (Feb 07)	Management guidance 2013 (Apr 24 & Jul 24)
Market assumptions: truck markets	**Market assumptions: truck markets**
• NAFTA region: -10% to -5% • Europe: -5% to 0%, • Japan: around prior year • Brazil: up to +10%	• NAFTA region: -10% to -5% • Europe: around -5% • Japan: up to -5% • Brazil: up to +10%
Daimler Trucks: sales outlook	**Daimler Trucks: sales outlook**
• Unit sales slightly above prior year • Further increase based on strong product portfolio • Growth of market share in major regions	• Unit sales slightly above prior year • Further increase based on strong product portfolio • Growth of market share in major regions
Daimler Trucks : EBIT outlook	**Daimler Trucks : EBIT outlook**
• Earnings are expected to be higher than in the prior year	• Full-year EBIT is expected in the magnitude of the prior year.

Mercedes-Benz Vans – 2Q13A and new FY13E

2Q13 EBIT of EUR 204m/8.4%

In 2Q13, flat sales (+0.2% yoy) of 69.4k units generated a 3.6% yoy increase in EBIT to EUR 204m and a margin increase by 0.3%-pts to 8.4%. The EUR 7m yoy earnings improvement was the result of positive factors such as better pricing, lower material costs and reduced warranty expenses. Negative factors included a worse country and product mix, the latter following the addition of the city van Citan (GVW 1.79-2.2t) to the division's product portfolio, as well as advance expenditure for new products, including the forthcoming Sprinter Classic at a JV with GAZ in Russia.

Sprinter

Sales of the division's most important/dominant model, the Sprinter (GVW 3.0-5.0t) remained stable/unchanged yoy at 42.5k units in 2Q13, despite a sharp decline in demand in the division's most important Western Europe market that accounts for some two-thirds of divisional sales and despite the pending launch of a greatly updated version in autumn. Indeed, the Sprinter that is sold globally is responsible for the division's sharp sales increases in South America and China by 120% and 40% respectively.

Citan

In 2Q13, the sale of 5k units of the new city van Citan that, launched in October, is based on Renault's Kangoo and also produced by Renault, limited the sales decline in W Europe to 8.7% yoy. However, the Citan that completes the division's product portfolio at the bottom end has a diluting effect on margins.

We attribute the qoq EUR 123m improvement in EBIT to a jump in volumes (by 31.9% in sales and 15.3% in production) that greatly exceeds the normal seasonal pattern, some improvement in pricing and lower launch costs.

Mercedes-Benz Vans – Results, sales and production (1Q11 – FY13E)

	1Q11	2Q11	3Q11	4Q11	FY11	1Q12[1]	2Q12[1]	3Q12	4Q12	FY12	1Q13	2Q13A	1H13A	new 2H13E	new FY13E	old FY13E
(EUR m)																
Revenue	1,977	2,243	2,222	2,737	9,179	2,088	2,420	2,084	2,478	9,070	1,986	2,434	4,420	4,831	9,251	9,297
% change yoy	16.5	13.5	16.8	22.5	17.5	5.6	7.9	-6.2	-9.5	-1.2	-4.9	0.6	-2.0	5.9	2.0	2.5
EBIT	173	206	200	256	835	168	197	75	101	541	81	204	285	316	601	604
% change yoy	170.3	62.2	63.9	85.5	85.1	-2.9	-4.4	-62.5	-60.5	-35.2	-51.8	3.6	-21.9	79.7	11.2	11.7
EBIT margin (%)	8.8	9.2	9.0	9.4	9.1	8.0	8.1	3.6	4.1	6.0	4.1	8.4	6.4	6.5	6.5	6.5
One-offs	0	0	0	0	0	0	0	0	-64	-64	0	0	0	0	0	0
Adj. EBIT[1]	173	206	200	256	835	168	197	75	165	605	81	204	285	316	601	604
% change yoy	170.3	62.2	63.9	85.5	85.1	-2.9	-4.4	-62.5	-35.5	-27.5	-51.8	3.6	-21.9	31.8	-0.6	-0.1
Adj. EBIT margin (%)	8.8	9.2	9.0	9.4	9.1	8.0	8.1	3.6	6.7	6.7	4.1	8.4	6.4	6.5	6.5	6.5
Impl. unit/rev. (% yoy)	0.6	-0.9	-1.2	0.3	-0.3	11.4	5.8	6.9	-6.4	3.4	-7.4	0.4	-3.2	1.9	-0.6	1.7
Units ('000)																
Retail sales	53.1	66.8	64.0	74.9	258.9	52.1	68.2	58.9	71.1	250.3	52.8	68.6	121.4	-	-	-
% change yoy	19.7	19.9	17.6	20.2	19.4	-1.9	2.1	-8.0	-5.1	-3.3	1.2	0.7	0.9	-	-	-
Wholesales	54.0	68.0	63.5	78.7	264.2	51.2	69.3	55.7	76.1	252.4	52.6	69.4	122.1	137.0	259.1	254.3
% change yoy	15.8	14.5	18.2	22.1	17.8	-5.2	2.0	-12.2	-3.2	-4.5	2.7	0.2	1.3	3.9	2.6	0.8
Production	64.3	69.2	64.3	71.2	268.9	63.0	67.8	55.2	71.6	257.5	63.2	72.8	136.0	128.1	264.1	257.3
% change yoy	29.0	12.9	14.9	16.7	17.9	-2.0	-2.0	-14.2	0.6	-4.2	0.3	7.4	4.0	1.1	2.6	-0.1
Over-production	10.3	1.2	0.7	-7.5	4.7	11.8	-1.5	-0.6	-4.6	5.1	10.5	3.4	13.9	-8.9	5.0	3.0

Note: Old FY13E estimates refer to our Daimler report of April 16th. (1) As reported, not adjusted for effects from application of the amended version of IAS19. Source: Company data and CGI estimates

1Q13: EBIT of EUR 81m/4.1%

Indeed, in 1Q13, despite a 2.8% yoy increase in sales to 52.6k units the division had incurred a 52% decline in EBIT to EUR 81m and a margin squeeze by 3.9%-pts to 4.1%, due to a worse mix, pricing and costs related to the preparation for new products including launch costs for Sprinter Classic in Russia.

Management confirmed their FY13 guidance of late April of 'growth in unit sales' and EBIT in 'the magnitude of the prior year'. (See tables on pp.16 & 19 for details.)

FY13E trimmed

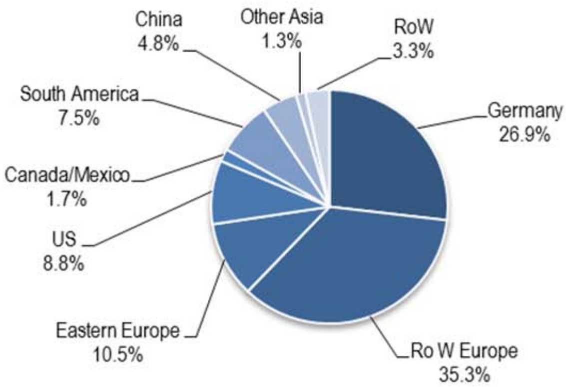
We expect for FY13E that a 2.6% increase in sales to 259.1k units will result in 0.6% dip in EBIT (on-going business) to EUR 601m and a 6.5% margin, moderately lower than FY12's 6.7%. An expected improvement in demand in 2H13E should get further support from the planned introduction of the next generation Sprinter in W Europe and the Sprinter Classic in Russia.

Mercedes-Benz Vans – Wholesales by market (1Q11 – FY13E)

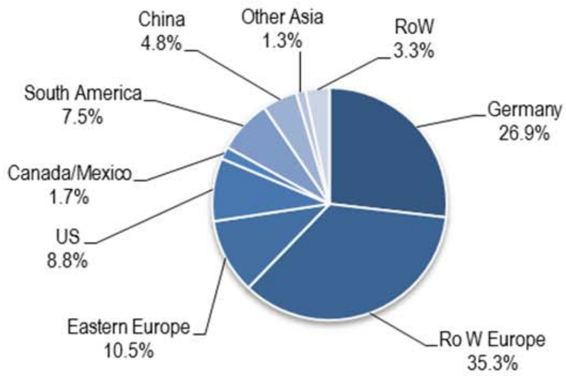
	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13A	1H13A	new 2H13E	new FY13E	old FY13E
Units ('000)																
- Germany	14.6	19.6	18.4	25.3	77.9	13.4	20.8	14.4	22.4	71.0	12.6	18.6	31.2	36.3	67.5	70.9
- Rest W Europe	22.9	26.2	21.8	29.6	100.5	20.9	25.7	18.7	28.6	93.9	20.1	24.4	44.5	46.4	90.8	91.5
Western Europe	37.5	45.8	40.1	54.9	178.3	34.4	46.5	33.1	50.9	164.9	32.6	42.5	75.1	83.2	158.3	162.4
Eastern Europe	4.7	5.7	5.5	6.8	22.6	4.6	6.5	5.8	7.1	24.0	5.2	7.2	12.5	13.6	26.1	24.7
- US	3.1	4.8	5.6	4.6	18.0	3.6	6.3	5.8	5.8	21.5	4.0	6.1	10.1	12.5	22.5	22.5
- Canada/Mexico	3.1	1.3	0.8	1.3	4.3	1.2	1.3	1.0	1.3	4.9	1.1	1.2	2.3	2.3	4.6	5.2
NAFTA	3.9	6.1	6.4	5.9	22.3	4.8	7.6	6.9	7.1	26.4	5.1	7.6	12.7	14.5	27.2	27.7
South America	2.7	3.1	3.6	4.3	13.7	2.9	2.3	4.3	4.4	14.0	4.1	5.2	9.3	14.5	23.7	14.9
- China	2.0	3.9	4.4	3.2	13.5	1.1	2.4	2.3	3.1	8.8	2.4	3.3	5.7	4.3	10.0	9.6
- Other Asia	1.0	1.0	1.0	1.1	4.1	1.2	1.0	1.0	1.1	4.3	0.7	0.9	2.0	1.9	4.0	4.6
Asia	3.1	5.0	5.4	4.2	17.6	2.2	3.4	3.2	4.2	13.1	3.0	4.7	7.7	6.3	14.0	14.2
Rest of World	2.2	2.3	2.5	2.6	9.6	2.2	3.0	2.4	2.4	10.0	2.5	2.3	4.8	5.0	9.8	10.3
M-B Vans	54.0	68.0	63.5	78.7	264.2	51.2	69.3	55.7	76.1	252.4	52.6	69.4	122.1	137.0	259.1	254.3
% chge yoy																
- Germany	15.1	22.3	20.1	39.1	25.2	-8.1	6.4	-22.1	-12.1	-8.8	-6.3	-10.8	-9.1	-1.1	-5.0	-0.2
- Rest W Europe	3.9	3.0	7.1	10.1	6.2	-8.5	-2.0	-14.1	-4.1	-6.6	-4.3	-5.0	-4.7	-2.1	-3.2	-2.5
Western Europe	8.0	10.5	13.1	22.1	13.8	-8.4	1.6	-18.1	-7.1	-7.5	-5.1	-8.7	-7.2	-1.1	-4.0	-1.5
Eastern Europe	71.7	42.6	37.1	20.1	38.1	-1.6	13.9	6.1	5.1	6.1	13.4	11.5	12.3	5.1	8.5	3.0
- US	26.7	73.8	97.1	86.1	72.0	16.2	32.7	5.1	25.1	19.1	11.8	-3.2	2.2	7.1	5.0	5.0
- Canada/Mexico	461.7	88.9	9.1	51.1	51.1	44.8	-4.0	33.1	3.1	14.6	-8.1	-7.0	-7.6	-4.1	-5.7	5.0
NAFTA	32.4	76.9	79.1	77.1	67.5	22.5	24.6	8.1	20.1	18.3	6.6	-0.2	2.4	4.1	3.0	5.0
South America	-2.6	-2.6	21.1	18.1	9.0	10.2	-24.6	19.1	2.1	2.2	39.5	120.0	75.2	67.1	70.0	7.0
- China	681.6	17.4	-3.1	-22.1	11.2	-48.0	-40.2	-48.1	0.1	-34.6	123.5	40.4	66.2	-20.1	13.2	8.5
- Other Asia	11.6	-30.9	-3.1	34.1	-2.8	15.8	0.8	-3.1	3.1	4.1	-43.8	-14.2	-8.3	-6.1	-7.0	7.0
Asia	160.3	2.4	-3.1	-13.1	7.6	-26.7	-31.7	-40.1	1.1	-25.6	35.3	37.7	36.8	-16.1	6.6	8.0
Rest of World	-6.1	-5.6	22.1	30.1	9.0	3.8	28.7	-5.1	-8.1	4.3	11.6	-23.0	-8.1	5.1	-2.0	3.0
M-B Vans	15.8	14.5	18.1	22.1	17.8	-5.2	2.0	-12.1	-3.1	-4.5	2.7	0.2	1.3	4.1	2.6	0.8
Share (%)																
- Germany	27.1	28.8	28.9	32.1	29.5	26.2	30.1	25.8	29.4	28.1	23.9	26.7	25.5	26.5	26.0	27.9
- Rest W Europe	42.4	38.6	34.3	37.6	38.0	40.9	37.1	33.5	37.5	37.2	38.1	35.1	36.4	33.8	35.1	36.0
Western Europe	69.5	67.4	63.2	69.8	67.5	67.1	67.1	59.4	66.9	65.3	62.0	61.2	61.5	60.7	61.1	63.9
Eastern Europe	8.6	8.4	8.6	8.6	8.6	9.0	9.4	10.4	9.3	9.5	9.9	10.4	10.2	9.9	10.1	9.7
- US	5.7	7.0	8.8	5.9	6.8	6.9	9.1	10.5	7.6	8.5	7.6	8.8	8.3	9.1	8.7	8.9
- Canada/Mexico	5.7	2.0	1.2	1.6	1.6	2.4	1.9	1.9	1.7	1.9	2.2	1.7	1.9	1.7	1.8	2.0
NAFTA	7.3	9.0	10.0	7.5	8.4	9.4	11.0	12.3	9.3	10.5	9.7	10.9	10.4	10.6	10.5	10.9
South America	5.0	4.6	5.7	5.4	5.2	5.8	3.4	7.7	5.7	5.5	7.8	7.4	7.6	10.5	9.2	5.9
- China	3.8	5.8	6.9	4.0	5.1	2.1	3.4	4.1	4.1	3.5	4.5	4.8	4.7	3.2	3.9	3.8
- Other Asia	1.9	1.5	1.6	1.3	1.6	2.3	1.5	1.7	1.4	1.7	1.3	1.3	1.7	1.4	1.5	1.8
Asia	5.7	7.3	8.5	5.3	6.7	4.4	4.9	5.8	5.6	5.2	5.8	6.8	6.3	4.6	5.4	5.6
Rest of World	4.0	3.4	4.0	3.3	3.6	4.4	4.3	4.3	3.2	4.0	4.8	3.3	3.9	3.7	3.8	4.1
M-B Vans	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Old FY13E estimates refer to our Daimler report of April 16th. Source: Company data and CGI estimates

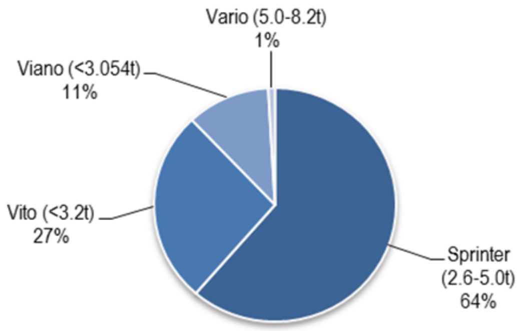
M-Benz Vans – Geographic split wholesales (2Q12)



M-Benz Vans – Geographic split wholesales (2Q13)

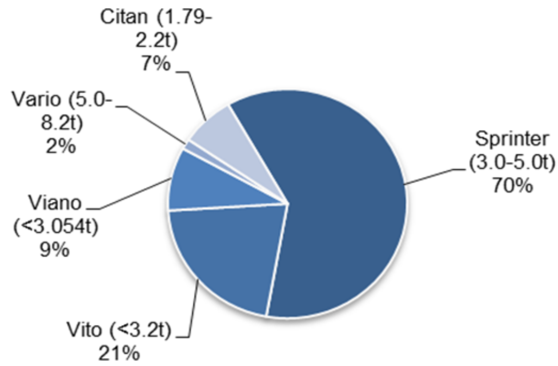


M-Benz Vans – Model split (2Q12)



Source: Company data and CGI calculations

M-Benz Vans – Model split (2Q13)



Source: Company data and CGI calculations

Management guidance 2013 (Feb 07)	Management guidance 2013 (Apr 24 & Jul 24)
Market assumptions: van markets	**Market assumptions: van markets**
• Europe: around -5%	• Europe: around -5%
Mercedes-Benz Vans: sales outlook	**Mercedes-Benz Vans: sales outlook**
• Increase in unit sales • Support from new city van Citan and new generation of Sprinter • Open new market potentials	• Growth in unit sales • Support from new Citan city van and new generation of Sprinter • Launch of Sprinter Classic in Russia
Mercedes-Benz Vans: EBIT outlook	**Mercedes-Benz Vans: EBIT outlook**
• Earnings are expected to be higher than in the prior year .	• Full-year EBIT is expected in the magnitude of the prior year.

Daimler Buses – 2Q13A and new FY13E

2Q13: EBIT of EUR 47m/5.0%

In 2Q13, despite yoy declines of 6.0% in bus sales to 7.9k units and of 8.1% in revenue, the division generated a EUR 47m EBIT (on-going business) and a 5.% margin, compared to a EUR -11m loss in 1Q12. The EUR 58m yoy improvement in EBIT was driven by an 8.1% increase in sales at the higher margin European business and significant efficiency gains from the GLOBE 2013 programme (EUR 44m).

Sharp qoq improvement driven by Europe

We attribute the qoq EUR 78m improvement in EBIT to a jump in volumes (by 31.2% in sales and 26.0% in production) that was driven by the higher margin European business where unit sales almost trebled.

1Q13

In 1Q13, the bus division had still been loss-making, though losses at EBIT level had halved yoy to EUR -31m. Contributing factors had been a 23% yoy recovery in bus sales (to 6.0k units), mainly in South America, efficiency enhancement, and a EUR 15m positive contribution from currency. The reported 23% yoy increase in unit sales was from an exceedingly weak 1Q12 when sales had collapsed 37% yoy due to collapsing sales in Brazil, where there had been pre-selling in 4Q11, ahead of the introduction of Euro V.

Daimler Buses – Results, sales and production (1Q11 – FY13E)

	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13A	1H13A	new 2H13E	new FY13E	new FY13E
(EUR m)																
Revenue	831	1,166	1,041	1,380	4,418	730	1,016	951	1,232	3,929	751	934	1,685	2,401	4,086	4,125
% change yoy	-17.8	-3.2	3.4	3.4	-3.1	-12.2	-12.9	-8.6	-10.7	-11.1	2.9	-8.1	-3.5	10.0	4.0	5.0
EBIT	-33	61	25	109	162	-103	-57	-45	-27	-232	-35	27	-4	19	15	25
% change yoy	-180.5	-22.8	127.3	29.8	-24.7	212.1	-193.4	-280.0	-124.8	-243.2	-66.0	-147.4	-97.5	-126.4	-106.5	-110.7
EBIT margin (%)	-4.0	5.2	2.4	7.9	3.7	-14.1	-5.6	-4.7	-2.2	-5.9	-4.0	2.9	-0.2	0.8	0.4	0.6
One-offs	0	0	0	0	0	-36	-46	-16	-57	-155	-4	-20	-24	-6	-30	0
Adj. EBIT[1]	-33	61	25	109	162	-67	-11	-29	30	-77	-31	47	20	25	45	25
% change yoy	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Adj. EBIT margin (%)	-4.0	5.2	2.4	7.9	3.7	-9.2	-1.1	-3.0	2.4	-2.0	-4.1	5.0	1.2	1.0	1.1	0.6
Impl.unit/rev.(% yoy)	-29.0	-15.5	-12.6	-15.3	-22.8	-7.4	9.3	1.8	3.8	10.1	-16.5	-2.2	-7.9	-0.1	-3.6	-15.9
Units ('000)																
Wholesales	7.7	10.6	9.2	12.2	39.7	4.9	8.4	8.3	10.5	32.1	6.0	7.9	13.9	20.7	34.6	32.9
% change yoy	-7.7	-2.5	1.4	13.1	1.6	-36.8	-20.3	-10.3	-14.0	-19.3	23.2	-6.0	4.7	10.1	7.9	2.5
Production	8.1	10.6	10.8	10.8	40.4	6.4	7.9	9.2	7.9	31.4	7.4	9.3	16.6	18.5	35.1	33.4
% change yoy	-7.9	-1.2	2.5	16.7	2.5	-21.8	-26.0	-14.8	-26.6	-22.3	15.5	17.7	16.7	7.9	451.4	6.4
Over-production	0.4	0.1	1.6	-1.4	0.7	1.5	-0.5	1.0	-2.6	-0.7	1.3	1.4	2.7	-2.2	0.5	0.5

Note: Old FY13E estimates refer to our Daimler report of April 16th. (1) As reported, not adjusted for effects from application of the amended version of IAS19. Source: Company data and CGI estimates

EBIT of EUR 45m/1.1% in FY13E

Management expect a 'considerable increase in unit sales' in FY13, though a deterioration in mix due to an expected increase in the share of bus chassis: European sales of complete buses are expected to remain stable at current low volumes whereas sales of bus chassis in Latin America are set to continue to grow strongly. The latter is under the condition that the current political situation in Brazil, the region's biggest market, does not have a negative impact on public transport. (See tables on pp.18 & 19 for details.)

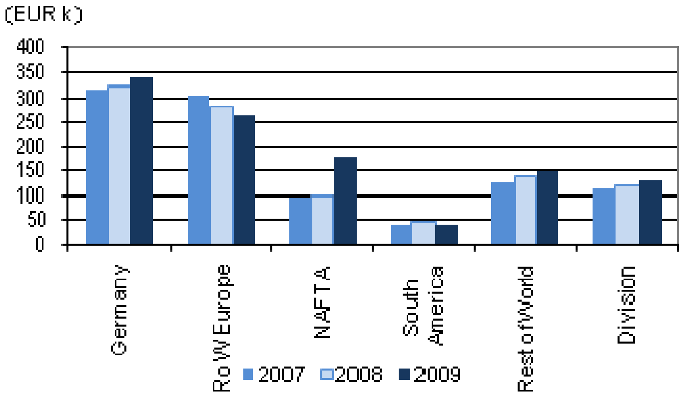
We expect for FY13E, that a 7.9% increase in bus sales will generate an EBIT (on-going business) of EUR 45m/1.1%, which implies a EUR 122m improvement from last year's result and a 2H13E of EUR 25m/1.0%.

Unit revenue and thus profit margins within the division are extremely diverse – ranging from <EUR 50k in South America, where DB sells mainly chassis, to some EUR 250k in W Europe and almost EUR 350k in Germany, where DB sells not only chassis but also fully built intercity buses, coaches and city buses. In addition, profitability is greatly affected by deliveries of bulk/fleet orders thus leading to a considerable fluctuation in quarterly results and margins.

Restructuring in Europe and North America

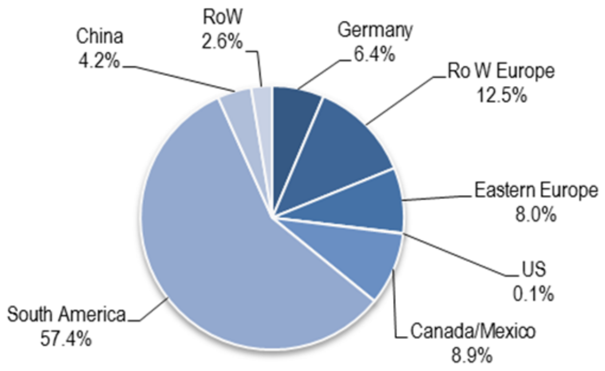
The "Globe 2013" growth-and-efficiency offensive that was launched in spring 2012 affects the entire value chain and all sites, though focuses on intensifying the co-operation within in the European production network and pursues further growth in traditional markets and expansion in new markets. The aim is to generate sustainable earnings improvement of EUR 200m by 2014; one-off charges amounted to EUR 0.16bn in FY12, EUR 0.02bn in 1H13 and should not exceed EUR 0.03bn in FY13E.

Daimler Buses– Unit revenue per market (2007-09)



Source: Company data and CGI calculations

Daimler Buses– Geographic split unit sales (2Q13)



Source: Company data and CGI calculations

Daimler Buses – Wholesales by market (1Q11 – 1H13)

	1Q11	2Q11	3Q11	4Q11	FY11	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13	1H13
Units ('000)													
- Germany	0.2	0.5	0.5	1.0	2.2	0.2	0.5	0.4	1.0	2.0	0.2	0.5	0.7
- Rest of W Europe	0.4	0.9	1.0	1.5	3.7	0.4	0.9	1.2	1.2	3.8	0.3	1.0	1.3
Western Europe	0.6	1.3	1.5	2.4	5.9	0.6	1.4	1.6	2.2	5.9	0.5	1.5	2.0
Eastern Europe	0.3	0.6	0.3	0.4	1.6	0.3	0.5	0.3	0.6	1.7	0.4	0.6	1.1
- US	0.1	0.1	0.1	0.2	0.5	0.0	0.2	0.1	0.1	0.4	0.0	0.0	0.0
- Canada/Mexico	0.6	0.9	0.8	1.2	3.5	0.5	0.9	0.9	1.2	3.6	0.3	0.7	1.1
NAFTA	0.6	1.0	1.0	1.4	4.0	0.6	1.1	1.0	1.3	4.0	0.4	0.7	1.1
South America	5.6	6.9	5.6	7.0	25.0	2.8	4.7	4.8	5.5	17.8	4.1	4.5	8.7
Asia	0.3	0.3	0.4	0.7	1.7	0.3	0.6	0.4	0.7	1.9	0.4	0.3	0.7
Rest of World	0.3	0.4	0.4	0.4	1.5	0.4	0.2	0.1	0.3	0.9	0.1	0.2	0.3
Daimler Buses	7.7	10.6	9.2	12.2	39.7	4.9	8.4	8.3	10.5	32.1	6.0	7.9	13.9
% chge yoy													
- Germany	-45.9	-1.9	-17.5	-9.8	-16.0	-7.5	-2.5	-28.2	0.4	-7.9	10.5	9.3	9.7
- Rest of W Europe	-39.9	-29.5	0.6	-11.1	-17.7	7.6	4.7	24.4	-15.9	2.2	-27.4	7.4	-3.6
Western Europe	-42.3	-21.8	-6.5	-10.6	-17.1	2.1	2.2	6.1	-9.3	-1.5	-14.9	8.1	0.8
Eastern Europe	95.2	61.6	-3.3	-12.6	25.4	-11.7	-10.5	8.4	49.6	6.8	56.3	19.0	32.1
- US	-57.1	-7.9	84.8	-9.6	-9.5	-40.6	26.4	-46.6	-42.1	-26.2	-58.5	-95.7	-88.2
- Canada/Mexico	73.8	-9.3	-20.0	30.3	6.6	-9.2	5.3	12.6	-2.8	1.9	-31.7	-25.7	-27.8
NAFTA	30.3	-9.1	-12.6	23.3	4.2	-12.7	8.0	3.8	-7.8	-1.7	-33.7	-36.0	-35.2
South America	-4.7	2.4	4.1	32.8	7.9	-49.9	-32.5	-13.8	-20.8	-28.9	48.4	-3.4	15.9
Asia	108.0	-6.7	10.6	4.0	14.0	-13.8	89.4	-3.9	2.6	13.1	50.2	-40.5	-10.8
Rest of World	-57.3	-30.9	46.4	-38.4	-31.6	26.1	-56.1	-78.5	-24.8	-37.1	-62.7	30.1	-35.0
Daimler Buses	-7.7	-2.5	1.4	13.1	1.6	-36.8	-20.3	-10.3	-14.0	-19.2	23.2	-6.2	4.6
Share (%)													
- Germany	2.9	4.5	5.8	8.0	5.6	4.3	5.5	4.6	9.4	6.3	3.8	6.4	5.3
- Rest of W Europe	5.1	8.3	10.9	11.9	9.4	8.6	10.9	15.1	11.7	11.9	5.1	12.5	9.3
Western Europe	8.0	12.8	16.6	20.0	15.0	12.9	16.4	19.7	21.1	18.2	8.9	18.9	14.5
Eastern Europe	4.2	5.6	3.2	3.0	4.0	5.8	6.3	3.9	5.2	5.3	7.4	8.0	7.7
- US	0.9	1.2	1.6	1.5	1.3	0.8	1.9	0.9	1.0	1.2	0.3	0.1	0.2
- Canada/Mexico	7.3	8.5	9.2	9.9	8.9	10.4	11.3	11.5	11.2	11.2	5.8	8.9	7.6
NAFTA	8.2	9.8	10.7	11.4	10.2	11.3	13.2	12.4	12.2	12.4	6.1	9.0	7.7
South America	71.9	65.7	60.6	56.9	63.0	57.0	55.7	58.2	52.4	55.4	68.6	57.4	62.3
Asia	4.0	2.8	4.4	5.4	4.2	5.5	6.6	4.7	6.4	5.9	6.7	4.2	5.3
Rest of World	3.8	3.4	4.4	3.3	3.7	7.5	1.9	1.1	2.9	2.9	2.3	2.6	2.4
Daimler Buses	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company data and CGI estimates

Management guidance 2013 (Feb 07)

Market assumptions: bus markets

- Western Europe: slightly above 2012
- Brazil: moderate growth

Daimler Buses: sales outlook

- Higher unit sales
- Growth supported by new M-B Citaro and Setra 500
- Maintain market leadership in core markets

Daimler Buses: EBIT outlook

- Earnings are expected to be higher than in the prior year.

Management guidance 2013 (Apr 24 & Jul 24)

Market assumptions: bus markets

- Western Europe: at prior year's level
- Brazil: moderate growth

Daimler Buses: sales outlook

- Higher unit sales
- Growth supported by new M-B Citaro and Setra 500
- Maintain market leadership in core markets

Daimler Buses: EBIT outlook

- Earnings are expected to be better than in the prior year.

Daimler management guidance for 2013

Market assumptions 2013 (Feb 07)	Market assumptions 2013 (Apr 24 & Jul 24)
Passenger vehicle markets	**Passenger vehicle markets**
• Global: +2% to 4% • Western Europe: moderate decline • US and Asia: growth in China and USA	• Global: +2% to 4% • Western Europe: decline • US and Asia: growth in China and USA
Truck markets	**Truck markets**
• NAFTA region: -10% to -5% • Europe: -5% to 0%, • Japan: around prior year • Brazil: up to +10%	• NAFTA region: up to -5% • Europe: around -5% • Japan: up to -5% • Brazil: up to +10%
Van markets	**Van markets**
• Europe: around -5%	• Europe: around -5%
Bus markets	**Bus markets**
• Western Europe: slightly above 2012 • Brazil: moderate growth	• Western Europe: at prior year's level • Brazil: moderate growth
Sales outlook FY13 (Feb 07)	**Sales outlook FY13 (Apr 24 & Jul 24)**
Mercedes-Benz Cars	**Mercedes-Benz Cars**
• Further unit sales increase • Strong momentum from new compact cars and SUVs • Launch of new CLA, E-Class and S-Class	• Further unit sales increase • Strong momentum from new compact cars and SUVs • Launch of new CLA, E-Class and S-Class
Daimler Trucks	**Daimler Trucks**
• Unit sales slightly above prior year • Further increase based on strong product portfolio • Growth of market share in major regions	• Unit sales slightly above prior year • Further increase based on strong product portfolio • Growth of market share in major regions
Mercedes-Benz Vans	**Mercedes-Benz Vans**
• Increase in unit sales • Support from new city van Citan and new generation of Sprinter • Open new market potentials	• Growth in unit sales • Support from new Citan city van and new generation of Sprinter • Launch of Sprinter Classic in Russia
Daimler Buses	**Daimler Buses**
• Higher unit sales • Growth supported by new Mercedes-Benz Citaro and Setra 500 • Maintain market leadership in core markets	• Higher unit sales • Growth supported by new M-B Citaro and Setra 500 • Maintain market leadership in core markets
EBIT outlook FY13 (Feb 07)	**EBIT outlook FY13 (Apr 24 & Jul 24)**
Group	**Group**
• Group EBIT from the ongoing business in 2013 is expected to reach the magnitude of the prior year, based on the anticipated recovery in the second half of the year.	• Based on our current market expectations and since there will be no further equity-method earnings from EADS, Group EBIT from ongoing business is expected to be below the previous year's level.
Mercedes-Benz Cars	**Mercedes-Benz Cars**
• Full-year EBIT is expected to be slightly lower than in 2012.	• Full-year EBIT is expected to be below the previous year's level.
Daimler Trucks, M-B Vans, Daimler Buses	**Daimler Trucks, M-B Vans,**
• Earnings are expected to be higher than in the prior year	• Full-year EBIT is expected in the magnitude of the prior year.
Daimler Financial Services	**Daimler Buses**
• EBIT slightly below prior-year level	• Earnings are expected to be better than in the prior year.
First half of 2013:	**Daimler Financial Services**
• Weaker earnings development anticipated compared with the first half of 2012, due to the expected weakness of major markets.	• EBIT slightly below prior-year level
Second half of 2013:	**Second half of 2013:**
• Earnings improvement expected compared with the level of the first half, due to the planned new models, the assumptions made for the development of markets important to Daimler and the increasing effects of the efficiency measures that have been initiated.	• Significant earnings improvement expected compared with the level of the first half, due to planned new models, increasing effects of the efficiency measures that have been initiated and assumptions made for the development of markets important to Daimler.

Outlook 2014E-15E

Earnings recovery to gain momentum

We estimate that 2Q13 marked a turn-around in Daimler's performance and expect that the earnings recovery forecast for 2H13E will gain momentum in 2014E and 2015E as external and internal factors in the group's main divisions should increasingly turn positive. An expected recovery in market demand should be supported by a positive, accelerating model momentum and further cost benefits from on-going efficiency programmes at Cars and Trucks (in the order of EUR 2.5bn in 2014E).

EBIT set to grow 28% to EUR 9.23bn/7.4 in 2014E…

Following declines in group EBIT (on-going business) of a reported 9.5% to EUR 8.13bn/7.1% in FY12A and an expected 11.7% to EUR 7.18bn/6.1% in FY13E, we expect a recovery by 28.0% to EUR 9.23bn/7.4% in 2014E and by 23.6% to EUR 11.40bn/8.7% in 2015E.

…and 24% to EUR 11.40bn/8.7%in 2015E

In 2014E-15E, we expect that group EBIT increases of EUR 2.02bn and EUR 2.18bn will be driven by M-B Cars, contributing increases of EUR 1.18bn and EUR 1.59bn and greatly supported by Tucks, contributing EUR 0.58bn and EUR 0.39bn. We thus expect that in 2015E at M-B Cars the sale of 1.73m vehicles will generate an EBIT of EUR 6.53bn/9.1% and at Trucks 0.53m unit sales an EBIT of EUR 2.67bn/7.6%.

In 2015E, profitability is set to reach 9.1% at M-B Cars and 7.6% at Trucks

Our estimates confirm that the car division is facing a considerably larger catch-up than Trucks. This is reflected in the considerably larger delta between current (1H13) performance and management's medium-term strategic targets of 5.1%-points at M-B Cars vs. 3.7%-points at Trucks. However, more importantly, at Trucks we attribute the low 1H13 profitability predominantly to cyclical factors such as weakness in market demand, whereas at M-B Cars we believe them to be almost equally attributable it to Mercedes-Benz specific issues.

M-B Cars has suffered from a considerably higher cost base than its peers, a narrower product portfolio, a negative model momentum that is only now turning positive and last, but by far not least, structural problems at all levels at the operations in China. In 2014E-15E, M-B Cars is therefore facing the double challenge of cutting structural costs and raising R&D and capex in the pursuit of growth and meeting tougher regulatory requirements

Daimler – Divisional EBIT (2006-2015E)

	2006	2007	2008	2009	2010	2011	2012	new 2013E	new 2014E	new 2015E	old 2013E	old 2014E
Revenue (EUR m)												
Mercedes-Benz Cars	51,410	52,430	47,772	41,318	53,426	57,410	61,660	64,126	67,974	71,713	63,818	70,117
Daimler Trucks	31,789	28,466	28,572	18,360	24,024	28,751	31,389	31,546	33,123	35,111	32,174	36,584
Daimler Financial Services	8,106	10,967	11,964	11,996	12,788	12,080	13,550	14,228	15,223	16,289	13,821	14,097
- Vans, buses & other	13,151	-	-	-	-	-	-	-	-	-	-	-
Mercedes-Benz Vans	8,277	9,341	9,479	6,215	7,812	9,179	9,070	9,251	10,232	10,232	9,297	10,232
Daimler Buses	4,042	4,350	4,808	4,238	4,558	4,418	3,929	4,086	4,331	4,591	4,125	4,373
Intra-group/reconciliations	-4,402	-3,985	-4,126	-3,203	-4,847	-5,298	-5,301	-5,801	-6,301	-6,801	-5,351	-5,701
Group	99,222	101,569	98,469	78,924	97,761	106,540	114,297	117,436	124,583	131,134	117,884	129,702
EBIT (EUR m)												
Mercedes-Benz Cars	3,231	4,835	2,498	-500	4,656	5,192	4,389	3,783	4,962	6,526	3,893	5,259
Daimler Trucks	2,133	1,957	1,811	-661	1,203	1,978	1,714	1,693	2,274	2,668	1,705	2,707
Daimler Financial Services	807	630	677	109	922	1,322	1,292	1,185	1,180	1,150	1,250	1,200
- Vans, buses & other	313	-	-	-	-	-	-	-	-	-	-	-
Mercedes-Benz Vans	-	571	818	26	451	835	605	601	757	941	604	890
Daimler Buses	-	308	406	183	215	162	-77	45	155	218	25	131
Intra-group/reconciliations	-427	-611	2	64	-235	-512	202	-100	-100	-100	-100	-100
Group EBIT (on-going bus.)	6,057	7,690	6,212	-779	7,212	8,977	8,125	7,208	9,229	11,404	7,377	10,087
One-offs	-1,065	1,020	-3,482	-734	62	-222	490	2,984	-55	-	2,702	0
Group EBIT (headline)	4,992	8,710	2,730	-1,513	7,274	8,755	8,615	10,192	9,174	11,404	10,079	10,087
Margin (%)												
Mercedes-Benz Cars	6.3	9.2	5.2	-1.2	8.7	9.0	7.1	5.9	7.3	9.1	6.1	7.5
Daimler Trucks	6.7	6.9	6.3	-3.6	5.0	6.9	5.5	5.4	6.9	7.6	5.3	7.4
Daimler Financial Services	10.0	5.7	5.7	0.9	7.2	10.9	9.5	8.3	7.8	7.1	9.3	8.5
- Vans, buses & other	2.4	-	-	-	-	-	-	-	-	-	-	-
Mercedes-Benz Vans	-	6.1	8.6	0.4	5.8	9.1	6.7	6.5	7.4	9.2	6.5	8.7
Daimler Buses	-	7.1	8.4	4.3	4.7	3.7	-2.0	1.1	3.6	4.7	0.6	3.0
Group EBIT (on-going bus.)	6.1	7.6	6.3	-1.0	7.4	8.4	7.1	6.1	7.4	8.7	6.3	7.8
Group EBIT (headline)	5.0	8.6	2.8	-1.9	7.4	8.2	7.5	8.7	7.4	8.7	8.6	7.8

Note: Old 2013E-14E estimates refer to our Daimler report of April 16th. Source: Company data and CGI estimates

Our forecast implies that we expect that by 2015E only M-B Vans will reach management's strategic financial return target (of 9%) and Trucks and M-B Cars will fall short of theirs by less than 1%-point. Management formulated for each industrial division the targets as normalised return on sales (EBIT margins) over a cycle. On October 24th 2012 management gave up hope of achieving the targets from 2013 onwards, as originally stated in February 2011.

Daimler – Medium-term financial targets by industrial division

(%)	FY10	FY11	FY12A	1Q13A	2Q13A	1H13A	2H13E	FY13E	2014E	2015E	Target	
Mercedes-Benz Cars	8.7	9.0	7.1	3.3	6.4	4.9	6.8	5.9	7.3	9.1	10.0	RoS
Daimler Trucks	5.0	6.5	5.5	1.8	6.5	4.3	6.3	5.4	6.9	7.6	8.0	RoS
Mercedes-Benz Vans	5.8	9.1	9.5	4.1	8.4	6.4	6.5	6.5	7.4	9.2	9.0	RoS
Daimler Buses	4.7	3.7	-2.0	-3.6	5.0	1.2	1.0	1.1	3.6	4.7	6.0	RoS

Source: Company data and CGI estimates

Daimler –Wholesales by division (2006-2015E)

	2006	2007	2008	2009	2010	2011	2012	new 2013E	new 2014E	new 2015E	old 2013E	old 2014E
Units ('000)												
Mercedes-Benz Cars	1,251.8	1,293.2	1,273.0	1,093.9	1,276.8	1,381.4	1,451.6	1,547.4	1,647.3	1,729.8	1,504.6	1,592.1
Daimler Trucks	516.1	467.7	472.1	259.3	355.3	425.8	461.9	470.8	496.8	529.2	477.3	532.7
Mercedes-Benz Vans	256.9	289.1	287.2	165.6	224.2	264.2	252.4	259.1	283.9	312.6	255.1	272.6
Daimler Buses	36.2	39.0	40.6	32.5	39.1	39.7	32.1	34.6	36.7	40.4	32.9	34.5
Group	2,061.0	2,089.0	2,072.9	1,551.3	1,895.4	2,111.1	2,197.9	2,311.9	2,464.7	2,612.0	2,269.9	2,432.0
%-change yoy												
Mercedes-Benz Cars	2.9	3.3	-1.6	-14.1	16.7	8.2	5.1	6.6	6.5	5.0	3.7	5.8
Daimler Trucks	1.3	-9.4	0.9	-45.1	37.0	19.8	8.5	1.9	5.5	6.5	3.3	11.6
Mercedes-Benz Vans	-3.9	12.5	-0.6	-42.3	35.4	17.8	-4.5	2.6	9.6	10.1	1.1	6.9
Daimler Buses	-0.1	7.9	3.9	-20.0	20.4	1.6	-19.3	7.9	6.0	10.0	2.5	5.0
Group	1.5	1.4	-0.8	-25.2	22.2	11.4	4.1	5.2	6.6	6.0	3.3	7.1

Note: Old 2013E-14E estimates refer to our Daimler report of April 16th. Source: Company data and CGI estimates

Daimler – Group P&L (2006-2015E)

(EUR m)	2006	2007	2008	2009	2010	2011	2012	new 2013E	new 2014E	new 2015E	old 2013E	old 2014E
- Revenue - industrial operations	91,116	90,602	86,505	66,928	84,973	94,460	100,747	103,209	109,360	114,845	104,063	115,605
- Revenue - financial services	8,106	10,967	11,964	11,996	12,788	12,080	13,550	14,228	15,223	16,289	13,821	14,097
Group revenue	99,222	101,569	98,469	78,924	97,761	106,540	114,297	117,436	124,583	131,134	117,884	129,702
- EBIT - industrial operations	4,185	8,080	2,053	-1,522	6,443	7,443	7,323	9,007	7,994	10,254	8,829	8,887
- EBIT - financial services	807	630	677	9	831	1,312	1,292	1,185	1,180	1,150	1,250	1,200
EBIT (headline)	4,992	8,710	2,730	-1,513	7,274	8,755	8,615	10,192	9,174	11,404	10,079	10,087
Net interest income/expense.	-90	471	65	-785	-646	-306	-897	-710	-600	-600	-600	-600
- PBT – industrial business	4,105	8,562	2,129	-2,297	5,807	7,146	6,438	8,307	7,404	9,664	8,239	8,297
- BPT - financial services	797	619	666	-1	821	1,303	1,280	1,175	1,170	1,140	1,240	1,190
Pre-tax profit	4,902	9,181	2,795	-2,298	6,628	8,449	7,718	9,482	8,574	10,804	9,479	9,487
Less tax charge/-credit	1,736	4,326	1,091	-346	1,954	2,420	1,223	1,569	2,459	3,082	2,052	2,883
- Net profit - industrial operations	2,753	2,611	957	-2,647	4,126	5,217	5,675	7,160	5,331	6,958	6,633	5,807
- Net profit - financial services	1,030	1,374	457	3	548	812	820	753	784	764	794	797
Net profit	3,783	3,985	1,414	-2,644	4,674	6,029	6,495	7,913	6,114	7,722	7,427	6,604
Discontinued operations	617	-870	-290	0	0	0	0	0	0	0	0	0
Group net profit – contin. ops.	3,166	4,855	1,704	-2,644	4,674	6,029	6,495	7,913	6,114	7,722	7,427	6,604
Less minorities	39	6	66	-4	176	362	400	1,790	20	30	1,586	300
Group net income - Daimler SHs	3,744	3,979	1,348	-2,640	4,498	5,667	6,095	6,123	6,094	7,692	5,841	6,304
EPS (EUR)	3.66	3.83	1.41	-2.63	4.28	5.32	5.71	5.73	5.71	7.20	5.48	5.91
EPS - continuing ops. (EUR)	3.06	4.67	1.71	-2.63	4.28	5.32	5.71	5.73	5.71	7.20	5.48	5.91
Margin (%)												
EBIT - industrial operations	4.6	8.9	2.4	-2.3	7.6	7.9	7.3	8.7	7.3	8.9	8.5	7.7
EBIT - financial services	10.0	5.7	5.7	0.1	6.5	10.9	9.5	8.3	7.8	7.1	9.0	8.5
Group EBIT	5.0	8.6	2.8	-1.9	7.4	8.2	7.5	8.7	7.4	8.7	8.6	7.8
Pre-tax profit	4.9	9.0	2.8	-2.9	6.8	7.9	6.8	8.1	6.9	8.2	8.0	7.3
Net profit - industrial operations	3.0	2.9	1.1	-4.0	4.9	5.5	5.6	6.9	4.9	6.1	6.4	5.0
Net profit - financial services	12.7	12.5	3.8	0.0	4.3	6.7	6.1	5.3	5.1	4.7	5.7	5.7
Net profit	3.8	3.9	1.4	-3.4	4.8	5.7	5.7	6.7	4.9	5.9	6.3	5.1
Group net profit – contin.ops.	3.2	4.8	1.7	-3.4	4.8	5.7	5.7	6.7	4.9	5.9	6.3	5.1
Tax rate (%)	35.4	47.1	39.0	15.1	29.5	28.6	15.8	16.6	28.7	28.5	21.6	30.4

Note: Old 2013E-14E estimates refer to our Daimler report of April 16th. Source: Company data and CGI estimates

EPS of EUR 5.71 and EUR 7.20 in 2-14E-15E

We expect Daimler to generate EPS of EUR 5.71 in 2014E, which implies a 36.9% increase from EUR 4.17 in FY13E, when adjusted for the impact of the divestment of EADS, and in line with headline FY13E EPS of EUR 5.73. For 2015E, we expect a further 26.2% increase in EPS to EUR 7.20 in 2015E.

Daimler – Industrial operations – cash flow (2006-2015E)

(EUR m)	2006	2007	2008	2009	2010	2011	2012	new 2013E	new 2014E	new 2015E	old 2013E	old 2014E
Net profit	2,753	2,611	957	-2,647	4,126	5,217	5,675	7,160	5,331	6,958	5,194	6,524
Depreciation and amortisation	7,173	4,220	2,988	3,231	3,335	3,553	4,042	4,128	4,374	4,594	3,840	4,338
Non-cash items	-1,009	1,815	-157	703	1,472	728	-2,027	-3,550	-500	-500	200	200
CF from operations	8,917	8,646	3,788	1,287	8,933	9,498	7,690	7,738	9,205	11,052	9,234	11,063
WCR (core)	-778	228	-1,177	-3,789	5,178	-1,215	-774	-400	-800	-800	-600	-600
WCR (incl. operating leases)	-2,460	-3,058	-2,188	5,257	1,133	-2,152	-163	-500	-900	-900	-500	-500
CF from operating activities	6,457	5,588	1,600	6,544	10,066	7,346	7,527	7,238	8,305	10,152	8,734	10,563
Capex	-5,845	-4,206	-3,518	-2,409	-3,641	-4,137	-4,804	-5,151	-4,683	-4,467	-5,390	-4,175
Change in investments	497	3,579	-546	-1,225	-1,029	-2,156	-604	-193	-800	-800	-1,400	-1,400
Other	1,570	2,676	-1,451	-204	36	-64	-667	-200	-200	-200	300	-200
FCF	2,679	7,637	-3,915	2,706	5,432	989	1,452	1,694	2,621	4,684	2,244	4,788
Dividends	-722	-1,179	-2,010	-654	-93	-2,249	-2,346	-2,349	-2,349	-2,437	-2,194	-2,125
Other (incl. share reps, issues)	135	-4,366	-3,881	2,127	-686	1,303	421	34	-473	53	122	-963
Net cash decrease/-increase	-2,092	-2,092	9,806	-4,179	-4,653	-43	473	621	200	-2,300	-172	-1,700
Net cash/-debt	10,820	12,912	3,106	7,285	11,938	11,981	11,508	10,887	10,687	12,987	10,600	12,300

Note: Old 2013E-14E estimates refer to our Daimler report of April 16th. Source: Company data and CGI estimates

Overview

Daimler– overview (2006-15E)

Current price (EUR)	54.21									
Market capitalisation (EUR bn)	57.95									
Shares (m)	1,067.6									
Values per share (EUR)	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
EPS	3.66	3.83	1.41	-2.63	4.28	5.32	5.71	5.73	5.71	7.20
EPS – continuing operations	3.06	4.67	1.71	-2.63	4.28	5.32	5.71	5.73	5.71	7.20
CFPS	16.02	13.68	6.43	0.02	7.71	8.44	8.10	6.66	8.06	9.78
BVPS	35.91	36.21	33.66	29.55	34.14	37.16	41.10	44.64	48.06	52.39
DPS	1.50	2.00	0.60	0.00	1.85	2.20	2.20	2.20	2.28	2.88
Free CFPS - industrial	2.62	7.36	-4.09	2.70	5.17	0.93	1.36	1.59	2.45	4.39
Stock market ratios (x)										
P/E	14.8	14.1	38.5	NM	12.7	10.2	9.5	9.5	9.5	7.5
P/E – continuing operations	17.7	11.6	31.7	NM	12.7	10.2	9.5	9.5	9.5	7.5
P/CF	3.4	4.0	8.4	NM	7.0	6.4	6.7	8.1	6.7	5.5
P/BV	1.5	1.5	1.6	1.8	1.6	1.5	1.3	1.2	1.1	1.0
P/revenue	0.58	0.57	0.59	0.73	0.59	0.54	0.51	0.49	0.47	0.44
Dividend yield (%)	2.8	3.7	1.1	0.0	3.4	4.1	4.1	4.1	4.2	5.3
Free CF yield (%)	4.8	13.6	-7.5	5.0	9.5	1.7	2.5	2.9	4.5	8.1
EV (EUR m)	38,730	42,160	51,720	47,561	42,727	42,761	42,956	42,232	42,540	40,074
EV/revenue – industrial (%)	42.5	46.5	59.8	71.1	50.3	45.3	42.6	40.9	38.9	34.9
EV/EBITDA - industrial	3.4	3.4	10.3	27.8	4.4	3.9	3.8	3.2	3.4	2.7
Group P&L (EUR m)										
Revenue	99,222	101,569	98,469	78,924	97,761	106,540	114,297	117,436	124,583	131,134
- Industrial operations	91,116	90,602	86,505	66,928	84,973	94,460	100,747	103,209	109,360	114,845
- Financial services	8,106	10,967	11,964	11,996	12,788	12,080	13,550	14,228	15,223	16,289
EBIT	4,992	8,710	2,730	-1,513	7,274	8,755	8,615	10,192	9,174	11,404
- Industrial business	4,185	8,080	2,053	-1,522	6,443	7,443	7,323	9,007	7,994	10,254
- Financial services	807	630	677	9	831	1,312	1,292	1,185	1,180	1,150
EBITDA	17,936	16,720	5,753	1,751	10,638	12,330	12,682	14,346	13,573	16,022
Net interest	-90	471	65	-785	-646	-306	-897	-710	-600	-600
Pre-tax profit	4,902	9,181	2,795	-2,298	6,628	8,449	7,718	9,482	8,574	10,804
Less tax charge/-credit	1,736	4,326	1,091	-346	1,954	2,420	1,223	1,569	2,459	3,082
Net profit - continuing operations,	3,166	4,855	1,704	-2,644	4,674	6,029	6,495	7,913	6,114	7,722
Less minorities	39	6	66	-4	176	362	400	1,790	20	30
Group NI - Daimler SHs (cont.ops)	3,127	4,849	1,638	-2,640	4,498	5,667	6,095	6,123	6,094	7,692
Combined net income – Daimler SHs	3,744	3,979	1,348	-2,640	4,498	5,667	6,095	6,123	6,094	7,692
CF - industrial business (EUR m)										
CF from operations	8,917	8,646	3,788	1,287	8,933	9,498	7,690	7,738	9,205	11,052
Working capital	-2,460	-3,058	-2,188	5,257	1,133	-2,152	-163	-500	-900	-900
CF from operating activities	6,457	5,588	1,600	6,544	10,066	7,346	7,527	7,238	8,305	10,152
Capital expenditure (excl. R&D)	-5,845	-4,206	-3,518	-2,409	-3,641	-4,137	-4,804	-5,151	-4,683	-4,467
Other	2,067	6,255	-1,997	-1,429	-993	-2,220	-1,271	-393	-1,000	-1,000
Free CF	2,679	7,637	-3,915	2,706	5,432	989	1,452	1,694	2,621	4,684
BS - industrial business (EUR m)										
Gross Liquidity	12,098	16,170	5,623	11,808	10,793	10,079	13,728	12,987	12,587	14,687
ST financing liabilities	1,793	6,886	6,057	7,874	4,525	12,525	8,067	6,800	7,000	7,200
LT liabilities	-4,447	-11,905	-10,505	-13,390	-3,480	-10,250	-10,950	-8,900	-8,900	-8,900
Financing liabilities	-2,654	-5,019	-4,448	-5,516	1,045	2,275	-2,883	-2,100	-1,900	-1,700
Market valuation/currency hedging	1,376	1,761	1,931	993	300	-373	663	0	0	0
Financial liabilities (nominal)	-1,278	-3,258	-2,517	-4,523	1,145	1,902	1,902	-2,100	-1,900	-1,700
Net liquidity	10,820	12,912	3,106	7,285	11,938	11,981	11,508	10,887	10,687	12,987
Shareholders' funds	28,525	33,840	28,092	27,157	33,088	35,964	39,357	41,729	44,936	48,971
Profitability and financial ratios (%)										
EBIT	5.0	8.6	2.8	-1.9	7.4	8.2	7.5	8.7	7.4	8.7
- Industrial business	4.6	8.9	2.4	-2.3	7.6	7.9	7.3	8.7	7.3	8.9
- Financial services	10.0	5.7	5.7	0.1	6.5	10.9	9.5	8.3	7.8	7.1
EBITDA	18.1	16.5	5.8	2.2	10.9	11.6	11.1	12.2	10.9	12.2
Pre-tax profit	4.9	9.0	2.8	-2.9	6.8	7.9	6.8	8.1	6.9	8.2
Net profit - continuing operations	3.2	4.8	1.7	-3.4	4.8	5.7	5.7	6.7	4.9	5.9
Tax rate (%)	35.4	47.1	39.0	15.1	29.5	28.6	15.8	16.6	28.7	28.5

Source: Company data and CGI estimates

Daimler Shares - our view

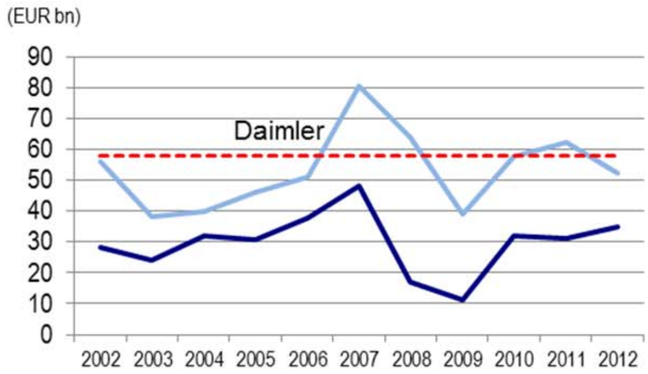
At EUR 54.21, Daimler shares are trading…

Daimler's share price has gained 32.5% YTD, making Daimler the best performing German OEM by far. The current share price of EUR 54.21 is a 52-week high, 54% up from the 52-week low of EUR 35.15 (Nov. 16th 2012) and remains 7% below the post crisis high of EUR 58.46 (January 18th, 2011) and 86% above the post-crisis low of EUR 29.16 (on November 29th, 2011). However, unlike BMW and VW, Daimler shares are still trading (30%) below the pre-crisis high of EUR 77.76 (October 2007).

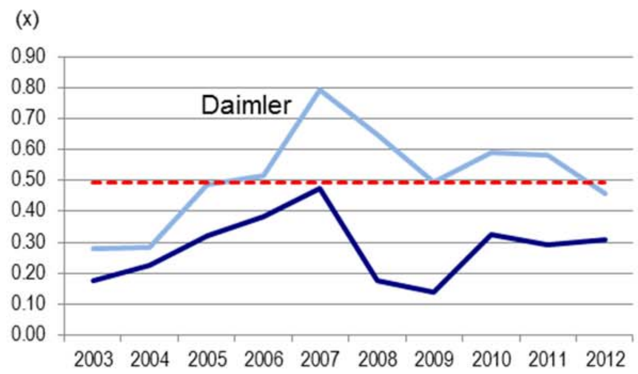
…at a 15% discount to the 10-year low historic valuation

At EUR 54.21, Daimler shares are currently valued at 9.5x prospective 2014E earnings and 7.5x prospective 2015E earnings; the latter is at a 28% discount to the 5-year average historic valuation of 10.5x and at a 15% discount to the 10-year low historic valuation of 8.9x. This is inconsistent with the implication that our estimates for 2015E EPS (EUR 7.20) are 75% above the 5-year average of EUR 4.11 and 99% above the 10-year average of EUR 3.62.

Daimler – Market capitalisation – historic range (2002-12) vs. current valuation



Daimler – Price/revenue – historic range (2003-12) vs. current valuation (2013E)



Daimler – Historic valuation (2000-2012)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	10- yr average[1]	5-yr average[2]
EPS (EUR)	7.87	-0.59	5.06	0.44	2.43	4.09	3.66	3.83	1.41	-2.63	4.28	5.32	5.71	3.62	4.11
P/E -high	10.2	NM	11.0	85.4	16.3	21.2	16.4	16.7	38.9	NM	12.8	11.0	8.6	15.5	13.5
P/E-low	5.4	NM	5.6	53.9	13.0	14.0	12.1	9.9	10.5	NM	7.1	5.5	5.7	8.9	7.2
P/E-average	7.8	NM	8.3	69.6	14.6	17.6	14.2	13.3	24.7	NM	10.0	8.2	7.2	12.4	10.5

(1) 10-year average: 2003-12, excl. 2009. (2) 5-year average 2007-12, excl. 2009. Source: Company data and CGI estimates

Daimler – Current valuation (2004-2015E)

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
Daimler EPS (EUR)		2.43	4.09	3.66	3.83	1.41	-2.63	4.28	5.32	5.71	5.73	5.71	7.20
Current Daimler PE (x)		22.3	13.3	14.8	14.1	38.5	NM	12.7	10.2	9.5	9.5	9.5	7.5
% vs. 5-yr high	(13.5x)	66	-1	10	5	186	NM	-6	-24	-29	-30	-29	-44
% vs. 5-yr low	(7.2x)	209	84	105	96	434	NM	76	41	32	31	32	4
% vs. 5-yr average	(10.5x)	113	27	41	35	268	NM	21	-3	-9	-10	-9	-28
% vs. 10-yr high	(15.5x)	44	-15	-5	-9	148	NM	-18	-34	-39	-39	-39	-52
% vs. 10-yr low	(8.9x)	150	49	66	59	332	NM	42	14	7	6	7	-15
% vs. 10-yr average	(12.4x)	80	7	20	14	211	NM	2	-18	-23	-24	-23	-39

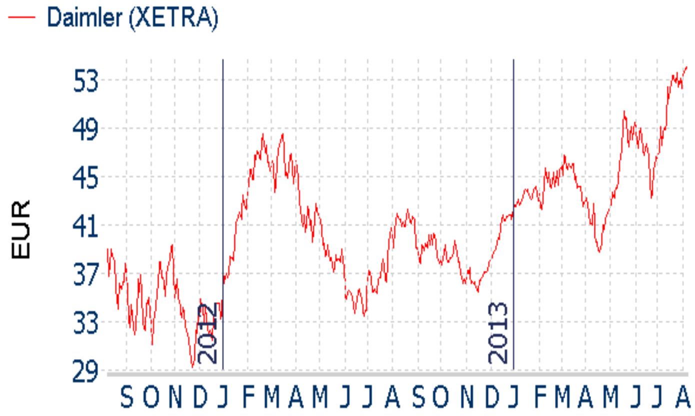
Source: Company data and CGI estimates

Daimler – Current valuation (price/revenue) put in context

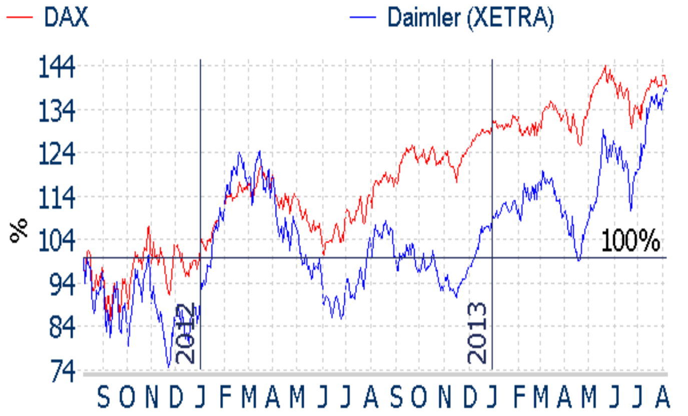
	Historic average price/revenue (x)	Historic average price/revenue (x)	Current valuation p/revenue 2013E (0.49x) vs. historic highs/lows (%)		Current valuation p/revenue 2014E (0.47x) vs. historic highs/lows (%)	
	10 years[1]	5 years[2]	10-yr average	5-yr average	10-yr average	5-yr average
High	0.46x	0.55x	6.3	-9.6	0.2	-14.8
Low	0.25x	0.22x	100.3	123.3	88.8	110.5

(1) 2003-2012; (2) 2008-12. Source: Company data and CGI estimates

Daimler– share price (- 2 years)

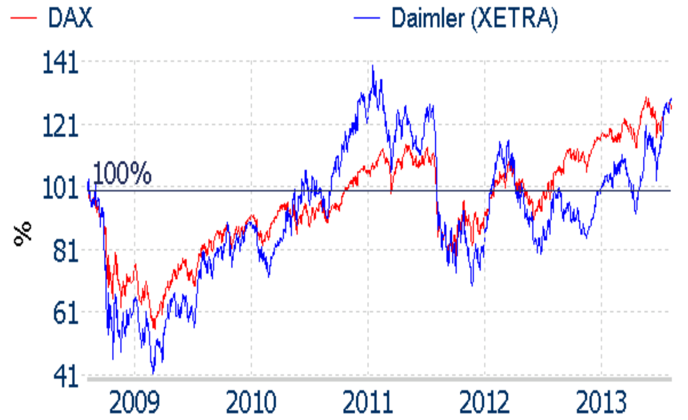


Daimler vs. DAX 30 Index (- 2 years)



Daimler– share price (- 5 years)

Daimler vs. DAX 30 Index (- 5 years)



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