

ARCHIVED REPORT

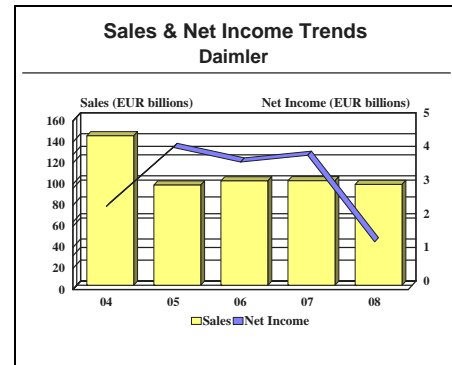
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Daimler AG

Outlook

- The company renamed itself Daimler following the divestiture of Chrysler in 2007
- Company presence in aerospace is derived from its interest in the European Aeronautic Defence and Space Company (EADS)
- Daimler has reduced its stake in EADS, but retains full voting rights



Headquarters

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Daimler was initially founded in 1926 as Daimler-Benz, when the automotive and industrial pioneers Gottlieb Daimler and Karl Benz merged the operations of their companies. Gottlieb Daimler had initially formed his company in 1882, while Karl Benz began the operation of his firm in 1883. Thus, Daimler can be considered the oldest automotive concern in the world.

Daimler continued throughout both world wars, with its Mercedes-Benz division becoming one of the world's foremost automobile manufacturers, known for its high quality and constant innovation.

In 1998, Daimler-Benz and Chrysler Corporation completed their \$37 billion merger. The merger, one of the largest in industrial history, created DaimlerChrysler AG, an international transportation and services company that ranked as one of the largest in the world.

However, the merger failed to deliver financially, and in May 2007 DaimlerChrysler sold Chrysler to Cerberus Capital Management of New York, a private equity firm, for \$7.4 billion. Following the divestiture, the company renamed itself Daimler in October 2007.

As of December 31, 2008, Daimler employed a workforce of 273,216 people worldwide.

For details on Daimler's former aerospace operations, please see the reports "MTU Aero Engines" and "EADS" located in this binder.

Structure and Personnel

Board of Management

Dieter Zetsche
Chairman and Head of Mercedes Car Group

Members of the Board of Management

Wilfried Porth
Human Resources & Labor Relations Director
Andreas Renschler
Daimler Trucks

Bodo Uebber
Finance & Controlling
Thomas Weber
Group Research & Mercedes-Benz Cars
Development

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Product Area

Daimler focuses on automotive technology. The company manages its operations as follows:

1. Mercedes-Benz Cars
2. Daimler Trucks
3. Daimler Financial Services
4. Vans, Buses, Other
 - 4.1 EADS (7.5%)
 - 4.2 Chrysler Holding LLC (19.9%)

Mercedes-Benz Cars. Passenger car brands include Maybach, Mercedes-Benz, and Smart.

Daimler Trucks. Trucks and other commercial vehicles are produced under the Mercedes-Benz,

Freightliner, Sterling, Western Star, Thomas Built Buses, and Fuso brands.

Daimler Financial Services. This group's product portfolio mainly comprises financing and leasing packages for dealers and customers, but it also provides services such as insurance and fleet management.

Vans, Buses, Other. The Vans, Buses, Other segment primarily comprises the units Mercedes-Benz Vans and Daimler Buses, equity interests in EADS and Chrysler Holding LLC, and real estate activities.

EADS. Daimler's presence in this area stems from its equity stake in EADS. For details, see the individual report on EADS located in this binder.

Facilities

Since the formation of EADS, DaimlerChrysler Aerospace (DASA) has been fully absorbed into that company. Please see the full report on EADS for details. For details on DaimlerChrysler's former aero-engine operations, please see the "MTU Aero Engines" report.

Corporate Overview

Daimler is Germany's biggest industrial company. The company is a supplier of premium passenger cars as well as one of the world's largest manufacturers of commercial vehicles.

New Products and Services

No major new aerospace or defense products have been announced by DaimlerChrysler.

Plant Expansion/Organization Update

Company Renamed. In October 2007, the Extraordinary Shareholders' Meeting of DaimlerChrysler AG approved renaming the company Daimler AG by a 98.76 percent majority.

EADS Stake Reduced. In February 2007, Daimler reached an agreement with a consortium of private and public sector investors by which it will effectively reduce its shareholding in EADS from 22.5 percent to 15 percent as planned, while maintaining the balance of voting rights between Germany and French controlling shareholders. DaimlerChrysler placed its entire 22.5 percent equity interest in the European Aeronautic Defence and Space Company (EADS) into a new company, in which the consortium of investors will acquire a one-third interest through a special-purpose entity. This effectively represents a 7.5 percent stake in

EADS. The structure of this transaction underscores Daimler's links with EADS as one of its industrial partners and its main German shareholder.

Mergers/Acquisitions/Divestitures

Chrysler Stake Divested. In May 2007, Daimler agreed to sell a majority stake in Chrysler to Cerberus for EUR5.5 billion (\$7.4 billion). Under the plan, Cerberus acquired an 80.1 percent equity interest in a new company, Chrysler Holding LLC, with Daimler retaining 19.9 percent. In turn, Chrysler Holding LLC holds 100 percent each of Chrysler Corporation LLC, which produces and sells Chrysler, Dodge and Jeep vehicles, and Chrysler Financial Services LLC, which provides financial services for these vehicles in North America.

MTU Friedrichshafen Unit Sold. In January 2006, DaimlerChrysler sold its DaimlerChrysler Off-Highway business unit to the private equity fund EQT. The sale covered 100 percent of German engine manufacturer MTU Friedrichshafen, including the Off-Highway part of Detroit Diesel in the USA. The deal was valued at about EUR1.6 billion (\$1.9 billion).

DaimlerChrysler divested its off-highway activities as a part of the group's effort to focus more on the core automotive business. In September 2005,

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DaimlerChrysler acquired the shares in MTU Friedrichshafen GmbH held by the family shareholders, bringing its equity interest up to 100 percent, and then initiated an open bidding process for the sale of DaimlerChrysler Off-Highway.

MMC Stake Sold. In November 2005, DaimlerChrysler agreed to sell its 12.4 percent remaining equity interest in Mitsubishi Motors Corporation (MMC). The current cooperation projects between DaimlerChrysler and MMC would not be affected by the disposal, and would continue as previously agreed. Some examples of such projects are the joint development and production of engines, the shared use of vehicle architecture, and the joint production of passenger cars, sport utility vehicles, and pickup trucks in Europe, North America, China, and South Africa.

debis AirFinance Sold. In April 2005, the shareholders in debis AirFinance, which include DaimlerChrysler Services, DaimlerChrysler, Bayerische Landesbank, Dresdner Bank, DZ BANK, and HypoVereinsbank, agreed to sell their shares to the American investor Cerberus Capital Management. Cerberus thus acquired a major supplier in the aircraft leasing and fleet management sector. Cerberus took over the company's entire business, including all of its liabilities.

MTU Aero Engines Sold. In December 2003, U.S. investment company Kohlberg Kravis Roberts & Co (KKR) acquired MTU Aero Engines GmbH from DaimlerChrysler for EUR1.45 billion. The sale of MTU was part of DaimlerChrysler's efforts to focus more closely on its core auto business. MTU Aero Engines

employed some 8,300 people at the time and achieved revenues of about EUR2.2 billion in 2002. For details on MTU and its programs, please see the "MTU Aero Engines" report located in this binder.

Teaming/Competition/Joint Ventures

General Motors. In December 2004, Daimler and General Motors Corporation (GM) announced a cooperative effort to advance the state of hybrid technology. The companies planned to work together to develop a two-mode full hybrid propulsion architecture for applications in GM, Chrysler Group, and Mercedes Car Group vehicles. Variants planned included rear- and front-wheel-drive versions for cars, trucks, and other vehicles. This technology is expected to improve acceleration performance while also significantly improving vehicle fuel economy and range. The development of common hybrid propulsion architecture is the basis of the cooperation. The two-mode full hybrid drive system will be mated to different engines, and the respective vehicle programs will have unique performance dynamics and calibration. Each company will integrate the two-mode full hybrid into its own vehicles.

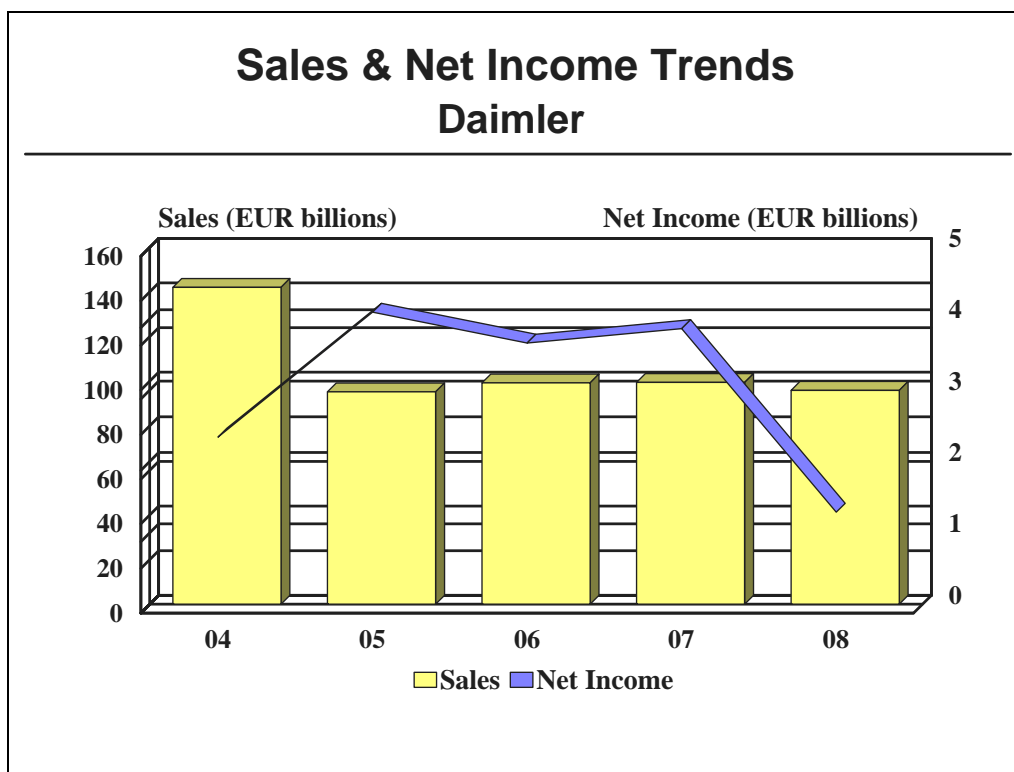
Hyundai. In June 2001, Daimler and Hyundai Motor Company announced a 50/50 joint venture focused on production of DaimlerChrysler's 900 series diesel engines in Korea. The initial investment in plant and equipment for the production of the 900 series engine was approximately \$180 million. This move marked the first step in the commercial-vehicle joint development that was proposed following the earlier agreement of a strategic alliance between the two companies. Under the agreement, Daimler and Hyundai Motor have the option to expand investment in the new company at a mutually agreed-upon later date.

Financial Results/Corporate Statistics

Daimler AG posted revenues of EUR95.9 billion in 2008, down 3 percent from 2007. The company posted net income of EUR1.4 billion for the year, compared with EUR4.08 billion in 2007. Results have been restated to conform to the company's current presentation (which excludes Chrysler). The U.S. dollar figure, in millions, is translated as of December 31, 2008, at the rate of EUR1 = \$1.4095.

Y/E December 31	2004	2005	2006	2007	2008	2008
(EUR millions)						USD
Net Sales	142,059	95,209	99,222	99,399	95,873	135,136
Net Income	2,466	4,215	3,783	3,985	1,414	1,993

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**Industry Segments**

A breakdown of Daimler's sales and income by major market segment for past four years is provided below.

SALES	2005	2006	2007	2008
(EUR millions)				
Mercedes Car Group	47,831	51,410	52,430	47,772
Truck Group	29,922	31,789	28,466	28,572
Services	7,794	8,106	8,711	9,282
Van, Bus, Other	14,267	13,151	14,123	14,970
Eliminations	-4,605	-5,234	-4,331	-4,723
TOTAL	95,209	99,222	99,399	95,873

OPERATING INCOME	2005	2006	2007	2008
(EUR millions)				
Mercedes Car Group	-787	1,783	4,753	2,117
Truck Group	1,564	1,851	2,121	1,607
Services	513	807	630	677
Van, Bus, Other	1,867	1,327	1,956	-1,239
TOTAL	3,157	5,768	9,460	3,162

Strategic Outlook

With the automotive industry tanking in the current economy, it would appear that Daimler got out while the getting was good. Almost 10 years after the merger of Daimler-Benz and Chrysler Corporation, DaimlerChrysler sold off its troubled Chrysler operation for \$7 billion to a U.S.-based private equity firm in early

2007 – quite a turnaround from the \$37 billion Daimler originally paid in 1998.

With Chrysler off its hands for the most part, the newly renamed Daimler is focusing on what it knows best – high-end cars and trucks. However, even these markets

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are expected to be hit hard in the year ahead as the world struggles through a recession.

In terms of aerospace and defense, the company's interest is limited with the sole exception that the firm is Germany's largest shareholder in EADS. Even here, the company has hived off its interest into a separate subsidiary (which it controls) and has steadily lowered its interest in EADS.

The tricky part is that Germany wants to continue to keep a balance in voting rights with France, EADS' other major participant. While DaimlerChrysler has been selling its shares, the voting rights of those shares

have remained with DaimlerChrysler, possibly indefinitely, which would allow the Germans to retain equal power within EADS along with the French.

The need for governments to exert their ownership rights given the problems at EADS' flagship Airbus operation has become acute as Airbus executives consider cost-cutting programs and facility reorganizations. The fear is that reduced German ownership of EADS could mean that German jobs and factories would be harder hit than their French counterparts.

Prime Award Summary

Unavailable

Program Activity

Business Interests. DaimlerChrysler offers comprehensive design, development, manufacturing, and support services in the following sectors:

- Automobiles
- Trucks
- Automotive propulsion systems and components
- Aerospace and defense

Aerospace

All of DaimlerChrysler's aerospace operations were run by DaimlerChrysler Aerospace (DASA), which was merged into EADS in return for a 33 percent stake. In 2006, the company reduced its stake in EADS to 7 percent as part of a strategy of focusing on its core automotive markets.

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