

Outlook

The statements made in the Outlook chapter are generally based on the operational planning of Daimler AG as approved by the Board of Management and Supervisory Board in December 2012 for the years 2013 and 2014. This planning is based on premises regarding the economic situation, which are derived from assessments made by renowned economic institutions, and on the targets set by our divisions. The prospects for our future business development as presented here reflect the opportunities and risks offered by anticipated market conditions and the competitive situation. We are constantly adjusting our expectations, taking into account the latest forecasts on the development of the world economy and of automotive markets, as well as our recent business development. The statements made below are based on the knowledge available to us in February 2013.

World economy

The world economy started the year 2013 with only moderate momentum. The global economy is generally following a sideways movement at the beginning of the year and should therefore at least have left the falling growth rates of last year behind. Nonetheless, the situation remains very difficult and no significant acceleration is to be expected – if at all – before the second half of the year. As in 2012, the world economic outlook is still affected by the difficult situation in the industrialized countries. And developments in the European Monetary Union (EMU) are still particularly critical. Although the various measures taken by the European Central Bank have significantly reduced the risks of the disintegration of the EMU, the underlying problems of the sovereign-debt crisis are far from solved. It must therefore be assumed also for the year 2013 that particularly in Europe, the crisis of confidence amongst investors and consumers will last a long time.

Against this backdrop, the economic outlook for the EMU worsened perceptibly at the beginning of this year. After last year's recession, gross domestic product is likely to remain flat at best in 2013. Although the overall dampening effects on economic growth of the austerity measures should be weaker than in 2012, the unchanged need for fiscal consolidation efforts continues to restrict domestic demand. So this year, not only small peripheral countries, but also larger economies such as Italy and Spain will once again post decreases in their GDP. While a number of other countries will at best achieve marginal growth, the German economy is likely to develop better than the EMU average once again. But also Germany will find it very difficult to achieve growth of more than 1%, and the consensus expectations at the beginning of the year are distinctly lower than that.

The economic outlook for the United States is significantly better than for Europe, and the currently available leading indicators confirm this picture. At the turn of the year, the dominant economic issue was avoiding the so-called "fiscal cliff" resulting from the discontinuation of fiscal stimuli on the one hand and automatic budget cuts on the other. Although agreement was finally reached between US politicians to avoid most of the negative fiscal effects on the economy that would otherwise have occurred in the first quarter, public debt remains a serious problem in the United States. With forecast GDP growth of approximately 2%, the prospects for the US economy therefore remain limited. In Japan, growth expectations had fallen so substantially below 1% that in January, the new government announced a stimulus program and the central bank announced additional expansive monetary measures.

In view of the economically rather disappointing industrialized countries with hardly more than 1% growth, the emerging markets will once again be the drivers of the world economy. In total, the emerging economies should grow by approximately 5% in 2013, and would thus account for three quarters of global growth. It will be of overriding importance that economic stabilization in China makes further progress and that the measures initiated take effect so that economic growth in the magnitude of about 8% is possible. It will also be important that Brazil gains perceptible impetus from increased

investment after last year's economic blip, and that the Indian economy can overcome its phase of weakness. But growth should also occur in 2013 in those economies of Central and Eastern Europe which were still in recession last year. However, the growth weakness of the major sales markets of Western Europe will prevent a more favorable development. In the Middle East, considerable geopolitical tension is worsening the economic outlook. Further escalation could lead for example to large fluctuations in the price of oil.

In total therefore, global economic output could expand by approximately 2.5% to 3% at best in 2013. This would then be another below-average year in a long-term comparison. Another factor is that the world economy remains very sensitive to external disturbances. In this difficult environment, monetary policy will continue to be expansive and supportive, but at the expense in the medium term of an increased risk of inflation and possibly of bubbles being created in the asset and commodity markets.

With regard to the currencies important for our business, we continue to anticipate sharp exchange-rate fluctuations.

Automotive markets

According to current estimates, worldwide **demand for automobiles** is likely to grow this year by approximately 2 to 4%. This growth should be primarily driven by the ongoing expansion of the Chinese market and a moderate increase in demand in the United States. No impetus is to be expected from the Western European market, however. Demand in Japan will probably decrease significantly, with a perceptible negative impact on the growth of the world market.

In the US car market, after three years in succession with double-digit growth rates, significantly more moderate growth in demand is anticipated for this year. This is due on the one hand to the fact that the market has meanwhile returned to a respectable size and on the other hand to the below-average development of the US economy. The ongoing weakness of the economy and the still unresolved sovereign-debt crisis in the euro zone will continue to significantly dampen demand for cars in Western Europe. From today's perspective, a further, but more moderate, market decline is to be expected, so new registrations will remain at their lowest level in 20 years. The German market should be about as big as last year; but from today's perspective, a slight decrease cannot be ruled out, depending on further economic developments. The Japanese market was driven last year by catch-up effects and state incentives for car buyers. Following the expiry of those special effects, a significant drop in demand must be assumed for 2013.

For the car markets of the emerging economies, growth prospects are relatively favorable overall, whereby market developments are likely to display considerable regional differences. According to current estimates, growth in demand in the Chinese market could be rather stronger than last year. The premium segment should once again expand more dynamically than the total market. In India, the market volume will probably increase at a similar rate to that of 2012. In contrast, the number of cars sold in Russia should rise at a rather low rate.

Worldwide demand for **medium and heavy trucks** can be expected to increase perceptibly in 2013. However, this will mainly be driven by the significant recovery in China, which was responsible for a large proportion of the global drop in demand last year.

In North America, we anticipate a decline of 5 to 10%. This is due on the one hand to a recognizable market slowdown in the second half of 2012, and on the other hand to ongoing unwillingness to invest in the private sector because of the fiscal problems in the United States. For the European truck market, we expect demand to fall by up to 5% due to the ongoing weak economic environment. The Japanese market should be at about the prior-year level, following the expiry of certain special effects in connection with the reconstruction there. A significant recovery of up to 10% is expected for the Brazilian market thanks to better economic prospects and the continuation of favorable financing conditions. The Russian market has meanwhile returned to its level of before the global financial crisis and should expand moderately once again in 2013.

We expect the European **van market** to decline by approximately 5% in the year 2013, with demand in the southern countries in particular remaining weak. The outlook is positive for the United States, where we expect further expansion of the market for large vans. In Latin America, the market for large vans should expand again after the significant decline of last year. In China, we assume that our targeted market segment will recover slightly.

We expect a stable development of **bus markets** in Western Europe, with a market volume slightly higher than in 2012. Demand for buses in Latin America should increase again moderately after the distinct decline in 2012. In Brazil, the bus market should revive again in the medium term, also in connection with the upcoming soccer World Cup in 2014 and the Olympic Games in 2016.

Independently of the markets' economic fluctuations, the regional distribution of demand has shifted significantly in recent years. The importance of the emerging markets has increased enormously not only for the industry as a whole, but especially for manufacturers of premium vehicles, and the trend is likely to continue in the coming years. This creates great challenges for the industry regarding production sites and flexibility, as well as the requirements of differing customers in a global market. Another factor is the continuing and increasing need to invest in fuel-efficient and future-oriented technologies and to develop and supply innovative and sustainable mobility and transport solutions.