

Daimler Trucks.

Daimler Trucks continued to forge ahead with its product offensive in 2013. The presentation of the new Mercedes-Benz Arocs and Atego models and of the Mercedes-Benz SLT, Econic and Unimog special trucks enabled Daimler Trucks to complete its Euro VI-compliant product range well before the stricter emissions standards came into effect at the beginning of 2014. The new product from Daimler Trucks North America, the Freightliner Cascadia Evolution, has met with an outstanding market response. The BharatBenz brand's expanded product lineup is also setting new standards on India's roads. The new "Asia Business Model," an excellence initiative of the "Daimler Trucks #1" program, reached a milestone when production of FUSO models commenced in Chennai, India.

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Daimler Trucks

	2013	2012	13/12
Amounts in millions of euros			% change
EBIT	1,637	1,695	-3
Revenue	31,473	31,389	+0
Return on sales (in %)	5.2	5.4	.
Investment in property, plant and equipment	839	989	-15
Research and development expenditure	1,140	1,197	-5
thereof capitalized	79	180	-56
Production	490,280	450,622	+9
Unit sales	484,211	461,954	+5
Employees (December 31)	79,020	80,519	-2

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Unit sales by Daimler Trucks

	2013	2012	13/12
In thousands			% change
Total	484	462	+5
Western Europe	66	58	+14
thereof Germany	33	31	+8
United Kingdom	9	7	+36
France	9	7	+21
NAFTA region	135	135	+0
thereof United States	118	114	+3
Latin America (excluding Mexico)	59	46	+28
thereof Brazil	39	29	+34
Asia	163	164	-1
thereof Japan	38	35	+10
Indonesia	65	69	-6
Additional information:			
BFDA (Auman Trucks)	103	31	.
Total (including BFDA)	588	493	+19

Successful products and increased efficiency take effect in a volatile market environment.

Daimler Trucks was operating in a regionally very disparate market environment in 2013. Demand for trucks developed positively in Europe, Brazil and Japan, while market volumes in India and Russia were significantly lower than in the previous year. Demand in the NAFTA region remained slightly below the prior-year level. Growth rates actually reached double digits in Brazil, where the market recovered following a slump in demand in 2012. The increase in demand in Japan was buoyed by the government's economic stimulus program. After a weak start to the year, rather more lively growth in Europe in the second half of 2013 led to an upturn in demand. This was mainly driven by purchases of Euro V-compliant vehicles being brought forward before the stricter Euro VI emissions standard took effect in early 2014. Daimler Trucks responded to this volatile market environment with its successful new product range, positive effects from the "Daimler Trucks #1" efficiency program and a high level of production flexibility. As a consequence, sales of Daimler Trucks rose to 484,200 units (2012: 462,000). However, changes in currency exchange rates caused revenue to increase only slightly to €31.5 billion (2012: €31.4 billion). EBIT of €1,637 million was slightly below the prior-year level (2012: €1,695 million). Personnel adjustments in Germany and Brazil reduced earnings by €116 million.



In 2013, Daimler was the first truck manufacturer to change over its complete European product range to Euro VI emission standards.

Daimler Trucks #1 leads to first visible successes. To make sure that Daimler Trucks is a leader also in terms of profitability, the division launched the “Daimler Trucks #1” excellence initiative in 2012. The program encompasses measures at the individual business units as well as initiatives affecting the entire division. By the end of 2014, we plan the implementation of measures for the sustained improvement of cost structures and additional business activities with an earnings effect of €1.6 billion. As planned, we already achieved 30% of our optimization targets with regard to earnings in 2013. Substantial progress was achieved for example with optimizing production and reducing material costs and fixed costs. We will continue to work hard on implementing the program this year. The current product offensive and the development of new markets are contributing considerably to the achievement of our growth and efficiency targets for all the division’s brands.

The initiatives affecting all of the division’s units also make an important strategic contribution so that we can benefit as effectively as possible from our global positioning. As part of its module strategy, for example, Daimler Trucks aims to achieve a much higher proportion of shared parts in its products, without eliminating key distinctions between the various brands. Reduced complexity and fewer types of parts generate cost benefits in procurement and significant economies of scale in production and logistics. The after-sales business is another focus of our program. In this area, global cooperation has been significantly strengthened by the systematic exchange of successful business processes across all regions. Furthermore, the revenue generated by the remanufacturing of components is to be increased by 30% in the medium term by means of expanded regional product portfolios and by developing new markets.

In our business in Asia, we made considerable progress in the year under review as a result of more intensive cooperation between FUSO and Daimler India Commercial Vehicles. That includes closer cooperation in the areas of finance, development and sales. In addition, the production of FUSO trucks started in May in Chennai, India.

Unit sales rise to highest level since 2006. In line with our forecast, Daimler Trucks slightly increased its unit sales in 2013, resulting in the highest level in seven years. Because the global economic situation continued to be difficult, the truck business actually made a very weak start to the year. However, the gap in demand compared with 2012 decreased gradually as the year progressed. Customers responded extremely well to Daimler Trucks’ new model range, enabling us to increase our market share in many countries.



In addition to BharatBenz trucks, FUSO trucks have also been produced in Chennai for the export markets of Asia and Africa since May 2013.

In **Western Europe**, demand did not rise significantly until the second half of the year. On the one hand, customers ordered Euro V-compliant vehicles before the stricter emissions standards went into effect in early 2014. On the other hand, buyers in countries such as the Netherlands, Switzerland and Italy took advantage of subsidies for the purchase of Euro VI-compliant vehicles. During the reporting year, Daimler Trucks' sales in the region increased by 14% to 65,900 units. Our Mercedes-Benz brand extended its lead further, achieving a market share of 24.1% (2012: 22.9%). Almost half of the new Actros model series were already sold as Euro VI-version trucks. Despite facing a difficult market environment in **Turkey**, we sold 19,500 vehicles there in 2013, increasing our unit sales by 7%; our market share remained at the very high level of 49.5% (2012: 45.4%). Economic difficulties caused demand for trucks to decline in **Russia**, leading to a drop in unit sales of 22% to 5,600 vehicles. Demand picked up in 2013 in Latin America's main market, **Brazil**. In the previous year, demand for trucks had been greatly impacted by a combination of negative economic factors

and stricter emissions standards. Demand was boosted in 2013 by the financing incentives of the government's FINAME program and by catch-up effects following the market's previous slump. Under these conditions, our unit sales rose by 34% to 38,800 trucks. After suffering major losses at the beginning of the year, Mercedes-Benz launched specific product and process-related measures that helped it significantly stabilize its market share in the hotly contested medium- and heavy-duty segments at 24.7% for the year as a whole (2012: 25.5%).

With a slightly contracting market, our unit sales in the **NAFTA region** remained stable at 135,200 trucks (2012: 135,000). We increased our market share of Class 8 trucks to 36.0% (2012: 32.9%). At 38.2%, market share for the entire Class 6-8 segment was also substantially higher than in 2012 (34.0%). As a result, we once again significantly extended our market lead. Although production of the new Freightliner Cascadia Evolution did not begin until March 2013, sales of more than 14,000 units of the model contributed substantially to the division's sales success. The good sales development speaks for Daimler Trucks' advanced vehicle technology. Thanks to the new Detroit DD15 engine, the proven Daimler BLUETEC exhaust treatment technology and aerodynamic improvements, customers benefit from improved fuel efficiency of up to 7% compared with the first generation of the Cascadia, which was already EPA 2010-compliant. The Detroit brand supplies engines, axles and transmissions. Daimler Trucks is the only truck manufacturer in the NAFTA region to offer a fully integrated powertrain from a single source. Customers thus benefit from optimally coordinated drive system components. The Detroit powertrain components are offered in the division's entire North American product family – from Freightliner and Western Star trucks to Thomas Built Buses. Daimler Trucks is a pioneer of resource conservation with its products also in the United States. At the beginning of 2012, Daimler Trucks' entire North American vehicle lineup was already certified according to the Greenhouse Gas 2014 Standard (GHG14), which takes effect in 2014. The certification covers the long-haul, medium-duty, construction and municipal trucks of the Freightliner and Western Star brands.

In **Asia**, Daimler Trucks benefits from its global spread through the subsidiaries Mitsubishi Fuso Truck and Bus Corporation (MFTBC), based in Kawasaki, Japan, and Daimler India Commercial Vehicles Pvt. Ltd. (DICV), whose headquarters are in Chennai, India. In Chennai, where Daimler Trucks started producing BharatBenz brand trucks in summer 2012, the plant has also been manufacturing FUSO brand vehicles for selected export markets since the second quarter of 2013. Daimler Trucks is securing its leading role in new growth markets through the implementation of the new "Asia Business Model," an initiative of the "Daimler Trucks #1" program which generates synergies between MFTBC and DICV along the entire value chain, and by expanding the model range to exploit additional sales opportunities in Asia and Africa. Our performance in the sales markets differed widely throughout Asia last year. In Japan, we sold 38,300 vehicles, increasing our unit sales by 10%. Demand for trucks there was boosted by the government's economic stimulus program. Our market share in the overall segment of 20.2% stayed at the prior-year level; it increased slightly in the light-duty segment, from 21.8% to 22.3%. In India, demand for trucks was much lower than in the previous year due to the weak economic development. Nonetheless, the successful launch of our BharatBenz vehicles enabled us to claim fourth place in the medium- and heavy-duty truck segment. In total, Daimler Trucks sold 6,500 vehicles in India (2012: 1,300). The first industry honors for the entire BharatBenz product range, including the coveted national award "Apollo CV of the Year 2013," underscore the brand's successful launch in India. Competition is very tough in other Asian markets, where some truck manufacturers are granting substantial discounts in order to position their products more favorably in the market. We sold 64,700 trucks in Indonesia and took a 46.9% share of the country's total truck market (2012: 68,500 and 43.7%). Demand for trucks declined significantly in Taiwan, where we sold 5,700 units and attained market share of 41.7% (2012: 12,300 and 55.2%).



With the launch of the Freightliner Cascadia Evolution, we were able to significantly expand our market share in Class 6-8 in the NAFTA region.

Strengthened cooperation with our partners. Beijing Foton Daimler Automotive Co., Ltd. (BFDA), which started production in mid-2012, is the first 50 – 50 joint venture in the Chinese truck segment between a local manufacturer and a foreign partner. This cooperation with Foton gives Daimler Trucks a key presence in the Chinese truck market. BFDA's products bear the Auman nameplate. They cover the various market segments and are offered with engines ranging from 110 to 480 horsepower. The Mercedes-Benz OM 457 engine is scheduled to be locally manufactured by BFDA beginning in 2016. Daimler Trucks will benefit from this local production through parts deliveries and licensing fees. In exchange, the OM 457 engine will enable BFDA to comply with the stricter emissions regulations that are to be introduced in Asia. The BFDA joint venture sold 103,300 Auman trucks during the year under review.

In Russia, Daimler Trucks is benefiting from a modular system within the framework of its partnership with Kamaz. Since 2013, Mercedes-Benz Axor cabs have been installed in the new generation of Kamaz trucks on the basis of supply and licensing agreements. And since November 2012, Daimler Trucks has been supplying diesel and natural-gas engines as well as axles to Kamaz as part of a supply agreement. These measures have substantially expanded the partnership, which also includes two local joint ventures for the production and sale in Russia of Mercedes-Benz trucks (Mercedes-Benz Trucks Vostok) and FUSO trucks (FUSO KAMAZ Trucks Rus Ltd.). The 50 – 50 joint venture Mercedes-Benz Trucks Vostok is further developing local production in Naberezhnye Chelny. Since November 2013, that facility has been assembling and painting truck chassis in order to increase flexibility and simplify cooperation with body manufacturers.

In early 2013, MFTBC and Nissan Motor Co., Ltd. began to supply each other with light trucks in line with their strategic partnership agreement. Within this partnership, our product range in Asia is supplemented by the FUSO Canter Guts, which is known as the Atlas F24 model at Nissan. In return, Nissan sells the FUSO Canter light truck under the model designation NT450 Atlas.

Launch of Euro VI trucks successfully completed before new emission standards take effect. With the start of series production of the Mercedes-Benz Atego and Arocs and the special trucks Mercedes-Benz Unimog, Econic and SLT, Daimler Trucks successfully completed its Euro VI product offensive for trucks and fully updated the Mercedes-Benz product lineup. The campaign was kicked off in 2011 with the launch of the new Actros long-haulage truck. The Antos for heavy-duty distribution followed in 2012. In 2013, the product range was completed with the Arocs construction-site specialist and the new Atego for light- and medium-duty delivery work. Euro VI technology is available also for Mercedes-Benz special trucks. Examples include the new Mercedes-Benz Unimog (in series production since August 2013) and the new Mercedes-Benz SLT heavy-duty tractor (sales launch in September 2013).

Additional measures to reduce fuel consumption. The introduction of Predictive Powertrain Control (PPC) was another important step in the quest to increase fuel efficiency. As far as solutions for intelligently controlling powertrains are concerned, PPC is the most advanced system on the market, and can optimize fuel consumption by recognizing the topography of the road ahead. To this end, it also modifies the operation of the transmission, resulting in additional fuel savings of up to 5% compared to vehicles without PPC. In Germany, one out of three Actros trucks is already being ordered with the new system.

More than 45,000 truck drivers with “ProfiTraining.” Mercedes-Benz Trucks has trained more than 45,000 drivers since it received government recognition for its training courses in June 2008. The courses conform to the requirements of German legislation on professional driver qualification. Today, Mercedes-Benz offers a comprehensive range of courses at almost 180 certified training centers throughout Germany. A total of 24 new Actros trucks are provided for training purposes. The trucks have 40 tons gross vehicle weight and a cab that has been converted to hold seven occupants.

FUSO Canter Eco Hybrid and Daimler FleetBoard win the European Transport Award for Sustainability 2014. A panel of experts from the fields of science, business and journalism judged the products entered for the award according to their efficiency, environmental friendliness and social responsibility. The FUSO Canter Eco Hybrid won the award in the category “Distribution Truck up to 12 Tons,” where it clearly outshone its competitors. In addition, Daimler FleetBoard won first prize for its consulting services in the “Driver and Transport Management Systems category.”