

# Objectives and Strategy.

Our overriding corporate goal is to achieve sustained profitable growth and thus continually increase the value of the Group. We aim to attain the leading position in all of our business segments. To achieve that goal, we have defined four strategic growth areas for the Group. We will implement measures related to those areas in the coming years within the framework of the growth strategies of our divisions. These strategies will be accompanied by efficiency programs to ensure that our growth has a solid financial foundation.

**Focus on the customer.** All of our activities are focused on our customers' needs. We want to inspire our customers with

- fascinating premium automobiles that set standards in the areas of design, safety, comfort, perceived value, reliability and environmental compatibility;
- commercial vehicles that are the best in their respective competitive environments;
- outstanding services that are related to all of these products; and
- new customer-oriented mobility solutions that exploit the potential of increasing digitization.

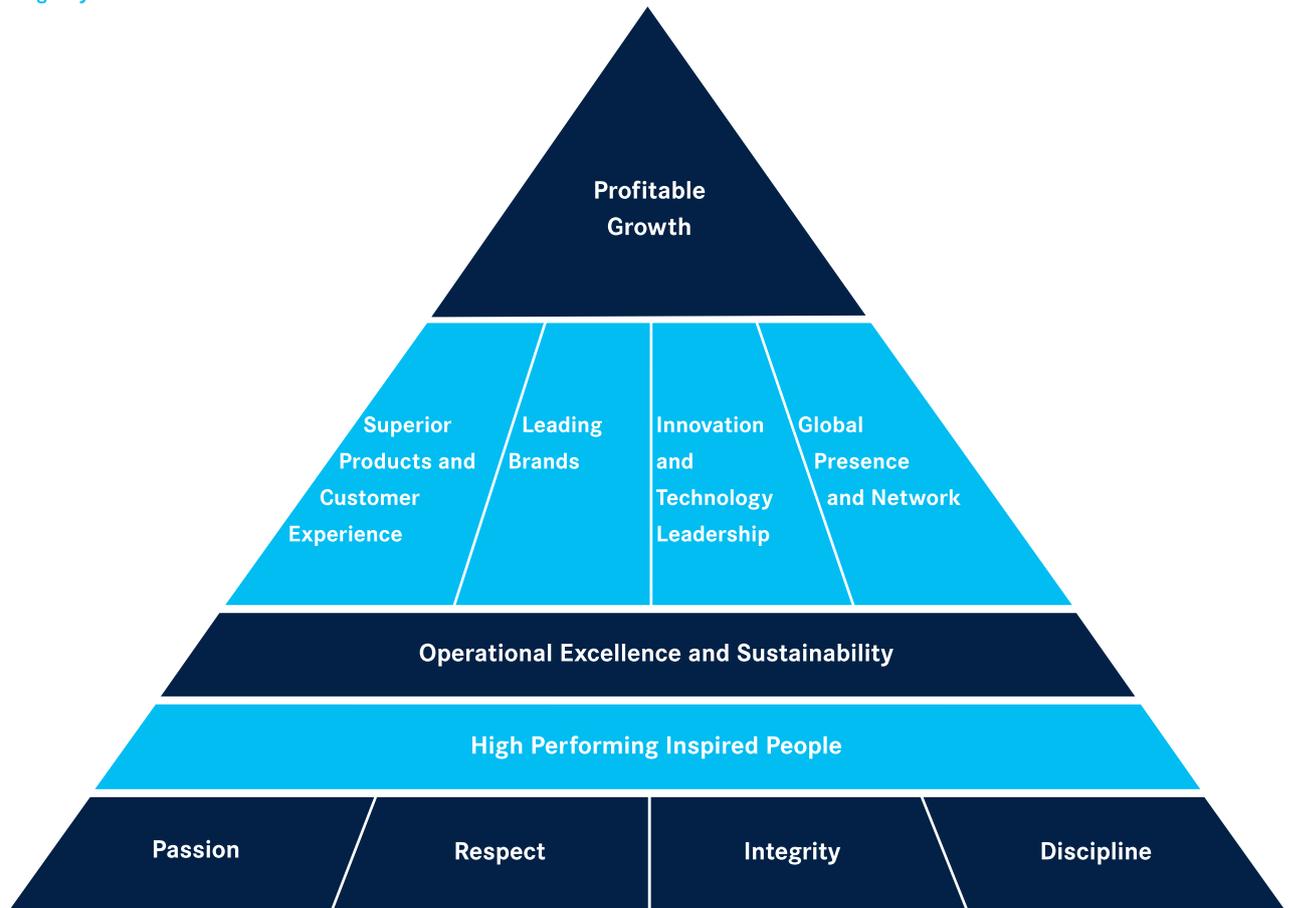
**Target system.** ↗ **A.09** Our overriding corporate goal is to achieve sustained profitable growth and thus to continually increase the value of the Group. We aim to attain the leading position in all of our business segments. We inspire our customers with our brands, products and services. Our core Mercedes-Benz brand plays a key role in these endeavors. Through our groundbreaking technologies, we underscore our position as a pioneer in the areas of environmentally friendly drive systems and safety features. We are strengthening our global presence by safeguarding our position in traditional markets and expanding into new ones. Outstanding operational excellence and efficiency, along with inspired and high-performing people, are the foundation of our future corporate success. At the same time, our entrepreneurial activities are guided by the principle of sustainability in the areas of economics, corporate governance, environmental protection and safety, as well as in our relations with employees, customers and society in general. Our four corporate values – passion, respect, integrity and discipline – form the basis of our actions and help us to achieve our goals. One key principle applies to everything we do: No business in the world is worth violating laws, regulations or ethical standards. For us, integrity and business success are two sides of the same coin. That is why we want to lead the competition in terms of integrity as well.

**A clear claim to leadership in all business segments.**

By means of the “Mercedes-Benz 2020” growth strategy, our Mercedes-Benz Cars division aims to occupy the leading role for premium automobiles by the end of this decade. This means that we intend to be ahead of the competition in terms of our brand image, product range, unit sales and also profitability. The smart brand will further enhance its pioneering role in urban mobility. At Daimler Trucks, we want to further strengthen our position as the Number One company in the global truck business. Mercedes-Benz Vans aims to achieve further profitable growth also outside its present markets and market segments with the “Vans goes global” strategic initiative. Daimler Buses has set itself the goal of further strengthening its leading position for buses above 8 metric tons gross vehicle weight. Daimler Financial Services has targeted the position of best captive financial services provider and will continue to grow in line with our automotive business, as well as in the area of mobility services. In all divisions, we are increasingly utilizing innovations on the interface to digital technologies.

## A.09

## Target system



**Ambitious return targets.** In addition to our growth targets, we have set ourselves a return target (EBIT in relation to revenue) of 9% on average for our automotive business. This overall figure is based on the return targets for the individual divisions, which we intend to achieve on a sustained basis. These targets are 10% for Mercedes-Benz Cars, 8% for Daimler Trucks, 9% for Mercedes-Benz Vans and 6% for Daimler Buses. Our target for the Daimler Financial Services division is a return on equity of 17%.

**Four strategic growth areas.** We aim to achieve our goals in four strategic growth areas. [➔ A.10](#)

We will

- strengthen our core business,
- continue growing in new markets,
- take the lead with “green” technologies and safety, and
- forge ahead with the development of new mobility concepts and services.

**Strengthening our core business.** A strong core business is founded on first-rate products, competitive cost structures and a customer-focused organization. In order to prepare ourselves for growth and a stronger customer focus, we are increasingly aligning our organizational structure with the individual divisions as part of a concept under the heading of “Customer Dedication.” This is bringing us closer to the customer, while at the same time reducing complexity and making our organization faster and more flexible.

A comprehensive model offensive will extend the product range of **Mercedes-Benz Cars** in all segments by the year 2020. The new S-Class, which was launched in all regions within only three months, is the spearhead not only of our Mercedes-Benz car program but also of automotive development as a whole. The S-Class is once again the leader in terms of safety, comfort, and luxury. It will be followed in 2014 by the S-Class coupe, the new GLA, the C-Class, and the new smart, which will be available as a two- and four-seat version. This program of product renewal and expansion is being accompanied by the systematic further development of our brands as well. Our claim to deliver “the best or nothing” underscores our commitment to further consolidating the Mercedes-Benz brand’s top position in the market. We will use our new compact-class models in particular to attract younger target groups. Our brand and corporate communication activities increasingly

involve the use of digital media. New sales formats, such as “Mercedes-Benz connect me,” and temporary formats, such as mobile sales pavilions for highlighting the new A-Class, are creating meeting points for establishing contacts with new customers as well.

In order to achieve sustained profitable growth, we have supplemented the “Mercedes-Benz 2020” growth strategy with the “Fit for Leadership” program. Fit for Leadership is designed to further improve the profitability of Mercedes-Benz Cars. That includes enhancing existing efficiency measures, such as our vehicle architecture and module strategy and our approach to offsetting rising material and production costs. These and other measures will be supplemented by additional elements. Fit for Leadership also includes a structural component that will ensure our business system remains geared toward efficiency and growth over the long term.

At **Daimler Trucks**, we have been focusing for several years now on introducing uniform product platforms for vehicles and components. Our guiding principle here is “as global as possible, as local as necessary.” The launch of the new Atego and the special vehicles Unimog, Econic and SLT marked the conclusion of our Euro VI product offensive at Mercedes-Benz Trucks. Our current product range at Daimler Trucks is stronger and more extensive than ever before. At the same time, we have created a highly flexible global production network. With our “Daimler Trucks #1” excellence program, we aim to secure our profitability targets on a sustainable basis. Here we are concentrating on increasing the efficiency of our operating units. In addition, we want to improve the interaction between the various business units and functions by means of interdepartmental initiatives, thus utilizing the potential of our global position more effectively. An important step in this direction is the consolidation of our Asian business activities into our integrated “Asia Business Model” approach. Here, cooperation on product development, production, procurement, sales and finance between the two independent companies Mitsubishi Fuso Truck and Bus Corporation and Daimler India Commercial Vehicles will generate synergies and additional growth in the Asia-Africa region.

**Mercedes-Benz Vans** will support the planned worldwide growth with its new products and technologies. The new generation of our flagship van – the Mercedes-Benz Sprinter – and the market launch of the new V-Class and the Vito in 2014 will put us in a very good position for future success with our van products. The new V-Class represents a move toward the car segment in terms of both the model’s name and its product concept. In this manner it establishes the new segment of premium full-size MPVs.

The **Daimler Buses** division is strengthening its competitive position with new products and economical engines. The new Setra TopClass 500 coach is once again the benchmark for design and engineering in the luxury coach segment. Since 2013, Daimler Buses has offered a complete range of Euro VI-compliant buses in Europe through its Mercedes-Benz and Setra brands. The Euro VI emission standard went into effect in the EU in January 2014. In addition, Daimler Buses is continuing its efforts to safeguard a suitable level of profitability over the long term, to be the leader in terms of new technologies and products, and to further expand its business operations around the world.

**Daimler Financial Services** is also focused on profitable growth – and in a variety of ways. The division will continue to grow in line with the model and market offensives for cars and commercial vehicles. At the same time, it will further expand its product range in the areas of financing, leasing, motor vehicle insurance and mobility services. Daimler Financial Services has combined all of its mobility services for individual customers into a single company known as Daimler Mobility Services GmbH.

**Growing in new markets.** Growth in global automobile demand will mainly take place in the markets outside Europe, North America and Japan in the coming years. Although we continue to strengthen our position in traditional markets, we also aim to expand in other regions, especially in Brazil, Russia, India and China, which are known as the BRIC countries. In order to achieve Mercedes-Benz Cars’ sales targets, we are intensifying our local activities, above all in China and Brazil.

We are increasing the production capacities in **China** for model series that are already manufactured locally. We will also begin building our new GLA compact SUV in China in 2014. We opened a new production plant for four-cylinder engines in China in November 2013. At the same time, we are expanding our sales network in the country. Together with the Chinese battery and vehicle manufacturer BYD, we have developed a battery-electric automobile for the promising electric-vehicle segment. This electric vehicle will be launched in China in 2014 and sold under the DENZA brand name. Our activities in the field of medium-duty and heavy-duty trucks in China focus on cooperation with our partner Foton. Mercedes-Benz Vans produces the Vito, Viano and Sprinter models for the Chinese market in cooperation with Fujian Benz Automotive Corporation.

## A.10

## Strategic Pillars of Growth



We will begin manufacturing the C-Class and the GLA for the local market in **Brazil** in 2016. Daimler Trucks is investing in the modernization of its product program in Brazil in an effort to further improve its strong market position there. At the same time, the two production plants in São Bernardo do Campo and Juiz de Fora are undergoing a modernization program.

In **Russia**, Europe's biggest truck market, we are continuing our expansion in cooperation with our partner Kamaz. In the second half of 2013, Mercedes-Benz Vans began producing the Sprinter Classic in Russia in cooperation with the commercial vehicle manufacturer GAZ.

Daimler Trucks has been successfully manufacturing trucks in **India** under the new BharatBenz brand name since June 2012. We will launch additional new models on the market in 2014. These products will allow Daimler to satisfy the rising demand for robust and reliable trucks in India. Daimler Buses has integrated all of its local business activities into Daimler India Commercial Vehicles and is now setting up local bus production operations.

The extension of our international production network is being accompanied by the expansion of our international research and development network in countries such as China and India.

Daimler Financial Services is gradually expanding its business activities in line with the growth strategies of the automotive divisions. Our expansion measures extend beyond the BRIC countries to other growth markets outside the Western Europe, North America and Japan.

**Leading in green technologies and safety.** Our goal as a pioneer of automotive engineering is to make the future of mobility safe and sustainable. Varying mobility requirements call for different drive system solutions. Our portfolio here ranges from optimized internal combustion engines to hybrid drive systems and locally emission-free driving solutions. As early as 2013, we were able to reduce the CO<sub>2</sub> emissions of newly registered vehicles from Mercedes-Benz Cars in the European Union to an average of 134 grams per kilometer. Our overall objective is to reduce the CO<sub>2</sub> emissions of our new car fleet in the European Union to an average of 125 g/km by 2016.

Our new engines have enabled us to the lower fuel consumption of the S-Class by approximately 20% compared with the predecessor model. The S 500 PLUG-IN HYBRID, which will be launched in the second half of 2014, will be the most economical S-Class of all time. [see page 108](#) We are the first automobile manufacturer in the world to use lithium-ion batteries in a series-produced car with hybrid drive.

Our range of locally emission-free vehicles with battery-electric or fuel-cell drive is unique in the automotive industry. Our product range here includes everything from cars to vans, light trucks and buses. This means that we can currently cover nearly every mobility requirement. Moreover, the smart fortwo electric drive<sup>1</sup> made us the leader for new registrations of electric vehicles in Germany in 2013. Our range of electric vehicles will be further expanded in 2014 to include the new B-Class Electric Drive<sup>2</sup>. Together with Ford and our strategic cooperation partner, Nissan, we continue to move ahead with the commercialization of fuel-cell vehicles. To ensure the creation of the required infrastructure, we are cooperating with leading industrial companies on the expansion of the hydrogen filling station network in Germany.

We were the first truck manufacturer to have made its entire European product range Euro VI-compliant before the new emission standard went into effect on January 1, 2014. Despite the complicated exhaust-gas treatment system required for this compliance, we were still able to reduce fuel consumption across all model series. The Actros is the most economical truck in its market segment in Europe, and the Freightliner Cascadia Evolution is the most fuel-efficient truck in North America. With our buses as well, we have achieved fuel savings of as much as 8% while making the transition to Euro VI. We are the leader in hybrid technologies, and we sell more commercial vehicles with hybrid drive than any other company in the world.

In Europe, we intend to reduce the fuel consumption of our fleet of trucks by an average of 20% between 2005 and 2020. Compared with 2005, we already achieved a 10% reduction in fuel consumption and CO<sub>2</sub> emissions when we launched the new Actros series in 2011, and we are working hard on achieving the next 10%.

Our goal is to become “greener” not only in terms of our products; we have also expanded our emission-reduction activities to other relevant segments of the value chain.

<sup>1</sup> smart fortwo electric drive: electricity consumption in kWh/100km 15.1; CO<sub>2</sub> emissions in g/km 0.0.

<sup>2</sup> B-Class Electric Drive: market launch at first in the USA in Q2 2014.

We will also further strengthen our position as a pioneer in the development of active and passive safety systems for cars and commercial vehicles. The safety and assistance systems in the new S-Class underscore our claim to be the builders of the world's safest car. The S 500 INTELLIGENT DRIVE research car marks a milestone in the transition from a self-moving (automobile) to an independent (autonomous) vehicle. We want to make autonomous driving a reality in a series-production vehicle by the end of this decade. Safety is also a top priority with our commercial vehicles. We are the only manufacturer on the market to offer a system like our Active Brake Assist 3, which initiates an emergency braking maneuver to bring the vehicle to a full stop if it encounters a stationary obstacle ahead. As a result, we are now meeting a requirement that will not take effect for all new vehicles until 2015.

**Driving the development of new mobility concepts and services.** More than half of the world's population now lives in cities, and this proportion is rising. Digital technologies are changing our products, our brand and corporate communication activities and our work environment. As part of this development, customers are increasingly demanding individual, needs-oriented and convenient mobility solutions.

This is creating new business opportunities for Daimler, and we intend to systematically exploit this potential with new and innovative products and services. They include various mobility concepts for private, business and public transport applications – for example, car2go, CharterWay, Bus Rapid Transit (BRT) and the “moovel” mobility platform. To further expand this business with innovative mobility services, we have consolidated our mobility services for individual customers in a new company. In the coming years, we will continue to expand car2go, our first and most successful mobility service. By the end of 2013, almost 600,000 customers had registered for car2go in 25 cities in Europe and North America. The moovel integrated mobility platform allows us to offer our customers the possibility to optimally combine various private and public mobility services. A “moovel” payment system is also planned for the future.

We are also investing in strategic partnerships with various startup companies such as Flixbus and mytaxi. In the area of innovative services, we are testing and expanding several systems, in particular those based on digital and networked platforms. Such services include an online portal for vehicle-financing customers in the Asia-Pacific region, as well as the “Detroit Connect” service system for our trucks in the United States. “Detroit Connect” conducts onboard diagnoses of the vehicles. At its central service center, the engine manufacturer Detroit uses the collected data to ensure that the next workshop visits of these vehicles will be as smooth and quick as possible. Last but not least, we are conducting pilot projects to test online car sales systems. Within the framework of “Digital Life,” we are linking working environments, corporate and brand communications, customers, products and new business opportunities.

In this manner, we are working on vehicle-related concepts to shape the future of mobility, while also promoting growth in all of our segments, markets and businesses.

#### Extensive investments in the future of the company.

In the coming years, we will systematically move ahead with our investment offensive in order to implement our growth strategy through the introduction of new products, new technologies, and state-of-the-art manufacturing capacities. In the years 2014 and 2015, we therefore will invest approximately €11 billion in property, plant and equipment, as well as €11 billion in research and development projects. [↗ A.11 to A.14](#)

The property, plant and equipment investment will be used mainly to prepare for the production launches of our new models, to modernize our manufacturing facilities in Germany, to expand local production in growth markets, and to enhance our sales organization. [👁 see page 96](#)

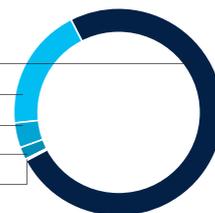
Most of our outlay for research and development is used for new products as well as innovative drive systems and safety technologies. We will launch approximately 30 new car models by the year 2020 and will also systematically further develop our range of commercial vehicles. Furthermore, we intend to continue significantly reducing the fuel consumption, and thus the CO<sub>2</sub> emissions, of our vehicles, and to set standards for safety and autonomous driving. [👁 see pages 106 f](#)

### A.11

#### Investment in property, plant and equipment 2014 – 2015

In %

Mercedes-Benz Cars	75%
Daimler Trucks	19%
Mercedes-Benz Vans	4%
Daimler Buses	2%
Daimler Financial Services	0.3%



### A.12

#### Investment in property, plant and equipment

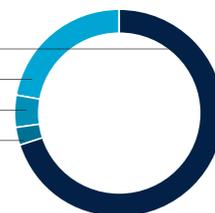
	2012	2013	2014 – 2015
Amounts in billions of euros			
Daimler Group	4.8	5.0	10.7
Mercedes-Benz Cars	3.5	3.7	8.1
Daimler Trucks	1.0	0.8	2.0
Mercedes-Benz Vans	0.2	0.3	0.4
Daimler Buses	0.1	0.1	0.2
Daimler Financial Services	0.02	0.02	0.03

### A.13

#### Research and development expenditure 2014 – 2015

In %

Mercedes-Benz Cars	70%
Daimler Trucks	22%
Mercedes-Benz Vans	5%
Daimler Buses	3%



### A.14

#### Research and development expenditure

	2012	2013	2014 – 2015
Amounts in billions of euros			
Daimler Group	5.6	5.4	11.0
Mercedes-Benz Cars	3.9	3.8	7.7
Daimler Trucks	1.2	1.1	2.4
Mercedes-Benz Vans	0.4	0.3	0.6
Daimler Buses	0.2	0.2	0.3