

## Free cash flow and liquidity

The anticipated development of earnings in the automotive divisions will also have a positive impact on the **free cash flow** of the industrial business in 2014. When comparing with 2013, however, it is necessary to consider that the free cash flow of that year was positively influenced not only by the successful EADS transactions but also by year-end effects, which will be offset again this year. In combination with ongoing high levels of investment and research and development spending, this is likely to mean that the free cash flow of the industrial business will be significantly lower in 2014 than in 2013.

For the year 2014, we aim to have **liquidity** available in a volume appropriate to the general risk situation in the financial markets and to Daimler's risk profile. When measuring the level of liquidity, we give due consideration to possible refinancing risks caused for example by temporary distortions in the financial markets. We continue to assume, however, that we will have very good access to the capital markets and bank markets also in the year 2014. We want to cover our funding needs in the planning period primarily by means of bonds, commercial paper, bank loans, customer deposits in the direct banking business and the securitization of receivables in the financial services business; the focus will be on bonds and loans from globally and locally active banks. In view of the very good liquidity situation of the international capital markets and our strong creditworthiness, we expect a continuation of very attractive refinancing conditions in 2014. An additional goal is to continue securing a high degree of financial flexibility.

## Dividend

At the Annual Shareholders' Meeting on April 9, 2014, the Board of Management and the Supervisory Board will propose an increase in the dividend to €2.25 per share (prior year: €2.20). With this proposal, we are letting our shareholders participate in the Company's success while expressing our confidence about the ongoing course of business. We want our shareholders to participate appropriately in Daimler's financial success also in the coming years. In setting the dividend, we will aim to distribute approximately 40% of the net profit attributable to Daimler shareholders.

## Capital expenditure

In order to achieve our ambitious growth targets, we will expand our product range in the coming years and develop additional production and distribution capacities. We also want to make sure that we can play a leading role in the far-reaching technological transformation of the automotive industry. For this purpose, we will once again significantly increase our already very high investment in property, plant and equipment in the year 2014. The Mercedes-Benz Cars division and to a lower extent the Daimler Trucks division will contribute to this increase. In addition to capital expenditure, we are developing our position in the emerging markets by means of targeted financial investment in joint ventures and equity interests.

At the Mercedes-Benz Cars division, the focus of our capital expenditure will be on renewing and expanding our product range. The main projects include the preparations for the new C-Class family, the new smart models and further investment for our new compact cars. But substantial investment is planned also for the modernization and expansion of engine and transmission production at the plant in Untertürkheim, as well as for the expansion of our production capacities in the United States. After completing its Euro VI product offensive, Daimler Trucks will mainly invest in successor generations of existing products as well as the expansion and modernization of the plants, and new global component projects in 2014. At Mercedes-Benz Vans, the focus will be on further developing the existing model range and expanding the sales and service organization outside Western Europe, especially in the United States, Russia, Latin America and China. Key projects at Daimler Buses are advance expenditures for new models and product enhancements.

## Research and development

With our research and development activities, our goal is to further strengthen Daimler's competitive position against the backdrop of upcoming technological challenges. We want to create competitive advantages above all by means of innovative solutions for low emissions and safe mobility. In addition, we intend to utilize the growth opportunities offered by worldwide automotive markets with new and attractive products that are tailored to the needs of our customers. In 2014, we will spend a very large amount on research and development, which will probably be in the magnitude of the previous year. Key projects at Mercedes-Benz Cars include the successor generation of the C-Class and the new smart models. In addition, we will invest considerable amounts in new low-emission and fuel-efficient engines, alternative drive systems and innovative safety technologies. Like at Mercedes-Benz Cars, research and development expenditure at Daimler Trucks is also likely to be in the magnitude of 2013. As before, the main areas here are the successor generations for existing products as well as developing and adapting new engine generations, with which we will further reduce fuel consumption and fulfill increasingly strict emission regulations. The further development of engines to meet future emission standards and to increase fuel efficiency is an important area of research and development also at Mercedes-Benz Vans and Daimler Buses. Alternative drive systems also play an important role, in particular at Daimler Buses.