

Daimler Trucks.

Daimler Trucks is consolidating its position as a technology leader. The year 2014 was marked by the launch of numerous new models and groundbreaking technologies, with the biggest highlight being the presentation of the autonomously driving Mercedes-Benz Future Truck 2025. In the year under review, a strong product portfolio and positive market developments in the NAFTA region and Japan resulted in the highest unit sales for Daimler Trucks since 2006. Our strategy, which is based on the three pillars of technology leadership, global presence and intelligent platforms, continues to pay off. It puts us in a strong competitive position in our core markets and allows us to successfully expand into new markets and market segments. Our strategy thus enabled us to overcome challenges in Europe and Latin America and to achieve successful results in full-year 2014.

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Daimler Trucks

	2014	2013	14/13
Amounts in millions of euros			% change
EBIT	1,878	1,637	+15
Revenue	32,389	31,473	+3
Return on sales (in %)	5.8	5.2	.
Investment in property, plant and equipment	788	839	-6
Research and development expenditure thereof capitalized	1,188 34	1,171 79	+1 -57
Production	497,710	490,280	+2
Unit sales	495,668	484,211	+2
Employees (December 31)	82,743	79,020	+5

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Unit sales by Daimler Trucks

	2014	2013	14/13
in thousands			% change
Total	496	484	+2
Western Europe	57	66	-13
thereof Germany	29	33	-13
United Kingdom	8	9	-14
France	6	9	-37
NAFTA	161	135	+19
thereof United States	142	118	+20
Latin America (excluding Mexico)	47	59	-21
thereof Brazil	32	39	-17
Asia	167	163	+3
thereof Japan	44	38	+14
Indonesia	58	65	-10
<i>Additional information:</i>			
BFDA (Auman Trucks)	99	103	-4
Total (including BFDA)	595	588	+1

Growth in unit sales, revenue and earnings. Daimler Trucks was able to increase its unit sales by 2% to 495,700 units in 2014. Revenue also rose, increasing to €32.4 billion (2013: €31.5 billion). At €1.9 billion, EBIT was well above the figure for the prior year. The earnings figure includes charges of €149 million related to workforce adjustments in Brazil and Germany as well as charges from the impairment of the carrying amount of the investment in Kamaz. The year under review was marked by very different developments in individual regions. A poor economic outlook and uncertainties associated with upcoming elections negatively impacted unit sales especially in Latin America and Indonesia. The truck market in Europe was noticeably affected by the introduction of the Euro VI emission standards at the beginning of 2014. Moreover, sales in the region were influenced by sluggish economic growth and the political situation in Eastern Europe. The situation was completely different in North America and Japan, as Daimler Trucks benefited from high demand for commercial vehicles in both markets. In addition, earnings were positively affected by the successful measures implemented within the framework of the Daimler Trucks #1 efficiency and growth program.

Daimler Trucks #1 on course to achieve its targets.

The Daimler Trucks #1 excellence program was successfully continued during the year under review. More than 10,000 program initiatives had been implemented worldwide by the end of 2014. The program target of €1.6 billion will be achieved in 2015, when the measures will have been in effect for a full year.

The goal of Daimler Trucks #1 is to improve the competitiveness and profitability of Daimler Trucks on a sustained basis. All units at the division have been working continually to increase their unit sales and efficiency since the start of the program. To this end, numerous measures have been defined and implemented along the entire value chain in all regions. This has enabled us to achieve substantial reductions in production, material and fixed costs worldwide. Moreover, our product offensive and the systematic development of new markets have allowed us to exploit additional growth potential.



Powerhouse with the star: The Mercedes-Benz SLT – as an Actros or Arocs variant – can pull extra-heavy loads weighing up to 250 metric tons.

Division-wide strategic initiatives for utilizing global synergy potential were also launched successfully during the year under review. One result of Daimler Trucks #1 is our newly established module management system, with which initial economies of scale were achieved in pilot projects for multiple brands. This development was supported by organizational consolidation that has led to optimal coordination with the Development and Procurement departments.

The systematic alignment of Daimler Trucks' business activities in Asia is also creating benefits. Our new Asia Business Model has led to extensive cooperation between development, production and sales units, which in turn has allowed us to exploit synergy and growth potential at our Japanese and Indian subsidiaries. For example, Daimler Trucks is now benefiting more from growth opportunities in the up-and-coming markets of Southeast Asia and Africa by supplying them with medium- and heavy-duty FUSO brand trucks made in India. With the start of production of the left-hand-drive versions and the Euro IV and Euro V versions, these vehicles can also be exported to the Middle East and Latin America.

Outstanding product acceptance thanks to low total cost of ownership. Daimler Trucks once again increased its unit sales in 2014. At 495,700 units, sales were at their highest level since 2006. The high degree of market acceptance for our products is largely due to the fact that Daimler Trucks consistently focuses on customer requirements – as evidenced by an extremely competitive total cost of ownership, which is the most important factor in our customers' purchasing decisions. Improving fuel efficiency is therefore a top priority in all regions. The Euro VI Actros in Europe, the Freightliner Cascadia Evolution in North America and the FUSO Super Great V in Japan are all trendsetters for fuel economy.

The fact that Mercedes-Benz products are extremely popular is demonstrated by our top position in the segment for medium- and heavy-duty trucks in **Western Europe**, where despite a difficult market environment, we were able to record a slight increase in market share to 24.4% (2013: 24.1%). At 57,400 units, sales in Western Europe were down 13% from the previous year. The truck market in the region was negatively affected by sluggish economic growth and the introduction of the Euro VI emission standards at the beginning of 2014. The negative development was particularly noticeable in the fourth quarter, as unit sales in Q4 2013 had been boosted by purchases brought forward prior to the introduction of Euro VI. At 33,900 units, sales in **Eastern Europe** were lower than in the prior year. The increase in unit sales in Turkey to the record level of 22,200 vehicles could not offset declines in our other Eastern European markets. The ongoing difficult political and economic situation in Russia led to a substantial decline in sales in that market.



Sales success in North America: the Freightliner Cascadia Evolution with a highly efficient powertrain and low fuel consumption.

Our unit sales in **Latin America** fell significantly due to the lack of economic growth in that region. In our main market there, Brazil, sales declined by 17% to 32,200 units. Weak economic growth significantly curbed procurement throughout the market. In this difficult environment, we were able to increase the market share of our medium- and heavy-duty Mercedes-Benz trucks to 25.8% (2013: 24.7%). We will make major investments in our production facilities and products in the coming years in order to ensure we remain competitive in this strategically important market and are able to react flexibly to future changes.

Our market share of 37.2% in the **NAFTA region** (2013: 38.2%) once again made us the undisputed market leader in the segment for Class 6-8 trucks. Sales in the region rose to the record level of 161,500 units, which represents an increase of 19% over the previous year. The Freightliner Cascadia Evolution, which was added to the product range in 2013 and is a benchmark for fuel efficiency, made a major contribution to our sales success in the region. Our customers in North America have come to increasingly appreciate the benefits of a fully integrated heavy-duty powertrain from a single source. Engines, axles and transmissions are all from Daimler Trucks, which ensures optimally coordinated drive-system components. The expansion of production of the DT12 transmission to North America, which is planned for the end of 2015, will mark yet another milestone in the further development of our global and flexible production network.

The overall development of unit sales in **Asia** was positive in 2014, but the situation varied greatly from region to region. Whereas unit sales grew in Japan and India, they decreased in Indonesia. Sales in **Japan** rose by 14% to 43,900 units. The increase was particularly noticeable in the first quarter of 2014, as many customers chose to purchase trucks before the increase in VAT that went into effect on April 1, 2014. This was followed by a period of very small increases in unit sales. Nevertheless, the decline in sales that was anticipated by some market observers did not materialize. We successfully defended our market share and achieved an overall share of the Japanese truck market of 20.1% (2013: 20.2%). We increased our market share in **Indonesia** to 47.4% (2013: 46.9%). But due to the sharply contracting market in that country, our sales declined by 10% to 58,300 units. On the other hand, our sales in **India** rose to 10,300 units in the year under review (2013: 6,500) despite a slightly contracting market in that country. Our attractive product portfolio in India, which already comprises more than a dozen models, is sold through a network of approximately 80 dealerships in the country. This sales network is to be expanded further in 2015.

Daimler's MFTBC commercial vehicle subsidiary expands cooperation. Daimler's Mitsubishi Fuso Truck and Bus Corporation (MFTBC) commercial vehicle subsidiary in Japan intensified its cooperation with Nissan Motor Co. Ltd (Nissan) during the year under review. The two companies signed a contract in October 2014 covering the delivery of vans. Nissan will deliver the vans as complete vehicles, which will then be sold to commercial FUSO brand customers in export markets. Under the terms of the contract, Nissan is supplying its NV350 Urvan to MFTBC, which began selling the model as the FUSO Canter Van in the Middle East in late 2014. The new agreement supplements an existing strategic partnership between MFTBC and Nissan in Japan, in which MFTBC supplies its light-duty truck platform to Nissan and receives Nissan's light-duty truck platform in return. In addition, MFTBC has been supplying light-duty trucks to UD Trucks Corporation since September 2014. These vehicles are also based on FUSO's light-duty truck platform and are marketed in Japan under the name "Kazet."

Sale of RRPSH shares. In the first quarter of 2014, the Board of Management and the Supervisory Board of Daimler AG made the decision to transfer the company's 50% interest in Rolls-Royce Power Systems Holding GmbH (RRPSH) to its joint venture partner, Rolls-Royce Holdings plc (Rolls-Royce). Following this decision, Daimler exercised a put option for its stake in RRPSH that had been agreed on with Rolls-Royce in 2011. The sale of Daimler's shares in RRPSH was completed in August 2014 and generated proceeds for Daimler of €2.4 billion.



Expanded product range for the newest brand: BharatBenz presented the 4928TT and 4023TT semi-trailer tractors in 2014.

Successful cooperation with our partner in China. Daimler AG has a 50% interest in Beijing Foton Daimler Automotive Co., Ltd. (BFDA), a joint venture it operates with Beiqi Foton Motor Co, Ltd. Production of medium- and heavy-duty Auman brand trucks began in China in mid-2012. The partnership safeguards Daimler Trucks' presence in the important Chinese truck market. Sales of Auman brand trucks declined for market reasons by 4% to 99,200 units in 2014. More than 230,000 Auman trucks have already been sold since the beginning of the joint venture.

Strong presence with new products. Daimler Trucks unveiled new models around the globe in 2014 following the successful introduction of its Euro VI fleet in the previous few years. The Euro VI offensive was concluded in the first quarter of 2014 with the launch of the Actros and Arocs (SLT) heavy-haulage vehicles. These customized trucks can pull up to 250 metric tons and are often over 50 meters long. The vehicles are built at the Mercedes-Benz plant in Molsheim, France.

The new Western Star 5700XE was presented in the fall of 2014 and will be available to our North American customers in 2015. Numerous new aerodynamic features reduce air resistance and thus also improve fuel economy. The best fuel-efficiency performance is achieved when the models are equipped with an integrated powertrain from Daimler Trucks. The interaction of the Detroit brand engine, axles and DT12 automatic transmission with a highly intelligent powertrain management system ensures the highest efficiency.

Our product range in Japan has been expanded to include the new FUSO Super Great V heavy-duty truck. This vehicle also sets standards for economy. Its lower fuel consumption is made possible by an optimized 6R10 engine with tried-and-tested and continually refined technology based on our Heavy-Duty Engine Platform, as well as by a newly developed asymmetrical turbocharger. The new Super Great V is also the only truck whose full model range already beats by up to 5% the requirements of the FES fuel efficiency standards that will take effect in Japan in 2015.

Daimler Trucks has launched new products in Europe, North America and Japan, and the division's product offensive is successful also in emerging markets. In early 2014, we added new semitrailers and a construction and mining truck to the BharatBenz product range in India. The next highlight was unveiled in the third quarter – the BharatBenz 3143, which is scheduled to go into series production in the second half of 2015. BharatBenz is the first Indian brand to offer trucks in the segment with engines of over 400 horsepower, which has so far been dominated by European brands. The vehicles from the FUSO FI and FJ model series are another good example of Daimler Trucks' growing global presence. These medium- and heavy-duty trucks from the Japanese brand are also manufactured by Daimler India Commercial Vehicles (DICV) in Chennai. From there, they are exported to promising markets in Southeast Asia and Africa.

Successful IAA Commercial Vehicles. Daimler Trucks presented numerous vehicle world premieres, an extensive range of services and the spectacular Mercedes-Benz Future Truck 2025 at the 65th IAA Commercial Vehicles show in Hanover in September 2014. The Future Truck 2025 autonomously driving vehicle is a key component of the transportation system of the future. The Future Truck 2025 conserves resources, reduces emissions of all types, ensures the highest degree of safety and improves connectivity on the road. Radar sensors and camera systems make it possible for the Future Truck 2025 to drive autonomously without any need for communication with other vehicles or a control center. Mercedes-Benz has combined all the necessary technology in its highly intelligent Highway Pilot system, which is similar to an airplane autopilot. Back in July 2014, we presented the pioneering technologies in the Future Truck 2025 to the world by sending the vehicle on its very first journey on a stretch of autobahn near the city of Magdeburg. A detailed description of the Future Truck and its world premiere is presented on [pages 14 ff](#) of this Annual Report.

The Future Truck 2025 presented at the IAA Commercial Vehicles featured a new exterior and interior design, as well as numerous product innovations. They include the new Blind Spot Assist safety system, which Daimler will begin mass-producing in the coming years. We are thus underscoring our leading role in the area of active safety as we continue along the road to accident-free driving. Blind Spot Assist's radar sensors monitor both sides of the truck and warn of the presence of other road users that the driver cannot see.

Customer tests with the FUSO Canter E-Cell. FUSO is a trailblazer in the field of "green" drive systems for light commercial vehicles. The first fully electric light truck, which is being produced in a small-batch series, is completely emission-free and makes virtually no noise. This Canter E-Cell for the European market is built at the plant in Tramagal, Portugal. The first of these E-Cell trucks were delivered to customers for testing in July 2014. The tests under normal operating conditions are scheduled to run for one year. The handover of the vehicles to Portuguese customers marked yet another highlight in the anniversary year of the Tramagal plant, which began manufacturing trucks 50 years ago.