

Mercedes-Benz Cars.

Mercedes-Benz Cars celebrated yet another record year in 2014. Unit sales and revenue increased once again and earnings were significantly higher than in the previous year. We also improved our position in many markets. New models such as the C-Class, the GLA compact SUV, the S-Class coupe and the Mercedes-Maybach further enhanced the appeal of the Mercedes-Benz brand. In addition, the smart brand successfully entered a new era with its new fortwo and forfour models. We expanded our production capacities around the world in the year under review, thereby laying the foundations for future growth.

C.01

Mercedes-Benz Cars

	2014	2013	14/13
Amounts in millions of euros			% change
EBIT	5,853	4,006	+46
Revenue	73,584	64,307	+14
Return on sales (in %)	8.0	6.2	·
Investment in property, plant and equipment	3,621	3,710	-2
Research and development expenditure thereof capitalized	4,025 1,035	3,808 1,063	+6 -3
Production	1,754,115	1,588,658	+10
Unit sales	1,722,561	1,565,563	+10
Employees (December 31)	129,106	96,895	+33

Record unit sales and revenue. The Mercedes-Benz Cars division, comprising the Mercedes-Benz and smart brands as well as the Mercedes-AMG and Mercedes-Maybach sub-brands, once again accelerated its pace of growth in the year under review. Unit sales rose by 10% to the new record level of 1,722,600 vehicles. The increase in revenue was even more substantial at plus 14% to €73.6 billion. ↗ C.01 We also continually improved our profitability as the year progressed with EBIT rising by 46% to €5.9 billion. Our very positive overall business development was largely due to the launch of several new and attractive products. The efficiency measures of our “Fit for Leadership” program also had a positive impact on earnings.

Fit for Leadership. “Fit for Leadership” is a key element of our “Mercedes-Benz 2020” growth strategy. In the short term, the program combines existing efficiency-boosting measures and identifies additional efficiency potential. Over the long term, it will optimize the Mercedes-Benz business system and create the structures necessary to achieve the growth defined by Mercedes-Benz 2020. By the end of 2014, Fit for Leadership measures had achieved a sustainable cost-structure improvement of approximately €2 billion. Beginning in 2015, these savings will be fully reflected in our earnings. We have thus successfully completed the first phase of the program as planned. Substantial progress was made on the optimization of production and the reduction of material costs and fixed costs, for example. We systematically identified the technical and structural potential for optimization, and we also made a considerable impact on material costs by applying new procedures for awarding contracts to suppliers. The second phase of the program will focus more strongly on long-term structural changes. Our goal here is to further improve the competitiveness of Mercedes-Benz Cars over the long term. This will require us to holistically adjust the Mercedes-Benz Cars business system to changing conditions, such as the globalization of sales and production structures and changes in the product mix.

C.02

Unit sales by Mercedes-Benz Cars

	2014	2013	14/13
in thousands			% change
Mercedes-Benz	1,630	1,467	+11
thereof A-/B-/CLA-/GLA-Class	472	384	+23
C-/SLK-Class	363	357	+2
E-/CLS-Class	329	332	-1
S-/CL-/SL-Class/ SLS/Maybach	125	71	+75
M-/R-/GLK-/GL-/ G-Class	342	323	+6
smart	92	98	-6
Mercedes-Benz Cars	1,723	1,566	+10
thereof Western Europe	669	640	+4
thereof Germany	272	280	-3
NAFTA	391	363	+8
thereof United States	344	319	+8
China	293	239	+23
Japan	61	54	+14



The new Mercedes-Benz S-Class coupe: breathtaking design and refined sportiness.

Record unit sales for Mercedes-Benz. Unit sales of the Mercedes-Benz brand increased by 11% to 1,630,100 vehicles in 2014. This is the fourth consecutive year in which the brand has set a new record. ➔ **C.02** Despite difficult conditions in several markets, the pace of growth increased slightly compared with the previous year due to the launch of attractive new models. We were able to improve our market position in China in particular.

Mercedes-Benz also performed very well overall in a volatile market environment in Europe. Growth was particularly strong in Spain (+35%), the United Kingdom (+13%) and France (+9%). Unit sales in Western Europe were up 6% from the prior year, although they did fall slightly in Germany. We set a new record in the United States with sales of 334,000 vehicles (+8%). We continued to grow in China, where sales increased by 25% to 275,000 units. We recorded significant increases in unit sales also in Japan (+15%), India (+14%) and Brazil (+6%).

The main contributions to the growth in unit sales came from the S-Class, our compact cars and the new C-Class models. A total of 471,700 customers opted to buy a vehicle of the A-Class, B-Class, CLA-Class or the new GLA-Class series during the year under review, representing an increase of 23% over the previous year. The sedans and wagons of the E-Class remained very popular and unit sales of those models increased by 2% to 252,300 vehicles. Total sales of 329,000 units in the E-Class segment almost matched the high prior-year level. Mercedes-Benz further improved its position in the global market for luxury vehicles. A total of 125,100 vehicles in the S-Class segment were sold in 2014 (+75%), more than ever before in the long and successful history of that model series. Business with our SUVs remained very positive, with sales rising to the new record level of 341,500 vehicles (+6%). The C-Class performed extremely well in the year of its model changeover. Unit sales totaled 362,700 vehicles (+2%) despite the fact that the new C-Class models did not become available in all core markets until October 2014.

The new C-Class – dynamic and premium. Mercedes-Benz sets the benchmark in the premium mid-range segment with its all-new C-Class. The C-Class sets efficiency standards in its class, thanks to an intelligent lightweight design concept, excellent aerodynamics and new economical engines. Numerous new assistance systems provide the highest levels of safety, while a new chassis ensures exemplary ride and driving comfort as well as agile handling. In terms of appearance, the new C-Class adopts a progressive approach with its clear yet emotive design and its high-class interior. Many other innovations and appointment details underscore the sedan's comfort and refined sportiness. All in all, the perceived quality of the new C-Class feels like an "upgrade to a higher class."

The new C-Class sedan celebrated its successful launch in Europe in March 2014. The model has been available also as a wagon version since September 2014. The wagon shines with a clear yet emotive and sporty design, innovative technology, flexibility and greater cargo volume than the predecessor model.

The new models have been extremely well received by our customers and the trade press. A total of 219,400 new C-Class vehicles were delivered to customers in 2014.

The new Mercedes-Benz GLA – an all-round talent. The SUV from our new compact-model family combines superior everyday driving performance with off-road mobility. Its flexible interior and high-quality appointments showing loving attention to detail clearly position the GLA as a premium compact SUV. The new GLA rounds out the extensive range of Mercedes-Benz SUVs, and is the fourth of a total of five new compact models from the brand. Deliveries of the GLA to customers began in March 2014. The fifth compact model, the CLA Shooting Brake, will be available as of March 2015.

The new S-Class coupe – stylistically self-assured with refined sportiness. The new S-Class coupe, which has been available since September 2014, combines the classic proportions of a large, sporty coupe with modern luxury and forward-looking technology. As a worldwide first, the S-Class coupe can be optionally equipped with the MAGIC BODY CONTROL suspension system, which features a curve tilting function.

The B-Class: better than ever before. After sales of more than 350,000 units of the B-Class since its market launch in 2011, we have given the compact sports tourer a significant upgrade both inside and out. Five efficient diesel models with fuel consumption ranging from 3.6 to 5.0 l/100 km, four efficient gasoline models with fuel consumption ranging from 5.4 to 6.6 l/100 km, alternative drive systems (electrical and natural gas), and the optional 4MATIC all-wheel drive system ensure a unique selection in the model's segment. The sports tourer sets the standard in its class also with a drag coefficient of less than 0.25. The first new B-Class models were delivered in December 2014.

Mercedes-Maybach premieres. In November 2014, our new Mercedes-Maybach sub-brand and the first model from this new and exceptionally exclusive brand – the Mercedes-Maybach S 600¹ – celebrated their world premiere simultaneously in the United States and China. Mercedes-Maybach stands for prestigious exclusivity and is aimed at particularly discerning customers. With the combination of the very highest exclusivity, unparalleled comfort and state-of-the-art technology, the new Mercedes-Maybach S 600¹ represents the absolute pinnacle of the top-of-the-line automobile segment. The Mercedes-Maybach S 600¹ also offers a new dimension in seat comfort and relaxation. Thanks to extensive noise-insulation measures, this is the quietest production limousine in the world for passengers in the rear.

Mercedes-AMG: driving performance for sports car enthusiasts. The new Mercedes-AMG GT celebrated its world premiere in September 2014. This model marks the entry of the sports car and high-performance brand from Mercedes-Benz Cars into a new top-class sports-car segment that it had not previously occupied. This automobile, the second sports car that Mercedes-AMG has developed entirely on its own, underscores the brand's successful history. Entry into the compact class and expansion of the model range to include additional 4MATIC and S models have enabled Mercedes-AMG to attract new customer groups in both new and established markets. Within the framework of the AMG Green Performance Strategy, fleet fuel consumption has been reduced by 35% over the past five years with the help of an extensive range of technical modifications. New engine technologies and comprehensive lightweight design have made the AMG models, which already boast some of the lowest emissions in their respective segments, even more efficient than before.

New smart models – a new era begins. In July 2014, the smart brand unveiled two completely new models to the international media and the global public. The smart fortwo retains its uncompromising "shortness" of 2.69 meters, while the 3.49-meter forfour combines typical smart attributes with a feeling of great roominess and clever cargo loading options. The suspension system takes its cue from the technology used in the larger Mercedes model series; its roughly ten-centimeter wider track has led to a clear improvement in handling compared with the predecessor model. The smart fortwo's turning circle of 6.95 meters is the best in the world, while the forfour also boasts outstanding agility with a turning circle of 8.65 meters. The two are thus ideally prepared for the demands of urban driving. Customized infotainment options and clever connectivity solutions leave nothing to be desired, and the new smart models make a huge impression also with a range of safety features that set new standards in the brand's market segment.



Nearly all aspects of the smart fortwo have been improved and it now promises even more fun in the city with many innovative details.



The new C-Class wagon is a lifestyle automobile that combines dynamic design, high-class interior and innovative technology.

They include a reinforced tridion safety cell, comprehensive airbag solutions and assistance systems normally reserved for premium vehicles. The new fortwo and forfour models have been available in Europe since November 2014; additional markets will follow in 2015.

Despite being in its last year prior to a model changeover, smart was able to keep unit sales relatively stable at 92,500 cars in the year under review (2013: 98,200). The smart fortwo electric drive² remained very successful in the electric-car market.

Foundations laid for further growth in China. During the reporting year, we created the conditions necessary for further growth in China with the launch of nine new models, as well as by strengthening our sales network and making extensive investments in our local production and research locations. The consolidation of marketing and sales activities under the roof of a highly effective single organization, which began in 2013, was successfully completed in the year under review. We also added over 100 new sales outlets in more than 50 cities to our sales network in China, which now comprises a total of nearly 450 dealerships. In order to ensure that we can staff our growing sales organization with highly qualified employees, we opened Mercedes-Benz's biggest training center in the

world for car dealership staff in Shanghai in July 2014. In addition, a new Mercedes-Benz Research & Development Center began operating in Beijing in November 2014, and will enable us to meet the requirements and expectations of our Chinese customers more effectively. We intensified the cooperation with our Chinese partner BAIC Motor Corporation during the year under review. As a result, annual capacity at Beijing Benz Automotive Co., Ltd. (BBAC) will be more than doubled to over 200,000 units by 2015.

Additional sales momentum has been generated in China since September 2014 by the C-Class long-wheelbase version, which is produced in and for China. This car was developed especially for the Chinese market and offers rear passengers about 80 millimeters more legroom. High-quality materials and precisely defined details lend the interior a feeling of modern luxury.

¹ Mercedes-Maybach S 600: fuel consumption in l/100 km urban 16.9, extra-urban 8.7, combined 11.7; CO₂ emissions in g/km combined 274.

² smart fortwo electric drive: electricity consumption in kWh/100 km 15.1; CO₂ emissions in g/km 0.0.

Numerous awards for Mercedes-Benz. The Mercedes-Benz brand was once again the recipient of numerous awards in 2014. The brand was honored not only on the basis of traditional criteria such as safety, comfort, value stability and environmental compatibility, but also for its innovative spirit and the fascinating design of its vehicles. For example, readers of Auto Zeitung selected Mercedes-Benz models as the vehicles with the best design in three categories. The GLA topped the SUV category while the new C-Class took top honors among sedans and was also voted the best vehicle overall. Readers who participated in the voting for the AUTO BILD Design Award chose models from Mercedes-Benz as Germany's most beautiful cars in five out of six categories. Among the winners here was the new S-Class coupe; the C-Class was named overall Design Champion in this competition as well. In the voting for the World Luxury Car, 69 top journalists from 22 countries selected the S-Class as the best luxury car in the world. Mercedes-Benz was once again named the most valuable European brand and the most valuable premium automotive brand in the world in the Interbrand rankings for Best Global Brands 2014. Mercedes-Benz is also the most innovative automobile

brand, according to a study conducted by the Center of Automotive Management (CAM) and the Pricewaterhouse Coopers (PwC) corporate consulting firm.

Best Customer Experience. The Best Customer Experience program is designed to ensure completely personalized service for customers – from the initial contact to advice, test drives, purchases and aftersales services. Our goal here is to make Mercedes-Benz even more attractive to new contemporary-minded target groups, while at the same time maintaining the brand loyalty of established customers. To this end, Mercedes-Benz utilizes a multichannel approach that flexibly links a large number of different sales formats, thereby supplementing the services offered at traditional Mercedes-Benz showrooms. In late 2013, the brand became the first premium manufacturer to launch an online sales channel for new vehicles. The system is operated in a pilot project in cooperation with the Hamburg sales-and-service center. The pilot project was extended to Warsaw at the beginning of 2014. An analysis of the test-drive appointments made revealed that the online sales channel mainly attracted young people.



Progressive and unmistakable: The new CLA Shooting Brake perfectly combines the emotion of a coupe with the intelligence of a shooting brake.



A sports car in its purest form: The new Mercedes-AMG GT offers racetrack performance with great everyday practicality for enthusiasts.

An important component of Best Customer Experience is the “Mercedes me” service brand, which was presented for the first time in March 2014. “Mercedes me” allows easy access to existing and future services from the brand and is available around the clock at www.mercedes.me.

The new service brand has already been launched in 15 countries and is adapted to the local range of services in each market.

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Expansion of the global production network. In order to meet the targets of our 2020 growth strategy, we are creating additional capacities worldwide and continually refining our flexible and highly efficient production network. The numerous investment decisions that have been made regarding our plants in Germany underscore their importance as centers of expertise. For example, we invested more than €3 billion in the modernization and restructuring of our car and engine plants in Germany in 2014. We are also expanding our vehicle production capacities in the United States and China. A new logistics center is being built in Speyer, Germany, to enable us to efficiently and flexibly manage the growing material flows in our global production network. This center will serve as a hub for delivery of components to our car plants in China, South Africa and the United States. The new C-Class is our first model to be manufactured on four different continents simultaneously. It took only six months to launch production of the vehicle first in Bremen and then in East London (South Africa), Tuscaloosa (USA) and finally Beijing, where the long-wheelbase version of the C-Class is built. As the lead plant, Bremen manages the global production of the C-Class, including everything from tooling strategies to training for staff from the international manufacturing locations, as well as product quality specifications. This guarantees top quality from the very beginning at all production facilities.

Formula 1 champions. Thanks to innovative hybrid technology and an outstanding team effort, MERCEDES AMG PETRONAS was able to win the 2014 Formula 1 Constructors’ Championship by a wide margin. Our two drivers also dominated nearly every race. Lewis Hamilton finished the season as the world champion with Nico Rosberg taking second place. The hybrid drive in the F1 W05 Hybrid championship car was the most efficient and successful drive system in the competition. That was one of the main reasons why the season was such a huge success for MERCEDES AMG PETRONAS. In a total of 19 races, the team captured 16 victories (11 of which were 1-2 finishes), 31 podium finishes and 18 pole positions. Because the new Formula 1 regulations focus on fuel efficiency, we can now use the knowledge we have gained with lightweight design and hybrid technology in our race cars to further improve our production vehicles.

Further reduction of CO₂ emissions. Our new engines and extremely fuel-efficient model variants once again enabled us to substantially reduce the average CO₂ emissions of the cars we sold in the European Union in 2014 – this time from 134 grams per kilometer to 129 g/km. That achievement was made possible in large part by our new compact-class models and our efficient hybrid drive systems. Our goal is to reduce the average CO₂ emissions of our new-vehicle fleet in the European Union to 125 g/km by 2016. 👁 see pages 109 f