DAIMLER

Investor Relations Release

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Daimler posts record results once again: unit sales, revenue and EBIT at new highs – higher dividend of €3.65 proposed

- **Total unit sales at new record of 3.3 million vehicles (+9%)**
- **Group revenue up by 7% to €164.3 billion (2016: €153.3 billion)**
- **Significant increase in Group EBIT of 14% to €14.7 billion (2016: €12.9 billion)**
- **Net profit up by 24% to €10.9 billion**
- **Proposal of highest dividend to date of €3.65 per share**
- **Outlook for 2018: slight growth in unit sales and revenue, EBIT expected to be in the prior-year magnitude**
- **Dieter Zetsche, Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars: "We are acting from a position of strength. Our ambition is unchanged: Daimler belongs at the top."**
- **Bodo Uebber, Member of the Board of Management of Daimler AG for Finance & Controlling and Daimler Financial Services: "We have continued our trend of profitable growth and once again achieved record results for unit sales, revenue and earnings. In addition, we have increased the funding of our pension plans with a contribution of €3 billion."**

Stuttgart, Germany – Daimler AG (ticker symbol DAI) continued consequently along its path of profitable growth in 2017 and once again achieved record levels of unit sales, revenue, Group EBIT and net profit. For the current year, Daimler assumes it will be able to slightly increase its overall unit sales due to the attractive and innovative product portfolio in all divisions, the ongoing positive development of global automotive markets and its strengthening market position. On the basis of the positive development of unit sales, a slight increase in revenue is anticipated. While growth in unit sales and revenue will have a positive impact on the development of earnings, the continuation of very high advance expenditure for the model offensive and innovative technologies will dampen earnings growth, so the company anticipates Group EBIT in the magnitude of the previous year in 2018.

“The Daimler workforce has once again succeeded in breaking the records set in the previous year,” said **Dieter Zetsche, Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars**. “Our company stands for stable success in volatile times. But: stability is no justification for still stand. That’s why we are pushing forward with the transformation in all areas at Daimler.”
The Daimler Group achieved **EBIT** of €14.7 billion in 2017 (2016: €12.9 billion), which surpassed the prior-year figure significantly. **Net profit** increased to a new record of €10.9 billion (2016: €8.8 billion). **Earnings per share** increased accordingly to €9.84 (2016: €7.97).

Daimler increased its total **unit sales** in the year 2017 by 9% to 3.3 million vehicles, thus surpassing its growth target. The Mercedes-Benz Cars and Mercedes-Benz Vans divisions exceeded the forecasts made at the beginning of the year by recording significant growth (8% and 12% respectively). Daimler Trucks also posted a significant increase of 13% in unit sales. At the beginning of the year, the division had anticipated unit sales similar to those of the previous year. The sales forecast was successively adjusted as a result of more favorable market developments in some important markets. Unit sales at Daimler Buses were also significantly higher than in the prior year (+9%).

The development of earnings reflects primarily the very good situation of unit sales in the automotive segments. Accordingly, the Mercedes-Benz Cars division increased its earnings due in particular to further growth in unit sales, especially of the SUV models and the new E-Class. Daimler Trucks also significantly improved its earnings compared with the previous year, mainly due to increased unit sales in the NAFTA region and the sale of real estate in Japan. Mercedes-Benz Vans and Daimler Buses achieved EBIT at the prior-year level. EBIT at Daimler Financial Services increased significantly. Exchange-rate effects had a net positive impact on operating profit.

“We have continued our trend of profitable growth and once again set new records for unit sales, revenue and earnings. In addition, we have further increased the funding of our pension plans with a contribution of €3 billion,” said **Bodo Uebber, Member of the Board of Management of Daimler AG responsible for Finance & Controlling and Daimler Financial Services**. “We have strengthened our core business and created an excellent starting position to master the challenges of the fundamental transformation of the automotive industry that lie ahead of us.”

The Board of Management and the Supervisory Board will propose to the Annual Shareholders' Meeting to be held on April 5, 2018 that the **dividend** per share for the 2017 financial year be increased to €3.65 (prior year: €3.25). The dividend distribution will thus increase to the record level of €3.9 billion (2016: €3.5 billion). "We are proud of the best year in the company's history. We want our shareholders to participate in this success and are proposing the biggest dividend in the company's history," said Uebber.

The **net liquidity of the industrial business** decreased to €16.6 billion at the end of 2017 (2016: €19.7 billion). This decrease is almost entirely explained by an extraordinary contribution of €3 billion to the German pension plan assets of Daimler AG. For the same reason, the free cash flow of the industrial business decreased to €2.0 billion (2016: €3.9 billion). Without this effect, the **free cash flow of the industrial business** would have been €5.0 billion and thus higher than in the previous year and higher than the dividend distribution in the year 2017, despite a significant increase in advance expenditure for new products and technologies.

In line with the ongoing high level of earnings, Daimler continues to have very sound key financial metrics. This was confirmed by the **rating** agencies in their publications during the year. In early February 2017, Moody's raised Daimler's long-term credit rating from A3 to A2 and the short-term rating from P-2 to P-1. And in November 2017, the Canadian rating agency DBRS also raised the long-term rating from A (low) to A.

Slight workforce growth as expected

At December 31, 2017, the Daimler Group employed a total of 289,321 men and women, which represents an increase of 2% (2016: 282,488). The main reason for the growth was the good business situation worldwide. The number of employees in Germany increased to 172,089 (2016: 170,034). At the end of 2017, the Group had a total of 8,097 apprentices and trainees (2016: 7,960). In 2017, 1,278 young people began their vocational training at Daimler AG (2016: 1,662), and 1,197 were hired after completing their training (2016: 1,448).

Daimler works continuously on consolidating and enhancing its attractiveness as a modern employer – with both employees and job applicants. The employees can take advantage of mobile work, are supported in combining a career with family life, have comprehensive possibilities for training and further training, a broad spectrum of health-care management, competitive remuneration and add-on benefits in line with the market such as a company pension. In addition, the company lets the employees participate in the company's financial success. In April 2018, Daimler AG will pay its eligible employees an amount of up to €5,700 for financial year 2017 (2016: €5,400).

Details of the divisions

"In 2017, Mercedes-Benz not only sold more cars than our direct competitors, we also grew faster: by 10% in retail terms," said Dieter Zetsche. "In other words, we have further extended our leadership in the premium segment."

The **Mercedes-Benz Cars** division consists of the Mercedes-Benz brand with the Mercedes-AMG, Mercedes-Maybach and Mercedes me sub-brands, as well as the smart brand and the new EQ brand for electric mobility. The division continued on its course of profitable growth in the year under review, with **unit sales** increasing by 8% to the new record level of 2,373,500 vehicles and **revenue** rising by 6% to €94.7 billion. Mercedes-Benz Cars was also able to improve its market position in nearly all regions. The division's **EBIT** in 2017 of €9,207 million was significantly higher than the prior-year result of €8,112 million and its **return on sales** was 9.7% (2016: 9.1%).

The positive earnings development primarily reflects the increased unit sales of new vehicles. The main drivers were the SUV segment and the new E-Class. Additional positive effects on EBIT resulted from exchange-rate effects and income of €183 million in connection with the remeasurement of the investment in THERE Holding B.V., using the at-equity method. Negative effects resulted from advance expenditure for new technologies and future vehicles and from expenses for the expansion of production capacities. Higher expenses for raw materials also had a negative impact on EBIT. Furthermore, expenses for voluntary service activities and expenses for a specific vehicle recall (€425 million) had a significant impact on earnings. In the year 2016, EBIT included expenses in connection with Takata airbags (€480 million) and expenses in connection with the remeasurement of inventories (€238 million).

Daimler Trucks significantly increased its **unit sales** to the number of 470,700 vehicles in 2017 (2016: 415,100). **Revenue** of €35.7 billion was also significantly higher than in the previous year (2016: €33.2 billion). The division's **EBIT** in 2017 of €2,380 million was 22% higher than in the prior-year figure of €1,948 million. The **return on sales was** 6.7% (2016: 5.9%).

The positive development of earnings was primarily the result of increased unit sales in the NAFTA region. EBIT was also boosted by income from the sale of real estate at the Kawasaki site in Japan (€267 million) and by efficiency improvements. Higher expenses for raw materials and expenses of €172 million for the fixed-cost optimization had a negative impact on EBIT.

Mercedes-Benz Vans set a new **unit sales** record once again in financial year 2017, with an increase of 12% to 401,000 vehicles. At €13.2 billion, **revenue** was also higher than in the previous year (2016: €12.8 billion). The division achieved **EBIT** in 2017 of €1,181 million, similar to the prior-year level (2016: €1,170 million). Its **return on sales** was 9.0% (2016: 9.1%).

EBIT was affected by higher expenses for product ramp-ups and new technologies. Furthermore, earnings were reduced by the termination of a contract-manufacturing arrangement. These effects were offset by the positive development of unit sales, especially in Europe, China and Latin America, and by exchange-rate effects. Prior-year EBIT included expenses in connection with Takata airbags (€83 million) and expenses from a voluntary severance program at the Düsseldorf plant (€38 million).

Daimler Buses sold 28,700 buses and bus chassis worldwide in financial year 2017 (2016: 26,200). The significant increase was due especially to the gradual recovery of the economy in Brazil. The division thus maintained its clear market leadership in its most important traditional core markets EU30 (European Union, Switzerland, Norway), Brazil, Argentina and Mexico. In another ongoing positive development, sales of complete buses in the EU30 region were at the same high level as in the prior year. **Revenue** grew by 4% to €4.4 billion. The division’s **EBIT** of €243 million was at the high prior-year level (2016: €249 million). **Return on sales** decreased slightly to 5.6% (2016: 6.0%).

Further efficiency enhancements and higher unit sales in Latin America almost offset the inflation-related cost increase in Latin America and the negative exchange-rate effects.

Daimler Financial Services concluded 1.9 million new **financing and leasing contracts** worth a total of €70.7 billion in 2017. The total value of all new contracts rose by 14% compared to the prior year. About half of all new-vehicle sales by the automotive divisions in 2017 were supported by sales financing from Daimler Financial Services. More than 4.8 million financed or leased vehicles were on the books at the end of 2017, with a total contract volume of €139.9 billion – this represents a 6% increase compared with the end of 2016. Adjusted for exchange-rate effects, **contract volume** increased by 12%. The division posted **EBIT** of €1,970 million in 2017, thus significantly surpassing its prior-year earnings of €1,739 million. The **return on equity** was 17.6% (2016: 17.4%). This positive development was the result of increased contract volume and a further improvement in the cost-of-risk situation. On the other hand, there were negative effects from a higher interest-rate level, increased expenses for the expansion of mobility services and the digitization of the business system.

Daimler Financial Services once again expanded its range of innovative **mobility services** in 2017. **car2go** increased the number of customers its car-sharing service to around 3.0 million, thus maintaining its position as the world's leading company for flexible car sharing. The **moovel** app also underwent further development in 2017. moovel enables customers in Germany to compare various mobility and transport-system options and then choose the best way to get from point A to point B. The app can also be used to book and directly pay for services provided by companies such as car2go, mytaxi and Deutsche Bahn. The number of registered users in Germany and the United States had risen to 3.7 million by the end of 2017 (2016: 2.2 million). In 2017, **mytaxi** further expanded and consolidated its position as Europe's biggest taxi app through its successful merger with Hailo and its acquisition of Taxibeat and Clever Taxi. The number of registered users increased by 85% to 11.1 million. A total of 17.8 million customers are registered for Daimler mobility services, which are offered in more than 100 cities in Europe, North America and China.

"With its mobility services, Daimler Financial Services is a pioneer in the future area of shared and services," said Bodo Uebber. "From a strategic perspective, we want to achieve four goals with our mobility services: First of all, we want to participate in a rapidly growing market that can reach a three-digit billion amount in the coming years. We want to offer our customers a broad ecosystem all around the connected car. In other words, we will make our service portfolio even more attractive and offer additional innovative services. The goal is to develop the required expertise and resources so that we are a leader in the future business with robot taxis."

The **reconciliation** of the divisions' EBIT to Group EBIT comprises gains and/or losses at the corporate level and the effects on earnings of eliminating intra-group transactions between the divisions. Items at the corporate level resulted in expenses of €254 million (2016: €333 million). In 2017, this primarily comprises expenses related to legal proceedings. On the other hand, the reversal of an impairment of €240 million of Daimler's at-equity investment in BAIC Motor had a positive effect on earnings. In 2016, there were expenses of €400 million in connection with a legal proceeding, the impairment of €244 million of Daimler's at-equity investment in BAIC Motor, and losses of €241 million from currency transactions not allocated to business operations. The gain of €605 million recognized on the contribution of the Renault S.A. and Nissan Motor Company Ltd. shares into the German pension plan assets did not offset those expenses. The elimination of intra-group transactions resulted in expenses of €45 million in 2017 (2016: income of €17 million).

A further increase in investment in the future of the company

“We are making use of our technological expertise and the profitability of the core business to tackle the major issues of our industry’s future. We describe them with the acronym CASE. That stands for the combination of connectivity, autonomous, sharing and electric mobility,” said Zetsche. “So it’s about nothing less than the reinvention of individual mobility.”

Against this backdrop, **research and development expenditure** was increased in 2017 from the already very high level by another 15% to €8.7 billion. In order to implement the growth strategy with new products, innovative technologies and modern production facilities, the innovation offensive will be pushed forward in the coming years, with a focus on the future areas of CASE.

Investment in property, plant and equipment was also increased in 2017 from the already very high level to €6.7 billion (2016: €5.9 billion). Investment in property, plant and equipment primarily flows into production preparations for the new models. Other important areas are the realignment of production facilities in Germany, local production in the growth markets, and the development of a worldwide production network for electric vehicles and batteries.

Corporate strategy: CORE, CASE, CULTURE, COMPANY

To keep Daimler at the forefront, the company is focusing on four strategic areas for action. Daimler intends to strengthen its financial basis through profitable growth in the global core business: CORE. The Group makes use of its profitability to shape the radical transformation of the automotive industry. To those ends, Daimler invests in the CASE areas of the future – connected, autonomous, shared & services and electric – with the goal of strengthening the core business over the long term. In order to effectively support the transformation, Daimler is renewing its corporate culture together with the employees: CULTURE. By means of the targeted realignment, the company intends to utilize market opportunities even better: COMPANY.

In October 2017, Daimler announced its intention to further focus and strengthen the Group’s business structures by creating legally independent entities: The idea is that alongside the existing legally independent division Daimler Financial Services, the divisions Mercedes-Benz Cars & Vans and Daimler Trucks & Buses will have more business responsibility as two new legally independent entities. In the coming months, there will be an extensive and thorough due diligence of all economic, tax-related and organizational issues of the projected structure. “In the case of a positive result of the feasibility study, we would give the go-ahead for the new company structure in the year 2018,” said Uebber. This project is intended to strengthen the future viability of the divisions so that the growth and earnings potential of the respective markets can be utilized even better. Securing Daimler’s future is based on three elements: maintaining and enhancing the Group’s success, making progress with protecting the employees’ future, and ensuring the investors’ long-term commitment to Daimler.

In connection with the balance of interests, Daimler transferred €3 billion from its liquid resources into the German pension plan assets of Daimler AG in the fourth quarter of 2017, thus ensuring a high level of funding for the pension obligations. At the same time, the company is strongly emphasizing its pension commitments to the employees, and also aims to help consolidate Daimler’s A-ratings.

Outlook: world economy should continue its positive development

At the beginning of 2018, the world economy continues to develop with solid growth. It is assumed that this dynamism will also continue as the year progresses. Growth prospects for both the advanced economies and the emerging markets are similarly positive as they were last year. Overall, the world economy should expand in 2018 at a similarly favorable rate as in the previous year, with **growth of significantly more than 3%**.

Outlook: further growth of automotive markets

In 2018, **worldwide demand for cars** is likely to increase again from an already high level. According to current forecasts, **slight growth of approximately 2%** is to be expected. Slight market growth is expected once again in Europe and China. The US market will be similar to its prior-year volume and the recovery of demand in the emerging markets should continue.
In Europe, a slight increase in overall car sales is expected. As the market volume in Western Europe is now above average again, demand is expected to remain fairly stable. In Eastern Europe, however, a significant increase in sales volumes is anticipated primarily due to the ongoing recovery of the Russian market. The US market for cars and light trucks should maintain its high level of approximately 17 million units sold. Despite the favorable economic outlook, Daimler believes a further increase is unlikely because the market can be regarded as being fairly saturated at this level.

The Chinese car market continues to be significantly affected by regulatory conditions. At the beginning of this year, the tax rate on purchases of cars with small engines (up to 1.6 liters) was raised back to its normal level of 10%. As this led to purchases being brought forward to late 2017, more moderate demand is to be expected in the first months of this year. In full-year 2018, the Chinese market should expand slightly nonetheless. In Japan, it is assumed that the car market will undergo a slight downward correction, but demand in India should continue to grow significantly.

Thanks to the continuation of a positive investment climate worldwide, demand for **medium- and heavy-duty trucks should increase significantly** in most of the **relevant regions**. In the NAFTA region, a cyclical recovery of the truck market is to be expected and Daimler anticipates a significant increase in overall sales in weight classes 6-8. In an ongoing favorable economic environment, it is assumed that demand in the EU30 region will maintain the robust market volume of the previous year. After the long weakness of demand of recent years in Brazil, it is to be expected that a somewhat livelier economic recovery will also bring about significant growth of the truck market, although from a very low level. The Turkish market should also grow significantly from its present low level. In Russia, further significant growth in demand for trucks is expected.

The most important Asian markets from Daimler’s perspective are likely to present a varied picture in 2018. In the Japanese market for light-, medium- and heavy-duty trucks, a slight market correction at an ongoing solid level is anticipated. For the Indonesian truck Daimler anticipates a positive development. In India, demand for medium- and heavy-duty trucks should recover significantly from the market contraction of 2017. In the Chinese market, a significant correction is to be expected following the extremely high volume of the previous year.

In the EU30 region in 2018, Daimler expects slight market growth for small **vans**, for the combined segment of mid-size and large vans, and for the segment of mid-size pickups. In the United States, demand for large vans should be slightly stronger than in the previous year. The market for large vans in Latin America should continue its recovery in 2018. In China, a significant recovery of demand is expected in the relevant market.

Daimler expects a market volume for **buses** in the magnitude of the previous year in the EU30 region. The market situation in Latin America will be influenced by the economic upturn in Argentina and Brazil. Following the significant decline until 2016 and the turnaround in 2017, it is assumed that the significant market recovery will continue in 2018.

Outlook: further growth in unit sales

Mercedes-Benz Cars will continue along its growth path in 2018. The division intends to **slightly increase its total unit sales**, thus reaching a new record level. Growth is anticipated above all in China. This expectation is based on the attractive and innovative model portfolio, which is more diverse than ever before. **Mercedes-Benz** will launch more than a dozen new and upgraded automobiles in 2018. Sales should be boosted in particular by the E-Class and C-Class model families. And the new generation of the compact cars, which will be launched with the A-Class this spring, should have a positive impact on unit sales. The product range will become even more attractive as a result of several model upgrades. Above all, the new S-Class sedan, which has been delivered to customers also as a coupe and convertible since the beginning of 2018, should defend its leading market position in the luxury segment. The division intends to continue this model series' success story with the new CLS coupe, which had its premiere at the Los Angeles Auto Show in 2017. Mercedes-Benz Cars is well positioned also with its SUVs and the upgraded GLA, which was launched in 2017. The new G-Class will make its mark in this segment as of this spring, and the GLC models should continue along their growth path. In addition, the sports-car and high-performance brand **Mercedes-AMG** continues to be an important sales driver. More and more customers are fascinated by the broad and appealing range of automobiles offered by Mercedes-AMG, which is continually expanding.

Mercedes-Benz is systematically expanding its worldwide production network for electric mobility. Under the new **EQ brand**, which stands for »Electric Intelligence«, not only vehicles but also services will be offered in connection with electric mobility. By the year 2022, the car division wants to electrify each segment across the entire model portfolio. The goal is to offer customers at least one electrified alternative in each segment - from the compact car to the large SUV. The division plans to have a total of more than 50 electrified models by the year 2022. This will include more than ten fully electric vehicles, the plug-in hybrids and the models with 48-volt technology.

As of the year 2020, the **smart** brand intends to sell solely cars with electric drive in Europe and North America, and the other regions will follow in a short-term. The new electric-drive models of the smart fortwo, smart fortwo Cabrio and smart forfour (electricity consumption combined: 13.1–12.9 kWh/100 km; CO2 emissions combined: 0 g/km) combine the agility of a smart with locally emission-free driving at an affordable price – the ideal combination for urban mobility.

Daimler Trucks assumes that in 2018, its **total unit sales will be significantly higher than in the previous year**, primarily due to the perceptible recovery of major markets. In the NAFTA region, the division anticipates unit sales significantly higher than the prior-year level as a result of the ongoing market recovery apparent since the second half-year of 2017. In the EU30 region, unit sales are expected to be in the magnitude of the previous year. In Brazil, it is assumed that unit sales in 2018 will significantly surpass the low level of 2017. With the attractive product portfolio in the Indian market, Daimler Trucks expects to significantly increase its unit sales and to further strengthen its market position. Furthermore, with the expanded range of FUSO vehicles from Indian production, there is the opportunity to generate additional sales in Asia, Africa and Latin America. Unit sales in Indonesia should grow significantly once again, and the truck division expects to sell a similar number of trucks in Japan as it did in 2017.

Mercedes-Benz Vans plans for a **significant increase in unit sales** in the year 2018. Growth is expected to be particularly strong in China and the United States. Significant growth is anticipated also in the EU30 region, due not at least to the new X-Class. In the context of the »Mercedes-Benz Vans goes global« strategy, the division has expanded its portfolio with the Mercedes-Benz X-Class, a premium pickup for markets in Europe, South Africa, Australia and New Zealand. In Latin America, market launch is planned for the year 2019. Additional growth is expected in 2018 from the new Sprinter, which will be produced also in North America in the future.

Daimler Buses assumes that it will be able to defend its market leadership in its most important traditional core markets for buses above 8 tons with innovative, future-oriented and high-quality products. **Total unit sales** in 2018 are expected to be **significantly above** the prior-year level. The division assumes that unit sales in the EU30 region will increase perceptibly. After the significant increase in unit sales in Latin America last year, a further significant recovery is anticipated in 2018. A positive development of unit sales is expected also in India.

Daimler Financial Services aims to achieve ongoing growth in the coming years. In 2018, the division expects **further growth in contract volume**. This will be primarily driven by the strong development **of new business** in 2017, which should **continue at the same high level** this year. Daimler Financial Services is utilizing new market potential above all in China, and by means of new and digital possibilities for customer contacts – in particular through the systematic further development of online sales channels. The division continues to see good growth opportunities in the field of innovative **mobility services**, where it is active with the brands car2go, moovel and mytaxi, as well as with equity interests in Blacklane and FlixBus and various startup companies.

Outlook: slight increase in unit sales and revenue expected, Group EBIT in the magnitude of the previous year

On the basis of the assumptions concerning the development of automotive markets and the divisions' planning, the Daimler Group expects to **slightly increase its total unit sales** in 2018. The Group also anticipates **slight revenue growth** in 2018, as a result of the overall positive development of unit sales in the automotive divisions. Exchange-rate effects are likely to have a rather negative impact on the development of revenue in the year 2018. This applies above all to the business in the NAFTA region.

The **divisions** currently have very attractive product ranges, which have been expanded and systematically renewed in recent years. The Group therefore assumes that Daimler will profit from the slight growth in global demand for motor vehicles that is expected in the year 2018, and that it will be able to strengthen or defend its position in major markets.

At Mercedes-Benz Cars, additional growth this year will be primarily driven by the E-Class models, the GLC SUV, the new convertible models and the new A-Class. On the other hand, revenue growth will be dampened by the anticipated development of exchange rates and lifecycle effects from some car models, as well as by a changing sales structure. Mercedes-Benz Cars therefore anticipates revenue in 2018 only at the high prior-year level despite a slight increase in unit sales. Due to generally positive expectations for markets and unit sales, the Daimler Trucks division plans for slight revenue growth, while the Mercedes-Benz Vans, Daimler Buses and Daimler Financial Services divisions anticipate significant increases in revenue.

In **regional terms,** Daimler expects further slight growth in revenue in Asia and Europe. In China, the right conditions have been created for further growth with new sales outlets, additional production capacities and a broad product range. However, growth in unit sales in China will have a disproportionately low impact on revenue growth, as the share of local production will continue to increase. Daimler's Chinese associated company, Beijing Benz Automotive China (BBAC), is included in the consolidated financial statements using the at-equity method of accounting.

The anticipated growth in unit sales and revenue will have a generally positive impact on **earnings** in 2018. The foundations have been laid for a lasting high level of earnings with various programs for improved profitability, which were already implemented in the years 2013 to 2015.

Since then, Daimler has continuously been taking further measures in all divisions for the long-term and structural optimization of its business system. At Mercedes-Benz Cars for example, further efficiency improvements are to be achieved in the context of the F4L (Fit for Leadership) program. Daimler Trucks is also working continuously on efficiency improvements with its optimization program. In combination with the cost optimizations so far planned and partially already implemented, Daimler Trucks aims to achieve profit-effective improvements in an amount of €1.4 billion by the end of 2018. The goal is for these measures to become fully effective in the year 2019.

Daimler is standardizing and modularizing its production processes throughout the Group. In this context, intelligent use is being made of vehicle platforms, allowing further cost advantages to be achieved. In parallel, Daimler is pushing forward with digital connectivity: in all divisions and at all stages of the value chain – from development to production to sales and service. This is opening up additional scope to become even faster, more flexible and more efficient - to the benefit of the customers. However, earnings will be reduced by the continuation of very high expenditure: for the model offensive, for innovative technologies (especially for reducing fuel consumption and for electrification), for the digitization of products and processes, and for the expansion and realignment of the worldwide production facilities. As a result, the advance expenditure aimed at securing a successful future will once again be substantially higher in 2018 than in the previous year.

On the basis of the anticipated market developments, the aforementioned factors and the planning of the divisions, Daimler assumes that **Group EBIT** in 2018 will be of the **magnitude of the previous year**.

The **individual divisions** have the following expectations for **EBIT** in the year 2018:

- Mercedes-Benz Cars: at the prior-year level,
- Daimler Trucks: significantly above the prior-year level,
- Mercedes-Benz Vans: slightly below the prior-year level,
- Daimler Buses: significantly above the prior-year level, and
- Daimler Financial Services: at the prior-year level.

At Mercedes-Benz Cars, positive effects will result from the anticipated growth in unit sales. They will be offset, however, by the significant increase in advance expenditure for new products and technologies, a less favorable sales structure and negative exchange-rate effects. Both Daimler Trucks and Daimler Buses should profit from rising unit sales and the efficiency-enhancing measures. Daimler Financial Services assumes a positive development of earnings due to its growing contract volume and the further optimization of business processes. Increased investments in new businesses and the advancement of digitization as well as increased interest rates and exchange-rate effects will have a dampening impact on earnings. Against the backdrop of high advance expenditure for the Sprinter model change and higher expenses for product ramp-ups as well as negative exchange-rate effects Mercedes-Benz Vans expects a slight earnings decrease. The anticipated growth in unit sales is unlikely to fully offset these negative effects.

Outlook: free cash flow of the industrial business expected to be significantly higher than in 2017

The anticipated development of earnings in the automotive divisions will have a positive impact on the **free cash flow of the industrial business**. There will be a negative effect, however, from the further increase in advance expenditure for new products and technologies. Under these conditions, Daimler assumes that the free cash flow of the industrial business should be **significantly higher than in the previous year**. It must be taken into consideration, however, that the free cash flow of the industrial business in 2017 was reduced by an extraordinary contribution of €3 billion to the German pension fund assets.

“We will profit from the Group’s financial strength once again this year. We expect the free cash flow from the industrial business to significantly surpass the prior-year level and to be higher than the dividend to be paid out in 2018,” said Uebber. “And that is our expectation although we will invest even more in new products and technologies.”

Outlook: investments

With its **research and development activities**, Daimler’s goal is to further strengthen its competitive position against the backdrop of upcoming technological challenges. The Group wants to create competitive advantages above all by means of innovative solutions for low emissions and safe mobility. In addition, the growth opportunities offered by worldwide automotive markets are to be utilized with new and attractive products. Daimler is increasingly focusing on the strategic areas for the future of connectivity, autonomous driving, flexible use and services, and electric drive. It aims to occupy a leading position in these areas, both individually and by linking them up intelligently. In order to achieve its goals, the Group will once again **slightly increase its total expenditure for research and development** in 2018. Furthermore, the product range will be systematically expanded in the coming years. At the same time, Daimler wants to be able to play a leading role in the far-reaching technological transformation of the automotive industry. This applies in particular to the increasing electrification of the product portfolio and to the digital connectivity of products and processes along the entire value chain. By intelligently connecting the constantly growing volumes of data, the Group will create efficiency advantages, improve its product quality and facilitate the ongoing flexibilization of the production process. Against this backdrop, **investment in property, plant and equipment** will once again be **significantly increased** in the year 2018.

Outlook: slight workforce growth

Due to the anticipated growth in unit sales and revenue, production volumes will continue rising in 2018. At the same time, the efficiency-enhancing measures implemented at all divisions in recent years are now taking effect. The medium- and long-term measures that have been taken for structural improvements in the business processes should facilitate further efficiency progress. Against this backdrop, Daimler assumes that it will be able to achieve its growth targets with only **slight workforce growth**. Additional jobs will be created in particular through the expansion of the international production network, as well as in the area of research and development for projects in the future areas of electric mobility and digitization. Companies that operate together with Chinese partners and whose employees are not included in the figures for the Daimler Group are also likely to recruit additional employees.

“In recent years, we have kept the promises we had previously made. We have delivered. In this context, three phases are apparent in the development of our company. The first phase was the restructuring, in which we focused on our core competence: the production of motor vehicles. In the second phase, we wanted to become the number one; we achieved that goal ahead of time,” summarized Zetsche. “Now, we are in the phase of shaping the future. And we are acting from a position of strength. Our ambition is unchanged: Daimler belongs at the top.”

The results stated in this document are provisional and have been neither approved by the Supervisory Board nor audited by the external auditors.

lower-margin vehicles; a possible lack of acceptance of our products or services which limits our ability to achieve prices and adequately utilize our production capacities; price increases for fuel or raw materials; disruption of production due to shortages of materials, labor strikes or supplier insolvencies; a decline in resale prices of used vehicles; the effective implementation of cost-reduction and efficiency-optimization measures; the business outlook for companies in which we hold a significant equity interest; the successful implementation of strategic cooperations and joint ventures; changes in laws, regulations and government policies, particularly those relating to vehicle emissions, fuel economy and safety; the resolution of pending government investigations or of investigations requested by governments and the conclusion of pending or threatened future legal proceedings; and other risks and uncertainties, some of which we describe under the heading "Risk and Opportunity Report" in the current Annual Report. If any of these risks and uncertainties materializes or if the assumptions underlying any of our forward-looking statements prove to be incorrect, the actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements since they are based solely on the circumstances at the date of publication.

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For an overview of major roadshows and conferences please see:
https://www.daimler.com/investors/events/roadshows

Figures for the 4th quarter and full-year 2017

Daimler Group	Q4 2017	Q4 2016	Change 17/16	FY 2017	FY 2016	Change 17/16
Revenue, in millions of EUR	43.589	41.001	+ 6 %	164.330	153.261	+ 7 %
EBIT, in millions of EUR	3.470	3.459	0 %	14.682	12.902	+ 14 %
Net profit, in millions of EUR	3.288	2.206	+ 49 %	10.864	8.784	+ 24 %
Earnings per share (EPS), in EUR	2,99	2,01	+ 49 %	9,84	7,97	+ 23 %
Dividend proposed, in EUR	-	-	-	3,65	3,25	+ 12 %
Employees (Dec. 31)	289.321	282.488	+ 2 %	289.321	282.488	+ 2 %
Net liquidity (Dec. 31), in millions of EUR	16.597	19.737	- 16 %	16.597	19.737	- 16 %
Free cash flow (industrial business), in millions of EUR	-3.766	1.281	-	2.005	3.874	- 48 %

EBIT by Divisions in millions of EUR	Q4 2017	Q4 2016	Change 17/16	FY 2017	FY 2016	Change 17/16
Mercedes-Benz Cars	2.422	2.561	- 5 %	9.207	8.112	+ 13 %
Daimler Trucks	555	347	+ 60 %	2.380	1.948	+ 22 %
Mercedes-Benz Vans	248	156	+ 59 %	1.181	1.170	+ 1 %
Daimler Buses	88	77	+ 14 %	243	249	- 2 %
Daimler Financial Services	417	390	+ 7 %	1.970	1.739	+ 13 %

RoS by Divisions in %	Q4 2017	Q4 2016	Change 17/16	FY 2017	FY 2016	Change 17/16
Mercedes-Benz Cars	9,7	10,7	- 1.0 %pts.	9,7	9,1	+ 0.6 %pts.
Daimler Trucks	5,8	4,1	+ 1.7 %pts.	6,7	5,9	+ 0.8 %pts.
Mercedes-Benz Vans	6,6	4,5	+ 2.1 %pts.	9,0	9,1	- 0.1 %pts.
Daimler Buses	6,8	6,0	+ 0.8 %pts.	5,6	6,0	- 0.4 %pts.
Daimler Financial Services (RoE)	14,2	15,2	- 1.0 %pts.	17,6	17,4	+ 0.2 %pts.

Revenue by Divisions in millions of EUR	Q4 2017	Q4 2016	Change 17/16	FY 2017	FY 2016	Change 17/16
Mercedes-Benz Cars	24.952	23.931	+ 4 %	94.695	89.284	+ 6 %
Daimler Trucks	9.540	8.466	+ 13 %	35.707	33.187	+ 8 %
Mercedes-Benz Vans	3.770	3.459	+ 9 %	13.164	12.835	+ 3 %
Daimler Buses	1.287	1.287	0 %	4.351	4.176	+ 4 %
Daimler Financial Services	6.099	5.651	+ 8 %	23.775	20.660	+ 15 %

Sales in units	Q4 2017	Q4 2016	Change 17/16	FY 2017	FY 2016	Change 17/16
Daimler Group	873.040	799.031	+ 9 %	3.273.933	2.998.386	+ 9 %
Mercedes-Benz Cars	613.026	589.119	+ 4 %	2.373.527	2.197.956	+ 8 %
Daimler Trucks	133.711	104.019	+ 29 %	470.705	415.108	+ 13 %
Mercedes-Benz Vans	117.748	97.628	+ 21 %	401.025	359.096	+ 12 %
Daimler Buses	8.555	8.265	+ 4 %	28.676	26.226	+ 9 %

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