

# Outlook

The statements made in the Outlook chapter are based on the business plan of Daimler AG as approved by the Board of Management and the Supervisory Board. That plan is based on the premises we set regarding the economic situation and the development of automotive markets. It involves assessments made by Daimler, which are based on analyses by various renowned economic research institutes, international organizations and industry associations, as well as on the internal market analyses of our sales companies. The prospects for our future business development as presented here reflect the targets of our divisions as well as the opportunities and risks presented by the anticipated market conditions and the competitive situation during the planning period. Against this backdrop, we adjust our expectations for business development to reflect updated forecasts for the development of the various automotive markets. The statements made below are based on the facts known to us at the beginning of 2021. The Daimler Business Plan is based on the existing Group structure, including Daimler Trucks & Buses, and for reasons of comparability covers the full 2021 financial year. As previously announced, the Board of Management decided to evaluate a spin-off of Daimler Trucks & Buses, including significant parts of the related financial services business (Daimler Truck), and to begin preparations for a separate listing of Daimler Truck before the end of 2021. Before the spin-off, we will reclassify Daimler Truck as discontinued operations. We expect considerable positive effects in connection with the spin-off in the second half of the year, which cannot be reliably determined at present.

Our assessments for the year 2021 are based on the assumption of a gradual normalization of economic conditions in the markets that are most important for us. Our expectations for business developments in 2021 are based in particular on the assumption that the global economy can recover from the pandemic-related weakness of 2020, helped by, among other things, the increasing availability of effective vaccines. We expect demand for cars and commercial vehicles to exceed the prior-year levels significantly in many markets. The development we have outlined is subject to various opportunities and risks, which are explained in detail in the [👁 Risk and Opportunity Report](#).

## The world economy

We assume that the global economy will grow strongly in 2021 following the deep recession of 2020; this applies both to the industrialized countries and to the emerging markets. However, especially in the northern hemisphere, containment of the covid-19 pandemic is likely to affect the first few months of the year. Along with the expected spread of effective vaccines through the population, the situation should improve from the second quarter onwards and the upturn should gain momentum. Over the course of the year, the global economy should be able to return to its pre-crisis level of the fourth quarter of 2019. Global trade should also increase again significantly after the deep slump in 2020.

The economy of the European Monetary Union is expected to remain severely impacted by the coronavirus pandemic in 2021, but after a weak start, it should increasingly gain momentum as the year progresses. This should be supported both by the recovery in global trade and by improved prospects for domestic demand as restrictions on economic activity are gradually eased or lifted. In addition, the European Central Bank's monetary policy is likely to remain very expansionary and support the economic recovery. Investment activity in the euro zone should also benefit from the start of implementation of the EU Recovery Fund. Overall, these developments should lead to an economic growth rate in the European Monetary Union of approximately 4%, while developments within the region will continue to be very heterogeneous. The German economy should follow a similar pattern and grow by about 3.5%, primarily because of an expected strong second half. The UK economy should also continue to recover, but is likely to suffer noticeably in the first few months of the year in particular from the stringent measures taken to combat the covid-19 pandemic and the growth-dampening impact of the country's exit from the EU single market effective January 1, 2021.

We also expect the US economy to grow strongly by about 5% in 2021, driven primarily by dynamic growth in private consumption and possibly by additional fiscal stimulus. As vaccination rates rise, especially those services sectors should recover which were severely affected by pandemic-related restrictions. This should also ensure that unemployment continues to decline noticeably. The US Federal Reserve (Fed) is likely to maintain its expansionary monetary policy as announced and to continue supporting the economic recovery.

The Japanese economy is expected to recover at a rather moderate rate of approximately 3% this year, driven mainly by strong export growth in the context of the recovery in global trade.

We expect strong growth momentum in China as the recovery in private consumption is steadily gaining pace, while industrial production and exports continue to rise. Based on a recovery of the labor market and improved consumer sentiment, consumption is likely to contribute significantly to the expected growth of more than 8% this year. Against the backdrop of this robust development, the Chinese government is likely to gradually scale back its fiscal and monetary support measures.

The emerging markets as a whole will also recover noticeably this year, whereby the positive effects of coronavirus vaccinations are only likely to materialize with a certain delay compared with the industrialized countries. The Asian region is likely to recover most strongly, even though the growth momentum in the various countries is likely to remain disparate. In contrast, the recovery of Latin American and Central and Eastern European economies is expected to be significantly more moderate. The countries of the Middle East are likely to benefit from a slight recovery of the oil price, but in a long-term comparison, the oil price will remain moderate according to current estimates. Taken together, the emerging economies should achieve overall growth in the region of 6% in 2021.

Overall, the world economy is likely to experience a strong recovery in 2021 with growth of about 5%, thus expanding at a pace that is well above average by long-term standards.

## Automotive markets

On the basis of the assumed economic recovery, a significant increase in worldwide **demand for cars** is to be expected in 2021.

The European market is likely to grow significantly compared to the very weak level caused by the crisis last year. We expect a significant increase in car sales also for most of the large individual European markets.

Light vehicle demand in the US market is expected to recover significantly following the sharp decline in the previous year. The Chinese car market, which developed better than most of the other major sales markets last year, is expected to expand slightly this year.

We also expect **demand for vans** to improve significantly compared with the previous year. In the EU30 region (the European Union, United Kingdom, Switzerland and Norway), significant growth is expected in 2021, both in the combined market segment of mid-size and large vans and in the market for small vans. In the United States and Brazil, demand for large vans is also expected to be significantly stronger than in 2020. In China, we expect the positive development in the mid-size van segment to continue with further significant market growth.

The economic upturn should also result in a better development of demand in key **truck markets**.

In North America, we assume that the market for heavy-duty trucks (class 8) will expand significantly. Significant growth in demand for heavy-duty trucks is anticipated also in the EU30 region. We expect slight expansion in the Brazilian market, while a market volume at the prior-year level is likely in Japan.

## Unit sales

On the basis of our general assumptions for the development of the world economy and of the automobile markets important to us, **Mercedes-Benz Cars** assumes that its unit sales in 2021 will be significantly above the level of the previous year.

This expectation is supported by the ongoing renewal of our attractive and innovative model portfolio. We intend to launch more than half a dozen new and revised models in the year 2021. Both the new GLB and the new S-Class should contribute towards the positive sales development.

We continue to systematically expand our global production network for electric mobility. The sub-brand Mercedes-EQ, which stands for electric intelligence, offers vehicles with all-electric drive. We intend to electrify the entire portfolio of Mercedes-Benz Cars by 2022. By 2025, we assume that up to 25% will be purely electric cars. By 2030, plug-in hybrids and all-electric models should account for more than 50%.

**Mercedes-Benz Vans** plans for a slight increase in unit sales in 2021 compared with the previous year. In the EU30 region, rising unit sales of our vans with electric drive should offset the discontinuation of the X-Class. In addition, we anticipate significant sales growth especially in North America. In China, we expect slight growth in unit sales.

Following the decline in demand in 2020, a recovery of important truck markets is expected this year. This should have a corresponding positive impact on unit sales by **Daimler Trucks & Buses**, which therefore anticipates significant sales growth in 2021. This development will be mainly driven by our expectations for the markets in North America, Indonesia, and the EU30 region.

**Daimler Mobility** anticipates a slight increase in new business and a contract volume at the prior-year level in 2021. We aim to utilize new market potential in the used-vehicle market and with more flexible leasing and rental products, especially for electric vehicles. And we intend to make use of additional market opportunities and enhance customer satisfaction with the continuous expansion of our online sales channels.

We see further growth potential in fleet management, the insurance business and mobility services, especially in the luxury segment.

On the basis of our assumptions concerning the development of automotive markets and the divisions' planning, we expect the **Daimler Group** to achieve total unit sales in 2021 significantly above the level of the year 2020.

## Revenue and earnings

We assume that the Daimler Group will generate revenue in 2021 at significantly above the level of the previous year. This applies for both of our automotive divisions: Mercedes-Benz Cars & Vans and Daimler Trucks & Buses. The Daimler Mobility division expects its revenue to be slightly below the prior-year level.

Based on the expected significant growth in unit sales and revenue, we anticipate a significant increase in earnings for the Daimler Group in 2021. This development reflects two opposing effects: EBIT in 2020 was sharply reduced by the effects of the worldwide covid-19 pandemic; furthermore, there were costs from the initiated restructuring measures. On the other hand, we expect positive contributions to EBIT in 2021, in addition to the stimulus from the economic recovery, also from the efficiency and cost-cutting measures we have implemented. They include personnel and material cost savings, portfolio and model adjustments, the continuing implementation of platform strategies, and more stringent capital allocation.

Our ongoing measures to increase efficiency also involve optimizing the utilization of our production facilities. In the context of the regular review of useful lives, the useful lives of property, plant and equipment subject to scheduled depreciation were reassessed and, in some cases, extended at the end of 2020. These amended estimates will be applied as of January 1, 2021. The expected positive impact on earnings before interest and taxes (EBIT) amounts to €0.8 billion for 2021 and mainly relates to Mercedes-Benz Cars & Vans.

On the basis of the market developments we anticipate, the aforementioned factors and the planning of our divisions, we assume that Group EBIT in 2021 will be significantly above the level of 2020, which was affected in particular by the covid-19 pandemic. Group EBIT in 2021 will include a positive contribution from the planned fuel-cell joint venture with Volvo, probably of between €1.2 billion and €1.3 billion, which is planned to be allocated equally to the Mercedes-Benz Cars & Vans and Daimler Trucks & Buses divisions. These transactions will have no effect on the adjusted earnings of the automotive divisions.

The individual divisions have the following expectations for adjusted returns in 2021:

Mercedes-Benz Cars & Vans: adjusted return on sales of 8-10%  
 Daimler Trucks & Buses: adjusted return on sales of 6-7%  
 Daimler Mobility: adjusted return on equity of 12-13%

At Mercedes-Benz Cars & Vans, positive effects on the adjusted return on sales will result from rising volumes of unit sales, a more favorable sales structure, further improved pricing and the extended useful lives of property, plant and equipment. However, earnings in the 2021 financial year will be adversely impacted by rising functional costs compared with the previous year, which also featured strict cost-cutting measures.

At Daimler Trucks & Buses, the adjusted return on sales will reflect positive earnings effects from recovering markets, a more favorable unit-sales structure, further improved pricing, and the after-sales business. Measures to increase efficiency, such as material-cost savings, will have a supporting effect. There will be a negative impact in 2021 from increasing functional costs compared with the previous year, which strict savings measures.

Daimler Mobility anticipates positive effects on adjusted return on equity from lower credit-risk costs and improved operating profit in its business with mobility services. Opposing effects are likely to result from expenses for new project investments.

## Free cash flow and liquidity

The free cash flow of the industrial business will continue to be adversely affected by high advance expenditure for new products and technologies. The payments agreed in the third quarter of 2020 in the context of the settlements with US authorities and with plaintiffs' council in the US consumer class actions relating to diesel emissions are also included in the forecasted free cash flow. Further possible expenses in connection with legal and regulatory proceedings are not included. Furthermore, we expect higher tax payments than in the previous year. An opposing, positive effect will result from the planned fuel-cell joint venture with Volvo in the amount of the sale proceeds of probably €0.6 billion, which is to be allocated proportionately to Mercedes-Benz Cars & Vans and Daimler Trucks & Buses. This cash inflow will not affect the adjusted cash conversion rate. In total, we expect the free cash flow of the industrial business in 2021 to be significantly below the prior-year level.

We expect the adjusted cash conversion rate for the Mercedes-Benz Cars & Vans division to be within a corridor of 0.7 to 0.9 in 2021. The adjusted cash conversion rate for Daimler Trucks & Buses is likely to be between 0.8 and 1.0.

For the year 2021, 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 the bank market also in the year 2021. We aim 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 our ongoing strong creditworthiness and in a continuing environment of high liquidity in the international capital markets, we anticipate stable refinancing conditions. Furthermore, our goal is to continue to ensure a high degree of financial flexibility.

## Dividend

At the Annual Shareholders' Meeting on March 31, 2021, the Board of Management and the Supervisory Board will propose the payment of a dividend of €1.35 per share for the year 2020 (previous year: €0.90). This represents a total distribution of €1.4 billion (previous year: €1.0 billion).

In line with a sustainable dividend policy, Daimler sets the dividend based on a distribution ratio of 40% of the net profit attributable to Daimler shareholders. We also take into consideration the free cash flow from the industrial business when setting the dividend.

## Capital expenditure and research activities

### Investment in property, plant and equipment

We will continue to invest heavily in the attractiveness and future viability of our product range and production processes in 2021. This applies in particular to the increasing electrification of our product portfolio and to the digital connectivity of our products and processes along the entire value chain. At the same time, we will continue the measures we have initiated to reduce costs and make more efficient use of resources. Against this background, we plan to invest in property, plant and equipment in 2021 at the prior-year level.

A main feature of investment in property, plant and equipment at Mercedes-Benz Cars & Vans will be the product ramp-ups of the next-generation C-Class and the battery-electric vehicles on the EVA2 platform. In addition, we will push ahead with the development of alternative drive systems and will also continue to invest in conventional drive systems. Investment in property, plant and equipment at Mercedes-Benz Cars & Vans is therefore also expected to be at the prior-year level.

Daimler Trucks & Buses anticipates a slight increase in investment in property, plant and equipment in 2021. Non-product projects will account for approximately 50% of the total; infrastructure optimizations will be the main drivers here. The increase in the share of product projects is partially the result of strategically relevant activities in the areas of electric mobility and automated driving. Other key areas include emission standards and fuel efficiency for our conventional powertrains, active safety, and the completion of the Freightliner vocational product portfolio.

### 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 are focusing on the strategic areas for the future of connectivity, automated driving, and especially the development of electric drive systems. Therefore, we expect our research and development expenditure in 2021 to be slightly above the prior-year level.

At Mercedes-Benz Cars & Vans, a large proportion of the research and development expenditure in 2021 will be for the renewal of the product portfolio. Research and development expenditure is expected to increase slightly compared with the previous year, mainly due to the successor series to the E-Class and the compact cars. The topics of digitization, automated driving and electric drive remain at the focus of our activities.

The Daimler Trucks & Buses division anticipates a slightly higher volume of research and development expenditure than in 2020. Its development activities will focus on new technologies, including for truck automation and connectivity as well as for electric drive powered by batteries and fuel cells. Another key area will be the development of successor generations of existing products, especially in the segment of heavy-duty trucks, as well as tailored products and technologies for important growth markets.

## CO<sub>2</sub> emissions of the new-car fleet in Europe

In 2020, the average CO<sub>2</sub> emissions of our new car fleet in Europe (European Union, United Kingdom, Norway and Iceland) probably decreased to 104 g/km with application of the applicable legal regulations for the respective year (NEDC, including vans registered as passenger cars). We therefore achieved the CO<sub>2</sub> targets in the European Union in 2020. Transition from the current NEDC to the new WLTP test procedure is foreseen for the year 2021. This will involve the adjustment of fuel-consumption targets and rising certification figures. On the basis of WLTP, we expect our fleet average in Europe (European Union, Norway and Iceland) to decrease again significantly in 2021 compared with the comparable figures for the previous year calculated according to WLTP (probably between 130 to 140 g/km, based on preliminary figures for fuel consumption in 2020 taking into account the statutory regulations of 2021). This development will be driven in particular by the rising proportion of battery-electric vehicle models and plug-in hybrids in our new-car fleet.

## Overall statement on future development

Following the unexpected and extraordinary impact of the covid-19 pandemic in 2020, financial challenges remain high for the Daimler Group in 2021. This applies both to the ongoing impact of the pandemic, the duration of which we cannot predict, and to the high advance expenditure still required for the necessary transformation to a CO<sub>2</sub>-neutral future. Our ambitious CO<sub>2</sub> targets set out in "Ambition 2039" continue to necessitate high investments in electric mobility and far-reaching structural adjustments. Only in this way will we be able to play a leading role in the transformation to a CO<sub>2</sub>-neutral future. In order to successfully master these challenges, we will push forward with our measures to improve cost efficiency and implement our strategic initiatives. Achieving appropriate returns and a sound cash flow have absolute priority along this path.

Against this backdrop and supported by the Group's brand strengths and innovative capabilities, we look forward with confidence to the year 2021. Compared with the particularly difficult previous year, we should be able to significantly increase our unit sales, revenue and earnings. However, this is based on the assumption that the covid-19 pandemic is gradually contained in our most important markets and that further setbacks for global economic development are avoided.

**Forward-looking statements**

This document contains forward-looking statements that reflect our current views about future events. The words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “can,” “could,” “plan,” “project,” “should” and similar expressions are used to identify forward-looking statements.

These statements are subject to many risks and uncertainties, including an adverse development of global economic conditions, in particular a decline of demand in our most important markets; a deterioration of our refinancing possibilities on the credit and financial markets; events of force majeure including natural disasters, pandemics, acts of terrorism, political unrest, armed conflicts, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates, customs and foreign trade provisions; a shift in consumer preferences towards smaller, 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 are described under the heading “Risk and Opportunity Report” in this 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.

**References made in this management report**

Insofar as the references made in this Management Report relate to parts of the Annual Report that were not included in the external audit (components outside the company and consolidated financial statements and the combined Management Report), or to the Daimler website or other reports or documents, these were not part of the external audit.