

Daimler profits hit by costs of diesel emissions recall

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In this Feb. 2, 2017 file photo the logo of Mercedes is photographed in Stuttgart, Germany. German automaker Daimler says net profit fell 16 percent in the third quarter as a voluntary recall to improve diesel emissions hurt earnings at its Mercedes-Benz luxury car brand. Net profit fell to 2.3 billion euros from 2.7 billion in the same quarter a year earlier despite a 6 percent increase in sales revenue to 40.8 billion euros. (AP Photo/Matthias Schrader, file)

German automaker Daimler said Friday that its net profit fell 16 percent

in the third quarter as a voluntary recall to improve diesel emissions hurt earnings at its Mercedes-Benz luxury car brand.

Net profit fell to 2.3 billion euros (\$2.7 billion) despite a 6 percent increase in sales revenue to 40.8 billion euros.

The company based in Stuttgart said that [earnings](#) at the Mercedes-Benz division, a pillar of the company's earnings, were hit by a charge of 223 million euros to pay for an engine control software update on existing vehicles to reduce [diesel emissions](#). The voluntary recall is part of an effort by German automakers to restore confidence in [diesel](#) technology and ward off bans on diesels in German cities. Mercedes-Benz is heavily dependent on [diesel engines](#).

Diesel itself has seen its reputation damaged by the scandal at Volkswagen over cars it had illegally rigged to cheat on U.S. emissions tests, and by the subsequent discovery that cars from other manufacturers emitted more pollutants in everyday driving than they do on test stands.

Earnings at Mercedes were also hit by expenses for developing new technologies and vehicles. Daimler, like other automakers, is sinking billions into adapting to expected changes shaped by digital technology in how people get from one place to another. Those changes could include ordering cars when needed through smartphone apps instead of owning one, as well as autonomous vehicles and low-emission electric cars.

CEO Dieter Zetsche said that the company was preparing itself to adapt with a planned restructuring that would see Mercedes-Benz and the truck and bus divisions become legally independent to give them more entrepreneurial flexibility. The changes are still under discussion and will not take effect until approved by the 2019 shareholder meeting.

"Daimler is operating successfully and leads the premium segment with Mercedes-Benz," Zetsche said in a statement. "Now is therefore the right time to examine—from a position of strength—whether we can position ourselves even better to shape the automotive era definitively and successfully from the top."

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