Weak 2018 sees Daimler boss Zetsche leave on sour note

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Mercedes sold more vehicles last year, but higher investments and increased costs for raw materials sent profits skidding lower

Daimler on Wednesday reported its worst year since 2015 as trade tensions and costly investments drove a slump in profits, months before chief executive Dieter Zetsche relinquishes the wheel at the Mercedes-

Benz maker.

"Last year was difficult," Zetsche told reporters at a Stuttgart press conference, in one of his final major appearances before his long-planned departure in May.

Net profits at the Stuttgart-based group tumbled 29 percent to 7.6 billion euros ($8.7 billion) last year, short of predictions from analysts surveyed by Factset.

Daimler said profits were sapped by massive investments in developing new models and new technologies like electric and autonomous vehicles.

Other headwinds included a production slowdown linked to new diesel emissions tests in the European Union, the US-China trade confrontation and provisions linked to "dieselgate".

The cloudy outlook had already prompted Daimler to slash its operating profit forecast twice over the course of 2018.

In the end, the figure dropped 22 percent, to 11.1 billion euros.

The group booked lower profits despite pumping up unit sales 2.0 percent, to 3.3 million vehicles, with similar growth in revenues, to 167.4 billion euros.

Diesel drag

Daimler's Mercedes-Benz cars and vans divisions weighed on the bottom line, with operating profits falling 18 percent and 73 percent respectively.

Daimler CEO Dieter Zetsche said 2018 was a difficult year for the Mercedes-Benz maker at a Stuttgart press conference, in one of his final major appearances before his long-planned departure in May

Both arms suffered "expenses in connection with ongoing legal proceedings and measures taken for diesel vehicles," as the group was forced to recall 774,000 vehicles for refits when German authorities discovered software capable of deceiving emissions tests.

Meanwhile the emissions tests known as WLTP introduced in September across the EU disrupted Daimler's production chains.

Looking ahead to 2019, the group expects to lift its profit margin sharply at the vans unit, while keeping it roughly steady at Mercedes-Benz cars.

Those targets are "below our long-term objectives," Zetsche said. "We can't rest on our laurels."

The spectacularly-moustachioed chief executive added that Daimler would introduce "counter-measures" to tackle weaker profitability, but offered no details or estimates of the financial impact.

"We're working on it," Zetsche said.

The longtime CEO—in the post since 2006—will from May sit out a two-year waiting period before joining Daimler's supervisory board.

Meanwhile, current research and development director Ola Kallenius will strap into the driver's seat as Daimler looks to the future and a transition to electric and autonomous driving.

Massive investments

Like other mammoths of the German car industry, Daimler remains tangled in the scandal over manipulated diesel motors that broke with Volkswagen's 2015 admission to tampering with 11 million vehicles worldwide.

Zetsche with Mercedes' first all-electric car, the EQC, slated to hit showrooms in the second half of this year

The firms have collectively bet on a massive rollout of electric vehicles to clean up their reputations.

In early September, Zetsche unveiled Mercedes' first all-electric car, the EQC, slated to hit showrooms in the second half of this year.

Meanwhile Daimler plans to pump more than 30 billion euros into future mobility, including 18 billion on research and development.

But the need to think long-term comes as growth is petering out and uncertainty looms over the global economy—threatening the stable revenues needed as a foundation for investment.

Finance director Bodo Uebber said unfavourable currency effects and higher raw materials costs had amounted to one billion euros in 2018.

In 2019, executives expect hundreds of millions of costs from a reorganisation designed to make Daimler more flexible and give its different units more independence.

Daimler forecast it would increase unit sales, revenue and operating profit "slightly" this year compared with 2018, with a "significant" boost from combining its car-sharing app Car2Go with rival BMW's DriveNow.

Investors in Frankfurt were unimpressed with the group's results.

Its share fell 3.2 percent to 51.24 euros in Frankfurt trading around 12:40 pm (1140 GMT), trailing the blue-chip DAX index.