

**DAIMLER**

Annual Financial Report 2013.

# Contents.

## Part I

Annual Report 2013

## Part II

Annual Financial Statements 2013 of Daimler AG

# DAIMLER



Annual Report 2013.

# Key Figures.

<b>Daimler Group</b>				
	<b>2013</b>	2012	2011	13/12
Amounts in millions of euros				% change
Revenue	<b>117,982</b>	114,297	106,540	+3 <sup>1</sup>
Western Europe	<b>41,123</b>	39,377	39,387	+4
thereof Germany	<b>20,227</b>	19,722	19,753	+3
NAFTA	<b>32,925</b>	31,914	26,026	+3
thereof United States	<b>28,597</b>	27,233	22,222	+5
Asia	<b>24,481</b>	25,126	22,643	-3
thereof China	<b>10,705</b>	10,782	11,093	-1
Other markets	<b>19,453</b>	17,880	18,484	+9
Employees (December 31)	<b>274,616</b>	275,087	271,370	-0
Investment in property, plant and equipment	<b>4,975</b>	4,827	4,158	+3
Research and development expenditure	<b>5,385</b>	5,644	5,634	-5
thereof capitalized	<b>1,284</b>	1,465	1,460	-12
Free cash flow of the industrial business	<b>4,842</b>	1,452	989	+233
EBIT <sup>2</sup>	<b>10,815</b>	8,820	8,755	+23
Value added <sup>2</sup>	<b>5,921</b>	4,300	3,726	+38
Net profit <sup>2</sup>	<b>8,720</b>	6,830	6,029	+28
Earnings per share (in €) <sup>2</sup>	<b>6.40</b>	6.02	5.32	+6
Total dividend	<b>2,407</b>	2,349	2,346	+2
Dividend per share (in €)	<b>2.25</b>	2.20	2.20	+2

1 Adjusted for the effects of currency translation, increase in revenue of 7%.

2 For the year 2012, the figures have been adjusted, primarily for effects arising from application of the amended version of IAS 19.

## Cover photo: The new Mercedes-Benz S-Class.

The S-Class is not only the technological spearhead of Mercedes-Benz, but also the pacemaker for automotive development in general. Comfort and safety merge into "INTELLIGENT DRIVE." The top model from Mercedes-Benz offers a multitude of groundbreaking innovations that are now being gradually applied also in other Mercedes-Benz vehicles. Furthermore, with the launch of the new S-Class, we have comprehensively optimized the production process at our plant in Sindelfingen. This makes an important contribution to growth and efficiency.
















Daimler Divisions >  
Daimler at a Glance >



# Divisions.

	2013	2012	2011	13/12
Amounts in millions of euros				% change
<b>Mercedes-Benz Cars</b>				
EBIT <sup>1</sup>	4,006	4,391	5,192	-9
Revenue	64,307	61,660	57,410	+4
Return on sales (in %) <sup>1</sup>	6.2	7.1	9.0	.
Investment in property, plant and equipment	3,710	3,495	2,724	+6
Research and development expenditure	3,751	3,863	3,733	-3
thereof capitalized	1,063	1,125	1,051	-6
Unit sales	1,565,563	1,451,569	1,381,416	+8
Employees (December 31)	96,895	98,020	99,091	-1
<b>Daimler Trucks</b>				
EBIT <sup>1</sup>	1,637	1,695	1,876	-3
Revenue	31,473	31,389	28,751	+0
Return on sales (in %) <sup>1</sup>	5.2	5.4	6.5	.
Investment in property, plant and equipment	839	989	1,201	-15
Research and development expenditure	1,140	1,197	1,321	-5
thereof capitalized	79	180	251	-56
Unit sales	484,211	461,954	425,756	+5
Employees (December 31)	79,020	80,519	77,295	-2
<b>Mercedes-Benz Vans</b>				
EBIT <sup>1</sup>	631	543	835	+16
Revenue	9,369	9,070	9,179	+3
Return on sales (in %) <sup>1</sup>	6.7	6.0	9.1	.
Investment in property, plant and equipment	288	223	109	+29
Research and development expenditure	321	371	358	-13
thereof capitalized	139	137	126	+1
Unit sales	270,144	252,418	264,193	+7
Employees (December 31)	14,838	14,916	14,889	-1
<b>Daimler Buses</b>				
EBIT <sup>1</sup>	124	-221	162	.
Revenue	4,105	3,929	4,418	+4
Return on sales (in %) <sup>1</sup>	3.0	-5.6	3.7	.
Investment in property, plant and equipment	76	82	103	-7
Research and development expenditure	181	222	225	-18
thereof capitalized	3	23	32	-87
Unit sales	33,705	32,088	39,741	+5
Employees (December 31)	16,603	16,901	17,495	-2
<b>Daimler Financial Services</b>				
EBIT <sup>1</sup>	1,268	1,293	1,312	-2
Revenue	14,522	13,550	12,080	+7
New business	40,533	38,076	33,521	+6
Contract volume	83,539	79,986	71,730	+4
Investment in property, plant and equipment	19	23	21	-17
Employees (December 31)	8,107	7,779	7,065	+4

1 For the year 2012, the figures have been adjusted, primarily for effects arising from application of the amended version of IAS 19.

Mercedes-Benz Cars	 Mercedes-Benz	
Daimler Trucks	 Mercedes-Benz	
		
		
Mercedes-Benz Vans	 Mercedes-Benz	
Daimler Buses	 Mercedes-Benz	
Daimler Financial Services		
		

**We invented the automobile** – and now we are passionately shaping its future. As automotive pioneers, we see it as both motivation and a duty to continue our tradition with groundbreaking technologies and superior products.

We do our very best for customers who expect the best, and we live and breathe a culture of operational excellence based on shared values. Our corporate history features numerous innovations and pioneering achievements; they are the foundation for our claim to leadership in the automotive industry.

At the same time, our thoughts and actions are guided by the principle of sustainable and safe mobility. With tailored products and services, we intend to enter new markets and attract additional groups of customers. Our goal is to lead our industry in terms of unit sales, revenue and profitability – and to do so in all the businesses in which we are active. In this way, we want to create lasting added value – for our shareholders, customers and employees, and for society in general.



Dieter Zetsche



Wolfgang Bernhard



Christine Hohmann-Dennhardt



Wilfried Porth



Hubertus Troska



Bodo Uebber







Thomas Weber

**Efficient Operation - Profitable Growth.** Daimler is growing faster, on a broader front and in more markets than ever before. This growth is based on extensive product offensives in all our divisions. We are expanding our product range, creating new segments and specifically addressing regionally different customer requirements. And in doing all of this, one thing is crucial: We don't want to grow at any price, but with sustainable profitability. That's why the efficiency programs in the divisions are an additional key element of our growth strategy. Find out more on pages 32 to 73 of this Annual Report.

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-  Refers to an illustration or a table in the Annual Report
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# Important Events in 2013.

The year 2013 was dominated by product offensives at all of our divisions.

Our innovative vehicles, pioneering technologies and efficient production processes set new standards in automobile manufacturing and strengthened our position on international markets, thus laying the groundwork for further growth.





**Product offensive in the luxury segment:** Start of production of the new S-Class at the Mercedes-Benz plant in Sindelfingen. In 2013, Daimler invests around €1 billion in the facility.



**A pioneering feat on the road to autonomous driving.** With its S 500 INTELLIGENT DRIVE research vehicle, Mercedes-Benz becomes the world's first automaker to prove that autonomous driving is also possible in cities and on highways and country roads.



**The first customized Mercedes-Benz Arocs rolls off the assembly line in Wörth.** Daimler is the first automaker to offer a comprehensive portfolio of Euro VI-compliant vehicles in the heavy-duty class – six months before these emission standards go into effect.



# Q1.13



## Mercedes-Benz makes the most beautiful cars.

The readers of the automotive magazine “Auto Zeitung” vote for their favorite cars with the most exciting designs. The Mercedes-Benz A-Class wins in the compact segment, and the Mercedes-Benz CLS Shooting Brake not only takes first place in the wagon/sedan category but is also voted the most beautiful car of any segment.



**A new research and development center in India.** With its 1,200 employees, Mercedes-Benz Research and Development India (MBRDI) in Bangalore is Daimler’s largest research and development center outside Germany and the largest and most modern R&D center of any German automaker in India.

## World premiere of the new Mercedes-Benz Atego.

Thanks to a rigorous lightweight engineering process, state-of-the-art Euro VI engines and a powertrain that is tuned to specific applications, the new Mercedes-Benz Atego achieves record values for fuel efficiency, driving performance and total cost of ownership.



**Daimler van joint venture in China opens new research and development center.** After only two years of construction, the new research and development center of the Chinese vans joint venture Fujian Benz Automotive Corporation is officially opened in Fuzhou.

**Monitorship successfully concluded at Daimler.** The monitorship that had been agreed on with the SEC ends as scheduled on March 31, 2013. The monitor Louis Freeh and his team, who have investigated Daimler for three years, confirm that the company now sets standards with regard to integrity and compliance.



## Daimler’s earnings drop year-on-year in first quarter.

Many markets did not perform as well as expected in the first three months of the year. Daimler’s revenue and sales were nonetheless almost unchanged from the same period of 2012. At €917 million, EBIT is lower than in the prior year. A significant earnings improvement is expected for the following quarters.



**Annual Shareholders' Meeting approves a dividend of €2.20.** At the Annual Shareholders' Meeting in Berlin, the shareholders of Daimler AG decide to keep the dividend unchanged from the previous year, at €2.20 per share. The total dividend payout for 2012 is €2,349 million.

**Mercedes-Benz presents the Concept GLA at the Shanghai Motor Show.** The compact premium-class SUV combines a dynamic design with great recreational value. With its wide range of striking features, the concept vehicle demonstrates just how innovative our designers are.

**Daimler successfully sells its 7.4% interest in EADS.** In an accelerated placement process, Daimler sells 61.1 million EADS shares to international investors. The company receives approximately €2.2 billion in total proceeds from the placement. After completing the sale, Daimler no longer holds any EADS shares.

**Daimler Trucks consolidates its Asia operations to achieve more growth.** With its integrated "Asia Business Model," Daimler lays the groundwork for more growth. Among other things, FUSO brand trucks are produced also in India for export markets in Asia and Africa.

**Spectacular world premiere of the new S-Class.** The new S-Class, the epitome of the cutting-edge luxury sedan, is unveiled at the delivery center of the Airbus A380 in Hamburg. The vehicle is presented in a spectacular show for 750 international guests from the worlds of politics, business and the media.

**Mercedes-Benz and Setra have the best commercial vehicles and brands.** Mercedes-Benz and Setra are the winners in the readers' choice poll that "ETM-Verlag" organizes each year to determine the best commercial vehicles and brands. The two brands' products and services take first place in eight categories.

**Successful second quarter.** Daimler's earnings in the second quarter are much higher than in the same period of 2012 and substantially exceed market expectations. EBIT of €5.2 billion includes a gain of €3.2 billion from the remeasurement and sale of the remaining EADS shares.



# Q2.13

# Q3.13



**Series production of the new Atego begins at the Wörth plant.** The new truck for light- and medium-duty distribution transportation has been further optimized and boasts many new features in its powertrain, chassis and cab.



**Production of the new Sprinter begins at the Düsseldorf plant.** The new Sprinter features five new safety and assistance systems, including three van firsts. Besides being the first van with engines that meet the Euro VI emissions standards, the new Sprinter boasts incredibly low fuel consumption.



**Mercedes-Benz Vans begins operations in Russia.** In cooperation with GAZ, Russia's largest van manufacturer, Mercedes-Benz Vans starts producing the Sprinter Classic in Nizhny Novgorod, Russia.

**Additional production capacity for the A-Class.** The first A-Class rolls off the assembly line at Valmet Automotive in Uusikaupunki, Finland. Production is thus begun as planned about 13 months after the announcement of the contract manufacturing.

**Daimler becomes more customer focused.** Daimler intensifies its focus on customers and markets to systematically implement its growth strategies at all of its divisions. To this end, the Board of Management decides to strengthen the organization of the divisions.

**The long version of the new E-Class rolls off the assembly line in Beijing.** The car features 14 centimeters more legroom for rear passengers as well as the widest back seat in its segment. Together with high-quality interior appointments, these attributes create an exclusive and extremely comfortable ambience.



**Five Mercedes-Benz world premieres at the Frankfurt Motor Show.** With five world premieres, Mercedes-Benz sets standards for automotive excitement and innovation. The new products include the GLA compact SUV and the all-new S 500 PLUG-IN HYBRID, which is to be launched in the second half of 2014.

**Daimler achieves excellent results in the third quarter of 2013.** Earnings continue to rise in the third quarter. Growth in EBIT to €2.2 billion is mainly due to the good development of sales at the automotive divisions and the increasing impact of the efficiency programs.



**The decision is made to build a new car plant in Brazil.** Daimler expands Mercedes-Benz Cars' global production network to include a new location in Brazil. A new assembly plant in Iracemápolis (near São Paulo) will manufacture the next generation of the C-Class and the GLA for the local market beginning in 2016.

**A major order for Daimler Buses in Brazil.** Following a call for bids, Daimler Buses receives a contract from the city of Brasília to supply 2,100 Mercedes-Benz bus chassis for the modernization of the local public transportation companies' fleets.

**Five years of car2go.** car2go has three reasons to celebrate in October. The mobility concept marks its fifth anniversary, has more than 500,000 customers, and records one million rentals per month. car2go is now active at 23 locations in seven countries in Europe and North America.

**The new S-Class is voted best luxury sedan.** Together with a panel of automotive experts, the readers of "BILD am SONNTAG" and "AUTO BILD" vote the Mercedes-Benz S-Class the best new car in the upper-range and luxury segments, awarding it the coveted "Golden Steering Wheel."

**Mercedes-Benz opens a new engine plant in Beijing.** The new plant is Daimler's first production facility for car engines outside Germany. The plant combines cutting-edge technologies with lean and sustainable production processes. The production line has a flexible design. It will initially have a production capacity of 250,000 units per year.

**Daimler acquires a 12% interest in BAIC Motor.** Daimler becomes the first foreign automaker to acquire an interest in a Chinese automotive company. This step is a clear expression of the partners' good cooperation and great mutual trust. It underscores the partners' long-term commitment to jointly taking advantage of the Chinese car market's opportunities and potential.

**Daimler and Aston Martin sign agreements on technical partnership.** Mercedes-AMG is to supply Aston Martin with engines for its future sports cars. In line with the development of the partnership, Daimler will receive an interest in Aston Martin of up to 5%.



# Q4.13

Dear Shareholders,



2013 was a strong year for the stock exchanges – and for Daimler shares it was especially strong. The value of your company increased by 52 percent over the year, and thus significantly surpassed the positive trend of most indices. This positive development shows us two things: Our current business development is good, and the markets are confident that we can perform even better in the future.

Last year, our revenue reached € 118 billion – a new record in Daimler’s history. EBIT from the ongoing business amounted to €7.9 billion. As previously announced, we significantly improved our profitability as the year progressed. At the Annual Shareholders’ Meeting, the Board of Management and the Supervisory Board will propose an increase in the dividend to €2.25 per share. With this proposal we are letting our shareholders participate in the Company’s success and at the same time expressing our confidence about the ongoing business development.

What I see as the most important achievement of the past financial year isn’t apparent from the financial statements at first glance: It’s the enormous efforts with which the entire Daimler team made all of this possible last year. The good results of all our divisions are thanks to your exceptional work and ideas. Together, we created the basis for sustainable success in 2013.

The focus at Mercedes-Benz Cars last year was on the new S-Class. This car has always been the touchstone for our brand promise: “The best or nothing.” That applies to the design of our flagship; but more importantly, it also applies to the technology inside it: No competitor is more advanced than we are in the area of autonomous driving. At the same time, we have been able to attract a lot of new and younger customers with our new compact models. That’s another reason why Mercedes-Benz was the world’s fastest-growing premium automotive brand in 2013.

With our trucks and buses, we were the first manufacturer to renew our complete portfolio in the context of changing over to the Euro VI emission standards. And the reward for that was increasing market share. At Mercedes-Benz Vans, we put our new flagship on the road last year – the Sprinter – and further strengthened our leading position in that segment.

At Daimler Financial Services, we set a new record in 2013: For the first time, the number of all vehicles we currently financed or leased passed the three-million mark. And car2go, the pioneer amongst the car-sharing providers, remains on its growth path: In 2013, car2go was available in 25 cities; some 10,000 cars were on the road for nearly 600,000 customers.

Other highlights of 2013 can be found on the following pages. They all prove one thing above all: Daimler is on a growth path. And we intend to accelerate in 2014.

To those ends, we are continuing our product offensives in all divisions. With our cars, we are launching a total of eight new models this year – from the smart to the S-Class Coupe. We will extend our range of emission-free vehicles with the B-Class Electric Drive. And with the V-Class, a unique multi-purpose vehicle with a star on the front is entering the showrooms.

But 2014 is first and foremost the year of the new C-Class. It's a prime example of many of the new strengths of the star – from top-class quality to groundbreaking assistance systems. The C-Class is also a crucial car for our further growth in China. The repositioning of Mercedes-Benz in that market is bearing the first fruit.

Also in the truck business, we are ensuring that our sales momentum will stay strong in the coming years. We have completed the family of Mercedes-Benz trucks with the new heavy-duty semitrailer tractors from Actros and Arocs. In India, we will present new BharatBenz models. And in the US market, a new Western Star truck will have its world premiere.

Daimler Financial Services supports our growth with appropriate financing and leasing offers. And we are also expanding our range of mobility services. By the end of this year, we aim to have one million enthusiastic users of car2go. With the project car2go black, Mercedes-Benz vehicles are part of our car-sharing program for the first time.

Our goal across all our divisions is clear: We want to continue growing – and that means growing profitably. In parallel with our product offensives, we are therefore pushing ahead with our efficiency programs in all divisions. After the successful implementation of short-term improvements, the long-term measures are now gaining prominence – from the expansion of our module and architecture strategy to the restructuring of our organization within the framework of Customer Dedication. The main purpose of that program is clear: getting even closer to our customers and their needs.

But just as important as the right structure is the right spirit. Sustainable corporate success can only exist on the basis of ethical actions. This is why we devote 100 percent commitment and determination to sustaining our high standards for integrity and compliance. They are and will remain the foundation of everything we do.

All in all, it's clear: The components of our corporate strategy are gradually coming together into one. Our product offensives are firing, our efficiency actions are taking effect, and our investments are bearing fruit.

On this basis, we will continue working with all our efforts so that in the long term, Daimler remains what it already was last year: a worthwhile investment for you – our shareholders.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Dieter Zetsche', followed by a stylized flourish.

Dieter Zetsche



# The Board of Management.



**Dieter Zetsche | 60**, Chairman of the Board of Management, Head of Mercedes-Benz Cars  
Appointed until December 2016



**Wolfgang Bernhard | 53**, Daimler Trucks and Buses  
Appointed until February 2018



**Christine Hohmann-Dennhardt | 63**, Integrity and Legal Affairs  
Appointed until February 2017

We bring growth and efficiency together with new top products and optimized processes.



**Wilfried Porth | 55**, Human Resources & Labor Relations Director, since January 29, 2014 Human Resources and Labor Relations Director & Mercedes-Benz Vans, appointed until April 2017



**Andreas Renschler | 55**, Manufacturing and Procurement Mercedes-Benz Cars & Mercedes-Benz Vans, stepped down on January 28, 2014



**Hubertus Troska | 53**, Greater China  
Appointed until December 2015



**Bodo Uebber | 54**, Finance & Controlling, Daimler Financial Services  
Appointed until December 2019



**Thomas Weber | 59**, Group Research & Mercedes-Benz Cars Development  
Appointed until December 2016

# Report of the Supervisory Board.

Dear Shareholders, the Supervisory Board dealt intensively and comprehensively with the strategic and operational development of the Daimler Group in seven meetings during the 2013 financial year.

In the year 2013, the Supervisory Board performed its tasks as laid down by applicable law, the Articles of Incorporation and its rules of procedure, and continually advised and supervised the Board of Management on the management of the company. Following careful reviews and consultations, the Supervisory Board passed resolutions on numerous business matters for which its consent was required. Those matters included investment and personnel planning, capital changes at companies of the Group, investments and the conclusion of contracts of particular importance for the Group. In addition, the Supervisory Board examined whether the annual financial statements for the Company, the consolidated financial statements, the combined management report for the Company and the Group, the risk report and the other financial reporting were in conformance with requirements. The Board of Management also informed the Supervisory Board about a large number of transactions not requiring the Supervisory Board's consent and the two boards discussed those matters together, for example the further development of strategic programs in the various divisions and the status of various cooperation projects. The Supervisory Board discussed the information and evaluations that were material for its decisions and suggestions together with the Board of Management.

Daimler's business operations continued to develop successfully in 2013. The results of the growth strategy followed by the Group and expressly supported by the Supervisory Board became increasingly apparent. In the year under review, all the automotive divisions launched products that have been very well received by the customers. The exceptionally positive reactions to the presentation of the new S-Class and the Mercedes-Benz Actros family are particularly noteworthy. The Group's unit sales and revenue increased significantly and reached new record levels. Earnings from ongoing operations of €7.9 billion were generally at a good level, although the prior-year result was not quite equaled. Ongoing high expenses for the development of the product portfolio and the production plants once again had an impact on key financials in the year 2013. But it was important that the earnings situation, as announced at the beginning of the year, continually improved as the year progressed. The effects of the efficiency programs running in all divisions were becoming increasingly apparent. The well-balanced worldwide positioning of our business has helped us to compensate for the difficult situation in the markets of Western Europe.

During the reporting period, the Board of Management informed the Supervisory Board about all significant key financials and continually provided information to it on important topics. Those topics included the return on equity and the Group's liquidity situation, the internal control and risk management system including compliance, the particular development of sales and procurement markets, the general economic situation in the main sales markets and developments in the area of financial services. The Supervisory Board dealt in detail also with the share-price development and its causes and discussed in detail with the Board of Management the expected effects of the strategic projects on the share-price development. Additional topics were securing the Group's long-term competitiveness, fundamental questions of corporate planning including financial, investment, unit-sales and personnel planning, development at companies of the Group, the revenue development, the situation of the Company and the divisions and the ongoing implementation of measures to secure future-oriented, sustainable mobility.

**Cooperation between the Supervisory Board and the Board of Management.** All the members of the Board of Management attended all the meetings of the Supervisory Board. The meetings featured intensive and open exchanges of information and opinions. The Supervisory Board arranged an executive session in each of its meetings in order to discuss topics in the absence of the Board of Management. No member of the Supervisory Board attended less than half of the meetings in the past financial year.

The members of the Supervisory Board regularly prepared for upcoming resolutions on transactions requiring Supervisory Board consent on the basis of documentation that had been provided in advance by the Board of Management. They were supported by the relevant committees and discussed the actions and transactions upon which decisions were to be taken with the Board of Management. Furthermore, the members of the Supervisory Board attended such courses of training and further training as might be necessary for the performance of their tasks. In this context, the meetings of the Supervisory Board dealt with issues of fundamental importance for the Group such as the macroeconomic situation of key sales markets or the presentation of new products and forward-looking technologies. The Supervisory Board meetings were regularly prepared in separate discussions of the members representing the employees and the members representing the shareholders with the members of the Board of Management.





**Dr. Manfred Bischoff, Chairman of the Supervisory Board.**

The Board of Management informed the Supervisory Board with the use of monthly reports and risk reports about the most important indicators of business development and existing risks, and submitted the interim financial reports to the Supervisory Board. Deviations from the planning were explained in detail to the Supervisory Board. The Supervisory Board was kept fully informed of specific matters also between its meetings. In addition, the Chairman of the Board of Management informed the Chairman of the Supervisory Board in regular discussions about important developments and consulted with him on upcoming decisions. As required in individual cases, following consultation with the Chairman of the Supervisory Board, the members were requested to pass resolutions in writing.

**Topics discussed at the Supervisory Board meetings in the year 2013.** In a meeting in early February 2013, in the presence of the external auditors, the preliminary key figures of the annual company and consolidated financial statements for 2012 and the dividend proposal to be made at the 2013 Annual Shareholders' Meeting were discussed. The preliminary key figures for the year 2012 were announced at the Annual Press Conference on February 7, 2013.

In another meeting held in February 2013, the Supervisory Board decided on the reappointment of Dr. Dieter Zetsche and Prof. Dr. Thomas Weber and the changes in the Board of Management responsibilities of Andreas Renschler and Dr. Wolfgang Bernhard, as described on page 18 under "Personnel changes in the Board of Management."

Also in this meeting, the Supervisory Board dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group, each of which had been issued with an unqualified audit opinion by the external auditors, as well as the reports of the Audit Committee and the Supervisory Board, the corporate governance report, the remuneration report and the proposal on the appropriation of distributable profit. In preparation, the members of the Supervisory Board were provided with comprehensive docu-

mentation including the Annual Report with the consolidated financial statements according to IFRS, the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual company financial statements of Daimler AG, the proposal of the Board of Management on the appropriation of distributable profit, and the audit reports of KPMG on the annual company financial statements of Daimler AG and the consolidated financial statements, each including the combined management report, as well as drafts of the reports of the Supervisory Board and of the Audit Committee.

The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the responsible external auditors, who reported on the results of their audit and were available to answer supplementary questions and to provide additional information. Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit by the external auditors; it determined that no objections were to be raised, and approved the financial statements and the combined management report as presented by the Board of Management. The company financial statements of Daimler AG for the year 2012 were thereby adopted. The Supervisory Board also consented to the proposal made by the Board of Management on the appropriation of distributable profit and approved the report of the Supervisory Board, the corporate governance report and the remuneration report in their current drafts. Finally, the Supervisory Board approved its proposed decisions on the items of the agenda for the 2013 Annual Shareholders' Meeting.

Furthermore, the Supervisory Board received detailed information on the product portfolio of Mercedes-Benz Cars and discussed in particular the brand positioning and the marketing and product strategy of Mercedes-Benz Cars. The Supervisory Board also discussed the results of the externally moderated efficiency review. It thus complied with both a recommendation of the German Corporate Governance Code and the corresponding requirement of its rules of procedure. The results indicate very good cooperation within the Supervisory Board and with the Board of Management. Only a few isolated suggestions were made concerning further efficiency enhancements. Those suggestions, for example on the organization of the annual strategy workshop of the Supervisory Board, have meanwhile been acted upon and implemented. Finally, the Supervisory Board dealt with topics of Board of Management remuneration and approved the external board positions and sideline business activities of the members of the Board of Management as presented in the meeting.

In the meeting of the Supervisory Board held straight after the Annual Shareholders' Meeting on April 10, 2013, in which Sari Baldauf was reelected as a member of the Supervisory Board, the members of the Supervisory Board representing the shareholders elected Sari Baldauf as a member of the Nomination Committee. Furthermore, the members representing the shareholders elected Dr. Jürgen Hambrecht, who had also been reelected to the Supervisory Board in the Annual Shareholders' Meeting, once again as a member of the Mediation Committee and of the Presidential Committee. In addition, the Supervisory Board passed resolutions concerning the members representing the employees, who had already been elected on March 13, 2013. In this context, the Supervisory Board elected Erich Klemm as the Deputy Chairman of the Supervisory Board, Erich Klemm and Michael Brecht as members of the Audit Committee, and Jörg Hofmann as a member of the Presidential Committee. Finally, the members of the Supervisory Board representing the employees elected Jörg Hofmann as a member of the Mediation Committee. Erich Klemm was also elected by the members of the Audit Committee as the Deputy Chairman of the Audit Committee.

Also in April, the Supervisory Board dealt with the dissolution of the EADS shareholders' pact and the disposal of the remaining approximately 7.4% of the EADS shares held by Daimler and approved the intended action.

In another meeting at the end of April 2013, the Supervisory Board decided on the reappointment of Dr. Christine Hohmann-Dennhardt as a member of the Board of Management, as described on page 18 under "Personnel changes in the Board of Management." After that, the Supervisory Board dealt with the competitive situation of the Group with reference to detailed benchmark studies. Subsequently, the Supervisory Board approved the funds for the establishment of another facility in Romania for the assembly of a new automatic transmission for passenger cars. The Supervisory Board also approved a capital contribution to the joint venture Beijing Benz Automotive Co., which required additional investment to increase its production capacities in the context of the "China 2020" growth strategy. Furthermore, the Supervisory Board approved the funds required for the development of spare-part logistics in China. In the same meeting, within the context of a report on Daimler India Commercial Vehicles, the Supervisory Board received detailed information on the development of the Indian market for commercial vehicles. Finally, the Supervisory Board dealt with the end of the monitorship and of the deferred prosecution agreement after Daimler had successfully complied with all settlements with the Department of Justice of the United States (DOJ) and the US Securities and Exchange Commission (SEC).

Following discussion of the course of business and the results of the second quarter, in its meeting in July, the Supervisory Board received information on the macroeconomic development of the main markets and on the current situation of Daimler in China. The Supervisory Board also received detailed reports on the G-Class product area and on AMG, and was informed about the status and further development of the van cooperation between Daimler and Volkswagen. In the same meeting, the Supervisory Board also dealt with the topics for the upcoming strategy workshop in September.

During that two-day strategy workshop in September, as in the previous strategy meetings, the Supervisory Board received information on to what extent the strategic goals of Daimler AG and the divisions as presented by the Board of Management in the previous years had already been achieved. Against the backdrop of the current economic situation, the Supervisory Board discussed the stage of implementation reached by the projects initiated in the individual divisions. Other topics discussed were the positioning of the Group and its divisions with regard to the competition and the brand and product strategies.

Subsequently, the Supervisory Board dealt intensively with the major topic of “Mercedes-Benz Cars.” In this context, the members of the Supervisory Board discussed with the Board of Management the division’s overall strategy and then received information on developments and challenges in China and the United States. The Supervisory Board dealt in detail also with the sales and marketing strategy of Mercedes-Benz Cars. Special attention was given to the strategic focus of the area of research and development, where the Supervisory Board was informed in particular about current progress with vehicle platforms and vehicle architecture, as well as measures to reduce CO<sub>2</sub> emissions and increase engine efficiency. “Daimler Trucks” was another main topic. The Board of Management and the Supervisory Board dealt in detail with the division’s overall strategy and with the strategic focus and further growth opportunities in the markets of Asia, Europe and Latin America.

In the meeting in December 2013, the members of the Supervisory Board representing the shareholders resolved to propose to the Annual Shareholders’ Meeting that Dr.-Ing. Bernd Bohr, Joe Kaeser and Dr. Ing. e.h. Dipl.-Ing. Bernd Pischetsrieder be elected to the Supervisory Board as of the end of the Annual Shareholders’ Meeting on April 9, 2014 until the end of the Annual Shareholders’ Meeting that decides on ratification of the Board of Management’s actions for 2018. In addition, the Supervisory Board dealt in detail on the basis of comprehensive documentation with the operational planning for the years 2014 and 2015. This included discussion of existing opportunities and risks, as well as the Group’s risk management. Subsequently, the Supervisory Board received information about the insurance business of Daimler Financial Services. Under the heading of “Employer Branding,” the Supervisory Board dealt with the activities of Daimler and its subsidiaries as a preferred employer in the various markets worldwide. The Supervisory Board then approved a capital increase for the Brazilian subsidiaries and the internal restructuring of shareholdings in Mexican and Canadian companies of the Group. Furthermore, the members representing the shareholders approved the new conclusion of current domination and profit-and-loss-transfer agreements. Other topics dealt with in the December meeting were corporate governance, as detailed below, and Board of Management remuneration in light of the requirements of the amended German Corporate Governance Code.

**Corporate Governance.** During the year 2013, the Supervisory Board was continually occupied with standards of good corporate governance. This took place also in consideration of the fact that the Government Commission German Corporate Governance Code had decided on some changes for stock-exchange listed companies in May 2013.

In order to ensure that the work of the Supervisory Board is effective and functions in line with good corporate governance, on the one hand, its members must have high levels of specialist expertise. On the other hand, diversity in terms of nationality, gender, experience and cultural background must reflect the Group’s size and internationality. Both of these conditions are fulfilled at Daimler. Proposals by the Supervisory Board on candidates for election representing the shareholders, for which the Nomination Committee makes recommendations, give due consideration to the goals stated by the Supervisory Board for its composition. This applies not only to the internationality of the members, but also for example to the aspect of diversity and appropriate participation by women. In this respect, the Supervisory Board gave its previous goals more concrete form in its meeting in December. On the basis of the targets set by the Company, the Supervisory Board resolved that at least 20% of all members of the Supervisory Board are to be women. In addition, at least 30% of the members of the Supervisory Board representing the shareholders are to be female. These targets have already been met. Since the Annual Shareholders’ Meeting on April 10, 2013, there have been three women on the side of the shareholder representatives and two women on the side of the employee representatives.

The members of the Supervisory Board of Daimler AG are obliged to disclose conflicts of interest – especially those that might arise due to an advisory or board function for a customer, supplier or creditor of Daimler or for other third parties – to the entire Supervisory Board. There were no indications of any conflicts of interest in 2013.


In its meeting in December, the Supervisory Board updated and amended the wording of the rules of procedure of the Supervisory Board and its committees, and approved the 2013 declaration of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG). With the exceptions explained in the declaration, all the recommendations of the Code have been complied with and continue to be complied with.

Corporate Governance at Daimler is described in detail in the Corporate Governance Report on [pages 178 ff](#) and in the Remuneration Report on [pages 119 ff](#) of this Annual Report.

## Report on the work of the committees

The **Presidential Committee** convened four times last year. It dealt primarily with corporate governance topics and questions of remuneration, as well as personnel matters of the Board of Management. As in previous years, compliance targets constituted part of the individual target agreements of the members of the Board of Management. Once again, additional non-financial targets were also included as criteria in the target agreements. For the past financial year, important targets were set in the areas of stakeholders, employees and customers, as well as relating to the permanent establishment of integrity.

The **Audit Committee** met six times in 2013. Details of those meetings are provided in a separate report of that committee.

 [see pages 172 ff](#)

The **Nomination Committee** convened twice in 2013. Among other matters, it prepared recommendations for the Supervisory Board's proposals to the Annual Shareholders' Meeting 2014 on candidates for election. The election proposals give due consideration not only to the defined qualifications for the specific position, but also to the recommendations of the German Corporate Governance Code.

As in previous years, the **Mediation Committee**, a body required by the provisions of the German Codetermination Act (MitbestG), had no occasion to take any action in 2013.

The chairmen of the committees informed the members of the Supervisory Board about the activities of the committees and their decisions, in each case in the Supervisory Board meeting following such decisions.

**Personnel changes in the Supervisory Board.** With effect as of the end of the Annual Shareholders' Meeting on April 10, 2013, Andrea Jung was elected as a member of the Supervisory Board representing the shareholders until the end of the Annual Shareholders' Meeting that decides on ratification of the Board of Management's actions for the year 2017. Furthermore, Sari Baldauf and Dr. Jürgen Hambrecht were reelected as members of the Supervisory Board representing the shareholders for the same period. The election proposals made by the Supervisory Board to the Annual Shareholders' Meeting were based on recommendations made by the Nomination Committee.

As of the Annual Shareholders' Meeting on April 10, 2013, the five-year period of office began of the employee representatives who had previously been elected for five years in the Supervisory Board elections held on March 13, 2013. The elections confirmed the extended membership of some of the Supervisory Board members representing the shareholders. Those members are Erich Klemm, Michael Brecht, Jürgen Langer and Jörg Spies. Elke Tönjes-Werner and Wolfgang Nieke were newly elected to the Supervisory Board. As members representing the trade unions, in addition to the new member Dr. Sabine Maaßen, Jörg Hofmann was reelected to the Supervisory Board. In the person of Valter Sanches, the Supervisory Board of Daimler AG continues to have a member on the employee side representing a trade union from outside Germany. Dr. Frank Weber was elected to the Supervisory Board for the first time; he represents the management staff in the new Supervisory Board period. The period of office of the elected members representing the employees ends at the end of the Annual Shareholders' Meeting that decides on ratification of the Board of Management's actions for the year 2017.

With effect as of the end of the 2013 Annual Shareholders' Meeting, Prof. Dr. Heinrich Flegel, Dr. Thomas Klebe, Ansgar Osseforth, Uwe Werner and Lynton R. Wilson stepped down from the Supervisory Board.

### **Personnel changes in the Board of Management.**

In the Supervisory Board meeting on February 21, 2013, Dr. Dieter Zetsche was reappointed as Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars for a further three years as of January 1, 2014. Also in this meeting, Prof. Dr. Thomas Weber was reappointed as Member of the Board of Management of Daimler AG with responsibility for the area of "Group Research & Mercedes-Benz Cars Development" for a further three years as of January 1, 2014. As of April 1, 2013, Andreas Renschler took over Board of Management responsibility for the area of "Manufacturing and Procurement Mercedes-Benz Cars & Mercedes-Benz Vans." Also since April 1, 2013, Dr. Wolfgang Bernhard has held Board of Management responsibility for the area of "Daimler Trucks."

In the Supervisory Board meeting in April 2013, Dr. Christine Hohmann-Dennhardt was reappointed as Member of the Board of Management with responsibility for the area of "Integrity and Legal Affairs" for a further three years as of March 1, 2014.

In a Supervisory Board meeting on January 28, 2014, the contract of service of Andreas Renschler as a member of the Board of Management was amicably terminated. Responsibility for the Mercedes-Benz Vans division was allocated to Wilfried Porth. Responsibility for Manufacturing and Procurement Mercedes-Benz Cars was allocated to Dr. Dieter Zetsche until further notice.

In the Supervisory Board meeting on February 18, 2014, Bodo Uebber was reappointed as Member of the Board of Management of Daimler AG with responsibility for the area of "Finance & Controlling/Daimler Financial Services" for a further five years as of January 1, 2015.

**Audit of the 2013 company and consolidated financial statements.** The financial statements of Daimler AG and the combined management report for the Company and the Group for 2013 were duly audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin, and were given an unqualified audit opinion. The same applies to the consolidated financial statements for 2013 prepared according to IFRS.

In the presence of the auditors in a meeting in early February 2014, the Supervisory Board discussed the preliminary key figures of the annual company and consolidated financial statements for 2013 and the dividend proposal to be made at the 2014 Annual Shareholders' Meeting. The preliminary key figures for the year 2013 were announced at the Annual Press Conference on February 6, 2014.

In the meeting on February 18, 2014, the Supervisory Board dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group, each of which had been issued with an unqualified audit opinion by the external auditors, as well as the reports of the Audit Committee and the Supervisory Board, the corporate governance report, the remuneration report and the proposal on the appropriation of distributable profit. In preparation, the members of the Supervisory Board were provided with comprehensive documentation including the Annual Report with the consolidated financial statements according to IFRS, the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual company financial statements of Daimler AG, the proposal of the Board of Management on the appropriation of distributable profit, the audit reports of KPMG on the annual company financial statements of Daimler AG and the consolidated financial statements, each including the combined management report, as well as drafts of the reports of the Supervisory Board and of the Audit Committee.

The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the responsible external auditors, who reported on the results of their audit and were available to answer supplementary questions and to provide additional information. Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit by the external auditors, determined that no objections were to be raised, and approved the financial statements and the combined management report as presented by the Board of Management. The company financial statements of Daimler AG for the year 2013 were thereby adopted. Furthermore, Supervisory Board consented to the proposal made by the Board of Management on the appropriation of distributable profit and approved the report of the Supervisory Board, the corporate governance report and the remuneration report in their current drafts.

Finally, the Supervisory Board approved its proposed decisions on the items of the agenda for the 2014 Annual Shareholders' Meeting.

**Appreciation.** The Supervisory Board thanks all of the employees and the management of the Daimler Group for their personal contributions to the successful year 2013. Special thanks are due to a longstanding member of the Supervisory Board, Lynton R. Wilson, who stepped down at the end of the Annual Shareholders' Meeting in 2013 after many years of exceptional personal commitment to the Group. With all best wishes for the future, the Supervisory Board also expresses its warmest thanks to the departed members, Prof. Dr. Heinrich Flegel, Dr. Thomas Klebe, Ansgar Osseforth and Uwe Werner, for their committed efforts in the Supervisory Board.

Stuttgart, February 2014

The Supervisory Board

Dr. Manfred Bischoff  
Chairman



# The Supervisory Board.

## Dr. Manfred Bischoff

Munich

Chairman of the Supervisory Board of Daimler AG

### **Other supervisory board memberships/directorships:**

European Aeronautic Defence and Space Company EADS N.V.

SMS GmbH

UniCredit S.p.A.

Voith GmbH – Chairman

## Erich Klemm\*

Sindelfingen

Chairman of the General Works Council, Daimler Group and Daimler AG; Deputy Chairman of the Supervisory Board of Daimler AG

## Dr. Paul Achleitner

Frankfurt am Main

Chairman of the Supervisory Board of Deutsche Bank AG

### **Other supervisory board memberships/directorships:**

Deutsche Bank AG – Chairman

Bayer AG

## Sari Baldauf

Helsinki

Former Executive Vice President and General Manager of the Networks Business Group of Nokia Corporation

### **Other supervisory board memberships/directorships:**

F-Secure Corporation

Fortum OYj – Chairwoman

Deutsche Telekom AG

AkzoNobel N.V.

## Dr. Clemens Börsig

Frankfurt am Main

Chairman of the Board of Directors of Deutsche Bank Foundation

### **Other supervisory board memberships/directorships:**

Linde AG

Bayer AG

Emerson Electric Co.

## Michael Brecht\*

Gaggenau

Deputy Chairman of the General Works Council, Daimler Group and Daimler AG;

Chairman of the Works Council, Gaggenau Plant, Daimler AG

## Dr. Jürgen Hambrecht

Ludwigshafen

Former Chairman of the Board of Executive Directors of BASF SE

### **Other supervisory board memberships/directorships:**

Deutsche Lufthansa AG

Fuchs Petrolub SE – Chairman

Trumpf GmbH + Co. KG – Chairman

## Petraea Heynike

Vevey

Former Executive Vice President of the Executive Board of Nestlé S.A.

### **Other supervisory board memberships/directorships:**

Schulich School of Business

Aiglon College

## Jörg Hofmann\*

Frankfurt am Main

Vice Chairman of the German Metalworkers' Union (IG Metall)

### **Other supervisory board memberships/directorships:**

Robert Bosch GmbH

Heidelberger Druckmaschinen AG

## Andrea Jung

New York

Senior Advisor, Former Chairman and CEO of Avon Products, Inc. (since April 10, 2013)

### **Other supervisory board memberships/directorships:**

Apple Inc.

General Electric Company

## Gerard Kleisterlee

Amsterdam

Former President and CEO of Royal Philips Electronics N.V.

### **Other supervisory board memberships/directorships:**

Vodafone Group Plc. – Chairman

Royal Dutch Shell Plc.

## Jürgen Langer\*

Frankfurt am Main

Chairman of the Works Council of the Frankfurt/Offenbach Dealership, Daimler AG

**Dr. Sabine Maaßen\***

Frankfurt am Main  
 General Counsel of the German Metalworkers' Union  
 (IG Metall)  
 (since April 10, 2013)

**Other supervisory board memberships/directorships:**  
 ThyssenKrupp AG

**Wolfgang Nieke\***

Stuttgart  
 Chairman of the Works Council, Untertürkheim Plant,  
 Daimler AG  
 (since April 10, 2013)

**Valter Sanches\***

São Paulo  
 Director of Communications of the Metalworkers' Union ABC;  
 President of the Fundação Sociedade Comunicação,  
 Cultura e Trabalho (Foundation Society of Communications,  
 Culture and Work)

**Jörg Spies\***

Stuttgart  
 Chairman of the Works Council, Headquarters, Daimler AG

**Elke Tönjes-Werner\***

Bremen  
 Member of the Works Council, Bremen Plant, Daimler AG  
 (since April 10, 2013)

**Lloyd G. Trotter**

Plainville  
 Former Vice Chairman General Electric; President & CEO  
 of the General Electric Group's Industrial Division;  
 Managing Partner, Founder, GenNx360 Capital Partners  
**Other supervisory board memberships/directorships:**  
 PepsiCo Inc.  
 Textron Inc.  
 syncreon Holdings Ltd.  
 syncreon.US Holdings Inc.  
 syncreon.US Inc.

**Dr. h. c. Bernhard Walter**

Frankfurt am Main  
 Former Spokesman of the Board of Management  
 of Dresdner Bank AG

**Other supervisory board memberships/directorships:**  
 Bilfinger Berger SE – Chairman  
 Deutsche Telekom AG

**Dr. Frank Weber\***

Sindelfingen  
 Director of the Press Shop, Sindelfingen Plant, Daimler AG;  
 Chairman of the Management Representatives of the  
 Sindelfingen Plant  
 (since April 10, 2013)

**Retired from the Supervisory Board on April 10, 2013:****Prof. Dr. Heinrich Flegel\***

Stuttgart  
 Director Research Materials, Lightweight Design and  
 Manufacturing, Daimler AG; Chairman of the Management  
 Representative Committee, Daimler Group

**Dr. Thomas Klebe\***

Frankfurt am Main  
 General Counsel of the German Metalworkers' Union  
 (IG Metall)

**Ansgar Osseforth\***

Sindelfingen  
 Manager Mercedes-Benz Research and Development,  
 Daimler AG

**Uwe Werner\***

Bremen  
 Chairman of the Works Council, Bremen Plant, Daimler AG

**Lynton R. Wilson**

Toronto  
 Chairman of the Board of CAE Inc.;  
 Chancellor, McMaster University

**Committees of the Supervisory Board:****Committee pursuant to Section 27 Subsection 3  
of the German Codetermination Act (MitbestG)**

Dr. Manfred Bischoff – Chairman  
 Erich Klemm\*  
 Dr. Jürgen Hambrecht  
 Jörg Hofmann\*

**Presidential Committee**

Dr. Manfred Bischoff – Chairman  
 Erich Klemm\*  
 Dr. Jürgen Hambrecht  
 Jörg Hofmann\*

**Audit Committee**

Dr. h. c. Bernhard Walter – Chairman  
 Erich Klemm\*  
 Dr. Clemens Börsig  
 Michael Brecht\*

**Nomination Committee**

Dr. Manfred Bischoff – Chairman  
 Dr. Paul Achleitner  
 Sari Baldauf

\* Representative of the employees

# Daimler and the Capital Market.

Daimler's share price gains 52% over the year. Global stock markets developed very positively in 2013, supported by the expansive monetary policy of the central banks and the easing of the European sovereign debt crisis. The Board of Management and the Supervisory Board propose an increased dividend of €2.25 per share (prior year: €2.20). We offer investors and analysts a comprehensive range of investor relations services. Daimler took advantage of the high level of liquidity on international capital markets to refinance its operations at attractive terms.

## A.01

### Development of Daimler's share price and of major indices

	End of 2013	End of 2012	13/12 % change
Daimler share price (in euros)	62.90	41.32	+52
DAX 30	9,552	7,612	+25
Dow Jones Euro STOXX 50	3,109	2,636	+18
Dow Jones Industrial Average	16,577	13,104	+27
Nikkei	16,291	10,395	+57
Dow Jones STOXX Auto Index	482	351	+37

## A.02

### Key figures per share

	2013	2012	13/12 % change
Net profit	6.40	6.02	+6
Net profit (diluted)	6.40	6.02	+6
Dividend	2.25	2.20	+2
Equity (December 31)	39.90	35.51	+12
Xetra price at year end <sup>1</sup>	62.90	41.32	+52
Highest <sup>1</sup>	63.15	48.45	+30
Lowest <sup>1</sup>	38.65	33.40	+16

<sup>1</sup> Closing prices

**A good year on the world's stock markets.** Global stock markets developed very positively in 2013. At the beginning of the year, stock markets were buoyed by positive growth signs in China and by a preliminary agreement for preventing the United States from falling off a "fiscal cliff." With major central banks continuing to pursue an expansionary monetary policy, investors increasingly allocated the resulting high market liquidity to purchase equities. As a result, key stock-market indices rose to all-time highs during the year. However, the return of uncertainty regarding the sovereign debt crisis in Europe caused shares to lose some of their gains in the first quarter and at the beginning of the second quarter. But confidence in the economic development of the European Monetary Union improved again later in the year. This caused investors' demand for shares to grow even more – a development that especially benefited cyclical stocks. In the middle of the year, statements by the Federal Reserve Bank concerning a possible tapering of its expansionary monetary policy caused share prices to fall worldwide. This sell-off was intensified by higher interest rates in China and by concerns regarding a decrease in the availability of credit there.

However, stock markets developed very favorably once again in the third quarter. This was mainly due to the stabilization of the macroeconomic situation in Europe, the United States and China, which offset concerns regarding the political situation in the Middle East. The budget conflict in the US and the debate about the country's debt ceiling had only a temporary effect on share prices. In conjunction with positive economic indicators, the continued expansionary monetary policy of key central banks – including the European Central Bank's surprise interest rate cut – helped share prices to increase across the board later in the year. Under these conditions, many stock market indices rose to all-time highs in the last two months of the year.

The index of the most important shares in the euro zone, the Dow Jones Euro STOXX 50, rose by 18% in 2013, although the entire increase occurred in the second half of the year. Due to the robust condition of the German economy, the leading German index, the DAX, did even better, rising by 25%. The DAX reached a new all-time high of 9,589 on December 27. In the United States, the Dow Jones rose by 27% during the year, while Japan's Nikkei index was even 57% higher at the end of 2013 than at the beginning. ↗ [A.01](#)



**Daimler share price up by 52% over the year.** With a gain of 52%, Daimler shares were able to substantially outperform most stock market indices. Financial markets responded favorably to the publication of the Daimler Group's results for 2012, the outlook for 2013, and the recommendation that dividends should remain unchanged at €2.20 per share. This helped the share price to increase slightly in the first quarter. However, the Daimler share price was not unaffected by the uncertainties associated with the European sovereign debt crisis and the Cyprus bailout. In addition, business did not develop as well in the first quarter as had been expected at the beginning of the year. During this phase, the Daimler share price dropped to its lowest point of the year when it fell to €38.65 on April 18.

However, when we published our financial statements for the first quarter, we emphasized that we expected results to improve during the course of the year. In the following weeks, the share price was also boosted by the very positive feedback regarding the newly introduced products. Investors responded especially positively to the presentation of the new S-Class and the Concept GLA. In this environment, the Daimler share price rose substantially until mid-May and temporarily peaked at €50.37 on May 20. However, statements made by the Federal Reserve Bank and the Chinese central bank in June caused the Daimler share price to follow the general market trend and lose some of its gains.

This temporary slump ended in mid-June. In the second half of the year, the Daimler share price once again benefited from a more favorable stock market climate and the positive business development. For example, the capital markets responded positively to Daimler's second-quarter results, which were better than most market participants had expected. In addition, the good response to the new products and increasingly dynamic car sales boosted investors' interest in Daimler shares. Daimler used the Frankfurt Motor Show to enable capital market representatives to experience the new products at first hand. And on September 20, Daimler Trucks held a Capital Market Day in Würth. At the event, the division informed analysts and investors about the latest developments in the truck business and our ongoing strategy. Under these conditions, the Daimler share price rose to €58.43 on September 19, achieving its highest value in more than two and a half years.

The Daimler share price then continued to increase in line with the general stock market upswing, rising to €63.15 on December 27. This was not only its high for the year 2013 but also the highest price in more than five years. The Daimler share price closed the year on December 30 at €62.90. At the end of the year, the company had a market capitalization of €67.3 billion.

The Daimler share price thus increased by 52% during the year, performing better than the Dow Jones STOXX Auto Index (+37%) and the DAX (+25%). When the dividend payout of €2.20 per share is also considered, our shareholders had an overall value gain of 58%.

In the first two weeks of the year 2014, stock-market prices at first continued to rise, especially in Europe and North America. Global equity prices weakened significantly after that, resulting in falls of nearly all major stock-exchange indices in January overall.

**Increased dividend of €2.25.** ↗ **A.02** At the Annual Shareholders' Meeting on April 9, 2014, the Board of Management and the Supervisory Board will propose an increase in the dividend to €2.25 per share (prior year: €2.20). With this proposal, we are letting our shareholders participate in Daimler's financial success while expressing our confidence about the ongoing course of business. The total dividend will thus amount to €2,407 million (prior year: €2,349 million).

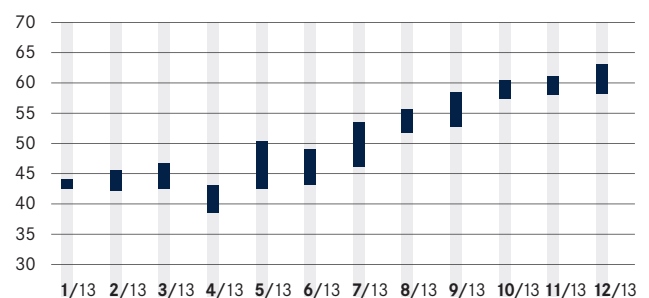
**A broad shareholder structure.** ↗ **A.07** Daimler continues to have a broad shareholder base of approximately 900,000 shareholders. However, the number of shareholders has decreased by around 100,000 compared with the prior year. After slightly increasing its holding in Daimler AG in 2012, the Kuwait Investment Authority (KIA) readjusted its stake to its original strategic level during 2013. At the end of the reporting year, KIA owned 6.8% of Daimler's shares. The Renault-Nissan Alliance continues to hold 3.1% of Daimler's shares.

BlackRock Inc., New York, still hold a stake above the 5% reporting limit as defined by Germany's Securities Trading Act (WpHG). In August 2011, BlackRock notified us that it owned 5.7% of Daimler's shares.

## A.03

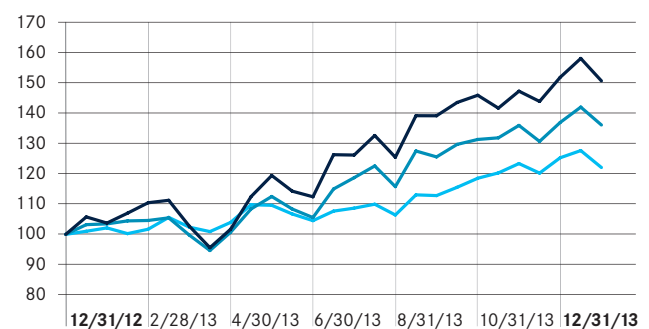
### Daimler share price (high/low), 2013

In euros



## A.04

### Share price index



■ Daimler AG  
■ Dow Jones STOXX Auto Index  
■ DAX

## A.05

### Key figures for Daimler shares

	End of 2013	End of 2012	13/12 % change
Share capital (in millions of euros)	3,069	3,063	+0
Number of shares (in millions)	1,069.8	1,067.6	+0
Market capitalization (in billions of euros)	67.3	44.1	+53
Number of shareholders (in millions)	0.9	1.0	-10
Weighting in share indices			
DAX 30	7.74%	6.16%	
Dow Jones Euro STOXX 50	3.23%	2.58%	
Long-term credit ratings			
Standard & Poor's	A-	A-	
Moody's	A3	A3	
Fitch	A-	A-	
DBRS	A (low)	A (low)	

## A.06

### Stock-exchange data for Daimler shares

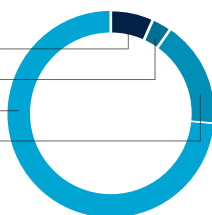
ISIN	DE0007100000
German Securities Identification Number	710000
Stock-exchange symbol	DAI
Reuters ticker symbol	DAIGn.DE
Bloomberg ticker symbol	DAI:GR

## A.07

### Shareholder structure as of December 31, 2013

By type of shareholder

Kuwait Investment Authority	6.8%
Renault-Nissan	3.1%
Institutional investors	73.4%
Retail investors	16.7%

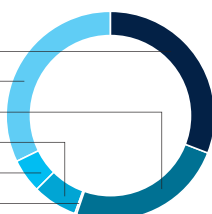


## A.08

### Shareholder structure as of December 31, 2013

By region

Germany	32.2%
Europe, excluding Germany	31.1%
USA	24.4%
Kuwait	6.8%
Asia	5.3%
Rest of the world	0.2%



The Norwegian Finance Ministry informed us that the shares held by Norges Bank, Oslo, had dropped below the reporting limit of 3% stipulated by Section 21 of the WpHG in March 2013. In April 2013, this limit was once again exceeded and the bank held 3.04% of the voting rights in Daimler as of April 26, 2013.

In April 2013, we also received notifications of voting rights from Credit Suisse AG, SEB AG and Commerzbank AG. According to those statements, the banks' directly or indirectly held voting rights in Daimler had risen above the 3% limit in the run-up to our Annual Shareholders' Meeting before dropping significantly below this limit again two weeks later. In September, Deutsche Bank AG notified us that its holding of Daimler shares rose above the 3% reporting limit on September 19, 2013, and that it had once again dropped below this limit on September 23, 2013, at 0.29%. Deutsche Bank AG notified us in December that its shareholding had fallen to 0.02% as of December 12, 2013.

The aforementioned voting rights notifications and the notifications relating to other financial instruments required by new legislation in 2012 are published on the Internet at [daimler.com/investor-relations/daimler-shares/shareholder-structure](http://daimler.com/investor-relations/daimler-shares/shareholder-structure).

Institutional investors hold a total of 73% of our equity capital while private investors own 17%. Approximately 63% of our capital is in the hands of European investors and around 24% is held by US investors. [↗ A.08](#)

Daimler shares' weighting in major indices increased during the reporting year as a result of the share price increase and the growth in the free-float. In the German DAX 30 index, Daimler was ranked in fourth place at the end of 2013 with a weighting of 7.74% (2012: 6.16%). [↗ A.05](#) In the Dow Jones Euro STOXX 50 index, our stock had a weighting of 3.23% (2012: 2.58%) with seventh ranking. Daimler shares are listed on the stock exchanges in Frankfurt and Stuttgart. In 2013, 1,029 million shares (2012: 1,421 million) were traded on stock exchanges in Germany. In addition, Daimler shares are increasingly being traded on multilateral trading platforms and in the over-the-counter market.

**Participation in the employee share purchase plan once again at a high level.** Staff members entitled to purchase employee shares were able to do so once again in March 2013. As was the case in the previous year, the employees received a discount as well as bonus shares. At 19.2%, the participation rate was slightly higher than in 2012 (17.3%). The 33,200 employees who took part in the program purchased a total of 519,000 shares.

**Annual Shareholders' Meeting once again sparks considerable visitor interest.** On April 10, 2013, around 5,000 shareholders (2012: 5,700) attended the Annual Shareholders' Meeting at the International Congress Center (ICC) in Berlin. At 29.3%, much less equity capital was represented at the meeting than in the previous year (2012: 44.1%). The participants included actual attendees as well as shareholders who voted by absentee ballot. The substantial decline in shareholder attendance (which occurred for all DAX-listed companies with registered shares) was caused by a decision of the Cologne Higher Regional Court concerning nominee shareholders' obligation to submit voting rights notifications, which generated uncertainty among foreign institutional investors. Many of those investors therefore decided to stay away from annual share-

holders' meetings in Germany. A large majority of the shareholders approved each of the agenda points proposed by the company's administration. Among other things, the meeting's participants reelected Sari Baldauf and Dr. Jürgen Hambrecht as members of the Supervisory Board representing the shareholders for another five years. The participants, for the first time, elected Andrea Jung to the Supervisory Board, also for five years.

All of the documents and information regarding the Annual Shareholders' Meeting can be found at [daimler.com/ir/am](http://daimler.com/ir/am). In the exhibition areas of the ICC, Daimler presented its technological expertise and broad product range with a focus on the new E-Class and the new compact cars.

**Another year of comprehensive investor relations activities.** In 2013, we once again provided institutional investors, analysts, rating agencies and private investors with timely information regarding the company's business development. We organized road shows for institutional investors and analysts in the finance capitals of Europe, North America, Asia and Australia. We also held many one-on-one meetings at investor conferences. This was especially the case at the international motor shows in Geneva, Frankfurt and Paris. We regularly reported on our quarterly results in conference calls and webcasts. The presentations can be watched on our website at [daimler.com/ir/event/e](http://daimler.com/ir/event/e).

The talks with analysts and investors focused on the latest earnings expectations for 2013 as well as on the business development and profitability of the individual divisions and regions. In mid-June, Daimler also organized a product-focused capital market event in Berlin, where it presented the new S-Class flagship vehicle from Mercedes-Benz. The feedback was extremely positive. In June, Daimler also took part in an investor conference in Beijing, where it explained the company's strategy and provided information regarding its position in the important Chinese market. At a conference on the occasion of the Frankfurt Motor Show, the IR team informed numerous investors about the latest developments at Daimler and accompanied them to presentations of important new products. In addition, the capabilities of the "INTELLIGENT DRIVE" driver assistance systems were explained. Another highlight of 2013 was the Capital Market Day, which was held at the Würth truck plant at the end of September. At that event, Daimler Trucks' new management team provided information about the division's strategies, focus areas and objectives. Audio recordings and presentation graphics of the event can be accessed on our website [daimler.com/ir/event/e](http://daimler.com/ir/event/e).

As a supplementary offer, we also invited sustainability-oriented investors and analysts to take part in the Daimler Sustainability Dialogue 2013. At this event in Stuttgart, representatives of non-government organizations, associations, trade unions and municipalities debated with Daimler representatives about the company's key sustainability-related issues.

**Online offers are well-established on many channels.** Our online activities offer a broad range of information that is reaching more and more people. In addition to maintaining a well-established presence at [daimler.com](http://daimler.com) and [daimler.mobi](http://daimler.mobi), Daimler has further intensified its social media activities.

The Daimler app enables iPhone® and iPad® users to obtain up-to-the-minute information about not only the Group, its brands and its products, but also about issues related to technology and innovation. In addition, it provides users with comprehensive and up-to-date information from the Investor Relations unit.

The printed and online versions of the 2012 Annual Report were the winners of several international competitions. The contents of the online annual report were not only offered for desktop computers but also optimized for tablet computers and smartphones. In this way, we are responding to the growing number of users of mobile devices.

#### **Number of online shareholders remains at a high level.**

Our shareholders are increasingly taking advantage of our offers for personalized electronic information and communication: Approximately 88,000 shareholders (2012: 86,000) received the invitation and agenda for the Annual Shareholders' Meeting no longer by post but by e-mail in 2013. We would like to thank those shareholders for helping to protect the environment and cut costs. As was the case in the past, these shareholders once again had the opportunity to win attractive prizes in a prize draw. To access the e-service for shareholders and obtain additional information, go to <https://register.daimler.com>.

**Refinancing benefits from the high level of capital market liquidity and a good rating.** The central banks' expansionary monetary policy also impacted bond markets in 2013. Due to the high level of liquidity, companies with investment-grade ratings saw their risk premiums decline once again compared to the prior year. Daimler benefited from this as well.

In 2013, Daimler primarily covered its refinancing needs by issuing bonds. Many of these bonds were sold as benchmark bond issues (bonds with high nominal volumes) on markets using the euro or the US dollar. In the US capital market, for example, Daimler Finance North America LLC issued bonds worth a total of \$6 billion in January and August 2013. The bonds had terms of two, three and five years. Daimler AG issued bonds in a total volume of €4.5 billion during the course of the year, including issued bonds with longer terms of eight and ten years. Many smaller bonds were also issued in a variety of currencies in the euro market as well as in Canada, South Africa, Mexico, Thailand, Brazil, Argentina and South Korea.

At the end of 2013, companies of the Daimler Group had issued bonds that were still outstanding in a volume of €38.7 billion (2012: €35.7 billion).

Besides raising finance through the issuance of bonds, Daimler also issued a small volume of commercial paper in 2013. Due to the very favorable market situation, Daimler also conducted several asset-backed security (ABS) transactions in the United States and Germany during the reporting year. In the US, for example, the company refinanced its operations by issuing \$4.3 billion of ABS papers backed by receivables from leasing or loan contracts. Furthermore, Mercedes-Benz Bank sold €0.9 billion of ABS bonds to European investors. These bonds are collateralized by receivables from loans.

[see pages 96 f](#)

# Objectives and Strategy.

Our overriding corporate goal is to achieve sustained profitable growth and thus continually increase the value of the Group. We aim to attain the leading position in all of our business segments. To achieve that goal, we have defined four strategic growth areas for the Group. We will implement measures related to those areas in the coming years within the framework of the growth strategies of our divisions. These strategies will be accompanied by efficiency programs to ensure that our growth has a solid financial foundation.

**Focus on the customer.** All of our activities are focused on our customers' needs. We want to inspire our customers with

- fascinating premium automobiles that set standards in the areas of design, safety, comfort, perceived value, reliability and environmental compatibility;
- commercial vehicles that are the best in their respective competitive environments;
- outstanding services that are related to all of these products; and
- new customer-oriented mobility solutions that exploit the potential of increasing digitization.

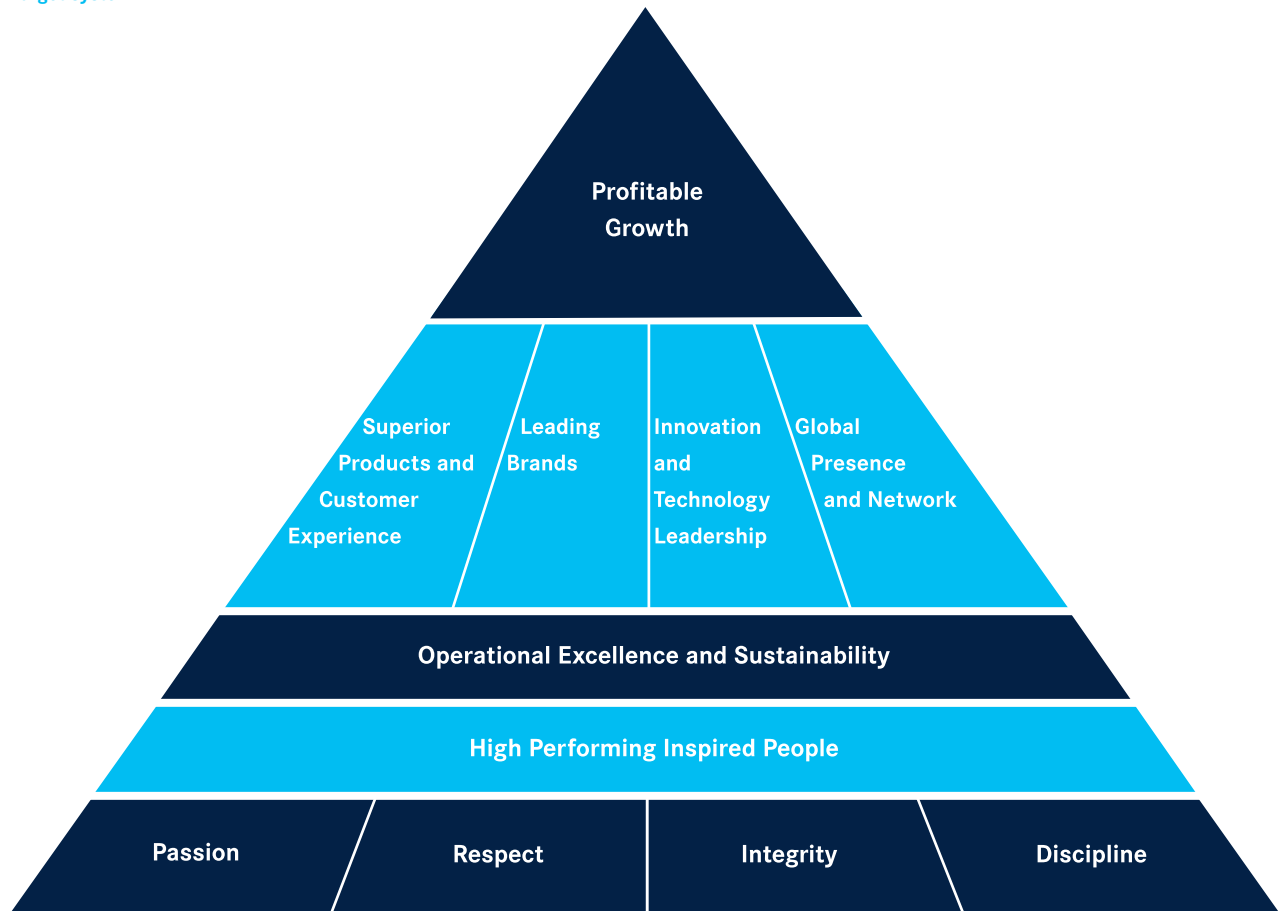
**Target system.** ↗ A.09 Our overriding corporate goal is to achieve sustained profitable growth and thus to continually increase the value of the Group. We aim to attain the leading position in all of our business segments. We inspire our customers with our brands, products and services. Our core Mercedes-Benz brand plays a key role in these endeavors. Through our groundbreaking technologies, we underscore our position as a pioneer in the areas of environmentally friendly drive systems and safety features. We are strengthening our global presence by safeguarding our position in traditional markets and expanding into new ones. Outstanding operational excellence and efficiency, along with inspired and high-performing people, are the foundation of our future corporate success. At the same time, our entrepreneurial activities are guided by the principle of sustainability in the areas of economics, corporate governance, environmental protection and safety, as well as in our relations with employees, customers and society in general. Our four corporate values – passion, respect, integrity and discipline – form the basis of our actions and help us to achieve our goals. One key principle applies to everything we do: No business in the world is worth violating laws, regulations or ethical standards. For us, integrity and business success are two sides of the same coin. That is why we want to lead the competition in terms of integrity as well.

**A clear claim to leadership in all business segments.**

By means of the “Mercedes-Benz 2020” growth strategy, our Mercedes-Benz Cars division aims to occupy the leading role for premium automobiles by the end of this decade. This means that we intend to be ahead of the competition in terms of our brand image, product range, unit sales and also profitability. The smart brand will further enhance its pioneering role in urban mobility. At Daimler Trucks, we want to further strengthen our position as the Number One company in the global truck business. Mercedes-Benz Vans aims to achieve further profitable growth also outside its present markets and market segments with the “Vans goes global” strategic initiative. Daimler Buses has set itself the goal of further strengthening its leading position for buses above 8 metric tons gross vehicle weight. Daimler Financial Services has targeted the position of best captive financial services provider and will continue to grow in line with our automotive business, as well as in the area of mobility services. In all divisions, we are increasingly utilizing innovations on the interface to digital technologies.

## A.09

## Target system



**Ambitious return targets.** In addition to our growth targets, we have set ourselves a return target (EBIT in relation to revenue) of 9% on average for our automotive business. This overall figure is based on the return targets for the individual divisions, which we intend to achieve on a sustained basis. These targets are 10% for Mercedes-Benz Cars, 8% for Daimler Trucks, 9% for Mercedes-Benz Vans and 6% for Daimler Buses. Our target for the Daimler Financial Services division is a return on equity of 17%.

**Four strategic growth areas.** We aim to achieve our goals in four strategic growth areas. [➔ A.10](#)

We will

- strengthen our core business,
- continue growing in new markets,
- take the lead with “green” technologies and safety, and
- forge ahead with the development of new mobility concepts and services.

**Strengthening our core business.** A strong core business is founded on first-rate products, competitive cost structures and a customer-focused organization. In order to prepare ourselves for growth and a stronger customer focus, we are increasingly aligning our organizational structure with the individual divisions as part of a concept under the heading of “Customer Dedication.” This is bringing us closer to the customer, while at the same time reducing complexity and making our organization faster and more flexible.

A comprehensive model offensive will extend the product range of **Mercedes-Benz Cars** in all segments by the year 2020. The new S-Class, which was launched in all regions within only three months, is the spearhead not only of our Mercedes-Benz car program but also of automotive development as a whole. The S-Class is once again the leader in terms of safety, comfort, and luxury. It will be followed in 2014 by the S-Class coupe, the new GLA, the C-Class, and the new smart, which will be available as a two- and four-seat version. This program of product renewal and expansion is being accompanied by the systematic further development of our brands as well. Our claim to deliver “the best or nothing” underscores our commitment to further consolidating the Mercedes-Benz brand’s top position in the market. We will use our new compact-class models in particular to attract younger target groups. Our brand and corporate communication activities increasingly



involve the use of digital media. New sales formats, such as “Mercedes-Benz connect me,” and temporary formats, such as mobile sales pavilions for highlighting the new A-Class, are creating meeting points for establishing contacts with new customers as well.

In order to achieve sustained profitable growth, we have supplemented the “Mercedes-Benz 2020” growth strategy with the “Fit for Leadership” program. Fit for Leadership is designed to further improve the profitability of Mercedes-Benz Cars. That includes enhancing existing efficiency measures, such as our vehicle architecture and module strategy and our approach to offsetting rising material and production costs. These and other measures will be supplemented by additional elements. Fit for Leadership also includes a structural component that will ensure our business system remains geared toward efficiency and growth over the long term.

At **Daimler Trucks**, we have been focusing for several years now on introducing uniform product platforms for vehicles and components. Our guiding principle here is “as global as possible, as local as necessary.” The launch of the new Atego and the special vehicles Unimog, Econic and SLT marked the conclusion of our Euro VI product offensive at Mercedes-Benz Trucks. Our current product range at Daimler Trucks is stronger and more extensive than ever before. At the same time, we have created a highly flexible global production network. With our “Daimler Trucks #1” excellence program, we aim to secure our profitability targets on a sustainable basis. Here we are concentrating on increasing the efficiency of our operating units. In addition, we want to improve the interaction between the various business units and functions by means of interdepartmental initiatives, thus utilizing the potential of our global position more effectively. An important step in this direction is the consolidation of our Asian business activities into our integrated “Asia Business Model” approach. Here, cooperation on product development, production, procurement, sales and finance between the two independent companies Mitsubishi Fuso Truck and Bus Corporation and Daimler India Commercial Vehicles will generate synergies and additional growth in the Asia-Africa region.

**Mercedes-Benz Vans** will support the planned worldwide growth with its new products and technologies. The new generation of our flagship van – the Mercedes-Benz Sprinter – and the market launch of the new V-Class and the Vito in 2014 will put us in a very good position for future success with our van products. The new V-Class represents a move toward the car segment in terms of both the model’s name and its product concept. In this manner it establishes the new segment of premium full-size MPVs.

The **Daimler Buses** division is strengthening its competitive position with new products and economical engines. The new Setra TopClass 500 coach is once again the benchmark for design and engineering in the luxury coach segment. Since 2013, Daimler Buses has offered a complete range of Euro VI-compliant buses in Europe through its Mercedes-Benz and Setra brands. The Euro VI emission standard went into effect in the EU in January 2014. In addition, Daimler Buses is continuing its efforts to safeguard a suitable level of profitability over the long term, to be the leader in terms of new technologies and products, and to further expand its business operations around the world.

**Daimler Financial Services** is also focused on profitable growth – and in a variety of ways. The division will continue to grow in line with the model and market offensives for cars and commercial vehicles. At the same time, it will further expand its product range in the areas of financing, leasing, motor vehicle insurance and mobility services. Daimler Financial Services has combined all of its mobility services for individual customers into a single company known as Daimler Mobility Services GmbH.

**Growing in new markets.** Growth in global automobile demand will mainly take place in the markets outside Europe, North America and Japan in the coming years. Although we continue to strengthen our position in traditional markets, we also aim to expand in other regions, especially in Brazil, Russia, India and China, which are known as the BRIC countries. In order to achieve Mercedes-Benz Cars’ sales targets, we are intensifying our local activities, above all in China and Brazil.

We are increasing the production capacities in **China** for model series that are already manufactured locally. We will also begin building our new GLA compact SUV in China in 2014. We opened a new production plant for four-cylinder engines in China in November 2013. At the same time, we are expanding our sales network in the country. Together with the Chinese battery and vehicle manufacturer BYD, we have developed a battery-electric automobile for the promising electric-vehicle segment. This electric vehicle will be launched in China in 2014 and sold under the DENZA brand name. Our activities in the field of medium-duty and heavy-duty trucks in China focus on cooperation with our partner Foton. Mercedes-Benz Vans produces the Vito, Viano and Sprinter models for the Chinese market in cooperation with Fujian Benz Automotive Corporation.

## A.10

## Strategic Pillars of Growth



We will begin manufacturing the C-Class and the GLA for the local market in **Brazil** in 2016. Daimler Trucks is investing in the modernization of its product program in Brazil in an effort to further improve its strong market position there. At the same time, the two production plants in São Bernardo do Campo and Juiz de Fora are undergoing a modernization program.

In **Russia**, Europe's biggest truck market, we are continuing our expansion in cooperation with our partner Kamaz. In the second half of 2013, Mercedes-Benz Vans began producing the Sprinter Classic in Russia in cooperation with the commercial vehicle manufacturer GAZ.

Daimler Trucks has been successfully manufacturing trucks in **India** under the new BharatBenz brand name since June 2012. We will launch additional new models on the market in 2014. These products will allow Daimler to satisfy the rising demand for robust and reliable trucks in India. Daimler Buses has integrated all of its local business activities into Daimler India Commercial Vehicles and is now setting up local bus production operations.

The extension of our international production network is being accompanied by the expansion of our international research and development network in countries such as China and India.

Daimler Financial Services is gradually expanding its business activities in line with the growth strategies of the automotive divisions. Our expansion measures extend beyond the BRIC countries to other growth markets outside the Western Europe, North America and Japan.

**Leading in green technologies and safety.** Our goal as a pioneer of automotive engineering is to make the future of mobility safe and sustainable. Varying mobility requirements call for different drive system solutions. Our portfolio here ranges from optimized internal combustion engines to hybrid drive systems and locally emission-free driving solutions. As early as 2013, we were able to reduce the CO<sub>2</sub> emissions of newly registered vehicles from Mercedes-Benz Cars in the European Union to an average of 134 grams per kilometer. Our overall objective is to reduce the CO<sub>2</sub> emissions of our new car fleet in the European Union to an average of 125 g/km by 2016.

Our new engines have enabled us to the lower fuel consumption of the S-Class by approximately 20% compared with the predecessor model. The S 500 PLUG-IN HYBRID, which will be launched in the second half of 2014, will be the most economical S-Class of all time. [see page 108](#) We are the first automobile manufacturer in the world to use lithium-ion batteries in a series-produced car with hybrid drive.

Our range of locally emission-free vehicles with battery-electric or fuel-cell drive is unique in the automotive industry. Our product range here includes everything from cars to vans, light trucks and buses. This means that we can currently cover nearly every mobility requirement. Moreover, the smart fortwo electric drive<sup>1</sup> made us the leader for new registrations of electric vehicles in Germany in 2013. Our range of electric vehicles will be further expanded in 2014 to include the new B-Class Electric Drive<sup>2</sup>. Together with Ford and our strategic cooperation partner, Nissan, we continue to move ahead with the commercialization of fuel-cell vehicles. To ensure the creation of the required infrastructure, we are cooperating with leading industrial companies on the expansion of the hydrogen filling station network in Germany.

We were the first truck manufacturer to have made its entire European product range Euro VI-compliant before the new emission standard went into effect on January 1, 2014. Despite the complicated exhaust-gas treatment system required for this compliance, we were still able to reduce fuel consumption across all model series. The Actros is the most economical truck in its market segment in Europe, and the Freightliner Cascadia Evolution is the most fuel-efficient truck in North America. With our buses as well, we have achieved fuel savings of as much as 8% while making the transition to Euro VI. We are the leader in hybrid technologies, and we sell more commercial vehicles with hybrid drive than any other company in the world.

In Europe, we intend to reduce the fuel consumption of our fleet of trucks by an average of 20% between 2005 and 2020. Compared with 2005, we already achieved a 10% reduction in fuel consumption and CO<sub>2</sub> emissions when we launched the new Actros series in 2011, and we are working hard on achieving the next 10%.

Our goal is to become “greener” not only in terms of our products; we have also expanded our emission-reduction activities to other relevant segments of the value chain.

<sup>1</sup> smart fortwo electric drive: electricity consumption in kWh/100km 15.1; CO<sub>2</sub> emissions in g/km 0.0.

<sup>2</sup> B-Class Electric Drive: market launch at first in the USA in Q2 2014.

We will also further strengthen our position as a pioneer in the development of active and passive safety systems for cars and commercial vehicles. The safety and assistance systems in the new S-Class underscore our claim to be the builders of the world's safest car. The S 500 INTELLIGENT DRIVE research car marks a milestone in the transition from a self-moving (automobile) to an independent (autonomous) vehicle. We want to make autonomous driving a reality in a series-production vehicle by the end of this decade. Safety is also a top priority with our commercial vehicles. We are the only manufacturer on the market to offer a system like our Active Brake Assist 3, which initiates an emergency braking maneuver to bring the vehicle to a full stop if it encounters a stationary obstacle ahead. As a result, we are now meeting a requirement that will not take effect for all new vehicles until 2015.

**Driving the development of new mobility concepts and services.** More than half of the world's population now lives in cities, and this proportion is rising. Digital technologies are changing our products, our brand and corporate communication activities and our work environment. As part of this development, customers are increasingly demanding individual, needs-oriented and convenient mobility solutions.

This is creating new business opportunities for Daimler, and we intend to systematically exploit this potential with new and innovative products and services. They include various mobility concepts for private, business and public transport applications – for example, car2go, CharterWay, Bus Rapid Transit (BRT) and the “moovel” mobility platform. To further expand this business with innovative mobility services, we have consolidated our mobility services for individual customers in a new company. In the coming years, we will continue to expand car2go, our first and most successful mobility service. By the end of 2013, almost 600,000 customers had registered for car2go in 25 cities in Europe and North America. The moovel integrated mobility platform allows us to offer our customers the possibility to optimally combine various private and public mobility services. A “moovel” payment system is also planned for the future.



We are also investing in strategic partnerships with various startup companies such as Flixbus and mytaxi. In the area of innovative services, we are testing and expanding several systems, in particular those based on digital and networked platforms. Such services include an online portal for vehicle-financing customers in the Asia-Pacific region, as well as the “Detroit Connect” service system for our trucks in the United States. “Detroit Connect” conducts onboard diagnoses of the vehicles. At its central service center, the engine manufacturer Detroit uses the collected data to ensure that the next workshop visits of these vehicles will be as smooth and quick as possible. Last but not least, we are conducting pilot projects to test online car sales systems. Within the framework of “Digital Life,” we are linking working environments, corporate and brand communications, customers, products and new business opportunities.

In this manner, we are working on vehicle-related concepts to shape the future of mobility, while also promoting growth in all of our segments, markets and businesses.

#### Extensive investments in the future of the company.

In the coming years, we will systematically move ahead with our investment offensive in order to implement our growth strategy through the introduction of new products, new technologies, and state-of-the-art manufacturing capacities. In the years 2014 and 2015, we therefore will invest approximately €11 billion in property, plant and equipment, as well as €11 billion in research and development projects. [↗ A.11 to A.14](#)

The property, plant and equipment investment will be used mainly to prepare for the production launches of our new models, to modernize our manufacturing facilities in Germany, to expand local production in growth markets, and to enhance our sales organization. [👁 see page 96](#)

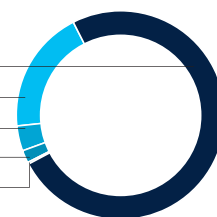
Most of our outlay for research and development is used for new products as well as innovative drive systems and safety technologies. We will launch approximately 30 new car models by the year 2020 and will also systematically further develop our range of commercial vehicles. Furthermore, we intend to continue significantly reducing the fuel consumption, and thus the CO<sub>2</sub> emissions, of our vehicles, and to set standards for safety and autonomous driving. [👁 see pages 106 f](#)

### A.11

#### Investment in property, plant and equipment 2014 – 2015

In %

Mercedes-Benz Cars	75%
Daimler Trucks	19%
Mercedes-Benz Vans	4%
Daimler Buses	2%
Daimler Financial Services	0.3%



### A.12

#### Investment in property, plant and equipment

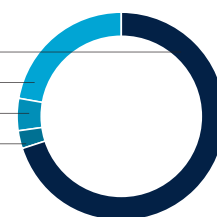
	2012	2013	2014 – 2015
Amounts in billions of euros			
Daimler Group	4.8	5.0	<b>10.7</b>
Mercedes-Benz Cars	3.5	3.7	<b>8.1</b>
Daimler Trucks	1.0	0.8	<b>2.0</b>
Mercedes-Benz Vans	0.2	0.3	<b>0.4</b>
Daimler Buses	0.1	0.1	<b>0.2</b>
Daimler Financial Services	0.02	0.02	<b>0.03</b>

### A.13

#### Research and development expenditure 2014 – 2015

In %

Mercedes-Benz Cars	70%
Daimler Trucks	22%
Mercedes-Benz Vans	5%
Daimler Buses	3%



### A.14

#### Research and development expenditure

	2012	2013	2014 – 2015
Amounts in billions of euros			
Daimler Group	5.6	5.4	<b>11.0</b>
Mercedes-Benz Cars	3.9	3.8	<b>7.7</b>
Daimler Trucks	1.2	1.1	<b>2.4</b>
Mercedes-Benz Vans	0.4	0.3	<b>0.6</b>
Daimler Buses	0.2	0.2	<b>0.3</b>

# Efficient Operation — Profitable Growth.

New top products and optimized processes are sustainably bringing together growth and efficiency. Through a broad spectrum of activities, our employees are pursuing the same goal throughout the Group: thrilling our customers and making Daimler even more efficient and successful. On the following pages, you can find out how this growth program – the biggest in our corporate history – is being enthusiastically put into action at all of our divisions around the globe.



Attractive and Fascinating Products.

page 34



Growth through Global Presence.

page 40



Innovation and Technology Leadership.

page 46



Tailored Financial Services.

page 52



Pioneering Mobility Concepts.

page 56



Increased Efficiency at All Divisions.

page 60



Motivated and High-performing Employees.

page 64



First-class Customer Care.

page 68



Integrity is the Basis for Our Success.

page 72



The brand-new Mercedes-Benz GLA gets people's hearts racing on both normal roads and rugged terrain.



Younger, more efficient and more diverse than ever before. The broadest product portfolio in our history is an excellent foundation for enhancing customer loyalty and attracting new customers.

Attractive and Fascinating Products.  
Thrilling people.



The coveted S-Class sedan is being followed by an expansion of the top range of our model program. The Concept S-Class Coupe offers a preview of the new sporty luxury model from Mercedes-Benz.

“New vehicles in all segments and across the entire model range are the drivers behind our sustainable and profitable growth.”

S-Class years are always very special, and 2013 was no different in this regard. The new Mercedes-Benz flagship and the world’s best-selling luxury vehicle was launched in all key markets in record time last year and enthusiastically received by our customers. The new Mercedes-Benz E-Class – a successful volume model and the centerpiece of Daimler’s growth strategy – also met with an outstanding customer response.

**On the offensive with the best Mercedes fleet ever.**

The new GLA is now the fourth of a total of five young compact models from the brand with the star. The sporty off-roader continues our offensive in the growth market for premium compact vehicles. Daimler scored another success at the beginning of 2014 with the completely redesigned and newly developed C-Class, which is the highest-volume

series from Mercedes-Benz. With its clear and sensuous design, technical innovations and extensive standard equipment, as well as exemplary levels of emissions and fuel consumption, the new model also meets the highest demands in its segment.

**Mercedes-Benz is currently the fastest-growing premium brand, in large part due to our young generation of compact vehicles.**

Our ongoing success in the marketplace is demonstrated not only by our significant sales growth, but also by numerous domestic and international awards. To name one example, the Interbrand “Best Global Brands 2013” study once again confirmed the great appeal and charisma of Mercedes-Benz by naming it the world’s most valuable premium automotive brand and the most valuable European brand.





The new Mercedes-Benz C-Class boasts a lightweight design concept, a touchpad and head-up display, an agile chassis and exemplary assistance systems adding up to perceived value that feels like an “upgrade to a higher class.”





Upper picture: The new V-Class is the full-size MPV from Mercedes-Benz. The model makes a big impression with regard to value and quality, safety and efficiency at the highest levels – like all vehicles with the star. Lower picture: The Mercedes-Benz Arocs – the new force in construction – meets the varied demands of the construction sector with a unique diversity of available models.



The new Setra TopClass 500 features the Predictive Powertrain Control (PPC) system, which is unique in the touring coach segment.

The A-Team continues on the road to success: Following on the heels of the Actros for long-distance haulage and the Antos for heavy-duty distribution transportation, the new Arocs is now on the scene to continue the success story at Mercedes-Benz Trucks. The new construction specialist has attracted a great deal of interest since its world premiere and is helping Daimler extend its lead in the European truck market.

**The biggest product offensive in Daimler's history is strengthening our position as the world's number one commercial vehicle manufacturer.**

The Mercedes-Benz Sprinter is once again setting new standards – right from the start of series production of the latest generation of the model. The Sprinter is a top seller in the 3.5-ton segment all over the world. It's also one of the key pillars of our global growth strategy in the van segment. This strategy has been an ongoing success – and the new Vito and new V-Class from Mercedes-Benz are contributing to its continuation.

**Our strategy for the future: To offer exactly the right model for every requirement and application.**

We are successfully defending our leading position in the bus sector with the new Setra TopClass 500. The model highlights our outstanding technological expertise and also completes the premium portfolio of vehicles from Daimler Buses.

**Our innovative vehicles already meet many of tomorrow's mobility requirements today.**

Daimler was the first commercial vehicle manufacturer to offer a complete range of Euro VI-compliant trucks and buses. These forward-looking products not only meet the rigorous statutory emission standards, they are also meeting our sales targets.



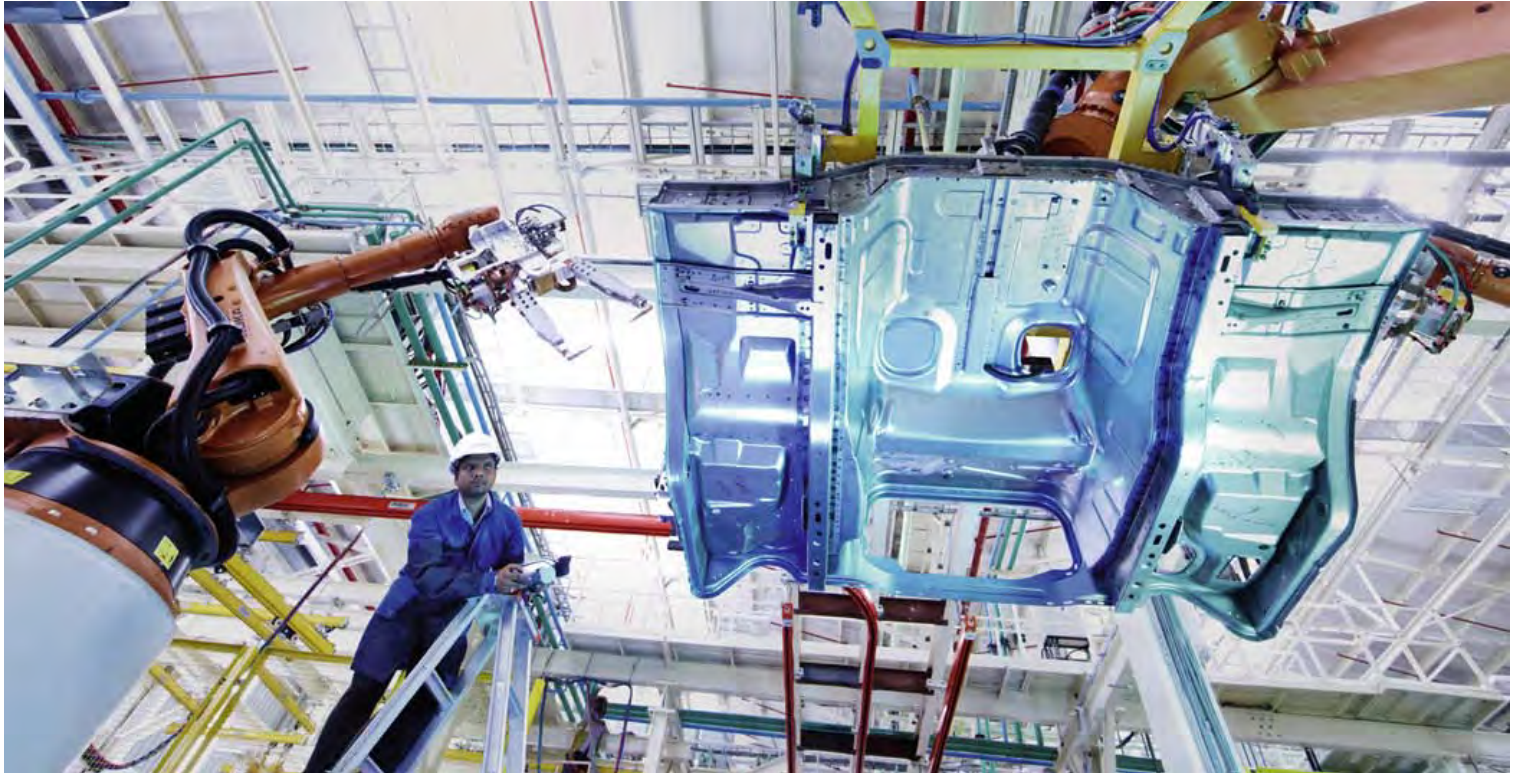


Vehicle production for China in China. Daimler remains on course for growth with the expansion of its car production plant in Beijing.

International automobile markets continue to offer enormous potential. We will play an even greater role in these markets in the future not only by expanding our local capacities for research, development and production, but also by optimizing our structures and strategic partnerships.

Growth through Global Presence.  
On course for continued success.





Daimler builds BharatBenz trucks in Chennai, India for sale in the local market. The Group now also produces FUSO trucks in Chennai for export to other Asian countries and to Africa.

China is the world's biggest automobile market, and the future prospects in this market are still outstanding. That's why we're putting our activities in this successful market on an even broader foundation. For example, Mercedes-Benz Cars has not only expanded production capacity at the Beijing plant operated by Beijing Benz Automotive Company (BBAC), but has also built a new research and development center. Daimler has also opened its first car engine factory outside Germany that is exclusively devoted to supplying local vehicle assembly plants.

**Ready for the fastest-growing automobile markets.**

The introduction of the long-wheelbase version of the new Mercedes-Benz E-Class was a further milestone in Daimler's implementation of its China strategy. The new model is built at the BBAC plant and is tailored for the Chinese market.

**Close to the customer – for the customer: Local production and a customized product portfolio.**

Brazil is another market of the future that offers outstanding prospects. As a top sales market for Mercedes-Benz commercial vehicles, it is experiencing an additional economic boom due to the upcoming World Cup soccer championship and the Olympic Games. This situation offers us a good opportunity to enhance our position as the most important truck and bus manufacturer in Latin America.

“Our international production network and our global research and development activities play a key role in our growth strategy.”





The expansion of commercial vehicle manufacturing to the Juiz de Fora plant has enabled Mercedes-Benz do Brasil to optimally meet the rising demand for commercial vehicles in Latin America.

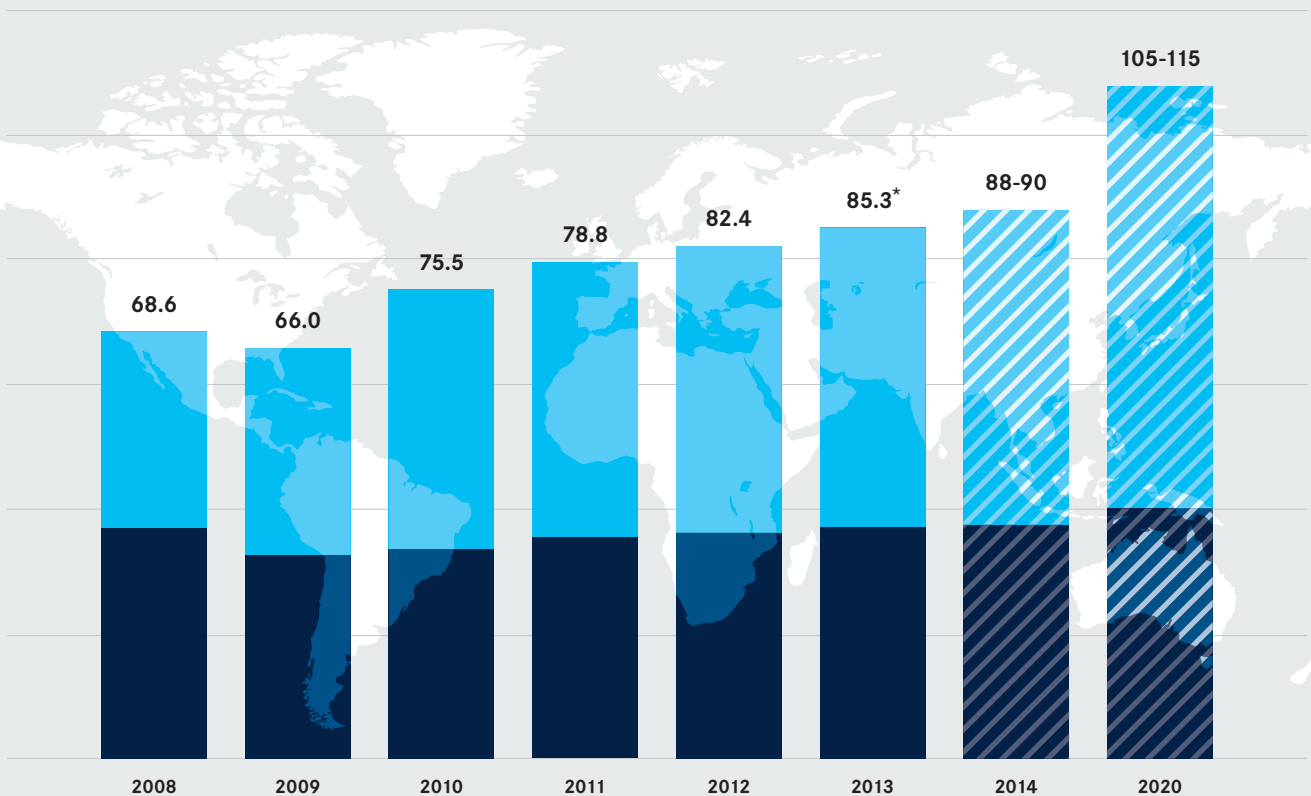


“Most of the global growth of automobile markets is taking place in the emerging markets – and Daimler is there.”

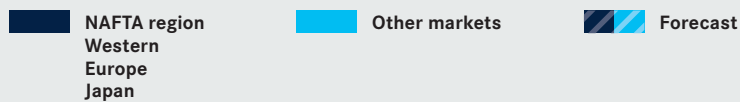
**B.01**

Global automobile markets.

**Outstanding growth prospects for global automobile markets**



Market volume of cars and commercial vehicles in millions of units.



\* Preliminary figures  
Source: IHS Automotive





The biggest research and development location outside Germany – and part of our global growth strategy: the newly opened Mercedes-Benz Research and Development Center India in Bangalore.

Daimler has been building trucks, bus chassis, engines, transmissions and axles for Latin America in São Bernardo do Campo since the 1950s. In order to optimally benefit from the growth potential offered by the Brazilian economy, we not only enlarged and modernized our existing plant, but also established an additional production facility with the use of Juiz de Fora for truck manufacturing. In Juiz de Fora, Mercedes-Benz do Brasil now builds the proven Mercedes-Benz Actros and the Accelo, a light-duty truck for the Latin American market.

#### **Continuing to exploit enormous sales potential.**

India's automobile market offers good prospects as well. Its dynamic development will benefit Daimler for a long time to come. In addition to expanding its research and development center in Bangalore, Mercedes-Benz has increased the production capacity of its facility in Pune. The introduction

of BharatBenz trucks is moving ahead at a fast pace, and this year we will also expand the range of medium- and heavy-duty truck models for our Indian customers. Our plant in Chennai plays an important role in our new Asia Business Model. The FUSO trucks manufactured in Chennai are delivered to other countries in Asia and to dynamically developing markets in Africa.

#### **Local production, state-of-the-art technologies, and an uncompromising commitment to quality are the drivers of our global success.**

Our locally manufactured cars are able to fulfill the Mercedes-Benz brand pledge "The Best or Nothing" through the systematic use of the Mercedes-Benz production system and our global quality management system.





Extra efficiency and comfort. The new aero-acoustic wind tunnel at the Mercedes-Benz development center in Sindelfingen allows us to aerodynamically fine-tune our vehicles, such as the new S-Class shown here.

Our goal: emission-free and accident-free – but full of emotion! We not only look ahead for our customers with safety technologies and green drive system concepts, but also put innovations and driving pleasure on the road.

Innovation and Technology Leadership.  
Clean, safe and connected.



# “The extension of our lead with regard to efficient drive systems and innovative safety concepts is a top priority of our growth strategy.”

We believe that variety is the key to sustainable mobility. Daimler therefore offers a customer-friendly range of drive systems, which we are systematically making even more efficient and environmentally friendly. We already occupy an outstanding position in the field of electric mobility today. As illustrated by the new Mercedes-Benz C-Class, we utilize lightweight design concepts to further reduce fuel consumption as well. Our efforts also focus on aerodynamic improvements. In fact, nearly all Mercedes-Benz models are currently the world champions for aerodynamics.

### Shaping future mobility with pioneering innovations.

The networking of sensors and vehicle systems to create the INTELLIGENT DRIVE concept is a new milestone on the road to accident-free driving. INTELLIGENT DRIVE brings together all of the Mercedes-Benz assistance systems that transform vehicles into thinking and far-seeing partners. Such innovative technologies from the pioneer of automotive safety are already

enabling partially autonomous driving in the new E-Class and S-Class. At the end of 2013, the S-Class was voted "Connected Car of the Year" by the readers of "Auto Bild" and "Computer Bild" magazines. As a pioneer in this field, we have plenty more to offer in the future as well. We proved that in August 2013 with our test drive of the Mercedes-Benz S 500 INTELLIGENT DRIVE research car, which puts driverless mobility within reach.

**Much of the technology needed for autonomous driving is already on the road today in Daimler vehicles, or is nearly ready for series production.**

Another component of our INTELLIGENT DRIVE strategy is Car-to-X, a system for transmitting information between vehicles and the traffic infrastructure. Daimler is the world's first automaker to introduce this innovation in production vehicles. This once again underscores the way our technology leadership and expertise benefit our customers.

[techcenter.mercedes-benz.com/en](http://techcenter.mercedes-benz.com/en) [mercedes-benz.com](http://mercedes-benz.com)

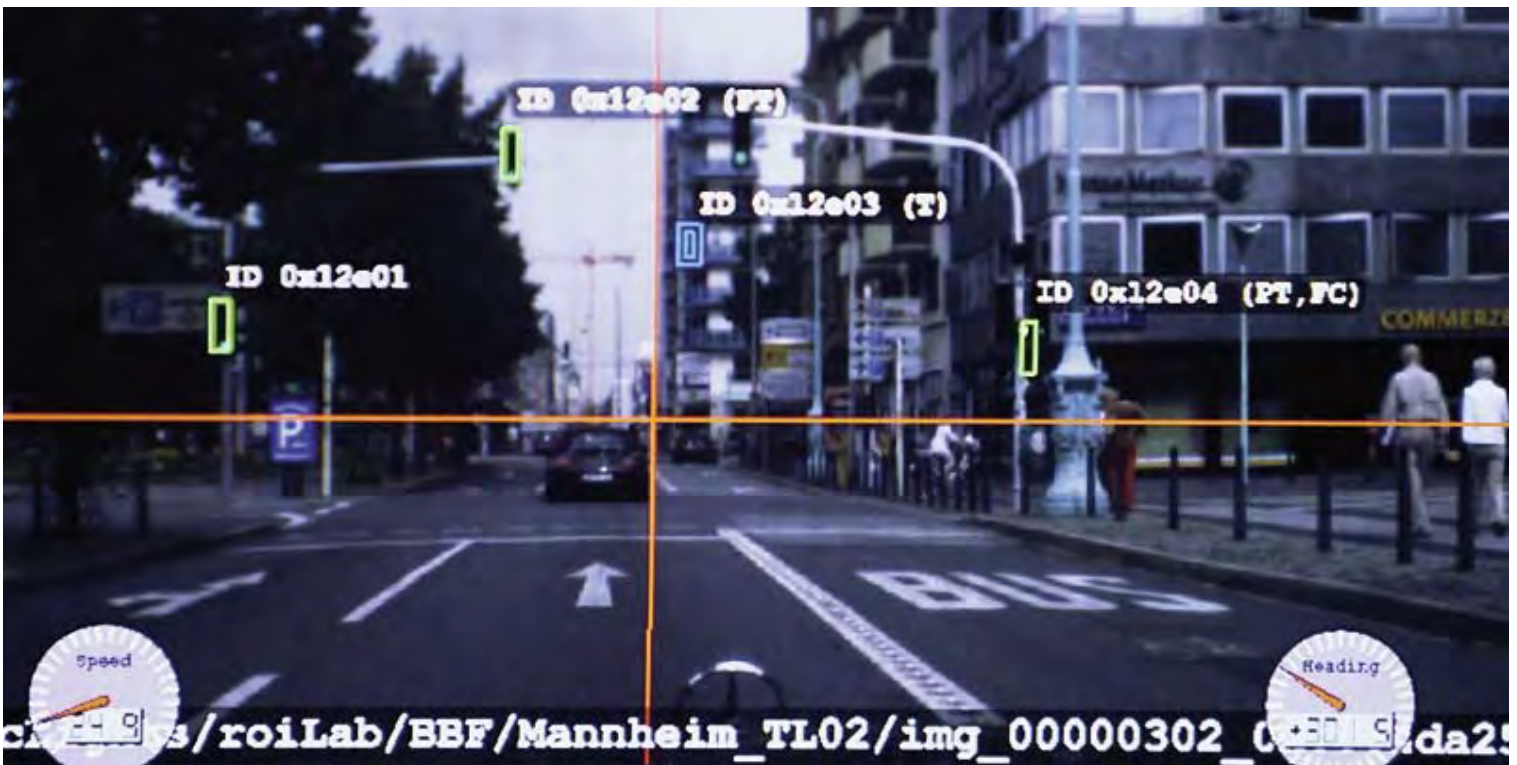
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### Car-to-X communication



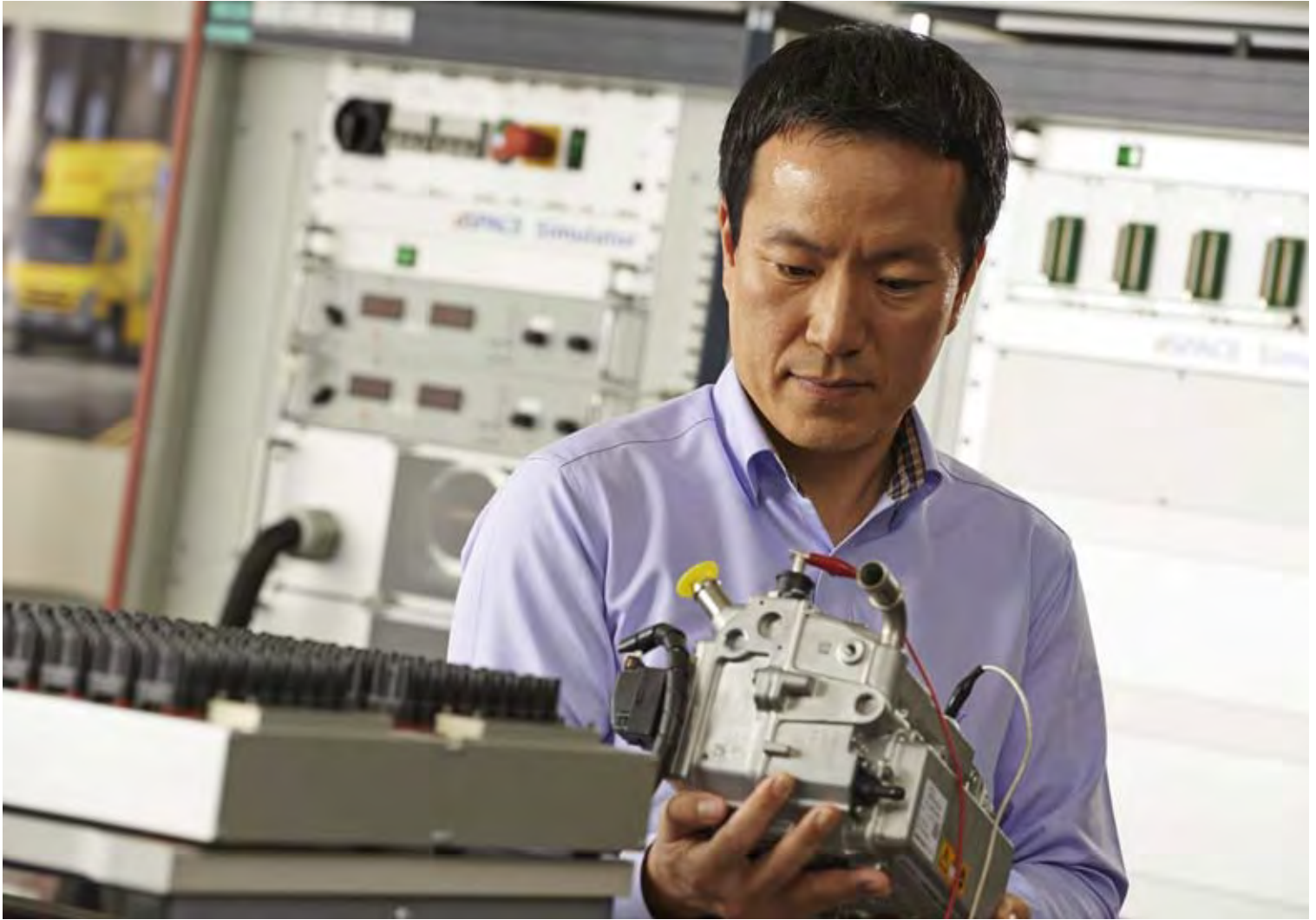
Real-time warnings ensure that drivers can quickly prepare to deal with critical traffic situations. These warnings can also prevent such situations from occurring to begin with. Car-to-X communication makes this possible.





We became the world's first automaker to prove that autonomous driving is possible in cities and on country roads with our Mercedes-Benz S 500 INTELLIGENT DRIVE research vehicle, which also includes technology that is close to the series-production stage. The S 500 Intelligent Drive was sent along the 103-kilometer route from Mannheim to Pforzheim that Bertha Benz traveled 125 years ago when she completed the first-ever long-distance drive in an automobile. The self-driving research car was able to handle complex traffic situations along the route without its human driver having to intervene.





Upper picture: The Global Hybrid Center in Kawasaki, Japan, is where we develop forward-looking hybrid technologies for Daimler Trucks.  
Lower picture: The FUSO Canter Eco Hybrid is the first cost-effective production hybrid truck. About 2,000 of this model are on the road worldwide.

“What will shape the transportation sector of tomorrow? Daimler is pointing the way with advanced commercial vehicle technologies.”



The Freightliner Cascadia Evolution offers fuel savings of seven percent, thanks to aerodynamic improvements and the new Detroit DD15 engine with Daimler BlueTEC exhaust treatment technology.

Daimler is continuing to expand its leadership in the commercial vehicle sector by focusing on innovations that create value for the company and its customers. The focal areas include exemplary drive systems that are continually making our trucks, vans and buses cleaner, more economical and more efficient. For example, Daimler was the first truck manufacturer to make its entire product range Euro VI-compliant before the new emission standard went into effect.

#### **Outstanding next-generation drive system concepts.**

The FUSO Canter Eco Hybrid gives Daimler the first cost-effective hybrid truck that pays off for our customers and the environment alike. A total of 2,000 units of this distribution transportation vehicle are already being used by customers around the world. This model was the winner of the 2014 European

Transport Sustainability Prize. Its outstanding cost-efficiency is based on a highly efficient hybrid drive system developed at Daimler Trucks' Global Hybrid Center in Japan.

#### **Perfect positioning with the industry's most economical and innovative products.**

The Freightliner Cascadia Evolution from Daimler Trucks North America (DTNA) is also a key component of our successful growth strategy. The new flagship model is DTNA's efficiency champion – a feat made possible by a powertrain manufactured completely by the Detroit brand. The powertrain's components are optimally aligned with one another. This intelligent commercial vehicle technology has met with an extremely positive response from our North American customers.





The right financing or leasing conditions often play an important role for people who are looking for a dream car. That's why the financial services products from Daimler Financial Services are integrated into the Mercedes-Benz websites.

Making it easier for private and commercial customers to obtain a vehicle. Our attractive and new offers for financing, leasing, insurance, fleet management and banking are giving our vehicle business even more impetus.

Tailored Financial Services.  
Boosting product offensives.



Our “Digital Financial Services” are offered precisely where more and more customers spend a lot of their time: on the Internet.

“Our customers can always drive and enjoy the latest models, thanks to our attractive financing solutions, leasing packages and automotive insurance.”

Our financing offers fulfill the individual wishes of our customers. For example, customers can select the amount of the down payment and the duration of the contract, which, in turn, lets them influence the amount of the monthly installments. Once they have paid off the loan, customers obtain ownership of the vehicle. Leasing customers also individually determine their installments, depending on the duration of the contract and the total mileage. When a contract expires, customers decide whether they would like to switch to a new vehicle. This regularly ensures that customers pleasantly anticipate driving the newest model. In 2013, Daimler Financial Services for the first time had more than three million financed or leased vehicles on its books worldwide.

**Boosting brand loyalty.**

Our financial services offer our customers outstanding quality, which is why our products won numerous awards worldwide in 2013. These awards once again demonstrate that Daimler Financial Services has the right corporate philosophy, which states that satisfied employees ensure satisfied and loyal customers. This is also the case at the Berlin service center

of the Mercedes-Benz Bank, which was named one of the best employers in Germany’s capital in 2013.

**Offering pioneering services through websites and apps.**

Our “Digital Financial Services” enable customers to clarify financing and leasing issues at home or while on the go. At the push of the button, customers can display the monthly payments for their desired cars. What’s more, contracts can be managed online in many countries. In the United States, our customers have already used their smartphones to make more than \$200 million in monthly payments.

**Star-brand financing and mobility.**

In Germany, Daimler Financial Services’ Mercedes-Benz Rent program enables customers to rent vehicles for short periods directly from dealerships. This program completes Daimler Financial Services’ product portfolio, which ranges from traditional leasing contracts all the way to flexible mobility concepts such as car2go.





Upper picture: Mercedes-Benz Rent is another attractive means of boosting new target groups' enthusiasm for the vehicle models. Lower picture: Mercedes-Benz Bank's Berlin service center is one of the best employers in the German capital. It provides an ideal environment for highly motivated employees, who ensure that more and more customers can fulfill their dream of owning a star-brand automobile.





When the car2go project was launched five years ago, it triggered the car-sharing revolution; it is now a resounding success worldwide. The white-and-blue city cars from the smart brand are now available for spur-of-the-moment rentals also in Toronto.

Intelligently mobility for people and cities. Our pioneering services supplement the existing automobile business and are attracting increasing numbers of new customers.

Pioneering Mobility Concepts.  
Redefining the automotive lifestyle.



Today, a wide array of choices is an integral part of individual mobility. Flexible, green and economical transportation solutions that can be compared and accessed online are in high demand, especially in metropolitan areas. This is a growth market in which Daimler offers innovative concepts to serve as additional elements of urban mobility. In 2008, for example, our car2go concept created the segment of spur-of-the-moment car rentals – an area in which we are now the market leader. car2go now has some 10,000 vehicles, which have been rented more than 18 million times to date. And the demand for this service is steadily growing.

**Additional drive for metropolitan areas – and for our growth offensive: the concepts from Daimler Mobility Services.**

Our moovel mobility platform brings people from A to B in an optimal way by combining the offers of various mobility providers. This allows users to find out about the best way to travel in a city and to compare the offers of public transport, car2go, taxi, ride-sharing and bicycle hire in terms of time and costs. Through the continuous expansion of strategic partnerships such as our acquisition of stakes in the companies Blacklane

and FlixBus in 2013, we can offer our customers an ever growing range of services. We will significantly expand this range also in 2014, integrating even more mobility services and operating moovel in many more cities.

**Rapidly growing cities throughout the world are utilizing state-of-the-art BRT systems and the products offered by Daimler Buses.**

Bus rapid transit (BRT) systems, in which regular-service buses travel along dedicated lanes, create successful transportation solutions for urban areas. In cooperation with cities including Istanbul, Nantes, Mexico City and Bogotá, Daimler has created numerous BRT concepts for the efficient transportation of passengers. In addition, around 17,500 Mercedes-Benz buses are currently used in more than 25 BRT systems worldwide. Demand is also being boosted by the major sports events that will soon be held in Brazil. For example, the BRT operators in Belo Horizonte are investing in 500 star-brand bus chassis to help the city host the World Cup. In 2013, articulated and non-articulated buses from Mercedes-Benz were also put into operation on BRT routes in many other Latin American countries as well as in South Africa.

- [daimler-financialservices.com/dfs/mobility-services](http://daimler-financialservices.com/dfs/mobility-services)
- [car2go.com/en/washingtondc](http://car2go.com/en/washingtondc)
- [moovel.com/en](http://moovel.com/en)
- [park2gether.com](http://park2gether.com)
- [brt.mercedes-benz.com](http://brt.mercedes-benz.com)



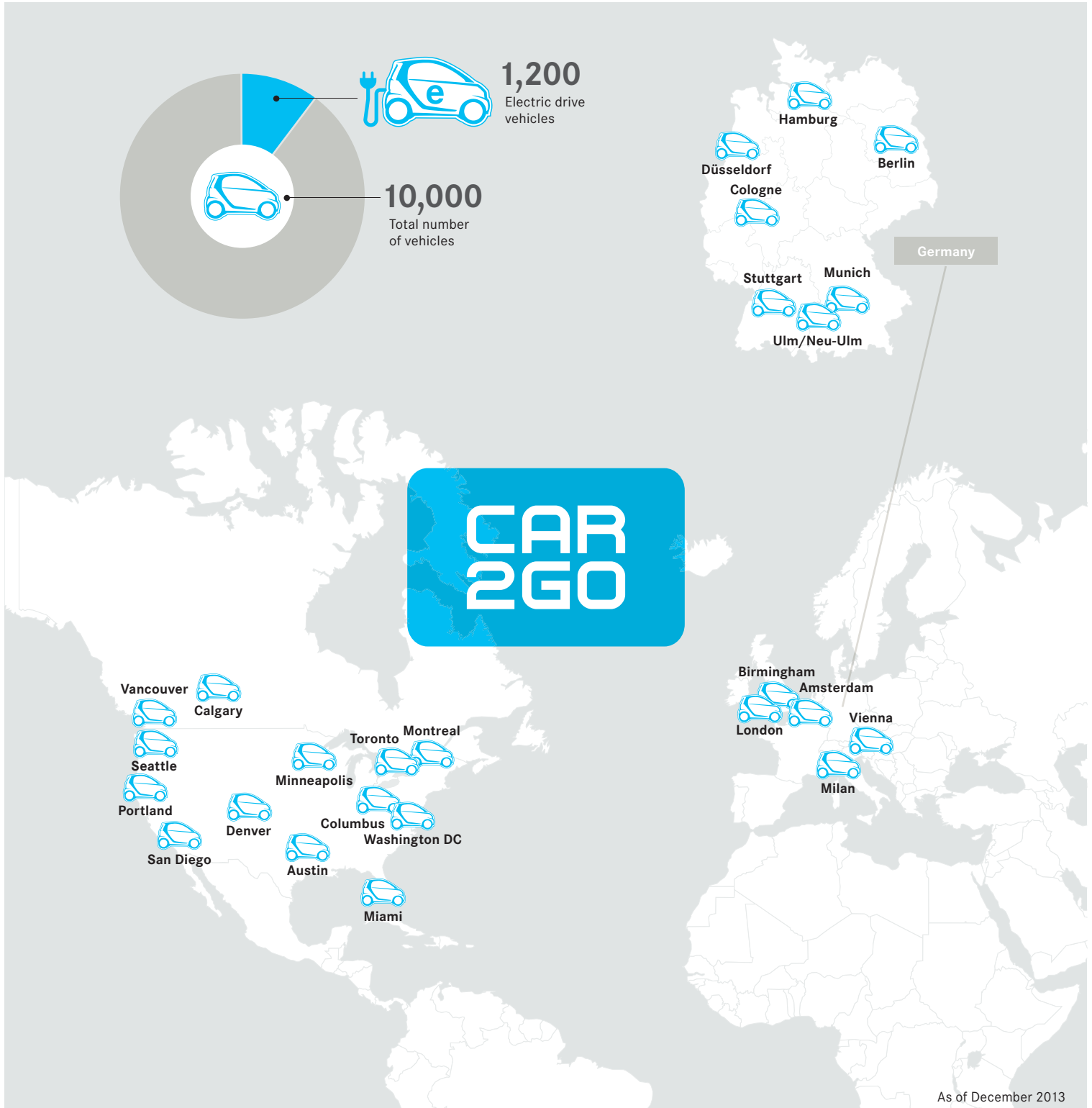
Today, around 70 percent of the city buses used in Brazil's bus rapid transit systems are from Mercedes-Benz.



“From newcomer to market leader! car2go has been a success story for the past five years, and it’s now the world’s fastest-growing car-sharing company.”

**B.03**

Distribution of car2go



By the end of 2013, almost 600,000 users in 25 cities had registered for car2go - twice as many as a year earlier. car2go plans to add another 40 to 50 locations worldwide by 2020.



A successful tandem:  
The Mercedes plant in  
Kecskemét produces the  
new compact cars jointly  
with the competence  
center in Rastatt.

Profitable growth – thanks  
to premium products  
and efficiency. Efficient  
packages of measures  
make processes at all  
divisions even more cost-  
effective and ensure  
optimal results throughout  
the Group.

Increased Efficiency at All Divisions.  
The recipe for success!





“The new packages of measures are helping us to put our power on the road even more efficiently and to overtake the competitors.”



The new Mercedes-Benz S-Class sets benchmarks also in terms of manufacturing, thanks to numerous new processes.

On its way to the top, Daimler has introduced efficiency programs and embedded them in the divisions' existing strategies. For example, the "Mercedes-Benz 2020" strategy was supplemented by the "Fit for Leadership" (F4L) component. In this way, processes can be made even more flexible, faster and more efficient.

**Fit for the future – with new production technologies and even better processes.**

The Mercedes-Benz plants in Kecskemét and Rastatt are also reporting positive results. The new compact cars from Mercedes-Benz are being produced there using cross-plant processes. Thanks to variable capacities and optimized capacity utilization, this production network is making a significant contribution to the cost efficiency of compact car production.

**A lever for even greater productivity, flexibility, and profitability.**

Daimler's commercial vehicle divisions are also continuing along their course. Optimization programs are safeguarding

the divisions' profitability goals: "Performance Vans 2013" at Mercedes-Benz Vans, "GLOBE 2013" at Daimler Buses and "Daimler Trucks #1" - the supplementary initiative of the "Global Excellence" strategy - at Daimler Trucks. The central focus of Daimler Trucks #1 is the platform and module strategy. Here, Daimler Trucks is focusing on a global product portfolio across all three weight categories for the three truck regions. With this strategy, we can offer optimally customized vehicles and technologies to our customers all over the world and take full advantage of savings potential over the long term.

**Sustainable growth according to plan.**

We aim to realize earnings contributions of approximately 4 billion in total by the end of 2014 with the help of the following programs: "Fit for Leadership" at Mercedes-Benz Cars, "Daimler Trucks #1" at Daimler Trucks, "Performance Vans 2013" at Mercedes-Benz Vans and "GLOBE 2013" at Daimler Buses. In this way, we will put our growth strategy on a solid financial foundation – and we are implementing this strategy according to plan.

 see pages 28 f



To further optimize our structures and costs, we are combining our engine portfolio to create a cross-brand generation of heavy-duty engines.





A skilled workforce is at the heart of the Mercedes-Benz plant in Düsseldorf. Our biggest plant for van production is the global leader within the Mercedes-Benz Vans production network also in terms of expertise.

Almost 275,000 employees around the world are committed to our success. They've got a multitude of talents, qualifications and ideas, and all of them are pursuing the same goal: putting our growth program into action.

Motivated and High-performing Employees. Driven by passion.





## “Our internationally oriented human resources activities are not merely accompanying the growth campaign – they are actively supporting it.”

Our vehicle portfolio is thrilling customers all over the world. In order to optimally respond to this tremendous demand, we are expanding our production capacities as part of the “Mercedes-Benz 2020” offensive. That will make our research and development, our production and our sales network increasingly international. As a result, we will need committed employees at all of our business sites. Through precisely targeted measures, we recruit the most talented employees all over the world and provide them with excellent qualification programs at all of our locations.

### **An international HR standard for our new locations.**

As we create new Group facilities, we specifically rely on the combined knowledge and the support of our experienced employees. The “Global HR Blueprint” program plays a central role here. It includes the core processes of our human resources organization and defines the most important milestones for a successful start of production activities. The “Global HR Blueprint” currently serves as the guideline for the establishment of the HR department at the new car assembly plant in Itapetininga, Brazil.

### **Education, qualification and training of the teams.**

The expertise of our specialized employees is based on a first-class training and qualification program. We provide this

program through a dense network of educational institutions. At the same time, we train our international teams at the production plants in Germany. For example, the car powertrain plant in Stuttgart is a Center of Competence and is responsible for part of the training program aimed at the new young employees at the Romanian production locations in Cugir and Sebes, the first Mercedes-Benz powertrain production plant outside Germany. In addition, the Mercedes-Benz Qualification System (MBQS) is now available to the international cars plants. This program provides the preconditions for efficiently establishing the qualification courses that are required at each location.

### **Recruiting and developing managers.**

We also want to adequately cover our need for young employees who are capable of performing international leadership tasks at both the management level and in production. In order to do so, we are relying on the recruitment of local experts at our business locations and on the advanced development of high-potential individuals through programs for young and talented employees. The Mercedes-Benz Qualification System (MBQS) is the world standard for the development of managers in the production business units, as demonstrated for example by the programs for master craftspeople and team leaders. The MBQS program is currently undergoing a pilot run at the plant in Tuscaloosa, Alabama (USA). In the future, it will be used all over the world.





Upper picture: Our specialized employees ensure outstanding results at the new engine plant in Beijing. The Mercedes-Benz Qualification System sets the standards for their outstanding qualifications.  
Lower picture: Talented young employees receive first-class training at the Mercedes-Benz plant in Untertürkheim.





The Mercedes-Benz Showroom in Tokyo has attracted more than one million visitors since it opened in 2011.



Our vehicles fascinate and impress people all over the world. We are systematically refining our sales and service activities so that our car and commercial vehicle brands can stay close to our customers in the future.

First-class Customer Care.  
Fulfilling wishes precisely.





Upper picture: In the recently opened Mercedes-Benz Store in Osaka, visitors can get to know the brand and its products up close.  
Lower picture: First-class advice and service are provided in the luxurious atmosphere of the S-Class Lounge.



“We are supplementing our traditional sales channels with innovative elements. This approach is very popular with new target groups as well as with our existing customers.”

If we want to be successful in the future, we have to initiate changes today. In line with this maxim, we have supplemented Mercedes-Benz’s worldwide product offensive with the sales and marketing initiative “Mercedes-Benz 2020 – Best Customer Experience.” In this way, we are aligning our sales organization even more precisely with the changing requirements of our customers.

**Mercedes-Benz addresses its customers in many different ways – ways that are as individual and flexible as the customers’ personal preferences.**

Mercedes-Benz is relying increasingly on its sales outlets in city centers, where it can come into direct contact with existing and potential customers. The youngest of the approximately 20 city stores were opened in Tokyo in 2011, in Milan in 2012 and in Osaka in 2013. The number of these urban stores around the world is to double to more than 40 by 2020. Temporary sales formats offer further possibilities for getting in touch with our customers. For example, a Mercedes-Benz pavilion in Warsaw attracted more than 20,000 visitors and provided the framework for an additional 80 events. Thousands of fans followed these events on Facebook. For many visitors, it was their very first contact with the brand.

**I like it! In direct contact through networks and online.**

An integral part of the new sales and marketing initiative is the online vehicle sales process. At the end of 2013, Mercedes-Benz became the first producer of premium automobiles to offer new vehicles on the Internet. Within four weeks, more than 60,000 interested individuals had visited the online platform. The digital sales channel supplements the traditional showrooms, primarily addressing young and online-savvy customer groups. As a result, the Mercedes brand is accessible to customers and interested individuals always and everywhere. By taking advantage of the trend toward networking, we are also increasingly coming into contact with customers inside their vehicles. For example, we offer multimedia systems and apps that provide not only information and entertainment but also control options for automotive, service and diagnostic functions.

**A strong service partner for commercial vehicles.**

We are also focusing on our truck and van customers, offering them a comprehensive network of local services at more than 95 TruckWorks locations in Germany. In this way, we are making sure that servicing times are as short as possible and helping to keep our customers’ investment of time and money at a minimum when their vehicles are being maintained or repaired.

[mercedes-benz-connection.com/english](http://mercedes-benz-connection.com/english) [connection-online.mercedes-benz.com](http://connection-online.mercedes-benz.com)



The TruckWorks service stations are putting commercial vehicles back on the road quickly all over Germany, thanks to the expertise of Mercedes-Benz.



Integrity Dialog: Daimler employees around the world exchange their views on integrity.

# Integrity is the Basis for Our Success.



Our growth strategies and efficiency programs are our drivers on the road to sustainable corporate success. Ethical behavior is an inseparable aspect of all of our activities. In other words, integrity forms the basis for our dealings with one another within the Group and the way we conduct our business activities. Our shared understanding of what integrity means to us was laid down in our jointly developed Integrity Code. Through a variety of initiatives and an ongoing dialog, we are firmly establishing integrity in the corporate culture at Daimler.



# Combined Management Report.



The year 2013 was very successful for Daimler overall. We significantly increased our unit sales and revenue, and continuously improved the profitability of our divisions as the year progressed. We thrilled our customers with numerous new products. And we set new standards with pioneering innovations, above all with regard to the safety and environmental compatibility of our vehicles. In the year 2014, we will continue our growth offensive and further enhance the efficiency of our processes.

# C | Combined Management Report.

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# Corporate Profile.

## Business model

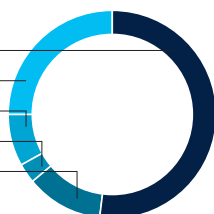
Daimler can look back on a tradition covering more than 125 years, a tradition that extends back to Gottlieb Daimler and Carl Benz, the inventors of the automobile, and features pioneering achievements in automotive engineering. Today, the Daimler Group is a globally leading vehicle manufacturer with an unparalleled range of premium automobiles, trucks, vans and buses. The product portfolio is completed with a range of tailored financial services and mobility services.

Daimler AG is the parent company of the Daimler Group and is domiciled in Stuttgart (Mercedesstraße 137, 70327 Stuttgart, Germany). The main business of Daimler AG is the development, production and distribution of cars, trucks and vans in Germany and the management of the Daimler Group. The management reports for Daimler AG and for the Daimler Group are combined in this management report.

## C.01

### Consolidated revenue by division

Mercedes-Benz Cars	52%
Daimler Trucks	25%
Mercedes-Benz Vans	8%
Daimler Buses	3%
Daimler Financial Services	12%



With its strong brands, Daimler is active in nearly all the countries of the world. The Group has production facilities in a total of 19 countries and approximately 8,000 sales centers worldwide. The global networking of research and development activities and of production and sales locations gives Daimler considerable advantages in international competition, additional growth opportunities and further potential to enhance efficiency. In addition, we can apply our innovative drive and safety technologies in a broad portfolio of vehicles while utilizing experience and expertise from all parts of the Group. In the year 2013, Daimler increased its revenue by 3% to €118.0 billion. The individual divisions contributed to this total as follows: Mercedes-Benz Cars 52%, Daimler Trucks 25%, Mercedes-Benz Vans 8%, Daimler Buses 3% and Daimler Financial Services 12%. At the end of 2013, Daimler employed a total workforce of approximately 275,000 people worldwide.

The products supplied by the **Mercedes-Benz Cars** division comprise a broad spectrum of premium vehicles of the Mercedes-Benz brand, ranging from the compact models of the A- and B-Class to various sport utility vehicles, roadsters, coupes and convertibles and to the S-Class luxury sedans. Additional products are the high-quality small cars and innovative e-bikes of the smart brand. The main country of manufacture is Germany, but the division also has production facilities in the United States, China, France, Hungary, South Africa, India, Vietnam and Indonesia, and since August 2013, the A-Class has also been produced for us by Valvet Automotive in Finland. Worldwide, Mercedes-Benz Cars has 17 production sites at present. In the medium term, we anticipate significant growth in worldwide demand for automobiles and above-average growth in the premium car segment. To ensure that we can participate in this development, we are creating additional production capacities, especially in China, the United States and India. In 2013, we also decided to expand our global production network with a new plant in Brazil. We plan to produce the next generation of the C-Class as well as the GLA compact SUV there for the local market starting in 2016. The most important markets for Mercedes-Benz Cars in 2013 were Germany with 18% of unit sales, the other markets of Western Europe (23%), the United States (20%) and China (15%).



As the biggest globally active manufacturer of trucks above 6 metric tons gross vehicle weight, **Daimler Trucks** develops and produces vehicles in a global network under the brands Mercedes-Benz, Freightliner, Western Star, FUSO and Bharat-Benz. The division's 27 production facilities are in the NAFTA region (14, thereof 11 in the United States and 3 in Mexico), Europe (7), Asia (3), South America (2) and Africa (1). In our new truck plant in Chennai, India, trucks of the new BharatBenz brand have been rolling off the production lines since June 2012. In 2014, we will launch additional new models. We intend to use the production site also to develop new export markets in Asia and Africa. In China, Beijing Foton Daimler Automotive Co., Ltd. (BFDA), a joint venture with our Chinese partner Beiqi Foton Motor Co., Ltd., has been producing trucks under the Auman brand since July 2012. Daimler Trucks' product range includes light-, medium- and heavy-duty trucks for local and long-distance deliveries and construction sites, as well as special vehicles for municipal applications. Due to close links in terms of production technology, the division's product range also includes the buses of the Thomas Built Buses and FUSO brands. Daimler Trucks' most important sales markets in 2013 were Asia with 34% of unit sales, the NAFTA region (28%), Western Europe (14%) and Latin America excluding Mexico (12%).
















Daimler Trucks' area of responsibility also includes our investment in Tognum (since January 9, 2014, Rolls-Royce Power Systems AG), a globally leading supplier of complete systems in the field of industrial engines. This company is controlled by Rolls-Royce Power Systems Holding GmbH, in which Daimler and Rolls-Royce Holdings plc each holds a 50% interest.

The product range of the **Mercedes-Benz Vans** division in the segment of medium-sized and large vans comprises the Sprinter, Vito and Viano series. In 2012, we expanded our portfolio with the addition of a city van, the Mercedes Benz Citan, making us a full-range supplier in the vans business. The division has production facilities at a total of seven locations: in Germany, Spain, the United States, Argentina, China in the context of the joint venture Fujian Benz Automotive Co., Ltd, and France in the context of the strategic alliance with Renault-Nissan; since the second half of 2013, the Mercedes-Benz Sprinter has been produced under license also by our partner GAZ in Russia. The most important markets for vans are in Western Europe, which accounts for 63% of unit sales. As part of the "Vans goes global" business strategy, we are also increasingly developing the growth markets of South America and Asia as well as the Russian van market through appropriate distribution and production activities in those regions. We intend to continue our growth also in the North American van market, where the Sprinter is sold not only as a Mercedes-Benz vehicle but also under the Freightliner brand.

The **Daimler Buses** division with its brands Mercedes-Benz and Setra continues to be the world's leading manufacturer in its core markets in the segment of buses above 8 tons. The product range supplied by Daimler Buses comprises city and intercity buses, coaches and bus chassis. The most important of the 13 production sites are in Germany, France, Spain, Turkey, Argentina, Brazil and Mexico. In 2013, 49% of Daimler Buses' revenue was generated in Western Europe and 26% in Latin America (excluding Mexico). While we mainly sell complete buses in Europe, our business in Latin America, Mexico, Africa and Asia is focused on the production and distribution of bus chassis.


## C.02

### Daimler Group structure 2013

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services
Revenue	€64.3 billion	€31.5 billion	€9.4 billion	€4.1 billion	€14.5 billion
Employees	96,895	79,020	14,838	16,603	8,107
Brands	 Mercedes-Benz  smart	 Mercedes-Benz  FREIGHTLINER  FUSO  WESTERN STAR  THOMAS BUILT BUSES  BHARATBENZ	 Mercedes-Benz  FREIGHTLINER	 Mercedes-Benz  SETRA	 Mercedes-Benz Bank  Mercedes-Benz Financial  Daimler Truck Financial

The **Daimler Financial Services** division supports the sales of the Daimler Group's automotive brands in 40 countries. Its product portfolio primarily comprises tailored financing and leasing packages for customers and dealers, but it also provides services such as insurance, fleet management, investment products and credit cards, as well as various mobility services such as the flexible car2go concept. The main areas of the division's activities are in Western Europe and North America, and increasingly also in Asia. In 2013, more than 40% of the vehicles sold by the Daimler Group were financed or leased by Daimler Financial Services. Its contract volume of €83.5 billion covers nearly 3.1 million vehicles. Daimler Financial Services also holds a 45% interest in the Toll Collect consortium, which operates an electronic road-charging system for trucks above 12 metric tons on highways in Germany.

Daimler still held a 7.4% equity interest in the European Aeronautic Defence and Space Company (EADS), a leading company in the aerospace and defense industries, at the end of 2012. Those shares were sold on April 17, 2013.

Through a broad network of holdings, joint ventures and cooperations, Daimler is active in the global automotive industry and related sectors. The statement of investments of Daimler AG in accordance with Section 313 of the German Commercial Code (HGB) can be found in the Notes to the Consolidated Financial Statements.  [see Note 39](#)

### Portfolio changes and strategic cooperations

By means of targeted investments and future-oriented partnerships, we strengthened our core business, pushed forward with new technologies and utilized additional growth potential in 2013. At the same time, we focused on the continuous further development of our existing business portfolio.

**Daimler AG acquires 12% stake in BAIC Motor.** In November 2013, we acquired a 12% equity interest in our longstanding partner BAIC Motor, thus taking an important step within the framework of our China strategy. This makes Daimler the first non-Chinese automobile manufacturer to acquire a stake in a Chinese carmaker. BAIC Motor is the car subsidiary of the Beijing Automotive Group (BAIC Group), which is one of the leading automotive companies in China. In the past ten years, the partners Daimler and BAIC have built up a long-term strategic partnership, benefiting both companies as well as the Chinese automotive industry. These shared activities include the joint venture BBAC, which has been producing Mercedes-Benz cars since 2006 and, as the first Mercedes-Benz plant for car engines outside Germany, four- and six-cylinder engines since 2013. In addition, jointly produced medium- and heavy-duty trucks of the Auman brand have been rolling off the assembly lines at Beijing Foton Daimler Automotive Co., Ltd. (BFDA) since mid-2012. Another important component of the partnership is Beijing Mercedes-Benz Sales Service Corporation (BMBS), which started operations in March 2013. BMBS is responsible for all sales activities for imported and locally produced Mercedes-Benz cars. The joint venture is a major pillar for the sustained growth of Mercedes-Benz in China.

**Progress with the cooperation between Daimler and Renault-Nissan.** The cooperation between Daimler and Renault-Nissan developed very positively in 2013. The partnership, which started in April 2010 with three projects, has meanwhile grown to ten major projects and now also includes initiatives in North America and Asia.

A good example of how the partners profit from the cooperation is the joint production of Mercedes-Benz four-cylinder gasoline engines in Decherd (Tennessee, USA). Just one and a half years after ground breaking in 2012, the plant building has now been completed. Start of production is planned for mid-2014. The engines produced in Decherd are to be used in the new Mercedes-Benz C-Class, which will be produced at the Daimler plant in Tuscaloosa (Alabama, USA), and in new products from Infiniti. The development work for a shared family of new three- and four-cylinder engines with turbocharging and direct fuel injection is also making good progress. These engines will include the latest technologies, allowing significantly reduced fuel consumption.

Cooperation in the commercial-vehicle business is also being intensified. It is planned that Mitsubishi Fuso Truck and Bus Corporation (MFTBC), which is part of Daimler Trucks Asia, will be supplied with the Nissan van, NV350 Urvan. That vehicle will be sold by Mitsubishi Fuso in selected export markets. This form of strategic supply has been successfully implemented since early 2013 also for light-duty trucks – the FUSO Canter Guts (payload of 2.0 tons) and the NT450 Atlas (payload of 1.5 tons) – in order to expand the respective product portfolio to new segments.

The smart/Twingo project is also progressing as planned. Production preparations are now in full swing for the new two-seater smart at the smart plant in Hambach (France) and for the four-seater smart and the Renault Twingo successor at the Renault plant in Novo Mesto (Slovenia). Market launch of the car variants is planned for the second half of 2014. The new generation of the smart and the Renault Twingo are being developed on the basis of a shared architecture but will continue to be independent products with unmistakable brand features.

**Agreement on the commercialization of fuel cells.** “Automotive Fuel Cell Cooperation” (AFCC) was already founded as a joint venture by Daimler (50.1%), Ford (30%) and Ballard (19.9%) in 2008. In January 2013, Daimler AG, Ford Motor Company and our strategic cooperation partner Nissan Motor Co., Ltd. reached an agreement to continue with the commercialization of fuel cells. The aim of this venture is to jointly develop a fuel-cell system and thus to reduce development costs. All three partners will make equal investments in the project.

**Establishment of Daimler Trucks and Buses China Ltd.**

**(DTBC).** DTBC was established as a legally separate company for the Group's business with trucks and buses in China in April 2013; it is the ideal framework to further develop the existing truck business and to continually expand the product portfolio in China – in the area of buses for example. Due to its structural independence, DTBC can now focus even more closely on the specific requirements of commercial-vehicle customers. At the same time, the integration of the bus business facilitates expansion in additional areas of sales. With the new company, Daimler is consistently continuing the structural reorganization of its China business.

**Establishment of Daimler Mobility Services.**

Daimler Financial Services is pursuing the goal of significantly expanding its business with mobility services. For this purpose, in January 2013, Daimler Financial Services brought together all of its activities in the field of innovative mobility services such as car2go und moovel in a new company, Daimler Mobility Services GmbH with headquarters in Ulm. In order to further strengthen this business, Daimler acquired equity interests in various companies during the course of the year. Those companies include the long-distance bus operator Flixbus and the chauffeur-service portal Blacklane GmbH.

**Daimler sells remaining equity interest in EADS.** On March 27, 2013, the extraordinary shareholders' meeting of EADS approved a new management and shareholder structure. Subsequently, on April 2, 2013, the shareholders' pact concluded in the year 2000 was dissolved and replaced with a new shareholders' pact without the participation of Daimler. At the same time, those EADS shares which had previously been held by Daimler but of which a consortium of international investors had beneficial ownership were transferred to those so-called Dedalus investors. With the dissolution of the previous shareholders' pact, Daimler lost its significant influence on EADS. On April 17, 2013, Daimler disposed of its remaining EADS shares constituting a stake of approximately 7.4% by way of an accelerated placement procedure. In the second quarter of 2013, the remeasurement and sale of EADS shares led to a gain recognized in Group EBIT totaling €3.2 billion, of which €1.7 billion is allocable to the Dedalus investors. The sale resulted in a cash inflow for Daimler of €2.2 billion. Since the conclusion of the transaction, Daimler no longer holds any shares in EADS. In addition, the Group concluded cash-settled contracts which allowed Daimler to participate to a limited extent in an increase in the EADS share price until the end of 2013. This agreement resulted in an additional gain for the Daimler Group of €44 million.

**Performance measurement system**

Financial performance measures. The financial performance measures used at Daimler are oriented towards our investors' interests and expectations and provide the foundation for our value-based management.

**Value added.** Value added is a key element of our performance measurement system, which is applied at both the Group and the divisional level. It is calculated as the difference between the operating result and the cost of capital of the average net assets. Alternatively, the value added of the industrial divisions can be determined by using the main value drivers: return on sales (quotient of EBIT and revenue) and net assets' productivity (quotient of revenue and net assets). [↗ C.03](#)

During the year 2013, value added increased to €5.9 billion (2012: €4.3 billion). The quantitative development of value added and the other financial performance measures is explained in the "Profitability" chapter. [👁 see pages 90 f](#)

Using the combination of return on sales and net assets' productivity within the context of a strategy of profitable revenue growth provides the basis for a positive development of value added. Value added shows to which extent the Group and its divisions achieve or exceed the minimum return requirements of the shareholders and creditors, thus creating additional value.

**Profit measure.** The measure of operating profit at divisional level is EBIT, which is calculated before interest and income taxes. EBIT hence reflects the divisions' profit and loss responsibility. The operating profit measure used at Group level is net operating profit. It comprises the EBIT of the divisions as well as profit and loss effects for which the divisions are not held responsible, including income taxes and other reconciliation items. [↗ C.12 on page 86](#)


**C.03****Calculation of value added**

$$\text{Value added} = \text{Profit measure} - \frac{\text{Net assets} \times \text{Cost of capital (\%)}}{\text{Cost of capital}}$$

$$\text{Value added} = \left[ \text{Return on sales} \times \text{Net assets productivity} - \text{Cost of capital (\%)} \right] \times \text{Net assets}$$



**Net assets.** Net assets represent the basis for the investors' required return. The industrial divisions are accountable for the net operating assets; all assets, liabilities and provisions which they are responsible for in day-to-day operations are therefore allocated to them. Performance measurement at Daimler Financial Services is on an equity basis, in line with the usual practice in the banking business. Net assets at Group level include the net assets of the industrial divisions and the equity of Daimler Financial Services, as well as assets and liabilities from income taxes and other reconciliation items which cannot be allocated to the divisions. Average annual net assets are calculated from average quarterly net assets.

 [see page 91](#)

**Cost of capital.** The required rate of return on net assets and hence the cost of capital is derived from the minimum rates of return that investors expect on their invested capital. The cost of capital of the Group and the industrial divisions comprises the cost of equity as well as the costs of debt and pension obligations of the industrial business; the expected returns on liquidity and plan assets of the pension funds of the industrial business are considered with the opposite sign. The cost of equity is calculated according to the capital asset pricing model (CAPM), using the interest rate for long-term risk-free securities (such as German government bonds) plus a risk premium reflecting the specific risks of an investment in Daimler shares. While the cost of debt is derived from the required rate of return for obligations entered into by the Group with external lenders, the cost of capital for pension obligations is calculated on the basis of discount rates used in accordance with IFRS. The expected return on liquidity is based on money market interest rates. The Group's cost of capital is the weighted average of the individually required or expected rates of return; in the reporting period, the cost of capital amounted to 8% after taxes. For the industrial divisions, the cost of capital amounted to 12% before taxes; for Daimler Financial Services, a cost of equity of 13% before taxes was applied. [↗ C.04](#)

## C.04

### Cost of capital

	2013	2012
In percent		
Group, after taxes	8	8
Industrial business, before taxes	12	12
Daimler Financial Services, before taxes	13	13

**Return on sales.** As one of the main factors influencing value added, return on sales is of particular importance for assessing the industrial divisions' profitability. The combination of return on sales and net assets' productivity results in return on net assets (RONA). If RONA exceeds the cost of capital, value is created for our shareholders. The profitability measure for Daimler Financial Services is not return on sales, but return on equity, in line with the usual practice in the banking business.

**Key performance indicators.** Key financial indicators for measuring our operating financial performance, in addition to EBIT and revenue, are the free cash flow of the industrial business, investment, and research and development expenditure. As well as the indicators of financial performance, we also use various non-financial indicators for the Group's management. Of particular importance in this respect are the unit sales of our automotive divisions, which we use as the basis for our capacity and human resources planning, and employee numbers.

Furthermore, within the context of our sustainability management, we use other non-financial indicators such as the CO<sub>2</sub> emissions of our vehicle fleet or the energy and water consumption of our production sites.

Details of the development of non-financial performance indicators can be found in the chapters "Economic Conditions and Business Development" and "Sustainability."

 [see pages 81 ff and 105 ff](#)

### Daimler strengthens customer focus

In order to implement the growth strategies in all divisions and to sharpen the focus on customers and markets, the Board of Management of Daimler AG decided in September 2013 to strengthen the organization of the divisions. Responsibility for the main sales functions and the important sales markets has been directly anchored in each division. At the same time, we have streamlined the cross-divisional functions at the country level. The functional Board of Management areas have been focused more on the requirements of the divisions. Following the successful start of product offensives for cars and commercial vehicles, the further development of our structures is now the next strategic step for the achievement of our growth targets. This is not primarily a matter of cost advantages, but of more direct customer relations and increased unit sales. Due to increasingly diverse customer needs, more and more importance is now placed on the ability to precisely meet customers' needs in each individual market. With the new structure, Daimler is creating ideal conditions to do that.

### Corporate governance statement

The corporate governance statement to be issued pursuant to Section 289a of the German Commercial Code (HGB) can be seen on the Internet at [daimler.com/corpgov/en](http://daimler.com/corpgov/en). Pursuant to Section 317 Subsection 2 Sentence 3 of the HGB, the contents of the statement pursuant to Section 289a of the HGB are not included in the audit carried out by the external auditors.

# Economic Conditions and Business Development.

## The world economy

At a rate of 2.5%, expansion of the world economy in 2013 was once again lower than its long-term trend of a little over 3%.

**C.05** After a difficult start to the year, the development of the global economy actually stabilized as the year progressed, so that a slight revival was apparent, especially in the second half of the year. As in previous years, the economy was stimulated by the ongoing expansive monetary policies of all the major central banks. One of the crucial factors for the stabilization was that uncertainty in connection with the European sovereign-debt crisis subsided perceptibly as a result of the measures taken by the European Central Bank. Although the price of crude oil fluctuated during the year, on average it was slightly lower than in 2012.

The economies of the industrial countries achieved disappointing aggregate growth of approximately 1%, which was once again considerably below their potential. Economic growth in the United States of 1.9% was significantly weaker than in the previous year, primarily due to restrictive fiscal measures and reduced investment. In the autumn, tough negotiations concerning the required lifting of the debt ceiling were a substantial negative factor for the global economy. The Japanese economy started the year 2013 with relatively good momentum, primarily driven by the expansive measures taken by the country's central bank and government. The resulting considerable depreciation of the yen provided additional stimulus.

In the European Monetary Union, fiscal policy in 2013 continued to be dominated by consolidation measures, some of which were quite significant; their overall impact on growth was negative, similar to in the previous year. Although falling domestic demand led to another decrease in GDP of approximately 0.5% for the full year, slight growth was actually achieved from one quarter to the next. The situation in the southern recession countries such as Greece, Portugal, Spain and Italy remained difficult. Economic development stagnated also in France, while the German economy at least achieved modest growth of 0.4%.

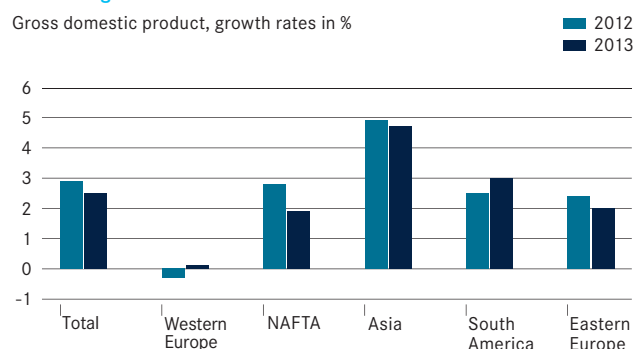
After posting consistently strong growth in recent years, the emerging markets remained significantly below original expectations in 2013 with overall growth of just under 4.5%. Above all for the major economies of India, Brazil and Russia, forecasts were revised downwards continually and by significant margins during the year. But it was particularly important for the world economy that the growth slowdown in China did not continue. In fact, the situation of the Chinese economy stabilized during the second half of the year, and solid GDP growth of 7.7% was achieved in the year 2013.

In this global economic environment, exchange rates were volatile, in some cases very much so. Against the euro, the US dollar fluctuated over the year in a range from €1.27 to €1.39. At the end of 2013, the euro was nearly 5% stronger than at the beginning of the year at \$1.38. The fluctuation of the Japanese yen to the euro was very pronounced within a corridor of ¥113 to ¥145. By the end of 2013, the euro had gained nearly 27% against the yen compared with the beginning of the year. The euro closed the year with a gain of approximately 2% against the British pound, with rather less volatility.

## C.05

### Economic growth

Gross domestic product, growth rates in %



Source: IHS Global Insight

## Automotive markets

Despite the below-average development of the world economy in 2013, **global demand for cars** increased by approximately 5% and thus reached a new record level. ➔ C.06

On the level of regions and countries, the picture is very disparate, however. The strong expansion of the Chinese market and market growth in the United States had a particularly positive impact on worldwide demand. The car market in China grew by about 18%; the premium segment also continued its favorable development after a hesitant start to the year and actually expanded at a rather faster rate than the overall market. The US market continued its strong recovery and also made a significant contribution to global growth. Total sales of 15.5 million cars and light trucks were at their highest level since 2007.

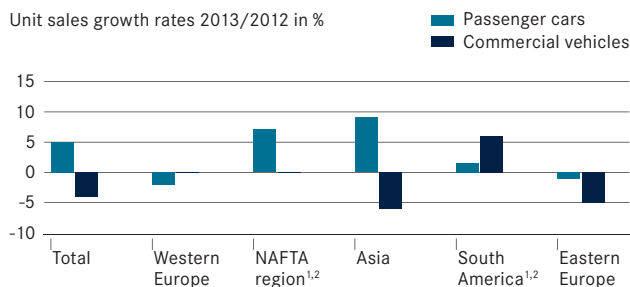
On the other hand, the overall car market in Western Europe was once again smaller than in the previous year. However, demand reached its lowest point in the first half of the year and then revived slightly. In the full year, the Western European car market posted a moderate decrease of approximately 2%. The German market displayed a similar development, but was below the Western European average with a decrease of 4%. The market development in the United Kingdom was quite different with substantial growth of approximately 10%.

In the first half of 2013, the Japanese market was well below its prior-year level, which had been boosted by state incentives for car buyers, but compensated for that setback thanks to the positive development of demand in the second half of the year. In the major emerging markets with the exception of China, the growth slowdown had a significant impact on demand for cars. The car market in Russia was 5% below its prior-year level while market contraction in India was approximately 8%.

## C.06

### Global automotive markets

Unit sales growth rates 2013/2012 in %



1 Cars segment includes light trucks

2 Medium- and heavy-duty trucks

Source: German Association of the Automotive Industry (VDA), various institutions

### Global demand for medium- and heavy-duty trucks

was noticeably higher than in the prior year. But there were considerable differences in market developments across the various regions and countries.

Following a weak first half of the year, the North American market showed a moderate improvement in the second half, so that the volume of 2012 was almost equaled in the full year.

In early 2013, the European truck market was below its prior-year levels by double-digit percentages. But there was a significant revival also in this region as the year progressed and the total volume was noticeably higher than in 2012. One of the main reasons for this acceleration, however, was that many purchases were brought forward before the introduction of the Euro VI emission standards. The first indications that this special effect is waning have recently been apparent in the market.

In Japan, the government's economic stimulus and the central bank's expansive monetary policy had an increasingly positive impact on the truck business as the year progressed. Sales in the segment of medium- and heavy-duty trucks exceeded the prior-year level by approximately 5%. For light-duty trucks, which include most of the vehicles sold by FUSO, growth was even stronger at 8%. With expansion of approximately 12%, the Brazilian market partially recovered from its substantial losses of the previous year. But this growth was driven more by catch-up effects and favorable financing possibilities than by any dynamic development of the Brazilian economy.

Demand for trucks in India decreased dramatically, however. Below-average economic development also in this market led to a slump in new registrations of more than 25%. The Russian truck market also contracted, but at a more moderate rate. But the world's biggest market for medium- and heavy-duty trucks developed positively: Growth of around 17% in China was ultimately the reason why the global market slightly surpassed its prior-year volume.

In the region of Western Europe, which is particularly important for Mercedes-Benz Vans, the **market for medium-sized and large vans** was difficult once again in 2013. In the full year, demand fell by 6%; the markets of southern Europe remained especially weak. The development of the segment for small vans was similar. But demand for large vans was strong in Latin America, where double-digit growth was recorded. The US market almost equaled its volume of the previous year, and there was a slight revival of demand in the market segment we address in China.

Western European **bus markets** expanded slightly, with purchases brought forward at the end of the year in advance of the introduction of Euro VI emission standards. In Turkey, the bus market profited from the ongoing significant revival of demand for city buses, although the market weakened somewhat towards the end of the year due to the political situation. The Latin American market also revived following significant contraction in 2012. But demand in Brazil remained behind expectations in 2013 due to politically related market uncertainty. Overall, however, the market grew compared with the previous year.



**Business development**

**Unit sales.** As previously forecast in the Annual Report 2012, the Daimler Group further increased its unit sales in 2013. Sales of 2.35 million vehicles were 7% higher than in 2012. This growth was driven by all the automotive divisions: Mercedes-Benz Cars (+8%), Daimler Trucks (+5%), Mercedes-Benz Vans (+7%) and Daimler Buses (+5%). Each of those divisions also fulfilled the forecasts made for it at the beginning of the year.

The **Mercedes-Benz Cars** division achieved another record for unit sales in the year under review, selling 1,565,600 vehicles (2012: 1,451,600). As a result of the attractive new models that we launched in 2013, growth accelerated as the year progressed. The Mercedes-Benz brand increased its unit sales by 9% to the new record of 1,467,400 vehicles. Mercedes-Benz was the most successful premium brand not only in Germany, but also in the United States and Japan. Furthermore, we improved our position in many other markets.

In a volatile European market environment, Mercedes-Benz performed very well, gaining market share in nearly all major markets. In Western Europe, we surpassed the previous year's unit sales by 3% and increased our share of the weak German market to 10.3% (2012: 10.1%). The development of unit sales was particularly pleasing in the United States, where we sold 308,900 vehicles – significantly more than ever before. We achieved considerable growth also in Japan (+22%), India (+27%) and Brazil (+34%). Our unit sales in China accelerated especially in the second half of 2013 (+15% in the full year).

Of the Mercedes-Benz model series, growth in unit sales was especially dynamic for the new compact cars. In 2013, 383,700 customers decided on a model of the A-, B- or CLA-Class, which is 66% more than in the previous year. Demand was very strong also for the models of the new E-Class, with the result that unit sales increased in the year of an extensive model upgrade by 6% to a total of 332,300 sedans, wagons, coupes and convertibles. With the SUV models of the M-/R-/GLK-/GL- and G-Class, unit sales increased to a new record of 323,300 vehicles (+9%). The C-Class models performed well in the year before the model change, with sales of 356,700 vehicles (-16%). The new S-Class, which we started delivering to the first customers in July 2013, had an extremely positive reception from customers and the trade press. Also in the year of the model changeover, the S-Class defended its position as the world's best-selling luxury sedan. In total, we sold 71,400 cars in the S-Class segment in 2013 (2012: 80,700).

**➤ C.07**

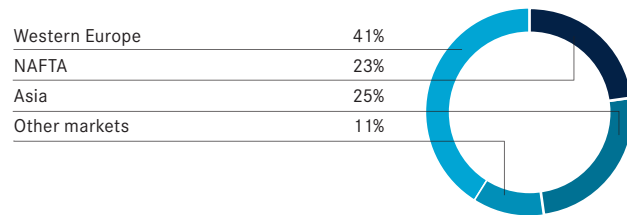
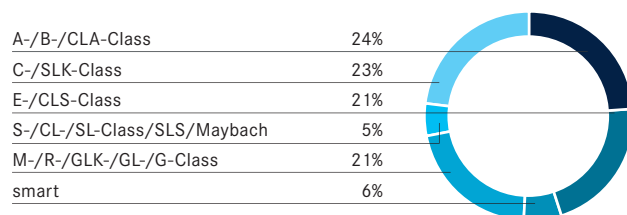
The smart brand performed very well in the last full year of its product lifecycle, with sales of 98,200 smart fortwo cars (-7%). [👁 see pages 150 ff](#)

**Daimler Trucks** was able to slightly increase its unit sales in a market environment that differed greatly from region to region in 2013. In total, we shipped 484,200 heavy-, medium- and light-duty trucks as well as buses of the Thomas Built Buses and FUSO brands (2012: 462,000); we thus achieved the highest level of the past seven years and continue to be the biggest producer of trucks above 6 metric tons gross vehicle weight with a global reach. **➤ C.08** The key factors for this success were our extensive product offensive, our comprehensive range of modern Euro VI trucks and our global positioning. The markets behind the growth in unit sales were above all the countries of Latin America and to a lesser extent Western Europe, while our unit sales in the NAFTA region and in Asia were almost stable.

In Western Europe, a significant improvement in the demand situation became perceptible but not until the second half of the year. On the one hand, customers ordered Euro V vehicles before the stricter emission limits came into force in 2014; on the other hand, customers took advantage of the subsidies for Euro VI vehicles that were available in some countries. Daimler Trucks' unit sales increased by 14% to 65,900 vehicles; we thus further extended our market leadership in Germany as well as in Western Europe overall. **➤ C.09**

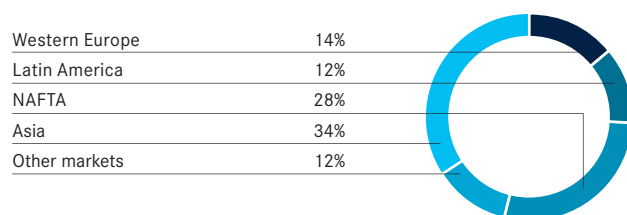
**C.07**

Unit sales structure of Mercedes-Benz Cars



**C.08**

Unit sales structure of Daimler Trucks



In Latin America, we were able to increase our unit sales by 28% to 59,300 trucks in 2013. This was aided in particular by state financing incentives and catch-up effects in the region's main market, Brazil. However, our market share there was lower than in the previous year due to intense competition.

With a slightly contracting market, we held our sales in the NAFTA region stable at 135,200 units (2012: 135,000). We therefore substantially increased our market share in the NAFTA region for medium- and heavy-duty trucks of Class 6 to 8 to 38.2%, thus underscoring our leading competitive position.

## C.09

### Market share<sup>1</sup>

	2013	2012	13/12 Change in %-points
In %			
<b>Mercedes-Benz Cars</b>			
Western Europe	5.6	5.3	+0.3
thereof Germany	10.3	10.1	+0.2
United States	2.1	2.0	+0.1
China	1.3	1.4	-0.1
Japan	1.2	0.9	+0.3
<b>Daimler Trucks</b>			
Medium- and heavy-duty trucks Western Europe	24.1	22.9	+1.2
thereof Germany	39.7	39.2	+0.5
Heavy-duty trucks NAFTA region (Class 8)	36.0	32.9	+3.1
Medium-duty trucks NAFTA region (Classes 6 and 7)	43.1	36.9	+6.2
Medium- and heavy-duty trucks Brazil	24.7	25.5	-0.8
Trucks Japan	20.2	20.4	-0.2
<b>Mercedes-Benz Vans</b>			
Medium-sized and large vans Western Europe	17.8	18.1	-0.3
thereof Germany	26.2	26.7	-0.5
<b>Daimler Buses</b>			
Buses over 8 metric tons Western Europe	30.9	28.3	+2.6
thereof Germany	51.2	48.9	+2.3
Buses over 8 metric tons Latin America	41.6	42.7	-1.1

<sup>1</sup> Based on estimates in certain markets.

In the Asia region, the situation differed greatly in the various individual markets. Unit sales increased in Japan but decreased in Taiwan and Indonesia. Due to the weak economic development, demand for trucks in India was significantly lower than in 2012. Nonetheless, we were able to advance to fourth position in the segment for medium- and heavy-duty trucks with the new BharatBenz vehicles. Our total unit sales of 162,700 vehicles in Asia were close to the prior-year level.

Through Beijing Foton Daimler Automotive Co., Ltd. (BFDA), a joint venture with our Chinese partner Foton, we are represented in the Chinese truck market with locally produced vehicles. BFDA started production in mid-2012 and sold 103,300 trucks of the Auman brand in 2013, which are not included in the Daimler Group's unit sales. [see pages 156 ff](#)

**Mercedes-Benz Vans** increased its worldwide unit sales to 270,100 vans of the Sprinter, Vito, Viano, Vario and Citan models (2012: 252,400). In the core region of Western Europe, unit sales rose by 3% to 169,200 vans. Of the Citan city van, which we launched in the autumn of 2012, Mercedes-Benz Vans sold 17,700 units in Western Europe (2012: 6,400). Unit sales of medium-sized and large vans decreased by 4% to 151,500 units, primarily due to the continuation of the very difficult market situation in the countries of Southern Europe. In Germany, the domestic market, we sold 71,500 vans (2012: 71,000). Once again Mercedes-Benz Vans was successful in Eastern Europe, especially in Russia and Turkey: Unit sales in that region increased by 12% to 26,900 vehicles. The success story of the Sprinter continued in North and South America: While unit sales in the United States rose to 22,800 vehicles (2012: 21,500), an increase of 40% to 19,600 vehicles was achieved in Latin America. We achieved strong growth also in the Chinese market, selling 12,700 vans (+44%). In total, we sold 166,200 units of the Sprinter (+5%), 80,900 of the Vito and Viano (-3%) and 20,200 of the Citan. In addition we sold 2,900 units of the Vario, which has no longer been produced since September 2013. [see pages 161 ff](#)

**Daimler Buses** sold 33,700 buses and chassis of the Mercedes-Benz and Setra brands worldwide in 2013. We thus increased unit sales by 5% and maintained the market leadership in our core markets in the segment for buses above 8 metric tons. In Western Europe, we strengthened our market position, especially for city buses and coaches, in a situation of only moderate growth in overall demand. Accordingly, our unit sales in the region increased by 15% to 6,700 buses (2012: 5,900); our market share improved significantly to 30.9% (2012: 28.3%). In Germany, our unit sales rose by 20% and our market share increased to 51.2% (2012: 48.9%). The new Citaro city bus was particularly successful in Germany. In Latin America, sales of bus chassis under the Mercedes-Benz brand were also significantly higher than in the previous year at 19,100 units (2012: 17,800), but growth in demand in Brazil was smaller than we had expected due to politically related market uncertainty. We defended our leading market position despite a slight decrease in market share to 41.6% (2012: 42.7%). In Mexico, we did not reach the prior-year level with sales of 3,000 units. In the United States, unit sales decreased as expected, as we had discontinued sales of Orion city buses in 2012. [see pages 164 ff](#)

The business of **Daimler Financial Services** developed positively once again and set new records in the year under review. As we had forecast in Annual Report 2012, worldwide contract volume continued to grow and reached €83.5 billion (+4%). Adjusted for exchange-rate effects, there was an increase of 11%. New business grew compared with the previous year by 6% to €40.5 billion. All regions contributed to this expansion. Also in 2013, Daimler Financial Services supported small and medium-sized enterprises as well as international corporations in numerous countries with the financing and management of their vehicles and fleets. There was a total of 357,000 contracts with commercial clients on the books at the end of 2013, representing growth of 9% compared with a year earlier. We expanded our business also in the field of insurance: The number of 1.27 million automotive policies was higher than ever before (+20%). We further expanded our business with innovative mobility services in 2013. The car2go mobility concept was established in 25 cities of Europe and North America by the end of the year. With a total of almost 600,000 customers, car2go was the market leader for flexible short-term car rentals. The “moovel” mobility platform, which intelligently links up various mobility services and shows customers the best way to get from A to B, started operating in the cities of Nuremberg and Munich and in the Rhine-Ruhr region in 2013. In November, the Park2gether pilot project went into operation in Berlin und Hamburg; this service brings owners of parking spaces together with persons seeking parking spaces through a special website. [see pages 167 ff](#)

**Order situation.** The Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses divisions produce vehicles predominantly to order in accordance with customers’ specifications. While doing so, we flexibly adjust the production numbers to changing levels of demand. Overall, the order situation of the Daimler Group developed very positively in 2013. Due to strong demand in the United States and various emerging markets, the number of orders placed with Mercedes-Benz Cars was once again significantly higher than the high prior-year level. This was driven on the product side primarily by the new models in the compact class, the continued strong success of the SUVs, and the new E-Class. Due to the stable demand, we also increased our production volumes. At the end of the year, the order backlog was significantly higher than a year before. The order situation improved compared with the previous year also at Daimler Trucks. This was primarily

due to the renewal of the entire product range, but also to purchases being brought forward ahead of the new Euro VI emission limits that came into force in the European Union in 2014. The total number of orders received by Daimler Trucks was higher than in 2012 and the order backlog at year-end was also higher than a year before.

**Revenue.** The Daimler Group increased its total revenue in the year 2013 by 3% to €118.0 billion; adjusted for exchange-rate effects, there was an increase of 7%. This means that the positive business development of 2012 continued, as we had expected at the beginning of 2013. Revenue growth accelerated significantly in the second half of the year due to the market success of our new vehicle models. As we had forecast in Annual Report 2012, the divisions Mercedes-Benz Cars (+4%), Mercedes-Benz Vans (+3%), Daimler Buses (+4%) and Daimler Financial Services (+7%) increased their business volumes, in some cases by significant margins. However, the revenue of €31.5 billion (2012: €31.4 billion) posted by Daimler Trucks was not quite at the level we had anticipated. Exchange-rate effects played an important role in this respect, especially the significant depreciation of the Japanese yen against the euro.

In regional terms, Daimler achieved revenue growth in Western Europe (+4% to €41.1 billion) and in the NAFTA region (+3% to €32.9 billion). In Asia, our expectations were not quite fulfilled: The Daimler Group’s business volume in that region decreased by 3% to €24.5 billion as a result of the weak first half of the year and also due to exchange-rate effects.

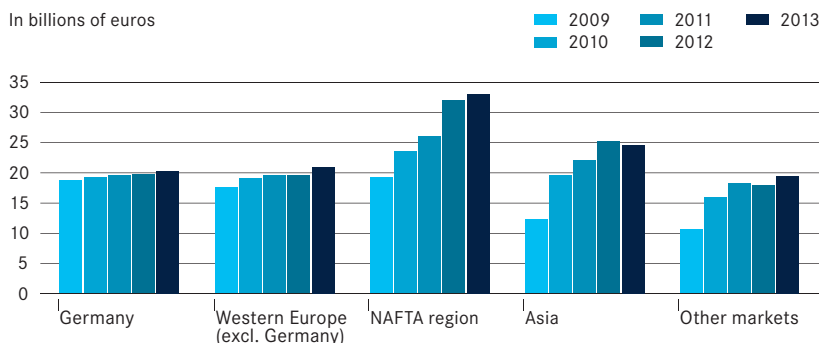
### C.11

Revenue by division

	2013	2012	13/12
In millions of euros			% change
Daimler Group	117,982	114,297	+3
Mercedes-Benz Cars	64,307	61,660	+4
Daimler Trucks	31,473	31,389	+0
Mercedes-Benz Vans	9,369	9,070	+3
Daimler Buses	4,105	3,929	+4
Daimler Financial Services	14,522	13,550	+7

### C.10

Consolidated revenue by region





# Profitability.

## C.12

### EBIT by segment

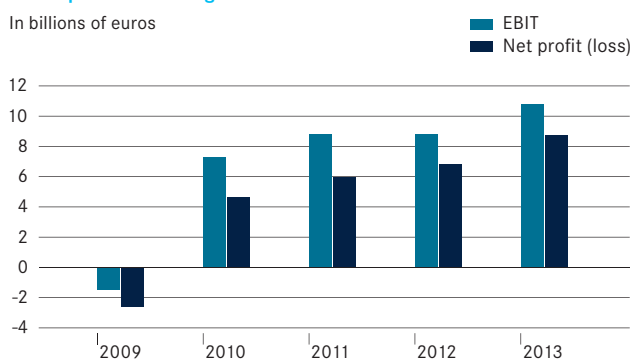
	2013	2012 <sup>1</sup>	13/12 % change
In millions of euros			
Mercedes-Benz Cars	4,006	4,391	-9
Daimler Trucks	1,637	1,695	-3
Mercedes-Benz Vans	631	543	+16
Daimler Buses	124	-221	.
Daimler Financial Services	1,268	1,293	-2
Reconciliation	3,149	1,119	+181
Daimler Group	10,815	8,820	+23

<sup>1</sup> The prior-year figures have been adjusted primarily due to the effects of the application of the amended IAS 19. Further information on the adjustments is provided in Note 1 of the Notes to the Consolidated Financial Statements.

## C.13

### Development of earnings

In billions of euros



## EBIT

The **Daimler Group** achieved EBIT of €10.8 billion in 2013, which is significantly higher than the prior-year level (2012: €8.8 billion). [↗ C.12](#) [↗ C.13](#)

The growth in earnings primarily reflects the good development of the automotive divisions' unit sales and the increasing impact of the efficiency programs. Despite the good development of unit sales, earnings decreased at Mercedes-Benz Cars due to the changes in the product mix as well as advance expenditure for new products; at Daimler Trucks, particularly warranty costs and exchange rate effects led to a slight decrease in EBIT. Mercedes-Benz Vans and Daimler Buses achieved higher earnings than in the previous year. The EBIT posted by Daimler Financial Services was in the magnitude of the previous year.

Lower expenses related to the compounding of non-current provisions and the effects of lower discount rates also boosted Group EBIT (€95 million; 2012: €504 million). The development of currency exchange rates had an opposing, negative impact on earnings.

Earnings in both years were influenced by the sale of EADS shares: In 2013, the remeasurement and sale of the remaining 7.4% of EADS shares resulted in a gain of €3,223 million; in 2012, the sale of 7.5% of the shares of EADS resulted in a gain of €913 million. Impairments recognized on investments in the area of alternative drive systems reduced Group EBIT by €174 million (2012: €51 million). Expenses of €116 million were recognized for workforce adjustments in the context of an optimization program of Daimler Trucks in Germany and Brazil. The repositioning of the European and American business of Daimler Buses resulted in expenses of €39 million in 2013 (2012: €155 million).

The special items affecting earnings in the years 2013 and 2012 are listed in the table [↗ C.14](#).

**Group EBIT from the ongoing business** (EBIT excluding special items) of €7.9 billion was slightly lower than the level of €8.1 billion that we had forecast in Annual Report 2012 as there were no more equity-method earnings from our investment in EADS as of the second quarter of 2013.

**Mercedes-Benz Cars** posted EBIT of €4,006 million, which was lower than the prior-year result of €4,391 million. The division's return on sales was 6.2% (2012: 7.1%). [↗ C.15](#)

The division's earnings primarily reflect the further growth in unit sales, especially in China, the United States and Western Europe. This was due in particular to our expanded range of compact cars. Better pricing also contributed to the earnings. The efficiency actions from our "Fit for Leadership" program also had a positive impact on earnings. However, a changed model mix and unfavorable exchange rate developments adversely affected earnings. Earnings were additionally reduced by expenses related to enhancements of products' attractiveness, capacity expansions, advance expenditure for new technologies and vehicles as well as higher other expenses relating to the growth in unit sales. EBIT includes an impairment recognized on investments in the area of alternative drive systems of €174 million (2012: €51 million).

The **Daimler Trucks** division achieved EBIT of €1,637 million and a return on sales of 5.2% (2012: €1,695 million and 5.4%). [↗ C.15](#)

The revival of unit sales that was apparent especially in the last quarter made a positive contribution to the development of earnings. On the one hand, there was a recovery of the Brazilian market; on the other hand, there was positive impetus from the business in Western Europe, partially due to purchases being brought forward because of the introduction of the stricter Euro VI emission standards in 2014. However, earnings were particularly impacted by increased warranty costs and exchange rate effects. An additional factor was a total expense of €116 million for workforce adjustments in the context of the optimization programs in Germany and Brazil. The efficiency measures taken within the framework of the "Daimler Trucks #1" program had a positive influence on earnings.

**Mercedes-Benz Vans** achieved EBIT of €631 million in 2013 (2012: €543 million). The division's return on sales was 6.7% in 2013 compared with 6.0% in 2012. [↗ C.15](#)

The significant increase in earnings is partially related to higher levels of unit sales and better pricing. Ongoing efficiency increases in the context of the "Performance Vans 2013" program also contributed to the improvement in earnings. Earnings were negatively influenced by advance expenditure for new products. In the previous year, an expense of €64 million had been recognized in connection with the impairment of the Chinese joint venture Fujian Benz Automotive Corporation.

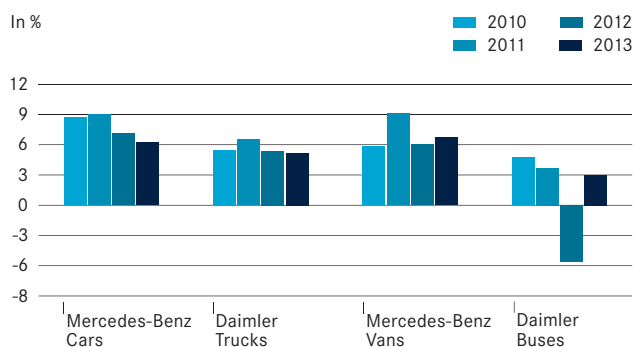
## C.14

### Special items affecting EBIT

	2013	2012
In millions of euros		
<b>Mercedes-Benz Cars</b>		
Impairment of investments in the area of alternative drive systems	-174	-51
<b>Daimler Trucks</b>		
Workforce adjustments	-116	-
<b>Mercedes-Benz Vans</b>		
Impairment of joint venture Fujian Benz Automotive Corporation	-	-64
<b>Daimler Buses</b>		
Business repositioning	-39	-155
<b>Reconciliation</b>		
Gain on the sale of EADS shares	+3,223	+913

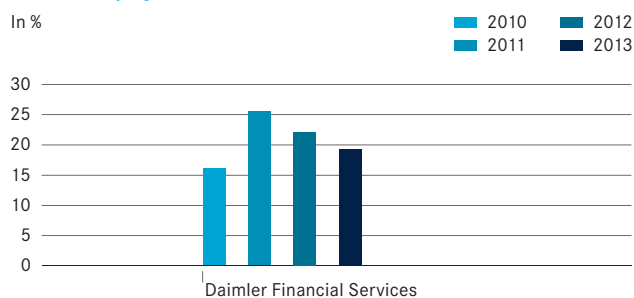
## C.15

### Return on sales



## C.16

### Return on equity



## C.17

### Consolidated statement of income

	2013	2012	13/12 % change
In millions of euros			
Revenue	117,982	114,297	+3
Cost of sales	-92,457	-88,821	+4
<b>Gross profit</b>	<b>25,525</b>	25,476	+0
Selling expenses	-10,875	-10,455	+4
General administrative expenses	-3,865	-3,974	-3
Research and non-capitalized development costs	-4,101	-4,179	-2
Other operating income	1,530	1,507	+2
Other operating expense	-399	-291	+37
<b>Share of profit from investments accounted for using the equity method, net</b>	<b>3,345</b>	1,198	+179
Other financial expense, net	-349	-462	-24
Interest income	212	233	-9
Interest expense	-884	-937	-6
<b>Profit before income taxes</b>	<b>10,139</b>	8,116	+25
Income taxes	-1,419	-1,286	+10
<b>Net profit</b>	<b>8,720</b>	6,830	+28
thereof attributable to non-controlling interests	1,878	402	+367
thereof attributable to <b>shareholders of Daimler AG</b>	<b>6,842</b>	6,428	+6

## C.18

### Reconciliation of Group EBIT to profit before income taxes

	2013	2012
In millions of euros		
Group EBIT	10,815	8,820
Amortization of capitalized borrowing costs <sup>1</sup>	-4	0
Interest income	212	233
Interest expense	-884	-937
Profit before income taxes	10,139	8,116

<sup>1</sup> Amortization of capitalized borrowing costs is not included in the internal performance measure EBIT, but is a component of cost of sales.

The **Daimler Buses** division returned to profitability in 2013 and posted EBIT of €124 million (2012: minus €221 million). Its return on sales was 3.0% (2012: minus 5.6%). [↗ C.15](#)

This positive development was driven by growth in unit sales in Western Europe and Latin America as well as by an improved model mix. Additional factors that led to significant earnings improvements were further efficiency progress in the European business and lower expenses for the repositioning of the European and American businesses. Expenses for repositioning the business system amounted to €39 million (2012: €155 million).

**Daimler Financial Services** achieved EBIT of €1,268 million in 2013, which is close to its earnings of the previous year (€1,293 million). The division's return on equity was 19.2% (2012: 22.0%). [↗ C.16](#)

A larger contract volume contributed towards the earnings improvement. There were opposing effects on earnings from negative exchange-rate developments and lower interest margins. Higher expenses were incurred in connection with the expansion of business operations.

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. Until the sale of the remaining EADS shares, gains and/or losses at the corporate level also included our proportionate share of the results of the equity-method investment in EADS.

In early April, Daimler left the former EADS shareholder pact. Due to the resulting loss of significant influence, the EADS shares were no longer accounted for using the equity method. This resulted in a gain of €3.4 billion in 2013. On April 17, 2013, the Group sold its remaining EADS shares, comprising a stake in the company of approximately 7.4%, by way of an accelerated bookbuilding process; the development of the EADS share price between April 2, 2013 and the date of the sale resulted in a loss of €184 million. The Group had also reached an agreement with cash settlement allowing participation to a limited extent in a rise in the EADS share price until the end of 2013. This agreement resulted in a gain for the Daimler Group of €44 million. In total, our proportionate share of the results of EADS resulted in a capital gain of €3.2 billion. Further information on the disposal of the EADS shares in 2013 is included in [👁 Note 13](#) of the Notes to the Consolidated Financial Statements.

A loss of €191 million was recognized (2012: loss of €113 million) for the other items at the corporate level. The elimination of intra-group transactions resulted in a gain of €82 million in 2013 (2012: €8 million).

The reconciliation of Group EBIT to profit before income taxes is shown in the table [↗ C.18](#).



## Statement of income

The Group's **total revenue** increased by 3.2% to €118.0 billion in 2013; adjusted for exchange rate effects, it increased by 7.3%. The revenue growth primarily reflects the higher unit sales by all automotive divisions and the increased contract volume at Daimler Financial Services. Further information on the development of revenue is provided in the [“Business development”](#) section of this Management Report. [↗ C.17](#)

**Cost of sales** amounted to €92.5 billion in 2013, increasing by approximately 4% compared with the prior year. The increase in cost of sales was caused by higher business volumes and consequentially higher material and personnel expenses. Furthermore, depreciation of equipment on operating leases increased along with the growing leasing business. There were opposing effects from lower expenses for refinancing at Daimler Financial Services. Compared with the Group revenue, which increased by 3.2% and was influenced by the depreciation of major currencies, cost of sales increased by 4.1%, so gross profit in relation to revenue fell to 21.6% (2012: 22.3%). The changed product mix also had an impact on this development. Further information on cost of sales is provided in [Note 5](#) of the Notes to the Consolidated Financial Statements. [↗ C.17](#)

Due to the growth in unit sales, **selling expenses** increased by €0.4 billion to €10.9 billion. The main factors here were higher expenses for marketing, personnel and IT services. As a percentage of revenue, selling expenses increased from 9.1% to 9.2%. [↗ C.17](#)

**General administrative expenses** of €3.9 billion were slightly below the level of the previous year (2012: €4.0 billion), mainly driven by exchange rate effects. As a percentage of revenue, general administrative expenses decreased slightly to 3.3% (2012: 3.5%). [↗ C.17](#)

**Research and non-capitalized development costs** were almost unchanged compared with the previous year at €4.1 billion (2012: €4.2 billion). They were mainly related to advance expenditure for the development of new models, the renewal of existing models, and the further development of fuel-efficient and environmentally friendly drive systems and safety technologies. As a proportion of revenue, research and development costs decreased from 3.7% to 3.5%. Further information on the Group's research and development costs is provided in the “Research and development, environmental protection” section of the [“Sustainability”](#) chapter. [↗ C.17](#)

**Other operating income** of €1.5 billion (2012: €1.5 billion) was at the prior-year level while **other operating expense** increased slightly to €0.4 billion (2012: €0.3 billion). Further information on the composition of other operating income and expense is provided in [Note 6](#) of the Notes to the Consolidated Financial Statements. [↗ C.17](#)

In 2013, our **share of profit from investments accounted for using the equity method** improved to €3.3 billion (2012: €1.2 billion). Both years were affected by large gains relating to the loss of significant influence and the disposal of EADS shares. In 2013, Daimler lost its significant influence on EADS; this resulted in a gain of €3.4 billion. In 2012, 7.5% of the shares of EADS were sold with a resulting gain of €0.9 billion. [↗ C.17](#)

**Other financial expense** improved from €0.5 billion to €0.3 billion. This is primarily due to lower expenses from the compounding of provisions and effects from changes in discount rates totaling €0.1 billion (2012: €0.5 billion). [↗ C.17](#)

The Group recorded a **net interest expense** of €0.7 billion (2012: €0.7 billion). While expenses related to pension and healthcare obligations were close to the prior-year level, other interest income improved slightly. This development was primarily due to measurement effects of interest hedging instruments, which serve to secure the Group's refinancing. Lower interest rates for cash deposits and higher levels of liquidity offset each other. [↗ C.17](#)

The **income tax expense** increased only slightly to €1.4 billion (2012: €1.3 billion), despite higher profit before income taxes. The effective tax rate for 2013 was 14.0% (2012: 15.8%). The lower effective tax rate was mainly the result of tax-free gains on the remeasurement and sale of EADS shares. Additional factors in both years were tax benefits in connection with the tax assessment of prior years. [↗ C.17](#)

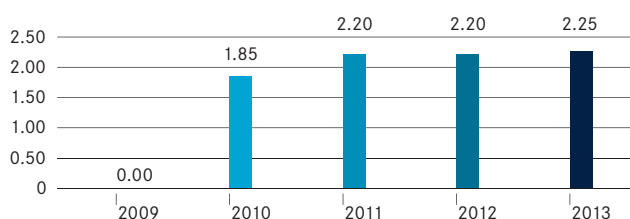
**Net profit for the year** amounts to €8.7 billion (2012: €6.8 billion). Net profit of €1.9 billion is attributable to non-controlling interests (2012: €0.4 billion), a large portion of which in 2013 is related to the remeasurement of the EADS shares. Net profit **attributable to shareholders of Daimler AG** amounts to €6.8 billion (2012: €6.4 billion), representing **earnings per share of €6.40** (2012: €6.02). [↗ C.17](#)

The calculation of earnings per share (basic) is based on an average number of outstanding shares of 1,068.8 million (2012: 1,066.8 million).

## C.19

### Dividend per share

In euros



## C.20

### Reconciliation to net operating profit

In millions of euros	2013	2012	13/12 % change
Mercedes-Benz Cars	4,006	4,391	-9
Daimler Trucks	1,637	1,695	-3
Mercedes-Benz Vans	631	543	+16
Daimler Buses	124	-221	.
Daimler Financial Services	1,268	1,293	-2
<b>EBIT of the divisions</b>	<b>7,666</b>	<b>7,701</b>	<b>-0</b>
Income taxes <sup>1</sup>	-1,642	-1,518	+8
Other reconciliation	3,149	1,119	+181
<b>Net operating profit</b>	<b>9,173</b>	<b>7,302</b>	<b>+26</b>

<sup>1</sup> Adjusted for tax effects on interest income/expense and amortization of capitalized borrowing costs.

## C.21

### Value added

In millions of euros	2013	2012	13/12 % change
<b>Daimler Group</b>	<b>5,921</b>	<b>4,300</b>	<b>+38</b>
Mercedes-Benz Cars	2,007	2,698	-26
Daimler Trucks	369	365	+1
Mercedes-Benz Vans	445	387	+15
Daimler Buses	-4	-360	+99
Daimler Financial Services	409	530	-23

## Dividend

At the Annual Shareholders' Meeting on April 9, 2014, the Board of Management and the Supervisory Board will propose an increase in the dividend to €2.25 per share (prior year: €2.20). With this proposal, we are letting our shareholders participate in the Company's success while expressing our confidence about the ongoing course of business. The total dividend will thus amount to €2,407 million (prior year: €2,349 million) and the distribution ratio will be 35.2% of the net profit attributable to the Daimler shareholders (prior year: 36.5%).

↗ C.19

## Net operating profit

Table ↗ C.20 shows the reconciliation of the EBIT of the divisions to net operating profit. In addition to the EBIT of the divisions, net operating profit also includes earnings effects for which the divisions are not accountable such as income taxes and other reconciliation items.

## Value added

As described in the "Performance measurement system" section of the "Corporate Profile" chapter ↗ C.03, the cost of capital is the result of net assets and cost of capital expressed as a percentage, which is subtracted from earnings in order to calculate value added. The tables ↗ C.21 and ↗ C.22 show value added and net assets for the Group and for the individual divisions. Table ↗ C.23 shows how net assets are derived from the consolidated statement of financial position.

The **Group's value added** increased by €1.6 billion to €5.9 billion in 2013, representing a return on net assets of 22.6% (2012: 19.5%). This was once again substantially higher than the minimum required rate of return of 8%. Value added in both years was influenced in particular by the remeasurement and sale of the remaining EADS shares.

**Mercedes-Benz Cars** achieved value added of €2.0 billion (2012: €2.7 billion). Ongoing growth in unit sales and better pricing were offset by a less favorable model mix and exchange rate effects. There was also an impact from expenses relating to the enhancement of products' attractiveness, capacity expansions and advance expenditure for new technologies and vehicles. The increase in average net assets by €2.6 billion to €16.7 billion also affected the development of value added. This was mainly caused by the higher level of fixed assets following increased investment in new products and production plants.

Value added at the **Daimler Trucks** of €0.4 billion was at the prior-year level. The slight decrease in EBIT was offset by the lower level of average net assets. The development of earnings was primarily driven by the revival of vehicle unit sales, especially in Brazil and Western Europe. There were opposing effects from higher warranty costs, exchange rate effects and expenses in connection with the optimization programs in Germany and Brazil.

The value added of the **Mercedes-Benz Vans** division of €0.4 billion was slightly higher than in 2012. Increased earnings were achieved due to higher unit sales, improved pricing and efficiency improvements. There was an opposing effect from average net assets, which increased by €0.2 billion to €1.5 billion due to the higher level of fixed assets.

The **Daimler Buses** division achieved value added of minus €4 million (2012: minus €360 million). Higher unit sales in Western Europe and Latin America, further efficiency progress in the European business system and lower expenses for optimization programs led to a significant increase in EBIT. The division's average net assets decreased slightly by €0.1 billion and thus made a small contribution to the increase in value added.

The value added of the **Daimler Financial Services** division decreased by €0.1 billion to €0.4 billion. Return on equity was 19.2% (2012: 22.0%). This development was primarily the result of an increase in average equity of €0.7 billion to €6.6 billion, due to the higher contract volume, while earnings were at the level of the prior year.

## C.22

### Net assets (average)

	2013	2012	13/12
In millions of euros			% change
Mercedes-Benz Cars	16,658	14,107	+18
Daimler Trucks	10,571	11,082	-5
Mercedes-Benz Vans	1,547	1,302	+19
Daimler Buses	1,068	1,157	-8
Daimler Financial Services <sup>1</sup>	6,607	5,871	+13
<b>Net assets of the divisions</b>	<b>36,451</b>	<b>33,519</b>	<b>+9</b>
Investments accounted for using the equity method <sup>2</sup>	638	1,938	-67
Assets and liabilities from income taxes <sup>3</sup>	2,479	1,256	+97
Other reconciliation <sup>3</sup>	1,080	808	+34
<b>Daimler Group</b>	<b>40,648</b>	<b>37,521</b>	<b>+8</b>

1 Total equity

2 To the extent not allocated to the segments

3 Industrial business

## C.23

### Net assets of the Daimler Group at year-end

	2013	2012	13/12
In millions of euros			% change
Net assets of the industrial business			
Intangible assets	9,228	8,761	+5
Property, plant and equipment	21,732	20,546	+6
Leased assets	13,207	12,163	+9
Inventories	16,648	17,075	-3
Trade receivables	7,208	6,864	+5
Less provisions for other risks	-11,382	-10,975	+4
Less trade payables	-8,778	-8,515	+3
Less other assets and liabilities	-15,983	-14,864	+8
Assets and liabilities from income taxes	1,878	2,717	-31
Total equity of Daimler Financial Services	6,596	6,092	+8
<b>Net assets</b>	<b>40,354</b>	<b>39,864</b>	<b>+1</b>



# Liquidity and Capital Resources.

## Principles and objectives of financial management

Financial management at Daimler consists of capital structure management, cash and liquidity management, pension asset management, market-price risk management (foreign exchange rates, interest rates, commodity prices) and credit and financial country risk management. Worldwide financial management is performed within the framework of legal requirements consistently for all Group entities by Treasury. Financial management operates within a framework of guidelines, limits and benchmarks, and on the operational level is organizationally separate from other financial functions such as settlement, financial controlling, reporting and accounting.

**Capital structure management** designs the capital structure for the Group and its subsidiaries. Decisions regarding the capitalization of financial services companies, as well as production, sales and financing companies, are based on the principles of cost-optimized and risk-optimized liquidity and capital resources. In addition, it is necessary to adhere to various restrictions on capital transactions and on the transfer of capital and currencies.

**Liquidity management** ensures the Group's ability to meet its payment obligations at any time. For this purpose, liquidity planning provides information about all cash flows from operating and financial activities in a rolling plan. The resulting financial requirements are covered by the use of appropriate instruments for liquidity management (e.g. bank credit, commercial paper, notes); liquidity surpluses are invested in the money market or the capital market to optimize risk and return. Our goal is to ensure the level of liquidity regarded as necessary at optimal costs. Besides operational liquidity, Daimler keeps additional liquidity reserves which are available in the short term. Those additional financial resources include a pool of receivables from the financial services business which are available for securitization in the credit market, as well as a contractually confirmed syndicated credit line with a volume of €9 billion.

**Cash management** determines the Group's cash requirements and surpluses. The number of external bank transactions is minimized by the Group's internal netting of cash requirements and surpluses. Netting is done by means of cash-concentration or cash-pooling procedures. Daimler has established standardized processes and systems to manage its bank accounts, internal cash-clearing accounts and the execution of automated payment transactions.


**Management of market-price risks** aims to minimize the impact of fluctuations in foreign exchange rates, interest rates and commodity prices on the results of the divisions and the Group. The Group's overall exposure to these market-price risks is determined to provide a basis for hedging decisions, which include the definition of hedging volumes and corresponding periods, as well as the selection of hedging instruments. Decisions regarding the management of risks resulting from fluctuations in foreign exchange rates and commodity prices, as well as decisions on asset/liability management (liquidity and interest rates), are regularly made by the relevant committees.

**Management of pension assets** includes the investment of pension assets to cover the corresponding pension obligations. Pension assets are held in separate pension funds and are thus not available for general business purposes. The funds are allocated to different asset classes such as equities, fixed-interest securities, alternative investments and real estate, depending on the expected development of pension obligations and with the help of a process for risk-return optimization. The performance of asset management is measured by comparing with defined reference indices. Local custodians of the pension funds are responsible for the risk management of the individual pension funds. The Global Pension Committee limits these risks by means of Group-wide binding guidelines whereby applicable laws are given due consideration. Additional information on pension plans and similar obligations is provided in [Note 22](#) of the Notes to the Consolidated Financial Statements.


The risk volume that is subject to **credit risk management** includes all of Daimler's worldwide creditor positions with financial institutions, issuers of securities and customers in the financial services business and the automotive business. Credit risks with financial institutions and issuers of securities arise primarily from investments executed as part of our liquidity management and from trading in derivative financial instruments. The management of these credit risks is mainly based on an internal limit system that reflects the creditworthiness of the respective financial institution or issuer. The credit risk with customers of our automotive business relates to contracted dealerships and general agencies, other corporate customers and retail customers. In connection with the export business, general agencies that according to our creditworthiness analysis are not sufficiently creditworthy are generally required to provide collateral such as first-class bank guarantees. The credit risk with end customers in the financial services business is managed by Daimler Financial

Services on the basis of a standardized risk management process. In this process, minimum requirements are defined for the sales financing and leasing business and standards are set for credit processes as well as for the identification, measurement and management of risks. Key elements for the management of credit risks are appropriate creditworthiness assessments, supported by statistical analyses and evaluation methods, as well as structured portfolio analysis and monitoring.

**Financial country risk management** includes various aspects: the risk from investments in subsidiaries and joint ventures, the risk from the cross-border financing of Group companies in risk countries, and the risk from direct sales to customers in those countries. The Credit Committee sets country limits for this cross-border financing. Daimler has an internal rating system that divides all countries in which it operates into risk categories. Equity capital transactions in risk countries are hedged against political risks with the use of investment-protection insurance such as the German government's investment guarantees. Some cross-border receivables due from customers are protected with the use of export-credit insurance, first-class bank guarantees and letters of credit. In addition, a committee sets and restricts the level of hard-currency credits granted to financial services companies in risk countries.

Additional information on the management of market-price risks, credit default and liquidity risks is provided in  **Note 32** of the Notes to the Consolidated Financial Statements.

## Cash flows

**Cash provided by operating activities**  **C.24** increased compared with the previous year by €4.4 billion to €3.3 billion. The growth in net profit before income taxes includes non-cash effects of €3.4 billion from the remeasurement of the EADS shares. The development of working capital had positive effects. This was due to an increase in trade payables and a smaller increase in inventories; there were opposing effects from the increase in trade receivables. Growth in new business in the area of leasing and sales financing was slightly above the high level of the previous year. The generally positive development of other operating assets and liabilities was mainly connected with the expansion of business and partially related to invoicing. Value-added tax included and not yet paid to the tax authorities as well as higher sales with residual-value guarantees and with service and maintenance agreements (due to the generally higher unit sales) already led to payments received. For dealer bonuses, expenses were taken into consideration that were not yet connected with payments. Furthermore, contributions to pension funds were lower than in 2012. In the previous year, special contributions of €0.5 billion were made in connection with pension plans to the plan assets of additional German entities. A positive effect resulted from lower payments for income taxes; the year 2013 was influenced by reimbursements of advance payments in Germany.

**Cash used in investing activities**  **C.24** amounted to €6.8 billion (2012: €8.9 billion). The decrease compared with the prior year was primarily the result of purchases and sales of securities carried out in the context of liquidity management, which overall led to significantly lower cash outflows (net). The sale of the remaining EADS shares resulted in higher proceeds in 2013 than in 2012. Compared with the investments in companies made in 2012, the acquisition of the 12% stake in BAIC Motor Corporation Ltd. (BAIC Motor) for €0.6 billion and the capital increase at Beijing Benz Automotive Co., Ltd. (BBAC) led to higher cash outflows in 2013. Furthermore, slightly higher investment in property, plant and equipment and in intangible assets resulted in higher cash outflows.

## C.24

### Condensed consolidated statement of cash flows

	2013	2012	13/12
In millions of euros			Change
<b>Cash and cash equivalents at beginning of year</b>	<b>10,996</b>	9,576	+1,420
Net cash provided by operating activities	<b>3,285</b>	-1,100	+4,385
Net cash used for investing activities	<b>-6,829</b>	-8,864	+2,035
Net cash provided by financing activities	<b>3,855</b>	11,506	-7,651
Effect of exchange-rate changes on cash and cash equivalents	<b>-254</b>	-122	-132
<b>Cash and cash equivalents at end of year</b>	<b>11,053</b>	10,996	+57

**Cash flows from financing activities** [↗ C.24](#) resulted in a net cash inflow of €3.9 billion (2012: €11.5 billion). The decrease mainly reflects the development of long-term borrowing (net). The main factor was that repayments of existing long-term loans increased while new borrowing was slightly higher than in the previous year. An additional factor was that dividend payments to non-controlling interests of subsidiaries decreased.

Including negative currency effects, cash and cash equivalents of €11.1 billion as of December 31, 2013 were at the level of the previous year. Total liquidity, which also includes marketable debt securities, rose by €1.5 billion to €18.1 billion.

## C.25

### Free cash flow of the industrial business

	2013	2012	13/12 Change
In millions of euros			
Net cash provided by operating activities	10,313	7,527	+2,786
Net cash used for investing activities	-6,767	-8,166	+1,399
Changes in marketable debt securities	1,548	2,699	-1,151
Other changes	-252	-608	+356
<b>Free cash flow of the industrial business</b>	<b>4,842</b>	<b>1,452</b>	<b>+3,390</b>

## C.26

### Net liquidity of the industrial business

	Dec. 31, 2013	Dec. 31, 2012	13/12 Change
In millions of euros			
Cash and cash equivalents	9,845	9,887	-42
Marketable debt securities	5,303	3,841	+1,462
<b>Liquidity</b>	<b>15,148</b>	<b>13,728</b>	<b>+1,420</b>
Financing liabilities	-1,324	-2,883	+1,559
Market valuation and currency hedges for financing liabilities	10	663	-653
<b>Financing liabilities (nominal)</b>	<b>-1,314</b>	<b>-2,220</b>	<b>+906</b>
<b>Net liquidity</b>	<b>13,834</b>	<b>11,508</b>	<b>+2,326</b>

The parameter used by Daimler to measure the financing capability of the Group's industrial activities is the **free cash flow of the industrial business** [↗ C.25](#), which is derived from the reported cash flows from operating and investing activities. The cash flows from the acquisition and sale of marketable debt securities included in cash flows from investing activities are excluded, as those securities are allocated to liquidity and changes in them are thus not a part of the free cash flow.

Other adjustments relate to additions to property, plant and equipment that are allocated to the Group as their beneficial owner due to the form of their underlying lease contracts. Furthermore, effects from the financing of dealerships within the Group are adjusted. In addition, the cash flows to be shown under cash provided by financing activities in connection with the acquisition or sale of interests in subsidiaries without the loss of control are included in the calculation of the free cash flow.

The free cash flow of the industrial business amounted to €4.8 billion in 2013. The positive profit contributions of the automotive divisions were offset by the increase in working capital, defined as the net change in inventories, trade receivables and trade payables, with a total amount of €0.6 billion. Furthermore, the free cash flow was influenced by the positive net change of other operating assets and liabilities which were connected with the expansion of business and partially related to invoicing. Positive effects resulted from the sale of trade receivables of companies by the industrial business to Daimler Financial Services. The free cash flow of the industrial business was also positively influenced by the cash inflow from the sale of the remaining EADS shares. There were negative effects from high investments in property, plant and equipment and intangible assets, the acquisition for €0.6 billion of a 12% interest in BAIC Motor and the capital increase at Beijing Benz Automotive Co., Ltd. (BBAC). In addition, income tax and interest payments reduced the free cash flow of the industrial business.

The **net liquidity of the industrial business** [↗ C.26](#) is calculated as the total amount as shown in the statement of financial position of cash, cash equivalents and marketable debt securities included in liquidity management, less the currency-hedged nominal amounts of financing liabilities.

To the extent that the Group's internal refinancing of the financial services business is provided by the companies of the industrial business, this amount is deducted in the calculation of the net debt of the industrial business.

Compared with December 31, 2012, the net liquidity of the industrial business rose by €2.3 billion to €13.8 billion. The increase was mainly caused by the positive free cash flow of the industrial business; there were opposing effects from the dividend payment to the shareholders of Daimler AG for the year 2012 (minus €2.3 billion) and the dividend payment to minority shareholders of subsidiaries (minus €0.3 billion).

Net debt at Group level, which primarily results from refinancing the leasing and sales financing business, increased compared with December 31, 2012 by €0.6 billion to €59.6 billion. [↗ C.27](#)



### Other financial obligations, financial guarantees and contingent liabilities

In the context of its normal business operations, the Group has entered into **other financial obligations** in addition to the liabilities shown in the consolidated balance sheet at December 31, 2013. Table [C.28](#) provides an overview of the nominal amounts of other financial obligations. With regard to their maturities, we refer to [Note 30](#) (Financial guarantees, contingent liabilities and other financial commitments) and [Note 32](#) (Management of financial risks) of the Notes to the Consolidated Financial Statements.

Within the context of **financial guarantees**, Daimler generally guarantees the settlement of the payment obligations of the main debtor vis-à-vis the holder of the guarantee. The maximum potential obligation resulting from these guarantees amounts to €0.8 billion at December 31, 2013 (end of 2012: €1.0 billion); liabilities recognized in this context amount to €0.1 billion at the end of the year (end of 2012: €0.1 billion). Most of the financial guarantees relate to the situations described as follows: In connection with the transfer of a majority interest in Chrysler, Daimler provides guarantees for Chrysler obligations; at December 31, 2013, those guarantees amounted to €0.3 billion, whereby Chrysler provided €0.2 billion on an escrow account as collateral for the guaranteed obligations. Another financial guarantee of €0.1 billion relates to bank loans of Toll Collect GmbH, the operator company of the toll-collection system for trucks in Germany. Other risks arise from an additional guarantee that the Group provided for obligations of Toll Collect GmbH to the Federal Republic of Germany. This guarantee is related to the completion and operation of the toll-collection system. A claim on this guarantee could primarily arise if for technical reasons toll revenue is lost or if certain contractually defined parameters are not fulfilled, if the Federal Republic of Germany makes additional claims or if the final operating permit is not granted. Furthermore, arbitration proceedings have been initiated against the Group. The maximum obligation that could result from this guarantee is substantial, but cannot be reliably estimated.

The **contingent liabilities** principally constitute buyback obligations. At December 31, 2013, the best possible estimate for the loss risk from these guarantees amounted to €1.0 billion (December 31, 2012: €0.8 billion). Warranty and good-will commitments (product guarantees) provided by the Group in connection with its vehicle sales are not included in the contingent liabilities. Contingent liabilities also include other contingent liabilities. They mainly comprise possible expenses from liability and litigation risks as well as from tax risks and import-duty risks. The best possible estimate for a possible expense from the other contingent liabilities is €0.4 billion (2012: €0.1 billion).

Further information on other financial obligations and contingent liabilities from guarantees granted as well as on the electronic toll-collection system and related risks is provided in [Note 30](#) (Financial guarantees, contingent liabilities and other financial commitments) and [Note 29](#) (Legal proceedings) of the Notes to the Consolidated Financial Statements.

### C.27

#### Net debt of the Daimler Group

	Dec. 31, 2013	Dec. 31, 2012	13/12
In millions of euros			
Cash and cash equivalents	11,053	10,996	+57
Marketable debt securities	7,066	5,598	+1,468
<b>Liquidity</b>	<b>18,119</b>	16,594	+1,525
Financing liabilities	-77,738	-76,251	-1,487
Market valuation and currency hedges for financing liabilities	-3	665	-668
<b>Financing liabilities (nominal)</b>	<b>-77,741</b>	-75,586	-2,155
<b>Net debt</b>	<b>-59,622</b>	-58,992	-630

### C.28

#### Other financial obligations (nominal amounts)

	Dec. 31, 2013	Dec. 31, 2012
In millions of euros		
Obligations from purchasing agreements	9,771	8,763
Non-terminable rental and leasing agreements	1,980	2,139
Irrevocable loan obligations	1,508	1,022
Other miscellaneous financial obligations	1,356	1,396
<b>Other financial obligations</b>	<b>14,615</b>	13,320

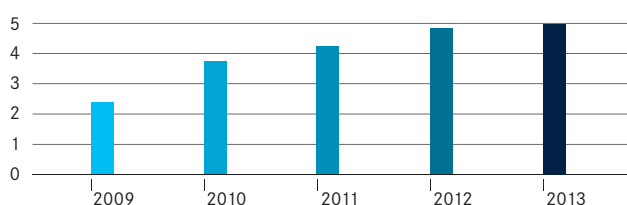
## Investment in property, plant and equipment

**Renewed increase in investment.** In the context of our global growth strategy, we want to make good use of the opportunities presented by international automotive markets. This requires substantial investment in new products and new technologies as well as in the expansion of our worldwide production network. In 2013, we therefore once again increased our investment in property, plant and equipment to €5.0 billion (2012: €4.8 billion) and thus reached the magnitude announced in Annual Report 2012. Of that capital expenditure, €3.2 billion was invested in Germany (2012: €3.3 billion). As of December 31, 2013, no material financial obligations exist in connection with future investment in property, plant and equipment.

### C.29

#### Investment in property, plant and equipment

In billions of euros



### C.30

#### Investment in property, plant and equipment by division

	2013	2012	13/12 % change
In millions of euros			
Daimler Group	4,975	4,827	+3
in % of revenue	4.2	4.2	
Mercedes-Benz Cars	3,710	3,495	+6
in % of revenue	5.8	5.7	
Daimler Trucks	839	989	-15
in % of revenue	2.7	3.2	
Mercedes-Benz Vans	288	223	+29
in % of revenue	3.1	2.5	
Daimler Buses	76	82	-7
in % of revenue	1.9	2.1	
Daimler Financial Services	19	23	-17
in % of revenue	0.1	0.2	

At Mercedes-Benz Cars, investment in property, plant and equipment increased by 6% to €3.7 billion in 2013. The most important projects included the production of the new S-Class and preparations for the new C-Class, which will be produced in Bremen as well as Tuscaloosa (United States), Beijing (China) and East London (South Africa) as of 2014. We also made substantial investments in the modernization and expansion of transmission production in Untertürkheim and in the expansion of our production capacities in the United States. The main areas of investment at Daimler Trucks were for the Arocs (the new heavy-duty construction-site truck) as well as various projects for the global standardization of engines and other main components. We also invested in the expansion of our production capacities in Brazil and in the new Bharat-Benz plant in India. Total investment in property, plant and equipment at Daimler Trucks amounted to €0.8 billion (2012: €1.0 billion). At the Mercedes-Benz Vans division, the focus of investment was on the successor generation of the Vito goods van and the Viano passenger van. We also invested in the new generation of the Sprinter and the production of the Sprinter Classic by our partner GAZ in Russia. The main investments at Daimler Buses in 2013 were in new products and the modernization of production facilities.

In addition to capital expenditure on property, plant and equipment, we also invested substantial amounts in associates and joint ventures in 2013. Those investments include the acquisition of a 12% equity interest in our Chinese partner BAIC Motor and the investments in our Chinese joint ventures.

We also capitalized development costs of €1.3 billion in 2013 (2012: €1.5 billion); this is presented under intangible assets.

[see page 106](#)

## Refinancing

The funds raised by Daimler in the year 2013 primarily served to refinance the leasing and sales-financing business. For that purpose, Daimler made use of a broad spectrum of various financing instruments in various currencies and markets. They include bank credit, commercial paper in the money market, bonds with medium and long maturities, customer deposits at Mercedes-Benz Bank and the securitization of receivables from customers in the financial services business (asset backed securities, ABS).

Various issue programs are available for raising longer-term funds in the capital market. They include the Euro Medium Term Note program (EMTN) with a total volume of €35 billion, under which Daimler AG and several subsidiaries can issue bonds in various currencies. Other local capital-market programs exist, significantly smaller than the EMTN program however, in markets such as South Africa, Mexico, Thailand and Argentina. Capital-market programs allow flexible, repeated access to the capital markets.

In 2013, the Group covered its liquidity requirements mainly through the issuance of bonds. A large proportion of those bonds were placed in the form of so-called benchmark emissions (bonds with high nominal volumes) in the US dollar and euro markets. [↗ C.32](#)

In addition, a large number of smaller bonds were issued in various currencies in the euro market as well as in Canada, South Africa, Thailand, Brazil, Argentina, South Korea and Turkey. More than one third of the bond volume was issued in euros and more than one third was issued in US dollars.

The ongoing high degree of uncertainty in global financial markets in 2012, due in particular to the European sovereign-debt crisis, meant that issuers with good ratings were already able to place corporate bonds at attractive conditions, and conditions for Daimler continued to improve in 2013. Within the framework of our liquidity management, we therefore tended to raise more funds with longer maturities.

Daimler also issued commercial paper in small volumes in 2013.

In 2013, several asset-backed securities (ABS) transactions were carried out in the United States and Germany due to the favorable market environment. For example, in April and November 2013, a refinancing volume of \$3.3 billion was generated in the United States through the issuance of ABS paper backed by leasing receivables. In addition, in July 2013, an ABS transaction with a volume of nearly \$1 billion was placed in the United States based on credit receivables. In November, Mercedes-Benz Bank placed ABS bonds in a volume of €925 million, also backed by credit receivables, with European investors.

Bank credit was another important source of refinancing in 2013. Funds were provided not only by large, globally active banks, but increasingly also by a number of local banks. The lenders included supranational banks such as Kreditanstalt für Wiederaufbau (KfW), the European Investment Bank and the Brazilian Development Bank (BNDES). In this way, we continued our diversification in the field of refinancing through banks.

In order to secure sufficient financial flexibility, in September 2013, Daimler concluded a €9 billion syndicated credit facility with a consortium of international banks with a maturity of five years and two extension options of two years in total. This provides the Group with financial flexibility until the year 2020. More than 40 European, American and Asian banks participated in the consortium. The credit line was over-subscribed and has more favorable conditions than the previous €7 billion facility. Daimler does not intend to utilize the credit line.

At the end of 2013, Daimler had short- and long-term credit lines totaling €35.4 billion (2012: €33.7 billion), of which €15.0 billion was not utilized (2012: €12.2 billion). They include a syndicated credit line arranged in September 2013 with a consortium of international banks with a volume of €9 billion, which has not been utilized.

The carrying values of the main refinancing instruments and the weighted average interest rates are shown in table [↗ C.31](#). At December 31, 2013, they are mainly denominated in the following currencies: 48% in euros, 25% in US dollars, 4% in Brazilian real, 3% in Japanese yen and 4% in Canadian dollars.

At December 31, 2013, the total of financial liabilities shown in the consolidated statement of financial position amounted to €77,738 million (2012: €76,251 million).

Detailed information on the amounts and terms of financing liabilities is provided in [↗ Note 24 and Note 32](#) of the Notes to the Consolidated Financial Statements. [↗ Note 32](#) also provides information on the maturities of the other financial liabilities.

### C.31

#### Refinancing instruments

	Average interest rates		Carrying values	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
	in %		in millions of euros	
Notes/bonds and liabilities from ABS transactions	2.14	1.86	44,875	40,845
Commercial paper	2.02	1.52	1,086	1,768
Liabilities to financial institutions	3.32	3.80	19,089	20,210
Deposits in the direct banking business	1.54	2.13	11,257	12,121

### C.32

#### Benchmark emissions

Issuer	Volume	Month of emission	Maturity
Daimler Finance North America	750 million USD	Jan. 2013	Jan. 2015
Daimler Finance North America	1,250 million USD	Jan. 2013	Jan. 2016
Daimler Finance North America	1,000 million USD	Jan. 2013	Jan. 2018
Daimler AG	1,000 million EUR	Mar. 2013	July 2016
Daimler AG	500 million EUR	Mar. 2013	Mar. 2023
Daimler AG	750 million EUR	June 2013	June 2021
Daimler Finance North America	1,500 million USD	Aug. 2013	Aug. 2016
Daimler Finance North America	1,500 million USD	Aug. 2013	Aug. 2018
Daimler AG	500 million EUR	Oct. 2013	Oct. 2016
Daimler AG	750 million EUR	Oct. 2013	Apr. 2020
Daimler AG	1,000 million EUR	Nov. 2013	Nov. 2018



## C.33

### Credit ratings

	End of 2013	End of 2012
Long-term credit ratings		
Standard & Poor's	A-	A-
Moody's	A3	A3
Fitch	A-	A-
DBRS	A (low)	A (low)
Short-term credit ratings		
Standard & Poor's	A-2	A-2
Moody's	P-2	P-2
Fitch	F2	F2
DBRS	R-1 (low)	R-1 (low)

### Credit ratings

In 2013, the outlook for the long-term credit rating of Daimler AG was changed from positive to stable by the rating agency Moody's Investors Service. The other rating agencies confirmed their credit ratings for Daimler during the course of the year. Daimler AG therefore has comparable credit ratings at the level of A- with all four of the agencies it has engaged. [↗ C.33](#)

In a publication of February 12, 2013, **Standard & Poor's Ratings Services** (S&P) explained its credit rating for Daimler AG and thus affirmed our existing long-term corporate rating of A- and the stable outlook. On November 21, 2013, S&P once again confirmed its rating for Daimler AG following the application of revised corporate criteria, which S&P had published on November 19, 2013.

**Fitch Ratings** (Fitch) affirmed the existing long-term issuer risk of Daimler AG of A- with a stable outlook on May 24, 2013. This assessment was justified by Fitch with the Group's robust financial structure and its significant net cash position. With regard to its financial metrics, Fitch stated that Daimler enjoys adequate headroom in its current ratings.

On July 11, 2013, **Moody's Investors Service** (Moody's) also affirmed the existing long-term issuer default rating of A3 for Daimler AG and the subsidiaries rated by Moody's. At the same time, the outlook was changed from positive to stable. Moody's explained the revised outlook by the fact that Daimler's credit metrics had eroded since the previous assessment of the outlook in August 2011 to a level below what would be needed to qualify for an upgrade and that a return to a level that would support a higher rating was not expected within the next 12 to 18 months. Moody's stated, however, that Daimler's performance had recently been relatively resilient.

The Canadian agency **DBRS** confirmed its long-term credit rating for Daimler AG and its related companies at A (low) with a stable outlook on October 21, 2013. The confirmation of the ratings is based on the Group's strong business profile as a highly established premium automotive manufacturer as well as the world's leading truck producer. DBRS stated that Daimler's current financial profile is wholly commensurate with the assigned ratings.

All of the rating agencies assume that the Group's profitability will improve in the year 2014 due to the launch of new vehicle models.

The short-term ratings of all four rating agencies remained unchanged in 2013.

# Financial Position.

## Consolidated statement of financial position

The **balance sheet total** increased compared with December 31, 2012 from €163.1 billion to €168.5 billion; adjusted for the effects of currency translation, the increase amounted to €13.1 billion. Daimler Financial Services accounts for €89.4 billion of the balance sheet total (2012: €85.5 billion); this is equivalent to 53% of the Daimler Group's total assets (2012: 52%).

The increase in total assets is primarily due to the growth of the financial services business, high levels of investment in property, plant and equipment and higher liquidity (cash, cash equivalents and marketable debt securities). The sale of EADS shares led to a decrease in investments accounted for using the equity method. On the liabilities side of the balance sheet, there were increases in equity and financing liabilities as well as an increase in deferred tax liabilities and deferred income. Current assets account for 42% of the balance sheet total, which is higher than in the previous year (2012: 41%). Current liabilities account for 35% of the balance sheet total (2012: 36%). [↗ C.35](#)

**Intangible assets** of €9.4 billion (2012: €8.9 billion) include €7.3 billion of capitalized development costs (2012: €7.2 billion) and, as in the previous year, €0.7 billion of goodwill. Mercedes-Benz Cars accounts for 68% of the development costs and Daimler Trucks accounts for 24%. Capitalized development costs amounted to €1.3 billion (2012: €1.5 billion), and account for 23.8% of the Group's total research and development expenditure (2012: 26.0%). [🔍 see page 106](#)

Capital expenditure [🔍 see page 96](#) was higher than depreciation and caused **property, plant and equipment** to increase by €1.2 billion to €21.8 billion (2012: €20.6 billion). Adjusted for exchange-rate effects, the increase amounted to €1.8 billion. A total of €5.0 billion was invested in 2013 – mainly at the sites in Germany – in the launch of new products, the expansion of production capacities and modernization.

## C.34

### Consolidated statement of financial position

	Dec. 31, 2013	Dec. 31, 2012 <sup>1</sup>	13/12 % change
In millions of euros			
<b>Assets</b>			
Intangible assets	9,388	8,885	+6
Property, plant and equipment	21,779	20,599	+6
Equipment on operating leases and receivables from financial services	78,930	75,118	+5
Investments accounted for using the equity method	3,432	4,304	-20
Inventories	17,349	17,720	-2
Trade receivables	7,803	7,543	+3
Cash and cash equivalents	11,053	10,996	+1
Marketable debt securities	7,066	5,598	+26
Other financial assets	6,241	5,960	+5
Other assets	5,477	6,339	-14
<b>Total assets</b>	<b>168,518</b>	163,062	+3
<b>Equity and liabilities</b>			
Equity	43,363	39,330	+10
Provisions	23,098	24,474	-6
Financing liabilities	77,738	76,251	+2
Trade payables	9,086	8,832	+3
Other financial liabilities	8,276	8,449	-2
Other liabilities	6,957	5,726	+21
<b>Total liabilities</b>	<b>168,518</b>	163,062	+3

<sup>1</sup> The prior-year figures have been adjusted primarily due to the effects of the application of the amended IAS 19. Further information on the adjustments is provided in Note 1 of the Notes to the Consolidated Financial Statements.

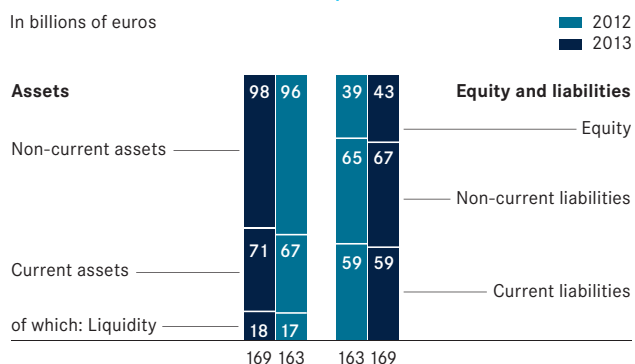
**Equipment on operating leases and receivables from financial services** increased to a total of €78.9 billion (2012: €75.1 billion). The increase of €8.2 billion adjusted for exchange-rate effects was caused by the higher level of new business due to growth in unit sales by the automotive divisions. The proportion of total assets of 47% is slightly higher than in the previous year (46%).

**Investments accounted for using the equity method** of €3.4 billion (2012: €4.3 billion) primarily comprise the carrying amounts of our equity interests in Rolls-Royce Power Systems AG, in Beijing Benz Automotive Co., Ltd. and BAIC Motor in the area of passenger cars in China, and in Beijing Foton Daimler Automotive and Kamaz in the truck business. The decrease primarily reflects the dissolution of the shareholders' pact and the loss of significant influence on EADS in April 2013. There was an opposing effect from the acquisition of shares in BAIC Motor.

## C.35

### Balance sheet structure Daimler Group

In billions of euros



**Inventories** decreased from €17.7 billion to €17.3 billion, equivalent to 10% of total assets (2012: 11%). Adjusted for exchange-rate effects, there was an increase of €0.6 billion mainly of inventories in the United States, Brazil and Japan, while inventories decreased in China due to the high levels of car unit sales in the fourth quarter of 2013.

**Trade receivables** increased by €0.3 billion to €7.8 billion. The Mercedes-Benz Cars division accounts for 40% of the receivables and the Daimler Trucks division accounts for 38%. The increase primarily relates to Daimler Trucks and is connected with the sales revival in South America and vehicle purchases brought forward in Western Europe due to the introduction of stricter emission standards in 2014.

**Cash and cash equivalents** of €11.1 billion were at the prior-year level. Adjusted for exchange-rate effects, there was an increase of €0.3 billion.

**Marketable debt securities** increased compared with December 31, 2012 from €5.6 billion to €7.1 billion. They consist of debt instruments, most of which are quoted in an active market, and are allocated to liquidity. The debt instruments generally have an external rating of A or better.

**Other financial assets** increased by €0.3 billion to €6.2 billion. They principally comprise investments (in Renault and Nissan for example), derivative financial instruments, and loans and other receivables due from third parties.

**Other assets** of €5.5 billion primarily comprise deferred tax assets and tax refund claims (2012: €6.3 billion). The decrease is mainly a reflection of exchange-rate effects.

The Group's **equity** increased compared with December 31, 2012 from €39.3 billion to €43.4 billion. Net profit [see page 89](#) of €8.7 billion was primarily offset by the distribution of the dividend of €2.3 billion for the year 2012 to the shareholders of Daimler AG and the effects of currency translation of €1.5 billion. In addition, due to the transfer of EADS shares to the Dedalus investors, equity decreased without any impact on the income statement by €2.4 billion. Equity attributable to the shareholders of Daimler AG increased to €42.7 billion (2012: €37.9 billion).



The **equity ratio** was 24.3% for the Group (2012: 22.7%) and 43.4% for the industrial business (2012: 39.8%). The 2012 and 2013 equity ratios are adjusted for the paid and proposed dividend payments for the years 2012 and 2013.

**Provisions** decreased to €23.1 billion (2012: €24.5 billion); as a proportion of the balance sheet total, they decreased to 14% (2012: 15%). They primarily comprise provisions for pensions and similar obligations (€9.9 billion; 2012: €11.3 billion) as well as provisions for product warranties (€4.7 billion; 2012: €5.1 billion), for personnel and social costs (€3.2 billion; 2012: €2.7 billion) and for income taxes (€1.3 billion; 2012: €1.7 billion). The decrease in provisions mainly relates to provisions for pensions and similar obligations and primarily reflects the increase in discount rates, especially in Germany, where they rose from 3.1% to 3.4%.

**Financing liabilities** of €77.7 billion were higher than a year earlier (2012: €76.3 billion). The increase of €5.8 billion after adjusting for exchange-rate effects is mainly the result of the growing leasing and sales-financing business. Of the total financing liabilities, 50% are accounted for by bonds, 25% by liabilities to financial institutions, 14% by deposits in the direct banking business and 8% by liabilities from ABS transactions.

Due to the higher volume of business, **trade payables** increased compared with the end of 2012 to €9.1 billion (2012: €8.8 billion). The Mercedes-Benz Cars division accounts for 60% of the payables and the Daimler Trucks division accounts for 28%.

**Other financial liabilities** decreased by €0.2 billion to €8.3 billion. They mainly consist of liabilities from residual-value guarantees, security deposits received and liabilities relating to wages and salaries, as well as derivative financial instruments and accrued interest on financing liabilities.

**Other liabilities** of €7.0 billion primarily comprise deferred taxes, tax liabilities and deferred income (2012: €5.7 billion). The increase mainly resulted from deferred revenues from multi-year service and maintenance agreements, increased deferred tax liabilities relating to derivative financial instruments, and pensions and similar obligations.

Further information on the assets presented in the statement of financial position and on the Group's equity and liabilities is provided in the Consolidated Statement of Financial Position [↗ F.03](#), the Consolidated Statement of Changes in Equity [↗ F.05](#) and the related notes in the Notes to the Consolidated Financial Statements.

### Off-balance-sheet assets

In addition to the assets presented in the statement of financial position, the Group uses to a small extent off-balance-sheet assets within the framework of rental and leasing agreements.

### Funded status of pension obligations

The **funded status of the Group's pension benefit obligations**, defined as the difference between the present value of the pension obligations and the fair value of pension plan assets, amounts to minus €8.6 billion at December 31, 2013, compared with minus €9.7 billion at December 31, 2012. At December 31, 2012, the present value of the Group's pension obligations amounted to €23.2 billion, compared with €23.9 billion a year earlier. The decrease resulted primarily from the increase in discount rates, especially for the German and US plans. As a result, actuarial losses from defined benefit pension plans, which are recognized in equity under retained earnings, decreased by €1.3 billion before taxes. The plan assets available to finance the pension obligations increased from €14.2 billion to €14.7 billion at December 31, 2013.

Further information on the effects on the statement of financial position and the statement of income as well as on pensions and similar obligations is provided in [🔗 Note 1](#) and [🔗 Note 22](#) respectively of the Notes to the Consolidated Financial Statements.

In addition to reporting on the Daimler Group, in this chapter, we also describe the development of Daimler AG.

Daimler AG is the parent company of the Daimler Group and is domiciled in Stuttgart. Its principal business activities comprise the development, production and distribution of cars, vans and trucks in Germany and the management of the Daimler Group.

The vehicles are produced at the domestic plants of Daimler AG as well as under contract-manufacturing agreements by domestic and foreign subsidiaries and by producers of special vehicles. Daimler AG distributes its products through its own sales network of 32 German sales-and-service centers, through foreign sales subsidiaries and through third parties.

The annual financial statements of Daimler AG are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). This results in some differences with regard to recognition and measurement, primarily relating to intangible assets, provisions, financial instruments, the leasing business and deferred taxes.

The main performance indicators for Daimler AG are unit sales, revenue and net profit.

## Profitability

Daimler AG posted **profit from ordinary activities** of €3.5 billion for 2013 (2012: €5.1 billion). While an operating profit of €0.8 billion was achieved (2012: €1.4 billion), the development of earnings was also influenced by a decrease in financial income of €1.0 billion.

Revenue increased, as forecast in the previous year, due to the higher unit sales of vehicles and components by €2.8 billion to €75.5 billion. In the car business, revenue therefore rose by 4% to €55.1 billion. Also with trucks and vans, revenue increased for this reason by 5% to €20.4 billion.

The earnings achieved by the car business in 2013 were lower than in the previous year. The development of earnings was influenced by ongoing growth in unit sales in Western Europe, the United States and Japan. Our expanded range of compact cars made a particularly strong contribution. There were opposing, negative effects from the changed model mix and expenditure to enhance the products' attractiveness, as well as expenditure for new technologies and products, amongst other factors. Unit sales in the car business increased by 7% to 1,451,000 vehicles<sup>1</sup> in the year under review. Of the various model series, compact cars were once again extremely successful in 2013: Their sales increased by 67% to 398,000 units<sup>1</sup>. The E-Class segment posted sales growth of 7% to 293,000 units<sup>1</sup>. Due to the model change and for lifecycle reasons, unit sales in the S-Class and C-Class segments were lower than in the previous year.

Earnings from trucks and vans were slightly lower than in 2012. Unit sales of trucks increased by 9% to 105,000 vehicles<sup>1</sup>. Sales of vans reached 253,000 units (2012: 249,000)<sup>1</sup>.

**Cost of sales** (excluding research and development expenses) increased by 5.4% to €63.0 billion. The increase in unit sales and expenses for the enhancement of product attractiveness and for new technologies and products led to a higher cost of sales.

**Research and development expenses**, which are included in cost of sales, were slightly lower than in the previous year at €4.6 billion (2012: €4.8 billion); as a proportion of revenue, they amounted to 6.1% (2012: 6.6%). Research and development expenses were primarily related to the renewal of the product portfolio, especially with regard to the model series of the C-, E- and S-Class as well as the compact class. In addition, we are continuously working on new generations of engines and alternative drive systems. At the end of the year, approximately 17,000 people were employed in the area of research and development.

<sup>1</sup> The unit sales of Daimler AG include vehicles invoiced to companies of the Group which have not yet been sold on to external customers by those companies. Vehicle sales by production companies of the Daimler Group are not counted in the unit sales of Daimler AG.

**Selling expenses** increased by €0.1 billion to €6.0 billion, mainly due to higher expenses for personnel, outgoing shipping and marketing. In relation to revenue, selling expenses decreased from 8.1% to 8.0%.

**General administrative expenses** of €2.6 billion were at the prior-year level (2012: €2.6 billion).

**Other operating income, net** amounted to €1.5 billion (2012: €1.8 billion). The change compared with the prior year was mainly the result of reclassifying expenses of €0.2 billion for top-up amounts ("Aufstockungsbeträge") for partial retirement obligations; in the previous year, those expenses were presented under functional costs.

**Financial income** decreased by €1.0 billion to €2.7 billion, mainly due to lower net income from investments in subsidiaries and associated companies and lower net interest income. The decrease primarily reflects the lower special items than in the previous year in connection with the sale of EADS shares. In addition, the financial result was influenced by lower income from the special purpose assets reserved for pensions and similar obligations and by a higher interest portion of retirement benefit obligations.

The **income tax benefit** for 2013 amounts to €0.2 billion (2012: €0.4 billion). This includes tax benefits relating to the tax assessment of previous years. Income taxes were additionally influenced by the amount and composition of profits before income taxes. No tax was payable on a large proportion of financial income in 2013 and 2012.

**Net profit** decreased, as forecast in the previous year, from €5.5 billion to €3.7 billion. This development is due partially to the lower operating profit, but in particular to the lower financial income.

The **economic situation** of Daimler AG primarily results from the business operations of Daimler AG and its subsidiaries. Daimler AG participates in the operating results of the subsidiaries through distributions. The economic situation of Daimler AG is therefore fundamentally the same as that of the Daimler Group, which is described in the chapter "Overall Assessment of the Economic Situation". [see pages 117 f](#)

## Financial position, liquidity and capital resources

Compared with December 31, 2012, the **balance sheet total** increased from €83.4 billion to €85.3 billion.

**Non-current assets** increased by €2.0 billion to €44.7 billion during 2013, due to the higher level of financial assets, property, plant and equipment as well as increased intangible assets. Investments in property plant and equipment (approximately €2.8 billion excluding leased assets) mainly constituted investments for the production of the new C- and S-Class, the compact class and investments in engine and transmission projects.

**Inventories** of €6.7 billion were close to the prior-year level (2012: €6.6 billion).

**Receivables, securities and other assets** increased compared with December 31, 2012 by €2.1 billion to €28.9 billion. The main cause of the development was the increase of €2.1 billion in securities. **Cash and cash equivalents** decreased by €2.4 billion to €4.7 billion.

**Gross liquidity** – defined as cash and cash equivalents and other marketable securities – of €9.3 billion was slightly lower than a year earlier (2012: €9.6 billion).

**Cash provided by operating activities** amounted to €6.0 billion in 2013 (2012: €5.4 billion). Lower net profit than in the previous year was more than offset by lower tax payments and higher trade payables. The development of trade payables is connected with the expansion of business and partially reflects invoicing factors.

## C.36

### Condensed statement of income of Daimler AG

	2013	2012
In millions of euros		
Revenue	75,531	72,727
Cost of sales (including R&D expenses)	-67,579	-64,600
Selling expenses	-6,032	-5,883
General administrative expenses	-2,594	-2,600
Other operating income, net	1,497	1,755
<b>Operating profit</b>	<b>823</b>	1,399
Financial income	2,687	3,710
<b>Profit from ordinary activities</b>	<b>3,510</b>	5,109
Income tax benefit	203	366
<b>Net profit</b>	<b>3,713</b>	5,475
Transfer to retained earnings	-1,306	-2,737
<b>Distributable profit</b>	<b>2,407</b>	2,738



## C.37

### Balance sheet structure of Daimler AG

	Dec, 31, 2013	Dec, 31, 2012
In millions of euros		
<b>Assets</b>		
<b>Non-current assets</b>	<b>44,748</b>	42,763
Inventories	6,682	6,612
Receivables, securities and other assets	28,869	26,736
Cash and cash equivalents	4,718	7,089
<b>Current assets</b>	<b>40,269</b>	40,437
<b>Prepaid expenses</b>	<b>259</b>	177
	<b>85,276</b>	83,377
<b>Equity and liabilities</b>		
Share capital	3,069	3,063
(conditional capital €590 million)		
Capital reserve	11,477	11,390
Retained earnings	18,748	17,061
Distributable profit	2,407	2,738
<b>Equity</b>	<b>35,701</b>	34,252
Provisions for pensions and similar obligations	3,405	3,097
Other provisions	9,214	9,205
<b>Provisions</b>	<b>12,619</b>	12,302
Trade payables	5,352	5,004
Other liabilities	31,111	31,383
<b>Liabilities</b>	<b>36,463</b>	36,387
<b>Deferred income</b>	<b>493</b>	436
	<b>85,276</b>	83,377

**Cash flows from investing activities** resulted in a net cash outflow of €7.1 billion in 2013 (2012: €5.5 billion). This was primarily the result of investments in financial assets and property, plant and equipment as well as the acquisition of securities.

**Cash flows from financing activities** resulted in a net cash outflow of €1.3 billion (2012: net cash inflow of €2.4 billion). The payment of the dividend for the year 2012 accounts for a cash outflow of €2.3 billion. On the other hand, mainly an increase in financing liabilities led to a cash inflow.

**Equity** increased compared with December 31, 2012 by €1.4 billion to €35.7 billion. This change primarily resulted from the net profit for 2013, of which, pursuant to Section 58 Sub-section 2 of the German Stock Corporation Act (AktG), €1.3 billion was transferred to retained earnings. The equity ratio at December 31, 2013 was 41.9% (December 31, 2012: 41.1%).

**Provisions** increased compared with December 31, 2012 by €0.3 billion to €12.6 billion. This was mainly caused by the increase in provisions for pensions and similar obligations.

**Liabilities** increased by €0.1 billion to €36.5 billion. This change was mainly caused by financing liabilities (plus €4.7 billion). There was an opposing effect primarily from the decrease in liabilities to subsidiaries (minus €4.7 billion).

### Risks and opportunities


The business development of Daimler AG is fundamentally subject to the same risks and opportunities as the Daimler Group. Daimler AG generally participates in the risks of its subsidiaries and associated companies in line with the percentage of each holding. The risks are described in the "Risk and Opportunity Report". [see pages 129 ff](#) Charges may additionally arise from relations with subsidiaries and associated companies in connection with statutory or contractual obligations (in particular with regard to financing).

### Outlook

Due to the interrelations between Daimler AG and its subsidiaries and the relative size of Daimler AG within the Group, we refer to the statements in the "Outlook" chapter, which also largely reflect our expectations for the parent company. [see pages 142 ff](#) Daimler AG expects to post net profit in the year 2014 that will be slightly below the level of 2013. The planned higher income from investments in subsidiaries and associated companies will be more than offset, in particular by the expected income tax expense.

# Sustainability.

## Sustainability at Daimler

**Our sustainability strategy.** We want to enhance the value of our company over the long term. And we can do that only if we define value creation holistically and measure the success of our business operations not only with the use of financial figures. In order to do that, we have firmly established sustainability as one of our goals and as a basic principle of our corporate strategy. The principle of sustainability determines our entrepreneurial activity: in the areas of economics, corporate governance, environmental protection and safety, as well as in our relations with employees, customers and society as a whole.  [see page 26](#)

The ideas that are of fundamental importance to us include the ten principles of the Global Compact, to which we are committed as a founding member of the compact and a member of the LEAD team since 2011. Our environmental and energy principles define the framework of our environmental protection activities and objectives. We also comply with the labor standards established by the International Labour Organization (ILO) and with the OECD guidelines for multinational companies.


Effective and coordinated strategies and initiatives ensure that the concept of sustainability is firmly embedded in our business operations. In our Group-wide sustainability management system, these strategies are supported by specific measures and measurable targets. Our "Sustainability Program 2020" is an important step in this direction; it defines our main areas of activity in the years ahead. We aim to steadily continue reducing pollutants and emissions, further enhance the safety of our vehicles, expand our dialogue with our suppliers and dealers, and further strengthen our social involvement.

**Group-wide sustainability management.** At Daimler, sustainability is thematically and organizationally embedded in our Group-wide corporate governance activities.  [see pages 178 ff](#) The Corporate Sustainability Board (CSB) is the central management body for all sustainability-related issues. The operational work is conducted by the Corporate Sustainability Office, which is staffed by representatives of the specialist departments and divisions. Since 2011, we have been using the Sustainability Scorecard as a tool for steering our efforts to reach the key sustainability targets. The scorecard uses a color-coded system either to display the success of quantitative indicators and qualitative objectives or to show that action needs to be taken. This allows targeted measures to be taken with the direct involvement of corporate management.

**Comprehensive reporting on sustainability.** In 2013, Daimler published its ninth Group-wide sustainability report. It provides a detailed and comprehensive sustainability balance sheet for the previous financial year and is supplemented by an interactive online sustainability report that contains more detailed and extensive information.

 [sustainability.daimler.com](http://sustainability.daimler.com)

The new sustainability report covers financial year 2013. It will be presented at Daimler's Annual Shareholders' Meeting in early April 2014. The report was already drawn up in line with the Global Reporting Initiative (GRI) guidelines 4.0. In this context, Daimler specifically highlighted all of the company's key sustainability-related issues. This applies in particular to focal topics such as the reduction of the CO<sub>2</sub> emissions generated by our products and production activities, the use of senior experts, our activities in China, and the company's mobility concepts. In addition, we report on specific issues such as the handling of contracts for work and services and Daimler's position regarding the issue of refrigerants.

 [see page 112](#)

## Research and development

### Research and development as key success factors.

Research and development have always played a key role at Daimler. Our researcher engineers anticipate trends, customer wishes and the requirements of the mobility of the future, and our developer engineers systematically implement these ideas in products that are ready for series production. Our goal is to offer our customers fascinating products and customized solutions for need-oriented, safe and sustainable mobility. Our technology portfolio and our key areas of expertise are oriented toward this objective.

The expertise, creativity and drive of our employees in research and development are key factors behind our vehicles' market success. At the end of 2013, Daimler employed 21,300 men and women at its research and development units (2012: 21,100). A total of 13,600 employees (2012: 13,400) worked at Group Research & Mercedes-Benz Cars Development, 5,600 (2012: 5,600) at Daimler Trucks, 1,000 (2012: 1,000) at Mercedes-Benz Vans, and 1,100 (2012: 1,100) at Daimler Buses.

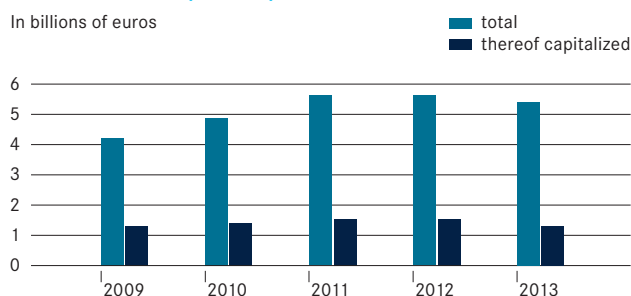
### Our international research and development network.

During the year under review, we expanded our research and development network in a targeted manner, expanding it to 22 locations in ten countries. Our biggest facilities are in Sindelfingen and Stuttgart-Untertürkheim in Germany. In Sunnyvale, California, the new headquarters of our research facilities in North America, approximately 100 people are employed at present and this number is scheduled to be doubled. In Asia, we have an important center in Bangalore, India, and the Global Hybrid Center in Kawasaki, Japan, as well as a research and development center in Beijing, which began operations in 2012. We opened a new research center in Bangalore in January 2013. With its approximately 1,300 employees, the new facility is Daimler's largest research and development center outside Germany. In March 2013, our van joint venture in China, Fujian Benz Automotive Corporation, opened Mercedes-Benz Vans' first product development center outside Germany, in Fuzhou. We also work together with numerous renowned research institutions worldwide and participate in international exchange programs for young scientists.

### C.38

#### Research and development expenditure

In billions of euros



### C.39

#### Research and development expenditure by division

	2013	2012	13/12 % change
In millions of euros			
Daimler Group	5,385	5,644	-5
thereof capitalized	1,284	1,465	-12
Mercedes-Benz Cars	3,751	3,863	-3
thereof capitalized	1,063	1,125	-6
Daimler Trucks	1,140	1,197	-5
thereof capitalized	79	180	-56
Mercedes-Benz Vans	321	371	-13
thereof capitalized	139	137	+1
Daimler Buses	181	222	-18
thereof capitalized	3	23	-87

**Targeted involvement of the supplier industry.** In order to reach our ambitious goals, we are also cooperating very closely with research and development units from the supplier industry. Daimler must be closely interconnected with supplier companies in order to deal with the rapid pace of technological change in the automotive industry and the need to quickly bring new technologies to market. As part of our joint research and development work, we ensure that our company retains the key technological expertise it needs in order to keep our brands distinct and to safeguard the future of the automobile in general.

**Intellectual property rights secure our leadership in technology and innovation.** 128 years after the automobile was invented, our researchers and developers continue to regularly apply for patents to protect their new ideas. At the end of 2013, the patent portfolio of Daimler AG and its subsidiaries comprised more than 21,800 patents and patent applications (2012: 21,800). The new S-Class alone involves more than 800 of these intellectual property rights. They not only secure our scope to apply innovative technologies, they also ensure the exclusivity of innovations such as the high-comfort chassis system MAGIC BODY CONTROL. In addition to owning the intellectual property rights to our technology, we have more than 6,100 protected product designs. Our portfolio of intellectual property rights is completed with around 32,500 legally protected trademarks worldwide. They include the Mercedes-Benz brand, which, according to the internationally well-known brand consultant Interbrand, is the most valuable premium automotive brand in the world. Our portfolio of intellectual property rights is also becoming increasingly important with regard to future alliances and partnerships. The intellectual property rights supplement our researchers and development engineers' expertise and make Daimler a sought-after partner for technology and product partnerships.

**€5.4 billion for research and development.** We want to continue shaping technological transformation in the automotive sector through our pioneering innovations. As we had already announced in the Annual Report 2012, we once again invested a very large amount of money in research and development work in 2013. Of the total investment of €5.4 billion (2012: €5.6 billion), €1.3 billion (2012: €1.5 billion) was capitalized as development costs, which amounts to a capitalization rate of 24% (2012: 26%). The amortization of capitalized research and development expenditure totaled €1.1 billion during the year under review (2012: 1.0 billion). With a rate of 4.6% (2012: 4.9%), the research and development expenditure also stayed at a high level in comparison with revenue. The focus was on new vehicle models, extremely fuel-efficient and environmentally friendly drive systems and new safety technologies. We made improvements in all of the main areas that further increased our vehicles' efficiency – ranging from energy management and aerodynamics to lightweight engineering.

The most important projects at Mercedes-Benz Cars were the successors of the C-, E- and S-Class, the new compact cars and the new smart models. In addition, we are constantly working to develop new engine generations, alternative drive systems and innovative safety technologies. Mercedes-Benz Cars spent a total of €3.8 billion on research and development in 2013 (2012: €3.9 billion). Daimler Trucks invested €1.1 billion in research and development projects (2012: €1.2 billion). That division's main projects were the continuous further development of engines with a focus on optimizing fuel consumption



and complying with new emission standards, working on alternative drive systems and the successor generations of existing products. R&D expenditure at Mercedes-Benz Vans concentrated on the successor models of the Vito and the Viano. The Daimler Buses division primarily focused its development activities on new products, compliance with new emissions standards, and alternative drive systems. [↗ C.38](#) [↗ C.39](#)

### Innovation and safety

**A tradition of innovation.** Innovations have played a key role at our company ever since Carl Benz and Gottlieb Daimler invented the automobile. Today, they are more important than ever before, because the accelerated pace of technological development and the challenges posed by climate change and environmental protection policies face us with the task of reinventing the automobile. Our customers expect safe, comfortable and powerful vehicles that are simultaneously becoming ever more fuel-efficient and environmentally friendly. In order to meet these requirements, we are forging ahead with our work in the research and development units.

**On the road to emission-free mobility.** Finite oil reserves, rising energy prices, population growth – especially in urban centers – and the unabated demand for mobility require new solutions for all aspects of transport. Our aim is to offer an intelligent mix of drive systems for every need. We intend to significantly reduce the fuel consumption and pollutant emissions of our vehicles today and to eliminate them entirely in the long term. We are implementing this intelligent mix of drive systems for our cars and commercial vehicles as part of our “Road to Emission-free Driving” strategy. We have defined the following focal areas for this approach:

1. We continue to enhance our vehicles with state-of-the-art internal-combustion engines that we are optimizing to achieve significantly lower fuel consumption and emissions.
2. We are achieving further perceptible increases in efficiency through customized hybridization, i.e. the combination of combustion engines and electric motors.
3. Our electric vehicles, powered by batteries or fuel cells, are making locally emission-free driving possible. [↗ C.40](#)

During the year under review, new products and technologies enabled us to make continued rapid progress on the “Road to Emission-free Driving.” The following examples show how this is happening.

**Efficient cars and commercial vehicles with internal-combustion engines.** Much of our research and development work continues to focus on making our cars and commercial vehicles with internal combustion engines even more efficient. The especially economical BlueEFFICIENCY models are reducing the fuel consumption and CO<sub>2</sub> emissions of our Mercedes-Benz cars and vans compared with the predecessor vehicles by up to 30% for certain models. This reduction is made possible by engines with small displacements and turbochargers, as well as by lightweight engineering, aerodynamic improvements, tires with low roll resistance, demand-appropriate energy management and an automatic start-stop function. A good example of this is the A 180 CDI BlueEFFICIENCY Edition<sup>1</sup>, which we began to deliver to customers in March 2013. The car consumes only 3.6 liters of diesel per 100 kilometers and emits only 92 grams of CO<sub>2</sub> per kilometer. The new S-Class also features numerous coordinated modifications of the body, the engines and the ancillary components that substantially reduce fuel consumption. The new C-Class, which will be delivered to customers beginning in the spring of 2014, boasts impressive fuel efficiency. Thanks to intelligent lightweight engineering, the overall vehicle weighs about 100 kilograms less than its predecessor. The weight reduction significantly reduces fuel consumption to levels that are the best in this segment.

<sup>1</sup> A 180 CDI BlueEFFICIENCY Edition: fuel consumption in l/100 km urban 4,2 / extra-urban 3,2 / combined 3,6; CO<sub>2</sub> emissions in g/km combined 92.

## C.40

### Road to emission-free mobility

Optimizing our vehicles with modern conventional powertrains

Hybridization for further increase in efficiency

Locally emission-free driving with electric vehicles powered by fuel cells or batteries

Energy for the future



Clean fuels for internal combustion engines



Energy sources for locally emission-free driving

We have also reduced the fuel consumption of the most recent models of our commercial vehicles. Our new Actros, Arocs, Antos and Atego models and the all-new Freightliner Cascadia Evolution heavy-duty truck are the cleanest and most economical vehicles in their respective classes. In addition, our new buses also have outstanding fuel efficiency. [see pages 110 f](#)

**Innovation award for NANOSLIDE.** For its all-new NANOSLIDE® coating technique for cylinder walls, Daimler received the German Innovation Award for Climate and the Environment (IKU) 2013 in the category “Process Innovations for Climate Protection” in December 2013. The award is presented by the German Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and the Federation of German Industry (BDI) to honor ideas and developments that help protect the climate and the environment. NANOSLIDE technologies, such as those used in the new Mercedes-Benz six-cylinder engines and in selected AMG drive systems, optimize friction within the engine. Because NANOSLIDE enables Daimler to dispense with cast-iron cylinder liners, engine weight can be reduced by several kilograms. Both of these improvements save fuel – by around 3% in the case of six-cylinder engines, for example. In the NANOSLIDE process, an electric arc is used to melt iron-carbon alloy wires. A flow of gas is then applied to spray the melted material onto the interior cylinder wall of the lightweight aluminum crankcase. The resulting lining is then finely smoothed so that the coating is only 0.1 to 0.15 mm thick. The micropores uncovered by this process allow the surface to absorb unusually large amounts of motor oil. In addition to creating very low levels of friction, the material’s ultrafine to nanocrystalline structure makes the lining very resistant to wear and tear. As a consequence, the NANOSLIDE technique is climate-friendly as well as extremely economical.

**Innovative hybrid technology in the new S-Class.** Already in 2009, Mercedes-Benz presented the S 400 HYBRID<sup>1</sup>, the world’s first series-produced car with a hybrid drive system that uses a lithium-ion battery. We are now offering hybrid drive systems for the new S-Class series in a total of three models: the S 400 HYBRID<sup>1</sup>, the S 300 BlueTEC HYBRID<sup>2</sup> and the S 500 PLUG-IN HYBRID<sup>3</sup>. The last of these models was presented to the public at the Frankfurt Motor Show in 2013 and will be delivered to customers as of September 2014. All of these second-generation hybrid drive systems are smoothly integrated into the powertrain. Whereas the batteries of the S 400 HYBRID<sup>1</sup> and the S 300 BlueTEC HYBRID<sup>2</sup> are only recharged by the combustion engine or when the vehicle is braking or coasting, the new high-voltage lithium-ion battery in the S 500 PLUG-IN HYBRID<sup>3</sup> can also be recharged from an external source through a charging socket in the right rear bumper. With the help of a synchronous electric motor, the S-Class can travel considerable distances solely on electricity. This allows it to achieve fuel consumption that would have seemed impossible in the large-sedan segment just a few years ago. The car achieves these record values without compromising on performance, comfort or range. And thanks to the pre-air conditioning functions, occupants also enjoy a very comfortable climate-controlled interior. The second-generation S-Class hybrids have an anticipatory energy management system that improves energy efficiency. The hybrid drive’s operating strategy not only takes the current driving situation and the driver’s preferences into account, but also anticipates probable changes in the route (uphill and downhill gradients, curves and speed limits) over the next eight kilometers. The “smart

hybrid” uses the navigation data provided by COMAND Online to control the charging and discharging of the high-voltage battery. For example, it aims to use the energy contained in the battery to drive the vehicle before it reaches a downhill stretch because the energy recovery system will then be able to recharge the battery.

**The new Mercedes-Benz B-Class Electric Drive<sup>4</sup>.** At the New York International Auto Show, Mercedes-Benz unveiled the new B-Class Electric Drive<sup>4</sup>, which will be introduced in the US market in 2014 before later being launched in Europe. The electric Mercedes sets high standards amongst electric vehicles for comfort, quality and safety. For the B-Class Electric Drive, we are once again taking advantage of TESLA Motors’ expertise and incorporating the powertrain unit that company developed. The car’s quiet, locally emission-free operation is made possible by a 130 kW electric motor, which delivers its maximum torque of 340 Nm as soon as the driver steps on the gas pedal. That’s about the same as the amount of torque provided by a state-of-the-art three-liter gasoline engine. A high-performance lithium-ion battery supplies the electrical drive system with energy. The battery is located in the “energy space” of the car’s underbody, where it is safely protected and takes up little room. This smart packaging ensures that the five-seat vehicle retains the B-Class’s well-known interior spaciousness and large trunk size. To extend the car’s range, its top speed is electronically limited to 160 km/h. The vehicle has a range of about 200 kilometers, depending on the driving cycle.

#### **A unique spectrum of electrically powered vehicles.**

Because our spectrum of battery or fuel-cell powered locally emission-free vehicles ranges from cars and vans to light trucks and buses, the models we offer in this area can meet almost any road mobility requirement. In June 2012, we began to produce the new smart fortwo electric drive<sup>5</sup>, which is now available in 14 markets worldwide, including China and the United States. With a market share of around 30%, the smart fortwo electric drive<sup>5</sup> is the leader in Germany’s electric car segment. More than 1,200 e-smarts are being used around the clock as part of our innovative car2go mobility service. The technology is proving its worth every day in various large cities around the globe. The Mercedes-Benz B-Class F-CELL<sup>6</sup> and the Mercedes-Benz Citaro FuelCELL Hybrid city bus are the world’s most extensively tested fuel-cell vehicles. The Mercedes-Benz A-Class E-CELL<sup>7</sup> has been on the road since the fall of 2010. In the van segment, we have been delivering panel-van and crewbus versions of the Mercedes-Benz Vito E-CELL<sup>8</sup> to customers since mid-2010. We also offer FUSO Canter E-CELL and Freightliner Custom Chassis MT E-Cell light trucks. Customers began to receive the Mercedes-Benz SLS AMG Coupe Electric Drive<sup>9</sup> in mid-2013. This model is geared toward technology-focused super-sports car fans with a passion for state-of-the-art engineering and futuristic high-tech solutions. In China, we will launch the first electric vehicle built by the DENZA brand in 2014. We jointly developed, and now produce, this innovative model with our partner BYD.

**Our “road to accident-free driving.”** Vehicle safety is one of our core areas of expertise and a key component of our product strategy. For over 60 years, our engineers have been ahead of their time in the development of new safety technologies. Our vision of accident-free driving continues to motivate us to make mobility as safe as possible for all road users.

#### Autonomous driving with the S 500 INTELLIGENT DRIVE.

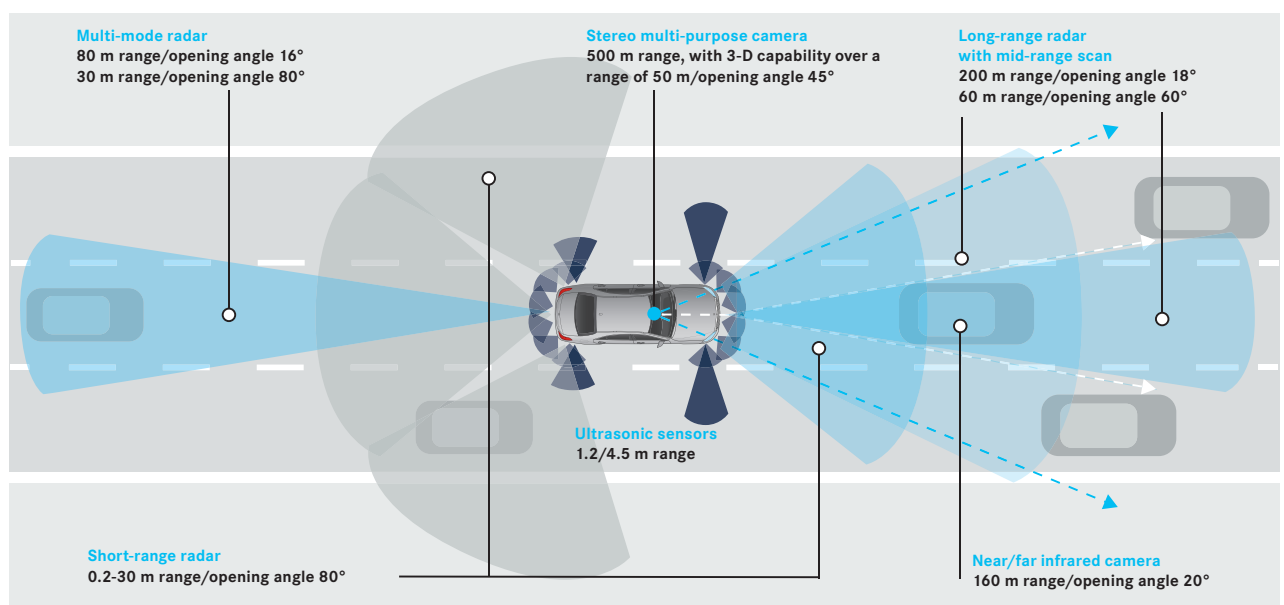
The S 500 INTELLIGENT DRIVE is a milestone on the road to accident-free driving. In August 2013, Mercedes-Benz became the world’s first automaker to prove that autonomous driving is also possible in cities and on highways and country roads. The vehicle covered the same route taken by Bertha Benz 125 years ago, when she became the first person to complete such a long trip in an automobile. In the dense traffic of the 21st century, the innovative Mercedes-Benz S-Class research vehicle faced the difficult challenge of driving autonomously in highly complex situations – with traffic lights, roundabouts, pedestrians, cyclists and streetcars. The unusual aspect of this pioneering achievement is that it was accomplished not with extremely expensive special technology, but instead with the help of technology that is close to the series-production stage. This technology is similar to systems that are already available for the new E-Class and S-Class. Beginning in 2014, they will also be available in the new C-Class.

**Anticipatory active chassis.** The new Stereo Multi Purpose Camera (SMPC), or “stereo camera” for short, provides vehicle occupants with even more safety and comfort. The system’s two “eyes” enable it to monitor in 3D an area extending approximately 50 meters in front of the vehicle. The system can also see as far as 500 meters ahead. The information is analyzed with the help of sophisticated algorithms. Within a wide area, the system can thus detect and spatially localize oncoming vehicles as well as vehicles that are driving ahead or coming from the side. It can also recognize and localize pedestrians and various types of traffic signs and road markings. The new camera supplies data to a variety of systems for further processing. One of them is the one-of-a-kind ROAD SURFACE SCAN system, which was first introduced in the new S-Class and turns the ABC feature into MAGIC BODY CONTROL. ROAD SURFACE SCAN recognizes and measures the road surface ahead, while ACTIVE BODY CONTROL, which is an enhanced active suspension system, uses this information to largely offset body movements caused by the road. The chassis is adjusted to each situation within a fraction of a second, enabling body movement to be substantially reduced. This results in an unprecedented level of ride comfort. ↗ C.41

- 1 S 400 HYBRID: fuel consumption in l/100 km urban 7.4 – 6.6 / extra-urban 6.5 – 6.1 / combined 6.8 – 6.3; CO<sub>2</sub> emissions in g/km combined 159 – 147.
- 2 S 300 BlueTEC HYBRID: fuel consumption in l/100 km urban 4.8 – 4.7 / extra-urban 4.6 – 4.3 / combined 4.7 – 4.4; CO<sub>2</sub> emissions in g/km combined 124 – 115.
- 3 S 500 PLUG-IN HYBRID: market launch in second half of 2014.
- 4 B-Class Electric Drive: market launch at first in the USA in Q2 2014.
- 5 smart fortwo electric drive: electricity consumption in kWh/100 km 15.1; CO<sub>2</sub> emissions in g/km 0.0.
- 6 B-Class F-CELL: H<sub>2</sub> consumption in kg/100 km 0.97; CO<sub>2</sub> emissions in g/km 0.0.
- 7 A-Class E-CELL: electricity consumption in kWh/100 km 17.5; CO<sub>2</sub> emissions in g/km 0.0.
- 8 Vito E-CELL: electricity consumption in kWh/100 km 25.2; CO<sub>2</sub> emissions in g/km 0.0.
- 9 SLS AMG Coupe Electric Drive: electricity consumption in kWh/100 km 26.8; CO<sub>2</sub> emissions in g/km 0.0.

## C.41

### All-round visibility in the S-Class



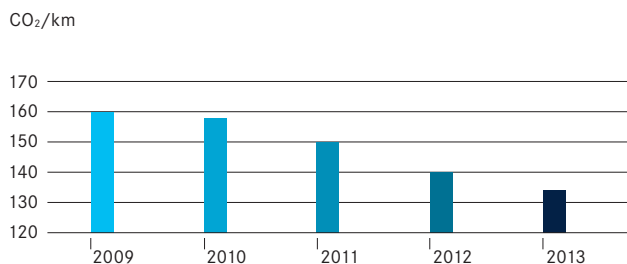


## Five new assistance systems in the Mercedes-Benz

**Sprinter.** One of the main activities during the development of the new Sprinter was the creation of a whole series of new assistance systems, including world firsts for the van segment. Among the systems premiered are Crosswind Assist, COLLISION PREVENTION ASSIST, Blind Spot Assist, Highbeam Assist and Lane Keeping Assist. The many new assistance systems underscore Mercedes-Benz Vans' role as a safety technology pioneer and a driving force for innovation. Crosswind Assist is a milestone in safety technology. Within the limits of what is physically possible, the system almost completely offsets the effects that gusts of wind have on the vehicle. It greatly reduces driver stress, as motorists no longer have to steer as much against sudden gusts of wind. Crosswind Assist uses the standard-fitted ESP<sup>®</sup> sensors to determine the force exerted by crosswinds and gusts on the vehicle. To counteract this force, the assistance system brakes specific wheels on the windward side of the van. This causes the vehicle to steer in the direction of the wind and prevents it from drifting, which would have dangerous consequences.

## C.42

### Average CO<sub>2</sub> emissions of the new car fleet of Mercedes-Benz Cars in the EU



## Environmental protection

### A comprehensive approach to environmental protection.

Daimler is strongly committed to improving the environment and the quality of life in the geographic locations and social settings in which we operate. Protecting the environment is a primary corporate objective of the Daimler Group. Environmental protection is not separate from other objectives at Daimler; instead, it is an integral component of a corporate strategy aimed at long-term value creation. For Daimler, a focus on the highest possible product quality includes compliance with stringent environmental standards and the sparing use of vital natural resources. Our measures for manufacturing environmentally friendly products therefore take the entire product lifecycle into account – from design, production and product use all the way to recycling and disposal. The environmental and energy-related guidelines approved by the Board of Management define the environmental and energy-related policy of the Daimler Group. This expresses our commitment to integrated environmental protection that begins with the underlying factors that have an impact on the environment, assesses the environmental effects of production processes and products in advance, and takes these findings into account in corporate decision-making.

**€2.9 billion for environmental protection.** In 2013, we continued to energetically pursue the goal of conserving resources and reducing all relevant emissions. We have kept a close eye on the effects of all our processes, ranging from vehicle development and production to recycling and environmentally friendly disposal. We increased our expenditure for environmental protection by 4% to €2.9 billion in 2013.

**Further reduction of CO<sub>2</sub> emissions from cars.** Mercedes-Benz made intensive efforts early on to reduce the fuel consumption of its vehicles while enhancing their performance – and thus increasing driving enjoyment and safety margins. With a fleet average of 134 g/km (2012: 140 g/km), we once again significantly reduced the average CO<sub>2</sub> emissions of the cars we sell in the European Union in 2013. More than 50 Mercedes-Benz models emit less than 120 g CO<sub>2</sub>/km, and over 100 models bear the energy efficiency label A+ or A. [↗ C.42](#)

One example of these models is the E 220 BlueTEC BlueEFFICIENCY Edition<sup>1</sup>. With emissions of 114 grams of CO<sub>2</sub> per kilometer, it is not only the most efficient vehicle in its segment but also conforms to the Euro 6 emissions standards. Consequently, it is ranked in the best efficiency class: A+. The E 300 BlueTEC Hybrid<sup>2</sup> emits even less CO<sub>2</sub>. This car combines a 150-kW four-cylinder diesel engine with a 20-kW electric motor and consumes only 4.1 liters/100 km on average (NEDC combined). That corresponds to CO<sub>2</sub> emissions of 107 grams per kilometer.

1 E 220 BlueTEC BlueEFFICIENCY Edition: fuel consumption in l/100 km urban 5,6 – 5,4 / extra-urban 4,1 – 3,7 / combined 4,6 – 4,4; CO<sub>2</sub> emissions in g/km combined 122 – 114.

2 E 300 BlueTEC HYBRID: fuel consumption in l/100 km urban 4,2 – 4,2 / extra-urban 4,2 – 4,1 / combined 4,2 – 4,1; CO<sub>2</sub> emissions in g/km combined 110 – 107.

Innovative technologies for locally emission-free mobility will enable us to further reduce the fuel consumption and CO<sub>2</sub> emissions of our vehicles. Our goal is to reduce the CO<sub>2</sub> emissions of our new-vehicle fleet in the European Union to 125 g/km by 2016. We have also continuously reduced the pollutant emissions of our cars in recent years: by more than 80% since 1995 and by 23% in the past five years. We have achieved even more dramatic reductions with our BlueTEC diesel cars. Thanks to BLUETEC technology, we are a world leader for diesel vehicles. Automobiles equipped with this technology conform to the strictest emissions standards and are the cleanest diesel cars in the world. Moreover, the percentage of our new cars equipped with state-of-the-art Euro 6 technology is significantly higher than that of any other manufacturer.

#### **Economical and low-emission commercial vehicles.**

We have also continuously reduced emissions of CO<sub>2</sub> and other pollutants from our commercial vehicles in recent years. Along with the introduction of BLUETEC technology, these reductions have been achieved through more efficient new engines, axle ratios better suited to specific needs, and improvements in tires and aerodynamics. Daimler is the first manufacturer to offer its entire European product range in a Euro VI version. This development began in 2011 with the launch of the new Actros for long-distance road haulage. It was followed in 2012 by the Antos for heavy-duty distribution transportation. In 2013, we introduced the Arocs for the construction sector and the Atego for light-duty distribution transportation. We completed our Mercedes-Benz Trucks product offensive with the Mercedes-Benz Unimog and Mercedes-Benz Econic special vehicles, which have been rolling off the assembly line in Würth equipped with BLUETEC 6 technology since the fourth quarter of 2013. Despite complex exhaust-gas aftertreatment, our new Euro VI engines consume up to 4% less fuel than the predecessor Euro V engines. We are also leading the way with the introduction of the latest exhaust technology in the bus sector. All Mercedes-Benz and Setra model series are now available with Euro VI technology. In 2013, we also set a new benchmark for fuel efficiency on the North American truck market with the launch of our new heavy-duty Freightliner Cascadia Evolution. Thanks to its new Detroit DD15 engine equipped with proven Daimler BLUETEC exhaust technology and its improved aerodynamics, the new heavy-duty truck consumes 7% less fuel than the predecessor model. This was measured and confirmed by an independent agency in the course of a one-week test drive across the United States.

Hybrid technology can also greatly reduce the consumption of diesel fuel – particularly in buses and in commercial vehicles used for distribution transportation. For example, the FUSO Canter Eco Hybrid consumes up to 23% less fuel than a comparable diesel truck, depending on use, and the Freightliner M2e Hybrid consumes up to 30% less fuel than a conventional diesel-powered M2 106. No other commercial vehicle manufacturer has more experience or has done more testing in the areas of alternative drive systems and electric mobility. We also have the most extensive lineup of series-production vehicles in this field, ranging from vans and trucks to buses. On the road worldwide, there are more than 1.2 million environmentally friendly Daimler commercial vehicles equipped with SCR technology, as well as a further 21,000 vehicles with alternative drive technology.

In Europe, we aim to reduce the fuel consumption of our truck fleet by an average of 20% between 2005 and 2020. Compared with the year 2005, we already achieved a reduction of 10% in fuel consumption and CO<sub>2</sub> emissions with the launch of the new Actros model series in 2011, and we are working systematically on achieving the next 10%.

#### **First series-produced Euro VI-compliant regular-service bus.**

The new Mercedes-Benz Citaro is the first regular-service bus with engines that conform to the Euro VI emissions standards to go into series production significantly in advance of the new emission standards. The emissions of a Citaro equipped with Euro VI exhaust technology have been reduced by about 80% compared to those of its predecessors, which significantly improves the quality of the urban environment. At the same time, fuel costs for bus operators are being reduced, because the new city buses consume around 8% less diesel fuel. Economy is improved through an intelligent combination of an all-new engine generation and the supply of power to auxiliary systems from an energy recovery module. By the end of 2013, approximately 1,200 Mercedes-Benz and Setra buses equipped with environmentally friendly Euro VI exhaust technology had already been delivered to customers.

#### **FUSO Canter Eco Hybrid and Daimler FleetBoard receive sustainability award.**

Daimler Trucks was presented with the “European Transport Award for Sustainability 2014” for two of its products in November 2013. This international award is given by the editors of “Transport,” the newspaper for the freight transport sector. Representatives from business, research and the media make up the seven-member panel that judged the applications submitted. The panel members made their choices based on the criteria of economy, environmental impact and social responsibility. The FUSO Canter Eco Hybrid won by a sizable margin in the category “Distribution transportation truck up to 12 tons.” The truck’s great economy is due to its highly efficient enhanced drive technology. The Global Hybrid Center in Japan developed a parallel hybrid architecture in which a supplementary electric motor is located between the clutch and the transmission. The FUSO Canter Eco Hybrid’s drive technology is based on this architecture. The new Canter Eco Hybrid’s operating strategy is to start moving using only the electric drive. This also makes it very quiet. The diesel engine engages at a speed of around ten kilometers per hour. Depending on how much power is needed, the electric motor also supports the diesel engine for acceleration at higher speeds.

The Daimler FleetBoard consulting service was awarded first prize in the category “Driver and transportation management systems.” Many transport companies use the FleetBoard consultants to sustainably integrate telematics and transport management into the existing IT landscape and thus improve their transportation processes. Moreover, FleetBoard helps its clients to permanently cut fuel consumption and reduce wear and tear by adopting an efficient driving style. Taken together, these measures make a company’s operations noticeably more sustainable. In this way a smaller CO<sub>2</sub> footprint is achieved along the entire logistics chain.

**The world's most modern wind tunnel.** Through a variety of improvements, we have substantially reduced the noise produced by our cars, trucks and buses – and we plan to reduce it further in the future. The new aeroacoustic wind tunnel in Sindelfingen is helping us reach that goal. This facility, which occupies 4,200 square meters and went into operation in 2013, is setting new standards in flow quality and metrology. In the aeroacoustic wind tunnel, we carry out measurements of air resistance, acoustic properties and flow fields at simulated speeds of up to 265 km/h. The testing done at this new facility provides the foundation for reducing the air resistance of our vehicles, and as a result their fuel consumption and CO<sub>2</sub> emissions. This testing also provides information about how to prevent wind noise at high speeds – an important consideration when it comes to comfort.

Mercedes-Benz is the pacesetter in the field of aerodynamics, and in almost every vehicle class we make the cars with the best aerodynamic values. Some of the latest examples are the CLA, which has a drag coefficient (cd) of 0.22 – the lowest in the world for a series-production vehicle – and the new S-Class, which has a cd value of 0.23.

**Lower weight, more recyclates and more natural materials.** We want to make our vehicles lighter while further reducing the environmental impact of the materials used in their production. To achieve these goals, we are using new lightweight materials and components. In addition, we are increasingly using renewable resources and recycled materials.

Lightweight construction can reduce the weight of a vehicle without compromising safety and comfort. Material selection, component design and manufacturing technology all play key roles in lightweight engineering. Not every material is suitable for every component. At 35%, the bodywork accounts for the largest portion of a vehicle's total weight. After that comes the running gear at 25%, the comfort and safety equipment at 20%, and the engine and transmission also at 20%. This distribution means that the most effective way to reduce vehicle weight is to focus on the body. So instead of using conventional types of steel, we are increasingly employing high-strength and ultra-high-strength alloys in our bodywork. Lightweight engineering in the new S-Class has enabled us to make improvements in the body and other components that have reduced the vehicle's weight by almost 100 kilograms compared with the previous model.

**Carbon dioxide as a future refrigerant.** The debate about refrigerants for cars' air conditioning was at the focus of public interest for several months in 2013. The only currently available refrigerant that meets the legal limits is a chemical compound by the name of R1234yf. The safety risks connected with that refrigerant that Daimler has identified in several tests ultimately led to the decision to use the safe and environmentally friendly refrigerant CO<sub>2</sub> in the future. CO<sub>2</sub> is neither flammable nor toxic and it cools very quickly. We are therefore working hard on the development of CO<sub>2</sub> air conditioning. Until the new technology is ready for application, Daimler will continue to use the refrigerant R134a with its proven safety properties, like most of the other automobile manufacturers. According to an EU directive, this is allowed until the end of 2016, depending on the date and other details of a vehicle's type approval. All models of the Mercedes-Benz and smart brands have the relevant type approval with Europe-wide validity.

**Extensive recyclability of old vehicles.** To make our vehicles more environmentally friendly, we are reducing our automobiles' emissions and the resources they consume over their entire lifecycle. We therefore pay close attention to creating a recycling-friendly design even at the development stage. Up to 85% of the materials in all Mercedes-Benz models are recyclable and as much as 95% of the materials are reusable.

Other proven elements of our recycling concept are the resale of inspected and certified used parts, the reconditioning of parts that have been replaced, and the workshop disposal system MeRSy Recycling Management.

**Avoiding waste.** In the area of waste management, Daimler believes that recycling and the prevention of waste are better than disposal. Accordingly, the reconditioning and reuse of raw, process and operating materials has been standard practice at our plants for many years. In order to avoid the creation of waste from the outset, we use innovative technological processes and environmentally aware production planning. Waste materials that are unavoidable are generally recycled. As a result, the recycling rate for waste at our plants is over 90% on average. At some plants almost 100% of the waste is now recycled, meaning that waste destined for landfills has been almost completely eliminated.

As we pursue our environmental protection activities, we rely on comprehensive environmental management systems. Today, more than 98% of our employees worldwide work in plants whose environmental management systems have been certified as conforming to the ISO 14001 or EMAS environmental standards.

**Extensive measures for environmental protection in production.** In recent years, we have been able to limit the energy consumption, CO<sub>2</sub> emissions, production-related solvent emissions and noise pollution at our plants with the help of environmentally friendly production processes. As a result, energy consumption during the period from 2008 to 2013 increased at a rate of 1.2% to 11.1 million megawatt-hours, which was well below the rate of production growth. Thanks to a transition to lower CO<sub>2</sub> energy carriers and more efficient energy generation, CO<sub>2</sub> emissions decreased during the same period by 11.2% to a total of 3.4 million tons. With our ongoing energy savings projects, we were also able to at least partially compensate for the additional energy consumption that resulted from the significant increase in production and the ramp-up of two new plants, one in India and one in Hungary. The increase in energy consumption compared with the previous year was therefore disproportionately low at 2.7%, and CO<sub>2</sub> emissions were at the level of the prior year. With resource-conserving technology such as circulation systems, we kept our water consumption stable between 2008 and 2013, despite significant growth in production.



## Workforce

**Number of employees remains stable.** At December 31, 2013, the Daimler Group employed a total of 274,616 men and women. As expected, the workforce remained as large as it had been at the end of 2012. Whereas the number of employees rose in Germany to 167,447 (2012: 166,363), it declined to 20,993 in the United States (2012: 21,720). At the end of 2013, Daimler had 14,091 employees in Brazil (2012: 14,610) and 11,275 in Japan (2012: 11,286). ↗ **C.43** Our consolidated subsidiaries in China had a total headcount of 1,966 at the end of the year (2012: 2,730). Workforce numbers dropped in China as a result of integrating the car sales organizations into a non-consolidated joint venture company. In addition, 2,274 South African sales employees who were previously assigned to Mercedes-Benz Cars are now listed within the sales organization. At the end of the reporting year, Daimler AG employed a total of 150,605 men and women (2012: 149,644).

Workforce numbers increased in 2013 at Daimler Financial Services. They also rose at our vehicle sales organization because of the aforementioned structural effect. Whereas the number of employees at Mercedes-Benz Vans remained largely unchanged compared with the end of 2012, it decreased at Mercedes-Benz Cars, Daimler Trucks and Daimler Buses. ↗ **C.44**

We have combined in-house services worldwide in shared service centers in order to further improve the quality and efficiency of our administrative functions and various services. These shared services include financial processes, IT and development tasks, sales functions and certain location-specific services. The shared service centers are not consolidated because they do not affect our profitability, cash flow or financial position. The centers employed approximately 4,700 men and women at the end of 2013.

The employees of our Chinese joint ventures are also not included in the Group's total workforce; they employed approximately 17,600 people at December 31, 2013.

**High level of profit sharing.** For the successful financial year of 2012, Daimler's management and General Works Council agreed once again to pay a performance participation bonus to our employees paid according to collective bargaining wage tariffs. At the end of April 2013, all of the eligible employees at Daimler AG were paid an amount of €3,200. This is a visible expression of how we honor our employees for their efforts and commitment.

The eligible employees of Daimler AG in Germany will also receive a fair and appropriate performance participation bonus for financial year 2013. The amount has been determined on the basis of a new, transparent system that was agreed upon by the management and the General Works Council. The resulting amount is €2,541. The management has also decided to pay a one-time special bonus of €500. This special bonus is an expression of gratitude to the employees for their special commitment last year. The full participation in the company's success of €3,041 will be paid out in April 2014.

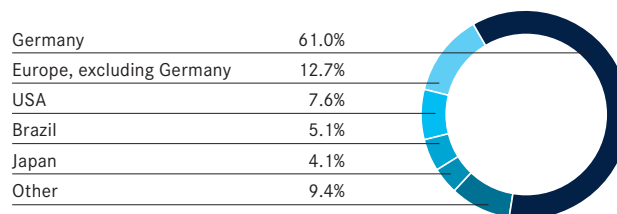
**Slight increase in average age of our employees.** In 2013, our global workforce had an average age of 42.3 years (2012: 41.9). Our employees in Germany were 43.5 years old on average (2012: 43.1). Employees who are 50 years old or older currently make up about 34% of our permanent workforce at Daimler AG. On the basis of current assumptions, this proportion will rise to about 50% over the next ten years. Changes in the collective bargaining agreement and the legal framework, such as retirement at age 67, are intensifying this demographic trend.

As part of our diversity management activities, we are addressing the challenges resulting from the aging of our workforce. This means that we have to create ways for older employees to get more involved in our work processes, and also that we must recruit younger people in a targeted manner.

### C.43

#### Employees at 12/31/2013

By region



### C.44

#### Employees by division

	2013	2012	13/12 % change
Employees (December 31)			
Daimler Group	274,616	275,087	-0
Mercedes-Benz Cars	96,895	98,020	-1
Daimler Trucks	79,020	80,519	-2
Mercedes-Benz Vans	14,838	14,916	-1
Daimler Buses	16,603	16,901	-2
Sales & Marketing Organization	52,455	50,683	+3
Daimler Financial Services	8,107	7,779	+4
Other	6,698	6,269	+7

In May 2013, Daimler introduced a new human resources concept that takes advantage of the experience of the company's retired employees. These "senior experts" can voluntarily return to the company for a temporary period if the departments need their services. The program promotes cooperation among people of different ages in order to benefit from their specific strengths. In this way, the concept combines the young employees' innovative strength with the retirees' wealth of experience. The experience we have gained with the senior experts so far confirms that the program's aims are being achieved.

**Number of years at Daimler.** In 2013, our employees had worked for the Daimler Group for an average of 16.2 years. This figure was slightly above the previous year's level (2012: 15.8 years). In Germany, employees had worked for the Group for an average of 19.2 years at the end of 2013 (2012: 18.8 years). The comparative figure for Daimler AG was 19.5 years (2012: 19.1 years). Daimler employees outside Germany had worked for the Group for an average of 11.3 years (2012: 11.0 years).

**Diversity management activities.** Diversity management is a strategic success factor for the company's future viability. Because mixed teams are better than homogeneous ones at solving complex tasks, Daimler's diversity management activities primarily focus on making managers more aware of this issue. We also use mentoring programs, communication activities, conferences, workshops and e-learning tools for this purpose. This continuous focus on diversity management enables our corporate culture to steadily evolve.

**Increased proportion of women employees.** Our instruments for supporting the targeted promotion of women include flexible working-time models, childcare facilities close to the workplace and special mentoring programs. Daimler has committed itself to increasing the proportion of women in senior management positions throughout the Group to 20% by 2020. The share of women in such positions has risen continually over the last few years to reach 12.7% at the end of 2013 (2012: 11.9%). Because we are a technologically oriented company, the targets take into account sector-specific conditions and women's current share of our workforce. At the Daimler Group, women accounted for 16.3% of the total workforce worldwide (2012: 16.2%). At Daimler AG, women accounted for 14.6% of the employees at the end of the year under review (2012: 14.4%).

**Employee qualification.** We provide our staff with training and continuing education opportunities throughout their entire careers. Our range of qualification measures includes practical training courses, seminars, workshops, specialist conferences and instruction through digital media. In Germany alone, we spent €107 million on the training and qualification of our employees in the year under review (2012: €112 million). On average, every employee spent 4.1 days in qualification courses in 2013 (2012: 4.0 days).

**Securing young talent.** Daimler takes a holistic approach to securing young talent. For example, our Genius initiative enables children and teenagers to gain valuable information about technologies of the future and professions in the automotive industry. [genius-community.com](http://genius-community.com) High school graduates can apply to participate in a technical or commercial apprenticeship at one of our locations or to study at the

Cooperative State University in Baden-Württemberg. After completing their college degrees, they can directly join our company or launch their careers at Daimler by taking part in our global CAREer training program.

In 2013, CAREer once again enabled approximately 300 college graduates from around the world to begin a career at Daimler. The program focuses on young people who have graduated in technical and commercial fields with above-average grades and applicants with practical experience. Women currently account for around one third of CAREer participants; our trainees and alumni come from approximately 30 different nations.

We are also making our training activities more international so that we can establish high training standards in growth regions and recruit highly qualified skilled employees. In 2013, we developed the Mercedes-Benz Qualification System (MBQS) for our international car locations. The system describes the general conditions for efficient training programs outside Germany that provide participants with the required qualifications, including programs for training master craftspeople. We are also incorporating some elements of the German work-study system in various projects outside Germany.

We had 8,630 apprentices and trainees worldwide at the end of 2013 (2012: 8,267). A total of 2,014 young people began their vocational training at Daimler in Germany during the year under review (2012: 2,109). The number of people we train and subsequently hire is based solely on the Group's needs and its future development. In 2013, 89% of Daimler trainees were hired after completing their apprenticeships (2012: 91%).

**High standards for awarding contracts for work and services.** Contracts for work and services are important instruments to enable companies to remain flexible and competitive in their business operations. Through such contracts, Daimler procures services that can be provided better and more efficiently by the specialists of the respective supplier than by the Group itself. They include for example facility management services and the operation of plant canteens as well as specialized logistics and highly complex services in areas such as development, IT and consulting.

Contracts for work and services regulate the provision of a precisely defined service in return for a fixed payment. In order to secure transparent and fair conditions for all parties in the execution of such contracts, Daimler decided on new standards for the award and execution of contracts for work and services on Daimler premises in autumn 2013. These standards apply in particular to working conditions and the wages of the employees deployed by contracted companies, and go significantly further than the conditions required by applicable law.

To ensure that the new social principles are effective also on a sustained basis, Daimler will systematically monitor for adherence to them. Daimler therefore checks not only during an invitation to tender whether the participating companies fulfill the standards, but also regularly while the services are provided.

## Social responsibility

**The main elements of our social involvement.** Because we consider business success to be inseparable from social responsibility, we are working worldwide for the future of our society in line with our values and local needs.

To promote social development, we spent more than €60 million on donations to nonprofit institutions and sponsorships of socially beneficial projects in 2013. Added to this are our foundations and corporate volunteering activities, as well as self-initiated projects.

We concentrate on areas that promote our role as a “good neighbor” of the communities in which we operate worldwide. We also focus on projects that can benefit from our core areas of expertise as an automobile manufacturer as well as our specific know-how. In particular, that includes projects devoted to science, technology, the environment, education, traffic safety, the arts and culture. We also support charitable projects, community projects and projects for promoting social and political dialogue.

**Transparency and control.** The Board of Management’s committee for donations and sponsorship controls all of the company’s donations and sponsorship activities worldwide. The committee bases its decisions on the donation and sponsorship guidelines, which creates binding regulations for the relevant criteria, legal stipulations and ethical standards. We also create transparency with the help of our donation and sponsorship database, which records all of the Group’s donations and sponsorship activities worldwide. Regular communication measures help employees to abide by the guidelines worldwide and make them aware of the risks associated with donations and sponsorship activities.

**Support for political parties.** In 2013, we supported democratic parties solely in Germany, donating a total of €320,000 (2012: €435,000). Of this total, the CDU and SPD parties each received €100,000 (2012: €150,000), and the FDP, the CSU, and BÜNDNIS 90/DIE GRÜNEN each received €40,000 (2012: €45,000).

**Funding through foundations.** We support universities, research institutes and interdisciplinary science projects worldwide to promote sustained innovation and the international sharing of ideas. We have combined these activities in our foundations.

The Daimler and Benz Foundation is endowed with €125 million. As a promoter of the knowledge society, the foundation helps to fund the scientific development of research ideas in the areas of environmental protection and technological safety. It also funds a special team of mobility experts who study the effects and socially relevant aspects of autonomous driving. [daimler-benz-stiftung.de](http://daimler-benz-stiftung.de)

Within the framework of the founders’ Association for German Science, the Daimler Foundation is, among other things, involved in selecting the winners of the German future Prize for Technology and Innovation. As part of MINTernational, the foundation also supports young scientists at academic institutions and helps to make universities more international.

[stiferverband.org](http://stiferverband.org)

**Science, technology and the environment.** Daimler has been helping environmental organizations conduct various projects for several years now. For example, the Baden-Württemberg chapter of the Nature and Biodiversity Conservation Union of Germany (NABU) cooperated with Daimler to launch a marsh renaturation project in 2012. Almost all of the marshes in Baden-Württemberg have been drained and severely damaged in past centuries, but the partners aim to restore two of them. This project will benefit many threatened plant and animal species as well as the climate in general.

**Education and traffic safety.** Our MobileKids program has been successfully promoting safety and the future of mobility since 2001. This initiative teaches schoolchildren about traffic safety in a playful and engaging manner. The ideas and content of MobileKids are also taught in other countries including China, Turkey and Hungary. To date, the program has prepared more than one million children worldwide to behave safely in road traffic. [mobilekids.net](http://mobilekids.net)

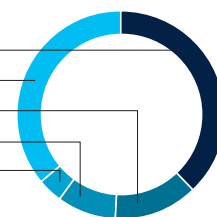
Improving access to education is one of the most long-lasting investments benefiting society and also our company. That is why we launched the Genius education initiative, which is geared toward children and teenagers and combines various educational projects focusing on future technologies, mobility and environmental issues. We use age-appropriate programs and free workshops to provide playful and practical instruction outside a school setting. In conformity with the formal curriculum, we have also developed instructional materials on science and technology subjects. In this context, we offer teacher conferences and training courses related to these materials.

[genius-community.com](http://genius-community.com)

## C.45

### Donations and sponsoring in 2013

Charity/Community	38%
Arts & Culture	36%
Education	13%
Science/Technology/Environment	9%
Political Dialog	4%





**The arts and culture.** Daimler supports the arts and culture as a key element of its business identity. These activities focus on the promotion of regional culture. Among other things, we support the Berlin Philharmonic Orchestra and the Mecklenburg-Vorpommern Music festival. In China, we have a strategic partnership with the National Center for the Performing Arts and support Art Beijing and the International Music Festival. In South Africa, we are a partner of the country's "21 icons" project, which aims to use national role models such as Nelson Mandela to inspire young people to follow in their tracks. [21icons.com](http://21icons.com)

**Charitable projects.** In cooperation with the aid organization Wings of Help, two convoys consisting of several new Mercedes-Benz Actros semitrailer trucks transported relief supplies to Syrian refugees in Turkey. The trucks carried some 35,000 blankets, winter clothing for 120,000 people, baby food for 150,000 children, vaccinations, tents, wheelchairs, ambulances and mobile medical centers almost 4,000 kilometers overland to the area along the Turkish-Syrian border.

Following the devastating typhoon in November 2013, Daimler quickly provided €500,000 to the suffering population in the Philippines and called on its employees to donate as well. The donation to the German Red Cross was invested in water treatment facilities and in measures for preventing epidemics.

As part of our national sponsorship program, we donated money in 2013 also to charitable initiatives that focus on helping families and children in Germany. Among them is the brotZeit project, which combines programs for supporting active senior citizens with the care of socially disadvantaged children. Needy children are served a free, balanced breakfast, and senior citizen volunteers provide slow learners with individualized support. [brotzeitfuerkinder.com](http://brotzeitfuerkinder.com)

**Corporate volunteering.** Daimler Financial Services now organizes Days of Caring in more than 20 countries. In 2013, over 2,300 employees took part in the worldwide program to jointly help charitable institutions for a whole day. The climax of these activities was the Week of Caring in the United States, where around 1,000 employees spent a whole week working on charitable projects at more than 30 different institutions.

We continued to expand our ProCent initiative during the year under review. In this initiative, Daimler employees voluntarily donate the cent amounts of their net salaries to socially beneficial projects. The company matches every cent donated and collects the money in a support fund. In line with the suggestions of its employees, Daimler uses this money to support environmental and social projects in Germany and other countries worldwide. In 2013, we provided 175 projects with more than €1 million in funding. More than €1.7 million has been donated to socially beneficial projects since the initiative was launched in 2012.

In the "Gift a Smile" Christmas campaign, Daimler employees in the Stuttgart area put together 7,700 present parcels of toys, school articles, sweets and clothes for children and teenagers from socially disadvantaged families. Daimler provided the Christmas boxes for this campaign. A FUSO truck collected the packages from various locations. The presents were then distributed by the nonprofit food bank "Die Tafeln."

More information about the projects promoted by the Group and the activities related to our social commitment can be found in the Daimler Sustainability Report and on our website under "Sustainability." [daimler.com/nachhaltigkeit](http://daimler.com/nachhaltigkeit)

# Overall Assessment of the Economic Situation.

In the opinion of the Board of Management, the Daimler Group's economic situation is very satisfactory at the time of publication of this Annual Report. On the basis of a wide-ranging product offensive at all divisions, we continued along our growth path during the year under review. We were able to achieve our growth targets to a very large extent and our profitability improved significantly as the year progressed.

Although some major sales markets were still difficult, all of our automotive divisions increased their unit sales and further improved their market position, in some cases significantly. Mercedes-Benz Cars set a new record for unit sales, the Mercedes-Benz Vans and Daimler Buses divisions both posted increases, and the Daimler Trucks division improved on its prior-year unit sales. Along with the positive development of the automotive business, the Daimler Financial Services division also expanded significantly in 2013. The Group's total revenue also grew, by 3% to €118.0 billion; adjusted for exchange-rate effects, there was actually an increase of 7%.

Operating profit (EBIT) from the ongoing business of €7.9 billion was at a high level, although we did not quite match the prior-year figure, which was our target for the year 2013. The continuation of high expenditure for the expansion of the product portfolio and the production network once again had an impact on our key financial metrics in the year under review. But it was important that our earnings situation improved continuously as the year progressed. As a result, we achieved a very good return on capital employed also in 2013; with a return on net assets of 22.7% (2012: 19.6%), we once again earned significantly more than our cost of capital. This is reflected also by our value added, which at €5.9 billion was significantly higher than the prior-year figure of €4.3 billion. This increase was due not only to the positive development of business operations, but also to the capital gain on the remeasurement and sale of the remaining 7.4% of EADS shares in April 2013.

Thanks to the ongoing high level of earnings, we continue to have sound key financial metrics. At year-end, the Group's overall equity ratio was 24.3% (2012: 22.7%) and the equity ratio of the industrial business was 43.4% (2012: 39.8%). The net liquidity of our industrial business also remained at a comfortably high level of €13.8 billion at the end of the year (2012: €11.5 billion). The free cash flow from the industrial business – the parameter we use to measure financial strength – was €4.8 billion in 2013 (2012: €1.5 billion). This reflects the sale of the remaining shares of EADS in April 2013 yielding a cash inflow of €2.2 billion. On the other hand, there was a payment of €0.6 billion for the acquisition of a 12% equity interest in the Chinese automobile manufacturer BAIC. The free cash flow was already positively influenced in 2012 by the reduction of our EADS shareholding. When the special effects of both years are excluded, a significant increase is apparent, which is driven by operating profit but also by reporting-date factors.

We want our shareholders to participate appropriately in the earnings achieved by Daimler in 2013. At the Annual Shareholders' Meeting on April 9, 2014, the Board of Management and the Supervisory Board will therefore propose an increase in the dividend to €2.25 per share (prior year: €2.20). With this decision, we are also expressing our confidence about the ongoing course of business.

The generally very positive business development in the year 2013 was supported by several factors, with which we are positioning ourselves for a successful future. The motto of "Doing business efficiently and growing profitably" primarily relates to the efficient structuring of the most far-reaching growth program in the Group's history.

A core element of our successful growth strategy is the wide-ranging product offensive at all divisions, with which we are winning new customers and developing additional markets. Mercedes-Benz Cars currently has the youngest and most attractive product portfolio of all time, which we upgraded in 2013 with the new E-Class, the new compact coupe CLA, and the new S-Class. Also with trucks, we have nearly completely renewed our range of products and engines in recent years. The most important new models include the Arocs – a construction-site truck, the new Sprinter van, the new coach Setra TopClass 500, and the Freightliner Cascadia Evolution – our new flagship truck in the North American market.

Furthermore, we underscored our technology leadership with groundbreaking innovations in 2013. The new S-Class is the undisputed spearhead of automotive technology. It is a pioneer in the areas of safety, driving comfort and luxury. The S 500 INTELLIGENT DRIVE is a milestone along the way to accident-free driving. With this research vehicle, we were the first automobile manufacturer in the world to demonstrate in August 2013 that autonomous driving is possible also in long-distance and urban traffic. And before the end of 2014, we will launch the S 500 PLUG-IN HYBRID, the most fuel-efficient luxury sedan of all time.

In general, we once again made considerable progress with the reduction of fuel consumption in 2013, thanks to our new models of cars and commercial vehicles. For example, we once again significantly reduced the average CO<sub>2</sub> emissions of the cars we sell in the European Union from 140 grams per kilometer to 134 g/km in 2013. Furthermore, we were the first producer of commercial vehicles to convert its entire product range in Europe to the new Euro VI emission limits before they took effect in January 2014. Despite the equipment for exhaust-gas after-treatment, the fuel consumption of our new Euro VI engines is up to 4% better than their Euro V predecessors. The Actros is the most economical truck in its market segment in Europe and the Freightliner Cascadia Evolution is the most fuel-efficient truck in North America.

We are ideally prepared for the future also in the field of alternative drive systems. Our portfolio of locally emission-free vehicles with batteries and fuel cells is unique. It ranges from cars to vans and from light trucks to buses. And with commercial vehicles, we are the world's leading supplier of vehicles with hybrid drive.

We effectively expanded our worldwide network of production sites and research facilities in 2013, placing our future growth on a broad regional basis. The focus is on the growth markets of China, India, Brazil and Russia. Substantial investment in our plants in Germany demonstrates that they continue to play a key role as competence centers for our international network. In China, we have increased the production capacities for the model series that are already produced in that market. In addition, we will also produce the new compact SUV – the GLA – in China starting in 2014. Already in November 2013, we opened our first engine plant outside Germany in Beijing. In the same month, we acquired a 12% equity interest in our long-standing partner BAIC, thus taking a further important step within the framework of our China strategy.

Key components of our growth strategy are the efficiency programs we have initiated in all of our divisions. In this way, we ensure that our financing strength is protected also under difficult market conditions and that we will be able to continue growing profitably in the future. The implementation of these programs is running according to plan. This is reflected also by the development of earnings in the second half of 2013. With these programs, we intend to realize sustained earnings contributions totaling approximately €4 billion by the end of 2014.

Following the successful start of the product offensives for cars and commercial vehicles, the further development of our structures is now the next strategic step to help us achieve our growth targets. In order to focus our activities even more on customers and markets, we decided in September 2013 to strengthen the organization of the divisions. Under the heading of “Customer Dedication,” we are anchoring responsibility for the main sales functions and the major sales markets directly in the respective divisions. With a leaner organization and more efficient structures, we are creating the right conditions to utilize growth potential in our core business and in new markets. The main objective is to become even more attractive for new groups of customers with our new products, while intensifying the brand loyalty of our existing customers.

The future development of automotive markets offers us enormous opportunities, but is also connected with great challenges. With our growth strategies, our efficiency programs and the new structure of the Group, we laid the foundations in 2013 to utilize the opportunities and successfully meet the challenges ahead. As a result, we should succeed in combining growth with efficiency over the long term.

## Events after the End of the 2013 Financial Year.

Since the end of the 2013 financial year, there have been no further occurrences that are of major significance for Daimler. The course of business in the first two months of 2014 confirms the statements made in the “Outlook” section of this Annual Report.



# Remuneration Report.

The Remuneration Report summarizes the principles that are applied to determine the remuneration of the Board of Management of Daimler AG, and explains both the level and the structure of its members' remuneration. It also describes the principles and level of remuneration of the Supervisory Board.

## Principles of Board of Management remuneration

**Goals.** The remuneration system for the Board of Management aims to remunerate its members commensurately with their areas of activity and responsibility and in compliance with applicable law, so that Daimler is an attractive employer also for first-class executives. By means of adequate variability, the system should also clearly and directly reflect the joint and individual performance of the Board of Management members and the sustained performance of the Group.

**Practical implementation.** For each upcoming financial year, the Presidential Committee at first prepares a review by the Supervisory Board of the system and level of remuneration on the basis of a comparison with competitors. The main focus is on checking for appropriateness, based on a horizontal and vertical comparison. In the horizontal comparison, the following aspects are given particular attention in relation to a group of comparable companies in Germany:

- the effects of the individual fixed and variable components, that is, the methods behind them and their reference parameters;
- the relative weighting of the components, that is, the relationship between the fixed base salary and the short-term and long-term variable components;
- the ratio of an average employee's income to that of a member of the Board of Management;

and the resulting target remuneration consisting of base salary, annual bonus and long-term variable remuneration, also with consideration of entitlement to a retirement pension and fringe benefits.

The vertical comparison focuses on the ratio of Board of Management remuneration to the remuneration of the senior executives and the entire workforce of Daimler AG in Germany, also in terms of development over time. For this purpose, the Supervisory Board has defined the group of senior executives with the use of the Company's internal levels of hierarchy.


In carrying out this review, the Presidential Committee and the Supervisory Board consult independent external advisors, above all to facilitate a comparison with remuneration systems common in the market. If the review results in a need for changes to the remuneration system for the Board of Management, the Presidential Committee submits the relevant proposals to the entire Supervisory Board for its approval.

On the basis of the approved remuneration system, the Supervisory Board decides at the beginning of the year on the base and target remuneration for the individual members of the Board of Management and decides on the success parameters relevant for the annual bonus in the coming year. Furthermore, individual goals are decided upon for each member of the Board of Management for the respective areas of personal responsibility; those goals are then taken into consideration after the end of the financial year when the annual bonus is decided upon by the Supervisory Board.

For the long-term variable component of remuneration, the Supervisory Board sets an amount to be granted for the upcoming financial year in the form of an absolute amount in euros and sets the respective performance targets.

In this way, the individual base and target remuneration and the relevant performance parameters are set by the beginning of each year.

After the end of each year, target achievement is measured and the actual remuneration is calculated by the Presidential Committee and is submitted to the Supervisory Board for its approval.

**The system of Board of Management remuneration in 2013.** The remuneration system comprises a fixed base salary (approximately 29% of the target remuneration), an annual bonus (approximately 29% of the target remuneration), and a variable component of remuneration with a long-term incentive effect (approximately 42% of the target remuneration). The spectrum of target achievement and the reference parameters remained unchanged. Only 50% of the annual bonus is paid out in the March of the following year. The other 50% is paid out a year later with the application of a bonus-malus rule (so-called deferral), depending on the development of the Daimler share price compared with an automotive index (Dow Jones STOXX Auto Index)  see pages 22 f, which Daimler AG uses as a benchmark for the relative share-price development. Both the delayed payout of the portion of the

annual bonus (with the use of the bonus-malus rule) and the variable component of remuneration with a long-term incentive effect with its link to additional, ambitious comparative parameters and to the share price reflect the recommendations of the German Corporate Governance Code and give due consideration to both positive and negative developments. The details of the system are as follows:

The **base salary** is fixed remuneration relating to the entire year, oriented towards the area of responsibility of each Board of Management member and paid out in twelve monthly installments.

The **annual bonus** is variable remuneration, the level of which is primarily linked to the operating profit of the Daimler Group (EBIT). For the past financial year, the annual bonus was also linked to the target for the respective financial year determined by the Supervisory Board (derived from the level of return targeted for the medium term and the growth targets), the actual result compared with the prior year, the individual performance of the Board of Management members and the achievement of compliance targets. Optionally, additional key figures/assessment bases and targets can be included.

**Primary reference parameters:**

- 50% relates to a comparison of actual EBIT in 2013 with EBIT targeted for 2013.
- 50% relates to a comparison of actual EBIT in 2013 with actual EBIT in 2012.

**Amount with 100% target achievement (target annual bonus):**

In the year 2013, 100% of the base salary.

**Range of possible target achievement:**

0 to 200%, that is, the annual bonus due to EBIT achievement has an upper limit of double the base salary and may also be zero (see below). Both primary reference parameters, each of which relates to half of the bonus, can vary between 0% and 200%. The limits of this bandwidth are defined by a deviation of plus or minus 2% of the prior-year revenue.

On the basis of the resulting degree of target achievement, an amount of up to 10% can be added or deducted, depending on the aforementioned predefined key figures/assessment basis. Since 2012, non-financial targets have been used as a basis for assessment; for the past financial year, those targets were employee and customer satisfaction, diversity as well as the further development and permanent establishment of the corporate value of integrity. Furthermore, the Supervisory Board has the possibility, based for example on the agreed targets that have been set, to take account of the personal performance of the individual Board of Management members with an addition or deduction of up to 25%.

Once again in 2013, further individual targets were agreed upon with the Board of Management with regard to the development and sustained function of the compliance management system. The complete or partial non-achievement of individual compliance targets can be reflected by a deduction of up to 25% from the individual target achievement. However, the compliance targets cannot result in any increase in individual target achievement, even in the case of full accomplishment.

The **Performance Phantom Share Plan (PPSP)** is a variable element of remuneration with long-term incentive effects. At the beginning of the plan, the Supervisory Board specifies an absolute amount in euros in the context of setting the individual annual target remuneration. This amount is divided by the relevant average price of Daimler shares calculated over a long period of time, which results in the preliminary number of phantom shares allocated. Also at the beginning of the plan, performance targets are set for a period of three years. Depending on the achievement of these performance targets with a possible range of 0% to 200%, after three years, the phantom shares allocated at the beginning of the plan are converted into the final number of phantom shares allocated. After another plan year has elapsed, the amount to be paid out is calculated from this number of phantom shares and the applicable share price at that time. The share price relevant for the payout under this plan is also relevant for allocating the preliminary number of phantom shares for the plan newly issued in this year.

**Reference parameters for Plan 2013:**

- 50% relates to the Group's return on sales compared with a group of competitors (BMW, Fiat, Ford, Honda, Paccar, Renault, Toyota, Volvo and Volkswagen). For the measurement of this success criterion, the competitors' average return on sales is calculated over a period of three years, whereby the best and worst values are not taken into consideration. The extent that Daimler's return on sales deviates by up to +/-2 percentage points from the average thus calculated is deemed to be the range of target achievement. This means that target achievement is 200% if Daimler's return on sales is 2 percentage points or more above the competitors' average. Target achievement is 0% if Daimler's return on sales is 2 percentage points or more below the competitors' average.
- 50% relates to the Group's return on net assets in relation to the cost of capital. This criterion stands for the value created by the Group. In a defined range between 6% and 8% and between 8% and 16% (since the 2013 plan), appropriate performance factors are allocated to the individual figures for return on net assets in a linear relationship. This means that target achievement is 200% if Daimler's return on net assets is 16% or more. Target achievement is 0% if Daimler's return on net assets is 6% or less.

**Value upon allocation:**

Determined annually in relation to a market comparison; for 2013, approximately 1.3 to 1.6 times the base salary.

**Range of possible target achievement:**

0 to 200%, that is, the plan has an upper limit. It may also be zero.

**Value of the phantom shares on payout:**

The value of the phantom shares to be paid out depends on target achievement measured according to the criteria described above and on the share price relevant for the payout. This share price is limited to 2.5 times the share price at the beginning of the plan. In addition, the amount to be paid out is limited to 2.5 times the absolute euro amount specified at the beginning of the plan, which is relevant for the preliminary number of phantom shares allocated. During the four-year period between the allocation of the preliminary phantom shares and the payout of the plan proceeds, the phantom shares earn a dividend equivalent in the amount of the actual dividend paid on ordinary Daimler shares.

**Guidelines for share ownership.** As a supplement to these three components of remuneration, "Stock Ownership Guidelines" exist for the Board of Management. These guidelines require the members of the Board of Management to invest a portion of their private assets in Daimler shares over several years and to hold those shares until the end of their Board of Management membership. The number of shares to be held was set when the Performance Phantom Share Plan was introduced in relation to double the then annual base salary for each ordinary member of the Board of Management and triple the then annual base salary for the Chairman of the Board of Management. In fulfillment of the guidelines, up to 25% of the gross remuneration out of each Performance Phantom Share Plan is generally to be used to acquire ordinary shares in the Company, but the required shares can also be acquired in other ways.

**Appropriateness of Board of Management remuneration.**

In accordance with Section 87 of the German Stock Corporation Act (AktG), the Supervisory Board of Daimler AG once again had an assessment of the system of Board of Management remuneration carried out by an external remuneration expert in 2013. The result was that the remuneration system as described above was confirmed as being in conformance with the requirements of applicable law. The remuneration system, which in 2013 was fundamentally unchanged from 2012 and 2011, had already been approved by the Annual Shareholders' Meeting in 2011.

**New recommendations of the German Corporate Governance Code/Adjustment of the remuneration system with effect as of January 1, 2014.** According to the recommendation newly included in the German Corporate Governance Code as amended on May 13, 2013, the maximum amount of Board of Management remuneration is to be limited, both overall and with regard to its variable components.

When the amended Code of May 2013 took effect, the remuneration agreements with the members of the Board of Management already called for limits on the components of remuneration, which however, did not completely meet the requirements of the new recommendation. Effective January 1, 2014, the members of the Board of Management approved the inclusion in their current contracts of service of limits in line with Clause 4.2.3 Paragraph 2 Sentence 6 of the Code. In the adjustment agreements, percentage limits with reference to the base salary were agreed upon also for the annual bonus payments that had not yet been paid for financial years 2012 and 2013. The percentage limit

referring to the grant value for the remuneration from the long-term and share-based component of remuneration, the so-called Performance Phantom Share Plan, was also extended to future dividend equivalents falling due from tranches issued before January 1, 2014 and still running.

In addition to these also retroactive arrangements (i.e. limitation of the total amount to be paid out from the annual bonus of a financial year to 2.35 times the base salary of the respective financial year and the inclusion of the dividend equivalent in the limit of the PPSP), the maximum limit of total remuneration for the Board of Management was set as of financial year 2014 at 1.9 times the target remuneration for its members and 1.5 times the target remuneration for its Chairman. The target remuneration consists of the base salary, the target annual bonus and the grant value of the PPSP, excluding fringe benefits and retirement benefit commitments. With the inclusion of fringe benefits and retirement benefit commitments from the respective financial years, the maximum limit of total remuneration increases by these amounts. The possible cap on the amount exceeding the maximum limit takes place with the payment of the PPSP issued in the relevant financial year.

In addition, effective January 1, 2014, the bandwidth of possible target achievement for the annual bonus was adjusted as follows:

For the primary reference parameter defining 50% of the annual bonus, "comparison of actual EBIT in the financial year with the EBIT targeted for the financial year," the limits of the unchanged possible bandwidth of 0 to 200% are defined as of 2014 as a deviation of +/- 3% from prior-year revenue (previously 2%).

Furthermore, the Supervisory Board decided, with first-time application for PPSP 2014, to redefine the competitive group relevant for the performance measure "return on sales" to include all stock-exchange-listed vehicle manufacturers with an automotive proportion of more than 70% and an investment-grade rating. Another increase in the criteria is that within the context of the unchanged possible bandwidth of 0 to 200%, target achievement of 100% is only granted with an average return on sales of 105% of the competitive group. Moreover, the previous "return on net assets" performance measure has been replaced with the development of the price of Daimler shares compared with the share-price development of the competitive group newly defined for the calculation of "return on sales." The limits of possible target achievement of 0 to 200% are defined by a deviation of +/- 50% from the average share-price development of the competitive group.

The system of remuneration of the Board of Management otherwise remains unchanged.



## Board of Management remuneration in 2013

Total Board of Management remuneration in 2013. The total remuneration granted by Group companies (excluding retirement benefit commitments) to the members of the Board of Management of Daimler AG is calculated as the total of the amounts of

- the base salary in 2013,
- the half of the annual bonus for 2013 payable in 2014,
- the half of the medium-term share-based component of the annual bonus for 2013 payable in 2015 with its value at the balance sheet date (entitlement depending on the development of Daimler's share price compared with the Dow Jones STOXX Auto Index),
- the value of the long-term share-based remuneration at the time when granted in 2013, and
- the taxable non-cash benefits in 2013.

For both of the share-based components – the second 50% of the annual bonus and the PPSP with a long-term orientation – the amounts actually paid out can deviate significantly from the values described depending on the development of the Daimler share price and on the achievement of the relevant target parameters. Upward deviation is possible only as far as the maximum limits described above. Both components can also be zero.

The remuneration of the Board of Management for the year 2013 amounts to €32.1 million (2012: €28.2 million). Of that total, €9.1 million was fixed, that is, non-performance-related remuneration (2012: €7.5 million), €12.1 million (2012: €9.3 million) was short- and medium-term variable performance-related remuneration (annual bonus with deferral), and €10.9 million was variable performance-related remuneration granted in 2013 with a long-term incentive effect (2012: €11.4 million). [↗ C.46](#)

When comparing with the prior-year figures, with regard to the total of base salary, the annual bonus and the PPSP granted, it is necessary to consider effect pro rata over time of the appointment of Mr. Troska taking effect as of December 13, 2012.

The granting of non-cash benefits in kind, primarily the reimbursement of expenses for security precautions and the provision of company cars, resulted in taxable benefits for the members of the Board of Management in 2013 as shown in the table [↗ C.47](#).

## C.46

### Board of Management remuneration in 2013

		Base salary	Short and medium-term variable remuneration (annual bonus)		Long-term variable remuneration (PPSP)		Total
			Short-term	Medium-term	Number	Value when granted (2013: at share price €44.39) (2012: at share price €48.23)	
In thousands of euros							
Dr. Dieter Zetsche	2013	2,008	1,707	1,707	63,643	2,825	8,247
	2012	2,008	1,426	1,426	68,273	3,293	8,153
Dr. Wolfgang Bernhard	2013	715	590	590	25,458	1,130	3,025
	2012	715	508	508	27,309	1,316	3,047
Dr. Christine Hohmann-Dennhardt	2013	715	590	590	25,458	1,130	3,025
	2012	715	526	526	27,309	1,317	3,084
Wilfried Porth <sup>1</sup>	2013	715	608	608	25,458	1,044	2,975
	2012	715	508	508	27,309	1,229	2,960
Andreas Renschler <sup>2</sup>	2013	755	623	623	28,420	1,226	3,227
	2012	755	536	536	30,487	1,460	3,287
Hubertus Troska	2013	715	590	590	25,458	1,130	3,025
	2012	37	24	24	-	-	85
Bodo Uebber <sup>3</sup>	2013	866	736	736	30,433	1,199	3,537
	2012	866	636	636	32,647	1,402	3,540
Prof. Dr. Thomas Weber	2013	715	626	626	27,031	1,200	3,167
	2012	715	490	490	28,998	1,399	3,094
Total	2013	7,204	6,070	6,070	251,359	10,884	30,228
	2012	6,526	4,654	4,654	242,332	11,416	27,250

<sup>1</sup> Taking into account supervisory board remuneration of €85,734 (2012: €88,460).

<sup>2</sup> Taking into account supervisory board remuneration of €35,646 (2012: €10,913).

<sup>3</sup> Taking into account supervisory board remuneration of €152,197 (2012: €173,048).

## Commitments upon termination of service

**Retirement provision.** The pension agreements of some Board of Management members include a commitment to an annual retirement pension, calculated as a proportion of the former base salary and depending on the number of years of service. Those pension rights were granted until 2005 and remain valid; they have been frozen at that level, however. Payments of these retirement pensions start upon request when the term of service ends at or after the age of 60, or are paid as disability pensions if the term of service ends before the age of 60 due to disability. The respective agreements provide for a 3.5% annual increase in benefits (with the exception that Wilfried Porth's benefits are adjusted in accordance with applicable law). The agreements include a provision by which a spouse of a deceased Board of Management member is entitled to 60% of that member's pension. That amount can increase by up to 30 percentage points depending on the number of dependent children.

Effective as of January 1, 2006, we replaced the pension agreements of the Board of Management members with a new arrangement, the so-called pension capital system. Under this system, each Board of Management member is credited with a capital component each year. This capital component comprises an amount equal to 15% of the sum of the Board of Management member's fixed base salary and the actual annual bonus, multiplied by an age factor equivalent to a rate of return of 6% until 2015 and 5% as of 2016 (Wolfgang Bernhard and Wilfried Porth: 5% for all years). These contributions to pension plans are granted only until the age of 60. The benefit from the pension plan is payable to surviving Board of Management members upon retirement at or after the age of 60, or as a disability pension upon retirement before the age of 60 due to disability.

In 2012, Daimler introduced a new company retirement benefit plan for new entrants and new appointments for employees paid according to collective bargaining wage tariffs as well as for executives: the "Daimler Pensions Plan." As before, the new retirement benefit system features the payment of annual contributions by Daimler, but is oriented towards the capital market, combined with Daimler's commitment to guarantee the total of contributions paid. The Supervisory Board of Daimler AG has approved the application of this system for all newly appointed members of the Board of Management (so far, Hubertus Troska). Accordingly, each member of the Board of Management is credited with a capital component each year. This amount is calculated from 15% of the total of the base salary and the actual annual bonus. These contributions to retirement provision are granted until the age of 62. The benefit from the pension plan is payable to surviving Board of Management members upon retirement at or after the age of 62, or as a disability pension upon retirement before the age of 62 due to disability.

For the measurement of the total commitment, the targeted level of retirement provision – also according to the period of Board of Management membership – and the resulting annual and long-term expense for the Company are taken into consideration for each member of the Board of Management.

Payments under the pension capital system and the Daimler Pensions Plan can be made in three ways:

- as a single amount;
- in twelve annual installments, whereby interest accrues on each partial amount until it is paid out;
- as a pension with an annual increment (see above Daimler Pension Plan pursuant to applicable law).

The contracts specify that if a Board of Management member passes away before retiring for reason of age, the spouse or dependent children is/are entitled to the full committed amount in the case of the pension capital system, and to the credit amount reached plus an imputed amount until the age of 62 in the case of the Daimler Pensions Plan. If a Board of Management member passes away after retiring for reason of age, in the case of payment of twelve annual installments, the heirs are entitled to the remaining present value. In the case of a pension with benefits for surviving dependents, the spouse/registered partner or dependent children is/are entitled to 60% of the discounted terminal value (pension capital), or the spouse/registered partner is entitled to 60% of the actual pension (Daimler Pensions Plan).

## C.47

### Non-cash benefits and other fringe benefits

	2013	2012
In thousands of euros		
Dr. Dieter Zetsche	151	151
Dr. Wolfgang Bernhard	90	63
Dr. Christine Hohmann-Dennhardt	84	191
Wilfried Porth	93	114
Andreas Renschler <sup>1</sup>	511	152
Hubertus Troska <sup>2</sup>	603	4
Bodo Uebber	112	112
Prof. Dr. Thomas Weber	210	156
<b>Total</b>	<b>1,854</b>	<b>943</b>

<sup>1</sup> Taking into account jubilee money of €62,995.

<sup>2</sup> Taking into account jubilee money of €59,714. For the fulfillment of disclosure obligations pursuant to Section 285 No. 9a of the German Commercial Code (HGB), this amount is reduced by €155,000 for the year 2013. The corresponding fringe benefits were granted and borne by a subsidiary and are thus not included in the amounts to be disclosed in the annual financial statements of the parent company, Daimler AG.

Departing Board of Management members with pension agreements modified as of the beginning of 2006 receive, for the period beginning after the end of the original service period and for the last time upon reaching the age of 60, payments in the amounts of the pension commitments granted as described in the previous section. Departing Board of Management members are also provided with a company car, in some case for a defined period. These payments are made until the age of 60, possibly reduced due to other sources of income, and are subject to annual percentage increases described above in the explanation of these pension agreements.

Service costs for pension obligations according to IFRS amounted to €2.5 million in 2013 (2012: €2.4 million). The present value of the total defined benefit obligation according to IFRS amounted to €70.1 million at December 31, 2013 (December 31, 2012: €81.7 million). Taking age and period of service into account, the individual entitlements, service costs and present values are shown in the table. [↗ C.48](#)

**Commitments upon early termination of service.** In the case of early termination of a service contract without an important reason, Board of Management service contracts include commitments to payment of the base salary and provision of a company car until the end of the original service period at a maximum. Such persons are only entitled to payment of the performance-related component of remuneration pro rata for the period until they leave the Company. Entitlement to payment of the performance-related component of remuneration with a long-term incentive effect is defined by the conditions of the respective plans.

The total of the payments described above including fringe benefits is limited to double the annual remuneration and may not exceed the total remuneration for the remaining period of the service contract.

#### **Sideline activities of Board of Management members.**

The members of the Board of Management should accept management board or supervisory board positions and/or any other administrative or honorary functions outside the Group only to a limited extent. Furthermore, they require the consent of the Supervisory Board before commencing any sideline activities. This ensures that neither the time required nor the remuneration paid for such activities leads to any conflict with the members' duties to the Group. Insofar as such sideline activities are memberships of other statutory supervisory boards or comparable boards of business enterprises, they are disclosed in the notes to the annual company financial statements of Daimler AG and on our website. In general, Board of Management members have no right to separate remuneration for board positions held at other companies of the Group.

#### **Loans to members of the Board of Management.**

In 2013, no advances or loans were made to members of the Board of Management of Daimler AG.

#### **Payments made to former members of the Board of Management of Daimler AG and their survivors.**

Payments made in 2013 to former members of the Board of Management of Daimler AG and their survivors amounted to €14.6 million (2012: €15.4 million). Pension provisions for former members of the Board of Management and their survivors amounted to €217.0 million at December 31, 2013 (2012: €225.9 million).

## **C.48**

### **Individual entitlements, service costs and present values for members of the Board of Management**

		Annual pension (as regulated until 2005) as of age 60	Service cost (for pension, pension capital and Daimler Pensions Plan)	Present value of obligations (for pension, pension capital and Daimler Pensions Plan)
In thousands of euros				
Dr. Dieter Zetsche	2013	1,050	–	29,896
	2012	1,050	872	39,597
Dr. Wolfgang Bernhard	2013	–	401	1,774
	2012	–	265	1,494
Wilfried Porth	2013	156	223	6,579
	2012	156	156	6,472
Andreas Renschler	2013	250	423	9,798
	2012	250	309	10,243
Hubertus Troska	2013	–	272	2,488
	2012	–	5	2,227
Bodo Uebber	2013	275	714	10,127
	2012	275	510	9,974
Prof. Dr. Thomas Weber	2013	300	426	9,444
	2012	300	333	11,701
Total	2013	2,031	2,459	70,106
	2012	2,031	2,450	81,708

Dr. Hohmann-Dennhardt has no entitlement to a company retirement benefit.



## Remuneration of the Supervisory Board

**Supervisory Board remuneration in 2013.** The remuneration of the Supervisory Board is determined by the Shareholders' Meeting of Daimler AG and is governed by the Company's Articles of Incorporation. The new regulations for Supervisory Board remuneration approved by the Annual Shareholders' Meeting in April 2011 specify that the members of the Supervisory Board receive, in addition to the refund of their expenses and the cost of any value-added tax incurred by them in performance of their office, fixed remuneration of €100,000. The Chairman of the Supervisory Board receives an additional €200,000 and the Deputy Chairman of the Supervisory Board receives an additional €100,000. The members of the Audit Committee are paid an additional €50,000, the members of the Presidential Committee are paid an additional €40,000 and the members of the other committees of the Supervisory Board are paid an additional €20,000; an exception is the Chairman of the Audit Committee, who is paid an additional €100,000. Additional payments are made for activities in a maximum of three committees; any persons who are members of more than three such committees receive additional payments for the three most highly paid functions. Members of a Supervisory Board committee are only entitled to remuneration

for such membership if the committee has actually convened to fulfill its duties in the respective year. The individual remuneration of the members of the Supervisory Board is shown in the table. [↗ C.49](#)

The members of the Supervisory Board and its committees receive a meeting fee of €1,100 for each Supervisory Board meeting and committee meeting that they attend.

No remuneration was paid for services provided personally beyond the aforementioned board and committee activities, in particular for advisory or agency services, except for the remuneration paid to the members of the Supervisory Board representing the employees in accordance with their contracts of employment.

The remuneration of all the activities of the members of the Supervisory Board of Daimler AG in the year 2013 was thus €3.0 million (2012: €3.0 million).

**Loans to members of the Supervisory Board.** In 2013, no advances or loans were made to members of the Supervisory Board of Daimler AG.

## C.49

### Supervisory Board remuneration

Name	Function(s) remunerated	Total in 2013
In euros		
Dr. Manfred Bischoff	Chairman of the Supervisory Board, the Presidential Committee and the Nomination Committee	373,200
Erich Klemm <sup>1</sup>	Deputy Chairman of the Supervisory Board, the Presidential Committee and the Audit Committee	308,700
Dr. Paul Achleitner	Member of the Supervisory Board and the Nomination Committee	127,700
Sari Baldauf	Member of the Supervisory Board and the Nomination Committee	127,700
Dr. Clemens Börsig	Member of the Supervisory Board and the Audit Committee	163,200
Michael Brecht <sup>1</sup>	Member of the Supervisory Board and the Audit Committee	164,300
Prof. Dr. Heinrich Flegel	Member of the Supervisory Board (until April 10, 2013)	29,597
Dr. Jürgen Hambrecht	Member of the Supervisory Board and of the Presidential Committee	152,100
Petraea Heynike	Member of the Supervisory Board	107,700
Jörg Hofmann <sup>1</sup>	Member of the Supervisory Board and of the Presidential Committee (since April 10, 2013)	139,051
Andrea Jung	Member of the Supervisory Board (since April 10, 2013)	78,377
Dr. Thomas Klebe <sup>1, 3</sup>	Member of the Supervisory Board and of the Presidential Committee (until April 10, 2013)	52,456
Gerard Kleisterlee	Member of the Supervisory Board	106,600
Jürgen Langer <sup>1</sup>	Member of the Supervisory Board	107,700
Dr. Sabine Maaßen <sup>1</sup>	Member of the Supervisory Board (since April 10, 2013)	78,377
Wolfgang Nieke <sup>1</sup>	Member of the Supervisory Board (since April 10, 2013)	78,377
Ansgar Osseforth <sup>4</sup>	Member of the Supervisory Board (until April 10, 2013)	29,597
Valter Sanches <sup>2</sup>	Member of the Supervisory Board	107,700
Jörg Spies <sup>1</sup>	Member of the Supervisory Board	107,700
Elke Tönjes-Werner <sup>1</sup>	Member of the Supervisory Board (since April 10, 2013)	77,277
Lloyd G. Trotter	Member of the Supervisory Board	105,500
Dr. h. c. Bernhard Walter	Member of the Supervisory Board and Chairman of the Audit Committee	213,200
Dr. Frank Weber	Member of the Supervisory Board (since April 10, 2013)	78,377
Uwe Werner <sup>1</sup>	Member of the Supervisory Board (until April 10, 2013)	29,597
Lynton R. Wilson <sup>5</sup>	Member of the Supervisory Board (until April 10, 2013)	33,251

1 The employee representatives have stated that their board remuneration is to be transferred to the Hans-Böckler Foundation, in accordance with the guidelines of the German Trade Union Federation.

The Hans-Böckler Foundation is a German not-for-profit organization of the German Trade Union Federation.

2 Mr. Sanches has directed that his board remuneration is to be paid to the Hans-Böckler Foundation.

3 Dr. Klebe also received remuneration and meeting fees of €9,700 for his board services at Daimler Luft- und Raumfahrt Holding AG. These amounts are also to be transferred to the Hans-Böckler Foundation.

4 Mr. Osseforth has directed that a portion of his board remuneration is to be paid to a German Foundation for adult education ("Treuhandsstiftung Erwachsenenbildung").

5 Mr. Wilson also received remuneration of €3,654 for his board services at Mercedes-Benz Canada Inc. and Mercedes-Benz Financial Services Canada Corp.

# Information and Explanation Relevant to Acquisitions.

(Report pursuant to Section 315 Subsection 4 and Section 289 Subsection 4 of the German Commercial Code (HGB))

**Composition of share capital.** The share capital of Daimler AG amounts to approximately €3,069 million at December 31, 2013. It is divided into 1,069,772,847 registered shares of no par value. With the exception of treasury shares, from which the Company does not have any rights, all shares confer equal rights to their holders. Each share confers the right to one vote and, with the possible exception of any new shares that are not yet entitled to a dividend, to an equal share of the profits. The rights and obligations arising from the shares are derived from the provisions of applicable law. There were no treasury shares at December 31, 2013.

**Restrictions on voting rights and on the transfer of shares.** The Company does not have any rights from treasury shares. In the cases described in Section 136 of the German Stock Corporation Act (AktG), the voting rights of treasury shares are nullified by law.

Shares acquired by employees within the context of the employee share program may not be disposed of until the end of the following year. Eligible participants in the Performance Phantom Share Plans are obliged by the Plans' terms and conditions and by the so-called Stock Ownership Guidelines to acquire Daimler shares with a part of their Plan income up to a defined target volume and to hold them for the duration of their employment at the Daimler Group.

On April 7, 2010, Daimler AG and the Renault-Nissan Alliance signed a master cooperation agreement on wide-ranging strategic cooperation and a cross-shareholding. Renault S.A. and Nissan Motor Co., Ltd. each received an equity interest of 1.55% in Daimler AG, and Daimler AG received equity interests of 3.1% in each of Renault S.A. and Nissan Motor Co., Ltd. Due to an increase in the total number of outstanding shares of Daimler AG following the exercise of stock options, each shareholding in Daimler of Renault S.A. and Nissan Motor Co., Ltd. amounted to 1.54% at December 31, 2013. For the duration of the master cooperation agreement or for a period of five years (whichever is the shorter), without the prior consent of the other party, i) Daimler AG may not transfer its shares in Renault S.A. and Nissan Motor Co., Ltd. to a third party, and ii) Renault S.A. and Nissan Motor Co., Ltd. may not transfer their shares in Daimler AG to a third party. Transfers to third parties that are not competitors of one of the issuers of the shares in question are exempted from this prohibition under certain circumstances, including the case of internal corporate transfers, transfers related to a takeover offer from a third party for the shares of one of the other parties, or

the case of a change of control of the issuer of the shares in question. Following the acquisition of their equity interests in Daimler, each of Renault S.A. and Nissan Motor Co., Ltd. has stated in its voting-rights notification issued pursuant to Sections 21 ff of the German Securities Trading Act (WpHG) that the Daimler shares held by the other company are to be allocated to it pursuant to Section 22 Subsection 2 of the German Securities Trading Act (WpHG) (coordinated action).

**Provisions of applicable law and of the Articles of Incorporation concerning the appointment and dismissal of members of the Board of Management and amendments to the Articles of Incorporation.** Members of the Board of Management are appointed and dismissed on the basis of Sections 84 and 85 of the German Stock Corporation Act (AktG) and Section 31 of the German Codetermination Act (MitbestG). In accordance with Section 84 of the German Stock Corporation Act, the members of the Board of Management are appointed by the Supervisory Board for a maximum period of office of five years. However, the Supervisory Board of Daimler AG has decided generally to limit the initial appointment of members of the Board of Management to three years. Reappointment or the extension of a period of office is permissible, in each case for a maximum of five years.

Pursuant to Section 31 Subsection 2 of the German Codetermination Act (MitbestG), the Supervisory Board appoints the members of the Board of Management with a majority comprising at least two thirds of its members' votes. If no such majority is obtained, the Mediation Committee of the Supervisory Board has to make a suggestion for the appointment within one month of the vote by the Supervisory Board. The Supervisory Board then appoints the members of the Board of Management with a majority of its members' votes. If no such majority is obtained, voting is repeated and the Chairman of the Board of Management then has two votes. The same procedure applies for dismissals of members of the Board of Management.

In accordance with Article 5 of the Articles of Incorporation, the Board of Management has at least two members. The number of members is decided by the Supervisory Board. Pursuant to Section 84 Subsection 2 of the German Stock Corporation Act (AktG), the Supervisory Board can appoint a member of the Board of Management as its Chairperson. If a required member of the Board of Management is lacking, an affected party can apply in urgent cases for that member to be appointed by the court pursuant to Section 85 Subsection 1 of the German Stock Corporation Act (AktG). Pursuant to Section 84 Subsection 3 of the German Stock Corporation Act (AktG), the Supervisory Board can revoke the appointment of a member of the Board of Management and of the Chairman of the Board of Management if there is an important reason to do so.

Pursuant to Section 179 of the German Stock Corporation Act (AktG), the Articles of Incorporation can only be amended by a resolution of a Shareholders' Meeting. Unless otherwise required by applicable law, resolutions of the Annual Shareholders' Meeting – with the exception of elections – are passed pursuant to Section 133 of the German Stock Corporation Act (AktG) and Article 16 Paragraph 1 of the Articles of Incorporation with a simple majority of the votes cast and if required with a simple majority of the share capital represented. Pursuant to Section 179 Subsection 2 of the German Stock Corporation Act, any amendment to the purpose of the Company requires a 75% majority of the share capital represented at the Shareholders' Meeting; no use is made in the Articles of Incorporation of the possibility to stipulate a larger majority of the share capital. Amendments to the Articles of Incorporation that only affect the wording can be decided upon by the Supervisory Board in accordance with Article 7 Paragraph 2 of the Articles of Incorporation. Pursuant to Section 181 Subsection 3 of the German Stock Corporation Act, amendments to the Articles of Incorporation take effect upon being entered in the Commercial Register.

**Authorization of the Board of Management to issue or buy back shares.** By resolution of the Annual Shareholders' Meeting of April 14, 2010, the Board of Management was authorized with the consent of the Supervisory Board during the period until April 13, 2015 to acquire the Company's own shares for all legal purposes, in particular for certain defined purposes, up to a maximum of 10% of the share capital at the time of the resolution of the Annual Shareholders' Meeting. The purchase of the Company's own shares is allowed, inter alia, for the following purposes: for the purpose of canceling them, offering them to third parties in connection with a corporate merger or acquisition, disposing of them in another way than through the stock exchange, offering them to all shareholders, or serving the stock option plan created in or before 2004. The Company's own shares in a volume of up to 5% of the share capital existing at the time of the resolution of the Annual Shareholders' Meeting can also be acquired with the application of derivative financial instruments, whereby the period of the individual option may not exceed 18 months. No use has yet been made of this authorization.

By resolution of the Annual Shareholders' Meeting held on April 8, 2009, the Board of Management was authorized with the consent of the Supervisory Board to increase the share capital of Daimler AG by up to €1 billion during the period until April 7, 2014 by issuing new registered shares of no par value in exchange for cash or non-cash contributions, wholly or in partial amounts, on one or several occasions (Approved Capital 2009). Inter alia, the Board of Management was also authorized, under certain circumstances, within certain limits and with the consent of the Supervisory Board, to exclude shareholders' subscription rights. No use has yet been made of Approved Capital 2009.

Furthermore, the Board of Management was authorized by resolution of the Annual Shareholders' Meeting of April 14, 2010,

- with the consent of the Supervisory Board during the period until April 13, 2015 to issue convertible bonds and/or bonds with warrants or a combination of those instruments, once or several times, in a total nominal amount of up to €10 billion with a maximum term of ten years, and
- to grant the owners/lenders of those bonds conversion or option rights to new, registered shares of no par value in Daimler AG with a corresponding amount of the share capital of up to €500 million, in accordance with the terms and conditions of those convertible bonds or bonds with warrants.

Inter alia, the Board of Management was also authorized, under certain circumstances, within certain limits and with the consent of the Supervisory Board, to exclude shareholders' subscription rights to the bonds with conversion or warrant rights to shares in Daimler AG. The bonds can also be issued by direct or indirect majority-owned subsidiaries of Daimler AG.

Accordingly, the share capital was conditionally increased by up to €500 million (Conditional Capital 2010). No use has yet been made of this authorization to issue convertible bonds and/or bonds with warrants.

**Material agreements taking effect in the event of a change of control.** Daimler AG has concluded various material agreements, as listed below, that include clauses regulating the possible event of a change of control, as can occur as a result of a takeover bid:

- A non-utilized syndicated credit line in a total amount of €9 billion, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- Credit agreements with lenders for a total amount of €2.0 billion, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- Guarantees and securities for credit agreements of consolidated subsidiaries for a total amount of €592 million, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.



- An agreement concerning the acquisition of a majority (50.1%) of AFCC Automotive Fuel Cell Cooperation Corp., which has the purpose of further developing fuel cells for automotive applications and making them marketable. In the case of a change of control of Daimler AG, the agreement provides for the right of termination by the other main shareholder, Ford Motor Company, as well as for a put option for the minority shareholder, Ballard Power Systems. Control as defined by this agreement is the beneficial ownership of the majority of the voting rights and the resulting right to appoint the majority of the members of the Board of Management.
- A master cooperation agreement on wide-ranging strategic cooperation with Renault S.A., Renault-Nissan B.V. and Nissan Motor Co., Ltd. in connection with cross-shareholdings. The Renault-Nissan Alliance received an equity interest of 3.1% in Daimler AG and Daimler AG received equity interests of 3.1% in each of Renault S.A. and Nissan Motor Co., Ltd. In the case of a change of control of one of the parties to the agreement, each of the other parties has the right to terminate the agreement. A change of control as defined by the master cooperation agreement occurs if a third party or several third parties acting jointly acquire, legally or economically, directly or indirectly, at least 50% of the voting rights in the company in question or are authorized to appoint a majority of the members of the managing board. Under the master cooperation agreement, several cooperation agreements were concluded between Daimler AG on the one side and Renault and/or Nissan on the other, which provide for the right of termination for a party to the agreement in the case of a change of control of another party. These agreements primarily concern a new architecture for small cars, the shared use and development of fuel-efficient diesel and gasoline engines and transmissions, the development and supply of a small van, the use of an existing architecture for compact cars and the predevelopment of a hydrogen tank system. A change of control is deemed to occur at a threshold of 50% of the voting rights or upon authorization to appoint a majority of the members of the managing board. In the case of termination of cooperation in the area of the development of small cars due to a change of control in the early phase of the cooperation, the party affected by the change of control would be obliged to bear its share of the costs of the development of shared components even if the development were terminated for that party.
- Furthermore, Daimler AG has concluded a cooperation agreement with Ford and Nissan regarding the joint predevelopment of a fuel-cell system. In the case of a change of control of one of the parties to the agreement, the agreement provides for the right of termination for the other parties. A change of control is deemed to occur at a threshold of 50% of the voting rights or upon authorization to appoint a majority of the members of the managing board.
- A shareholders' agreement with Rolls-Royce Holdings plc (Rolls-Royce) and Vinters International Limited, a subsidiary of Rolls-Royce, relating to the acquisition of Tognum AG (as of January 9, 2014, Rolls-Royce Power Systems AG) of Friedrichshafen by Rolls-Royce Power Systems Holding GmbH (formerly Engine Holding GmbH) and the merger with Rolls-Royce's Bergen business. Daimler and Vinters International Limited each hold 50% of the shares of Rolls-Royce Power Systems Holding GmbH. In the case of a change of control of one of the contracting parties, the agreement gives the other contracting party the right to acquire the shares of that party in the jointly held company at appropriate conditions at the time of the change of control.
- An agreement relating to a joint venture with BAIC Motor Co., Ltd. for the production and distribution of cars of the Mercedes-Benz brand in China, by which BAIC Motor Co., Ltd. is given the right to terminate or exercise a put or call option in the case that a third party acquires one third or more of the voting rights in Daimler AG.
- An agreement relating to the establishment of a joint venture with Beiqi Foton Motor Co., Ltd. for the purpose of producing and distributing heavy-duty and medium-duty trucks of the Foton Auman brand. This agreement gives Beiqi Foton Motor Co., Ltd. the right of termination in the case that one of its competitors acquires more than 25% of the equity or assets of Daimler AG or becomes able to influence the decisions of its Board of Management.
- An agreement between Daimler and Robert Bosch GmbH relating to the joint establishment and joint operation of EM-motive GmbH for the development and production of traction and transmission-integrated electric motors as well as parts and components for such motors for automotive applications and for the sale of those articles to the Robert Bosch Group and the Daimler Group. If Daimler should become controlled by a competitor of Robert Bosch GmbH, Robert Bosch GmbH has the right to terminate the consortium agreement without prior notice and to acquire all the shares in the joint venture held by Daimler at a fair market price.

# Risk and Opportunity Report.

The Daimler Group's divisions are exposed to a large number of risks which are inextricably linked with our entrepreneurial activities. A risk is understood as the danger that events or actions by the Group or one of its divisions prevent the Group from achieving its targets. It is also important for the Daimler Group to identify possible opportunities so that they can be utilized in the context of entrepreneurial activity, thus securing and enhancing the Daimler Group's competitiveness. An opportunity is understood as the possibility to meet or surpass the planned targets as a result of events, developments or actions.

The divisions have direct responsibility for recognizing and managing entrepreneurial risks and opportunities at an early stage. As part of the strategy process, risks related to the planned long-term development and opportunities for further profitable growth are identified and integrated into the decision process. In order to identify risks and opportunities at an early stage and to assess and deal with them consistently, effective management and control systems are applied, which are integrated into a risk management system and an opportunity management system. Opportunities and risks are not offset. The two systems are described below.

## Risk management system

The **risk management system with regard to material risks and existence-threatening risks** is integrated into the value-based management and planning system of the Daimler Group. It is an integral part of the overall planning, management and reporting process in the relevant legal entities, divisions and corporate functions. The risk management system is intended to systematically identify, assess, control, monitor and document material risks and risks threatening Daimler's existence, in order to secure the achievement of corporate goals and to enhance risk awareness at the Group. Risk assessment principally takes place for a two-year planning period, although Daimler also identifies and monitors risks related to a longer period in the discussions for the derivation of medium-term and strategic goals. Reporting in the Management Report is with reference to one year.

In the context of the two-year operational planning – with the use of defined risk categories – risks are identified and assessed for the divisions and operating units, the major joint ventures and associated companies and the corporate departments. The risk consolidated group mirrors the consolidated group of the consolidated financial statements and goes even further if necessary.

Risk assessment takes place on the basis of the probability of occurrence and possible impact of the risk according to the categories low, medium and high. When assessing the impact of a risk, the effect before countermeasures in relation to EBIT is considered. At the Daimler Group, risks below €500 million are categorized as low, between €500 million and €1 billion as medium and above €1 billion as high. Assessment of the dimensions of the probability of occurrence and possible impact is based on the categories shown in table [C.50](#).

## C.50

### Assessment of probability of occurrence and possible impact

Category	Probability of occurrence	
Low	0% ≤	Probability of occurrence ≤ 33%
Medium	34% ≤	Probability of occurrence ≤ 66%
High		Probability of occurrence ≥ 67%

Category	Possible impact	
Low	€0 ≤	Impact < €500 million
Medium	€500 million ≤	Impact < €1 billion
High		Impact ≥ €1 billion

Quantification of each aggregated risk category in the Management Report summarizes the individual risks reported for each category. To the extent not otherwise presented, even in the case of simultaneous occurrence of all individual risks in a risk category, the Group does not expect any effect in this category of more than €3 billion.

Risk controlling at the Daimler Group takes place at the level of the divisions based on individual risks. If the impact of an individual risk exceeds the amount of €2 billion, this risk is described separately.

The tasks of a person responsible for a risk include, in addition to identifying and assessing the risks, developing measures and initiating them if appropriate so that risks are avoided, reduced or counteracted. All reported risks of the individual entities and of the related countermeasures that have been initiated are monitored locally. Corporate risk management at headquarters regularly reports on the identified risks to the Board of Management and the Supervisory Board. As well as the regular reporting, there is also an internal reporting obligation within the Group for risks arising unexpectedly.

The principle of completeness also applies to risk management. This means that at the level of the individual entities, all specific risks must flow into the risk management process. Such a risk exists if the probability of occurrence of the risk exceeds a uniform threshold defined for the whole Group. Latent risks that are below this threshold are monitored in the internal control system (ICS). Compliance risks are thoroughly identified by the Group. Regular courses of training aim to reduce the number of compliance risks.

The **internal control and risk management system with regard to the accounting process** has the goal of ensuring the correctness and effectiveness of accounting and financial reporting. It is designed in line with the internationally recognized framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Internal Control – Integrated Framework), is continually further developed and is an integral part of the accounting and financial reporting process in all relevant legal entities and corporate functions. The system includes principles and procedures as well as preventive and detective controls. Among other things, we regularly check that

- the Group’s uniform financial reporting, valuation and accounting guidelines are continually updated and regularly trained and adhered to;
- transactions within the Group are fully accounted for and properly eliminated;
- issues relevant for financial reporting and disclosure from agreements entered into are recognized and appropriately presented;
- processes exist to guarantee the completeness of financial reporting;
- processes exist for the segregation of duties and for the “four-eyes principle” in the context of preparing financial statements, and authorization and access rules exist for relevant IT accounting systems.

We systematically assess the effectiveness of the internal control system with regard to the corporate accounting process. The first step consists of risk analysis and definition of control. Significant risks are identified relating to the process of corporate accounting and financial reporting in the main legal entities and corporate functions. The controls required are then defined and documented in accordance with Group-wide guidelines. Regular random tests are carried out to assess the effectiveness of the controls. Those tests constitute the basis for self-assessment of the appropriate magnitude and effectiveness of the controls. The results of this self-assessment are documented and reported in a global IT system. Any weaknesses recognized are eliminated with consideration of their potential effects. At the end of the annual cycle, the selected legal entities and corporate functions confirm the effectiveness of the internal control and risk management system with regard to the corporate accounting process. The Board of Management and the Audit Committee of the Supervisory Board are regularly informed about the main control weaknesses and about the effectiveness of the control mechanisms installed. However, the internal control and risk management system for the accounting process cannot ensure with absolute certainty that material false statements are avoided in accounting.

The **organizational embedding and monitoring of risk management** takes place through the risk management organization established at the Group. As previously described in the “Risk management system” section with regard to material risks and risks threatening Daimler’s existence, the divisions, corporate functions and legal entities inquire about the specific risks at regular intervals. This information is passed on to Corporate Risk Management, which processes the information and provides it to the Board of Management and Supervisory Board as well as to the Group Risk Management Committee (GRMC). In order to ensure the complete presentation and assessment not only of material risks and risks threatening the existence of the Group, but also of the control and risk process with regard to the corporate accounting process, Daimler has established the Group Risk Management Committee. It is composed of representatives of the areas of Finance & Controlling, Accounting, Legal Affairs and Group Compliance, and is chaired by the Board of Management Member for Finance (CFO). The Internal Auditing department contributes material statements on the internal control and risk management system. In addition to fundamental issues, the committee has the following tasks:

- The GRMC defines and shapes the framework conditions with regard to the organization, methods, processes and systems that are needed to ensure a functioning, Group-wide and thorough control and risk management system.
- The GRMC regularly reviews the effectiveness and functionality of the installed control and risk management processes. Minimum requirements can be laid down in terms of the design of the control processes and of risk management and corrective measures can be commissioned as necessary or appropriate to eliminate any system failings or weaknesses exposed.



However, responsibility for operational risk management for risks threatening the existence of the Group and for the control and risk management processes with regard to the corporate accounting process remains directly with the divisions, corporate functions and legal entities. The measures taken by the GRMC ensure that relevant risks and any existing process weaknesses in the corporate accounting process are identified and eliminated as early as possible.

In the Board of Management and the Audit Committee of the Supervisory Board of Daimler AG, regular reports are given regarding the current risk situation and the effectiveness, functions and appropriateness of the internal control and risk management system. Furthermore, the responsible managers regularly discuss the risks of business operations with the Board of Management.

The Audit Committee of the Supervisory Board is responsible for **monitoring the internal control and risk management system**. The Internal Auditing department monitors whether the statutory conditions and the Group's internal guidelines are adhered to in the Group's entire monitoring and risk management system. If required, measures are then initiated in cooperation with the relevant management. The external auditors audit the system for the early identification of risks that is integrated in the risk management system for its fundamental suitability to identify risks threatening the existence of the Group; in addition, they report to the Supervisory Board on any significant weaknesses that have been discovered in the internal control and risk management system.

### Opportunity management system

In 2013, the system of opportunity management, which is related to risk management, was expanded at Daimler in order to be able to consider risks and opportunities together.

Opportunity management at the Daimler Group is based on the risk management system with regard to material risks and risk threatening Daimler's existence. The objective of opportunity management is to recognize at an early stage the possible opportunities arising in business activities as a result of positive developments, and to utilize them as optimally as possible for the Group by taking appropriate measures. Taking advantage of opportunities can lead to goals being achieved or in the ideal case being overachieved. At the Daimler Group, a continuous process exists for opportunity management which includes all the opportunities that are relevant and implementable in the view of the supplying entities. Within the context of the operational planning, potential opportunities are identified in addition to risks. Those opportunities are considered that are possible but which have not so far been included in the planning. Unlike with risks, opportunities are assessed in relation only to their impact; there is no consideration of their probability of occurrence. The assessment of the impact takes place according to the principles described and is based on the same categories as the risk management system.

[↗ C.50](#)

The tasks of the persons responsible for opportunity management is, in addition to identifying and assessing the opportunities, also to develop and if appropriate initiate measures designed to utilize an opportunity, enhance an opportunity, or to implement it fully or partially in cooperation with a partner. When the utilization of opportunities depends on other topics whose development cannot be directly influenced by the reporting unit, those opportunities are to be documented and monitored. When the measures to be taken to utilize an opportunity are not assessed as being economical, such an opportunity is no longer pursued. The development of opportunities and the status of measures being taken are monitored at regular intervals.

### Risks and opportunities

The following text describes in detail the risks and opportunities that can have a significant influence on the profitability, cash flows and financial position of the Daimler Group. In general, the reporting of risks and opportunities takes place for the individual segments. If no segment is explicitly mentioned, the following risks and opportunities relate to all the automotive divisions: Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses.

In addition, risks and opportunities that are not yet known about or assessed as not material can influence our profitability, cash flows and financial position.

### Industry and business risks and opportunities

The following text deals with the industry and business risks of the Daimler Group. A quantification of these risks and opportunities is shown in table [↗ C.51](#).

**Economic risks and opportunities.** Economic risks and opportunities constitute the framework for the risks and opportunities listed in the following categories and flow as premises into the quantification of these risks and opportunities.

With regard to the **world economy**, Daimler along with the majority of economic research institutes anticipates significant acceleration of growth. Economic developments in 2013 are described in detail in the "Economic Conditions and Business Development" section of this Management Report; growth assumptions for 2014 are explained in the Outlook section (see page 142). As the economic conditions have a significant influence on automobile sales markets and their development is one of the Group's biggest risks and opportunities, the assessment of the economy is connected with potential risks and opportunities.

Economic risks and opportunities are linked with assumptions and forecasts on the **general development** of the individual topics. Overall, economic risks for the business environment have tended to decrease slightly compared with the prior year and the opportunities for the world economy have increased slightly.

With the unexpectedly smooth increase in the fiscal debt ceiling in the **United States**, a key individual risk was already averted early in 2014. But the latest weakening of some leading indicators has shown that the revival of the US economy is still susceptible to disruptions. One crucial factor will be how the planned exit from the expansive monetary policy is managed and whether – as hoped – investors and consumers boost the rate of growth. If this revival does not occur, the economic upturn would be much less pronounced. As the Daimler Group generates a considerable volume of its unit sales in the United States, especially in the Mercedes-Benz Cars and Daimler Trucks divisions, and such a lack of dynamic growth could also spread to other regions, such a development would have significant consequences. However, if investment activity in the United States is more dynamic than previously assumed, this could result in substantially stronger growth. The consequential positive effects on employment and income would boost demand for the automotive divisions.

If there is no continuation of the required consolidation of state budgets and reform efforts in the countries of the **European Monetary Union**, this could cause renewed turmoil in the financial markets, increasing refinancing costs through rising capital-market interest rates, and thus jeopardizing the already fragile economic recovery. The European market continues to be very important for Daimler across all divisions; for the Mercedes-Benz Cars, Mercedes-Benz Vans and Daimler Buses divisions, it is still the biggest sales market in fact. An opportunity that is difficult to assess is to be seen in a significantly improved economic development in the euro zone. If the reform measures already initiated take effect faster and more effectively than so far assumed, economic growth could accelerate, which would benefit the development of investment and demand for motor vehicles in the important European market.

A significant growth slowdown in **Japan**, triggered by the failure of the country's expansive monetary and fiscal policy and the lack of structural reforms, is to be regarded as more of a regionally limited risk. A regionally limited opportunity exists in the possibility of a distinct acceleration of economic growth in Japan. This could be caused by a significant increase in investment activity, resulting from the targeted structural reforms and the expansive monetary and fiscal policies that have already been initiated.

Due to the significant growth of its importance in recent years, an economic slump in **China** would represent a considerable risk for the world economy. Such a crisis could be triggered by difficulties with the planned economic restructuring away from high investment and credit and towards more consumption. But uncertainties surrounding the Chinese finance sector, the indebtedness of some provinces and a renewed overheating of the real-estate market are conceivable causes. On the other hand, we see a further opportunity in an even stronger development of the Chinese economy. This could be triggered by the reform measures taking rapid effect, accompanied by increased consumption.

Another risk is to be seen in a renewed weakening of growth in major **emerging markets**. There were disappointing developments already during 2013, especially in countries such as India, Russia and Brazil, but other economies such as Indonesia and Turkey also developed below their possibilities. Another factor in 2014 is that political elections are taking place in major emerging countries (India, South Africa, Turkey, Indonesia and Brazil), which tends to increase the uncertainty about ongoing developments, putting those currencies under additional pressure and not least reducing investment activity. As Daimler is already very active in these countries or their markets play a strategic role, such a scenario represents a risk. An opportunity is to be seen in the implementation of reforms occurring in some important emerging economies. If structural reforms are consistently carried out in countries such as India, Russia and Brazil, flows of global capital into these countries would increase again, resulting in new scope for growth.

An exit from the current **expansive monetary policy** with too little preparation or carried out too quickly is to be seen as an additional risk. Announcements by the US Federal Reserve that bond buybacks would be reduced triggered unrest in the financial markets already in 2013. Long-term interest rates increased and there were capital outflows and currency depreciation in the emerging markets. In some countries, this also resulted in additional inflationary pressure, which, in combination with a more restrictive interest policy, reduced the potential for growth. If a decrease in global liquidity in 2014 leads to more substantial effects, this could significantly reduce GDP growth through the chain of cause and effect described above, especially in the emerging economies. Increased volatility in the financial markets would also dampen investor and consumer confidence, with an impact on the global economy.

## C.51

### Industry and business risks and opportunities

Risk category	Probability of occurrence	Impact	Opportunity category	Impact
General market risks	Medium	High	General market opportunities	High
Risks relating to leasing and sales financing	Low	Low	Opportunities relating to leasing and sales financing	Low
Procurement market risks	Medium	Medium	Procurement market opportunities	Low
Risks relating to the legal and political framework	Low	High	Opportunities relating to the legal and political framework	Low

In view of the very low inflation rate in the European Monetary Union (EMU) at the end of 2013, the danger of **deflation** has been discussed, above all in the media. A lasting and broad-based fall in prices would constitute a considerable threat to the economic recovery of the EMU.

**General market risks and opportunities.** The situation of the world economy is affected by volatilities, leading to risks but also opportunities in the development of demand for motor vehicles.

The assessment of **market risks and opportunities** is connected with assumptions and forecasts on the overall development of markets in the various regions. The potential effects of the risks on the development of the Daimler Group's unit sales are included proportionately in risk scenarios. The danger of worsening market developments generally exists for all the divisions of the Daimler Group. Markets and competitors are therefore continuously analyzed and monitored; if necessary, specific marketing and sale programs are implemented. Due to the competitive pressure in the automotive markets, it is essential that production and cost structures are regularly and successfully adapted to the changing conditions. Clear strategies have been formulated for all the divisions. Each division consistently pursues the goal of growing profitably and increasing its efficiency.

One effect of the recent crisis years is that the **financial situation of some dealers and vehicle importers** has worsened. As a result, supporting actions still cannot be ruled out, which would negatively impact the profitability, cash flows and financial position of the Daimler Group. Details of the risk and opportunity situation of our suppliers are provided in the section "Procurement market risks and opportunities."

In addition to these issues affecting all of the segments, segment-specific risks also exist. In the Mercedes-Benz Cars division, they include **increasing competitive pressure** with the danger that sales will have to be promoted by means of more attractive financing packages and other sales incentives going beyond what is currently offered. Measures taken to support the segment's unit sales would adversely affect the projected earnings. Depending on the magnitude of regional unit sales, various measures are taken to support weaker markets. They include the use of new sales channels, actions designed to strengthen brand awareness and brand loyalty, as well as sales and marketing campaigns. These measures can also be extended to securing the business in the area of after sales.

The Daimler Trucks division is also subject to increased competitive pressure and the resulting risk that prices and cost savings may not be achieved as expected. The same applies to the Mercedes-Benz Vans and Daimler Buses divisions. The measures described apply to all segments. The Daimler Buses segment also sees uncertainty regarding the achievement of its planned earnings targets, due to political and economic uncertainties and possible increases in material prices.

Further risks and opportunities at Mercedes-Benz Cars relate to the **development of the used-car market**. In the division's planning, certain assumptions are made on the expected level of prices, on which basis the cars returned in the leasing business are valued. If general market developments lead to a negative or positive deviation from the assumptions, there is a risk of lower residual values or an opportunity of higher residual values. Depending on the region and current market situation, the countermeasures taken generally include continuous market monitoring as well as, if required, price-setting strategies designed to regulate vehicle inventories.

As the target achievement of the Daimler Financial Services division is closely connected with the development of business in the automotive divisions, the existing **volume risks and opportunities** are also reflected in the Daimler Financial Services segment. In this context, Daimler Financial Services participates in marketing expenses, especially for advertising campaigns in the media.

In general, there is also the possibility that the overall market for the automotive industry will develop better than assumed in the internal forecasts upon which the Group's target planning is based. This includes positive deviations from planning premises. China for example is regarded as a market offering many potential opportunities. The existing **market opportunities** for the companies of the Daimler Group can only be utilized if production activities are organized accordingly and the gaps between demand and supply can be recognized and covered in time. This could require increases in production volumes. The Mercedes-Benz Cars division sees the possibility of a market opportunity for sales of additional vehicles in various model series. Opportunities exist also for Mercedes-Benz Vans on the basis of positive market developments.

The possibility of higher unit sales of vehicles exists in the Daimler Trucks segment as a result of improved market developments or changed conditions in the market. The measures that could be taken by the Daimler Group to utilize this potential opportunity include a combination of local sales and marketing actions and central strategic product and capacity planning.



**Risks and opportunities relating to the leasing and sales financing business.** In connection with the sale of vehicles, Daimler also offers its customers a wide range of financing possibilities – primarily leasing and financing the Group's products. In connection with the stated risks for the development of the used-vehicle market, in particular for the automotive divisions, there is the risk that the prices realizable for used vehicles at the end of leasing contracts are below their book values (**residual-value risk**). In connection with the management of vehicles returned at the end of leasing contracts, opportunities also arise if the prices that can be obtained when the vehicles are resold are above their carrying values, so that the resale results in additional earnings. Another risk in the financial services business consists of a borrower's worsening creditworthiness, so that some or all of a receivable might not be recoverable due to a customer's insolvency (**default risk or credit risk**). Daimler counteracts residual-value risks and credit risks by means of appropriate market analyses, creditworthiness checks on the basis of standardized scoring and rating methods, and the collateralization of receivables. Another risk connected with the leasing and sales-financing business is the possibility of increased **refinancing costs** due to potential changes in interest rates. An adjustment of credit conditions for customers in the leasing and sales-financing business due to higher refinancing costs could reduce the new business and contract volume of Daimler Financial Services, also reducing the unit sales of the automotive divisions. Risks and opportunities could also arise from of a **lack of matching maturities with our refinancing**. The risk of mismatching maturities is minimized by coordinating our refinancing with the periods of financing agreements, from the perspective of interest rates as well as liquidity. Any remaining risks of changes in interest rates are managed with the application of derivative financial instruments. Further information on credit risks and the Group's risk-minimizing actions is provided in [Note 32](#) of the Notes to the Consolidated Financial Statements.

**Procurement market risks and opportunities.** Procurement market risks arise for the Group in particular from **fluctuations in prices of raw materials**. The economy-related fall in raw material prices in 2011 continued with increased volatility through 2012 and into the year 2013. On the basis of the more stable development of the European Monetary Union and positive data from the US economy and labor market, this trend slowly reversed and then turned into a sideways movement of raw material prices in the second half of 2013. Only small opportunities are anticipated in the raw material markets in view of the situation of the world economy.

Given the intensive influence of institutional investors, which is reflected in growing demand for commodity investments and is thus increasing price volatility in the raw material markets, the outlook for price developments remain uncertain. Vehicle manufacturers are generally limited in their ability to pass on the higher costs of commodities and other materials in higher prices for their products because of the strong competitive pressure in the international automotive markets. A drastic increase in raw material prices would at least temporarily result in a considerable reduction in economic growth.

Daimler continues to counteract procurement risks by means of targeted commodity and supplier risk management. The Group attempts to reduce its dependency on individual materials in the context of commodity management, by making appropriate technological progress for example. Daimler protects itself against the volatility of raw material prices by entering into long-term supply agreements, which make short-term risks for material supplies and the effects of price fluctuations more calculable. Furthermore, the Group makes use of derivative price-hedging instruments for certain metals.

Supplier risk management aims to identify suppliers' potential financial difficulties at an early stage and to initiate suitable countermeasures. Also after the recent crisis years, the situation of some of our suppliers is still difficult due to the tough competitive pressure. This has necessitated individual or joint **support actions** by vehicle manufacturers to ensure their own production and sales. In the context of supplier risk management, regular reporting dates are set for suppliers depending on our assessment of them, in which key performance indicators are reported to Daimler and any required support actions are decided upon.

**Risks and opportunities related to the legal and political framework.** The risks and opportunities from the legal and political framework have a considerable impact on Daimler's future business success. Regulations concerning vehicles' **emissions, fuel consumption and safety** play a particularly important role. Complying with these varied and often diverging regulations all over the world requires strenuous efforts on the part of the automotive industry. Daimler expects to expend an even larger proportion of the research and development budget to ensure the fulfillment of these regulations. Many countries have already implemented stricter regulations to reduce vehicles' emissions and fuel consumption, or are now doing so.

For example, new legislation in the United States on greenhouse gases and fuel consumption stipulates that new car fleets in the United States may only emit an average of 163 grams of carbon dioxide per mile as of 2025 (approximately 100 grams CO<sub>2</sub> per kilometer). These new regulations will require an average annual reduction in CO<sub>2</sub> emissions as of 2017 for cars of 5% and for SUVs and pickups at first of 3.5% (this rather lower rate applies until 2022). This will hit the German premium manufacturers and thus also the **Mercedes-Benz Cars** division harder than for example the US manufacturers. As a result of strong demand for large, powerful engines in the United States and Canada, financial penalties cannot be ruled out.

Regulations on the CO<sub>2</sub> emissions of new cars also exist in the EU. For 2015, all new cars in Europe will have to meet a fleet average of 130 g CO<sub>2</sub>/km. The relevant limit for Daimler depends on the portfolio of cars we sell in the European Union and will depend on vehicle weight. Furthermore, the EU Parliament and the EU Council of Ministers are currently dealing with an EU regulation proposed by the EU Commission calling for fleet averages to be reduced to 95 g CO<sub>2</sub>/km by the year 2020. Daimler will have to pay penalties if it exceeds its limits.

For the Chinese market, the authorities have defined fleet average fuel consumption as of 2015 of 6.9 liters per 100 kilometers (approximately 160 g CO<sub>2</sub>/km) as the industry's target for new cars. As the legislative procedure for 2015 has not yet been concluded, there is a risk that although each car will be calculated for the average of the fleet, it must individually at least meet the previous limits, posing a big challenge for cars with powerful engines. Sanctions have not yet been announced. For the year 2020, a new, very demanding target has been set of 5.0 l/100 km (approximately 117 g CO<sub>2</sub>/km), although the exact details are still under discussion. Similar legislation exists or is being prepared in many other countries, for example in Japan, South Korea, India, Canada, Switzerland, Mexico, Saudi Arabia, Brazil and Australia.

Daimler gives these targets due consideration in its product planning. The increasingly ambitious targets require significant numbers of plug-in hybrids or cars with other types of electric drive. The market success of these drive systems will be primarily determined by regional market conditions, for example the battery-charging infrastructure and state support. But as market conditions cannot be predicted with certainty, a residual risk exists.

Pursuant to EU Directive 2006/40/EC, since January 1, 2011, vehicles only receive a type approval if their air-conditioning units are filled with a **refrigerant** that meets certain criteria with regard to climate friendliness. The directive calls for an introductory period until December 31, 2016 for such refrigerants to be used in all new vehicles. Mercedes-Benz Cars had originally planned to use the refrigerant R1234yf in its new vehicle models as early as possible and therefore did not intend to make use of this transitional period. However, due to the safety risks identified by Mercedes-Benz Cars in 2012, Daimler has decided not to use refrigerant R1234yf in its vehicles and has started with the development of CO<sub>2</sub> air-conditioning systems. At present, the Group does not assume that this will result in any significant effects on its financial position, cash flows or profitability.

Strict regulations for the reduction of vehicles' emissions and fuel consumption are connected with risks also for the **Daimler Trucks** division. For example, legislation was passed in Japan in 2006 and in the United States in 2011 for the reduction of greenhouse-gas emissions and fuel consumption by heavy commercial vehicles. In China, legislation has been drafted which is likely to affect our exports to that country and require additional expenditure as of 2015. The European Commission is currently working on methods for measuring the CO<sub>2</sub> emissions of heavy commercial vehicles that will probably have to be applied as of 2017. The Group has to assume that the statutory limits will be very difficult to meet in some countries.

Although worldwide statutory safety regulations require a certain level of expenditure; Daimler does not anticipate any additional risks in this respect due to its longstanding strong focus on vehicle safety.

Very demanding regulations for CO<sub>2</sub> emissions are also planned for light commercial vehicles; especially in the long term, this will present a challenge for the **Mercedes-Benz Vans** division, which primarily serves the heavy segment of N1 vehicles. The European fleet of N1 vehicles may not emit an average of more than 175 g CO<sub>2</sub>/km as of 2017 and no more than 147 g CO<sub>2</sub>/km as of 2020; penalty payments may otherwise be imposed.

In addition to emission, consumption and safety regulations, **traffic-policy restrictions** for the reduction of traffic jams and pollution are becoming increasingly important in cities and urban areas of the European Union and other regions of the world. Drastic measures are increasingly being taken, such as general vehicle-registration restrictions like in Beijing, Guangzhou or Shanghai, and can have a dampening effect on the development of unit sales, especially in the growth markets.

Daimler continually monitors the development of statutory and political conditions and attempts to anticipate foreseeable requirements and long-term targets at an early stage in the process of product development. The biggest challenge in the coming years will be to offer an appropriate range of drive systems and the right product portfolio in each market, while fulfilling customers' wishes, internal financial targets and statutory requirements. With an optimal product portfolio and market-launch strategy, competitive advantages may also arise.

The position of the Daimler Group in key foreign markets could also be affected by an **increase in bilateral free-trade agreements** without the involvement of the European Union. This occurs for example if two Asian countries or regions abolish their import duties. Imports of vehicles from the EU would then suffer cost disadvantages in the amount of the import duties, as they would still have to be paid on exports of goods exported from Europe while trading between the Asian parties to such an agreement would be free of those duties.

Furthermore, the danger exists that individual countries will attempt to defend their competitiveness in the world's markets by resorting to **interventionist and protectionist actions**. Particularly in the markets of developing and emerging countries, we are increasingly faced with tendencies to limit imports or at least reduce the rate of growth of imports, and to attract direct foreign investment by means of appropriate **industrial policies**. For example, Argentina demands that imports and exports are in balance. In Brazil, the current tax on industrial products can be reduced by up to 32 percentage points with the provisos of local production, procurement and research and development. As of 2014 in Russia, for locally produced vehicles, there may no longer be any financial compensation for the recycling fees for old vehicles paid upon the sale of new vehicles, depending amongst other things on local employment and production volumes. In South Africa, financial support is available depending on levels of investment and production volumes. And in India, a second, higher rate of import duty has been introduced for the local assembly of vehicles if their engines, transmissions and axles are imported as complete units. These are just a few examples. Daimler has already increased the local value added in order to adapt to the requirements of industrial policy and has thus taken appropriate action in good time. The increasing proximity of our production sites to local markets and consideration of logistical and other advantages result in opportunities in terms of utilizing those markets' potential.

### Company-specific risks and opportunities

The following section deals with the company-specific risks and opportunities of the Daimler Group. A quantification of these risks and opportunities is shown in table [C.52](#).

**Production and technology risks and opportunities.** Key success factors for achieving the desired level of prices for the products of the Daimler Group and hence for the achievement of our corporate goals are the brand image, design and quality of our product – and thus their acceptance by customers – as well as technical features based on innovative research and development. Convincing solutions, which for example promote accident-free driving or further improve our vehicles' fuel consumption and emissions such as with diesel-hybrid or electric vehicles, are of key importance for safe and sustainable mobility. Due to growing technical complexity, continually rising requirements in terms of emissions, fuel consumption and safety, and the Daimler Group's goal of meeting and steadily raising its quality standards, product manufacturing in the various divisions is subject to production and technology risks.

The demanding combination of requirements, complexity and quality can lead to higher advance expenditure and thus also to an adverse impact on the Group's profitability, as those three factors have the highest priority for the Daimler Group. One of the associated risks is that **development expenditure** cannot later flow directly into the end product if the solution is not ideally usable for the customer or proves not to be marketable. In addition, the **launch of new products** is generally connected with high investment. In order to achieve a very high level of quality, one of the key factors for a customer's decision to buy a product of the Daimler Group, it is necessary to make investments in new products and technologies that sometimes exceed the originally planned volume. This cost overrun would then reduce the anticipated earnings from the launch of a new model series or product generation. This affects the segments that are currently launching new products or that are planning to do so. Due to the currently high number of product launches, production and technology risks are generally higher than in the previous year.

Furthermore, in the Mercedes-Benz Cars segment, there is a risk with a very low probability of occurrence that the operation of production plants could be interrupted. Spare parts are held available for those production plants as a precaution.

The Mercedes-Benz Cars division may be able to utilize additional production opportunities by increasing its production capacities. For this purpose, shift models and the worldwide production networks would be used, investment plans implemented and analyses conducted, for example with regard to enhancing the flexibility of production equipment.

**Guarantee and goodwill claims** are another issue affecting the automotive segments. These claims can arise when the quality of the manufactured products does not meet customers' expectations, when a regulation is not fully complied with or when support is not provided in the required form in connection with problems and care of the products. The Daimler Group works continually and intensively to maintain product quality at a very high level along with growing product complexity, in order to avoid the danger of making corrections on end-products and to supply customers with the best possible products. Furthermore, processes are implemented at the Daimler Group to regularly obtain customers' opinions on the support provided so that our service and customer satisfaction can be continuously improved.

## C.52

### Company-specific risks and opportunities

Risk category	Probability of occurrence	Impact	Opportunity category	Impact
Production and technology risks	Low	High	Production and technology opportunities	Low
Information technology risks	Low	Medium	Information technology opportunities	-
Personnel risks	Low	Medium	Personnel opportunities	-
Risks related to equity interests and joint ventures	Low	Medium	Opportunities related to equity interests and joint ventures	Low



In principle, there is also a danger that due to a failure of production equipment or a problem with a production plant, the level of production cannot be maintained as planned. In order to avoid bottleneck situations, priority is placed on the regular maintenance of production equipment and on avoiding capacity bottlenecks by means of foresighted planning. The possibility of a risk occurring in this context is low. Another factor is that the availability and quality of products is continuously monitored within the context of managing the entire value chain.

**Information technology risks.** Information technology plays a crucial role for the Daimler Group's business processes. Storing and exchanging data in a timely, complete and correct manner and being able to utilize fully functioning IT applications are of key importance for a global group such as Daimler. Risks of occurrences which could result in the interruption of our business processes due to the failure of IT systems or which could cause the loss or corruption of data are therefore identified and evaluated over the entire lifecycles of applications and IT systems. Daimler has defined suitable actions for risk avoidance and limitation of damage, which are continually adapted to changing circumstances. These activities are embedded in a multi-stage IT risk management process. For example, the Group minimizes potential interruptions of operating routines in the data centers by means of mirrored data sets, decentralized data storage, outsourced archiving, high-availability computers and appropriate emergency plans. In order to meet the growing demands placed on the confidentiality, integrity and availability of data, Daimler operates its own risk management system for information security. Despite all the precautionary measures taken, Daimler cannot completely rule out the possibility that IT disturbances will arise and have a negative impact on the Group's business processes. IT risks are not allocated to the segments of the Daimler Group because there are no segment-specific differences with regard to the types of risk in the IT risk portfolio.

**Personnel risks.** Daimler's success is highly dependent on our employees and their expertise. Competition for highly qualified staff and management is still very intense in the industry and the regions in which we operate. Our future success also depends on the magnitude to which we succeed over the long term in recruiting, integrating and retaining executives, engineers and other specialists. Our human resources instruments take such personnel risks into consideration, while contributing towards the recruitment and retention of staff with high potential and expertise and ensuring transparency with regard to our resources. One focus of our human resources management is on the targeted personnel development and further training of our workforce. Our employees benefit for example from the range of courses offered by the Daimler Corporate Academy and from the transparency created by LEAD, our uniform worldwide performance and potential management system. Because of demographic developments, the Group has to cope with changes relating to an aging workforce and has to secure a sufficient number of qualified young persons with the potential to become the next generation of highly skilled specialists and executives. We address this issue by taking appropriate mea-

asures in the area of generation management. There is no segment-specific assessment of the human resources risk because the described risks are not related to any specific business segment but are valid for all segments. If this risk materializes, depending on the size of the personnel shortage, an impact on the Group's activities and thus also on the earnings of the Daimler Group is to be expected.

As described above, our employees constitute great potential for the Daimler Group. With their ideas and suggestions, they are involved in the respective activities and working processes and thus contribute considerably to our improvements and innovations.

To support this process, the Daimler Group has established an **ideas management** system through which employees can submit ideas and suggestions for improvements. The processing of the information received by this system and the integration of ideas in an assessment process carried out by experts and persons in charge of the respective processes is supported by the established IT system "idee.com." This is intended to ensure the systematic and sustained promotion of our employees' ideas and suggestions for improvement.

Furthermore, workgroups create processes and instruments to produce new business ideas and to establish cross-departmental cooperation. In this context, an online community exists in the area of **business innovation** to which suggestions for discussions can be submitted, which all employees can assess and develop further.

**Risks and opportunities related to equity interests and joint ventures.** Cooperation with partners in joint ventures and associated companies is of increasing importance for Daimler to utilize additional growth opportunities, and also against the background of increasing national regulations, particularly in the emerging markets. The successful implementation of cooperation with other companies is also of key importance to realize cost advantages and to combat the competitive pressure in the automotive industry.

Daimler generally bears a proportionate share of the risks and opportunities of its joint ventures and associated companies in growth markets. In the relevant regions, the increasing relevance of cooperation with partners in joint ventures, associated companies and cooperations therefore increases the potential risks and opportunities, because the factors that have a negative impact on those companies' profitability also reduce the Group's earnings in proportion to the ownership interest.

The possible risks include negative financial developments for the equity interests of the Daimler Group. If cooperations (joint ventures) do not develop as desired or if the development of companies does not meet expectations, growth targets can be negatively impacted. Risks exist in connection with equity interests in the segments Mercedes-Benz Cars and Daimler Trucks. The cases involved are subject to a continuous monitoring process so that a company can be quickly supported if required and its profitability can be protected.

The development of production facilities and joint ventures in the Chinese market is exposed to risks. Efficient production processes are established to deal with and reduce those risks. Furthermore, dependencies between contracting parties and possible changes in the framework conditions in China, in which the danger of increased costs is inherent, must be included in the local decision processes.

### Financial risks and opportunities

The following section deals with the financial risks and opportunities of the Daimler Group. A quantification of these risks and opportunities is shown in table [C.53](#).

In principle, the Group's operating and financial risk exposures underlying the financial risks and opportunities can be divided into in symmetrical and asymmetrical risk and opportunity profiles. With the symmetrical risk and opportunity profiles (e.g. currency exposures), risks and opportunities exist equally, while with the asymmetrical risk and opportunity profiles (e.g. credit and liquidity exposures), risks outweigh the opportunities. Daimler is generally exposed to risks and opportunities from changes in market prices such as currency exchange rates, interest rates, commodity prices and share prices. Market-price changes can have a negative or positive influence on the Group's profitability, cash flows and financial position. Daimler manages and monitors market-price risks and opportunities primarily in the context of its operational business and financing activities, and applies derivative financial instruments for hedging purposes, whereby both market-price risks and opportunities are limited.

In addition, the Group is exposed to credit and liquidity risks. As part of the risk management process, Daimler regularly assesses these risks by considering changes in key economic indicators and market information. Market-sensitive instruments held in funds set up to cover pension and health-care benefits, including equities and interest-bearing securities, are not included in the following analysis.

**Exchange rate risks and opportunities.** The Daimler Group's global reach means that its business operations and financial transactions are connected with risks arising from fluctuations of foreign exchange rates, especially of the US dollar and other important currencies against the euro. An exchange rate risk or opportunity arises in the operating business primarily when revenue is generated in a currency different from that of the related costs (transaction risk). This applies in particular to the Mercedes-Benz Cars division, as a major portion of its revenue is generated in foreign currencies while most of its production costs are incurred in euros. The Daimler Trucks division is also exposed to such transaction risks, but only to a minor degree because of its worldwide production network. Currency exposures are gradually hedged with suitable financial instruments (predominantly foreign exchange forwards and currency options) in accordance with exchange rate expectations, which are constantly reviewed. Exchange rate risks also exist in connection with the translation into euros of the net assets, revenues and expenses of the companies of the Group outside the euro-zone (translation risk); these risks are not generally hedged.

**Interest rate risks and opportunities.** Daimler holds a variety of interest rate sensitive financial instruments to manage the cash requirements of its business operations on a day-to-day basis. Most of these financial instruments are held in connection with the financial services business of Daimler Financial Services, whose policy is generally to match funding in terms of maturities and interest rates. However, to a limited magnitude, the funding does not match in terms of maturities and interest rates, which gives rise to the risk of changes in interest rates. The funding activities of the industrial business and the financial services business are coordinated at Group level. Derivative interest rate instruments such as interest rate swaps and forward rate agreements are used to achieve the desired interest rate maturities and asset/liability structures (asset and liability management).

## C.53

### Financial risks and opportunities

Risk category	Probability of occurrence	Impact	Opportunity category	Impact
Exchange rate risks	Low	High	Exchange rate opportunities	High
Interest rate risks	Low	Low	Interest rate opportunities	Low
Share price risks	Low	Low	Share price opportunities	Low
Commodity price risks	Low	Low	Commodity price opportunities	Low
Liquidity risks	Low	High	Liquidity opportunities	-
Credit risks	Low	Low	Credit opportunities	-
Risks relating to pension plans	Low	High	Opportunities relating to pension plans	High
Risks from changes in credit ratings	Low	Low	Opportunities from changes in credit ratings	Low

**Equity price risks and opportunities.** Daimler holds investments in shares of companies, which are predominantly classified as long-term investments (especially Nissan and Renault) or which are included in the consolidated financial statements using the equity method (primarily Kamaz and Tesla). Therefore, the Group does not include these investments in an equity price risk analysis.

**Commodity price risks and opportunities.** Associated with Daimler's business operations, the Group is exposed to changes in the prices of consignments and commodities. The Group addresses these procurement risks by means of concerted commodity and supplier risk management. To a minor magnitude, derivative commodity instruments are used to reduce some of the Group's commodity risks, primarily the risks associated with the purchase of metals.

**Liquidity risks.** In the normal course of business, we make use of bonds, commercial paper and securitized transactions as well as bank credits in various currencies, primarily to refinance the leasing and sales-financing business. A negative development of the capital markets could increase the Group's financing costs. More expensive refinancing would also have a negative effect on the competitiveness and profitability of our financial services business if we were unable to pass on the higher refinancing costs to our customers; a limitation of the financial services business would have a negative impact on the automotive business.

**Credit risks.** The Group is exposed to credit risks which result primarily from its financial services activities and from its operating business. In addition, credit risks also arise from the Group's liquid assets. Should defaults occur, this would negatively affect the Group's financial position, cash flows and profitability. In recent years, the limit methodology has been continually further developed in order to counteract the ever worsening creditworthiness of the banking sector. In connection with investment decisions, priority is placed on the borrower's very high creditworthiness and on balanced risk diversification. Most liquid assets are held in investments with an external rating of A or better.

Further information on financial risks, risk-limiting measures and the management of these risks is provided in [Note 32](#) of the Notes to the Consolidated Financial Statements. Information on the Group's financial instruments is provided in [Note 31](#).

**Risks and opportunities relating to the pension plans.**

Daimler has pension benefit obligations, and to a smaller magnitude obligations relating to healthcare benefits, which are largely covered by plan assets. The balance of obligations less plan assets constitutes the funded status for these employee benefit plans. Even small changes in the assumptions used for the valuation of the benefit plans such as a change in the discount rate could have a negative or positive effect on the funded status of our pension and health-care plans or could lead to changes in the periodic net pension expense in the following financial year. The market value of plan assets is determined to a large degree by developments in the capital markets. Unfavorable or favorable developments, especially relating to equity prices and fixed-interest securities, could reduce or increase that market value. Plan assets at December 31, 2013 did not include significant investments in government bonds that are currently affected by the European sovereign debt crisis; all government bonds denominated in euros have a rating of at least AA on the balance sheet date. Further information on the pension plans is provided in [Note 22](#) of the Notes to the Consolidated Financial Statements.

**Risks and opportunities from changes in credit ratings.**

Daimler's creditworthiness is assessed by the rating agencies Standard & Poor's Rating Services, Moody's Investors Service, Fitch Ratings and DBRS.

There are risks in connection with potential downgrades, which could have a negative impact on the Group's financing. Advance investment expenditures related to the Group's growth strategy are also connected with risks for our credit ratings if the earnings and cash flows anticipated from the growth cannot be realized.

Opportunities exist in connection with upgrades of the credit ratings issued by the rating agencies, because this could lead to lower borrowing costs for the Group. If, with the help of the new products in the automotive divisions, the Group's business development should significantly surpass the expectations of the rating agencies, opportunities could arise for the ratings.



## Risks from guarantees and legal risks

Furthermore, the Group is exposed to legal risks and risks from guarantees. Provisions are recognized for those risks if and to the extent that they are likely to be utilized and the amounts of the obligations can be reasonably estimated.

**Risks from guarantees.** The issue of guarantees results in liability risks for the Group. For example, Daimler holds an equity interest in the system for recording and charging tolls for the use of highways in Germany by commercial vehicles of more than 12 metric tons gross vehicle weight. The operation of the electronic toll-collection system is the responsibility of the operator company, Toll Collect GmbH, in which Daimler holds a 45% stake and which is included in the consolidated financial statements using the equity method of accounting. In addition to Daimler's membership of the Toll Collect consortium and its equity interest in Toll Collect GmbH, risks also arise from guarantees that Daimler has assumed with the other partners in the Toll Collect consortium (Deutsche Telekom AG and Cofiroute SA) supporting obligations of Toll Collect GmbH towards the Federal Republic of Germany in connection with the toll system and a call option of the Federal Republic of Germany. Claims could be made under those guarantees if toll revenue is lost for technical reasons, if certain contractually defined performance parameters are not fulfilled, if additional claims are made by the Federal Republic of Germany, if the final operating permit is not granted, if Toll Collect GmbH fails to meet contractual obligations, if it fails to have the required equipment available or if the Federal Republic of Germany takes over Toll Collect GmbH. The maximum loss risk for the Group from these risks can be substantial. Additional information is provided in [Note 29](#) (Legal proceedings) and [Note 30](#) (Financial guarantees, contingent liabilities and other financial commitments) of the Notes to the Consolidated Financial Statements.

**Legal risks.** Various legal proceedings, claims and governmental investigations (legal proceedings) are pending against Daimler AG and its subsidiaries on a wide range of topics, including vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights, warranty claims, environmental matters, legal proceedings relating to competition law, and shareholder litigation. Some of these proceedings allege defects in various components in several different vehicle models or allege design defects relating to vehicle stability, pedal misapplication, brakes or crashworthiness. Some of the claims asserted by way of class action suits seek repair or replacement of the vehicles or compensation for their alleged reduction in value, while others seek recovery for damage to property, personal injuries or wrongful death. Adverse decisions in one or more of these proceedings could require us to pay substantial compensatory and punitive damages or undertake service actions, recall cam-

paigns or other costly actions. Some of these proceedings may have an impact on the Group's reputation. It is possible, as these proceedings are connected with a large degree of uncertainty, that after the final resolution of litigation, some of the provisions we have recognized for legal proceedings could prove to be insufficient. As a result, substantial additional expenditures may arise. This also applies to legal proceedings for which the Group has seen no requirement to recognize a provision.

Although the final result of any such litigation may influence the Group's earnings and cash flows in any particular period, Daimler believes that any resulting obligations are unlikely to have a sustained effect on the Group's cash flows, financial position or profitability. Further information on legal proceedings is provided in [Note 29](#) of the Notes to the Consolidated Financial Statements.

## Overall assessment of the risk and opportunity situation

The Group's overall risk situation is the sum of the individual risks of all risk categories for the divisions and the corporate functions and legal entities. In addition to the risk categories described above, unpredictable events are possible that can disturb production and business processes such as natural disasters or terrorist attacks. This could adversely affect consumer confidence and could cause production interruptions due to supplier problems and intensified safety measures at national borders. In this context, Daimler also considers the risks of additional earthquakes in Asia, the danger of weather damage and political instability in sales regions. In the case of natural disasters, emergency plans are developed to allow the resumption of business activities. In addition, further protective measures are taken and, if possible, insurance cover is obtained. Other smaller risks relate to project and process risks as well as the shortage or lack of resources. In order to avoid or minimize these risks, measures are defined for each individual case and must be implemented accordingly.

In addition to the risks described above, there are risks that affect the reputation of the Daimler Group as a whole. Public interest is focused on Daimler's position with regard to issues such as ethics and sustainability. Furthermore, customers and capital markets are interested in how the Group reacts to the technological challenges of the future and how we succeed in offering up-to-date and technologically leading products in the markets. As one of the fundamental principles of entrepreneurial activity, Daimler places particular priority on adherence to applicable law and ethical standards. In addition, a secure approach to sensitive data is a precondition for doing business with customers and suppliers in a trusting and cooperative environment. The Group takes extensive measures so that risks that may arise in this context with an impact on our reputation are subject to well-regulated internal controls.

In order to obtain an overall picture, Corporate Risk Management collates the information described on risks from the individual organizational units. There are no discernible risks that either alone or in combination with other risks could jeopardize the continued existence of the Group. But since considerable economic and industry risks still exist, setbacks on the way to regularly achieving our growth and profitability targets cannot be completely ruled out. However, the business environment of the Daimler Group has tended to improve slightly compared with the previous year. Daimler is confident that due to the established risk management system at the Group, risks are recognized at an early stage and the current risk situation can be successfully managed as a result.

For a holistic picture of the entrepreneurial activity of the Daimler Group, it is necessary to consider not only the risk side but also the opportunity side. The aforementioned opportunities represent potential and also challenges for the Daimler Group. By effectively and flexibly focusing the production program on changing conditions, the divisions of the Daimler Group strive to secure or surpass their respective targets and plans. As far as can be influenced by the Daimler Group and if measures prove to be economical, the Group takes appropriate action to realize the potential of its opportunities.

# Outlook.

The statements made in the Outlook chapter are generally based on the operational planning of Daimler AG as approved by the Board of Management and the Supervisory Board in December 2013. This planning is based on the premises we set regarding the economic situation and on the development of the automotive markets. It involves assessments made by Daimler, which are based on relevant 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. We are constantly adjusting our expectations, taking into account the latest forecasts on the development of the world economy and of automotive markets, as well as our recent business development. The statements made below are based on the knowledge available to us in February 2014.

Our assessments for the year 2014 are based on the assumption of stable political and economic conditions, and the expectation that the upward trend of worldwide demand for motor vehicles will continue. The development we have outlined is subject to various opportunities and risks, which are explained in detail in the Risk and Opportunity Report. [see pages 129 ff](#)

## The world economy

At the beginning of 2014, most leading indicators – above all the index of global business confidence – suggest that growth of the world economy will accelerate moderately this year. After two years with significantly below-average rates of growth of global GDP, there are now good chances of a perceptible improvement. In particular, growth should gain momentum in the advanced economies, while the prospects for some emerging economies remain rather moderate.

The economic development of the United States is expected to be rather dynamic compared with 2013. A steadily improving labor market, the positive wealth effects of higher equity and real-estate prices, low inflation and an upturn in investment should allow significant acceleration of economic growth to a rate of between 2.5 and 3%. However, this is based on the assumption that there are no major restrictions from the side of fiscal policy. Despite the incipient economic improvement, the US Federal Reserve is not expected to increase interest rates in 2014. But the expansive monetary policy in the form of monthly bond buybacks is likely to be gradually phased out. Furthermore, there are indications that economic dynamism in Japan will subside as the year progresses, primarily due to the country's fiscal policy and the planned tax increases.

Although the European sovereign debt crisis is far from being finally resolved, the associated burdens have decreased to such an extent that the economy of the European Monetary Union should move out of recession in 2014. But ongoing high levels of unemployment and the disappointingly low level of lending are likely to prevent any significant acceleration of growth. Overall, fiscal policy will remain restrictive, although much less so than last year. Total GDP growth will therefore probably remain moderate at approximately 1%. Growth of the German economy should once again be above average. The economic outlook for the United Kingdom is even more favorable, with GDP growth of probably more than 2%.

The economic revival in the United States and Europe will have a positive impact on the emerging economies through a significant increase in world trade. But structural problems are hindering a more sustained economic upturn in some countries such as India, Brazil and Russia. Another factor is that monetary policy is likely to be restrictive in some countries in order to limit inflationary pressure and to avoid capital outflows. The emerging economies are therefore expected to post similar growth to the previous year at approximately 4.5%. The main assumption in this respect is that the reform measures taken in China are effective and the Chinese economy moves onto a stable growth path of at least 7 to 7.5%.

In total, therefore, global economic output could expand by rather more than 3% in 2014.



With regard to the currencies important for our business, we continue to anticipate sharp exchange-rate fluctuations in 2014. Compared with the average exchange rates in the year 2013 (USD/€: 1.33; GBP/€: 0.85), we anticipate a trend of slight depreciation of the US dollar, while the British pound should remain fairly stable against the euro. With regard to the Japanese yen (average for 2013: 130 yen/euro) and exchange rates important to us of various emerging markets, we assume that those currencies will depreciate once again.

In order to counteract the risks arising for our business as a result of the still very volatile exchange rates, we conduct hedging transactions as far as this makes sense for the various currencies. For the year 2014, we have hedged well over half of the exchange-rate risks as of mid-February.

### Automotive markets

The more favorable economic outlook should result in further growth in global **demand for cars** in 2014. From today's perspective, demand is expected to rise by a rate of 4 to 5%.

The Chinese market should once again make the biggest contribution to global market growth. Following the strong increase in the previous year, further expansion of the car market by approximately 10% should be possible. The US market is also likely to grow. Although its growth will probably be more moderate than in 2013, the US market volume should expand to about 16 million passenger cars and light trucks – a volume that was last reached in 2007 before the worldwide financial crisis.

After significant contraction of the overall Western European car market lasting several years, we expect a hesitant market recovery in 2014. Thanks to the continued reduction of risks from the sovereign debt crisis and a slight economic revival, an improvement of the demand situation is anticipated in some major markets. Demand should revive again somewhat also in Germany.

Demand for cars in Japan is expected to fall, however. This has less to do with the economic outlook than with the increase in value-added tax planned for April. Considerable volumes of purchases were therefore brought forward to the second half of 2013, so a market correction is to be expected this year.

In the major emerging markets (except China), another weak demand situation is anticipated following the weak market development of last year. The Russian market should be slightly larger than in the previous year and we expect a moderate recovery of the car market in India.

After the world market for **medium- and heavy-duty trucks** expanded slightly in 2013 despite difficult market conditions, further moderate growth is expected this year. But market developments will continue to differ significantly from one region to another.

In the NAFTA region, we anticipate significant market growth of up to 10% due to the increasingly dynamic economy. Decreasing uncertainty with regard to fiscal policy should be a factor contributing towards the gradual end of the lack of demand in the market over the coming months.

The development of the European market in recent months was primarily affected by the introduction of the Euro VI emission standards. Purchases brought forward had a very positive influence on demand towards the end of 2013. Recently, however, this special effect has started to subside. Developments during the rest of 2014 will depend in particular on the extent to which the economic revival in Europe can offset the negative impact of the purchases brought forward. From today's perspective, we expect the market volume for the full year to be slightly below the level of 2013.

Ongoing economic stimuli and an expansive monetary policy should continue to have a positive effect on the Japanese truck market in 2014; slight growth is anticipated for light-, medium- and heavy-duty trucks overall. The Brazilian market for medium- and heavy-duty trucks is likely to be just below the prior-year level, primarily due to the below-average development of investment activity and somewhat less favorable financing conditions. In Russia, demand for trucks is likely to recover slightly. The Indian market should stabilize after the significant losses of the previous years. China, the world's biggest market for trucks, should post moderate growth.

Overall, we anticipate stable demand for medium-sized and large **vans** in Europe in 2014, whereby market developments will differ greatly in the various countries. Also for small vans, we expect to see a market volume in Europe in the magnitude of the previous year. For the United States, we anticipate a significant increase in demand in the market for large vans in 2014. In Latin America, the market for large vans should also continue to expand, and we anticipate a further revival of demand also in China in 2014.

We expect a slightly larger market volume for **buses** in Western Europe in 2014 than in 2013. In Latin America, we anticipate stable demand for buses. The market for buses in Brazil should remain at a good level in view of the upcoming soccer World Cup in 2014.

## Unit sales

**Mercedes-Benz Cars** will consistently follow its path of growth in the context of the “Mercedes-Benz 2020” offensive in 2014. A rejuvenated model portfolio and important new product launches should help us to significantly increase our unit sales and thus reach a new record. The new S-Class is likely to make a large contribution to the growth in unit sales. The brand’s flagship established itself as the market leader already in 2013. As of the third quarter, the new S-Class coupe will also be available and will set new standards in the luxury segment. The all-new C-Class sedan will be delivered to its first customers in Europe as early as March 2014, and the GLA sports utility vehicle will be launched in the high-volume compact-car segment also in March 2014 as the fourth model of the new compact cars. For the second half of 2014, Mercedes-Benz anticipates further sales impetus above all from the market launch of the new C-Class station wagon and the new generation of the CLS and the CLS Shooting Brake. In addition, the brand is likely to profit also in 2014 from the great market success of its models in the SUV segment.

Within the framework of the “Mercedes-Benz 2020” long-term growth strategy, we will consistently expand our product portfolio in all segments also in the coming years. We will increase to five the number of models offered by Mercedes-Benz in the compact-car segment. In parallel, we will continue the model offensive also at the top end of the portfolio, for example with additional models of the new S-Class and with an additional SUV variant.

From a regional perspective, we expect the markets in North America and Asia to make major contributions to our growth in unit sales. In Asia, the Chinese market is especially important for us. We have significantly enhanced the effectiveness of our sales organization in China. We will expand the range of models offered there in 2014, partially with locally produced vehicles such as the compact SUV - the GLA, and we will further expand the dealer network also outside the major cities.

The smart brand will present the successor to its smart two-seater as well as the new smart four-seater in 2014. Due to the model change and the associated production adjustments, we assume that the brand’s unit sales will be significantly lower in 2014 than in the previous year. The new models should then facilitate strong sales growth in the following years.

**Daimler Trucks** anticipates a significant increase in total unit sales in 2014.

In Western Europe, the aftereffects of purchases brought forward to the second half of 2013 due to the imminent introduction of Euro VI emission limits could at first lead to lower demand in 2014. However, in view of the anticipated upward development of the general economic situation, this weakness should become less pronounced as the year progresses. We intend to further strengthen our very good position with the full availability of our new model range and the high acceptance of our products in the market.

In Brazil, after the market slump in 2012 and a recovery phase in 2013, we now anticipate a slight decrease in demand. Our extensive measures taken to optimize production, products and sales should further strengthen our market position. These measures include the investment of approximately one billion Brazilian real (approximately €300 million) in the next two years. Those funds will flow primarily into the development of new products and innovative technologies and into process optimization and modernization at the plants in São Bernardo do Campo and Juiz de Fora.

Unit sales in the NAFTA region should develop positively and be significantly higher than in 2013. Following last year’s gain in market share, our products will optimally satisfy customers’ needs also in 2014, and will thus continue to secure our strong market position.

In Asia, the availability of additional BharatBenz models in the Indian market should make a major contribution to growth in unit sales. In addition, we are generating synergy potential and further growth possibilities in the context of our new “Asia Business Model.” In Japan, we will participate in the expected slight market growth.

**Mercedes-Benz Vans** anticipates a significant increase in unit sales in 2014. With the Citan, we are now a full-range supplier and can thus utilize additional growth potential. With regard to medium-sized and large vans, we expect unit sales in Europe to rise significantly, whereby the new Sprinter and the new Vito and the V-Class will stimulate additional demand. We anticipate a further significant increase in unit sales also for the Citan. In the context of the “Vans goes global” business strategy, we intend to continue our expansion also in North and South America and in China.

**Daimler Buses** is pursuing the goal in 2014 of significantly increasing its unit sales and maintaining its leading position in its core markets for buses above 8 tons with innovative and high-quality new products. Not least due to the soccer World Cup in 2014 and new products for the high-volume school-bus segment, we expect unit sales to increase in Brazil. In Europe, we anticipate a stable development of unit sales. The “GLOBE 2013” growth and efficiency offensive was launched in 2012 to utilize further growth potential and to strengthen our competitiveness; it is expected to result in further gains in 2014.

With its “DFS 2020” strategy, **Daimler Financial Services** aims to achieve further profitable growth in the coming years. For the year 2014, we anticipate significant growth in new business and contract volume. Important growth drivers are the product offensives of the automotive divisions, the addressing of younger customers as a new target group, the expansion of business especially in Asia, the further development of our online sales channels and the development of innovative mobility offers. In addition to car2go, we will systematically expand our range of mobility services. Two examples of this are the “moovel” mobility platform and the “Park2gether” online service for finding parking spaces.

On the basis of our assumptions concerning the development of automotive markets and the divisions’ planning, we expect the **Daimler Group** to achieve further significant growth in total unit sales in 2014.

### Revenue and earnings

We assume that the Daimler Group’s **revenue** will grow significantly in 2014. Although there is still great uncertainty regarding the future development of our markets, we can assume that demand will generally increase. Another positive factor is that we should profit from the numerous new models that we launched in all of our automotive divisions in 2012 and 2013. The new models of the year 2014 will additionally stimulate demand, for example the new C-Class and the new GLA compact SUV at Mercedes-Benz Cars. Furthermore, we are increasingly developing the growth markets of Asia, Eastern Europe and Latin America for our products – partially also through local production. The revenue growth we anticipate is likely to be driven by all divisions, whereby Daimler Trucks and Mercedes-Benz Cars will probably deliver the biggest contributions in absolute terms. In regional terms, we expect to achieve above-average growth rates in the emerging markets and in North America.

The following factors are particularly important for the **earnings situation of the Daimler Group** in 2014:

- Due to our Group-wide product offensive, we are starting the year 2014 in all automotive divisions with a large number of new and attractive products and new technologies. This will enable us to convince our customers also in difficult markets.
- In order to focus our activities even more sharply on our customers and markets, we decided in September 2013 to strengthen the organization of the divisions. Under the heading of “Customer Dedication,” we are placing responsibility for the main sales functions and the important sales markets directly in the respective divisions. In this way, we will become faster and more flexible, and will create the right conditions to better utilize the growth potential in our core business and in new markets.

- With the programs “Fit for Leadership” at Mercedes-Benz Cars, “Daimler Trucks #1” at Daimler Trucks, “Performance Vans 2013” at Mercedes-Benz Vans and “GLOBE 2013” at Daimler Buses, we intend to realize earnings contributions totaling approximately €4 billion by the end of 2014 as a result of measures taken for the sustained improvement of cost structures and through additional business activities. Implementation is proceeding according to plan. These programs will be fully reflected in the earnings of 2015 and the following years.
- However, the advance expenditure for our model offensive, for innovative technologies and for the worldwide production facilities will first affect our earnings in the form of increased costs and depreciation.
- Within the context of our growth strategy, we are increasing our production capacities and expanding our worldwide production network. At the same time, we are enhancing the flexibility of our manufacturing and cost structures.
- We are also further developing our sales structures – in North America, in Eastern Europe and especially in the BRIC countries.
- Although the currently very low level of interest rates and risk premiums is easing our refinancing, it is also creating more competition and thus lower margins in the financial services business.
- Despite our hedging transactions, we must assume that a sustained high value of the euro against the US dollar, the Japanese yen and other currencies important to Daimler, including those of various emerging economies, will adversely affect the development of earnings compared with last year.

On the basis of the anticipated market development, the aforementioned factors and the planning of our divisions, we assume that **Group EBIT from the ongoing business** will increase significantly in 2014.

For the individual divisions, we aim to achieve the following EBIT targets in full-year 2014:

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

## Free cash flow and liquidity

The anticipated development of earnings in the automotive divisions will also have a positive impact on the **free cash flow** of the industrial business in 2014. When comparing with 2013, however, it is necessary to consider that the free cash flow of that year was positively influenced not only by the successful EADS transactions but also by year-end effects, which will be offset again this year. In combination with ongoing high levels of investment and research and development spending, this is likely to mean that the free cash flow of the industrial business will be significantly lower in 2014 than in 2013.

For the year 2014, 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 bank markets also in the year 2014. We want 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 the very good liquidity situation of the international capital markets and our strong creditworthiness, we expect a continuation of very attractive refinancing conditions in 2014. An additional goal is to continue securing a high degree of financial flexibility.

## Dividend

At the Annual Shareholders' Meeting on April 9, 2014, the Board of Management and the Supervisory Board will propose an increase in the dividend to €2.25 per share (prior year: €2.20). With this proposal, we are letting our shareholders participate in the Company's success while expressing our confidence about the ongoing course of business. We want our shareholders to participate appropriately in Daimler's financial success also in the coming years. In setting the dividend, we will aim to distribute approximately 40% of the net profit attributable to Daimler shareholders.

## Capital expenditure

In order to achieve our ambitious growth targets, we will expand our product range in the coming years and develop additional production and distribution capacities. We also want to make sure that we can play a leading role in the far-reaching technological transformation of the automotive industry. For this purpose, we will once again significantly increase our already very high investment in property, plant and equipment in the year 2014. The Mercedes-Benz Cars division and to a lower extent the Daimler Trucks division will contribute to this increase. In addition to capital expenditure, we are developing our position in the emerging markets by means of targeted financial investment in joint ventures and equity interests.

At the Mercedes-Benz Cars division, the focus of our capital expenditure will be on renewing and expanding our product range. The main projects include the preparations for the new C-Class family, the new smart models and further investment for our new compact cars. But substantial investment is planned also for the modernization and expansion of engine and transmission production at the plant in Untertürkheim, as well as for the expansion of our production capacities in the United States. After completing its Euro VI product offensive, Daimler Trucks will mainly invest in successor generations of existing products as well as the expansion and modernization of the plants, and new global component projects in 2014. At Mercedes-Benz Vans, the focus will be on further developing the existing model range and expanding the sales and service organization outside Western Europe, especially in the United States, Russia, Latin America and China. Key projects at Daimler Buses are advance expenditures for new models and product enhancements.

## 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 want to create competitive advantages above all by means of innovative solutions for low emissions and safe mobility. In addition, we intend to utilize the growth opportunities offered by worldwide automotive markets with new and attractive products that are tailored to the needs of our customers. In 2014, we will spend a very large amount on research and development, which will probably be in the magnitude of the previous year. Key projects at Mercedes-Benz Cars include the successor generation of the C-Class and the new smart models. In addition, we will invest considerable amounts in new low-emission and fuel-efficient engines, alternative drive systems and innovative safety technologies. Like at Mercedes-Benz Cars, research and development expenditure at Daimler Trucks is also likely to be in the magnitude of 2013. As before, the main areas here are the successor generations for existing products as well as developing and adapting new engine generations, with which we will further reduce fuel consumption and fulfill increasingly strict emission regulations. The further development of engines to meet future emission standards and to increase fuel efficiency is an important area of research and development also at Mercedes-Benz Vans and Daimler Buses. Alternative drive systems also play an important role, in particular at Daimler Buses.



## Workforce

Due to the anticipated business development, production volumes will continue rising in 2014. At the same time, we will significantly increase our efficiency and thus also productivity as a result of the programs we are carrying out in all divisions. Against this backdrop, we assume that we will be able to achieve our ambitious growth targets with a largely stable workforce. In the context of expanding our production network, new jobs will tend to be created primarily in North America and Asia. Workforce growth is likely to take place also at our joint ventures in China and Russia, whose employees are not included in the figures for the Daimler Group.

## Overall statement on future development

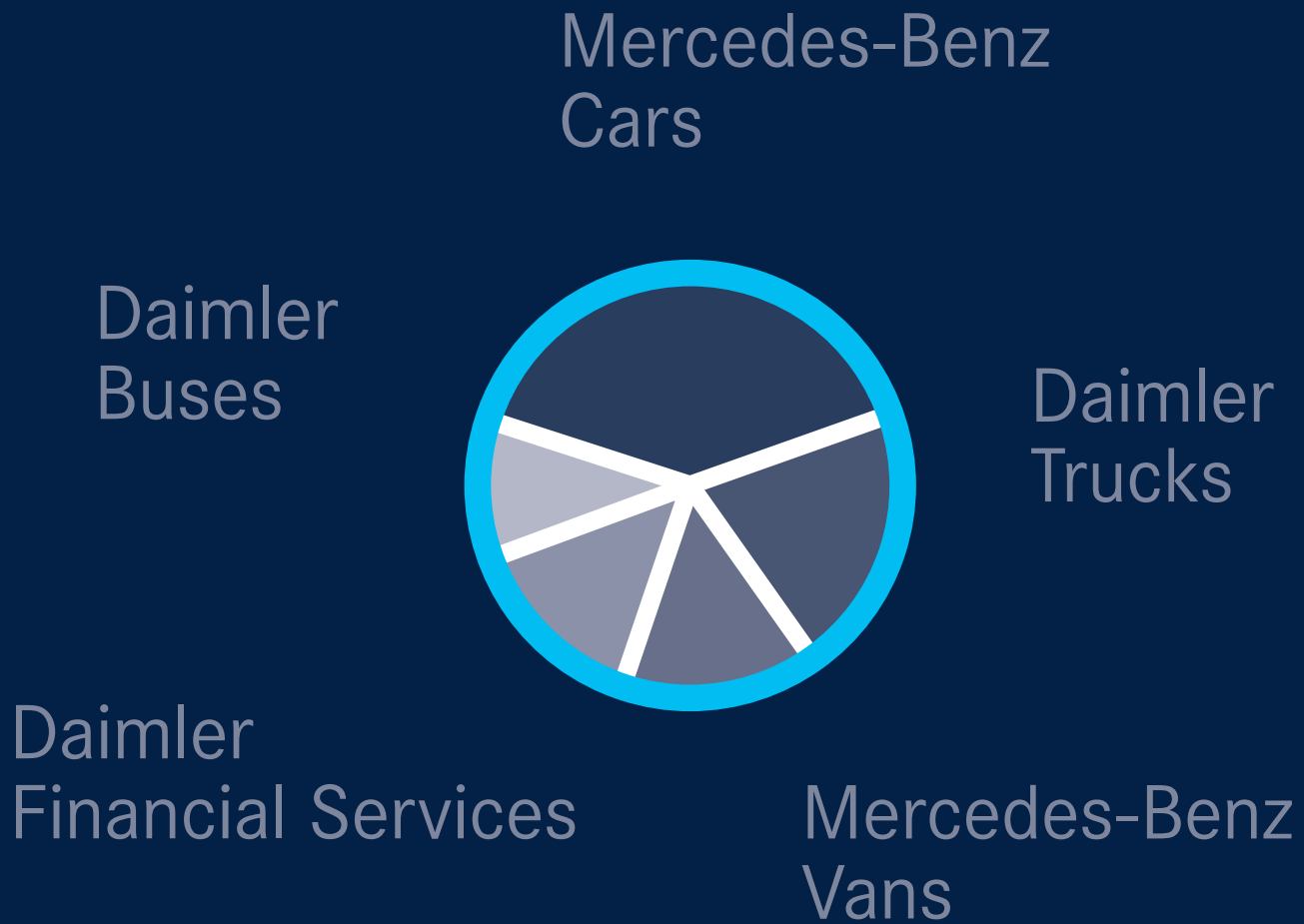
On the basis of the measures we initiated in 2013, we can look to 2014 and the following years with confidence. We made considerable progress with our growth and efficiency strategy in the year under review. In all of our automotive divisions, we are successfully facing the competition with new and extremely attractive products. At Mercedes-Benz Cars, we will gain new customers and further strengthen our worldwide market position with our new and very attractive models in the compact class. The new C-Class will ensure additional unit sales in 2014, and with the new S-Class, we are once again defining the benchmark in the segment of luxurious automobiles. Daimler Trucks is extremely well positioned with its existing product portfolio, the all-new range of Mercedes-Benz trucks (Actros, Arocs, Antos, Atego, Unimog and Econic), the new Freightliner Cascadia Evolution and the FUSO models from Chennai in India, and our products in the areas of buses and vans are worldwide leaders amongst the competition. Furthermore, as a result of extensive investment in our sales organization and production facilities, we have created the right conditions to effectively utilize the growth opportunities offered in Asia, Latin America and Eastern Europe in all our divisions. The continuation of a very high budget for research and development expenditure ensures that we will convince our customers also in the coming years with tailored products, new technologies and groundbreaking solutions for sustainable mobility.

To make sure that our targeted growth and the associated investment activity take place on a sound financial basis, we are implementing wide-ranging programs to enhance efficiency in all our divisions, whose effects were already apparent in 2013 and which will have a positive impact on earnings above all in the following years. In addition, we will focus our organization even more on customers and markets with the "Customer Dedication" initiative. This will make us faster and more flexible in the management of our business and in addressing customers' desires, and will create the right conditions for us to grow profitably in our core business and in new markets.

## 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 worsening of the sovereign-debt crisis in the Eurozone; an exacerbation of the budgetary situation in the United States; a deterioration of our refinancing possibilities on the credit and financial markets; events of force majeure including natural disasters, acts of terrorism, political unrest, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates; a shift in consumer preference towards smaller, lower-margin vehicles; or 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 in 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 of 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 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 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 publication date.

# The Divisions.



Daimler's divisions generally performed well in a market environment that remained difficult. We renewed our product range while continuing to increase our efficiency. We were able to improve our market position in many areas.

# D | The Divisions.

## 150 – 155 Mercedes-Benz Cars

- Unit sales and revenue at record levels
- “Fit for Leadership” pushed forward
- Successful continuation of product offensive
- New S-Class sets standards for safety, comfort and luxury
- Performance brand AMG on a growth path
- Numerous awards for Mercedes-Benz
- Strengthened market presence in China
- Presentation of “Best Customer Experience”
- Extensive investment in worldwide production network
- CO<sub>2</sub> emissions reduced to an average of 134 g/km
- EBIT of €4.0 billion (2012: €4.4 billion)

## 156 – 160 Daimler Trucks

- Unit sales at highest level since 2006
- Profitability secured by “Daimler Trucks #1”
- Product offensive completed: new Arocs for construction sector, new Atego for light- and medium-duty delivery transport, and special vehicles SLT, Econic and Unimog
- Successful completion of Euro VI introduction before new standard takes effect
- Further progress with fuel economy
- Successful development of joint ventures in Russia and Asia
- EBIT of €1.6 billion (2012: €1.7 billion)

## 161 – 163 Mercedes-Benz Vans

- Unit sales above prior-year level
- Successful implementation of measures to improve earnings
- Market launch of new Sprinter
- Activities in China strengthened by new research and development center
- Production start of Sprinter Classic in Russia
- EBIT of €631 million (2012: €543 million)

## 164 – 166 Daimler Buses

- Higher unit sales in all core markets
- “GLOBE 2013” growth and efficiency offensive shows effects
- Product portfolio changed over to Euro VI emission technology
- Numerous international major orders received
- Significant improvement in EBIT to plus €124 million (2012: minus €221 million)

## 167 – 169 Daimler Financial Services

- Three million vehicles financed for the first time
- Continued progress for the insurance business
- Approximately 600,000 customers for car2go
- Expansion of digital sales channels
- Awards for customer and dealer satisfaction and attractiveness as an employer
- EBIT in prior-year magnitude at €1.3 billion

# Mercedes-Benz Cars.

2013 was another record year for Mercedes-Benz Cars. Unit sales, revenue and production reached all-time highs. As we anticipated at the beginning of 2013, EBIT displayed a clear upward trend as the year progressed. Our most important new model was the S-Class, a pioneer of automotive development that underscores our leadership in the luxury segment. Additional new models in 2013 were the new E-Class and the CLA compact coupe. We also unveiled the new GLA, a compact SUV. Targeted investment in our global production network and sustained improvements in efficiency have put us on track for further profitable growth.

## D.01

### Mercedes-Benz Cars

	2013	2012	13/12
Amounts in millions of euros			% change
EBIT	4,006	4,391	-9
Revenue	64,307	61,660	+4
Return on sales (in %)	6.2	7.1	.
Investment in property, plant and equipment	3,710	3,495	+6
Research and development expenditure thereof capitalized	3,751 1,063	3,863 1,125	-3 -6
Production	1,588,658	1,455,650	+9
Units sales	1,565,563	1,451,569	+8
Employees (December 31)	96,895	98,020	-1

## D.02

### Unit sales by Mercedes-Benz Cars

	2013	2012	13/12
In thousands			% change
Mercedes-Benz	1,467	1,346	+9
thereof A-/B-/CLA-Class	384	231	+66
C-/SLK-Class	357	425	-16
E-/CLS-Class	332	314	+6
S-/CL-/SL-Class/ SLS/Maybach	71	81	-12
M-/R-/GLK-/GL-/ G-Class	323	295	+9
smart	98	106	-7
Mercedes-Benz Cars	1,566	1,452	+8
thereof Western Europe	640	631	+1
thereof Germany	280	290	-3
NAFTA region	363	342	+6
thereof United States	319	300	+6
China	239	208	+15
Japan	54	45	+20

**New records set for unit sales and revenue.** Mercedes-Benz Cars, comprising the brands Mercedes-Benz and smart, accelerated its growth with sales of 1,565,600 vehicles in the year under review (2012: 1,451,600). ↗ **D.01** Revenue also increased to a new record level, rising by 4% to €64.3 billion. At €4.0 billion, EBIT was lower than the figure for the previous year. However, following a weaker first half of the year, we were able to significantly improve our earnings in the third and fourth quarters of 2013. The launch of several new and attractive products made a major contribution to the very positive overall business development throughout the year. Efficiency improvements from the “Fit for Leadership” program also had an increasingly positive effect on earnings as the year progressed.

**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 and additional efficiency-boosting measures. 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.” With “Fit for Leadership,” we plan the implementation of measures to achieve a sustained improvement in our cost structures of approximately €2 billion by the end of 2014. For the year 2013, we had the objective of achieving 30% of the total cost reductions we aimed for. This target was significantly surpassed. Numerous measures have already been taken to increase efficiency in areas from product creation to the optimization of our procurement and sales processes, with the result that we were able to realize savings of approximately €800 million by the end of the year. Substantial progress was made for example with the optimization of production and with reducing material costs and fixed costs. We systematically identified technical and constructive potential for optimization and were able to achieve considerable effects by applying new procedures in awarding contracts to suppliers. We plan to systematically improve our processes in all areas in the coming years and to make them even more transparent. Among other things, we will carry out cost and profitability initiatives as standard features in all phases of the product creation process.





Mercedes-Benz starts a new chapter of its success story with the all-new C-Class.

**Record unit sales for Mercedes-Benz.** We once again set a new record in 2013 with unit sales of 1,467,400 Mercedes-Benz brand cars, marking a 9% increase over the previous year.

➤ **D.02** Growth became significantly more dynamic as the year progressed due to the launch of our attractive new models.

Mercedes-Benz was the most successful premium carmaker in Germany, Japan and the United States in 2013. We also further improved our position in many markets around the globe.

Mercedes-Benz performed very well overall in a volatile market environment in Europe. In fact, we gained additional market share in nearly all key markets. Growth was particularly strong in the United Kingdom (+14%), Russia (+19%) and Turkey (+61%). We recorded a 3% increase in unit sales compared to the prior year in Western Europe and increased our share of the weak German market to 10.3% (2012: 10.1%). The development was especially positive in the United States, where we set a new record with sales of 308,900 vehicles. We were able to record substantial increases also in Japan (+22%), India (+27%) and Brazil (+34%). Unit sales in China rose significantly, especially in the second half of 2013, leading to a full-year increase of 15%.

Among the various Mercedes-Benz model series, the new compact cars displayed an exceptionally dynamic development. During the year under review, a total of 383,700 customers opted to buy a vehicle from the A-, B- or CLA-Class model series. This figure corresponds to a 66% increase in compact model sales. The new E-Class models launched in June were also in great demand, with a 6% increase in unit sales in the year of the model changeover to 332,300 sedans, station wagons, coupes and convertibles. Sales of M-/R-/GLK-/GL-/G-Class SUVs rose to the new record level of 323,300 vehicles (+9%). With sales of 121,400 units (+1%), the M-Class was once again the top-selling vehicle in its market segment. The C-Class performed well in the year before its model changeover, recording sales of 356,700 units (-16%). The new S-Class, deliveries of which began in July 2013, was extremely well received by both customers and automotive journalists. The brand's new flagship model has been available in all core markets since October and has already made its way to the top of new-

vehicle registration statistics. Also in the year of the model changeover, the S-Class defended its position as the world's best-selling luxury sedan. We sold a total of 71,400 vehicles in the S-Class segment in 2013 (2012: 80,700).

#### **The new E-Class – efficient, intelligent and emotive.**

The world premiere of the new E-Class at the North American International Auto Show marked the start of Mercedes-Benz's broadly based product offensive. The model's front end has been fully redesigned with new headlights featuring a single lens that covers all functional elements. Along with the sedan and the wagon, Mercedes-Benz also completely upgraded the coupes and convertibles in the E-Class family. The changes include powerful and efficient BlueDIRECT four-cylinder engines with sophisticated fuel-injection technology, as well as pioneering assistance systems.

**The new CLA coupe – (air) resistance is futile.** The CLA has established a new segment with its world-leading aerodynamic properties, an avant-garde coupe design and the optional 4MATIC all-wheel drive system. Breathtakingly sporty proportions and a powerful and dynamic design idiom featuring interplay between concave and convex surfaces lend the four-door coupe its distinctive appearance. With a Cd value of 0.23, and even 0.22 in the CLA 180 BlueEFFICIENCY<sup>1</sup>, the CLA sets a new benchmark both for the Mercedes-Benz model lineup and for all other production vehicles. Deliveries to customers of the new CLA started in April 2013. A total of 59,200 units had already been sold by the end of the year.

<sup>1</sup> CLA 180 BlueEFFICIENCY: fuel consumption in l/100 km urban 6.8 / extra-urban 4.0 / combined 5.0; CO<sub>2</sub> emissions in g/km combined 117.

**The new S-Class – aspiration: the world’s best automobile.**

In mid-May 2013, we presented the new S-Class to a global audience in Hamburg. The model is a cutting-edge engineering achievement for both Mercedes-Benz and automotive development in general. Its launch marked the high point of our 2013 product offensive, and its extraordinary fuel economy and outstanding aerodynamics ensure environmentally friendly performance. This is especially true of the S 500 PLUG-IN HYBRID<sup>1</sup>, which we presented at the Frankfurt Motor Show in September 2013. With its innovative driver assistance and safety systems from the Mercedes-Benz “INTELLIGENT DRIVE” program, the S-Class is also a pioneering vehicle on the way to autonomous driving. No other vehicle embodies the Mercedes-Benz brand promise of “the best or nothing” as clearly as the S-Class. The new luxury sedan has generated a huge amount of interest: 20,000 orders for the S-Class had already been received even before the new model was officially launched.

[see page 108](#)

**The new Mercedes-Benz GLA – an all-round talent.** The SUV from our new compact-car family combines superior everyday driving performance with off-road mobility. A flexible interior and high-quality appointments that show loving attention to detail clearly position the GLA as a premium compact SUV. The new GLA completes the extensive range of Mercedes-Benz SUVs. At the same time, it is the fourth of a total of five new compact models from the brand. The GLA celebrated its world premiere at the Frankfurt Motor Show in September 2013. Deliveries to customers will begin in March 2014.

**The smart fourjoy: forerunner of a new generation.** The smart fourjoy show car, which was unveiled in the fall of 2013, offered a preview of the new smart design idiom. The brand will launch two new models in 2014: the successor to the smart fortwo, which will retain the predecessor model’s unique vehicle length of only 2.69 meters, and a new four-seat smart forfour, which offers unprecedented interior spaciousness in this vehicle class.

With sales of 1,900 smart fortwo electric drive<sup>2</sup> cars and a market share of about 30%, the smart brand was the clear market leader for electric vehicles in Germany in 2013. The electric smart has also proved its worth in the car2go system. The electric lineup consisting of the fortwo coupe and fortwo convertible has been expanded to include the smart ebike. The bike’s award-winning design and highly efficient and high-performance drive-system package enables it to occupy an exceptional position in this competitive field. The smart ebike also underscores the smart brand’s goal of redefining urban mobility above and beyond the use of conventional automobiles.

The smart brand performed well in 2013, recording total sales of 98,200 smart fortwo cars in the fortwo’s last full year of production before the model changeover.

**AMG – cutting-edge technology and fascination.** Impressive results in motorsports and a unique array of high-performance vehicles continue to underscore AMG’s reputation as the successful performance brand from Mercedes-Benz. The AMG brand promise of “Driving Performance” has been a guarantee for the most sophisticated technology and pure driving fascination for more than 45 years now. The SLS AMG<sup>3</sup> super sports car developed independently by Mercedes-AMG has been a brand icon since its initial presentation in 2009. The SLS AMG model is coveted all over the world. This is due not least to the car’s motorsports success and to the great variety the series offers. AMG has also impressively demonstrated its innovative capabilities with the SLS AMG Electric Drive<sup>4</sup> super sports coupe, which boasts a unique drive system.

As part of the “AMG Performance 50” growth strategy, we are expanding the AMG product range and positioning the brand in new market segments. For example, AMG has three new models in the compact segment: the sporty A 45 AMG<sup>5</sup>, a four-door coupe and a compact SUV. The new model variants enable Mercedes-AMG to offer its customers more scope for individualizing vehicles than ever before. Various AMG automobiles are also available as exceptionally exclusive and powerful



The four-door CLA Coupe features a sporty design as well as dynamic handling and performance.





No other car embodies the brand promise of Mercedes-Benz – “The Best or Nothing” – like the S-Class.

S-models, and they can also be equipped with the newly developed, performance-focused AMG 4MATIC all-wheel drive system.

**Strengthened market presence in China.** In China, we further enhanced the efficiency of our sales activities and significantly expanded the dealer network in 2013. The sales company Beijing Mercedes-Benz Sales Service Co., Ltd., a 51:49 joint venture with our partner BAIC, started work in March 2013. All marketing and sales activities for Mercedes-Benz cars from both local production and imports are now under the roof of a single organization, allowing significantly more efficient and effective processes than with the previous two separate companies. The network of more than 330 dealerships at the end of the year will be further expanded. In 2013 alone, 75 new dealerships were added; in 2014, we intend to include another 100 dealers in the network in 40 new cities. This means that the brand is increasingly present also outside the large metro-polises. In parallel, we are continuously expanding the infrastructure for our after-sales business and are modernizing our logistics processes. We significantly upgraded the product range available to our Chinese customers in 2013 with seven product premieres, including the new S-Class and A-Class. Since September 2013, the long version of the new E-Class has been available in China; it is produced especially for the local market in the Beijing plant of Beijing Benz Automotive Co., Ltd. Offering 14 centimeters more legroom in the rear, this model meets the high demands of our Chinese customers.

**Numerous awards for Mercedes-Benz cars.** Mercedes-Benz once again set new standards for automotive manufacturing in 2013 with a courageous and confident approach that led to numerous awards. For example, automotive experts and readers of “Bild am Sonntag” newspaper and “Auto Bild” magazine selected the new S-Class as the best sedan in its class in the Europe-wide competition for the “Golden Steering Wheel” award. Mercedes-Benz models also made a big impression with their intelligent design trends. The S-Class captured top honors in the “German Design Award 2014” competition, while the A-Class and the CLA-Class were presented with the world-renowned “red dot award” for outstanding design quality.

- 1 S 500 PLUG-IN HYBRID: market launch in the second half of 2014.
- 2 smart fortwo electric drive: electricity consumption in kWh/100km 15.1; CO<sub>2</sub> emissions in g/km 0.0.
- 3 SLS AMG: fuel consumption in l/100 km urban 19.9 – 19.7 / extra-urban 10.2 – 9.3 / combined 13.7 – 13.2; CO<sub>2</sub> emissions in g/km combined 321 – 308.
- 4 SLS AMG Coupe Electric Drive: electricity consumption in kWh/100km 26.8; CO<sub>2</sub> emissions in g/km 0.0.
- 5 A 45 AMG: fuel consumption in l/100 km urban 9.1 – 8.8 / extra-urban 5.9 – 5.8 / combined 7.1 – 6.9; CO<sub>2</sub> emissions in g/km combined 165 – 161.

The CLA-Class was also the overall winner in the “Auto Bild Design Award” competition, in which it was voted Germany’s most beautiful car. Environmental compatibility was the focus of a study conducted by the renowned “ÖkoTrend” institute. The study resulted in the Mercedes-Benz ML 250 BlueTEC 4MATIC<sup>1</sup> and the Mercedes-Benz B 200 Natural Gas Drive<sup>2</sup> being named the most environmentally friendly vehicles in their respective categories. Mercedes-Benz also distinguished itself in terms of purely business criteria in 2013. For example, “Firmenauto” magazine chose the E-Class 300 BlueTEC HYBRID<sup>3</sup> station wagon, the B-Class and the smart fortwo electric drive<sup>4</sup> as “Company Cars of the Year 2013.” And in the detailed residual value forecast conducted by “FOCUS online,” the CLA, the CLS Shooting Brake, the ML 250 BlueTEC 4MATIC<sup>1</sup> and the B 180 CDI<sup>5</sup> posted the highest value-retention percentages and finished at the top of their respective segments. The most recent evidence of Mercedes-Benz’s positive development in China can be found in the J.D. Power Asia Pacific “Initial Quality Study 2013,” which gave the brand with the star the highest initial quality rating among 65 international and domestic automakers in China. In addition, the new S-Class was named “Car of the Year” in China by the editors in chief of the country’s most important automotive journals.

**Best Customer Experience.** Part of the “Mercedes-Benz 2020” growth strategy involves refocusing our global sales organization in line with changing customer demands. 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, the company presented in 2013 the core measures to be taken in sales and marketing within the framework of the Mercedes-Benz 2020 growth strategy. Titled “Mercedes-Benz 2020 – Best Customer Experience,” these measures combine a broad range of new approaches to sales, marketing, and after-sales activities that will be carried out with one overriding goal in mind – to offer our customers a consistent premium experience whenever they encounter the brand. For example, Mercedes-Benz will increasingly utilize inner-city sales formats in the future in order to directly approach customers and the interested public in their environment and in a relaxed atmosphere. Some 20 inner-city marketing locations in cities such as Berlin, Paris, Milan, New York, Beijing and Tokyo are already attracting visitors and offering them an exciting and comprehensive brand experience. The number of such sites around the world is to more than double by 2020. We also systematically utilize digital media for all customer contact activities. Contact



New efficient engines, new assistance systems and a new design idiom: Mercedes-Benz has thoroughly modernized the E-Class.





The compact premium SUV – the GLA – another milestone in the product and growth offensive of Mercedes-Benz.

with the brand is being further simplified by new communication channels such as the “Mercedes-Benz connect me” online shop, which was launched in Hamburg in late 2013. The existing sales team is also being expanded to include new professional profiles such as mobile sales consultants. This is important because Mercedes-Benz partners – dealerships and authorized sales outlets – will remain the most important points of contact for customers in the future.

**Expansion of the production network.** In order to meet the strong demand for our new products, we are expanding our production operations in a manner that will make them more responsive to customer and market requirements. At the same time, we are continually enhancing the productivity of existing facilities. These measures will also allow us to create the production conditions needed to achieve the targets of our “Mercedes-Benz 2020” growth strategy.

Substantial investments in Germany underscore our commitment to the country as a key manufacturing location. Germany remains the heart of our global production network, in which our German plants serve as centers of expertise. We invested more than €1 billion in our Sindelfingen facility in 2013; the launch of the new S-Class accounted for a large portion of that outlay. The investment volume at our main plant in Stuttgart-Untertürkheim amounted to more than €800 million during the year under review. In addition, we will invest more than €1 billion in our facility in Bremen by the end of 2014. The focus there is on preparations for the plant’s role as the competence center for the new C-Class. This model is now being built in a production network comprising the plants in Bremen, Tuscaloosa (USA), Beijing (China) and East London (South Africa).

We are also continuing with the expansion of our international production locations. One focus here is on the plant in Tuscaloosa, Alabama, in the United States. Preparations are being made there for the production of the new C-Class as of 2014 and of an all-new Mercedes-Benz model series starting in 2015.

Together with our partner BAIC, we are investing a total of roughly €4 billion over a period of several years in our facility in Beijing. The first long-wheelbase version of the new E-Class rolled off the assembly line there in September 2013. In November, the first Mercedes-Benz engine plant outside Germany went into operation in Beijing, and local production of the GLA compact SUV is scheduled to begin in 2014.

Valmet Automotive, a specialist manufacturing company, began providing additional capacity for A-Class production in August 2013. The Valmet plant in Uusikaupunki, Finland, will manufacture more than 100,000 A-Class cars flexibly and in line with market requirements by the end of 2016.

We are expanding our production capacity also in Brazil, where a new assembly plant in Iracemópolis near São Paulo will begin producing the next generation of the C-Class and the GLA for the local market in 2016.

**Further reduction of CO<sub>2</sub> emissions.** Our new engines and extremely efficient model variants once again enabled us to substantially reduce the average CO<sub>2</sub> emissions of the cars we sold in the European Union in 2013 – this time from 140 g/km to 134 g/km. Our new compact-class models played a major role in this accomplishment. Our overall objective is to reduce the average CO<sub>2</sub> emissions of our fleet of new cars in the European Union to 125 g/km by 2016. [🔗 see pages 110f](#)

- 1 ML 250 BlueTEC 4MATIC: fuel consumption in l/100 km urban 7.1 – 6.7 / extra-urban 5.7 – 5.3 / combined 6.2 – 5.8; CO<sub>2</sub> emissions in g/km combined 163 – 154.
- 2 B-Class 200 Natural Gas Drive: natural gas consumption in kg/100 km urban 6.0 – 5.6 / extra-urban 3.4 – 3.3 / combined 4.4 – 4.3; CO<sub>2</sub> emissions in g/km combined 162 – 153.
- 3 E-Class 300 BlueTEC HYBRID: fuel consumption in l/100 km urban 4.5 / extra-urban 4.6 – 4.4 / combined 4.5 – 4.4; CO<sub>2</sub> emissions in g/km combined 119 – 116.
- 4 smart fortwo electric drive: electricity consumption in kWh/100km 15.1; CO<sub>2</sub> emissions in g/km 0.0.
- 5 B 180 CDI: fuel consumption in l/100 km urban 5.2 – 4.9 / extra-urban 4.1 – 3.7 / combined 4.5 – 4.1; CO<sub>2</sub> emissions in g/km combined 117 – 108.

# Daimler Trucks.

Daimler Trucks continued to forge ahead with its product offensive in 2013. The presentation of the new Mercedes-Benz Arocs and Atego models and of the Mercedes-Benz SLT, Econic and Unimog special trucks enabled Daimler Trucks to complete its Euro VI-compliant product range well before the stricter emissions standards came into effect at the beginning of 2014. The new product from Daimler Trucks North America, the Freightliner Cascadia Evolution, has met with an outstanding market response. The BharatBenz brand's expanded product lineup is also setting new standards on India's roads. The new "Asia Business Model," an excellence initiative of the "Daimler Trucks #1" program, reached a milestone when production of FUSO models commenced in Chennai, India.

## D.03

### Daimler Trucks

	2013	2012	13/12
Amounts in millions of euros			% change
EBIT	1,637	1,695	-3
Revenue	31,473	31,389	+0
Return on sales (in %)	5.2	5.4	.
Investment in property, plant and equipment	839	989	-15
Research and development expenditure	1,140	1,197	-5
thereof capitalized	79	180	-56
Production	490,280	450,622	+9
Unit sales	484,211	461,954	+5
Employees (December 31)	79,020	80,519	-2

## D.04

### Unit sales by Daimler Trucks

	2013	2012	13/12
In thousands			% change
Total	484	462	+5
Western Europe	66	58	+14
thereof Germany	33	31	+8
United Kingdom	9	7	+36
France	9	7	+21
NAFTA region	135	135	+0
thereof United States	118	114	+3
Latin America (excluding Mexico)	59	46	+28
thereof Brazil	39	29	+34
Asia	163	164	-1
thereof Japan	38	35	+10
Indonesia	65	69	-6
Additional information:			
BFDA (Auman Trucks)	103	31	.
Total (including BFDA)	588	493	+19

### Successful products and increased efficiency take effect in a volatile market environment.

Daimler Trucks was operating in a regionally very disparate market environment in 2013. Demand for trucks developed positively in Europe, Brazil and Japan, while market volumes in India and Russia were significantly lower than in the previous year. Demand in the NAFTA region remained slightly below the prior-year level. Growth rates actually reached double digits in Brazil, where the market recovered following a slump in demand in 2012. The increase in demand in Japan was buoyed by the government's economic stimulus program. After a weak start to the year, rather more lively growth in Europe in the second half of 2013 led to an upturn in demand. This was mainly driven by purchases of Euro V-compliant vehicles being brought forward before the stricter Euro VI emissions standard took effect in early 2014. Daimler Trucks responded to this volatile market environment with its successful new product range, positive effects from the "Daimler Trucks #1" efficiency program and a high level of production flexibility. As a consequence, sales of Daimler Trucks rose to 484,200 units (2012: 462,000). However, changes in currency exchange rates caused revenue to increase only slightly to €31.5 billion (2012: €31.4 billion). EBIT of €1,637 million was slightly below the prior-year level (2012: €1,695 million). Personnel adjustments in Germany and Brazil reduced earnings by €116 million.



In 2013, Daimler was the first truck manufacturer to change over its complete European product range to Euro VI emission standards.

**Daimler Trucks #1 leads to first visible successes.** To make sure that Daimler Trucks is a leader also in terms of profitability, the division launched the “Daimler Trucks #1” excellence initiative in 2012. The program encompasses measures at the individual business units as well as initiatives affecting the entire division. By the end of 2014, we plan the implementation of measures for the sustained improvement of cost structures and additional business activities with an earnings effect of €1.6 billion. As planned, we already achieved 30% of our optimization targets with regard to earnings in 2013. Substantial progress was achieved for example with optimizing production and reducing material costs and fixed costs. We will continue to work hard on implementing the program this year. The current product offensive and the development of new markets are contributing considerably to the achievement of our growth and efficiency targets for all the division’s brands.

The initiatives affecting all of the division’s units also make an important strategic contribution so that we can benefit as effectively as possible from our global positioning. As part of its module strategy, for example, Daimler Trucks aims to achieve a much higher proportion of shared parts in its products, without eliminating key distinctions between the various brands. Reduced complexity and fewer types of parts generate cost benefits in procurement and significant economies of scale in production and logistics. The after-sales business is another focus of our program. In this area, global cooperation has been significantly strengthened by the systematic exchange of successful business processes across all regions. Furthermore, the revenue generated by the remanufacturing of components is to be increased by 30% in the medium term by means of expanded regional product portfolios and by developing new markets.

In our business in Asia, we made considerable progress in the year under review as a result of more intensive cooperation between FUSO and Daimler India Commercial Vehicles. That includes closer cooperation in the areas of finance, development and sales. In addition, the production of FUSO trucks started in May in Chennai, India.

**Unit sales rise to highest level since 2006.** In line with our forecast, Daimler Trucks slightly increased its unit sales in 2013, resulting in the highest level in seven years. Because the global economic situation continued to be difficult, the truck business actually made a very weak start to the year. However, the gap in demand compared with 2012 decreased gradually as the year progressed. Customers responded extremely well to Daimler Trucks’ new model range, enabling us to increase our market share in many countries.





In addition to BharatBenz trucks, FUSO trucks have also been produced in Chennai for the export markets of Asia and Africa since May 2013.

In **Western Europe**, demand did not rise significantly until the second half of the year. On the one hand, customers ordered Euro V-compliant vehicles before the stricter emissions standards went into effect in early 2014. On the other hand, buyers in countries such as the Netherlands, Switzerland and Italy took advantage of subsidies for the purchase of Euro VI-compliant vehicles. During the reporting year, Daimler Trucks' sales in the region increased by 14% to 65,900 units. Our Mercedes-Benz brand extended its lead further, achieving a market share of 24.1% (2012: 22.9%). Almost half of the new Actros model series were already sold as Euro VI-version trucks. Despite facing a difficult market environment in **Turkey**, we sold 19,500 vehicles there in 2013, increasing our unit sales by 7%; our market share remained at the very high level of 49.5% (2012: 45.4%). Economic difficulties caused demand for trucks to decline in **Russia**, leading to a drop in unit sales of 22% to 5,600 vehicles. Demand picked up in 2013 in Latin America's main market, **Brazil**. In the previous year, demand for trucks had been greatly impacted by a combination of negative economic factors

and stricter emissions standards. Demand was boosted in 2013 by the financing incentives of the government's FINAME program and by catch-up effects following the market's previous slump. Under these conditions, our unit sales rose by 34% to 38,800 trucks. After suffering major losses at the beginning of the year, Mercedes-Benz launched specific product and process-related measures that helped it significantly stabilize its market share in the hotly contested medium- and heavy-duty segments at 24.7% for the year as a whole (2012: 25.5%).



With a slightly contracting market, our unit sales in the **NAFTA region** remained stable at 135,200 trucks (2012: 135,000). We increased our market share of Class 8 trucks to 36.0% (2012: 32.9%). At 38.2%, market share for the entire Class 6-8 segment was also substantially higher than in 2012 (34.0%). As a result, we once again significantly extended our market lead. Although production of the new Freightliner Cascadia Evolution did not begin until March 2013, sales of more than 14,000 units of the model contributed substantially to the division's sales success. The good sales development speaks for Daimler Trucks' advanced vehicle technology. Thanks to the new Detroit DD15 engine, the proven Daimler BLUETEC exhaust treatment technology and aerodynamic improvements, customers benefit from improved fuel efficiency of up to 7% compared with the first generation of the Cascadia, which was already EPA 2010-compliant. The Detroit brand supplies engines, axles and transmissions. Daimler Trucks is the only truck manufacturer in the NAFTA region to offer a fully integrated powertrain from a single source. Customers thus benefit from optimally coordinated drive system components. The Detroit powertrain components are offered in the division's entire North American product family – from Freightliner and Western Star trucks to Thomas Built Buses. Daimler Trucks is a pioneer of resource conservation with its products also in the United States. At the beginning of 2012, Daimler Trucks' entire North American vehicle lineup was already certified according to the Greenhouse Gas 2014 Standard (GHG14), which takes effect in 2014. The certification covers the long-haul, medium-duty, construction and municipal trucks of the Freightliner and Western Star brands.

In **Asia**, Daimler Trucks benefits from its global spread through the subsidiaries Mitsubishi Fuso Truck and Bus Corporation (MFTBC), based in Kawasaki, Japan, and Daimler India Commercial Vehicles Pvt. Ltd. (DICV), whose headquarters are in Chennai, India. In Chennai, where Daimler Trucks started producing BharatBenz brand trucks in summer 2012, the plant has also been manufacturing FUSO brand vehicles for selected export markets since the second quarter of 2013. Daimler Trucks is securing its leading role in new growth markets through the implementation of the new "Asia Business Model," an initiative of the "Daimler Trucks #1" program which generates synergies between MFTBC and DICV along the entire value chain, and by expanding the model range to exploit additional sales opportunities in Asia and Africa. Our performance in the sales markets differed widely throughout Asia last year. In Japan, we sold 38,300 vehicles, increasing our unit sales by 10%. Demand for trucks there was boosted by the government's economic stimulus program. Our market share in the overall segment of 20.2% stayed at the prior-year level; it increased slightly in the light-duty segment, from 21.8% to 22.3%. In India, demand for trucks was much lower than in the previous year due to the weak economic development. Nonetheless, the successful launch of our BharatBenz vehicles enabled us to claim fourth place in the medium- and heavy-duty truck segment. In total, Daimler Trucks sold 6,500 vehicles in India (2012: 1,300). The first industry honors for the entire BharatBenz product range, including the coveted national award "Apollo CV of the Year 2013," underscore the brand's successful launch in India. Competition is very tough in other Asian markets, where some truck manufacturers are granting substantial discounts in order to position their products more favorably in the market. We sold 64,700 trucks in Indonesia and took a 46.9% share of the country's total truck market (2012: 68,500 and 43.7%). Demand for trucks declined significantly in Taiwan, where we sold 5,700 units and attained market share of 41.7% (2012: 12,300 and 55.2%).



With the launch of the Freightliner Cascadia Evolution, we were able to significantly expand our market share in Class 6-8 in the NAFTA region.

**Strengthened cooperation with our partners.** Beijing Foton Daimler Automotive Co., Ltd. (BFDA), which started production in mid-2012, is the first 50 – 50 joint venture in the Chinese truck segment between a local manufacturer and a foreign partner. This cooperation with Foton gives Daimler Trucks a key presence in the Chinese truck market. BFDA's products bear the Auman nameplate. They cover the various market segments and are offered with engines ranging from 110 to 480 horsepower. The Mercedes-Benz OM 457 engine is scheduled to be locally manufactured by BFDA beginning in 2016. Daimler Trucks will benefit from this local production through parts deliveries and licensing fees. In exchange, the OM 457 engine will enable BFDA to comply with the stricter emissions regulations that are to be introduced in Asia. The BFDA joint venture sold 103,300 Auman trucks during the year under review.

In Russia, Daimler Trucks is benefiting from a modular system within the framework of its partnership with Kamaz. Since 2013, Mercedes-Benz Axor cabs have been installed in the new generation of Kamaz trucks on the basis of supply and licensing agreements. And since November 2012, Daimler Trucks has been supplying diesel and natural-gas engines as well as axles to Kamaz as part of a supply agreement. These measures have substantially expanded the partnership, which also includes two local joint ventures for the production and sale in Russia of Mercedes-Benz trucks (Mercedes-Benz Trucks Vostok) and FUSO trucks (FUSO KAMAZ Trucks Rus Ltd.). The 50 – 50 joint venture Mercedes-Benz Trucks Vostok is further developing local production in Naberezhnye Chelny. Since November 2013, that facility has been assembling and painting truck chassis in order to increase flexibility and simplify cooperation with body manufacturers.

In early 2013, MFTBC and Nissan Motor Co., Ltd. began to supply each other with light trucks in line with their strategic partnership agreement. Within this partnership, our product range in Asia is supplemented by the FUSO Canter Guts, which is known as the Atlas F24 model at Nissan. In return, Nissan sells the FUSO Canter light truck under the model designation NT450 Atlas.

**Launch of Euro VI trucks successfully completed before new emission standards take effect.** With the start of series production of the Mercedes-Benz Atego and Arocs and the special trucks Mercedes-Benz Unimog, Econic and SLT, Daimler Trucks successfully completed its Euro VI product offensive for trucks and fully updated the Mercedes-Benz product lineup. The campaign was kicked off in 2011 with the launch of the new Actros long-haulage truck. The Antos for heavy-duty distribution followed in 2012. In 2013, the product range was completed with the Arocs construction-site specialist and the new Atego for light- and medium-duty delivery work. Euro VI technology is available also for Mercedes-Benz special trucks. Examples include the new Mercedes-Benz Unimog (in series production since August 2013) and the new Mercedes-Benz SLT heavy-duty tractor (sales launch in September 2013).

**Additional measures to reduce fuel consumption.**

The introduction of Predictive Powertrain Control (PPC) was another important step in the quest to increase fuel efficiency. As far as solutions for intelligently controlling powertrains are concerned, PPC is the most advanced system on the market, and can optimize fuel consumption by recognizing the topography of the road ahead. To this end, it also modifies the operation of the transmission, resulting in additional fuel savings of up to 5% compared to vehicles without PPC. In Germany, one out of three Actros trucks is already being ordered with the new system.

**More than 45,000 truck drivers with “ProfiTraining.”**

Mercedes-Benz Trucks has trained more than 45,000 drivers since it received government recognition for its training courses in June 2008. The courses conform to the requirements of German legislation on professional driver qualification. Today, Mercedes-Benz offers a comprehensive range of courses at almost 180 certified training centers throughout Germany. A total of 24 new Actros trucks are provided for training purposes. The trucks have 40 tons gross vehicle weight and a cab that has been converted to hold seven occupants.

**FUSO Canter Eco Hybrid and Daimler FleetBoard win the European Transport Award for Sustainability 2014.**

A panel of experts from the fields of science, business and journalism judged the products entered for the award according to their efficiency, environmental friendliness and social responsibility. The FUSO Canter Eco Hybrid won the award in the category “Distribution Truck up to 12 Tons,” where it clearly outshone its competitors. In addition, Daimler FleetBoard won first prize for its consulting services in the “Driver and Transport Management Systems category.”

# Mercedes-Benz Vans.

In 2013, Mercedes-Benz Vans launched the new Sprinter – the global vehicle in the van segment. With its new safety and assistance systems, the Sprinter sets new standards in its class. Our unit sales increased in 2013 and we achieved double-digit growth rates in China, Latin America and Eastern Europe. Despite sharp market declines in Western European, we were able to improve our earnings. We are continuing our “Vans goes global” growth strategy. By starting production of the Sprinter Classic in Russia and strengthening our activities in China, we have laid the foundations for continued growth.

**Growth in unit sales, revenue and earnings.** Despite difficult market conditions in Europe, global unit sales by Mercedes-Benz Vans increased by 7% in financial year 2013. Altogether, 270,100 units of the Sprinter, Vito, Viano, Vario and Citan models were sold. We achieved double-digit growth rates in China (+44%), Latin America (+40%) and Eastern Europe (+12%). At €9.4 billion, revenue was also higher than in the previous year (2012: €9.1 billion). We posted EBIT of €631 million, which is an improvement of 16% over the prior-year result. [↗ D.05](#)

#### Improved earnings thanks to Performance Vans 2013.

In the year under review, Mercedes-Benz Vans successfully completed the short-term earnings-improving program “Performance Vans 2013” and implemented the related measures. Important components of the program included cost optimizations across the entire organization. In the context of efficiency improvements in the area of production, assembly times per vehicle were reduced as a result of various actions. Additional savings were achieved also in the area of logistics and with production-material costs. As well as optimizing costs, “Performance Vans 2013” is also improving the revenue situation. The Citan was launched in the Russian market for example, and additional potential was utilized for our entire product range in the fleet business and in Latin America.

## D.05

### Mercedes-Benz Vans

	2013	2012	13/12
Amounts in millions of euros			% change
EBIT	631	543	+16
Revenue	9,369	9,070	+3
Return on sales (in %)	6.7	6.0	.
Investment in property, plant and equipment	288	223	+29
Research and development expenditure	321	371	-13
thereof capitalized	139	137	+1
Production	270,675	257,496	+5
Unit sales	270,144	252,418	+7
Employees (December 31)	14,838	14,916	-1

## D.06

### Unit sales by Mercedes-Benz Vans

	2013	2012	13/12
			% change
Total	270,144	252,418	+7
Western Europe	169,175	164,907	+3
thereof Germany	71,520	71,044	+1
Eastern Europe	26,876	24,026	+12
United States	22,802	21,474	+6
Latin America (excluding Mexico)	19,580	13,954	+40
China	12,705	8,836	+44
Other markets	19,006	19,221	-1



**Continued success of the product range.** Worldwide, Mercedes-Benz Vans sold 270,100 units of the Sprinter, Vito, Viano, Vario and Citan models in 2013. This was an increase of 7% compared with the previous year. **➤ D.06** In our core region of Western Europe, sales increased by 3% to 169,200 units. Of the Citan city van, which was introduced in the fall of 2012, Mercedes-Benz Vans sold 17,700 units in Western Europe (2012: 6,400). Unit sales of medium-sized and large vans decreased by 4% to 151,500 vehicles, primarily due to the ongoing very difficult situation in the countries of Southern Europe. In Germany, our domestic market, we sold 71,500 vans (2012: 71,000). In Eastern Europe, especially in Russia and Turkey, Mercedes-Benz Vans once again posted positive sales results. Sales in this region rose to 26,900 units, equivalent to growth of 12%. The Sprinter continued its success story also in North and South America in 2013. In Latin America, we posted substantial growth of 40% to 19,600 units, while sales in the United States rose by 6% to 22,800 vehicles. After a significant decrease in the previous year, sales figures for Mercedes-Benz Vans in the Chinese market rebounded energetically, and with 12,700 units surpassed the prior-year unit sales by 44%. We sold 166,200 units of the Sprinter worldwide in 2013,

which is an increase of 5% compared with 2012. Altogether, 80,900 units of the Vito and Viano models were sold in 2013 (2012: 83,700). The Mercedes-Benz Citan accounted for 20,200 units in its first full year of production. Unit sales of the Vario, production of which was discontinued in September, amounted to 2,900 vehicles.

**Major capital expenditure in Spain.** We are investing almost €200 million in the van plant in Vitoria, Spain. The investment will prepare that facility for production of the new V-Class and the new Vito starting in 2014. The funds are mainly being used for the modernization and reorganization of the body shop, the paint shop and the assembly lines. We are also optimizing the logistics at the site. Another consequence of this investment is that new jobs will be created at the plant.



The best Mercedes-Benz Sprinter of all time - not only safer, but also more economical, environmentally friendly and attractive than ever.





The new V-Class from Mercedes-Benz Vans – convincing in terms of quality, safety and efficiency at the highest levels.

**Benchmark and global vehicle: the new Mercedes-Benz Sprinter.** Having lent its name to an entire class of vehicles, it is the innovation leader and the true global vehicle among vans: the Mercedes-Benz Sprinter. After more than eight million test kilometers and investment of €300 million, the new Sprinter was launched by Mercedes-Benz Vans in 2013. Production began in July at the two German plants in Düsseldorf and Ludwigsfelde. With five new assistance systems, the Sprinter sets new standards for safety in its class. Three of those systems made their global van debut. While Crosswind Assist comes as standard equipment, COLLISION PREVENTION ASSIST (a proximity warning system) and Blind Spot Assist are both available as options. Other new features include High-beam Assist and Lane Keeping Assist. The development engineers at Mercedes-Benz are convinced that these electronic “assistants” will have a significant positive impact on the number and seriousness of accidents. In addition, Mercedes-Benz has improved the Sprinter’s handling even further. The lowering of the chassis has improved the van’s wind resistance and fuel consumption, and makes it easier to load and unload cargo. What’s more, the new Sprinter is also associated with yet another world premiere. For the first time, the complete range of engines was converted to meet the strict Euro VI emissions standard before it went into effect. Euro VI drastically reduces the emission limits for nitrogen oxides, hydrocarbons and particle mass. The Sprinter is able to meet these tough limits thanks to BLUETEC engine technology and an SCR system that injects AdBlue into the exhaust gas. At the same time, the Sprinter is the segment’s undisputed leader in terms of fuel efficiency. Combined fuel consumption is as low as 6.3 l/100 km, thanks to the combination of highly efficient diesel engines, an optimized drivetrain, a longer axle ratio, ancillary units and the efficiency package “BlueEFFICIENCY PLUS.” This is a sensational new record for Sprinter class vehicles.

**Global growth strategy on the right track.** With its “Vans goes global” strategy, Mercedes-Benz Vans strives to utilize new growth potential and expand existing activities within and beyond the core European markets. Along with the United States and Latin America, China and Russia are particularly important growth regions. Accordingly, we intensified our activities in China in 2013. In March, the new research and development center of the Chinese vans joint venture, “Fujian Benz Automotive Corporation,” was officially opened in Fuzhou. This facility, which is the first research and development center of the Vans division outside Germany, includes a test track, test rigs, an exhaust gas lab and an endurance testing workshop. The focus is on the vehicles that Mercedes-Benz Vans produces and sells locally in China: the Sprinter, Vito and Viano. We also passed a milestone in our vans strategy with the start of production of our Sprinter Classic in Russia. In the second half of 2013, we began producing the Sprinter Classic there in cooperation with Russia’s largest van manufacturer, GAZ. These locally produced vehicles are sold in the Russian market through the Mercedes-Benz sales organization. Another aspect of the partnership involves the joint production of engines. The GAZ facility in Yaroslavl manufactures Mercedes-Benz OM646 four-cylinder diesel engines, which are subsequently installed in the Sprinter Classic.

# Daimler Buses.

Numerous new products and the systematic continuation of the “GLOBE 2013” growth and efficiency program contributed to the turnaround at Daimler Buses. Higher unit sales and further efficiency progress led to a significant earnings improvement in financial year 2013. The division thus confirmed its leadership in the core markets of Western Europe and Latin America. During the year under review, the division focused on converting the entire European product range to Euro VI-compliant exhaust-gas technology. Daimler Buses set new standards in the luxury coach segment with the presentation of the new Setra TopClass 500.

## D.07

### Daimler Buses

	2013	2012	13/12 % change
Amounts in millions of euros			
EBIT	124	-221	.
Revenue	4,105	3,929	+4
Return on sales (in %)	3.0	-5.6	.
Investment in property, plant and equipment	76	82	-7
Research and development expenditure thereof capitalized	181 3	222 23	-18 -87
Production	34,467	31,384	+10
Sales	33,705	32,088	+5
Employees (December 31)	16,603	16,901	-2

**Earnings significantly above prior-year level.** Worldwide, Daimler Buses sold 33,700 buses and bus chassis in 2013 (2012: 32,100). With this growth of 5%, the division confirmed its leading position in its core markets for buses with a gross vehicle weight of over eight tons. ↗ **D.07** Growth impetus was provided above all by our core markets Western Europe and Latin America. Revenue improved by 4% to €4.1 billion. EBIT of plus €124 million was significantly better than in the previous year (2012: minus €221 million). In 2012, expenses of €155 million were incurred for the reorganization of the North American and European business systems. Those measures and other measures taken in Latin America adversely affected EBIT by €39 million in 2013.

**Positive impact of the “GLOBE 2013” growth and efficiency program.** In 2012, we launched the “GLOBE 2013” growth and efficiency campaign in order to utilize additional growth potential and to strengthen the division’s competitiveness, especially in Europe. Daimler Buses successfully completed this program by the end of 2013 and implemented the related measures. They include the systematic further development of our European production network, the reduction of variable costs and the optimization of fixed costs. Some of the measures will take effect in 2014. Growth in our core markets and in new markets was supported by a new-customer offensive and a new system of market management. Measures taken in the after-sales business also contributed to growth.

## D.08

### Unit sales by Daimler Buses

	2013	2012	13/12 % change
Total	33,705	32,088	+5
Western Europe	6,714	5,851	+15
thereof Germany	2,440	2,039	+20
Mexico	2,959	3,477	-15
Latin America (excluding Mexico)	19,118	17,800	+7
Asia	1,704	1,886	-10
Other markets	3,210	3,074	+4



Upper picture: Luxury and economy for a state-of-the art travel experience – the Setra TopClass 500 sets new standards in the premium class.  
Lower picture: The success of the Mercedes-Benz Tourismo is based on its clear focus as an extremely economical and safe coach.



### **Successful business developments in all core regions.**

In Western Europe, the Daimler Buses brands Mercedes-Benz and Setra offer not only a complete range of city buses, inter-city buses and coaches, but also bus chassis. Sales in this region grew by 15% to 6,700 units due to growth in the business with complete buses. ↗ **D.08** Daimler Buses further enhanced its leading position in Western Europe and attained market share of 30.9% in 2013 (2012: 28.3%). The very high demand for our Mercedes-Benz buses, in particular for the new Citaro city bus, had a very positive effect on our unit sales in Germany, with growth of 20% to 2,400 units. Our market share here was 51.2% (2012: 48.9%). In Turkey, we posted sales of 1,200 units (2012: 1,100 units), although the market there has become more competitive. In Latin America (excluding Mexico), the market recovered significantly following the introduction of the stricter Euro V exhaust-gas standards in 2012. Sales of Mercedes-Benz bus chassis rose by 7% to 19,100 units. However, demand in Brazil did not meet expectations due to uncertainty in the market related to the political conditions there. With a market share of 41.6% (2012: 42.7%), we retained our leading position in the Latin American market. Sales of 3,000 units in Mexico were lower than in the previous year. After the reorganization of the North American business system and the end of production of Orion buses in 2012, unit sales in the United States fell, as expected.

### **Market launch of buses and coaches compliant with Euro VI.**

In 2013, with a total of six premieres ranging from the Sprinter minibus to the super-high-decker, Daimler Buses completed its line-up of buses and coaches in Europe with vehicles featuring Euro VI-compliant exhaust-gas technology. The Mercedes-Benz Citaro, the most successful city bus of all time, was presented with Euro VI engines already in late 2012. Daimler Buses uses BlueTec 6 technology for exhaust-gas purification in all model series and engines from Mercedes-Benz and Setra. The new engines comply with the strict limits of the Euro VI standard and in some cases the emission levels are significantly below those limits. Emissions of particulates and nitrogen oxides have been reduced to a level that is almost undetectable. In 2013, Mercedes-Benz launched the Travego coach, the Turismo K compact midibus, the Intouro in new lengths, the Citaro LE and the Sprinter Travel. The Setra brand also launched new vehicles, including the Setra TopClass 500 and the S 431 DT double-decker bus of the TopClass 400 series. The new bus generation sets standards in terms of comfort and economy.

**The new Setra TopClass 500 sets new standards in the luxury travel segment.** The dynamic and elegant new coaches of the Setra TopClass 500 series celebrated their world premiere at the “Busworld Kortrijk” bus show. They represent a new travel experience that combines luxury and economy at the highest level. The superior long-distance coaches emphasize the aspects of design, quality and safety, which they combine with the outstanding economical features of the newly launched Setra ComfortClass 500.

**Setra ComfortClass 500 is Coach of the Year 2014.** Barely one year after its world premiere, the new Setra ComfortClass 500 was named “Coach of the Year 2014.” The international “Bus and Coach of the Year” jury of experts awarded the prestigious prize to the S 515 HD after extensive testing. The jury was particularly impressed by the economical overall concept of this generation of Setra coaches, which feature environmentally friendly Euro VI-compliant engines and consume 8.2% less fuel than the preceding model.

The Mercedes-Benz Citaro, which is the first regular-service bus with Euro VI-compliant drive technology, received an award from the “Kraftfahrer-Schutz” automobile club for its environmentally friendly technology.

**Major international contracts.** The Wiener Linien public transport company in Vienna has ordered 217 Mercedes-Benz Citaro buses as part of its fleet modernization program. In another positive development, we won a contract from Österreichische Bundesbahnen (Austrian State Railways) for the delivery of 390 units between 2013 and 2017. In South Africa, Daimler Buses won a Bus Rapid Transit (BRT) contract involving the delivery of 134 Mercedes-Benz Euro V chassis for the Johannesburg metropolitan transport network, which covers around 120 kilometers. In Brazil, following an invitation to tender from the city of Brasilia, we received large orders from four transport companies to renew the bus fleet of the public transport system. The total order comprises 2,100 Mercedes-Benz bus chassis. In addition, 500 bus chassis will go to the operators of the BRT systems in Belo Horizonte.

**Reorganization of used vehicle activities under the new BusStore brand.** As part of the reorganization that saw the introduction of the BusStore brand, Daimler Buses created a Europe-wide network specifically for the marketing of used buses and coaches. With this network, Daimler Buses is strengthening its used-bus business. From now on, the division will offer its customers a large selection of used vehicles from Mercedes-Benz and Setra – as well as all from other common brands – under one roof.

**Reorganization of bus business in India.** Daimler Buses has successfully integrated its bus business in India into Daimler India Commercial Vehicles (DICV). In addition, a cooperation agreement was signed with the British bus body manufacturer Wrightbus in 2013. On behalf of Daimler Buses, Wrightbus will fit the locally produced chassis with vehicle bodies.



# Daimler Financial Services.

At Daimler Financial Services, the number of financed or leased cars and commercial vehicles passed the three-million mark for the first time ever. New business and contract volume reached new record levels. The division also set a new record for brokering automotive insurance policies. At the end of 2013, the car-sharing program car2go had almost 600,000 customers and was the market leader in its segment. Once again, customers and dealers alike gave the Daimler Group's financial services division very high marks.

## Contract volume of more than three million vehicles.

The business operations of Daimler Financial Services once again developed favorably in 2013. The company concluded nearly 1.2 million new financing and leasing contracts worldwide in the year under review, the total number of all financed or leased vehicles passed the three-million mark for the first time. New business increased by 6% to €40.5 billion, thus setting a new record. Contract volume increased by 4% to a record value of €83.5 billion. Adjusted for exchange-rate effects, the increase amounted to 11%. EBIT of €1,268 million was in the magnitude of the prior-year level (2012: €1,293 million).

### ➤ D.09

**Successful business development in Europe.** Daimler Financial Services concluded new financing and leasing contracts worth €19.4 billion in the Europe region (+7%). Business development was especially dynamic in the Benelux countries (+26%), the United Kingdom (+21%) and Turkey (+13%). In Germany, Mercedes-Benz Bank's new business increased by 1% to €9.2 billion; the volume of deposits in the direct banking business was €11.3 billion (-7%). At the end of the year, Daimler Financial Services' contract volume in Europe amounted to €37.3 billion, representing an increase of 8%.

**Gains in North and South America.** New business in North and South America reached €15.5 billion, topping the high level of the previous year by 6%. In the United States, new business grew by a further 10% compared with 2012. There were strong gains also in Argentina (+22%) and Mexico (+10%). Contract volume in the Americas region reached €34.6 billion, representing an increase of 2%. Adjusted for exchange-rate effects, the increase amounted to 9%.

**Strong demand in Africa & Asia-Pacific.** In the Africa & Asia-Pacific region, new business increased compared with the previous year by 6% to €5.6 billion. Business development was especially dynamic in India (+96%) and Thailand (+56%). Contract volume at the end of 2013 was €11.6 billion, increasing by 2% compared with a year earlier. Adjusted for exchange-rate effects, this represents an increase of 19%.

## D.09

### Daimler Financial Services

	2013	2012	13/12
Amounts in millions of euros			% change
EBIT	1,268	1,293	-2
Revenue	14,522	13,550	+7
New business	40,533	38,076	+6
Contract volume	83,539	79,986	+4
Investment in property, plant and equipment	19	23	-17
Employees (December 31)	8,107	7,779	+4



Upper picture: Employees of Mercedes-Benz Financial Services in Taiwan. Our customers enjoy first-class service around the globe.  
Lower picture: For the first time ever, Daimler Financial Services' contract volume passed the mark of three million vehicles in 2013.

**Record set for automotive insurance brokerage.** In the year under review, Daimler Financial Services brokered approximately 1.27 million automotive insurance policies. This represents an increase of 20% compared with the previous year and is a new record. The development of demand for our insurance policies was particularly good in India (+208%) and Turkey (+145%). In China, an average of six out of ten cars with the star were delivered with an insurance policy brokered by us. Thanks to our cooperation with major insurance companies, Mercedes customers receive attractive insurance conditions for their vehicles and can have their automobiles repaired in authorized workshops in the case of damage.

**Growth also in the business with commercial customers.**

In 2013, Daimler Financial Services once again helped individual commercial customers, medium-sized companies and major international corporations in numerous countries to finance and manage their vehicles and fleets. New business stood at 146,000 units, which represents a 16% increase on the previous year. A total of 357,000 contracts with commercial customers were on the books – a 9% increase compared with 2012. In addition, Daimler Fleet Management realigned its activities and expanded its presence in Europe. In the United Kingdom for example, Daimler Fleet Management has been offering attractive services for multi-brand fleets in cooperation with its partner Leasedrive since the fourth quarter of 2013.

**car2go with nearly 600,000 customers.** In 2013, we continued to expand our business operations in the area of innovative mobility services. At the end of the year, the car2go mobility concept was represented in 25 cities in Europe and North America and was operating a fleet of more than 10,000 smart fortwo cars. In 2013, car2go attracted more than 300,000 new customers worldwide, thus more than doubling its customer base compared with the end of 2012. With a total of nearly 600,000 customers, car2go was the market leader in the segment of flexible short-term car rentals. The moovel mobility platform, which intelligently connects various mobility services with one another and shows customers how best to get from point A to point B via various means of transportation, was launched in 2013 in the cities of Nuremberg and Munich and in the Rhine-Ruhr region. In addition, the Park2gether pilot project was launched in Berlin and Hamburg in November. This innovative project uses an online exchange to bring together parking space owners and drivers seeking a parking space.

**Expansion of digital sales channels.** In 2013, Daimler Financial Services expanded the online availability of its products in order to remain close to its customers in the digital world as well. With the help of websites and apps that are clearly organized and easy to use, customers can access comprehensive information about the company's services and can find out the monthly installments for their chosen car. In many countries, existing customers can also use online portals to review their contract data and make any desired changes. In the United States, some of these functions have already been directly integrated into Daimler vehicles' onboard infotainment systems.

**High levels of customer and dealer satisfaction.** The outstanding quality of the services provided by Daimler Financial Services once again received numerous honors in the year under review. In Germany, the industry magazine "Autohaus" named Mercedes-Benz Bank the best provider of automotive financial services in the premium segment for the fifth year in succession. In addition, the "Autohaus" insurance monitor once again named Mercedes-Benz Bank as by far the best provider of automotive insurance in the premium segment. The financial services offered by Mercedes-Benz Bank also took first place in a test purchase study commissioned by the automotive magazine "Automobilwoche." In a survey of dealer satisfaction in the United Kingdom, Daimler Financial Services' national subsidiary beat its competitors for the seventh time in a row. In the United States, Mercedes-Benz Financial Services took first place for the third consecutive year in the "Floorplan Satisfaction" category of a dealer financing study conducted by J.D. Power. In China, the call center of the Mercedes-Benz Auto Finance Company China was honored as the country's best call center in its class.

**A highly attractive employer.** In the survey conducted in 2013 by the independent "Great Place to Work" institute, Daimler Financial Services once again stood out as an attractive employer. The national subsidiaries of Daimler Financial Services were among the favorite employers in Portugal, the Netherlands, Turkey, China, South Korea, Canada and Mexico. For some of the national subsidiaries, this was a repeated honor.

**Toll Collect continued to operate smoothly in 2013.**

This automatic system for toll collection on German highways continued to operate smoothly and reliably in 2013. Approximately 775,300 onboard devices for automatic toll collection were in operation at the end of the year. A total of 27.2 billion kilometers driven was recorded during the year under review. Daimler Financial Services holds a 45% equity interest in the Toll Collect consortium.

# Corporate Governance.

Annual Meeting

Shareholders



Integrity

Supervisory  
Board

Corporate governance

Daimler's Board of Management and Supervisory Board are committed to the principles of good corporate governance.

All of our activities are based on the principles of responsible, transparent and sustainable management.



# E | Corporate Governance.

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# Report of the Audit Committee.

## Dear Shareholders,

On the basis of the allocation of tasks laid down in the Rules of Procedure for the Supervisory Board and its committees, the Audit Committee deals primarily with questions of financial reporting. It also discusses the effectiveness and functional capabilities of the risk management system, the internal control system, the internal auditing system and compliance management. In addition, it deals with the annual audit and reviews the qualifications and independence of the external auditors.

After receiving the approval of the Annual Shareholders' Meeting, the Audit Committee engages the external auditors to conduct the annual audit and the auditors' review of interim financial statements, determines the important audit issues and negotiates the audit fees with the external auditors.

As independent members of the Audit Committee, both the Chairman of the Audit Committee, Dr. h. c. Bernhard Walter, and Dr. Clemens Börsig have expertise in the field of financial reporting, as well as special knowledge and experience in the application of accounting principles and internal methods of control.

The six meetings of the Audit Committee in 2013 were attended by, in addition to the members of the Audit Committee, the Chairman of the Supervisory Board, the Chairman of the Board of Management, the members of the Board of Management responsible for Finance and Controlling and for Integrity and Legal Affairs, and the external auditors. The heads of specialist departments and other experts were also present for the appropriate items of the agenda. In addition, the Chairman of the Audit Committee held regular individual discussions, for example with the external auditors, the members of the Board of Management responsible for Finance and Controlling and for Integrity and Legal Affairs and the heads of Corporate Accounting, Internal Auditing, Group Compliance and Legal Affairs. The Chairman of the Audit Committee informed the Audit Committee about the results of those bilateral discussions in each case at the next available opportunity. The Chairman of the Audit Committee also informed the Supervisory Board about the activities of the Committee and about its meetings and discussions in the following Supervisory Board meetings.

In a meeting attended by the external auditors in early February 2013, the Audit Committee dealt with the preliminary figures of the annual company financial statements and the annual consolidated financial statements for the year 2012, as well as with the proposal on the appropriation of profits made by the Board of Management. The preliminary key figures were published at the Annual Press Conference on February 7, 2013.

In another meeting in February 2013, the Audit Committee dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the year 2012, each of which had been issued with an unqualified audit opinion by the external auditors, as well as with the proposal on the appropriation of profits; representatives of the external auditors were present and reported on the results of the audit. In preparation, the members of the Audit Committee and all of the members of the Supervisory Board were provided with comprehensive documentation, including the Annual Report with the consolidated financial statements according to IFRS and the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual financial statements of Daimler AG, the proposal made by the Board of Management on the appropriation of profits, the audit reports of KPMG on the annual company financial statements of Daimler AG and the annual consolidated financial statements according to IFRS, each including the combined management report, and the drafts of the reports of the Supervisory Board and of the Audit Committee. The audit reports and important issues related to financial reporting were discussed with the external auditors. In this context, the Audit Committee of Daimler AG also dealt with the monitoring of the financial reporting process, the effectiveness of the internal control system, the risk management system and the internal auditing system, as well as questions of compliance. This also included the further development and required adjustments of the Group-wide compliance structure and activities as decided upon by the Board of Management, for example the optimized due-diligence process for sales partners. Following an intensive review and discussion, the Audit Committee recommended that the Supervisory Board approve the annual financial statements and adopt the recommendation of the Board of Management to pay a dividend of €2.20 per share entitled to a dividend. Furthermore, the Audit Committee approved the Report of the Audit Committee for the year 2012.



**Dr. Bernhard Walter, Chairman of the Audit Committee.**

Also in this meeting, the Audit Committee discussed the report on the fees paid to the external auditors in the year 2012 for auditing and non-auditing services. With due consideration of the results of the independence review, the Audit Committee decided to recommend to the Supervisory Board, and subsequently to the Annual Shareholders' Meeting, that KPMG be engaged to conduct the annual external audit and the external auditors' review of interim financial reports for financial year 2013. The Audit Committee partially based its recommendation on the very good results of its own quality analysis carried out in May and June 2012 of the external audit for the previous financial year. Subject to the outcome of voting by the Annual Shareholders' Meeting, the Committee approved the fees to be agreed upon with the external auditors for financial year 2013. Finally, on the basis of its responsibility, the Audit Committee dealt with the draft agenda for the 2013 Annual Shareholders' Meeting and the annual audit plan of the Internal Auditing department.

In the meetings during 2013 relating to the quarterly results, the Audit Committee discussed the interim financial reports before their publication with the Board of Management and with the company of auditors engaged to carry out the auditors' review of interim financial statements, dealt with the respective risk reports, and received reports from the Group Compliance and Corporate Audit departments. In addition, the Audit Committee dealt on a quarterly basis with notifications from employees of the Company concerning possible violations of rules. Employees and third parties submitted these notifications confidentially and if desired anonymously (if compatible with local data-protection law) to the Company's own whistleblower system, the BPO (Business Practices Office), which then processed them. Until February 2013, the Audit Committee regularly communicated with the independent monitor, Judge Louis Freeh. On the occasion of his last participation in a meeting of the Audit Committee, Judge Freeh reported on his final impressions of the status of compliance at Daimler. Judge Freeh stated that the Group's management and employees had acted in an extremely committed manner. He explained that as

a result, it had been possible to establish a compliance system of the highest standards, which could bear any comparison at an international level. The Audit Committee thanked Judge Freeh for his constructive cooperation in the past years.

The Audit Committee received the report on non-audit services provided by the external auditors in its meeting in June 2013. In this meeting, the important audit issues for the external audit of the reporting period and the framework of approval for engaging the external auditors to provide non-audit services were determined. This meeting was also used to analyze the audit for the year 2012 and to perform the Audit Committee's monitoring duties with regard to the financial reporting process and the functional capabilities of the internal control system, the risk management system and the internal auditing system. On the basis of the statements of the external auditors as assessed by the Audit Committee, the internal control and risk management system was dealt with in this context. As well as the area of financial reporting, the internal control system includes the functions of internal auditing and compliance management. The Committee discussed the activity reports on the internal control and risk management system and dealt in particular detail with changes to the system and its further development.

Also in the meeting in June 2013, the Audit Committee dealt with new developments in accounting and financial reporting and other audit-relevant areas; the members of the Committee hereby undertook the training and further training required among other things for the performance of their tasks. The Committee also received information on the status of legal risks, on the new pension management system, on the status of currency and liquidity management and on other current topics.

In the meeting in July 2013, on the basis of the report by the Group's data protection officer, the Audit Committee dealt with key topics and current developments in the field of data protection. In its meeting in October 2013, for topical reasons, the Committee received reports from the heads of the Legal Affairs and Tax departments.

In a meeting attended by the external auditors in early February 2014, the Audit Committee dealt with the preliminary figures of the annual company financial statements and the annual consolidated financial statements for the year 2013, as well as with the proposal on the appropriation of profits made by the Board of Management. The preliminary key figures were published at the Annual Press Conference on February 6, 2014.

In another meeting in February 2014, the Audit Committee examined and discussed the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the year 2013, which had been issued with an unqualified audit opinion by the external auditors, as well as with the proposal on the appropriation of profits; this took place in the presence of the external auditors, who reported on the results of their audit and were available to answer supplementary questions and to provide additional information. In preparation, the members of the Audit Committee and all members of the Supervisory Board were provided with comprehensive documentation, including the Annual Report with the consolidated financial statements according to IFRS and the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual financial statements of Daimler AG, the proposal made by the Board of Management on the appropriation of profits, the audit reports of KPMG on the annual company financial statements and the annual consolidated financial statements according to IFRS of Daimler AG, each including the combined management report, and the drafts of the reports of the Supervisory Board and of the Audit Committee. The audit reports and important issues related to financial reporting were discussed with the external auditors. In this context, the Audit Committee also dealt with the monitoring of the financial reporting process, the effectiveness of the internal control system, the risk management system and the internal auditing system, as well as questions of compliance. Following an intensive review and discussion, the Audit Committee recommended that the Supervisory Board approve the annual financial statements and adopt the recommendation of the Board of Management to pay a dividend of €2.25 per share entitled to a dividend.

Furthermore, the Audit Committee approved the Report of the Audit Committee in the current version.

Also in this meeting, the Committee discussed the report on the fees paid to the external auditors in the year 2013 for auditing and non-auditing services. The Audit Committee decided to recommend to the Supervisory Board, and subsequently to the Annual Shareholders' Meeting, that KPMG be engaged to conduct the annual external audit and the external auditors' review of interim financial reports for financial year 2014; in this context, the results of the independence review and the discussion of the quality of the external audit were taken into consideration. Subject to the consenting vote of the shareholders in the Annual Shareholders' Meeting, the Audit Committee also discussed the proposal to be made regarding the fees to be agreed upon with the external auditors for the year 2014.

Finally, on the basis of its responsibility, the Audit Committee dealt with the draft agenda for the 2014 Annual Shareholders' Meeting and the annual audit plan of the Internal Auditing department.

As in previous years, the Audit Committee once again conducted a self-evaluation of its own activities in 2013. This did not result in any need for action with regard to the Committee's tasks, or with regard to the content, frequency or procedure of its meetings.

Stuttgart, February 2014

The Audit Committee

Dr. h. c. Bernhard Walter  
Chairman



# Integrity and Compliance.

## A culture of integrity

Integrity is one of our four corporate values, which form the foundations for our business activities. We are convinced that doing business ethically brings us sustained success, and is also good for society as a whole. As a group of companies with global operations, we accept responsibility and want to be a pioneer in terms of ethical business conduct. For these reasons, Daimler has a Board of Management position for Integrity and Legal Affairs, which comprises the Legal and Compliance organization, Corporate Data Protection and the units for Integrity Management and Corporate Responsibility Management. Our goal is to make integrity a permanent part of our corporate culture. The further development and permanent establishment of integrity is therefore also a component of the target agreements for Board of Management remuneration. Among other things, we orient our business conduct towards the principles of the Global Compact of the United Nations. Daimler is a founding member of this initiative by Kofi Annan and is a member of the LEAD Group.

**Dialog, training and communication.** Daimler promotes integrity through a variety of measures. They include the Group-wide Integrity Dialog, which has been in progress since 2011 and was continued in 2013. The Integrity Dialog is aimed at the entire workforce and is managed by a workgroup made up of members from various Board of Management areas. The regular exchange of opinions on questions of integrity is to become an integral component of our everyday working life. This objective is supported by offers specific to various units and target groups as well as by extensive accompanying communication – for example through a dedicated Intranet section on the subject.

Our “Integrity Code,” which took effect in November 2012, reflects the results of this dialog. The principles of behavior and guidelines for everyday conduct set out in the Integrity Code are therefore based on a shared understanding of values. The Code is valid throughout the Group and is available in 22 languages. In addition, an intranet guide has been prepared for the application of the Code in everyday situations, providing answers to the most frequently asked questions. Furthermore, a team of experts is available to answer questions on all aspects of the Code.

The Integrity Code also forms the basis for the range of training courses we offer on integrity and compliance. In 2013, we revised our training approach in order to intermesh the two areas more closely with each other. Depending on the risk and target group, we use classroom trainings and web-based training. In this way, we intend to anchor ethical and compliant behavior at the Group over the long term.

In 2013, we developed a new course of web-based training that clearly communicates our principles of behavior and our shared understanding of values. The training course includes chapters on the prevention of corruption, on our BPO whistleblower system and – in addition for managers – a module on antitrust law. The course is obligatory and is addressed at approximately 112,000 employees with e-mail access worldwide.

From 2011 until 2013, we increased the awareness of our employees worldwide to integrity and compliance with our “fairplay” campaign – with posters and leaflets in 19 languages and in more than 40 countries.

**Managers as a role model.** Our Integrity Code defines the expectations that Daimler has of its managers. Due to their role of setting an example, they have a special responsibility for the culture of integrity at Daimler. For this reason, we placed a focus on offers for this target group in 2013. That includes modules for integrity and compliance in all seminars for promoted managers. Our Top Management Meeting in 2013 also focused on the topic of leadership responsibility. In addition, integrity and compliance are important criteria in the annual target agreements and in assessing the target achievement of our managers.

**External perspective through the Advisory Board.** The “Advisory Board for Integrity and Corporate Responsibility” that we established in September 2012 with external experts from various fields accompanies the integrity process at Daimler with a constructively critical approach. The Board met three times in 2013 to exchange information and opinions on current topics with representatives of the Company.

## Compliance

Compliance is an essential element of integrity culture at Daimler. For us, it is only natural that we adhere to all relevant legislation, voluntary commitments and internal rules, and that we act in accordance with ethical principles. We place the utmost priority on complying with all applicable anti-corruption regulations and on maintaining and promoting fair competition. We have set this out in binding form in our Integrity Code, and we intend to permanently establish integrity and compliance as fixed components of our value chain.

### **Compliance management system (CMS) as a foundation.**

Our CMS is based on national and international standards and helps us to ensure that we conduct ourselves in conformance with applicable laws and regulations in our day-to-day business. We continually review the effectiveness of the system and adjust it to worldwide developments, changed risks and new legal requirements. In this way, we continuously improve our efficiency and effectiveness. In 2013, we improved our processes, such as the due diligences of our business partners, and further developed the measures we take to prevent money laundering in goods trading. Our CMS is subject to periodic reviews by the Internal Auditing department and fulfills external requirements.

**Analysis of compliance risks.** In a further improved systematic risk analysis for the year 2013, as in previous years, we assessed the compliance risks of all our business units. Both qualitative and quantitative indicators were assessed, including the respective business model, business environment and type of contracting-party relationship. The results of this analysis are the basis for risk management. Together with the business units, we define measures to be taken to minimize risks. One focus of our activities is on sales companies in high-risk countries. Responsibility for implementing and monitoring these measures lie within the management of each business unit, which cooperates closely with the Group Compliance department.

**Strengthening our worldwide structures.** In order to further establish our Group-wide Compliance Organization as a partner of the divisions and to even better counteract the risks specific to our various divisions and markets, we have strengthened our divisional structure. Each division is supported by a divisional or regional compliance officer, who advises the business units on matters of compliance. In addition, worldwide local compliance managers make sure that our standards are observed. In order to guarantee the independence of the divisions, the divisional and regional compliance officers report to the Chief Compliance Officer. He reports directly to the Member of the Board of Management for Integrity and Legal Affairs and to the Chairman of the Supervisory Board.

**Whistleblower system.** Our whistleblower system BPO (Business Practices Office) serves as a valuable source of information on possible risks and specific violations of rules. For us, it is therefore an important instrument for good corporate governance.

Our whistleblower system receives information on misconduct from employees and from external parties worldwide, around the clock, through various reporting channels and - if allowed by local law - also anonymously. This allows us to react appropriately, if possible before any damage has been caused for our employees and the Company. A prerequisite for the acceptance of a whistleblower system is that it is organized in a fair manner, that it follows the principle of proportionality, and that whistleblowers and other parties involved are equally protected. We laid down these criteria in a corporate policy with worldwide validity in 2013. In addition, since February 1, 2012, in Germany, we have commissioned an independent lawyer as a neutral intermediary. He also accepts information on violations of rules and due to his profession duty of discretion he is obliged to maintain confidentiality.

**Cooperation with our business partners.** We regard our business partners' integrity and behavior in conformance with regulations as a firm precondition for trusting cooperation. In the selection of our direct business partners, we ensure that they comply with the law and observe ethical principles. Depending on the risk, we offer our business partners web-based or classroom trainings. In addition, we have clearly formulated the expectations we have of our business partners in the brochure "Ethical Business. Our Shared Responsibility."

**Settlement with the US authorities: conclusion of monitoring.** The three-year monitoring by Louis Freeh agreed upon in the framework of the settlement reached with the US Department of Justice ended as planned on March 31, 2013. The monitor confirmed that with the end of the monitoring, we had reached an exemplary standard of integrity and compliance. We regard this as an motivation and obligation to maintain the achieved standard, to develop it further, and to consistently remain on the path we have taken.

# Declaration by the Board of Management and Supervisory Board of Daimler AG pursuant to Section 161 of the German Stock Corporation Act (AktG) regarding the German Corporate Governance Code.

The Board of Management and the Supervisory Board of Daimler AG declare that the recommendations of the German Corporate Governance Code Commission in the Code version dated May 15, 2012, published by the Federal Ministry of Justice in the official section of the Federal Gazette, have been and are being applied since the last declaration of compliance issued in December 2012, with the exception of Clause 3.8 Paragraph 3 (D&O insurance deductible for the Supervisory Board) and one deviation from Clause 5.4.1 Paragraph 2 (concrete objectives for the composition of the Supervisory Board), which was declared as a precautionary measure. The recommendations of the German Corporate Governance Code in the version dated May 13, 2013 have continued to be observed by Daimler AG since the time of their publication in the official section of the Federal Gazette, with the aforementioned exceptions and the deviation from Clause 4.2.3 Paragraph 2 sentence 6 (upper limits for the remuneration of the members of the Board of Management and its variable remuneration components) declared as a precautionary measure. Daimler AG will continue to observe these recommendations in the future, with the declared and elaborated deviations.

**D&O insurance deductible for the Supervisory Board (Clause 3.8, Paragraph 3):** As in previous years, the Directors' & Officers' liability insurance (D&O insurance) also contains a provision for a deductible for the members of the Supervisory Board, which is appropriate in the view of Daimler AG. However, this deductible does not correspond to the legally required deductible for members of the Board of Management in the amount of at least 10% of the damage up to at least one and a half of the fixed annual remuneration. Since the remuneration structure of the Supervisory Board is limited to fixed remuneration without performance bonus components, setting a deductible for Supervisory Board members in the amount of 1.5 times the fixed annual remuneration would have a disproportionate economic impact when compared with the members of the Board of Management, whose compensation consists of fixed and performance bonus components.

**Specific objectives for the composition of the Supervisory Board (Clause 5.4.1 Paragraph 2).** The Supervisory Board in the absence of any influence on the appointments for the employees' side, the Supervisory Board has limited its target objectives for the number of independent members of the Supervisory Board and consideration of potential conflicts of interest in its composition to the shareholders' side.

**Upper limits for the total monetary remuneration of the members of the Board of Management and its variable remuneration components (Clause 4.2.3 Paragraph 2 sentence 6):**

This recommendation was newly included in the Code of May 13, 2013. The remuneration agreements with the members of the Board of Management already specified upper limits for remuneration components at the time, which however did not yet fully satisfy the requirements of the new recommendation. With effect from January 01, 2014, the members of the Board of Management consented to the inclusion of the upper limits recommended in Clause 4.2.3 Paragraph 2 sentence 6 of the Code in their current agreements. The modification agreements also contained provisions for upper limits for the annual bonuses for the financial years 2012 and 2013 that had not yet come due for payment, as a percentage of basic remuneration. The percentage limit relative to the assignment value for the remuneration from the long-term and share-based remuneration component, referred to as Performance Phantom Share Plan, was also extended to include dividend equivalents due to be paid in the future on the tranches that were issued and are still running as of January 1, 2014. Any further intervention in the remuneration for previous financial years would no more be appropriate under the principle of contractual fidelity and in our understanding of Clause 4.2.3 Paragraph 2 sentence 6 are also not required.

Stuttgart, December 2013

For the Supervisory Board  
Dr. Manfred Bischoff  
Chairman

For the Board of Management  
Dr. Dieter Zetsche  
Chairman

# Corporate Governance Report.

Good corporate governance is the foundation for the responsible management of a company.

The Board of Management and the Supervisory Board aim to align the Group's management and supervision with nationally and internationally recognized standards, in order to secure the sustainable success of the Daimler Group with its strong traditions.

## The main principles applied in our corporate governance

**German Corporate Governance Code.** The legal framework for the corporate governance of Daimler AG is provided by German law, in particular the Stock Corporation Act (AktG), the Codetermination Act (MitbestG) and legislation concerning capital markets, as well as by the Company's Articles of Incorporation. The German Corporate Governance Code gives recommendations and makes suggestions for the details of this framework. There is no statutory duty to follow these standards. But according to the principle of comply or explain, the Board of Management and the Supervisory Board of Daimler AG are obliged by Section 161 of the German Stock Corporation Act (AktG) to make a declaration of compliance with regard to the recommendations of the German Corporate Governance Code and to disclose and justify any deviations from the Code's recommendations. With the exceptions disclosed and justified in the declaration of compliance of December 2013, Daimler AG has followed and continues to follow the recommendations of the German Corporate Governance Code. The declaration of compliance is printed on [page 177](#) of this Annual Report and can be accessed on our website at [daimler.com/dai/gcgc](http://daimler.com/dai/gcgc). Previous, no longer applicable declarations of compliance from the past five years and the German Corporate Governance Code are also available there.

Daimler AG has followed and continues to follow the suggestions of the Code as amended on May 13, 2013 with just one exception: Deviating from the suggestion in Clause 2.3.4 of the German Corporate Governance Code, the Annual Shareholders' Meeting is not transmitted in its entirety on the Internet, but only until the end of the report by the Board of Management. Continuing the broadcast after that point, in particular broadcasting comments made by individual shareholders, could be construed as an unjustified infringement of privacy rights. When considering this matter, the interests of transmission do not automatically take precedence over shareholders' privacy rights. This is reflected by the statutory requirement for the entire transmission to have a legal basis in the Company's Articles of Incorporation or in the rules of procedure for shareholders' meetings.

**Standards of Business Conduct.** Additional relevant principles of corporate governance that go beyond the legal requirements but are applied throughout the Group are our Standards of Business Conduct. They are composed of several documents and policies and are based on the company values of passion, respect, integrity and discipline. Two key elements of our Standards of Business Conduct are the "Integrity Code" and our "Business Partner Brochure."

**Integrity Code.** The Integrity Code came into effect in 2012 and replaced the guidelines that had previously been in effect since 1999. It defines the principles of behavior and guidelines for everyday conduct at Daimler, and apply to interpersonal conduct within the company as well as conduct toward customers and business partners. Fairness, responsibility and compliance with legislation are key principles in this context. The Integrity Code is based on a joint understanding of values, which was developed together with the Daimler employees. In addition to general principles of behavior, it includes requirements and regulations concerning the protection of human rights, dealing with conflicts of interest and preventing all forms of corruption.

The "Principles of Social Responsibility" also form part of the Integrity Code. They are binding for the entire Group. In the Principles of Social Responsibility, Daimler commits itself to the principles of the UN Global Compact and thus to internationally recognized human and workers' rights, such as the prohibition of child labor and forced labor, as well as freedom of association and sustainable protection of the environment. Daimler also commits itself to guaranteeing equal opportunities and adhering to the principle of "equal pay for equal work." The Integrity Code is available on the Internet at [daimler.com/dai/guidelines](http://daimler.com/dai/guidelines).

**Business Partner Brochure.** Our brochure under the heading "Ethical Business. Our Shared Responsibility." appeared in 2012. It shows with reference to the United Nations Global Compact principles the expectations that Daimler has with regard to ethical behavior in business. Since then, more than 63,000 external partners have received the brochure – for example all suppliers, joint-venture partners, dealers, and marketing and sponsoring partners. The Business Partner Brochure is also available on the Internet at [daimler.com/dai/iac](http://daimler.com/dai/iac).



## Composition and mode of operation of the Board of Management, the Supervisory Board and its committees ↗ E.01

Daimler AG is obliged by the German Stock Corporation Act (AktG) to apply a dual management system featuring strict separation between the Board of Management and the Supervisory Board (two-tier board). Accordingly, the Board of Management manages the company while the Supervisory Board monitors and advises the Board of Management. No person may be a member of the two boards at the same time.

**Board of Management.** As of December 31, 2013, the Board of Management of Daimler AG comprised eight members; since January 29, 2014, it has had seven members. Information on their areas of responsibility and their curricula vitae are posted on our website at [daimler.com/bom](http://daimler.com/bom). The members of the Board of Management and their areas of responsibility are also listed on [pages 12 and 13](#) of this Annual Report. No member of the Board of Management is a member of more than three supervisory boards of listed companies outside the Daimler Group or of similar boards or committees with comparable requirements of companies outside the Daimler Group.

The Board of Management manages Daimler AG and the Daimler Group. With the consent of the Supervisory Board, the Board of Management determines the Group's strategic focus and decides on the corporate goals. The members of the Board of Management have joint responsibility for managing the Group's entire business. Irrespective of this overall responsibility, the individual members of the Board of Management manage their allocated areas within the framework of their instructions in their own responsibility. The Chairman of the Board of Management coordinates the work of the Board of Management.

The Board of Management prepares the consolidated interim reports, the annual company financial statements of Daimler AG, the annual consolidated financial statements and the management report of the Company and the Group. It ensures that the provisions of applicable law, official regulations and the Group's internal guidelines are adhered to, and works to make sure that the companies of the Group comply with those rules and regulations. The tasks of the Board of Management also include establishing and monitoring an appropriate and efficient risk management system.

For certain types of transaction of fundamental importance defined by the Supervisory Board, the Board of Management requires the consent of the Supervisory Board. At regular intervals, the Board of Management reports to the Supervisory Board on corporate strategy, corporate planning, profitability, business development and the situation of the Group, as well as on the internal control system, the risk management system and compliance. The Supervisory Board has specified the information and reporting duties of the Board of Management.

The Board of Management has also given itself a set of rules of procedure, which can be seen on our website at [daimler.com/dai/rop](http://daimler.com/dai/rop). Those rules describe for example the procedure to be observed when passing resolutions and ways to avoid conflicts of interest.

The Board of Management has not formed any committees.

When making appointments to executive positions at the Group, the Board of Management gives due consideration to the issue of diversity, with regard for example to the criteria of age, internationality and gender. Diversity-management activities include diversity workshops in the divisions in which current diversity challenges and ideas are discussed across various hierarchies, the development of internal networks, external cooperation with educational facilities, and membership of selected initiatives. A key area of action is the targeted promotion of women, by means for example of flexible working-time arrangements, setting up day nurseries close to workplaces, a special mentoring program for women and a separate program for encouraging next-generation female specialists in the fields of engineering and technology. The proportion of women in executive positions is currently 13% and is to be increased to 20% by the year 2020.

**Supervisory Board.** In accordance with the German Codetermination Act (MitbestG), the Supervisory Board of Daimler AG comprises 20 members. Half of them are elected by the shareholders at the Annual Meeting. The other half comprises members who are elected by the Company's employees who work in Germany. Information on the individual members of the Supervisory Board is available on the Internet at [daimler.com/dai/supervisoryboard](http://daimler.com/dai/supervisoryboard) and on [pages 20 and 21](#) of this Annual Report. The members representing the shareholders and the members representing the employees are equally obliged by law to act in the Company's best interests.

The Supervisory Board monitors and advises the Board of Management with regard to its management of the Company. At regular intervals, the Supervisory Board receives reports from the Board of Management on the Group's strategy, corporate planning, revenue development, profitability, business development and general situation, as well as on the internal control system, the risk management system and compliance. The Supervisory Board has retained the right of approval for transactions of fundamental importance. Furthermore, the Supervisory Board has specified the information and reporting duties of the Board of Management to the Supervisory Board, to the Audit Committee and – between the meetings of the Supervisory Board – to the Chairman of the Supervisory Board.

### E.01

#### Governance structure

<b>Shareholders (Annual Meeting of shareholders)</b>
Election of shareholder representatives to the Supervisory Board
<b>Supervisory Board (10 shareholder and 10 employee representatives), Nomination Committee, Audit Committee, Presidential Committee, Mediation Committee</b>
Appointments, monitoring, consulting
<b>Board of Management</b>

The Supervisory Board's duties include appointing and recalling the members of the Board of Management. Initial appointments are usually made for a period of three years. In connection with the composition of the Board of Management, the Supervisory Board pays attention not only to the members' appropriate specialist qualifications, with due consideration of the Group's international operations, but also to diversity. This applies in particular to age, nationality, gender and other personal characteristics. The Supervisory Board also decides on the system of remuneration for the Board of Management, reviews it regularly, and determines the individual remuneration of each member of the Board of Management with consideration of the ratio of Board of Management remuneration to the remuneration of the senior executives and the workforce as a whole, also with regard to development over time. For this comparison, the Supervisory Board has defined the senior executives by applying Daimler's internal terminology for the hierarchical levels and has defined the workforce of Daimler AG in Germany as the relevant workforce. For the individual Board of Management remuneration in total and with regard to its variable components, the Supervisory Board has set upper limits taking effects as of January 1, 2014. Further information on Board of Management remuneration can be found in the Remuneration Report of this Annual Report. [👁 pages 119 ff](#)

The Supervisory Board reviews the annual company financial statements, the annual consolidated financial statements and the management report of the Company and the Group, as well as the proposal for the appropriation of distributable profits. Following discussions with the external auditors and taking into consideration the audit reports of the external auditors and the results of the review by the Audit Committee, the Supervisory Board states whether, after the final results of its own review, any objections are to be raised. If that is not the case, the Supervisory Board approves the financial statements and the management report. Upon being approved, the annual company financial statements are adopted. The Supervisory Board reports to the Annual Shareholders' Meeting on the results of its own review and on the manner and scope of its supervision of the Board of Management during the previous financial year. The Report of the Supervisory Board for the year 2013 is available on [👁 pages 14 ff](#) of this Annual Report and on the Internet at [🌐 daimler.com/dai/sbc](http://daimler.com/dai/sbc).

The Supervisory Board has given itself a set of rules of procedure, which regulate not only its duties and responsibilities and the personal requirements placed upon its members, but above all the convening and preparation of its meetings and the procedure of passing resolutions. The rules of procedure of the Supervisory Board can be seen on our website at [🌐 daimler.com/dai/rop](http://daimler.com/dai/rop).

Meetings of the Supervisory Board are regularly prepared in separate discussions of the members representing the employees and of the members representing the shareholders with the members of the Board of Management. Each Supervisory Board meeting includes a so-called executive session for discussions of the Supervisory Board in the absence of the members of the Board of Management.

The Supervisory Board is to be composed so that its members together dispose of the knowledge, skills, and specialist experience that are required for the proper execution of their tasks. Proposals by the Supervisory Board of candidates for election by the Shareholders' Meeting as members representing the shareholders of Daimler AG, for which the Nomination Committee makes recommendations, take not only the requirements of applicable law, the Articles of Incorporation and the German Corporate Governance Code into consideration, but also a list of criteria of qualifications and experience. They include for example market knowledge in the regions important to Daimler, expertise in the management of technologies and experience in certain management functions. Other important conditions for productive work in the Supervisory Board and for being able to properly supervise and advise the Board of Management are the members' personality and integrity as well as individual diversity with regard to age, internationality, gender and other personal characteristics.

With regard to its own composition, the Supervisory Board has set the following goals, which, while considering the Group's specific situation, also consider the international activities of the Group, potential conflicts of interest, the number of independent Supervisory Board members, an age limit to be set, and diversity, and allow for the appropriate participation of women:

- In order to ensure sufficient internationality, for example by means of many years of international experience, a proportion of at least 40% of international members representing the shareholders, and the resulting proportion of the entire Supervisory Board of at least 20%, is deemed by the Supervisory Board to be an appropriate target. Irrespective of the many years of international experience of other members of the Supervisory Board, this target is already exceeded with Dr. Paul Achleitner, Sari Baldauf, Petraea Heynike, Andrea Jung, Gerard Kleisterlee and Lloyd G. Trotter on the shareholders' side with a proportion of 60% and with Valter Sanches on the employees' side with more than one third for the entire Supervisory Board.
- At least half of the members of the Supervisory Board representing the shareholders should have
  - neither an advisory nor a board function for a customer, supplier, creditor or other third party nor
  - a business or personal relationship to the company or its boards
 whose specific details could cause a conflict of interests. No potential conflict of interests currently exists for any member of the Supervisory Board representing the shareholders.
- In order to ensure the independent advice and supervision of the Board of Management by the Supervisory Board, the rules of procedure of the Supervisory Board already stipulate that more than half of the members of the Supervisory Board representing the shareholders are to be independent as defined by the German Corporate Governance Code and that no person may be a member of the Supervisory Board who is a member of a board of, or advises, a significant competitor of the Daimler Group. At present, there are no indications for any of the members of the Supervisory Board representing the shareholders that relevant relationships or circumstances exist that would compromise their independence. No member of the Supervisory Board is a member of a board of, or advises, a significant competitor.

- The Supervisory Board has decided to adjust the general age limit for its members. It has changed the rules of procedure so that candidates for election as representatives of the shareholders who are to hold the position for a full period of office should generally not be over the age of 72 at the time of the election. This is intended to expand the group of potential Supervisory Board candidates and also to allow reelection. None of the members of the Supervisory Board currently in office who was proposed and elected for a full period of office exceeded the applicable general age limit at the time of his or her election.
- With regard to the appropriate consideration of women, on the basis of the Daimler Group's objectives, the Supervisory Board set its own target of having 20% of all the positions on the Supervisory Board occupied by women. In addition, at least 30% of the Supervisory Board members representing the shareholders should be female. These targets have already been met: With Sari Baldauf, Petraea Heynike and Andrea Jung, 30% of the members on the shareholders' side are women. With the members on the employees' side newly elected during the reporting period, Dr. Sabine Maaßen and Elke Tönjes-Werner, the proportion of women in the entire Supervisory Board is 25%.

The Chairman of the Supervisory Board, Dr. Manfred Bischoff, is a former member of the Board of Management. After stepping down from the Board of Management in December 2003, he was first elected to the Supervisory Board after a cooling-off period of more than two years in April 2006, and was first elected as the Chairman of the Supervisory Board after a cooling-off period of more than three years in April 2007. No member of the Supervisory Board is a member of the board of management of a listed company or has a board or advisory function for a significant competitor. The members of the Supervisory Board attend in their own responsibility such courses of training and further training as might be necessary for the performance of their tasks and are supported by the Company in doing so. Daimler AG offers courses of further training to the members of its Supervisory Board as required. Possible contents of such courses include subjects of technological and economic developments, accounting and financial reporting, internal control and risk management systems, compliance, new legislation and board of management remuneration.

**Composition and mode of operation of the committees of the Supervisory Board.** The Supervisory Board has formed four committees, which perform to the extent legally permissible the tasks assigned to them in the name of and on behalf of the entire Supervisory Board: the Presidential Committee, the Nomination Committee, the Audit Committee and the Mediation Committee. The committee chairpersons report to the entire Supervisory Board on the committees' work at the latest in the meeting of the Supervisory Board following each committee meeting. The Supervisory Board has issued rules of procedure for each of its committees. Those rules of procedure can be seen on our website at [daimler.com/dai/rop](https://www.daimler.com/dai/rop) as well as information on the current composition of these committees [daimler.com/dai/sbc](https://www.daimler.com/dai/sbc), which is also available on [page 21](#) of this Annual Report.

**Presidential Committee.** The Presidential Committee is composed of the Chairman of the Supervisory Board, his Deputy and two other members, who are elected by a majority of the votes cast on the relevant resolution of the Supervisory Board.

The Presidential Committee makes recommendations to the Supervisory Board on the appointment of members of the Board of Management and is responsible for their contractual affairs. It submits proposals to the Supervisory Board on the design of the remuneration system for the Board of Management and on the appropriate individual remuneration of its members. In this context, it follows the relevant recommendations of the German Corporate Governance Code, to the extent that the Company has not declared a deviation pursuant to Section 161 of the German Stock Corporation Act (AktG). The Presidential Committee decides on the granting of approval for side-line activities of the members of the Board of Management, reports to the Supervisory Board regularly and without delay on consents it has issued, and once a year submits to the Supervisory Board for its approval a complete list of the side-line activities of each member of the Board of Management.

In addition, the Presidential Committee decides on questions of corporate governance, on which it also makes recommendations to the Supervisory Board. It supports and advises the Chairman of the Supervisory Board and his Deputy, and prepares the meetings of the Supervisory Board.

**Nomination Committee.** The Nomination Committee is composed of at least three members, who are elected by a majority of the votes cast by the members of the Supervisory Board representing the shareholders. It is the only Supervisory Board Committee comprised solely of members representing the shareholders and makes recommendations to the Supervisory Board concerning persons to be proposed for election as members of the Supervisory Board representing the shareholders at the Annual Shareholders' Meeting. In doing so, the Nomination Committee takes into consideration the requirements of the German Corporate Governance Code and the rules of procedure of the Supervisory Board, as well as the specific goals that the Supervisory Board has set for its own composition. Furthermore, it defines the requirements for each specific position to be occupied.

**Audit Committee.** The Audit Committee is composed of four members, who are elected by a majority of the votes cast on the relevant resolution of the Supervisory Board. The Chairman of the Supervisory Board is not simultaneously the Chairman of the Audit Committee.

Both the Chairman of the Audit Committee, Dr. h. c. Bernhard Walter, and a member of the Audit Committee, Dr. Clemens Börsig, are independent members and have expertise in the field of financial reporting as well as special knowledge and experience in the application of accounting principles and internal methods of control.

The Audit Committee deals with the supervision of the accounting process and the annual external audit, the risk and compliance management system, and the internal control and auditing system. At least once a year, it discusses with the Board of Management the effectiveness and functionality of the risk management system, the internal control and auditing system and the compliance management system. It regularly receives reports on the work of the Internal Auditing department and the Compliance Organization. At least four times a year, the Audit Committee receives a report from the Business Practices Office, which has been established to deal with complaints and information about any breaches of guidelines, criminal offences or dubious accounting, financial reporting or auditing. It regularly receives information about dealing with these complaints and information.

The Audit Committee discusses with the Board of Management the interim reports on the first quarter, first half and first nine months of the year before they are published. On the basis of the report of the external auditors, the Audit Committee reviews the annual company financial statements and the annual consolidated financial statements, as well as the management report of the Company and the Group, and discusses them with the external auditors. The responsible auditor at KPMG AG Wirtschaftsprüfungsgesellschaft, the company of auditors commissioned to carry out the external audit, is Mr. Mathieu Meyer. The Audit Committee makes a proposal to the Supervisory Board on the adoption of the annual company financial statements of Daimler AG, on the approval of the annual consolidated financial statements and on the appropriation of profits. The Committee also makes recommendations for the proposal on the election of external auditors, assesses those auditors' suitability and independence, and, after the external auditors are elected by the Annual Meeting, it engages them to conduct the annual audit of the company and consolidated financial statements and to review the interim reports, negotiates an audit fee, and determines the focus of the annual audit. The external auditors report to the Audit Committee on all accounting matters that might be regarded as critical and on any material weaknesses of the internal control and risk management system with regard to accounting.

Finally, the Audit Committee approves services that are not directly related to the annual audit provided by the firm of external auditors or its affiliates to Daimler AG or to companies of the Daimler Group.

**Mediation Committee.** The Mediation Committee is composed of the Chairman of the Supervisory Board and his Deputy, as well as one member of the Supervisory Board representing the employees and one member of the Supervisory Board representing the shareholders, each elected with a majority of the votes cast. It is formed solely to perform the functions laid down in Section 31 Subsection 3 of the German Codetermination Act (MitbestG). Accordingly, the Mediation Committee has the task of making proposals on the appointment of members of the Board of Management if in the first vote the majority required for the appointment of a Board of Management member of two thirds of the members of the Supervisory Board is not achieved.

## Shareholders and the Annual Shareholders' Meeting

The Company's shareholders exercise their membership rights, in particular their voting rights, at the Shareholders' Meeting. Each share in Daimler AG entitles its owner to one vote. There are no multiple voting rights, preferred stock, or maximum voting rights. Documents and information relating to the Shareholders' Meeting can be found on our website at [daimler.com/ir/am](http://daimler.com/ir/am). The Annual Shareholders' Meeting is generally held within four months of the end of a financial year. The Company facilitates the personal exercise of the shareholders' rights and proxy voting among other things by appointing proxies who are strictly bound by the shareholders' voting instructions and who can be contacted also during the Annual Shareholders' Meeting. Absentee voting is also possible. It is possible to authorize the Daimler-appointed proxies and give them voting instructions or to cast absentee votes by using the so-called e-service for shareholders.

Among other matters, the Annual Shareholders' Meeting decides on the appropriation of distributable profits, the ratification of the actions of the members of the Board of Management and of the Supervisory Board, the election of the external auditors, the election of the members of the Supervisory Board representing the shareholders and the remuneration of the Supervisory Board. The Annual Meeting also makes other decisions, especially on amendments to the Articles of Incorporation, capital measures, and the approval of certain intercompany agreements. Shareholders can submit countermotions on resolutions proposed by the Board of Management and the Supervisory Board and, within the provisions of applicable law, can challenge resolutions passed by the Shareholders' Meeting in a court of law.

The influence of the Shareholders' Meeting on the management of the Company is limited by law, however. The Shareholders' Meeting can only make management decisions if it is requested to do so by the Board of Management.

Deviating from the suggestions in Clause 2.3.4 of the German Corporate Governance Code, the Annual Shareholders' Meeting is not transmitted in its entirety on the Internet, but only until the end of the report by the Board of Management.

We maintain close contacts with our shareholders in the context of comprehensive investor relations and public relations. We regularly and comprehensively inform our shareholders, financial analysts, shareholder associations, the media and the interested public about the situation of the Group, and inform them without delay about any significant changes in its business.

In addition to other methods of communication, we also make intensive use of the Company's website. All of the important information disclosed in 2013, including annual and interim reports, press releases, voting rights notifications from major shareholders, presentations and audio recordings of analyst and investor events and conference calls, and the financial calendar, can be found at [daimler.com/investors](http://daimler.com/investors). All the dates of important disclosures such as annual reports and interim reports and the date of the Annual Shareholders' Meeting are announced in advance in the financial calendar. The financial calendar can also be seen inside the rear cover of this annual report. Disclosures are made in English as well as in German.



## Shares held by the Board of Management and the Supervisory Board, directors' dealings

At December 31, 2013, the members of the Board of Management held a total of 0.24 million shares or options of Daimler AG (0.022% of the shares issued). At the same date, members of the Supervisory Board held a total of 0.03 million shares or options of Daimler AG (0.002% of the shares issued).

In 2013, members of the Board of Management and the Supervisory Board and, pursuant to the provisions of Section 15a of the German Securities Trading Act (WpHG), persons in a close relationship with the aforementioned persons, conducted transactions with shares of Daimler AG or related financial instruments as listed in the table below. [↗ E.02](#) Daimler AG discloses these transactions without delay after receiving notification of them. Current information is available on our website at [daimler.com/dai/dd/en](http://daimler.com/dai/dd/en).

### Risk management and financial reporting

**Risk management at the Group.** Daimler has a risk management system commensurate with its size and position as a company with global operations. [↗ see pages 129 ff](#) The risk management system is one component of the overall planning, controlling and reporting process. Its goal is to enable the Company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner. The Supervisory Board deals with the risk management system in particular with regard to the approval of the operational planning. The Audit Committee discusses at least once a year the effectiveness and functionality of the risk management system with the Board of Management and the external auditors. In addition, the Audit Committee regularly deals with the risk report. The Chairman of the Supervisory Board

has regular contacts with the Board of Management to discuss not only the Group's strategy and business development, but also the issue of risk management. The Corporate Audit department monitors adherence to the legal framework and Group standards by means of targeted audits and initiates appropriate actions as required.

**Accounting policies.** The consolidated financial statements of the Daimler Group are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the supplementary standards to be applied according to Section 315a Subsection 1 of the German Commercial Code (HGB). Details of the IFRS are provided in this Annual Report in the Notes to the Consolidated Financial Statements. [↗ see Note 1](#) of the Notes to the Consolidated Financial Statements. The annual financial statements of Daimler AG, which is the parent company, are prepared in accordance with the accounting standards of the German Commercial Code (HGB). Both sets of financial statements are audited by a firm of accountants elected by the Annual Shareholders' Meeting to conduct the external audit.

Interim reports for the Daimler Group are prepared in accordance with IFRS for interim reporting, as adopted by the European Union, as well as, with regard to the interim management reports, the applicable provisions of the German Securities Trading Act (WpHG). Interim financial reports are reviewed by the external auditors elected by the Annual Shareholders' Meeting.

### Corporate governance statement

The corporate governance statement to be issued pursuant to Section 289a of the German Commercial Code (HGB) is published simultaneously with the Annual Report including the Corporate Governance Report at [daimler.com/dai/dsr](http://daimler.com/dai/dsr) and can be accessed there.

## E.02

### Directors' dealings (and dealings of related persons pursuant to Section 15a of the German Securities Trading Act (WpHG)) in the year 2013

Date	Name	Function	Type and place of transaction	Number	Price	Total volume
Sept. 19, 2013	Dr. Weber, Frank	Member of the Supervisory Board	Sale of new shares, Frankfurt	4,000	€58.76	€235,040
Sept. 19, 2013	Dr. Weber, Frank	Member of the Supervisory Board	Acquisition of shares through exercise of options (OTC)	4,000	€43.57	€174,280
July 17, 2013	Dr. Zetsche, Dieter	Chairman of the Board of Management	Acquisition of shares, Frankfurt	22,000	€52.08	€1,145,760
July 15, 2013	Dr. Zetsche, Dieter	Chairman of the Board of Management	Sale of new shares, Frankfurt	150,000	€51.89	€7,783,500
July 15, 2013	Dr. Zetsche, Dieter	Chairman of the Board of Management	Acquisition of shares through exercise of options (OTC)	150,000	€43.57	€6,535,500
May 8, 2013	Renschler, Andreas	Member of the Board of Management	Acquisition of shares, Frankfurt	3,490	€43.18	€150,698
May 6, 2013	Renschler, Andreas	Member of the Board of Management	Sale of new shares, Frankfurt	45,000	€43.45	€1,955,250
May 6, 2013	Renschler, Andreas	Member of the Board of Management	Acquisition of shares through exercise of options (OTC)	45,000	€43.57	€1,960,650
May 8, 2013	Prof. Dr. Weber, Thomas	Member of the Board of Management	Acquisition of shares, Frankfurt	4,650	€43.24	€201,066
May 6, 2013	Prof. Dr. Weber, Thomas	Member of the Board of Management	Sale of new shares, Frankfurt	60,000	€43.45	€2,607,000
May 6, 2013	Prof. Dr. Weber, Thomas	Member of the Board of Management	Acquisition of shares through exercise of options (OTC)	60,000	€43.57	€2,614,200

# Consolidated Financial Statements.



The Consolidated Financial Statements presented as follows have been prepared in accordance with the International Financial Reporting Standards (IFRS).

They also comply with additional requirements set forth in Section 315a (1) of the German Commercial Code (HGB).

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# Consolidated Statement of Income.

## F.01

		Consolidated		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	Note	2013	2012 (adjusted) <sup>1</sup>	2013	2012 (adjusted) <sup>1</sup>	2013	2012 (adjusted) <sup>1</sup>
In millions of euros							
Revenue	4	117,982	114,297	103,460	100,747	14,522	13,550
Cost of sales	5	-92,457	-88,821	-80,154	-77,572	-12,303	-11,249
<b>Gross profit</b>		<b>25,525</b>	25,476	<b>23,306</b>	23,175	<b>2,219</b>	2,301
Selling expenses	5	-10,875	-10,455	-10,414	-10,060	-461	-395
General administrative expenses	5	-3,865	-3,974	-3,337	-3,337	-528	-637
Research and non-capitalized development costs	5	-4,101	-4,179	-4,101	-4,179	-	-
Other operating income	6	1,530	1,507	1,467	1,446	63	61
Other operating expense	6	-399	-291	-380	-276	-19	-15
Share of profit/loss from investments accounted for using the equity method, net	13	3,345	1,198	3,344	1,214	1	-16
Other financial expense, net	7	-349	-462	-342	-456	-7	-6
Interest income	8	212	233	212	232	-	1
Interest expense	8	-884	-937	-878	-925	-6	-12
<b>Profit before income taxes<sup>2</sup></b>		<b>10,139</b>	8,116	<b>8,877</b>	6,834	<b>1,262</b>	1,282
Income taxes	9	-1,419	-1,286	-874	-825	-545	-461
<b>Net profit</b>		<b>8,720</b>	6,830	<b>8,003</b>	6,009	<b>717</b>	821
thereof profit attributable to non-controlling interest		1,878	402				
thereof profit attributable to shareholders of Daimler AG		6,842	6,428				
<b>Earnings per share (in euros)</b>							
for profit attributable to shareholders of Daimler AG	35						
<b>Basic</b>		<b>6.40</b>	6.02				
<b>Diluted</b>		<b>6.40</b>	6.02				

1 Information related to the adjustments of the prior-year figures is disclosed in Note 1.

2 The reconciliation of Group EBIT to profit before income taxes is disclosed in Note 33.

The accompanying notes are an integral part of these consolidated financial statements.



# Consolidated Statement of Comprehensive Income/Loss<sup>1</sup>.

## F.02

	Consolidated	
	2013	2012 (adjusted) <sup>2</sup>
In millions of euros		
<b>Net profit</b>	<b>8,720</b>	6,830
Unrealized losses from currency translation adjustments	-1,531	-502
Unrealized gains from financial assets available for sale	28	164
Unrealized gains from derivative financial instruments	802	702
Unrealized gains from investments accounted for using the equity method	16	7
<b>Items that may be reclassified to profit/loss</b>	<b>-685</b>	371
Actuarial losses on investments accounted for using the equity method	-1	-192
Actuarial gains/losses from pensions and similar obligations	1,119	-2,281
<b>Items that will not be reclassified to profit/loss</b>	<b>1,118</b>	-2,473
<b>Other comprehensive income/loss, net of taxes</b>	<b>433</b>	-2,102
thereof loss attributable to non-controlling interest	-19	-115
thereof income/loss attributable to shareholders of Daimler AG	452	-1,987
<b>Total comprehensive income</b>	<b>9,153</b>	4,728
thereof income attributable to non-controlling interest	1,859	287
thereof income attributable to shareholders of Daimler AG	7,294	4,441

1 For other information on comprehensive income/loss, see Note 20.

2 Information on adjustments to the prior-year figures is disclosed in Note 1.

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position.

## F.03

	Note	Consolidated			Industrial Business	Daimler Financial Services		
		At December 31, 2013 (adjusted) <sup>1</sup>	At December 31, 2012 (adjusted) <sup>1</sup>	At January 1, 2012 (adjusted) <sup>1</sup>	(unaudited additional information) At December 31, 2013 (adjusted) <sup>1</sup>	(unaudited additional information) At December 31, 2012 (adjusted) <sup>1</sup>		
In millions of euros								
<b>Assets</b>								
Intangible assets	10	9,388	8,885	8,259	9,289	8,808	99	77
Property, plant and equipment	11	21,779	20,599	19,180	21,732	20,546	47	53
Equipment on operating leases	12	28,160	26,058	22,811	13,207	12,163	14,953	13,895
Investments accounted for using the equity method	13	3,432	4,304	4,304	3,419	4,291	13	13
Receivables from financial services	14	27,769	27,062	25,007	-29	-33	27,798	27,095
Marketable debt securities	15	1,666	1,539	947	6	9	1,660	1,530
Other financial assets	16	3,523	3,890	2,957	-767	-216	4,290	4,106
Deferred tax assets	9	1,829	2,733	2,820	1,348	2,178	481	555
Other assets	17	531	534	383	-1,818	-1,753	2,349	2,287
<b>Total non-current assets</b>		<b>98,077</b>	<b>95,604</b>	<b>86,668</b>	<b>46,387</b>	<b>45,993</b>	<b>51,690</b>	<b>49,611</b>
Inventories	18	17,349	17,720	17,081	16,648	17,075	701	645
Trade receivables	19	7,803	7,543	7,849	7,208	6,864	595	679
Receivables from financial services	14	23,001	21,998	20,560	-14	-17	23,015	22,015
Cash and cash equivalents		11,053	10,996	9,576	9,845	9,887	1,208	1,109
Marketable debt securities	15	5,400	4,059	1,334	5,297	3,832	103	227
Other financial assets	16	2,718	2,070	2,007	-6,670	-6,625	9,388	8,695
Other assets	17	3,117	3,072	2,711	447	536	2,670	2,536
<b>Total current assets</b>		<b>70,441</b>	<b>67,458</b>	<b>61,118</b>	<b>32,761</b>	<b>31,552</b>	<b>37,680</b>	<b>35,906</b>
<b>Total assets</b>		<b>168,518</b>	<b>163,062</b>	<b>147,786</b>	<b>79,148</b>	<b>77,545</b>	<b>89,370</b>	<b>85,517</b>
<b>Equity and liabilities</b>								
Share capital		3,069	3,063	3,060				
Capital reserve		11,850	12,026	11,895				
Retained earnings		27,628	22,017	20,332				
Other reserves		133	799	389				
Treasury shares		-	-	-				
<b>Equity attributable to shareholders of Daimler AG</b>		<b>42,680</b>	<b>37,905</b>	<b>35,676</b>				
Non-controlling interests		683	1,425	1,582				
<b>Total equity</b>	20	<b>43,363</b>	<b>39,330</b>	<b>37,258</b>	<b>36,767</b>	<b>33,238</b>	<b>6,596</b>	<b>6,092</b>
Provisions for pensions and similar obligations	22	9,869	11,299	7,866	9,726	11,151	143	148
Provisions for income taxes		823	727	2,498	823	726	0	1
Provisions for other risks	23	5,270	5,150	5,309	5,152	4,992	118	158
Financing liabilities	24	44,746	43,340	35,466	13,542	10,950	31,204	32,390
Other financial liabilities	25	1,701	1,750	1,943	1,575	1,613	126	137
Deferred tax liabilities	9	892	268	418	-1,300	-1,808	2,192	2,076
Deferred income	26	2,728	2,444	2,118	2,283	1,989	445	455
Other liabilities	27	18	38	56	15	32	3	6
<b>Total non-current liabilities</b>		<b>66,047</b>	<b>65,016</b>	<b>55,674</b>	<b>31,816</b>	<b>29,645</b>	<b>34,231</b>	<b>35,371</b>
Trade payables		9,086	8,832	9,515	8,778	8,515	308	317
Provisions for income taxes		517	1,006	1,030	438	900	79	106
Provisions for other risks	23	6,619	6,292	6,782	6,230	5,983	389	309
Financing liabilities	24	32,992	32,911	26,701	-12,218	-8,067	45,210	40,978
Other financial liabilities	25	6,575	6,699	7,798	4,797	5,023	1,778	1,676
Deferred income	26	1,868	1,640	1,548	1,351	1,153	517	487
Other liabilities	27	1,451	1,336	1,480	1,189	1,155	262	181
<b>Total current liabilities</b>		<b>59,108</b>	<b>58,716</b>	<b>54,854</b>	<b>10,565</b>	<b>14,662</b>	<b>48,543</b>	<b>44,054</b>
<b>Total equity and liabilities</b>		<b>168,518</b>	<b>163,062</b>	<b>147,786</b>	<b>79,148</b>	<b>77,545</b>	<b>89,370</b>	<b>85,517</b>

<sup>1</sup> Information on adjustments of the prior-year figures is disclosed in Note 1.

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows<sup>1</sup>.

## F.04

	Consolidated		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	2013	2012 (adjusted) <sup>2</sup>	2013	2012 (adjusted) <sup>2</sup>	2013	2012 (adjusted) <sup>2</sup>
In millions of euros						
Profit before income taxes	10,139	8,116	8,877	6,834	1,262	1,282
Depreciation and amortization	4,368	4,067	4,343	4,042	25	25
Other non-cash expense and income	-3,345	-278	-3,380	-339	35	61
Gains (-)/losses on disposals of assets	193	-768	193	-768	-	-
Change in operating assets and liabilities						
Inventories	-592	-840	-475	-677	-117	-163
Trade receivables	-695	138	-757	565	62	-427
Trade payables	610	-621	602	-662	8	41
Receivables from financial services	-5,334	-4,395	267	803	-5,601	-5,198
Vehicles on operating leases	-2,990	-3,676	-263	-126	-2,727	-3,550
Other operating assets and liabilities	2,240	-741	1,950	-462	290	-279
Income taxes paid	-1,309	-2,102	-1,044	-1,683	-265	-419
<b>Cash provided by/used for operating activities</b>	<b>3,285</b>	<b>-1,100</b>	<b>10,313</b>	<b>7,527</b>	<b>-7,028</b>	<b>-8,627</b>
Additions to property, plant and equipment	-4,975	-4,827	-4,956	-4,804	-19	-23
Additions to intangible assets	-1,932	-1,830	-1,894	-1,800	-38	-30
Proceeds from disposals of property, plant and equipment and intangible assets	180	196	170	189	10	7
Investments in share property	-969	-764	-964	-759	-5	-5
Proceeds from disposals of share property	2,414	1,767	2,413	1,766	1	1
Acquisition of marketable debt securities	-6,566	-8,089	-6,072	-6,756	-494	-1,333
Proceeds from sales of marketable debt securities	4,991	4,742	4,524	4,057	467	685
Other	28	-59	12	-59	16	-
<b>Cash used for investing activities</b>	<b>-6,829</b>	<b>-8,864</b>	<b>-6,767</b>	<b>-8,166</b>	<b>-62</b>	<b>-698</b>
Change in short-term financing liabilities	845	-68	-432	-373	1,277	305
Additions to long-term financing liabilities	37,602	36,904	5,271	9,539	32,331	27,365
Repayment of long-term financing liabilities	-31,987	-22,590	-5,537	-4,724	-26,450	-17,866
Dividend paid to shareholders of Daimler AG	-2,349	-2,346	-2,349	-2,346	-	-
Dividends paid to non-controlling interests	-269	-387	-268	-380	-1	-7
Proceeds from the issuance of share capital	101	65	96	60	5	5
Acquisition of treasury shares	-24	-25	-24	-25	-	-
Acquisition of non-controlling interests in subsidiaries	-73	-47	-73	-47	-	-
Proceeds from disposals of interests in subsidiaries without loss of control	9	-	9	-	-	-
Internal equity transactions	-	-	-75	11	75	-11
<b>Cash provided by/used for financing activities</b>	<b>3,855</b>	<b>11,506</b>	<b>-3,382</b>	<b>1,715</b>	<b>7,237</b>	<b>9,791</b>
Effect of foreign exchange rate changes on cash and cash equivalents	-254	-122	-206	-97	-48	-25
<b>Net increase/decrease in cash and cash equivalents</b>	<b>57</b>	<b>1,420</b>	<b>-42</b>	<b>979</b>	<b>99</b>	<b>441</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>10,996</b>	<b>9,576</b>	<b>9,887</b>	<b>8,908</b>	<b>1,109</b>	<b>668</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>11,053</b>	<b>10,996</b>	<b>9,845</b>	<b>9,887</b>	<b>1,208</b>	<b>1,109</b>

1 For other information on consolidated statements of cash flows, see Note 28.

2 Information on adjustments to the prior-year figures is disclosed in Note 1.

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity<sup>1</sup>.

## F.05

	Share capital	Capital reserves	Retained earnings (adjusted) <sup>3</sup>	Currency translation (adjusted)	Financial assets available for sale
In millions of euros					
<b>Balance at January 1, 2012 before adjustments</b>	3,060	11,895	24,228	1,049	71
Effects from first-time adoption of IAS 19R	-	-	-3,862	-52	-
Effect from adjustment of early retirement and partial retirement plans	-	-	-34	-	-
<b>Balance at January 1, 2012 after adjustments<sup>2</sup></b>	3,060	11,895	20,332	997	71
Net profit	-	-	6,428	-	-
Other comprehensive income/loss before taxes	-	-	-4,008	-481	163
Deferred taxes on other comprehensive income	-	-	1,611	-	-
Total comprehensive income/loss	-	-	4,031	-481	163
Dividends	-	-	-2,346	-	-
Share-based payment	-	1	-	-	-
Capital increase/Issue of new shares	3	33	-	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	102	-	-	-
Other	-	-5	-	-	-
<b>Balance at December 31, 2012</b>	3,063	12,026	22,017	516	234
<b>Balance at January 1, 2013 before adjustments</b>	3,063	12,026	27,977	530	234
Effects from first-time adoption of IAS 19R	-	-	-5,919	-14	-
Effect from adjustment of early retirement and partial retirement plans	-	-	-41	-	-
<b>Balance at January 1, 2013 after adjustments<sup>2</sup></b>	3,063	12,026	22,017	516	234
Net profit	-	-	6,842	-	-
Other comprehensive income/loss before taxes	-	-	1,490	-1,485	33
Deferred taxes on other comprehensive income	-	-	-372	-	-6
Total comprehensive income/loss	-	-	7,960	-1,485	27
Dividends	-	-	-2,349	-	-
Share-based payment	-	2	-	-	-
Capital increase/Issue of new shares	6	72	-	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-23	-	-	-
Other	-	-227	-	-	-
<b>Balance at December 31, 2013</b>	3,069	11,850	27,628	-969	261

1 For other information on changes in equity, see Note 20.

2 Information on adjustments to the prior-year figures is disclosed in Note 1.

3 Retained earnings also include items that will not be reclassified to profit or loss. Actuarial losses from pensions and similar obligations amount to €4,983 million net of tax in 2013 (2012: €6,139 million net of tax).

The accompanying notes are an integral part of these consolidated financial statements.



Other reserves items that may be reclassified in profit/loss	Share of investments accounted for using the equity method	Treasury shares	Equity attributable to shareholders of Daimler AG (adjusted)	Non-controlling interest (adjusted)	Total equity (adjusted)	
Derivative financial instruments						In millions of euros
						<b>Balance at January 1, 2012 before adjustments</b>
-651	-28	-	39,624	1,713	41,337	
-	-	-	-3,914	-131	-4,045	Effects from first-time adoption of IAS 19R
-	-	-	-34	-	-34	Effect from adjustment of early retirement and partial retirement plans
						<b>Balance at January 1, 2012 after adjustments</b>
-651	-28	-	35,676	1,582	37,258	
-	-	-	6,428	402	6,830	Net profit
988	56	-	-3,282	-155	-3,437	Other comprehensive income/loss before taxes
-287	-29	-	1,295	40	1,335	Deferred taxes on other comprehensive income
701	27	-	4,441	287	4,728	Total comprehensive income/loss
-	-	-	-2,346	-387	-2,733	Dividends
-	-	-	1	-	1	Share-based payment
-	-	-	36	33	69	Capital increase/Issue of new shares
-	-	-25	-25	-	-25	Acquisition of treasury shares
-	-	25	25	-	25	Issue and disposal of treasury shares
-	-	-	102	-178	-76	Changes in ownership interests in subsidiaries
-	-	-	-5	88	83	Other
50	-1	-	37,905	1,425	39,330	<b>Balance at December 31, 2012</b>
						<b>Balance at January 1, 2013 before adjustments</b>
50	-1	-	43,879	1,631	45,510	
-	-	-	-5,933	-206	-6,139	Effects from first-time adoption of IAS 19R
-	-	-	-41	-	-41	Effect from adjustment of early retirement and partial retirement plans
						<b>Balance at January 1, 2013 after adjustments</b>
50	-1	-	37,905	1,425	39,330	
-	-	-	6,842	1,878	8,720	Net profit
1,141	32	-	1,211	-6	1,205	Other comprehensive income/loss before taxes
-338	-43	-	-759	-13	-772	Deferred taxes on other comprehensive income
803	-11	-	7,294	1,859	9,153	Total comprehensive income/loss
-	-	-	-2,349	-269	-2,618	Dividends
-	-	-	2	-	2	Share-based payment
-	-	-	78	7	85	Capital increase/Issue of new shares
-	-	-24	-24	-	-24	Acquisition of treasury shares
-	-	24	24	-	24	Issue and disposal of treasury shares
-	-	-	-23	-2,433	-2,456	Changes in ownership interests in subsidiaries
-	-	-	-227	94	-133	Other
853	-12	-	42,680	683	43,363	<b>Balance at December 31, 2013</b>

# Notes to the Consolidated Financial Statements.

## 1. Significant accounting policies

### General information

The consolidated financial statements of Daimler AG and its subsidiaries (“Daimler” or “the Group”) have been prepared in accordance with Section 315a of the German Commercial Code (HGB) and comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Daimler AG is a stock corporation organized under the laws of the Federal Republic of Germany. The company is entered in the Commercial Register of the Stuttgart District Court under No. HRB 19360 and its registered office is located at Mercedesstraße 137, 70327 Stuttgart, Germany.

The consolidated financial statements of Daimler AG are presented in euros (€). Unless otherwise stated, all amounts are stated in millions of euros. All figures shown are rounded in accordance with standard business rounding principles.

The Board of Management authorized the consolidated financial statements for publication on February 18, 2014.

### Basis of preparation

**Applied IFRSs.** The accounting policies applied in the consolidated financial statements comply with the IFRSs required to be applied in the EU as of December 31, 2013.

**IFRSs issued, EU endorsed and initially adopted in the financial year.** In December 2011, the IASB published amendments to IFRS 7 Financial Instruments: disclosures relating to the offsetting of financial instruments. The additional disclosure obligations relate to offset financial instruments as well as to financial instruments which are not offset but which are subject to global offsetting agreements or similar agreements. The amendments to IFRS 7 are to be applied for annual periods beginning on or after January 1, 2013 and retrospectively. Further information is provided in Note 31.

In May 2011, IASB published IFRS 13 Fair Value Measurement, which combines the regulations for fair value measurement that were previously contained in the individual IFRSs into a single standard and replaces them with a uniform IFRS framework for measuring fair value. In compliance with the transitional provisions of IFRS 13, the Group has applied the new provisions prospectively since January 1, 2013. The initial application of the standard does not lead to significant changes in the measurement of assets and liabilities. Further information is provided in Note 31.

In June 2011, IASB published amendments to IAS 19 Employee Benefits. The amendments to IAS 19 must be applied retrospectively in financial statements for annual periods beginning on or after January 1, 2013. Daimler has adjusted the figures reported for the previous year for effects arising from application of the amended version of IAS 19.

At Daimler, the amendments to IAS 19 lead to the following significant effects:

*Pensions and similar obligations.* The Group has previously used the corridor method, which is no longer permitted under the revised IAS 19. As a result, actuarial losses existing in the Group have a direct effect on the consolidated statement of financial position and lead to an increase in provisions for pension and similar obligations and a reduction in equity. Since the actuarial losses will be recognized directly in other comprehensive income, the consolidated statement of income will in the future remain free from the effects of the amortization of the amount exceeding the corridor. Moreover, the net interest cost approach for discounting the net pension benefit obligation at the rate used for the measurement of the gross pension obligation will be applied. Since the net pension benefit obligation is reduced by any plan assets, the same discount rate is assumed for discounting plan assets.

*Obligations for part-time early retirement.* As a result of the revised definition of termination benefits provided in IAS 19, the top-up amounts agreed in the framework of the part-time early retirement agreements now represent other long-term employee benefits. The pro-rata accumulation of top-up amounts over the relevant active service period of employees who receive part-time early retirement benefits leads to a reduction in provisions for part-time early retirement.

Table [F.06](#) shows the effects of the application of IAS 19 on the line items of the consolidated statement of financial position as of January 1, 2012 and December 31, 2012.

The effects on the consolidated statement of income for 2012 are presented in table [F.07](#).

Basic and diluted earnings per share each increased in 2012 by €0.31.

Table [F.08](#) and [F.09](#) show the effects on the Group's consolidated statement of financial position and consolidated statement of income if the Group had not applied IAS 19R as of January 1, 2013.

Diluted and undiluted earnings per share decreased in 2013 by €0.46.

The EBIT effect from the retention of IAS 19 mainly results from the disposal of the investment in European Aeronautic Defence and Space Company EADS N.V. (EADS). If the corridor method had still been applied, the equity investment would have been increased by the actuarial losses. As a result, this would have led to a decreased disposal result.

The changeover to the revised IAS 19 led to a review of the calculation of the pension obligations for part-time early retirement benefits. Subsequently, the obligations from the outstanding settlement amount pursuant to IAS 8.42 recorded as of December 31, 2012 and January 1, 2012 were adjusted by €58 million and €48 million, respectively. The effects after tax on equity amount to €41 million and €34 million, respectively. The effects on the consolidated statement of income and on earnings per share in 2012 are not material.

According to amendments to IAS 1 Presentation of Items of Other Comprehensive Income, items of other comprehensive income that may be reclassified to profit and loss have to be disclosed separately from items of other comprehensive income that will not be reclassified to profit or loss. Daimler applies these changes in disclosures since January 1, 2013.

## F.06

### Effects of the revised IAS 19 on the consolidated statement of financial position

	December 31, 2012	January 1, 2012
In millions of euros		
Investments accounted for using the equity method	-342	-357
Other assets	-33	-37
Total equity	-6,139	-4,045
Provisions for pensions and similar obligations	8,264	4,682
Provisions for other risks	-347	-334
Balance of deferred tax assets and deferred tax liabilities	-2,153	-697

## F.07

### Effects of the revised IAS 19 on the consolidated statement of income

	2012
In millions of euros	
Cost of sales	-27
Selling expenses	-4
General administrative expenses	-1
Share of profit/loss from investments accounted for using the equity method, net	208
Other financial expense, net	39
Interest result	193
Income taxes	-66
Net profit	342

## F.08

### Effects of the retention of IAS 19 on the consolidated statement of financial position

	December 31, 2013
In millions of euros	
Investments accounted for using the equity method	-51
Other assets	33
Total equity	4,558
Provisions for pensions and similar obligations	-6,708
Provisions for other risks	413
Balance of deferred tax assets and deferred tax liabilities	1,719

## F.09

### Effects of the retention IAS 19 on the consolidated statement of income

	2013
In millions of euros	
EBIT	-492
Interest result	-62
Income taxes	59
Net profit	-495

The amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets are applied earlier in 2013. Accordingly there is no requirement to disclose the recoverable amount of cash-generating units.

All other IFRSs with an initial application in the EU as of January 1, 2013 had no significant impact on the consolidated financial statements.

**IFRSs issued and EU endorsed but not yet adopted.**

In May 2011, the IASB issued three new standards that provide guidance with respect to accounting for investments of the reporting entity in other entities. The EU endorsed the standards in December 2012. IFRS 10 Consolidated Financial Statements supersedes consolidation rules in IAS 27 Consolidated and Separate Financial Statements as well as SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single consolidation model based on control that applies to all entities irrespective of the type of controlled entity. According to the new model control exists if the potential parent company has the power of decision over the potential subsidiary based on voting rights or other rights, if it participates in positive or negative variable returns from the potential subsidiary, and if it can affect these returns by its power of decision. The standard is not expected to have a significant influence on the Group's Financial Statements.

IFRS 11 Joint Arrangements provides new guidance on accounting for joint arrangements. The standard supersedes IAS 31 Interests in Joint Ventures as well as SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures. In the future, it has to be decided whether a joint operation or a joint venture exists. In a joint venture the parties that have joint control have rights to the net assets. A joint operation exists, if the parties that have joint control have rights to the assets and obligations for the liabilities. In the case of a joint operation the proportionate assets, liabilities, revenues and expenses have to be recognized. Interests in a joint venture shall be accounted for as an investment using the equity method. The identified joint operations at Daimler do not have a significant influence on the Group's Financial Statements. Therefore, Daimler continues to account for the investments using the equity method or the investments are measured at amortized costs.

IFRS 12 Disclosure of Interests in Other Entities provides guidance on disclosure requirements for interests in other entities by combining existing disclosure requirements from several standards in one comprehensive disclosure standard.

Daimler will apply the new consolidation standards as of the mandatory effective date for IFRS users in the EU as of January 1, 2014 on a retrospective basis.

Other IFRSs and interpretations issued are not expected to have a significant influence on the Group's financial position, cash flows or earnings.

**IFRSs issued but neither EU endorsed nor yet adopted.**

IFRS 9 Financial Instruments reflects the first and third phase of the IASB project to replace IAS 39 and deals with the classification and measurement of financial assets and financial liabilities as well as regulations for general hedge accounting. Accordingly, in the future, financial assets will be classified and measured either at amortized cost or at fair value. The provisions relating to financial liabilities will generally be adopted from IAS 39. With the amendment to IFRS 9 issued in November 2013, mandatory adoption as of January 1, 2015 was cancelled. A new adoption date will be defined only when the standard has been finalized. Only then endorsement by the EU is planned. The analysis of the effects of applying IFRS 9 on the consolidated financial statements has not yet been finished.

Other IFRSs issued but not EU endorsed are not expected to have a significant influence on the Group's financial position, cash flows or earnings. Subject to EU endorsement of these standards, which are then to be adopted in future periods, Daimler currently does not plan to apply these standards earlier.

**Presentation.** Presentation in the statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they mature within one year or within a longer and normal operating cycle. Deferred tax assets and liabilities as well as assets and provisions for pensions and similar obligations are generally presented as non-current items.

The consolidated statement of income is presented using the cost-of-sales method.

Commercial practices with respect to certain products manufactured by the Group necessitate that sales financing, including leasing alternatives, be made available to the Group's customers. Accordingly, the Group's consolidated financial statements are significantly influenced by the activities of its financial services business.

To enhance readers' understanding of the Group's consolidated financial statements, unaudited information with respect to the results of operations and financial position of the Group's industrial and financial services business activities (Daimler Financial Services) is provided in addition to the audited consolidated financial statements. Such information, however, is not required by IFRS and is not intended to, and does not represent the separate IFRS results of operations and financial position of the Group's industrial or financial services business activities. Eliminations of the effects of transactions between the industrial and financial services businesses have generally been allocated to the industrial business columns.



**Measurement.** The consolidated financial statements have been prepared on the historical cost basis with the exception of certain items such as available-for-sale financial assets, derivative financial instruments, hedged items, and pensions and similar obligations. The measurement models applied to those exceptions are described below.

**Principles of consolidation.** The consolidated financial statements include the financial statements of Daimler AG and, in general, the financial statements of Daimler AG's subsidiaries, including special purpose entities which are directly or indirectly controlled by Daimler AG. Control means the power, directly or indirectly, to govern the financial and operating policies of an entity so that the Group obtains benefits from its activities. The financial statements of consolidated subsidiaries are generally prepared as of the reporting date of the consolidated financial statements. The financial statements of Daimler AG and its subsidiaries included in the consolidated financial statements are prepared using uniform recognition and measurement principles. All significant inter-company accounts and transactions relating to consolidated subsidiaries and consolidated special purpose entities are eliminated.

Equity investments in which Daimler has the ability to exercise significant influence over the financial and operating policies of the investee (associated companies) and entities over whose activities Daimler has joint control with a partner (joint ventures) are generally included in the consolidated financial statements using the equity method.

Subsidiaries, associated companies and joint ventures whose business is non-active or of low volume and that are not material for the Group and the fair presentation of financial position, liquidity and capital resources, and profitability are generally measured at amortized cost in the consolidated financial statements. The aggregate balance sheet totals of these subsidiaries would amount to approximately 1% of the Group's balance sheet total; the aggregate revenues and the aggregate profit/loss before income taxes amount to approximately 1% of Group revenue and profit before income taxes.

Table [7 F.10](#) shows the composition of the Group.

Business combinations are accounted for using the purchase method.

Changes in equity interests in Group subsidiaries that reduce or increase Daimler's percentage ownership without loss of control are accounted for as an equity transaction between owners.

As an additional funding source, Daimler transfers finance receivables, in particular receivables from the leasing and automotive business, to special purpose entities. Daimler thereby principally retains the significant risks of the transferred receivables. According to IAS 27 Consolidated and Separate Financial Statements and the Standing Interpretations Committee (SIC) Interpretation 12 Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by the transferor. The transferred financial assets remain in Daimler's consolidated statement of financial position.

## F.10

### Composition of the Group

	2013	2012
<b>Consolidated subsidiaries</b>		
Germany	49	50
International	271	287
<b>Subsidiaries accounted for at cost</b>		
Germany	35	40
International	57	69
<b>Subsidiaries accounted for using the equity method</b>		
Germany	0	1
International	3	3
<b>Associated companies and joint ventures</b>		
Germany	21	22
International	38	41
	<b>474</b>	<b>513</b>

## Investments in associated companies and joint ventures.

Associated companies and joint ventures are generally accounted for using the equity method.

At the acquisition date, the excess of the cost of Daimler's initial investment in an associate or joint venture and the share of the net fair value of the associate's or joint venture's identifiable assets and liabilities is recognized as investor level goodwill and is included in the carrying amount of the investment accounted for using the equity method. Step acquisitions, through which significant influence or joint control is obtained for the first time, are generally accounted for in accordance with IFRS 3 Business Combinations, which means the previously held equity interest is remeasured at its acquisition-date fair value; resulting gains and losses are recognized in profit or loss. If an additional ownership interest is acquired in an existing associated company while significant influence is maintained, goodwill is calculated only on the incremental interest acquired. The pre-existing investment is not measured anew at fair value.

## F.11

### Exchange rates of the US dollar

	2013	2012
	€1 =	€1 =
Average exchange rate on December 31	1.3791	1.3194
Average exchange rates during the respective period		
First quarter	1.3206	1.3108
Second quarter	1.3062	1.2826
Third quarter	1.3242	1.2502
Fourth quarter	1.3610	1.2967

### Exchange rates of the Japanese yen

	2013	2012
	€1 =	€1 =
Average exchange rate on December 31	144.7200	113.6100
Average exchange rates during the respective period		
First quarter	121.7900	103.9900
Second quarter	129.0700	102.7400
Third quarter	131.0200	98.3000
Fourth quarter	136.4800	105.1200

When the status of an investment changes from joint venture to associated company, Daimler continues to apply the equity method and recognizes any gain or loss only to the extent of the reduction in ownership interest.

Daimler assesses at each reporting date whether objective evidence of impairment is present with regard to its investments in associated companies and joint ventures. If such indication exists, the Group determines the impairment. If the carrying amount exceeds the recoverable amount of an investment, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. An impairment loss or the reversal of such a loss is recognized in the consolidated statement of income in the line item "Share of profit/loss from investments accounted for using the equity method, net". Income and expenses from the sale of investments accounted for using the equity method are shown in the same line item.

Profits and losses from transactions with associated companies and joint ventures are eliminated by adjusting the carrying amount of the investment accordingly.

Daimler's share of any dilution gains and losses resulting from capital increases by its investees accounted for using the equity method in which the Group or other shareholders do not participate are recognized in "Share of profit/loss from investments accounted for using the equity method, net."

In the special event that the financial statements of associated companies or joint ventures should not be available in good time, the Group's proportionate share of the results of operations is included in Daimler's consolidated financial statements with a one to three-month time lag. Adjustments are made for all significant events or transactions that occur during the time lag (see also Note 13).

**Foreign currency translation.** Transactions in foreign currency are translated at the relevant foreign exchange rates prevailing at the transaction date. In subsequent periods, assets and liabilities denominated in foreign currency are translated into euros using period-end exchange rates; gains and losses from this measurement are recognized in profit and loss (except for gains and losses resulting from the translation of available-for-sale equity instruments, which are recognized in other comprehensive income/loss).

Assets and liabilities of foreign companies for which the functional currency is not the euro are translated into euros using period-end exchange rates. The translation adjustments are presented in other comprehensive income/loss. The components of equity are translated using historical rates. The statements of income and cash flows are translated into euros using average exchange rates during the respective periods.

The exchange rates of the US dollar and the Japanese Yen, the most significant foreign currencies for Daimler, were as shown in table [↗ F.11](#).

## Accounting policies

**Revenue recognition.** Revenue from sales of vehicles, service parts and other related products is recognized when the risks and rewards of ownership of the goods are transferred to the customer, the amount of revenue can be estimated reliably and collectability is reasonably assured. Revenue is recognized net of sales reductions such as cash discounts and sales incentives granted.

Daimler uses sales incentives in response to a number of market and product factors, including pricing actions and incentives offered by competitors, the amount of excess industry production capacity, the intensity of market competition, and consumer demand for the product. The Group may offer a variety of sales incentive programs at a point in time, including cash offers to dealers and consumers, lease subsidies which reduce the consumers' monthly lease payment, or reduced financing rate programs offered to costumers.

Revenue from receivables from financial services is recognized using the effective interest method. When loans are issued below market rates, related receivables are recognized at present value and revenue is reduced for the interest incentive granted. If subsidized leasing fees are agreed upon in connection with finance leases, revenue from the sale of a vehicle is reduced by the amount of the interest incentive granted.

The Group offers an extended, separately priced warranty for certain products. Revenue from these contracts is deferred and recognized into income over the contract period in proportion to the costs expected to be incurred based on historical information. In circumstances in which there is insufficient historical information, income from extended warranty contracts is recognized on a straight-line basis. A loss on these contracts is recognized in the current period if the sum of the expected costs for services under the contract exceeds unearned revenue.

For transactions with multiple deliverables, such as when vehicles are sold with free or reduced-in-price service programs, the Group allocates revenue to the various elements based on their estimated fair values.

Sales in which the Group guarantees the minimum resale value of the product are accounted for as an operating lease. The guarantee of the resale value may take the form of an obligation by Daimler to pay any deficiency between the proceeds the customer receives upon resale and the guaranteed amount, or an obligation to reacquire the vehicle after a certain period of time at a set price. Gains or losses from the resale of these vehicles are included in gross profit in the consolidated statement of income.

Revenue from operating leases is recognized on a straight-line basis over the lease term. Among the assets subject to operating leases are Group products which are purchased by Daimler Financial Services from independent third-party dealers and leased to customers. After revenue recognition from the sale of the vehicles to independent third-party dealers, these vehicles create further revenue from leasing and remarketing as a result of lease contracts entered into. The Group estimates that the revenue recognized following the sale of vehicles to dealers equals approximately the additions to leased assets at Daimler Financial Services were approximately €8 billion in 2013 (2012: approximately €8 billion).

### Research and non-capitalized development costs.

Expenditure for research and development that does not meet the conditions for capitalization according to IAS 38 Intangible Assets is expensed as incurred.

**Borrowing costs.** Borrowing costs are expensed as incurred unless they are directly attributable to the acquisition, construction or production of a qualifying asset and are therefore part of the cost of that asset. Depreciation of the capitalized borrowing costs is presented within cost of sales.

**Government grants.** Government grants related to assets are deducted from the carrying amount of the asset and are recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense. Government grants which compensate the Group for expenses are recognized as other operating income in the same period as the expenses themselves.

**Interest income and interest expense.** Interest income and interest expense include interest income from investments in securities, cash and cash equivalents as well as interest expense from liabilities. Furthermore, interest and changes in fair values related to interest rate hedging activities as well as income and expense resulting from the allocation of premiums and discounts are included. The interest components of pensions and similar obligations are also presented in this line item.

An exception to the aforementioned principles is made for Daimler Financial Services. In this case, the interest income and expense and the result from derivative financial instruments are disclosed under revenue and cost of sales respectively.

**Other financial income/expense, net.** Other financial income/expense, net includes all income and expense from financial transactions which are not included in interest income and/or interest expense, and for Daimler Financial Services are not included in revenue and/or cost of sales. For example, expense from the compounding of interest on provisions for other risks is recorded in this line item.

**Income taxes.** Current income taxes are determined based on the respective local taxable income of the period and local tax rules. In addition, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest expense and penalties on the underpayment of taxes. Changes in deferred tax assets and liabilities are included in income taxes except for changes recognized in other comprehensive income/loss or directly in equity.

Deferred tax assets or liabilities are determined based on temporary differences between financial reporting and the tax basis of assets and liabilities including differences from consolidation, loss carryforwards and tax credits. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences. Daimler recognizes a valuation allowance for deferred tax assets when it is unlikely that a corresponding amount of future taxable profit will be available.

For uncertain income tax items for which the risk exists that they will not be utilizable, a provision for income taxes is recognized or, in the case of tax loss carryforwards, the corresponding deferred tax asset is reduced. The assessment is based on the best possible assessment of the expected tax payment.

**Earnings per share.** Basic earnings per share are calculated by dividing profit attributable to shareholders of Daimler AG by the weighted average number of shares outstanding. Diluted earnings per share additionally reflect the potential dilution that would occur if all stock option plans were exercised.

**Goodwill.** For acquisitions, goodwill represents the excess of the consideration transferred over the fair values assigned to the identifiable assets proportionally acquired and liabilities assumed. Goodwill is accounted for at the subsidiaries in the functional currency of those subsidiaries.

In connection with obtaining control, non-controlling interest in the acquiree is principally recognized at the proportionate share of the acquiree's identifiable assets, which are measured at fair value.

**Other intangible assets.** Intangible assets acquired are measured at cost less accumulated amortization. If necessary, accumulated impairment losses are recognized.

Intangible assets with indefinite lives are reviewed annually to determine whether indefinite-life assessment continues to be appropriate. If not, the change in the useful-life assessment from indefinite to finite is made on a prospective basis.

Intangible assets other than development costs with finite useful lives are generally amortized on a straight-line basis over their useful lives (three to ten years) and are tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period for intangible assets with finite useful lives is reviewed at least at each year-end. Changes in expected useful lives are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recorded in functional costs.

Development costs for vehicles and components are recognized if the conditions for capitalization according to IAS 38 are met. Subsequent to initial recognition, the asset is carried at cost less accumulated amortization and accumulated impairment losses. Capitalized development costs include all direct costs and allocable overheads and are amortized on a straight-line basis over the expected product life cycle (a maximum of ten years). Amortization of capitalized development costs is an element of manufacturing costs and is allocated to those vehicles and components by which they were generated and is included in cost of sales when the inventory (vehicles) is sold.



**Property, plant and equipment.** Property, plant and equipment are measured at acquisition or manufacturing costs less accumulated depreciation. If necessary, accumulated impairment losses are recognized.

The costs of internally produced equipment and facilities include all direct costs and allocable overheads. Acquisition or manufacturing costs include the estimated costs, if any, of dismantling and removing the item and restoring the site. Plant and equipment under finance leases are stated at the lower of present value of minimum lease payments or fair value less the respective accumulated depreciation and any accumulated impairment losses. Depreciation expense is recognized using the straight-line method. The residual value of the asset is considered.

Property, plant and equipment are depreciated over the useful lives as shown in table [F.12](#).

**Leasing.** Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. The Group is a lessee of property, plant and equipment and a lessor of its products. It is evaluated on the basis of the risks and rewards of a leased asset whether the ownership of the leased asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Rent expense on operating leases by which the Group is lessee is recognized over the respective lease terms on a straight-line basis. Equipment on operating leases by which the Group is lessor is carried initially at its acquisition or manufacturing costs and is depreciated to its expected residual values over the contractual term of the lease, on a straight-line basis. The same accounting principles apply to assets if Daimler sells such assets and leases them back from the buyer.

**Impairment of non-current non-financial assets.** Daimler assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists, Daimler estimates the recoverable amount of the asset. The recoverable amount is determined for each individual asset unless the asset generates cash inflows that are not largely independent of those from other assets or groups of assets (cash-generating units). In addition, goodwill and other intangible assets with indefinite useful lives are tested annually for impairment; this takes place at the level of the cash-generating units. If the carrying amount of an asset or of a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized for the difference.

The recoverable amount is the higher of fair value less costs of disposal and value in use. For cash-generating units, which at Daimler correspond to the reportable segments, Daimler in a first step determines the respective recoverable amount as value in use and compares it with the respective carrying amount (including goodwill). Value in use is measured by discounting expected future cash flows from the continuing use of the cash-generating units using a risk-adjusted interest rate. Future cash flows are determined on the basis of the long-term planning, which is approved by the Board of Management and which is valid at the date when the impairment test

is conducted. This planning is based on expectations regarding future market share, the growth of the respective markets as well as the products' profitability. The multi-year planning comprises a planning horizon until 2020 and therefore mainly covers the product life cycles of our automotive business. The rounded risk-adjusted interest rates used to discount cash flows, which are calculated for each segment, are currently unchanged from the previous year at 8% after taxes for the cash-generating units of the industrial business and 9% after taxes for Daimler Financial Services. Whereas the discount rate for Daimler Financial Services represents the cost of equity, the risk-adjusted interest rate for the cash-generating units of the industrial business is based on the weighted average cost of capital (WACC). These are calculated based on the capital asset pricing model (CAPM) taking into account current market expectations. In calculating the risk-adjusted interest rate for impairment test purposes, specific peer group information for beta factors, capital structure data and cost of debt are used. Periods not covered by the forecast are taken into account by recognizing a residual value (terminal value), which generally does not consider any growth rates. In addition, several sensitivity analyses are conducted. These show that even in case of more unfavorable premises for main influencing factors with respect to the original planning, no need for impairment exists. If value in use is lower than the carrying amount, fair value less costs of disposal is additionally calculated to determine the recoverable amount.

## F.12

### Useful lives of property, plant and equipment

Buildings and site improvements	10 to 50 years
Technical equipment and machinery	6 to 25 years
Other equipment, factory and office equipment	3 to 30 years

An assessment for assets other than goodwill is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If this is the case, Daimler records a partial or entire reversal of the impairment; the carrying amount is thereby increased to its recoverable amount. However, the increased carrying amount may not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized in prior years.

**Non-current assets held for sale and disposal groups.**

The Group classifies non-current assets or disposal groups as held for sale if the conditions of IFRS 5 Non-current assets held for sale and discontinued operations are fulfilled. In this case, the assets or disposal groups are no longer depreciated but measured at the lower of carrying amount and fair value less costs to sell. If fair value less costs to sell subsequently increases, any impairment loss previously recognized is reversed, this reversal is restricted to the impairment loss previously recognized for the assets or disposal group concerned. The Group generally discloses these assets or disposal groups separately in the consolidated statement of financial position.

**Inventories.** Inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition. Costs for large numbers of inventories that are interchangeable are allocated under the average cost formula. In the case of manufactured inventories and work in progress, cost also includes production overheads based on normal capacity.

**Financial instruments.** A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments in the form of financial assets and financial liabilities are generally presented separately. Financial instruments are recognized as soon as Daimler becomes a party to the contractual provisions of the financial instrument.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories mentioned in IAS 39 Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered by determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the transaction date and the settlement date (i.e. the date of delivery) differ, Daimler uses the transaction date for purposes of initial recognition or derecognition.

**Financial assets.** Financial assets primarily comprise receivables from financial services, trade receivables, receivables from banks, cash on hand, derivative financial assets and marketable securities and investments.

*Financial assets at fair value through profit or loss.* Financial assets at fair value through profit or loss include those financial assets designated as held for trading.

Derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting, as well as shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on these financial assets are recognized in profit or loss.

*Loans and receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as receivables from financial services or trade receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the statement of income when the loans and receivables are impaired or derecognized. Interest effects on the application of the effective interest method are also recognized in profit or loss.

*Available-for-sale financial assets.* Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or that are not classified in any of the preceding categories. This category includes equity instruments and debt instruments such as government bonds, corporate bonds and commercial paper.

After initial measurement, available-for-sale financial assets are measured at fair value, with unrealized gains or losses being recognized in other comprehensive income/loss. If objective evidence of impairment exists or if changes occur in the fair value of a debt instrument resulting from currency fluctuations, these changes are recognized in profit or loss. Upon disposal of financial assets, the accumulated gains and losses recognized in other comprehensive income/loss resulting from measurement at fair value are recognized in profit or loss. If a reliable estimate cannot be made of the fair value of an unquoted equity instrument, such as an investment in a German limited liability company, this instrument is measured at cost (less any impairment losses). Interest earned on available-for-sale financial assets is generally reported as interest income using the effective interest method. Dividends are recognized in profit or loss when the right of payment has been established.

*Cash and cash equivalents.* Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks, as well as debt instruments and certificates of deposits with a remaining term when acquired of up to three months, which are not subject to any material value fluctuations. Cash and cash equivalents correspond with the classification in the consolidated statement of cash flows.

**Impairment of financial assets.** At each reporting date, the carrying amounts of financial assets other than those to be measured at fair value through profit or loss are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment. For quoted equity instruments, a significant or prolonged decline in fair value is additional objective evidence of possible impairment. Daimler has defined criteria for the significance and duration of a decline in fair value. A decline in fair value is deemed significant if it exceeds 20% of the carrying amount of the investment; a decline is deemed prolonged if the carrying amount exceeds the fair value for a period longer than nine months.

*Loans and receivables.* If there are objective indications that the value of a loan or receivable has been impaired, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows (excluding expected future credit losses that have not yet been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

In most cases, an impairment loss on loans and receivables (e.g. receivables from financial services including finance lease receivables and trade receivables) is recorded using allowance accounts. The decision to account for credit risks using an allowance account or by directly reducing the receivable depends on the estimated probability of the loss of receivables.

*Available-for-sale financial assets.* If an available-for-sale financial asset is impaired, the difference between its cost (net of any principal payment and amortization) and its current fair value (less any impairment loss previously recognized in the statement of income) is reclassified from other comprehensive income/loss to the statement of income. Reversals with respect to equity instruments classified as available for sale are recognized in other comprehensive income/loss. Reversals of impairment losses on debt instruments are reversed through the statement of income if the increase in fair value of the instrument can be objectively attributed to an event occurring after the impairment losses were recognized in the consolidated statement of income.

**Offsetting financial instruments.** Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position provided that an enforceable right currently exists to offset the amounts involved, and there is an intention either to carry out the offsetting on a net basis or to settle a liability when the related asset is sold.

**Financial liabilities.** Financial liabilities primarily include trade payables, liabilities to banks, bonds, derivative financial liabilities and other liabilities.

*Financial liabilities measured at amortized cost.* After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

*Financial liabilities at fair value through profit or loss.* Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives, (including embedded derivatives separated from the host contract) which are not used as hedging instruments in hedge accounting, are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

**Derivative financial instruments and hedge accounting.**

The Group uses derivative financial instruments exclusively for hedging financial risks that arise from its commercial business or refinancing activities. These are mainly interest rate risks, currency risks and commodity price risks.

Embedded derivatives are separated from the host contract, which is not measured at fair value through profit or loss, if an analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign business operation. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is hedged. In a cash flow hedge, the variability of cash flows to be received or paid from expected transactions related to a recognized asset or liability or a highly probable forecast transaction are hedged. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of the risk being hedged, the identification of the hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. Hedging transactions are expected to be highly effective in achieving offsetting risks from changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, depending on whether the derivative is designated as a hedge of changes in fair value or cash flows. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

If derivative financial instruments do not or no longer qualify for hedge accounting because the qualifying criteria for hedge accounting are not or are no longer met, the derivative financial instruments are classified as held for trading and are measured at fair value through profit or loss.

**Pensions and similar obligations.** The measurement of defined benefit plans for pensions and other post-employment benefits (medical care) in accordance with IAS 19 Employee Benefits is based on the projected unit credit method. Plan assets invested to cover defined pension benefit obligations and other post-employment benefit obligations (medical care) are measured at fair value and offset against the corresponding obligations. For the valuation of defined post-employment benefit plans, differences between actuarial assumptions used and actual developments as well as changes in actuarial assumptions result in actuarial gains and losses, which have a direct impact on the consolidated statement of financial position or on the consolidated statement of income.

The balance of defined benefit plans for pensions and other post-employment benefits and plan assets (net pension obligation or net pension assets) accrues interest at the discount rate used as a basis for the measurement of the gross pension obligation. The resulting net interest expense or income is recognized in profit and loss under interest expense or interest income in the consolidated statement of income. The other expenses resulting from pension obligations and other post-employment benefit obligations (medical care), which mainly result from entitlements acquired during the year under review, are taken into consideration in the functional costs in the consolidated statement of income.



The discount factors used to calculate the present values of defined benefit pension obligations are to be determined by reference to market yields at the end of the reporting period on high-quality corporate bonds in the respective markets. For very long maturities, there are no high-quality corporate bonds available as a benchmark. The respective discount factors are estimated by extrapolating current market rates along the yield curve.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs.

**Provisions for other risks and contingent liabilities.**

A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions with an original maturity of more than one year are discounted to the present value of the expenditures expected to settle the obligation at the end of the reporting period. Provisions are regularly reviewed and adjusted as further information becomes available or circumstances change.

A provision for expected warranty costs is recognized when a product is sold, upon lease inception, or when a new warranty program is initiated. Estimates for accrued warranty costs are primarily based on historical experience.

Daimler records the fair value of an asset retirement obligation from the period in which the obligation is incurred.

Restructuring provisions are set up in connection with programs that materially change the scope of business performed by a segment or business unit or the manner in which business is conducted. In most cases, restructuring expenses include termination benefits and compensation payments due to the termination of agreements with suppliers and dealers. Restructuring provisions are recognized when the Group has a detailed formal plan that has either commenced implementation or been announced.

**Share-based payment.** Share-based payment comprises cash-settled liability awards and equity-settled equity awards.

The fair value of equity awards is generally determined by using a modified Black-Scholes option pricing model at grant date and represents the total payment expense to be recognized during the service period with a corresponding increase in equity (paid-in capital).

Liability awards are measured at fair value at each balance sheet date until settlement and are classified as provisions. The expense of the period comprises the addition to and/or the reversal of the provision between two balance sheet dates and the dividend equivalent paid during the period, and is included in the functional costs.

**Presentation in the consolidated statement of cash flows.**

Interest paid as well as interest and dividends received are classified as cash provided by/used for operating activities. The cash flows from short-term marketable debt securities with high turnover rates and significant amounts are offset and presented within cash used for investing activities.

**2. Accounting estimates and assessments**

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made which can affect the amounts and reporting of assets and liabilities, the reporting of contingent assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

**Recoverable amounts of cash-generating units and investments accounted for using the equity method.** In the context of impairment tests for non-financial assets, estimates have to be made to determine the recoverable amounts of cash-generating units. Assumptions have to be made in particular with regard to future cash inflows and outflows for the planning period and the following periods. The estimates include assumptions regarding future market share and the growth of the respective markets as well as regarding the products' profitability. On the basis of the impairment tests carried out in 2013, the recoverable amounts are substantially larger than the net assets of the Group's cash-generating units.

When objective evidence of impairment is present, estimates and assessments also have to be made to determine the recoverable amount of an equity method financial investment. The determination of the recoverable amount is based on assumptions regarding future business developments for the determination of the expected future cash flows of that financial investment. See Note 13 for the presentation of carrying values and fair values of equity-method financial investments in listed companies.

**Equipment on operating leases.** Daimler regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions have to be made regarding the future supply of and demand for vehicles, as well as the development of vehicle prices. Those assumptions are determined either by qualified estimates or by expertise provided by third parties; qualified estimates are based, as far as they are publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for systematic depreciation; changes in residual values lead either to prospective adjustments to the systematic depreciation or, in the case of a significant drop in expected residual values, to impairment. If systematic depreciation is prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

**Collectability of receivables from financial services.**

The Group regularly estimates the risk of default on receivables from financial services. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collateral. Changes in economic conditions can lead to changes in our customers' creditworthiness and to changes in used vehicle prices, which would have a direct effect on the market values of the vehicles assigned as collateral. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on the Group's net profit. See also Notes 14 and 32 for further information.

**Product warranties.** The recognition and measurement of provisions for product warranties is generally connected with estimates.

The Group provides various types of product warranties depending on the type of product and market conditions. Provisions for product warranties are generally recognized when vehicles are sold, upon lease inception, or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions have to be made on the type and extent of future warranty claims and customer goodwill, as well as on possible recall or buyback campaigns for each model series. In addition, the estimates also include assumptions on the amounts of potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information.

Further information on provisions for other risks is provided in Note 23.

**Legal proceedings.** Various legal proceedings, claims and governmental investigations are pending against Daimler AG and its subsidiaries on a wide range of topics. Adverse decisions in one or more of those proceedings could require us to pay substantial compensatory and punitive damages or to undertake service actions, recall campaigns or other costly actions. Litigation and governmental investigations often involve complex legal issues and are connected with a high degree of uncertainty. Accordingly, the assessment of whether an obligation exists on the balance sheet date as a result of an event in the past, and whether a future cash outflow is likely and the obligation can be reliably estimated, largely depends on estimations by the management. Daimler regularly evaluates the current stage of legal proceedings, also with the involvement of external legal counsel. It is therefore possible that the amounts of provisions for pending or potential litigation will have to be adjusted due to future developments. Changes in estimates and premises can have a material effect on the Group's future profitability. The end of a legal dispute can result in Daimler having to make payments in excess of the provisions recognized for that purpose. It is also possible that the outcome of individual cases for which no provisions could be recognized might force the Group to make payments whose amounts or range of amounts could not be reliably estimated at December 31, 2013. Although the final outcome of such cases can have a material effect on Daimler's earnings or cash flows in a certain reporting period, in our assessment, any such resulting obligations will not have a sustained impact on the Group's financial position. Further information on legal proceedings is provided in Note 29.

**Pension obligations.** The calculation of provisions for pensions and similar obligations and the related pension cost are based on various mathematical models. The calculations are subject to various assumptions on matters such as current actuarially developed probabilities (e.g. discount factors and cost-of-living increases), future fluctuations with regard to age and period of service, and experience with the probability of occurrence of pension payments, annuities or lump sums. As a result of changed market or economic conditions, the probabilities on which the influencing factors are based, may differ from current developments. The financial effects of deviations of the main factors are calculated with the use of sensitivity analyses. See Note 22 for further information.

**Income taxes.** The calculation of income taxes of Daimler AG and its subsidiaries is based on the legislation and regulations applicable in the various countries. Due to their complexity, the tax items presented in the financial statements are possibly subject to different interpretation by taxpayers on the one hand and local tax authorities on the other. For the calculation of deferred tax assets, assumptions have to be made regarding future taxable income and the time of realization of the deferred tax assets. In this context, we take into consideration, among other things, the projected earnings from business operations, the effects on earnings of the reversal of taxable temporary differences, and realizable tax strategies. As future business developments are uncertain and are sometimes beyond Daimler's control, the assumptions to be made in connection with accounting for deferred tax assets are connected with a substantial degree of uncertainty. On each balance sheet date, Daimler carries out impairment tests on deferred tax assets on the basis of the planned taxable income in future financial years; if Daimler assesses that the probability of future tax advantages being partially or fully unrealized is more than 50%, the deferred tax assets are impaired. Further information is provided in Note 9.

### 3. Significant acquisitions and dispositions of interests in companies and of other assets and liabilities

#### Acquisitions

**BAIC Motor.** In 2013, BAIC Motor Corporation Ltd. (BAIC Motor) issued new shares to Daimler representing a 12% equity interest for a price of €627 million (including transaction costs). The investment in BAIC Motor is presented in the consolidated financial statements according to the equity method. At the same time, BAIC Motor increased its share of the joint venture Beijing Benz Automotive Co., Ltd. (BBAC) by 1% to 51%; Daimler increased its share of the jointly owned sales company Beijing Mercedes-Benz Sales Service Co., Ltd. also by 1% to 51%. See Notes 13 and 36 for further information on these transactions.

#### Disposals

**EADS.** The disposal of our shareholding in the European Aeronautic Defence and Space Company EADS N.V. (since January 2, 2014: Airbus Group N.V.) and the loss of significant influence on that company is explained in Note 13.

**MBtech Group.** In December 2011, Daimler and AKKA Technologies SA signed a contract on the sale of a 65% interest in the former Daimler subsidiary MBtech Group GmbH & Co. KGaA (MBtech Group). The transaction was concluded on April 12, 2012 and resulted in a cash inflow of €48 million and a gain before income taxes of €10 million in 2012. These amounts are primarily allocated to the Mercedes-Benz Cars segment. The remaining equity interest in MBtech Group is accounted for using the equity method. At the time of the transaction, the assets and liabilities of MBtech Group amounted to €85 million and €78 million respectively; the total amount of assets included cash and cash equivalents of €8 million.

## F.13

### Revenue

	2013	2012
In millions of euros		
Sales of goods	103,594	100,531
Rental and leasing business	10,966	10,166
Interest from the financial services business at Daimler Financial Services	3,040	3,224
Sales of other services	382	376
	117,982	114,297

## F.14

### Cost of sales

	2013	2012
In millions of euros		
Expense of goods sold	-82,979	-80,617
Depreciation of equipment on operating leases	-4,376	-3,813
Refinancing costs at Daimler Financial Services	-1,578	-1,861
Impairment losses on receivables from financial services	-416	-390
Other cost of sales	-3,108	-2,140
	-92,457	-88,821

## 4. Revenue

Table [7 F.13](#) shows the composition of revenue at Group level.

Revenue by segment [7 F.92](#) and region [7 F.94](#) is presented in Note 33.

## 5. Functional costs

**Cost of sales.** Items included in cost of sales are shown in table [7 F.14](#).

Amortization expense of capitalized development costs in the amount of €1,134 million (2012: €982 million) is presented in expense of goods sold.

**Selling expenses.** In 2013, selling expenses amounted to €10,875 million (2012: €10,455 million). Selling expenses include direct selling costs as well as selling overhead expenses and consist of personnel expenses, material costs and other selling costs.

**General administrative expenses.** General administrative expenses amounted to €3,865 million in 2013 (2012: €3,974 million) and comprise expenses which were not attributable to production, sales or research and development functions, and include personnel expenses, depreciation and amortization on fixed and intangible assets, and other administrative costs.

### Research and non-capitalized development costs.

Research and non-capitalized development costs were €4,101 million in 2013 (2012: €4,179 million) and primarily comprise personnel expenses and material costs.

**Optimization programs.** Measures and programs with implementation costs that materially impacted EBIT of the segments are briefly described below.

*Daimler Trucks.* At the end of January 2013, Daimler Trucks announced workforce adjustments as part of its goal of increasing its profitability by stronger utilization of scale effects. In the administrative sector in Brazil a voluntary redundancy program was launched in the first quarter of 2013 targeting a reduction of approximately 850 people (including Daimler Buses). Furthermore, in non-productive areas in Germany, a reduction of approximately 800 people is planned for which a program was started in May 2013, based on socially acceptable voluntary measures.



*Daimler Buses.* In 2012, Daimler Buses decided to restructure some sections of its business system to improve efficiency and generate growth in order to increase its market shares for buses in Western Europe, to adapt the product portfolios to changed market requirements and to reduce costs. These measures also included a reduction of up to 10% of the workforce in Western Europe. The activities of Daimler Buses in North America were already restructured in 2012. In this context, the production of Orion city buses was discontinued and the workforce was scaled down by approximately 900 employees. In addition, further optimization measures were initiated in non-productive areas in Brazil for which the voluntary severance program described under Daimler Trucks was started in the first quarter of 2013.

Table [F.15](#) shows the expenses related to the optimization programs which affected the EBIT of the segments. The cash flows associated with the implementation of the programs are also shown.

These expenses primarily relate to personnel measures and are included in the line items within the consolidated statement of income as shown in table [F.16](#).

The provisions recognized for the measures at Daimler Trucks amounted to €64 million as of December 31, 2013. At Daimler Buses, the provisions recognized for the measures amounted to €36 million as of December 31, 2013 (€58 million as of December 31, 2012).

Cash outflows resulting from the optimization programs are expected until the end of 2017, whereby the largest part of the payments will already occur in 2014.

For the optimization programs at Daimler Trucks, the Group anticipates further expenses of up to €150 million.

**Personnel expenses and number of employees.** Personnel expenses included in the consolidated statement of income as well as the average numbers of people employed are included in table [F.17](#).

Information on the remuneration of the current and former members of the Board of Management and the current members of the Supervisory Board is included in Note 37.

## F.15

### Optimization programs

	2013	2012
In millions of euros		
Daimler Trucks		
EBIT	-116	-
Cash outflow	-50	-
Daimler Buses		
EBIT	-39	-155
Cash outflow	-39	-28

## F.16

### Income and expenses associated with optimization programs at Daimler Trucks and Daimler Buses

	2013	2012
In millions of euros		
Cost of sales	-71	-72
Selling expenses	-14	-30
General administrative expenses	-50	-17
Research and non-capitalized development costs	-13	-19
Other operating expenses	-10	-17
Other operating income	3	-
	-155	-155

## F.17

### Personnel expenses and number of employees

	2013	2012
In millions of euros and number of people employed		
Personnel expenses <sup>1</sup>	-18,753	-18,002
Average number of people employed		
Mercedes-Benz Cars	97,003	98,218
Daimler Trucks	80,186	80,503
Mercedes-Benz Vans	15,073	14,904
Daimler Buses	16,557	17,186
Daimler Financial Services	7,937	7,526
Sales and Marketing	52,151	50,154
Other	6,477	6,114
	275,384	274,605

<sup>1</sup> See Note 1 for details of adjustments to the prior-year figures.

## F.18

### Other operating income

	2013	2012
In millions of euros		
Income from costs recharged to third parties	840	727
Government grants and subsidies	86	90
Gains on sales of property, plant and equipment	47	122
Rental income, other than income relating to financial services	45	44
Reimbursements under insurance policies	26	44
Other miscellaneous income	486	480
	<b>1,530</b>	<b>1,507</b>

## F.19

### Other operating expense

	2013	2012
In millions of euros		
Loss on sales of property, plant and equipment	-88	-67
Other miscellaneous expense	-311	-224
	<b>-399</b>	<b>-291</b>

## F.20

### Other financial expense, net

	2013	2012
In millions of euros		
Expense from compounding of provisions and effects of changes in discount rates <sup>1</sup>	-95	-504
Miscellaneous other financial expense/income, net	-254	42
	<b>-349</b>	<b>-462</b>

1 Excluding the expense from compounding provisions for pensions and similar obligations.

## F.21

### Interest income and interest expense

	2013	2012
In millions of euros		
Interest income		
Net interest income on the net asset from defined benefit pension plans	2	7
Interest and similar income	210	226
	<b>212</b>	<b>233</b>
Interest expense		
Net interest expense on the net obligation from defined benefit pension plans	-355	-346
Interest and similar expense	-529	-591
	<b>-884</b>	<b>-937</b>

## 6. Other operating income and expense

For the composition of other operating income see table [7 F.18](#).

Income from services recharged to unrelated parties includes income from licenses and patents, shipping costs charged to third parties and other costs charged to third parties, with related expenses primarily within the functional costs.

Government grants and subsidies mainly comprise reimbursements relating to current part-time early retirement contracts and subsidies for alternative drive systems.

Other miscellaneous income includes reimbursements of non-income related taxes, income from the operation of employee canteens and other miscellaneous items.

For the composition of other operating expense, see table [7 F.19](#).

Other miscellaneous expense includes losses from disposals of current assets, changes in other provisions partially in connection with legal proceedings, and other miscellaneous items.

## 7. Other financial expense, net

Table [7 F.20](#) shows the components of other financial expense, net.

Other financial expense, net includes a loss of €140 million on the sale of the remaining EADS shares in 2013. See Note 13 for detailed information on the sale of the EADS shares.

## 8. Interest income and interest expense

Table [7 F.21](#) shows the components of interest income and interest expense.

## 9. Income taxes

Profit before income taxes is comprised as shown in table [7 F.22](#).

Profit before income taxes in Germany includes the share of profit/loss from investments accounted for using the equity method if the shares of those companies are held by German companies.

Table [7 F.23](#) shows the components of income taxes.

The current tax expense includes tax benefits at German and foreign companies of €1,038 million (2012: €1,164 million) recognized for prior periods.

The deferred tax expense is comprised of the components in table [7 F.24](#).

For German companies, in 2013 and 2012, deferred taxes were calculated using a federal corporate tax rate of 15%, a solidarity tax surcharge of 5.5% on each year's federal corporate taxes, plus a trade tax of 14%. In total, the tax rate applied for the calculation of German deferred taxes in both years amounted to 29.825%. For non-German companies, the deferred taxes at period-end were calculated using the tax rates of the respective countries.

Table [7 F.25](#) includes a reconciliation of expected income tax expense to actual income tax expense determined using the applicable German combined statutory rate of 29.825% (2012: 29.825%).

In 2013 and 2012, the Group released valuation allowances on deferred tax assets of foreign subsidiaries. The resulting tax benefits are included in the line item "Change of valuation allowance on deferred tax assets".

### F.22

#### Profit before income taxes

	2013	2012
In millions of euros		
German companies	5,630	3,778
Non-German companies	4,509	4,338
	<b>10,139</b>	<b>8,116</b>

### F.23

#### Components of income taxes

	2013	2012
In millions of euros		
Current taxes		
German companies	202	353
Non-German companies	-1,007	-540
Deferred taxes		
German companies	-180	-514
Non-German companies	-434	-585
	<b>-1,419</b>	<b>-1,286</b>

### F.24

#### Components of deferred tax expense

	2013	2012
In millions of euros		
Deferred taxes	-614	-1,099
due to temporary differences	-710	-2,894
due to tax loss carryforwards and tax credits	96	1,795

### F.25

#### Reconciliation of expected income tax expense to actual income tax

	2013	2012
In millions of euros		
Expected income tax expense	-3,024	-2,421
Foreign tax rate differential	-51	-128
Trade tax rate differential	54	12
Tax law changes	-10	-13
Change of valuation allowance on deferred tax assets	143	283
Tax-free income and non-deductible expenses	1,546	1,002
Other	-77	-21
Actual income tax expense	<b>-1,419</b>	<b>-1,286</b>

## F.26

### Deferred tax assets and liabilities

In millions of euros	At December 31,	
	2013	2012
Deferred tax assets	1,829	2,733
Deferred tax liabilities	-892	-268
Deferred tax assets, net	937	2,465

## F.27

### Split of tax assets and liabilities before offset

In millions of euros	At December 31,	
	2013	2012
Intangible assets	59	40
Property, plant and equipment	367	288
Equipment on operating leases	1,131	1,122
Inventories	603	729
Investments accounted for using the equity method	15	26
Receivables from financial services	275	280
Other financial assets	3,391	3,428
Tax loss and tax credit carryforwards	3,542	4,718
Provisions for pensions and similar obligations	818	1,060
Other provisions	1,862	1,779
Liabilities	614	758
Deferred income	899	836
Other	292	279
	13,868	15,343
Valuation allowances	-1,081	-2,337
<b>Deferred tax assets, gross</b>	<b>12,787</b>	<b>13,006</b>
Development costs	-2,195	-2,141
Other intangible assets	-175	-135
Property, plant and equipment	-1,442	-1,301
Equipment on operating leases	-4,940	-4,294
Inventories	-72	-50
Receivables from financial services	-656	-672
Other financial assets	-249	-172
Other assets	-98	-125
Provisions for pensions and similar obligations	-1,604	-1,288
Other provisions	-159	-124
Other	-260	-239
<b>Deferred tax liabilities, gross</b>	<b>-11,850</b>	<b>-10,541</b>
<b>Deferred tax assets, net</b>	<b>937</b>	<b>2,465</b>

Tax-free income and non-deductible expenses include all other effects at foreign and German companies relating to tax-free income and non-deductible expenses, for instance tax-free gains included in net periodic pension costs at the German companies and tax-free results of our equity-method investments. Moreover, in 2013 and 2012, the line item also includes tax-free gains realized on the sale and remeasurement of EADS shares and tax benefits relating to tax assessments for prior years. The tax benefits relating to tax assessments for prior years consist of the current tax benefits recognized for prior periods as well as partly offsetting deferred tax expenses recognized for prior periods.

Deferred tax assets and deferred tax liabilities are offset if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and if there is the right to set off current tax assets against current tax liabilities. In the presentation of deferred tax assets and liabilities in the consolidated statement of financial position, no difference is made between current and non-current. In the consolidated statement of financial position, deferred tax assets and liabilities are presented as shown in table [F.26](#).

In respect of each type of temporary difference and in respect of each type of unutilized tax losses and unutilized tax credits, the deferred tax assets and liabilities before offset are summarized in table [F.27](#).

The development of deferred tax assets, net, is shown in table [F.28](#).

Including the items recognized in other comprehensive income/loss (including items from investments accounted for using the equity method), the expense for income taxes is comprised as shown in table [F.29](#).

In the consolidated statement of financial position, the valuation allowances on deferred tax assets, which are mainly attributable to foreign companies, decreased by €1,256 million compared to December 31, 2012. On the one hand, this is a result of the reversal of valuation allowances of €143 million recorded in net profit. On the other hand, the capital losses resulting from the sale of the former investment in Chrysler were utilized. At December 31, 2012 the deferred tax assets on those capital losses were completely offset by a valuation allowance because the losses have a limited carryforward period and can only be offset by gains on disposal of capital. In 2013, as a result of intercompany sales, gains on disposal of capital were realized and the capital loss in the amount of €2,161 million was used. Because the Group did not recognize deferred tax liabilities on retained earnings of non-German subsidiaries as these earnings are intended to be permanently reinvested in those operations, no significant impact on earnings resulted from the intercompany sale. Additionally, a decrease of the valuation allowance was recognized in equity due to the expiration of tax loss carryforwards, which were already adjusted by a valuation allowance at December 31, 2012 and due to translation effects.



At December 31, 2013, the valuation allowance on deferred tax assets relates, among other things, to tax loss carryforwards in connection with capital losses (€193 million), corporate income tax loss carryforwards (€453 million) and tax credits (€17 million). The deferred tax assets on loss carryforwards connected with capital losses were reduced to zero by valuation allowances because the carryforward periods of those losses are limited and can only be utilized with future capital gains. As of today, these are not expected to occur in the coming years. The capital losses expire in 2016. Deferred tax assets for corporate income tax loss carryforwards adjusted by a valuation allowance relate with €116 million to tax loss carryforwards which expire at various dates from 2016 through 2018, with €120 million to tax loss carryforwards which expire at various dates from 2019 through 2033 and with €217 million to tax loss carryforwards which can be carried forward indefinitely. Of the tax credit carryforwards adjusted by a valuation allowance, €11 million expire at various dates from 2014 through 2018 and €6 million expire at various dates from 2019 through 2033. Furthermore, the valuation allowance primarily relates to temporary differences as well as net operating losses for state and local taxes at the US companies. Daimler believes that it is more likely than not that those deferred tax assets cannot be utilized. In 2013 and prior years, the Group had tax losses at several subsidiaries in several countries. After offsetting the deferred tax assets with deferred tax liabilities, the deferred tax assets not subject to valuation allowances amounted to €320 million for those foreign subsidiaries. Daimler believes it is more likely than not that due to future taxable income, deferred tax assets which are not subject to valuation allowances can be utilized. In future periods, Daimler's estimate of the amount of deferred tax assets that is considered realizable may change, and hence the valuation allowances may increase or decrease.

The cumulative undistributed earnings of non-German subsidiaries are largely intended to be reinvested in those operations. On retained earnings of non-German subsidiaries of €16,419 million (2012: €15,484 million), the Group did not recognize deferred tax liabilities. If the dividends are paid out an amount of 5% of the dividends will be taxed under German taxation rules and, if applicable, with non-German withholding tax. Additionally, income tax consequences may arise if the dividends first have to be distributed by a non-German subsidiary to a non-German holding company. Normally, the distribution would lead to an additional income tax expense. It is not practicable to estimate the amount of taxable temporary differences for these undistributed foreign earnings.

The Group has various unresolved issues concerning open income tax years with the tax authorities in a number of jurisdictions. Daimler believes that it has recognized adequate provisions for any future income taxes that may be owed for all open tax years. As a result of future adjudications or changes in the opinions of the fiscal authorities, it cannot be ruled out that Daimler might receive tax refunds for previous years.

## F.28

### Change of deferred tax assets, net

	2013	2012
In millions of euros		
Deferred tax assets, net as of January 1	2,465	2,402
Deferred tax expense	-614	-1,099
Change in deferred tax expense/benefit on financial assets available-for-sale included in other comprehensive income/loss	-6	.
Change in deferred tax expense/benefit on derivative financial instruments included in other comprehensive income/loss	-338	-287
Change in deferred tax expense/benefit on actuarial gains/losses from defined benefit pension plans	-372	1,537
Other changes <sup>1</sup>	-198	-88
Deferred tax assets, net as of December 31	937	2,465

1 Primarily effects from currency translation.

## F.29

### Tax expense in equity

	2013	2012
In millions of euros		
Income tax expense	-1,419	-1,286
Income tax expense/benefit recorded in other reserves	-772	1,335
	-2,191	49

## 10. Intangible assets

Intangible assets developed as shown in table [F.30](#).

At December 31, 2013, goodwill of €392 million (2012: €429 million) relates to the Daimler Trucks segment and €188 million (2012: €197 million) relates to the Mercedes-Benz Cars segment.

Non-amortizable intangible assets primarily relate to goodwill and development costs for projects which have not yet been completed (carrying amount at December 31, 2013: €1,913 million; carrying amount at December 31, 2012: €3,037 million). In addition, other intangible assets with a carrying amount at December 31, 2013 of €275 million (2012: €155 million) are not amortizable. Other non-amortizable intangible assets are trademarks with indefinite useful lives, which relate to the Daimler Trucks segment as well as distribution rights of Mercedes-Benz Cars with indefinite useful lives. The Group plans to continue to use these assets unchanged.

### F.30

#### Intangible assets

	Goodwill (acquired)	Development costs (internally generated)	Other intangible assets (acquired)	Total
In millions of euros				
<b>Acquisition or manufacturing costs</b>				
<b>Balance at January 1, 2012</b>	1,014	10,426	2,401	13,841
Additions due to business combinations	-	-	-	-
Other additions	-	1,486	364	1,850
Reclassifications	-	-	-	-
Disposals	-	-568	-72	-640
Other changes <sup>1</sup>	-12	-25	-84	-121
<b>Balance at December 31, 2012</b>	1,002	11,319	2,609	14,930
Additions due to business combinations	-	-	-	-
Other additions	-	1,301	682	1,983
Reclassifications	-	-	-	-
Disposals	-	-678	-123	-801
Other changes <sup>1</sup>	-61	-42	-139	-242
<b>Balance at December 31, 2013</b>	<b>941</b>	<b>11,900</b>	<b>3,029</b>	<b>15,870</b>
<b>Amortization</b>				
<b>Balance at January 1, 2012</b>	278	3,767	1,537	5,582
Additions	-	982	198	1,180
Reclassifications	-	-	-	-
Disposals	-	-565	-68	-633
Other changes <sup>1</sup>	-5	-25	-54	-84
<b>Balance at December 31, 2012</b>	273	4,159	1,613	6,045
Additions	-	1,138	242	1,380
Reclassifications	-	-	-	-
Disposals	-	-667	-116	-783
Other changes <sup>1</sup>	-13	-40	-107	-160
<b>Balance at December 31, 2013</b>	<b>260</b>	<b>4,590</b>	<b>1,632</b>	<b>6,482</b>
<b>Carrying amount at December 31, 2012</b>	729	7,160	996	8,885
<b>Carrying amount at December 31, 2013</b>	<b>681</b>	<b>7,310</b>	<b>1,397</b>	<b>9,388</b>

<sup>1</sup> Primarily changes from currency translation.

Table [7 F.31](#) shows the line items of the consolidated statement of income in which total amortization expense for intangible assets is included.

Intangible assets include capitalized borrowing costs on qualified assets according to IAS 23 which related only to capitalized development costs. In 2013, borrowing costs in the amount of €17 million (2012: €21 million) were capitalized; amortization amounted to €4 million (2012: €0 million). The base for the calculation of borrowing costs was an average cost of debt of 0.9% (2012: 1.5%).

### F.31

#### Amortization expense for intangible assets in the consolidated statement of income

	2013	2012
In millions of euros		
Cost of sales	1,319	1,117
Selling expenses	30	32
General administrative expenses	25	26
Research and non-capitalized development costs	6	5
	<b>1,380</b>	<b>1,180</b>

### F.32

#### Property, plant and equipment

	Land, leasehold improvements and buildings including buildings on land owned by others	Technical equipment and machinery	Other equipment, factory and office equipment	Advance payments relating to plant and equipment and construction in progress	Total
In millions of euros					
<b>Acquisition or manufacturing costs</b>					
<b>Balance at January 1, 2012</b>	14,752	20,070	19,001	1,898	55,721
Additions due to business combinations	-	-	-	-	-
Other additions	312	944	1,656	1,913	4,825
Reclassifications	232	728	520	-1,480	-
Disposals	-138	-784	-606	-18	-1,546
Other changes <sup>1</sup>	-217	-198	-289	-53	-757
<b>Balance at December 31, 2012</b>	14,941	20,760	20,282	2,260	58,243
Additions due to business combinations	-	-	-	-	-
Other additions	218	1,181	1,853	1,833	5,085
Reclassifications	199	918	536	-1,666	-13
Disposals	-76	-945	-700	-27	-1,748
Other changes <sup>1</sup>	-447	-339	-463	-127	-1,376
<b>Balance at December 31, 2013</b>	<b>14,835</b>	<b>21,575</b>	<b>21,508</b>	<b>2,273</b>	<b>60,191</b>
<b>Depreciation</b>					
<b>Balance at January 1, 2012</b>	7,858	14,148	14,534	1	36,541
Additions	291	955	1,641	-	2,887
Reclassifications	1	1	-2	-	-
Disposals	-99	-744	-531	-	-1,374
Other changes <sup>1</sup>	-83	-123	-204	-	-410
<b>Balance at December 31, 2012</b>	7,968	14,237	15,438	1	37,644
Additions	258	1,070	1,664	-	2,992
Reclassifications	-	-	-	-	-
Disposals	-32	-875	-625	-	-1,532
Other changes <sup>1</sup>	-150	-207	-335	.	-692
<b>Balance at December 31, 2013</b>	<b>8,044</b>	<b>14,225</b>	<b>16,142</b>	<b>1</b>	<b>38,412</b>
<b>Carrying amount at December 31, 2012</b>	6,973	6,523	4,844	2,259	20,599
<b>Carrying amount at December 31, 2013</b>	<b>6,791</b>	<b>7,350</b>	<b>5,366</b>	<b>2,272</b>	<b>21,779</b>

1 Primarily changes from currency translation.

## F.33

### Equipment on operating leases

In millions of euros

#### Acquisition or manufacturing costs

<b>Balance at January 1, 2012</b>	28,409
Additions due to business combinations	-
Other additions	14,700
Reclassifications	-
Disposals	-10,742
Other changes <sup>1</sup>	-22
<b>Balance at December 31, 2012</b>	32,345
Additions due to business combinations	-
Other additions	15,953
Reclassifications	13
Disposals	-12,458
Other changes <sup>1</sup>	-975
<b>Balance at December 31, 2013</b>	34,878

#### Depreciation

<b>Balance at January 1, 2012</b>	5,598
Additions	3,813
Reclassifications	-
Disposals	-3,161
Other changes <sup>1</sup>	37
<b>Balance at December 31, 2012</b>	6,287
Additions	4,376
Reclassifications	-
Disposals	-3,733
Other changes <sup>1</sup>	-212
<b>Balance at December 31, 2013</b>	6,718

<b>Carrying amount at December 31, 2012</b>	26,058
<b>Carrying amount at December 31, 2013</b>	28,160

<sup>1</sup> Primarily changes from currency translation.

## F.34

### Maturity of minimum lease payments for equipment on operating leases

	At December 31,	
	2013	2012
In millions of euros		
Maturity		
within one year	4,877	4,391
between one and five years	4,692	4,913
later than 5 years	112	156
	9,681	9,460

## 11. Property, plant and equipment

Property, plant and equipment developed as shown in table [7 F.32](#).

In 2013, government grants of €34 million (2012: €75 million) were deducted from property, plant and equipment.

Property, plant and equipment include buildings, technical equipment and other equipment capitalized under finance lease arrangements with a carrying amount of €262 million (2012: €348 million). In 2013, additions to and depreciation expense on assets under finance lease arrangements amounted to €17 million (2012: €33 million) and €67 million (2012: €93 million), respectively.

## 12. Equipment on operating leases

The development of equipment on operating leases is included in table [7 F.33](#).

As of December 31, 2013, equipment on operating leases with a carrying amount of €5,084 million is pledged as security for liabilities from ABS transactions related to a securitization transaction of future lease payments on operating leases and related vehicles (December 31, 2012: €3,803 million) (see also Note 24).

**Minimum lease payments.** Non-cancelable future lease payments to Daimler for equipment on operating leases are due as presented in table [7 F.34](#).



### 13. Investments accounted for using the equity method

Table [7 F.35](#) contains key financial figures of investments in associated companies and joint ventures accounted for using the equity method.

Table [7 F.36](#) presents summarized IFRS financial information on investments accounted for using the equity method, which was the basis for applying the equity method in the Group's consolidated financial statements.

#### F.35

##### Key figures for investments accounted for using the equity method

	EADS	RRPSH	BBAC	BFDA	BAIC Motor	Kamaz	Others	Total
In millions of euros								
<b>December 31, 2013</b>								
Equity interest (in %)	-	50.0	49.0	50.0	12.0	15.0	-	-
Market value (based on listed share prices) <sup>1</sup>	-	-	-	-	-	121	-	-
Equity investment <sup>2</sup>	-	1,494	640	298	595	155	250	3,432
Equity result (2013) <sup>2</sup>	3,397	62	84	-26	-	12	-184	3,345
<b>December 31, 2012</b>								
Equity interest (in %)	14.9	50.0	50.0	50.0	-	15.0	-	-
Market value (based on listed share prices) <sup>1</sup>	3,606	-	-	-	-	99	-	-
Equity investment <sup>2</sup>	1,388	1,549	510	328	-	165	364	4,304
Equity result (2012) <sup>2</sup>	1,224	51	101	-13	-	22	-187	1,198

1 Proportionate market values.

2 Including investor-level adjustments.

#### F.36

##### Summarized IFRS financial information on investments accounted for using the equity method

	EADS	RRPSH	BBAC	BFDA	BAIC Motor	Kamaz	Others	Total
In millions of euros								
<b>Income statement information<sup>1</sup></b>								
<b>2013</b>								
Sales	-	3,340	4,490	3,201	554	2,620	4,638	18,843
Net profit/loss	-	133	192	-53	269	117	94	752
<b>2012</b>								
Sales	53,680	3,015	3,670	376	-	3,062	5,269	69,072
Net profit/loss	1,475	54	232	-26	-	151	-325	1,561
<b>Balance sheet information<sup>2</sup></b>								
<b>2013</b>								
Total assets	-	5,834	2,788	1,817	5,100	1,849	4,613	22,001
Equity	-	3,334	1,406	595	2,253	887	1,333	9,808
Liabilities	-	2,500	1,382	1,222	2,847	962	3,280	12,193
<b>2012</b>								
Total assets	86,151	6,058	3,035	1,951	-	1,902	4,371	103,468
Equity	11,850	3,562	1,105	656	-	895	899	18,967
Liabilities	74,301	2,496	1,930	1,295	-	1,007	3,472	84,501

1 Figures for EADS and Kamaz relate to the period from October 1 to September 30. Figures for BBAC and RRPSH relate to the period from January 1 to December 31. Figures for BFDA relate to the period from October 1, 2011 to September 30, 2012 for the year 2012 and from October 1, 2012 to November 30, 2013 for the year 2013. Figures for BAIC Motor relate to the period from January 1 to September 30, 2013 based on local GAAP.

2 Figures for EADS and Kamaz as of September 30. Figures for BBAC and RRPSH as of December 31. Figures for BFDA as of September 30 for 2012 and as of November 30 for 2013. Figures for BAIC Motor as of September 30, 2013 based on local GAAP.

**EADS (since January 2, 2014: Airbus Group N.V.).** The Group reported and reports its investment in and its proportionate share in the results of the European Aeronautic Defence and Space Company EADS N.V. (EADS) in the reconciliation of total segments' assets to Group assets and total segments' EBIT to Group EBIT, respectively, in the segment reporting.

On March 27, 2013, the Extraordinary Shareholders' Meeting of EADS approved the new management and shareholder structure. Subsequently, the shareholders' pact concluded in the year 2000 was dissolved and replaced with a new shareholders' pact without the participation of Daimler on April 2, 2013. At the same time, EADS shares which were previously held by Daimler but were economically allocable to the Dedalus investors were transferred to the Dedalus investors. With the dissolution of the previous shareholders' pact, Daimler lost its significant influence on EADS. As a result of the loss of significant influence and the transfer of the EADS shares, on April 2, 2013, the EADS shares were remeasured through profit or loss at the higher current stock-market price of EADS shares. Overall, this resulted in income of €3,356 million, which was recognized in Group EBIT in 2013. Of that amount, €1,669 million is allocable to Daimler shareholders and €1,687 million is allocable to the Dedalus investors. The income of €3,356 million was disclosed within investments accounted for using the equity method and is therefore solely a book gain with no impact on cash. Furthermore, income of €41 million resulted from measurement using the equity method; thereof €34 million in the first quarter of 2013 and €7 million in the second quarter of 2013.

On April 16, 2013, the Group announced that it would sell its remaining stake of approximately 7.4% in EADS through an accelerated placement procedure. The sale, which took place on April 17, 2013 at an offer price of €37 per EADS share, led to an additional expense of €184 million in Group EBIT in 2013. The additional expense is disclosed within other financial expenses, net, and resulted from the fall in the EADS share price since April 2, 2013. The sale generated a cash inflow of €2,239 million in 2013. Following the conclusion of the transaction, Daimler no longer holds any shares in EADS. Moreover, in 2013 the Group entered into cash-settled contracts with both Goldman Sachs and Morgan Stanley, which allowed a limited upside participation in the EADS share price until the end of 2013. This resulted in income of €44 million disclosed within other financial expenses, net, for the year 2013.

At December 6, 2012, Daimler had sold a 7.5% stake in EADS by way of an accelerated book building. The share price was fixed at €27.23, which reflected the final share price at December 5, 2012 at the Paris Stock exchange. Daimler realized a cash inflow of approximately €1.7 billion. The sale resulted in a gain of €913 million, which is included in the equity result. Following the transaction, Daimler held a 14.9% equity interest in EADS. Because of the agreed participation rights in the Supervisory Board, Daimler was able to exercise significant influence on EADS. The 14.9% share in EADS was held by a subsidiary of Daimler which had issued equity interests to investors in exchange for cash in 2007. As a result of this transaction, the Group reported a non-controlling interest in its consolidated statement of financial position representing the investor's ownership in the consolidated subsidiary that issued the equity interest. The amount reported as non-controlling interest reflected the investor's 50% share in the net assets of that subsidiary at December 31, 2012.

**RRPSH (formerly Engine Holding)/Tognum (since January 9, 2014: Rolls-Royce Power Systems AG).** In the first half of 2012, the contribution by Rolls-Royce Holdings plc. (Rolls-Royce) to Rolls-Royce Power Systems Holding GmbH (RRPSH) of the reciprocating engine business that trades under the Bergen brand was completed. As compensation for the 50% stake, Daimler made a cash contribution of €200 million to RRPSH.

On September 25, 2012, the dependent company Tognum and the controlling company RRPSH concluded a control and profit and loss transfer agreement, resulting in Tognum subordinating the management of its company under the control of RRPSH and committing to transfer its total profit to RRPSH. The obligation to transfer profits was applicable for the first time for the entire profit of financial year 2012, in which the agreement became effective.

On November 15, 2012, Tognum's shareholders' meeting approved the agreement and the control and profit and loss transfer agreement was entered in the commercial register on December 19, 2012.

On January 1, 2013, Rolls-Royce assumed, as contractually agreed, control over RRPSH and RRPSH is included as a subsidiary in the consolidated financial statements of Rolls-Royce. Daimler continues to exercise significant influence on Tognum through its equity interest in RRPSH.

The decision of the regional court of Frankfurt am Main of November 15, 2011 to transfer Tognum AG shares which are not already owned by RRPSH in return for compensation (squeeze-out under takeover law) took effect in March 2013 and RRPSH has held 100% of Tognum's shares since then.

The objections to the decision were withdrawn because the appellant's representatives and RRPSH agreed to an out-of-court settlement. The minority shareholders of Tognum AG, whose shares were transferred to RRPSH in the context of the squeeze-out under takeover law, and the former shareholders of Tognum AG, who accepted the compensation of the control and profit and loss transfer agreement effective December 19, 2012, received compensation of €31.61 per share pursuant to the out-of-court settlement.

Rolls-Royce granted Daimler the right to exercise a put option on the shares it holds in RRPSH at a price which generally hedges Daimler's investment in RRPSH. Starting on January 1, 2013, the put option has a duration of six years. On December 31, 2013, the value of this option was €118 million (2012: €178 million). The option has been recognized as an asset to be measured at fair value through profit or loss in the following periods. The change in the fair value of the option during 2013 resulted in a loss of €60 million (2012: gain of €1 million), which is recognized in other financial expense, net. The carrying amount of this option, which is presented under "Other financial assets", as well as future changes in its fair value are recognized in segment reporting as corporate items in the reconciliation to Group figures.

The equity interest in and the proportionate share of RRPSH's profit or loss are allocated to the Daimler Trucks segment.

**BBAC.** The investment and the proportionate share in the results of Beijing Benz Automotive Co., Ltd. (BBAC) are allocated to the Mercedes-Benz Cars segment. In 2013, Daimler participated in a capital increase and made a payment of approximately €160 million. The Chinese partner BAIC Motor Corporation Ltd. (BAIC Motor) participated with the same amount. On November 18, 2013, BAIC Motor increased its stake in BBAC by 1% to 51% in the course of a capital increase in which Daimler did not participate.

**BFDA.** In 2012, Beijing Foton Daimler Automotive Co., Ltd. received a capital contribution of €344 million from Daimler. The investment and the proportionate share in the results of BFDA are allocated to the Daimler Trucks segment.

**BAIC Motor.** On November 18, 2013, BAIC Motor issued new shares to Daimler representing a 12% stake in BAIC Motor for a purchase price of €627 million including incidental acquisition costs. Resulting from Daimler's representation on the board of directors of BAIC Motor and other contractual arrangements the Group classified this investment as an investment in an associate, to be accounted for using the equity-method, and allocated the investment to reconciliation of total segment's assets to Group assets. In December 2013, the shareholders of BAIC Motor declared a dividend to its shareholders. The portion of €23 million attributable to Daimler has decreased the investment book value respectively. The Group is in the process to perform an allocation of the purchase price on the identifiable assets and liabilities.

**Kamaz.** Resulting from its representation on the board of directors of Kamaz OAO (Kamaz) and its significant contractual rights under the terms of a shareholder agreement, the Group can exercise significant influence on Kamaz. Therefore, the Group accounts for its equity interest in Kamaz using the equity method; the investment and the proportionate share in the results of Kamaz are allocated to the Daimler Trucks segment.

**Others.** The equity results of the other investments mainly result from startup losses at several companies in the area of alternative drive systems (2013: €205 million; 2012: €89 million) which are allocated to the Mercedes-Benz Cars segment. In 2013, impairments of investments of €174 million (2012: €51 million) are included.

The Group's investment in Fujian Benz Automotive Co., Ltd. (FBAC) is included in other investments and is allocated to the Mercedes-Benz Vans segment. In 2012, the Group recorded an impairment loss of €64 million with respect to its investment in FBAC. The loss is included in the equity result.

The Group's investment in Tesla Motors, Inc. (Tesla) is also included in other investments. The shares in Tesla are held by a 100%-consolidated Daimler subsidiary. At December 31, 2011, Daimler held 60% and Aabar Investments PJSC (Aabar) held 40% of that subsidiary. In June 2012, Aabar exchanged its 40% interest in the holding subsidiary for 3.2% of Tesla's shares. In October 2012, Tesla issued approximately 8 million new shares in the context of a capital increase in which Daimler did not participate. As a result, Daimler held a 4.3% equity interest in Tesla as of December 31, 2012. In 2013, the Group realized a dilution gain of €11 million due to a capital increase in which Daimler did not take part. The equity interest in Tesla amounts to 4.0% as of December 31, 2013; the fair value and the carrying amount of the investment were €531 million and €13 million as of December 31, 2013 respectively (December 31, 2012: €125 million and €6 million). Due to its representation on the board of directors, participation in decision-making processes and jointly conducted projects, the Group can exercise significant influence on Tesla. Therefore, the Group accounts for its equity interest in Tesla using the equity method; the investment and the proportionate share in the results of Tesla are allocated to the Mercedes-Benz Cars segment.

Further information on investments accounted for using the equity method is included in Note 36.

## 14. Receivables from financial services

Table [7 F.37](#) shows the components of receivables from financial services.

**Types of receivables.** Retail receivables include loans and finance leases to end users of the Group's products who purchased their vehicle either from a dealer or directly from Daimler.

Wholesale receivables represent loans for floor financing programs for vehicles sold by the Group's automotive businesses to dealers or loans for assets purchased by dealers from third parties, primarily used vehicles traded in by dealers' customer or real estate such as dealers' showrooms.

Other receivables mainly represent non-automotive assets from contracts of the financial services business with third parties.

All cash flow effects attributable to receivables from financial services are presented within cash provided by/used for operating activities in the consolidated statement of cash flows.

**Allowances.** Changes in the allowance account for receivables from financial services are included in table [7 F.38](#).

The total expense of impairment losses on receivables from financial services amounted to €416 million in 2013 (2012: €390 million).

### F.37

#### Receivables from financial services

In millions of euros	At December 31, 2013			At December 31, 2012		
	Current	Non-current	Total	Current	Non-current	Total
Receivables from						
Retail	13,513	26,169	39,682	13,289	25,379	38,668
Wholesale	9,781	1,723	11,504	8,995	1,687	10,682
Other	97	358	455	102	546	648
Gross carrying amount	23,391	28,250	51,641	22,386	27,612	49,998
Allowances for doubtful accounts	-390	-481	-871	-388	-550	-938
Carrying amount, net	23,001	27,769	50,770	21,998	27,062	49,060

### F.38

#### Changes in the allowance account for receivables from financial services

In millions of euros	2013	2012
<b>Balance at January 1</b>	938	946
Charged to costs and expenses	405	370
Amounts written off	-273	-235
Reversals	-137	-132
Currency translation and other changes	-62	-11
<b>Balance at December 31</b>	871	938



**Credit risks.** Table [F.39](#) gives an overview of credit risks included in receivables from financial services.

Receivables not subject to an individual impairment assessment are grouped and subject to collective impairment allowances to cover credit losses.

Further information on financial risks and nature of risks is provided in Note 32.

**Finance leases.** Finance leases consist of leasing contracts for which all substantial risks and rewards incidental to the leasing objects are transferred to the lessee.

Maturities of the finance lease contracts are shown in table [F.40](#).

As of December 31, 2013, receivables from financial services with a carrying amount of €3,007 million (2012: €3,056 million) were pledged as collateral for liabilities from ABS transactions (see also Note 24).

Within the context of the ongoing concentration on the automotive business, Daimler Financial Services sold non-automotive assets that were subject to leveraged leases in 2013. This resulted in a total cash inflow of €48 million in 2013. There was no significant impact on the consolidated statement of income.

Furthermore, Daimler Financial Services sold in February 2014 additional non-automotive assets that were subject to leveraged lease contracts with a net book value of US\$32 million for a purchase price of US\$94 million. The resulting pre-tax income is allocated to the Daimler Financial Services segment in the first quarter of 2014. On the grounds of materiality, there has been no separate presentation as “non-current assets held for sale” in the consolidated statement of financial position.

## F.39

### Credit risks included in receivables from financial services

	At December 31,	
	2013	2012
In millions of euros		
Receivables, neither past due nor impaired individually	47,264	45,411
Receivables past due, not impaired individually		
less than 30 days	1,479	1,478
30 to 59 days	266	293
60 to 89 days	59	78
90 to 119 days	38	56
120 days or more	173	158
Total	2,015	2,063
Receivables impaired individually	1,491	1,586
Carrying amount, net	50,770	49,060

## F.40

### Maturities of the finance lease contracts

	At December 31, 2013				At December 31, 2012			
	< 1 year	1 year up to 5 years	> 5 years	Total	< 1 year	1 year up to 5 years	> 5 years	Total
In millions of euros								
Contractual future lease payments	4,667	7,568	482	12,717	4,307	6,798	425	11,530
Unguaranteed residual values	367	1,796	56	2,219	485	1,665	71	2,221
Gross investment	5,034	9,364	538	14,936	4,792	8,463	496	13,751
Unearned finance income	-489	-889	-85	-1,463	-468	-861	-59	-1,388
Gross carrying amount	4,545	8,475	453	13,473	4,324	7,602	437	12,363
Allowances for doubtful accounts	-150	-213	-15	-378	-163	-205	-27	-395
Carrying amount, net	4,395	8,262	438	13,095	4,161	7,397	410	11,968

## 15. Marketable debt securities

As of December 31, 2013, current and non-current marketable debt securities with a total carrying amount of €7,066 million are presented separately in the consolidated statement of financial position (2012: €5,598 million).

The marketable debt securities are part of the Group's liquidity management and comprise debt instruments and are classified as available-for-sale.

As of December 31, 2013, a pool of marketable debt securities with a book value of €204 million (2012: €200 million) was pledged as collateral mainly for liabilities to financial institutions.

Further information on marketable debt securities is provided in Note 31.

## 16. Other financial assets

The line item "Other financial assets" shown in the consolidated statement of financial position is comprised of the classes presented in table [F.41](#).

In 2013, equity instruments carried at cost with a carrying amount of €37 million were sold (2012: €9 million). The gains realized on the sales were €15 million in 2013 (2012: €4 million). As of December 31, 2013, the Group principally did not intend to dispose of any reported equity instruments carried at cost.

Financial assets recognized at fair value through profit or loss relate exclusively to derivative financial instruments which are not used in hedge accounting.

As of December 31, 2013, other receivables and financial assets include a loan and accumulated interest to Chrysler LLC of US\$2.2 billion (December 31, 2012: US\$2.0 billion). As in the previous year, the receivables were fully impaired.

Further information on other financial assets is provided in Note 31.

## F.41

### Other financial assets

	At December 31, 2013			At December 31, 2012		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Available-for-sale financial assets	-	2,052	2,052	-	2,031	2,031
thereof equity instruments recognized at fair value through profit or loss	-	1,452	1,452	-	1,440	1,440
thereof equity instruments carried at cost	-	600	600	-	591	591
Derivative financial instruments used in hedge accounting	1,006	697	1,703	306	1,058	1,364
Financial assets recognized at fair value through profit or loss	81	269	350	103	238	341
Other receivables and financial assets	1,631	505	2,136	1,661	563	2,224
	2,718	3,523	6,241	2,070	3,890	5,960

## 17. Other assets

Non-financial other assets are comprised as shown in table [7 F.42](#).

Other expected reimbursements predominantly relate to recovery claims from our suppliers in connection with issued product warranties.

## 18. Inventories

Inventories are comprised as shown in table [7 F.43](#).

The amount of write-down of inventories to net realizable value recognized as expense in cost of sales was €311 million in 2013 (2012: €294 million). Inventories that are expected to be turned over after more than twelve months amounted to €798 million at December 31, 2013 (2012: €691 million) and are primarily spare parts.

Based on the requirement to provide collateral for certain vested employee benefits in Germany, the value of company cars included in inventories at Daimler AG in an amount of €627 million (2012: €584 million) was pledged as collateral to the Daimler Pension Trust e.V..

The carrying amount of inventories recognized during the period by taking possession of collateral held as security amounted to €60 million in 2013 (2012: €70 million). The utilization of these assets occurs in the context of the normal business cycle.

## F.42

### Other assets

	At December 31, 2013			At December 31, 2012		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Reimbursements due to income tax refunds	650	35	685	483	23	506
Reimbursements due to other tax refunds	1,686	21	1,707	1,678	36	1,714
Reimbursements due to the Medicare Act (USA)	–	108	108	–	160	160
Other expected reimbursements	138	104	242	169	132	301
Prepaid expenses	296	147	443	373	61	434
Others	347	116	463	369	122	491
	<b>3,117</b>	<b>531</b>	<b>3,648</b>	3,072	534	3,606

## F.43

### Inventories

	At December 31, 2013	2012
In millions of euros		
Raw materials and manufacturing supplies	2,011	2,137
Work in progress	2,275	2,292
Finished goods, parts and products held for resale	13,028	13,235
Advance payments to suppliers	35	56
	<b>17,349</b>	17,720

## 19. Trade receivables

Trade receivables are comprised as shown in table [F.44](#).

As of December 31, 2013, €116 million of the trade receivables mature after more than one year (2012: €117 million).

**Allowances.** Table [F.45](#) includes changes in the allowance account for trade receivables.

The total expenses relating to the impairment losses of trade receivables amounted to €105 million in 2013 (2012: €129 million).

**Credit risks.** Table [F.46](#) gives an overview of credit risks included in trade receivables.

Receivables not subject to an individual impairment assessment are grouped and subject to collective impairment allowances to cover credit losses.

Further information on financial risk and types of risk is provided in Note 32.

### F.44

#### Trade receivables

In millions of euros	At December 31,	
	2013	2012
Gross carrying amount	8,200	7,945
Allowances for doubtful accounts	-397	-402
Carrying amount, net	7,803	7,543

### F.45

#### Changes in the allowance account for trade receivables

In millions of euros	2013	2012
	<b>Balance at January 1</b>	<b>402</b>
Charged to costs and expenses	66	61
Amounts written off	-59	-123
Currency translation and other changes	-12	-3
<b>Balance at December 31</b>	<b>397</b>	402

## 20. Equity

See also the consolidated statement of changes in equity [F.05](#).

The share capital is divided into no-par value shares. All shares are fully paid up. Each share confers the right to one vote at the Annual Shareholders' Meeting of Daimler AG and, if applicable, with the exception of any new shares potentially not entitled to dividend, to an equal portion of the profits as defined by the dividend distribution resolved at the Annual Meeting. Each share represents a proportionate amount of approximately €2.87 of the share capital. For the development of shares issued or outstanding see [F.47](#).

**Treasury shares.** By resolution of the Annual Shareholders' Meeting on April 14, 2010, the Board of Management, with the consent of the Supervisory Board, was authorized until April 13, 2015 to acquire treasury shares for all legal purposes in a volume up to 10% of the share capital issued as of the day of the resolution. The authorization applies for example to the purchase of shares for the purpose of cancellation, for using them for business combinations or to acquire companies, or for disposal in other ways than through the stock exchange or by offering them to all shareholders. This authorization has not been exercised in the reporting period.

Through a final verdict reached by the higher regional court in Frankfurt am Main in November 2009, the exchange ratio specified in the domination and profit and loss transfer agreement between the former Daimler-Benz AG and the former AEG AG from 1988 as well as the compensation payment for unpaid AEG dividends determined in this agreement had been increased for the benefit of those AEG shareholders. In 2010, Daimler AG began to satisfy the claims of former AEG shareholders.

In 2012, a further 0.005 million treasury shares worth a total of €0.21 million were purchased and transferred to former AEG shareholders. 0.017 million treasury shares worth a total of €0.63 million were retransferred to Daimler AG as they could not be transferred to the authorized AEG shareholders. These shares were immediately sold on the stock exchange for a total of €0.62 million; the profit from the transaction was recognized within retained earnings.

The claims resulting from this verdict by the higher regional court in Frankfurt am Main have lapsed.

As was the case at December 31, 2012, no treasury shares are held by Daimler AG at December 31, 2013.



**Employee share purchase plan.** In 2013, 0.5 million Daimler shares representing €1.5 million or 0.05% of the share capital were purchased for a price of €24 million and reissued to employees (2012: 0.5 million Daimler shares representing €1.5 million or 0.05% of the share capital were purchased for a price of €25 million).

**Approved capital.** By resolution of the Annual Meeting on April 8, 2009, the Board of Management was authorized, with the consent of the Supervisory Board, to increase the share capital of Daimler AG in the period until April 7, 2014 by a total of €1.0 billion in one lump sum or by separate partial amounts at different times by issuing new, registered no-par-value shares in exchange for cash and/or non-cash contributions (Approved Capital 2009). Among other things, the Board of Management was authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights under certain conditions and within defined limits. The approved capital has not yet been issued.

**Conditional capital.** By resolution of the Annual Meeting on April 14, 2010, the Board of Management, was authorized with the consent of the Supervisory Board, until April 13, 2015 to issue once or several times convertible and/or warrant bonds or a combination of these instruments ("bonds") with a total face value of up to €10.0 billion and a maturity of no more than ten years. The Board of Management is allowed to grant the holders of these bonds conversion or warrant rights for new registered no-par-value shares in Daimler AG with an allocable portion of the share capital of up to €500 million in accordance with the details defined in the terms and conditions of the bonds. Among other things, the Board of Management was authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights for the bonds with conversion or warrant rights for new registered no-par-value shares in Daimler AG under certain conditions and within defined limits. The bonds can also be issued by majority-owned direct or indirect subsidiaries of Daimler AG.

Accordingly, the share capital is conditionally increased by an amount of up to €500 million (Conditional Capital 2010). The authorization to issue convertible and/or warrant bonds has not yet been utilized.

## F.46

### Credit risks included in trade receivables

	At December 31,	
	2013	2012
In millions of euros		
Receivables neither past due nor impaired individually	5,536	5,137
Receivables past due, not impaired individually		
less than 30 days	554	631
30 to 59 days	113	132
60 to 89 days	36	47
90 to 119 days	24	22
120 days or more	76	53
Total	803	885
Receivables impaired individually	1,464	1,521
Carrying amount, net	7,803	7,543

## F.47

### Development of shares issued

	2013	2012
In millions of shares		
Shares outstanding/issued on January 1	1,068	1,066
Repurchase of treasury shares to settle obligations towards former AEG shareholders	.	.
Utilization of treasury shares due to the settlement of obligations towards former AEG shareholders	.	.
Shares repurchased in the share buyback program and not cancelled (previous years)	-1	-1
Reissued shares to employees in the employee share purchase plan	1	1
Creation of new shares by exercise of stock options	2	2
Shares outstanding/issued on December 31	1,070	1,068

**Stock option plans.** As of December 31, 2013, 0.2 million options from stock option plan initiated 2004 granting subscription rights to new shares representing €0.6 million of the share capital had not yet been exercised (December 31, 2012: 3 million options from stock option plans initiated until and including 2004 granting subscription rights to new shares representing €8 million of the share capital).

**Dividends.** Under the German Stock Corporation Act (AktG), the dividend is paid out of the distributable profit reported in the annual financial statements of Daimler AG (parent company only) in accordance with the German Commercial Code (HGB). For the year ended December 31, 2013, the Daimler management will propose to the shareholders at the Annual Meeting to pay out €2,407 million of the distributable profit of Daimler AG as a dividend to the shareholders, equivalent to €2.25 per no-par-value share entitled to a dividend (2012: €2,349 million and €2.20 per no-par-value share entitled to a dividend respectively).

Table [7 F.48](#) shows the details of changes in retained earnings and other reserves from other comprehensive income/loss.

In the line item “Unrealized gains/losses from investments accounted for using the equity method”, the amounts for 2013 include the following components (amounts attributable to shareholders of Daimler AG only): unrealized losses from currency translation adjustments before taxes and net of taxes of €80 million (2012: unrealized gains from currency translation adjustments before taxes and net of taxes of €12 million), unrealized losses from financial assets available for sale before taxes of €41 million and net of taxes of €38 million (2012: unrealized losses from financial assets available for sale before taxes and net of taxes of €45 million) and unrealized gains from derivative financial instruments before taxes of €153 million and net of taxes of €107 million (2012: unrealized gains from derivative financial instruments before taxes of €89 million and net of taxes of €60 million).

The changes in retained earnings and other reserves from other comprehensive income/loss that are attributable to non-controlling interest are shown in table [7 F.49](#).

**Changes in ownership interests in subsidiaries.** The changes in ownership interests in subsidiaries shown in the consolidated statement of changes in equity in 2012 primarily result from an increase in ownership interest in Mercedes-Benz (China) Ltd. from 51% to 75%; the minority shareholder did not participate in this capital increase.

## F.48

### Changes in retained earnings and other reserves

	Before taxes	Taxes	2013 Net of taxes	Before taxes	Taxes	2012 Net of taxes
In millions of euros						
Unrealized losses from currency translation adjustments	-1,531	-	-1,531	-502	-	-502
Financial assets available for sale						
Unrealized gains	35	-6	29	165	.	165
Income (-) reclassified through profit or loss	-1	.	-1	-1	.	-1
Unrealized gains from financial assets available for sale	34	-6	28	164	.	164
Derivative financial instruments						
Unrealized gains	1,388	-410	978	151	-43	108
Income (-)/expense reclassified through profit or loss	-248	72	-176	838	-244	594
Unrealized gains from derivative financial instruments	1,140	-338	802	989	-287	702
Investments accounted for using the equity method						
Unrealized losses/gains	-21	-9	-30	112	-26	86
Expense/income (-) reclassified through profit or loss	93	-47	46	-83	4	-79
Unrealized gains from investments accounted for using the equity method	72	-56	16	29	-22	7
Items that may be reclassified to loss/profit	-285	-400	-685	680	-309	371
Actuarial losses on investments accounted for using the equity method	-1	.	-1	-299	107	-192
Actuarial gains/losses from pensions and similar obligations	1,491	-372	1,119	-3,818	1,537	-2,281
Items that will not be reclassified to profit/loss	1,490	-372	1,118	-4,117	1,644	-2,473
Other comprehensive income/loss	1,205	-772	433	-3,437	1,335	-2,102

## 21. Share-based payment

As of December 31, 2013, the Group has the 2010 – 2013 Performance Phantom Share Plans (PPSP) and the Stock Option Plan 2004 outstanding. The unexercised rights from Stock Option Plan 2003 expired on March 31, 2013. The exercisable stock options of 2004 are equity-settled share-based payment instruments and are measured at fair value at the date of grant. The PPSP are cash-settled share-based payment instruments and are measured at their respective fair values at the balance sheet date.

The PPSP are paid out at the end of the stipulated holding period; earlier, pro-rated payoff is possible only if certain defined conditions are met. PPSP 2009 was paid out as planned in the first quarter of 2013.

Moreover, 50% of the annual bonus of the members of the Board of Management will be paid out after a waiting period of one year. The actual payout is determined by the development of Daimler shares compared to an automobile related index (Auto-STOXX). The fair value of this medium-term annual bonus, which depends on this development, is measured by using the intrinsic value at the reporting date.

## F.49

### Changes in retained earnings and other reserves from other comprehensive income/loss attributable to non-controlling interest

	Before taxes	Taxes	2013 Net of taxes	Before taxes	Taxes	2012 Net of taxes
In millions of euros						
Unrealized losses from currency translation adjustments	-46	-	-46	-21	-	-21
Unrealized gains from financial assets available for sale	1	.	1	1	.	1
Unrealized losses/gains from derivative financial instruments	-1	.	-1	1	.	1
Unrealized gains/losses from investments accounted for using the equity method	40	-13	27	-27	7	-20
Items that may be reclassified to loss	-6	-13	-19	-46	7	-39
Actuarial losses from investments accounted for using the equity method	-	-	-	-109	33	-76
Items that will not be reclassified to loss	-	-	-	-109	33	-76
Other comprehensive loss	-6	-13	-19	-155	40	-115

The pre-tax effects of share-based payment arrangements for the executive managers of the Group and the members of the Board of Management of Daimler AG on the consolidated statement of income and consolidated statement of financial position are presented in table [F.50](#).

Table [F.51](#) includes expenses in the consolidated statement of income resulting from rights of current members of the Board of Management who were active as of December 31, 2013.

The details shown in table [F.51](#) do not represent any paid or committed remuneration, but refer to expenses calculated according to IFRS. Details of the remuneration of the members of the Board of Management in 2013 can be found in the Remuneration Report. [Management Report from page 119](#)

**Performance Phantom Share Plans.** In 2013, the Group adopted a Performance Phantom Share Plan (PPSP), similar to that used from 2005 to 2012, under which eligible employees are granted phantom shares entitling them to receive cash payments after four years. The amount of cash paid to eligible employees is based on the number of vested phantom shares (determined over a three-year performance period) multiplied by the quoted price of Daimler's ordinary shares (calculated as an average price over a specified period at the end of the four-year plan period). The vesting period is therefore four years. For the plans granted as of 2009, the quoted price of Daimler's ordinary shares to be used for the payout is limited to 2.5 times the Daimler share price at the date of grant. For the plans granted as of the beginning of 2012, the payout for the members of the Board of Management is limited to 2.5 times the allotment value, used for the preliminary number of phantom shares.

## F.50

### Effects of share-based payment

	2013	Remuneration expense 2012	2013	Provision at December 31, 2012
In millions of euros				
PPSP	-250	-121	344	214
SOP	-2	-1	-	-
Medium-term component of annual bonus of the members of the Board of Management	-7	-4	11	10
	<b>-259</b>	<b>-126</b>	<b>355</b>	<b>224</b>

## F.51

### Expenses in the consolidated statement of income resulting from share-based payments of current members of the Board of Management

	Dr. Dieter Zetsche		Dr. Wolfgang Bernhard		Dr. Christine Hohmann-Dennhardt		Wilfried Porth	
	2013	2012	2013	2012	2013	2012	2013	2012
In millions of euros								
PPSP	-10.9	-5.8	-4.2	-1.7	-2.5	-0.8	-4.4	-2.2
SOP	-1.6	-0.8	-	-	-	-	-	-
Medium-term component of the annual bonus	-1.9	-1.2	-0.6	-0.4	-0.6	-0.5	-0.7	-0.4

	Andreas Renschler		Hubertus Troska		Bodo Uebber		Prof. Dr. Thomas Weber	
	2013	2012	2013	2012	2013	2012	2013	2012
In millions of euros								
PPSP	-4.9	-2.6	-2.2	-0.9	-5.2	-2.8	-4.6	-2.4
SOP	-	-	-	-	-	-	-0.1	-0.3
Medium-term component of the annual bonus	-0.7	-0.5	-0.6	-	-0.8	-0.6	-0.7	-0.4



The number of phantom shares that vest will be based on the return on net assets, derived from internal targets, and return on sales, compared with benchmarks oriented towards competitors.

The Group recognizes a provision for awarding the PPSP in the consolidated statement of financial position. Since payment per vested phantom share depends on the quoted price of one Daimler ordinary share, the quoted price almost completely represents the fair value of each phantom share. The proportionate remuneration expenses for the individual years are determined on the basis of the year-end quoted price of Daimler ordinary shares and the estimated target achievement.

**Stock Option Plans.** In April 2000, Shareholders' Meeting approved the Daimler Stock Option Plan (SOP), which grants stock options for the purchase of Daimler ordinary shares to eligible employees. Options granted under the SOP are exercisable at a reference price per Daimler ordinary share, which is determined in advance, plus a 20% premium. The options become exercisable in equal installments at the earliest on the second and third anniversaries of the date of grant. All unexercised options expire ten years after the date of grant. If the market price per Daimler ordinary share on the date of exercise is at least 20% higher than the reference price, the holder is entitled to receive a cash payment equal to the original exercise premium of 20%. No new stock options were granted after 2004.

In the event of exercise, the Group has generally issued ordinary shares so far.

Table [F.52](#) shows the basic terms of the SOP.

Options granted to the Board of Management in 2004 for which – according to the recommendations of the German Corporate Governance Code – the Presidential Committee can impose a limit or reserve the right to impose a limit in the event of exceptional and unpredictable developments were measured at their intrinsic values as of December 31. In 2013, the remaining options from previous year were exercised completely.

Table [F.53](#) shows an analysis of the stock options issued.

The weighted average share price of Daimler ordinary shares during the exercise period was €48.83 (2012: €38.27). As of December 31, 2013, the weighted average remaining contractual life of outstanding stock options was 0.25 years (2012: 1.11 years).

## F.52

### Basic terms of the SOP

Year of grant	Reference price	Exercise price	Options granted	Options outstanding	Options exercisable
	euros per share	euros per share	in millions	in millions	in millions
				<b>At December 31, 2013</b>	
2004	36.31	43.57	18.0	0.2	0.2

## F.53

### Analysis of the stock options issued

	Number of stock options in millions	2013	Number of stock options in millions	2012
		Average exercise price euros per share		Average exercise price euros per share
Balance at the beginning of the year	2.7	42.24	5.5	42.80
Exercised	-2.2	42.62	-1.2	34.62
Disposals/Forfeited	-0.3	37.33	-1.6	49.88
Outstanding at year-end	0.2	43.57	2.7	42.24
Exercisable at year-end	0.2	43.57	2.7	42.24

Table 7 F.54 includes an analysis of the stock options issued to the members of the Board of Management who were active as of December 31, 2013.

The members of the Board of Management Dr. Wolfgang Bernhard, Dr. Christine Hohmann-Dennhardt, Wilfried Porth, Hubertus Troska and Bodo Uebber had no exercisable or outstanding option rights, neither in 2013 nor in the prior year.

With regard to the figures shown in table 7 F.54, it has to be considered that benefits from the stock option plans only arise if the Daimler share price exceeds the hurdle which has been individually defined for each stock option plan and if the owner of the stock options conducts an exercise. As variable remuneration, only the difference between the reference and exercise price of the respective stock option plan is paid out. The following average exercise price is only a statistical factor, which results from the weighted average of the exercise prices shown in the table for the basic terms of the SOP.

## F.54

### Analysis of the stock options issued to the current members of the Board of Management

#### Dr. Dieter Zetsche

	Number of stock options in millions	2013 Average exercise price euros per share	Number of stock options in millions	2012 Average exercise price euros per share
Balance at beginning of year	0.1	43.57	0.4	37.84
Exercised	-0.1	43.57	-0.3	34.40
Disposals/Forfeited	-	-	-	-
Outstanding at year-end	-	-	0.1	43.57
Exercisable at year-end	-	-	0.1	43.57
Weighted maturity		-		1.3 years

#### Andreas Renschler

	Number of stock options in millions <sup>1</sup>	2013 Average exercise price euros per share	Number of stock options in millions <sup>1</sup>	2012 Average exercise price euros per share
Balance at beginning of year	.	43.57	0.1	39.43
Exercised	.	43.57	.	34.40
Disposals/Forfeited	-	-	-	-
Outstanding at year-end	-	-	.	43.57
Exercisable at year-end	-	-	.	43.57
Weighted maturity		-		1.3 years

1 For number of stock options partially no disclosure due to rounding.

#### Prof. Dr. Thomas Weber

	Number of stock options in millions	2013 Average exercise price euros per share	Number of stock options in millions	2012 Average exercise price euros per share
Balance at beginning of year	0.1	43.57	0.2	37.54
Exercised	-0.1	43.57	-0.1	34.40
Disposals/Forfeited	-	-	-	-
Outstanding at year-end	-	-	0.1	43.57
Exercisable at year-end	-	-	0.1	43.57
Weighted maturity		-		1.3 years

## 22. Pensions and similar obligations

Table [7 F.55](#) shows how provisions for pension benefit plans and similar obligations are comprised.

At the Daimler Group, country-specific and defined benefit pension obligations exist as well as, to a smaller extent, defined contribution pension obligations. In addition, health-care benefit obligations are recognized outside Germany.

### Defined benefit pension plans

Provisions for pension benefits are made for defined entitlements to active or former employees of the Daimler Group and their survivors. Principally, the defined benefit pension plans provided by Daimler vary according to the economic, tax and legal circumstances of the country concerned. Generally, the defined benefit pension plans also provide benefits in the case of invalidity and death.

The Group's main German and non-German pension plans are described below.

**German plans.** Most employees in Germany have defined benefit pension plans; most of the pension plans for the active workforce are based on individual retirement benefit accounts, for which the company makes annual contributions. The amount of the contributions for employees paid according to wage-tariff agreements depends on the tariff classification in the respective year, and for executives it depends on their respective income. For the commitments to retirement benefits made until 2011, the contributions continue to be converted into capital components and credited to the individual pension account with the application of fixed factors related to each employee's age. The conversion factors include a fixed value increase. The pension plans were newly structured for new entrants in 2011. New entrants now benefit from value increases of the contributions through a fund investment in a special lifecycle model. The company guarantees at a minimum the value of the contributions paid in. Pension payments are made either as a life annuity, as twelve annual installments, or a single lump sum.

In addition, previously concluded defined benefit plans exist, which primarily depend on employees' wage-tariff classification upon transition into the benefit phase and which foresee a life annuity.

As well as the employer-financed pension plans granted by German companies, the employees of some companies are also offered various earnings-conversion models.

Major parts of pension obligations in Germany relating to defined benefit pension plans are funded by assets invested in long-term outsourced funds. Since the year 1999, a contractual trust arrangement (CTA) has existed between Daimler AG and the Daimler Pension Trust. The Daimler Pension Trust acts as a collateral trust fund. With the provision of assets for obligations arising from defined benefit pension plans of other companies of the Group and the introduction of pension plans based on the lifecycle model described above, additional CTAs were concluded in 2012 between the collateral trust fund and the respective companies of the Group.

In Germany, there are no statutory or regulatory minimum funding requirements.

**Non-German plans.** Significant plans exist primarily in the United States and Japan. They comprise plans relating to final salaries as well as plans relating to salary components. The major part of the obligations outside Germany from defined benefit pension plans are funded by assets outplaced into long-term investment funds.

## F.55

### Compositions of provisions for pension benefit plans and similar obligations

In millions of euros	December 31,	
	2013	2012
Provision for pension benefits	8,624	9,788
Provision for other post-employment benefits	1,245	1,511
	<b>9,869</b>	11,299

**Risks from defined benefit pension plans.** The general requirements with regard to retirement benefit models are laid down in the Pension Policy, which has Group-wide validity. Accordingly, the committed benefits are intended to contribute to additional financial security during retirement, and in the case of death or invalidity to be capable of being planned and fulfilled by the respective company of the Group and to have a low-risk structure. In addition, a committee exists that approves new pension plans and amendments to existing pension plans as well as guidelines relating to company retirement benefits.

The obligations from defined benefit pension plans and the pension plan assets can be subject to fluctuations over time. This can cause the funded status to be negatively or positively impacted. Fluctuations in the defined benefit pension obligations result at the Daimler Group in particular from changes in financial assumptions such as discount rates and increases in the cost of living, but also from changes in demographic assumptions such as adjusted life expectancies. With most of the German plans, expected long-term wage and salary increases do not have an impact on the amount of the obligation.

## F.56

### Present value of defined pension benefit obligations and fair value of plan assets

	2013			2012		
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Present value of the defined benefit obligation at January 1	23,943	20,698	3,245	19,077	16,058	3,019
Current service cost	548	453	95	404	320	84
Interest cost	755	635	120	864	734	130
Contributions by plan participants	56	52	4	116	114	2
Actuarial gains (-)/losses from changes in demographic assumptions	-14	-71	57	-2	-	-2
Actuarial gains (-)/losses from changes in financial assumptions	-1,136	-892	-244	4,298	4,089	209
Actuarial losses from experience adjustments	121	121	-	84	55	29
Actuarial gains (-)/losses	-1,029	-842	-187	4,380	4,144	236
Past service cost, curtailments and settlements	-	-	-	4	-	4
Pension benefits paid	-829	-691	-138	-822	-680	-142
Currency exchange-rate changes and other changes	-214	5	-219	-80	8	-88
Present value of the defined benefit obligation at December 31	23,230	20,310	2,920	23,943	20,698	3,245
Fair value of plan assets at January 1	14,207	12,143	2,064	12,597	10,726	1,871
Interest income from plan assets	464	381	83	601	503	98
Actuarial gains	262	199	63	707	611	96
Actual return on plan assets	726	580	146	1,308	1,114	194
Contributions by the employer	537	448	89	1,067	911	156
Contributions by plan participants	57	52	5	3	-	3
Benefits paid	-763	-641	-122	-736	-608	-128
Currency exchange-rate changes and other changes	-96	6	-102	-32	-	-32
Fair value of plan assets at December 31	14,668	12,588	2,080	14,207	12,143	2,064
Funded status	-8,562	-7,722	-840	-9,736	-8,555	-1,181
thereof recognized in other assets	62	-	62	52	-	52
thereof recognized in provisions for pensions and similar obligations	-8,624	-7,722	-902	-9,788	-8,555	-1,233



The fair value of plan assets is predominantly determined by the situation on the capital markets. Unfavorable developments, especially of equity prices and fixed-interest securities, could reduce that fair value. The broad spread of investments and of the selections of asset managers using quantitative and qualitative analyses as well as the continual monitoring of performance and risk help to reduce the investment risk. The Group regularly makes additional contributions to the plan assets in order to cover the future obligations from defined benefit pension plans.

**Reconciliation of the net obligation from defined benefit pension plans.** The development of the relevant factors is shown in table [7 F.56](#).

**Composition of plan assets.** Plan assets and income from plan assets are used solely to pay pension benefits and to administer the plans. The Group's plan asset allocations are presented in table [7 F.57](#).

Market prices are available for equities and bonds due to their listing in active markets. As of the balance sheet date, the assets of the German pension plans do not include any significant investments in government bonds that are currently affected by the European sovereign-debt crisis; all government bonds denominated in euros have a rating of at least AA as of the balance sheet date.

The investment strategy is determined by the Investment Committees, which are composed of representatives of the Finance and Human Resources departments, and each investment strategy is generally determined annually by the respective committee.

## F.57

### Composition of plan assets

	2013			2012		
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Energy, commodities and utilities	839	737	102	917	807	110
Financials	995	861	134	932	788	144
Healthcare	387	322	65	365	302	63
Industrials	479	408	71	407	348	59
Consumer goods	865	732	133	805	684	121
Information technology and telecommunication	636	538	98	588	501	87
Others	88	-	88	152	-	152
Equities	4,289	3,598	691	4,166	3,430	736
Government bonds in EUR	4,084	4,078	6	3,348	3,348	-
Government bonds in USD	936	628	308	998	643	355
Government bonds in other currencies	329	-	329	377	-	377
Government bonds	5,349	4,706	643	4,723	3,991	732
Corporate bonds	1,948	1,501	447	1,584	1,278	306
Securitized bonds	1,066	1,009	57	981	888	93
Bonds	8,363	7,216	1,147	7,288	6,157	1,131
Other exchange-traded instruments	5	1	4	45	42	3
<b>Total exchange-traded instruments</b>	<b>12,657</b>	<b>10,815</b>	<b>1,842</b>	11,499	9,629	1,870
Alternative investments <sup>1</sup>	690	592	98	1,021	931	90
Real estate	496	408	88	460	398	62
Other non-exchange-traded instruments	85	78	7	119	119	-
Cash and cash equivalents	740	695	45	1,108	1,066	42
<b>Total non-exchange-traded instruments</b>	<b>2,011</b>	<b>1,773</b>	<b>238</b>	2,708	2,514	194
<b>Plan assets as of December 31</b>	<b>14,668</b>	<b>12,588</b>	<b>2,080</b>	14,207	12,143	2,064
thereof fair value of own transferable financial instruments	3	3	-	1	1	-
thereof fair value of self-used plan assets	96	96	-	102	102	-

1 Alternative investments mainly include private equity.

**Pension cost.** The components of pension cost included in the consolidated statement of income are presented in table [7 F.58](#).

Table [7 F.59](#) presents the line items within the consolidated statement of income in which the net periodic pension cost is included.

**Measurement assumptions.** The measurement date for the Group's defined benefit pension obligations and plan assets is generally December 31. The measurement date for the Group's net periodic pension cost is generally January 1. The assumptions used to calculate the projected benefit obligations vary according to the economic conditions of the countries in which the pension plans are situated.

The calculation for the sensitivity of life expectancy for the German plans is based on the 2005 G mortality tables of K. Heubeck. For Non-German plans, comparable country specific valuation methods are used.

Table [7 F.60](#) shows the significant weighted average measurement factors used to determine pension benefit obligations.

Discount rates for German and non-German pension plans are determined annually as of December 31 on the basis of high-quality corporate bonds with maturities and currencies matching those of the pension payments.

**Sensitivity analysis.** An increase or decrease in the main actuarial assumptions would affect the present value of the pension obligations as shown in table [7 F.61](#).

The calculations carried out by actuaries were done in isolation for the evaluation parameters regarded as important.

For the calculation of the sensitivity of life expectancy, by means of fixed (non-age-dependent) factors, a life expectancy one year higher or one year lower was achieved for a reference person.

## F.58

### Pension cost

	Total	2013		Total	2012	
		German plans	Non-German plans		German plans	Non-German plans
In millions of euros						
Current service cost	-548	-453	-95	-404	-320	-84
Past service cost, curtailments and settlements	-	-	-	-4	-	-4
Net interest expense	-293	-253	-40	-270	-233	-37
Net interest income	2	-	2	7	-	7
	<b>-839</b>	<b>-706</b>	<b>-133</b>	<b>-671</b>	<b>-553</b>	<b>-118</b>

## F.59

### Net periodic pension cost within the consolidated statement of income

	2013	2012
In millions of euros		
Cost of sales	-313	-264
Selling expenses	-121	-68
General administrative expenses	-43	-34
Research and non-capitalized development costs	-71	-42
Interest income	2	7
Interest expense	-293	-270
	<b>-839</b>	<b>-671</b>

**Effect on future cash flows.** In 2014, Daimler currently expects to make cash contributions of €0.6 billion to its pension plans; the final amount is usually set in the fourth quarter of a financial year. In addition, the Group expects to make pension benefit payments of €0.8 billion in 2014.

The weighted average duration of the defined benefit obligations is provided in table [F.62](#).

## F.60

### Significant factors for the calculation of pension benefit obligations

	German plans December 31,		Non-German plans December 31,	
	2013	2012	2013	2012
In percent				
Discount rates	3.4	3.1	4.5	3.8
Expected increase in cost of living <sup>1</sup>	1.8	1.8	-	-

1 For most non-German plans, expected increases in cost of living do not have an impact on the amount of the obligation.

## F.61

### Sensitivity analysis for the present value of the defined benefit obligation

		December 31, 2013		
		Total	German plans	Non-German plans
In millions of euros				
Sensitivity for discount rates	+ 0.25%	-800	-720	-80
Sensitivity for discount rates	- 0.25%	860	760	100
Sensitivity for expected increase in cost of living	+ 0.10%	100	90	10
Sensitivity for expected increase in cost of living	- 0.10%	-100	-90	-10
Sensitivity for life expectancy	+ 1 year	360	350	10
Sensitivity for life expectancy	- 1 year	-390	-380	-10

## F.62

### Weighted average duration of the defined benefit obligations

	2013	2012
In years		
German plans	16	16
Non-German plans	16	16

## F.63

### Key data for other post-employment benefits

	2013	2012
In millions of euros		
Present value of defined benefit obligations	1,258	1,520
Fair value of plan assets and reimbursement rights	121	168
Funded status	-1,137	-1,352
Net periodic cost for other post-employment benefits	-92	-122

### Defined contribution pension plans

Under defined contribution pension plans, Daimler makes defined contributions to external insurance policies or investment funds. There are fundamentally no further contractual obligations or risks for Daimler in excess of the defined contributions. The Group also pays contributions to governmental pension schemes. In 2013, the total cost from payments made under defined contribution plans amounted to €1.3 billion (2012: €1.4 billion). These payments are primarily related to governmental pension plans.

**Multi-employer plans.** Daimler participates in some collectively bargained defined benefit pension plans maintained by more than one employer. The Group accounts for several of these plans in its consolidated financial statements as defined contribution plans because the information required to use defined benefit accounting is not available in a timely manner or in sufficient detail. The Group cannot exercise direct control over such plans and the plan trustees have no legal obligation to share information directly with participating employers. Higher contributions by the Group to such a pension plan could be required in particular when an underfunded status exceeds a specific level. Exit from such a plan can lead to the companies involved having to offset the potential future shortfall relating to their share of the plan. Furthermore, the possibility exists that Daimler can be liable for other participants' obligations. As of December 31, 2013, the Group does not anticipate significant costs from the existing collective plans of multiple employers; no exit from any of these plans is intended.

### Other post-employment benefits

Certain foreign subsidiaries of Daimler, mainly in the United States, provide their employees with post-employment health care benefits with defined entitlements, which have to be accounted for as defined benefit plans. These obligations are funded to a small extent through reimbursement rights and plan assets. Table [7 F.63](#) provides key data for other post-employment benefits.

Significant risks for other post-employment benefits (medical care) relate to rising healthcare costs and lower contributions to those costs from the public sector. In addition, these plans are subject to the usual risks for defined benefit plans, in particular the risk of changes in discount rates.



### 23. Provisions for other risks

The development of provisions for other risks is summarized in table [7 F.64](#).

**Product warranties.** Daimler issues various types of product warranties, under which it generally guarantees the performance of products delivered and services rendered for a certain period. The provision for these product warranties covers expected costs for legal and contractual warranty claims as well as expected costs for policy coverage, recall campaigns and buyback commitments. The provision for buyback commitments represents the expected costs related to the Group's obligation under certain conditions to repurchase a vehicle from a customer. Buybacks may occur for a number of reasons including litigation, compliance with laws and regulations in a particular region and customer satisfaction issues. The utilization date of product warranties depends on the incidence of the warranty claims and can span the entire term of the product warranties. The cash outflow for non-current product warranties is principally expected within a period until 2016.

**Personnel and social costs.** Provisions for personnel and social costs primarily comprise expected expenses of the Group for employee anniversary bonuses, profit sharing arrangements and management bonuses as well as early retirement and partial retirement plans. The additions recorded to the provisions for profit sharing and management bonuses in the reporting year usually result in cash outflows in the following year. The cash outflow for non-current provisions for personnel and social costs is primarily expected within a period until 2021.

**Other.** Provisions for other risks include obligations for expected reductions in revenue already recognized such as bonuses, discounts and other price reduction commitments. They also include expected costs in connection with liability and litigation risks, provisions for optimization programs, provisions for environmental protection risks, as well as provisions for other taxes and various other risks.

Further information on other provisions for other risks is provided in Notes 5 and 29.

## F.64

### Provisions for other risks

	Product warranties	Personnel and social costs	Other	Total
In millions of euros				
<b>Balance at December 31, 2012</b>	5,090	2,658	3,694	11,442
thereof current	2,562	1,302	2,428	6,292
thereof non-current	2,528	1,356	1,266	5,150
Additions	2,426	1,698	2,450	6,574
Utilizations	-2,336	-1,387	-1,744	-5,467
Reversals	-348	-68	-328	-744
Addition of accrued interest and effects of changes in discount rates	51	15	29	95
Currency translation and other changes <sup>1</sup>	-178	317	-150	-11
<b>Balance at December 31, 2013</b>	<b>4,705</b>	<b>3,233</b>	<b>3,951</b>	<b>11,889</b>
thereof current	2,380	1,501	2,738	6,619
thereof non-current	2,325	1,732	1,213	5,270

<sup>1</sup> Other changes include the reclassification of the outstanding settlement amount related to part-time early retirement obligations from other financial liabilities to provisions for personnel and social costs.

## 24. Financing liabilities

The composition of financing liabilities is presented in table [F.65](#).

Liabilities from finance leases relate primarily to leases of property, plant and equipment which transfer substantially all risks and rewards to the Group as lessee. Future minimum lease payments under finance leases at December 31, 2013 amounted to €474 million (2012: €576 million). The reconciliation of future minimum lease payments from finance lease arrangements to the corresponding liabilities is included in table [F.66](#).

### F.65

#### Financing liabilities

	At December 31, 2013			At December 31, 2012		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	9,091	29,653	38,744	7,770	27,926	35,696
Commercial paper	1,086	-	1,086	1,768	-	1,768
Liabilities to financial institutions	10,173	8,916	19,089	11,629	8,581	20,210
Deposits in the direct banking business	8,539	2,718	11,257	8,481	3,640	12,121
Liabilities from ABS transactions	3,478	2,653	6,131	2,505	2,644	5,149
Liabilities from finance leases	39	271	310	55	320	375
Loans, other financing liabilities	586	535	1,121	703	229	932
	<b>32,992</b>	<b>44,746</b>	<b>77,738</b>	<b>32,911</b>	<b>43,340</b>	<b>76,251</b>

### F.66

#### Minimum lease payments from finance lease arrangements

	Future minimum lease payments at December 31,		Interest included in future minimum lease payments at December 31,		Liabilities from finance lease arrangements at December 31,	
	2013	2012	2013	2012	2013	2012
In millions of euros						
Maturity						
within one year	53	69	14	14	39	55
between one and five years	160	191	56	69	104	122
later than five years	261	316	94	118	167	198
	<b>474</b>	<b>576</b>	<b>164</b>	<b>201</b>	<b>310</b>	<b>375</b>

## 25. Other financial liabilities

The composition of other financial liabilities is presented in table [7 F.67](#).

Financial liabilities recognized at fair value through profit or loss relate exclusively to derivative financial instruments which are not used in hedge accounting.

Further information on other financial liabilities is provided in Note 31.

## 26. Deferred income

The composition of deferred income is presented in table [7 F.68](#).

## 27. Other liabilities

Table [7 F.69](#) shows the composition of other liabilities.

### F.67

#### Other financial liabilities

	At December 31, 2013			At December 31, 2012		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Derivative financial instruments used in hedge accounting	178	217	395	447	173	620
Financial liabilities recognized at fair value through profit or loss	150	263	413	163	90	253
Liabilities from residual value guarantees	857	934	1,791	790	874	1,664
Liabilities from wages and salaries <sup>1</sup>	744	24	768	809	247	1,056
Accrued interest expenses	893	–	893	1,013	–	1,013
Deposits received	508	109	617	505	114	619
Other	3,245	154	3,399	2,972	252	3,224
Miscellaneous other financial liabilities	6,247	1,221	7,468	6,089	1,487	7,576
	6,575	1,701	8,276	6,699	1,750	8,449

<sup>1</sup> Information on adjustments to the prior-year figures is disclosed in Note 1.

### F.68

#### Deferred income and prepaid expenses

	At December 31, 2013			At December 31, 2012		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Deferral of revenue from multi-year service and maintenance agreements	977	1,331	2,308	798	1,134	1,932
Deferral of sales revenue received from sales with residual-value guarantees	301	743	1,044	281	725	1,006
Deferral of advance rental payments received from operating lease arrangements	254	333	587	226	322	548
Other deferred income	336	321	657	335	263	598
	1,868	2,728	4,596	1,640	2,444	4,084

### F.69

#### Other liabilities

	At December 31, 2013			At December 31, 2012		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Income tax liabilities	181	12	193	122	30	152
Miscellaneous tax liabilities	1,011	2	1,013	892	5	897
Miscellaneous other liabilities	259	4	263	322	3	325
	1,451	18	1,469	1,336	38	1,374

## 28. Consolidated statement of cash flows

**Calculating funds.** As of December 31, 2013, cash and cash equivalents included restricted funds of €69 million (2012: €75 million). The restricted funds primarily resulted from subsidiaries where exchange controls apply so that the funds are not available for general use by the Group.

**Cash provided by/used for operating activities.** The changes in other operating assets and liabilities are presented in table [F.70](#).

### F.70

#### Changes in other operating assets and liabilities

	2013	2012
In millions of euros		
Provisions	573	-1,003
Financial instruments	131	-188
Miscellaneous other assets and liabilities	1,536	450
	2,240	-741

### F.71

#### Cash flows included in cash provided by/used for operating activities

	2013	2012
In millions of euros		
Interest paid	-385	-561
Interest received	172	192
Dividends received	144	192

The increase in the provisions compared to the prior year was primarily affected by higher non-cash expenses for dealer incentives and lower contributions to the Group's pension plans. In comparison to the prior year the development of the miscellaneous other assets and liabilities was mainly influenced by higher liabilities related to Value Added Tax already received but not yet paid as well as higher liabilities resulting from the sale of vehicles with residual value guarantees and service and maintenance agreements.

Table [F.71](#) shows cash flows included in cash provided by/used for operating activities.

The line item "Other non-cash expense and income" within the reconciliation of profit before income taxes to cash provided by/used for operating activities primarily comprised the effect of the remeasurement of the EADS shares (see note 13).

**Cash provided by/used for financing activities.** Cash provided by/used for financing activities includes cash flows from hedging the currency risks of financial liabilities. In 2013, cash provided by/used for financing activities includes payments for the reduction of the outstanding finance lease liabilities of €52 million (2012: €105 million).

## 29. Legal proceedings

Various legal proceedings, claims and governmental investigations (legal proceedings) are pending against Daimler AG and its subsidiaries on a wide range of topics, including vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights, product warranties, environmental matters, antitrust matters, and shareholder matters. Some of these proceedings allege defects in various components in several different vehicle models or allege design defects relating to vehicle stability, pedal misapplication, brakes or crashworthiness. Some of the claims asserted by way of class action suits seek repair or replacement of the vehicles or compensation for their alleged reduction in value, while others seek recovery for damage to property, personal injuries or wrongful death. Adverse decisions in one or more of these proceedings could require us to pay substantial compensatory and punitive damages or undertake service actions, recall campaigns or other costly actions.



In mid-January 2011, the European Commission carried out anti-trust investigations of European commercial vehicle manufacturers, including Daimler AG. Daimler is taking the Commission's initial suspicion very seriously and is also – parallel to the Commission's investigations – carrying out its own extensive internal investigation to clarify the underlying circumstances. If antitrust infringements are discovered, the European Commission can impose considerable fines depending on the gravity of the infringement. In accordance with IAS 37.92, the Group does not provide further information on this antitrust investigation and the associated risk for the Group, especially with regard to the measures taken in this context, in order not to impair the outcome of the proceeding.

On April 1, 2010, Daimler announced a settlement of the previously initiated US Securities and Exchange Commission (SEC) and US Department of Justice (DOJ) investigations into possible violations by Daimler of the anti-bribery, record-keeping, and internal-controls provisions of the US Foreign Corrupt Practices Act (FCPA).

As a result of such settlement, Daimler paid a total of US\$185 million in fines and civil disgorgement and agreed to engage the Honorable Louis J. Freeh as post-settlement monitor for a three-year period. Communications with and provision of documents to the offices of German public prosecutors regarding the matters that have been under investigation by the DOJ and SEC have taken place.

On December 31, 2012 the deferred prosecution agreements expired. The Honorable Louis J. Freeh completed his role as post-settlement monitor as planned on April 1, 2013. All criminal charges pending against Daimler in US courts have been dismissed officially afterwards.

On August 17, 2009, the Official Committee of Unsecured Creditors of OldCarCo LLC (formerly Chrysler LLC) filed a lawsuit with the United States Bankruptcy Court, Southern District of New York, against Daimler AG, Daimler North America Corporation and others. The Committee has been substituted by the Liquidation Trust, which claims unspecified damages based on theories of constructive fraudulent transfer and other legal theories, alleging that the consideration received in certain transactions effected in connection with the investment by Cerberus in Chrysler LLC was not fair consideration. Daimler has successfully submitted miscellaneous legal defense arguments, so that the Bankruptcy Court dismissed all claims with prejudice as of May 12, 2011. The appeal of the Liquidation Trust led to a confirmation of the Bankruptcy Court's decision by the United States District Court of the Southern District of New York. A second appeal by the Liquidation Trust to the United States Court of Appeals for the Second Circuit, New York as of December 19, 2011 was unsuccessful. On January 30, 2013, the US Court of Appeals unanimously affirmed the judgment of the Bankruptcy Court. The decision is now final.

The Federal Republic of Germany initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and Toll Collect GbR and submitted its statement of claims in August 2005. It seeks damages, contractual penalties and the transfer of intellectual property rights to Toll Collect GmbH. In particular, the Federal Republic of Germany is claiming

- lost revenue of €3.33 billion for the period September 1, 2003 through December 31, 2004 plus interest at 5% per annum over the respective base rate since submission of claims (amount as of November 21, 2010 at €1.4 billion),
- and contractual penalties of approximately €1.65 billion through July 31, 2005 plus interest at 5% per annum over the respective base rate since submission of claims (amount as of November 21, 2010 at €282 million),
- plus refinancing costs of €115 million.

Since, among other things, some of the contractual penalties are dependent on time and further claims for contractual penalties have been asserted by the Federal Republic of Germany, the amount claimed as contractual penalties may increase. Defendants submitted their response to the statement of claims on June 30, 2006. The Federal Republic of Germany delivered its reply to the arbitrators on February 15, 2007, and the defendants delivered their rebuttal on October 1, 2007 (see also Note 30). The arbitrators held the first hearing on June 16 and 17, 2008. Additional briefs from the claimant and the defendants were filed since then. A hearing of witnesses and experts took place between December 6 and 14, 2010. The parties submitted further written statements on July 15 and November 15, 2011. After the Tribunal's President resigned for personal reasons as of March 30, 2012, the new President was determined by the Administrative Court in Berlin as of October 29, 2012. Daimler believes the claims of the Federal Republic of Germany are without merit and will continue to defend itself vigorously.

The Group establishes provisions in connection with pending or threatened proceedings to the extent a loss is probable and can be reasonably estimated. Such provisions are reflected in the Group's consolidated financial statements and are based on estimates. Risks resulting from legal proceedings, however, sometimes cannot be assessed reliably or only to a limited extent. Consequently, provisions accrued for some legal proceedings may turn out to be insufficient once such proceedings have ended. Daimler may also become liable for payments in legal proceedings no provisions were established for. Although the final resolution of any such proceedings could have a material effect on Daimler's operating results and cash flows for a particular reporting period, Daimler believes that it should not materially affect the Group's financial position.

### 30. Financial guarantees, contingent liabilities and other financial obligations

**Financial guarantees.** Financial guarantees principally represent contractual arrangements. These guarantees generally provide that in the event of default or non-payment by the primary debtor, the Group will be required to settle such financial obligations. The maximum potential obligation resulting from these guarantees amounted to €772 million at December 31, 2013 (2012: €968 million) and includes liabilities recognized in the amount of €80 million (2012: €111 million). These amounts include financial guarantees, which the Group issued for the benefit of Chrysler in connection with the Chrysler transactions entered into in 2007 and 2009. At December 31, 2013, these guarantees amounted to €0.3 billion. For a portion of these financial guarantees, Chrysler provided collateral of €0.2 billion to an escrow account.

**Contingent liabilities.** Table [F.72](#) shows estimates of the financial effects of contingent liabilities at December 31.

#### F.72

##### Composition of contingent liabilities

	At December 31,	
	2013	2012
In millions of euros		
Guarantees under buyback commitments	974	787
Other contingent liabilities	370	130
	<b>1,344</b>	917

#### F.73

##### Composition of other financial obligations (nominal amounts)

	At December 31,	
	2013	2012
In millions of euros		
Commitments from purchasing contracts	9,771	8,763
Long-term rental and leasing agreements	1,980	2,139
Irrevocable credit commitments	1,508	1,022
Other miscellaneous financial commitments	1,356	1,396
	<b>14,615</b>	13,320

Guarantees under buyback commitments represent arrangements whereby the Group guarantees specified trade-in or resale values for sold vehicles. Such guarantees provide the holder with the right to return purchased vehicles to the Group, the right being primarily contingent on the future purchase of vehicles or services. In connection with these buyback commitments, provisions of €43 million have been recognized as of December 31, 2013 (2012: €115 million). Residual value guarantees related to arrangements for which revenue recognition is precluded due to the Group's obligation to repurchase assets sold to unrelated guaranteed parties are included in other financial liabilities.

Other contingent liabilities comprise contingent liabilities which constitute other guarantees as well as miscellaneous contingent liabilities which do not constitute other guarantees. As of December 31, 2013, the best estimate for potential obligations from other guarantees for which no provisions had yet been recognized was €42 million (2012: €35 million). The miscellaneous contingent liabilities which do not constitute other guarantees comprise in particular potential obligations from liability and litigation risks as well as other tax respectively customs duty risks; the best estimate for potential obligations as of December 31, 2013 amounts to €328 million (2012: €95 million).

In 2002, our subsidiary Daimler Financial Services AG, Deutsche Telekom AG and Compagnie Financière et Industrielle des Autoroutes S.A. (Cofiroute) entered into a consortium agreement in order to jointly develop, install, and operate under a contract with the Federal Republic of Germany (operating agreement) a system for the electronic collection of tolls for all commercial vehicles over 12 tons GVW using German highways. Daimler Financial Services AG and Deutsche Telekom AG each hold a 45% equity interest and Cofiroute holds the remaining 10% equity interest in both the consortium (Toll Collect GbR) and the joint venture company (Toll Collect GmbH) (together Toll Collect).

According to the operating agreement, the toll collection system had to be operational no later than August 31, 2003. After a delay of the launch date of the toll collection system, which resulted in a loss of revenue for Toll Collect and in payments of contractual penalties for delays, the toll collection system was introduced on January 1, 2005 with on-board units that allowed for slightly less than full technical performance in accordance with the technical specification (phase 1). On January 1, 2006, the toll collection system was installed and started to operate with full effectiveness as specified in the operating agreement (phase 2). On December 20, 2005, Toll Collect GmbH received a preliminary operating permit as specified in the operating agreement. Toll Collect GmbH expects to receive the final operating permit, and continues to operate the toll collection system under the preliminary operating permit in the interim.

Failure to perform various obligations under the operating agreement may result in penalties, additional revenue reductions and damage claims that could become significant over time.

However, penalties and revenue reductions are capped at €150 million per year until the final operating permit has been issued and at €100 million per year following the issuance of the final operating permit. These cap amounts are subject to a 3% increase for every year of operation.

Beginning in June 2006, the Federal Republic of Germany began reducing monthly payments to Toll Collect GmbH by €8 million in partial set-off against amounts claimed in the arbitration proceeding referred to below. This offsetting may require the consortium members to provide additional operating funds to Toll Collect GmbH.

The operating agreement calls for the submission of all disputes related to the toll collection system to arbitration. The Federal Republic of Germany has initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and the consortium. According to the statement of claims received in August 2005, the Federal Republic of Germany is seeking damages including contractual penalties and reimbursement of lost revenue that allegedly arose from delays in the operability of the toll collection system. See Note 29 for additional information.

Each of the consortium members (including Daimler Financial Services AG) has provided guarantees supporting the obligations of Toll Collect GmbH towards the Federal Republic of Germany relating to the completion and operation of the toll collection system, which are subject to specific triggering events. In addition, Daimler AG has guaranteed bank loans obtained by Toll Collect GmbH. The guarantees are described in detail below:

- *Guarantee of bank loans.* Daimler AG issued a guarantee to third parties up to a maximum amount of €110 million for bank loans which could be obtained by Toll Collect GmbH. This amount represents the Group's 50% share of Toll Collect GmbH's external financing guaranteed by its shareholders.

- *Equity maintenance undertaking.* The consortium members have the obligation to contribute, on a joint and several basis, additional funds to Toll Collect GmbH as may be necessary for Toll Collect GmbH to maintain a minimum equity (based on German Commercial Code accounting principles) of 15% of total assets (a so-called "equity maintenance undertaking"). This obligation will terminate on August 31, 2015, when the operating agreement expires, or earlier if the agreement is terminated. Such obligation may arise if Toll Collect GmbH is subject to revenue reductions caused by underperformance, if the Federal Republic of Germany is successful in claiming lost revenue against Toll Collect GmbH for any period the system was not fully operational, or if Toll Collect GmbH incurs penalties that may become payable under the above mentioned agreements. If such penalties, revenue reductions or other events reduce Toll Collect GmbH's equity to a level below the minimum equity percentage agreed upon, the consortium members are obligated to fund Toll Collect GmbH's operations to the extent necessary to reach the required minimum equity.

Cofiroute's risks and obligations are limited to €70 million. Daimler Financial Services AG and Deutsche Telekom AG are jointly obliged to indemnify Cofiroute for amounts exceeding this limitation.

While Daimler's maximum future obligation resulting from the guarantee of the bank loan can be determined (2013: €100 million), the Group is unable to reasonably estimate the amount or range of amounts of possible loss resulting from the financial guarantee in form of the equity maintenance undertaking due to the various uncertainties described above, although it could be material. Only the guarantee for the bank loan is included in the above disclosures for financial guarantees.

Obligations associated with product warranties are also not included in the above disclosures. See Note 23 for provisions relating to such obligations.

**Other financial obligations.** The composition of other financial obligations is shown in Table [F.73](#).

In connection with its production programs, Daimler has committed to purchase various volumes of parts and components over extended periods. The Group also has entered into service arrangements for the provision of future services. In addition, the Group has committed to purchase or invest in the construction and maintenance of production facilities. Amounts under the latter arrangements represent commitments to purchase plant or equipment in the future.

The Group has additional other financial obligations resulting from non-cancelable long-term rental agreements and operating leases for property, plant and equipment; the contracts partially include renewal or repurchase options and escalation clauses. In 2013, Daimler recognized as expense rental payments of €501 million (2012: €528 million). Table [7 F.74](#) provides an overview of when future minimum lease payments under non-cancelable long-term rental and lease agreements fall due (nominal amounts).

In addition, the Group had issued irrevocable loan commitments as of December 31, 2013. These loan commitments had not been utilized as of that date. An overview of the maturities of irrevocable credit commitments is shown in Table [7 F.90](#) in Note 32.

Miscellaneous other financial commitments primarily comprise financial obligations to make payments in connection with capital contributions to be made into the share capital of non-consolidated subsidiaries or associated companies as well as obligations in connection with cooperation agreements.

## F.74

### Future minimum lease payments under long-term rental and lease agreements

	At December 31,	
	2013	2012
In millions of euros		
Maturity		
within one year	376	360
between one and five years	1,032	1,012
later than five years	572	767
	<b>1,980</b>	<b>2,139</b>

## 31. Financial instruments

### Carrying amounts and fair values of financial instruments

Table [7 F.75](#) shows the carrying amounts and fair values of the Group's financial instruments. The fair value of a financial instrument is the price at which a party would accept the rights and/or obligations of that financial instrument from another independent party. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved on the market.

The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date. The following methods and premises were used:

**Receivables from financial services.** The fair values of receivables from financial services with variable interest rates are estimated to be equal to the respective carrying amounts because the interest rates agreed and those available on the market do not significantly differ. The fair values of receivables from financial services with fixed interest rates are determined on the basis of discounted expected future cash flows. The discounting is based on the current interest rates at which similar loans with identical terms could have been obtained as of December 31, 2013 and December 31, 2012.

### Trade receivables and cash and cash equivalents.

Due to the short terms of these financial instruments, it is assumed that their fair values are equal to the carrying amounts.

### Marketable debt securities and other financial assets.

*Financial assets available for sale* include:

- debt and equity instruments measured at fair value; these instruments were measured using quoted market prices at December 31. Otherwise, the fair value measurement of these debt and equity instruments is based on inputs that are either directly or indirectly observable on active markets. Equity instruments measured at fair value predominantly comprise the investments in Renault SA (Renault) and Nissan Motor Co., Ltd. (Nissan).
- equity interests measured at cost; fair values could not be determined for these financial instruments because no market prices or fair values are available. These equity interests comprise investments in non-listed companies for which no objective evidence existed at the balance sheet date that these assets were impaired and whose fair values cannot be determined with sufficient reliability. It is assumed that the fair values approximate the carrying amounts.



Financial assets recognized at fair value through profit or loss include derivative financial instruments not used in hedge accounting. These financial instruments as well as *derivative financial instruments used in hedge accounting* comprise:

- derivative currency hedging contracts; the fair values of currency forwards and cross currency interest rate swaps are determined on the basis of the discounted estimated future cash flows using market interest rates appropriate to the remaining terms of the financial instruments. Currency options were measured using price quotations or option pricing models using market data.
- derivative interest rate hedging contracts; the fair values of interest rate hedging instruments (e.g. interest rate swaps) are calculated on the basis of the discounted estimated future cash flows using the market interest rates appropriate to the remaining terms of the financial instruments.
- derivative commodity hedging contracts; the fair values of commodity hedging contracts (e.g. commodity forwards) are determined on the basis of current reference prices with consideration of forward premiums and discounts.

Financial assets recognized at fair value through profit and loss also include the option held by Daimler to sell shares in RRRPSH to Rolls-Royce (see also Note 13). The fair value of this option has been determined with the use of an option pricing model; estimated future cash flows and, to the extent available, market parameters were applied. Furthermore, the equity interest in Tesla Motors, Inc. (Tesla) is hedged respectively limited against equity price risk or equity price chance through a combination of put options purchased and call options sold.

*Other receivables and assets are carried at amortized cost.* Because of the predominantly short maturities of these financial instruments, it is assumed that the fair values approximate the carrying amounts.

**Financing liabilities.** The fair values of bonds, loans, commercial paper, deposits in the direct banking business and liabilities from ABS transactions are calculated as the present values of the estimated future cash flows. Market interest rates for the appropriate terms are used for discounting.

## F.75

### Carrying amounts and fair values of financial instruments

	At December 31, 2013		At December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
<b>Financial assets</b>				
Receivables from financial services	50,770	51,115	49,060	49,722
Trade receivables	7,803	7,803	7,543	7,543
Cash and cash equivalents	11,053	11,053	10,996	10,996
<b>Marketable debt securities</b>				
Available-for-sale financial assets	7,066	7,066	5,598	5,598
<b>Other financial assets</b>				
Available-for-sale financial assets	2,052	2,052	2,031	2,031
thereof equity instruments measured at fair value	1,452	1,452	1,440	1,440
thereof equity instruments carried at cost	600	600	591	591
Financial assets recognized at fair value through profit or loss	350	350	341	341
Derivative financial instruments used in hedge accounting	1,703	1,703	1,364	1,364
Other receivables and assets	2,136	2,136	2,224	2,224
	<b>82,933</b>	<b>83,278</b>	79,157	79,819
<b>Financial liabilities</b>				
<b>Financing liabilities</b>				
Trade payables	9,086	9,086	8,832	8,832
<b>Other financial liabilities</b>				
Financial liabilities recognized at fair value through profit or loss	413	413	253	253
Derivative financial instruments used in hedge accounting	395	395	620	620
Miscellaneous other financial liabilities	7,468	7,468	7,576	7,576
	<b>95,100</b>	<b>96,388</b>	93,532	94,942

**Trade payables.** Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to the carrying amounts.

**Other financial liabilities.** *Financial liabilities recognized at fair value through profit or loss* comprise derivative financial instruments not used in hedge accounting. For information regarding these financial instruments as well as *derivative financial instruments used in hedge accounting*, see the notes above under "Marketable debt securities and other financial assets".

*Miscellaneous other financial liabilities* are carried at amortized cost. Because of the predominantly short maturities of these financial instruments, it is assumed that the fair values approximate the carrying amounts.

**Offsetting of financial instruments.** The Group concludes derivative transactions accordance with the master netting arrangements (framework agreement) of the International Swaps and Derivatives Association (ISDA) and other appropriate national framework agreements. However, these arrangements do not meet the criteria for netting in the consolidated statement of financial position, as they allow netting only in the case of future events such as default or insolvency on the part of the Group or the counterparty.

Table [F.76](#) shows the possible financial effects of netting in accordance with the described arrangements, irrespective of whether netting is performed in accordance with IAS 32.42 in the consolidated statement of financial position.

Table [F.77](#) provides an overview of the classification of financial assets and liabilities measured at fair value in the fair value hierarchy (according to IFRS 13).

At the end of each reporting period Daimler reviews the necessity of reclassification between the fair value hierarchies.

For the determination of the credit risk from derivative financial instruments which are allocated to the Level 2 fair value hierarchy, the exception described in IFRS 13.48 (portfolios managed on basis of net exposure) is applied.

The development of financial assets recognized at fair value through profit or loss and classified as level 3 can be seen in table [F.78](#).

The financial assets shown as classified as level 3 and presented in the table [F.78](#) consist solely of Daimler's option to sell the shares it holds in RRPSH to Rolls-Royce (see also Note 13).

## F.76

### Disclosure for recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement

	At December 31, 2013			At December 31, 2012		
	Gross and net amounts of financial instruments in the balance sheet	Amounts subject to a master netting arrangement	Net amounts	Gross and net amounts of financial instruments in the balance sheet	Amounts subject to a master netting arrangement	Net amounts
In millions of euros						
Other financial assets	2,053	-206	1,847	1,705	-480	1,225
Other financial liabilities	808	-206	602	873	-480	393

**F.77****Fair value hierarchy of financial assets and liabilities measured at fair value**

	At December 31, 2013				At December 31, 2012			
	Total	Level 1 <sup>1</sup>	Level 2 <sup>2</sup>	Level 3 <sup>3</sup>	Total	Level 1 <sup>1</sup>	Level 2 <sup>2</sup>	Level 3 <sup>3</sup>
In millions of euros								
<b>Assets measured at fair value</b>								
Financial assets available for sale	8,518	6,264	2,254	-	7,038	3,902	3,136	-
thereof equity instruments	1,452	1,446	6	-	1,440	1,431	9	-
thereof marketable debt securities	7,066	4,818	2,248	-	5,598	2,471	3,127	-
Financial assets recognized at fair value through profit or loss	350	-	232	118	341	-	163	178
Derivative financial instruments used in hedge accounting	1,703	-	1,703	-	1,364	-	1,364	-
	10,571	6,264	4,189	118	8,743	3,902	4,663	178
<b>Liabilities measured at fair value</b>								
Financial liabilities recognized at fair value through profit or loss	413	-	413	-	253	-	253	-
Derivative financial instruments used in hedge accounting	395	-	395	-	620	-	620	-
	808	-	808	-	873	-	873	-

- 1 Fair value measurement for the asset or liability based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
- 2 Fair value measurement for the asset or liability based on inputs that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- 3 Fair value measurement for the asset or liability based on inputs that are not observable market data.

**F.78****Development of financial assets recognized at fair value through profit or loss classified as level 3**

	2013	2012
In millions of euros		
<b>Balance at January 1</b>	178	177
Losses/gains recognized in other financial income/expense, net	-60	1
<b>Balance at December 31</b>	118	178
Losses/gains of period relating to financial assets held at December 31	-60	1

**F.79****Information relating to fair value measurement of financial assets and liabilities using unobservable input parameters (Level 3)**

Description	Unobservable input parameters	Value of unobservable input parameters
Measurement of fair value of the RRPSH put option	Expected volatility of enterprise value of RRPSH	26% p.a.
Determination of company value of RRPSH	Expected revenue growth of RRPSH	2% - 15% p.a.
Determination of company value of RRPSH	Weighted average cost of capital rate of RRPSH	9% p.a.

The fair value measurement for the RRPSH put option will be carried out on the basis of a binomial model, with measurement on a quarterly basis. In the course of the valuation process, the required market data will be collected and the non-observable parameters will be examined and updated as required on the basis of internally available current information. In particular, the premises of the enterprise value of RRPSH determined using the discounted cash flow method will be validated in each quarter. The results of the measurement of the RRPSH put option, as well as any significant changes in the input parameters and their respective effects on the value of the option, will be reported to management on a quarterly basis.

Parameters with a significant influence on the measurement of the option are the value of RRPSH as determined with the use of a discounted cash flow method and the expected volatility of that value. The approach for volatility estimation was changed to a direct analysis of the historical volatility of a peer group index. This change in estimate had no material effect on RRPSH put option value as of December 31, 2013. A sensitivity analysis shows that a 10% increase in the value of RRPSH would lead to a reduction in the value of the option of €29 million. On the other hand, a 10% decrease in the value of RRPSH would increase the value of the option by €38 million. A 10% increase in the expected volatility of the value of RRPSH would lead to an increase in the value of the option of €33 million. However, a 10% decrease in the expected volatility of the value of RRPSH would reduce the value of the option by €33 million.

Table [7 F.80](#) shows into which measurement hierarchies (according to IFRS 13) the financial assets and liabilities are classified which cannot be measured at fair value.

The carrying amounts of financial instruments presented according to IAS 39 measurement categories are shown in table [7 F.81](#).

## F.80

### Fair value hierarchy of financial assets and liabilities not measured at fair value

	At December 31, 2013			
	Total	Level 1 <sup>1</sup>	Level 2 <sup>2</sup>	Level 3 <sup>3</sup>
In millions of euros				
Financial assets measured at cost				
Receivables from financial services	51,115	-	51,115	-
Financial liabilities measured at cost				
Financing liabilities	79,026	36,384	42,642	-
thereof bonds	39,656	35,161	4,495	-
thereof liabilities from ABS transactions	6,145	1,223	4,922	-
thereof other financing liabilities	33,225	-	33,225	-

1 Fair value measurement for the asset or liability based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.

2 Fair value measurement for the asset or liability based on inputs that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

3 Fair value measurement for the asset or liability based on inputs that are not observable market data.



## Net gains or losses

Table 7 F.82 shows the net gains or losses of financial instruments included in the consolidated statement of income (not including derivative financial instruments used in hedge accounting).

Net gains and losses of financial assets and liabilities recognized at fair value through profit or loss primarily comprise gains and losses attributable to changes in fair value.

Net gains and losses on financial assets available for sale include realized income from equity instruments and gains or losses from their disposal.

Net gains and losses on loans and receivables mainly comprise impairment losses and recoveries that are charged to cost of sales, selling expenses and other financial income/expense, net.

Net gains and losses on financial liabilities measured at cost mainly comprise gains and losses from the valuation of liabilities denominated in foreign currencies.

## F.81

### Carrying amounts of financial instruments presented according to IAS 39 measurement categories

	At December 31,	
	2013	2012
In millions of euros		
<b>Assets</b>		
Receivables from financial services <sup>1</sup>	37,675	37,092
Trade receivables	7,803	7,543
Other receivables and assets	2,136	2,224
Loans and receivables	47,614	46,859
Marketable debt securities	7,066	5,598
Other financial assets	2,052	2,031
Available-for-sale financial assets	9,118	7,629
Financial assets recognized at fair value through profit or loss <sup>2</sup>	350	341
<b>Liabilities</b>		
Trade payables	9,086	8,832
Financing liabilities <sup>3</sup>	77,428	75,876
Other financial liabilities <sup>4</sup>	7,388	7,465
Financial liabilities measured at cost	93,902	92,173
Financial liabilities recognized at fair value through profit or loss <sup>2</sup>	413	253

The table above does not include cash and cash equivalents or the carrying amounts of derivative financial instruments used in hedge accounting as these financial instruments are not assigned to an IAS 39 measurement category.

- 1 This does not include lease receivables of €13,095 million (2012: €11,968 million) as these are not assigned to an IAS 39 measurement category.
- 2 Financial instruments classified as held for trading purposes. These figures comprise financial instruments that are not used in hedge accounting.
- 3 This does not include liabilities from finance leases of €310 million (2012: €375 million) as these are not assigned to an IAS 39 measurement category.
- 4 This does not include liabilities from financial guarantees of €80 million (2012: €111 million) as these are not assigned to an IAS 39 measurement category.

## F.82

### Net gains/losses

	2013	2012
In millions of euros		
Financial assets and liabilities recognized at fair value through profit or loss <sup>1</sup>	-218	274
Financial assets available for sale	90	122
Loans and receivables	-598	-304
Financial liabilities measured at cost	74	-305

- 1 Financial instruments classified as held for trading purposes. These figures comprise financial instruments that are not used in hedge accounting.

## F.83

### Total interest income and total interest expense

	2013	2012
In millions of euros		
Total interest income	2,964	3,235
Total interest expense	-1,977	-2,244

## F.84

### Fair values of hedging instruments

	At December 31,	
	2013	2012
In millions of euros		
Fair value hedges	118	648
Cash flow hedges	1,177	96
Hedges of net investments in foreign operations	13	-

## F.85

### Net gains/losses from fair value hedges

	2013	2012
In millions of euros		
Net losses/gains from hedging instruments	-386	285
Net gains/losses from underlying transactions	413	-344

## F.86

### Unrealized gains from cash flow hedges

	2013	2012
In millions of euros		
Unrealized gains	1,388	151

## F.87

### Reclassifications of pre-tax gains/losses from equity to the statement of income

	2013	2012
In millions of euros		
Revenue	286	-824
Cost of sales	-36	-16
Interest income	-	2
Interest expense	-2	.
	248	-838

## Total interest income and total interest expense

Total interest income and total interest expense for financial assets or financial liabilities that are not measured at fair value through profit or loss are presented in table [F.83](#).

See Note 1 for qualitative descriptions of accounting for financial instruments (including derivative financial instruments).

## Information on derivative financial instruments

**Use of derivatives.** The Group uses derivative financial instruments exclusively for hedging financial risks that arise from its commercial business or refinancing activities. These are mainly interest rate risks, currency risks and commodity price risks. For these hedging purposes, the Group mainly uses currency forward transactions, cross currency interest rate swaps, interest rate swaps, options and commodity forwards.

**Fair values of hedging instruments.** Table [F.84](#) shows the fair values of hedging instruments at the end of the reporting period.

**Fair value hedges.** The Group uses fair value hedges primarily for hedging interest rate risks.

Net gains and losses from these hedging instruments and the changes in the value of the underlying transactions are presented in table [F.85](#).

**Cash flow hedges.** The Group uses cash flow hedges for hedging currency risks, interest rate risks and commodity price risks.

Unrealized pre-tax gains and losses on the measurement of derivatives, which are recognized during the period in other comprehensive income, are shown in table [F.86](#).

Table [F.87](#) gives an overview of the reclassifications of pre-tax gains/losses from equity to the statement of income for the period.

The unrealized pre-tax gains and losses on the measurement of derivatives as well as reclassifications of pre-tax gains and losses from equity to the statement of income do not include gains and losses from derivatives entered into by our equity-method investments (see Note 20 for further information).

Net profit for 2013 includes net losses (before income taxes) of €7 million (2012: €17 million) attributable to the ineffectiveness of derivative financial instruments entered into for hedging purposes.

In 2013, the discontinuation of cash flow hedges as a result of non-realizable hedged items resulted in losses of €8 million (2012: €11 million).

The maturities of the interest rate hedges and cross currency interest rate hedges as well as of the commodity hedges correspond with those of the underlying transactions. The realization of the underlying transactions of the cash flow hedges is expected to correspond with the maturities of the hedging transactions shown in table [F.88](#). As of December 31, 2013, Daimler utilized derivative instruments with a maximum maturity of 36 months (2012: 37 months) as hedges for currency risks arising from future transactions.

**Hedges of net investments in foreign operations.** Daimler also partially hedges the foreign currency risk of selected investments with the application of derivative financial instruments.

#### Nominal values of derivative financial instruments.

Table [F.88](#) shows the nominal values of derivative financial instruments entered into for the purpose of hedging currency risks, interest rate risks and commodity price risks that arise from the Group's operating and/or financing activities.

Most of the hedging transactions for which the effects from the mark-to-market valuation of the hedging instrument and the underlying transaction to a large extent offset each other in the consolidated statement of income are not classified for hedge accounting treatment.

Even if derivative financial instruments do not or no longer qualify for hedge accounting, these instruments are still hedging financial risks from the operative business. If the hedged item does not exist anymore or is not expected to occur anymore, the hedging instrument will be terminated.

Explanations of the hedging of exchange rate risks, interest rate risks and commodity price risks can be found in Note 32 in the sub-item "Finance market risk."

## F.88

### Nominal values of derivative financial instruments

	Nominal values	At December 31, 2013		At December 31, 2012
		Maturity ≤ 1 year	Maturity > 1 year	Nominal values
In millions of euros				
Hedging of currency risks from receivables/liabilities				
Forward exchange contracts	5,747	5,743	4	5,624
Cross currency interest rate swaps	4,776	1,108	3,668	7,047
thereof cash flow hedges	1,305	544	761	1,046
thereof fair value hedges	2,541	264	2,277	2,472
Hedging of currency risks from forecasted transactions				
Forward exchange contracts and currency options	30,439	21,211	9,228	31,794
thereof cash flow hedges	29,525	20,297	9,228	30,421
Hedging of currency risks of net investments in foreign operations				
Currency swaps				
thereof hedging of net investments in foreign operations	1,898	1,898	-	-
Hedging of interest rate risks from receivables/liabilities				
Interest rate swaps	29,656	6,144	23,512	26,249
thereof cash flow hedges	3,837	1,125	2,712	2,295
thereof fair value hedges	22,775	3,681	19,094	22,717
Hedging of commodity price risks from forecasted transactions				
Forward commodity contracts	1,389	654	735	1,598
thereof cash flow hedges	1,059	440	619	1,111
Total nominal values of derivative financial instruments	73,905	36,758	37,147	72,312
thereof cash flow hedges	35,726	22,406	13,320	34,873
thereof fair value hedges	25,316	3,945	21,371	25,189

## 32. Management of financial risks

### General information on financial risks

As a result of its businesses and the global nature of operations, Daimler is exposed in particular to market risks from changes in foreign currency exchange rates and interest rates, while commodity price risks arise from procurement. An equity price risk results from investments in listed companies (including Nissan, Renault, Kamaz and Tesla). In addition, the Group is exposed to credit risks from its leasing and financing activities and from its operating business (trade receivables). With regard to the leasing and financing activities, credit risks arise from operating lease contracts, finance lease contracts and financing contracts. Furthermore, the Group is exposed to liquidity risks relating to its credit and market risks or a deterioration of its operating business or financial market disturbances. If these financial risks materialize, they could adversely affect Daimler's financial position, cash flows and profitability.

Daimler has established guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlement, accounting and the related controlling. The guidelines upon which the Group's risk management processes for financial risks are based are designed to identify and analyze these risks throughout the Group, to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and products.

The Group manages and monitors these risks primarily through its operating and financing activities and, if required, through the use of derivative financial instruments. Daimler uses derivative financial instruments exclusively for hedging financial risks that arise from its commercial business or refinancing activities. Without these derivative financial instruments, the Group would be exposed to higher financial risks (additional information on financial instruments and especially on the nominal values of the derivative financial instruments used is included in Note 31). Daimler regularly evaluates its financial risks with due consideration of changes in key economic indicators and up-to-date market information.

Any market sensitive instruments including equity and debt securities that the funds hold to finance pension and other post-employment health care benefits are not included in the following quantitative and qualitative analysis. See Note 22 for additional information on Daimler's pension and other post-employment benefits.

### Credit risk

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt in accordance with the contractual terms. Credit risk encompasses both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risks.

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Table [7 F.89](#) shows the maximum risk positions.

**Liquid assets.** Liquid assets consist of cash and cash equivalents and marketable debt securities classified as available for sale. With the investment of liquid assets, banks and issuers of securities are selected very carefully and diversified in accordance with a limit system. In the past years, the limit methodology was continuously enhanced to counteract the increasing decline of the creditworthiness of the banking sector. Additionally, under consideration of the European sovereign debt crisis, liquid assets are increasingly also held at financial institutions outside Europe with high creditworthiness and as bonds issued by German federal states. At the same time, the Group has increased the number of financial institutions with which investments are made. In connection with investment decisions, priority is placed on the borrower's very high creditworthiness and on balanced risk diversification. The limits and their utilizations are reassessed continuously. In this assessment Daimler also considers the credit risk assessment of its counterparties by the capital markets. In line with the Group's risk policy, the principal portion of liquid assets is held in investments with an external rating of "A" or better.



**Receivables from financial services.** Daimler's financing and leasing activities are primarily focused on supporting the sales of the Group's automotive products. As a consequence of these activities, the Group is exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. Daimler Financial Services manages its credit risk irrespective of whether it is related to a financing contract or to an operating lease or a finance lease contract. For this reason, statements concerning the credit risk of Daimler Financial Services refer to the entire financing and leasing business, unless specified otherwise.

Exposure to credit risk from financing and lease activities is monitored based on the portfolio subject to credit risk. The portfolio subject to credit risk is an internal control quantity that consists of wholesale and retail receivables from financial services and the portion of the operating lease portfolio that is subject to credit risk. Receivables from financial services comprise claims arising from finance lease contracts and repayment claims from financing loans. The operating lease portfolio is reported under "Equipment on operating leases" in the Group's consolidated financial statements. Overdue lease payments from operating lease contracts are recognized in trade receivables.

In addition, the Daimler Financial Services segment is exposed to credit risk from irrevocable loan commitments to retailers and end customers. At December 31, 2013, irrevocable loan commitments of Daimler Financial Services amounted to €1,407 million (2012: €990 million), of which €1,004 million had a maturity of less than one year (2012: €640 million), €244 million had maturities between one and three years (2012: €176 million), €83 million had maturities between three and four years (2012: €133 million) and €76 million had maturities between four and five years (2012: €41 million).

The Daimler Financial Services segment has guidelines setting the framework for effective risk management at a global as well as at a local level. In particular, these rules deal with minimum requirements for all risk-relevant credit processes, the evaluation of customer quality, requests for collateral as well as the treatment of unsecured loans and non-performing claims. The limitation of concentration risks is implemented primarily by means of global limits, which refer to single customer exposures. As of December 31, 2013, exposure to the top 15 customers did not exceed 4.1% (2012: 3.9%) of the total portfolio.

With respect to its financing and lease activities, the Group holds collateral for customer transactions. The value of collateral generally depends on the amount of the financed assets. The financed vehicles usually serve as collateral. Furthermore, Daimler Financial Services mitigates the credit risk from financing and lease activities, for example through advance payments from customers.

Scoring systems are applied for the assessment of the default risk of retail and small business customers. Corporate customers are evaluated using internal rating instruments. Both evaluation processes use external credit bureau data if available. The scoring and rating results as well as the availability of security and other risk mitigation instruments, such as advance payments, guarantees and, to a lower extent, residual debt insurances, are essential elements for credit decisions.

Significant loans and leases to corporate customers are tested individually for impairment. An individual loan or lease is considered impaired when there is objective evidence that the Group will be unable to collect all amounts due as specified by the contractual terms. Examples of objective evidence that loans or lease receivables may be impaired include the following factors: significant financial difficulty of the borrower, a rising probability that the borrower will become bankrupt, delinquency in his installment payments, and restructured or renegotiated contracts to avoid immediate default.

## F.89

### Maximum risk positions of financial assets and loan commitments

	See also Note	Maximum risk position 2013	Maximum risk position 2012
In millions of euros			
Liquid assets		18,119	16,594
Receivables from financial services	14	50,770	49,060
Trade receivables	19	7,803	7,543
Derivative financial instruments used in hedge accounting (assets only)	16	1,703	1,364
Derivative financial instruments not used in hedge accounting (assets only)	16	350	341
Loan commitments	30	1,508	1,022
Other receivables and financial assets	16	2,136	2,224

Loans and finance lease receivables related to retail or small business customers are grouped into homogeneous pools and collectively assessed for impairment. Impairments are required for example if there are adverse changes in the payment status of the borrowers included in the pool, adverse changes in expected loss frequency and severity, and adverse changes in economic conditions.

Within the framework of testing for impairment, existing collateral is generally given due consideration. In that context, any excess collateral of individual customers is not netted off with insufficient collateral of other customers. The maximum credit risk is limited by the fair value of collateral (e.g. financed vehicles).

If, in connection with contracts, a worsening of payment behavior or other causes of a need for impairment are recognized, collection procedures are initiated by claims management to obtain the overdue payments of the customer, to take possession of the asset financed or leased or, alternatively, to renegotiate the impaired contract. Restructuring policies and practices are based on the indicators or criteria which, in the judgment of local management, indicate that repayment will probably continue and that the total proceeds expected to be derived from the renegotiated contract exceed the expected proceeds to be derived from repossession and remarketing.

Impairment losses have remained at the favorable low level of the previous year in a globally stable risk situation.

Further details on receivables from financial services and the balance of the recorded impairments are provided in Note 14.

**Trade receivables.** Trade receivables are mostly receivables from worldwide sales activities of vehicles and spare parts. The credit risk from trade receivables encompasses the default risk of customers, e.g. dealers and general distribution companies, as well as other corporate and private customers. Daimler manages its credit risk from trade receivables using appropriate IT applications and databases on the basis of internal guidelines which have to be followed globally.

A significant part of the trade receivables from each country's domestic business is secured by various country-specific types of collateral. This collateral includes conditional sales, guarantees and sureties as well as mortgages and cash deposits. In addition, Group companies counteract credit risk by means of credit assessments.

For trade receivables from export business, Daimler also evaluates each general distribution company's creditworthiness by means of an internal rating process and its country risk. In this context, the year-end financial statements and other relevant information on the general distribution companies such as payment history are used and assessed.

Depending on the creditworthiness of the general distribution companies, Daimler usually establishes credit limits and limits credit risks with the following types of collateral:

- credit insurances,
- first-class bank guarantees and
- letters of credit.

These procedures are defined in the export credit guidelines, which have Group-wide validity.

Appropriate provisions are recognized for the risks inherent in trade receivables. For this purpose, all receivables are regularly reviewed and impairments are recognized if there is any objective indication of non-performance or other contractual violations. In general, substantial individual receivables and receivables whose realizability is jeopardized are assessed individually. In addition, taking country-specific risks and any collateral into consideration, the other receivables are grouped by similarity of contract and tested for impairment collectively. One important factor for the definition of the impairment to be recognized is the respective country risk.

Further information on trade receivables and the status of impairments recognized is provided in Note 19.

**Derivative financial instruments.** The Group uses derivative financial instruments exclusively for hedging financial risks that arise from its commercial business or refinancing activities. Daimler manages the credit risk exposure in connection with derivative financial instruments through a limit system, which is based on the review of each counterparty's financial strength. This system limits and diversifies the credit risk. As a result, Daimler is exposed to credit risk only to a small extent with respect to its derivative financial instruments. In accordance with the Group's risk policy, most derivatives are contracted with counterparties which have an external rating of "A" or better.

**Other receivables and financial assets.** With respect to other receivables and financial assets in 2013 and 2012, Daimler is exposed to credit risk only to a small extent.

## Liquidity risk

Liquidity risk comprises the risk that a company cannot meet its financial obligations in full.

Daimler manages its liquidity by holding adequate volumes of liquid assets and by maintaining syndicated credit facilities in addition to the cash inflows generated by its operating business. Additionally, the possibility to securitize receivables of financial services business (ABS transactions) also reduces the Group's liquidity risk. Liquid assets comprise cash and cash equivalents as well as debt instruments classified as held for sale. The Group can dispose of these liquid assets at short notice.

In general, Daimler makes use of a broad spectrum of financial instruments to cover its funding requirements. Depending on funding requirements and market conditions, Daimler issues commercial paper, bonds and financial instruments secured by receivables in various currencies. In 2013, Daimler had very good access to the money and capital markets. Bank credit lines are also used to cover financing requirements.

In addition, customer deposits at Mercedes-Benz Bank have been used as a further source of refinancing.

The funds raised are used to finance the working capital and capital expenditure requirements as well as the cash needs of the lease and financing business and the unexpected liquidity needs. In accordance with internal guidelines, the refunding of the lease and financing business is generally carried out with matching maturities so that financing liabilities have the same maturity profile as the leased assets and the receivables from financial services.

At December 31, 2013 liquidity amounted to €18.1 billion (2012: €16.6 billion). In 2013, significant cash inflows resulted from the positive contributions to earnings from the automotive divisions and from the sale of the remaining EADS shares. Cash outflows mainly resulted from the acquisition of a 12% equity interest in BAIC Motor and from contributions to pension plan assets (see Notes 13 and 22).

At December 31, 2013 the Group had short-term and long-term credit lines totaling €35.4 billion, of which €15.0 billion were not utilized. These credit lines include a syndicated €9.0 billion credit facility of Daimler AG with five year tenor and two extension options of two years in total which was signed with a syndicate of international banks in September 2013. This syndicated facility serves as a back-up for commercial paper drawings and provides funds for general corporate purposes. At December 31, 2013, this facility had not been utilized.

From an operating point of view, the management of the Group's liquidity exposures is centralized by a daily cash pooling process. This process enables Daimler to manage its liquidity surplus and liquidity requirements according to the actual needs of the Group and each subsidiary. The Group's short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from the operating business.

Information on the Group's financing liabilities is also provided in Note 24.

Table [F.90](#) provides an insight into how the future liquidity situation of the Group is affected by the cash flows from liabilities and financial guarantees as of December 31, 2013.

## F.90

### Liquidity runoff for liabilities and financial guarantees<sup>1</sup>

	Total	2014	2015	2016	2017	2018	≥ 2019
In millions of euros							
Financing liabilities <sup>2</sup>	83,690	34,741	17,826	11,813	5,165	5,042	9,103
Derivative financial instruments <sup>3</sup>	1,191	457	289	96	126	95	128
Trade payables <sup>4</sup>	9,086	9,074	10	1	1	.	.
Miscellaneous other financial liabilities excluding accrued interest	6,575	5,354	467	315	214	81	144
Irrevocable loan commitments of the Daimler Financial Services segment and of Daimler AG <sup>5</sup>	1,508	1,025	65	258	83	77	-
Financial guarantees <sup>6</sup>	772	772	-	-	-	-	-
	102,822	51,423	18,657	12,483	5,589	5,295	9,375

1 The values were calculated as follows:

(a) If the counterparty can request payment at different dates, the liability is included on the basis of the earliest date on which Daimler can be required to pay. The customer deposits of Mercedes-Benz Bank are considered in this analysis to mature within the first year.

(b) The cash flows of floating interest financial instruments are estimated on the basis of forward rates.

2 The stated cash flows of financing liabilities consist of their undiscounted principal and interest payments.

3 The undiscounted sum of the net cash outflows of the derivative financial instruments are shown for the respective year. For single time bands, this may also include negative cash flows from derivatives with an overall positive fair value.

4 The cash outflows of trade payables are undiscounted.

5 The maximum available amounts are stated.

6 The maximum potential obligations under the issued guarantees are stated. It is assumed that the amounts are due within the first year.

## Finance market risks

The global nature of its businesses exposes Daimler to significant market risks resulting from fluctuations in foreign currency exchange rates and interest rates. In addition, the Group is exposed to market risks in terms of commodity price risk associated with its business operations, which the Group hedges partially through derivative financial instruments. The Group is also exposed to equity price risk in connection with its investments in listed companies (including Nissan, Renault, Kamaz and Tesla). If these market risks materialize, they will adversely affect the Group's financial position, cash flows and profitability.

Daimler manages market risks to minimize the impact of fluctuations in foreign exchange rates, interest rates and commodity prices on the results of the Group and its segments. The Group calculates its overall exposure to these market risks to provide the basis for hedging decisions, which include the selection of hedging instruments and the determination of hedging volumes and the corresponding periods. Decisions regarding the management of market risks resulting from fluctuations in foreign exchange rates, interest rates (asset-/liability management) and commodity prices are regularly made by the relevant Daimler risk management committees.

As part of its risk management system, Daimler employs value at risk. In performing these analyses, Daimler quantifies its market risk exposure to changes in foreign currency exchange rates and interest rates on a regular basis by predicting the maximum loss over a target time horizon (holding period) and confidence level.

The value at risk calculations employed:

- express potential losses in fair values, and
- assume a 99% confidence level and a holding period of five days.

Daimler calculates the value at risk for exchange rate and interest rate risk according to the variance-covariance approach. The value at risk calculation method for commodity hedging instruments is based on the Monte Carlo simulation.

When calculating the value at risk by using the variance-covariance approach, Daimler first computes the current fair value of the Group's financial instruments portfolio. Then the sensitivity of the portfolio value to changes in the relevant market risk factors, such as particular foreign currency exchange rates or interest rates of specific maturities, is quantified. Based on expected volatilities and correlations of these market risk factors, which are obtained from the RiskMetrics™ dataset, a statistical distribution of potential changes in the portfolio value at the end of the holding period is computed. The loss which is reached or exceeded with a probability of only 1% can be deduced from this calculation and represents the value at risk.

The Monte Carlo simulation uses random numbers to generate possible changes in market risk factors over the holding period. The changes in market risk factors indicate a possible change in the portfolio value. Running multiple repetitions of this simulation leads to a distribution of portfolio value changes. The value at risk can be determined based on this distribution as the portfolio value loss which is reached or exceeded with a probability of 1%.

Oriented towards the risk management standards of the international banking industry, Daimler maintains its financial controlling system independent of operating Corporate Treasury and with a separate reporting line.

**Exchange rate risk.** *Transaction risk and currency risk management.* The global nature of Daimler's businesses exposes cash flows and earnings to risks arising from fluctuations in exchange rates. These risks primarily relate to fluctuations between the US dollar and the euro, which also apply to the export of vehicles to China and between the British pound and the euro.

In the operating vehicle business, the Group's exchange rate risk primarily arises when revenue is generated in a currency that is different from the currency in which the costs of generating the revenue are incurred (transaction risk). When the revenue is converted into the currency in which the costs are incurred, it may be inadequate to cover the costs if the value of the currency in which the revenue is generated declined in the interim relative to the value of the currency in which the costs were incurred. This risk exposure primarily affects the Mercedes-Benz Cars segment, which generates a major portion of its revenue in foreign currencies and incurs manufacturing costs primarily in euros. The Daimler Trucks segment is also subject to transaction risk, but to a lesser extent because of its global production network. The Mercedes-Benz Vans and Daimler Buses segments are also directly exposed to transaction risk, but only to a minor degree compared to the Mercedes-Benz Cars and Daimler Trucks segments. In addition, the Group is indirectly exposed to transaction risk from its equity-method investments.

Cash inflows and outflows of the business segments are offset if they are denominated in the same currency. This means that the exchange rate risk resulting from revenue generated in a particular currency can be offset by costs in the same currency, even if the revenue arises from a transaction independent of that in which the costs are incurred. As a result, only the net exposure is subject to transaction risk. In addition, natural hedging opportunities exist to the extent that currency exposures of the operating businesses of individual segments offset each other at Group level, thereby reducing overall currency exposure. These natural hedges eliminate the need for hedging to the extent of the matched exposures. To provide an additional natural hedge against any remaining transaction risk exposure, Daimler generally strives to increase cash outflows in the same currencies in which the Group has a net excess inflow.



In order to mitigate the impact of currency exchange rate fluctuations for the operating business (future transactions), Daimler continually assesses its exposure to exchange rate risks and hedges a portion of those risks by using derivative financial instruments. Daimler's Foreign Exchange Committee (FXCo) manages the Group's exchange rate risk and its hedging transactions through currency derivatives. The FXCo consists of representatives of the relevant segments and central functions. The Corporate Treasury department aggregate foreign currency exposures from Daimler's subsidiaries and operative units and carries out the FXCo's decisions concerning foreign currency hedging through transactions with international financial institutions. Risk Controlling regularly informs the Board of Management of the actions taken by Corporate Treasury based on the FXCo's decisions.

The Group's targeted hedge ratios for forecasted operating cash flows in foreign currency are indicated by a reference model. On the one hand, the hedging horizon is naturally limited by uncertainty related to cash flows that lie far in the future; on the other hand, it may also be limited by the fact that appropriate currency contracts are not available. This reference model aims to protect the Group from unfavorable movements in exchange rates while preserving some flexibility to participate in favorable developments. Based on this reference model and depending on the market outlook, the FXCo determines the hedging horizon, which usually varies from one to three years, as well as the average hedge ratios. Reflecting the character of the underlying risks, the hedge ratios decrease with increasing maturities. At year-end 2013, centralized foreign exchange management showed an unhedged position in the automotive business for the underlying forecasted cash flows in US dollars in calendar year 2014 of 35% and for the underlying forecasted cash flows in British pounds in calendar year 2014 of 26%. The corresponding figures at year-end 2012 for calendar year 2013 were 27% for US dollars and 26% for British pounds. The higher unhedged US dollar position compared to last year contributes to a higher exposure of cash flows to currency risk with respect to the US dollar.

The hedged position of the operating vehicle businesses is influenced by the amount of derivative currency contracts held. The derivative financial instruments used to cover foreign currency exposure are primarily forward foreign exchange contracts and currency options. Daimler's guidelines call for a mixture of these instruments depending on the assessment of market conditions. Value at risk is used to measure the exchange rate risk inherent in these derivative financial instruments.

Table [7 F.91](#) shows the period-end, high, low and average value at risk figures of the exchange rate risk for the 2013 and 2012 portfolios of derivative financial instruments, which were entered into primarily in connection with the operative vehicle businesses. Average exposure has been computed on an end-of-quarter basis. The offsetting transactions underlying the derivative financial instruments are not included in the following value at risk presentation. See also table [7 F.88](#) for the nominal volumes on the balance sheet date of derivative currency instruments entered into to hedge the currency risk from forecasted transactions.

In 2013, the development of the value at risk from foreign currency hedging was mainly driven by the changes of foreign currency volatilities.

The Group's investments in liquid assets or refinancing activities generally are not allowed to result in currency risk. Transaction risks arising from liquid assets or payables in foreign currencies that result from the Group's investment or refinancing on money and capital markets are generally hedged against currency risks at the time of investing or refinancing in accordance with Daimler's internal guidelines. The Group uses appropriate derivative financial instruments (e.g. cross currency interest rate swaps) to hedge against currency risk.

Since currency risks arising from the Group's investment refinancing in foreign currencies and the respective hedging transactions principally offset each other, these financial instruments are not included in the value at risk calculation presented.

## F.91

### Value at risk for exchange rate risk, interest rate risk and commodity price risk

	2013				2012			
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Exchange rate risk (from derivative financial instruments)	442	784	386	527	510	821	510	652
Interest rate risk	37	59	28	42	33	53	33	43
Commodity price risk (from derivative financial instruments)	24	38	24	32	53	60	53	56

*Effects of currency translation.* For purposes of Daimler's consolidated financial statements, the income and expenses and the assets and liabilities of subsidiaries located outside the euro zone are converted into euros. Therefore, period-to-period changes in average exchange rates may cause translation effects that have a significant impact on, for example, revenue, segment results (EBIT) and assets and liabilities of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates. In general Daimler does not hedge against exchange rate translation risk.

**Interest rate risk.** Daimler uses a variety of interest rate sensitive financial instruments to manage the liquidity and cash needs of its day-to-day operations. A substantial volume of interest rate sensitive assets and liabilities results from the leasing and sales financing business operated by the Daimler Financial Services segment. The Daimler Financial Services companies enter into transactions with customers that primarily result in fixed-rate receivables. Daimler's general policy is to match funding in terms of maturities and interest rates wherever economically feasible. However, for a limited portion of the receivables portfolio in selected and developed markets, the Group does not match funding in terms of maturities in order to take advantage of market opportunities. As a result, Daimler is exposed to risks due to changes in interest rates. In this regard, the Group is not exposed to any liquidity risks.

An asset/liability committee consisting of members of the Daimler Financial Services segment, the Corporate Treasury department and the Corporate Controlling department manages the interest rate risk relating to Daimler's leasing and financing activities by setting targets for the interest rate risk position. The Treasury Risk Management department and the local Daimler Financial Services companies are jointly responsible for achieving these targets. As separate functions, the Daimler Financial Services Risk Management and the Daimler Financial Services Controlling & Reporting department monitors target achievement on a monthly basis. In order to achieve the targeted interest rate risk positions in terms of maturities and interest rate fixing periods, Daimler also uses derivative financial instruments such as interest rate swaps. Daimler assesses its interest rate risk position by comparing assets and liabilities for corresponding maturities, including the impact of the relevant derivative financial instruments.

Derivative financial instruments are also used in conjunction with the refinancing related to the industrial business. Daimler coordinates the funding activities of the industrial and financial services businesses at the Group level.

Table [7 F.91](#) shows the period-end, high, low and average value at risk figures of the interest rate risk for the 2013 and 2012 portfolio of interest rate sensitive financial instruments and derivative financial instruments of the Group, including the derivative financial instruments of the leasing and sales financing business. In this respect, the table shows the interest rate risk regarding the unhedged position of interest rate sensitive financial instruments. The average values have been computed on an end-of-quarter basis.

In the course of 2013, the development of the value at risk for interest rate sensitive financial instruments was primarily determined by the development of interest rate volatilities.

**Commodity price risk.** Daimler is exposed to the risk of changes in commodity prices in connection with procuring raw materials and manufacturing supplies used in production. A small portion of the raw material price risk, primarily relating to forecasted procurement of certain metals, is mitigated with the use of derivative financial instruments.

For precious metals, central commodity management shows an unhedged position of 27% of the forecasted commodity purchases at year-end 2013 for calendar year 2014. The corresponding figure at year-end 2012 was 29% for calendar year 2013.

Table [7 F.91](#) shows the period-end, high, low and average value at risk figures of the commodity price risk for the 2013 and 2012 portfolio of derivative financial instruments used to hedge raw material price risk. Average exposure has been computed on an end-of-quarter basis. The transactions underlying the derivative financial instruments are not included in the value at risk presentation. See also table [7 F.88](#) for the nominal values of derivative commodity price hedges at the balance sheet date.

Compared to the previous year the value at risk has been reduced. Main reasons for this development were the declining volatilities and the lower price levels of the respective commodities.

**Equity price risk.** Daimler predominantly holds investments in shares of companies, which are classified as long-term investments, such as Nissan or Renault or which are accounted for using the equity method, such as Kamaz or Tesla. Therefore, the Group does not include these investments in its equity price risk assessment.

In connection with investment in RRPS by RRPSH, Rolls-Royce has granted Daimler AG the right to exercise a put option on the shares it holds in RRPSH (see also Note 13). Furthermore, Daimler has hedged the equity price risk respectively limited the equity price chance of its equity interest in Tesla through a combination of put options purchased and call options sold. Derivative financial instruments that hedge Daimler's investments are also not included in a market risk analysis.

### 33. Segment reporting

**Reportable segments.** The reportable segments of the Group are Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Financial Services. The segments are largely organized and managed separately according to nature of products and services provided, brands, distribution channels and profile of customers.

The vehicle segments develop and manufacture passenger cars and off-road vehicles, trucks, vans and buses. Mercedes-Benz Cars sells passenger cars and off-road vehicles under the Mercedes-Benz brand and small cars under the smart brand. Daimler Trucks distributes its trucks under the brand names Mercedes-Benz, Freightliner, FUSO, Western Star, Thomas Built Buses and BharatBenz. The vans of the Mercedes-Benz Vans segment are primarily sold under the brand name Mercedes-Benz and also under the Freightliner brand. Daimler Buses sells completely built-up buses under the brand names Mercedes-Benz and Setra. In addition, Daimler Buses produces and sells bus chassis. The vehicle segments also sell related spare parts and accessories.

The Daimler Financial Services segment supports the sales of the Group's vehicle segments worldwide. Its product portfolio mainly comprises tailored financing and leasing packages for customers and dealers. The segment also provides services such as insurance, fleet management, investment products and credit cards.

**Management reporting and controlling systems.** The Group's management reporting and controlling systems principally use accounting policies that are the same as those described in Note 1 in the summary of significant accounting policies according to IFRS.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as "EBIT" in our management and reporting system.

EBIT is the measure of segment profit/loss used in segment reporting and comprises gross profit, selling and general administrative expenses, research and non-capitalized development costs, other operating income and expense, and our share of profit/loss from investments accounted for using the equity method, net, as well as other financial income/expense, net. Although amortization of capitalized borrowing costs is included in cost of sales, it is not included in EBIT.

Intersegment revenue is generally recorded at values that approximate third-party selling prices.

Segment assets principally comprise all assets. The industrial business segments' assets exclude income tax assets, assets from defined pension benefit plans and other post-employment benefit plans, and certain financial assets (including liquidity).

Segment liabilities principally comprise all liabilities. The industrial business segments' liabilities exclude income tax liabilities, liabilities from defined pension benefit plans and other post-employment benefit plans, and certain financial liabilities (including financing liabilities).

Daimler Financial Services' performance is measured on the basis of return on equity, which is the usual procedure in the banking business.

The residual value risks associated with the Group's operating leases and finance lease receivables are primarily borne by the vehicle segments that manufactured the leased equipment. Risk sharing is based on agreements between the respective vehicle segments and Daimler Financial Services; the terms vary by vehicle segment and geographic region.

Non-current assets consist of intangible assets, property, plant and equipment and equipment on operating leases.

Capital expenditures for property, plant and equipment and intangible assets reflect the cash effective additions to these property, plant and equipment and intangible assets as far as they do not relate to capitalized borrowing costs, goodwill and finance leases.

Amortization of capitalized borrowing costs is not included in the amortization of intangible assets or depreciation of property, plant and equipment since it is not considered as part of EBIT.

**Reconciliation.** "Reconciliation" includes corporate items for which headquarters are responsible. Transactions between the segments are eliminated in the context of consolidation and the eliminated amounts are included in the reconciliation.

The effects of certain legal proceedings are excluded from the operative results and liabilities of the segments if such items are not indicative of the segments' performance, since their related results of operations may be distorted by the amount and the irregular nature of such events. This may also be the case for items that refer to more than one reportable segment.

Reconciliation also includes corporate projects and equity interests not allocated to the segments. If the Group hedges investments in associated companies for strategic reasons, the related financial assets and earnings effects are generally not allocated to the segments.

## F.92

### Segment information

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total Segments	Reconciliation	Consolidated Group
In millions of euros								
<b>2013</b>								
External revenue	61,883	29,431	9,021	4,044	13,603	117,982	-	117,982
Intersegment revenue	2,424	2,042	348	61	919	5,794	-5,794	-
<b>Total revenue</b>	<b>64,307</b>	<b>31,473</b>	<b>9,369</b>	<b>4,105</b>	<b>14,522</b>	<b>123,776</b>	<b>-5,794</b>	<b>117,982</b>
Segment profit (EBIT)	4,006	1,637	631	124	1,268	7,666	3,149	10,815
thereof share of profit/loss from investments accounted for using the equity method	-127	69	3	1	1	-53	3,398	3,345
thereof expenses from compounding of provisions and changes in discount rates	-57	-20	-8	-3	-5	-93	-2	-95
Segment assets	46,752	21,105	5,578	3,256	89,370	166,061	2,457	168,518
thereof investments accounted for using the equity method	706	2,109	2	6	13	2,836	596	3,432
Segment liabilities	28,917	11,005	3,987	2,403	82,774	129,086	-3,931	125,155
Additions to non-current assets	11,110	1,960	1,196	384	8,301	22,951	70	23,021
thereof investments in intangible assets	1,533	166	189	6	38	1,932	-	1,932
thereof investments in property, plant and equipment	3,710	839	288	76	19	4,932	43	4,975
Depreciation and amortization of non-current assets	3,857	1,457	375	200	2,824	8,713	35	8,748
thereof amortization of intangible assets	961	316	65	23	11	1,376	-	1,376
thereof depreciation of property, plant and equipment	1,972	784	151	72	14	2,993	-1	2,992
In millions of euros								
<b>2012</b>								
External revenue	59,829	29,085	8,731	3,866	12,786	114,297	-	114,297
Intersegment revenue	1,831	2,304	339	63	764	5,301	-5,301	-
<b>Total revenue</b>	<b>61,660</b>	<b>31,389</b>	<b>9,070</b>	<b>3,929</b>	<b>13,550</b>	<b>119,598</b>	<b>-5,301</b>	<b>114,297</b>
Segment profit (EBIT)	4,391	1,695	543	-221	1,293	7,701	1,119	8,820
thereof share of profit/loss from investments accounted for using the equity method	-4	72	-79	1	-16	-26	1,224	1,198
thereof expenses from compounding of provisions and changes in discount rates	-317	-109	-43	-14	-4	-487	-17	-504
Segment assets	43,628	21,422	5,129	3,230	85,517	158,926	4,136	163,062
thereof investments accounted for using the equity method	662	2,236	1	5	13	2,917	1,387	4,304
Segment liabilities	27,969	10,542	3,814	2,229	79,425	123,979	-247	123,732
Additions to non-current assets	10,254	2,236	988	365	7,564	21,407	-32	21,375
thereof investments in intangible assets	1,334	265	173	27	30	1,829	1	1,830
thereof investments in property, plant and equipment	3,495	989	223	82	23	4,812	15	4,827
Depreciation and amortization of non-current assets	3,490	1,356	387	178	2,474	7,885	-5	7,880
thereof amortization of intangible assets	835	245	78	12	11	1,181	-1	1,180
thereof depreciation of property, plant and equipment	1,860	799	141	75	14	2,889	-2	2,887



**Information related to geographic areas.** With respect to information about geographical regions, revenue is allocated to countries based on the location of the customer; non-current assets are presented according to the physical location of these assets.

Table [F.92](#) presents segment information as of and for the years ended December 31, 2013 and 2012.

**Daimler Trucks.** In January 2013, Daimler Trucks decided on workforce adjustments in Germany and Brazil. Expenses recorded in this regard amounted to €116 million in 2013, of which €50 million was already cash effective (see also Note 5).

**Daimler Buses.** In the first half of 2012, Daimler Buses decided to restructure some sections of its business system in Europe and North America. Expenses recorded in this regard amounted to €39 million in 2013 (2012: €155 million). The respective cash outflows amounted to €39 million in 2013 (2012: €28 million) (see also Note 5).

**Daimler Financial Services.** The interest income and interest expenses of Daimler Financial Services are included in revenue and cost of sales, and are presented in Notes 4 and 5.

**Reconciliations.** Reconciliations of the total segment amounts to respective items included in financial statements are presented in table [F.93](#).

In 2013, the reconciliation to Group EBIT includes in the line item “Share of profit from investments accounted for using the equity method” mainly profit from the revaluation and disposal of the remaining 7.4% of the EADS shares in the amount of €3,356 million (from the disposal of EADS shares in 2012: €913 million). Furthermore, it includes the profit from accounting the EADS shares using the equity method until losing significant influence in the amount of €41 million (2012: €311 million) (see Note 13).

The reconciliation to Group EBIT includes in the line item “Other corporate items” the loss from the disposal of the EADS shares in the amount of €140 million which is disclosed within line item other financial income, net.

**Revenue and non-current assets by region.** Revenue from external customers and non-current assets by region are shown in table [F.94](#).

## F.93

### Reconciliation to Group figures

	2013	2012
In millions of euros		
Total segments' profit (EBIT)	7,666	7,701
Share of profit from investments accounted for using the equity method <sup>1</sup>	3,398	1,224
Other corporate items	-331	-113
Eliminations	82	8
Group EBIT	10,815	8,820
Amortization of capitalized borrowing costs <sup>3</sup>	-4	0
Interest income	212	233
Interest expense	-884	-937
Profit before income taxes	10,139	8,116
Total of segments' assets	166,061	158,926
Investments accounted for using the equity method <sup>2</sup>	596	1,387
Income tax assets <sup>4</sup>	1,939	2,633
Unallocated financial assets (including liquidity) and assets from defined benefit plans <sup>4</sup>	14,560	13,816
Other corporate items and eliminations	-14,638	-13,700
Group assets	168,518	163,062
Total of segments' liabilities	129,086	123,979
Income tax liabilities <sup>4</sup>	61	-84
Unallocated financial liabilities and liabilities from defined benefit plans <sup>4</sup>	11,551	14,350
Other corporate items and eliminations	-15,543	-14,513
Group liabilities	125,155	123,732

1 Includes mainly the Group's proportionate share in the investment and results of EADS.

2 Includes mainly the equity investment in BAIC Motor in 2013 and the equity investment in EADS in 2012.

3 Amortization of capitalized borrowing costs is not considered in internal performance measure “EBIT”, but is included in cost of sales.

4 Industrial business

## F.94

### Revenue and non-current assets by region

	2013	2012	2013	2012
		Revenue by region		Non-current assets by region
In millions of euros				
Western Europe	41,123	39,377	38,371	34,993
thereof Germany	20,227	19,722	32,070	29,889
United States	28,597	27,233	14,839	13,889
Other American Countries	10,168	9,734	2,496	2,715
Asia	24,481	25,126	1,667	2,035
thereof China	10,705	10,782	41	46
Other countries	13,613	12,827	1,954	1,910
	117,982	114,297	59,327	55,542

### 34. Capital management

“Net assets” and “value added” represent the basis for capital management at Daimler. The assets and liabilities of the segments in accordance with IFRS provide the basis for the determination of net assets at Group level. The industrial segments are accountable for the operational net assets; all assets, liabilities and provisions which they are responsible for in day-to-day operations are therefore allocated to them. Performance measurement at Daimler Financial Services is on an equity basis, in line with the usual practice in the banking business. Net assets at Group level additionally include assets and liabilities from income taxes as well as other corporate items and eliminations.

#### F.95

##### Average net assets

	2013	2012
In millions of euros		
Mercedes-Benz Cars	16,658	14,107
Daimler Trucks	10,571	11,082
Mercedes-Benz Vans	1,547	1,302
Daimler Buses	1,068	1,157
Daimler Financial Services <sup>1</sup>	6,607	5,871
<b>Net assets of the segments</b>	<b>36,451</b>	<b>33,519</b>
Investments accounted for using the equity method <sup>2</sup>	638	1,938
Assets and liabilities from income taxes <sup>3</sup>	2,479	1,256
Other corporate items and eliminations <sup>3</sup>	1,080	808
<b>Net assets Daimler Group</b>	<b>40,648</b>	<b>37,521</b>

1 Equity

2 Unless allocated to segments

3 Industrial business

#### F.96

##### Earnings per share

	2013	2012
In millions of euros		
Profit attributable to shareholders of Daimler AG – basic	6,842	6,428
Diluting effects on net profit	–	–
<b>Profit attributable to shareholders of Daimler AG – diluted</b>	<b>6,842</b>	<b>6,428</b>
In millions of shares		
Weighted average number of shares outstanding – basic	1,068.8	1,066.8
Dilutive effect of stock options	0.3	0.3
<b>Weighted average number of shares outstanding – diluted</b>	<b>1,069.1</b>	<b>1,067.1</b>

The average annual net assets are calculated from the average quarterly net assets. The average quarterly net assets are calculated as an average of the net assets at the beginning and the end of the quarter and are shown in table [F.95](#).

The cost of capital of the Group’s average net assets is reflected in “value added.” Value added shows to which extent the Group achieves or exceeds the minimum return requirements of the shareholders and creditors, thus creating additional value. The required rate of return on net assets, and thus the cost of capital, are derived from the minimum rates of return that investors expect on their invested capital. The Group’s cost of capital comprises the cost of equity as well as the costs of debt and pension obligations of the industrial business; in addition, the expected returns on liquidity and on the plan assets of the pension funds of the industrial business are considered with the opposite sign. In the reporting period, the cost of capital used for our internal capital management amounted to 8% after taxes.

The objective of capital management is to increase value added among other things by optimizing the cost of capital. This is achieved on the one hand by the management of the net assets, for instance by optimizing working capital, which is in the operational responsibility of the segments. In addition, taking into account legal regulations, Daimler strives to optimize the capital structure and, consequently, the cost of capital under cost and risk aspects. Examples for this include a balanced relationship between equity and financial liabilities as well as an appropriate level of liquidity, oriented towards the operational requirements.

### 35. Earnings per share

The computation of basic and diluted earnings per share for net profit attributable to shareholders of Daimler AG is shown in table [F.96](#).

The computations of diluted earnings per share for 2012 do not include stock options for the acquisition of 2.3 million Daimler ordinary shares, that were issued in connection with the stock option plan, because the options’ underlying exercise prices were higher than the average market prices of Daimler ordinary shares in 2012.

### 36. Related party relationships

Related parties are deemed to be associated companies, joint ventures and non-consolidated subsidiaries as well as persons who exercise a significant influence on the financial and business policy of the Daimler Group. The latter category includes all persons in key positions and their close family members. At the Daimler Group, those persons are the members of the Board of Management and of the Supervisory Board.

Most of the goods and services supplied within the ordinary course of business between the Group and related parties comprise transactions with associated companies and joint ventures and are included in table [F.97](#).

**Associated companies.** A large proportion of the sales and purchases of goods and services with associated companies results from business relations with Rolls-Royce Power Systems Holding GmbH (RRPSH) and/or Tognum AG (Tognum), which is a subsidiary of RRPSH, and MBtech Group GmbH & Co. KGaA (MBtech Group). Tognum purchases engines, parts and services from the Group. MBtech Group develops, integrates and tests components, systems, modules and vehicles worldwide.

On February 1, 2013, Daimler, Beijing Automotive Group Co., Ltd. (BAIC Group) and BAIC Motor Corporation Ltd. (BAIC Motor) signed a binding agreement according to which Daimler will invest in BAIC Motor. BAIC Motor is the passenger-car unit of BAIC Group, one of the leading automotive companies in China. On November 18, 2013, this transaction closed and BAIC Motor issued new shares to Daimler representing a 12% stake in BAIC Motor for a purchase price of €627 million including incidental acquisition costs. Daimler received two seats on the board of directors of BAIC Motor. In December 2013, the shareholders of BAIC Motor declared a dividend to its shareholders to be paid, of which €23 million are attributable to Daimler. The Group is in the process to perform an allocation of the purchase price on the identifiable assets and liabilities.

## F.97

### Transactions with associated companies and joint ventures

	Sales of goods and services and other income		Purchases of goods and services and other expense		Receivables at December 31,		Payables at December 31,	
	2013	2012	2013	2012	2013	2012	2013	2012
In millions of euros								
Associated companies	1,184	811	417	425	713	212	61	69
Joint ventures	2,034	2,695	390	360	234	627	54	21
thereof BBAC	1,685	1,640	54	23	569	372	12	5

Together with the investment of Daimler in BAIC Motor, BAIC Motor increased its stake in BBAC by 1% to 51% on November 18, 2013. As a result of this transaction, Daimler's equity interest in BBAC decreased to 49% and the Group classified the investment in BBAC as an associated company; the company was accounted for as a joint venture until the end of the third quarter of 2013. The effect of the change of status of BBAC was not material; BBAC is furthermore accounted using the equity-method.

BBAC produces and markets Mercedes-Benz vehicles in China for the Daimler Group. Daimler already contributed additional equity of €0.2 billion to the joint venture BBAC in 2013. In addition, Daimler plans to contribute further equity of €0.2 billion to the joint venture in 2014. Additional funds needed by BBAC to fund its investments will be directly raised on the capital markets by BBAC. In December 2013, the shareholders of BBAC declared a dividend to its shareholders, of which €101 million are attributable to Daimler. The respective receivable against BBAC is included in the table [↗ F.97](#).

In connection with the Group's 45% equity interest in Toll Collect GmbH, Daimler has provided a number of guarantees for Toll Collect, which are not included in table [↗ F.97](#) (€100 million as of December 31, 2013 and €110 million as of December 31, 2012).

**Joint ventures.** The transactions with joint ventures predominantly relate to the business relationship with BBAC (see information under section associated companies).

Together with the investment of Daimler in BAIC Motor, Daimler increased its stake in the integrated sales joint venture Beijing Mercedes-Benz Sales Service Co., Ltd. by 1% to 51% on November 18, 2013.

Until the end of March 2013, further significant sales and purchases of goods and services were related to Mercedes-Benz Österreich Vertriebsgesellschaft, which distributes cars and spare parts of the Group. In March 2013, the remaining shares of the entity were acquired together with other Pappas Group entities.

The Group also has substantial business relations with the Chinese joint venture Fujian Benz Automotive Co. Ltd. (FBAC). FBAC produces and distributes vans under the Mercedes-Benz brand name in China. In 2013, a new research and development center of Mercedes-Benz Vans was opened in China. A total of approximately €60 million was invested in the new center.

In December 2011, the joint venture company Beijing Foton Daimler Automotive Co., Ltd. (BFDA) was established by Daimler and the Chinese truck manufacturer Beiqi Foton Motor Co., Ltd.. Daimler committed to making a cash contribution to the joint venture company and to establishing the production of a truck engine at BFDA. In 2012, capital of €344 million was injected.

The joint ventures Mercedes-Benz Trucks Vostok OAO and Fuso Kamaz Trucks Rus Ltd., which have been established with Kamaz OAO, another of the Group's associates, produce and distribute trucks of the Mercedes-Benz and FUSO brands and distribute buses of the Mercedes-Benz and Setra brands in Russia. As part of their strategic partnership, Daimler and Russian truck manufacturer Kamaz signed licensing agreements on Axor and Atego cab production and also a contract covering the supply of engines and axles for the Russian company's trucks and buses.

**Contributions to plan assets.** In 2013 and 2012, the Group made contributions of €560 million and €1,084 million to its external funds to cover pension and other post-employment benefits. For further information, see also Note 22.

**Board members.** Throughout the world, the Group has business relationships with numerous entities that are customers and/or suppliers of the Group. Those customers and/or suppliers include companies that have a connection with some of the members of the Board of Management or of the Supervisory Board and close family members of these board members of Daimler AG or its subsidiaries.

Board of Management and Supervisory Board members and close family members of these board members may also purchase goods and services from Daimler AG or its subsidiaries as customers. When such business relationships exist, transactions are concluded on the basis of customary market conditions.

For information on the remuneration of board members, see Note 37.



### 37. Remuneration of the members of the Board of Management and the Supervisory Board

Remuneration granted to the members of the Board of Management and the Supervisory Board who were active as of December 31, 2013, affected net profit for the year ended December 31 as presented in table [F.98](#).

Expenses for variable remuneration with long-term incentive effect, as shown in table [F.98](#), result from the ongoing measurement at fair value at each balance sheet date of all rights granted and not yet forfeited under the Performance Phantom Share Plans (PPSP). In addition, the measurement at their intrinsic values of the stock options granted in 2004 is included. In 2013, the active members of the Board of Management were granted 251,359 (2012: 242,332) phantom shares in connection with the PPSP; the fair value of these phantom shares at the grant date was €10.9 million (2012: €11.4 million). According to Section 314 Subsection 1 Number 6a of the German Commercial Code (HGB) the overall remuneration granted to the members of the Board of Management, excluding service cost resulting from entitlements to post-employment benefits, amounted to €32.1 million (2012: €28.2 million). For additional information on share-based payment of the members of the Board of Management, see Note 21.

The members of the Supervisory Board are solely granted short-term benefits for their board and committee activities, except for remuneration and other benefits paid to those members representing the employees in accordance with their contracts of employment. No remuneration was paid for services provided personally beyond board and committee activities, in particular for advisory or agency services, in 2013 or 2012.

No advances or loans were made to members of the Board of Management or members of the Supervisory Board of Daimler AG.

The payments made in 2013 to former members of the Board of Management of Daimler AG and their survivors amounted to €14.6 million (2012: €15.4 million). The pension provisions for former members of the Board of Management and their survivors amounted to €217.0 million as of December 31, 2013 (2012: €225.9 million).

Information regarding the remuneration of the members of the Board of Management and of the Supervisory Board is disclosed on an individual basis in the Remuneration Report, which is part of the Management Report.

[Management Report from page 119](#)

### F.98

#### Remuneration of the members of the Board of Management and the Supervisory Board

	2013	2012
In millions of euros		
Remuneration granted to the members of the Board of Management		
Fixed remuneration	9.1	7.5
Short-term variable remuneration	6.1	4.7
Mid-term variable remuneration	6.6	4.0
Variable remuneration with a long-term incentive effect	40.6	20.2
Post-employment benefits (service cost)	2.5	2.4
Termination benefits	-	-
	<b>64.9</b>	<b>38.8</b>
Remuneration granted to the members of the Supervisory Board		
	<b>3.0</b>	<b>3.0</b>
	<b>67.9</b>	<b>41.8</b>

### 38. Principal accountant fees

The shareholders of Daimler AG elected KPMG AG Wirtschaftsprüfungsgesellschaft as the external auditor at the Annual Shareholders' Meeting held on April 10, 2013. The fees paid for services provided by KPMG AG Wirtschaftsprüfungsgesellschaft and companies of the worldwide KPMG group are shown in table [F.99](#).

#### F.99

##### Accountant fees

	2013	2012
In millions of euros		
Audit of financial statements	24	24
thereof in Germany	10	10
Other attestation services	13	15
thereof in Germany	10	9
Tax consulting	2	.
thereof in Germany	2	.
Other services	3	4
thereof in Germany	2	3
	<b>42</b>	<b>43</b>

#### F.100

Name of the company	Renault SA <sup>2</sup>	Nissan Motor Company Ltd. <sup>3</sup>
Headquarters of the company	Boulogne-Billancourt, France	Tokyo, Japan
Equity interest in % <sup>1</sup>	3.1	3.1
Total equity in millions of euros	22,837	30,887
Net profit in millions of euros	586	3,201

1 As of December 31, 2013.

2 Based on IFRS consolidated financial statements for the year ended December 31, 2013.

3 Based on national consolidated financial statements for the year ended March 31, 2013.

The annual audit fees are for the audit of the consolidated financial statements and the company financial statements of Daimler AG and all subsidiaries included in the Group's consolidated financial statements. Fees for other attestation services include in particular the review of the interim IFRS financial statements (2013: €5 million; 2012: €5 million) and fees relating to the audit of the internal control system (2013: €3 million; 2012: €3 million). The remaining fees primarily relate to project-related reviews performed in the context of the introduction of IT systems, attestation services in connection with capital market actions, other assurance services and to a small extent voluntary audits.

The Audit Committee of the Supervisory Board of Daimler AG prepares a recommendation each year on the appointment of the auditor it has classified as independent. The independent auditor is then elected by the Annual Shareholders' Meeting of Daimler AG on the basis of the recommendation of the Supervisory Board. After the external auditor is appointed, the Audit Committee approves the conditions, scope and fees for the audit services.

For all other permissible attestation services and other services (so-called non-audit services), the Audit Committee has implemented an approval process to monitor the independence of the external auditor, which regulates the principles and procedure of an advance approval of non-audit services by means of a clearly defined catalogue of services.

### 39. Additional information

**German Corporate Governance Code.** The Board of Management and the Supervisory Board of Daimler AG have issued a declaration pursuant to Section 161 of the German Stock Corporation Act and have made it permanent available to their shareholders on Daimler's website at [www.daimler.com/company/organization-and-management/corporate-governance/declaration](http://www.daimler.com/company/organization-and-management/corporate-governance/declaration).

**Third-party companies.** At December 31, 2013, the Group was a shareholder of the companies included in table [F.100](#) that meet the criteria of a significant third-party company as defined by the German Corporate Governance Code.

**Information on investments.** The statement of investments of Daimler AG pursuant to Sections 285 and 313 of the German Commercial Code (HGB) is presented in table [F.101](#). Information on equity and earnings is omitted pursuant to Section 286 Subsection 3 Sentence 1 No. 1 of the HGB respectively Section 313 Subsection 2 No. 4 Sentence 3 of the HGB if such information is of minor relevance for a fair presentation of the financial position, cash flows and profitability of Daimler AG or if according to Section 285 No. 11 and 11a of the HGB respectively Section 313 Subsection 2 No. 4 of the HGB no obligation exists. In addition, it is indicated in the statement of investments (footnote 2) which consolidated companies make use of the exemption pursuant to Section 264 Subsection 3 or Section 264b of the HGB. The consolidated financial statements of Daimler AG release those subsidiaries from the requirements that would otherwise apply.

## F.101

## Statement of investments of Daimler AG

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Equity in millions of €	Net income (loss) in millions of €	Footnote
<b>A. Subsidiaries</b>					
<b>I. Consolidated companies</b>					
Anlagenverwaltung Daimler AG & Co. OHG Berlin	Schönefeld, Germany	100.00	328	21	2
Atlantis Foundries (Pty.) Ltd.	Atlantis Industria, Republic of South Africa	100.00	-	-	
Banco Mercedes-Benz do Brasil S.A.	São Paulo, Brazil	100.00	396	-35	
Belerofonte Empreendimentos Imobiliários Ltda.	São Paulo, Brazil	100.00	-	-	
BlackStar InvestCo LLC	Wilmington, USA	100.00	-	-	
Brooklands Estates Management Limited	Milton Keynes, United Kingdom	100.00	-	-	
Campo Largo Comercio de Veículos e Peças Ltda.	São Bernardo do Campo, Brazil	100.00	-	-	
car2go Canada Ltd.	Vancouver, Canada	100.00	-	-	
car2go Deutschland GmbH	Esslingen am Neckar, Germany	100.00	-	-	
car2go Europe GmbH	Esslingen am Neckar, Germany	75.00	-	-	
car2go Italia S.R.L.	Milan, Italy	100.00	-	-	
car2go N.A. LLC	Austin, Texas	100.00	5	-14	
car2go Nederland B.V.	Amsterdam, Netherlands	100.00	-	-	
car2go Österreich GmbH	Vienna, Austria	100.00	-	-	
car2go UK Ltd.	Birmingham, United Kingdom	100.00	-	-	
CARS Technik & Logistik GmbH	Wiedemar, Germany	100.00	-	-	2, 8
CLIDET NO 1048 (Proprietary) Limited	Centurion, Republic of South Africa	100.00	-	-	
Comercial Mercedes-Benz, S.A.	Madrid, Spain	100.00	-	-	
Commercial Vehicles of South Florida Inc.	Pompano Beach, USA	100.00	-	-	
Conemaugh Hydroelectric Projects, Inc.	Farmington Hills, USA	100.00	-	-	
Coventry Lane Holdings, L.L.C.	Farmington Hills, USA	100.00	-	-	
DAF Investments, Ltd.	Farmington Hills, USA	100.00	-	-	
Daimler AC Leasing, d.o.o.	Ljubljana, Slovenia	52.00	-	-	
Daimler AG & Co. Wertpapierhandel OHG	Schönefeld, Germany	100.00	-	-	2, 9
Daimler Australia/Pacific Pty. Ltd.	Melbourne, Australia	100.00	104	89	12
Daimler Automotive de Venezuela C.A.	Valencia, Venezuela	100.00	-	-	
Daimler Buses North America Inc.	Oriskany, USA	100.00	-	-	
Daimler Buses North America Ltd.	Oriskany, USA	100.00	-	-	
Daimler Buses North Carolina LLC	Greensboro, USA	100.00	-	-	
Daimler Canada Finance Inc.	Montreal, Canada	100.00	-	-	
Daimler Canada Investments Company	Halifax, Canada	100.00	90	168	12
Daimler Capital Services LLC	Farmington Hills, USA	100.00	-	-	
Daimler Colombia S. A.	Bogota D.C., Colombia	100.00	-	-	
Daimler Export and Trade Finance GmbH	Berlin, Germany	100.00	-	-	2, 8
Daimler Finance North America LLC	Wilmington, USA	100.00	-	-	
Daimler Financial Services AG	Stuttgart, Germany	100.00	1,215	-	2, 8, 10
Daimler Financial Services India Private Limited	Chennai, India	100.00	-	-	
Daimler Financial Services Japan Co., Ltd.	Kawasaki, Japan	100.00	-	-	
Daimler Financial Services México, S. de R.L. de C.V.	Mexico City, Mexico	100.00	-	-	
Daimler Financial Services, S.A. de C.V., S.O.F.O.M., E.N.R.	Mexico City, Mexico	100.00	-	-	
Daimler Fleet Management GmbH	Stuttgart, Germany	100.00	1	-	2, 8, 10
Daimler Fleet Management Singapore Pte. Ltd.	Singapore, Singapore	100.00	-	-	
Daimler Fleet Management South Africa (Pty.) Ltd.	Centurion, Republic of South Africa	65.00	23	15	
Daimler Fleet Management UK Limited	Milton Keynes, United Kingdom	100.00	-	-	
Daimler Fleet Services A.S.	Istanbul, Turkey	100.00	-	-	
Daimler FleetBoard GmbH	Stuttgart, Germany	100.00	5	-	2, 8
Daimler Greater China Ltd.	Beijing, PR China	100.00	662	87	
Daimler India Commercial Vehicles Private Limited	Chennai, India	100.00	167	-146	15
Daimler Insurance Agency LLC	Farmington Hills, USA	100.00	-	-	
Daimler Insurance Services GmbH	Stuttgart, Germany	100.00	-	-	2, 8
Daimler Insurance Services Japan Co., Ltd.	Tokyo, Japan	100.00	-	-	
Daimler Insurance Services UK Limited	Milton Keynes, United Kingdom	100.00	-	-	
Daimler International Finance B.V.	Utrecht, Netherlands	100.00	30	-10	10
Daimler Investments US Corporation	Montvale, USA	100.00	13,401	-51	12
Daimler Luft- und Raumfahrt Holding AG	Stuttgart, Germany	100.00	3,445	-	8
Daimler Manufactura, S.A. de C.V.	Mexico City, Mexico	100.00	-	-	

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Equity in millions of €	Net income (loss) in millions of €	Footnote
Daimler Mexico, S.A. de C.V.	Mexico City, Mexico	100.00	327	64	12
Daimler Middle East & Levant FZE	Dubai, United Arab Emirates	100.00	-	-	
Daimler Mobility Services GmbH	Ulm, Germany	100.00	12	-	2, 8
Daimler Motors Investments LLC	Farmington Hills, USA	100.00	-	-	
Daimler Nederland B.V.	Utrecht, Netherlands	100.00	-	-	
Daimler North America Corporation	Montvale, USA	100.00	5,261	668	12
Daimler North America Finance Corporation	Newark, USA	100.00	32,199	363	12
Daimler Northeast Asia Parts Trading and Services Co., Ltd.	Beijing, PR China	100.00	93	38	
Daimler Re Brokers GmbH	Bremen, Germany	74.90	-	-	2, 8
Daimler Re Insurance S.A. Luxembourg	Luxembourg, Luxembourg	100.00	-	-	
Daimler Real Estate GmbH	Berlin, Germany	100.00	-	-	2, 8
Daimler Retail Receivables LLC	Farmington Hills, USA	100.00	-	-	
DAIMLER SERVICIOS CORPORATIVOS MEXICO S. DE R.L. DE C.V.	Mexico City, Mexico	100.00	-	-	
Daimler South East Asia Pte. Ltd.	Singapore, Singapore	100.00	-	-	
Daimler Tractocamiones S. de R.L. de C.V.	Mexico City, Mexico	99.98	-	-	
Daimler Trucks and Buses (China) Ltd.	Beijing, PR China	100.00	-	-	
Daimler Trucks Canada Ltd.	Mississauga, Canada	100.00	-66	16	12
Daimler Trucks Korea Ltd.	Seoul, South Korea	100.00	24	15	
Daimler Trucks North America LLC	Portland, USA	100.00	1,953	432	12
Daimler Trucks Remarketing Corporation	Portland, USA	100.00	-	-	
Daimler Trust Holdings LLC	Farmington Hills, USA	100.00	-	-	
Daimler Trust Leasing Conduit LLC	Farmington Hills, USA	100.00	-	-	
Daimler Trust Leasing LLC	Farmington Hills, USA	100.00	-	-	
Daimler UK Limited	Milton Keynes, United Kingdom	100.00	490	103	
Daimler Vans Hong Kong Limited	Hong Kong, PR China	67.55	-	-	
Daimler Vans Manufacturing, LLC	Ladson, USA	100.00	-	-	
Daimler Vans USA, LLC	Montvale, USA	100.00	-	-	
Daimler Vehículos Comerciales Mexico S. de R.L. de C.V.	Mexico City, Mexico	100.00	114	26	10
Daimler Vermögens- und Beteiligungsgesellschaft mbH	Stuttgart, Germany	100.00	8,687	-	2, 8
Daimler Verwaltungsgesellschaft für Grundbesitz mbH	Schönefeld, Germany	100.00	3,697	-	2, 8
Daimler Vorsorge und Versicherungsdienst GmbH	Berlin, Germany	100.00	-	-	2, 8
Daimspan S.L.	Madrid, Spain	100.00	1,436	40	
Daiprodc Mexico S. de R.L. de C.V.	Mexico City, Mexico	100.00	-	-	
DCS UTI LLC, Mercedes Series	Farmington Hills, USA	100.00	-	-	
Detroit Diesel Corporation	Detroit, USA	100.00	186	109	12
Detroit Diesel Remanufacturing LLC	Detroit, USA	100.00	55	16	12
Detroit Diesel Remanufacturing Mexicana, S. de R.L. de C.V.	Toluca, Mexico	100.00	-	-	
Detroit Diesel-Allison de Mexico, S. de R.L. de C.V.	San Juan Ixtacala, Mexico	100.00	-	-	
Deutsche Accumotive GmbH & Co. KG	Kirchheim unter Teck, Germany	90.00	-	-	2
EHG Elektroholding GmbH	Stuttgart, Germany	100.00	1,130	-	2, 8
EvoBus (Schweiz) AG	Kloten, Switzerland	100.00	-	-	
EvoBus (U.K.) Ltd.	Coventry, United Kingdom	100.00	-	-	
EvoBus Austria GmbH	Wiener Neudorf, Austria	100.00	-	-	
EvoBus Belgium N.V.	Kobbegem-Asse, Belgium	100.00	-	-	
EvoBus Bohemia s.r.o.	Prague, Czech Republic	100.00	-	-	
EvoBus Danmark A/S	Koege, Denmark	100.00	-	-	
EvoBus France S.A.S.	Sarcelles, France	100.00	-	-	
EvoBus GmbH	Kirchheim unter Teck, Germany	100.00	293	-	2, 8
EvoBus Ibérica, S. A.	Sámamo, Spain	100.00	-	-	
EvoBus Italia S.p.A.	Bomporto, Italy	100.00	-	-	
EvoBus Nederland B.V.	Nijkerk, Netherlands	100.00	-	-	
EvoBus Polska Sp. z o.o.	Wolica, Poland	100.00	-	-	
EvoBus Portugal, S.A.	Mem Martins, Portugal	100.00	-	-	
EvoBus Sverige AB	Vetlanda, Sweden	100.00	-	-	
Florida Detroit Diesel-Allison, Inc.	Miami, USA	100.00	28	12	12
Freightliner Custom Chassis Corporation	Gaffney, USA	100.00	25	55	12
Freightliner Holding Ltd.	Calgary, Canada	100.00	-	-	
Freightliner Ltd.	Portland, USA	100.00	276	-10	12
Grundstücksverwaltungsgesellschaft Daimler AG & Co. OHG	Schönefeld, Germany	100.00	465	13	2



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Grundstücksverwaltungsgesellschaft EvoBus GmbH & Co. OHG	Schönefeld, Germany	100.00	146	17	2, 9
Grundstücksverwaltungsgesellschaft Henne-Unimog GmbH & Co. OHG	Schönefeld, Germany	100.00	-	-	2
Grundstücksverwaltungsgesellschaft Mercedes-Benz AG & Co. OHG	Schönefeld, Germany	100.00	4,457	495	2
Henne-Unimog GmbH	Kirchheim-Heimstetten, Germany	100.00	-	-	2, 8
Intrepid Insurance Company	Farmington Hills, USA	100.00	-	-	-
Invema Assessoria Empresarial Ltda	São Paulo, Brazil	100.00	-	-	-
Koppieview Property (Pty) Ltd.	Zwartkop, Republic of South Africa	100.00	-	-	-
MBarc Credit Canada Inc.	Mississauga, Canada	100.00	-	-	-
MDC Power GmbH	Kölleda, Germany	100.00	8	-	2, 8
MDC Technology GmbH	Arnstadt, Germany	100.00	-	-	2, 8
Mercedes AMG High Performance Powertrains Ltd.	Brixworth, United Kingdom	100.00	-	-	-
Mercedes-AMG GmbH	Affalterbach, Germany	100.00	21	-	2, 8
Mercedes-Benz - Aluguer de Veículos, Unipessoal Lda.	Mem Martins, Portugal	100.00	-	-	-
Mercedes-Benz (China) Ltd.	Beijing, PR China	75.00	790	642	-
Mercedes-Benz (Thailand) Limited	Bangkok, Thailand	100.00	61	67	-
Mercedes-Benz (Yangzhou) Parts Distribution Co., Ltd.	Yangzhou, PR China	100.00	-	-	-
Mercedes-Benz Accessories GmbH	Stuttgart, Germany	100.00	5	-	2, 8
Mercedes-Benz AG & Co. Grundstücksvermietung Objekt Franken KG	Schönefeld, Germany	90.00	-	-	6
Mercedes-Benz AG & Co. Grundstücksvermietung Objekt Germersheim Betriebsvorrichtungen OHG	Schönefeld, Germany	99.00	-	-	5, 6, 9
Mercedes-Benz AG & Co. Grundstücksvermietung Objekt Germersheim KG	Schönefeld, Germany	99.00	-	-	5, 6
Mercedes-Benz AG & Co. Grundstücksvermietung Objekt Rhein-Main OHG	Schönefeld, Germany	90.00	-	-	6, 9
Mercedes-Benz AG & Co. Grundstücksvermietung Objekt Südwest KG	Schönefeld, Germany	99.00	-	-	5, 6
Mercedes-Benz AG & Co. Grundstücksvermietung Objekte Baden-Baden und Dresden OHG	Düsseldorf, Germany	100.00	-	-	6, 9
Mercedes-Benz AG & Co. Grundstücksvermietung Objekte Leipzig und Magdeburg KG	Schönefeld, Germany	100.00	-	-	6
Mercedes-Benz Antwerpen N.V.	Antwerp, Belgium	100.00	-	-	-
Mercedes-Benz Argentina S.A.	Buenos Aires, Argentina	100.00	161	19	10
Mercedes-Benz Asia GmbH	Stuttgart, Germany	100.00	-	-	2, 8
Mercedes-Benz Australia/Pacific Pty Ltd.	Melbourne, Australia	100.00	332	74	12
Mercedes-Benz Auto Finance Ltd.	Beijing, PR China	100.00	396	26	-
Mercedes-Benz Auto Lease Trust 2012-A	Wilmington, USA	0.00	-	-	6
Mercedes-Benz Auto Lease Trust 2012-1	Wilmington, USA	0.00	-	-	6
Mercedes-Benz Auto Lease Trust 2013-A	Wilmington, USA	0.00	-	-	6
Mercedes-Benz Auto Lease Trust 2013-B	Wilmington, USA	0.00	-	-	6
Mercedes-Benz Auto Receivables Trust 2011-1	Wilmington, USA	0.00	-	-	6
Mercedes-Benz Auto Receivables Trust 2012-1	Wilmington, USA	0.00	-	-	6
Mercedes-Benz Auto Receivables Trust 2013-1	Wilmington, USA	0.00	-	-	6
Mercedes-Benz Bank AG	Stuttgart, Germany	100.00	916	-	8, 10
Mercedes-Benz Bank Polska S.A.	Warsaw, Poland	100.00	-	-	-
Mercedes-Benz Bank Rus OOO	Moscow, Russian Federation	100.00	116	46	10
Mercedes-Benz Bank Service Center GmbH	Berlin, Germany	100.00	-	-	-
Mercedes-Benz Banking Service GmbH	Saarbrücken, Germany	100.00	-	-	2, 8
Mercedes-Benz Belgium Luxembourg S.A.	Brussels, Belgium	100.00	-	-	-
Mercedes-Benz Bordeaux S.A.S.	Begles, France	100.00	-	-	-
Mercedes-Benz Broker Biztosítási Alkusz Hungary Kft.	Budapest, Hungary	100.00	-	-	-
Mercedes-Benz Brooklands Limited	Milton Keynes, United Kingdom	100.00	-	-	-
Mercedes-Benz Canada Inc.	Toronto, Canada	100.00	-26	37	-
Mercedes-Benz Česká republika s.r.o.	Prague, Czech Republic	100.00	-	-	-
Mercedes-Benz CharterWay España, S.A.	Alcobendas, Spain	100.00	-	-	-
Mercedes-Benz CharterWay Gesellschaft mit beschränkter Haftung	Berlin, Germany	100.00	1	-	2, 8, 10
Mercedes-Benz CharterWay S.A.S.	Le Chesnay, France	100.00	-	-	-
Mercedes-Benz CharterWay S.p.A.	Rome, Italy	100.00	-	-	-
Mercedes-Benz Comercial Valencia, S.A.	Valencia, Spain	100.00	-	-	-

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Mercedes-Benz Comercial, Unipessoal Lda.	Mem Martins, Portugal	100.00	-	-	
Mercedes-Benz Compañía Financiera Argentina S.A.	Buenos Aires, Argentina	100.00	-	-	
Mercedes-Benz Corretora de Seguros Ltda	São Paulo, Brazil	99.98	-	-	
Mercedes-Benz Côte d'Azur SAS	Villeneuve-Loubet, France	100.00	-	-	
Mercedes-Benz CPH A/S	Herlev, Denmark	100.00	-	-	
Mercedes-Benz Credit Pénzügyi Szolgáltató Hungary Zrt.	Budapest, Hungary	100.00	-	-	
Mercedes-Benz Danmark A/S	Copenhagen, Denmark	100.00	-	-	
Mercedes-Benz Dealer Bedrijven B.V.	The Hague, Netherlands	100.00	-	-	
Mercedes-Benz Desarrollo de Mercados, S. de R.L. de C.V.	Mexico City, Mexico	100.00	-	-	
Mercedes-Benz do Brasil Assessoria Comercial Ltda.	São Paulo, Brazil	100.00	-	-	
Mercedes-Benz do Brasil Ltda.	São Bernardo do Campo, Brazil	100.00	1,073	63	
Mercedes-Benz Drogenbos N.V.	Drogenbos, Belgium	100.00	-	-	
Mercedes-Benz Espana, S.A.	Alcobendas, Spain	99.96	351	45	
Mercedes-Benz Finance China Ltd.	Hong Kong, PR China	100.00	-	-	
Mercedes-Benz Finance Co., Ltd.	Tokyo, Japan	90.00	-	-	
Mercedes-Benz Financial Services Australia Pty. Ltd.	Melbourne, Australia	100.00	102	22	
Mercedes-Benz Financial Services Austria GmbH	Salzburg, Austria	100.00	-	-	
Mercedes-Benz Financial Services BeLux NV	Brussels, Belgium	100.00	-	-	
Mercedes-Benz Financial Services Canada Corporation	Mississauga, Canada	100.00	116	60	12
Mercedes-Benz Financial Services Česká republika s.r.o.	Prague, Czech Republic	100.00	51	11	
Mercedes-Benz Financial Services España, E.F.C., S.A.	Alcobendas, Spain	100.00	-	-	
Mercedes-Benz Financial Services France S.A.	Bailly, France	100.00	220	2	
Mercedes-Benz Financial Services Hellas Vehicle Sales and Rental SA	Kifissia, Greece	100.00	-	-	
Mercedes-Benz Financial Services Hong Kong Ltd.	Hong Kong, PR China	80.00	-	-	
Mercedes-Benz Financial Services Italia SpA	Rome, Italy	100.00	-	-	
Mercedes-Benz Financial Services Korea Ltd.	Seoul, South Korea	80.00	-	-	
Mercedes-Benz Financial Services Nederland B.V.	Utrecht, Netherlands	100.00	93	18	
Mercedes-Benz Financial Services New Zealand Ltd.	Auckland, New Zealand	100.00	-	-	
Mercedes-Benz Financial Services Portugal - Instituição Financeira de Crédito S.A.	Mem Martins, Portugal	100.00	-	-	
Mercedes-Benz Financial Services Rus OOO	Moscow, Russian Federation	100.00	104	13	10
Mercedes-Benz Financial Services Schweiz AG	Schlieren, Switzerland	100.00	-	-	
Mercedes-Benz Financial Services Singapore Ltd.	Singapore, Singapore	85.00	-	-	
Mercedes-Benz Financial Services Slovakia s.r.o.	Bratislava, Slovakia	75.00	-	-	
Mercedes-Benz Financial Services South Africa (Pty) Ltd.	Centurion, Republic of South Africa	100.00	97	18	
Mercedes-Benz Financial Services Taiwan Ltd.	Taipei, Taiwan	100.00	-	-	
Mercedes-Benz Financial Services UK Limited	Milton Keynes, United Kingdom	100.00	369	48	10
Mercedes-Benz Financial Services USA LLC	Farmington Hills, USA	100.00	1,260	255	12
Mercedes-Benz Finans Danmark A/S	Copenhagen, Denmark	100.00	-	-	
Mercedes-Benz Finans Sverige AB	Malmö, Sweden	100.00	-	-	
Mercedes-Benz Finansal Kiralama Türk A.S.	Istanbul, Turkey	100.00	-	-	
Mercedes-Benz Finansman Türk A.S.	Istanbul, Turkey	100.00	112	15	
Mercedes-Benz Försäljnings AB	Malmö, Sweden	100.00	-	-	
Mercedes-Benz France S.A.S.	Le Chesnay, France	100.00	340	-1	
Mercedes-Benz Gent N.V.	Gent, Belgium	100.00	-	-	
Mercedes-Benz Grand Prix Ltd.	Brackley, United Kingdom	60.00	-12	-61	
Mercedes-Benz Hellas S.A.	Kifissia, Greece	100.00	50	11	12
Mercedes-Benz Hong Kong Limited	Hong Kong, PR China	100.00	31	10	
Mercedes-Benz India Private Limited	Pune, India	100.00	-	-	
Mercedes-Benz Insurance Broker SRL	Bucharest, Romania	100.00	-	-	
Mercedes-Benz Insurance Services Nederland B.V.	Utrecht, Netherlands	100.00	-	-	
Mercedes-Benz Insurance Services Taiwan Ltd.	Taipei, Taiwan	100.00	-	-	
Mercedes-Benz Italia S.p.A.	Rome, Italy	100.00	246	-33	
Mercedes-Benz Japan Co., Ltd.	Tokyo, Japan	100.00	371	24	10
Mercedes-Benz Korea Limited	Seoul, South Korea	51.00	79	20	
Mercedes-Benz Leasing (Thailand) Co., Ltd.	Bangkok, Thailand	100.00	-	-	
Mercedes-Benz Leasing Co., Ltd.	Beijing, PR China	100.00	-	-	
Mercedes-Benz Leasing do Brasil Arrendamento Mercantil S.A.	Barueri, Brazil	100.00	-	-	
Mercedes-Benz Leasing GmbH	Stuttgart, Germany	100.00	36	-	2, 8, 10

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Equity in millions of €	Net income (loss) in millions of €	Footnote
Mercedes-Benz Leasing Hrvatska d.o.o.	Zagreb, Croatia	100.00	-	-	
Mercedes-Benz Leasing IFN SA	Bucharest, Romania	100.00	-	-	
Mercedes-Benz Leasing Kft.	Budapest, Hungary	100.00	-	-	
Mercedes-Benz Leasing Polska Sp. z o.o.	Warsaw, Poland	100.00	-	-	
Mercedes-Benz Leasing Taiwan Ltd.	Taipei, Taiwan	100.00	-	-	
Mercedes-Benz Leasing Treuhand GmbH	Stuttgart, Germany	100.00	-	-	2, 8
Mercedes-Benz Ludwigsfelde GmbH	Ludwigsfelde, Germany	100.00	-	-	2, 8
Mercedes-Benz Luxembourg S.A.	Luxembourg, Luxembourg	90.00	-	-	
Mercedes-Benz Lyon S.A.S.	Lyon, France	100.00	-	-	
Mercedes-Benz Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	51.00	30	25	
Mercedes-Benz Manhattan, Inc.	New York, USA	100.00	-	-	
Mercedes-Benz Manufacturing (Thailand) Limited	Bangkok, Thailand	100.00	-	-	
Mercedes-Benz Manufacturing Hungary Kft.	Kecskemét, Hungary	100.00	148	28	10
Mercedes-Benz Master Owner Trust	Wilmington, USA	0.00	-	-	6
Mercedes-Benz Mexico, S. de R.L. de C.V.	Mexico City, Mexico	100.00	19	20	
Mercedes-Benz Milano S.p.A.	Milan, Italy	100.00	24	-13	
Mercedes-Benz Minibus GmbH	Dortmund, Germany	100.00	-	-	2, 8
Mercedes-Benz Mitarbeiter-Fahrzeuge Leasing GmbH	Stuttgart, Germany	100.00	-	-	2, 8
Mercedes-Benz Molsheim S.A.S.	Molsheim, France	100.00	-	-	
Mercedes-Benz Nederland B.V.	Utrecht, Netherlands	100.00	227	20	10
Mercedes-Benz New Zealand Ltd.	Auckland, New Zealand	100.00	-	-	
Mercedes-Benz Ninove N.V.	Ninove, Belgium	100.00	-	-	
Mercedes-Benz Paris SAS	Le Port-Marly, France	100.00	-	-	
Mercedes-Benz Polska Sp. z o.o	Warsaw, Poland	100.00	-	-	
Mercedes-Benz Portugal, S.A.	Mem Martins, Portugal	100.00	-	-	
Mercedes-Benz Renting, S.A.	Alcobendas, Spain	100.00	-	-	
Mercedes-Benz Research & Development North America, Inc.	Palo Alto, USA	100.00	-	-	
Mercedes-Benz Retail Group UK Limited	Milton Keynes, United Kingdom	100.00	72	18	
Mercedes-Benz Risk Solutions South Africa (Pty.) Ltd.	Centurion, Republic of South Africa	100.00	-	-	
Mercedes-Benz Roma S.p.A.	Rome, Italy	100.00	-	-	
Mercedes-Benz Romania S.R.L.	Bucharest, Romania	100.00	-	-	
Mercedes-Benz Russia SAO	Moscow, Russian Federation	100.00	271	25	10
Mercedes-Benz Schweiz AG	Schlieren, Switzerland	100.00	92	26	
Mercedes-Benz Service Leasing SRL	Bucharest, Romania	100.00	-	-	
Mercedes-Benz Services Correduria de Seguros, S.A.	Alcobendas, Spain	100.00	-	-	
Mercedes-Benz Services Malaysia Sdn Bhd	Petaling Jaya, Malaysia	100.00	-	-	
Mercedes-Benz Servizi Assicurativi Italia S.p.A.	Rome, Italy	100.00	-	-	
Mercedes-Benz Sigorta Aracilik Hizmetleri A.S.	Istanbul, Turkey	100.00	-	-	
Mercedes-Benz Sosnowiec Sp. z o.o.	Sosnowiec, Poland	100.00	-	-	
Mercedes-Benz South Africa Ltd	Pretoria, Republic of South Africa	100.00	582	126	
Mercedes-Benz Srbija i Crna Gora d.o.o.	Belgrade, Serbia	100.00	-	-	
Mercedes-Benz Sverige AB	Malmö, Sweden	100.00	-	-	
Mercedes-Benz Taiwan Ltd.	Taipei, Taiwan	51.00	72	14	
Mercedes-Benz Technical Center Nederland B.V.	Nijkerk, Netherlands	100.00	-	-	
Mercedes-Benz Türk A.S.	Istanbul, Turkey	66.91	788	163	12
Mercedes-Benz U.S. International, Inc.	Vance, USA	100.00	129	31	12
Mercedes-Benz UK Limited	Milton Keynes, United Kingdom	100.00	228	57	
Mercedes-Benz USA, LLC	Montvale, USA	100.00	189	84	12
Mercedes-Benz V.I. Lille SAS	Vendeville, France	100.00	-	-	
Mercedes-Benz V.I. Lyon SAS	Genas, France	100.00	-	-	
Mercedes-Benz V.I. Paris Ile de France SAS	Herblay, France	100.00	-	-	
Mercedes-Benz V.I. Toulouse SAS	Fenouillet, France	100.00	-	-	
Mercedes-Benz Vietnam Ltd.	Ho Chi Minh City, Vietnam	70.00	-	-	
Mercedes-Benz Warszawa Sp. z o.o.	Warsaw, Poland	100.00	-	-	
Mercedes-Benz Waterloo S.A.	Waterloo, Belgium	100.00	-	-	
Mercedes-Benz Wavre S.A.	Wavre, Belgium	100.00	-	-	
Mercedes-Benz Wommel N.V.	Wommel, Belgium	100.00	-	-	
Mercedes-Benz Wholesale Receivables LLC	Wilmington, USA	100.00	-	-	
MFTA Canada, Inc.	Toronto, Canada	100.00	-	-	
Micro Compact Car smart North N.V./S.A.	Brussels, Belgium	100.00	-	-	
Mitsubishi Fuso Truck and Bus Corporation	Kawasaki, Japan	89.29	398	292	10

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Equity in millions of €	Net income (loss) in millions of €	Footnote
Mitsubishi Fuso Truck Europe Sociedade Europeia de Automoveis, S. A.	Tramagal, Portugal	100.00	-	-	
Mitsubishi Fuso Truck of America, Inc.	Logan Township, USA	100.00	-	-	
Multistate LIHTC Holdings III Limited Partnership	Farmington Hills, USA	100.00	-	-	
MVSA COMPANY, INC.	Jacksonville, USA	100.00	-	-	
N.V. Mercedes-Benz Aalst	Erembodegem, Belgium	100.00	-	-	
N.V. Mercedes-Benz Mechelen	Mechelen, Belgium	100.00	-	-	
NuCellSys GmbH	Kirchheim unter Teck, Germany	100.00	-	-	
ogotrac France S.A.S.	Paris, France	100.00	-	-	
Outer Drive - Atlantic LLC	Lodi, USA	100.00	40	12	12
Outer Drive Holdings LLC	Detroit, USA	100.00	-	-	
P.T. Mercedes-Benz Distribution Indonesia	Jakarta, Indonesia	100.00	-	-	
P.T. Mercedes-Benz Indonesia	Bogor, Indonesia	100.00	-	-	
P.T. Star Engines Indonesia	Bogor, Indonesia	100.00	-	-	
Renting del Pacifico S.A.C.	Lima, Peru	0.00	-	-	6
Sandown Motor Holdings (Pty) Ltd	Bryanston, Republic of South Africa	50.10	-	-	
SelecTrucks of America LLC	Portland, USA	100.00	-	-	
SelecTrucks of Toronto, Inc.	Mississauga, Canada	100.00	-	-	
Setra of North America, Inc.	Greensboro, USA	100.00	-	-	
Silver Arrow S.A.	Luxembourg, Luxembourg	0.00	-	-	6
smart France S.A.S.	Hambach, France	100.00	-	-	
smart Vertriebs gmbh	Berlin, Germany	100.00	-	-	2, 8
Starexport Trading S.A.	São Bernardo do Campo, Brazil	100.00	402	-28	
Sterling Truck Corporation	Portland, USA	100.00	-471	-3	12
Suffolk Leasing, Inc.	Farmington Hills, USA	100.00	-	-	
Sumperská správa majetku k.s.	Prague, Czech Republic	100.00	-	-	
Taunus-Auto-Verkaufs GmbH	Wiesbaden, Germany	100.00	-	-	2, 8
Thomas Built Buses of Canada Limited	Woodstock, Canada	100.00	-	-	
Thomas Built Buses, Inc.	High Point, USA	100.00	51	18	12
Tróia Empreendimentos Imobiliários Ltda.	São Paulo, Brazil	100.00	-	-	
Trona Cogeneration Corporation	Farmington Hills, USA	100.00	-	-	
Western Star Trucks Sales, Inc	Portland, USA	100.00	-5	-10	12
1145820 Ontario Limited	Oriskany, USA	100.00	-	-	
3218095 Nova Scotia Company	Halifax, Canada	100.00	91	176	12
6353 Sunset Boulevard, Inc.	Hollywood, USA	100.00	-	-	

## II. Non-consolidated companies<sup>3</sup>

AEG do Brasil Produtos Eletricos e Eletronicos Ltda.	São Paulo, Brazil	100.00	-	-	
AEG INDIA LIMITED	Bangalore, India	100.00	-	-	
AEG Olympia Office GmbH	Stuttgart, Germany	100.00	-	-	8
Anota Fahrzeug Service- und Vertriebsgesellschaft mbH	Berlin, Germany	100.00	-	-	8
Automotive Training & Consulting GmbH	Stuttgart, Germany	100.00	-	-	8
Brefa Bremsen- und Fahrzeugdienst AG (in Liquidation)	Niederzier, Germany	100.00	-	-	5
Circulo Cerrado S.A. de Ahorro para Fines Determinados	Buenos Aires, Argentina	71.30	-	-	
Columbia Freightliner, LLC	Columbia, USA	100.00	-	-	
Cúspide GmbH	Stuttgart, Germany	100.00	-	-	
Daimler AG & Co. Anlagenverwaltung OHG	Ludwigsfelde, Germany	100.00	-	-	9
Daimler Aviation South Africa (Pty) Ltd.	Pretoria, Republic of South Africa	100.00	-	-	
Daimler Culture Development Co., Ltd.	Beijing, PR China	50.00	-	-	6
Daimler Financial Services UK Trustees Ltd.	Milton Keynes, United Kingdom	100.00	-	-	
Daimler FleetBoard UK Ltd.	Tamworth, United Kingdom	100.00	-	-	
Daimler Group Services Berlin GmbH	Berlin, Germany	100.00	-	-	8
Daimler Group Services Madrid, S.A.	San Sebastián de los Reyes, Spain	100.00	-	-	
Daimler Group Services Philippines, Inc.	Cebu City, Philippines	99.99	-	-	
Daimler International Assignment Services USA, LLC	Farmington Hills, USA	100.00	-	-	
Daimler IT Retail GmbH	Böblingen, Germany	100.00	1	-	8
Daimler Mitarbeiter Wohnfinanz GmbH	Stuttgart, Germany	100.00	-	-	8
Daimler Parts Brand GmbH	Stuttgart, Germany	100.00	-	-	8
Daimler Protics GmbH	Stuttgart, Germany	100.00	-	-	8
Daimler Purchasing Coordination Corp.	Farmington Hills, USA	100.00	-	-	
Daimler Starmark A/S	Horsholm, Denmark	100.00	-	-	



Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Equity in millions of €	Net income (loss) in millions of €	Footnote
Daimler TSS GmbH	Ulm, Germany	100.00	-	-	8
Daimler UK Share Trustee Ltd.	Milton Keynes, United Kingdom	100.00	-	-	
Daimler UK Trustees Limited	Milton Keynes, United Kingdom	100.00	-	-	
Daimler Unterstützungskasse GmbH	Stuttgart, Germany	100.00	1,242	-6	11, 14
Dasa Aircraft Finance XV B.V.	Amsterdam, Netherlands	100.00	-	-	
Deméter Empreendimentos Imobiliários Ltda.	São Paulo, Brazil	100.00	-	-	
Deutsche Accumotive Verwaltungs-GmbH	Kirchheim unter Teck, Germany	90.00	-	-	
Eishin Jidosha Kogyo Co., Ltd.	Yamaguchi, Japan	100.00	-	-	
EvoBus Reunion S. A.	Le Port, France	94.33	-	-	
EvoBus Romania SRL	Bucharest, Romania	100.00	-	-	
EvoBus Russland OOO	Moscow, Russian Federation	100.00	-	-	
France Aircraft Finance III B.V.	Amsterdam, Netherlands	100.00	-	-	
France Aircraft Finance V B.V.	Amsterdam, Netherlands	100.00	-	-	
Fünfte Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	-	-	
Gemini-Tur Excursoes Passagens e Turismo Ltda.	São Paulo, Brazil	100.00	-	-	
Grundstücksverwaltungsgesellschaft Daimler Wohnungsbau GmbH & Co. OHG	Schönefeld, Germany	100.00	-	-	
Grundstücksverwaltungsgesellschaft Porcher & Meffert GmbH & Co. OHG	Schönefeld, Germany	100.00	-	-	
Grundstücksverwaltungsgesellschaft Taunus-Auto-Verkaufs-GmbH & Co. OHG	Schönefeld, Germany	100.00	-	-	9
Lapland Car Test Aktiebolag	Arvidsjaur, Sweden	100.00	-	-	
Legend Investments Ltd.	Milton Keynes, United Kingdom	100.00	-	-	
MB GTC GmbH Mercedes-Benz Gebrauchtteile Center	Neuhausen, Germany	100.00	-	-	8
MB Relationship Marketing S.r.l.	Milan, Italy	100.00	-	-	
Mercedes-Benz Adm. Consorcios Ltda.	São Bernardo do Campo, Brazil	100.00	-	-	
Mercedes-Benz Capital Services NV	Brussels, Belgium	100.00	-	-	
Mercedes-Benz Customer Assistance Center Maastricht N.V.	Maastricht, Netherlands	100.00	-	-	
Mercedes-Benz Egypt S.A.E.	Cairo, Egypt	100.00	-	-	
Mercedes-Benz G GmbH	Raaba, Austria	100.00	-	-	
Mercedes-Benz GastroService GmbH	Gaggenau, Germany	100.00	-	-	8
Mercedes-Benz Hungária Kft.	Budapest, Hungary	100.00	-	-	
Mercedes-Benz Manufacturing South Africa (Pty) Ltd.	East London, Republic of South Africa	100.00	-	-	
Mercedes-Benz Museum GmbH	Stuttgart, Germany	100.00	-	-	8
Mercedes-Benz Österreich GmbH	Salzburg, Austria	100.00	-	-	
Mercedes-Benz Project Consult GmbH	Stuttgart, Germany	100.00	-	-	8
Mercedes-Benz Research and Development India Private Limited	Bangalore, India	100.00	-	-	
Mercedes-Benz Slovakia s.r.o.	Bratislava, Slovakia	51.00	-	-	
Mercedes-Benz Solihull Ltd.	Milton Keynes, United Kingdom	100.00	-	-	
Mercedes-Benz TrailerAxleSystems Southern Europe S.A.S.	Le Chesnay, France	100.00	-	-	
Mercedes-Benz Ubezpieczenia Sp. z o.o.	Warsaw, Poland	100.00	-	-	
Mercedes-Benz Venezuela S.A.	Valencia, Venezuela	100.00	-	-	
Mercedes-Benz Vertriebsgesellschaft mbH	Berlin, Germany	100.00	-	-	8
MercedesService Card Beteiligungsgesellschaft mbH	Kleinostheim, Germany	51.00	-	-	
MercedesService Card GmbH & Co. KG	Kleinostheim, Germany	51.00	-	-	
MILON Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald, Germany	95.00	-	-	6
Mitsubishi Fuso Bus Manufacturing Co., Ltd.	Toyama, Japan	100.00	-	-	
Monarch Cars (Tamworth) Ltd.	Milton Keynes, United Kingdom	100.00	-	-	
Montajes y Estampaciones Metálicas, S.L.	Esparraguera, Spain	51.00	-	-	
MORA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald, Germany	100.00	-	-	6
NAG Nationale Automobil-Gesellschaft Aktiengesellschaft	Stuttgart, Germany	100.00	-	-	
PABCO Co., Ltd.	Ebina, Japan	100.00	-	-	
PABCO Kinki Co., Ltd.	Yamatokoriyama, Japan	90.00	-	-	
PABCO Sendai Co., Ltd.	Sendai, Japan	100.00	-	-	
Porcher & Meffert Grundstücksgesellschaft mbH & Co. Stuttgart OHG	Schönefeld, Germany	100.00	-	-	
R.T.C. Management Company Limited	Bicester, United Kingdom	88.89	-	-	
Ring Garage AG Chur	Chur, Switzerland	100.00	-	-	
Russ & Janot GmbH	Erfurt, Germany	100.00	-	-	8
Ruth Verwaltungsgesellschaft mbH	Stuttgart, Germany	100.00	-	-	

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Equity in millions of €	Net income (loss) in millions of €	Footnote
Sechste Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	-	-	8
SelecTrucks Comércio de Veículos Ltda.	Mauá, Brazil	100.00	-	-	
Siebte Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	-	-	8
Star Assembly SRL	Sebes, Romania	100.00	-	-	
Star Egypt For Import LLC	Cairo, Egypt	99.50	-	-	
STAR TRANSMISSION SRL	Cugir, Romania	100.00	-	-	
STARKOM d.o.o.	Maribor, Slovenia	100.00	-	-	
T.O.C. (Schweiz) AG	Schlieren, Switzerland	51.00	-	-	
Vermögensverwaltungsgesellschaft Daimler Atlanta mbH	Stuttgart, Germany	100.00	-	-	
Wings Aircraft Finance Inc.	Wilmington, USA	100.00	-	-	
Woking Motors Limited	Milton Keynes, United Kingdom	100.00	-	-	
Zweite Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	-	-	8
<b>III. Companies accounted for at-equity</b>					
Auto Testing Company, Inc.	Laredo, USA	100.00	-	-	
DRIVetest LLC	Laredo, USA	100.00	-	-	
MBtech Auto Testing Properties L.L.C.	Laredo, USA	100.00	-	-	
<b>B. Associated companies and joint ventures</b>					
<b>I. Companies accounted for at-equity</b>					
AFCC Automotive Fuel Cell Cooperation Corp.	Burnaby, Canada	50.10	-	-	4
BAIC Motor Corporation Ltd.	Beijing, PR China	12.00	-	-	
Beijing Benz Automotive Co., Ltd.	Beijing, PR China	49.00	1,425	194	
Beijing Foton Daimler Automotive Co., Ltd	Beijing, PR China	50.00	649	-33	4, 10
EM-motive GmbH	Hildesheim, Germany	50.00	-	-	4
FKT Holding GmbH	Vienna, Austria	50.00	-	-	4
Fujian Benz Automotive Co., Ltd.	Fuzhou, PR China	50.00	-	-	4
FUSO LAND TRANSPORT Co.Ltd.	Kawasaki, Japan	21.67	-	-	
KAMAZ OAO	Naberezhnye Chelny, Russian Federation	11.00	-	-	7
Kanagawa Mitsubishi Fuso Truck & Bus Sales Co., Ltd.	Yokohama, Japan	43.83	-	-	
Li-Tec Battery GmbH	Kamenz, Germany	49.90	26	-50	10
MBtech Group GmbH & Co. KGaA	Sindelfingen, Germany	35.00	-	-	
Mercedes-Benz Buses Central Asia GmbH	Stuttgart, Germany	50.00	-	-	4
Mercedes-Benz Trucks Vostok Holding GmbH	Vienna, Austria	50.00	-	-	4
MTU Detroit Diesel Australia Pty. Ltd.	Chipping Norton, Australia	50.00	-	-	4
North America Fuel Systems Remanufacturing LLC	Kentwood, USA	50.00	-	-	4
Okayama Mitsubishi Fuso Truck & Bus Sales Co., Ltd.	Okayama City, Japan	50.00	-	-	
P.T. Mitsubishi Krama Yudha Motors and Manufacturing	Jakarta, Indonesia	32.28	-	-	
P.T. Krama Yudha Tiga Berlian Motors	Jakarta, Indonesia	18.00	-	-	
Polomex, S.A. de C.V.	Garcia, Mexico	26.00	-	-	4
Rolls-Royce Power Systems Holding GmbH	Friedrichshafen, Germany	50.00	4,324	499	
SelecTrucks of Atlanta LLC	McDonough, USA	50.00	-	-	4
SelecTrucks of Houston LLC	Houston, USA	50.00	-	-	4
SelecTrucks of Los Angeles LLC	Fontana, USA	50.00	-	-	4
SelecTrucks of Omaha LLC	Council Bluffs, USA	50.00	-	-	4
Shenzhen BYD Daimler New Technology Co., Ltd.	Shenzhen, PR China	50.00	168	-10	4, 10
TASIAP GmbH	Stuttgart, Germany	60.00	-	-	4
Tesla Motors, Inc.	Palo Alto, USA	3.97	-	-	
Toll Collect GbR	Berlin, Germany	45.00	-	-	4
Toll Collect GmbH	Berlin, Germany	45.00	618	-49	4, 13
<b>II. Companies not accounted for at-equity<sup>3</sup></b>					
BDF IP Holdings Ltd.	Burnaby, Canada	33.00	-	-	
Beijing Mercedes-Benz Sales Service Co., Ltd.	Beijing, PR China	51.00	-	-	4
car2go Hamburg GmbH	Hamburg, Germany	25.00	-	-	
carpooling.com GmbH	Munich, Germany	16.67	-	-	
COBUS Industries GmbH	Wiesbaden, Germany	40.82	-	-	4
Egyptian-German Automotive Co. (EGA) S.A.E.	6th of October City, Egypt	26.00	-	-	
European Center for Information and Communication Technologies - EICT GmbH	Berlin, Germany	20.00	-	-	
EvoBus Hungária Kereskedelmi Kft.	Budapest, Hungary	33.33	-	-	

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Equity in millions of €	Net income (loss) in millions of €	Footnote
GottaPark, Inc.	San Francisco, USA	18.09	-	-	4
Grundstücksgesellschaft Schlossplatz 1 mbH & Co. KG	Berlin, Germany	18.37	-	-	
INPRO Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH	Berlin, Germany	20.00	-	-	
Institut für angewandte Systemtechnik Bremen GmbH	Bremen, Germany	26.25	-	-	
Intelligent Apps GmbH	Hamburg, Germany	19.47	-	-	
Lackzentrum Bielefeld GmbH	Bielefeld, Germany	33.33	-	-	
Laureus World Sports Awards Limited	London, United Kingdom	50.00	-	-	4
MBtech Verwaltungs-GmbH	Sindelfingen, Germany	35.00	-	-	
Mercedes-Benz Finance Middle East LLC	Dubai, United Arab Emirates	40.00	-	-	4
Mercedes-Benz Lackzentrum Dresden GmbH	Dresden, Germany	36.00	-	-	
Mercedes-Benz Leasing Middle East LLC	Dubai, United Arab Emirates	40.00	-	-	4
Mercedes-Benz Starmark I/S	Vejle, Denmark	50.00	-	-	4
MFTB Taiwan Co., Ltd.	Taipei, Taiwan	33.40	-	-	
Motor Coach Holding, LLC	New York, USA	10.00	-	-	
National Automobile Industry Company Ltd.	Jeddah, Saudi Arabia	26.00	-	-	4
Omuta Unso Co., Ltd.	Omuta, Japan	33.51	-	-	
Reva SAS	Cunac, France	34.00	-	-	
smart-BRABUS GmbH	Bottrop, Germany	50.00	-	-	4
STARCAM s.r.o.	Most, Czech Republic	51.00	-	-	4
tiramizoo GmbH	Munich, Germany	13.86	-	-	
Toyo Kotsu Co., Ltd.	Sannoseki, Japan	28.20	-	-	

1 Share pursuant to Section 16 of the German Stock Corporation Act (AktG)

2 Qualification for Section 264 Subsection 3 and Section 264b of the German Commercial Code (HGB)

3 As the impact of these companies is not material for the consolidated financial statements, they are not consolidated and not accounted for using the equity method.

4 Joint venture

5 In liquidation

6 Control due to economic circumstances

7 EBRD holds 4% of the shares. Due to the contractual situation, Daimler is deemed to be the economic owner of the shares held by the EBRD pursuant to IFRS.

8 Profit and loss transfer agreement with Daimler AG (direct or indirect)

9 Daimler AG is unlimited partner

10 Financial statements 2012

11 Control of the investment of the assets. No consolidation of the assets due to the contractual situation.

12 Financial Statements according to IFRS

13 Financial statements September 1, 2012 - August 31, 2013

14 Financial statements November 1, 2011 - October 31, 2012

15 Financial statements April 1, 2012 - March 31, 2013

# Members of the Board of Management.

## **Dr. Dieter Zetsche**

Chairman of the Board of Management,  
Head of Mercedes-Benz Cars  
Appointed until December 2016

## **Dr. Wolfgang Bernhard**

Daimler Trucks and Buses  
Appointed until February 2018

## **Wilfried Porth**

Human Resources and  
Labor Relations Director &  
Mercedes-Benz Vans  
Appointed until April 2017

## **Bodo Uebber**

Finance & Controlling,  
Daimler Financial Services  
Appointed until December 2019

## **Dr. Christine Hohmann-Dennhardt**

Integrity and Legal Affairs  
Appointed until February 2017

## **Hubertus Troska**

Greater China  
Appointed until December 2015

## **Prof. Dr. Thomas Weber**

Group Research &  
Mercedes-Benz Cars Development  
Appointed until December 2016



Stuttgart, February 18, 2014

The Board of Management

Dieter Zetsche

Wolfgang Bernhard

Christine Hohmann-Dennhardt

Wilfried Porth

Hubertus Troska

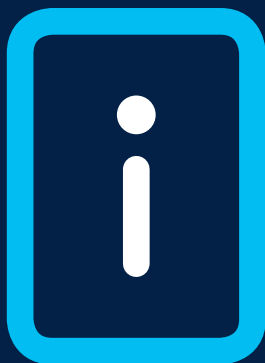
Bodo Uebber

Thomas Weber

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# Responsibility Statement.

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which has been combined with the management report for DAG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Stuttgart, February 18, 2014

Dieter Zetsche

Wolfgang Bernhard

Christine Hohmann-Dennhardt

Wilfried Porth

Hubertus Troska

Bodo Uebber

Thomas Weber



# Independent Auditor's Report.

**Report on the Consolidated Financial Statements.** We have audited the accompanying consolidated financial statements of Daimler AG, Stuttgart and its subsidiaries, which comprise the consolidated statement of income, the consolidated statement of comprehensive income/loss, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and notes to the consolidated financial statements for the financial year from January 1 to December 31, 2013.

**Executive Board's Responsibility for the Consolidated Financial Statements.** The executive board of Daimler AG is responsible for the preparation of these consolidated financial statements. This responsibility includes preparing these consolidated financial statements in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code [HGB], to give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The executive board is also responsible for the internal controls that the executive board determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility.** Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW] as well as in supplementary compliance with International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive board, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Audit Opinion.** Pursuant to Section 322 (3) sentence 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets and financial position of the Group as at December 31, 2013 as well as the results of operations for the financial year then ended, in accordance with these requirements.

**Report on the Combined Management Report.** We have audited the accompanying group management report of Daimler AG, which is combined with the management report of the company for the financial year from January 1 to December 31, 2013. The executive board of Daimler AG is responsible for the preparation of this combined management report in compliance with the applicable requirements of German commercial law pursuant to Section 315a (1) HGB. We conducted our audit in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we state that our audit of the combined management report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, February 18, 2014

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Becker  
Wirtschaftsprüfer

Meyer  
Wirtschaftsprüfer

# Ten Year Summary.<sup>1</sup>

## G.01

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Amounts in millions of euros										
<b>From the statements of income</b>										
Revenue	142,059	95,209	99,222	101,569	98,469	78,924	97,761	106,540	114,297	117,982
Personnel expenses <sup>2, 3</sup>	24,216	24,650	23,574	20,256	15,066	13,928	16,454	17,424	18,002	18,753
Research and development expenditure thereof capitalized	5,658 -	3,928 591	3,733 715	4,148 990	4,442 1,387	4,181 1,285	4,849 1,373	5,634 1,460	5,644 1,465	5,385 1,284
Operating profit/EBIT <sup>3</sup>	5,754	2,873	4,992	8,710	2,730	-1,513	7,274	8,755	8,820	10,815
Operating margin (%) <sup>3</sup>	4.1	3.0	5.0	8.6	2.8	-1.9	7.4	8.2	7.7	9.2
Income/Profit (loss) before income taxes and extraordinary items <sup>3</sup>	3,535	2,426	4,902	9,181	2,795	-2,298	6,628	8,449	8,116	10,139
Net operating income/ Net operating profit (loss) <sup>3</sup>	3,165	4,834	4,032	4,123	1,370	-2,102	5,120	6,240	7,302	9,173
as % of net assets (RONA) <sup>3</sup>	5.7	10.0	8.3	10.5	4.4	-6.6	17.5	19.9	19.6	22.7
Net income/Net profit (loss) <sup>3</sup>	2,466	4,215	3,783	3,985	1,414	-2,644	4,674	6,029	6,830	8,720
Net income per share (€)/ Net profit (loss) per share (€) <sup>3</sup>	2.43	4.09	3.66	3.83	1.41	-2.63	4.28	5.32	6.02	6.40
Diluted net income per share (€)/ Diluted net profit (loss) per share (€) <sup>3</sup>	2.43	4.08	3.64	3.80	1.40	-2.63	4.28	5.31	6.02	6.40
Total dividend	1,519	1,527	1,542	1,928	556	0	1,971	2,346	2,349	2,407
Dividend per share (€)	1.50	1.50	1.50	2.00	0.60	0.00	1.85	2.20	2.20	2.25
<b>From the statements of financial position</b>										
Property, plant and equipment	34,017	35,295	32,747	14,650	16,087	15,965	17,593	19,180	20,599	21,779
Leased equipment	26,711	34,236	36,949	19,638	18,672	18,532	19,925	22,811	26,058	28,160
Other non-current assets <sup>3</sup>	-	76,200	67,507	39,686	42,077	40,044	41,309	45,023	48,947	48,138
Inventories	16,805	19,699	18,396	14,086	16,805	12,845	14,544	17,081	17,720	17,349
Liquid assets	11,666	8,063	8,409	15,631	6,912	9,800	10,903	9,576	10,996	11,053
Other current assets	-	54,519	53,626	31,403	31,672	31,635	31,556	34,461	38,742	38,920
Total assets <sup>3</sup>	182,872	228,012	217,634	135,094	132,225	128,821	135,830	148,132	163,062	168,518
Shareholders' equity <sup>3</sup>	33,522	35,957	37,346	38,230	32,730	31,827	37,953	41,337	39,330	43,363
thereof share capital	2,633	2,647	2,673	2,766	2,768	3,045	3,058	3,060	3,063	3,069
Equity ratio Group (%) <sup>3</sup>	17.5	15.1	16.5	26.9	24.3	24.7	26.5	26.3	22.7	24.3
Equity ratio industrial business (%) <sup>3</sup>	25.2	23.7	27.1	43.7	42.7	42.6	45.8	46.4	39.8	43.4
Non-current liabilities <sup>3</sup>	-	96,823	90,452	47,998	47,313	49,456	44,738	51,940	65,016	66,047
Current liabilities <sup>3</sup>	-	95,232	89,836	48,866	52,182	47,538	53,139	54,855	58,716	59,108
Net liquidity industrial business	2,193	8,016	9,861	12,912	3,106	7,285	11,938	11,981	11,508	13,834
Net assets (average) <sup>3</sup>	55,885	48,313	48,584	39,187	31,466	31,778	29,338	31,426	37,521	40,648

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Amounts in millions of euros										
<b>From the statements of cash flows<sup>2</sup></b>										
Investments in property, plant and equipment	6,386	6,480	5,874	4,247	3,559	2,423	3,653	4,158	4,827	4,975
Depreciation and amortization	-	7,363	7,169	4,146	3,023	3,264	3,364	3,575	4,067	4,368
Cash provided by (used for) operating activities	11,060	11,032	14,337	7,146	-786	10,961	8,544	-696	-1,100	3,285
investing activities	-16,682	-10,237	-15,857	26,479	-4,812	-8,950	-313	-6,537	-8,864	-6,829
financing activities	2,549	-1,284	2,396	-25,204	-2,915	1,057	-7,551	5,842	11,506	3,855
Free cash flow of the industrial business	1,757	2,423	2,679	7,637	-3,915	2,706	5,432	989	1,452	4,842
<b>From the stock exchanges</b>										
Share price at year-end (€)	35.26	43.14	46.80	66.50	26.70	37.23	50.73	33.92	41.32	62.90
Average shares outstanding (in millions)	1,012.8	1,014.7	1,022.1	1,037.8	957.7	1,003.8	1,050.8	1,066.0	1,066.8	1,068.8
Average diluted shares outstanding (in millions)	1,014.5	1,017.7	1,027.3	1,047.3	959.9	1,003.8	1,051.5	1,067.1	1,067.1	1,069.1
<b>Ratings</b>										
Credit rating, long-term										
Standard & Poor's	BBB	BBB	BBB	BBB+	A-	BBB+	BBB+	BBB+	A-	A-
Moody's	A3	A3	Baa1	A3	A3	A3	A3	A3	A3	A3
Fitch	BBB+	BBB+	BBB+	A-	A-	BBB+	BBB+	A-	A-	A-
DBRS	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)
<b>Average annual number of employees</b>	379,019	296,109	277,771	271,704	274,330	258,628	258,120	267,274	274,605	275,384

1 For the year 2004, figures according to US GAAP; since 2005, according to IFRS.

2 Until August 3, 2007, including Chrysler.

3 For the year 2012, the figures have been adjusted, primarily for effects arising from application of the amended version of IAS 19.

# Glossary.

**BlueEFFICIENCY.** Efficiency packages for saving fuel. They include measures taken inside engines, bodywork weight reductions, tires with low roll resistance, aerodynamic improvements, the ECO start-stop function etc. As a result, fuel consumption can be reduced by more than 20%.

**BLUETEC.** A combination of inner-engine measures to reduce emissions and treat exhaust gases. It improves diesel engines' efficiency for cars and commercial vehicles by optimizing their combustion, and reduces their emissions with SCR catalysts.

**BRIC.** This abbreviation stands for the four countries of Brazil, Russia, India and China.

**Compliance.** By the term compliance, we understand adherence to all laws, rules, regulations and voluntary commitments, as well as the related internal guidelines and policies in connection with all activities of the Daimler Group.

**Consolidated Group.** The consolidated Group is the total of all those companies that are included in the consolidated financial statements.

**Corporate governance.** The term corporate governance applies to the proper management and supervision of a company. The structure of corporate governance at Daimler AG is determined by Germany's Stock Corporation Act (AktG), Codetermination Act (MitbestG) and capital-market legislation.

**Cost of capital.** The cost of capital is the product of the average amount of capital employed and the cost-of-capital rate. The cost-of-capital rate is derived from the investors' required rate of return. [👁 see page 80](#)

**CSR – corporate social responsibility.** A collective term for the social responsibility assumed by companies, including economic, environmental and social aspects.

**EBIT.** Earnings before interest and taxes are the measure of operating profit before taxes. [👁 see pages 86 ff](#)

**Equity method.** Accounting and valuation method for shareholdings in associated companies and joint ventures, as well as for subsidiaries that are not fully consolidated.

**Fair value.** The amount for which an asset or liability could be exchanged in an arm's length transaction between knowledgeable and willing parties who are independent of each other.

**Goodwill.** Goodwill represents the excess of the cost of an acquired business over the fair values assigned to the separately identifiable assets acquired and liabilities assumed.

**Hybrid drive.** Hybrid drive systems combine internal-combustion engines with electric motors, which can be operated separately or together depending on the type of vehicle and driving situation.

**IFRS – International Financial Reporting Standards.** The IFRS are a set of standards and interpretations for companies' external accounting and financial reporting developed by an independent private-sector committee, the International Accounting Standards Board (IASB).

**Integrity Code.** The "Integrity Code" has been in effect since November 2012. It defines the principles of behavior and guidelines for everyday conduct that are applicable at Daimler. Fairness, responsibility and compliance with legislation are key principles in this context.

**INTELLIGENT DRIVE.** With this new technology from Mercedes-Benz, thanks to improved environment sensors, intelligent assistance systems analyze complex situations and recognize potential dangers in road traffic even better.

**Lithium-ion batteries.** They are at the heart of future electric drive systems. Compared with conventional batteries, lithium-ion batteries are considerably smaller and feature significantly higher power density, short charging times and long lives.

**NEDC – New European Driving Cycle.** A measuring method used in Europe for the objective assessment of vehicles' fuel consumption.



# Index.

**Net assets.** Net assets represent the capital employed by the Group and the industrial divisions. The relevant capital basis for Daimler Financial Services is equity capital.

[see page 80](#)

**Net operating profit.** Net operating profit is the relevant parameter for measuring the Group's operating performance after taxes.

**Rating.** An assessment of a company's creditworthiness issued by a rating agency.

**ROE – return on equity.** The profitability of Daimler Financial Services is measured by return on equity. ROE is defined as the quotient of EBIT and shareholders' equity.

**ROS – return on sales.** The profitability of the industrial divisions is measured by return on sales. ROS is defined as the quotient of EBIT and revenue.

**Value added.** Value added indicates the extent to which operating profit exceeds the cost of capital. When value added is positive, return on net assets is higher than the cost of capital.

[see pages 90 f](#)

**Value at risk.** This measures the potential future loss (related to market value) for a given portfolio in a certain period and for which there is a certain probability that it will not be exceeded.

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**Daimler AG**

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**Information on the Internet.** Special information on our shares and earnings development can be found in the “Investor Relations” section of our website. [daimler.com](https://www.daimler.com) It includes the Group’s annual and interim reports and the company financial statements of Daimler AG. You can also find topical reports, presentations, an overview of various key figures, information on our share price and other services.

[daimler.com/investors](https://www.daimler.com/investors)

**Publications for our shareholders:**

- Annual Report (German, English)
- Interim Reports for the 1st, 2nd and 3rd quarters (German, English)
- Sustainability Report (German, English)
- Brochure: Company Profile (German, English)

[daimler.com/ir/reports](https://www.daimler.com/ir/reports)  
[daimler.com/downloads/en](https://www.daimler.com/downloads/en)

The company financial statements of Daimler AG were prepared in accordance with German accounting principles; the consolidated financial statements and the combined management report for Daimler AG and the Daimler Group were prepared in accordance with the International Financial Reporting Standards (IFRS). Both sets of financial statements and the management report were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and an unqualified audit opinion was issued thereon.

The aforementioned publications can be requested from: Daimler AG, Investor Relations, HPC 0324, 70546 Stuttgart, Germany.

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# Daimler Worldwide.

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Sales Organization Automotive Businesses	Daimler Financial Services
<b>Europe</b>						
Production locations	11	7	3	7	-	-
Sales outlets	-	-	-	-	3,905	29
Revenue (in millions of euros)	27,879	10,390	7,188	2,494	-	6,104
Employees	90,535	32,515	13,172	14,625	41,640	4,611
<b>NAFTA</b>						
Production locations	1	14	1	1	-	-
Sales outlets	-	-	-	-	1,471	4
Revenue (in millions of euros)	15,038	10,104	925	255	-	6,980
Employees	3,446	19,221	104	435	3,558	1,515
<b>Latin America (excluding Mexico)</b>						
Production locations	-	2	1	2	-	-
Sales outlets	-	-	-	-	586	2
Revenue (in millions of euros)	852	3,315	592	1,074	-	341
Employees	-	13,043	1,562	1,512	-	421
<b>Africa</b>						
Production locations	1	1	-	1	-	-
Sales outlets	-	-	-	-	364	1
Revenue (in millions of euros)	1,569	1,073	179	72	-	231
Employees	2,914	1,046	-	-	2,274	295
<b>Asia</b>						
Production locations	2	3	-	2	-	-
Sales outlets	-	-	-	-	1,937	9
Revenue (in millions of euros)	17,519	5,891	315	164	-	615
Employees	-	13,195	-	31	3,970	1,096
<b>Australia/Oceania</b>						
Production locations	-	-	-	-	-	-
Sales outlets	-	-	-	-	277	2
Revenue (in millions of euros)	1,440	693	170	45	-	252
Employees	-	-	-	-	1,013	169

Note: Unconsolidated revenue of each division (segment revenue).

# Financial Calendar 2014.

## **Annual Press Conference**

February 6, 2014

## **Analysts' and Investors' Conference**

February 7, 2014

## **Presentation of the Annual Report 2013**

February 21, 2014

## **Annual Meeting**

Messe Berlin

April 9, 2014

10:00 a.m. CEST | 4:00 a.m. EST

## **Interim Report Q1 2014**

April 30, 2014

## **Interim Report Q2 2014**

July 23, 2014

## **Interim Report Q3 2014**

October 23, 2014

As we cannot rule out changes of dates,  
we recommend checking them on the Internet  
at [daimler.com/ir/calendar](http://daimler.com/ir/calendar).



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# DAIMLER



Annual Financial Statements 2013. Daimler AG.



**Cover:**

The new Mercedes-Benz GLA – an all-round talent. The SUV from our new compact-car family combines superior everyday driving performance with off-road mobility. The GLA celebrated its world premiere at the Frankfurt Motor Show in September 2013. Deliveries to customers will begin in March 2014.

# Daimler AG

## Annual Financial Statements 2013

The Management Report of Daimler AG is combined with the Group Management Report in accordance with Section 315 Subsection 3 of the German Commercial Code (HGB) and published in the Group Annual Report 2013.

The Annual Financial Statements and the summarized Management Report of Daimler AG for the year 2013 are filed with the operator of the electronic version of the German Federal Gazette and published in the electronic version of the German Federal Gazette.

The Annual Financial Statements of Daimler AG and the Group Annual Report 2013 can be found in the “Investor Relations” section of our website

 [www.daimler.com/ir/reports](http://www.daimler.com/ir/reports)

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# Balance Sheet of Daimler AG

<b>Assets</b>			
	Notes	Dec. 31, 2013	Dec. 31, 2012
In millions of euros			
<b>Non-current assets</b>			
Intangible assets	(1)	961	528
Property, plant and equipment (including equipment on operating leases)	(2)	7,992	7,285
Financial assets	(3)	35,795	34,950
		44,748	42,763
<b>Current assets</b>			
Inventories	(4)	6,682	6,612
Trade receivables	(5)	1,940	1,791
Receivables from subsidiaries	(5)	19,482	19,462
Other receivables and other assets	(5)	2,859	2,930
Securities	(6)	4,588	2,553
Cash and cash equivalents	(7)	4,718	7,089
		40,269	40,437
<b>Prepaid expenses</b>	(8)	259	177
		85,276	83,377
<b>Equity and liabilities</b>			
	Notes	Dec. 31, 2013	Dec. 31, 2012
In millions of euros			
<b>Equity</b>			
Share capital (conditional capital €590 million)	(9a)	3,069	3,063
Capital reserve	(9b)	11,477	11,390
Retained earnings	(9c)	18,748	17,061
Distributable profit	(9d)	2,407	2,738
		35,701	34,252
<b>Provisions</b>			
Provisions for pensions and similar obligations	(10)	3,405	3,097
Other provisions	(11)	9,214	9,205
		12,619	12,302
<b>Liabilities</b>			
Trade liabilities	(12)	5,352	5,004
Liabilities to subsidiaries	(12)	12,774	17,468
Other liabilities	(12)	18,337	13,915
		36,463	36,387
<b>Deferred income</b>	(13)	493	436
		85,276	83,377

# Income Statement of Daimler AG

	Notes	2013	2012
In millions of euros			
<b>Revenue</b>	(14)	<b>75,531</b>	72,727
Cost of sales	(15)	<b>-67,579</b>	-64,600
<b>Gross profit</b>		<b>7,952</b>	8,127
Selling expenses	(15)	<b>-6,032</b>	-5,883
General administrative expenses	(15)	<b>-2,594</b>	-2,600
Other operating income	(16)	<b>1,921</b>	2,072
Other operating expenses	(17)	<b>-424</b>	-317
Income/expense from investments in subsidiaries and associated companies, net	(18)	<b>3,758</b>	3,928
Interest income/expense, net	(19)	<b>-879</b>	-146
Other financial income/expense, net	(20)	<b>-192</b>	-72
<b>Income from ordinary activities</b>		<b>3,510</b>	5,109
Income taxes (benefit)	(21)	<b>203</b>	366
<b>Net income</b>	(22)	<b>3,713</b>	5,475
<b>Transfer to retained earnings</b>		<b>-1,306</b>	-2,737
<b>Distributable profit</b>		<b>2,407</b>	2,738



# Notes to the Financial Statements of Daimler AG

## Accounting policies and methods

The financial statements of Daimler AG have been prepared in accordance with the accounting principles of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG); the amounts shown are in millions of euros (€) and the comparable figures for the year ended December 31, 2012 are also shown. The items summarized in the balance sheet and the income statement are listed individually and explained in these notes.

For the sake of clarity, the system of presentation in accordance with Section 266 of the HGB has been modified.

Other receivables and other assets comprise receivables from associated companies and other assets. Other provisions comprise provisions for taxes and miscellaneous provisions. Other liabilities comprise liabilities to associated companies, loans and bonds, liabilities to banks and other liabilities.

The income statement has been prepared according to the internationally predominant cost-of-sales method. The system of presentation according to Section 275 of the HGB has been modified to improve clarity with regard to financial activities. Financial activities are presented as net income/expense from investments in subsidiaries and associated companies, net interest income/expense and net other financial income/expense.

## Recognition and measurement

*Intangible assets* are measured at cost of acquisition, reduced by systematic straight-line amortization. They have a useful life of between 2 and 30 years.

The capitalization option for self-produced intangible assets is not utilized. Research and development costs are immediately expensed.

*Property, plant and equipment* are measured at cost of acquisition or production, reduced by systematic depreciation.

The production costs of self-constructed assets comprise direct costs as well as prorated material and production overheads, including depreciation, to the extent that they are caused by the production process. In addition, production costs also include production-related general administrative expenses as well as production-related expenses for the company's social facilities, voluntary social benefits and for company pensions, to the extent that those costs are incurred during the period of production.

Systematic depreciation for technical equipment and machinery, other equipment and operating and office equipment is based on a useful life of 3 to 33 years. Correspondingly shorter periods apply for equipment used in multiple shifts.

Movable non-current assets which were first measured before January 1, 2008 are generally depreciated using the declining-balance method. The method of depreciation is changed from declining-balance to straight-line as soon as the equal distribution of the carrying value over the remaining useful life leads to higher depreciation amounts. Movable non-current assets first measured since January 1, 2008 are depreciated using the straight-line method. Impairments are recognized if an asset has to be measured at a lower value.

From January 1, 2008, low-value assets up to a cost of production or acquisition of €150 are immediately expensed. For assets with costs of €150 to €1,000 first recognized between January 1, 2008 and December 31, 2009, a pool was formed which is depreciated on a straight-line basis by 20% per annum. As of January 1, 2010, assets with costs of acquisition or production of up to €1,000 are immediately expensed.

*Leased assets* are measured at cost of acquisition or production and are systematically depreciated. Systematic depreciation is based on a useful life of 3 to 12 years. The method of depreciation is changed from declining-balance to straight-line as soon as the equal distribution of the carrying value over the remaining useful life leads to higher depreciation amounts. Leased assets which were first measured since January 1, 2008 are reduced by systematic depreciation using the straight-line method. Depending on the various lessees, leased assets first measured before January 1, 2008 are depreciated using the straight-line method or the declining-balance method.

*Shares in subsidiaries, associated companies and other financial assets* are measured at cost of acquisition, or, if there is an indication of permanent impairment, at the lower fair value. If the reasons for permanent impairment are no longer given, the value is written up. Loans bearing low interest or no interest are measured at their present values.

For the sake of better clarity, we have added the item of leased assets to the schedule of non-current assets under property, plant and equipment.

*Raw materials, manufacturing supplies and goods* are measured at the lower of cost of acquisition or fair value; *work in progress and finished products* are measured at cost of production. Cost of production comprises production material and labor as well as prorated material and production overheads, including depreciation, to the extent that they are caused by the production process. In addition production costs also include production-related general administrative expenses as well as production-related expenses for the company's social facilities, voluntary social benefits and for company pensions, to the extent that those costs are incurred during the period of production. Impairments are recognized if an asset has to be measured at a lower value.

*Receivables and other assets* are measured at their nominal values with consideration of all recognizable risks. If they have a residual period of more than one year and are non-interest bearing, they are discounted to their present value on the balance sheet date. To consider general credit risks, general allowances are recognized. Receivables and other assets with a residual term of less than one year which are denominated in foreign currencies are translated at the spot rates on the balance sheet date. Non-current assets denominated in foreign currencies are translated at the spot rates on the date when booked or at the lower rate on the balance sheet date.

*Securities* are measured at the lower of cost of acquisition or fair value on the balance sheet date.

Payments made prior to the balance sheet date that constitute expenses for a specific period after that date are reported as *prepaid expenses*. Any difference between the settlement amount and the lower issue amount of a liability is capitalized and amortized systematically over the period of the liability.

*Deferred taxes* are calculated for timing differences between the amounts according to HGB and the amounts according to tax regulations for assets, liabilities and accruals and deferrals, with due consideration of applicable loss carryforwards and interest carryforwards. Loss carryforwards and interest carryforwards can be taken into consideration if they can be deducted from taxable income within the period defined by law of five years. Deferred taxes are calculated on the basis of the combined income-tax rate of the fiscal unity for income-tax purposes of Daimler AG, which is currently 29.825%. The combined income-tax rate includes corporate income tax, trade tax and the solidarity surcharge. Deferred tax assets and liabilities are offset against each other. Any resulting tax liability is entered in the balance sheet as a deferred tax liability. Any resulting tax benefit is not recognized, in line with the capitalization option.

*Provisions for pensions and similar obligations* for pension plans which stipulate a predefined benefit during retirement are recognized at the required settlement amounts in accordance with reasonable commercial judgment. The amounts are measured using the projected unit credit method. The discount rate is the average market interest rate published by the Bundesbank for an assumed residual period of 15 years.

Provisions for retirement benefit obligations from pension plans for which later claims are related to the fair value of securities or similar assets are recognized at the fair values of those assets to the extent that they exceed a guaranteed minimum amount.

Assets to which other creditors have no recourse and which are solely used to fulfill retirement benefit obligations or similar long-term liabilities are offset against pension obligations. The offset assets are measured at their fair values. Expenses and income resulting from discounting are offset against the expenses and income of the offset assets under financial income.

*Other provisions* are recognized at the required settlement amounts in accordance with reasonable commercial judgment. Future increases in prices and costs until the time of settlement of the liabilities are taken into consideration. Provisions with a residual period of more than one year are discounted over that period using the average market interest rate as published by the Bundesbank.

*Provisions for taxes* are calculated in accordance with the principle of reasonable commercial judgment. Provisions for taxes are recognized for uncertain income-tax items for which the risk exists that they will not be utilized. The assessment is based on the best possible estimate of the expected tax payment.

In accordance with Section 254 of the HGB, *derivative financial transactions* are linked as a hedging relationship with an underlying transaction, provided there is a direct hedging context between the financial transaction and the underlying transaction. Financial transactions for which no units of valuation are formed are measured individually at fair value. Any resulting unrealized losses are expensed.

*Liabilities* are measured at their settlement amounts. Liabilities denominated in foreign currencies with a residual period of up to one year are translated at the spot rates on the balance sheet date. Non-current liabilities denominated in foreign currencies are translated at the spot rates on the date when booked or at the higher rate on the balance sheet date.

Payments received prior to the balance sheet date that constitute income for a specific period after that date are reported as *deferred income*.

Daimler AG recognizes *revenue* from sales of vehicles, spare parts and other related products and services, and from leasing. Revenue is recognized net of discounts, cash sales incentives, customer bonuses and rebates granted. For transactions with multiple deliverables, such as when vehicles are sold with free service programs, Daimler AG allocates revenue to the various elements based on their objectively and reliably determined fair values. Outstanding elements are recognized in the balance sheet as deferred income.

## Schedule of non-current assets

	Cost of acquisition or production				Depreciation/Amortization/Write-ups						Book value		
	Jan. 1, 2013	Addi- tions	Reclas- sifica- tions	Dis- pos- als	Dec. 31, 2013	Jan. 1, 2013	Addi- tions	Write- ups	Reclas- sifica- tions	Dis- pos- als	Dec. 31, 2013	Dec. 31, 2013	Dec. 31, 2012
In millions of euros													
<b>Intangible assets</b>													
Purchased concessions, industrial property rights and similar rights and values, as well as licenses to such rights and values	631	252	111	9	985	329	94	-	.	8	415	570	302
Advance payments made	226	261	-95	1	391	-	-	-	-	-	-	391	226
	857	513	16	10	1,376	329	94	-	.	8	415	961	528
<b>Property, plant and equipment</b>													
Technical equipment and machinery	12,307	928	604	529	13,310	10,170	913	-	.	517	10,566	2,744	2,137
Other equipment, factory and office equipment	11,215	1,265	256	258	12,478	8,693	1,082	-	.	250	9,525	2,953	2,522
Leased assets	1,936	1,402	-	1,607	1,731	534	224	-	-	387	371	1,360	1,402
Advance payments made and construction in progress	1,224	601	-876	14	935	-	-	-	-	-	-	935	1,224
	26,682	4,196	-16	2,408	28,454	19,397	2,219	-	.	1,154	20,462	7,992	7,285
<b>Financial assets</b>													
Shares in subsidiaries	32,804	2,820	12	2,817	32,819	937	206	97	6	12	1,040	31,779	31,867
Loans to subsidiaries	614	229	-	27	816	1	3	1	-	-	3	813	613
Shares in associated companies	2,716	811	-12	66	3,449	282	29	1	-6	40	264	3,185	2,434
Other loans	36	1	-	14	23	.	5	-	-	-	5	18	36
	36,170	3,861	-	2,924	37,107	1,220	243	99	-	52	1,312	35,795	34,950
<b>Non-current assets</b>	<b>63,709</b>	<b>8,570</b>	<b>-</b>	<b>5,342</b>	<b>66,937</b>	<b>20,946</b>	<b>2,556</b>	<b>99</b>	<b>-</b>	<b>1,214</b>	<b>22,189</b>	<b>44,748</b>	<b>42,763</b>

# Notes to the Balance Sheet

## 1 Intangible assets

Intangible assets of €961 million primarily comprise purchased licenses, name rights, rights in connection with vehicle development and production from cooperation projects and similar values. Systematic amortization amounted to €94 million (2012: €73 million).

## 2 Property, plant and equipment

Additions of €4,196 million include leased assets of €1,402 million. These are primarily vehicles sold with leasing contracts. The other additions consist only of movable assets. Systematic depreciation on property, plant and equipment amounted to €2,219 million (2012: €2,228 million).

The reduction of leased assets is due in particular to the accounting of leased vehicles (except for leasing to employees), which have primarily been sold to Mercedes-Benz Leasing GmbH since February 1, 2009.


## 3 Financial assets

Shares in subsidiaries and associated companies increased by €663 million to €34,964 million (2012: €34,301 million).

The internal transfer of companies of the Daimler Group resulted in an addition of €1,942 million to investments in subsidiaries. Other significant additions relate to investments in Daimler Financial Services AG and Daimler India Commercial Vehicles Pvt. Ltd. The disposals primarily result from the equity repayment from a subsidiary in an amount of €2,771 million.

Of the additions to investments in associated companies, an amount of €627 million results from the acquisition of a 12% stake in BAIC Motor Corporation Ltd. Other significant additions relate to investments in Beijing Benz Automotive Co., Ltd.

In 2013, shares in subsidiaries and associated companies were impaired by an amount of €235 million (2012: €166 million). Write-ups amounted to €98 million (2012: €5 million).

The statement of investments pursuant to Section 285 of the German Commercial Code (HGB) is included in the chapter  “Statement of investments.”

The development of non-current assets is presented in the schedule of non-current assets.

## 4 Inventories

Finished products and goods comprise vehicles and spare parts produced both in the plants of Daimler AG and in the context of contract manufacturing. Used vehicles are also included. [↗ C.01](#)

## 5 Receivables and other assets [↗ C.02](#)

Receivables from subsidiaries primarily consist of receivables that originally arose from invoicing within the consolidated group within the context of central financial and liquidity management (€15,362 million, 2012: €15,699 million), as well as from the supply of goods and services to companies of the consolidated group in Germany and abroad (€4,120 million, 2012: €3,763 million). Receivables from associated companies primarily comprise trade receivables that originally arose from associated companies in Germany and abroad (€715 million, 2012: €673 million).

Other assets include tax-refund claims (€1,135 million, 2012: €1,246 million), premiums for currency options (€66 million, 2012: €152 million) and prepaid interest (€356 million, 2012: €370 million).

## 6 Securities

Other securities include fixed or variable-interest marketable debt securities. The increase of €2,035 million is due in particular to the increased volume of variable-interest securities.



## 7 Cash and cash equivalents

Cash and cash equivalents amount to €4,718 million at the end of the year (2012: €7,089 million) and consist of bank balances, cash in hand and checks.

Liquidity also includes securities (€4,588 million, 2012: €2,553 million) as well as cash and cash equivalents.

## 8 Prepaid expenses

Prepaid expenses include discount amounts of €72 million. They result from the difference between the settlement amount and the lower issue amount of liabilities.

## 9 Equity ↗ C.03

### a) Share capital

The share capital is divided into no-par value shares. All shares are fully paid up. Each share confers the right to one vote at the Annual Shareholders' Meeting of Daimler AG and, if applicable, with the exception of any new shares potentially not entitled to dividend, to an equal portion of the profits as defined by the dividend distribution resolved at the Annual Meeting. Each share represents a proportionate amount of approximately €2.87 of the share capital. ↗ C.04

**Treasury shares.** By resolution of the Annual Shareholders' Meeting on April 14, 2010, the Board of Management, with the consent of the Supervisory Board, was authorized until April 13, 2015 to acquire treasury shares for all legal purposes in a volume up to 10% of the share capital issued as of the day of the resolution. The authorization applies for example to the purchase of shares for the purpose of cancellation, for using them for business combinations or to acquire companies, or for disposal in other ways than through the stock exchange or by offering them to all shareholders. This authorization has not been exercised in the reporting period.

Through a final verdict reached by the higher regional court in Frankfurt am Main in November 2009, the exchange ratio specified in the domination and profit and loss transfer agreement between the former Daimler-Benz AG and the former AEG AG from 1988 as well as the compensation payment for unpaid AEG dividends determined in this agreement had been increased for the benefit of those AEG shareholders. In 2010, Daimler AG began to satisfy the claims of former AEG shareholders.

## C.01

### Inventories

	Dec. 31, 2013	Dec. 31, 2012
In millions of euros		
Raw materials and manufacturing supplies	1,256	1,334
Work in progress	1,093	1,104
Finished products and goods	4,367	4,209
<b>Inventories excluding advance payments received</b>	<b>6,716</b>	6,647
Advance payments received	-34	-35
<b>Inventories</b>	<b>6,682</b>	6,612

## C.02

### Receivables and other assets

	Dec. 31, 2013	Dec. 31, 2012
In millions of euros		
Trade receivables	1,940	1,791
thereof more than 1 year until maturity	25	26
Receivables from subsidiaries	19,482	19,462
thereof more than 1 year until maturity	5,225	4,099
Receivables from associated companies	848	708
thereof more than 1 year until maturity	29	20
Other assets	2,011	2,222
thereof more than 1 year until maturity	60	111
<b>Receivables and other assets</b>	<b>24,281</b>	24,183
thereof more than 1 year until maturity	5,339	4,256

## C.03

### Equity

	Dec. 31, 2013	Dec. 31, 2012
In millions of euros		
Share capital	3,069	3,063
Capital reserve	11,477	11,390
Retained earnings	18,748	17,061
Distributable profit	2,407	2,738
<b>Equity</b>	<b>35,701</b>	34,252

## C.04

### Share capital

	2013	2012
In millions of euros		
<b>Balance at January 1</b>	<b>3,063</b>	3,060
Creation of new shares through the exercise of option rights	6	3
<b>Balance at December 31</b>	<b>3,069</b>	3,063
thereof treasury shares	-	-

## C.05

### Number of shares

	2013	2012
<b>Shares outstanding / issued at January 1</b>	<b>1,067,578,882</b>	1,066,345,732
Repurchase of treasury shares to settle obligations towards former AEG shareholders	-268	-4,747
Utilization of treasury shares due to the settlement of obligations towards former AEG shareholders	268	4,747
Shares reacquired in the context of employee share programs and not cancelled	-518,942	-533,949
Sale of treasury shares to employees in the context of employee share programs	518,942	533,949
Creation of new shares by exercise of stock option plans	2,193,965	1,233,150
<b>Shares outstanding / issued at December 31</b>	<b>1,069,772,847</b>	1,067,578,882

In 2012, a further 4,747 treasury shares worth a total of €0.21 million and representing €0.01 million or 0.0004% of the share capital, were purchased and transferred to former AEG shareholders. 17,310 treasury shares worth a total of €0.63 million and representing €0.05 million or 0.002% of the share capital, were retransferred to Daimler AG in November 2012 as they could not be transferred to the authorized AEG shareholders. These shares were immediately sold on the stock exchange for a total of €0.62 million; the profit from the transaction was recognized within retained earnings.

The claims resulting from the Frankfurt Higher Regional Court have meanwhile lapsed. In fulfilment of claims registered in 2012, only 268 treasury shares with a value of €0.01 million and representing €0.0008 million or 0.00003% of the share capital were acquired and transferred to former AEG shareholders in January 2013.

As at December 31, 2012, Daimler AG held no treasury shares at December 31, 2013. ↗ C.05

**Employee share programs.** In connection with employee share programs in 2013, Daimler AG acquired 518,942 Daimler shares (2012: 533,949 Daimler shares) representing €1.49 million or 0.05% of the share capital for an average price of €45.49 per share and sold them to employees for an average price of €28.17 per share. The resulting loss of €8.22 million was offset against retained earnings.

**Approved capital.** By resolution of the Annual Meeting on April 8, 2009, the Board of Management was authorized, with the consent of the Supervisory Board, to increase the share capital of Daimler AG in the period until April 7, 2014 by a total of €1,000 million in one lump sum or by separate partial amounts at different times by issuing new, registered no-par-value shares in exchange for cash and/or non-cash contributions (Approved Capital 2009). Among other things, the Board of Management was authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights under certain conditions and within defined limits. The ap-proved capital has not yet been issued.

**Conditional capital.** By resolution of the Annual Meeting on April 14, 2010, the Board of Management, was authorized with the consent of the Supervisory Board, until April 13, 2015 to issue once or several times convertible and/or warrant bonds or a combination of these instruments (“bonds”) with a total face value of up to €10,000 million and a maturity of no more than ten years. The Board of Management is allowed to grant the holders of these bonds conversion and/or warrant rights for new registered no-par-value shares in Daimler AG with an allocable portion of the share capital of up to €500 million in accordance with the details defined in the terms and conditions of the bonds. Among other things, the Board of Management was authorized with the consent of the Supervisory Board to exclude shareholders’ subscription rights for the bonds with conversion or warrant rights for new registered no-par-value shares in Daimler AG under certain conditions and within defined limits. The bonds can also be issued by majority-owned direct or indirect subsidiaries of Daimler AG.

Accordingly, the share capital is conditionally increased by an amount of up to €500 million (Conditional Capital 2010). The authorization to issue convertible and/or warrant bonds has not yet been utilized.

In addition, the share capital is conditionally increased by up to €90 million by the issue of new, registered no par value shares in Daimler AG (remaining Conditional Capital II). The remaining Conditional Capital II covers the subscription rights from the stock options issued until 2004.

**Stock option plans.** As of December 31, 2013, 212,675 options from stock option plan initiated 2004 granting subscription rights to new shares representing €0.6 million of the share capital had not yet been exercised (December 31, 2012: 2,635,455 options from stock option plans initiated until and including 2004 granting subscription rights to new shares representing €7.6 million of the share capital).

#### b) Capital reserve

The capital reserve amounts to €11,477 million at the end of 2013. During 2013, €87 million were transferred to the capital reserve as a result of the exercise of share options from Stock Option Plan 2003-2004. ↗ C.06

#### c) Retained earnings

At December 31, 2013 other retained earnings amount to €18,748 million. ↗ C.07

#### d) Distributable profit

Distributable profit for the year 2013 is calculated in accordance with Section 158 Subsection 1 of the German Stock Corporation Act (AktG) and amounts to €2,407 million. ↗ C.08

**Information on amounts that may not be distributed.** The valuation of the fair value of assets netted off against pension obligations led to an amount of €861 million that may not be distributed. On the other hand, retained earnings exist which may be freely disposed of in the amount of €18,748 million. Therefore, the distributable profit of €2,407 million is in fact fully distributable.

### C.06

#### Capital reserve

	2013	2012
In millions of euros		
<b>Balance at January 1</b>	<b>11,390</b>	11,351
Transferred from exercise of options	87	39
<b>Balance at December 31</b>	<b>11,477</b>	11,390

### C.07

#### Other retained earnings

	2013	2012
In millions of euros		
<b>Balance at January 1</b>	<b>17,061</b>	14,298
Purchase of treasury shares	-8	-7
Effects from the application of treasury shares	.	.
Allocated by the Annual Meeting	389	33
Transfer from net income	1,306	2,737
<b>Balance at December 31</b>	<b>18,748</b>	17,061
thereof treasury shares	-	-

### C.08

#### Distributable profit

	2013
In millions of euros	
<b>Balance at January 1</b>	2,738
Dividend distribution	-2,349
Allocation to retained earnings by the Annual Meeting	-389
Net income 2013	3,713
Allocation to retained earnings by the Board of Management and the Supervisory Board pursuant to Section 58 of the German Stock Corporation Act (AktG)	-1,306
<b>Balance at December 31</b>	<b>2,407</b>

## Dividend

Pursuant to the German Stock Corporation Act (AktG), the maximum dividend that can be distributed to the shareholders is the distributable profit reported in the year-end financial statements of Daimler AG (individual financial statements) according to the German Commercial Code (HGB). The proposal will be made to the shareholders at the Annual Shareholders' Meeting that a dividend of €2,407 million (€2.25 per dividend-entitled share) should be paid to the shareholders out of the distributable profit of Daimler AG for the year 2013 (2012: €2,349 million equivalent to €2.20 per dividend-entitled share).

## C.09

### Provisions for pensions and similar obligations

	Dec. 31, 2013	Dec. 31, 2012
In millions of euros		
Settlement amount of obligations from defined benefit plans	14,180	13,424
Fair value of related special purpose assets for obligations from defined benefit plans	-10,775	-10,327
Settlement amount for obligations from plans with commitments backed by securities	92	24
Fair value of related special purpose assets for obligations from plans with commitments backed by securities	-92	-24
<b>Net value of pensions and similar obligations (provision)</b>	<b>3,405</b>	<b>3,097</b>

## Share-based payment

As of December 31, 2013, Daimler AG has the following awards outstanding that were issued under a variety of plans: the Performance Phantom Share Plans ("PPSP") 2010-2013 and the Stock Option Plan ("SOP") 2004. The plans of share-based payments are measured according to the probability of their being claimed at the balance sheet date.

The PPSP is paid out at the end of the contractually stipulated holding period; earlier, pro-rated pay-out is only possible in the case of an eligible person leaving the Daimler Group if certain defined conditions are met. For the SOP, the waiting period has elapsed, so the plan is exercisable at any time except for special vesting periods and under consideration of the exercise prices.

**Performance Phantom Share Plan.** In 2013, Daimler AG adopted a Performance Phantom Share Plan similar to that used from 2005 through 2012, under which eligible board members and employees are granted phantom shares entitling them to receive cash payments provided that predefined targets are met in the three-year performance period. The amount of cash paid to eligible persons is based on the number of vested phantom shares (determined depending on target achievement over a three-year performance period) multiplied by the quoted price of Daimler's ordinary shares (calculated as an average price over a specified period at the end of the four years of service). The calculation of target achievement is based on return on net assets and return on sales compared with the competitors.

**Stock option plans.** On the basis of the authorization granted by the Annual Shareholders' Meeting of April 2000, stock options for subscription to Daimler shares were granted to eligible board members and employees, for the last time in 2004. Options granted under the SOPs are exercisable at a reference price per Daimler ordinary share, which is determined in advance, plus a 20% premium. The options became exercisable in two equal installments on the second and third anniversaries of the date of grant. All unexercised options expire ten years after the date of grant. If the market price per Daimler ordinary share on the date of exercise is at least 20% higher than the reference price, the holder is entitled to receive a cash payment equal to the original exercise premium of 20%.

In order to serve the exercise of stock options, Daimler AG has so far primarily issued new shares.

The exercise price of the current stock option plan is €43.57.

## 10 Provisions for pensions and similar obligations

Provisions for pensions and similar obligations after offsetting with the related special purpose assets amount to €3,405 million at December 31, 2013 (2012: €3,097 million). [↗ C.09](#)

The settlement amount for obligations that provide for a defined benefit during retirement is €14,180 million (2012: €13,424 million) and was calculated on the basis of the projected unit credit method. Other parameters used in the calculation were the tables of mortality rates published by Heubeck (2005 G), the market interest rate published by the Bundesbank of 4.90% (2012: 5.06%), annual cost-of-living increases and annual pension entitlement increases of 1.80% (2012: 1.80%) and anticipated annual increases in wages and salaries of 3.0% (2012: 3.0%).

These obligations are offset with the special purpose assets. At December 31, 2013 those assets have a fair value of €10,775 million (2012: €10,327 million) and a cost of acquisition of €9,885 million (2012: €9,834 million).

The obligations for the pension plans, the amounts of which are determined by the fair values of securities or comparable assets, are recognized with the fair values of those assets at December 31, 2013 of €92 million (2012: €24 million), as this exceeds the guaranteed minimum value of the obligations at December 31, 2013. There is then an offset with those special purpose assets that have original acquisition costs of €91 million (2012: €24 million). As a result, this leads to the full offsetting of the obligations with the related special purpose assets.

The assets offset as of December 31, 2013 include the shares as shown in table [↗ C.10](#) of more than 10% in German or comparable foreign special funds as defined by Section 1 Subsection 10 of the German Capital Investment Act (KAGB) and investments in investment fund companies with variable equity pursuant to Sections 108 to 123 of the German Capital Investment Act (KAGB). The special funds include, as their investment focus, securities funds and a private equity fund with an international orientation which reflect individual investors' needs.

There are no restrictions on the possibility of returning the shares on stock-exchange trading days. The return of shares can be temporarily suspended under unusual circumstances that make suspension seem necessary under consideration of the interests of the investors.

## 11 Other provisions [↗ C.11](#)

Provisions for taxes relate primarily to income taxes for years not yet finally assessed. The decrease in provisions for taxes is related to the tax assessment of previous years.

Miscellaneous provisions relate primarily to worldwide warranty risks, personnel and social obligations, obligations from the sales business, provisions for liability and litigation risks and unrealized losses from the valuation of derivative financial instruments. In addition, provisions are recognized for deferred maintenance that will be carried out in the first quarter of the following year. The increase in miscellaneous provisions primarily results from the reclassification of partial retirement obligations from liabilities to provisions, and from the sales-related increase in the provision for buyback obligations.

### C.10

#### Shares in investment funds by investment objective

	Book value / fair value	Cost of acqui- sition	Difference	Dividend for the year	Daily return possible
In millions of euros					
Mixed funds	10,133	9,460	673	216	yes
Private equity funds	71	70	1	-	yes
Equity funds	14	12	2	.	yes
Bond funds	2	3	-1	.	yes
	10,220	9,545	675	216	

### C.11

#### Other provisions

	Dec. 31, 2013	Dec. 31, 2012
In millions of euros		
Provisions for taxes	856	1,571
Miscellaneous provisions	8,358	7,634
	9,214	9,205



## C.12

### Liabilities

	Dec. 31, 2013	Dec. 31, 2012
In millions of euros		
Notes/bonds and commercial paper	15,464	10,907
of which due in less than 1 year	2,390	1,226
of which due in more than 5 years	4,250	2,983
Liabilities to banks	1,698	1,551
of which due in less than 1 year	10	162
of which due in more than 5 years	90	189
Trade payables	5,352	5,004
of which due in less than 1 year	5,352	5,004
of which due in more than 5 years	.	.
Liabilities due to subsidiaries	12,774	17,468
of which due in less than 1 year	12,315	15,510
of which due in more than 5 years	-	-
Liabilities due to associated companies	73	70
of which due in less than 1 year	73	70
of which due in more than 5 years	-	-
Other liabilities	1,102	1,387
of which due in less than 1 year	1,080	1,147
of which due in more than 5 years	-	-
of which tax liabilities	150	138
of which obligations concerning social security	54	104
<b>Total of liabilities</b>	<b>36,463</b>	<b>36,387</b>
of which due in less than 1 year	21,220	23,119
of which due in more than 5 years	4,340	3,172

## 12 Liabilities ↗ C.12

Notes, bonds and commercial paper are European medium-term notes in the amount of €15,464 million (2012: €10,745 million).

Liabilities to banks of €1,698 million (2012: €1,551 million) are mainly based on loans of €1,688 million (2012: €1,544 million).

Liabilities due to subsidiaries include intragroup (cash) liabilities within the scope of central financial and liquidity management (€12,364 million, 2012: €17,057 million) as well as trade payables due to domestic and foreign subsidiaries (€410 million, 2012: €411 million).

Liabilities to associated companies include intragroup (cash) liabilities within the scope of central financial and liquidity management (€3 million, 2012: €4 million) as well as trade payables due to domestic and foreign associated companies (€70 million, 2012: €66 million).

Other liabilities (€1,102 million, 2012: €1,387 million) mainly comprise liabilities from wages and salaries, withheld income tax and social security contributions, and accrued interest and option premiums.

## 13 Deferred income

The increase in deferred income is primarily due to advance payments relating to cooperation projects. The release of deferred income takes place pro rata in line with the periods of the underlying contracts.

# Notes to the Income Statement

## 14 Revenue

The development of revenue can be seen in table [7 C.13](#).

## 15 Functional costs

Functional costs are broken down in the income statement into the categories cost of sales, selling expenses and general administrative expenses.

Cost of sales includes manufacturing costs incurred for products, goods and services sold. These costs mainly consist of the costs of production materials, personnel expenses, purchased goods and services, depreciation, currency hedging expenses and rental and lease expenses for the production premises. The increase in cost of sales results in particular from the growth in unit sales and higher expenses for enhancements of the products' attractiveness, as well as higher expenses for new technologies and new products. Cost of sales also includes €4,561 million (2012: €4,806 million) of research and development expenses.

Selling expenses mainly include purchased services such as for advertising and marketing, personnel expenses, commission, outbound shipping costs, rental and lease expenses of the sales organization. The increase reflects the expansion of business activities.

General administrative expenses primarily comprise purchased services such as IT costs, personnel expenses, fees for expertise and consulting, and rental and lease expenses.

Other taxes and customs duties amounting to €86 million (2012: €74 million) are included within functional costs.

Functional costs also include expenses from other periods of €58 million relating to a review of the calculation of partial retirement obligations.

The fees of the external auditors are shown in the notes to the consolidated financial statements.

## C.13

### Revenue

	2013	2012
In millions of euros		
<b>Revenue by product</b>		
Cars	55,125	53,229
Commercial vehicles	20,406	19,498
	<b>75,531</b>	<b>72,727</b>
<b>Revenue by region</b>		
Germany	20,191	20,416
International	55,340	52,311
	<b>75,531</b>	<b>72,727</b>
<b>Breakdown of international revenue</b>		
Western Europe (excluding Germany)	14,960	13,928
United States	14,363	13,814
Asia (excluding China)	7,067	6,461
China	6,230	7,315
Eastern Europe	6,171	5,070
The Americas (excluding United States)	3,107	2,766
Other markets	3,442	2,957
	<b>55,340</b>	<b>52,311</b>

## C.14

### Income/expense from investments in subsidiaries and associated companies, net

	2013	2012
In millions of euros		
Income from profit and loss transfer agreements	2,680	3,338
thereof Daimler Vermögens- und Beteiligungsgesellschaft mbH	1,233	1,303
thereof Daimler Luft- und Raumfahrt Holding AG	990	1,632
Expenses from loss assumptions	-84	-228
Income from subsidiaries	1,113	938
Income from associated companies	185	42
Impairment of investments in subsidiaries and associated companies	-235	-166
Write-ups on investments in subsidiaries and associated companies	98	5
Gains on disposals of investments in subsidiaries and associated companies	10	.
Losses on disposals of investments in subsidiaries and associated companies	-9	-1
	3,758	3,928

## 16 Other operating income

Other operating income of €1,921 million (2012: €2,072 million) consists mainly of cost reimbursements, income from supplying other goods and services, income from subsidies, rent and lease income as well as insurance compensation received.

Other operating income includes €452 million (2012: €660 million) of income assignable to other financial periods and relates mostly to income from the release of provisions and of accruals and deferrals and income from disposals of non-current assets.

Income from the currency translation of trade receivables and payables amounted to €77 million in 2013 (2012: €33 million).

## 17 Other operating expenses

Other operating expenses of €424 million (2012: €317 million) comprise expenses from the currency translation of trade receivables and payables in the amount of €77 million in 2013 (2012: €172 million).

The change compared with the prior year is mainly the result of reclassifying expenses of €155 million (2012: €93 million) for top-up amounts ("Aufstockungsbeträge") for partial retirement obligations; in the previous year, those expenses were presented under functional costs.

Other operating expenses include €96 million (2012: €85 million) of expenses attributable to other financial periods. These expenses are mostly related to disposals of non-current assets and additions to provisions for other taxes.

## 18 Income/expense from investments in subsidiaries and associated companies, net ↗ C.14

The net income from investments in subsidiaries and associated companies decreased mainly due to the lower income from profit and loss transfer agreements. This reduction was mainly the result of the lower profit transfer from Daimler Luft- und Raumfahrt Holding AG.

The loss assumptions were mainly from EvoBus GmbH and EHG Elektroholding GmbH.

Income from subsidiaries increased due to higher profit distributions by the subsidiaries.

## 19 Interest income/expense, net [↗ C.15](#)

All of the earnings components of the existing special purpose assets are recognized under interest income/expense, net and are offset with the interest component of retirement benefit obligation.

The interest component of the retirement benefit obligation amounts to an expense of €1,059 million (2012: €811 million), while the development of the special purpose assets resulted in income of €577 million (2012: €1,038 million). The discounting of provisions with a remaining term to maturity of more than one year results in an interest expense of €303 million (2012: €292 million).

## 20 Other financial income/expense, net

Other financial income/expense, net includes €79 million of expenses (2012: €0 million) from the waiver and impairment of financial receivables from associated companies. It also includes €72 million of expenses (2012: €28 million) from the measurement of derivative financial instruments (interest-rate hedging contracts). [↗ C.16](#)

## 21 Income taxes

As the parent company, Daimler AG is also a taxpayer with respect to the profit and loss transfer agreements concluded with its subsidiaries. The most important subsidiaries with such agreements are Daimler Vermögens- und Beteiligungsgesellschaft mbH, Daimler Luft- und Raumfahrt Holding AG, Daimler Financial Services AG, Mercedes-Benz Accessories GmbH, EvoBus GmbH and Mercedes-Benz Ludwigsfelde GmbH.

The overall income tax amounts to a benefit of €203 million (2012: €366 million) and includes a tax benefit relating to another period of €933 million (2012: €927 million) in connection with the tax assessment of previous years. The income tax expense for the year 2013 amounts to €730 million (2012: €561 million). This is affected by the amount and composition of profit before income taxes. No taxes are payable on large portions of financial income in both years.

Deferred taxes are not included in this item because the capitalization of deferred tax assets is optional. Future tax relief is largely the result of timing differences of provisions for pensions and similar obligations and other provisions.

## 22 Net income

Net income for financial year 2013 is €3,713 million. After a transfer to retained earnings of €1,306 million pursuant to Section 58 Subsection 2 of the German Stock Corporation Act (AktG), distributable profit amounts to €2,407 million.

### C.15

#### Interest income/expense, net

	2013	2012
In millions of euros		
Income from other securities and loans of financial assets	19	21
thereof from subsidiaries	18	20
Other interest and similar income	929	1,207
thereof from subsidiaries	269	439
Interest and similar expenses	-1,827	-1,374
thereof to subsidiaries	-290	-441
	<b>-879</b>	<b>-146</b>

### C.16

#### Other financial income/expense, net

	2013	2012
In millions of euros		
Currency income/expense, net	-61	-46
Miscellaneous income	109	36
Miscellaneous expenses	-240	-62
	<b>-192</b>	<b>-72</b>

# Other Notes

## C.17

### Personnel expenses

	2013	2012
In millions of euros		
Wages and salaries	9,828	9,328
Social security contributions	1,586	1,542
Pension costs	278	352
	11,692	11,222

### Employees

	2013	2012
<b>Annual average numbers</b>		
Hourly employees	83,875	83,941
Salaried employees	57,741	56,708
Trainees/apprentices/interns	9,442	9,509
<b>Total (average for the year)</b>	<b>151,058</b>	150,158
<b>Total (at the end of the year)</b>	<b>150,605</b>	149,644

## C.18

### Cost of materials

	2013	2012
In millions of euros		
Cost of raw materials, manufacturing supplies and purchased goods	50,049	46,503
Cost of purchased services	10,145	9,520
	60,194	56,023

## C.19

### Derivative financial instruments: Nominal values

	Dec. 31, 2013	Dec. 31, 2012
In millions of euros		
Foreign exchange contracts	36,790	37,744
Interest rate contracts	20,202	22,134
Commodity futures contracts	1,779	2,050
Equity option contracts	171	171
	58,942	62,099

### Personnel expenses / Employees ↗ C.17

Wages and salaries include direct labor, salaries, severance payments, holiday bonuses, special bonuses and expenses resulting from personnel-related provisions.

Social security contributions primarily relate to the employer's contributions to pension, unemployment, nursing-care and medical insurance plans.

Pension costs comprise the components to be shown under functional costs pursuant to applicable law as well as the contributions to the German Pension Insurance Association.

### Cost of materials

Cost of materials include expenses for raw materials and manufacturing supplies as well as for purchased goods and services. ↗ C.18

### Derivative financial instruments and valuation units

Derivative financial instruments serve solely to hedge risks relating to foreign exchange rates, interest rates, raw material prices and equity prices. They cover the underlying transactions of the companies of the Daimler Group and the original financial transactions (underlying transactions) and are placed together with them as far as possible in valuation units.

The derivative financial instruments held by Daimler AG have the nominal values as shown in table ↗ C.19 at the end of the reporting year and the prior year. The nominal values are the totals of the basic values of all purchase and sale contracts without netting off.

The foreign exchange contracts primarily comprise currency futures and currency options. They mainly serve to hedge the foreign exchange risks of the companies of the Group from the cash flows expected with a high degree of certainty from the automotive business. Currency futures are also held to hedge the risks connected with financial receivables and liabilities from the Group's financing. Interest rate contracts include interest rate swaps as well as interest/currency swaps. They are primarily used to minimize the risk of changes in interest rates. Commodity contracts currently consist of commodity swaps used for hedging purchasing prices of purchases of raw materials expected with a high degree of certainty. Equity option contracts comprise options used to hedge the value of shares.



The book values and fair values of derivative financial instruments at the end of the reporting year and the prior year are shown in the table [C.20](#).

The book values are taken from the items of the balance sheet and relate to other assets, other liabilities and other provisions. Other assets and other liabilities primarily comprise paid and received option premiums from currency options. Other provisions consist on the one hand of negative fair values and changes in fair values of derivatives which are not included in a valuation unit, and on the other hand of negative ineffectiveness from valuation units.

The fair values of currency futures are determined on the basis of current ECB reference rates with consideration of forward premiums or discounts. Currency and interest options are measured with the use of quoted rates or option price models. The fair values of interest rate contracts are determined on the basis of discounted expected future cash flows with the use of the market interest rates applicable for the remaining time until maturity of the financial instruments. The fair values of commodity contracts are determined on the basis of current spot rates on commodity exchanges with consideration of forward premiums or discounts.

Of the derivative financial instruments held on the balance sheet date in a nominal amount of €58,942 million, financial instruments in a total amount of €36,408 million are placed in valuation units. Of that total, €28,906 million are accounted for by foreign exchange contracts, €6,297 million by interest rate contracts and €1,205 million by commodity futures contracts.

Table [C.21](#) shows the hedged exchange rate and commodity price risks included in valuation units.

If derivative financial instruments are included in valuation units with the related underlying transactions, an effectiveness measurement is carried out both at the beginning of the hedging period and on each following balance sheet date upon which the hedge exists. In connection with the hedging of exchange rate risks of assets and liabilities, the terms and parameters of the underlying transaction and the hedging transaction are compared with each other. With the hedging of future transactions, the dollar-offset method is mainly used. The risk management system at the Daimler Group monitors the effectiveness of hedges.

## C.20

### Derivative financial instruments: book value / fair value

	Book value	Dec. 31, 2013	Book value	Dec. 31, 2012
		Fair value		Fair value
In millions of euros				
<b>Assets</b>				
Foreign exchange contracts	66	1,488	152	734
Interest rate contracts	31	288	26	600
Commodity futures contracts	4	51	.	202
Equity option contracts	118	118	171	178
	219	1,945	349	1,714
<b>Liabilities</b>				
Foreign exchange contracts	-78	-104	-197	-553
Interest rate contracts	-163	-388	-87	-259
Commodity futures contracts	-66	-195	-76	-294
Equity option contracts	-	-	-	-
	-307	-687	-360	-1,106
<b>Balance</b>	<b>-88</b>	<b>1,258</b>	<b>-11</b>	<b>608</b>

## C.21

### Derivative financial instruments: valuation units

	Hedging instrument	Hedged volume	Dec. 31, 2013	
			Positive fair value	Negative fair value
In millions of euros				
Exchange rate risk of assets and liabilities	Interest rate contracts	6,297	87	-256
	Foreign exchange contracts	801	7	-7
Exchange rate risk of future transactions	Foreign exchange contracts	28,105	1,437	-86
Purchase price risk of future transactions	Commodity futures contracts	1,205	51	-148

**Foreign exchange contracts.** Currency futures and currency options in the automotive business are combined with the expected cash flows they are based upon for each currency in valuation units. To the extent that negative fair values from the valuation of hedges are offset by currency gains from the expected underlying transactions, they are not accounted for; in this case, the corresponding losses are only recognized in profit and loss for the period when the derivatives mature, simultaneously with the currency gains from the underlying transactions. Provisions are recognized for any amounts in excess of that. The hedging period is generally up to three years. Setting hedging volumes lower than the planned cash flows in the respective foreign currency and decreasing as time passes ensures that the future cash flows from the derivatives are covered to a high degree of certainty by opposing currency effects from the underlying transactions.

Currency futures of the financing activities outside the Group are combined into valuation units with opposing hedges concluded within the Group. Currency futures outside the Group that are not opposed by any corresponding hedges within the Group are included with the related financial receivables and liabilities in valuation units, provided that the documentation requirements are fulfilled. Otherwise, provisions are recognized in the amount of the negative fair values. The hedging period is generally one to three years.

**Interest rate contracts.** Interest swaps and interest/currency swaps outside the Group are combined into valuation units with opposing interest and interest/currency contracts within the Group. For interest hedges outside the Group that are not opposed by any corresponding hedges within the Group, in the case of interest swaps, provisions are recognized in the amount of the negative fair values. In the case of interest/currency swaps, provided the documentation requirements are fulfilled, they are included in valuation units with the related financial receivables and liabilities. Otherwise, provisions are recognized in the amount of the negative fair values. The hedging period is one to a maximum of ten years.

**Commodity futures contracts.** Raw-material hedges outside the Group are combined into valuation units with opposing hedges within the Group. For raw-material hedges outside the Group that are not opposed by any corresponding hedges within the Group, to the extent that applicable statutory requirements can be fulfilled, commodity futures contracts are combined in valuation units with the price-change effects of the future material purchases they are intended to hedge. To the extent that negative fair values from the valuation of hedges are opposed by positive price-change effects from the expected underlying transactions, they are not accounted for; in this case, the corresponding losses are recognized in profit and loss for the period when the price-change effects from the purchases of raw materials are recognized. Provisions are recognized for any amounts in excess of that. The hedging period is generally one to three years. Setting hedging rates lower than the planned material requirements and decreasing as time passes ensures that the future cash flows from the derivatives are covered to a high degree of certainty by opposing price-change effects of the hedged materials.

**Equity option contracts.** Financial assets recognized at fair value through profit and loss also include the option held by Daimler to sell shares in Rolls-Royce Power Systems Holding to the joint venture partner Rolls-Royce. The fair value of this option has been determined with the use of an option pricing model; estimated future cash flows and, to the extent available, market parameters were applied.

### Contingent liabilities

Contingent liabilities relate to potential future events, the occurrence of which would lead to an obligation. At the balance sheet date, the contingent liabilities of Daimler AG were reviewed with consideration of available knowledge about the financial position, cash flows and profitability of business partners with regard to the risk situation. Daimler AG therefore assesses the risk of possible claims on all the listed obligations as unlikely. At December 31, 2013, contingent liabilities amount to €43,370 million (2012: €45,954 million), primarily consisting of guarantees. They include guarantees to domestic and foreign subsidiaries amounting to €43,133 million (2012: €45,668 million), which primarily comprise guarantees provided to creditors of subsidiaries of Daimler AG, for example for loans they have taken out and bonds they have issued and liabilities to banks. To the benefit of co-shareholders of Mercedes-Benz (China) Ltd., Daimler AG is liable for guaranteed dividends for 2013 and following years.

Guarantees were issued for the benefit of third parties in a total amount of €237 million (2012: €287 million). This includes a payment guarantee in an amount of €100 million that was provided in the context of obligations from bank loans granted to Toll Collect GmbH.

### Other financial commitments

Other financial commitments total €18,438 million (thereof due in 2014: €11,381 million). Such commitments to subsidiaries amount to €6,490 million (thereof due in 2014: €3,789 million).

In connection with vehicle sales and leasing, buyback obligations exist in an amount of €4,632 million (thereof due in 2014: €2,050 million). Such obligations to subsidiaries amount to €3,424 million (thereof due in 2014: €1,717 million).

Other financial commitments resulting from rental and leasing agreements amount to €2,453 million (thereof due in 2014: €951 million). Of that total, €1,517 million relate to subsidiaries (thereof due in 2014: €738 million). Rental obligations towards the property management company Grundstücksverwaltungsgesellschaft Mercedes-Benz AG & Co. OHG amount to €1,321 million (thereof due in 2014: €650 million).

The remaining financial commitments, in particular the purchase commitment, are of a magnitude typical for the industry.

### Related party relationships according to Section 285 No. 21 of the German Commercial Code (HGB)

**Subsidiaries and associated companies.** Most of the goods and services supplied within the ordinary course of business between Daimler AG and related parties comprise transactions with subsidiaries and associated companies and are included in table [C.22](#).

In connection with a 45% equity interest of the Daimler Group in Toll Collect GmbH, Daimler has issued a guarantee that is not included in table [C.22](#).

**Board members.** Throughout the world, Daimler AG has business relationships with numerous entities that are also customers and/or suppliers of Daimler AG. Those customers and/or suppliers include companies that have a connection with some of the members of the Supervisory Board or of the Board of Management of Daimler AG or its subsidiaries.

### Legal proceedings

Various legal proceedings, claims and governmental investigations (legal proceedings) are pending against Daimler AG and its subsidiaries on a wide range of topics, including vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights, product warranties, environmental matters, antitrust matters, and shareholder matters. Some of these proceedings allege defects in various components in several different vehicle models or allege design defects relating to vehicle stability, pedal misapplication, brakes or crashworthiness. Some of the claims asserted by way of class action suits seek repair or replacement of the vehicles or compensation for their alleged reduction in value, while others seek recovery for damage to property, personal injuries or wrongful death. Adverse decisions in one or more of these proceedings could require us to pay substantial compensatory and punitive damages or undertake service actions, recall campaigns or other costly actions.

In mid-January 2011, the European Commission carried out antitrust investigations of European commercial vehicle manufacturers, including Daimler AG. Daimler is taking the Commission's initial suspicion very seriously and is also - parallel to the Commission's investigations - carrying out its own extensive internal investigation to clarify the underlying circumstances. If antitrust infringements are discovered, the European Commission can impose considerable fines depending on the gravity of the infringement.

## C.22

### Business between Daimler AG and related parties

	Subsidiaries	Associated companies
In millions of euros		
Sales of goods and services and other income in 2013	9,140	2,742
Purchases of goods and services and other expenses in 2013	2,743	445
Receivables at December 31, 2013	2,454	894
Payables at December 31, 2013	445	70

On April 1, 2010, Daimler announced a settlement of the previously initiated US Securities and Exchange Commission (SEC) and US Department of Justice (DOJ) investigations into possible violations by Daimler of the anti-bribery, record-keeping, and internal-controls provisions of the US Foreign Corrupt Practices Act (FCPA).

As a result of such settlement, Daimler paid a total of US\$185 million in fines and civil disgorgement and agreed to engage the Honorable Louis J. Freeh as post-settlement monitor for a three-year period. Communications with and provision of documents to the offices of German public prosecutors regarding the matters that have been under investigation by the DOJ and SEC have taken place.

On December 31, 2012 the deferred prosecution agreements expired. The Honorable Louis J. Freeh completed his role as post-settlement monitor as planned on April 1, 2013. All criminal charges pending against Daimler in US courts have been dismissed officially afterwards.

On August 17, 2009, the Official Committee of Unsecured Creditors of OldCarCo LLC (formerly Chrysler LLC) filed a lawsuit with the United States Bankruptcy Court, Southern District of New York, against Daimler AG, Daimler North America Corporation and others. The Committee has been substituted by the Liquidation Trust, which claims unspecified damages based on theories of constructive fraudulent transfer and other legal theories, alleging that the consideration received in certain transactions effected in connection with the investment by Cerberus in Chrysler LLC was not fair consideration. Daimler has successfully submitted miscellaneous legal defense arguments, so that the Bankruptcy Court dismissed all claims with prejudice as of May 12, 2011. The appeal of the Liquidation Trust led to a confirmation of the Bankruptcy Court's decision by the United States District Court of the Southern District of New York. A second appeal by the Liquidation Trust to the United States Court of Appeals for the Second Circuit, New York as of December 19, 2011 was unsuccessful. On January 30, 2013, the US Court of Appeals unanimously affirmed the judgment of the Bankruptcy Court. The decision is now final.

The Federal Republic of Germany initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and Toll Collect GbR and submitted its statement of claims in August 2005. It seeks damages, contractual penalties and the transfer of intellectual property rights to Toll Collect GmbH. In particular, the Federal Republic of Germany is claiming

- lost revenue of €3.33 billion for the period September 1, 2003 through December 31, 2004 plus interest at 5% per annum over the respective base rate since submission of claims (amount as of November 21, 2010 at €1.4 billion),
- and contractual penalties of approximately €1.65 billion through July 31, 2005 plus interest at 5% per annum over the respective base rate since submission of claims (amount as of November 21, 2010 at €282 million),
- plus refinancing costs of €115 million.

Since, among other things, some of the contractual penalties are dependent on time and further claims for contractual penalties have been asserted by the Federal Republic of Germany, the amount claimed as contractual penalties may increase. Defendants submitted their response to the statement of claims on June 30, 2006. The Federal Republic of Germany delivered its reply to the arbitrators on February 15, 2007, and the defendants delivered their rebuttal on October 1, 2007. The arbitrators held the first hearing on June 16 and 17, 2008. Additional briefs from the claimant and the defendants were filed since then. A hearing of witnesses and experts took place between December 6 and 14, 2010. The parties submitted further written statements on July 15 and November 15, 2011. After the Tribunal's President resigned for personal reasons as of March 30, 2012, the new President was determined by the Administrative Court in Berlin as of October 29, 2012. Daimler believes the claims of the Federal Republic of Germany are without merit and will continue to defend itself vigorously.

Daimler AG establishes provisions in connection with pending or threatened proceedings to the extent a loss is probable and can be reasonably estimated. Such provisions are reflected in the financial statements and are based on estimates. Risks resulting from legal proceedings, however, sometimes cannot be assessed reliably or only to a limited extent. Consequently, provisions accrued for some legal proceedings may turn out to be insufficient once such proceedings have ended. Daimler may also become liable for payments in legal proceedings no provisions were established for. Although the final resolution of any such proceedings could have a material effect on Daimler's operating results and cash flows for a particular reporting period, Daimler believes that it should not materially affect its financial position.

## Remuneration of the members of the Board of Management and the Supervisory Board

The following information regarding the remuneration of the members of the Board of Management and of the Supervisory Board is disclosed on an individual basis in the Remuneration Report, which is part of the Management Report.

**Board of Management remuneration.** The total remuneration granted to the members of the Board of Management of Daimler AG is calculated as the total of the amounts of

- the base salary in 2013,
- the half of the annual bonus for 2013 payable in 2014,
- the half of the medium-term share-based component of the annual bonus for 2013 (“deferral”) payable in 2015 with its value at the balance sheet date (entitlement depending on the development of Daimler’s share price compared with the Dow Jones STOXX Auto Index),
- the value of the long-term share-based remuneration at the time when granted in 2013 (Performance Phantom Share Plan – PPSP), and
- taxable non-cash benefits in 2013.

For both of the share-based components – the second 50% of the annual bonus and the PPSP with a long-term orientation – the amounts actually paid out can deviate significantly from the values described depending on the development of the Daimler share price and on the achievement of the relevant target parameters. Further information on share-based remuneration is provided on [page 16](#).

In 2013, €8.9 million was fixed, that is, non-performance-related remuneration (2012: €7.5 million), €12.1 million (2012: €9.3 million) was short- and medium-term performance-related variable remuneration (annual bonus and deferral) and €10.9 million was variable performance-related remuneration granted in 2013 with a long-term incentive effect (2012: €11.4 million). This adds up to a total of €31.9 million for 2013 (2012: €28.2 million).

The pension agreements of some Board of Management members include a commitment to an annual retirement pension, calculated as a proportion of the former base salary and depending on the number of years of service. Those pension rights were granted until 2005 and remain valid; they have been frozen at that level, however.

Payments of these retirement pensions start upon request when the term of service ends at or after the age of 60, or are paid as disability pensions if the term of service ends before the age of 60 due to disability. The respective agreements provide for a 3.5% annual increase in benefits (with the exception that Wilfried Porth’s benefits are adjusted in accordance with applicable law). The agreements include a provision by which a spouse of a deceased Board of Management member is entitled to 60% of that member’s pension. That amount can increase by up to 30 percentage points depending on the number of dependent children.

Effective as of January 1, 2006, we replaced the pension agreements of the Board of Management members with a new arrangement, the so-called pension capital system. Under this system, each Board of Management member is credited with a capital component each year. This capital component comprises an amount equal to 15% of the sum of the Board of Management member’s fixed base salary and the actual annual bonus, multiplied by an age factor equivalent to a rate of return of 6% until 2015 and 5% as of 2016 (Wolfgang Bernhard and Wilfried Porth: 5% for all years). These contributions to pension plans are granted only until the age of 60. The benefit from the pension plan is payable to surviving Board of Management members upon retirement at or after the age of 60, or as a disability pension upon retirement before the age of 60 due to disability.

In 2012, Daimler introduced a new company retirement benefit plan for new entrants and new appointments for employees paid according to collective bargaining wage tariffs as well as for executives: the “Daimler Pensions Plan.” As before, the new retirement benefit system features the payment of annual contributions by Daimler, but is oriented towards the capital market, combined with Daimler’s commitment to guarantee the total of contributions paid. The Supervisory Board of Daimler AG has approved the application of this system for all newly appointed members of the Board of Management (so far, Hubertus Troska). Accordingly, each member of the Board of Management is credited with a capital component each year. This amount is calculated from 15% of the total of the base salary and the actual annual bonus. These contributions to retirement provision are granted until the age of 62. The benefit from the pension plan is payable to surviving Board of Management members upon retirement at or after the age of 62, or as a disability pension upon retirement before the age of 62 due to disability.

Payments under the pension capital system and the Daimler Pensions Plan can be made in three ways:

- as a single amount;
- in twelve annual installments, whereby interest accrues on each partial amount until it is paid out;
- as a pension with an annual increment (see above Daimler Pension Plan pursuant to applicable law).

The contracts specify that if a Board of Management member passes away before retiring for reason of age, the spouse or dependent children is/are entitled to the full committed amount in the case of the pension capital system, and to the credit amount reached plus an imputed amount until the age of 62 in the case of the Daimler Pensions Plan. If a Board of Management member passes away after retiring for reason of age, in the case of payment of twelve annual installments, the heirs are entitled to the remaining present value. In the case of a pension with benefits for surviving dependents, the spouse/registered partner or dependent children is/are entitled to 60% of the discounted terminal value (pension capital), or the spouse/registered partner is entitled to 60% of the actual pension (Daimler Pensions Plan).



Departing Board of Management members with pension agreements modified as of the beginning of 2006 receive, for the period beginning after the end of the original service period and for the last time upon reaching the age of 60, payments in the amounts of the pension commitments granted as described in the previous section. Departing Board of Management members are also provided with a company car, in some case for a defined period. These payments are made until the age of 60, possibly reduced due to other sources of income, and are subject to annual percentage increases described above in the explanation of these pension agreements.

The following details of retirement benefits have been calculated with consideration of the parameters used to calculate the pension obligation. The service cost of the pension obligation in 2013 was €2.0 million (2012: €2.3 million). The present value of the total obligation at December 31, 2013 was €57.0 million (2012: €62.6 million). Taking age and years of service into consideration, the individual pensions, service costs and present values are as shown in table [C.23](#).

In the case of early termination of a service contract without an important reason, Board of Management service contracts include commitments to payment of the base salary and provision of a company car until the end of the original service period at a maximum. However, entitlement to the payment of the annual bonus exists only pro-rata for the time until the termination of the service contract takes effect. Entitlement to payment of the performance-related component of remuneration with a long-term incentive effect is defined by the conditions of the respective plans. The total of the payments described above including fringe benefits is limited to double the annual remuneration and may not exceed the total remuneration for the remaining period of the service contract.

Payments made in 2013 to former members of the Board of Management of Daimler AG and their survivors amounted to €14.5 million (2012: €15.3 million). Pension obligations for former members of the Board of Management and their survivors amounted to €187.7 million at December 31, 2013 (2012: €185.5 million).

In 2013, no advances or loans were made to members of the Board of Management of Daimler AG.

**Supervisory Board remuneration.** Remuneration for all the activities of the members of the Supervisory Board of Daimler AG amounted to €3.0 million in 2013 (2012: €3.0 million). The remuneration of the members of the Supervisory Board does not include a performance-related variable component.

No remuneration was paid to the members of the Supervisory Board for services provided personally beyond the board and committee activities, in particular for advisory or agency services, except for the remuneration to the members of the Supervisory Board representing the employees in accordance with their contracts of employment. The members of the Supervisory Board solely receive remuneration due in the short term.

In 2013, no advances or loans were made to members of the Supervisory Board of Daimler AG.

#### Disclosures according to Section 160 Subsection 1 No. 8 of the German Stock Corporation Act (AktG)

At the balance sheet date of December 31, 2013, shareholdings in the Company exist that were communicated pursuant to Section 21 Subsection 1 of the German Securities Trading Act (WpHG) and disclosed pursuant to Section 26 Subsection 1 of the WpHG as follows:

“**Norges Bank** (the Central Bank of Norway), Oslo, Norway, has notified us on April 29, 2013 pursuant to sec. 21 para. 1 German Securities Trading Act (WpHG), that its percentage of voting rights in Daimler AG, Stuttgart, Germany, exceeded the threshold of 3% on April 26, 2013 and amounts to 3.04% (32,495,619 voting rights) as per this date.

## C.23

### Annual pension, service cost and present value of obligations per board member

	Annual pension (as regulated until 2005) as of age 60		Service cost (for pension, Pension Capital and Daimler Pensions Plan)		Present value of obligations (for pension, Pension Capital and Daimler Pensions Plan)	
	2013	2012	2013	2012	2013	2012
In thousands of euros						
Dr. Dieter Zetsche	1,050	1,050	–	828	24,388	30,870
Dr. Wolfgang Bernhard	–	–	321	251	1,496	1,174
Wilfried Porth	156	156	168	146	5,303	4,779
Andreas Renschler	250	250	322	290	7,912	7,665
Hubertus Troska	–	–	256	5	2,157	1,799
Bodo Uebber	275	275	550	480	8,009	7,182
Prof. Dr. Thomas Weber	300	300	338	316	7,726	9,097
<b>Total</b>	<b>2,031</b>	<b>2,031</b>	<b>1,955</b>	<b>2,316</b>	<b>56,991</b>	<b>62,566</b>

Dr. Hohmann-Dennhardt has no entitlement to retirement benefits or similar benefits provided by the Company.

The Ministry of Finance, in the name of and on behalf of the state of Norway, Oslo, Norway, has notified us on April 29, 2013 pursuant to sec. 21 para. 1 German Securities Trading Act (WpHG), that its percentage of voting rights in Daimler AG, Stuttgart, Germany, exceeded the threshold of 3% on April 26, 2013 and amounts to 3.04% (32,495,619 voting rights) as per this date. Of these voting rights, 3.04% (32,495,619 voting rights) are to be attributed to the Ministry of Finance in the name of and on behalf of the state of Norway pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG. Attributed voting rights are held by the following company that is controlled by the Ministry of Finance in the name of and on behalf of the state of Norway, and whose holding of voting rights in Daimler AG amounts to 3% or more: Norges Bank (the Central Bank of Norway), Oslo, Norway.”

“(1) **BlackRock Holdco 2, Inc.**, Wilmington, DE, U.S.A., has notified us on May 10, 2012 pursuant to section 21 (1) German Securities Trading Act (WpHG) that its percentage of voting rights in Daimler AG, Stuttgart, Germany, exceeded the threshold of 5% on May 4, 2012 and amounts to 5.32% (equals: 56,740,419 voting rights) as per this date. Of these voting rights 5.32% (equals: 56,740,419 voting rights) are to be attributed to BlackRock Holdco 2 pursuant to section 22 (1) sentence 1 no. 6 in connection with sentence 2 WpHG.

(2) BlackRock Financial Management, Inc., New York, NY, U.S.A., has notified us on May 10, 2012 pursuant to section 21 (1) German Securities Trading Act (WpHG) that its percentage of voting rights in Daimler AG, Stuttgart, Germany, exceeded the threshold of 5% on May 4, 2012 and amounts to 5.32% (equals: 56,740,419 voting rights) as per this date. Of these voting rights 5.32% (equals: 56,740,419 voting rights) are to be attributed to BlackRock Financial Management pursuant to section 22 (1) sentence 1 no. 6 in connection with sentence 2 WpHG.

(3) BlackRock International Holdings, Inc., New York, NY, U.S.A., has notified us on May 10, 2012 pursuant to section 21 (1) German Securities Trading Act (WpHG) that its percentage of voting rights in Daimler AG, Stuttgart, Germany, exceeded the threshold of 3% on May 4, 2012 and amounts to 3.30% (equals: 35,216,588 voting rights) as per this date. Of these voting rights 3.30% (equals: 35,216,588 voting rights) are to be attributed to BlackRock International Holdings pursuant to section 22 (1) sentence 1 no. 6 in connection with sentence 2 WpHG.

(4) BR Jersey International Holdings, L.P., St. Helier, Jersey, Channel Islands, has notified us on May 10, 2012 pursuant to section 21 (1) German Securities Trading Act (WpHG) that its percentage of voting rights in Daimler AG, Stuttgart, Germany, exceeded the threshold of 3% on May 4, 2012 and amounts to 3.30% (equals: 35,216,588 voting rights) as per this date. Of these voting rights 3.30% (equals: 35,216,588 voting rights) are to be attributed to BR Jersey International Holdings pursuant to section 22 (1) sentence 1 no. 6 in connection with sentence 2 WpHG.

(5) BlackRock Group Limited, London, U.K., has notified us on May 10, 2012 pursuant to section 21 (1) German Securities Trading Act (WpHG) that its percentage of voting rights in Daimler AG, Stuttgart, Germany, exceeded the threshold of 3% on May 4, 2012 and amounts to 3.13% (equals: 33,352,115

voting rights) as per this date. Of these voting rights 3.13% (equals: 33,352,115 voting rights) are to be attributed to BlackRock Group Limited pursuant to section 22 (1) sentence 1 no. 6 in connection with sentence 2 WpHG.”

“**BlackRock, Inc.**, New York, NY, USA, has notified us pursuant to section 21 (1) German Securities Trading Act (WpHG) that its percentage of voting rights in Daimler AG exceeded the threshold of 5% on August 11, 2011, and amounts to 5.72% (61,006,517 voting rights) as per this date. Of these voting rights 5.72% (61,006,517 voting rights) are to be attributed to BlackRock, Inc. pursuant to section 22 (1) sentence 1 no. 6 in connection with sentence 2 WpHG.”

“**BlackRock Advisors Holdings, Inc.**, New York, NY, USA, has notified us pursuant to section 21 (1) German Securities Trading Act (WpHG) that its percentage of voting rights in Daimler AG exceeded the threshold of 3% on August 11, 2011, and amounts to 3.64% (38,851,388 voting rights) as per this date. Of these voting rights 3.64% (38,851,388 voting rights) are to be attributed to BlackRock Advisors Holdings, Inc. pursuant to section 22 (1) sentence 1 no. 6 in connection with sentence 2 WpHG.”

“**Renault S. A.**, Boulogne-Billancourt, France, has notified us pursuant to Section 21 Subsection 1 of the German Securities Trading Act (WpHG) that its percentage holding of the voting rights in Daimler AG, Mercedesstr. 137, 70327 Stuttgart, Germany, exceeded the threshold of 3% on April 28, 2010 and amounts to 3.10% (32,896,756 voting rights) on that day. Thereof 16,448,378 voting rights (representing 1.55% of the voting rights in Daimler AG) directly held by Nissan Motor Co. Ltd. are attributable to Renault S. A. pursuant to Section 22 Subsection 2 of the WpHG.

**Nissan Motor Co. Ltd.**, Yokohama, Japan, has notified us pursuant to Section 21 Subsection 1 of the German Securities Trading Act (WpHG) that its percentage holding of the voting rights in Daimler AG, Mercedesstr. 137, 70327 Stuttgart, Germany, exceeded the threshold of 3% on April 28, 2010 and amounts to 3.10% (32,896,756 voting rights) on that day. Thereof 16,448,378 voting rights (representing 1.55% of the voting rights in Daimler AG) directly held by Renault S. A. are attributable to Nissan Motor Co. Ltd. pursuant to Section 22 Subsection 2 of the WpHG.”

“**The Kuwait Investment Authority** as Agent for the Government of the State of Kuwait, Kuwait City, State of Kuwait, has notified us pursuant to Section 21 Subsection 1 of the German Securities Trading Act that the voting rights of the State of Kuwait in Daimler AG, Mercedesstr. 137, 70327 Stuttgart, Germany, exceeded the threshold of 5% on April 22, 2010 and that it held 5.33% (56,589,320 voting rights) as per this date. According to the notification, all voting rights are directly held.”

#### Declaration of Compliance with the German Corporate Governance Code

The mandatory statement pursuant to Section 161 of the German Stock Corporation Act (AktG) has been issued by the Board of Management and the Supervisory Board and is permanently accessible on [www.daimler.com/dai/gccg](http://www.daimler.com/dai/gccg)

## Members of the Board of Management and their mandates

Members of the Board of Management	Supervisory Board Memberships/Directorships
<p><b>Dr.-Ing. Dieter Zetsche</b> Stuttgart Chairman of the Board of Management Daimler AG/ Head of Mercedes-Benz Cars Appointed until December 2016</p>	<p><i>Internal Directorships</i> None</p> <p><i>External Directorships</i> RWE AG</p>
<p><b>Dr. Wolfgang Bernhard</b> Stuttgart Daimler Trucks and Buses Appointed until February 2018</p>	<p><i>Internal Directorships</i> Daimler India Commercial Vehicles Private Ltd. EvoBus GmbH – Chairman Mercedes-Benz Grand Prix Ltd. Mitsubishi Fuso Truck and Bus Corporation</p> <p><i>External Directorships</i> Österreichische Industrieholding AG (ÖIAG)</p>
<p><b>Dr. Christine Hohmann-Dennhardt</b> Stuttgart Integrity and Legal Affairs Appointed until February 2017</p>	<p><i>Internal Directorships</i> None</p> <p><i>External Directorships</i> None</p>
<p><b>Wilfried Porth</b> Stuttgart Human Resources and Director of Labor Relations &amp; Mercedes-Benz Vans Appointed until April 2017</p>	<p><i>Internal Directorships</i> Daimler Financial Services AG</p> <p><i>External Directorships</i> None</p>
<p><b>Andreas Renschler</b> Stuttgart Manufacturing and Procurement Mercedes-Benz Cars &amp; Mercedes-Benz Vans Termination of the appointment at the end of January 28, 2014</p>	<p>Until the termination of the appointment as of the end of January 28, 2014, Andreas Renschler, as member of the Board of Management, was member in the following bodies:</p> <p><i>Internal Directorships</i> Daimler Financial Services AG</p> <p><i>External Directorships</i> Deutsche Messe AG Rolls-Royce Power Systems AG</p>
<p><b>Hubertus Troska</b> Stuttgart Greater China Appointed until December 2015</p>	<p><i>Internal Directorships</i> Daimler Financial Services AG Daimler Greater China – Chairman Daimler Northeast Asia Parts Trading &amp; Services Co., Ltd. Daimler Trucks and Buses (China) Ltd. – Chairman Daimler Vans Hong Kong Ltd. – Chairman EvoBus GmbH Mercedes-Benz Auto Finance Ltd. Mercedes-Benz Leasing Co., Ltd. Mercedes-Benz (China) Ltd. Mercedes-Benz Hong Kong Ltd. Mercedes-Benz Taiwan Ltd. Mercedes-Benz Türk A.S.</p> <p><i>External Directorships</i> KAMAZ OAO BAIC Motor Corporation Ltd. Beijing Mercedes-Benz Sales Service Co., Ltd. – Chairman Beijing Benz Automotive Co., Ltd. – Vice Chairman Beijing Foton Daimler Automotive Co., Ltd. – Chairman Fujian Benz Automotive Co., Ltd. – Vice Chairman Daimler Culture Development Co., Ltd. – Chairman Shenzhen BYD Daimler New Technology Co., Ltd. – Chairman</p>

**Members of the Board of Management****Bodo Uebber**

Stuttgart  
 Finance & Controlling/Daimler Financial Services  
 Appointed until December 2019

**Supervisory Board Memberships/Directorships***Internal Directorships*

Mercedes-Benz Bank AG  
 Daimler Financial Services AG – Chairman

*External Directorships*

BAIC Motor Corporation Ltd.  
 Bertelsmann SE & Co. KGaA  
 Delta Topco Ltd

**Prof. Dr.-Ing. Thomas Weber**

Stuttgart  
 Group Research & Mercedes-Benz Cars Development  
 Appointed until December 2016

*Internal Directorships*

Mercedes-AMG GmbH – Chairman of the Advisory Board  
 Mercedes-Benz AMG HighPerformancePowertrains Ltd. -  
 Chairman  
 Mercedes-Benz AMG Grand Prix Ltd.

*External Directorships*

Shenzhen BYD Daimler New Technology Co., Ltd.

## Members of the Supervisory Board and their mandates

Members of the Supervisory Board	Supervisory Board Memberships/Directorships
<b>Dr. Manfred Bischoff</b> Munich Chairman of the Supervisory Board of Daimler AG	European Aeronautic Defence and Space Company EADS N.V. SMS GmbH UniCredit S.p.A. Voith GmbH – Chairman
<b>Erich Klemm*</b> Sindelfingen Chairman of the General Works Council, Daimler Group and Daimler AG; Deputy Chairman of the Supervisory Board of Daimler AG	
<b>Dr. Paul Achleitner</b> Frankfurt am Main Chairman of the Supervisory Board of Deutsche Bank AG	Deutsche Bank AG – Chairman Bayer AG
<b>Sari Baldauf</b> Helsinki Former Executive Vice President and General Manager of the Networks Business Group of Nokia Corporation	F-Secure Corporation Fortum OYj – Chairwoman Deutsche Telekom AG AkzoNobel N.V.
<b>Dr. Clemens Börsig</b> Frankfurt am Main Chairman of the Board of Directors of Deutsche Bank Foundation	Linde AG Bayer AG Emerson Electric Co.
<b>Michael Brecht*</b> Gaggenau Deputy Chairman of the General Works Council, Daimler Group and Daimler AG; Chairman of the Works Council, Gaggenau Plant, Daimler AG	
<b>Dr. Jürgen Hambrecht</b> Ludwigshafen Former Chairman of the Board of Executive Directors of BASF SE	Deutsche Lufthansa AG Fuchs Petrolub SE – Chairman Trumpf GmbH + Co. KG – Chairman
<b>Petraea Heynike</b> Vevey Former Executive Vice President of the Executive Board of Nestlé S.A.	Schulich School of Business Aiglon College
<b>Jörg Hofmann*</b> Frankfurt am Main Vice Chairman of the German Metalworkers' Union (IG Metall)	Robert Bosch GmbH Heidelberger Druckmaschinen AG
<b>Andrea Jung</b> New York Senior Advisor, Former Chairman and CEO of Avon Products, Inc. (since April 10, 2013)	Apple Inc. General Electric Company
<b>Gerard Kleisterlee</b> Amsterdam Former President and CEO of Royal Philips Electronics N.V.	Vodafone Group Plc. – Chairman Royal Dutch Shell Plc.

\* Representative of the employees



**Members of the Supervisory Board****Supervisory Board Memberships/Directorships****Jürgen Langer\***

Frankfurt am Main

Chairman of the Works Council of the Frankfurt/Offenbach Dealership, Daimler AG

**Dr. Sabine Maaßen\***

Frankfurt am Main

General Counsel of the German Metalworkers' Union (IG Metall)  
(since April 10, 2013)

ThyssenKrupp AG

**Wolfgang Nieke\***

Stuttgart

Chairman of the Works Council, Untertürkheim Plant, Daimler AG  
(since April 10, 2013)**Valter Sanches\***

São Paulo

Director of Communications of the Metalworkers' Union ABC; President of the Fundação Sociedade Comunicação, Cultura e Trabalho (Foundation Society of Communications, Culture and Work)

**Jörg Spies\***

Stuttgart

Chairman of the Works Council, Headquarters, Daimler AG

**Elke Tönjes-Werner\***

Bremen

Member of the Works Council, Bremen Plant, Daimler AG  
(since April 10, 2013)**Lloyd G. Trotter**

Plainville

Former Vice Chairman General Electric; President &amp; CEO of the General Electric Group's Industrial Division; Managing Partner, Founder, GenNx360 Capital Partners

PepsiCo Inc.

Textron Inc.

syncreon Holdings Ltd.

syncreon.US Holdings Inc.

syncreon.US Inc.

**Dr. h.c. Bernhard Walter**

Frankfurt am Main

Former Spokesman of the Board of Management of Dresdner Bank AG

Bilfinger Berger SE – Chairman

Deutsche Telekom AG

**Dr. Frank Weber\***

Sindelfingen

Director of the Press Shop, Sindelfingen Plant, Daimler AG; Chairman of the Management Representatives of the Sindelfingen Plant  
(since April 10, 2013)

\* Representative of the employees

### Retired from the Supervisory Board:

#### **Prof. Dr. Heinrich Flegel\***

Stuttgart  
Director Research Materials, Lightweight Design and Manufacturing, Daimler AG; Chairman of the Management Representative Committee, Daimler Group

#### **Dr. Thomas Klebe\***

Frankfurt am Main  
General Counsel of the German Metalworkers' Union (IG Metall)

#### **Ansgar Osseforth\***

Sindelfingen  
Manager Mercedes-Benz Research and Development, Daimler AG

#### **Uwe Werner\***

Bremen  
Chairman of the Works Council, Bremen Plant, Daimler AG

#### **Lynton R. Wilson**

Toronto  
Chairman of the Board of CAE Inc.;  
Chancellor, McMaster University

### Committees of the Supervisory Board:

#### **Committee pursuant to Section 27 Subsection 3 of the German Codetermination Act (MitbestG)**

Dr. Manfred Bischoff – Chairman  
Erich Klemm\*  
Dr. Jürgen Hambrecht  
Jörg Hofmann\*

#### **Presidential Committee**

Dr. Manfred Bischoff – Chairman  
Erich Klemm\*  
Dr. Jürgen Hambrecht  
Jörg Hofmann\*

#### **Audit Committee**

Dr. h.c. Bernhard Walter – Chairman  
Erich Klemm\*  
Dr. Clemens Börsig  
Michael Brecht\*

#### **Nomination Committee**

Dr. Manfred Bischoff – Chairman  
Dr. Paul Achleitner  
Sari Baldauf

\* Representative of the employees

# Statement of Investments in affiliated and related companies

pursuant to Sections 285 and 313 of the German Commercial Code (HGB) in conjunction with Section 286 Subsection 3 Sentence 1 No. 1 of the German Commercial Code (HGB)

The statement of investments of Daimler AG pursuant to Sections 285 and 313 of the German Commercial Code (HGB) is presented as follows. Information on equity and earnings is omitted pursuant to Section 286 Subsection 3 Sentence 1 No. 1 of the HGB if such information is of minor relevance for a fair presentation of the financial position, cash flows and profitability of Daimler AG.

## C.24

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Equity in millions of €	Net income (loss) in millions of €	Footnote
<b>A. Subsidiaries</b>					
<b>I. Consolidated companies</b>					
Anlagenverwaltung Daimler AG & Co. OHG Berlin	Schönefeld, Germany	100.00	328	21	2
Atlantis Foundries (Pty.) Ltd.	Atlantis Industria, Republic of South Africa	100.00	-	-	
Banco Mercedes-Benz do Brasil S.A.	São Paulo, Brazil	100.00	396	-35	
Belerofonte Empreendimentos Imobiliários Ltda.	São Paulo, Brazil	100.00	-	-	
BlackStar InvestCo LLC	Wilmington, USA	100.00	-	-	
Brooklands Estates Management Limited	Milton Keynes, United Kingdom	100.00	-	-	
Campo Largo Comercio de Veículos e Peças Ltda.	São Bernardo do Campo, Brazil	100.00	-	-	
car2go Canada Ltd.	Vancouver, Canada	100.00	-	-	
car2go Deutschland GmbH	Esslingen am Neckar, Germany	100.00	-	-	
car2go Europe GmbH	Esslingen am Neckar, Germany	75.00	-	-	
car2go Italia S.R.L.	Milan, Italy	100.00	-	-	
car2go N.A. LLC	Austin, Texas	100.00	5	-14	
car2go Nederland B.V.	Amsterdam, Netherlands	100.00	-	-	
car2go Österreich GmbH	Vienna, Austria	100.00	-	-	
car2go UK Ltd.	Birmingham, United Kingdom	100.00	-	-	
CARS Technik & Logistik GmbH	Wiedemar, Germany	100.00	-	-	2, 8
CLIDET NO 1048 (Proprietary) Limited	Centurion, Republic of South Africa	100.00	-	-	
Comercial Mercedes-Benz, S.A.	Madrid, Spain	100.00	-	-	
Commercial Vehicles of South Florida Inc.	Pompano Beach, USA	100.00	-	-	
Conemaugh Hydroelectric Projects, Inc.	Farmington Hills, USA	100.00	-	-	
Coventry Lane Holdings, L.L.C.	Farmington Hills, USA	100.00	-	-	
DAF Investments, Ltd.	Farmington Hills, USA	100.00	-	-	
Daimler AC Leasing, d.o.o.	Ljubljana, Slovenia	52.00	-	-	
Daimler AG & Co. Wertpapierhandel OHG	Schönefeld, Germany	100.00	-	-	2, 9
Daimler Australia/Pacific Pty. Ltd.	Melbourne, Australia	100.00	104	89	12
Daimler Automotive de Venezuela C.A.	Valencia, Venezuela	100.00	-	-	
Daimler Buses North America Inc.	Oriskany, USA	100.00	-	-	
Daimler Buses North America Ltd.	Oriskany, USA	100.00	-	-	
Daimler Buses North Carolina LLC	Greensboro, USA	100.00	-	-	
Daimler Canada Finance Inc.	Montreal, Canada	100.00	-	-	
Daimler Canada Investments Company	Halifax, Canada	100.00	90	168	12
Daimler Capital Services LLC	Farmington Hills, USA	100.00	-	-	
Daimler Colombia S. A.	Bogota D.C., Colombia	100.00	-	-	
Daimler Export and Trade Finance GmbH	Berlin, Germany	100.00	-	-	2, 8
Daimler Finance North America LLC	Wilmington, USA	100.00	-	-	
Daimler Financial Services AG	Stuttgart, Germany	100.00	1,215	-	2, 8, 10
Daimler Financial Services India Private Limited	Chennai, India	100.00	-	-	
Daimler Financial Services Japan Co., Ltd.	Kawasaki, Japan	100.00	-	-	

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Equity in millions of €	Net income (loss) in millions of €	Footnote
Daimler Financial Services México, S. de R.L. de C.V.	Mexico City, Mexico	100.00	-	-	
Daimler Financial Services, S.A. de C.V., S.O.F.O.M., E.N.R.	Mexico City, Mexico	100.00	-	-	
Daimler Fleet Management GmbH	Stuttgart, Germany	100.00	1	-	2, 8, 10
Daimler Fleet Management Singapore Pte. Ltd.	Singapore, Singapore	100.00	-	-	
Daimler Fleet Management South Africa (Pty.) Ltd.	Centurion, Republic of South Africa	65.00	23	15	
Daimler Fleet Management UK Limited	Milton Keynes, United Kingdom	100.00	-	-	
Daimler Fleet Services A.S.	Istanbul, Turkey	100.00	-	-	
Daimler FleetBoard GmbH	Stuttgart, Germany	100.00	5	-	2, 8
Daimler Greater China Ltd.	Beijing, PR China	100.00	662	87	
Daimler India Commercial Vehicles Private Limited	Chennai, India	100.00	167	-146	15
Daimler Insurance Agency LLC	Farmington Hills, USA	100.00	-	-	
Daimler Insurance Services GmbH	Stuttgart, Germany	100.00	-	-	2, 8
Daimler Insurance Services Japan Co., Ltd.	Tokyo, Japan	100.00	-	-	
Daimler Insurance Services UK Limited	Milton Keynes, United Kingdom	100.00	-	-	
Daimler International Finance B.V.	Utrecht, Netherlands	100.00	30	-10	10
Daimler Investments US Corporation	Montvale, USA	100.00	13,401	-51	12
Daimler Luft- und Raumfahrt Holding AG	Stuttgart, Germany	100.00	3,445	-	8
Daimler Manufactura, S.A. de C.V.	Mexico City, Mexico	100.00	-	-	
Daimler Mexico, S.A. de C.V.	Mexico City, Mexico	100.00	327	64	12
Daimler Middle East & Levant FZE	Dubai, United Arab Emirates	100.00	-	-	
Daimler Mobility Services GmbH	Ulm, Germany	100.00	12	-	2, 8
Daimler Motors Investments LLC	Farmington Hills, USA	100.00	-	-	
Daimler Nederland B.V.	Utrecht, Netherlands	100.00	-	-	
Daimler North America Corporation	Montvale, USA	100.00	5,261	668	12
Daimler North America Finance Corporation	Newark, USA	100.00	32,199	363	12
Daimler Northeast Asia Parts Trading and Services Co., Ltd.	Beijing, PR China	100.00	93	38	
Daimler Re Brokers GmbH	Bremen, Germany	74.90	-	-	2, 8
Daimler Re Insurance S.A. Luxembourg	Luxembourg, Luxembourg	100.00	-	-	
Daimler Real Estate GmbH	Berlin, Germany	100.00	-	-	2, 8
Daimler Retail Receivables LLC	Farmington Hills, USA	100.00	-	-	
DAIMLER SERVICIOS CORPORATIVOS MEXICO S. DE R.L. DE C.V.	Mexico City, Mexico	100.00	-	-	
Daimler South East Asia Pte. Ltd.	Singapore, Singapore	100.00	-	-	
Daimler Tractocamiones S. de R.L. de C.V.	Mexico City, Mexico	99.98	-	-	
Daimler Trucks and Buses (China) Ltd.	Beijing, PR China	100.00	-	-	
Daimler Trucks Canada Ltd.	Mississauga, Canada	100.00	-66	16	12
Daimler Trucks Korea Ltd.	Seoul, South Korea	100.00	24	15	
Daimler Trucks North America LLC	Portland, USA	100.00	1,953	432	12
Daimler Trucks Remarketing Corporation	Portland, USA	100.00	-	-	
Daimler Trust Holdings LLC	Farmington Hills, USA	100.00	-	-	
Daimler Trust Leasing Conduit LLC	Farmington Hills, USA	100.00	-	-	
Daimler Trust Leasing LLC	Farmington Hills, USA	100.00	-	-	
Daimler UK Limited	Milton Keynes, United Kingdom	100.00	490	103	
Daimler Vans Hong Kong Limited	Hong Kong, PR China	67.55	-	-	
Daimler Vans Manufacturing, LLC	Ladson, USA	100.00	-	-	
Daimler Vans USA, LLC	Montvale, USA	100.00	-	-	
Daimler Vehículos Comerciales Mexico S. de R.L. de C.V.	Mexico City, Mexico	100.00	114	26	10
Daimler Vermögens- und Beteiligungsgesellschaft mbH	Stuttgart, Germany	100.00	8,687	-	2, 8
Daimler Verwaltungsgesellschaft für Grundbesitz mbH	Schönefeld, Germany	100.00	3,697	-	2, 8
Daimler Vorsorge und Versicherungsdienst GmbH	Berlin, Germany	100.00	-	-	2, 8
Daimspain S.L.	Madrid, Spain	100.00	1,436	40	
Daiprodc Mexico S. de R.L. de C.V.	Mexico City, Mexico	100.00	-	-	
DCS UTI LLC, Mercedes Series	Farmington Hills, USA	100.00	-	-	
Detroit Diesel Corporation	Detroit, USA	100.00	186	109	12
Detroit Diesel Remanufacturing LLC	Detroit, USA	100.00	55	16	12
Detroit Diesel Remanufacturing Mexicana, S. de R.L. de C.V.	Toluca, Mexico	100.00	-	-	
Detroit Diesel-Allison de Mexico, S. de R.L. de C.V.	San Juan Ixtacala, Mexico	100.00	-	-	
Deutsche Accumotive GmbH & Co. KG	Kirchheim unter Teck, Germany	90.00	-	-	2
EHG Elektroholding GmbH	Stuttgart, Germany	100.00	1,130	-	2, 8
EvoBus (Schweiz) AG	Kloten, Switzerland	100.00	-	-	
EvoBus (U.K.) Ltd.	Coventry, United Kingdom	100.00	-	-	

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EvoBus Austria GmbH	Wiener Neudorf, Austria	100.00	-	-	
EvoBus Belgium N.V.	Kobbegeem-Asse, Belgium	100.00	-	-	
EvoBus Bohemia s.r.o.	Prague, Czech Republic	100.00	-	-	
EvoBus Danmark A/S	Koege, Denmark	100.00	-	-	
EvoBus France S.A.S.	Sarcelles, France	100.00	-	-	
EvoBus GmbH	Kirchheim unter Teck, Germany	100.00	293	-	2, 8
EvoBus Ibérica, S. A.	Sámano, Spain	100.00	-	-	
EvoBus Italia S.p.A.	Bomporto, Italy	100.00	-	-	
EvoBus Nederland B.V.	Nijkerk, Netherlands	100.00	-	-	
EvoBus Polska Sp. z o.o.	Wolica, Poland	100.00	-	-	
EvoBus Portugal, S.A.	Mem Martins, Portugal	100.00	-	-	
EvoBus Sverige AB	Vetlanda, Sweden	100.00	-	-	
Florida Detroit Diesel-Allison, Inc.	Miami, USA	100.00	28	12	12
Freightliner Custom Chassis Corporation	Gaffney, USA	100.00	25	55	12
Freightliner Holding Ltd.	Calgary, Canada	100.00	-	-	
Freightliner Ltd.	Portland, USA	100.00	276	-10	12
Grundstücksverwaltungsgesellschaft Daimler AG & Co. OHG	Schönefeld, Germany	100.00	465	13	2
Grundstücksverwaltungsgesellschaft EvoBus GmbH & Co. OHG	Schönefeld, Germany	100.00	146	17	2, 9
Grundstücksverwaltungsgesellschaft Henne-Unimog GmbH & Co. OHG	Schönefeld, Germany	100.00	-	-	2
Grundstücksverwaltungsgesellschaft Mercedes-Benz AG & Co. OHG	Schönefeld, Germany	100.00	4,457	495	2
Henne-Unimog GmbH	Kirchheim-Heimstetten, Germany	100.00	-	-	2, 8
Intrepid Insurance Company	Farmington Hills, USA	100.00	-	-	
Invema Assessoria Empresarial Ltda	São Paulo, Brazil	100.00	-	-	
Koppieview Property (Pty) Ltd.	Zwartkop, Republic of South Africa	100.00	-	-	
MBarc Credit Canada Inc.	Mississauga, Canada	100.00	-	-	
MDC Power GmbH	Kölleda, Germany	100.00	8	-	2, 8
MDC Technology GmbH	Arnstadt, Germany	100.00	-	-	2, 8
Mercedes AMG High Performance Powertrains Ltd.	Brixworth, United Kingdom	100.00	-	-	
Mercedes-AMG GmbH	Affalterbach, Germany	100.00	21	-	2, 8
Mercedes-Benz - Aluguer de Veículos, Unipessoal Lda.	Mem Martins, Portugal	100.00	-	-	
Mercedes-Benz (China) Ltd.	Beijing, PR China	75.00	790	642	
Mercedes-Benz (Thailand) Limited	Bangkok, Thailand	100.00	61	67	
Mercedes-Benz (Yangzhou) Parts Distribution Co., Ltd.	Yangzhou, PR China	100.00	-	-	
Mercedes-Benz Accessories GmbH	Stuttgart, Germany	100.00	5	-	2, 8
Mercedes-Benz AG & Co. Grundstücksvermietung Objekt Franken KG	Schönefeld, Germany	90.00	-	-	6
Mercedes-Benz AG & Co. Grundstücksvermietung Objekt Germersheim Betriebsvorrichtungen OHG	Schönefeld, Germany	99.00	-	-	5, 6, 9
Mercedes-Benz AG & Co. Grundstücksvermietung Objekt Germersheim KG	Schönefeld, Germany	99.00	-	-	5, 6
Mercedes-Benz AG & Co. Grundstücksvermietung Objekt Rhein-Main OHG	Schönefeld, Germany	90.00	-	-	6, 9
Mercedes-Benz AG & Co. Grundstücksvermietung Objekt Südwest KG	Schönefeld, Germany	99.00	-	-	5, 6
Mercedes-Benz AG & Co. Grundstücksvermietung Objekte Baden-Baden und Dresden OHG	Düsseldorf, Germany	100.00	-	-	6, 9
Mercedes-Benz AG & Co. Grundstücksvermietung Objekte Leipzig und Magdeburg KG	Schönefeld, Germany	100.00	-	-	6
Mercedes-Benz Antwerpen N.V.	Antwerp, Belgium	100.00	-	-	
Mercedes-Benz Argentina S.A.	Buenos Aires, Argentina	100.00	161	19	10
Mercedes-Benz Asia GmbH	Stuttgart, Germany	100.00	-	-	2, 8
Mercedes-Benz Australia/Pacific Pty Ltd.	Melbourne, Australia	100.00	332	74	12
Mercedes-Benz Auto Finance Ltd.	Beijing, PR China	100.00	396	26	
Mercedes-Benz Auto Lease Trust 2012-A	Wilmington, USA	0.00	-	-	6
Mercedes-Benz Auto Lease Trust 2012-1	Wilmington, USA	0.00	-	-	6
Mercedes-Benz Auto Lease Trust 2013-A	Wilmington, USA	0.00	-	-	6
Mercedes-Benz Auto Lease Trust 2013-B	Wilmington, USA	0.00	-	-	6
Mercedes-Benz Auto Receivables Trust 2011-1	Wilmington, USA	0.00	-	-	6
Mercedes-Benz Auto Receivables Trust 2012-1	Wilmington, USA	0.00	-	-	6



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Mercedes-Benz Auto Receivables Trust 2013-1	Wilmington, USA	0.00	-	-	6
Mercedes-Benz Bank AG	Stuttgart, Germany	100.00	916	-	8, 10
Mercedes-Benz Bank Polska S.A.	Warsaw, Poland	100.00	-	-	
Mercedes-Benz Bank Rus OOO	Moscow, Russian Federation	100.00	116	46	10
Mercedes-Benz Bank Service Center GmbH	Berlin, Germany	100.00	-	-	
Mercedes-Benz Banking Service GmbH	Saarbrücken, Germany	100.00	-	-	2, 8
Mercedes-Benz Belgium Luxembourg S.A.	Brussels, Belgium	100.00	-	-	
Mercedes-Benz Bordeaux S.A.S.	Begles, France	100.00	-	-	
Mercedes-Benz Broker Biztosítási Alkusz Hungary Kft.	Budapest, Hungary	100.00	-	-	
Mercedes-Benz Brooklands Limited	Milton Keynes, United Kingdom	100.00	-	-	
Mercedes-Benz Canada Inc.	Toronto, Canada	100.00	-26	37	
Mercedes-Benz Česká republika s.r.o.	Prague, Czech Republic	100.00	-	-	
Mercedes-Benz CharterWay España, S.A.	Alcobendas, Spain	100.00	-	-	
Mercedes-Benz CharterWay Gesellschaft mit beschränkter Haftung	Berlin, Germany	100.00	1	-	2, 8, 10
Mercedes-Benz CharterWay S.A.S.	Le Chesnay, France	100.00	-	-	
Mercedes-Benz CharterWay S.p.A.	Rome, Italy	100.00	-	-	
Mercedes-Benz Comercial Valencia, S.A.	Valencia, Spain	100.00	-	-	
Mercedes-Benz Comercial, Unipessoal Lda.	Mem Martins, Portugal	100.00	-	-	
Mercedes-Benz Compañía Financiera Argentina S.A.	Buenos Aires, Argentina	100.00	-	-	
Mercedes-Benz Corretora de Seguros Ltda	São Paulo, Brazil	99.98	-	-	
Mercedes-Benz Côte d'Azur SAS	Villeneuve-Loubet, France	100.00	-	-	
Mercedes-Benz CPH A/S	Herlev, Denmark	100.00	-	-	
Mercedes-Benz Credit Pénzügyi Szolgáltató Hungary Zrt.	Budapest, Hungary	100.00	-	-	
Mercedes-Benz Danmark A/S	Copenhagen, Denmark	100.00	-	-	
Mercedes-Benz Dealer Bedrijven B.V.	The Hague, Netherlands	100.00	-	-	
Mercedes-Benz Desarrollo de Mercados, S. de R.L. de C.V.	Mexico City, Mexico	100.00	-	-	
Mercedes-Benz do Brasil Assessoria Comercial Ltda.	São Paulo, Brazil	100.00	-	-	
Mercedes-Benz do Brasil Ltda.	São Bernardo do Campo, Brazil	100.00	1,073	63	
Mercedes-Benz Drogenbos N.V.	Drogenbos, Belgium	100.00	-	-	
Mercedes-Benz Espana, S.A.	Alcobendas, Spain	99.96	351	45	
Mercedes-Benz Finance China Ltd.	Hong Kong, PR China	100.00	-	-	
Mercedes-Benz Finance Co., Ltd.	Tokyo, Japan	90.00	-	-	
Mercedes-Benz Financical Services Australia Pty. Ltd.	Melbourne, Australia	100.00	102	22	
Mercedes-Benz Financial Services Austria GmbH	Salzburg, Austria	100.00	-	-	
Mercedes-Benz Financial Services BeLux NV	Brussels, Belgium	100.00	-	-	
Mercedes-Benz Financial Services Canada Corporation	Mississauga, Canada	100.00	116	60	12
Mercedes-Benz Financial Services Česká republika s.r.o.	Prague, Czech Republic	100.00	51	11	
Mercedes-Benz Financial Services España, E.F.C., S.A.	Alcobendas, Spain	100.00	-	-	
Mercedes-Benz Financial Services France S.A.	Bailly, France	100.00	220	2	
Mercedes-Benz Financial Services Hellas Vehicle Sales and Rental SA	Kifissia, Greece	100.00	-	-	
Mercedes-Benz Financial Services Hong Kong Ltd.	Hong Kong, PR China	80.00	-	-	
Mercedes-Benz Financial Services Italia SpA	Rome, Italy	100.00	-	-	
Mercedes-Benz Financial Services Korea Ltd.	Seoul, South Korea	80.00	-	-	
Mercedes-Benz Financial Services Nederland B.V.	Utrecht, Netherlands	100.00	93	18	
Mercedes-Benz Financial Services New Zealand Ltd.	Auckland, New Zealand	100.00	-	-	
Mercedes-Benz Financial Services Portugal - Instituição Financeira de Crédito S.A.	Mem Martins, Portugal	100.00	-	-	
Mercedes-Benz Financial Services Rus OOO	Moscow, Russian Federation	100.00	104	13	10
Mercedes-Benz Financial Services Schweiz AG	Schlieren, Switzerland	100.00	-	-	
Mercedes-Benz Financial Services Singapore Ltd.	Singapore, Singapore	85.00	-	-	
Mercedes-Benz Financial Services Slovakia s.r.o.	Bratislava, Slovakia	75.00	-	-	
Mercedes-Benz Financial Services South Africa (Pty) Ltd.	Centurion, Republic of South Africa	100.00	97	18	
Mercedes-Benz Financial Services Taiwan Ltd.	Taipei, Taiwan	100.00	-	-	
Mercedes-Benz Financial Services UK Limited	Milton Keynes, United Kingdom	100.00	369	48	10
Mercedes-Benz Financial Services USA LLC	Farmington Hills, USA	100.00	1,260	255	12
Mercedes-Benz Finans Danmark A/S	Copenhagen, Denmark	100.00	-	-	
Mercedes-Benz Finans Sverige AB	Malmö, Sweden	100.00	-	-	
Mercedes-Benz Finansal Kiralama Türk A.S.	Istanbul, Turkey	100.00	-	-	
Mercedes-Benz Finansman Türk A.S.	Istanbul, Turkey	100.00	112	15	
Mercedes-Benz Försäljnings AB	Malmö, Sweden	100.00	-	-	

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Mercedes-Benz France S.A.S.	Le Chesnay, France	100.00	340	-1	
Mercedes-Benz Gent N.V.	Gent, Belgium	100.00	-	-	
Mercedes-Benz Grand Prix Ltd.	Brackley, United Kingdom	60.00	-12	-61	
Mercedes-Benz Hellas S.A.	Kifissia, Greece	100.00	50	11	12
Mercedes-Benz Hong Kong Limited	Hong Kong, PR China	100.00	31	10	
Mercedes-Benz India Private Limited	Pune, India	100.00	-	-	
Mercedes-Benz Insurance Broker SRL	Bucharest, Romania	100.00	-	-	
Mercedes-Benz Insurance Services Nederland B.V.	Utrecht, Netherlands	100.00	-	-	
Mercedes-Benz Insurance Services Taiwan Ltd.	Taipei, Taiwan	100.00	-	-	
Mercedes-Benz Italia S.p.A.	Rome, Italy	100.00	246	-33	
Mercedes-Benz Japan Co., Ltd.	Tokyo, Japan	100.00	371	24	10
Mercedes-Benz Korea Limited	Seoul, South Korea	51.00	79	20	
Mercedes-Benz Leasing (Thailand) Co., Ltd.	Bangkok, Thailand	100.00	-	-	
Mercedes-Benz Leasing Co., Ltd.	Beijing, PR China	100.00	-	-	
Mercedes-Benz Leasing do Brasil Arrendamento Mercantil S.A.	Barueri, Brazil	100.00	-	-	
Mercedes-Benz Leasing GmbH	Stuttgart, Germany	100.00	36	-	2, 8, 10
Mercedes-Benz Leasing Hrvatska d.o.o.	Zagreb, Croatia	100.00	-	-	
Mercedes-Benz Leasing IFN SA	Bucharest, Romania	100.00	-	-	
Mercedes-Benz Leasing Kft.	Budapest, Hungary	100.00	-	-	
Mercedes-Benz Leasing Polska Sp. z o.o.	Warsaw, Poland	100.00	-	-	
Mercedes-Benz Leasing Taiwan Ltd.	Taipei, Taiwan	100.00	-	-	
Mercedes-Benz Leasing Treuhand GmbH	Stuttgart, Germany	100.00	-	-	2, 8
Mercedes-Benz Ludwigsfelde GmbH	Ludwigsfelde, Germany	100.00	-	-	2, 8
Mercedes-Benz Luxembourg S.A.	Luxembourg, Luxembourg	90.00	-	-	
Mercedes-Benz Lyon S.A.S.	Lyon, France	100.00	-	-	
Mercedes-Benz Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	51.00	30	25	
Mercedes-Benz Manhattan, Inc.	New York, USA	100.00	-	-	
Mercedes-Benz Manufacturing (Thailand) Limited	Bangkok, Thailand	100.00	-	-	
Mercedes-Benz Manufacturing Hungary Kft.	Kecskemét, Hungary	100.00	148	28	10
Mercedes-Benz Master Owner Trust	Wilmington, USA	0.00	-	-	6
Mercedes-Benz Mexico, S. de R.L. de C.V.	Mexico City, Mexico	100.00	19	20	
Mercedes-Benz Milano S.p.A.	Milan, Italy	100.00	24	-13	
Mercedes-Benz Minibus GmbH	Dortmund, Germany	100.00	-	-	2, 8
Mercedes-Benz Mitarbeiter-Fahrzeuge Leasing GmbH	Stuttgart, Germany	100.00	-	-	2, 8
Mercedes-Benz Molsheim S.A.S.	Molsheim, France	100.00	-	-	
Mercedes-Benz Nederland B.V.	Utrecht, Netherlands	100.00	227	20	10
Mercedes-Benz New Zealand Ltd.	Auckland, New Zealand	100.00	-	-	
Mercedes-Benz Ninove N.V.	Ninove, Belgium	100.00	-	-	
Mercedes-Benz Paris SAS	Le Port-Marly, France	100.00	-	-	
Mercedes-Benz Polska Sp. z o.o.	Warsaw, Poland	100.00	-	-	
Mercedes-Benz Portugal, S.A.	Mem Martins, Portugal	100.00	-	-	
Mercedes-Benz Renting, S.A.	Alcobendas, Spain	100.00	-	-	
Mercedes-Benz Research & Development North America, Inc.	Palo Alto, USA	100.00	-	-	
Mercedes-Benz Retail Group UK Limited	Milton Keynes, United Kingdom	100.00	72	18	
Mercedes-Benz Risk Solutions South Africa (Pty.) Ltd.	Centurion, Republic of South Africa	100.00	-	-	
Mercedes-Benz Roma S.p.A.	Rome, Italy	100.00	-	-	
Mercedes-Benz Romania S.R.L.	Bucharest, Romania	100.00	-	-	
Mercedes-Benz Russia SAO	Moscow, Russian Federation	100.00	271	25	10
Mercedes-Benz Schweiz AG	Schlieren, Switzerland	100.00	92	26	
Mercedes-Benz Service Leasing SRL	Bucharest, Romania	100.00	-	-	
Mercedes-Benz Services Correduria de Seguros, S.A.	Alcobendas, Spain	100.00	-	-	
Mercedes-Benz Services Malaysia Sdn Bhd	Petaling Jaya, Malaysia	100.00	-	-	
Mercedes-Benz Servizi Assicurativi Italia S.p.A.	Rome, Italy	100.00	-	-	
Mercedes-Benz Sigorta Aracilik Hizmetleri A.S.	Istanbul, Turkey	100.00	-	-	
Mercedes-Benz Sosnowiec Sp. z o.o.	Sosnowiec, Poland	100.00	-	-	
Mercedes-Benz South Africa Ltd	Pretoria, Republic of South Africa	100.00	582	126	
Mercedes-Benz Srbija i Crna Gora d.o.o.	Belgrade, Serbia	100.00	-	-	
Mercedes-Benz Sverige AB	Malmö, Sweden	100.00	-	-	
Mercedes-Benz Taiwan Ltd.	Taipei, Taiwan	51.00	72	14	
Mercedes-Benz Technical Center Nederland B.V.	Nijkerk, Netherlands	100.00	-	-	

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Mercedes-Benz Türk A.S.	Istanbul, Turkey	66.91	788	163	12
Mercedes-Benz U.S. International, Inc.	Vance, USA	100.00	129	31	12
Mercedes-Benz UK Limited	Milton Keynes, United Kingdom	100.00	228	57	
Mercedes-Benz USA, LLC	Montvale, USA	100.00	189	84	12
Mercedes-Benz V.I. Lille SAS	Vendeville, France	100.00	-	-	
Mercedes-Benz V.I. Lyon SAS	Genas, France	100.00	-	-	
Mercedes-Benz V.I. Paris Ile de France SAS	Herblay, France	100.00	-	-	
Mercedes-Benz V.I. Toulouse SAS	Fenouillet, France	100.00	-	-	
Mercedes-Benz Vietnam Ltd.	Ho Chi Minh City, Vietnam	70.00	-	-	
Mercedes-Benz Warszawa Sp. z o.o.	Warsaw, Poland	100.00	-	-	
Mercedes-Benz Waterloo S.A.	Waterloo, Belgium	100.00	-	-	
Mercedes-Benz Wavre S.A.	Wavre, Belgium	100.00	-	-	
Mercedes-Benz Wemmel N.V.	Wemmel, Belgium	100.00	-	-	
Mercedes-Benz Wholesale Receivables LLC	Wilmington, USA	100.00	-	-	
MFTA Canada, Inc.	Toronto, Canada	100.00	-	-	
Micro Compact Car smart North N.V./S.A.	Brussels, Belgium	100.00	-	-	
Mitsubishi Fuso Truck and Bus Corporation	Kawasaki, Japan	89.29	398	292	10
Mitsubishi Fuso Truck Europe Sociedade Europeia de Automoveis, S. A.	Tramagal, Portugal	100.00	-	-	
Mitsubishi Fuso Truck of America, Inc.	Logan Township, USA	100.00	-	-	
Multistate LIHTC Holdings III Limited Partnership	Farmington Hills, USA	100.00	-	-	
MVSA COMPANY, INC.	Jacksonville, USA	100.00	-	-	
N.V. Mercedes-Benz Aalst	Erembodegem, Belgium	100.00	-	-	
N.V. Mercedes-Benz Mechelen	Mechelen, Belgium	100.00	-	-	
NuCellSys GmbH	Kirchheim unter Teck, Germany	100.00	-	-	
ogotrac France S.A.S.	Paris, France	100.00	-	-	
Outer Drive - Atlantic LLC	Lodi, USA	100.00	40	12	12
Outer Drive Holdings LLC	Detroit, USA	100.00	-	-	
P.T. Mercedes-Benz Distribution Indonesia	Jakarta, Indonesia	100.00	-	-	
P.T. Mercedes-Benz Indonesia	Bogor, Indonesia	100.00	-	-	
P.T. Star Engines Indonesia	Bogor, Indonesia	100.00	-	-	
Renting del Pacifico S.A.C.	Lima, Peru	0.00	-	-	6
Sandown Motor Holdings (Pty) Ltd	Bryanston, Republic of South Africa	50.10	-	-	
SelecTrucks of America LLC	Portland, USA	100.00	-	-	
SelecTrucks of Toronto, Inc.	Mississauga, Canada	100.00	-	-	
Setra of North America, Inc.	Greensboro, USA	100.00	-	-	
Silver Arrow S.A.	Luxembourg, Luxembourg	0.00	-	-	6
smart France S.A.S.	Hambach, France	100.00	-	-	
smart Vertriebs gmbh	Berlin, Germany	100.00	-	-	2, 8
Starexport Trading S.A.	São Bernardo do Campo, Brazil	100.00	402	-28	
Sterling Truck Corporation	Portland, USA	100.00	-471	-3	12
Suffolk Leasing, Inc.	Farmington Hills, USA	100.00	-	-	
Sumperská správa majetku k.s.	Prague, Czech Republic	100.00	-	-	
Tanus-Auto-Verkaufs GmbH	Wiesbaden, Germany	100.00	-	-	2, 8
Thomas Built Buses of Canada Limited	Woodstock, Canada	100.00	-	-	
Thomas Built Buses, Inc.	High Point, USA	100.00	51	18	12
Tróia Empreendimentos Imobiliários Ltda.	São Paulo, Brazil	100.00	-	-	
Trona Cogeneration Corporation	Farmington Hills, USA	100.00	-	-	
Western Star Trucks Sales, Inc	Portland, USA	100.00	-5	-10	12
1145820 Ontario Limited	Oriskany, USA	100.00	-	-	
3218095 Nova Scotia Company	Halifax, Canada	100.00	91	176	12
6353 Sunset Boulevard, Inc.	Hollywood, USA	100.00	-	-	

## II. Non-consolidated companies<sup>3</sup>

AEG do Brasil Produtos Eletricos e Eletronicos Ltda.	São Paulo, Brazil	100.00	-	-	
AEG INDIA LIMITED	Bangalore, India	100.00	-	-	
AEG Olympia Office GmbH	Stuttgart, Germany	100.00	-	-	8
Anota Fahrzeug Service- und Vertriebsgesellschaft mbH	Berlin, Germany	100.00	-	-	8
Automotive Training & Consulting GmbH	Stuttgart, Germany	100.00	-	-	8
Brefa Bremsen- und Fahrzeugdienst AG (in Liquidation)	Niederzier, Germany	100.00	-	-	5
Circulo Cerrado S.A. de Ahorro para Fines Determinados	Buenos Aires, Argentina	71.30	-	-	

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Equity in millions of €	Net income (loss) in millions of €	Footnote
Columbia Freightliner, LLC	Columbia, USA	100.00	-	-	
Cúspide GmbH	Stuttgart, Germany	100.00	-	-	
Daimler AG & Co. Anlagenverwaltung OHG	Ludwigsfelde, Germany	100.00	-	-	9
Daimler Aviation South Africa (Pty) Ltd.	Pretoria, Republic of South Africa	100.00	-	-	
Daimler Culture Development Co., Ltd.	Beijing, PR China	50.00	-	-	6
Daimler Financial Services UK Trustees Ltd.	Milton Keynes, United Kingdom	100.00	-	-	
Daimler FleetBoard UK Ltd.	Tamworth, United Kingdom	100.00	-	-	
Daimler Group Services Berlin GmbH	Berlin, Germany	100.00	-	-	8
Daimler Group Services Madrid, S.A.	San Sebastián de los Reyes, Spain	100.00	-	-	
Daimler Group Services Philippines, Inc.	Cebu City, Philippines	99.99	-	-	
Daimler International Assignment Services USA, LLC	Farmington Hills, USA	100.00	-	-	
Daimler IT Retail GmbH	Böblingen, Germany	100.00	1	-	8
Daimler Mitarbeiter Wohnfinanz GmbH	Stuttgart, Germany	100.00	-	-	8
Daimler Parts Brand GmbH	Stuttgart, Germany	100.00	-	-	8
Daimler Protics GmbH	Stuttgart, Germany	100.00	-	-	8
Daimler Purchasing Coordination Corp.	Farmington Hills, USA	100.00	-	-	
Daimler Starmark A/S	Horsholm, Denmark	100.00	-	-	
Daimler TSS GmbH	Ulm, Germany	100.00	-	-	8
Daimler UK Share Trustee Ltd.	Milton Keynes, United Kingdom	100.00	-	-	
Daimler UK Trustees Limited	Milton Keynes, United Kingdom	100.00	-	-	
Daimler Unterstützungskasse GmbH	Stuttgart, Germany	100.00	1,242	-6	11, 14
Dasa Aircraft Finance XV B.V.	Amsterdam, Netherlands	100.00	-	-	
Deméter Empreendimentos Imobiliários Ltda.	São Paulo, Brazil	100.00	-	-	
Deutsche Accumotive Verwaltungs-GmbH	Kirchheim unter Teck, Germany	90.00	-	-	
Eishin Jidosha Kogyo Co., Ltd.	Yamaguchi, Japan	100.00	-	-	
EvoBus Reunion S. A.	Le Port, France	94.33	-	-	
EvoBus Romania SRL	Bucharest, Romania	100.00	-	-	
EvoBus Russland OOO	Moscow, Russian Federation	100.00	-	-	
France Aircraft Finance III B.V.	Amsterdam, Netherlands	100.00	-	-	
France Aircraft Finance V B.V.	Amsterdam, Netherlands	100.00	-	-	
Fünfte Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	-	-	
Gemini-Tur Excursos e Passagens e Turismo Ltda.	São Paulo, Brazil	100.00	-	-	
Grundstücksverwaltungsgesellschaft Daimler Wohnungsbau GmbH & Co. OHG	Schönefeld, Germany	100.00	-	-	
Grundstücksverwaltungsgesellschaft Porcher & Meffert GmbH & Co. OHG	Schönefeld, Germany	100.00	-	-	
Grundstücksverwaltungsgesellschaft Taunus-Auto-Verkaufs-GmbH & Co. OHG	Schönefeld, Germany	100.00	-	-	9
Lapland Car Test Aktiebolag	Arvidsjaur, Sweden	100.00	-	-	
Legend Investments Ltd.	Milton Keynes, United Kingdom	100.00	-	-	
MB GTC GmbH Mercedes-Benz Gebrauchtteile Center	Neuhausen, Germany	100.00	-	-	8
MB Relationship Marketing S.r.l.	Milan, Italy	100.00	-	-	
Mercedes-Benz Adm. Consorcios Ltda.	São Bernardo do Campo, Brazil	100.00	-	-	
Mercedes-Benz Capital Services NV	Brussels, Belgium	100.00	-	-	
Mercedes-Benz Customer Assistance Center Maastricht N.V.	Maastricht, Netherlands	100.00	-	-	
Mercedes-Benz Egypt S.A.E.	Cairo, Egypt	100.00	-	-	
Mercedes-Benz G GmbH	Raaba, Austria	100.00	-	-	
Mercedes-Benz GastroService GmbH	Gaggenau, Germany	100.00	-	-	8
Mercedes-Benz Hungária Kft.	Budapest, Hungary	100.00	-	-	
Mercedes-Benz Manufacturing South Africa (Pty) Ltd.	East London, Republic of South Africa	100.00	-	-	
Mercedes-Benz Museum GmbH	Stuttgart, Germany	100.00	-	-	8
Mercedes-Benz Österreich GmbH	Salzburg, Austria	100.00	-	-	
Mercedes-Benz Project Consult GmbH	Stuttgart, Germany	100.00	-	-	8
Mercedes-Benz Research and Development India Private Limited	Bangalore, India	100.00	-	-	
Mercedes-Benz Slovakia s.r.o.	Bratislava, Slovakia	51.00	-	-	
Mercedes-Benz Solihull Ltd.	Milton Keynes, United Kingdom	100.00	-	-	
Mercedes-Benz TrailerAxleSystems Southern Europe S.A.S.	Le Chesnay, France	100.00	-	-	
Mercedes-Benz Ubezpieczenia Sp. z o.o.	Warsaw, Poland	100.00	-	-	
Mercedes-Benz Venezuela S.A.	Valencia, Venezuela	100.00	-	-	
Mercedes-Benz Vertriebsgesellschaft mbH	Berlin, Germany	100.00	-	-	8
MercedesService Card Beteiligungsgesellschaft mbH	Kleinostheim, Germany	51.00	-	-	

Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Equity in millions of €	Net income (loss) in millions of €	Footnote
MercedesService Card GmbH & Co. KG	Kleinstheim, Germany	51.00	-	-	
MILON Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald, Germany	95.00	-	-	6
Mitsubishi Fuso Bus Manufacturing Co., Ltd.	Toyama, Japan	100.00	-	-	
Monarch Cars (Tamworth) Ltd.	Milton Keynes, United Kingdom	100.00	-	-	
Montajes y Estampaciones Metálicas, S.L.	Esparraguera, Spain	51.00	-	-	
MORA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald, Germany	100.00	-	-	6
NAG Nationale Automobil-Gesellschaft Aktiengesellschaft	Stuttgart, Germany	100.00	-	-	
PABCO Co., Ltd.	Ebina, Japan	100.00	-	-	
PABCO Kinki Co., Ltd.	Yamatokoriyama, Japan	90.00	-	-	
PABCO Sendai Co., Ltd.	Sendai, Japan	100.00	-	-	
Porcher & Meffert Grundstücksgesellschaft mbH & Co. Stuttgart OHG	Schönefeld, Germany	100.00	-	-	
R.T.C. Management Company Limited	Bicester, United Kingdom	88.89	-	-	
Ring Garage AG Chur	Chur, Switzerland	100.00	-	-	
Russ & Janot GmbH	Erfurt, Germany	100.00	-	-	8
Ruth Verwaltungsgesellschaft mbH	Stuttgart, Germany	100.00	-	-	
Sechste Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	-	-	8
SelecTrucks Comércio de Veículos Ltda.	Mauá, Brazil	100.00	-	-	
Siebte Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	-	-	8
Star Assembly SRL	Sebes, Romania	100.00	-	-	
Star Egypt For Import LLC	Cairo, Egypt	99.50	-	-	
STAR TRANSMISSION SRL	Cugir, Romania	100.00	-	-	
STARKOM d.o.o.	Maribor, Slovenia	100.00	-	-	
T.O.C. (Schweiz) AG	Schlieren, Switzerland	51.00	-	-	
Vermögensverwaltungsgesellschaft Daimler Atlanta mbH	Stuttgart, Germany	100.00	-	-	
Wings Aircraft Finance Inc.	Wilmington, USA	100.00	-	-	
Woking Motors Limited	Milton Keynes, United Kingdom	100.00	-	-	
Zweite Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	-	-	8
<b>III. Companies accounted for at-equity</b>					
Auto Testing Company, Inc.	Laredo, USA	100.00	-	-	
DRIVEtest LLC	Laredo, USA	100.00	-	-	
MBtech Auto Testing Properties L.L.C.	Laredo, USA	100.00	-	-	

## B. Associated companies and joint ventures

### I. Companies accounted for at-equity

AFCC Automotive Fuel Cell Cooperation Corp.	Burnaby, Canada	50.10	-	-	4
BAIC Motor Corporation Ltd.	Beijing, PR China	12.00	-	-	
Beijing Benz Automotive Co., Ltd.	Beijing, PR China	49.00	1,425	194	
Beijing Foton Daimler Automotive Co., Ltd.	Beijing, PR China	50.00	649	-33	4, 10
EM-motive GmbH	Hildesheim, Germany	50.00	-	-	4
FKT Holding GmbH	Vienna, Austria	50.00	-	-	4
Fujian Benz Automotive Co., Ltd.	Fuzhou, PR China	50.00	-	-	4
FUSO LAND TRANSPORT Co.Ltd.	Kawasaki, Japan	21.67	-	-	
KAMAZ OAO	Naberezhnye Chelny, Russian Federation	11.00	-	-	7
Kanagawa Mitsubishi Fuso Truck & Bus Sales Co., Ltd.	Yokohama, Japan	43.83	-	-	
Li-Tec Battery GmbH	Kamenz, Germany	49.90	26	-50	10
MBtech Group GmbH & Co. KGaA	Sindelfingen, Germany	35.00	-	-	
Mercedes-Benz Buses Central Asia GmbH	Stuttgart, Germany	50.00	-	-	4
Mercedes-Benz Trucks Vostok Holding GmbH	Vienna, Austria	50.00	-	-	4
MTU Detroit Diesel Australia Pty. Ltd.	Chipping Norton, Australia	50.00	-	-	4
North America Fuel Systems Remanufacturing LLC	Kentwood, USA	50.00	-	-	4
Okayama Mitsubishi Fuso Truck & Bus Sales Co., Ltd.	Okayama City, Japan	50.00	-	-	
P.T. Mitsubishi Krama Yudha Motors and Manufacturing	Jakarta, Indonesia	32.28	-	-	
P.T. Krama Yudha Tiga Berlian Motors	Jakarta, Indonesia	18.00	-	-	
Polomex, S.A. de C.V.	Garcia, Mexico	26.00	-	-	4
Rolls-Royce Power Systems Holding GmbH	Friedrichshafen, Germany	50.00	4,324	499	
SelecTrucks of Atlanta LLC	McDonough, USA	50.00	-	-	4
SelecTrucks of Houston LLC	Houston, USA	50.00	-	-	4
SelecTrucks of Los Angeles LLC	Fontana, USA	50.00	-	-	4



Name of the Company	Domicile, Country	Capital share in % <sup>1</sup>	Equity in millions of €	Net income (loss) in millions of €	Footnote
SelecTrucks of Omaha LLC	Council Bluffs, USA	50.00	-	-	4
Shenzhen BYD Daimler New Technology Co., Ltd.	Shenzhen, PR China	50.00	168	-10	4, 10
TASIAP GmbH	Stuttgart, Germany	60.00	-	-	4
Tesla Motors, Inc.	Palo Alto, USA	3.97	-	-	
Toll Collect GbR	Berlin, Germany	45.00	-	-	4
Toll Collect GmbH	Berlin, Germany	45.00	618	-49	4, 13

## II. Companies not accounted for at-equity<sup>3</sup>

BDF IP Holdings Ltd.	Burnaby, Canada	33.00	-	-	
Beijing Mercedes-Benz Sales Service Co., Ltd.	Beijing, PR China	51.00	-	-	4
car2go Hamburg GmbH	Hamburg, Germany	25.00	-	-	
carpooling.com GmbH	Munich, Germany	16.67	-	-	
COBUS Industries GmbH	Wiesbaden, Germany	40.82	-	-	4
Egyptian-German Automotive Co. (EGA) S.A.E.	6th of October City, Egypt	26.00	-	-	
European Center for Information and Communication Technologies - EICT GmbH	Berlin, Germany	20.00	-	-	
EvoBus Hungária Kereskedelmi Kft.	Budapest, Hungary	33.33	-	-	
GottaPark, Inc.	San Francisco, USA	18.09	-	-	4
Grundstücksgesellschaft Schlossplatz 1 mbH & Co. KG	Berlin, Germany	18.37	-	-	
INPRO Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH	Berlin, Germany	20.00	-	-	
Institut für angewandte Systemtechnik Bremen GmbH	Bremen, Germany	26.25	-	-	
Intelligent Apps GmbH	Hamburg, Germany	19.47	-	-	
Lackzentrum Bielefeld GmbH	Bielefeld, Germany	33.33	-	-	
Laureus World Sports Awards Limited	London, United Kingdom	50.00	-	-	4
MBtech Verwaltungs-GmbH	Sindelfingen, Germany	35.00	-	-	
Mercedes-Benz Finance Middle East LLC	Dubai, United Arab Emirates	40.00	-	-	4
Mercedes-Benz Lackzentrum Dresden GmbH	Dresden, Germany	36.00	-	-	
Mercedes-Benz Leasing Middle East LLC	Dubai, United Arab Emirates	40.00	-	-	4
Mercedes-Benz Starmark I/S	Vejle, Denmark	50.00	-	-	4
MFTB Taiwan Co., Ltd.	Taipei, Taiwan	33.40	-	-	
Motor Coach Holding, LLC	New York, USA	10.00	-	-	
National Automobile Industry Company Ltd.	Jeddah, Saudi Arabia	26.00	-	-	4
Omuta Unso Co., Ltd.	Omuta, Japan	33.51	-	-	
Reva SAS	Cunac, France	34.00	-	-	
smart-BRABUS GmbH	Bottrop, Germany	50.00	-	-	4
STARCAM s.r.o.	Most, Czech Republic	51.00	-	-	4
tiramizoo GmbH	Munich, Germany	13.86	-	-	
Toyo Kotsu Co., Ltd.	Sannoseki, Japan	28.20	-	-	

1 Share pursuant to Section 16 of the German Stock Corporation Act (AktG)

2 Qualification for Section 264 Subsection 3 and Section 264b of the German Commercial Code (HGB)

3 As the impact of these companies is not material for the consolidated financial statements, they are not consolidated and not accounted for using the equity method.

4 Joint venture

5 In liquidation

6 Control due to economic circumstances

7 EBRD holds 4% of the shares. Due to the contractual situation, Daimler is deemed to be the economic owner of the shares held by the EBRD pursuant to IFRS.

8 Profit and loss transfer agreement with Daimler AG (direct or indirect)

9 Daimler AG is unlimited partner

10 Financial statements 2012

11 Control of the investment of the assets. No consolidation of the assets due to the contractual situation.

12 Financial Statements according to IFRS

13 Financial statements September 1, 2012 - August 31, 2013

14 Financial statements November 1, 2011 - October 31, 2012

15 Financial statements April 1, 2012 - March 31, 2013

# Board of Management

Stuttgart, February 18, 2014

Dieter Zetsche

Wolfgang Bernhard

Christine Hohmann-Dennhardt

Wilfried Porth

Hubertus Troska

Bodo Uebber

Thomas Weber

# Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Daimler AG, and the management report, which has been combined with the Group management report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of Daimler AG.

Stuttgart, February 18, 2014

Dieter Zetsche

Wolfgang Bernhard

Christine Hohmann-Dennhardt

Wilfried Porth

Hubertus Troska

Bodo Uebber

Thomas Weber

# Auditors' Report

(Translation)

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and its report on the position of the Company and the Group prepared by Daimler AG, Stuttgart, for the business year from January 1 to December 31, 2013. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Board of Management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of Daimler AG in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Stuttgart, February 18, 2014

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Meyer  
Wirtschaftsprüfer

Zeitler  
Wirtschaftsprüfer

**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 worsening of the sovereign-debt crisis in the Eurozone; an exacerbation of the budgetary situation in the United States; a deterioration of our refinancing possibilities on the credit and financial markets; events of force majeure including natural disasters, acts of terrorism, political unrest, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates; a shift in consumer preference towards smaller, lower-margin vehicles; or 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 in 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 of 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 and the conclusion of pending or threatened future legal proceedings; and other risks and uncertainties, some of which we describe in this Report. If any of these risks and uncertainties materialize 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 publication date.

**These documents represent the English translation of the German “Jahresabschluss” which is the sole authoritative version.**



