

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%.

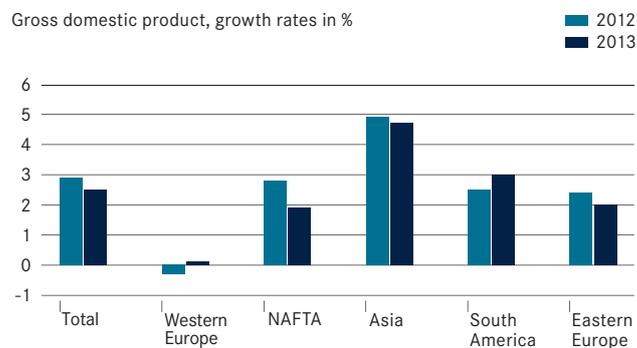
After posting consistently strong growth in recent years, the emerging markets remained significantly below original expectations in 2013 with overall growth of just under 4.5%. Above all for the major economies of India, Brazil and Russia, forecasts were revised downwards continually and by significant 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.

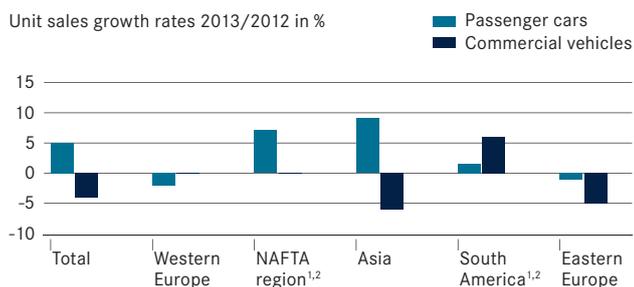
On the other hand, the overall car market in Western Europe was once again smaller than in the previous year. However, demand reached its lowest point in the first half of the year and then revived slightly. In the full year, the Western European car market posted a moderate decrease of approximately 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

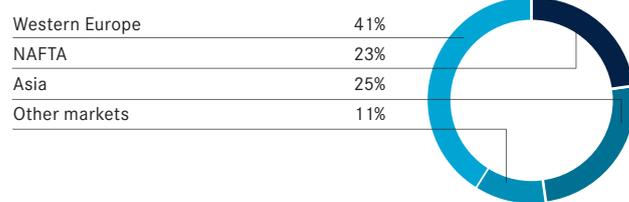
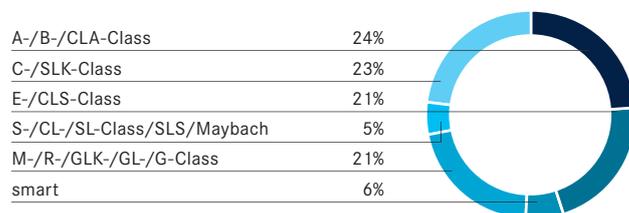
The smart brand performed very well in the last full year of its product lifecycle, with sales of 98,200 smart fortwo cars (-7%). [👁 see pages 150 ff](#)

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

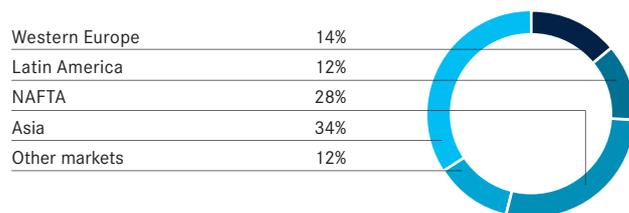
C.07

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 share¹

	2013	2012	13/12 Change in %-points
In %			
Mercedes-Benz Cars			
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
Daimler Trucks			
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
Mercedes-Benz Vans			
Medium-sized and large vans Western Europe	17.8	18.1	-0.3
thereof Germany	26.2	26.7	-0.5
Daimler Buses			
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

¹ 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

