


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 CO₂ 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. 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.