

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.

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### 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

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### 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.