

# Profitability.

## C.12

### EBIT by segment

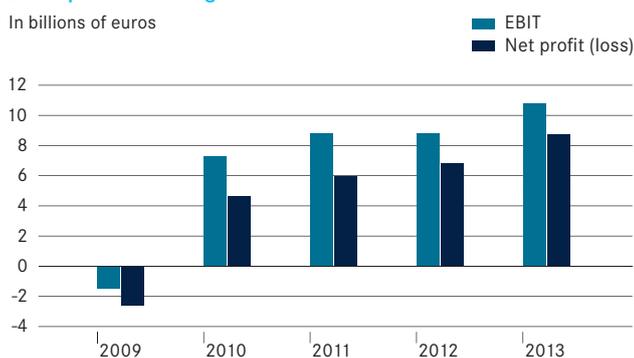
	2013	2012 <sup>1</sup>	13/12 % change
In millions of euros			
Mercedes-Benz Cars	4,006	4,391	-9
Daimler Trucks	1,637	1,695	-3
Mercedes-Benz Vans	631	543	+16
Daimler Buses	124	-221	.
Daimler Financial Services	1,268	1,293	-2
Reconciliation	3,149	1,119	+181
Daimler Group	10,815	8,820	+23

<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.

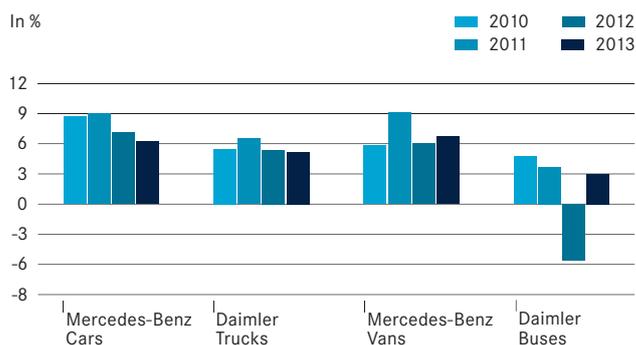
## C.14

### 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

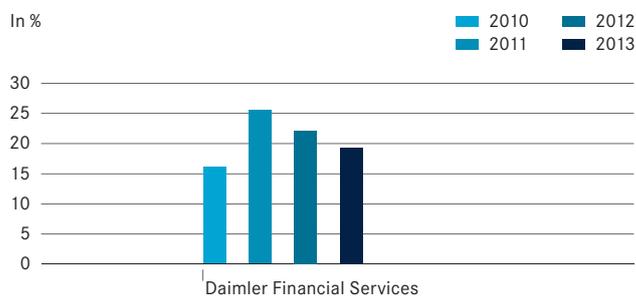
## C.15

### 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](#).