

**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.