The **Daimler Financial Services** division supports the sales of the Daimler Group's automotive brands in 40 countries. Its product portfolio primarily comprises tailored financing and leasing packages for customers and dealers, but it also provides services such as insurance, fleet management, investment products and credit cards, as well as various mobility services such as the flexible car2go concept. The main areas of the division's activities are in Western Europe and North America, and increasingly also in Asia. In 2013, more than 40% of the vehicles sold by the Daimler Group were financed or leased by Daimler Financial Services. Its contract volume of €83.5 billion covers nearly 3.1 million vehicles. Daimler Financial Services also holds a 45% interest in the Toll Collect consortium, which operates an electronic road-charging system for trucks above 12 metric tons on highways in Germany.

Daimler still held a 7.4% equity interest in the European Aeronautic Defence and Space Company (EADS), a leading company in the aerospace and defense industries, at the end of 2012. Those shares were sold on April 17, 2013.

Through a broad network of holdings, joint ventures and cooperations, Daimler is active in the global automotive industry and related sectors. The statement of investments of Daimler AG in accordance with Section 313 of the German Commercial Code (HGB) can be found in the Notes to the Consolidated Financial Statements. see Note 39

Portfolio changes and strategic cooperations

By means of targeted investments and future-oriented partnerships, we strengthened our core business, pushed forward with new technologies and utilized additional growth potential in 2013. At the same time, we focused on the continuous further development of our existing business portfolio.

Daimler AG acquires 12% stake in BAIC Motor. In November 2013, we acquired a 12% equity interest in our longstanding partner BAIC Motor, thus taking an important step within the framework of our China strategy. This makes Daimler the first non-Chinese automobile manufacturer to acquire a stake in a Chinese carmaker. BAIC Motor is the car subsidiary of the Beijing Automotive Group (BAIC Group), which is one of the leading automotive companies in China. In the past ten years, the partners Daimler and BAIC have built up a long-term strategic partnership, benefiting both companies as well as the Chinese automotive industry. These shared activities include the joint venture BBAC, which has been producing Mercedes-Benz cars since 2006 and, as the first Mercedes-Benz plant for car engines outside Germany, four- and six-cylinder engines since 2013. In addition, jointly produced medium- and heavy-duty trucks of the Auman brand have been rolling off the assembly lines at Beijing Foton Daimler Automotive Co., Ltd. (BFDA) since mid-2012. Another important component of the partnership is Beijing Mercedes-Benz Sales Service Corporation (BMBS), which started operations in March 2013. BMBS is responsible for all sales activities for imported and locally produced Mercedes-Benz cars. The joint venture is a major pillar for the sustained growth of Mercedes-Benz in China.

Progress with the cooperation between Daimler and Renault-Nissan. The cooperation between Daimler and Renault-Nissan developed very positively in 2013. The partnership, which started in April 2010 with three projects, has meanwhile grown to ten major projects and now also includes initiatives in North America and Asia.

A good example of how the partners profit from the cooperation is the joint production of Mercedes-Benz four-cylinder gasoline engines in Decherd (Tennessee, USA). Just one and a half years after ground breaking in 2012, the plant building has now been completed. Start of production is planned for mid-2014. The engines produced in Decherd are to be used in the new Mercedes-Benz C-Class, which will be produced at the Daimler plant in Tuscaloosa (Alabama, USA), and in new products from Infiniti. The development work for a shared family of new three- and four-cylinder engines with turbocharging and direct fuel injection is also making good progress. These engines will include the latest technologies, allowing significantly reduced fuel consumption.

Cooperation in the commercial-vehicle business is also being intensified. It is planned that Mitsubishi Fuso Truck and Bus Corporation (MFTBC), which is part of Daimler Trucks Asia, will be supplied with the Nissan van, NV350 Urvan. That vehicle will be sold by Mitsubishi Fuso in selected export markets. This form of strategic supply has been successfully implemented since early 2013 also for light-duty trucks – the FUSO Canter Guts (payload of 2.0 tons) and the NT450 Atlas (payload of 1.5 tons) – in order to expand the respective product portfolio to new segments.

The smart/Twingo project is also progressing as planned. Production preparations are now in full swing for the new two-seater smart at the smart plant in Hambach (France) and for the four-seater smart and the Renault Twingo successor at the Renault plant in Novo Mesto (Slovenia). Market launch of the car variants is planned for the second half of 2014. The new generation of the smart and the Renault Twingo are being developed on the basis of a shared architecture but will continue to be independent products with unmistakable brand features.

Agreement on the commercialization of fuel cells. "Automotive Fuel Cell Cooperation" (AFCC) was already founded as a joint venture by Daimler (50.1%), Ford (30%) and Ballard (19.9%) in 2008. In January 2013, Daimler AG, Ford Motor Company and our strategic cooperation partner Nissan Motor Co., Ltd. reached an agreement to continue with the commercialization of fuel cells. The aim of this venture is to jointly develop a fuel-cell system and thus to reduce development costs. All three partners will make equal investments in the project.

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

$$\text{Value added} = \text{Profit measure} - \underbrace{\text{Net assets} \times \text{Cost of capital (\%)}}_{\text{Cost of capital}}$$

$$\text{Value added} = \left[\text{Return on sales} \times \text{Net assets productivity} - \text{Cost of capital (\%)}\right] \times \text{Net assets}$$