

# Profitability.

## C.12

### EBIT by segment

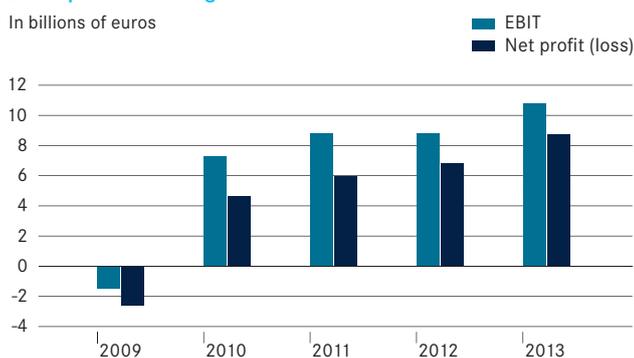
	2013	2012 <sup>1</sup>	13/12 % change
In millions of euros			
Mercedes-Benz Cars	4,006	4,391	-9
Daimler Trucks	1,637	1,695	-3
Mercedes-Benz Vans	631	543	+16
Daimler Buses	124	-221	.
Daimler Financial Services	1,268	1,293	-2
Reconciliation	3,149	1,119	+181
Daimler Group	10,815	8,820	+23

<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.

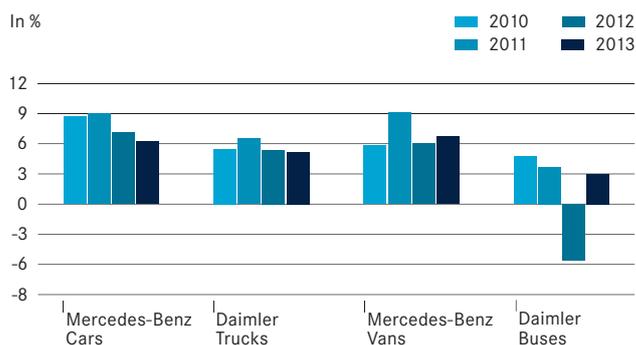
## C.14

### 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

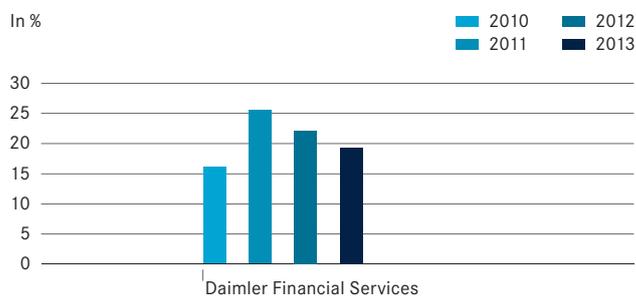
## C.15

### 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](#).

## Statement of income

The Group's **total revenue** increased by 3.2% to €118.0 billion in 2013; adjusted for exchange rate effects, it increased by 7.3%. The revenue growth primarily reflects the higher unit sales by all automotive divisions and the increased contract volume at Daimler Financial Services. Further information on the development of revenue is provided in the [“Business development”](#) section of this Management Report. [↗ C.17](#)

**Cost of sales** amounted to €92.5 billion in 2013, increasing by approximately 4% compared with the prior year. The increase in cost of sales was caused by higher business volumes and consequentially higher material and personnel expenses. Furthermore, depreciation of equipment on operating leases increased along with the growing leasing business. There were opposing effects from lower expenses for refinancing at Daimler Financial Services. Compared with the Group revenue, which increased by 3.2% and was influenced by the depreciation of major currencies, cost of sales increased by 4.1%, so gross profit in relation to revenue fell to 21.6% (2012: 22.3%). The changed product mix also had an impact on this development. Further information on cost of sales is provided in [Note 5](#) of the Notes to the Consolidated Financial Statements. [↗ C.17](#)

Due to the growth in unit sales, **selling expenses** increased by €0.4 billion to €10.9 billion. The main factors here were higher expenses for marketing, personnel and IT services. As a percentage of revenue, selling expenses increased from 9.1% to 9.2%. [↗ C.17](#)

**General administrative expenses** of €3.9 billion were slightly below the level of the previous year (2012: €4.0 billion), mainly driven by exchange rate effects. As a percentage of revenue, general administrative expenses decreased slightly to 3.3% (2012: 3.5%). [↗ C.17](#)

**Research and non-capitalized development costs** were almost unchanged compared with the previous year at €4.1 billion (2012: €4.2 billion). They were mainly related to advance expenditure for the development of new models, the renewal of existing models, and the further development of fuel-efficient and environmentally friendly drive systems and safety technologies. As a proportion of revenue, research and development costs decreased from 3.7% to 3.5%. Further information on the Group's research and development costs is provided in the “Research and development, environmental protection” section of the [“Sustainability”](#) chapter. [↗ C.17](#)

**Other operating income** of €1.5 billion (2012: €1.5 billion) was at the prior-year level while **other operating expense** increased slightly to €0.4 billion (2012: €0.3 billion). Further information on the composition of other operating income and expense is provided in [Note 6](#) of the Notes to the Consolidated Financial Statements. [↗ C.17](#)

In 2013, our **share of profit from investments accounted for using the equity method** improved to €3.3 billion (2012: €1.2 billion). Both years were affected by large gains relating to the loss of significant influence and the disposal of EADS shares. In 2013, Daimler lost its significant influence on EADS; this resulted in a gain of €3.4 billion. In 2012, 7.5% of the shares of EADS were sold with a resulting gain of €0.9 billion. [↗ C.17](#)

**Other financial expense** improved from €0.5 billion to €0.3 billion. This is primarily due to lower expenses from the compounding of provisions and effects from changes in discount rates totaling €0.1 billion (2012: €0.5 billion). [↗ C.17](#)

The Group recorded a **net interest expense** of €0.7 billion (2012: €0.7 billion). While expenses related to pension and healthcare obligations were close to the prior-year level, other interest income improved slightly. This development was primarily due to measurement effects of interest hedging instruments, which serve to secure the Group's refinancing. Lower interest rates for cash deposits and higher levels of liquidity offset each other. [↗ C.17](#)

The **income tax expense** increased only slightly to €1.4 billion (2012: €1.3 billion), despite higher profit before income taxes. The effective tax rate for 2013 was 14.0% (2012: 15.8%). The lower effective tax rate was mainly the result of tax-free gains on the remeasurement and sale of EADS shares. Additional factors in both years were tax benefits in connection with the tax assessment of prior years. [↗ C.17](#)

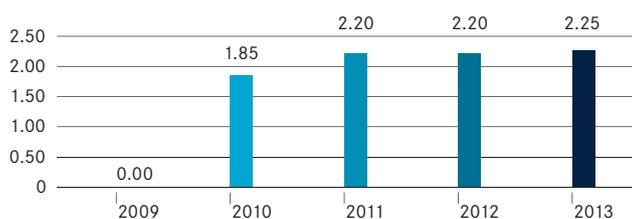
**Net profit for the year** amounts to €8.7 billion (2012: €6.8 billion). Net profit of €1.9 billion is attributable to non-controlling interests (2012: €0.4 billion), a large portion of which in 2013 is related to the remeasurement of the EADS shares. Net profit **attributable to shareholders of Daimler AG** amounts to €6.8 billion (2012: €6.4 billion), representing **earnings per share of €6.40** (2012: €6.02). [↗ C.17](#)

The calculation of earnings per share (basic) is based on an average number of outstanding shares of 1,068.8 million (2012: 1,066.8 million).

## C.19

### Dividend per share

In euros



## C.20

### Reconciliation to net operating profit

In millions of euros	2013	2012	13/12 % change
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
<b>EBIT of the divisions</b>	<b>7,666</b>	<b>7,701</b>	<b>-0</b>
Income taxes <sup>1</sup>	-1,642	-1,518	+8
Other reconciliation	3,149	1,119	+181
<b>Net operating profit</b>	<b>9,173</b>	<b>7,302</b>	<b>+26</b>

<sup>1</sup> Adjusted for tax effects on interest income/expense and amortization of capitalized borrowing costs.

## C.21

### Value added

In millions of euros	2013	2012	13/12 % change
<b>Daimler Group</b>	<b>5,921</b>	<b>4,300</b>	<b>+38</b>
Mercedes-Benz Cars	2,007	2,698	-26
Daimler Trucks	369	365	+1
Mercedes-Benz Vans	445	387	+15
Daimler Buses	-4	-360	+99
Daimler Financial Services	409	530	-23

## Dividend

At the Annual Shareholders' Meeting on April 9, 2014, the Board of Management and the Supervisory Board will propose an increase in the dividend to €2.25 per share (prior year: €2.20). With this proposal, we are letting our shareholders participate in the Company's success while expressing our confidence about the ongoing course of business. The total dividend will thus amount to €2,407 million (prior year: €2,349 million) and the distribution ratio will be 35.2% of the net profit attributable to the Daimler shareholders (prior year: 36.5%).

↗ C.19

## Net operating profit

Table ↗ C.20 shows the reconciliation of the EBIT of the divisions to net operating profit. In addition to the EBIT of the divisions, net operating profit also includes earnings effects for which the divisions are not accountable such as income taxes and other reconciliation items.

## Value added

As described in the "Performance measurement system" section of the "Corporate Profile" chapter ↗ C.03, the cost of capital is the result of net assets and cost of capital expressed as a percentage, which is subtracted from earnings in order to calculate value added. The tables ↗ C.21 and ↗ C.22 show value added and net assets for the Group and for the individual divisions. Table ↗ C.23 shows how net assets are derived from the consolidated statement of financial position.

The **Group's value added** increased by €1.6 billion to €5.9 billion in 2013, representing a return on net assets of 22.6% (2012: 19.5%). This was once again substantially higher than the minimum required rate of return of 8%. Value added in both years was influenced in particular by the remeasurement and sale of the remaining EADS shares.

**Mercedes-Benz Cars** achieved value added of €2.0 billion (2012: €2.7 billion). Ongoing growth in unit sales and better pricing were offset by a less favorable model mix and exchange rate effects. There was also an impact from expenses relating to the enhancement of products' attractiveness, capacity expansions and advance expenditure for new technologies and vehicles. The increase in average net assets by €2.6 billion to €16.7 billion also affected the development of value added. This was mainly caused by the higher level of fixed assets following increased investment in new products and production plants.

Value added at the **Daimler Trucks** of €0.4 billion was at the prior-year level. The slight decrease in EBIT was offset by the lower level of average net assets. The development of earnings was primarily driven by the revival of vehicle unit sales, especially in Brazil and Western Europe. There were opposing effects from higher warranty costs, exchange rate effects and expenses in connection with the optimization programs in Germany and Brazil.

The value added of the **Mercedes-Benz Vans** division of €0.4 billion was slightly higher than in 2012. Increased earnings were achieved due to higher unit sales, improved pricing and efficiency improvements. There was an opposing effect from average net assets, which increased by €0.2 billion to €1.5 billion due to the higher level of fixed assets.

The **Daimler Buses** division achieved value added of minus €4 million (2012: minus €360 million). Higher unit sales in Western Europe and Latin America, further efficiency progress in the European business system and lower expenses for optimization programs led to a significant increase in EBIT. The division's average net assets decreased slightly by €0.1 billion and thus made a small contribution to the increase in value added.

The value added of the **Daimler Financial Services** division decreased by €0.1 billion to €0.4 billion. Return on equity was 19.2% (2012: 22.0%). This development was primarily the result of an increase in average equity of €0.7 billion to €6.6 billion, due to the higher contract volume, while earnings were at the level of the prior year.

## C.22

### Net assets (average)

	2013	2012	13/12
In millions of euros			% change
Mercedes-Benz Cars	16,658	14,107	+18
Daimler Trucks	10,571	11,082	-5
Mercedes-Benz Vans	1,547	1,302	+19
Daimler Buses	1,068	1,157	-8
Daimler Financial Services <sup>1</sup>	6,607	5,871	+13
<b>Net assets of the divisions</b>	<b>36,451</b>	<b>33,519</b>	<b>+9</b>
Investments accounted for using the equity method <sup>2</sup>	638	1,938	-67
Assets and liabilities from income taxes <sup>3</sup>	2,479	1,256	+97
Other reconciliation <sup>3</sup>	1,080	808	+34
<b>Daimler Group</b>	<b>40,648</b>	<b>37,521</b>	<b>+8</b>

1 Total equity

2 To the extent not allocated to the segments

3 Industrial business

## C.23

### Net assets of the Daimler Group at year-end

	2013	2012	13/12
In millions of euros			% change
Net assets of the industrial business			
Intangible assets	9,228	8,761	+5
Property, plant and equipment	21,732	20,546	+6
Leased assets	13,207	12,163	+9
Inventories	16,648	17,075	-3
Trade receivables	7,208	6,864	+5
Less provisions for other risks	-11,382	-10,975	+4
Less trade payables	-8,778	-8,515	+3
Less other assets and liabilities	-15,983	-14,864	+8
Assets and liabilities from income taxes	1,878	2,717	-31
Total equity of Daimler Financial Services	6,596	6,092	+8
<b>Net assets</b>	<b>40,354</b>	<b>39,864</b>	<b>+1</b>