DAIMLER

Annual Report 2012.

Key Figures

Daimler Group

	2012	2011	2010	12/11
Amounts in millions of euros				% change
Revenue	114,297	106,540	97,761	+7[1]
Western Europe	39,377	39,387	38,478	-0
thereof Germany	19,722	19,753	19,281	-0
NAFTA	31,914	26,026	23,582	+23
thereof United States	27,233	22,222	20,216	+23
Asia	25,126	22,643	19,659	+11
thereof China	10,782	11,093	9,094	-3
Other markets	17,880	18,484	16,042	-3
Employees (December 31)	275,087	271,370	260,100	+1
Investment in property, plant and equipment	4,827	4,158	3,653	+16
Research and development expenditure	5,644	5,634	4,849	+0
thereof capitalized	1,465	1,460	1,373	+0
Free cash flow of the industrial business	1,452	989	5,432	+47
EBIT	8,615	8,755	7,274	-2
Value added	4,185	3,726	2,773	+12
Net profit	6,495	6,029	4,674	+8
Earnings per share (in €)	5.71	5.32	4.28	+7
Total dividend	2,349	2,346	1,971	+0
Dividend per share (in €)	2.20	2.20	1.85	0

1 Adjusted for the effects of currency translation, increase in revenue of 4%.

Divisions

	2012	2011	2010	12/11
Amounts in millions of euros				% change
Mercedes-Benz Cars				
EBIT	4,389	5,192	4,656	-15
Revenue	61,660	57,410	53,426	+7
Return on sales (in %)	7.1	9.0	8.7	.
Investment in property, plant and equipment	3,495	2,724	2,457	+28
Research and development expenditure	3,863	3,733	3,130	+3
thereof capitalized	1,125	1,051	940	+7
Unit sales	1,451,569	1,381,416	1,276,827	+5
Employees (December 31)	98,020	99,091	96,281	-1
Daimler Trucks				
EBIT	1,714	1,876	1,332	-9
Revenue	31,389	28,751	24,024	+9
Return on sales (in %)	5.5	6.5	5.5	.
Investment in property, plant and equipment	989	1,201	1,003	-18
Research and development expenditure	1,197	1,321	1,282	-9
thereof capitalized	180	251	373	-28
Unit sales	461,954	425,756	355,263	+9
Employees (December 31)	80,519	77,295	71,706	+4
Mercedes-Benz Vans				
EBIT	541	835	451	-35
Revenue	9,070	9,179	7,812	-1
Return on sales (in %)	6.0	9.1	5.8	.
Investment in property, plant and equipment	223	109	91	+105
Research and development expenditure	371	358	267	+4
thereof capitalized	137	126	29	+9
Unit sales	252,418	264,193	224,224	-4
Employees (December 31)	14,916	14,889	14,557	+0
Daimler Buses				
EBIT	-232	162	215	.
Revenue	3,929	4,418	4,558	-11
Return on sales (in %)	-5.9	3.7	4.7	.
Investment in property, plant and equipment	82	103	95	-20
Research and development expenditure	222	225	223	-1
thereof capitalized	23	32	31	-28
Unit sales	32,088	39,741	39,118	-19
Employees (December 31)	16,901	17,495	17,134	-3
Daimler Financial Services				
EBIT	1,292	1,312	831	-2
Revenue	13,550	12,080	12,788	+12
New business	38,076	33,521	29,267	+14
Contract volume	79,986	71,730	63,725	+12
Investment in property, plant and equipment	23	21	12	+10
Employees (December 31)	7,779	7,065	6,742	+10

Mercedes-Benz Cars

Mercedes-Benz smart

Daimler Trucks

Mercedes-Benz FREIGHTLINER FUSO

WESTERN STAR Thomas BUILT BUSES BHARATBENZ

Mercedes-Benz Vans

Mercedes-Benz FREIGHTLINER

Daimler Buses

Mercedes-Benz SETRA

Daimler Financial Services

Mercedes-Benz Bank Mercedes-Benz Financial Daimler Truck Financial

We invented the automobile – and now we are passionately shaping its future. As automotive pioneers, we see it as both motivation and a duty to continue our tradition with groundbreaking technologies and superior products.

We do our very best for customers who expect the best, and we live and breathe a culture of operational excellence based on shared values. Our corporate history features numerous innovations and pioneering achievements; they are the foundation for our claim to leadership in the automotive industry.

At the same time, our thoughts and actions are guided by the principle of sustainable and safe mobility. With tailored products and services, we intend to enter new markets and attract additional groups of customers. Our goal is to lead our industry in terms of unit sales, revenue and profitability – and to do so in all the businesses in which we are active. In this way, we want to create lasting added value – for our shareholders, customers and employees, and for society in general.

Dieter Zetsche

Wolfgang Bernhard

Christine Hohmann-Dennhardt

Wilfried Porth

Andreas Renschler

Hubertus Troska

Bodo Uebber

Thomas Weber

At Daimler, the letter A stands not only for our brand-new products like the Mercedes-Benz A-Class, the Actros and the Antos, but above all for our aim to be the global leaders in all of our businesses. Booming growth markets in Asia, ground-breaking strategic alliances, attractive jobs and development opportunities, and pioneering new assistance systems in our vehicles – these are some of the topics you can read about on pages 30-75 of this Annual Report 2012.

A-Class

All inclusive

Antos

Actros

Assistance systems

Always on

Avant-garde

A matter of integrity

Alternative drive

Apprenticeship

Alliances

Americas

Asia

Attractive

Contents

Information guidance system

- Refers to an illustration or a table in the Annual Report
- Refers to additional information on the Internet
- Cross-reference within the Annual Report
- Reference to a Daimler publication

Important Events in 2012

Production start of the new A-Class. Under the motto “Heartbeat of a new generation,” the first new Mercedes-Benz A-Class rolls off the assembly line at the Mercedes-Benz plant in Rastatt on July 16, 2012. This production start is a further milestone in Daimler’s product strategy. The A-Class stands for our offensive in the compact segment. It is the second model of our new compact cars after the B-Class, which went into production in Rastatt in September 2011 and in the new Mercedes-Benz plant in Kecskemét, Hungary, at the end of March 2012.

Q1.12

Test winner for environmental friendliness. The Mercedes-Benz S 250 CDI BlueEFFICIENCY and the Mercedes-Benz ML 250 BlueTEC 4MATIC are the most environmentally friendly cars in their categories. This was the result of the automobile environmental ranking carried out by the Öko-Trend ecology institute.

Chinese truck joint venture receives business license. Daimler and its Chinese partner Foton receive a business license for the joint venture Beijing Foton Daimler Automotive Co., Ltd. (BFDA). With BFDA, Daimler Trucks will participate in the Chinese market for medium and heavy trucks.

Mercedes-Benz gives the iPhone® wheels. Mercedes-Benz makes smart phones mobile and decides to fully integrate them into car infotainment systems, starting with the Apple® iPhone®: Drivers can access key content using the specially developed Digital DriveStyle app in combination with Drive Kit Plus.

World premiere of the A-Class. The focus of the Mercedes-Benz stand at the Geneva Motor Show is the new A-Class, which features an emotive design, technical innovations and convincing inner values. Visitors also see the European premieres of the E 300 BlueTEC HYBRID, the world's most economical large sedan, and the new SL.

Presentation of new-generation truck engines. Daimler Trucks presents the all-new generation of Mercedes-Benz medium-duty engines with low emissions and longer maintenance intervals.

Production start in Hungary. Daimler starts production at its new car plant in Kecskemét, Hungary. Parallel production of the new compact class in Rastatt und Kecskemét allows the flexible and optimal management of each plant's capacities.

Strong first quarter of 2012. Despite large investments in future growth and a challenging market environment, Daimler's unit sales, revenue and earnings are all higher than the very good prior-year figures.

Q2.12

Dividend of €2.20 for our shareholders. The Annual Meeting of the Shareholders of Daimler AG approves the distribution of a dividend of €2.20 per share for financial year 2011 (2010: €1.85). The amount paid out totals approximately €2.3 billion.

Opening of BharatBenz truck plant in India. After a record construction period of just 24 months, the 160 hectare production facility is opened with its own research and development center and an ultra-modern test track. By the year 2014, the plant is to produce the full range of 17 BharatBenz models in weight classes from 6 to 49 metric tons.

DENZA electric car presented at Auto China. The battery-powered concept vehicle of the new DENZA brand is the result of a partnership between BYD and Daimler. DENZA is the first automotive brand of New Energy Vehicles (NEV) in the Chinese market.

Presentation of Mercedes-Benz Antos. With its Mercedes-Benz Antos, Daimler Trucks is the first manufacturer to present a truck model series specially developed to meet the demands of heavy-duty distribution transport.

Launch of new smart fortwo electric drive. This electric car is now rolling off the assembly lines in Hambach in the standard production process along with models with gasoline and diesel engines. The sale&care distribution system allows customers to buy, finance or lease the car for an attractive price, and to rent the battery for a monthly fee.

Presentation of the new Citan city van. The new Citan model completes the range of vehicles supplied by Mercedes-Benz Vans. Like no other city van, it combines minimal CO_2 emissions with optimal driving comfort and high performance with low running costs.

Daimler remains on track for growth in second quarter. Unit sales increase by 8% and revenue by 10%. Group EBIT is once again at the high level of €2.2 billion.

Q3.12

Joint venture starts truck production in China. The first truck produced by the joint venture between Daimler Trucks and Chinese truck manufacturer Foton rolls off the assembly line in Beijing. In the future, all trucks under the Auman brand will be produced by the joint venture BFDA.

Major order for Daimler Buses from Singapore. Daimler is to deliver a total of 450 Mercedes-Benz Citaro city buses to Singapore between autumn 2012 and 2015. The customer is the public transport company SBS Transit, which operates more than 250 bus lines in the metropolis of five million inhabitants.

Expansion of production capacities for the A-Class. Due to the excellent response to the new Mercedes-Benz A-Class, Daimler agrees with Finnish supplier Valmet Automotive that Valmet will assemble more than 100,000 units of the car for Daimler from 2013 until 2016.

Foundation stone laid for production of compact cars in China. The foundation stone is laid at Beijing Benz Automotive Co., Ltd. for a new section of the plant where models of the new generation of Mercedes-Benz compact cars will be produced as of 2014.

Start of leasing business in China. As the first automotive provider of financial services in the premium segment, Daimler Financial Services now offers leasing contracts for car and commercial vehicle customers in China.

Daimler and Renault-Nissan expand their cooperation. In a new engine project, Daimler and Renault-Nissan are to jointly develop a new generation of four-cylinder engines. And in a transmission project, Nissan is to receive a license to produce automatic transmissions for Nissan and Infiniti cars starting in 2016.

“Trucks For The World” in Hanover. At IAA Commercial Vehicles, Daimler for the first time presents its entire global range of trucks in one place. Visitors to the trade fair also experience a burst of new models, with world premieres of the Mercedes-Benz Antos truck range and the Setra ComfortClass 500 coach. And the new generation of the Fuso Canter Eco Hybrid is presented for the frst time in Europe.

Daimler earnings again at a high level. Considering the significantly more difficult market environment, Daimler achieves good earnings in the third quarter. Group EBIT amounts to €1.9 billion. Earnings forecasts for the full year have to be adjusted, however.

Q4.12

ÖkoGlobe for Mercedes-Benz F 125! The internationally recognized environmental prize for ecological innovation, ÖkoGlobe, is awarded to Daimler once again in 2012. The Mercedes-Benz F 125! research vehicle is awarded the first prize in the Concept Car category.

Agreement on new Integrity Code. The management and the employee representatives sign the new Integrity Code. Feedback was utilized from several thousand employees who participated in a Group-wide integrity dialog.

Brazilian government awards major order to Daimler. Mercedes-Benz do Brasil wins several tenders of the Brazilian government for a total of 2,100 vehicles. This major order comprises the supply of more than 1,700 Mercedes-Benz Atego trucks and 400 Mercedes-Benz Sprinter vans.

Fuso and Nissan cooperate on light-duty trucks. Daimler's Japanese subsidiary for commercial vehicles and Nissan Motor Co., Ltd. sign a long-term cooperation agreement on the mutual supply of light-duty trucks in Japan.

Fuso Canter Eco Hybrid wins Japanese award for innovative technology. This award underscores Fuso's leading role with green innovations. The main factor for winning this prize is the DUONIC® double-clutch transmission in combination with hybrid drive.

car2go electrifies Stuttgart. On the road with full electric drive and full flexibility: car2go now offers this freedom also in Stuttgart. Germany's biggest fleet of electric cars starts in Daimler's home town. The electricity for these cars under the smart brand comes from regenerative energy sources.

Daimler sells EADS shares. Daimler AG reduces its equity interest in the European Aeronautic Defence and Space Company (EADS) from 15% to 7.5% in economic terms. The sale proceeds of €1.7 billion are invested in strengthening the Group's core business.

New Board of Management position for China. The Supervisory Board of Daimler AG appoints Hubertus Troska (52) to the newly created position of Board of Management Member for "Greater China" as of December 13, 2012 until December 31, 2015. This decision emphasizes the strategic importance of China to Daimler. The Chinese market is seen to have substantial potential for further sustainable growth and for the ongoing expansion of our business activities.

Dear Shareholders,

About 2.2 million times – that's how often people around the world opted for a vehicle from your company last year; more than ever before. Revenue was also the highest in our history. Net profit amounted to 6.5 billion euros. Based on these results, the Board of Management and the Supervisory Board will propose the distribution of a dividend at last year's high level of 2.20 euros per share so that you continue to benefit from the Daimler Group's success.

What were the most important developments at our divisions?

At **Mercedes-Benz Cars**, we achieved record sales in 2012. Our new products performed especially well. The new A-Class was our most successful market launch of all time: Its conquest rate is already 40 percent, meaning that two out of every five A-Class customers previously drove another brand. Our B-Class and sport-utility vehicles also sold better than ever before in 2012. In addition, our M-Class was the market leader in its segment. The same was true for our S-Class – for the eighth year in a row and in spite of the forthcoming model changeover this year.

At **Daimler Trucks**, our global orientation bore fruit: Despite what were in part weaker markets, we were able once more to significantly increase our total sales. At the same time, we expanded our product portfolio around the world. In Europe, with our Mercedes-Benz Antos, we launched our first truck specifically for heavy-duty distribution. At the same time, we introduced the Fuso Canter Eco Hybrid, the most economical hybrid truck in the world. In India, our new truck brand BharatBenz made a successful start; and in China, we began local production of trucks under the Auman brand in our joint venture with Foton.

At **Mercedes-Benz Vans**, the upward sales trend in North and Latin America somewhat offset the weakness in our key Western European market, but could not fully compensate for it. Therefore, it's all the more important that we develop new market segments: And that's exactly what we're doing with our new Citan city van.

Daimler Buses was once again the market leader in the segment of buses above 8 tons in its core markets. However, in Latin America we were confronted with very low demand for our bus chassis. As a result, total unit sales of buses decreased. Also in this division, we are countering weak markets with strong new products, such as the Mercedes-Benz Citaro Euro VI and a new generation of travel coaches from our top Setra brand.

"Doing business efficiently and growing profitably – those are two sides of the same coin."

Daimler Financial Services can look back on yet another successful year. New business and contract volume set new records. In Asia in particular, we continued to expand our service offerings. We are ahead worldwide with our new flexible mobility services as well. That's true for our established services such as "car2go" and for additional services like "moovel" – an innovative new platform that networks different modes of transportation.

That all goes to make one thing clear: 2012 was a year of many successes. But it's also true that not all of our goals have yet been achieved. We can do much more – and we'll prove that in the coming years.

Although growth forecasts for key markets in 2013 are rather moderate, the dynamic in the world vehicle market should significantly pick up in the long term – mainly driven by China, India and other large emerging markets.

Against this backdrop, we have launched comprehensive product offensives in all of our divisions: We're expanding our model portfolio, entering new segments and fully meeting regional differences in customer needs. In this way, we aim to be Number One for premium automobiles also in terms of unit sales by 2020 at the latest. With trucks, we will continue to build on our current leadership position. Altogether, this constitutes the biggest growth story in our company's history: We are growing at a faster pace, on a broader front and in more markets than ever before.

Four strategic growth themes run through our entire Group and every single business area:
- the strengthening of our core business in traditional markets;
- the development of new markets (including the requisite expansion of our research and development, production and distribution networks);
- the continued expansion of our leadership position in "green" technologies (including electric mobility) and in safety;
- and the introduction of fundamentally new mobility concepts based on innovation at the interfaces of mobility and digital networking.

Key to all of this is that we don't want to grow "at any price," but with sustainable profitability. That's why the growth strategies of all our divisions have an efficiency program as a central component: At our car division, we're adding "Fit for Leadership" to "Mercedes-Benz 2020;" Daimler Trucks started the next phase of our "Global Excellence" growth strategy with "Daimler Trucks #1".

In this way, we will ensure that we are profitable even under difficult market conditions and that we maintain our financial strength for continued future investments. In a parallel effort, we are also pressing forward with structural improvements to our global business systems: Doing business efficiently and growing profitably – those are two sides of the same coin.

I'd like to thank you, our shareholders, for your trust and support. We also owe thanks to our employees. They are the ones who make a difference with their professional expertise and personal dedication. Superior performance is not a question of race, gender or age. That's why we promote diversity in our workforce, the professional development of highly qualified women and the management training of local executives.

Finally, sustained success requires a solid ethical foundation. What does that mean exactly? That is something thousands of Daimler employees throughout the Group, of all ranks and at all levels, have discussed as part of our "Integrity Dialog." The result: Virtually everyone wants clear rules, responsible behavior and mutual respect. That has flowed into our new "Integrity Code." The consensus was also that, as much as guidelines serve as important "safety belts," they cannot replace the "inner compass" that keeps us on course and acting responsibly, even where there are no clear rules.

In any case, the same goes for our corporate culture as it does for all of the Daimler Group: We are on the right track and will continue to move forward. We look forward to you accompanying us into the future.

Dieter Zetsche

The Board of Management

Ambition. “We are going new ways with fascinating products and our strategy of global growth. At the same time, we are building on our proven strengths.”

Dieter Zetsche | 59, Chairman of the Board of Management, Head of Mercedes-Benz Cars, appointed until December 2016

Approach. “The expansion of our international production network forms the basis for our ambitious growth targets.”

Wolfgang Bernhard | 52, Manufacturing and Procurement Mercedes-Benz Cars & Mercedes-Benz Vans, as of April 1, 2013 Daimler Trucks, appointed until February 2018

Active. “Efficiency and dependability are key features of our commercial vehicles. In our global network, we are working hard to excel worldwide.”

Andreas Renschler | 54, Daimler Trucks, as of April 1, 2013 Manufacturing and Procurement Mercedes-Benz Cars & Mercedes-Benz Vans, appointed until September 2018

Appreciated. “Our new Board of Management position of ‘Greater China’ emphasizes the strategic importance of the Chinese market for Daimler.”

Hubertus Troska | 52, Greater China, since December 13, 2012, appointed until December 2015

A matter of integrity. “We are convinced that business practices based on integrity are essential for sustained success.”

Christine Hohmann-Dennhardt | 62, Integrity and Legal Affairs, appointed until February 2014

All together. “Our employees’ diversity and motivation are our future capital.”

Wilfried Porth | 53, Human Resources & Labor Relations Director, appointed until April 2017

Answers. “A sound growth strategy on a foundation of solid finances is the basis for our future success.”

Bodo Uebber | 53, Finance & Controlling, Daimler Financial Services, appointed until December 2014

Alternative drive. “Our innovations are pacemakers for clean and safe vehicles. To the benefit of all road users.”

Thomas Weber | 58, Group Research & Mercedes-Benz Cars Development, appointed until December 2016

Report of the Supervisory Board

Dear Shareholders, the Supervisory Board dealt in detail with the operational and strategic development of the Daimler Group in seven meetings during the 2012 financial year.

In the year 2012, the Supervisory Board performed its tasks as laid down by applicable law, the Articles of Incorporation and its rules of procedure, and continually advised and supervised the Board of Management on the management of the company. Following careful reviews and consultations, the Supervisory Board passed resolutions on numerous business matters for which its consent was required, such as investment and personnel planning, capital changes at companies of the Group, investments and divestments and the conclusion of contracts of particular importance for the Group. In addition, the Supervisory Board examined for example whether the risk report, the financial reporting and the annual financial statements were in conformance with requirements. The Board of Management also informed the Supervisory Board about a large number of transactions not requiring the Supervisory Board's consent and the two boards discussed those matters together, for example the further development of strategic programs in the various divisions and the status of various cooperation projects. The Supervisory Board discussed the information and evaluations that were material for its decisions and suggestions together with the Board of Management. The Supervisory Board meetings were regularly prepared in separate discussions of the members representing the employees and the members representing the shareholders with the members of the Board of Management. The Board of Management generally participates in the meetings of the Supervisory Board. The Supervisory Board has also established an executive session in each of its meetings in order to discuss topics in the absence of the Board of Management.

No member of the Supervisory Board attended less than half of the meetings in the past financial year. The Chairman of the Supervisory Board was regularly informed by the Chairman of the Board of Management about all significant operating developments as well as personnel changes and appointments.

Daimler's business activities continued to develop successfully during the year 2012. The Group's unit sales and revenue increased significantly. Earnings from ongoing operations were at the good level of €8.1 billion. During the year under review, in line with the strategic planning, the Group considerably expanded its international presence with the opening of new plants in Hungary and India, with the start of operations by our truck joint venture in China, and with investment in the expansion of our car joint venture in Beijing and in our plant in Tuscaloosa, USA. Further steps were thus taken to give the Group a regional balance. Disproportionately high increases in unit sales and revenues in Asia and the NAFTA region are evidence of a consistent regional strategy and reduce Daimler's dependence on developments in Western Europe. The Supervisory Board expressly supports this strategy, which will enhance Daimler's future competitiveness and competitive position. The additional expenditure to expand the product portfolio and increase the number of production locations had a corresponding effect on the key financial metrics for the year 2012.

An issue relevant to the work of the Supervisory Board throughout the year 2012 was the feasibility of planning further developments and their stability. On the whole, the economic environment was, and still is, marked by great uncertainty. The general economic outlook, and in particular the situation in the financial markets, was dominated by significant risk factors and uncertainty. The Board of Management and the Supervisory Board carefully monitored the economic situation in China, one of the Group's key markets.

Supporting actions at the European level prevented the disintegration of the euro zone. For the crisis to be overcome, however, further measures will have to be taken at the European level; above all the required structural reforms will have to be carried out in the countries affected by the sovereign-debt crisis so that they can regain their international competitiveness.

Dr. Manfred Bischoff, Chairman of the Supervisory Board

The Supervisory Board also dealt in detail with the causes of the development of Daimler's share price, and held detailed discussions with the Board of Management about proposals and the expected impact of strategic projects on the share price.

In addition to the usual key financial metrics, the Board of Management regularly informed the Supervisory Board about important topics such as:
- the Group's profitability, especially in terms of return on equity, and its liquidity situation,
- the internal control and risk management system including compliance,
- specific developments in sales and procurement markets, and
- the general economic situation in the main sales markets as well as developments in the area of financial services.

The Supervisory Board also dealt with safeguarding the Group's long-term profitability, fundamental questions of corporate planning including financial, investment, sales and human resources planning, developments in the companies of the Group, revenue developments and the situation of the Group, as well as the ongoing implementation of measures to secure pioneering and sustainable mobility for the future. The latter was dealt with also considering current and future requirements under the heading of "Digital Life," with special reference to the Group's products and services. The Supervisory Board was occupied with these topics going beyond the operating business in close communication with the Board of Management and especially intensively in a two-day strategy workshop held at the end of September 2012.

Cooperation between the Supervisory Board and the Board of Management. All the members of the Board of Management attended all the meetings of the Supervisory Board. The meetings featured intensive and open exchanges of opinions and information concerning the position of the Group, business and financial developments, fundamental issues of corporate policy and strategy, and development opportunities in important growth markets. Any deviations from the planning were explained in detail to the Supervisory Board by the Board of Management. The members of the Supervisory Board regularly prepared for upcoming resolutions on transactions requiring Supervisory Board consent on the basis of documentation that had been provided in advance by the Board of Management. They were supported by the relevant committees, and discussed the actions and transactions upon which decisions were to be taken with the Board of Management. Furthermore, the Board of Management informed the Supervisory Board with the use of monthly reports and quarterly risk reports about the most important performance figures and risks, and submitted the interim financial reports to the Supervisory Board. The Supervisory Board was kept fully informed of specific matters also between its meetings. As required in individual cases, following consultation with the Chairman of the Supervisory Board, the members were requested to pass resolutions in writing. In addition, the Chairman of the Board of Management informed the Chairman of the Supervisory Board in regular discussions about important developments and consulted with him on upcoming decisions.

Topics discussed at the Supervisory Board meetings in the year 2012. In a meeting in February 2012, in the presence of the external auditors, the preliminary key figures of the annual company and consolidated financial statements for 2011 and the dividend proposal to be made at the 2012 Annual Shareholders' Meeting were discussed. The preliminary key figures for the year 2011 were announced at the Annual Press Conference on February 9, 2012.

In another meeting held in February 2012, the Supervisory Board dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group, each of which had been issued with an unqualified audit opinion by the external auditors, as well as the reports of the Audit Committee and the Supervisory Board, the corporate governance report and the remuneration report, and the proposal on the distribution of distributable profit. In preparation, the members of the Supervisory Board were provided with comprehensive documentation, some of it in draft form, including the Annual Report with the consolidated financial statements according to IFRS, the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual company financial statements of Daimler AG, the proposal of the Board of Management on the distribution of distributable profit, and the audit reports of KPMG for the annual company financial statements and the consolidated financial statements of Daimler AG, each including the combined management report, as well as drafts of the reports of the Supervisory Board and of the Audit Committee.

The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the responsible external auditors, who reported on the results of their audit and were available to answer supplementary questions and to provide additional information. Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit by the external auditors, determined that no objections were to be raised, and approved the financial statements and the combined management report as presented by the Board of Management. The company financial statements of Daimler AG for the year 2011 were thereby adopted. The Supervisory Board also consented to the proposal made by the Board of Management on the distribution of distributable profit and approved the report of the Supervisory Board, the corporate governance report and the remuneration report in their current drafts. Furthermore, the Supervisory Board approved its proposed decisions on the items of the agenda for the 2012 Annual Shareholders' Meeting. In addition, the Supervisory Board received information on the status of the introduction of a new pension plan adapted to the capital-market trend and granted its consent for capital contributions to the German pension plan.

Finally, the Supervisory Board dealt with topics of Board of Management remuneration and approved the external board positions and sideline business activities of the members of the Board of Management as presented in the meeting.

In March, the Supervisory Board dealt with an agreement to extend the period of the deferred prosecution agreement with the Department of Justice of the United States of America. The extension until December 31, 2012 was approved in order to allow the period to be adjusted to match the duration of the monitorship and to ensure the implementation of further improvements to the compliance system.

Two Supervisory Board meetings were held in April. In the first of those two meetings, which was held straight after the Annual Shareholders' Meeting, in which Dr. Clemens Börsig was reelected as a member of the Supervisory Board, the Supervisory Board reelected Dr. Börsig to the Audit Committee of the Supervisory Board.

In the second meeting held in April 2012, Dr. Wolfgang Bernhard was reappointed as a member of the Board of Management with responsibility for Manufacturing and Procurement Mercedes-Benz Cars & Mercedes-Benz Vans for a further five years as of March 1, 2013. The Supervisory Board also dealt with the course of business and results of the first quarter, as well as with status reports on Daimler Trucks and Daimler Buses, and received information on the Group's special activities for the promotion of integrity. In addition, the Supervisory Board granted its consent to the reclassification of retained earnings of Brazilian subsidiaries into equity and approved the execution of capital changes at Mercedes-Benz Auto Finance Ltd. in China and Mercedes-Benz Leasing China.

In addition to discussing the business development and results of the second quarter, in its meeting in July, the Supervisory Board received information on the subject of generation management and the impact of demographic developments on the age structure of the workforce. Furthermore, the Supervisory Board dealt with the status of the cooperation between Daimler and BYD Auto Co. Ltd. in the joint venture BYD Daimler New Technology Co., Ltd. The Supervisory Board was also informed about the current development of the joint venture Beijing Foton Daimler Automotive and the status of the strategic cooperation with BAIC, and approved an increase in Daimler's equity interest in Mercedes-Benz (China) Ltd. The Supervisory Board additionally dealt with a progress report on EADS and the planned sale of 7.5% of the shares in EADS to the KfW banking group, and confirmed the continuation of Daimler's involvement in Formula 1. In the same meeting, the Supervisory Board also dealt with the topics for the upcoming strategy workshop.

During the two-day strategy workshop in September, as every year, the Supervisory Board first of all received information on the stage of implementation of the strategic goals set in previous years by the Board of Management for Daimler AG and the divisions. Against the backdrop of the current economic situation, the Supervisory Board discussed the stage of implementation of projects initiated by the individual divisions, the positioning of the Group and its divisions with regard to the competition, and the brand and product strategies.

Other key areas of the strategy workshop were:
- opportunities for further growth in the various markets,
- analyses of competitors,
- marketing strategy, product strategy and price strategy,
- the latest trends in customer behavior, also with regard to the future development of urban mobility and the use of modern media and social networks,
- the overall technology and market strategy for safeguarding sustainable mobility,
- the technological development of internal-combustion engines, in particular further improvements in CO_2 emissions,
- electric, hybrid and hydrogen drive systems,
- the design of Mercedes-Benz cars, connectivity in vehicles, autonomous driving and digital life at the Group,
- the implementation of flexible production and procurement networks as well as plant expansion and new sites,
- employment developments, personnel planning and recruitment worldwide,
- current developments with regard to integrity and the current situation and future challenges of compliance, and
- other strategic topics.

In October, the Supervisory Board once again dealt with the planned sale of 7.5% of the shares of EADS and approved that sale. In November, the Supervisory Board consented to an increase in the 2012 refinancing limits for medium-term and long-term borrowing. Also in November, the Supervisory Board granted its consent to changes to the shareholder structure and management structure of EADS.

In the meeting in December 2012, the Supervisory Board decided to expand the Board of Management and appointed Hubertus Troska as a member of the Board of Management of Daimler AG as of December 13, 2012 for a period of three years in accordance with the regulations on initial appointments, i.e. until December 31, 2015, with responsibility for the newly created position of “Greater China”. Along with this appointment, Troska took over the functions of CEO and Chairman of Daimler Northeast Asia as well as responsibility for all of Daimler’s strategic and operational activities in China. With the decision to establish a Board of Management position for the world’s biggest vehicle market, the Supervisory Board has underscored the strategic importance of China in recognition of its potential for sustained growth and the continuous expansion of business activities there.

Also in December, Andreas Renschler was reappointed as a member of the Board of Management with unchanged responsibility as of October 1, 2013 for a period of five years, i.e. until September 30, 2018. Furthermore, the members of the Supervisory Board representing the shareholders decided to propose to the Annual Shareholders’ Meeting that Andrea Jung be elected to the Supervisory Board as of the end of the Annual Shareholders’ Meeting on April 10, 2013 until the end of the Annual Shareholders’ Meeting that decides on ratification of the Board of Management’s actions for 2017. In addition, the Supervisory Board dealt in detail on the basis of comprehensive documentation with the operational planning for the years 2013 and 2014. This included discussion of existing opportunities and risks and of the Group’s risk management.

Subsequently, the Supervisory Board approved the acquisition of equity interests and was informed about measures taken under the heading of cyber security to defend the Group against attacks by hackers and to protect customer data. In this context, it dealt with questions of data security in particular against the backdrop of the increasing networking of vehicles.

Other matters discussed in the December meeting were corporate governance, as described in detail below, and Board of Management remuneration.

Corporate governance. During the year 2012, the Supervisory Board was continually occupied with standards of good corporate governance. This took place also in consideration of the fact that the Government Commission German Corporate Governance Code had decided on some changes for stock-exchange listed companies in May 2012, after there had been no changes to the Code in 2011.

An important precondition for effective cooperation in the Supervisory Board in the sense of good corporate governance, in addition to the members’ prioritized specialist expertise, is their diversity to adequately reflect the Group’s size and internationality in terms of nationality, gender, ethnic origin and experience. Proposals by the Supervisory Board on candidates for election representing the shareholders give due consideration to the goals stated by the Supervisory Board in accordance with the German Corporate Governance Code, including appropriate internationality and the appropriate consideration of women. With regard to the appropriate consideration of women, the Supervisory Board focuses on Daimler’s goal of gradually increasing the proportion of women among senior executives to 20% by the year 2020. The Supervisory Board already achieved a proportion of 20% female members representing the shareholders by 2011, which will increase to 30% if the election proposal for Andrea Jung made by the Supervisory Board to the Annual Shareholders’ Meeting 2013 is accepted. As of December 31, 2012, there are no female members of the Supervisory Board representing the employees. The members of the Supervisory Board representing the employees are elected every five years. The next elections to the Supervisory Board, in which several women are also nominated, are planned for March 2013.

The members of the Supervisory Board of Daimler AG are obliged to disclose conflicts of interest, especially those that might arise due to an advisory or board function for a customer, supplier or creditor of Daimler or for other third parties, to the entire Supervisory Board. There were no indications of any conflicts of interest in 2012.

In its meeting in December, due to the new version of the erman Corporate Governance Code as amended on May 15, 2012, the Supervisory Board discussed in detail and confirmed the targets on the number of independent representatives of the shareholders that had already been set in its rules of procedure before that new version of the Code took effect. In addition, the Supervisory Board adjusted its targets for the consideration of potential conflicts of interests in its composition, in accordance with the new version of the German Corporate Governance Code. As it has no influence on the election of members representing the employees, the Supervisory Board limited itself to setting targets for the shareholder side. Furthermore, as mentioned above, the resolution was passed in this meeting to propose to the Annual Shareholders' Meeting 2013 that Andrea Jung be elected to the Supervisory Board. Also in the meeting in December, the Supervisory Board updated and amended the wording of the rules of procedure of the Supervisory Board and its committees, and approved the 2012 declaration of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG). With the exceptions explained in the declaration, all the recommendations of the Code have been complied with and continue to be complied with.

The Supervisory Board arranged for an externally moderated efficiency review to be carried out during the year 2012, thus fulfilling the requirement to carry out a regular review of its efficiency in accordance with its own rules of procedure and the German Corporate Governance Code. The results of the efficiency review, which the Supervisory Board dealt with intensively in its meeting at the end of February 2013, indicate very good cooperation within the Supervisory Board and with the Board of Management. There was no indication of any need for fundamental action or changes. However, some suggestions were made, which will be put into practice.

Corporate governance at Daimler is described in detail in the Corporate Governance Report on see pages 182 ff and in the Remuneration Report on see pages 119 ff of this Annual Report.

Report on the work of the committees

The **Presidential Committee** convened four times last year. It dealt primarily with corporate governance topics and questions of remuneration, as well as personnel matters of the Board of Management. As in previous years, compliance targets constituted part of the individual target agreements of the members of the Board of Management. For the first time, further non-financial targets were included as criteria in the target agreements. For the past financial year, those criteria were the firm establishment in the Group of the principles of the UN Global Compact.

The **Audit Committee** met six times in 2012. Details of those meetings are provided in a separate report of this committee. see pages 176 ff

The **Nomination Committee** convened twice in 2012. Among other matters, it prepared recommendations for the Supervisory Board's proposals to the Annual Shareholders' Meeting 2013 on candidates for election. The election proposal gives due consideration not only to the defined qualifications for the specific position, but also to the recommendations of the German Corporate Governance Code.

As in previous years, the **Mediation Committee**, a body required by the provisions of the German Codetermination Act (MitbestG), had no occasion to take any action in 2012.

The chairmen of the committees informed the members of the Supervisory Board about the activities of the committees and their decisions, in each case in the Supervisory Board meeting following such decisions.

Personnel changes in the Supervisory Board. With effect as of the end of the Annual Shareholders' Meeting on April 4, 2012, Dr. Clemens Börsig was reelected as a member of the Supervisory Board representing the shareholders. Furthermore, in December, the Supervisory Board decided to propose to the 2013 Annual Shareholders' Meeting that Andrea Jung be elected as a member of the Supervisory Board representing the shareholders with effect as of the end of the Annual Shareholders' Meeting on April 10, 2013 until the end of the Annual Shareholders' Meeting that decides on ratification of the Board of Management's actions for the year 2017. At the end of February 2013, the Supervisory Board decided to propose to the 2013 Annual Shareholders' Meeting that Sari Baldauf and Dr. Jürgen Hambrecht be reelected as members of the Supervisory Board representing the shareholders with effect as of the end of the Annual Shareholders' Meeting on April 10, 2013 until the end of the Annual Shareholders' Meeting that decides on ratification of the Board of Management's actions for the year 2017. The election proposals of the Supervisory Board to the Annual Shareholders' Meeting were based on recommendations made by the Nomination Committee.

Personnel changes in the Board of Management. In the Supervisory Board meeting in April 2012, as mentioned above, Dr. Wolfgang Bernhard was reappointed as a member of the Board of Management with responsibility for Manufacturing and Procurement Mercedes-Benz Cars & Mercedes-Benz Vans for a further five years as of March 1, 2013. In the meeting in December 2012, the Supervisory Board decided to expand the Board of Management and appointed Hubertus Troska as a member of the Board of Management with responsibility for "Greater China" as of December 13, 2012 for a period of three years, i.e. until December 31, 2015. With the appointment of Hubertus Troska, the Board of Management has been expanded to eight members. In addition, Andreas Renschler was reappointed as a member of the Board of Management with unchanged responsibility as of October 1, 2013 for a period of five years, i.e. until September 30, 2018.

In the Supervisory Board meeting on February 21, 2013, Dr. Dieter Zetsche was appointed for a further three years as of January 1, 2014 as Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars. Also in this meeting, Prof. Dr. Thomas Weber was appointed for a further three years as of January 1, 2014 as Member of the Board of Management of Daimler AG responsible for Group Research & Mercedes-Benz Cars Development. As of April 1, 2013, Andreas Renschler will assume Board of Management responsibility for Manufacturing and Procurement Mercedes-Benz Cars & Mercedes-Benz Vans. At the same time, Dr. Wolfgang Bernhard will assume Board of Management responsibility for Daimler Trucks.

Audit of the 2012 company and consolidated financial statements. The financial statements of Daimler AG and the combined management report for the Company and the Group for 2012 were duly audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin, and were given an unqualified audit opinion. The same applies to the consolidated financial statements for 2012 prepared according to IFRS.

In the presence of the auditors in a meeting in early February 2013, the Supervisory Board discussed the preliminary key figures of the annual company and consolidated financial statements for 2012 and the dividend proposal to be made at the 2013 Annual Shareholders' Meeting. The preliminary key figures for the year 2012 were announced at the Annual Press Conference on February 7, 2013.

In the aforementioned meeting, the Supervisory Board dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group, each of which had been issued with an unqualified audit opinion by the external auditors, as well as the reports of the Audit Committee and the Supervisory Board, the corporate governance report and the remuneration report, and the proposal on the distribution of distributable profit. In preparation, the members of the Supervisory Board were provided with comprehensive documentation, some of it in draft form, including the Annual Report with the consolidated financial statements according to IFRS, the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual company financial statements of Daimler AG, the proposal of the Board of Management on the distribution of distributable profit, the audit reports of KPMG for the annual company financial statements and the consolidated financial statements of Daimler AG, each including the combined management report, as well as drafts of the reports of the Supervisory Board and of the Audit Committee.

The Audit Committee and the Supervisory Board dealt with those documents in detail and discussed them intensively in the presence of the responsible external auditors, who reported on the results of their audit and were available to answer supplementary questions and to provide additional information. Following the final results of the review by the Audit Committee and its own review, the Supervisory Board declared its agreement with the results of the audit by the external auditors, determined that no objections were to be raised, and approved the financial statements and the combined management report as presented by the Board of Management. The company financial statements of Daimler AG for the year 2012 were thereby adopted. The Supervisory Board also consented to the proposal made by the Board of Management on the distribution of distributable profit and approved the report of the Supervisory Board, the corporate governance report and the remuneration report in their current drafts. Furthermore, the Supervisory Board approved its proposed decisions on the items of the agenda for the 2013 Annual Shareholders' Meeting.

Appreciation. The Supervisory Board thanks all of the employees and the management of the Daimler Group for their personal contributions to the successful year 2012. Special thanks are due to a longstanding member of the Supervisory Board, Stefan Schwaab, who stepped down in June after many years of close involvement and exceptional personal commitment to the Group.

Stuttgart, February 2013

The Supervisory Board

Dr. Manfred Bischoff
Chairman

The Supervisory Board

Dr. Manfred Bischoff
Munich
Chairman of the Supervisory Board of Daimler AG
Other supervisory board memberships/directorships:
Royal KPN N.V.
SMS GmbH – Chairman
UniCredit S.p.A.
Voith GmbH – Chairman

Erich Klemm*
Sindelfingen
Chairman of the General Works Council, Daimler Group and Daimler AG; Deputy Chairman of the Supervisory Board of Daimler AG

Dr. Paul Achleitner
Frankfurt am Main
Chairman of the Supervisory Board of Deutsche Bank AG
Other supervisory board memberships/directorships:
Deutsche Bank AG - Chairman
Bayer AG
RWE AG

Sari Baldauf
Helsinki
Former Executive Vice President and General Manager of the Networks Business Group of Nokia Corporation
Other supervisory board memberships/directorships:
F-Secure Corporation
Fortum OYj - Chairwoman
Deutsche Telekom AG
AkzoNobel N.V.

Dr. Clemens Börsig
Frankfurt am Main
Former Chairman of the Supervisory Board of Deutsche Bank AG
Other supervisory board memberships/directorships:
Linde AG
Bayer AG
Emerson Electric Co.

Michael Brecht*
Gaggenau
Deputy Chairman of the General Works Council, Daimler Group and Daimler AG; Chairman of the Works Council, Gaggenau Plant, Daimler AG (since July 1, 2012)

Prof. Dr. Heinrich Flegel*
Stuttgart
Director Research Materials, Lightweight Design and Manufacturing, Daimler AG; Chairman of the Management Representative Committee, Daimler Group

Dr. Jürgen Hambrecht
Ludwigshafen
Former Chairman of the Board of Executive Directors of BASF SE
Other supervisory board memberships/directorships:
Deutsche Lufthansa AG
Fuchs Petrolub AG – Chairman
Trumpf GmbH + Co. KG – Chairman from January 1, 2013

Petraea Heynike
Vevey
Former Executive Vice President of the Executive Board of Nestlé S.A.
Other supervisory board memberships/directorships:
Schulich School of Business

Jörg Hofmann*
Stuttgart
German Metalworkers' Union (IG Metall), District Manager, Baden-Württemberg
Other supervisory board memberships/directorships:
Robert Bosch GmbH
Heidelberger Druckmaschinen AG

Dr. Thomas Klebe*
Frankfurt am Main
General Counsel of the German Metalworkers' Union (IG Metall)
Other supervisory board memberships/directorships:
Daimler Luft- und Raumfahrt Holding AG
ThyssenKrupp Materials International GmbH

Gerard Kleisterlee
Amsterdam
Former President and CEO of Royal Philips Electronics N.V.
Other supervisory board memberships/directorships:
Vodafone Group Plc. – Chairman
Royal Dutch Shell Plc.
Dell Inc.

Jürgen Langer*
Frankfurt am Main
Chairman of the Works Council of the Frankfurt/Offenbach Dealership, Daimler AG

Ansgar Osseforth*
Sindelfingen
Manager Mercedes-Benz Research and Development, Daimler AG

Valter Sanches*
São Paulo
Director of Communications of the Metalworkers' Union ABC; President of the Fundação Sociedade Comunicação, Cultura e Trabalho (Foundation Society of Communications, Culture and Work)

Jörg Spies*
Stuttgart
Chairman of the Works Council, Headquarters, Daimler AG

Lloyd G. Trotter
Plainville
Former Vice Chairman General Electric; President & CEO of the General Electric Group's Industrial Division; Managing Partner, Founder, GenNx360 Capital Partners
Other supervisory board memberships/directorships:
PepsiCo Inc.
Textron Inc.
syncreon Holdings Ltd.
syncreon.US Holdings Inc.
syncreon.US Inc.

Dr. h.c. Bernhard Walter
Frankfurt am Main
Former Spokesman of the Board of Management of Dresdner Bank AG
Other supervisory board memberships/directorships:
Bilfinger Berger SE – Chairman
Deutsche Telekom AG

Uwe Werner*
Bremen
Chairman of the Works Council, Bremen Plant, Daimler AG

Lynton R. Wilson
Toronto
Chairman of the Board of CAE Inc.; Chancellor, McMaster University

Retired from the Supervisory Board:

Stefan Schwaab*
Gaggenau
Vice Chairman of the General Works Council, Daimler Group and Daimler AG; Vice Chairman of the Works Council, Gaggenau Plant, Daimler AG
(retired on June 30, 2012)

Committees of the Supervisory Board:

Committee pursuant to Section 27 Subsection 3 of the German Codetermination Act (MitbestG)
Dr. Manfred Bischoff – Chairman
Erich Klemm*
Dr. Jürgen Hambrecht
Dr. Thomas Klebe*

Presidential Committee
Dr. Manfred Bischoff – Chairman
Erich Klemm*
Dr. Jürgen Hambrecht
Dr. Thomas Klebe*

Audit Committee
Dr. h.c. Bernhard Walter – Chairman
Erich Klemm*
Dr. Clemens Börsig
Michael Brecht*

Nomination Committee
Dr. Manfred Bischoff – Chairman
Dr. Paul Achleitner
Sari Baldauf

* Representative of the employees

Daimler Shares

Share prices on the world's stock exchanges are influenced by uncertainty about the ongoing development of the European sovereign debt crisis and the world economy, as well as by measures taken by central banks. Daimler's share price gains 22% over the year. The Board of Management and the Supervisory Board propose a dividend of €2.20 per share. We offer investors and analysts a wide range of investor-relations services.

1.01

Development of Daimler's share price and major indices

	End of 2012	End of 2011	12/11 % change
Daimler's share price (in euros)	41.32	33.92	+22
DAX 30	7,612	5,898	+29
Dow Jones Euro STOXX 50	2,636	2,317	+14
Dow Jones Industrial Average	13,104	12,218	+7
Nikkei	10,395	8,455	+23
Dow Jones STOXX Auto Index	351	259	+36

1.02

Key figures per share

In euros	2012	2011	12/11 % change
Net profit	5.71	5.32	+7
Net profit (diluted)	5.71	5.31	+8
Dividend	2.20	2.20	0
Equity (December 31)	42.63	38.77	+10
Xetra price at year end[1]	41.32	33.92	+22
Highest[1]	48.45	58.46	-17
Lowest[1]	33.40	29.16	+15

1 Closing prices

Volatile year on global stock markets. The world's stock markets made a positive start to the year 2012. Buoyed by good company profits and key leading indicators pointing towards further expansion of the world economy, share prices increased on a broad front on international stock exchanges. But renewed concern about the European sovereign debt crisis, economic weakening and geopolitical stability caused investors to prefer low-risk assets once again. As a result, prices of government bonds with good credit ratings increased significantly in the months of April and May, while share prices fell substantially.

At the end of June, the positive assessment of statements made at the EU summit in Brussels significantly improved stock-market sentiment and share prices rose again. In late July, statements by ECB President Draghi about supporting the euro additionally boosted investor confidence. There was further stimulus in September from the announcement of new programs for the purchase of government bonds by the ECB and of mortgage-backed securities by the US Federal Reserve (QE3). As a result of this positive stream of news, the major indices rose to new interim highs in September. However, following the presidential election in the United States in November, a number of negative factors gave rise to increasing uncertainty amongst investors. Those factors included the fear that failure to avert the "fiscal cliff" (i.e. a combination of automatic tax increases and spending cuts) would force the USA back into recessions very quickly in 2013, the escalation of violence in the Middle East and the tense situation in Greece. Following the decision of the US Fed to expand the bond-buyback program, many share indices reached new highs for the year in December.

The index of the most important stocks in the euro zone, the Dow Jones Euro STOXX 50, rose by 14% over the full year. Germany's main index, the DAX, performed even better due to the robust state of the country's industry and gained 29%. In the United States, the Dow Jones climbed by 7% over the year, and the Japanese Nikkei index closed the year with a gain of 23%. ↗ 1.01

Daimler share price gains significantly over the year. Automotive stocks made a very strong start to the year 2012. Our shares profited at the beginning of the year from the anticipated continuation of the positive unit-sales trend from record year 2011, from the prospects of strong business in China and from the dividend increase to €2.20 per share. Daimler's share price peaked for the year at €48.45 on March 15. After that, the aforementioned weakening of stock markets had a disproportionately strong impact on prices of cyclical stocks such as Daimler's, so our shares fell significantly until late June. During this phase, our share price reached its low for the year of €33.40 on June 26. In the following six weeks, however, Daimler's share price increased again significantly and reached a new interim high of €42.17 on August 21, before fears of weakening automobile markets along with our reduced earnings guidance for 2012 and lower expected earnings for 2013 led to gradual price falls. In the last two trading months of the year, our share price was very volatile but profited from the general upward movement of stock markets and closed the year on December 28 at €41.32. Daimler's market capitalization at the end of the year was €44.1 billion.

Daimler's share price thus gained 22% over the full year, which is a weaker performance than the Dow Jones STOXX Auto Index (+36%) and the DAX (+29%). Including the distribution of a dividend of €2.20 per share, our shareholders had an increase in value of 28%.

In the first several weeks of the year 2013, Daimler's share price again climbed significantly.

Dividend of €2.20. ↗ 1.02 The Board of Management and the Supervisory Board will propose to the Annual Shareholders' Meeting to be held on April 10, 2013 that a dividend of €2.20 per share be distributed (prior year: €2.20). The total dividend payout will thus amount to €2,349 million (prior year: €2,346 million).

Broad shareholder structure. ↗ 1.07 Daimler continues to have a broad shareholder base of approximately 1.0 million shareholders. The number of shareholders remained stable compared with 2011. The Kuwait Investment Authority gradually increased its shareholding in Daimler AG from 6.9% to 7.6% during the year under review. The Renault-Nissan Alliance continues to hold 3.1% of Daimler's stock.

Aabar Investments PJS, Abu Dhabi, (Aabar) informed us in October 2012 that its shareholding had fallen below the 3% notification threshold as stipulated by the German Securities Trading Act (WpHG).

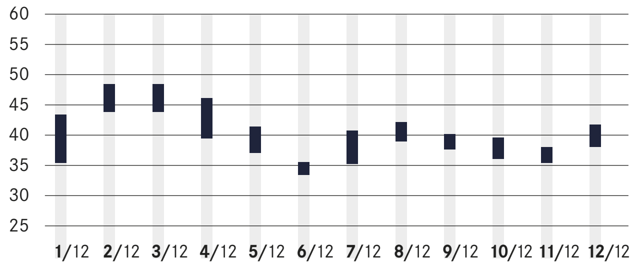
BlackRock Inc., New York, which informed us in August 2011 that it held 5.7% of our shares, is still above the 5% notification threshold as stipulated by the German Securities Trading Act (WpHG).

During the year 2012, we received several voting-rights notifications from subsidiaries of BlackRock Inc., each of whose Daimler shares are part of the total investment of BlackRock Inc. According to the most recent notifications in May 2012, the voting rights held by BlackRock Holdco 2 Inc. and by BlackRock Financial Management Inc. exceeded the notification threshold of 5% on May 4, 2012 and amounted to 5.3% as of that date. The Daimler shares held by BlackRock International Holdings Inc. and BR Jersey International Holdings L.P. exceeded the notification threshold of 3% on May 4, 2012 and amounted to 3.30%, and the Daimler shares held by BlackRock Group Limited exceeded the notification threshold of 3% and amounted to 3.13% as of that date.

1.03

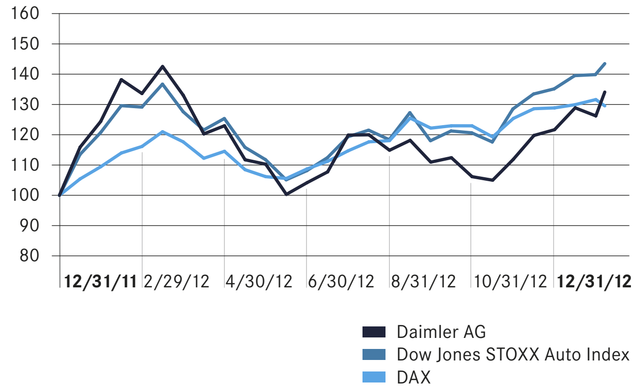
Daimler share price (high/low), 2012

In euros



1.04

Share price index



1.05
Key figures for Daimler shares

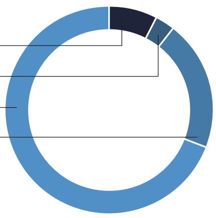
	End of 2012	End of 2011	12/11 % change
Share capital (in millions of euros)	3,063	3,060	+0
Number of shares (in millions)	1,067.6	1,066.3	+0
thereof treasury shares	0	0	0
Market capitalization (in billions of euros)	44.1	36.2	+22
Number of shareholders (in millions)	1.0	1.0	0
Weighting in share indices			
DAX 30	6.16%	5.93%	
Dow Jones Euro STOXX 50	2.58%	2.26%	
Long-term credit ratings			
Standard & Poor's	A-	BBB+	
Moody's	A3	A3	
Fitch	A-	A-	
DBRS	A (low)	A (low)	

1.06
Stock-exchange data for Daimler shares

ISIN	DE0007100000
German securities identification number	710000
Stock-exchange symbol	DAI
Reuters ticker symbol	DAIGn.DE
Bloomberg ticker symbol	DAI:GR

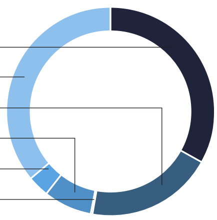
1.07
Shareholder structure as of December 31, 2012
By type of shareholder

Kuwait Investment Authority	7.6%
Renault-Nissan	3.1%
Institutional investors	69.1%
Retail investors	20.2%



1.08
Shareholder structure as of December 31, 2012
By region

Germany	33.3%
Europe, excluding Germany	35.9%
USA	19.5%
Kuwait	7.6%
Asia	3.3%
Rest of the world	0.4%



The Norwegian central bank, Norges Bank, Oslo, informed us in September 2012 that it had exceeded the 3% notification threshold as defined by Section 21 of the WpHG and that its Daimler voting rights amounted to 3.03% as of September 17, 2012.

The shares held by Capital Research and Management Company, Los Angeles are no longer above the 3% notification threshold stipulated by the WpHG. This company informed us in August 2012 that its shareholding had decreased to 2.98%.

On February 1, 2012, an amendment to the German Securities Trading Act (WpHG) took effect, extending the notification obligations of investors upon reaching, exceeding or falling below statutory notification thresholds for significant percentages of voting rights to other (financial) instruments. These extended disclosure obligations led to additional notifications in the year under review, which we have published on the Internet at daimler.com/investor-relations/daimler-shares/shareholder-structure

In total, institutional investors hold 69% of our share capital and private investors hold 20%. Approximately 69% of our equity is in the hands of European investors and approximately 20% is held by US investors. ↗ 1.08

The weighting of Daimler shares in major indices increased slightly during 2012 due to the increase in the free float. In the German DAX 30 index, our stock was ranked in sixth position with a weighting of 6.16% at the end of the year (end of 2011: 5.93%). ↗ 1.05 In the Dow Jones Euro STOXX 50, Daimler shares were represented with a weighting of 2.58% (end of 2011: 2.26%). Daimler shares are listed in Frankfurt and Stuttgart. Stock-exchange trading in Germany in the year 2012 amounted to 1,421 million shares (2011: 1,728 million). In addition, Daimler shares are increasingly traded on multilateral trading platforms and in the over-the-counter market.

Good participation in employee share program. In March 2012, eligible members of the workforce were once again able to acquire employee shares. As in the prior year, a price incentive and bonus shares were offered. The participation rate of 17.3% was similar to the good rate in 2011 (19%). The number of participants decreased slightly to 29,900 employees who acquired a total of 534,000 shares (2011: 32,200 employees acquired 610,300 shares).

Large number of visitors to Annual Shareholders' Meeting. Our Annual Shareholders' Meeting at the International Congress Center (ICC) in Berlin on April 4, 2012 was attended by approximately 5,700 shareholders (2011: 5,100). With 44.1% of the share capital represented at the Annual Meeting, shareholder representation (attendance plus absentee votes) was higher than in the prior year (43.3%). In voting on the items of the agenda, the shareholders adopted the recommendations of the management with large majorities. Dr. Clemens Börsig was reelected to the Supervisory Board for a further five years. The shareholders are able to exercise their voting rights at the Annual Meeting either in person or through a proxy of their own choice or through a proxy appointed by Daimler who is bound by their voting instructions. For the Annual Shareholders' Meeting in 2012, we once again offered the possibility of absentee voting. All documents and information on the Annual Meeting are available at daimler.com/ir/am. Daimler utilized the exhibition space at the ICC to demonstrate to the shareholders the Group's technological expertise and broad spectrum of products, with a focus on the new vehicles in the compact-car segment. The shareholders made good use of this interesting opportunity.

Comprehensive investor relations activities once again. In the year 2012, the Investor Relations department once again provided timely information on the development of the Group to institutional investors, analysts, rating agencies and private investors. Our communication activities for institutional investors and analysts included roadshows in the major financial centers of Europe, North America, Asia and Australia, as well as large numbers of one-on-one meetings. These took place in the context of investor conferences, in particular during the international motor shows in Geneva and Paris. We regularly reported on our quarterly results via conference calls and Internet broadcasts. The presentations can be seen on our website at daimler.com/ir/event/e.

The focus of discussions with analysts and investors was on current earnings expectations for the year 2012, as well as business developments and profitability in the various divisions and regions. For the first time, we additionally carried out three roadshows, featuring speeches and individual discussions with sustainability-oriented investors.

Additional attractive events were two capital-market days. In late March, the Board of Management presented the strategies, main thrusts and key goals of the Mercedes-Benz Cars division on the occasion of opening our new car plant in Kecskemét, Hungary. In late June, the management team of Daimler Trucks provided information on that division's strategies, main thrusts and goals in the various regions at the truck plant in Mannheim. Audio recordings and presentation slides of the events can be accessed on our Internet website at Investor Relations – Presentations & Events. In Beijing, Daimler participated in two investor conferences in June and November, and explained its strategy and position in the important Chinese market.

Internet presence established on many channels. The broad range of information provided by our Internet website is reaching more and more people. In addition to the established addresses, daimler.com and daimler.mobi, Daimler has further intensified its social-media activities. Besides current information on the Group, our brands and products, technologies and innovations, starting in 2012, the Daimler app offers iPhone® and iPad® users comprehensive and up-to-date information from the area of investor relations.

Daimler received some coveted awards for its online Annual Report 2011. This report under the motto of "Innovation and Growth" was for the first time also published as a touch-optimized tablet version – a new approach in the digital financial reporting of German DAX companies.

Number of online shareholders remains at a high level. Our electronic information and communication service was as popular as ever: Approximately 86,000 shareholders chose to receive their invitations to the Annual Meeting by e-mail instead of by post in 2012. We thank them for helping us to protect the environment and reduce costs. As in previous years, we held a lottery amongst the participants with attractive prizes for the winners. Access and further information on the e-service for shareholders can be found on our website at https://register.daimler.com.

A for...

On the way to the top, Daimler is systematically utilizing all of its options. The A stands not only for the exciting new A-Class from Mercedes-Benz and for the Actros and Antos trucks, but also for our global strategy. By offering outstanding products, pioneering technologies, and innovative mobility services, we are enhancing our leading position worldwide. In markets such as Asia and the Americas, we aim to continue growing. As an appealing employer, we want to attract the most talented employees and offer them excellent training and comprehensive career opportunities. Our unshakable basic principles are founded on financial returns and integrity alike. We are convinced that by complying with these principles, we are acting in the interests of our shareholders. We intend to take the lead wherever we enter the field.

Attack

Daimler’s offensive in the compact segment is speeding up. After the successful launch of the new B-Class, we’re upping the pace. With the launch of the young, progressive and sporty A-Class, we’re increasing the dynamism of the Mercedes-Benz premium brand. The breathtaking CLA four-door coupe is also already winning the hearts of our customers. We’re in tune with the beat of a new generation.

The new A-Class.

The characteristic taillights and the LED “torch” in the main headlights are just two of the intriguing details. You can see additional highlights of the new A-Class here:

a-class.mercedes-benz.com/com/en/

With its sporty and expressive front and dramatic tapering, the Mercedes-Benz A-Class is the exciting new face in the crowd.

The new A-Class is a clear statement about the dynamism of Mercedes-Benz. Completely new down to the last detail, it's setting the benchmarks for design and technology in its segment.

The rear of the model also displays expressive design combined with outstanding aerodynamics. For example, the tail lights emphasize the model's width, while also improving the streamlining.

The unique sculptural quality of the new A-Class can be seen in its characteristic lines, well-defined edges, and taut surfaces. These fascinating shapes were initially handmade in clay.

With the new A-Class from Mercedes-Benz, Daimler is mounting an attack in the fiercely contested compact-car segment. The new compact model hugs the road 160 mm lower than its predecessor and boasts many other new aspects as well. For example, the expressive design, sophisticated equipment, and unique handling properties embody the emotional personality of the young vehicle generation with the Mercedes star. The new A-Class is an authentic Mercedes-Benz – with a compact design and tremendous potential to take new markets and customers by storm.

Automobile designers don't often get the chance to start afresh with a blank page. But the designers and engineers from Daimler had this opportunity and used it impressively. With the new A-Class, Mercedes-Benz is revitalizing the model range in ways that can be seen and felt. The radical design vocabulary that was presented in the Concept A-CLASS has been systematically implemented in a series-produced vehicle. As a result, this compact sports car boasts the most progressive design in its class.

Perfect aesthetics and functionality. The leap into a new era is also evident in the interior of the A-Class. The innovative design, sporty details and high-quality materials demonstrate that the new compact car is a premium automobile.

A leader in safety and lifestyle. As a bona fide Mercedes-Benz, the new A-Class offers a wealth of assistance systems that are otherwise found only in the premium class. These standard-equipment features include the radar-supported COLLISION PREVENTION ASSIST and the blind-spot assistant. Optional equipment includes the PRE-SAFE® occupant protection system. Thanks to its multimedia system and the integration of the iPhone into the vehicle, the new A-Class is becoming a home on wheels for the Facebook generation. see pages 38 ff

The new A-Class is a real eyecatcher. This compact sports car is the right product at the right time – and it's already making a big splash in the market.

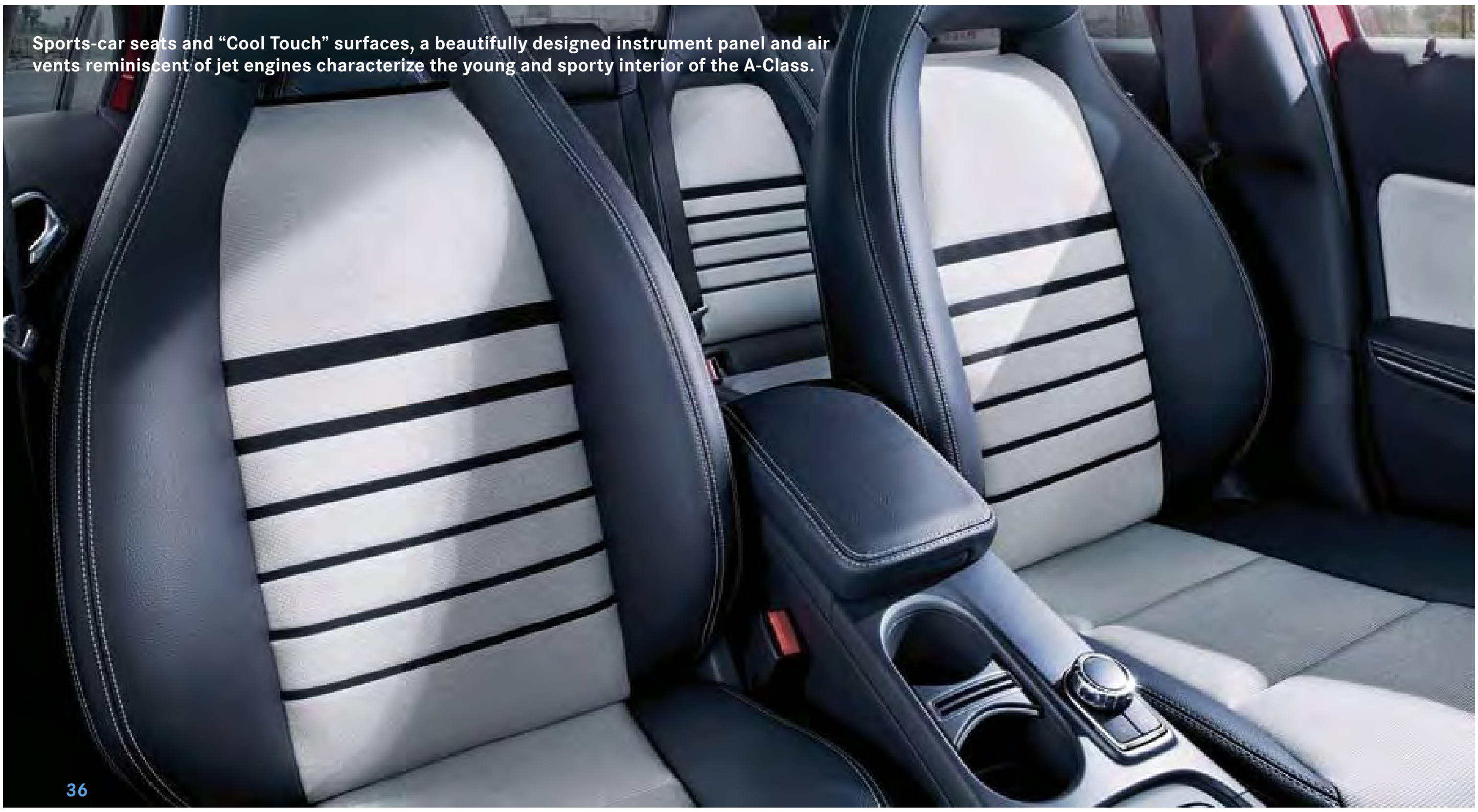
The best or nothing: Thanks to its unique emotional appeal, the A-Class is rapidly acquiring more and more admirers. In particular, this small Mercedes-Benz is thrilling new young customers. It is fulfilling their desire for sporty yet elegant driving pleasure by offering a broad range of engines, a dynamic handling package, and two sports models with top-performance engines. The A-Class chassis effortlessly delivers maximum agility and the sense of security that is typical of the brand.

Like every new Mercedes-Benz, the A-Class defines new technical benchmarks in its segment. It combines pure driving pleasure with exemplary efficiency and safety. With up to 28% lower fuel consumption, low emission values starting at 92 grams of CO_2 per kilometer, its best-in-class cd values starting at 0.26, and compliance with the EURO 6 emissions standard for all of its gasoline engines, the A-Class gets top marks for environmental friendliness. see pages 164 f

A car as fascinating as this creates its own economic boom. Even before the official start of sales, readers of Auto Bild magazine named the new A-Class "Germany's most beautiful car." The model's market launch was also outstanding. The A-Class effortlessly collected additional German and international awards, such as the "Yellow Angel 2013" prize from the ADAC, which is presented to Germany's favorite car. In order to keep up with the enormous demand, the Mercedes-Benz plant in Rastatt has hired 500 additional employees working in three shifts to produce the new model. We are creating additional capacity for A-Class production by commissioning the Finnish production specialist Valmet.

"If you were to get into the new A-Class with your eyes shut and then open them, you'd never think you were sitting in a compact car."

Jan Kaul, designer of the A-Class interior, Sindelfingen



Sports-car seats and "Cool Touch" surfaces, a beautifully designed instrument panel and air vents reminiscent of jet engines characterize the young and sporty interior of the A-Class.

The next star in the compact-car segment is eagerly awaited. The avant-garde four-door coupe from Mercedes-Benz, the CLA, will celebrate its market launch in spring 2013.

Always on

Mobile and online.

Daimler has ushered in a new era of vehicle connectivity by becoming the world's first automaker to completely integrate the iPhone into its cars. Drivers can now continue their digital lifestyles while on the move with a feature that appeals not only to the Facebook generation. Online services in networked vehicles are also making our car2go mobility concept and electric mobility more efficient and convenient. We are shaping the future of digital driving culture.

Daimler, the inventor of the automobile, is also a pioneer when it comes to vehicle networking. Telematics and infotainment systems are integrating the digital lifestyle into the driving experience.

The networked world allows greater flexibility and freedom. As an automotive pioneer, Daimler utilizes the tremendous innovation potential at the interface between communication and mobility.

Automobiles are increasingly being transformed into intelligent digital companions that not only provide support – both immediate and anticipatory – but also link drivers with their social networks and surrounding environments. This so-called digital drivestyle is made possible by the Internet, mobile terminals, and innovative telematics systems and apps from Mercedes-Benz.

Just as a smartphone can be far more than a communication device, a smart car can be much more than just a means of transportation. For example, Mercedes-Benz apps enable drivers to safely and conveniently access multimedia content such as music, news, weather reports, stock prices, and Facebook and Google websites while on the move. The telematics systems from Mercedes-Benz provide the associated data.

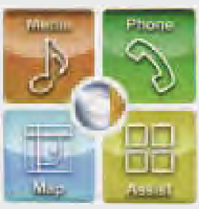
With mbrace2, Mercedes-Benz drivers in the United States now have access to the latest generation of telematics systems. mbrace2 users can post information, conduct online research and establish remote contact with their vehicles via a smartphone or PC. As a result, they can, for example, determine a car's location, call up vehicle service data or transmit route plans. Mercedes-Benz vehicles in Europe are connected to the digital world by the COMAND multimedia system, which includes an Internet browser as well as audio, telephone and navigation functions.

Mercedes-Benz creates an iPhone on wheels. With the advent of the Digital DriveStyle app and the Drive Kit Plus system, Mercedes-Benz has become the world's first automaker to consistently integrate iPhones into its vehicles. The system gives drivers access to all the content in their iPhone and to additional online services. This innovation celebrated its world premiere in the new Mercedes-Benz A-Class and will be gradually spreading the digital lifestyle to all of our other vehicles.

Optimal travel from point A to point B with new forms of mobility. Daimler is shaping tomorrow's mobility with a range of increasingly networked innovative mobility services that offer a high level of customer utility. A key component here is the pioneering moovel mobility platform, which was launched in Berlin and Stuttgart in 2012 and will be further expanded in 2013. moovel collects and displays private and public mobility options in a neutral manner. It can be accessed via the moovel smartphone app or at moovel's mobile website.

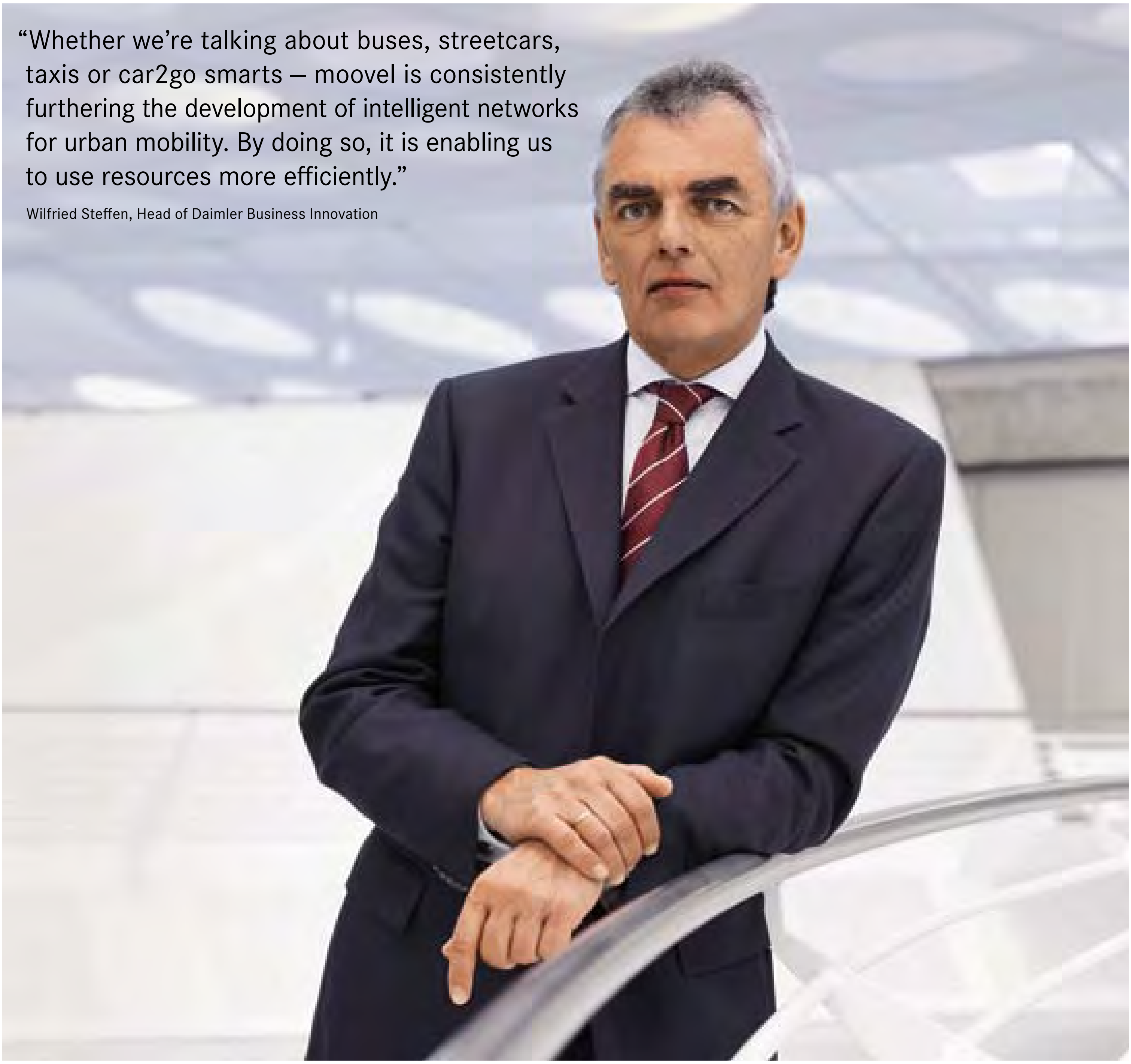
Daimler's vehicles and mobility concepts are becoming an intelligent component of the global flow of digital information. The market-leading car2go mobility concept developed by Daimler is being consistently expanded. Thanks to new partnerships, it is now possible to book not only car2go smart cars but also taxis via the car2go app. see pages 59 f

car2go.com/en/washingtondc   moovel.com/en



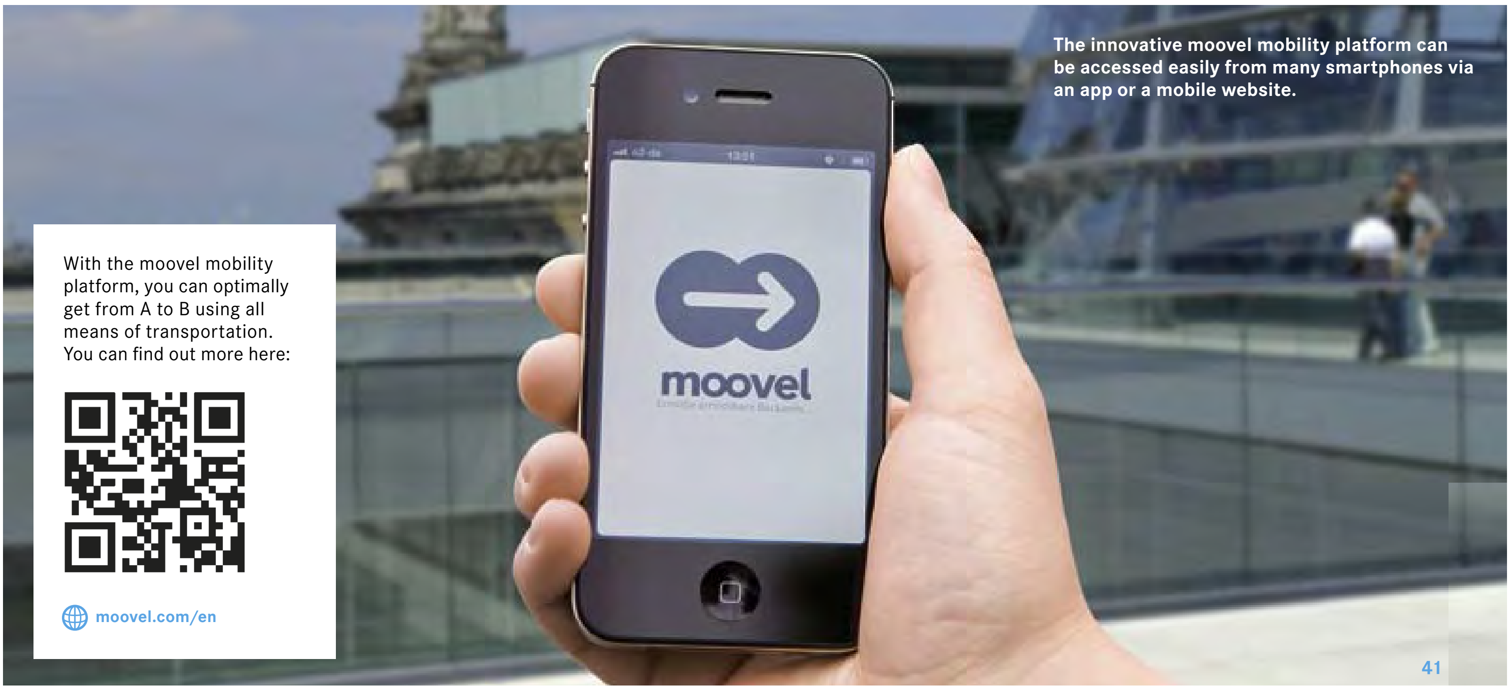
Connected services: more fun with electric driving.
The smart drive app transforms iPhones into multimedia onboard computers. The app has been given additional specialized functions for use in the smart fortwo electric drive. The new features enable users to continually monitor their vehicle's battery charge while in the vehicle or at home from their PC. The app shows destinations that are still in range and the locations of public charging stations. It can also display an interactive 3D map via its vehicle website feature.

Mobility made easy: car2go had 270,000 satisfied customers in 18 European and North American cities at the end of 2012. car2go vehicles can be booked conveniently with a smartphone.



"Whether we're talking about buses, streetcars, taxis or car2go smarts – moovel is consistently furthering the development of intelligent networks for urban mobility. By doing so, it is enabling us to use resources more efficiently."

Wilfried Steffen, Head of Daimler Business Innovation



The innovative moovel mobility platform can be accessed easily from many smartphones via an app or a mobile website.

With the moovel mobility platform, you can optimally get from A to B using all means of transportation. You can find out more here:

moovel.com/en

Antos Actros

Daimler Trucks is performing extremely well also in international markets. Trucks from our Freightliner brand in the United States maintain their dominant position on American highways. The Fuso Canter Eco Hybrid, which is the leading green commercial vehicle, recently celebrated its European premiere. The new Actros has also made a powerful impression from the start as a forward-looking heavy-duty truck that boasts the lowest fuel consumption in its class. The success story is now being continued at Mercedes-Benz with the Antos – a completely new truck series for heavy-duty distribution transportation. We deliver innovations that make a difference.

Heavy-duty success.

The new Antos and Actros from Mercedes-Benz were real eye-catchers at the 2012 IAA Commercial Vehicles show. Learn more about Daimler Trucks' product offensive here:

www5.mercedes-benz.com/en/vehicles/trucks/

Antos

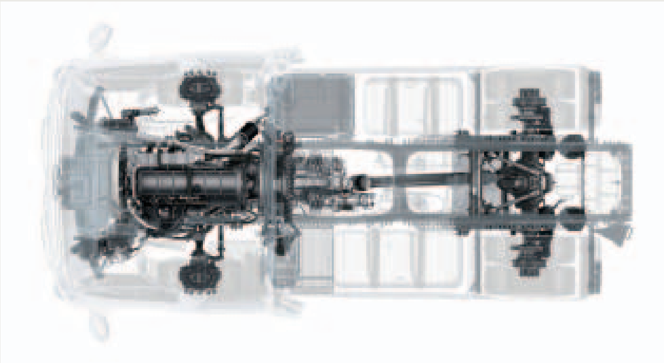
The Antos cab is available in three versions, all of which make a big impression with comfortable entry and outstanding ergonomics and interior arrangements.

The new Mercedes-Benz Antos is the first specialist for heavy-duty distribution transportation. With the Antos, Daimler Trucks is once again setting the pace with truck solutions for specific needs.

Like the world's most successful heavy-duty truck – the Mercedes-Benz Actros – the new Antos is in a class of its own. This truck makes Mercedes-Benz the first manufacturer to specifically address the needs of the heavy-duty distribution transportation sector. This sector requires easy-to-operate, economical and low-emission vehicles that have a clear layout and can be equipped with a wide range of engines for various terrains and payloads.

A new name, a new face, a new truck: Daimler Trucks is underscoring its innovative prowess with the launch of the world's first-ever heavy-duty distribution transportation truck. The new Mercedes-Benz Antos boasts an extensive range of models that are tailored to specific applications and the various requirements of businesses and drivers. The truck already has the future on board in the form of its ultramodern, economical and consistently environmentally friendly range of BlueTec engines, all of which comply with the stringent Euro VI emission limits.

Eight becomes three. A standardized and efficient truck engine range.
Daimler Trucks is relying on its Global Excellence program to further consolidate its position as the world's Number 1 manufacturer of commercial vehicles. One element of this program is the cross-brand modular design of powertrains and parts. This new design has reduced the number of engine platforms of Mercedes-Benz, Fuso and Detroit from eight to three without altering any of the typical brand characteristics.
The new engines set standards in their segments through uncompromising environmental compatibility, economy and performance. They are also adapted to fulfill regional emission and fuel consumption regulations – strengths that are exploited by the Antos and the Actros as well.



The premium dashboard in the new Antos, which has already proved itself in the new Actros, has an arched design that offers greater driver comfort.

The pioneering technology in Predictive Powertrain Control system of the new Actros helps conserve fuel and can be easily operated by drivers.

"Predictive Powertrain Control fully utilizes its knowledge of the road ahead in hilly terrain, thereby helping vehicle operators achieve the most economical driving style possible."

Mathias Beismann, professional driving trainer at Mercedes-Benz

Actros

Exemplary truck technologies that are ready for everyday use. Across the board, the Actros and the Antos are leading the way in terms of economy, safety and comfort.

Thanks to its Actros and Antos truck models, Mercedes-Benz is well prepared for the future. True to the brand motto of "Trucks you can trust," both vehicles are equipped with innovative and reliable technology. In typical brand fashion, the Antos features all the safety and assistance systems customers are familiar with from the Actros, including Lane Keeping Assist and the latest generation of Active Brake Assist 3.

Sophisticated comfort features such as an automated transmission, easy-to-operate instruments and a premium dashboard make life easier for Actros and Antos drivers.

In tune with the times: The vehicles built by Daimler Trucks meet the highest market demands and are now defining the future of road freight transport. As a capital investment, the new trucks fulfill the most stringent demands for economical operation and environmental protection.

Thanks to their clean Euro VI-compliant BlueTec engines, the Actros and the Antos are eligible for reduced road tolls and for operation in low-emission zones. Besides featuring low emissions, the trucks boast great fuel efficiency. Outstanding aerodynamics lead to additional fuel savings, as does the optional Predictive Powertrain Control (PPC) system.

The Mercedes-Benz heavy-duty truck family will welcome a new member in 2013 with the launch of the Mercedes-Benz Arocs construction truck.

trucks.mercedes-benz.com/new-actros/index.en.html

Predictive Powertrain Control (PPC) — fuel-saving cruise control that "sees ahead."

The innovative Predictive Powertrain Control (standard in the new Mercedes-Benz Actros and optional in the Antos) reduces fuel consumption by a further three percent. The satellite-assisted system monitors the vehicle and the road ahead, including all uphill and downhill grades. The intelligent cruise control can therefore adjust speed and gear-shifting times in advance. In other words, it exploits the fuel-saving potential of the new Actros down to the last drop.

Assistance systems

Safe? Absolutely!

As a pioneer of safety technology, Daimler is on the "Road to Accident-free Driving" and is pointing the way forward with groundbreaking developments and patents. We aim to make the future of mobility as safe as possible for people on the move around the globe. As well as offering relief and support to drivers, Mercedes-Benz assistance systems protect drivers and pedestrians alike. Such systems have been available in the S-Class for quite some time. Now they are also included in the new E-Class and the new compact-car models from Mercedes-Benz. We set standards for safety.

Not only in the new S-Class, but also in the new Mercedes-Benz E-Class, various new or optimized assistance systems will already be included. One such system is the new Traffic Sign Assist feature, which can recognize “No Entry” signs and issue visual and acoustic warnings to prevent dangerous wrong-way driving.

“6D Vision is a milestone. The sensors detect activity in their surroundings much faster than people can. This technology will definitely lead to greater safety on the road.”

Dr. Uwe Franke, Dr. Stefan Gehring, and Dr. Clemens Rabe from the Daimler Research and Advance Development for Assistance Systems and Chassis Systems

Mercedes-Benz "Intelligent Drive" takes driving to a new dimension. The goal is to provide all-round protection to vehicle occupants and other road users.

Spurred by its "Vision of Accident-free Driving," Mercedes-Benz is continually improving the capabilities of its driver assistance systems. Numerous systems with new and expanded features are now serving as active partners that can assist drivers in an increasing number of situations. These assistance systems use state-of-the-art sensor technology to continually monitor the area around the vehicle and, if necessary, support drivers in line with the current traffic situation.

The new systems are setting standards in the automotive industry and consistently build on the holistic approach adopted by Mercedes-Benz safety researchers. Mercedes-Benz has combined these intelligent assistance systems of the future in its Intelligent Drive concept, whose fundamental components are a stereo camera and an algorithm developed by Mercedes-Benz. In addition to detecting moving objects such as pedestrians and other vehicles, the camera records complex traffic situations. A closely linked network of sensors and systems not only lends the vehicle "eyes," but also gives it a 360-degree view. This groundbreaking safety technology was nominated for the German Future Prize in 2011; it also received the 2012 Karl Heinz Beckurts Award. Along with other innovative safety, assistance and lighting systems, this 6D technology will become standard equipment in the new Mercedes-Benz S-Class in 2013. Several of these innovations will soon be on the road in the new E-Class.

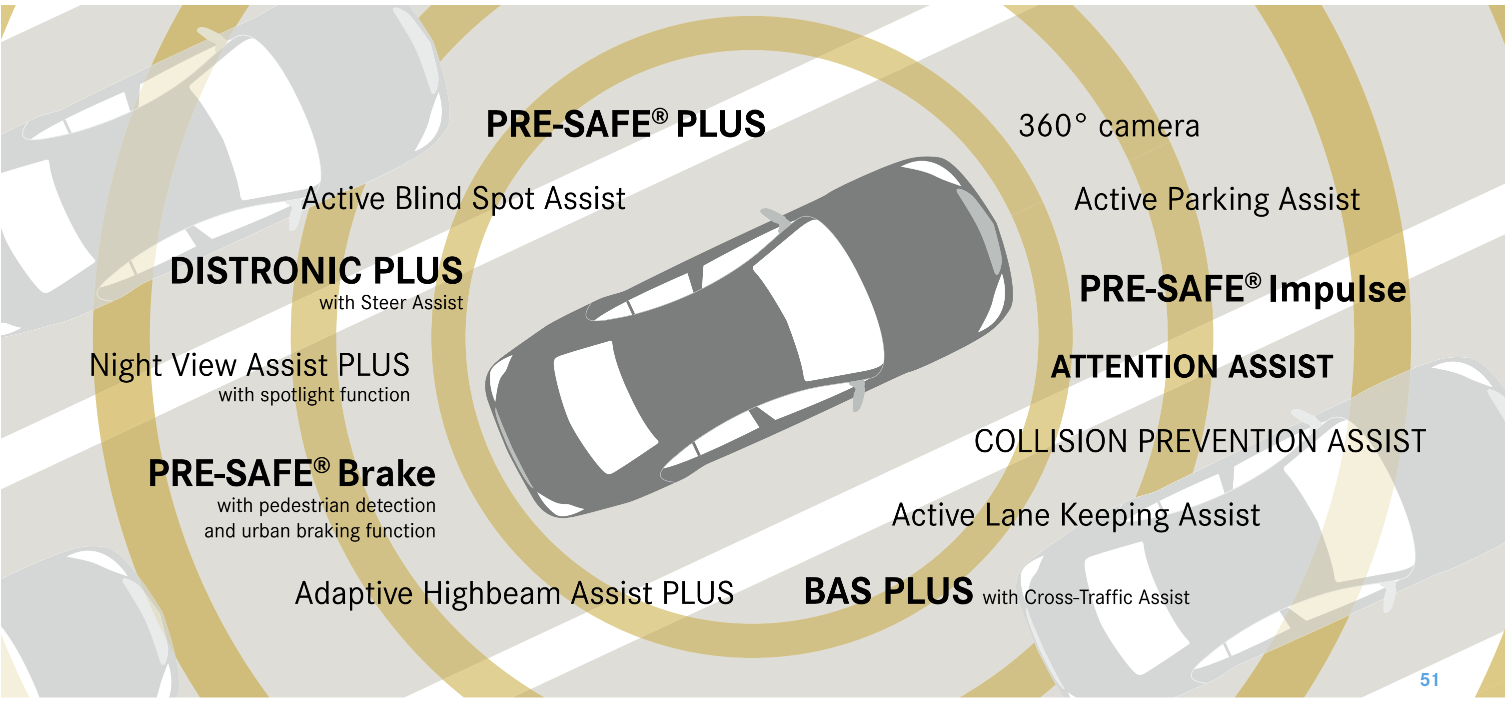
daimler-technicity.de/en/6d-vision-team

e-class.mercedes-benz.com/com/en

Mercedes-Benz "Intelligent Drive": Assistance systems for noticeably enhanced comfort and safety.

Our driver-support features cover a wide spectrum. They include systems for reducing stress, enhancing comfort and improving drivers' reactions, as well as visual, acoustic, and tactile alarms. Some of the systems can even intervene autonomously to correct driver mistakes if necessary.

- DISTRONIC PLUS with Steer Assist helps keep drivers in their lane and can automatically follow a vehicle in front in slow-moving traffic.
- BAS PLUS with Cross-Traffic Assist is now capable of detecting traffic at intersections and also recognizes pedestrians. If necessary, it can boost the braking force applied by the driver.
- PRE-SAFE® brakes can detect pedestrians and initiate a braking maneuver autonomously in order to prevent a collision at speeds of up to 50 km/h.
- For the first time, PRE-SAFE® PLUS can now trigger PRE-SAFE® occupant protection measures when a rear-end collision is imminent.
- PRE-SAFE® Impulse can reduce the risk and severity of injuries to drivers and front-seat passengers in a frontal collision.
- Active Lane Keeping Assist detects oncoming traffic and automobiles in the adjacent lane, and can prevent the vehicle from leaving its lane unintentionally.
- Adaptive Highbeam Assist PLUS makes it possible to keep high-beams on permanently without blinding the drivers of oncoming vehicles.
- Night View Assist PLUS can warn drivers of the presence of pedestrians or animals in unlit areas. The systems can also flash a spotlight at the pedestrians it detects.
- ATTENTION ASSIST can alert drivers to their own inattentiveness and drowsiness in an extended speed range of 60–200 km/h. For the first time, the system's level of sensitivity can now be adjusted in line with the driver's condition.



Alliances

Joining forces.

By cooperating with strong partners, Daimler will continue to safeguard its worldwide access to promising growth markets. We pool technological know-how in cooperative projects and close partnerships. And through joint development activities, we gain valuable cost advantages and a head start on innovations. In this way, we are putting the mobility of the future on the road even faster. We gain strength by joining forces with others.

Bringing future-oriented technologies to the market faster. Daimler is forging ahead with the reinvention of the automobile. In order to make its vehicles even cleaner and safer, the company is cooperating with partners to develop and introduce new technologies. Together with its cooperation partners, Daimler pools pioneering vehicle development know-how and thus reaches its goals more quickly. In addition, the necessary production volumes are reached faster in order to make future-oriented technologies available to as many drivers as possible.

Exploiting growth potential efficiently. In order to take optimal advantage of opportunities in new markets and segments, Daimler relies on cooperation with partners that are already well-established in their respective fields. These partners' local experience and their access to attractive new markets are valuable for Daimler. In some countries, national requirements allow Daimler to produce or sell vehicles only in cooperation with a local partner.

Optimal planning of costs and investments. In view of ever shorter product lifecycles and higher levels of investment, cooperative partnerships are becoming increasingly important. Through joint development and production activities, Daimler is taking advantage of valuable economies of scale and the possibility of sharing costs. By working together with its cooperation partners, the company can distribute its investments over larger production volumes. It can also save on operating costs. Some projects – for example in the compact segment or in relation to downsized engines – become financially feasible for Daimler only through cooperation partners with high production volumes.

The Citan urban delivery vehicle was created jointly with Renault – and it's a genuine Mercedes-Benz. Find out more about the Citan here:

citanvan.co.uk

The first milestones of our successful partnerships are already on the road. Daimler will continue to be open to cooperation opportunities involving pioneering vehicles and technologies.

Together, Mercedes-Benz Cars and Renault-Nissan are exploiting the potential of the European market. The first success of this partnership is the Mercedes-Benz Citan city van. It will be followed by further joint projects, such as the successor models of the smart and the development of fuel-efficient engines for the new compact models. One example of the latter is a four-cylinder diesel engine for the new A-Class from Mercedes-Benz. Because this strategic alliance offers even greater potential savings than was initially assumed, Daimler will expand this successful cooperation in the coming years.

In Russia, Daimler Trucks and Kamaz are opening up one of the biggest truck markets of the future. Daimler's partner Kamaz is the Russian market leader in the heavy-duty truck segment and has outstanding know-how and a well-established sales network. Daimler and Kamaz have established two 50:50 joint ventures for the production and sale of trucks in Russia: Fuso Kamaz Trucks Rus and Mercedes-Benz Trucks Vostok. The plant in Naberezhnye Chelny produces the Fuso Canter and the Mercedes-Benz Actros, Axor, and Atego trucks. It also makes the Mercedes-Benz Unimog from assembly kits. In addition, Daimler Trucks supplies engines and axles for Kamaz trucks and buses. This sharing of technology and sales experience is opening up new perspectives for Daimler in the Russian market. A further step will involve a component truck from Kamaz that uses cabs, engines and axles from the Mercedes-Benz modular system.

Mercedes-Benz Cars and BAIC are jointly building cars for the Chinese market. Beijing Benz Automotive Co. (BBAC), a joint venture of Daimler and the Beijing Automotive Group (BAIC), is producing the E-Class, the C-Class and the GLK in Beijing. Starting in 2014, it will produce one of the new compact cars models for the Chinese market. In a shared new engine plant, it will also build four-cylinder gasoline engines starting in 2013. The construction of a research and development center in China is now in full swing.

Daimler Trucks and Foton are successful in the Chinese truck market. Through the 50:50 joint venture Beijing Foton Daimler Automotive (BFDA), Daimler Trucks is participating in the market for medium-duty and heavy-duty trucks in China. Furthermore, BFDA plans to set up an engine plant. In addition to contributing production facilities and the sales and service network, the truck producer Foton is contributing its knowledge of the Chinese and Asian markets to the joint venture.

"Daimler plans to sell approximately 300,000 cars in China in 2015. We want to produce two thirds of them in China jointly with our partner BAIC."

Frank Deiss, President & CEO
Beijing Benz Automotive Co., Ltd. (BBAC), Beijing

Europe

The Citan is the youngest member of the Mercedes-Benz van family – and the first vehicle to result from the strategic partnership of Daimler and Renault-Nissan. With this city van, Mercedes-Benz is entering new and traditional markets alike.

Russia

At the end of 2011, Kamaz presented the first Kamaz truck with Mercedes-Benz components to the public. The new truck, which is optimally adapted to Russian requirements, will be produced at the Kamaz plant in Naberezhnye Chelny starting in 2013. To this end, Mercedes-Benz will supply Kamaz with cab components, engines and axles. Together with GAZ, we will also build vans in Russia as of 2013.

China

The first Auman truck produced by the joint venture Beijing Foton Daimler Automotive (BFDA) rolled off the assembly line in July 2012. BFDA has its headquarters in Beijing's Huairou district.

Alongside local car production, the joint manufacture of engines by Beijing Benz Automotive Co. (BBAC) will start in Beijing in 2013. The first locally produced compact cars from Mercedes-Benz will roll off the assembly line in 2014.

All inclusive

DFS financial products and the innovative car2go mobility concept are popular with customers all over the world. More information on Daimler's successful mobility concept is available here:

car2go.com/en/washingtondc

Just hop in.

Daimler Financial Services (DFS) plays a major role in supporting our vehicle sales by offering customized financial services for everything related to automobiles. The comprehensive range of financing, leasing, insurance, fleet management, banking and mobility services makes it easier for private and commercial customers to enter the world of our premium automobiles, and also ensures long-term customer loyalty to our brands around the globe. We offer convincing solutions.

Financial flexibility. Daimler Financial Services' individualized products and contract options are enabling even more customers to make their dream of owning a new or used Daimler vehicle come true.

Mercedes-Benz is turning up the heat in the compact-car segment with the new A-Class. see pages 32 ff In an effort to attract new customers – particularly younger ones – to the sporty compact model, Daimler Financial Services (DFS) has developed new financing solutions that are precisely aligned with the lifestyles of the younger generation and take into account their affinity for leasing or financing packages.

Daimler Financial Services offers a complete range of convincing arguments for choosing its financing, leasing, and insurance products – and customers who opt to purchase a new Mercedes-Benz A-Class can expect to benefit from them as well. Switch Leasing allows customers to easily change mileage limits or contract durations during the period of the leasing agreement. Timeout Leasing offers a one-month break in payments, which gives A-Class customers greater financial leeway for other needs. DFS also offers exclusive insurance conditions that are made possible by the outstanding safety equipment available in Mercedes-Benz vehicles. All-in Financing is a complete package consisting of vehicle financing, insurance and service.

A better ride with Daimler Financial Services. The comprehensive services provided by DFS are making mobility simpler and safer. The MercedesCard, which was relaunched in the fall of 2012, offers significantly expanded services, including a credit card with a rewards program supplemented by a package of services that focus on money matters, travel, roadside assistance and mobility. The mobility protection program guarantees assistance in the event of an accident and also covers the cost of repairs and towing.

Daimler Financial Services' vehicle insurance products also meet the needs of the premium segment. Cooperation with major insurance companies enables customers to enjoy tailored insurance solutions for their Mercedes-Benz models. In addition, they have the peace of mind that comes with knowing that their vehicle will be repaired at an authorized service center with genuine brand parts.

Simply clever mobility. car2go is redefining private transport in inner cities and offering customers freedom of mobility in a contemporary fashion.

car2go is yet another program from Daimler Financial Services that offers customers more options concerning their mobility.

Pioneer and world market leader for flexible carsharing. car2go, which was launched by Daimler in 2008, established a new segment for flexible carsharing services. At the end of 2012, 270,000 very satisfied customers were utilizing the service and its speedy urban smart cars at 18 locations in Europe and North America. In other words, the number of car2go users quadrupled during the course of the year. In line with the "always on" lifestyle, see pages 38 ff car2go vehicles can be rented on the spot or reserved in advance simply by making a few clicks on a smartphone or PC.

car2go is now the fastest-growing carsharing company in the world. car2go has also been "electrifying" Stuttgart since November 2012. The carsharing company is now operating 300 battery-powered smart electric drive vehicles in Daimler's home city. This fleet, the largest pool of electric cars in Germany, is part of the "Living Lab BWe mobil" electric mobility showcase project. The electric smarts make it possible for city residents and visitors to drive a completely electric vehicle at any time and at an affordable price. The service also demonstrates how well suited Daimler's innovative mobility concepts and drive system technologies are for everyday use.

"car2go enables me to rent a vehicle on the spur of the moment. I don't have to return the car to a rental agency and I don't have to pay for parking. But the best thing of all is that I'm helping to protect the environment by driving an electric car."

Damaris Kristin Zierhut,
teacher-training student, Stuttgart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electric drive
CAR
2GO

Asia, the Americas

Open horizons.

In the dynamic automotive market, Daimler is raising its flag all over the world. Perfectly positioned, we are systematically expanding our strong presence in the established markets of the Americas, Japan and Europe. We are also exploiting the outstanding prospects offered by the emerging markets of Brazil, Russia, India and China. New production capacities, cooperative projects and local brands are powering our growth in the BRIC countries. We are going places worldwide.

Successfully penetrating the growth markets. Daimler vehicles and local brands are already part of the urban landscape of major Asian cities.

There are good prospects for long-term growth in the vehicle markets of the emerging economies. Daimler aims to take advantage of this potential on its way to the top. The BRIC countries – Brazil, Russia, India and China – still play the most important role in the markets with the highest growth rates. But the markets of other ambitious young nations are also gaining importance.

Singapore relys on the Mercedes-Benz Citaro. In the future, the Mercedes-Benz star will shine more frequently on the streets of Singapore. Daimler Buses has once again received a major order from one of Asia's most important cities. By the end of 2015, a total of 450 Mercedes-Benz Citaro city buses from the EvoBus plant in Mannheim will be delivered to the local public transportation authority of Singapore. Since fall 2012, the first 300 Citaro buses have been making Singapore's bus fleet, the biggest in Asia, fit for the future. All of the buses feature ultramodern BlueTec technology and low-floor design for easy entry.

Thanks to its regional presence and its country-specific know-how in all vehicle segments, Daimler is ideally equipped to serve the upward trend in the new markets. For example, Mercedes-Benz SUVs are becoming increasingly popular in Asia. As a result, since 2012, the M-Class has been produced not only at its main plant in Tuscaloosa but also in India, Thailand and Indonesia for local markets. Starting in mid-2013, the final assembly of the GL-Class will be carried out in India and Indonesia. Since December 2011, the GLK compact SUV has been rolling off the assembly line not only in Bremen but also in Beijing.

The BharatBenz truck model offensive in India. There is a strong demand in India for high-quality and economical trucks. In response, the successful market launch of the heavy-duty BharatBenz truck in fall 2012 was quickly followed by the start of production of medium-duty trucks in Chennai. Daimler's subsidiary in India, Daimler India Commercial Vehicles (DICV), has thus expanded its range of vehicles by adding a number of models. By 2014, DICV will have launched a total of 17 Bharat-Benz truck models on the market. These models will be based on Daimler Trucks platforms and specially designed to meet the requirements of customers in India.

www5.mercedes-benz.com/en/vehicles/buses/

daimler-indiacv.com

daimler.com/company/daimler-worldwide

Asia

"In my opinion, the brand name says it all! 'Bharat' stands for my country, India, and 'Benz' denotes the state-of-the-art technologies from Daimler."

Omprakash Singh, Head of Corporate Human Resources, Daimler India Commercial Vehicles Pvt. Ltd.

In Singapore, the local transport authority relies on the Mercedes-Benz Citaro — the most successful city bus of all time. Passengers in Singapore appreciate the special comfort of these buses, which are the first-ever low-floor buses to operate in Southeast Asia.

Daimler is putting high-quality, reliable and fuel-efficient BharatBenz trucks on the road in India. These advantages are convincing more and more fleet operators to expand their fleets with new, economical BharatBenz trucks.

With the new Freightliner Cascadia Evolution, Daimler Trucks North America (DTNA) is leading the way in the US market when it comes to economical and environmentally friendly trucks. In a 2,400-mile test drive, the new heavy-duty truck's fuel consumption was up to 7% lower than that of the current model.

Systematically expanding its presence in the core markets.

In its traditional markets as well, Daimler is engaging in new projects in order to satisfy customers' growing desire for automotive freedom.

On the road and in rough terrain: The new GL-Class from Mercedes-Benz is a leader in all SUV disciplines, thanks to its exemplary safety features, excellent handling properties and outstanding driving comfort.

The Americas

Premium vehicles are objects of desire all over the world. Daimler is meeting this demand in its traditionally important auto market of North America as well as in the up-and-coming countries of Latin America. Thanks to the Group's model offensive, its broad range of vehicles with efficient combustion engines and alternative drive systems, and its expanded production capacity, the Daimler vehicle brands will continue to promote the American way of life in the future.

As a global player, Daimler can react to the wishes of customers all over the world – and thanks to its local production facilities, it is also becoming more important as a local player. The expansion of its plant in Tuscaloosa will enable Daimler to bring its vehicle lineup even closer to its customers in North America in the future. Starting in 2015, a total of five models will be rolling off the assembly line at Mercedes-Benz US International (MBUSI). This is the main plant for the production of the Mercedes-Benz SUV models of the M, GL and R-Class. Starting in 2014, the C-Class sedan for the North American market will also be produced here. An additional fifth model will follow in 2015. Through these operations, Daimler is further expanding its US production base and creating approximately 1,400 new jobs.

Fleet renewal in Brazil with Mercedes-Benz buses. Brazil's major cities are equipping themselves with new bus fleets in order to cope with the tremendous increase in traffic that is expected for the World Cup in 2014 and the Olympic Games in 2016. For an initial major order, Daimler, the leader in the Brazilian bus market, is supplying more than 520 city buses in all. The company also expects to receive additional orders. A total of 135 Mercedes-Benz buses with environmentally friendly BlueTec 5 technology will be on the road in Fortaleza. About 390 Mercedes-Benz bus chassis will be delivered to the local public transport authority in Ribeirão Preto. The buses will be part of a modern urban infrastructure that will include additional bus lines operating in dedicated lanes.

Local production of the Mercedes-Benz Actros in Juiz de Fora. To respond quickly and flexibly to the growing demand for commercial vehicles in Brazil, Daimler has been producing the Mercedes-Benz Actros also at its Juiz de Fora plant since 2012. This successful heavy-duty truck is also produced in plants in Wörth, Germany, and Aksaray, Turkey.

freightlinertrucks.com/Trucks/Models/Evolution

daimler.com/company/daimler-worldwide

Whether it's used as a travel van or a fleet vehicle, the Sprinter is continuing to speed ahead in the United States. This successful van is sold as a Mercedes-Benz and Freightliner vehicle. Its state-of-the-art motorization and low fuel consumption make it extremely popular with customers.

Attractive

Ideally prepared for the new compact cars. Thanks to highly motivated young employees, expanded training programs and new courses in “green technology,” the Mercedes-Benz plant in Rastatt is steering its activities toward a bright future.

Powered by talent.

Daimler mobilizes people — not only through its fascinating automobiles but also as an attractive employer. The company offers a broad spectrum of opportunities for professional and personal development as well as a work environment characterized by respect and cooperation. We do so because the skills and enthusiasm of our employees are a major force that is helping us achieve growth. Our pioneering products are created by a team of more than 270,000 employees all over the world. We foster a pioneering spirit.

As an attractive employer, Daimler offers outstanding opportunities to careers starters, trainees and interns in Germany and abroad. Find out more here:

career.daimler.com/dhr/

With the right teams in the right place at the right time. On its way to the top, Daimler is powered by a unique force – the skills and ideas of its employees.

Daimler is shaping the mobility of the future through innovative technologies and mobility concepts. The crucial factor that makes this possible is our employees. Thanks to their skills and their opportunities for further development, our teams are able to create pioneering vehicles and services. Promoting equal opportunities, fairness and a spirit of cooperation and trust are not only ethical and legal obligations for Daimler; they are the foundation of our company's success all over the world.

We aim to attract and retain the most talented employees, act on our sense of social responsibility, and promote diversity in our company wherever we operate. As an attractive employer, Daimler focuses on the rights and requirements of all its employees, as well as on their talents and qualifications – independently of their age, place of origin, gender or other characteristics. Companies all over the world are competing to attract skilled employees. In this context, optimally designed working conditions are a crucial factor in the effort to attract and retain outstandingly trained, highly motivated, and loyal employees.

Diversity brings better results. Daimler values the different characteristics, talents, and abilities of all its employees. We are convinced that diversity brings better results, and we therefore systematically deploy these various talents and abilities in the interests of the company. Diversity management at Daimler includes many different activities all over the world in all of the company's divisions. It is firmly anchored in our corporate strategy and our corporate culture. Our current focus is on gender diversity – especially our efforts to put more women in management positions – generation management, and the internationality of our worldwide organization.

A good work-life balance supports performance. Daimler offers a variety of work-life balance services that help the company's employees combine their private and professional lives harmoniously. Firmly anchored in its corporate culture are services such as e-mail regulations for employees who are currently not available, guidelines for managers, company day-care centers, regionally adjusted flexible worktime models, and healthcare programs. The aim of all of these services is to ensure that the employees can responsibly manage their individual resources.

The employer of choice for talented young people. Outstanding potential employees can choose between a number of job offers. That's why it is becoming increasingly important for Daimler to position itself as the employer of choice for students, graduates and young people beginning their careers. In order to get young people interested in joining the company, Daimler engages in a dialog with them at schools, universities and job fairs, and on the Internet. In addition to the company's careers website, social media are becoming an increasingly important recruitment channel. Daimler also uses offers such as the Daimler Student Partnership and the company-wide trainee program CAReer to attract young college graduates.

career.daimler.com/dhr/

"I'd like to continue growing, both professionally and personally. Daimler offers me outstanding opportunities."

Asmara Yeman, an alumna of the Daimler CAReer Talent Program

Well-qualified and dedicated employees are the engine of our automotive innovations.

A matter of integrity

Excellent in every way.

The same high standards that characterize our products are also applied to the way we conduct business. By joining the UN Global Compact, we committed ourselves to upholding and actively promoting its principles with regard to human rights, labor standards, environmental protection and anti-corruption policies. In addition, we implement initiatives aimed at safeguarding integrity on a long-term basis. We also actively contribute to maintaining integrity with measures that extend far beyond the boundaries of our company. We aim to lead the way when it comes to ensuring that business is conducted with integrity.

Doing what is right out of conviction. Our success as a premium manufacturer is also based on maintaining a culture of integrity that encompasses shared values and a shared concept of ethical behavior.

Top performance incurs obligations. We at Daimler aim to be pioneers not only when it comes to products and services, but also with regard to integrity. Because integrity is a key issue for us, we launched a variety of measures last year to permanently embed this value in our corporate culture.

Behaving with integrity is an essential part of Daimler's corporate culture. This culture is brought to life in our dialog with internal and external discussion partners. To maintain an ongoing dialog with our employees, workshops and other events were held in all of Daimler's Board of Management departments and in all markets in 2012. The aim of these events was to achieve a shared understanding of what integrity actually means at Daimler, regardless of an individual's country, department or hierarchy level. The results were incorporated into Daimler's new Integrity Code.

The new Daimler Integrity Code. In October 2012, the Board of Management and the employee representatives signed the new Integrity Code, which incorporates employee feedback in order to ensure that it is based on a shared system of values. The code is based on the principles of fairness, responsibility, and respect for the law and for individual rights. In line with these requirements, it stipulates the principles and guidelines for everyday behavior at Daimler. It affects employees' dealings with one another as well as with customers and business partners.

The Integrity Truck tour. In a continuation of the Integrity in Dialog initiative, the Integrity Truck toured 18 company locations in Germany between October and December 2012. In line with the slogan "Integrity gets us moving: Right of way for respect, openness and fairness," the Integrity Truck featured an exciting, demanding and informative program for the employees at the Daimler plants. Participants were also given the opportunity to discuss integrity-related issues.

Advisory Board for Integrity and Corporate Responsibility. In September 2012, Daimler took another step in connection with its sustainable, dialog-oriented integrity strategy when it established the Advisory Board for Integrity and Corporate Responsibility. In the future, the committee will critically and constructively advise Daimler on integrity-related issues from an external perspective. The committee is composed of nine notable people who are involved with integrity-related issues. They represent the fields of science, business, politics and the media, as well as non-governmental organizations.
see page 179

Business partner brochure. More than 63,000 copies of the corporate brochure "Ethical Business. Our Shared Responsibility" have been distributed to external business partners since its publication in 2012. The brochure communicates Daimler's standards of value and ethical principles to its business partners.

daimler.com/sustainability/integrity

"The most important thing is that all of us – ranging from workers to Board of Management members – treat one another fairly!"

Anastasia Tsiliaka, assembly gear box parts, Stuttgart-Untertürkheim

Since 2011, the Group-wide "fairplay" campaign has provided our employees with information about integrity and compliance in 19 languages and in more than 40 countries.

Avant-garde

Ahead of our time.

Daimler, the inventor of the automobile, is also the pacemaker for tomorrow's mobility. Research, innovation and design form the vital foundation of our success. As laboratories on wheels, the legendary research vehicles from Mercedes-Benz not only make it possible to experience our technology and the fascination of the brand at first hand, but also open up visionary horizons. The unique products that bear the Mercedes star have always set the pace for the entire automotive sector. We are shaping the future of the automobile.

With the sculpture "Aesthetics S," Mercedes-Benz offers a glimpse of the design of the upcoming new S-Class luxury sedan, which will be launched in 2013. Find out more about "Aesthetics S" here:

daimler.com/aesthetics

Management Report

Daimler continued along its growth path in 2012. Revenue increased by 7% to €114.3 billion. EBIT of €8.6 billion did not quite reach the high prior-year level due to difficult conditions in important markets. With substantial expenditure to secure our future success, we created the right conditions in 2012 for ongoing and profitable growth. For 2013, we anticipate a market-related weakening of our business development in the first half of the year followed by a recovery as the year progresses, which will be supported by our product launches.

3 | Management Report

Business and General Conditions

The Daimler Group

Daimler AG is the parent company of the Daimler Group and is domiciled in Stuttgart (Mercedesstraße 137, 70327 Stuttgart, Germany). The main business of the Company is the development, production and distribution of cars, trucks and vans in Germany and the management of the Daimler Group. In addition to Daimler AG, the Daimler Group includes all the subsidiaries throughout the world in which Daimler AG has a direct or indirect controlling interest. Through those companies, we conduct for example our business with buses and financial services. The management reports for Daimler AG and for the Daimler Group are combined in this management report.

Daimler can look back on a tradition covering more than 125 years, a tradition that extends back to Gottlieb Daimler and Carl Benz, the inventors of the automobile, and features pioneering achievements in automotive engineering. Today, the Daimler Group is a globally leading vehicle manufacturer with an unparalleled range of premium automobiles, trucks, vans and buses. The product portfolio is completed with a range of tailored automotive services.

With its strong brands, Daimler is active in nearly all the countries of the world. The Group has production facilities in a total of 19 countries and approximately 8,000 sales centers worldwide. The global networking of research and development activities and of production and sales locations gives Daimler considerable potential to enhance efficiency and gain advantages in international competition, resulting in additional growth opportunities. For example, we can apply our green drive technologies in a broad portfolio of vehicles while utilizing experience and expertise from all parts of the Group. In the year 2012, Daimler increased its revenue by 7% to €114.3 billion. The individual divisions contributed to this total as follows: Mercedes-Benz Cars 52%, Daimler Trucks 26%, Mercedes-Benz Vans 8%, Daimler Buses 3% and Daimler Financial Services 11%. At the end of 2012, Daimler employed a total workforce of more than 275,000 people worldwide.

The products supplied by the **Mercedes-Benz Cars** division range from the high-quality small cars and innovative e-bikes of the smart brand to the premium automobiles of the Mercedes-Benz brand and to the Maybach luxury sedans. The main country of manufacture is Germany, but the division also has production facilities in the United States, China, France, Hungary, South Africa, India, Vietnam and Indonesia. Worldwide, Mercedes-Benz Cars has 17 production sites at present. In the context of extending our product range in the compact-car segment, our new plant in Kecskemét, Hungary went into operation in 2012 and the new B-Class has been produced there since April. In the medium term, we anticipate significant growth in worldwide demand for automobiles and above-average growth in the premium car segment. To ensure that we can participate in this development, we are creating additional production capacities, especially in China, the United States and India. The most important markets for Mercedes-Benz Cars in 2012 were Germany with 20% of unit sales, the other markets of Western Europe (24%), the United States (21%) and China (14%).

As the biggest globally active manufacturer of trucks above 6 metric tons gross vehicle weight, Daimler Trucks develops and produces vehicles in a global network under the brands Mercedes-Benz, Freightliner, Western Star, Fuso and BharatBenz. The division's 27 production facilities are in the NAFTA region (14, thereof 11 in the United States and 3 in Mexico), Europe (7), Asia (3), South America (2) and Africa (1). In Juiz der Fora in Brazil, the Mercedes-Benz Actros heavy-duty truck and the medium-duty Accelo have been produced for the Latin American market since early 2012. In our new truck plant in Chennai, India, trucks of the new BharatBenz brand have been rolling off the production lines since June 2012. By the year 2014, we will produce 17 different BharatBenz models in India in weight classes from 6 to 49 metric tons. In China, Beijing Foton Daimler Automotive Co., Ltd. (BFDA), a joint venture with our Chinese partner Beiqi Foton Motor Co., Ltd., has been producing trucks under the Auman brand since July 2012. Daimler Trucks' product range includes light, medium and heavy trucks for local and long-distance deliveries and construction sites, as well as special vehicles for municipal applications, the energy sector and fire services. Due to close links in terms of production technology, the division's product range also includes the buses of the Thomas Built Buses and Fuso brands. Daimler Trucks' most important sales markets in 2012 were Asia with 35% of unit sales, the NAFTA region (29%), Western Europe (13%) and Latin America excluding Mexico (10%).

Daimler Trucks' area of responsibility also includes our investment in Tognum, a globally leading supplier of complete systems in the field of industrial engines. This company is controlled by Engine Holding GmbH, in which Daimler and Rolls-Royce Holdings plc each holds a 50% interest.

The product range of the **Mercedes-Benz Vans** division in the segment of medium and heavy vans comprises the Sprinter, Vito, Viano and Vario series. In 2012, we expanded our portfolio with the addition of a city van, the Mercedes Benz Citan, making us a full-range supplier in the vans business. The division has production facilities at a total of seven locations: in Germany, Spain, the United States, Argentina, China in the context of the 50:50 joint venture Fujian Benz Automotive Co., Ltd, and France in the context of the strategic alliance with Renault-Nissan. Starting in the first half of 2013, the Mercedes-Benz Sprinter will be produced under license also by our partner GAZ in Russia. The most important markets for vans are in Europe, which accounts for 75% of unit sales. As part of the "Vans goes global" business strategy, we are also increasingly developing the growth markets of South America and Asia as well as the Russian van market through appropriate distribution and production activities in those regions. We intend to continue our growth also in the American van market, where the Sprinter is sold not only as a Mercedes-Benz vehicle, but also under the Freightliner brand.

The **Daimler Buses** division with its brands Mercedes-Benz and Setra continues to be the world's leading manufacturer in its core markets in the segment of buses above 8 tons. The product range supplied by Daimler Buses comprises city and intercity buses, coaches and bus chassis. The most important of the 13 production sites are in Germany, France, Spain, Turkey, Argentina, Brazil and Mexico. In 2012, 45% of Daimler Buses' revenue was generated in Western Europe, 25% in Latin America (excluding Mexico) and 11% in the NAFTA markets. While we mainly sell complete buses in Europe, our business in Latin America, Africa and Asia is focused on the production and distribution of bus chassis. In view of continuously falling demand for city buses in North America over recent years, we have decided to cease production of Orion buses in the United States and Canada. The US bus manufacturer Motor Coach Industries International (MCI) was awarded the rights to exclusive sales of Setra coaches in the United States during the year under review; in return, we have acquired a 10% interest in MCI.

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 car sharing and other mobility services. The main areas of the division's activities are in Western Europe and North America, and increasingly also in Asia. In 2012, more than 40% of the vehicles sold by the Daimler Group were financed or leased by Daimler Financial Services. Its contract volume of €80 billion covers more than 2.8 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.

Through a subsidiary, Daimler held a 22.4% equity interest in the European Aeronautic Defence and Space Company (EADS), a leading company in the aerospace and defense industries, until December 6, 2012. In economic terms, Daimler owned a 14.9% stake in EADS, because until that date, a consortium of national and international investors owned a one-third interest in the subsidiary that holds the EADS shares. On December 6, 2012, Daimler AG reduced its shareholding in EADS to 7.5%, as previously announced in November 2011. 61.1 million EADS shares were sold through an accelerated book building process to the KfW banking group, private investors in the consortium and institutional investors.

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 in accordance with Section 313 of the German Commercial Code (HGB) can be found in the notes to the Consolidated Statements. see Note 39

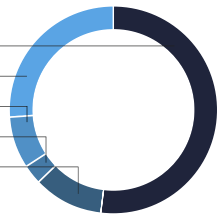
Corporate governance statement

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. 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.

3.01

Consolidated revenue by division

Mercedes-Benz Cars	52%
Daimler Trucks	26%
Mercedes-Benz Vans	8%
Daimler Buses	3%
Daimler Financial Services	11%



Information and explanation relevant to acquisitions

(Report pursuant to Section 315 Subsection 4 and Section 289 Subsection 4 of the German Commercial Code (HGB))

Composition of share capital. The share capital of Daimler AG amounts to approximately €3,063 million at December 31, 2012. It is divided into 1,067,578,882 registered shares of no par value. With the exception of treasury shares, from which the Company does not have any rights, all shares confer equal rights to their holders. Each share confers the right to one vote and, with the possible exception of any new shares that are not yet entitled to a dividend, to an equal share of the profits. The rights and obligations arising from the shares are derived from the provisions of applicable law. There were no treasury shares at December 31, 2012.

Restrictions on voting rights and on the transfer of shares. The Company does not have any rights from treasury shares. In the cases described in Section 136 of the German Stock Corporation Act (AktG), the voting rights of treasury shares are nullified by law.

Shares acquired by employees within the context of the employee share program may not be disposed of until the end of the following year. Eligible participants in the Performance Phantom Share Plans are obliged by the Plans' terms and conditions and by the so-called Stock Ownership Guidelines to acquire Daimler shares with a part of their Plan income and to hold them for the duration of their employment at the Daimler Group.

On April 7, 2010, Daimler AG and the Renault-Nissan Alliance signed a master cooperation agreement on wide-ranging strategic cooperation and a cross-shareholding. Renault S.A. and Nissan Motor Co. Ltd. each received an equity interest of 1.55% in Daimler AG, and Daimler AG received equity interests of 3.1% in each of Renault S.A. and Nissan Motor Co. Ltd. Due to an increase in the total number of outstanding shares of Daimler AG following the exercise of stock options, each shareholding in Daimler of Renault S.A. and Nissan Motor Co. Ltd. amounted to 1.54% at December 31, 2012. For the duration of the master cooperation agreement or for a period of five years (whichever is the shorter), without the prior consent of the other party, i) Daimler AG may not transfer its shares in Renault S.A. and Nissan Motor Co. Ltd. to a third party, and ii) Renault S.A. and Nissan Motor Co. Ltd. may not transfer their shares in Daimler AG to a third party. Transfers to third parties that are not competitors of one of the issuers of the shares in question are exempted from this prohibition under certain circumstances, including the case of internal corporate transfers, transfers related to a takeover offer from a third party for the shares of one of the other parties, or the case of a change of control of the issuer of the shares in question. Following the acquisition of their equity interests in Daimler, each of Renault S.A. and Nissan Motor Co. Ltd. has stated in its voting-rights notification issued pursuant to Sections 21 ff of the German Securities Trading Act (WpHG) that the Daimler shares held by the other company are to be allocated to it pursuant to Section 22 Subsection 2 of the WpHG (coordinated action).

Provisions of applicable law and of the Articles of Incorporation concerning the appointment and dismissal of members of the Board of Management and amendments to the Articles of Incorporation. Members of the Board of Management are appointed and dismissed on the basis of Sections 84 and 85 of the German Stock Corporation Act (AktG) and Section 31 of the German Codetermination Act (MitbestG). In accordance with Section 84 of the German Stock Corporation Act, the members of the Board of Management are appointed by the Supervisory Board for a maximum period of office of five years. However, the Supervisory Board of Daimler AG has decided generally to limit the initial appointment of members of the Board of Management to three years. Reappointment or the extension of a period of office is permissible, in each case for a maximum of five years.

Pursuant to Section 31 Subsection 2 of the German Codetermination Act (MitbestG), the Supervisory Board appoints the members of the Board of Management with a majority comprising at least two thirds of its members' votes. If no such majority is obtained, the Mediation Committee of the Supervisory Board has to make a suggestion for the appointment within one month of the vote by the Supervisory Board. The Supervisory Board then appoints the members of the Board of Management with a majority of its members' votes. If no such majority is obtained, voting is repeated and the Chairman of the Board of Management then has two votes. The same procedure applies for dismissals of members of the Board of Management.

In accordance with Article 5 of the Articles of Incorporation, the Board of Management has at least two members. The number of members is decided by the Supervisory Board. Pursuant to Section 84 Subsection 2 of the German Stock Corporation Act (AktG), the Supervisory Board can appoint a member of the Board of Management as its Chairperson. If a required member of the Board of Management is lacking, an affected party can apply in urgent cases for that member to be appointed by the court pursuant to Section 85 Subsection 1 of the German Stock Corporation Act (AktG). Pursuant to Section 84 Subsection 3 of the German Stock Corporation Act (AktG), the Supervisory Board can revoke the appointment of a member of the Board of Management and of the Chairman of the Board of Management if there is an important reason to do so.

Pursuant to Section 179 of the German Stock Corporation Act (AktG), the Articles of Incorporation can only be amended by a resolution of a Shareholders' Meeting. Unless otherwise required by applicable law, resolutions of the Annual Shareholders' Meeting – with the exception of elections – are passed pursuant to Section 133 of the German Stock Corporation Act (AktG) and Article 16 Paragraph 1 of the Articles of Incorporation with a simple majority of the votes cast and if required with a simple majority of the share capital represented. Pursuant to Section 179 Subsection 2 of the German Stock Corporation Act, any amendment to the purpose of the Company requires a 75% majority of the share capital represented at the Shareholders' Meeting; no use is made in the Articles of Incorporation of the possibility to stipulate a larger majority of the share capital. Amendments to the Articles of Incorporation that only affect the wording can be decided upon by the Supervisory Board in accordance with Article 7 Paragraph 2 of the Articles of Incorporation. Pursuant to Section 181 Subsection 3 of the German Stock Corporation Act, amendments to the Articles of Incorporation take effect upon being entered in the Commercial Register.

Authorization of the Board of Management to issue or buy back shares. By resolution of the Annual Shareholders' Meeting of April 14, 2010, the Board of Management was authorized, with the consent of the Supervisory Board, during the period until April 13, 2015 to acquire its own shares for all legal purposes, in particular for certain defined purposes, up to a maximum of 10% of the share capital at the time of the resolution of the Annual Shareholders' Meeting. The purchase of the Company's own shares is allowed, inter alia, for the following purposes: for the purpose of canceling them, offering them to third parties in connection with a corporate merger or acquisition, disposing of them in another way than through the stock exchange, offering them to all shareholders, or serving the stock option plan created in or before 2004. Own shares in a volume of up to 5% of the share capital existing at the time of the resolution of the Annual Shareholders' Meeting can also be acquired with the application of derivative financial instruments, whereby the period of the individual option may not exceed 18 months. No use has yet been made of this authorization.

By resolution of the Annual Shareholders' Meeting held on April 8, 2009, the Board of Management was authorized with the consent of the Supervisory Board to increase the share capital of Daimler AG by up to €1 billion during the period until April 7, 2014 by issuing new registered shares of no par value in exchange for cash or non-cash contributions, wholly or in partial amounts, on one or several occasions (Approved Capital 2009). Inter alia, the Board of Management was also authorized, under certain circumstances, within certain limits and with the consent of the Supervisory Board, to exclude shareholders' subscription rights. No use has yet been made of Approved Capital 2009.

Furthermore, the Board of Management was authorized by resolution of the Annual Shareholders' Meeting of April 14, 2010,
- with the consent of the Supervisory Board during the period until April 13, 2015 to issue convertible bonds and/or bonds with warrants or a combination of those instruments, once or several times, in a total nominal amount of up to €10 billion with a maximum term of ten years, and
- to grant the owners/lenders of those bonds conversion or option rights to new, registered shares of no par value in Daimler AG with a corresponding amount of the share capital of up to €500 million, in accordance with the terms and conditions of those convertible bonds or bonds with warrants.

Inter alia, the Board of Management was also authorized, under certain circumstances, within certain limits and with the consent of the Supervisory Board, to exclude shareholders' subscription rights to the bonds with conversion or warrant rights to shares in Daimler AG. The bonds can also be issued by direct or indirect majority-owned subsidiaries of Daimler AG.

Accordingly, the share capital was conditionally increased by up to €500 million (Conditional Capital 2010). No use has yet been made of this authorization to issue convertible bonds and/or bonds with warrants.

Material agreements taking effect in the event of a change of control. Daimler AG has concluded various material agreements, as listed below, that include clauses regulating the possible event of a change of control, as can occur as a result of a takeover bid:
- A non-utilized syndicated credit line in a total amount of €7 billion, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- Credit agreements with lenders for a total amount of €1.5 billion, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- Guarantees and securities for credit agreements of consolidated subsidiaries for a total amount of €610 million, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- An agreement concerning the acquisition of a majority (50.1%) of AFCC Automotive Fuel Cell Cooperation Corp., which has the purpose of further developing fuel cells for automotive applications and making them marketable. In the case of a change of control of Daimler AG, the agreement provides for the right of termination by the other main shareholder, Ford Motor Company, as well as for a put option for the minority shareholder, Ballard Power Systems. Control as defined by this agreement is the beneficial ownership of the majority of the voting rights and the resulting right to appoint the majority of the members of the Board of Management.
- A master cooperation agreement on wide-ranging strategic cooperation with Renault S.A., Renault-Nissan B.V. and Nissan Motor Co. Ltd. in connection with cross-shareholdings. The Renault-Nissan Alliance received an equity interest of 3.1% in Daimler AG and Daimler AG received equity interests of 3.1% in each of Renault S.A. and Nissan Motor Co. Ltd. In the case of a change of control of one of the parties to the agreement, each of the other parties has the right to terminate the agreement. A change of control as defined by the master cooperation agreement occurs if a third party or several third parties acting jointly acquires, legally or economically, directly or indirectly, at least 50% of the voting rights in the company in question or is authorized to appoint a majority of the members of the managing board. Under the master cooperation agreement, several cooperation agreements were concluded between Daimler AG on the one side and Renault and/or Nissan on the other concerning a new architecture for small cars and the shared use of fuel-efficient diesel and gasoline engines and transmissions, as well as the development and supply of a small van, which provide for the right of termination for a party to the agreement in the case of a change of control of another party. A change of control is deemed to occur at a threshold of 50% of the voting rights or upon authorization to appoint a majority of the members of the managing board. In the case of termination of cooperation in the area of the development of small cars due to a change of control in the early phase of the cooperation, the party affected by the change of control would be obliged to bear its share of the costs of the development of shared components even if the development were terminated for that party.

- Furthermore, Daimler AG has concluded a cooperation agreement with Ford and Nissan regarding the joint predevelopment of a fuel-cell system. In the case of a change of control of one of the parties to the agreement, the agreement provides for the right of termination for the other parties. A change of control is deemed to occur at a threshold of 50% of the voting rights or upon authorization to appoint a majority of the members of the managing board.
- An agreement between the owners (the so-called shareholders' pact), regulating the exercise of voting rights in EADS N.V. In the case of a change of control, this agreement stipulates that Daimler AG is obliged, if so requested by the French party to the agreement, to make all efforts to dispose of its shares in EADS under appropriate conditions to a third party that is not a competitor of EADS or of the French contracting partner of Daimler AG. In this case, the French party has the right of preemption under the same conditions as offered by a third party. A change of control can also lead to the dissolution of the voting-rights consortium. According to the shareholders' pact, a change of control has taken place if a competitor of EADS N.V. or of the French contracting party either appoints so many members of the Supervisory Board of Daimler AG that it can appoint the majority of the members of the Board of Management, or holds an investment that enables it to control the day-to-day business of Daimler AG. Meanwhile, an agreement has been concluded to which amongst others the current members of the shareholders' pact are parties, whereby the shareholders' pact is to be terminated. The termination of the agreement is still subject to the condition that various measures are taken, for which amongst other things the consent of the annual shareholders' meeting of EADS is required.
- A shareholders' agreement with Rolls-Royce Holdings plc (Rolls-Royce) and Vinters International Limited, a subsidiary of Rolls-Royce, relating to the acquisition of Tognum AG of Friedrichshafen by Engine Holding GmbH and the planned merger with Rolls-Royce's Bergen business. Daimler and Vinters International Limited each hold 50% of the shares of Engine Holding GmbH. In the case of a change of control of one of the contracting parties, the agreement gives the other contracting party the right to acquire the shares of that party in the jointly held company at appropriate conditions at the time of the change of control.
- An agreement relating to a joint venture with BAIC Motor Co. Ltd. for the production and distribution of cars of the Mercedes-Benz brand in China, by which BAIC Motor Co. Ltd. is given the right to terminate or exercise a put or call option in the case that a third party acquires one third or more of the voting rights in Daimler AG.
- An agreement relating to the establishment of a joint venture with Beiqi Foton Motor Co., Ltd. for the purpose of producing and distributing heavy and medium-duty trucks of the Foton Auman brand. This agreement gives Beiqi Foton Motor Co., Ltd. the right of termination in the case that one of its competitors acquires more than 25% of the equity or assets of Daimler AG or becomes able to influence the decisions of its Board of Management.
- An agreement between Daimler and Robert Bosch GmbH relating to the joint establishment and joint operation of EM-motive GmbH for the development and production of traction and transmission-integrated electric motors as well as parts and components for such motors for automotive applications and for the sale of those articles to the Robert Bosch Group and the Daimler Group. If Daimler should become controlled by a competitor of Robert Bosch GmbH, Robert Bosch GmbH has the right to terminate the consortium agreement without prior notice and to acquire all the shares in the joint venture held by Daimler at a fair market price.
- An agreement between Daimler, Toray Industries, Inc. and ACE Advanced Composite Engineering GmbH relating to the joint establishment and joint operation of Euro Advanced Carbon Fiber Composites GmbH for the development, production and distribution of automotive parts made of carbon-fiber-reinforced plastics. If Daimler should become controlled by a third party, each of the two other partners to the consortium agreement has the right to terminate the consortium agreement without prior notice and to acquire the shares in the joint venture held by Daimler at a fair market price.

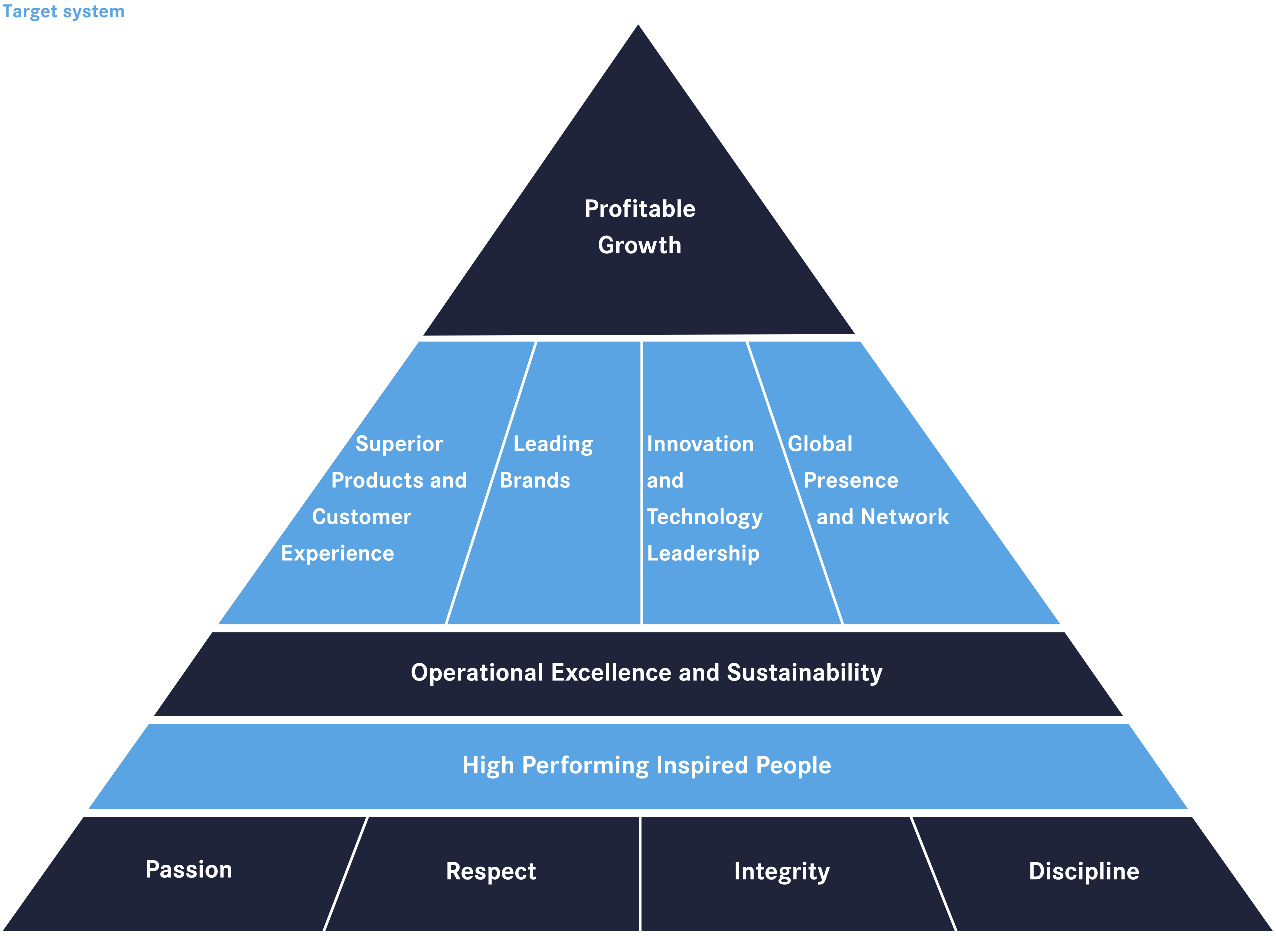
Strategy

As the inventor of the automobile, we look back on a long automotive history that we have shaped to a great extent with groundbreaking innovations and outstanding vehicles. We aim to continue playing a pioneering role with the ongoing development of mobility. We are committed to making the mobility of the future safe and sustainable. Our activities are focused on our customers' needs. We want to inspire them with
- exciting premium automobiles that set standards in the areas of design, safety, comfort, perceived value, reliability and environmental compatibility;
- commercial vehicles that are the best in their respective competitive environments;
- outstanding service packages related to those products; and
- new, customer-oriented mobility solutions that utilize the possibilities of increasing digitalization.

Target system. ↗ 3.02 Our overriding corporate goal is to achieve sustainable profitable growth and thus to increase the value of the Group. We strive to achieve the leading position in all our businesses. We aim to inspire our customers with our brands, products and services. With groundbreaking technologies, we demonstrate our pioneering position for sustainable drive systems and safety. We strengthen our global presence by securing our position in traditional markets and expanding in new markets. Operational excellence and efficiency along with inspired and high-performing people are the key to our future corporate success. At the same time, our entrepreneurial activities are guided by the principle of sustainability: in the areas of economics, corporate governance, environmental protection and safety, as well as in our relations with employees, customers and society in general. The four corporate values of passion, respect, integrity and discipline form the foundation of our actions and help us to achieve our goals. One key principle applies to everything we do: No business in the world is worth violating laws, regulations or ethical standards. For us, integrity and business success are two sides of the same coin. That is why we want to lead the competition also in terms of integrity. We are working hard to get there.

Clear claim to leadership in all businesses. With the "Mercedes-Benz 2020" growth strategy, our Mercedes-Benz Cars division strives to occupy the leading role for premium automobiles by the end of this decade. This means that we aim to be ahead of the competition in terms of brand image, product range, unit sales and profitability. On the way to achieving this goal, we want to sell more than 1.6 million cars of the Mercedes-Benz brand already in 2015. The smart brand will further extend its pioneering role in urban mobility and will lead its market segment for alternative drive systems. At Daimler Trucks, we want to further strengthen our position as number 1 in the global truck business and aim to expand to an annual unit-sales volume of more than 700,000 vehicles by the end of the decade. Daimler Buses has set itself the goal of further strengthening its leading position for buses above 8 metric tons gross vehicle weight, and Mercedes-Benz Vans is striving to achieve further profitable growth also outside its present market segments and markets with the strategic initiative, "Vans goes global." Daimler Financial Services has targeted the position of best captive financial services provider and will continue to grow in line with our automotive business and additionally also in the area of mobility services.

3.02
Target system



Four strategic growth areas. We aim to achieve our goals through four strategic growth areas. ↗ 3.03
We will
- further strengthen our core business,
- grow in new markets,
- take the lead with "green" technologies, and
- lead the way with the development of new mobility concepts and services.

Strengthening the core business. A strong core business is the foundation for sustainable profitability and growth. In order to strengthen our core business, we are renewing and expanding our model range with a focus on the changing desires of our customers. At the same time, we are effectively developing our brands and taking measures to increase efficiency and competitiveness in all our businesses. We will also further extend our pioneering role for active and passive safety with both cars and commercial vehicles.

The Mercedes-Benz model range will be extended by a total of 13 new models by the year 2020. The CLS Shooting Brake kicked off this model offensive in the autumn of 2012. "The best or nothing" serves as an incentive to consolidate the top position of the Mercedes-Benz brand. The year 2013 will see the market launch of the new S-Class, with which we will underscore our claim to leadership in the areas of comfort and security with new technologies. With the new A-Class, we are aiming specifically at younger target groups. This objective is also served by our brand and corporate communication, in which we are increasingly applying digital media. As a result of our long-term initiative, "Customer Satisfaction #1," we have achieved first place for customer satisfaction in many markets. The "Fit for Leadership" program, a key element of the Mercedes-Benz 2020 growth strategy, consists of two dimensions. In the short term, it is combining existing efficiency actions and will be supplemented with additional newly derived elements. The medium term dimension creates structures that will make our business system even more competitive. By the end of the year 2014, we want to achieve a sustained improvement in our cost structures of approximately €2 billion with this program.

At Daimler Trucks, we have been working for several years on uniform product platforms and modular systems for vehicles and components. At the same time, we have developed a global production network with great flexibility. With the new Antos, the first truck model series developed specifically for heavy-duty distribution transport, we are continuing our model offensive in the area of trucks and are once again setting trends in terms of economy, safety and comfort. The new Fuso Canter Eco Hybrid, which we now produce and distribute also in Europe, once again demonstrates our leading role with technologies for the reduction of fuel consumption and with alternative drive systems for commercial vehicles.

With our "Daimler Trucks #1" excellence program, we aim to sustainably secure our profitability targets by the end of 2014. In this context, we are on the one hand concentrating on increasing the efficiency of the operating units. On the other hand, we want to improve the interaction between the various

3.03
Strategic Pillars of Growth

business units and functions by means of interdepartmental initiatives, thus better utilizing the potential of our global positioning. The sustained earnings improvement targeted with Daimler Trucks #1 is €1.6 billion, which we intend to realize by the end of 2014.

Mercedes-Benz Vans will support the planned worldwide growth with new products and new technologies. There will be an important contribution in this respect from the new Citan city van, with which the Mercedes-Benz brand will penetrate the small-van segment. In the United States, we intend to continue our growth with the Sprinter, which we sell there under both the Mercedes-Benz and the Freightliner brands.

The Daimler Buses division is strengthening its competitive position with new products and economical engines. The new Setra ComfortClass 500 coach sets new standards for economy, quality and comfort, with the added attraction of a unique safety concept. In addition, Daimler Buses is working to secure its long-term profitability, through the reorganization of its European sales structure for example.

Daimler Financial Services is also focused on growth - and in different ways: The division will continue increasing its business volumes along with the model and market offensives for cars and commercial vehicles. At the same time, it will further expand its product offering in the field of vehicle insurance, as well as with mobility services.

Growing in new markets. Growth in global automotive demand will mainly take place in the markets outside Europe, North America and Japan in the coming years. Although we continue to strengthen our position in those traditional markets, we also aim to expand in other regions, especially in Brazil, Russia, India and China, the so-called BRIC countries. In order to achieve Mercedes-Benz Cars' sales targets, we are intensifying our activities above all in China. That is where versions of the new compact-car series will be produced in the future and a new engine plant for four-cylinder engines will be opened in 2013. At the same time, we are expanding our sales network in China and reorganizing the distribution system. With medium and heavy trucks, we are focusing on the cooperation with our partner Foton in China. Mercedes-Benz Vans produces the Vito, Viano and Sprinter models for the Chinese market in cooperation with Fujian Benz Automotive Corporation. In Brazil, Daimler Trucks is optimizing its production capacities and further extending its strong market position with new truck models. In Russia, the biggest European truck market, we are continuing our expansion in cooperation with our partner Kamaz. Mercedes-Benz Vans' Sprinter will be produced in Russia under a license agreement with truck manufacturer GAZ as of the year 2013. In India, Daimler Trucks has started production of the first trucks under the new BharatBenz brand. By the year 2014, BharatBenz will have launched a total of 17 truck models in weight classes above 6 metric tons. This will allow Daimler to satisfy the rising demand for robust and reliable trucks. Daimler Buses is active in India with our partner Sutlej in the field of coaches. Daimler Financial Services has established a new company in Malaysia. In 2012, we were the first automobile manufacturer to offer leasing on a large scale for cars and commercial vehicles in China; we established an additional company for this purpose. We are also expanding our market position in other new growth markets in addition to the BRIC countries.

Leading with green technologies. As a pioneer of automotive engineering, our goal is to make the future of mobility safe and sustainable. Varying mobility requirements call for different drive solutions. Our portfolio of solutions ranges from the optimization of internal-combustion engines to hybrid drive and locally emission-free driving. Already in the year 2012, we were able to reduce the CO_2 emissions of newly registered vehicles from Mercedes-Benz Cars in the European Union to an average of 140 grams per kilometer. By the year 2016, we aim to reduce the CO_2 emissions of our new car fleet in the European Union to an average of 125 g/km. Worldwide, we are the first automobile manufacturer to use lithium-ion batteries in a series-produced car with hybrid drive. With nine different models, we have the biggest product portfolio of electric vehicles – from light motorcycles to cars, light trucks, vans and buses. Our fuel-cell vehicles have already clocked up more than 9 million kilometers in customer use – this depth of experience with fuel cells is unique in the automotive industry. The Actros is the most economical truck in its market segment and Daimler leads the world with hybrid-drive trucks.

Pioneering with the development of new mobility concepts and services. More than half of the world's population already lives in cities, and this proportion is rising. Digital technologies are changing our products, our brand and corporate communication, and our working life. In parallel, customers are increasingly demanding individual, needs-oriented and convenient mobility solutions. This is creating new business potential for Daimler, which we intend to effectively utilize with new and innovative products and services. For some groups of customers, who for various reasons do not own a car themselves, the flexible use of a vehicle is important nonetheless. We are reacting to this by offering mobility solutions for private, business and public applications such as car2go, CharterWay, Bus Rapid Transit (BRT) and the "moovel" mobility platform. We will significantly expand the car2go business in the coming years. By the end of 2012, approximately 270,000 customers had registered in 18 cities of Europe and North America. With the "moovel" integrated mobility platform, we offer customers the possibility to optimally combine various private and public mobility services, with combined billing via a pay system planned for the future. We have already gone live with moovel" in Stuttgart and Berlin. In order to further expand our range of mobility services, we are entering into strategic partnerships with various mobility service providers, which we will successively integrate into our mobility platform.

In the area of innovative services, we offer the new sale&care product for the smart fortwo electric drive and create service brands such as "TruckWorks" for commercial vehicles as well as "My Service" and "mbrace2" for cars. Furthermore, we offer communication systems such as COMAND Online, making cars into mobile communication centers. Within the framework of "Digital Life," we combine the areas of working life, corporate and brand communication, customer and product with new business opportunities. In this way, we are working on automotive concepts to shape the future of mobility while promoting growth in all segments, markets and businesses.

Ambitious return targets. In addition to our growth targets, we have we set ourselves a return target of 9% on average for the automotive business, which we intend to achieve on a sustained basis. This overall target is based on return targets for the individual divisions of 10% for Mercedes-Benz Cars, 8% for Daimler Trucks, 9% for Mercedes-Benz Vans and 6% for Daimler Buses. Our target for the Daimler Financial Services division is a return on equity of 17%.

Portfolio changes and strategic cooperations. By means of targeted investment and future-oriented partnerships, we strengthened our core business, pushed forward with new technologies and utilized additional growth potential in 2012. At the same time, we focused on the continuous further development of our existing business portfolio.

In February 2012, Daimler and Chinese partner Beiqi Foton Motor Co., Ltd. received the business license for the **Beijing Foton Daimler Automotive Co., Ltd. (BFDA)** joint venture. Through BFDA, Daimler's truck division will participate in the Chinese market for medium and heavy trucks. Foton is contributing its existing business with medium and heavy trucks of the Auman brand, production facilities and the sales and service network. The joint venture will also benefit from Foton's knowledge of markets in China and the whole of Asia. This will enable BFDA to push forward faster with the development of business in the entire region. The first jointly produced truck under the Auman brand already rolled off the assembly line in the third quarter of 2012. Furthermore, BFDA plans to set up an engine plant.

In April 2012, the antitrust authorities approved the acquisition by AKKA Technologies S.A. of a stake in **MBtech Group**. As already agreed in December 2011, AKKA Technologies was then able to buy a 65% interest in MBtech Group, which was previously wholly owned by Daimler. An agreement on this transaction was signed by Daimler and AKKA Technologies on December 7, 2011. With an interest of 35%, Daimler remains a long-term and strategic shareholder as well as an important client of MBtech. AKKA Technologies' entry at MBtech has created one of the biggest European engineering consultancies for the automotive, aerospace, transport and energy industries.

In September 2012, **Daimler and Renault-Nissan** confirmed that the German-French-Japanese partnership now includes two additional shared projects in the field of fuel-efficient drive systems. In one of the projects, the two companies are jointly developing a new family of four-cylinder gasoline engines. These turbo engines with direct fuel injection will offer the latest technology in a compact form. The goal is to significantly reduce fuel consumption combined with even lower emissions. The new engines are to be produced jointly and will be used in Daimler and Renault-Nissan vehicles as of the year 2016. In the other project, Daimler will grant Nissan a license to produce automatic transmissions incorporating the latest technology for Nissan and Infiniti vehicles as of 2016. The Nissan subsidiary Jatco plans to produce these new transmissions in Mexico. Already in January 2012, it was announced that Daimler and Nissan intend to jointly produce Mercedes-Benz four-cylinder gasoline engines at Nissan's powertrain plant in Decherd, Tennessee. Production will start in 2014. The engines will be used in both Mercedes-Benz and Infiniti models.

In December 2012, Daimler AG reduced its equity interest in the **European Aeronautic Defence and Space Company (EADS)** in economic terms from 14.9% to 7.5%. The sale of 61.1 million EADS shares resulted in proceeds of €1.7 billion, which had a corresponding positive impact on our free cash flow. Those proceeds will be used for the global growth of our divisions, for our products, and to strengthen our technologically leading position. The reduction of our equity interest in EADS took place in the context of optimizing the company's shareholder structure: State influence is now limited to 30%. In this context, the other private-sector shareholders in the Dedalus investor consortium also sold their EADS shares, while the public-sector Dedalus investors continue to hold their shares. The voting rights of the Dedalus consortium are to be exercised by Daimler until the extraordinary shareholders' meeting of EADS on March 27, 2013. As part of the focus on our core business of producing motor vehicles and providing mobility services, we generally intend to further reduce our interest in EADS. No decision has yet been made on when or how that will occur.

Also in December 2012, Daimler established a new, integrated car distribution company in China, thus taking an important step in the implementation of our growth strategy. **Beijing Mercedes-Benz Sales Service Co., Ltd.** is a 50:50 joint venture with our strategic partner Beijing Automotive Group (BAIC). The new company combines the functions of sales and marketing, aftersales, dealer network development, used-car and fleet-car sales, and dealer and workshop training for Mercedes-Benz cars in China in an integrated organization. Previously, there were two separate sales channels: one for imported and one for locally produced vehicles. Already in mid-2012, Daimler had also increased its interest in the import company, Mercedes-Benz (China) Ltd., from 51% to 75% – an important step on the way to an integrated distribution company.

New Board of Management position for "Greater China"

On December 12, 2012, the Supervisory Board of Daimler AG decided to create a new Board of Management position for "Greater China". It includes the function of CEO and Chairman of Daimler Northeast Asia as well as responsibility for all of Daimler's strategic and operating activities in China. This decision underscores the strategic importance of China for Daimler. We see considerable further potential there for sustainable growth and the continuous expansion of our business activities.

Economy and markets

The world economy. With growth of approximately 2.5%, the world economy expanded in 2012 at a below-average rate and more slowly than the growth of 3.2% recorded in the prior year. ↗ 3.04 Overall, 2012 was a difficult year for the world economy, which was significantly affected by structural adjustments caused by the financial crisis in the years 2008 and 2009. One major negative factor was the sovereign-debt crisis in the European Monetary Union (EMU), which not only affected the economy of the euro zone, but also triggered considerable turmoil on the financial markets. At the same time, there were sharp fluctuations in the price of crude oil – primarily driven by geopolitical unrest. And then in the summer months, key economic leading indicators worsened so much that the danger of recession increased considerably. Major central banks reacted to this by taking significantly expansive measures. This applies above all to the Chinese Central Bank, the US Federal Reserve and the European Central Bank (ECB). Although the situation improved somewhat following these actions, investor and consumer uncertainty remained very high in 2012, and the resulting crisis of confidence prevented any stronger economic expansion.

Developments in the industrial countries were disappointing with economic growth of 1.2%, a similarly weak level to that of the prior year, and once again significantly lower than their long-term potential. Although the Japanese economy was still stimulated in the first half of the year from reconstruction efforts after the disaster of 2011, it subsequently lost so much impetus that gross domestic product (GDP) decreased once again in the third quarter. In the United States, both consumption and investment developed weakly. Private consumption was dampened by the continuation of relatively high unemployment. And companies became more unwilling to invest as the year progressed, primarily due to fears of the "fiscal cliff" anticipated for the beginning of 2013. But as the real-estate sector supplied positive impetus once again, the US economy achieved overall growth of just over 2%.

The EMU posted the weakest development in the year under review. Not only did the hard-hit peripheral countries remain in recession, but larger economies such as Italy and Spain slipped into clearly negative growth. The two largest countries, France and Germany, also lost a lot of their growth impetus. While the French economy stagnated, the German economy achieved growth of 0.7% due to a strong first half of the year. But strong economic headwinds also in Germany led to slightly negative growth in the fourth quarter. In total, the EMU therefore posted a GDP decrease for the year of approximately 0.5%. The period of the summer months was particularly alarming, when concern about the disintegration of the euro zone reached its peak. It was only due to the announcements made and measures taken by the ECB in September that the situation did not escalate any further and the financial markets calmed down again somewhat. However, the structural problems of the individual countries were not solved, so the European sovereign-debt crisis was by no means overcome at the end of 2012. The countries of Western Europe outside the EMU did not remain unaffected by the unfavorable environment, and also the British economy was unable to expand over the full year.

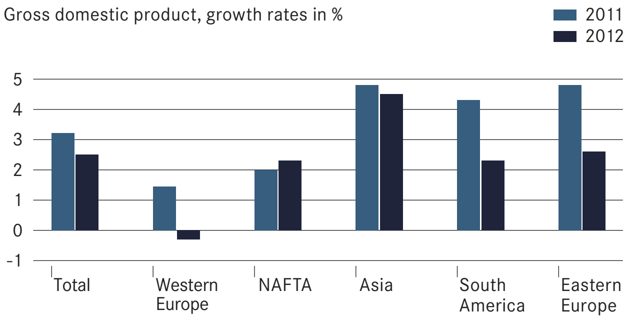
Against the backdrop of the global growth weakness, the emerging markets grew at an overall rate of approximately 4.5%, which is significantly more slowly than in the prior year (5.9%). The development in China was particularly worrying. Growth there slowed down continuously and fell below the 8% mark for the year as a whole. In India, economic expansion fell from 7.5% in 2011 to significantly less than 6%. High inflation rates dampened private consumption, and the resulting high central-bank interest rates reduced investment activity. Also in other emerging markets, there was a negative impact from hesitant export demand and turbulence on the financial markets due to the debt crisis in the euro zone. Economic growth in Eastern Europe and Latin America was significantly weaker than in the prior year with rates of approximately 2.5%, after well over 4% in 2011.

In this difficult global economy, exchange rates were once again very volatile. Against the euro, the US dollar fluctuated over the year in a range from $1.20 to $1.35. But at the end of 2012, it was close to the level of early 2011 at $1.32 to the euro. The fluctuation of the Japanese yen to the euro was even higher, within a corridor of ¥95 to ¥114. By the end of 2012, the euro had gained nearly 14% against the yen compared with the beginning of the year. Against the British pound, the euro closed the year with a slight depreciation of 2%, after rather less volatile movements towards the end of the year.

3.04

Economic growth

Gross domestic product, growth rates in %



Source: IHS Global Insight

Automotive markets. Despite relatively unfavorable economic conditions, the **worldwide demand for automobiles** grew by almost 7% in 2012, reaching a new record level. ↗ 3.05

The fact that this growth was actually higher than in 2011 is primarily due to special effects in the Japanese and the Thai markets, which slumped significantly following the natural disasters in 2011. In 2012, pent-up demand in combination with state incentives for car buyers led to strong market growth of 30% in Japan and actually more than 80% in Thailand. The US market also made a substantial contribution to the global growth in demand. The recovery of demand in the United States continued during 2012, resulting in market growth of a good 13% over the year as a whole. With a total of 14.4 million vehicles, new registrations were at their highest level since 2007, the last year before the beginning of the global financial crisis. Another important driver of demand was again the Chinese car market, which expanded by about 8% despite the economic slowdown and was thus once more the world's biggest car market, almost equal to the United States.

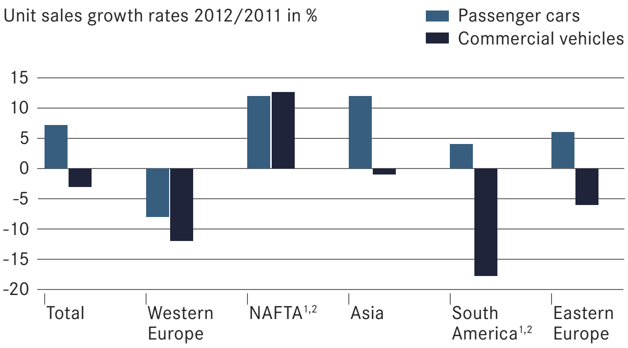
On the other hand, demand for cars in Western Europe was still affected by the sovereign-debt crisis and the related economic weakness. With contraction of 8% and sales of well below 12 million vehicles, the market was at its lowest level since 1993, when Western Europe was in a pronounced recession. Compared with the volumes achieved before the financial crisis, approximately three million fewer cars were sold in Western Europe last year, which is roughly equivalent to the number of new cars registered in Germany in 2012.

In the large emerging markets, however, the growth trend continued also outside China. In India, car sales increased by approximately 10%, once again expanding at a considerably higher rate than in the prior year. With growth of more than 10%, the Russian market exceeded the level of 2008, after demand had meanwhile slumped by about a half due to the worldwide financial crisis.

3.05

Global automotive markets

Unit sales growth rates 2012/2011 in %



1 Cars segment includes light-trucks
2 Medium- and heavy-duty trucks

Source: German Association of the Automotive Industry (VDA), various institutions

Global demand for medium and heavy-duty trucks decreased significantly in the year under review. This development was primarily due, however, to significant market contraction in China (about -25%) and India (about -15%). But apart from those two markets, which together make up nearly half of the world's total volume, worldwide registrations increased only moderately and varied significantly from one region to another.

Despite the significant slowdown during the year, the North American market developed positively with growth of almost 13%. The Japanese market posted a strong increase of 30%, profiting especially in the first half of the year from the reconstruction activities after the natural disaster, from pent-up demand for trucks, and also from state incentives for buyers. The latter ended in the third quarter, and the stimulating effect of reconstruction also subsided, so market growth weakened considerably in the second half of the year. The European truck market, which was suffering amongst other things from the ongoing sovereign-debt crisis in the euro zone and the resulting economic weakness, lost almost 10% of its volume. The German market was unable to escape this development and contracted by a similar magnitude.

The Brazilian market posted a drastic drop in demand of approximately 20%. This was the result of a significant economic slowdown as well as purchases brought forward to 2011 and considerable uncertainty in connection with the introduction of stricter emission limits. There was a revival of demand towards the end of the year, however. The Russian market, which had lost about two thirds of its volume due to the global financial crisis, continued its dynamic recovery with significantly double-digit growth once again, thus returning to the pre-crisis level of 2008.

The Western European **market for medium-sized and large vans**, which continues to be very important to Daimler, contracted by 8% as a result of the sovereign-debt crisis and the related consumer uncertainty. All the major Western European markets were affected, but demand dropped particularly sharply in the markets of Southern Europe. The market for large vans was generally favorable in the United States, however, while the Latin American markets were in aggregate weaker than in the prior year due to the slowdown of economic growth in Brazil. In China, the market of premium vans, which is relevant for us, also contracted last year.

European **bus markets** continued to contract as a result of the sovereign-debt crisis, with a particular impact on the route buses segment. In Turkey, the bus market profited from a clear revival of demand for city buses. In Latin America, however, the market volume decreased significantly. This was primarily due to the introduction of Euro V emission regulations in Brazil and the resulting unwillingness to buy.

Business development

Unit sales. As previously announced, Daimler further increased its unit sales in 2012. Sales of 2.2 million vehicles were 4 % higher than in 2011. Mercedes-Benz Cars and Daimler Trucks were responsible for the growth, while the Mercedes-Benz Vans and Daimler Buses divisions did not match their unit sales of the prior year.

The **Mercedes-Benz Cars** division continued along its growth path in 2012 with a new unit-sales record of 1,451,600 vehicles (2011: 1,381,400). The Mercedes-Benz brand also increased its unit sales with growth of 5% to the new record of 1,345,800 vehicles. This allowed us to improve our position in numerous markets. The S-Class sedans, the M-Class, the CLK and the C-Class coupe are global leaders in their respective market segments. As a result of our new and attractive SUV models, our unit sales in the SUV segment grew by 16% to 295,400 vehicles. In the S-Class segment we achieved the previous year's level with sales of 80,700 units, and in the C-Class segment we increased our unit sales by 3% to 425,000 units. For lifecycle reasons, unit sales in the E-Class segment decreased to 313,600 vehicles (-8%). Despite the model change of the A-Class in September 2012, we increased our unit sales in the compact-car segment by 20% to 231,100 vehicles. This was primarily due to strong sales of the B-Class. The market launch of the new A-Class was extremely successful. In fact, more than 70,000 orders had already been received by the time the model went on sale in September 2012. ↗ 3.06

Despite a partially difficult market environment, we were able to increase our unit sales in many markets. In Germany, Mercedes-Benz defended its position as the most successful premium brand with shipments of 261,100 vehicles (2011: 262,300). In Western Europe (excluding Germany), we were able to improve our position in nearly all markets. Total unit sales of 300,100 vehicles exceeded the prior-year level by nearly 5% despite weak markets in the countries of Southern Europe. In the United States, we set a new record with unit sales of 289,300 vehicles (+17%). And in China, retail sales rose by 1% to the new record of 196,200 vehicles. In order to optimize the inventories of our Chinese sale partners, we reduced unit sales, i.e. shipments to our dealer network, by 9%. Unit sales of Mercedes-Benz cars were particularly dynamic in Japan (+37%), Russia (+27%), Mexico (+27%), Switzerland (+23%) and the United Kingdom (+20%).

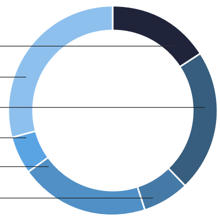
We sold a total of 105,700 smart fortwo cars in 2012, an increase of 6% compared with the prior year. The smart fortwo was particularly successful in the United States, Canada, Japan and China. see pages 144 ff

Daimler Trucks was able to increase its unit sales by 9% in 2012, although the market environment worsened significantly in the second half of the year. In total, we shipped 462,000 heavy-, medium- and light-duty trucks as well as buses of the Thomas Built Buses and Fuso brands, thus continuing as the biggest producer of trucks above 6 metric tons gross vehicle weight with a global reach. ↗ 3.07 This growth was primarily driven by the NAFTA region and Asian markets, while unit sales decreased slightly in Western Europe and significantly in Latin America. Due to the sovereign-debt crisis and the resulting unwillingness to buy, our unit sales in Western Europe decreased by 6% to 58,000 vehicles. But we performed well compared with our competitors: We once again improved our market share in the medium and heavy segments in the region of Western Europe as well as in Germany, our domestic market, thus reinforcing our market leadership. In Latin America, the introduction of stricter emission limits in Brazil, our main market, and the weak state of the overall economy led to a sharp decrease in unit sales to 46,200 vehicles (2011: 61,900).

In the NAFTA region, we achieved growth in unit sales of 18% to 135,000 vehicles despite a considerably weaker second half of the year. There was a positive impact from the high need to replace older vehicles, but many truck customers postponed their purchase decisions in the second half of the year due to the worsened economic outlook. In total we increased our market share in the NAFTA region for medium and heavy trucks of Classes 6 to 8 to 34%, thus strengthening our leading competitive position. ↗ 3.08

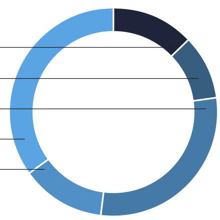
3.06
Unit sales structure of Mercedes-Benz Cars

A-/B-Class	16%
C-/CLK-/SLK-Class	29%
E-/CLS-Class	22%
S-/CL-/SL-Class/SLR/SLS/Maybach	6%
M-/R-/GL-/GLK-/G-Class	20%
smart	7%



3.07
Unit sales structure of Daimler Trucks

Western Europe	13%
Latin America	10%
NAFTA	29%
Asia	35%
Rest of World	13%



In Asia, Daimler Trucks sold 163,700 vehicles, which is 21% more than in 2011. Demand for trucks in Japan continued to be boosted by reconstruction activities after the natural disaster in the prior year. We not only increased our unit sales by 30% in Japan, we also improved our market share for heavy trucks. The development of unit sales was also very positive in Indonesia (+10%). In India, we shipped the first trucks of the new BharatBenz brand in September; 1.100 vehicles had already been sold by the end of the year. see pages 148 ff

3.08
Market share[1]

In %	2012	2011	12/11 Change in %-points
Mercedes-Benz Cars			
Western Europe	5.3	5.0	+0.3
thereof Germany	10.1	9.9	+0.2
United States	2.0	1.9	+0.1
China	1.4	1.4	+0.0
Japan	0.9	0.9	+0.0
Daimler Trucks			
Medium and heavy trucks Western Europe	22.9	22.3	+0.6
thereof Germany	39.2	37.5	+1.7
Heavy trucks NAFTA region (Class 8)	32.9	30.9	+2.0
Medium trucks NAFTA region (Classes 6 and 7)	36.9	34.1	+2.8
Medium and heavy trucks Brazil	25.5	25.2	+0.3
Trucks Japan	20.4	20.8	-0.4
Mercedes-Benz Vans			
Medium and large vans Western Europe	18.1	18.0	+0.1
thereof Germany	26.7	28.1	-1.4
Daimler Buses			
Buses over 8 metric tons Western Europe	28.3	27.0	+1.3
thereof Germany	48.9	50.0	-1.1
Buses over 8 metric tons Latin America	42.7	43.0	-0.3

1 Based on estimates in certain markets

In 2012, **Mercedes-Benz Vans** sold 252,400 vans of the Sprinter, Vito, Viano, Vario models - and since autumn also of the new Citan city van (2011: 264,200). Against the backdrop of the European sovereign-debt crisis and a challenging market environment, unit sales decreased by 8% to 164,900 vehicles in Western Europe, our most important sales market. Demand in the Western European volume markets in particular did not match the high level of 2011. Unit sales in Germany decreased by 8% to 71,100 vehicles after record unit sales in the previous year. The positive development of business continued in Eastern Europe, where we increased our unit sales by 6% to 24,000 vehicles. As in the prior year, the Sprinter continued its success in the United States, with growth of 19% to 21,500 vehicles and the best-ever market share of 8.3%. Due to the newgeneration Sprinter, unit sales also developed positively in Latin America, where sales of 14,000 vans were 2% above the prior-year level. In China, however, the negative development of the market for premium vans continued and unit sales reached only 8,800 vehicles (2011: 13,500). In total, we sold 159,000 units of the Sprinter (2011: 163,300), 83,700 of the Vito and Viano (2011: 98,000), and 2,700 of the Vario (2011: 2,900). 7,100 units of the new Citan city van were sold. Despite the difficult environment, Mercedes-Benz Vans was able to defend its market share of 18.1% in the segment of medium and large vans in Western Europe. see pages 152 f

With unit sales of 32,100 complete buses and bus chassis (2011: 39,700), **Daimler Buses** did not reach the prior-year level, but defended its position as market leader in its core markets in the segment for buses above 8 metric tons. The main reason for the decrease in unit sales was the negative development of sales of bus chassis in Latin America. Especially in Brazil, the region's most important bus market, our unit sales fell as expected due to the introduction of the stricter Euro V emission standards. In Western Europe, the sovereign-debt crisis had a dampening effect on customer demand; nonetheless, unit sales of 5,900 vehicles were at the prior-year level. Daimler Buses thus succeeded in further strengthening its leading position in Western Europe with a market share of 28.3% (2011: 27.0%). ↗ 3.08 In Latin America, sales of bus chassis under the Mercedes-Benz brand decreased by 29% to 17,800 units. With a market share of 42.7% (2011: 43.0%), the division clearly defended its leading market position in Latin America. In a stable Mexican market, we sold 3,500 units. Unit sales in the NAFTA region fell due to the discontinuation of sales of Orion city buses. see pages 154 f

The business of **Daimler Financial Services** continued to develop positively in the year under review. New business and contract volume both reached new record levels. Worldwide contract volume increased by 12% to €80.0 billion. Adjusted for exchange-rate effects, there was an increase of 13%. New business increased compared with the prior year by 14% to €38.1 billion. Nearly all regions contributed to this expansion, with particularly high growth rates in Asia. Last August, we became the first premium automaker to offer leasing products in China. In India, we successfully started the financing business for BharatBenz, Daimler's new locally produced truck brand. In November 2012, we launched vehicle financing also in Malaysia. In the insurance business, we brokered more policies in 2012 than ever before: The number of policies concluded increased by 13% to approximately 1,100,000. In the area of mobility services, our innovative car2go car-sharing concept is meanwhile represented in 18 cities in Europe and North America; last year, it more than quadrupled its customer base to approximately 270,000 customers. see pages 156 f

Order situation. The Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses divisions produce vehicles predominantly to order in accordance with customers' specifications. While doing so, we flexibly adjust the production numbers to changing levels of demand. Mainly as a result of strong demand in the United States and in various emerging markets, the volume of orders received by Mercedes-Benz Cars in 2012 exceeded the high prior-year level, despite the negative impact of the European debt crisis. On the product side, this was primarily due to the models of the new compact class and the ongoing strong success of our SUVs. As a result of growing demand, we increased our production volumes, but the order backlog at the end of the year was still slightly higher than a year earlier. Orders received by Daimler Trucks decreased in the second half of the year due to the weakening of the world economy. The total number of orders received in 2012 was therefore lower than in the prior year, although we adjusted production volumes to the reduced demand in the second half of the year.

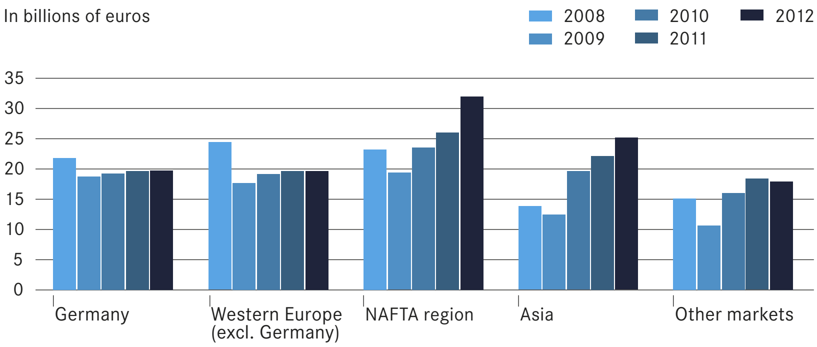
Revenue. The Daimler Group increased its total revenue in the year 2012 by 7% to €114.3 billion; adjusted for exchange-rate effects, there was an increase of 4%. This means that the positive business development of 2011 continued, as we had expected at the beginning of 2012, although growth impetus became weaker towards the end of the year. Revenue grew by 7% to €61.7 billion at Mercedes-Benz Cars and by 9% to €31.4 billion at Daimler Trucks. Mercedes-Benz Vans' revenue of €9.1 billion was slightly lower than the prior-year level, while Daimler Buses' revenue decreased by 11% to €3.9 billion. At the Daimler Financial Services division, revenue rose by 12% to €13.6 billion. ↗ 3.10

In regional terms, Daimler achieved revenue growth in the NAFTA region (+23% to 31.9 billion). ↗ 3.09 But we also increased our revenue in Asia (+11% to €25.1 billion) and Eastern Europe (+8% to €6.9 billion). The business volume of €39.4 billion in Western Europe was at the prior-year level; this development was reflected in both Germany and the other markets of Western Europe in aggregate. In general, the regional distribution of Daimler's revenue has altered significantly in recent years in favor of new markets. We now generate 36% of our business in markets outside the United States, Western Europe and Japan. That proportion was just 28% in 2008.

3.10
Revenue by division

In millions of euros	2012	2011	12/11 % change
Daimler Group	114,297	106,540	+7
Mercedes-Benz Cars	61,660	57,410	+7
Daimler Trucks	31,389	28,751	+9
Mercedes-Benz Vans	9,070	9,179	-1
Daimler Buses	3,929	4,418	-11
Daimler Financial Services	13,550	12,080	+12

3.09
Consolidated revenue by region



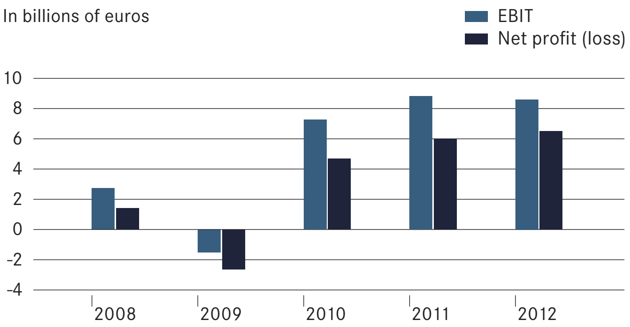
Profitability

3.11
EBIT by segment

In millions of euros	2012	2011	12/11 % change
Mercedes-Benz Cars	4,389	5,192	-16
Daimler Trucks	1,714	1,876	-9
Mercedes-Benz Vans	541	835	-35
Daimler Buses	-232	162	.
Daimler Financial Services	1,292	1,312	-2
Reconciliation	911	-622	.
Daimler Group	8,615	8,755	-2

3.12
Development of earnings

In billions of euros



EBIT

The **Daimler Group** achieved EBIT of €8.6 billion in 2012 (2011: €8.8 billion). ↗ 3.11 ↗ 3.12

The development of earnings reflects further increases in unit sales at Mercedes-Benz Cars and Daimler Trucks, despite partially difficult market conditions. Unit sales by Daimler Buses and Mercedes-Benz Vans decreased, however. A shift in the regional structure of unit sales, a less favorable model mix and higher expenses in connection with the expansion of the product portfolio at Mercedes-Benz Cars and the current product offensive at Daimler Trucks also had an impact on Group EBIT. In addition, Mercedes-Benz Vans incurred expenses in connection with the impairment of the Chinese joint venture Fujian Benz Automotive Corporation. Daimler Financial Services achieved earnings at the prior-year level. The development of currency exchange rates had an overall positive effect on Group EBIT.

EBIT also includes significantly higher expenses from the compounding of non-current provisions as well as effects from lower discount rates (2012: €543 million; 2011: €225 million).

The repositioning of the European and North American business systems of Daimler Buses, which was decided upon in the first quarter of 2012, resulted in expenses of €155 million. The sale of 7.5% of the shares in EADS resulted in a gain of €709 million in the reporting period.

In 2011, charges of €80 million were recognized at Daimler Trucks and Daimler Financial Services in connection with the natural disaster in Japan. Group EBIT for that year also included charges from the impairment of Daimler's investments in Renault (€110 million) and Kamaz (€32 million).

The special items affecting earnings in the years 2012 and 2011 are listed in the table. ↗ 3.13

Mercedes-Benz Cars posted EBIT of €4,389 million, which is lower than the prior-year result of €5,192 million. The division's return on sales was 7.1% (2011: 9.0%). ↗ 3.14

In an economic environment that became increasingly difficult during the year, unit sales developed well. We achieved high growth rates in particular in the segments of compact cars and SUVs. In regional terms, our business in the United States developed very positively. Growth in earnings was also realized by positive exchange-rate effects. There were negative effects on earnings from a shift in the regional structure of unit sales and the changed model mix. Furthermore, EBIT was reduced by expenses for the enhancement of our products' attractiveness, capacity expansion and advance expenditure for new technologies and vehicles. This negative effect on earnings was only partially offset by ongoing efficiency improvements. In addition, the compounding of non-current provisions and effects from changes in interest rates led to higher expenses.

EBIT of €1,714 million reported by **Daimler Trucks** was lower than in the prior year (2011: €1,876 million). The division's return on sales was 5.5% (2011: 6.5%). ↗ 3.14

Earnings were boosted on the one hand by the positive development of unit sales and revenue in the NAFTA region and Asia. Lower warranty expenses and exchange-rate effects also made a positive contribution. On the other hand, earnings were reduced by the current product offensive and by lower demand in Brazil and Western Europe. The decline in demand was related to weaker economic developments and in Brazil additionally to the introduction of new emission limits as of the beginning of 2012. Expenses arose from the compounding of non-current provisions and from the effects of interest-rate changes. Earnings for the previous year include expenses of €70 million due to the natural disaster in Japan and an impairment charge on the investment in Kamaz (€32 million).

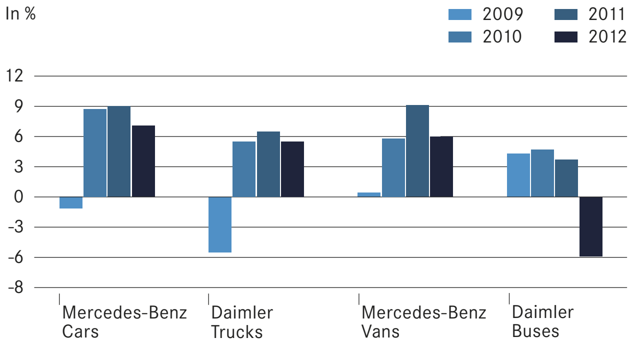
Mercedes-Benz Vans achieved EBIT of €541 million in 2012 (2011: €835 million). The division's return on sales was 6.0%, compared with 9.1% in the prior year. ↗ 3.14

The decrease in earnings was partially related to lower levels of unit sales, especially caused by the significantly weaker market in Western Europe. Good product quality was reflected by lower warranty costs. Exchange-rate effects also had a positive impact on earnings. There was an opposing effect from expenses of €64 million in connection with the impairment of the Chinese joint venture Fujian Benz Automotive Corporation. Earnings were additionally reduced by expenses connected with the market launch of the Citan city van and the launch of the new Sprinter in Argentina.

3.13
Special items affecting EBIT

	2012	2011
In millions of euros		
Daimler Trucks		
Impairment of investment in Kamaz	–	-32
Natural disaster in Japan	–	-70
Mercedes-Benz Vans		
Impairment of joint venture Fujian Benz Automotive Corporation	-64	–
Daimler Buses		
Business repositioning	-155	–
Daimler Financial Services		
Natural disaster in Japan	–	-10
Reconciliation		
Impairment of investment in Renault	–	-110
Gain on the sale of EADS shares	+709	–

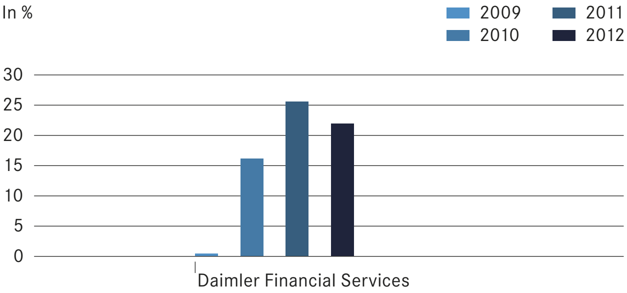
3.14
Return on sales



3.15

Return on equity

In %



3.16

Value Added = Profit Measure – (Net Assets x Cost of Capital (%))

Cost of Capital

3.17

Value Added = [Return on Sales x Net Assets Productivity – Cost of Capital (%)] x Net Assets

3.18

Cost of capital

	2012	2011
In percent		
Group, after taxes	8	8
Industrial dvisions, before taxes	12	12
Daimler Financial Services, before taxes	13	13

Daimler Buses posted EBIT for the year of minus €232 million (2011: plus €162 million). The division's return on sales was minus 5.9% (2011: plus 3.7%). ↗ 3.14

The decrease in earnings was primarily the result of lower sales of bus chassis due to the difficult business situation in Latin America as well as an unfavorable model mix in the declining European market. There were additional negative effects on earnings from expenses of €155 million for the repositioning of the European and North American business systems and from exchange-rate changes.

Daimler Financial Services achieved EBIT of €1,292 million in 2012, which is close to its earnings of the prior year (€1,312 million). The division's return on equity was 21.9% (2011: 25.5%). ↗ 3.15

A larger contract volume and exchange-rate effects contributed positively to the earnings development. There were opposing effects on earnings from lower interest margins and a normalization of risk costs, which had been unusually low in the prior year. Additional expenses arose in connection with the portfolio expansion. Prior-year earnings included allowances for bad debts in connection with the natural disaster in Japan (€10 million).

The **reconciliation** of the divisions' EBIT to Group EBIT comprises our proportionate share of the results of our equity-method investment in EADS, other gains and/or losses at the corporate level, and the effects on earnings of eliminating intra-group transactions between the divisions.

Daimler's proportionate share of the net profit of EADS amounted to €307 million (2011: €143 million). In addition, the Group realized a gain of €709 million on the sale of 7.5% of the shares of EADS during the reporting period. At the corporate level, an expense of €113 million was recognized (2011: expense of €588 million). Corporate items in the prior year included in particular litigation expenses and a charge on the impairment of our investment in Renault (€110 million).

The elimination of intra-group transactions resulted in income of €8 million in 2012 (2011: expense of €177 million).

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. ↗ 3.19 For purposes of performance measurement, Daimler differentiates between Group level and divisional level. Value added is one element of the performance measurement system at both levels and is calculated as the difference between the operating result and the cost of capital of the average net assets in that period. ↗ 3.16

Alternatively, the value added of the industrial divisions can be determined by using the main value drivers: return on sales (ROS, quotient of EBIT and revenue) and net assets productivity (quotient of revenue and net assets). ↗ 3.17

The use of ROS and net assets productivity within the context of a revenue growth strategy 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 and 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.

Net assets. ↗ 3.20 ↗ 3.22 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 for which the divisions are not held accountable. Average annual net assets are calculated from average quarterly net assets, which are calculated as the average of net assets at the beginning and the end of each quarter.

Cost of capital. ↗ 3.18 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. 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 expected return on the plan assets of the pension funds is derived from the expected interest, dividends and other income generated by the plan assets invested to cover the pension obligations. 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.

Return on sales. As one of the main drivers of value added, return on sales (ROS) is of particular importance for assessing the industrial divisions' profitability. The profitability measure for Daimler Financial Services is not ROS, but return on equity (ROE), in line with the usual practice in the banking business.

3.19
Value added

In millions of euros	2012	2011	12/11 % change
Daimler Group	4,185	3,726	+12
Mercedes-Benz Cars	2,716	3,775	-28
Daimler Trucks	396	796	-50
Mercedes-Benz Vans	387	690	-44
Daimler Buses	-369	23	.
Daimler Financial Services	526	643	-18

3.20
Net assets (average)

In millions of euros	2012	2011	12/11 % change
Mercedes-Benz Cars	13,947	11,814	+18
Daimler Trucks	10,987	9,000	+22
Mercedes-Benz Vans	1,284	1,212	+6
Daimler Buses	1,141	1,161	-2
Daimler Financial Services[1]	5,890	5,147	+14
Net assets of the divisions	33,249	28,334	+17
Investments accounted for using the equity method [2]	2,408	2,643	-9
Assets and liabilities from income taxes [3]	-80	-385	+79
Other reconciliation [3]	808	834	-3
Daimler Group	36,385	31,426	+16

1 Total equity
2 To the extent not allocated to the segments
3 Industrial business

3.21
Reconciliation to net operating profit

In millions of euros	2012	2011	12/11 % change
Mercedes-Benz Cars	4,389	5,192	-15
Daimler Trucks	1,714	1,876	-9
Mercedes-Benz Vans	541	835	-35
Daimler Buses	-232	162	-243
Daimler Financial Services	1,292	1,312	-2
EBIT of the divisions	7,704	9,377	-18
Income taxes [1]	-1,519	-2,515	+40
Othe reconciliation	911	-622	+246
Net operating profit	7,096	6,240	+14

1 Adjusted for tax effects of interest income

Value added

The **Group's value added** increased by €0.5 billion to €4.2 billion; representing a return on net assets of 19.5% (2011: 19.9%). This was once again considerably higher than the minimum required rate of return of 8%. Despite lower earnings by the operating divisions and higher net assets, the Group's value added surpassed the high level of the prior year. This was primarily due to the lower income tax expense and the sale of 7.5% of the shares of EADS. ↗ 3.19 ↗ 3.20

Mercedes-Benz Cars' value added decreased by €1.1 billion to €2.7 billion. Despite higher unit sales, earnings decreased due to the increasingly difficult economic environment as the year progressed as well as expenses related to the enhancement of our products' attractiveness, capacity expansion and advance expenditure for new technologies and vehicles. There was an additional negative impact from the increase in average net assets by €2.1 billion to €13.9 billion, mainly due to the higher level of fixed assets caused by increased investment for new products.

The decrease in value added at the **Daimler Trucks** division from €0.8 billion to €0.4 billion was caused on the one hand by the lower earnings mainly due to falling demand in Brazil and Western Europe, and on the other hand by expenses for the current product offensive. Furthermore, net assets increased by €2.0 billion as a result of higher inventories and fixed assets.

The value added of the **Mercedes-Benz Vans** division also decreased to €0.4 billion. The reason for this development was the fall in EBIT due to lower levels of unit sales, especially caused by the significantly weaker market in Western Europe. There were negative effects also in connection with the impairment of the Chinese joint venture Fujian Benz Automotive Corporation and expenses for the market launch of the new Citan city van and of the new Sprinter in Argentina. Average net assets were almost unchanged compared with the prior year.

At the **Daimler Buses** division, value added decreased from plus €23 million to minus €369 million. This development reflects the negative earnings due to lower unit sales of bus chassis, especially in Latin America, and the difficult market situation in Western Europe. There were additional effects from expenses connected with the repositioning of the European and North American business systems.

The value added of the **Daimler Financial Services** division decreased by €0.1 billion to €0.5 billion. Return on equity was 21.9% (2011: 25.5%). This development was primarily the result of the increase in average equity by €0.7 billion to €5.9 billion due to the higher contract volume. Earnings were at the level of the prior year.

Table ↗ 3.22 shows the derivation of net assets from the consolidated statement of financial position.

Statement of income

The Group's **total revenue** improved by 7.3% to €114.3 billion in 2012; adjusted for exchange-rate effects, it increased by 3.6%. The revenue growth primarily reflects higher shipments of vehicles by Mercedes-Benz Cars, increased unit sales by Daimler Trucks in North America and Asia, and the larger contract volume at Daimler Financial Services. Mercedes-Benz Vans posted a slight decrease in revenue. Revenue at Daimler Buses also decreased, as a result of lower unit sales of bus chassis. Further information on the development of revenue is provided in the "Business development" section of this Management Report. ↗ 3.23

Cost of sales amounted to €88.8 billion in the year under review, increasing by approximately 10% compared with the prior year (2011: €81.0 billion). The increase in cost of sales was caused by higher business volumes and consequentially higher material costs. Personnel expenses and depreciation of property, plant and equipment also increased. At Financial Services, depreciation of equipment on operating leases increased in connection with the growing leasing business. Overall, cost of sales increased at a higher rate than revenue, so gross profit in relation to revenue fell to 22.3% (2011: 24.0%). Further information on cost of sales is provided in Note 5 of the Notes to the Consolidated Financial Statements. ↗ 3.23

Due to the growth in unit sales, **selling expenses** increased by €0.6 billion to €10.5 billion. The main factors here were higher expenses for marketing, personnel and IT services. As a percentage of revenue, selling expenses decreased from 9.2% to 9.1%. ↗ 3.23

General administrative expenses increased to €4.0 billion (2011: €3.9 billion). The increase was partially due to higher costs for IT and consulting services. As a percentage of revenue, general administrative expenses decreased slightly to 3.5% (2011: 3.6%). ↗ 3.23

Research and non-capitalized development costs were unchanged compared with the prior year at €4.2 billion in 2012. They were mainly related to advance expenditure for the development of new models, the renewal of existing models, and the further development of drive systems and safety technologies. As a proportion of revenue, research and development costs decreased from 3.9% to 3.7%. Further information on the Group's research and development costs is provided in the "Research and development, environmental protection" section of this Management Report. ↗ 3.23

Other operating income increased to €1.5 billion (2011: €1.4 billion). The increase was mainly due to higher income from services charged to third parties. ↗ 3.23

3.22
Net assets of the Daimler Group at year-end

In millions of euros	2012	2011	12/11 % change
Net assets of the industrial business			
Intangible assets	8,761	8,174	+7
Property, plant and equipment	20,546	19,129	+7
Leased assets	12,163	10,849	+12
Inventories	17,075	16,575	+3
Trade receivables	6,864	7,580	-9
Less provisions for other risks	-11,316	-11,967	+5
Less trade payables	-8,515	-9,233	+8
Less other assets and liabilities	-14,464	-13,954	-4
Assets and liabilities from income taxes	573	24	.
Total equity of Daimler Financial Services	6,153	5,373	+15
Net assets	37,840	32,550	+16

3.23
Consolidated statement of income

In millions of euros	2012	2011	12/11 % change
Revenue	114,297	106,540	+7
Cost of sales	-88,784	-81,023	+10
Gross profit	25,513	25,517	.
Selling expenses	-10,451	-9,824	+6
General administrative expenses	-3,973	-3,855	+3
Research and non-capitalized development costs	-4,179	-4,174	.
Other operating income	1,507	1,381	+9
Other operating expense	-291	-355	-18
Share of profit/loss from investments accounted for using the equity method, net	990	273	.
Other financial income/expense, net	-501	-208	-141
Earnings before interest and taxes (EBIT)[1]	8,615	8,755	-2
Interest income	828	955	-13
Interest expense	-1,725	-1,261	+37
Profit before income taxes	7,718	8,449	-9
Income taxes	-1,223	-2,420	-50
Net profit	6,495	6,029	+8
thereof Profit attributable to non-controlling interest	400	362	+11
thereof **Profit attributable to shareholders of Daimler AG**	6,095	5,667	+8

1 EBIT includes expenses from the compounding of provisions and effects from changes in discount rates (2012: minus €543 million; 2011: minus €225 million).

Other operating expense decreased slightly to €0.3 billion (2011: €0.4 billion). ↗ 3.23

Further information on the composition of other operating income and expense is provided in Note 6 of the Notes to the Consolidated Financial Statements.

In 2012, our **share of profit from investments accounted for using the equity method** improved to €1.0 billion (2011: €0.3 billion). The increase primarily reflects the sale of 7.5% of the shares of EADS. ↗ 3.23

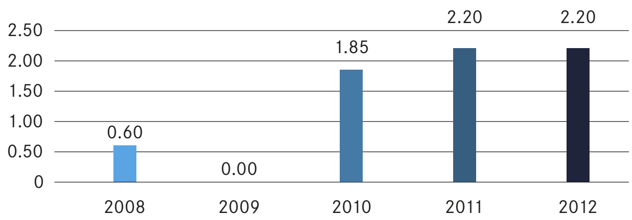
Other financial expense increased from €0.2 billion in 2011 to €0.5 billion in 2011. This is mainly due to higher expenses from the compounding of provisions and effects from changes in discount rates of €0.5 billion (2011: €0.2 billion). ↗ 3.23

The Group recorded a net **interest expense** of €0.9 billion (2011: €0.3 billion). The causes of the higher interest expense were higher expenses in connection with pension and health-care obligations and an increase in other interest expenses. The prior-year figure includes positive effects from interest-rate hedging instruments. ↗ 3.23

3.24

Dividend per share

In euros



The **income tax expense** for 2012 of €1.2 billion (2011: €2.4 billion) decreased partially due to the lower pre-tax profit. Profit before income taxes in 2012 includes the mainly tax-free gain on the sale of EADS shares. Both years were affected by tax benefits from the reversal of impairments recognized on deferred tax assets and 2012 was also affected by tax benefits from the tax assessment of prior years. The effective tax rate in 2012 was 15.8% (2011: 28.6%). ↗ 3.23

Net profit for the year amounts to €6.5 billion (2011: €6.0 billion), of which €400 million is attributable to non-controlling interest of subsidiaries (2011: €362 million). Net profit **attributable to shareholders of Daimler AG** amounts to €6.1 billion (2011: €5.7 billion), representing **earnings per share** of €5.71 (2011: €5.32). ↗ 3.23

The calculation of earnings per share (basic) is based on an average number of outstanding shares of 1,066.8 million (2011: 1,066.0 million).

Dividend

We want our shareholders to participate appropriately in our financial success. In setting the dividend, we aim to distribute approximately 40% of the net profit attributable to Daimler shareholders. The Board of Management and the Supervisory Board will propose to the shareholders for their approval at the Annual Meeting to be held on April 10, 2013 that a dividend of €2.20 per share be paid out (2011: €2.20). The total dividend payment will then amount to €2,349 million (2011: €2,346 million). ↗ 3.24

Research and development, environmental protection

Research and development is an important success factor. Research and development have always been given very high priority at Daimler. Our research activities help us to anticipate trends as well as customers' desires and the requirements they place on future mobility, which are then consistently integrated into series products by our development engineers. Our goal is to provide our customers with exciting products and tailored solutions for needs-oriented, safe and sustainable mobility. We organize our technology portfolio and our core competencies to ensure that we achieve this goal. see pages 164 ff

Key factors for the market success of our vehicles are the expertise, creativity and motivation of our employees in research and development. At the end of the year 2012, 21,100 persons were employed in Daimler's research and development departments around the world (end of 2011: 23,200). The decrease was primarily due to the deconsolidation of MBtech Group. see page 86 Of that total, 13,400 persons were employed at Group Research and Mercedes-Benz Cars Development (2011: 15,600), 5,600 at the Daimler Trucks division (2011: 5,500), 1,000 at the Mercedes-Benz Vans division (2011: 1,000) and 1,100 at Daimler Buses (2011: 1,100). More than 4,300 research and development personnel were employed outside Germany (2011: 4,400).

The largest sites in our research and development network are Sindelfingen and Stuttgart-Untertürkheim, in Germany. Our research and development locations in North America and Asia include Palo Alto, California and Portland, Oregon, as well as the research center for information and communication technology in Bangalore, India and the Global Hybrid Center in Kawasaki, Japan. And a new Daimler research and development center went into operation in Beijing during the year under review. Furthermore, we collaborate with various renowned research institutes worldwide and participate in international exchange programs for young scientists.

Effective involvement of the supplier industry. In order to achieve our ambitious goals, we collaborate intensively with the research and development departments of supplier companies. Particularly in view of rapid technological changes in the automotive industry and the need to bring new technologies to market maturity as quickly as possible, it is essential to coordinate our activities with supplier companies. But within the framework of joint research and development work, we ensure that core competencies in technologies important for the future of the automobile and for the uniqueness of our brands remain at the Group.

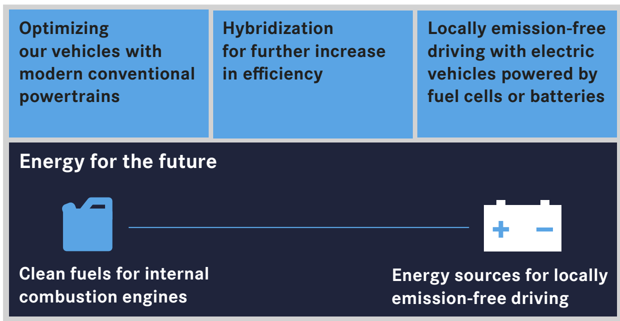
2,200 patents filed. Daimler newly registered a total of 2,200 patents in the year 2012 (2011: 2,175), most of which were in the areas of drive systems and safety. More than 1,000 patent applications related to the issue of emission-free mobility, in particular electric drive systems using power from batteries or fuel cells. In the coming years, we will further extend our technology and innovation leadership across all products and brands with the advantage of our industrial property rights.

€5.6 billion for research and development. We intend to continue playing an active part in shaping the technological transformation facing the automotive industry with pioneering innovations in the future. We therefore invested the large amount of €5.6 billion in research and development, the same as in the prior year. As in 2011 €1.5 billion of that amount was capitalized. Research and development expenditure also remained at a high level as a proportion of revenue, at a rate of 4.9% (2011: 5.3%). Based on our "Road to Emission-free Mobility" strategy, the main focus of our work was in the area of new, extremely fuel-efficient and environmentally friendly drive technologies in all automotive divisions. ↗ 3.25. We worked on optimizing conventional drive technologies as well as on achieving further efficiency improvements through hybridization and with electric vehicles using fuel cells or batteries. In order to further enhance the efficiency of our vehicles, we are also improving other key automotive aspects – from energy management to lightweight construction. Another focus of our activities is on new safety technologies: In the context of our "Vision of Accident-free Driving," we are pursuing the goal of avoiding accidents as far as possible and of alleviating the consequences to occupants and other road users of any accidents that might still occur.

The most important projects at Mercedes-Benz Cars were the additional models in the compact class and the new S-Class, the new E-Class and the successor models of the C-Class. In addition, we are continually working on new generations of engines and alternative drive systems. Total research and development expenditure at Mercedes-Benz Cars of €3.9 billion was once again higher than the high level of the prior year (2011: €3.7 billion). Daimler Trucks invested €1.2 billion in research and development projects (2011: €1.3 billion). The main areas there were the Arocs (a new Mercedes-Benz construction-site truck), the Antos (specially developed for heavy-duty distribution transport), new medium and heavy-duty engines, and successor generations of existing products. The focus of R&D expenditure at Mercedes-Benz Vans was on the successor models of the Vito and Viano and the new generation of the Sprinter. The Daimler Buses division concentrated its development activities on new products, the fulfillment of new emission standards and alternative drive systems. ↗ 3.26 ↗ 3.27

3.25

Road to emission-free mobility



Further reductions of our cars' CO_2 emissions. Thanks to our new and fuel-efficient engines and the particularly economical "BlueEFFICIENCY" models, we were able to reduce the average CO_2 emissions of the cars we sell in the European Union to 140 grams per kilometer in 2012 (2011: 150 g/km). We thus achieved an above-average reduction in the CO_2 emissions of our vehicle fleet once again in 2012, simultaneously undercutting the EU targets for this year. Our new models consume up to 30% less fuel than their predecessor models. The E 220 CDI BlueEFFICIENCY Edition, which has been available since March 2012, is one of the most economical cars in its segment. Thanks to various efficiency-enhancing features such as an aerodynamics package, electric power-assisted steering (EPS), a longer rear-axle ratio and tires with low roll resistance, this E-Class model emits only 119 g CO_2/km – ten grams or almost 8% less than before. That represents 4.5 liters of diesel per 100 kilometers. With the record figures of 4.1 liters of diesel per 100 km and 107 g CO_2/km, in June 2012 we launched the new E 300 BlueTEC HYBRID as the world's most fuel-efficient large sedan. The most fuel-efficient Mercedes-Benz of all time is the A 180 CDI BlueEFFICIENCY Edition, which we have been shipping to customers since March 2013. It uses only 3.6 liters of diesel per 100 kilometers and has CO_2 emissions of just 92 g/km. Meanwhile, more than 57% of our cars sold in Europe have CO_2 emissions of less than 140 g/km. We will reduce fuel consumption and CO_2 emissions even further in the future with innovative technologies for locally emission-free mobility. Our goal is to reduce the average CO_2 emissions of our new car fleet in the European Union to 125 grams per kilometer by 2016. In recent years, we have continuously reduced the emission of pollutants by our cars: by more than 80% since 1995 and by approximately 40% in the past five years. Even bigger reductions are achieved by our cars with BlueTEC diesel engines. We are global leaders for diesel engines with the BLUETEC technology. Our BLUETEC automobiles fulfill the strictest emission standards and are the cleanest diesel cars in the world. see pages 164 ff

Commercial vehicles with low fuel consumption and emissions. We have also continuously reduced the emissions of CO_2 and harmful substances by our commercial vehicles in recent years. We managed this, in combination with the introduction of the BLUETEC technology, with new and more efficient engines, needs-oriented axle ratios and improvements to tires and aerodynamics. With our new heavy-duty truck engines, we are the first manufacturer to fulfill the Euro VI emission standards that will be take effect in 2014. At the same time, those engines' fuel consumption is lower than for the predecessor models: up to 7% better with Euro V and up to 4% better with Euro VI, despite exhaust-gas after-treatment. This makes our new Actros and Antos model series the cleanest and most fuel-efficient vehicles in their class. In the North American market, we will set new standards for fuel consumption as of the year 2013 with the Freightliner Cascadia Evolution heavy truck: The new truck will consume up to 7% less fuel than the current model. This was measured and independently confirmed in a one-week test drive across the United States. Our new buses also deliver impressive fuel consumption figures. In the Record Run Buses 2012, the new Mercedes-Benz Citaro city bus and the new Setra ComfortClass 500 coach with Euro VI proved that buses are also able to fulfill the Euro VI emission limits while reducing fuel consumption by more than 8%. see page 166

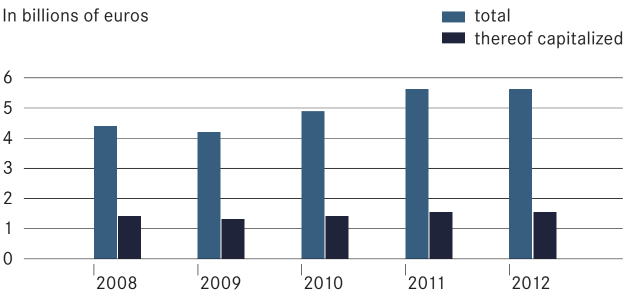
In particular with trucks and vans for local deliveries and with buses, fuel consumption can be significantly reduced also with the application of hybrid drive technology. The new Fuso Canter Eco Hybrid consumes approximately 25% less fuel than a comparable diesel truck and the Freightliner M2e Hybrid uses up to 30% less fuel than the conventional diesel-engined M2 106. No other manufacturer of commercial vehicles has more experience, testing and technology ready for series production in the field of alternative drive systems and electric mobility – from vans to trucks to buses. Worldwide, more than 880,000 environmentally friendly commercial vehicles from Daimler with SCR technology and another 18,000 with alternative drive technology are on the road.

For our total fleet in Europe, we want to reduce our trucks' fuel consumption by an average of 20% per ton per kilometer during the period of 2005 through 2020. To achieve this goal, we continue to work hard on technological innovations.

3.26

Research and development expenditure

In billions of euros



3.27

Research and development expenditure by division

	2012	2011	12/11
in millions of euros			% change
Daimler-Group	5,644	5,634	+0
thereof capitalized	1,465	1,460	+0
Mercedes-Benz Cars	3,863	3,733	+3
thereof capitalized	1,125	1,051	+7
Daimler Trucks	1,197	1,321	-9
thereof capitalized	180	251	-28
Mercedes-Benz Vans	371	358	+4
thereof capitalized	137	126	+9
Daimler Buses	222	225	-1
thereof capitalized	23	32	-28

€2.8 billion for environmental protection. Once again in the year 2012, we intensively pursued the goal of preserving resources and reducing all relevant emissions. We take the effects of all our processes into consideration – from vehicle development to production and to recycling and environmentally friendly disposal. Last year, we increased our spending on environmental protection by 9% to €2.8 billion.

Far-reaching recyclability of end-of-life vehicles. In order to increase the environmental compatibility of our vehicles, we reduce their emissions and use of resources over their entire lifecycles. We therefore consider the needs of recycling already in the stages of design and development. All Mercedes-Benz models are 85% material recyclable and 95% recoverable – so we already fulfill the stipulations of the EU regulations that come into force in 2015.

Proven elements of our recycling concept include the resale of tested and certified used parts, the reconditioning of so-called exchange parts, and the workshop disposal system, MeRSy Recycling Management.

Extensive activities for environmental protection in production. With the help of environmentally friendly production methods, we have succeeded in recent years in reducing our plants' energy consumption, CO_2 emissions, production-related solvent emissions and noise pollution. For example, from 2007 to 2012, energy consumption increased at a much lower rate than the growth in production: by just 2.4% to €10.9 million megawatt hours. During the same period, total CO_2 emissions decreased by 12% to 3.2 million tons due to the changeover to energy sources with lower CO_2. With the energy-saving projects now running, we have been at least partially able to compensate for the additional energy consumption resulting from the growth in production and the start-up of the two new plants in India and Hungary. Compared with the prior year, energy consumption therefore rose only slightly by 6% and CO_2 emissions increased by only 0.5%. With resource-conserving technologies such as circulation systems, we reduce water consumption between 2007 and 2012 by more than 4%. Compared with the prior year, water consumption was unchanged despite the increased production.

In the area of waste management, our guiding principle is that avoidance and recycling are better than disposal. The recycling and reuse of raw materials and manufacturing supplies has therefore been standard practice in our plants for many years. In order to avoid waste right from the start, we apply innovative technical methods and an environmentally friendly production planning system. Most of the waste that we cannot avoid is reused; the average recycling ratio of waste from our plants is above 92%. In some plants, nearly 100% of all waste is recycled, so sending waste to landfills is almost completely avoided.

We make use of comprehensive environmental management systems in our efforts to make further progress in the field of environmental protection. More than 98% of our employees worldwide work in plants whose environmental management systems have been certified according to ISO 14001 or EMAS environmental standards.

The figures stated for the year 2012 are based on extrapolations; the exact figures will be released with the publication of the new Sustainability Report in April 2013.
daimler.com/sustainability

Employment

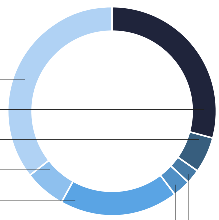
Workforce growth. As of December 31, 2012, the Daimler Group employed a total of 275,087 people. Due to the significant increase in our business volumes, the workforce grew by 3,717 persons. While the number of employees in Germany decreased slightly to 166,363 (2011: 167,684), there was growth in the United States to 21,720 (2011: 20,702). At year-end, 14,610 people were employed in Brazil (2011: 14,533) and 11,286 in Japan (2011: 11,479). Our consolidated subsidiaries in China employed a total of 2,730 people at the end of last year (2011: 2,121). The number of apprentices and trainees at the Group was 8,267 (2011: 8,499). The parent company, Daimler AG, employed 149,644 people as of December 31, 2012 (2011: 148,651).

Employment at the Daimler Trucks and Daimler Financial Services divisions increased significantly in the year under review (+4% and +10% respectively). While there were slight increases compared with the end of 2011 also at Mercedes-Benz Vans (+0%) and in our sales and marketing organization (+2%), fewer people were employed by Mercedes-Benz Cars (-1%) and Daimler Buses (-3%). ↗ 3.28 Further information on the development of employment and other personnel topics can be found in the chapter "Human Resources" of this Annual Report. see pages 168 f

High level of profit sharing. Daimler's Board of Management and General Works Council had agreed that there would be a high performance participation bonus for the successful year 2011. At the end of April 2012, an amount of €4,100 was paid to each eligible employee of Daimler AG. This is a clear sign of recognition of our employees' hard work and commitment.

3.28
Employees by division

Daimler Group	275,087
Mercedes-Benz Cars	98,020
Daimler Trucks	80,519
Mercedes-Benz Vans	14,916
Daimler Buses	16,901
Sales Organization	50,683
Daimler Financial Services	7,779
Other	6,269



Despite the worsening economic environment, the year 2012 also drew to a successful conclusion. Therefore, the eligible employees of Daimler AG in Germany will once again be rewarded with a fair and appropriate performance participation bonus. We will inform of the exact level of that bonus as soon as the Board of Management and the Group Works Council have decided on criteria for the performance participation bonus with long-term validity. The payout is planned for April 2013 as usual.

Average age at prior-year level. The average age of our employees worldwide in 2012 was 41.9 (2011: 41.9). In Germany, the average age of the employees was 43.1 (2011: 43.0). In our core workforce in Germany, the proportion of employees who are 50 or over is currently 30%. That proportion can increase to approximately 50% in the next ten years. This demographic trend will be accelerated by wage-tariff and statutory conditions such as retirement at the age of 67.

In order to meet the challenges presented by this demographic development, we have firmly anchored generation management in our human resources strategy. The management of an aging workforce requires on the one hand workplaces appropriate for older people, and on the other hand the safeguarding of our employees' knowledge and experience.

Employees' average period at the Group and proportion of women in management positions. The average period for which Daimler employees have been at the Group was close to the prior-year level at 15.8 years in 2012 (2011: 15.9). At the end of the year, Daimler Group employees in Germany had been with us for an average of 18.8 years (2011: 18.8); the average for employees of Daimler AG was 19.1 years (2011: 19.0). The average period for our employees outside Germany was 11.0 years (2011: 11.2). Women accounted for 14.4% of the total workforce of Daimler AG at the end of 2012 (2011: 13.9%). In management positions of Levels 1 to 4, the proportion of women increased from last year's 12.4% to 13.4%.

Procurement

Global procurement activities. The Daimler Group's procurement organization consists of three departments – Procurement Mercedes-Benz Cars and Vans, Procurement Daimler Trucks and Buses, and International Procurement Services for non-production materials – and is present at more than 50 locations all over the world. The goal of the procurement organization is to create the world's most effective supplier network and thus to contribute to Daimler's overall success. The best suppliers are recognized each year for their outstanding performance with the Daimler Supplier Award. In the context of the Daimler Key Supplier Meetings in 2012, we also awarded a special prize in the category of "Partnership" to our Japanese suppliers. Above all, this was to honor the exceptional commitment of our Japanese partners with the reconstruction of the supply chain after the natural disaster in March 2011.

Performance-oriented partnership with our suppliers. Under the "Commitment to Excellence" motto, the Daimler Supplier Network (DSN) defines the business philosophy of Daimler's procurement organization. Its principles are performance and partnership: With the help of the external balanced scorecard, suppliers' performance is measured in the categories of quality, technology, costs and reliability. To us, partnership means fairness, dependability and credibility.

Sustainability and integrity in procurement. In order to be successful also in the future, we take our responsibility to the environment and society very seriously. Our suppliers are contractually obliged to fulfill the standards we have defined in the areas of business ethics, environmental protection and human rights. In addition, they are also required to propagate those standards in their upstream value chains. We support our suppliers with this task by providing targeted information and extensive possibilities to obtain further qualifications. The central information platform for this is the Daimler Supplier Portal. In 2012, we reformulated our principles and the expectations we place on our suppliers with regard to the topic of integrity, and communicated them to our suppliers around the world in the form of a brochure.

Expansion of local sourcing activities. Daimler is expanding its procurement activities in international markets. In the future, we want to purchase more from local suppliers – especially in those countries where we are expanding our production activities. In 2012 for example, we started various activities for the development of local suppliers and sub-suppliers in the BRIC countries.

Prices of raw materials remain volatile. Market uncertainty in connection with the European sovereign-debt crisis once again led to large price fluctuations in raw-material and capital markets in 2012. After the economy-related fall in raw-material prices in late 2011, the trend reversed in early 2012 and led to significant price increases, especially in the first quarter. As the year progressed, somewhat lower raw-material prices were offset by the euro's loss in value. Overall, the development of prices continued to be very volatile. Daimler protects itself against price fluctuations with a number of measures, including long-term agreements and hedging transactions.

Continuous risk management. In the year 2012, we continued to regularly monitor the financial development of our suppliers in the context of our risk management. We focused on refinancing, the development of working capital and the continuation of productivity-enhancing projects. Due to the great importance of suppliers for our production processes, the Daimler Supplier Risk Board convenes regularly. If required, it also develops and decides on measures so that we can react at short notice to any potential supplier insolvencies.

Information technology

Efficient design of business processes. Daimler's internal IT organization (Information Technology Management – ITM) has approximately 5,000 employees worldwide and is involved in nearly all of the Group's business processes – from product development to vehicle production to sales and financing workflows. In addition, it is playing an increasingly central role with the design of new business models or mobility concepts. The key task of information technology (IT) consists of providing these business processes with efficient and innovative systems, thus ensuring that business activities can run smoothly. Through the integration of IT into business processes and the growing networking of data, systems and sites, there is a rising worldwide requirement for flexible IT solutions that can be quickly adapted to the divisions' needs.

Information security remains a key topic. The benefits of effective data access and the risks of potential damage from data misuse have to be permanently compared and evaluated. This applies in particular to data that is subject to data protection. ITM therefore moderates and monitors the classification of data into the categories of public, internal, confidential and secret. Furthermore, courses were started in 2012 to train Daimler's employees all over the world in 21 languages in the principles of information security.

Development of IT landscapes in growth markets. With modular and flexible IT solutions, we once again made an important contribution in 2012 to expanding the divisions' presence in growth markets and enhancing their effectiveness. For example in Chennai, India, the "IT Readiness" project prepared the IT landscape for production at BharatBenz. And in Beijing, China, we applied "BBAC Future IT" at the Chinese joint venture Beijing Benz Automotive Co. to introduce the local IT infrastructure and IT support for all relevant processes for the plant's expansion. Standardized IT landscapes were implemented in Kecskemét, Hungary, and for the joint venture with Foton in China. Within the framework of cooperation with Renault-Nissan, ITM provided the IT solutions for all business processes from engineering to after sales.

In order to perform the upcoming tasks, we have recruited properly qualified specialist personnel in the growth markets. In the past two years, the IT staff was nearly tripled in China and doubled in Turkey. In total, the number of qualified IT employees has grown by almost 70% in the markets of China, Turkey, India and Brazil.

Growth through IT efficiency. Efficient IT systems are becoming increasingly important for the development of new markets and the launch of new vehicles. An example of this is the logistics systems in the car plants of Mercedes-Benz, which we are continually modernizing. With the "Automotive Supply" project, we changed over the Bremen plant in 2012 – after Rastatt and Kecskemét – to an ultra-modern and thoroughly integrated SAP system. Also in the after-sales business, we are creating the right conditions for significant efficiency advances with the start of the "Service Parts Management@ Mercedes-Benz" project. In this project, we will replace approximately 50 logistics systems with an integrated IT system for order, inventory and supplier management, and will replace the inventory management at seven locations by 2018. As the first step, an optimized inventory control and management system will be rolled out in the European regional warehouses.

"Always on" – IT is a factor for value added and innovation. An effective IT landscape not only ensures efficient workflows, it also enhances the Group's attractiveness as an innovative employer.

This is supported by the Group-wide "next workplace" project, whose mass rollout was started in the fourth quarter of 2012. Approximately 200,000 PC workplaces will be migrated worldwide to a uniform, modern and effective collaboration platform. More than 10,000 mailboxes and some 100,000 PCs were changed over to a new operating system and new software in 2012. In addition, the platform will promote inter-team cooperation also in virtual teams.

The IT organization also plays a key role with mobility concepts. With the "moovel" mobility platform, which is running in Stuttgart and Berlin as a pilot project, Daimler is consistently developing the idea of individual mobility for different groups of customers. IT forms the technical back-end platform. It networks the various mobility providers' individual services and allows access to the services offered via smartphones, PCs and tablet computers.

The digital integration of the sales process (web-based sales workplace "Mercedes-Benz Point of Sales", MBC POS), which was started in the prior year, was continued in 2012. Sales discussions link up seamlessly with customers' Internet inquiries – for example via the new Mercedes-Benz car configurator with 3D images. Sales personnel have access to an interface with all the required functions – from the configuration of new cars to cars in stock to financial services. Following a successful start in the Swiss market, we integrated additional dealerships in the United Kingdom into the pilot operation in 2012. At the same time, selected sales processes were realized in MBC POS for mobile devices such as tablets, allowing customer advice directly at or in the vehicle.

Awards for excellent IT services. ITM's services have once again received external awards: In the GreenIT Best Practice Awards 2012, Daimler took first place in the category of "Green through IT." In addition, Daimler Trucks North America received the "Top 20 Innovation Award" from the magazine "Heavy Duty Trucking" for an innovative diagnosis system which carries out an analysis of engine electronics in real time. And the IT organization received the "SAP Quality Award in Gold" for quality in project management with the implementation of a project in the logistics of the after-sales area. Furthermore, the Daimler-subsidiary TSS GmbH received "Europe's IT Workplace 2012 Award." This is given by the internationally active Best Quality Institute to the best employers in the IT sector.

Liquidity and Capital Resources

Principles and objectives of financial management

Financial management at Daimler consists of capital structure management, cash and liquidity management, pension asset management, market price risk management (foreign exchange rates, interest rates, commodity prices) and credit and financial country risk management. Worldwide financial management is performed within the scope of legal requirements for all Group entities by Treasury. Financial management operates within a framework of guidelines, limits and benchmarks, and is organizationally separate from other financial functions such as settlement, financial controlling, reporting and accounting.

Capital structure management designs the capital structure for the Group and its subsidiaries. Decisions regarding the capitalization of financial services companies, as well as production, sales and financing companies, are based on the principles of cost-optimized and risk-optimized liquidity and capital resources. In addition, it is necessary to adhere to various restrictions on capital transactions and on the transfer of capital and currencies.

Liquidity management secures the Group's ability to meet its payment obligations at any time. For this purpose, liquidity planning provides information about all cash flows from operating and financial activities in a rolling plan. The resulting financial requirements are covered by the use of appropriate instruments for liquidity management (e.g. bank credits, commercial papers, notes); liquidity surpluses are invested in the money market or the capital market to optimize risk and return. Our goal is to ensure the level of liquidity regarded as necessary at optimal costs. Besides operational liquidity, Daimler keeps additional liquidity reserves which are available in the short term. These additional financial resources include a pool of receivables from the financial services business which are available for securitization in the credit market, as well as a contractually confirmed syndicated credit line in a volume of €7 billion.

Cash management determines the Group's cash requirements and surpluses. The number of external bank transactions is minimized by the Group's internal netting of cash requirements and surpluses. Netting is done by means of cash-concentration or cash-pooling procedures. Daimler has established standardized processes and systems to manage its bank accounts, internal cash-clearing accounts and the execution of automated payment transactions.

Management of market price risks aims to minimize the impact of fluctuations in foreign exchange rates, interest rates and commodity prices on the results of the divisions and the Group. The Group's overall exposure to these market price risks is determined to provide a basis for hedging decisions, which include the definition of hedging volumes and corresponding periods as well as the selection of hedging instruments. Decisions regarding the management of risks resulting from fluctuations in foreign exchange rates and commodity prices, as well as decisions on asset/liability management (interest rates), are regularly made by the relevant committees.

Management of pension assets includes the investment of pension assets to cover the corresponding pension obligations. Pension assets are held in separate pension funds and are thus not available for general business purposes. The funds are allocated to different asset classes such as equities, fixed-interest securities, alternative investments and real estate, depending on the expected development of pension obligations and with the help of a process for risk-return optimization. The performance of asset management is measured by comparing with defined reference indices. Local custodians of the pension funds are responsible for the risk management of the individual pension funds. The Global Pension Committee limits these risks by means of a Group-wide binding guideline with due consideration of applicable laws. Additional information on pension plans and similar obligations is provided in Note 22 of the Notes to the Consolidated Financial Statements.

The risk volume that is subject to **credit risk management** includes all of Daimler's worldwide creditor positions with financial institutions, issuers of securities and customers in the financial services business and automotive businesses. Credit risks with financial institutions and issuers of securities arise primarily from investments executed as part of our liquidity management and from trading in derivative financial instruments. The management of these credit risks is mainly based on an internal limit system that reflects the creditworthiness of the respective financial institution or issuer. The credit risk with customers of our automotive businesses relates to contracted dealerships and general agencies, other corporate customers and retail customers. In connection with the export business, general agencies that according to our creditworthiness analysis are not sufficiently creditworthy are generally required to provide collateral such as first-class bank guarantees. The credit risk with end customers in the financial services business is managed by Daimler Financial Services on the basis of a standardized risk management process. In this process, minimum requirements are defined for the sales financing and leasing business and standards are set for credit processes as well as for the identification, measurement and management of risks. Key elements for the management of credit risks are appropriate creditworthiness assessments, supported by statistical analyses and evaluation methods, as well as structured portfolio analysis and monitoring.

Financial country risk management includes various aspects: the risk from investments in subsidiaries and joint ventures, the risk from the cross-border financing of Group companies in risk countries, and the risk from direct sales to customers in those countries. A Credit Committee sets country limits for this cross-border financing. Daimler has an internal rating system that divides all countries in which it operates into risk categories. Equity capital transactions in risk countries are hedged against political risks with the use of investment-protection insurance such as the German government's investment guarantees. Some cross-border receivables due from customers are protected with the use of export-credit insurance, first-class bank guarantees and letters of credit. In addition, a committee sets and restricts the level of hard-currency credits granted to financial services companies in risk countries.

Additional information on the management of market price risks, credit default and liquidity risks is provided in Note 31 of the Notes to the Consolidated Financial Statements.

Cash flows

Cash provided by operating activities ↗ 3.29 of minus €1.1 billion was lower than in the prior year. There were negative effects from the lower net profit before income taxes and the higher volume of new business in the area of leasing and sales financing. The increase in working capital was slightly higher than in the prior year. The comparatively low increase of inventories and the decrease of trade receivables did not fully offset the development of trade payables. Positive effects resulted from lower income-tax payments (€2.1 billion; 2011: €2.8 billion); the prior year was significantly affected by payments of income taxes for previous years in North America. The year-on-year comparison is also affected by significantly lower contributions to pension funds (€1.1 billion; 2011: €2.0 billion).

3.29
Condensed consolidated statement of cash flows

In millions of euros	2012	2011	12/11 Change
Cash and cash equivalents at beginning of year	9,576	10,903	-1,327
Net cash from operating activities	-1,100	-696	-404
Net cash used in investing activities	-8,864	-6,537	-2,327
Net cash from financing activities	11,506	5,842	5,664
Effect of exchange-rate changes on cash and cash equivalents	-122	64	-186
Cash and cash equivalents at end of year	10,996	9,576	1,420

3.30
Free cash flow of the industrial business

In millions of euros	2012	2011	12/11 Change
Net cash from operating activities	7,527	7,346	+181
Net cash used in investing activities	-8,166	-6,263	-1,903
Changes in marketable debt securities	2,699	-36	+2,735
Other adjustments	-608	-58	-550
Free cash flow of the industrial business	1,452	989	+463

3.31
Net liquidity of the industrial business

In millions of euros	Dec. 31, 2012	Dec. 31, 2011	12/11 Change
Cash and cash equivalents	9,887	8,908	+979
Marketable debt securities	3,841	1,171	+2,670
Liquidity	13,728	10,079	+3,649
Financing liabilities	-2,883	2,275	-5,158
Market valuation and currency hedges for financing liabilities	663	-373	+1,036
Financing liabilities (nominal)	-2,220	1,902	-4,122
Net liquidity	11,508	11,981	-473

3.32
Net debt of the Daimler Group

In millions of euros	Dec. 31, 2012	Dec. 31, 2011	12/11 Change
Cash and cash equivalents	10,996	9,576	+1,420
Marketable debt securities	5,598	2,281	+3,317
Liquidity	16,594	11,857	+4,737
Financing liabilities	-76,251	-62,167	-14,084
Market valuation and currency hedges for financing liabilities	665	-369	+1,034
Financing liabilities (nominal)	-75,586	-62,536	-13,050
Net debt	-58,992	-50,679	-8,313

Cash used for investing activities ↗ 3.29 amounted to €8.9 billion (2011: €6.5 billion). The increase compared with the prior year was primarily the result of higher investments in property, plant and equipment and intangible assets. In addition, there were significantly higher overall (net) outflows from purchases and sales of securities carried out in the context of liquidity management. The flows of payments for sales and acquisitions of equity interests led to a net cash inflow in 2012, while acquisitions significantly exceeded sales in the prior year. In 2012, shares in EADS and MBtech Group were sold and Daimler also made capital contributions to Engine Holding and the joint venture of Daimler Trucks in China.

Cash flows from financing activities ↗ 3.29 resulted in a net cash inflow of €11.5 billion (2011: €5.8 billion), which almost solely reflects new borrowing (net). There was an opposing effect from the higher dividend paid to the shareholders of Daimler AG and from the increased dividend payments to shareholders of non-controlling interests of subsidiaries.

Cash and cash equivalents increased compared with December 31, 2011 by €1.4 billion, after taking currency translation into account. Total liquidity, which also includes marketable debt securities, rose by €4.7 billion to €16.6 billion.

The parameter used by Daimler to measure the financing capability of the Group's industrial activities is the **free cash flow of the industrial business** ↗ 3.30, which is derived from the reported cash flows from operating and investing activities. On that basis, a correction is made in the amount of the cash flows from the acquisition and sale of marketable debt securities included in cash flows from investing activities, as those securities are allocated to liquidity and changes in them are thus not a part of the free cash flow.

Other adjustments relate primarily to additions to property, plant and equipment that are allocated to the Group as their beneficial owner due to the form of their underlying lease contracts. Effects from the financing of dealerships within the Group have also been adjusted. Other adjustments include acquisitions of non-controlling interests in subsidiaries, which are reported as part of cash used for financing activities.

The free cash flow of the industrial business amounted to €1.5 billion in 2012.

The positive profit contributions of the industrial business were offset by the increase in working capital, defined as the net change in inventories, trade receivables and trade payables, with a total amount of €0.8 billion. Positive effects resulted from the sale of trade receivables of companies in the industrial business to Daimler Financial Services. High investments in property, plant and equipment and intangible assets as well as capital contributions to Engine Holding and the joint venture of Daimler Trucks in China led to cash outflows. Other positive effects resulted from the sale of shares in EADS and MBtech Group. In addition, income tax and interest payments reduced the free cash flow of the industrial business.

The **net liquidity of the industrial business** ↗ 3.31 is calculated as the total amount as shown in the balance sheet of cash, cash equivalents and marketable debt securities included in liquidity management, less the currency-hedged nominal amounts of financing liabilities.

To the extent that the Group's internal refinancing of the financial services business is provided by the companies of the industrial business, this amount is deducted in the calculation of the net debt of the industrial business.

Compared with December 31, 2011, the net liquidity of the industrial business decreased by €0.5 billion to €11.5 billion. The reduction was mainly caused by the free cash flow and the payment of the dividend to the shareholders of Daimler AG for the year 2011.

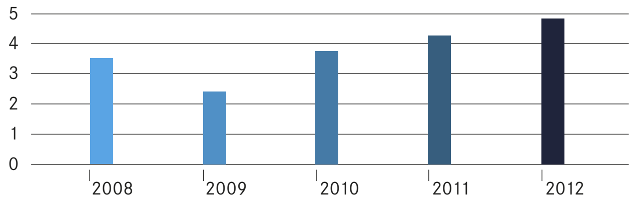
Net debt at Group level ↗ 3.32, which primarily results from the refinancing of the leasing and sales financing business, increased by €8.3 billion compared with December 31, 2011. The increase was primarily the result of the higher volume of new business in the area of leasing and sales financing and the payment of the dividend for the year 2011. There was also an impact from the positive free cash flow of the industrial business.

Capital expenditure

Renewed increase in investment. ↗ 3.33 In the context of our global growth strategy, we want to make good use of the opportunities presented by international automotive markets. This requires substantial capital expenditure on local production facilities, new products and new technologies. In 2012, we therefore once again significantly increased our investment in property, plant and equipment to €4.8 billion (2011: €4.2 billion). Of that total, €3.3 billion was invested in Germany (2011: €2.7 billion). In relation to revenue, investment in property, plant and equipment reached the very high proportion of 4.2% (2011: 3.9%).

At Mercedes-Benz Cars, investment in property, plant and equipment increased by 28% to €3.5 billion in 2012. ↗ 3.34 One focus was on the expansion of production capacities for our new compact-class models at the Rastatt plant in Germany and at the new plant in Kecskemét, Hungary. In Sindelfingen, we invested in preparations for production of the new S-Class. In Tuscaloosa, USA, and in Bremen, preparations are already under way for production of the new C-Class as of 2014. At Daimler Trucks, the main areas of investment were the new Mercedes-Benz Antos for heavy-duty distribution transport, the new heavy construction-site truck Arocs and various projects for the global harmonization and standardization of engines and other main components and for meeting stricter emission regulations. We also invested in expanding our production capacities in Brazil and in the new plant in India, where trucks of the new BharatBenz brand have been rolling off the production line since mid-2012. Total investment in property, plant and equipment at Daimler Trucks amounted to €1.0 billion (2011: €1.2 billion). At the Mercedes-Benz Vans division, the focus of investment was on the new Citan small van and the successor generation of the Vito goods van and the Viano passenger van. We also invested in the production and marketing of the Sprinter in Argentina and in the expansion and modernization of the sales organization. The main investments at Daimler Buses in 2012 were in new products and the modernization of production facilities.

3.33
Capital expenditure
In billions of euros



3.34
Investment in property, plant and equipment by division

In millions of euros	2012	2011	12/11 % change
Daimler Group	4,827	4,158	+16
in % of revenue	4.2	3.9	
Mercedes-Benz Cars	3,495	2,724	+28
in % of revenue	5.7	4.7	
Daimler Trucks	989	1,201	-18
in % of revenue	3.2	4.2	
Mercedes-Benz Vans	223	109	+105
in % of revenue	2.5	1.2	
Daimler Buses	82	103	-20
in % of revenue	2.1	2.3	
Daimler Financial Services	23	21	+10
in % of revenue	0.2	0.2	

Refinancing

The fundings raised by Daimler in the year 2012 primarily served to refinance the leasing and sales-financing business. For this purpose, Daimler makes use of a broad spectrum of various financing instruments in different currencies and markets. They include bank credits, commercial papers in the money market and bonds with medium and long maturities. Customer deposits at Mercedes-Benz Bank and the securitization of receivables from customers in the financial services business (asset backed securities, ABS) serve as additional sources of refinancing.

Various issue programs are available for raising longer-term funds in the capital market. They include the Euro Medium Term Note program (EMTN) with a total volume of €35 billion, under which several companies of the Group can issue bonds in various currencies. Other capital-market programs – smaller than the EMTN program – exist in local markets such as South Africa, Mexico, Thailand and Argentina. Capital-market programs allow flexible, repeated access to the capital markets.

3.35
Refinancing instruments

	Average interest rates		Book values	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
	in %		in millions of euros	
Notes/bonds and liabilities from ABS transactions	1.86	3.17	40,845	29,507
Commercial paper	1.52	1.00	1,768	1,233
Liabilities to financial institutions	3.80	4.16	20,210	19,175
Deposits in the direct banking business	2.13	2.40	12,121	11,035

In 2012, the Group covered its liquidity requirements mainly through the issuance of bonds. A large proportion of those bonds were placed in the form of so-called benchmark emissions (bonds with high nominal volumes) in the US dollar and euro markets. In addition, a large number of smaller bonds were issued in various currencies in the euro market as well as in Canada, South Africa, Mexico, Thailand, Brazil, Argentina and South Korea. The volume of bonds issued breaks down by currency as follows: approximately one third in US dollars, one third in euros and one third in other local currencies. We have thus further diversified our refinancing and further reduced our dependence on individual capital markets.

The ongoing high degree of uncertainty in the global financial markets – in particular the European sovereign-debt crisis – meant that corporate bonds could be placed at attractive conditions by issuers with good ratings. We took the opportunities that were offered and in the framework of our liquidity management tended to raise more funds with longer maturities.

Daimler also issued commercial papers in 2012, but in low volumes. In addition to a euro commercial paper program, upon which several European companies can draw, the Group has commercial paper programs in the United States, Canada, Australia, South Africa, Mexico and India, with which we can optimally supplement our local financing.

In the year 2012, the Group successfully placed several ABS transactions with investors in the United States. Receivables from customer and dealer financing in a volume of US$5.4 billion were securitized. We also increased an existing ABS transaction in Canada.

Another important source of refinancing in 2012 were bank credits. Funds were provided not only by large, globally active banks, but increasingly also by a number of smaller banks with more local activities. This allowed us further diversification in bank refinancing.

At the end of 2012, Daimler had short and long-term credit lines totaling €33.7 billion (2011: €29.0 billion), of which €12.2 billion was not utilized (2011: €9.3 billion). They included a syndicated credit line arranged in 2010 with a consortium of international banks with a volume of €7 billion and a maturity of five years, which was not utilized.

The carrying values of the main refinancing instruments and the weighted average interest rates are shown in table. ↗ 3.35 At December 31, 2012, they are mainly denominated in the following currencies: 45% in euros, 25% in US dollars, 5% in Brazilian real, 5% in Japanese yen and 3% in Canadian dollars.

At December 31, 2012, the total financial liabilities shown in the consolidated balance sheet amounted to €76,251 million (2011: €62,167 million).

Detailed information on the amounts and terms of financing liabilities is provided in Notes 24 and 31 of the Notes to the Consolidated Financial Statements. Note 31 also provides information on the maturities of the other financial liabilities.

Credit ratings

In the year 2012, there was one change in Daimler's credit ratings. The upgrade of our issuer rating from BBB+ to A- by the Standard & Poor's rating agency in February 2012 means that since then Daimler has had comparable credit ratings at the level of A- with all four of the agencies it has engaged. ↗ 3.36

On February 23, 2012, **Standard & Poor's Ratings Services** (S&P) lifted its long-term rating for Daimler AG from BBB+ to A-. At the same time, the short-term rating of A-2 was confirmed. The outlook was assessed as stable. With these actions, S&P stated that it was reacting to the significant improvement in Daimler's financial risk profile over the previous two years, whereby S&P already anticipated reduced dynamism in key sales markets during the rest of the year. In view of the significantly improved financial metrics, S&P assumes that Daimler will be able to maintain the ratings level it has now reached also in the case of a mild recession.

In its credit opinions of March 21 and September 21, 2012, **Moody's Investors Service** (Moody's) affirmed its existing long-term rating of A3. The outlook, which has been positive since August 2011, was also confirmed. Moody's thus recognized the strong position of Mercedes-Benz in the premium automobile segment, our worldwide presence and leading market position for commercial vehicles, and the improvement in the Group's profitability and cash flows since 2010. In its credit assessment, Moody's also considers the challenges posed for Daimler and especially for Mercedes-Benz by stricter emission regulations worldwide and the related technology costs and capital expenditure.

On June 5, 2012, **Fitch Ratings** (Fitch) also confirmed the existing long-term issuer rating of A- with a stable outlook, with reference to our sound financial metrics, our leading position in relevant markets, and long-term growth prospects for both cars and commercial vehicles. Fitch is of the opinion that the business fluctuations typical of the trucks business in connection with economic cycles are a factor limiting Daimler's rating prospects. On the other hand, Daimler Trucks will profit from the new products launched since the year 2011.

DBRS, the Canadian rating agency, confirmed its long-term rating for Daimler and its subsidiaries on October 25, 2012 at A (low) with a stable trend. DBRS is of the opinion that with its current financial profile, Daimler is very well positioned in that rating category. The agency assumes that the economic conditions for the car and commercial-vehicle business will generally continue to develop positively and that Daimler can participate successfully in that development. The Group's current high levels of investment should help to strengthen its long-term profitability.

The short-term ratings of all four rating agencies remained unchanged in 2012.

3.36
Credit ratings

	End of 2012	End of 2011
Long-term credit ratings		
Standard & Poor's	A-	BBB+
Moody's	A3	A3
Fitch	A-	A-
DBRS	A (low)	A (low)
Short-term credit ratings		
Standard & Poor's	A-2	A-2
Moody's	P-2	P-2
Fitch	F2	F2
DBRS	R-1 (low)	R-1 (low)

Financial Position

3.37

Consolidated statement of financial position

	Dec. 31, 2012	Dec. 31, 2011	12/11
In millions of euros			% change
Assets			
Intangible assets	8,885	8,259	+8
Property, plant and equipment	20,599	19,180	+7
Equipment on operating leases and receivables from financial services	75,118	68,378	+10
Investments accounted for using the equity method	4,646	4,661	.
Inventories	17,720	17,081	+4
Trade receivables	7,543	7,849	-4
Cash and cash equivalents	10,996	9,576	+15
Marketable debt securities	5,598	2,281	+145
Other financial assets	5,960	4,964	+20
Other assets	5,913	5,903	.
Total assets	162,978	148,132	+10
Equity and liabilities			
Equity	45,510	41,337	+10
Provisions	16,557	19,137	-13
Financing liabilities	76,251	62,167	+23
Trade payables	8,832	9,515	-7
Other financial liabilities	8,391	9,693	-13
Other liabilities	7,437	6,283	+18
Total equity and liabilities	162,978	148,132	+10

Consolidated statement of financial position

The **balance sheet total** increased compared with December 31, 2011 from €148.1 billion to €163.0 billion. Adjusted for the effects of currency translation, the increase amounted to €17.2 billion. The financial services business accounted for €85.5 billion or 52% of the Daimler Group's balance sheet total (December 31, 2011: €75.6 billion or 51%).

The increase in the balance sheet total is primarily due to the increases in equipment on operating leases, receivables from financial services, liquidity (cash and cash equivalents and marketable debt securities) and property, plant and equipment. This increase is accompanied on the liabilities side primarily by a higher level of financing liabilities and increased equity, while provisions decreased. Current assets account for 41% of the balance sheet total, at the level of a year earlier. Current liabilities account for 36% of the balance sheet total (December 31, 2011: 37%). ↗ 3.38

Intangible assets of €8.9 billion (December 31, 2011: €8.3 billion) include capitalized development costs of €7.2 billion (December 31, 2011: €6.7 billion). The increase is mainly accounted for by capitalized development costs at the Mercedes-Benz Cars segment. Capitalized development costs amounted to €1.5 billion, as in the prior year, and account for 26.0% of the Group's total research and development expenditure (2011: 25.9%). see page 100 ↗ 3.27

Capital expenditure ↗ 3.34 was higher than depreciation and caused **property, plant and equipment** to increase to €20.6 billion (December 31, 2011: €19.2 billion). In 2012, a total of €4.8 billion was invested in the launch of new products, the expansion of production capacities, and modernization – mainly at the sites in Germany.

Equipment on operating leases and receivables from financial services increased to a total of €75.1 billion (December 31, 2011: €68.4 billion). The increase of €7.9 billion adjusted for exchange-rate effects was caused by the higher level of new business due to growth in unit sales by the automotive divisions. The proportion of total assets is unchanged compared with the prior year at 46%.

Investments accounted for using the equity method of €4.6 billion primarily comprise the carrying amounts of our equity interests in EADS, Engine Holding, the two Chinese joint ventures (Beijing Foton Daimler Automotive in the truck business and Beijing Benz Automotive in the car business), and Kamaz. The decrease from the sale of 7.5% of the shares in EADS in December 2012 (minus €0.9 billion) was offset by capital contributions to Engine Holding (€0.2 billion) and the two Chinese joint ventures (€0.4 billion) and the equity-method earnings from our equity interests (€0.3 billion).

Inventories increased by €0.6 billion to €17.7 billion and account for 11% of total assets (December 31, 2011: 12%). Due to the shift in the regional sales structure, finished goods increased by €0.5 billion to €13.2 billion. Higher stocks of raw materials and manufacturing supplies were offset by lower volumes of work in progress.

Trade receivables decreased by €0.3 billion to €7.5 billion. The decrease compared with the prior year mainly relates to the Asian car and truck markets.

Cash and cash equivalents increased compared with the end of 2011 by €1.4 billion to €11.0 billion.

Marketable debt securities increased compared with December 31, 2011 from €2.3 billion to €5.6 billion. They consist of debt instruments quoted in an active market and are allocated to liquidity.

Other financial assets increased by €1.0 billion to €6.0 billion. They principally comprise investments and derivative financial instruments, as well as loans and other receivables due from third parties. The change was mainly caused by derivative financial instruments.

Other assets of €5.9 billion (December 31, 2011: €5.9 billion) primarily comprise deferred tax assets and tax refund claims.

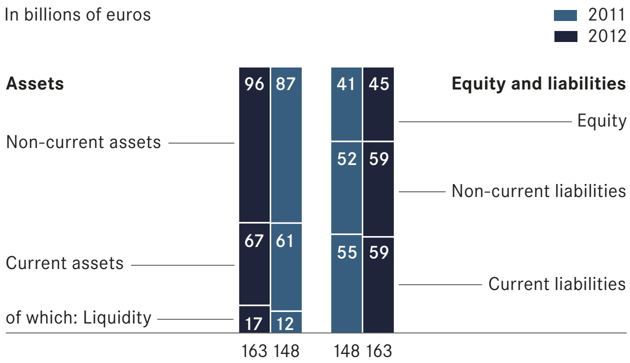
The Group's **equity** increased compared with December 31, 2011 by €4.2 billion to €45.5 billion. Net profit see page 97 ↗ 3.23 of €6.5 billion was partially offset by the distribution of the dividend ↗ 3.24 for the year 2011 of €2.3 billion as well as negative exchange-rate effects of €0.5 billion. For the year 2012, a dividend payment of €2.20 per share will be proposed.

The **equity ratio** was 26.5% for the Group (December 31, 2011: 26.3%) and 47.8% for the industrial business (December 31, 2011: 46.4%). The 2011 and 2012 equity ratios are adjusted for the paid and proposed dividend payments for the years 2011 and 2012.

3.38

Balance sheet structure Daimler Group

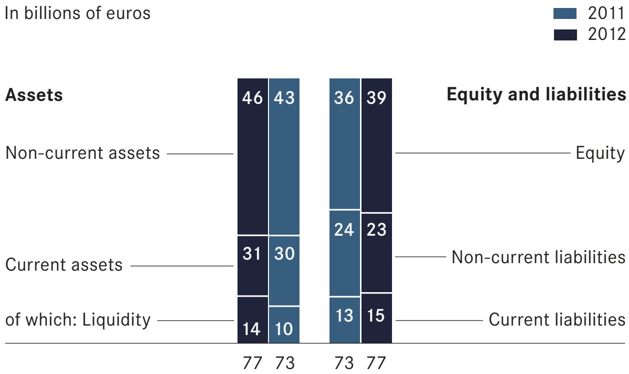
In billions of euros



3.39

Balance sheet structure industrial business

In billions of euros



Provisions of €16.6 billion were lower than at December 31, 2011 (€19.1 billion) and accounted for 10% of the balance sheet total (December 31, 2011: 13%). The decrease was caused by lower tax liabilities in connection with tax assessments of prior years and warranty obligations. Provisions for pensions were slightly lower than at the end of 2011.

Financing liabilities increased by €14.1 billion to €76.3 billion. The increase of €15.3 billion after adjusting for exchange-rate effects is mainly the result of the growing leasing and sales-financing business. Of the total financing liabilities, 47% are accounted for by bonds, 27% by liabilities to financial institutions, 16% by deposits in the direct banking business, and 7% by liabilities from ABS transactions.

Trade payables were reduced compared with the prior-year figure to €8.8 billion (December 31, 2011: €9.5 billion).

Other financial liabilities decreased by €1.3 billion to €8.4 billion. They mainly consist of liabilities from residual-value guarantees and wages and salaries, derivative financial instruments and accrued interest on financing liabilities. The change was primarily related to derivative financial instruments.

Other liabilities of €7.4 billion (December 31, 2011: €6.3 billion) primarily comprise deferred taxes, tax liabilities and deferred income. The increase is related to deferred taxes and deferred income.

Further information on the assets presented in the statement of financial position and on the Group's equity and liabilities is available in the Consolidated Statement of Financial Position see page 194 ↗ 7.03, the Consolidated Statement of Changes in Equity see page 195 ↗ 7.04 and the related notes in the Notes to the Consolidated Financial Statements.

Funded status of pension obligations

The **funded status of the Group's pension benefit obligations**, defined as the difference between the present value of the pension obligations and the fair value of pension plan assets, amounts to minus €9.7 billion, compared with minus €6.5 billion at the end of the prior year. At December 31, 2012, the present value of the Group's pension obligations amounts to €23.9 billion, compared with €19.1 billion a year earlier. The increase resulted primarily from the reduction in the discount rate for German pension plans of 1.6 of a percentage point to 3.1%.

The plan assets available to finance the pension obligations increased mainly as a result of the income earned in the year 2012 (€1.3 billion) from €12.6 billion to €14.2 billion.

With the application of the amended IAS 19 as of January 1, 2013, actuarial losses, which were previously recorded off balance sheet (minus €8.3 billion), have to be entered in the statement of financial position with no effect on the statement of income; this reduces equity by €6.4 billion. We therefore continue to have a sound equity ratio of 22.6% for the Group and 39.7% for the industrial business.

Further information on the effects on the statement of financial position and the statement of income as well as on pensions and similar obligations is provided in Note 1 and Note 22 respectively of the Notes to the Consolidated Financial Statements.

Other financial commitments and off-balance-sheet transactions

In the context of its normal business operations, the Group has entered into **other financial commitments** in addition to the liabilities shown in the consolidated balance sheet at December 31, 2012. Those other financial commitments primarily relate to purchasing commitments and commitments to invest in property, plant and equipment and other agreements. The Group has also committed to make payments in connection with rental and leasing agreements for the use of production facilities and property, plant and equipment. In addition, Daimler Financial Services in particular has made irrevocable loan commitments within the framework of its business operations.

The table ↗ 3.40 provides an overview of these commitments and their maturities.

The Group's **off-balance-sheet transactions** relate to transactions in the context of which Daimler has provided guarantees and thus, in connection with these transactions, continues to be subject to risk. However, they do not include warranties and goodwill the Group provides on its products in the context of its vehicle sales. The guarantees reported by the Group (excluding product warranties) principally constitute financial guarantees. As guarantor, we generally guarantee that we will make the payments due from the principal debtor if it fails to fulfill its financial obligations. The maximum potential obligation resulting from these guarantees amounts to €0.9 billion at December 31, 2012 (end of 2011: €1.4 billion); provisions recognized in this context amount to €0.1 billion at the end of the year (end of 2011: €0.2 billion).

Most of the financial guarantees relate to the situations described as follows: In connection with the transfer of a majority interest in Chrysler, Daimler provides guarantees for Chrysler obligations; at December 31, 2012, these guarantees amounted to €0.3 billion, whereby Chrysler provided €0.2 billion on an escrow account as collateral for the guaranteed obligations. The prior-year figure included a guarantee for payments into the Chrysler pension plans, the term of that guarantee expired in August 2012. Another financial guarantee of €0.1 billion relates to bank loans of Toll Collect GmbH, the operator company of the toll-collection system for trucks in Germany.

Other risks arise from an additional guarantee that the Group provided for obligations of Toll Collect GmbH to the Federal Republic of Germany. This guarantee is related to the completion and operation of the toll-collection system. A claim on this guarantee could primarily arise if for technical reasons toll revenue is lost or if certain contractually defined parameters are not fulfilled, if the Federal Republic of Germany makes additional claims or if the final operating permit is not granted. Furthermore, arbitration proceedings have been initiated against the Group. The maximum obligation that could result from this guarantee is substantial, but cannot be reliably estimated.

Furthermore, the Group has issued a number of smaller guarantees, some of which specify that Daimler guarantees the financial obligations of companies which supply us with parts, vehicle components or services, or which lease production facilities to us.

Buyback obligations arise for the Group from agreements under which we guarantee to customers certain trade-in or resale values for sold vehicles. Most of these guarantees provide the holder with the right to return purchased vehicles to the Group if the customer acquires another vehicle from Daimler. At December 31, 2012, the maximum potential obligation from these guarantees amounted to €0.8 billion (December 31, 2011: €0.7 billion); provisions recognized in this context amounted to €115 million at December 31, 2012 (December 31, 2011: €44 million).

Further information on other financial commitments and contingent liabilities from guarantees granted as well as on the electronic toll-collection system and related risks is provided in Note 29 (Guarantees and other financial commitments) and Note 28 (Legal proceedings) of the Notes to the Consolidated Financial Statements.

3.40
Other financial commitments

				Payments falling due:	
	Total	within 1 year	in 1-3 years	in 4-5 years	after 5 years
In millions of euros					
Purchasing agreements, investments in property, plant and equipment and other agreements	10,159	7,290	1,869	700	300
Future lease payments under rental and leasing agreements	2,139	360	575	437	767
Irrevocable loan commitments	1,022	672	176	174	-

Daimler AG

Condensed version according to the German Commercial Code (HGB)

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 34 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.

Profitability

Daimler AG posted an **income from ordinary activities** of €5.1 billion, which is slightly lower than in the prior year (2011: €5.5 billion). The development of earnings reflects the reduction in operating profit to €1.4 billion (2011: €3.1 billion) and an opposing effect from the increase in financial income.

Revenue increased by €3.2 billion to €72.7 billion. Revenue in the car business increased by 8% to €53.2 billion, due to higher unit sales. The revenue generated by sales of trucks and vans decreased by 3% to €19.5 billion.

In a more difficult economic environment, especially in the second half of the year, earnings in the car business were lower than in 2011. Further growth in unit sales had a positive impact on earnings. We achieved high growth rates particularly in the compact-car segment, with SUVs and with shipments in the United States. Earnings were adversely affected primarily by a less favorable model mix and by measures taken to enhance the products' attractiveness. There were other negative impacts from expenditure for new technologies and new vehicles. The car division's unit sales increased by 4% to 1,357,000 vehicles in 2012[1]. Following the successful market launch of the A-Class in Europe and the strong sales of the B-Class, the compact-car segment posted growth in unit sales of 31% to 238,000 units[1]. Due to the great popularity of the new SUVs, unit sales of the M-, R-, GL-, GLK- and G-Class increased by 9% to 273,000 units[1]. Unit sales in the E-Class segment decreased to 273,000 vehicles for lifecycle reasons (2011: 297,000)[1].

Earnings from trucks and vans were also lower than in the prior year due to lower unit sales. Unit sales of 96,000 trucks were close to the prior-year level (2011: 99,000)[1]. 249,000 vans were sold (2011: 254,000)[1].

Cost of sales (excluding research and development expenses) increased by 9.2% to €59.8 billion (2011: €54.8 billion). The changed product mix, expenses for the enhancement of products' attractiveness and for new technologies and products led to higher cost of sales.

Research and development expenses, which are included in cost of sales, of €4.8 billion were at the prior-year level (2011: €4.8 billion); as a proportion of revenue, they amounted to 6.6% (2011: 6.9%). These expenses are primarily caused by the renewal of the product portfolio, especially with regard to the compact class and the S-, E- and C-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.

1 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 to €5.9 billion in 2012 (2011: €5.7 billion). The increase was caused by the higher volume of business and the related higher expenses for purchased services, as well as higher shipping and IT costs.

General administrative expenses increased by 6.4% to €2.6 billion (2011: €2.4 billion). This development was mainly the result of higher expenses for IT services and consulting.

The **net other operating income** improved by €0.5 billion to €1.8 billion. The change compared with the prior year was mainly the result of reclassifying license income of €0.4 billion; in the prior year, it had been classified under revenue. In addition, higher income was realized from recharging costs to third parties and companies of the Group. There was an opposing, negative effect from the lower income from currency translation.

Financial income improved by €1.4 billion to €3.7 billion, mainly due to higher net income from investments in subsidiaries and associated companies and higher net interest income. This increase primarily reflects the higher profit transfer from Daimler Luft- und Raumfahrt Holding AG following the sale of approximately 7.5% of the shares of EADS.

The **income tax** benefit for 2012 amounts to €0.4 billion (2011: expense of €0.7 billion). One of the reasons for the lower income tax expense in 2012 is the lower pre-tax profit, which also includes a large gain on the sale of EADS shares that is almost tax free. There were also tax benefits from the tax assessment of previous years.

Net income improved compared with the prior year from €4.8 billion to €5.5 billion. This increase is primarily due to special factors from the sale of EADS shares and from income tax benefits from the assessment of previous years.

Financial position, liquidity and capital resources

Compared with December 31, 2011, the **balance sheet total** increased from €78.7 billion to €83.4 billion.

Non-current assets increased by €2.1 billion to €42.8 billion during 2012. This was primarily the result of investments in subsidiaries and associated companies: In 2012, Rolls-Royce completed the agreed contribution of the piston-engine business of the Bergen brand to Engine Holding GmbH. In return, Daimler AG made a cash contribution into the capital reserve of Engine Holding GmbH. Furthermore, a capital contribution was made to the new truck joint venture in China. Capital expenditure on property, plant and equipment (approximately €2.8 billion excluding leased assets) mainly constituted investments for the production of the new compact class, the new C- and S-Class, as well as investments in engine and transmission projects.

Inventories of €6.6 billion were slightly higher than a year earlier (2011: €6.3 billion).

Receivables, securities and other assets decreased compared with December 31, 2011 by €0.1 billion to €26.7 billion. This was primarily caused by receivables from subsidiaries (minus €0.8 billion) and receivables from associated companies (minus €0.2 billion). Securities increased compared with the end of 2011 by €0.9 billion. **Cash and cash equivalents** increased by €2.3 billion to €7.1 billion.

Gross liquidity – defined as cash and cash equivalents and other marketable securities – of €9.6 billion was significantly higher than a year earlier (2011: €6.5 billion).

Cash provided by operating activities amounted to €5.4 billion in 2012 (2011: €4.0 billion) and was mainly affected by the substantial net income. The main opposing effects were the higher tax payments.

3.41

Condensed statement of income of Daimler AG

	2012	2011
In millions of euros		
Revenue	72,727	69,486
Cost of sales (including R&D expenses)	-64,600	-59,562
Selling expenses	-5,883	-5,655
General administrative expenses	-2,600	-2,443
Other operating income/expense, net	1,755	1,309
Operating profit	1,399	3,135
Financial income	3,710	2,323
Income from ordinary activities	5,109	5,458
Income taxes (benefit, 2011: expense)	366	-701
Net income	5,475	4,757
Transfer to retained earnings	-2,737	-2,378
Distributable profit	2,738	2,379

3.42
Balance sheet structure of Daimler AG

	Dec. 31, 2012	Dec. 31, 2011
In millions of euros		
Assets		
Non-current assets	42,763	40,623
Inventories	6,612	6,331
Receivables, securities and other assets	26,736	26,820
Cash and cash equivalents	7,089	4,827
Current assets	40,437	37,978
Prepaid expenses	177	97
	83,377	78,698
Equity and liabilities		
Share capital	3,063	3,060
(conditional capital €600 million)		
Capital reserve	11,390	11,351
Retained earnings	17,061	14,298
Distributable profit	2,738	2,379
Equity	34,252	31,088
Provisions for pensions and similar obligations	3,097	3,313
Other provisions	9,205	11,179
Provisions	12,302	14,492
Trade payables	5,004	5,175
Other liabilities	31,383	27,361
Liabilities	36,387	32,536
Deferred income	436	582
	83,377	78,698

The **cash flow from investing activities** resulted in a net cash outflow of €5.5 billion in 2012 (2011: €4.4 billion). This was primarily the result of investment in property, plant and equipment and financial assets.

The **cash flow from financing activities** resulted in a net cash inflow of €2.4 billion in 2012 (2011: net cash outflow of €0.5 billion). The payment of the dividend for the year 2011 accounts for a cash outflow of €2.3 billion. On the other hand, an increase in financing liabilities led to a cash inflow.

Equity increased by €3.2 billion compared with December 31, 2011 to €34.3 billion. This change primarily resulted from the net income for 2012, of which, pursuant to Section 58 Subsection 2 of the German Stock Corporation Act (AktG), €2.7 billion was transferred to retained earnings. The equity ratio at December 31, 2012 was 41.1% (2011: 39.5%).

Provisions decreased compared with December 31, 2011 by €2.2 billion to €12.3 billion. This was primarily due to the decrease in provisions for taxes in connection with the tax assessment of previous years.

Liabilities increased by €3.9 billion to €36.4 billion. This change was mainly caused by financing liabilities (plus €6.0 billion). There was an opposing effect primarily from the decrease in liabilities to subsidiaries (minus €1.8 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 Report. 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. Daimler AG expects to post a net income in the year 2013 that will be lower than in 2012. This will be mainly caused by the aforementioned special factors. For 2014, an earnings improvement is anticipated in line with the development of the Group.

Overall Assessment of the Economic Situation

Considering the difficult situation of the global economy and major markets, the Daimler Group's business generally developed satisfactorily in 2012. We largely achieved the targets we had set ourselves, but we had to accept a certain shortfall with regard to earnings, due to the increasingly difficult environment as the year progressed.

We once again increased our unit sales and revenue in the year under review, thus continuing along our growth path. Mercedes-Benz Cars achieved a new record for unit sales and Daimler Trucks also significantly surpassed its prior-year level. Unit sales by Mercedes-Benz Vans and Daimler Buses decreased, but the Daimler Financial Services division achieved significant growth.

Our EBIT of €8.6 billion did not equal the high earnings of the prior year (€8.8 billion). The return on sales of our automotive business therefore decreased from 8.1% to 6.0%. This was primarily due to the difficult market situation in Western Europe for both cars and commercial vehicles, and the weak business with commercial vehicles in Latin America. Nonetheless, we achieved a good return on capital employed also in 2012, earning significantly more than our cost of capital with a return on net assets of 19.5% (2011: 19.9%). This is reflected also by value added, which increased by 12% to €4.2 billion in 2012.

Thanks to the ongoing high level of earnings, we continue to have sound key financial metrics. At year-end, the Group's overall equity ratio was 26.5% (2011: 26.3%) and the equity ratio of the industrial business was 47.8% (2011: 46.4%). The net liquidity of our industrial business also remained at a comfortably high level of €11.5 billion at the end of the year. The free cash flow from the industrial business was €1.5 billion in 2012 (2011: €1.0 billion). The cash inflow from the reduction of our shareholding in EADS was offset by investments in joint ventures, high advance expenditure for new products and a growth-related increase in inventories.

All in all, the year 2012 was a transitional year for us with mixed results: On the one hand, we were not quite able to achieve the targets we had set ourselves at the beginning of the year; but on the other hand, we took some very important steps with regard to the Group's future success.

For example, we consistently pursued our growth strategy and invested a total of approximately €11 billion in property, plant and equipment and research and development. The focus of this investment was on new products, new technologies and additional production and sales facilities in new locations. On the product side, we launched some ground-breaking and above all exciting new vehicles such as the new A-Class, the CLS Shooting Brake, the new Antos heavy-duty distribution truck, the new Citan city van and the new Setra ComfortClass 500 coach.

Our new A-Class is specifically aimed at new and younger customer groups: It is highly emotive in design, dynamic with new engines, and highly efficient with CO_2 emissions starting at 92 grams per kilometer.

But we achieved considerable progress in reducing emissions and fuel consumption not only with the A-Class. We reduced the CO_2 emissions of our entire fleet of new cars in the European Union by another 10 g/km to an average of 140 g/km in 2012. The new models launched in 2011 und 2012, whose fuel consumption was reduced by up to 30% compared with the predecessor models, demonstrate that we are consistently applying fuel-saving technologies in all vehicle segments.

We established an excellent position last year in the market of the future for mobility services with innovative business concepts such as car2go or the new "moovel" mobility platform. We will significantly expand the car2go business in the coming years. By the end of 2012, approximately 270,000 customers had already registered for car2go in 16 cities of Europe and North America.

We also made very good progress with the development of our worldwide production network. In India, we have been producing trucks under the BharatBenz brand since June 2012, and our new car plant in Kecskemét, Hungary, started production in April 2012. In China, trucks of the Auman brand have been rolling off the assembly line in a joint venture with our partner Foton since July 2012. In addition, we have intensified the cooperation with our partners Renault/Nissan, Kamaz and GAZ in Russia, and BAIC in China. In order to utilize our potential in China better in the future than we did in 2012, we will optimize our business model and recently created a Board of Management position specifically for this key market.

Events after the End of the 2012 Financial Year

With the goal of placing our growth strategy on a sound financial foundation, we have initiated far-reaching programs to improve our efficiency and competitiveness in all divisions. Those programs include “Fit for Leadership” at Mercedes-Benz Cars, “Trucks#1” at Daimler Trucks, “Performance Vans 2013” at Mercedes-Benz Vans and “GLOBE 2013” at Daimler Buses. In total, we intend to achieve a sustained earnings improvement with these programs of approximately €4 billion by the end of 2014. That total breaks down as Mercedes-Benz Cars €2 billion, Daimler Trucks €1.6 billion, Mercedes-Benz Vans €0.1 billion and Daimler Buses €0.2 billion.

As market conditions have significantly worsened, achieving the profit margins we defined for our divisions as of the year 2013 over the respective cycles has become much more challenging. We therefore assume that we will not achieve those targets until a later date, but we continue to pursue them consistently – supported by the measures we have taken and the programs initiated in all divisions.

Although the outlook for the development of our markets is still very uncertain, we look forward to the challenges ahead with great confidence. With the actions that have been initiated, Daimler is very well prepared for those challenges, and the global automobile market continues to offer excellent prospects in the medium term.

Daimler, Beijing Automotive Group Co., Ltd. (BAIC Group) and BAIC Motor Corporation Ltd. (BAIC Motor) signed a contract on February 1, 2013 whereby Daimler will invest approximately €0.64 billion in BAIC Motor. BAIC Motor is the car company of BAIC Group, one of the leading automotive groups in China. The investment will be executed by the issue of new shares in Daimler and will represent an equity interest of 12% in BAIC Motor. The agreement is subject to the approval of the relevant authorities. The approvals for the completion of the transaction will require at least nine months. The contract specifies that Daimler will have two seats on the board of directors of BAIC Motor. Furthermore, the two parties have agreed that BAIC Motor will increase its interest in the joint venture Beijing Benz Automotive Co., Ltd. by means of a capital increase by 1 percentage point to 51%. At the same time, Daimler will increase its interest in the joint, integrated sales company Beijing Mercedes-Benz Sales Service Co., Ltd. also by 1% to 51%. Daimler will examine the effects of these transactions on the consolidated financial statements; a reliable assessment of the impact on earnings is not yet possible.

Daimler has announced personnel adjustments for the Daimler Trucks division in Germany, the United States and Brazil. In the area of production, it is assumed that up to 1,300 employees will be laid off in the United States, while approximately 1,400 employees in Brazil who are currently laid off will be reemployed. In non-production areas, headcount reductions are expected in Germany of approximately 800 persons and in Brazil of approximately 850 persons. Discussions with the employee representatives are ongoing. The effects on the consolidated financial statements can only be calculated following the resolutions that still have to be made.

Since the end of the 2012 financial year, there have been no further occurrences that are of major significance for Daimler. The course of business in the first two months of 2013 confirms the statements made in the Outlook section of this Annual Report. see pages 133 ff

Remuneration Report

The Remuneration Report summarizes the principles that are applied to determine the remuneration of the Board of Management of Daimler AG, and explains both the level and the structure of its members' remuneration. It also describes the principles and level of remuneration of the Supervisory Board. The Remuneration Report is part of the Management Report for Daimler AG and for the Group.

Principles of Board of Management remuneration

Goals. The remuneration system for the Board of Management aims to remunerate its members commensurately with their areas of activity and responsibility and in compliance with applicable law, so that Daimler is an attractive employer also for first-class executives. By means of adequate variability, the system should also clearly and directly reflect the joint and individual performance of the Board of Management members and the sustained performance of the Group.

Practical implementation. For each upcoming financial year, the Presidential Committee at first prepares a review by the Supervisory Board of the system and level of remuneration on the basis of a comparison with competitors. The main focus is on checking for appropriateness, based on a horizontal and vertical comparison. In this context, the following aspects are given particular attention in relation to a group of comparable companies in Germany:
- the effects of the individual fixed and variable components, that is, the methods behind them and their reference parameters,
- the relative weighting of the components, that is, the relationship between the fixed base salary and the short-term and long-term variable components,
- the ratio of an average employee's income to that of a member of the Board of Management

and the resulting target remuneration consisting of base salary, annual bonus and long-term remuneration, also with consideration of entitlement to a retirement pension and fringe benefits.

In carrying out this review, the Presidential Committee and the Supervisory Board consult independent external advisors, above all to facilitate a comparison with remuneration systems common in the market. If the review results in a need for changes to the remuneration system for the Board of Management, the Presidential Committee submits proposals for such changes to the entire Supervisory Board for its approval.

On the basis of the approved remuneration system, the Supervisory Board decides at the beginning of the year on the base and target remuneration for the individual members of the Board of Management and decides on the success parameters relevant for the variable components of remuneration in the coming year. Furthermore, once a year, individual goals are agreed for the respective areas of responsibility for the coming year between the Chairman of the Supervisory Board, the Chairman of the Board of Management and each member of the Board of Management; those goals are then taken into consideration after the end of the financial year when the annual bonus is decided upon by the Supervisory Board.

In this way, the individual base and target remuneration and the relevant performance parameters are set by the beginning of each year. These details require the approval of the Supervisory Board.

On this basis, after the end of each year, target achievement is measured and the actual remuneration is calculated by the Presidential Committee and submitted to the Supervisory Board for its approval.

The system of Board of Management remuneration in 2012. The remuneration system comprises a fixed base salary (approximately 29% of the target remuneration), an annual bonus (approximately 29% of the target remuneration), and a variable component of remuneration with a long-term incentive effect (approximately 42% of the target remuneration). The spectrum of target achievement and the reference parameters remained unchanged. Only 50% of the annual bonus is paid out in the March of the following year. The other 50% is paid out a year later with the application of a bonus-malus rule, depending on the development of the Daimler share price compared with an automotive index (Dow Jones STOXX Auto Index see pages 26 f), which Daimler AG uses as a benchmark for the relative share-price development. Both the delayed payout of the annual bonus (with the use of the bonus-malus rule) and the variable component of remuneration with a long-term incentive effect with its link to additional, ambitious comparative parameters and the share price reflect the recommendations of the German Corporate Governance Code and give due consideration to both positive and negative developments. The details of the system are as follows:

The **base salary** is fixed remuneration relating to the entire year, oriented towards the area of responsibility of each Board of Management member and paid out in twelve monthly installments.

The **annual bonus** is variable remuneration, the level of which is primarily linked to the operating profit of the Daimler Group (EBIT). For the past financial year, the annual bonus was also linked to the target for the respective financial year determined by the Supervisory Board (derived from the level of return targeted for the medium term and the growth targets), the actual result compared with the prior year, the individual performance of the Board of Management members and the achievement of compliance targets. Optionally, additional key figures/assessment bases can be included; for 2012, these were key non-financial metrics and indicators oriented towards the UN Global Compact and its ten principles.

Primary reference parameters:
- 50% relates to a comparison of actual EBIT in 2012 with EBIT targeted for 2012.
- 50% relates to a comparison of actual EBIT in 2012 with actual EBIT in 2011.

Amount with 100% target achievement:
In the year 2012, 100% of the base salary.

Range of target achievement:
0 to 200%, that is, the annual bonus due to EBIT achievement has an upper limit of double the base salary and may also be zero (see below). Both primary reference parameters, each of which relates to half of the bonus, can vary between 0% and 200%. The limits of this bandwidth are defined by a deviation of plus or minus two percent of the prior-year revenue.

On the basis of the resulting degree of target achievement, an amount of up to 10% can be added or deducted, depending on the aforementioned predefined key figures/assessment basis. Since 2012, non-financial targets have been used as a basis for assessment; for the past financial year, those targets were the deepened establishment in the Daimler Group of the principles of the UN Global Compact. Furthermore, the Supervisory Board has the possibility, based for example on the aforementioned agreed targets, to take account of the personal performance of the individual Board of Management members with an addition or deduction of up to 25%.

Once again in 2012, additional individual targets were agreed upon with the Board of Management with regard to the development and sustained function of a compliance system. The complete or partial non-achievement of individual compliance targets can be reflected by a deduction of up to 25% from the individual target achievement. However, the compliance targets cannot result in any increase in individual target achievement, even in the case of full accomplishment.

The **Performance Phantom Share Plan (PPSP)** is an element of remuneration with long-term incentive effects. At the beginning of the plan, a number of phantom shares are granted and medium-term performance targets are set for a period of three years. On the basis of the degree of target achievement determined at the end of the three-year period, the final number of phantom shares is determined that are then paid out at the end of the fourth plan year. This final number can be between 0% and 200% of the phantom shares granted at the beginning of the plan. Payouts under the 2012 plan occur after four years at the price of Daimler shares that is then valid. Due to the granting of phantom shares and their payout at the end of the plan on the basis of the share price then valid, an opportunity and risk potential exists relating to the development of the share price. Half of the net amount paid out must be used to buy ordinary Daimler shares, which must then be held until the applicable guidelines for share ownership are fulfilled. see page 125

For the granting of phantom shares, the Supervisory Board specifies an absolute amount in euros in the context of setting the annual target remuneration. The number of phantom shares granted is calculated by dividing that amount by the relevant average share price over a period of several weeks. This average price is definitive not only for granting phantom shares under the new plan, but also for payment under the plan granted four years previously.

Reference parameters for Plan 2012:
- 50% relates to the Group's return on sales compared with a group of competitors (BMW, Fiat, Ford, Honda, Paccar, Renault, Toyota, Volvo and Volkswagen). For the measurement of this success criterion, the competitors' average return on sales is calculated over a period of three years, whereby the best and worst values are not taken into consideration. The extent that Daimler's return on sales deviates by up to plus or minus two percentage points from the average thus calculated is deemed to be the range of target achievement. This means that target achievement is 200% if Daimler's return on sales is two percentage points or more above the calculated average. Target achievement is 0% if Daimler's return on sales is two percentage points or more below the calculated average.
- 50% relates to the Group's return on net assets in relation to the cost of capital. This criterion stands for the value created by the Group. The extent that Daimler's return on net assets deviates over a period of three years by plus or minus two percentage points from a target of 8% is deemed to be the range of target achievement. This means that target achievement is 200% if Daimler's return on net assets is 10% or more. Target achievement is 0% if Daimler's return on net assets is 6% or less.

  As of PPSP 2013, the Supervisory Board has decided that target achievement of 200% will only be achieved with a return on net assets of 16% or more.

Value upon allocation:
Determined annually in relation to a market comparison; for 2012, approximately 1.3 to 1.6 times the base salary.

Range of target achievement:
0 to 200%, that is, the plan has an upper limit. It may also be zero.

Value of the phantom shares on payout:
In line with the calculated share price and the number of shares achieved according to the aforementioned criteria. The share price used as a basis for payout is limited to 2.5 times the share price at the beginning of the plan and the amount paid out is limited to 2.5 times the grant value used to calculate the preliminary number of phantom shares.

During the four-year period, the allocated phantom shares earn a dividend equivalent whose amount is related to the dividend paid on real Daimler shares in the respective year. With regard to share-based remuneration, any subsequent change in the defined performance targets or reference parameters is ruled out.

Guidelines for share ownership. As a supplement to these three components of remuneration, Stock Ownership Guidelines have been approved for the Board of Management. These guidelines require the members of the Board of Management to invest a portion of their private assets in Daimler shares over several years and to hold those shares until the end of their Board of Management membership. The number of shares to be held was set when the Performance Phantom Share Plan was introduced in relation to double the then annual base salary for each ordinary member of the Board of Management and triple the then annual base salary for the Chairman of the Board of Management. In fulfillment of the guidelines, half of the net payment made out of a Performance Phantom Share Plan is generally to be used to acquire ordinary shares in the Company, but the required shares can also be acquired in other ways.

Appropriateness of Board of Management remuneration. In accordance with Section 87 of the German Stock Corporation Act (AktG), the Supervisory Board of Daimler AG once again had an assessment of the system of Board of Management remuneration confirmed by external auditors in 2012. The remuneration system was unchanged in 2012 compared with 2011 and had already been approved by the Annual Shareholders' Meeting in 2011.

Board of Management remuneration in 2012

Total Board of Management remuneration in 2012. The total remuneration granted by Group companies to the members of the Board of Management of Daimler AG is calculated as the total of the amounts of

- the base salary in 2012,
- the half of the annual bonus for 2012 payable in 2013,
- the half of the medium-term share-based component of the annual bonus for 2012 payable in 2014 with its value at the balance sheet date (entitlement depending on the development of Daimler's share price compared with the Dow Jones STOXX Auto Index),
- the value of the long-term share-based remuneration for 2012 at the time when granted, and
- the taxable non-cash benefits in 2012.

For both of the share-based components – the second 50% of the annual bonus and the PPSP with a long-term orientation – the amounts actually paid out can deviate significantly from the values described depending on the development of the Daimler share price and on the achievement of the relevant target parameters.

The remuneration of the Board of Management for the year 2012 amounts to €28.2 million (2011: €29.0 million). Of that total, €7.5 million was fixed, that is, non-performance-related remuneration (2011: €7.4 million), €9.3 million was variable, that is, short- and medium-term performance-related remuneration (2011: €12.8 million), and €11.4 million was variable performance-related remuneration granted in 2012 with a long-term incentive effect (2011: €8.8 million). ↗ 3.43

3.43

Board of Management Remuneration 2012

In thousands of euros		Base salary	Short and medium-term variable remuneration (annual bonus): Short-term	Medium-term	Long-term variable remuneration (PPSP): Number	Value when granted (2012: at share price €48.23) (2011: at share price €51.08)	Total
Dr. Dieter Zetsche	2012	2,008	1,426	1,426	68,273	3,293	8,153
	2011	2,008	2,038	2,038	50,311	2,570	8,654
Dr. Wolfgang Bernhard[1]	2012	715	508	508	27,309	1,316	3,047
	2011	715	726	726	20,125	1,026	3,193
Dr. Christine Hohmann-Dennhardt	2012	715	526	526	27,309	1,317	3,084
	2011	624	618	618	17,609	899	2,759
Wilfried Porth[2]	2012	715	508	508	27,309	1,229	2,960
	2011	715	708	708	20,125	966	3,097
Andreas Renschler[3]	2012	755	536	536	30,487	1,460	3,287
	2011	755	747	747	22,467	1,148	3,397
Hubertus Troska	2012	37	24	24	–	–	85
	2011	–	–	–	–	–	–
Bodo Uebber[4]	2012	866	636	636	32,647	1,402	3,540
	2011	866	879	879	24,058	1,054	3,678
Prof. Dr. Thomas Weber	2012	715	490	490	28,998	1,399	3,094
	2011	715	726	726	21,369	1,092	3,259
Total	2012	6,526	4,654	4,654	242,332	11,416	27,250
	2011	6,398	6,442	6,442	176,064	8,755	28,037

1 Taking into account supervisory board remuneration of €1,250.
2 Taking into account supervisory board remuneration of €88,460.
3 Taking into account supervisory board remuneration of €10,913.
4 Taking into account supervisory board remuneration of €173,048.

When comparing with the prior-year figures, with regard to the total of base salary, the annual bonus and the PPSP granted, it is necessary to consider the appointment of Mr. Troska taking effect as of December 13, 2012. The same applies to Dr. Hohmann-Dennhardt for the year 2011.

The granting of non-cash benefits in kind, primarily the reimbursement of expenses for security precautions and the provision of company cars, resulted in taxable benefits for the members of the Board of Management in 2012 as shown in the table. ↗ 3.44

Commitments upon termination of service

Retirement provision. The pension agreements of some Board of Management members include a commitment to an annual retirement pension, calculated as a proportion of the former base salary and depending on the number of years of service. Those pension rights were granted until 2005 and remain valid; they have been frozen at that level, however.

Retirement pensions start upon request when the term of service ends at or after the age of 60, or are paid as disability pensions if the term of service ends before the age of 60 due to disability. The agreements provide for a 3.5% annual increase in benefits (with the exception that Wilfried Porth's benefits are adjusted in accordance with applicable law). The agreements include a provision by which a spouse of a deceased Board of Management member is entitled to 60% of that member's pension. That amount can increase by up to 30 percentage points depending on the number of dependent children.

3.44

Non-cash benefits and other benefits

	2012	2011
In thousands of euros		
Dr. Dieter Zetsche	151	159
Dr. Wolfgang Bernhard	63	71
Dr. Christine Hohmann-Dennhardt	191	121
Wilfried Porth	114	123
Andreas Renschler	152	169
Hubertus Troska	4	–
Bodo Uebber	112	165
Prof. Dr. Thomas Weber	156	149
Total	943	957

Effective as of January 1, 2006, we replaced the pension agreements of the Board of Management members with a new arrangement, the so-called Pension Capital system. Under this system, each Board of Management member is credited with a capital component each year. This capital component comprises an amount equal to 15% of the sum of the Board of Management member's fixed base salary and the actual annual bonus for 2012, multiplied by an age factor equivalent to a rate of return of 6% until 2015 and 5% as of 2016 (Wolfgang Bernhard and Wilfried Porth: 5% for all years). In accordance with the regulations in force at Daimler AG, contributions to pension plans are only granted until the age of 60. The benefit from the pension plan is payable to surviving Board of Management members upon retirement at or after the age of 60, or as a disability pension upon retirement before the age of 60 due to disability.

Daimler has introduced a new company retirement benefit plan for new entrants and new appointments for employees paid according to collective bargaining wage tariffs as well as for executives: the "Daimler Pensions Plan". As before, the new retirement benefit system features the payment of annual contributions by Daimler, but is orie nted towards the capital market, combined with Daimler's commitment to guarantee the contributions paid. The Supervisory Board of Daimler AG has approved the application of this system for all newly appointed members of the Board of Management (2012: Mr. Troska).

Members of the Board of Management are credited with a capital component each year. This amount is calculated from 15% of the total of the base salary and the actual annual bonus. The contribution period ends when the contract of service ends. The benefit from the pension plan is payable to surviving Board of Management members upon retirement at or after the age of 62, or as a disability pension upon retirement before the age of 62 due to disability.

Payments under the Pension Capital system and the Daimler Pensions Plan can be made in three ways:
- in a single amount;
- in twelve annual installments, whereby interest accrues on each partial amount until it is paid out;
- as a pension with or without benefits for surviving dependents, with an annual increase (see above).

The contracts specify that if a Board of Management member passes away before retiring for reason of age, the spouse or dependent children is/are entitled to the full committed amount in the case of the Pension Capital system, and to the credit amount reached plus an imputed amount until the age of 62 in the case of the Daimler Pensions Plan. If a Board of Management member passes away after retiring for reason of age, in the case of payment of twelve annual installments, the heirs are entitled to the remaining present value. In the case of a pension with benefits for surviving dependents, the spouse/registered partner or dependent children is/are entitled to 60% of the discounted terminal value (Pension Capital), or the spouse/registered partner is entitled to 60% of the actual pension (Daimler Pensions Plan).

Departing Board of Management members receive, for the period beginning after the end of the original service period, payments in the amounts of the pension commitments granted as described in the previous section, as well as the use of a company car, in some case for a defined period. These payments are made until the age of 60, possibly reduced due to other sources of income, and are subject to the aforementioned annual increases.

Service costs for pension obligations according to IFRS amounted to €2.4 million in 2012 (2011: €2.2 million). The present value of the total defined benefit obligation according to IFRS amounted to €81.7 million at December 31, 2012 (2011: €56.8 million). Taking age and period of service into account, the individual entitlements, service costs and present values are shown in the table. ↗ 3.45

Commitments upon early termination of service. No severance payments are foreseen for Board of Management members in the case of early termination of their service contracts. Solely in the case of early termination of a service contract by mutual consent, Board of Management service contracts include a commitment to payment of the base salary and provision of a company car until the end of the original service period. Such persons are only entitled to payment of the performance-related component of remuneration pro rata for the period until they leave the Company. Entitlement to payment of the performance-related component of remuneration with a long-term incentive effect is defined by the exercise conditions specified in the respective plans. In the case of early termination of service by mutual consent, the total of the payments described above including fringe benefits is limited, to the extent that they are subject to the regulations of the German Corporate Governance Code on the so-called severance-payment cap, to double the annual remuneration and may not exceed the total remuneration for the remaining period of the service contract.

Sideline activities of Board of Management members. The members of the Board of Management should accept management board or supervisory board positions and/or any other administrative or honorary functions outside the Group only to a limited extent. Furthermore, they require the consent of the Supervisory Board before commencing any sideline activities. This ensures that neither the time required nor the remuneration paid for such activities leads to any conflict with the members' duties to the Group. Insofar as such sideline activities are memberships of other supervisory boards or comparable boards, they are disclosed in the Notes to the Consolidated Financial Statements of Daimler AG and on our website. No remuneration is paid to Board of Management members for board positions held at other companies of the Group.

Loans to members of the Board of Management. In 2012, no advances or loans were made to members of the Board of Management of Daimler AG.

Payments made to former members of the Board of Management of Daimler AG and their survivors. Payments made in 2012 to former members of the Board of Management of Daimler AG and their survivors amounted to €15.4 million (2011: €13.9 million). Pension provisions for former members of the Board of Management and their survivors amounted to €225.9 million at December 31, 2012 (2011: €195.9 million).

3.45

Individual entitlements, service costs and present values for members of the Board of Management

In thousands of euros		Annual pension (as regulated until 2005) as of age 60	Service cost (for pension, pension capital and Daimler Pensions Plan)	Present value of obligations (for pension, pension capital and Daimler Pensions Plan)
Dr. Dieter Zetsche	2012	1,050	872	39,597
	2011	1,050	794	29,633
Dr. Wolfgang Bernhard	2012	–	265	1,494
	2011	–	234	715
Wilfried Porth	2012	156	156	6,472
	2011	156	140	4,303
Andreas Renschler	2012	250	309	10,243
	2011	250	278	7,067
Hubertus Troska	2012	–	5	2,227
	2011	–	–	–
Bodo Uebber	2012	275	510	9,974
	2011	275	461	6,439
Prof. Dr. Thomas Weber	2012	300	333	11,701
	2011	300	303	8,682
Total	2012	2,031	2,450	81,708
	2011	2,031	2,210	56,839

The service cost for Mr. Troska is derived from the new Daimler Pensions Plan as of his appointment to the Board of Management on December 13, 2012.
Dr. Hohmann-Dennhardt has no entitlement to a company retirement benefit.

Remuneration of the Supervisory Board

Supervisory Board remuneration in 2012. The remuneration of the Supervisory Board is determined by the Shareholders' Meeting of Daimler AG and is governed by the Company's Articles of Incorporation. The new regulations for Supervisory Board remuneration approved by the Annual Shareholders' Meeting in April 2011 specify that the members of the Supervisory Board receive, in addition to the refund of their expenses and the cost of any value-added tax incurred by them in performance of their office, fixed remuneration of €100,000. The Chairman of the Supervisory Board receives an additional €200,000 and the Deputy Chairman of the Supervisory Board receives an additional €100,000. The members of the Audit Committee are paid an additional €50,000, the members of the Presidential Committee are paid an additional €40,000 and the members of the other committees of the Supervisory Board are paid an additional €20,000; one exception is the Chairman of the Audit Committee, who is paid an additional €100,000. Additional payments are made for activities in a maximum of three committees; any persons who are members of more than three such committees receive additional payments for the three most highly paid functions. Members of a Supervisory Board committee are only entitled to remuneration for such membership if the committee has actually convened to fulfill its duties in the respective year. The individual remuneration of the members of the Supervisory Board is shown in the table. ↗ 3.46

The members of the Supervisory Board and its committees receive a meeting fee of €1,100 for each Supervisory Board meeting and committee meeting that they attend.

No remuneration was paid for services provided personally beyond the aforementioned board and committee activities, in particular for advisory or agency services, except for the remuneration paid to the members of the Supervisory Board representing the employees in accordance with their contracts of employment.

The remuneration of all the activities of the members of the Supervisory Board of Daimler AG in the year 2012 was thus €3.0 million (2011: €3.0 million).

Loans to members of the Supervisory Board. In 2012, no advances or loans were made to members of the Supervisory Board of Daimler AG.

3.46
Supervisory Board remuneration

Name	Function(s) remunerated	Total in 2012
In euros		
Dr. Manfred Bischoff	Chairman of the Supervisory Board, the Presidential Committee and the Nomination Committee	373,200
Erich Klemm[1]	Deputy Chairman of the Supervisory Board, the Presidential Committee and the Audit Committee	308,700
Dr. Paul Achleitner	Member of the Supervisory Board and the Nomination Committee	127,700
Sari Baldauf	Member of the Supervisory Board and the Nomination Committee	128,800
Dr. Clemens Börsig	Member of the Supervisory Board and the Audit Committee	164,300
Michael Brecht[1]	Member of the Supervisory Board (since July 1, 2012) and the Audit Committee (since July 25, 2012)	76,531
Prof. Dr. Heinrich Flegel	Member of the Supervisory Board	107,700
Dr. Jürgen Hambrecht	Member of the Supervisory Board and of the Presidential Committee	152,100
Petraea Heynike	Member of the Supervisory Board	107,700
Jörg Hofmann[1]	Member of the Supervisory Board	107,700
Dr. Thomas Klebe[1, 3]	Member of the Supervisory Board and of the Presidential Committee	161,800
Gerard Kleisterlee	Member of the Supervisory Board	104,400
Jürgen Langer[1]	Member of the Supervisory Board	107,700
Ansgar Osseforth[4]	Member of the Supervisory Board	107,700
Valter Sanches[2]	Member of the Supervisory Board	106,600
Stefan Schwaab[1]	Member of the Supervisory Board and the Audit Committee (until June 30, 2012)	83,390
Jörg Spies[1]	Member of the Supervisory Board	107,700
Lloyd G. Trotter	Member of the Supervisory Board	107,700
Dr. h. c. Bernhard Walter	Member of the Supervisory Board and Chairman of the Audit Committee	213,200
Uwe Werner[1]	Member of the Supervisory Board	106,600
Lynton R. Wilson[5]	Member of the Supervisory Board	111,593

1 The employee representatives have stated that their board remuneration is to be transferred to the Hans-Böckler Foundation, in accordance with the guidelines of the German Trade Union Federation. The Hans-Böckler Foundation is a German not-for-profit organization of the German Trade Union Federation.
2 Mr. Sanches has directed that his board remuneration is to be paid to the Hans-Böckler Foundation.
3 Dr. Klebe also received remuneration and meeting fees of €9,700 for his board services at Daimler Luft- und Raumfahrt Holding AG. These amounts are also to be transferred to the Hans-Böckler Foundation.
4 Mr. Osseforth has directed that a portion of his board remuneration is to be paid to a German foundation for adult education ("Treuhandstiftung Erwachsenenbildung").
5 Mr. Wilson also received remuneration of €3,893 for his board services at Mercedes-Benz Canada Inc. and Mercedes-Benz Financial Services Canada Corp.

Risk Report

Risks and opportunities

Daimler's divisions are exposed to a large number of risks which are inextricably linked with our entrepreneurial activities. In order to identify, evaluate and deal consistently with those risks, we make use of effective management and control systems; we have combined these systems in a uniform risk management system, which is described below. Entrepreneurial activity primarily consists of creating and utilizing opportunities in order to secure and strengthen the company's competitiveness. The divisions have direct responsibility for recognizing and utilizing opportunities at an early stage. As part of the strategy process, long-term opportunities for further profitable growth are identified and included in the decision process. Entrepreneurial opportunities are not reported within our risk management system; they are identified in the context of strategic and medium-term planning and are followed up during the year in the context of periodical reporting. Further information on this subject is provided on page 137 of the Management Report.

Risk management systems

(Report and explanation provided pursuant to Section 315 Subsection 2 Number 5 and Section 289 Subsection 5 of the German Commercial Code (HGB))

The **risk management system with regard to material risks and risks threatening the existence of the Group** is integrated into the value-based management and planning system of Daimler AG and the Group. It is an integral part of the overall planning, management and reporting process in all relevant legal entities, divisions and corporate functions. It aims to systematically identify, assess, monitor and document material risks and risks threatening Daimler's existence. Risk assessment principally takes place for a two-year planning period, although in the discussions for the derivation of medium-term and strategic goals, Daimler also identifies and monitors longer-term risks. In the context of the two-year operational planning – with the use of defined risk categories – risks are identified for the divisions and operating units, the major joint ventures and associated companies and the corporate departments, and they are assessed regarding their probability of occurrence and possible extent of damage. Assessment of the possible extent of damage usually takes place with regard to the risks' impact on EBIT. In addition, risks for example for the Group's reputation are assessed according to qualitative criteria. The reporting of relevant risks is based on fixed value limits. The responsible persons also have the task of developing, and initiating as required, measures to avoid, reduce and hedge risks. Material risks and the countermeasures taken are monitored within the framework of a regular process. As well as the regular reporting, there is also an internal reporting obligation within the Group for risks arising unexpectedly. The Group's central risk management department regularly reports on the identified risks to the Board of Management and the Supervisory Board.

The **internal control and risk management system with regard to the accounting process** has the goal of ensuring the correctness and effectiveness of accounting and financial reporting. It is continually further developed and is an integral part of the accounting and financial reporting process in all relevant legal entities and corporate functions. The system includes principles and procedures as well as preventive and detective controls. Among other things, we regularly check that

- the Group's uniform financial reporting, valuation and accounting guidelines are continually updated and regularly trained and adhered to;
- transactions within the Group are fully accounted for and properly eliminated;
- issues relevant for financial reporting and disclosure from agreements entered into are recognized and appropriately presented;
- processes exist to guarantee the completeness of financial reporting;
- processes exist for the segregation of duties and for the "four-eyes principle" in the context of preparing financial statements, and authorization and access rules exist for relevant IT accounting systems.

We systematically assess the effectiveness of the internal control and risk management system with regard to the corporate accounting process. The first step consists of risk analysis and definition of control. Significant risks are identified relating to the process of corporate accounting and financial reporting in the main legal entities and corporate functions. The controls required are then defined and documented in accordance with Group-wide guidelines. Regular random tests are carried out to assess the effectiveness of the controls. Those tests constitute the basis for self-assessment of the appropriate extent and effectiveness of the controls. The results of this self-assessment are documented and reported in a global IT system. Any weaknesses recognized are eliminated with consideration of their potential effects. At the end of the annual cycle, the selected legal entities and corporate functions confirm the effectiveness of the internal control and risk management system with regard to the corporate accounting process. The Board of Management and the Audit Committee of the Supervisory Board are regularly informed about the main control weaknesses and about the effectiveness of the control mechanisms installed. However, the internal control and risk management system for the accounting process cannot ensure with absolute certainty that material false statements are avoided in accounting.

In order to ensure the **complete presentation and assessment** not only of material risks and risks threatening the existence of the Group, but also of the control and risk process with regard to the corporate accounting process, Daimler has established the Group Risk Management Committee (GRMC). It is composed of representatives of the areas of Finance & Controlling, Accounting and Integrity & Legal Affairs, and is chaired by the Board of Management Member for Finance (CFO). The Internal Auditing department contributes material statements on the internal control and risk management system. In addition to fundamental issues, the committee has the following tasks:

- The GRMC creates and shapes the framework conditions with regard to the organization, methods, processes and systems we need to ensure a functioning, Group-wide and thorough control and risk management system.
- The GRMC regularly reviews the effectiveness and functionality of the installed control and risk management processes. Minimum requirements can be laid down in terms of the design of the control processes and of risk management and corrective measures can be commissioned as necessary or appropriate to eliminate any system failings or weaknesses exposed. But responsibility for operational risk management for risks threatening the existence of the Group and for the control and risk management processes with regard to the corporate accounting process remains directly with the corporate areas, companies and central functions. The measures taken by GRMC ensure that relevant risks and any existing process weaknesses in the corporate accounting process are identified and eliminated as early as possible.

In the Board of Management and the Audit Committee of the Supervisory Board of Daimler AG, regular reports are given regarding the current risk situation and the effectiveness, functions and appropriateness of the internal control and risk management system. Furthermore, the responsible managers regularly discuss the risks of business operations with the Board of Management.

The Audit Committee of the Supervisory Board is responsible for **monitoring the internal control and risk management system**. The Internal Auditing department monitors whether the statutory conditions and the Group's internal guidelines are adhered to in the Group's entire monitoring and risk management system, and if required develops appropriate measures which are initiated by the management. The external auditors audit the system for the early identification of risks that is integrated in the risk management system for its fundamental suitability to identify risks threatening the existence of the Group; in addition, they report to the Supervisory Board on any significant weaknesses that have been discovered in the internal control and risk management system.

Economic risks

2012 was another difficult year for the **world economy**, so overall expansion of 2.5% was significantly below the existing growth potential and also lower than the previous year's growth of 3.2%. The world economy was and still is sensitive to external disturbances. We see the biggest individual risks for the year 2013 in a renewed worsening or escalation of the sovereign-debt crisis in the euro zone, the resulting turmoil in the financial markets and the banking sector, uncertainty about budget and fiscal policy in the United States, a growth slump in China, high price volatility in raw-material markets due to geopolitical unrest in the Middle East, further inflationary pressure and nascent protectionism. The development of the world economy in 2013 that is expected by the majority of economic research institutions, and also by Daimler, is highly dependent on those risk factors. Some of those risk factors certainly have the potential, if they occur, to lead the world economy into a renewed recession. This means that there are still considerable economic risks for Daimler's financial position, cash flows and profitability.

The measures taken for the reduction of the **burden of debt on public budgets in Western Europe, the United States and Japan** are still one of the dominant issues for the world economy and could dampen economic prospects and have a substantial negative impact on the financial markets once again in 2013. This applies in particular to the risk of a sovereign default, which cannot be entirely ruled out above all for Greece, but also for some of the other peripheral countries despite the support programs provided by the European Union and the International Monetary Fund (IMF). Austerity measures have the potential to depress domestic demand in the affected countries even further, so that their national economies might contract even more than previously expected. Another risk is that after the countries of the euro zone, the financial markets might focus on other highly indebted countries such as Japan or the United States.

As in the past two years, we see the development of the **euro zone** as the biggest risk for the world economy. The economy of the euro zone slipped into recession in 2012, and prospects for the year 2013 remain difficult. The political implementation of reforms and other actions for budget consolidation in the countries of Southern Europe could be slowed down by increasing public protects or decreased pressure to reform following the announcement of measures to be taken by the European Central Bank. This would lead to a massive loss of confidence in the capital markets and thus to increased volatility and rising interest rates. The burdens on government budgets and on the banking system would be hard to manage and could further jeopardize a recovery of the real economy. Even the risk that the reform process in Greece will fail altogether has not been completely averted despite the renewed aid package in late 2012. If no further reform steps are taken – whether for political or economic reasons – or if public rejection is too great, this could finally lead to Greece's exit from the euro zone with significant contagion effects for the global financial system and the world economy. Unlike the global financial crisis of 2008/09, most European countries would no longer be able to afford to recapitalize their national banks or to stimulate their economies by means of fiscal policy. Due to global interconnections, the then inevitable banking crisis and recession in the euro zone would probably spread to other countries with severe consequences. Such a case would result in a global recession. Due to the ensuing crisis of confidence and credit crunch, both consumption and investment would fall drastically – along with demand for cars and commercial vehicles. For Daimler, such a development would not only reduce unit sales considerably, it would also have a very negative impact on refinancing costs and possibilities.

Although the **United States** managed to avoid some of the feared impact of the "fiscal cliff" at least temporarily, the country's government continues to be faced with considerable pressure to consolidate its finances. The agreement reached at the beginning of 2013 only included the most urgent issues and in fact only avoided a direct drift into recession in the first quarter. But the level of debt is grave as ever and will stay right at the top of the political agenda. This includes above all raising the debt ceiling as well as the approach to and design of the automatic spending cuts. Uncertainty about the direction of US fiscal policy and potential steps to be taken to balance the budget will thus remain as negative economic factors also in 2013. Due to the continued comparative weakness of investment and the real-estate market, the continuation of historically high unemployment, and fragile consumer confidence, the US economy would not have many options to counteract an unexpected budget-policy shock. In this case, the United States could slip into recession for one or several quarters. An escalation of the debt crisis in the euro zone, for example in the form of one or several exits by euro member states, would have a massive impact on the global economy and thus also on the US economy. These could have negative effects for the passenger cars and the truck market demand.

A lasting growth slump in **China** would be of strategic importance for Daimler. It already became clear during 2012 that the Chinese growth model is not invulnerable. As a result of the global growth slowdown, but also due to the weakness of the country's real-estate sector, expansion of Chinese GDP fell to its lowest level since the global finance and economic crisis. But as China has become the main driver of world growth in recent years, a growth slump in China would have massive consequences for the global economy. Although economic development stabilized again towards the end of 2012, thanks to stimulating economic policies, risks still remain. If the expected significant recovery of GDP expansion does not materialize in 2013, the Chinese government could take fiscal and monetary countermeasures. But this would further exacerbate the budgets of local municipalities, which were already massively burdened by the stimulus programs of 2008/09, thus substantially limiting the scope of future debt. An additional factor is that repeated one-sided support for investment and exports could further delay the targeted balancing of the country's growth model with increased private consumption. That would further increase the medium-term risks for growth of over-investment and export dependency, making a "hard landing" of the Chinese economy in the coming years more likely. A slump in growth rates to less than 6% would have an enormous impact on the world economy, especially on exporters of raw materials in the Middle East, Africa and Latin America. As well as their importance for worldwide demand for raw materials, Chinese companies have increasingly invested abroad in recent years, in emerging markets and in the EU. In the case of a growth slump in the domestic market, such investment would undoubtedly decrease and cause further headwinds for the development of the OECD countries.

As the year 2012 has shown in Brazil and India, other **emerging markets** that are also highly important for Daimler can also unexpectedly enter phases of economic weakness. This has immediate effects on demand for cars and commercial vehicles in those regions, and is a risk that cannot be discounted also in 2013.

As in the previous years, significant **geopolitical risks** exist, especially in the Middle East, with the potential to massively disturb the global economic equilibrium. There is a danger for example of an escalation of the nuclear conflict between Iran on the one side and Israel and the United States on the other. A military escalation or a blockade of the Strait of Hormuz could result in an oil-price shock, which would drastically reduce global growth rates and in an extreme case could even plunge the world economy back into recession. Developments in Egypt, Libya and Yemen remain uncertain, still no end is in sight to the civil war in Syria. The combination of several of these potential risks in the Middle East could lead to significantly higher oil prices in 2013. Even in a relatively mild scenario, higher oil prices would reduce demand in many countries and as part of a chain reaction could also influence prices of other raw materials, including food. Rising inflation rates would require stricter monetary policy on the part of the central banks than we currently anticipate. This in turn would dampen growth in the emerging markets and growth in the weakened industrialized countries would at least be brought to a standstill.

In order to counteract the global growth slowdown and the various associated risks, the large central banks, especially in Europe and the United States, have continued or even expanded their unconventional monetary policies with nearly no limitations on duration or extent. The enormous volumes of liquidity provided by those policy actions have the potential to significantly raise inflation expectations in the medium term, with corresponding medium-term **risks for price stability**. Furthermore, the spread of available liquidity could be increasingly reflected in the development of **raw-material prices**. When market players in search of high-yield investments increasingly invest in raw materials, prices worldwide could increase at a higher rate than is fundamentally justified. This would lead to a massive burden for consumers and manufacturing companies; on the other hand, a bursting of the ensuing speculative bubbles would have a drastic impact on global economic activity, especially in countries that export raw materials. And the effects of expansive monetary policy on global currency exchange rates also involve considerable risks.

Excessive liquidity also results in speculative capital movements, which have led to unwanted exchange-rate developments in some countries, such as the appreciation of the Japanese yen and of the Brazilian real. If these developments continue this year, there is a danger that individual countries will attempt to defend their competitiveness in the world's markets by resorting to **interventionist and protectionist actions**. This could culminate in competitive devaluation or a "currency war." Daimler's position in key foreign markets could also be affected by an increase in bilateral free-trade agreements outside the European Union.

Industry and business risks

General market risks. The situation of the world economy has become significantly more uncertain and subject to volatilities, leading to risks for the development of demand for motor vehicles. And **competitive pressure in the automotive markets** is as high as ever. Customers have meanwhile become used to a certain level of **sales-supporting actions**. If this competitive pressure in the automotive markets becomes even tougher, possibly due to further worsening of global economic developments, it could lead to the increased application of sales-promoting financing offers and other incentives. That would not only reduce revenues in the new-vehicle business, but would also lead to lower price levels in used-vehicle markets and thus to falling residual values. In many markets, a shift in demand towards smaller, more fuel efficient vehicles is apparent; this is the result of customers' significantly increased sensitivity to vehicles' environmental friendliness and the development of fuel prices. A further shift in the model mix towards smaller vehicles with lower margins would place an additional burden on the Group's financial position, cash flows and profitability.

Due to the competitive pressure in automotive markets, it is essential for us to continually and successfully adapt our **production and cost structures** to changing conditions. We continually analyze our competitiveness. Clear strategies have been formulated for all divisions. Each division consistently pursues the goal of growing profitably and increasing its efficiency.

The recent crisis years have also led to a worsening of the **financial situation of some suppliers, dealerships and vehicle importers**. For this reason, it is still not possible to rule out supporting actions, which would have a negative impact on Daimler's profitability, cash flows and financial position.

Risks relating to the leasing and sales-financing business. In connection with the sale of vehicles, Daimler also offers its customers a wide range of financing possibilities – primarily leasing and financing the Group's products. This business involves the risk that the prices realizable for used vehicles at the end of leasing contracts are below their book values (residual-value risk). An additional risk is that some of the receivables due in the financial services business might not be recoverable due to customer default (credit risk). Another risk connected with the leasing and sales-financing business is the possibility of increased refinancing costs due to potential changes in interest rates. An adjustment of credit conditions for customers in the leasing and sales-financing business due to higher refinancing costs could reduce the new business and contract volume of Daimler Financial Services, thus also reducing the unit sales of the automotive divisions. In addition, risks could arise from of a lack of matching maturities with our refinancing. Daimler counteracts residual-value risk and credit risk by means of appropriate market analyses, creditworthiness checks on the basis of standardized scoring and rating methods, and the collateralization of receivables. Fixed-rate and variable-rate derivative financial instruments are used to hedge against the risk of changes in interest rates. The risk of mismatching maturities is minimized by coordinating our refinancing with the periods of financing agreements. Further information on credit risks and the Group's risk-minimizing actions is provided in Note 31 of the Notes to the Consolidated Financial Statements.

Production and technology risks. In order to achieve the targeted levels of prices, factors such as **brand image, design and product quality** play an important role, as well as additional technical features resulting from our innovative research and development. Convincing solutions, which for example promote accident-free driving or further improve our vehicles' fuel consumption and emissions such as with diesel-hybrid or electric vehicles, are of key importance for safe and sustainable mobility. Because these solutions generally require higher advance expenditure and greater technical complexity, there is an increasing challenge to realize further technological advances while simultaneously fulfilling Daimler's own quality standards. If we fail to perform this task optimally or if technical developments at an advanced stage prove not to be marketable, that could adversely affect the Group's future profitability.

Product quality has a major influence on a customer's decision to buy a car or commercial vehicle. At the same time, technical complexity continues to grow as a result of additional features, for example for the fulfillment of various emission, fuel-economy regulations and safety instructions, increasing the danger of vehicle malfunctions. Technical problems could lead to recall and repair campaigns, or could even necessitate new engineering work. Furthermore, deteriorating product quality can lead to higher warranty and goodwill costs.

Risks related to the legal and political framework. The legal and political framework has a considerable impact on Daimler's future business success. Regulations concerning vehicles' **emissions, fuel consumption and safety** play a particularly important role. Complying with these varied and often diverging regulations all over the world requires strenuous efforts on the part of the automotive industry. We expect that we will have to expend an even larger proportion of our research and development budget to ensure that we fulfill these regulations. Many countries have already implemented stricter regulations to reduce vehicles' emissions and fuel consumption, or are now doing so. For example, new legislation in the United States on greenhouse gases and fuel consumption stipulates that new car fleets in the United States may only emit an average of 163 grams of carbon dioxide per kilometer as of 2025 (approximately 100 grams per miles). These new regulations will require an average annual reduction in CO_2 emissions as of 2017 for cars of 5% and for SUVs and pickups at first of 3.5% (this rather lower rate applies until 2022). This will hit the German premium manufacturers and thus also Daimler harder than for example the US manufacturers. As a result of strong demand for large, powerful engines in the United States and Canada, financial penalties cannot be ruled out. Regulations on the CO_2 emissions of new cars also exist in the EU. For 2015, all new cars in Europe will have to meet a fleet average of 130 g CO_2/km. The relevant limit for Daimler depends on the portfolio of cars we sell in the European Union and will depend on vehicle weight. Furthermore, the EU Parliament and the EU Council of Ministers are currently dealing with an EU regulation proposed by the EU Commission calling for fleet averages to be reduced to 95 g CO_2/km by the year 2020. Daimler will have to pay penalties if it exceeds its limits. The Chinese authorities have defined fleet average fuel consumption as of 2015 of 6.9 liters per 100 kilometers (approximately 160 g CO_2/km) as the industry's target for new cars. As the legislative procedure for 2015 has not yet been concluded, there is a risk that although each car will be calculated for the average of the fleet, it must individually at least meet the previous limits, posing a big challenge for cars with powerful engines. Sanctions have not yet been announced. For the year 2020, a new, very demanding target of 5.0 l/100 km has been stipulated (approximately 116 g CO_2/km), although the exact details are still under discussion. Similar legislation exists or is being prepared in many other countries, e.g. in Japan, South Korea, India, Canada, Switzerland, Mexico, Brazil and Australia. Daimler gives these targets due consideration in its product planning. The increasingly ambitious targets require significant numbers of plug-in hybrids or cars with other types of electric drive. The market success of these drive systems will be primarily determined by regional market conditions, for example the battery-charging infrastructure and state support. But as market conditions cannot be predicted with certainty, a residual risk exists. Very demanding regulations for CO_2 emissions are also planned for commercial vehicles, which will present a challenge for the Mercedes-Benz Vans division, especially in the long term. Legislation on reducing the greenhouse-gas emissions and fuel consumption of heavy commercial vehicles has also been passed or is under discussion. We therefore have to assume that the statutory limits will be very difficult to meet in some countries. In addition to emission, consumption and safety regulations, **traffic-policy restrictions** for the reduction of traffic jams and pollution are becoming increasingly important in the cities and urban areas of the European Union and other regions of the world. Drastic measures such as general vehicle-registration restrictions like in Beijing, Guangzhou or Shanghai can have a dampening effect on the development of unit sales, especially in the growth markets. Daimler therefore continually monitors the development of statutory and political conditions and attempts to anticipate foreseeable requirements and long-term targets already during the phase of product development. The biggest challenge in the coming years will be to offer an appropriate range of drive systems and the right product portfolio in each market, while fulfilling customers' wishes, internal financial targets and statutory requirements.

As of 2013, the EU has stipulated the use of a new **refrigerant** with reduced climate-damaging potential. In so-called real-life tests in mid-2012, Daimler ascertained a higher flammability than previously assumed. Daimler's safety concerns are serious and no alternative is available to the prescribed refrigerant at present. For this reason, Daimler is holding constructive discussions with the relevant German and European authorities in order to arrive at possible alternative solutions together with other manufacturers and suppliers. If no solution is found in good time, this could result in negative effects on the production costs of the vehicles involved due to the required technical modifications and on the development of sales.

Procurement market risks. Procurement market risks arise for the Group in particular from **fluctuations in prices of raw materials**. After the economy-related fall in raw-material prices in late 2011, that trend reversed in early 2012 and led to price increases especially in the first quarter. As the year progressed, lower commodity prices were offset by the loss in value of the euro. The development of raw-material prices and their volatilities in the past three years also reflect worldwide expansive monetary policies as well as diverging economic expectations in the United States, Western Europe and Japan and the emerging markets. The outlook for future price developments remains uncertain, due in particular to the ongoing development of the debt crisis and the increasing influence of institutional investors. That influence can be seen in the stronger demand for commodity investments, and is exacerbating the high volatility of prices in raw-material markets. Vehicle manufacturers are generally limited in their ability to pass on the higher costs of commodities and other materials in higher prices for their products because of the strong competitive pressure in the international automotive markets. Daimler continues to counteract procurement risks by means of targeted commodity and supplier risk management. We attempt to reduce our dependency on individual materials in the context of commodity management, by making appropriate technological progress for example. Daimler protects itself against the volatility of raw-material prices by entering into long-term supply agreements, which make short-term risks for material supplies and the effects of price fluctuations more calculable. Furthermore, in connection with some metals, we make use of derivative price-hedging instruments. Supplier risk management aims to identify suppliers' potential financial difficulties at an early stage and to initiate suitable countermeasures. Also after the recent crisis years, the situation of some of our suppliers is still difficult due to the tough competitive pressure. This has necessitated individual or joint **support actions** by vehicle manufacturers to safeguard their own production and sales. In the context of supplier risk management, regular reporting dates are set for suppliers depending on our assessment of them, in which key performance indicators are reported to Daimler and any required support actions are decided upon.

Information technology risks and unforeseeable events. Production and business processes could also be disturbed by **unforeseeable events** such as **natural disasters** or **terrorist attacks**. Consumer confidence would be significantly affected and production could be interrupted by supply problems and intensified security measures at territorial borders. **Information technology** plays a crucial role in our business processes. Storing and exchanging data in a timely, complete and correct manner and being able to utilize fully functioning IT applications are of key importance for a global group such as Daimler. Risks of occurrences which could result in the interruption of our business processes due to the failure of IT systems or the loss or corruption of data are therefore identified and evaluated over the entire lifecycles of applications and IT systems. Daimler has defined suitable actions for risk avoidance and limitation of damage, continually adapts these actions to changing circumstances. These activities are embedded in a multi-stage IT risk management process. For example, the Group minimizes potential interruptions of operating routines in the data centers by means of mirrored data sets, decentralized data storage, outsourced archiving, high-availability computers and appropriate emergency plans. In order to meet the growing demands placed on the confidentiality, integrity and availability of data, we operate our own risk management system for information security. Despite all the precautionary measures that we take, we cannot completely rule out the possibility that IT disturbances will arise and have a negative impact on our business processes.

Reputation. The general public is becoming increasingly aware of companies' behavior in matters of ethics and sustainability. Compliance of corporate actions with applicable law and ethical principles is essential for the Daimler Group. Furthermore, customers and capital markets critically observe how the Group reacts to the technological challenges of the future and the extent to which we succeed in placing up-to-date and technologically leading products on the market. Dealing securely with sensitive data is also a precondition for conducting business relations with customers and suppliers in a trusting and fair environment. Daimler applies comprehensive packages of measures so that risks affecting the Group's reputation are subject to formal internal controls.

Specific risks in the area of human resources. Daimler's success is highly dependent on our employees and their expertise. Competition for highly qualified staff and management is still very intense in the industry and the regions in which we operate. Our future success also depends on the extent to which we succeed over the long term in recruiting, integrating and retaining executives, engineers and other specialists. Our human resources instruments take such personnel risks into consideration, while contributing towards the recruitment and retention of staff with high potential and expertise and ensuring transparency with regard to our resources. One focus of our human resources management is on the targeted personnel development and further training of our workforce. Our employees profit for example from the range of courses offered by the Daimler Corporate Academy and from the transparency created by LEAD, our uniform worldwide performance and potential management system.

Because of demographic developments, the Group has to cope with changes relating to an aging workforce and has to secure a sufficient number of qualified young persons with the potential to become the next generation of highly skilled specialists and executives. We address this issue by taking appropriate measures in the area of generation management. An additional factor is that production in Germany might be impacted in connection with collective wage bargaining.

Risks relating to equity holdings and cooperations as well as other business risks. Daimler bears in principle a proportionate share of the risks of its joint ventures and associated companies in growth markets for example. In order to utilize additional growth opportunities, and also against the background of increasing national regulations, particularly in the emerging markets, cooperation with partners in joint ventures and associated companies is of increasing importance; the same applies to the resulting risks. The Group includes associated companies and joint ventures in the consolidated financial statements using the equity method of accounting. Any factors with a negative impact on those companies' earnings have a proportionate negative impact on Daimler's net profit. In addition, negative business developments at our associated companies or substantial decreases in the share prices of listed companies in which we hold an interest can also mean that impairment losses have to be recognized on the carrying values of the equity investments. If the development of these companies in important markets should fail or be delayed, this could have additionally an impact on the achievement of our growth targets. The successful implementation of cooperations with other companies is also of key importance to realize cost advantages and to combat the competitive pressure in the automotive industry.

The Group is also exposed to a number of risks arising from **guarantees** it has issued. For example, Daimler holds an equity interest in the system for recording and charging tolls for the use of highways in Germany by commercial vehicles of more than 12 metric tons gross vehicle weight. The operation of the electronic toll-collection system is the responsibility of the operator company, Toll Collect GmbH, in which Daimler holds a 45% stake and which is included in the consolidated financial statements using the equity method of accounting. In addition to Daimler's membership of the Toll Collect consortium and its equity interest in Toll Collect GmbH, risks also arise from guarantees that Daimler issued supporting obligations of Toll Collect GmbH towards the Federal Republic of Germany concerning the completion and operation of the toll system. Claims could be made under those guarantees if toll revenue is lost for technical reasons or if certain contractually defined parameters are not fulfilled, if additional claims are made by the Federal Republic of Germany, or if the final operating permit is not granted. Additional information on contingent obligations from guarantees granted and on the electronic toll collection system and the related risks can be found in Note 28 (Legal proceedings) and Note 29 (Guarantees and other financial commitments) of the Notes to the Consolidated Financial Statements.

Risks connected with pension benefit plans. Daimler has pension benefit obligations, and to a smaller extent obligations relating to healthcare benefits, which are not completely covered by plan assets. The balance of obligations less plan assets constitutes the funded status for these employee benefit plans. Even small changes in the assumptions used for the valuation of the benefit plans such as a reduction in the discount rate could lead to an increase in those obligations. The market value of plan assets is determined to a large degree by developments in the capital markets. Unfavorable developments, especially relating to equity prices and fixed-interest securities, could reduce that market value. Higher or reduced plan assets or a combination of the two would have a negative impact on the funded status of our benefit plans. Plan assets at December 31, 2012 did not include significant investments in bonds issued by countries which are currently especially affected by the European sovereign debt crisis. Lower yields from plan assets could also increase the net expenses relating to the benefit plans in the coming years. Information on the Group's pension benefit plans can be found in Note 22 of the Notes to the Consolidated Financial Statements.

Financial risks

Daimler is exposed to market risks from changes in foreign currency exchange rates, interest rates, commodity prices and share prices. Market risks may adversely affect Daimler's financial position, cash flows and profitability. Daimler seeks to control and manage these risks primarily through its regular operating and financing activities and, if appropriate, through the use of derivative financial instruments. In addition, the Group is exposed to credit and liquidity risks. As part of the risk management process, Daimler regularly assesses these risks by considering changes in key economic indicators and market information. Any market-sensitive instruments held in pension funds and other postretirement pension plans, including equity and interest-bearing securities, are not included in the following analysis.

Exchange rate risks. The Daimler Group's global reach means that its business operations and financial transactions are connected with risks arising from fluctuations of foreign exchange rates, especially of the US dollar and other important currencies against the euro. An exchange rate risk arises in the operating business primarily when revenue is generated in a different currency than the related costs (transaction risk). This applies in particular to the Mercedes-Benz Cars division, as a major portion of its revenue is generated in foreign currencies while most of its production costs are incurred in euros. The Daimler Trucks division is also exposed to such transaction risks, but only to a minor degree because of its worldwide production network. Currency exposures are gradually hedged with suitable financial instruments (predominantly foreign exchange forwards and currency options) in accordance with exchange rate expectations, which are constantly reviewed. Exchange rate risks also exist in connection with the translation into euros of the net assets, revenues and expenses of the companies of the Group outside the euro zone (translation risk); these risks are not hedged.

Interest rate risks. Daimler holds a variety of interest rate sensitive financial instruments to manage the cash requirements of its business operations on a day-to-day basis. Most of these financial instruments are held in connection with the financial services business of Daimler Financial Services, whose policy is generally to match funding in terms of maturities and interest rates. However, to a limited extent, the funding does not match in terms of maturities and interest rates, which gives rise to the risk of changes in interest rates. The funding activities of the industrial business and the financial services business are coordinated at Group level. Derivative interest rate instruments such as interest rate swaps and forward rate agreements are used to achieve the desired interest rate maturities and asset/liability structures (asset and liability management).

Equity price risks. Daimler predominantly holds investments in shares of companies such as EADS, Kamaz, Renault and Nissan, which are classified as long-term investments or which are included in the consolidated financial statements using the equity method. Therefore, the Group does not include these investments in an equity price risk analysis.

Commodity price risks. Associated with Daimler's business operations, the Group is exposed to changes in the prices of consignments and commodities. We address these procurement risks by means of concerted commodity and supplier risk management. To a minor extent, derivative commodity instruments are used to reduce some of the Group's commodity risks, primarily the risks associated with the purchase of metals.

Liquidity risks. In the normal course of business, we make use of bonds, commercial papers and securitized transactions as well as bank credits in various currencies, primarily to refinance the leasing and sales-financing business. A negative development of the capital markets could increase the Group's financing costs. More expensive refinancing would also have a negative effect on the competitiveness and profitability of our financial services business if we were unable to pass on the higher refinancing costs to our customers; a limitation of the financial services business would have a negative impact on the automotive business.

Credit risks. The Group is exposed to credit risks which result primarily from its financial services activities and from its operating business. In addition, credit risks also arise from the Group's liquid assets. Should defaults occur, this would negatively affect the Group's financial position, cash flows and profitability. In recent years, the limit methodology has been continually further developed in order to counteract the ever worsening creditworthiness of the banking sector. In connection with investment decisions, priority is placed on the borrower's very high creditworthiness and on balanced risk diversification. Most liquid assets are held in investments with an external rating of A or better.

Risks from changes in credit ratings. Daimler's creditworthiness is assessed by the rating agencies Standard & Poor's Rating Services, Moody's Investors Service, Fitch Ratings and DBRS. Upgrades of the credit ratings issued by the rating agencies could reduce the Group's cost of borrowing. There are risks connected with potential downgrades, which could have a negative impact on the Group's financing. Advance investment expenditures related to the Group's growth strategy are also connected with risks for our credit ratings if the unit sales and earnings anticipated from the growth cannot be realized. Further information on financial market risks, risk-minimizing actions and the management of those risks is provided in Note 31 of the Notes to the Consolidated Financial Statements. Information on financial instruments can be found in Note 30.

Legal risks

Various legal proceedings, claims and governmental investigations (legal proceedings) are pending against Daimler AG and its subsidiaries on a wide range of topics, including vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights, product warranties, environmental matters and shareholder matters. Some of these proceedings allege defects in various components in several different vehicle models or allege design defects relating to vehicle stability, pedal misapplication, brakes or crashworthiness. Some of the claims asserted by way of class action suits seek repair or replacement of the vehicles or compensation for their alleged reduction in value, while others seek recovery for damage to property, personal injuries or wrongful death. Adverse decisions in one or more of these proceedings could require us to pay substantial compensatory and punitive damages or undertake service actions, recall campaigns or other costly actions. Some of these proceedings may have an impact on the Group's reputation.

We recognize provisions for these proceedings if the resulting obligations are probable and can be reasonably estimated. It is possible, as these proceedings are connected with a large degree of uncertainty, that after the final resolution of litigation, some of the provisions we have recognized for legal proceedings could prove to be insufficient. As a result, substantial additional expenditures may arise. This also applies to legal proceedings for which the Group has seen no requirement to recognize a provision. Although the final result of any such litigation may influence the Group's earnings and cash flows in any particular period, Daimler believes that any resulting obligations are unlikely to have a sustained effect on the Group's cash flows, financial position or profitability. Further information on legal proceedings can be found in Note 28 of the Notes to the Consolidated Financial Statements.

Overall risk

The Group's overall risk situation is the sum of all the individual risks of all risk categories for the divisions and the corporate functions. There are no discernible risks that either alone or in combination with other risks could jeopardize the continued existence of the Group. But since considerable economic and industry risks still exist, setbacks on the way to regularly achieving our growth and profitability targets cannot be completely ruled out.

Outlook

The statements made in the Outlook chapter are generally based on the operational planning of Daimler AG as approved by the Board of Management and Supervisory Board in December 2012 for the years 2013 and 2014. This planning is based on premises regarding the economic situation, which are derived from assessments made by renowned economic institutions, and on the targets set by our divisions. The prospects for our future business development as presented here reflect the opportunities and risks offered by anticipated market conditions and the competitive situation. We are constantly adjusting our expectations, taking into account the latest forecasts on the development of the world economy and of automotive markets, as well as our recent business development. The statements made below are based on the knowledge available to us in February 2013.

World economy

The world economy started the year 2013 with only moderate momentum. The global economy is generally following a sideways movement at the beginning of the year and should therefore at least have left the falling growth rates of last year behind. Nonetheless, the situation remains very difficult and no significant acceleration is to be expected – if at all – before the second half of the year. As in 2012, the world economic outlook is still affected by the difficult situation in the industrialized countries. And developments in the European Monetary Union (EMU) are still particularly critical. Although the various measures taken by the European Central Bank have significantly reduced the risks of the disintegration of the EMU, the underlying problems of the sovereign-debt crisis are far from solved. It must therefore be assumed also for the year 2013 that particularly in Europe, the crisis of confidence amongst investors and consumers will last a long time.

Against this backdrop, the economic outlook for the EMU worsened perceptibly at the beginning of this year. After last year's recession, gross domestic product is likely to remain flat at best in 2013. Although the overall dampening effects on economic growth of the austerity measures should be weaker than in 2012, the unchanged need for fiscal consolidation efforts continues to restrict domestic demand. So this year, not only small peripheral countries, but also larger economies such as Italy and Spain will once again post decreases in their GDP. While a number of other countries will at best achieve marginal growth, the German economy is likely to develop better than the EMU average once again. But also Germany will find it very difficult to achieve growth of more than 1%, and the consensus expectations at the beginning of the year are distinctly lower than that.

The economic outlook for the United States is significantly better than for Europe, and the currently available leading indicators confirm this picture. At the turn of the year, the dominant economic issue was avoiding the so-called "fiscal cliff" resulting from the discontinuation of fiscal stimuli on the one hand and automatic budget cuts on the other. Although agreement was finally reached between US politicians to avoid most of the negative fiscal effects on the economy that would otherwise have occurred in the first quarter, public debt remains a serious problem in the United States. With forecast GDP growth of approximately 2%, the prospects for the US economy therefore remain limited. In Japan, growth expectations had fallen so substantially below 1% that in January, the new government announced a stimulus program and the central bank announced additional expansive monetary measures.

In view of the economically rather disappointing industrialized countries with hardly more than 1% growth, the emerging markets will once again be the drivers of the world economy. In total, the emerging economies should grow by approximately 5% in 2013, and would thus account for three quarters of global growth. It will be of overriding importance that economic stabilization in China makes further progress and that the measures initiated take effect so that economic growth in the magnitude of about 8% is possible. It will also be important that Brazil gains perceptible impetus from increased investment after last year's economic blip, and that the Indian economy can overcome its phase of weakness. But growth should also occur in 2013 in those economies of Central and Eastern Europe which were still in recession last year. However, the growth weakness of the major sales markets of Western Europe will prevent a more favorable development. In the Middle East, considerable geopolitical tension is worsening the economic outlook. Further escalation could lead for example to large fluctuations in the price of oil.

In total therefore, global economic output could expand by approximately 2.5% to 3% at best in 2013. This would then be another below-average year in a long-term comparison. Another factor is that the world economy remains very sensitive to external disturbances. In this difficult environment, monetary policy will continue to be expansive and supportive, but at the expense in the medium term of an increased risk of inflation and possibly of bubbles being created in the asset and commodity markets.

With regard to the currencies important for our business, we continue to anticipate sharp exchange-rate fluctuations.

Automotive markets

According to current estimates, worldwide **demand for automobiles** is likely to grow this year by approximately 2 to 4%. This growth should be primarily driven by the ongoing expansion of the Chinese market and a moderate increase in demand in the United States. No impetus is to be expected from the Western European market, however. Demand in Japan will probably decrease significantly, with a perceptible negative impact on the growth of the world market.

In the US car market, after three years in succession with double-digit growth rates, significantly more moderate growth in demand is anticipated for this year. This is due on the one hand to the fact that the market has meanwhile returned to a respectable size and on the other hand to the below-average development of the US economy. The ongoing weakness of the economy and the still unresolved sovereign-debt crisis in the euro zone will continue to significantly dampen demand for cars in Western Europe. From today's perspective, a further, but more moderate, market decline is to be expected, so new registrations will remain at their lowest level in 20 years. The German market should be about as big as last year; but from today's perspective, a slight decrease cannot be ruled out, depending on further economic developments. The Japanese market was driven last year by catch-up effects and state incentives for car buyers. Following the expiry of those special effects, a significant drop in demand must be assumed for 2013.

For the car markets of the emerging economies, growth prospects are relatively favorable overall, whereby market developments are likely to display considerable regional differences. According to current estimates, growth in demand in the Chinese market could be rather stronger than last year. The premium segment should once again expand more dynamically than the total market. In India, the market volume will probably increase at a similar rate to that of 2012. In contrast, the number of cars sold in Russia should rise at a rather low rate.

Worldwide demand for **medium and heavy trucks** can be expected to increase perceptibly in 2013. However, this will mainly be driven by the significant recovery in China, which was responsible for a large proportion of the global drop in demand last year.

In North America, we anticipate a decline of 5 to 10%. This is due on the one hand to a recognizable market slowdown in the second half of 2012, and on the other hand to ongoing unwillingness to invest in the private sector because of the fiscal problems in the United States. For the European truck market, we expect demand to fall by up to 5% due to the ongoing weak economic environment. The Japanese market should be at about the prior-year level, following the expiry of certain special effects in connection with the reconstruction there. A significant recovery of up to 10% is expected for the Brazilian market thanks to better economic prospects and the continuation of favorable financing conditions. The Russian market has meanwhile returned to its level of before the global financial crisis and should expand moderately once again in 2013.

We expect the European **van market** to decline by approximately 5% in the year 2013, with demand in the southern countries in particular remaining weak. The outlook is positive for the United States, where we expect further expansion of the market for large vans. In Latin America, the market for large vans should expand again after the significant decline of last year. In China, we assume that our targeted market segment will recover slightly.

We expect a stable development of **bus markets** in Western Europe, with a market volume slightly higher than in 2012. Demand for buses in Latin America should increase again moderately after the distinct decline in 2012. In Brazil, the bus market should revive again in the medium term, also in connection with the upcoming soccer World Cup in 2014 and the Olympic Games in 2016.

Independently of the markets' economic fluctuations, the regional distribution of demand has shifted significantly in recent years. The importance of the emerging markets has increased enormously not only for the industry as a whole, but especially for manufacturers of premium vehicles, and the trend is likely to continue in the coming years. This creates great challenges for the industry regarding production sites and flexibility, as well as the requirements of differing customers in a global market. Another factor is the continuing and increasing need to invest in fuel-efficient and future-oriented technologies and to develop and supply innovative and sustainable mobility and transport solutions.

Unit sales

Mercedes-Benz Cars is consistently pursuing its "Mercedes-Benz 2020" offensive. Numerous model changes and new products should ensure that the division achieves new records for unit sales in the years 2013 and 2014. A major contribution to this growth is likely to come from the new models in the high-volume compact-car segment. The new B-Class was already well established in the market in the year 2012. And then in September we had the extremely successful launch of the new A-Class, with which we intend to attract additional groups of customers to the brand. In April 2013, the third model on the basis of the new compact-car architecture will be launched: the CLA four-door coupe. Also starting in April, the new E-Class sedan and wagon will be available from Mercedes-Benz dealerships after a thorough upgrade. And as of mid-May 2013, the new E-Class coupes and convertibles will create additional impetus. In June 2013, the locally emission-free super sports car SLS AMG Coupe Electric Drive will be launched on the market. In the second half of 2013, Mercedes-Benz expects significant growth in the luxury segment, above all due to the launch of the all-new S-Class. As the most important new model of the year 2013, the new S-Class will set new standards with pioneering innovations for comfortable and safe driving, summarized under the heading of "Mercedes-Benz Intelligent Drive." In addition, the Mercedes-Benz brand will also continue to profit in 2013 from the great market success of its models in the compact-car and SUV segments.

Within the framework of the long-term "Mercedes-Benz 2020" growth strategy, the product portfolio will be further expanded across all segments in the coming years. In the compact-car segment, the Mercedes-Benz product portfolio will be expanded to a total of five models. In parallel, the model offensive will also be continued at the upper end of the automobile spectrum, for example with new models of the coming S-Class and with another SUV model version.

The smart brand expects good chances that the unique two-seater in the highly competitive micro-car segment will defy its advanced model lifecycle also in 2013, and will achieve unit sales in the magnitude of the prior year. The successor model of the two-seater, the new smart four-seater and the electric smart scooter will be presented in 2014.

Daimler Trucks anticipates a slight increase in unit sales in the year 2013 and further growth in 2014, although the development in 2013 will at first be rather moderate or even negative in some key markets due to the ongoing difficult economic situation. We expect the introduction of stricter emission limits in 2014 to cause some purchases to be brought forward to 2013. As a result of its extensive product offensive, Daimler Trucks not only has a complete model range of Euro VI trucks, but is also in a very good starting position in all relevant regions: A highly attractive, innovative product portfolio should allow us to further strengthen our market position worldwide and to increase our share of important markets.

Unit sales should benefit from the complete availability of the Actros and Antos models and from other new models such as the Arocs for the construction sector and the new Atego.

Our strong North American products like the new Freightliner Cascadia Evolution in combination with the strong Detroit components should make an important contribution to further growth. With our clear focus on profitable customer segments such as the construction and municipal segments within the framework of our "Vocational Strategy," we want to utilize additional market potential and strengthen our leading position in North America.

Our brands Fuso and BharatBenz will also make an important contribution to growth in unit sales in the coming years. The Fuso Canter and its hybrid version, which has been produced also in Europe since 2012, should stimulate additional demand. Fuso will extend its leading position in the field of "green innovation" with the new Canter Eco Hybrid and other technologies. Furthermore, Fuso is developing profitable export markets in the context of its growth offensive. In India, as previously announced, we will expand our range of BharatBenz trucks to a total of 17 models in the weight classes from 6 to 49 metric tons by the year 2014, and will also expand the sales and service network. In Russia and China, we are gradually intensifying the cooperation with our local partners Kamaz and Foton, and are thus creating the right conditions for the further development of these growth markets.

Mercedes-Benz Vans plans to increase its unit sales in the years 2013 and 2014. On the product side, the new Mercedes-Benz Citan should contribute to this growth. Entering the market segment of small vans makes us a full-range supplier and thus gives us additional growth potential in Europe. As of mid-2013, there will be demand stimulus from the new-generation Sprinter. As part of our "Vans goes global" strategy, we are increasingly developing markets outside Europe. Furthermore, Mercedes-Benz vans are increasingly produced also locally: in Argentina and China, and in the first half of 2013, production will begin also in Russia with our partner GAZ.

Daimler Buses assumes that it will be able to maintain its globally leading position in its core markets for buses above 8 tons with innovative and high-quality new products. Not least due to various major orders in advance of the soccer World Cup in 2014 and the Olympic Games in 2016, we anticipate a rise in unit sales in Brazil for the years 2013 and 2014. In Western Europe we have launched excellent high-quality products: the new Mercedes-Benz Citaro and the Setra 500, the new coach generation. In order to realize further growth potential and to enhance our competitiveness, we started the “GLOBE 2013” growth and efficiency offensive in 2012.

With its “DFS 2020” strategy, **Daimler Financial Services** aims to achieve further profitable growth in the coming years. Key growth drivers are the expansion of our business in Asia, the product offensives of the Daimler Group, and the further development of innovative mobility service packages. Worldwide, we want to gain larger numbers of young customers, who Daimler will increasingly attract with its new models in the compact class and who are particularly open-minded with regard to financing and leasing offers. For the new Mercedes-Benz A-Class for example, we have designed packages including financing, insurance and services specifically for these target groups. Daimler Financial Services sees additional growth opportunities in the field of innovative mobility services, where we will systematically expand our service offering in the coming years – with and beyond car2go.

On the basis of our assumptions concerning the development of automotive markets and the divisions’ planning, we expect the **Daimler Group** to achieve further growth in total unit sales in the years 2013 and 2014.

Revenue and earnings

We assume that the Daimler Group’s **revenue** will continue growing in the years 2013 and 2014. Although uncertainty regarding the future development of our markets tended to increase during the year 2012, we will launch numerous new products in the context of our growth strategy in the coming years. Furthermore, we will increasingly develop the growth markets of Asia, Eastern Europe and Latin America for our products – partially also through local production. The growth we anticipate will probably be driven by all divisions, with the biggest contributions in absolute terms coming from Daimler Trucks and Mercedes-Benz Cars. In regional terms, we assume that growth rates will be above average in the emerging markets and in North America.

The following factors are particularly important for the **earnings situation of the Daimler Group** in the years 2013 and 2014:

- We will profit from the fact that we can convince our customers also in difficult markets with a large number of new and attractive products and with new technologies, and will thus be able to grow in many cases faster than the overall market.
- Within the context of our growth strategy, we are expanding our production capacities and distribution structures in North America and Eastern Europe, and especially in the BRIC countries. This will enable us to participate in the growth of those markets, although it is connected with substantial expenditure which will lead to corresponding revenue only after a certain delay.
- The currently very high expenditure for our model offensive and innovative technologies will only have a positive impact on revenue after a time lag. In particular the new S-Class and the new generation of the E-Class will not lead to a significant earnings improvement until the second half of the year 2013 and above all in the year 2014.
- By implementing our module strategies in the respective divisions, we will be able to utilize economies of scale across the entire product portfolio, thus making substantial savings especially with regard to production material.
- In addition, we are implementing far-reaching efficiency-enhancing programs in all divisions, whose effects will positively affect earnings already in 2013 and then above all in the following years. With the programs “Fit for Leadership” at Mercedes-Benz Cars, “Daimler Trucks #1” at Daimler Trucks, “Performance Vans 2013” at Mercedes-Benz Vans and “GLOBE 2013” at Daimler Buses, we intend to achieve sustained improvement in earnings of approximately €4 billion in total by the end of 2014. In this way, we are placing our growth strategy on a sound financial base.

We assume that the weakness of major markets will at first continue in the first half of 2013, and therefore anticipate a weaker development of earnings in the first half of the year compared with 2012. But due to the planned new models, the assumptions made for the development of markets important to Daimler and the increasing effects of the efficiency measures that have been initiated, we expect earnings to improve in the second half of 2013 compared with the level of the first half. On the basis of the anticipated recovery in the second half of the year, we currently assume that Group EBIT from ongoing business in the year 2013 will reach the magnitude of the prior year. For Mercedes-Benz Cars, full-year EBIT is expected to be slightly lower than in 2012, while the other automotive divisions should post higher earnings than in the prior year. In 2014 and the following years, we expect an improvement in operating profit for all automotive divisions and for the Group. For Daimler Financial Services, we anticipate a stable development of earnings in the next two years.

In the medium term, we aim to achieve an annual average return on sales in our automotive business of 9% across market and product cycles. This is based on target returns on sales for the individual divisions: 10% for Mercedes-Benz Cars, 8% for Daimler Trucks, 9% for Mercedes-Benz Vans and 6% for Daimler Buses. For the Daimler Financial Services division, we have set a target return on equity of 17%. Due to significantly worsened market conditions, the achievement of these profitability targets has become much more challenging for the Group and the individual divisions. We therefore assume that these targets will not be achieved as originally planned in the year 2013, but at a later date. In order to make sure we meet our profitability targets in the long term, we are carrying out far-reaching programs to improve our efficiency and competitiveness in all divisions.

We want our shareholders to participate appropriately in Daimler's financial success also in the coming years. In setting the dividend, we aim to distribute approximately 40% of the Group's net profit attributable to the Daimler shareholders. On this basis, the Board of Management and the Supervisory Board will propose the distribution of a dividend of €2.20 per share at the Annual Meeting of the Shareholders to be held on April 10, 2013 (prior year: €2.20). The total dividend paid out will thus amount to €2,349 million (prior year: €2,346 million).

For the years 2013 and 2014, we aim to have liquidity available in a volume appropriate to the general risk situation in the financial markets and to Daimler's risk profile. We want to continue to cover our funding needs primarily by means of bonds, bank loans, customer deposits in the direct banking business and the securitization of receivables in the financial services business. We assume that we will continue to obtain refinancing at attractive conditions during the planning period. Our goal is to take various measures in order to secure a high degree of financial flexibility.

Opportunities and risks

Our forecasts for the years 2013 and 2014 are based on the assumptions that political conditions will remain generally stable and the world economy will not slip back into recession. We also anticipate growth in worldwide demand for motor vehicles in 2013 and 2014, although at first only with a moderate rate of expansion. In addition to the assessments that we describe in this Outlook, further opportunities and risks exist that may have a positive or negative impact on our potential unit sales, revenue or earnings. This includes the development of currency exchange rates and raw-material prices, as well as the market success of our products and the intensity of competition in our key markets.

We see significant risks for the year 2013 in the renewed worsening or escalation of the sovereign-debt crisis in the euro zone and the resulting turbulence in financial markets and the banking sector, uncertainty about budget and fiscal policy in the United States, a sharp growth slump in China, high price volatility in commodity markets due to geopolitical unrest in the Middle East, increasing inflationary pressure and nascent protectionism. If one of those risk events should occur, the world economy might enter another recessive phase.

A detailed description of the risks associated with our business activities can be found in the Risk Report. see pages 125 ff

We have already excluded the risks arising for our business from exchange-rate fluctuations for the year 2013 to a large extent by means of appropriate financial instruments. Specifically for the US dollar, we were hedged by approximately 70% as of mid-February 2013.

Even though risks predominate at the beginning of 2013, there are also chances of a generally more positive development of the world economy. The biggest positive growth stimulus would be from a quick and lasting solution to the European sovereign-debt crisis. The quicker investors and consumers overcome the current crisis of confidence and return to more optimistic expectations of the future, the faster and stronger the revival of domestic demand will be. That would significantly benefit the financial markets and the banking sector. In such a case, credit could be expected to start flowing more freely again. Higher investment and increased consumption would also generate positive employment effects and thus reduce the high unemployment rates of many industrialized countries. This would result in significant acceleration of growth, especially in the industrialized countries. Higher economic growth rates would also make it much easier to maintain the still-necessary budget discipline. The dampening effects on the economy of state consolidation measures would then be considerably weaker than assumed. A quick and lasting agreement in the United States on carrying out the required consolidation measures would supply more impetus for domestic demand. Due to the great importance of the US economy for the global economy, this would have positive spill-over effects on other economies. But the emerging markets might also supply stronger impetus in 2013, especially if the overall economic upward trend in the major markets of China, India, Brazil and Russia were amplified. A stronger revival in China would of course be of prime importance.

Such a scenario would open up the possibility of a significantly more favorable business development at Daimler in the years 2013 and 2014. We see opportunities for additional unit sales and earnings in particular if the weak European automobile market recovers faster than assumed.

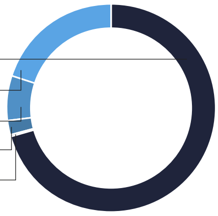
In the medium term, additional growth potential will be presented above all by the expansion of our presence in Asia and Eastern Europe. Our local activities there will enable us to utilize those opportunities. Together with our local partners, we are expanding our production capacities in China. In India, we have been producing trucks under the BharatBenz brand in a new plant since the year 2012. In Russia, we are intensifying our partnership with truck manufacturer Kamaz, while in Hungary, a new car plant for the production of our new compact class went into operation in 2012.

3.47

Investment in property, plant and equipment 2013 – 2014

In %

Mercedes-Benz Cars	71%
Daimler Trucks	20%
Mercedes-Benz Vans	7%
Daimler Buses	2%
Daimler Financial Services	0.3%



3.48

Investment in property, plant and equipment

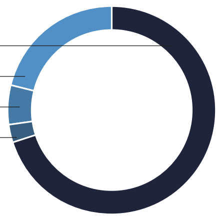
	2011	2012	2013-2014
In billions of euros			
Daimler Group	4.2	4.8	10.2
Mercedes-Benz Cars	2.7	3.5	7.3
Daimler Trucks	1.2	1.0	2.0
Mercedes-Benz Vans	0.1	0.2	0.7
Daimler Buses	0.1	0.1	0.2
Daimler Financial Services	0.02	0.02	0.03

3.49

Research and development expenditure 2013 – 2014

In %

Mercedes-Benz Cars	70%
Daimler Trucks	21%
Mercedes-Benz Vans	6%
Daimler Buses	3%



3.50

Research and development expenditure

	2011	2012	2013-2014
In billions of euros			
Daimler Group	5.6	5.6	10.8
Mercedes-Benz Cars	3.7	3.9	7.6
Daimler Trucks	1.3	1.2	2.3
Mercedes-Benz Vans	0.4	0.4	0.6
Daimler Buses	0.2	0.2	0.3

Furthermore, the upcoming fundamental changes in automotive technology are on the one hand a risk factor, but on the other hand can present considerable opportunities. If we succeed in our aim of playing a pioneering role for motor vehicles and concepts for sustainable mobility with innovative technologies, this should give us additional growth potential in terms of both unit sales and earnings.

We also see opportunities going beyond our planning in the area of innovative mobility services. A large and fast-growing market is being created in which we are already very well positioned with car2go. We will significantly expand our offering in this field of business and intend to participate to an above-average extent in the growth of this market.

New perspectives are also opening up through pioneering cooperations that we have agreed upon in various areas. We combine our expertise with that of our partners, which allows us to bring new technologies to market maturity more quickly and more cost effectively. It also enables us to produce on a larger scale and therefore less expensively.

Capital expenditure

In order to achieve our ambitious growth targets, we will expand our product range in the coming years and develop additional production and distribution capabilities. We also want to make sure that we can play a leading role in the far-reaching technological transformation of the automotive industry. For this purpose, we will invest a total of approximately €10.2 billion in property, plant and equipment in the years 2013 and 2014. ↗ 3.47 ↗ 3.48 We will thus exceed the already very high level of the past two years by €1.2 billion. In addition to capital expenditure, we are developing our position in the emerging markets by means of targeted financial investment in joint ventures and equity interests. These include our joint ventures with BAIC and Foton in China as well as Engine Holding with Rolls-Royce.

At the Mercedes-Benz Cars division, the focus of our capital expenditure will be on renewing and expanding our product range. The main projects include the expansion of our model range in the A-/B-Class segment, preparations for the new S-Class at the plant in Sindelfingen and preparations for the new C-Class family. But substantial investment is planned also for the modernization and expansion of engine and transmission production at the plant in Untertürkheim, as well as for the expansion of our production capacities in the United States. After last year's high level of capital expenditure, Daimler Trucks will mainly invest in successor generations of existing products and new global component projects in the coming years. At Mercedes-Benz Vans, the focus is on the further development of the existing model range and the expansion of the sales and service organization outside Western Europe, especially in the United States, Russia, Latin America and China. The key projects at Daimler Buses are advance expenditure for new model versions, future emission technology and alternative drive systems.

Research and development

With our research and development activities, our goal is to further strengthen Daimler's competitive position against the backdrop of upcoming technological challenges. We want to create competitive advantages above all by means of innovative solutions for low emissions and safe mobility. In addition, we intend to utilize the growth opportunities offered by worldwide automotive markets with new and attractive products that are tailored to the needs of our customers. In the years 2013 and 2014, Daimler plans to spend a total of €10.8 billion on research and development activities. ↗ 3.49 ↗ 3.50 This means we are at the high level of the years 2011 and 2012. Research and development expenditure at Mercedes-Benz Cars of €7.6 billion will be in the magnitude of the two previous years. Key projects are the successor models to the C- and E-Class and the new smart models. We are also investing substantial sums in new, low-emission and fuel-efficient engines, alternative drive systems and innovative safety technologies. As some important product and engine projects have meanwhile been realized, research and development expenditure at Daimler Trucks will be lower than the high level of previous years. The focus here will remain on developing and adapting new engine generations in order to fulfill increasingly stringent emission regulations, as well as on successor generations for existing products. The further development of engines to fulfill future emission standards is an important area of research and development also at Mercedes-Benz Vans and Daimler Buses. Alternative drive systems also play an important role, in particular at Daimler Buses.

Workforce

Due to the anticipated business development, production volumes will continue increasing in the years 2013 and 2014. At the same time, we will significantly increase our efficiency and thus also productivity as a result of the programs we are carrying out in all divisions. Against this backdrop, we assume that we will be able to achieve our ambitious growth targets with a largely stable workforce. New jobs will tend to be created in the international growth markets.

The Divisions

Electrifying. Mercedes-Benz SLS AMG Coupe Electric Drive – the world’s most powerful electric super sports car.

Daimler's divisions generally performed well in an increasingly difficult market environment. Further growth was achieved at Mercedes-Benz Cars and Daimler Trucks, while the unit sales of Mercedes-Benz Vans and Daimler Buses decreased. The business volume of Daimler Financial Services increased significantly.
In order to achieve our ambitious growth and profitability targets, far-reaching programs designed to increase our competitiveness are being implemented in all divisions.

4 | The Divisions

Mercedes-Benz Cars

2012 was another record year for Mercedes-Benz Cars. Our figures for unit sales, revenue, and production volume were at all-time highs. At €4.4 billion, EBIT did not reach the high level of the prior year. We set standards in the compact-car segment with our sporty new A-Class. Additional new model highlights in 2012 were the new SL, the CLS Shooting Brake, and the new GL. The E 300 BlueTEC HYBRID, which we have been offering to customers since June 2012, is the most fuel-efficient luxury sedan in the world. In 2012, we expanded our Mercedes-Benz 2020 growth strategy to include a new key component: Fit for Leadership.

4.01

Mercedes-Benz Cars

	2012	2011	12/11
Amounts in millions of euros			% change
EBIT	4,389	5,192	-15
Revenue	61,660	57,410	+7
Return on sales (in %)	7.1	9.0	.
Investment in property, plant, and equipment	3,495	2,724	+28
Research and development expenditure	3,863	3,733	+3
thereof capitalized	1,125	1,051	+7
Production	1,455,650	1,392,083	+5
Unit sales	1,451,569	1,381,416	+5
Employees (December 31)	98,020	99,091	-1

4.02

Unit sales Mercedes-Benz Cars

	2012	2011	12/11
In thousands			% change
Mercedes-Benz	1,346	1,279	+5
thereof A/B-Class	231	192	+20
C/CLK/SLK-Class	425	412	+3
E/CLS-Class	314	340	-8
S/CL/SL-Class/ SLR/SLS/Maybach	81	81	+0
M/R/GLK/GL/ G-Class	295	254	+16
smart	106	100	+6
Mercedes-Benz Cars	1,452	1,381	+5
thereof Western Europe	631	625	+1
thereof Germany	290	291	-0
NAFTA	342	288	+19
thereof United States	300	250	+20
China	208	223	-7
Japan	45	32	+37

New records set for sales and revenue. Mercedes-Benz Cars, comprising the brands Mercedes-Benz, Maybach and smart, continued to grow with sales of 1,451,600 vehicles in the year under review (2011: 1,381,400). ↗ 4.01 Revenue increased by 7% to the new record level of €61.7 billion, although major markets weakened in the second half of the year. At €4.4 billion, EBIT was lower than the high figure recorded in the prior year. This development was primarily due to extensive investment in the expansion of our production capacities, high advance expenditure for new vehicles and technologies, and difficult overall economic conditions – particularly in the second half of the year.

Fit for Leadership. To ensure we are able to achieve our targets for growth and margins – even under less favorable conditions – we have expanded our Mercedes-Benz 2020 growth strategy to include a new central component known as Fit for Leadership. This program combines existing efficiency actions and supplements them with additional, newly derived elements. Our main short-term goal here is to implement measures that will safeguard our earnings. Of particular importance, however, is our long-term component for optimizing our development, production and sales structures. One example of this optimization is the restructuring of our business activities in China, where we merged our two existing sales companies into a single and much more efficient sales organization, thereby creating the right conditions for further growth. In total, we intend to achieve a sustainable improvement in our cost structures of approximately €2 billion as a result of "Fit for Leadership" by the end of 2014.

Mercedes-Benz remains on course for growth. We set a new record in 2012 with unit sales of 1,345,800 Mercedes-Benz brand passenger cars (2011: 1,279,100). This achievement also enabled us to improve our position in key markets around the world. ↗ 4.02 The S-Class sedans, the M-Class, the CLS, the SLK and the C-Class coupe are worldwide market leaders in their categories.

The launch of our new and attractive SUVs led to a 16% increase in unit sales in that segment to 295,400 vehicles. Particularly high sales increases were recorded for the M-Class (+34%) and the updated GLK (+14%). We remained very successful in the S-Class segment with unit sales of 80,700 vehicles, and we were able to increase our sales in the C-Class segment by 3% to 425,000 units. Sales in the E-Class segment declined to 313,600 vehicles (-8%) due to lifecycle-related factors. Despite the model changeover of the A-Class

Presented in January 2013: The strong and dynamic styling makes the four-door coupe Mercedes-Benz CLA unmistakable.

in September 2012, unit sales in the compact segment rose by 20% to 231,100 vehicles. This positive development was mainly due to high unit sales of the B-Class (+57% to 150,200 vehicles). The market launch of the new A-Class was extremely successful. In fact, more than 70,000 orders had already been received by the time the model went on sale in September 2012.

All in all, we managed to increase sales in many markets, despite facing difficult economic conditions. Mercedes-Benz successfully defended its position as the most successful premium brand in Germany with shipments of 261,100 vehicles last year (2011: 262,300). This positive sales momentum was generated primarily by the B-Class, the M-Class, the upgraded GLK and, from the fourth quarter on, the new A-Class. In addition, we succeeded in improving our position in nearly all markets in Western Europe excluding Germany. Total unit sales of 300,100 vehicles exceeded the prior-year level by nearly 5% despite weak markets in the countries of Southern Europe. Sales in the United States reached a new record level of 289,300 vehicles (+17%); this development was primarily a result of the success of our new SUVs. Retail sales were up also in China, increasing by 1% to a record of 196,200 vehicles. As of the third quarter, sales were stimulated by the launch of the new B-Class. In order to optimize the inventories of our Chinese sales partners, we simultaneously reduced unit sales, i.e. shipments to our dealer network, by 9%. In 2012, sales of Mercedes-Benz passenger cars developed especially dynamically in Japan (+37%), Russia (+27%), Mexico (+27%), Switzerland (+23%) and the United Kingdom (+20%).

The heartbeat of a new generation. The highlight of the Mercedes-Benz presentation at the Geneva Motor Show in March 2012 was the world premiere of the new A-Class. With this model, we ushered in a new era for the compact-car segment. The new A-Class is exceptionally emotive in terms of design, dynamic thanks to new engines, and highly efficient with emission values starting at 92 grams of CO_2 per kilometer. The model's fuel consumption is up to 28% lower than that of its predecessor, despite a significant increase in engine performance. At the same time, the new A-Class underscores the fact that safety is not a question of cost at Mercedes-Benz. For example, the vehicle is offered with the radar-based COLLISION PREVENTION ASSIST system as standard equipment. The model's ability to seamlessly integrate iPhones® is also making the Mercedes-Benz brand particularly attractive to younger customers.

CLS Shooting Brake: A sports car with cargo space. With the all-new CLS Shooting Brake, which was first delivered to customers in October 2012, Mercedes-Benz offers yet another highlight in its lineup of innovative luxury vehicles. Although the model clearly has the proportions of a coupe, its five doors and a roof that stretches to the rear of the vehicle also offer impressive new possibilities. As a sports car with five seats and a large rear hatch, the vehicle is a unique option for customers who desire both a sporty driving experience and plenty of room for cargo.

Additional new models in 2012. The completely redesigned SL celebrated its world premiere at the Detroit Auto Show at the beginning of the year. This automobile is made almost entirely of aluminum and weighs up to 140 kilograms less than its predecessor. Its new BlueDIRECT engines are more powerful and up to 30% more fuel-efficient than the engines of the predecessor generation.

We also upgraded our range of SUVs in 2012 by launching new generations of the compact GLK and the G-Class as well as the new GL. With their new designs, more exclusive appointments, pioneering assistance systems, and powertrains that are both efficient and agile, all of these vehicles underscore the Mercedes-Benz claim to leadership in the SUV segment.

The E 300 BlueTEC HYBRID, which we began offering to customers in June 2012, is the most fuel-efficient luxury sedan in the world. The vehicle's modular hybrid concept, which includes a lithium-ion battery, stands out thanks to its exceptional driving performance and fuel consumption of only 4.1 liters of diesel per 100 kilometers (107 g CO_2/km). see page 165

The new highlights of 2012 also included two very environmentally friendly versions of the new B-Class: the Concept B-Class Electric Drive and the Mercedes-Benz B 200 Natural Gas Drive model. see page 165

In April 2012, Mercedes-Benz presented a four-door concept coupe with an avant-garde design at the Auto China show. The new CLA coupe, which was presented in January 2013 in Detroit, seamlessly integrates the design of the Concept Style Coupe into a series-production model. see page 37

Launch of the new smart fortwo electric drive. The new generation of the smart fortwo electric drive was launched in June 2012. The electric smart accelerates from 0 to 60 km/h in 4.8 seconds and has a top speed of 125 km/h. The vehicle's powerful lithium-ion battery enables it to travel 145 kilometers on a single charge. smart now also offers a new sales model that makes switching over to electric driving more appealing. With sale&care, customers can purchase, finance or lease the car at favorable terms and rent the battery for a monthly fee. Daimler has also been offering customers electricity from a new wind power facility – and thus from a completely renewable energy source – since the vehicle's market launch. In this way, we are ensuring that new smart fortwo electric drive models purchased in Germany are fully CO_2 neutral.

We also began offering the smart ebike to our customers in July 2012. With its unconventional design and a highly efficient and high-performance drive-system package, the smart ebike occupies an exceptional position on the market. The brand will also be expanding its urban electric mobility concept with the introduction of the smart scooter in 2014.

We sold a total of 105,700 smart fortwo cars in 2012, an increase of 6% compared with the prior year. The smart fortwo was particularly successful in the United States, Canada, Japan and China.

AMG – cutting-edge technology and a fascinating driving experience. Impressive results in motor sports and a unique array of high-performance vehicles continue to underscore AMG's reputation as the successful performance brand from Mercedes-Benz. The brand motto of "driving performance" has guaranteed the most sophisticated technology and a fascinating driving experience for 45 years now. As the first vehicle developed independently by Mercedes-AMG, the SLS AMG super sports car impressively highlights the expertise and passion that are hallmarks of the company's headquarters in Affalterbach. The spectacular gullwing model was followed by the open-top SLS AMG Roadster, two GT versions of the super sports car and the customer sports racecar SLS AMG GT3.

In the autumn of 2012, AMG continued the almost legendary tradition of its Black Series with the introduction of the SLS AMG Black Series coupe. AMG will also launch its new SLS AMG Electric Drive coupe in 2013. Getting behind the wheel of this fascinating electric super sports car is the most exclusive and dynamic way of experiencing what it means to drive an electrically powered vehicle. AMG will enter the compact class as well in 2013 with the introduction of the A 45 AMG. Additional AMG high-performance compact cars are also almost ready for market launch.

Continuous expansion of production network. Due to strong demand, the production plants of Mercedes-Benz were very well utilized also in the year 2012. To ensure that we fulfilled all of our customers' wishes, we implemented numerous special shifts and holidays were shortened. In this way, it was possible to produce over 1.35 million Mercedes-Benz automobiles: more than ever before.

Important product launches such as the new A-Class and the SL were mastered in top quality. A special prize was awarded to the plants in Sindelfingen and East London: the renowned J.D. Power Silver Plant Quality Award. The most important milestone in the year 2012 was the opening of our new Mercedes-Benz plant in Kecskemét, Hungary, which since then has been producing the new generation of Mercedes-Benz compact cars together with the plant in Rastatt. A total of €800 million has been invested in the Kecskemét plant, which meanwhile employs more than 3,000 people. Production of the B-Class started there after the plant was opened, followed by the new four-door compact coupe CLA in January 2013. The production network for our new compact cars allows us to significantly enhance our flexibility.

In addition to the substantial investment in Germany, we are also expanding our international production facilities so that we can manufacture our products closer to our markets and customers, especially in the growth regions. In China for example, together with our partner BAIC, we are investing a total of approximately €2 billion over several years in the expansion of local car production in Beijing. Last September, we laid the foundation stone for a plant that will produce the new generation of compact cars. And good progress has been made with the development of a new plant for the production of four-cylinder gasoline engines, which will go into operation in 2013.

As well as the systematic expansion of the production network, the productivity of the existing facilities is also being improved continuously. In this way, we are creating the right conditions also in the area of production to allow us to achieve the targets set by our Mercedes-Benz 2020 growth strategy.

Further reduction of CO_2 emissions. Our new economical engines and extremely efficient model variants once again enabled us to substantially reduce the average CO_2 emissions of the cars we sold in the European Union in 2012 – this time from 150 g/km to 140 g/km. We thus once again achieved an above-average reduction in the CO_2 emissions of our vehicle fleet, simultaneously undercutting the EU targets for this year. The new A- and B-Class models played a major role in this accomplishment. Our overall objective is to reduce the average CO_2 emissions of our fleet of new cars in the European Union to 125 g/km by 2016. see pages 100 and 164 ff

Pioneering technology and a new design: The extensively modernized new E-Class will be delivered to our customers as of April 2013.

Intelligent drive. This concept stands for a new dimension of driving at Mercedes-Benz. In the future, intelligent assistance systems will analyze complex situations and utilize improved sensor technology in order to identify potential danger on the road even better than is possible today. With many new systems, the new S-Class will make driving even more comfortable and even safer. Some of these innovations will already be implemented in the new E-Class. see pages 48 ff and 166 f

Numerous awards for Mercedes-Benz passenger cars. In 2012, a series of international design prizes such as the coveted “red dot award: product design” demonstrate that we were once again able to impress our customers with the forward-looking design and cultivated sportiness that typifies the Mercedes-Benz brand.

In the ADAC AutomarxX study, Mercedes-Benz occupies the top position as Germany’s strongest automobile brand and the A-Class has been voted “Germany’s favorite car” in the ADAC prize Yellow Angel 2013. The brand’s A-, C-, and E-Class models all received top marks in their respective segments in the J.D. Power market research institute’s Vehicle Ownership Satisfaction Study for Germany. In addition, Mercedes-Benz was proclaimed to be the best automotive brand in Germany in the same study. The Ökotrend environmental institute named the S 250 CDI BlueEFFICIENCY and the ML 250 BlueTEC 4MATIC the most environmentally friendly vehicles in their respective classes, while readers of Auto Bild magazine voted the A-Class Germany’s most beautiful car in the Auto Bild Design Award competition. Mercedes-Benz also won the Quality Trophy 2012, which is presented by Auto Zeitung magazine and the Association for Technical Inspection (GTÜ) to the company providing the best quality and dependability. This coveted top-class award is based on three criteria: the results of some eight million general technical inspections conducted by GTÜ, findings from the quality and service report published by Auto Zeitung, and magazine readers’ responses that reflect their own personal experience.

Our service also received top marks in the year under review. The Mercedes-Benz company-owned and authorized sales and service outlets that were examined in the workshop tests carried out by auto motor und sport magazine were all designated as providing very good service quality. In addition, Mercedes-Benz workshops once again achieved the grade “very good” in tests conducted by Germany’s ADAC automobile association.

Focusing on younger customer groups. In 2012, we added new chapters to the success story of the Mercedes-Benz brand. For example, we enhanced the fascination and appeal of the Mercedes star with a comprehensive product and communication offensive whose activities centered on the brand motto “The Best or Nothing.” New models such as the unique CLS Shooting Brake and in particular the progressively designed new A-Class enabled us to open up the Mercedes-Benz brand to new target groups. We also adopted new approaches to communication and marketing. In addition to existing Mercedes-Benz customers, who continue to enjoy the traditional brand attributes of premium quality, safety and longevity in the new A-Class, the new model specifically addresses young and contemporary-minded target groups who are particularly interested in sporty design and the ability to integrate digital media into their automobiles.
see pages 32 ff and 38 ff

We therefore designed our various campaigns to be expressive and modern in order to attract more customers from those target groups. Among other things, our communication activities here focus on innovative digital media and social networks such as Facebook and Twitter.

Daimler Trucks

2012 was a multifaceted year for Daimler Trucks. The Antos for heavy distribution transportation, the new medium-duty engine generation and the completely new model range of the BharatBenz brand once again demonstrated our innovative capabilities and substantially expanded the product lineup for our customers. The joint venture with Chinese manufacturer Foton took over the production of Auman brand trucks last summer. Despite higher unit sales, EBIT was lower than in 2011.

4.03

Daimler Trucks

	2012	2011	12/11
Amounts in millions of euros			% change
EBIT	1,714	1,876	-9
Revenue	31,389	28,751	+9
Return on sales (in %)	5.5	6.5	.
Investment in property, plant, and equipment	989	1,201	-18
Research and development expenditure	1,197	1,321	-9
thereof capitalized	180	251	-28
Production	450,622	435,918	+3
Unit sales	461,954	425,756	+9
Employees (December 31)	80,519	77,295	+4

4.04

Unit sales Daimler Trucks

	2012	2011	12/11
In thousands			% change
Total	462	426	+9
Western Europe	58	61	-6
thereof Germany	31	31	-0
United Kingdom	7	8	-9
France	7	8	-9
NAFTA	135	114	+18
thereof United States	114	97	+17
Latin America (excluding Mexico)	46	62	-25
thereof Brazil	29	44	-34
Asia	164	135	+21
thereof Japan	35	27	+30
Indonesia	69	62	+10

Another significant increase in unit sales and revenue. After many truck markets had posted strong sales growth in the first half of the year, all core markets saw demand slow down or even decrease in the third and fourth quarters. In Europe, the sovereign-debt crisis and the resulting economic weakness led to a marked decline in purchases, and economic constraints limited demand in the NAFTA region to the procurement of essential replacement vehicles. Although reconstruction activities led to an upswing in Japan following the earthquake, this development slowed considerably. In Brazil, weak economic growth and the introduction of tougher emissions standards led to a significant drop in unit sales throughout the year. In spite of these difficulties, Daimler Trucks managed to further increase its revenue and unit sales. As a result, the division was able to grow, particularly in Asia and the NAFTA region. We sold 462,000 vehicles during the year under review, or 9% more than in 2011. Revenue totaled €31.4 billion (+9%). Due to lower unit sales in Brazil and Western Europe as well as scheduled expenses for the current product offensive, EBIT of €1.7 billion was 9% below the prior-year level. ↗ 4.03

Daimler Trucks #1 safeguards the division’s sustainable profitability. With the launch of the “Daimler Trucks #1” excellence initiative, Daimler Trucks aims to become a leader also in terms of profitability. DT#1 is part of the Global Excellence Strategy and encompasses excellence programs at the individual operating units as well as cross-business initiatives. DT#1 has precise targets and is expected to contribute €1.6 billion in earnings by the end of 2014 from both additional business activities and cost-cutting measures. Daimler Trucks aims to achieve a significant portion of the cost reduction by the end of 2013.

The overall goal of the business units’ growth and optimization programs is to ensure that the division either remains or becomes the market leader in each region. The associated measures encompass the entire value chain.

For example, we have determined that there is great potential in the optimization of production and the reduction of material costs and fixed costs. Moreover, our current product offensive will play a key supporting role as we strive to meet our growth and efficiency targets.

A global reach with a unique portfolio of truck brands is a key element of our strategy for the future growth of Daimler Trucks.

In order to optimally exploit the advantages of our global reach, we have created programs at the various operating units as well as new cross-business excellence initiatives. For example, as part of its module strategy, Daimler Trucks aims to achieve a much higher rate of shared parts in its products without eliminating the key distinctions between the various brands. Reduced complexity and a smaller range of parts generate not only cost benefits in procurement, but also significant economies of scale in production and logistics. Furthermore, we are now realigning our R&D organization to optimally harmonize our development activities with our global platform and module strategy. Closer cooperation, including the systematic sharing of best practices, will also help us achieve our goal in the aftersales business. At the same time, a global growth strategy for component remanufacturing will enable us to exploit additional earnings potential. By expanding our regional activities and product range, we aim to increase the revenue from our remanufacturing business by 30% in the medium term. Finally, we are working on an integrated business model for Asia that will enable us to benefit from the region's growth potential even more than was previously the case.

Significant growth in worldwide unit sales. ↗ 4.04 Weak economic developments combined with the sovereign-debt crisis led to fewer purchases in **Western Europe**, thus causing the market to contract. At 58,000 units, sales at Daimler Trucks were down by 6% from the prior-year level. The year-on-year declines were particularly severe in southern European markets such as Italy and Spain. However, those two countries account for only a relatively small share of Daimler Trucks' sales in Western Europe (6%; 2011: 8%). In contrast, we once again reached or slightly surpassed the prior year's unit sales in Germany and the Netherlands. Despite facing a challenging market environment, Daimler Trucks was able to maintain its good position. In both Western Europe as a whole and Germany, its home market, Mercedes-Benz strengthened its market leadership by further increasing its market share in the medium and heavy segments. In the year under review, our market share was 22.9% in Western Europe (2011: 22.3%); in Germany it was 39.2% (2011: 37.5%).

The situation was similar in Turkey, where demand was very high in 2011 before dropping last year, particularly in the key heavy-truck segment. As a result, Daimler Trucks saw sales in Turkey fall slightly by 8% to 18,300 units. Despite this decrease, we substantially increased Mercedes-Benz Trucks' market share in the country to 45.4% (2011: 37.3%) and consequently extended our market leadership. At the end of August, we also added the Fuso Canter to our truck lineup in Turkey. Thanks to a favorable market environment, we sold 7,100 Mercedes-Benz and Fuso brand vehicles in Russia, representing an increase of more than 30%. This positive development is partly due to our joint venture's successful cooperation with Kamaz, the country's market leader for heavy trucks.

In **Latin America**, a substantial worsening of the overall economy and the introduction at the beginning of the year of tougher emissions standards in the region's main market, Brazil, caused sales to drop considerably to 46,200 vehicles (2011: 61,900). The change in emission limits from Euro III to Euro V not only required vehicles to use significantly more advanced technology, but also placed great demands on the infrastructure. For example, it became necessary to ensure the availability of suitable diesel fuel and AdBlue, an important exhaust gas treatment, throughout the country. The Brazilian government responded to the weakening of the economy by substantially improving the terms of the FINAME support program. Favorable financing conditions and short amortization periods are intended to serve as additional sales incentives and should eventually cause the truck business to rebound.

Developments in the **NAFTA region** were very promising at the beginning of 2012. At the end of the first half of the year, demand for Class 6 to 8 trucks was approximately 30% higher than it had been at the same time in 2011. The relatively high average age of the vehicles in this region continues to generate demand for substantial numbers of replacement trucks. However, increasing numbers of truck customers postponed their purchases in the second half of the year due to the deteriorating economic outlook. As a result, demand stagnated compared with 2011. Despite these developments, sales of 135,000 vehicles in the NAFTA region represent a substantial increase of 18%. With a market share of 34.0% (2011: 31.9%) for the Class 6 to 8 segment and 32.9% (2011: 30.9%) for heavy-duty trucks, we have further strengthened our leading position in this key market. We significantly boosted sales not only in our main market, the United States, where sales of 113,800 vehicles surpassed the prior-year figure by 17%, but also in Mexico, where sales rose by 28%. Daimler Trucks is the only manufacturer in the NAFTA region which has engines, axles and transmissions completely from its own production (from the component brand Detroit) and can thus offer its customers optimally tailored products.

At 163,700 units, Daimler Trucks sold many more vehicles in **Asia** this year than in 2011 (134,900). Our vehicle sales were up by 30% in Japan, where demand remained strong this year as a result of the extensive reconstruction work that was necessary following the natural disaster in March 2011. Our Fuso vehicles gained market share especially in the attractive heavy-duty truck segment (+2.4 percentage points). Despite intensified competition, we greatly increased our truck sales in Indonesia once again, selling a total of 68,500 units there. Although our market share declined slightly in Indonesia, we continue to be the undisputed leader in the overall truck segment with a market share of 43.7% (2011: 48.7%).

One of the high points of 2012 was the start of the production and sales of BharatBenz brand vehicles in India. We put a new production plant into operation in India last April after a record set-up time of only about 24 months. 85% of the parts and components for BharatBenz trucks are manufactured in India. In addition to truck assembly and powertrain production, the facility encompasses an R&D center and a test track. The plant in Chennai has been producing heavy-duty trucks of the new Daimler Trucks brand BharatBenz since the summer of 2012; sales of the vehicles commenced in September. Since early October, the company has also been producing and selling medium-duty trucks. Although not much time had elapsed since sales commenced, we had already sold 1,100 medium and heavy-duty vehicles by the end of the year.

Our premium brand, Mercedes-Benz, is already very successful in the Chinese truck market. Last year, we increased our sales in China above all in the country's construction vehicle segment. Those vehicles were manufactured at the truck plant in Wörth and adapted for their specific applications. We also sell Fuso models in China. During the year under review, Daimler Trucks sold a total of 6,900 vehicles in China under its various brands, thus increasing its sales volume there by 6%, although the overall market contracted significantly.

Our holdings make further progress. Our cooperation with the Chinese truck manufacturer Foton gives Daimler Trucks access to China's attractive volume segment. After the Chinese Ministry of Commerce had given Daimler and Foton the final approval for a joint venture in the fall of 2011, the partnership's operational phase began in Beijing in 2012. Since July, the joint venture company Beijing Foton Daimler Automotive Co., Ltd. (BFDA) has been manufacturing all of the Auman brand's trucks. In addition to completing a second Auman truck production plant, the joint venture will also set up a manufacturing facility for engines in the future. Daimler will contribute its technological expertise, especially in the areas of diesel engines and exhaust gas systems.

Through a partnership between Fuso and Nissan, Daimler Trucks is also continuing to expand its product range in Japan. An agreement signed in November regulates the mutual supply of light trucks. As a result, Fuso will add the Fuso Canter Guts to its vehicle lineup in 2013.

In Russia, Daimler Trucks is benefiting from its modular system as it cooperates with its partner Kamaz. Beginning in 2013, Mercedes-Benz Axor cabs will be installed in Kamaz's new generation of trucks on the basis of a licensing agreement. Since November 2012, we have also been supplying diesel and natural gas engines as well as axles to Kamaz as part of a supply agreement. In this way, Daimler Trucks is expanding the partnership, which also encompasses two local joint ventures established to produce and sell Mercedes-Benz and Fuso trucks in Russia.

Product offensive proceeding as planned. Besides introducing the new BharatBenz brand, Daimler Trucks also presented numerous new products last year.

The Mercedes-Benz Antos for example is the first vehicle class designed specifically for use in heavy-duty distribution transportation. The Antos is being rolled out with a wide range of EURO VI diesel engines. Featuring three displacements and outputs ranging from 175 kW to 375 kW, these engines allow customers to select the right powertrain for their needs. In all of the versions, power is transmitted by the fully automated PowerShift 3 transmission. As a result, even trucks and semitrailer tractors that are only occasionally fully loaded have a good operating performance. Specific models are also offered for special applications. For the first time ever, all of the assistance systems used in the Actros long-haulage truck are now also available for distribution transportation.

In May 2012, Daimler Trucks presented the new Freightliner Cascadia Evolution, which becomes available in the US market in 2013. The new truck consumes up to 7% less fuel than the current EPA10 Cascadia model. These fuel savings were demonstrated during a 2,400-mile test drive and have also been confirmed by an independent institute. The large savings were made possible by equipping the truck with the new Detroit DD15 engine and implementing aerodynamic measures.

The Aerodynamics Trailer saves about 2,000 liters of diesel per semi-trailer truck each year while reducing CO_2 emissions by five tons.

Also in May, we began selling the new Fuso Canter Eco Hybrid in Japan. The truck has also been available in Europe and other international markets since the third quarter of 2012. This vehicle boasts great fuel efficiency, economy and comfort, thanks to the first-ever combination of a dual-clutch transmission and hybrid drive. As the cleanest vehicle in its class, the Fuso Canter Eco Hybrid generates 30% less nitrogen oxide and particulate emissions than the limit stipulated by Japanese regulations. In addition, it reduces fuel consumption by more than 25% compared with the current Canter model with a conventional diesel engine. The Fuso Canter Eco Hybrid has been awarded prizes by Japanese automotive experts for its innovative technology.

After introducing the new heavy-duty engine generation, Daimler Trucks presented its all-new OM 93x series of medium-duty engines last spring. This is the first time that all of the units of a commercial vehicle engine series meet the future Euro VI emissions standard without exception. The new engines are tailored to meet the requirements associated with light, medium, and heavy-duty distribution transportation; light and medium-duty construction site work; long-haul operations; and city and intercity bus services.

Daimler Trucks also offers a broad range of new and optimized driver assistance systems that provide customers with substantial benefits. For example, Predictive Powertrain Control is an anticipatory cruise control system that reduces fuel consumption by up to 3%. The system can optimize fuel consumption by recognizing the topography of the road ahead. To achieve this goal, the system is also able to change gears.

The third generation of Active Brake Assist (ABA3) enables us to greatly reduce the risk of front-end collisions. ABA3 was enhanced on the basis of the proximity control system. However, unlike the automatic adaptive cruise control, ABA3 independently initiates an emergency braking maneuver if a front-end collision with moving or stationary obstacles appears imminent. The system also warns other drivers on the road by sounding the horn and turning on the hazard warning lights.

After running a successful pilot project in several core markets in Asia and the Middle East, Fuso is now greatly expanding its aftersales business with its Diamond Value Parts brand. Although the quality, reliability, and efficiency of this secondary brand's spare parts are much better than those of competing products, they are much less expensive than original parts.

Shaping Future Transportation – as far as Daimler Trucks is concerned, this motto means using resources sparingly, reducing emissions of all kinds, and simultaneously ensuring the greatest possible degree of road safety. With its Aerodynamics Truck & Trailer initiative, Daimler Trucks aims to dramatically reduce wind resistance and fuel consumption. And with the new Actros, Mercedes-Benz has the world's most fuel-efficient heavy-duty truck in its model range. The vehicle was recently joined by the Aerodynamics Trailer, whose drag coefficient has been reduced by approximately 18%. The prototype Aerodynamic Truck, whose cab is based on the Actros ClassicSpace, also boasts optimized wind resistance. Thanks to better aerodynamics, which have been improved by approximately 12%, the truck's fuel consumption on highways has been reduced by about 3%. The Aerodynamic Truck and Trailer are currently undergoing further test drives.

At the beginning of 2012, the Environmental Protection Agency certified Daimler Trucks North America's (DTNA) complete range of Freightliner and Western Star on-highway, vocational and medium-duty trucks as fully compliant with the Greenhouse Gas 2014 (GHG14) regulations. DTNA is the first US truck manufacturer to receive this certification.

There are also plans to further optimize the new Freightliner Cascadia Evolution. When this vehicle is equipped with an automated Detroit DT12 transmission, wide tires with low roll resistance and an aerodynamically shaped semitrailer, it has been shown to have an outstanding fuel efficiency rating of 10.67 miles per US gallon (22 liters/100 km).

Mercedes-Benz Vans

In 2012, Mercedes-Benz Vans launched the new Citan city van, which ideally supplements our existing product range. The sovereign-debt crisis in Western Europe led to market contractions that affected our business. EBIT of €541 million was lower than the high level recorded in the prior year. Our top-selling Sprinter van continued to be very successful in North and Latin America. Because our standards are high, we have further intensified initiatives aimed at boosting the efficiency of the division and increasing its international scope.

4.05

Mercedes-Benz Vans

	2012	2011	12/11
Amounts in millions of euros			% change
EBIT	541	835	-35
Revenue	9,070	9,179	-1
Return on sales (in %)	6.0	9.1	.
Investment in property, plant, and equipment	223	109	+105
Research and development expenditure	371	358	+4
thereof capitalized	137	126	+9
Production	257,496	268,851	-4
Unit sales	252,418	264,193	-4
Employees (December 31)	14,916	14,889	+0

4.06

Unit sales Mercedes-Benz Vans

	2012	2011	12/11
			% change
Total	252,418	264,193	-4
Western Europe	164,907	178,335	-8
thereof Germany	71,044	77,585	-8
Eastern Europe	24,026	22,646	+6
United States	21,474	18,027	+19
Latin America (excluding Mexico)	13,954	13,659	+2
China	8,836	13,514	-35
Other markets	19,221	18,012	+7

Unit sales and earnings impacted by crisis in Europe. Mercedes-Benz Vans' global sales of Sprinter, Vario, Vito, Viano, and Citan vehicles decreased to 252,400 units last year (2011: 264,200). This development was due in particular to the difficult market situation in Western Europe. Revenue was also slightly lower than in the prior year at €9.1 billion (2011: €9.2 billion). EBIT decreased from €835 million to €541 million, primarily due to lower unit sales in Western Europe. Expenses were incurred for the market launch of new products. Furthermore, there were expenses of €64 million in connection with the impairment of the Chinese joint venture Fujian Benz Automotive Corporation. ↗ 4.05

Initiatives for boosting efficiency and making the division more international. At Mercedes-Benz Vans, we launched the "Performance Vans 2013" short-term program to further intensify previous initiatives aimed at continuously boosting efficiency. The new program was conceived to counteract unfavorable market developments in Western Europe and help us deal with intensified competition in key markets. With this program, we intend to realize efficiency improvements in the magnitude of €100 million. At the same time, we are retaining the key pillars for achieving further profitable growth. The elements of those pillars include measures to increase the international scope of the division and to expand its product range. We refer to this strategy as "Vans goes global." see page 153

The Sprinter remains successful in North and Latin America. Due to Europe's sovereign-debt crisis and a challenging market environment, Mercedes-Benz Vans saw its unit sales decline by 8% in Western Europe to 164,900 vehicles. ↗ 4.06 The Western European volume markets in particular were unable to match their high levels of 2011. Because of market developments, our unit sales were especially low in Germany and France compared with the prior year. By contrast, sales developed very well in Eastern Europe, where Mercedes-Benz Vans once again saw unit sales grow rapidly (+6%) in 2012 following excellent results in the prior year. Due to the market success of the Sprinter in the United States and Canada, sales once again rose substantially in the NAFTA region to 26,400 units, representing an increase of 18% over the prior year. The high level of customer acceptance is also reflected in our increasing market share. In Latin America, we sold 14,000 vehicles (+2%). After the introduction of the current generation of the European Sprinter in the spring of 2012, unit sales rose in Latin America, particularly during the second half of the year. However, sales in China declined to 8,800 units (-35%), due to the contraction of those segments of the market in which

Mercedes-Benz Sprinter: The current version of the global van has been produced also in Argentina since 2012.

we are active. We sold 159,000 Sprinters worldwide in 2012 (-3%). Sales of the Vito and Viano models decreased after record unit sales in 2011 by 15% to 83,700 units, and we sold 2,700 Vario vans (2011: 2,900). The new Citan city van, which was launched in September, accounted for sales of 7,100 units. Despite the difficult market environment, Mercedes-Benz Vans retained its market position for medium-sized and large vans in the European Union and defended its market share of 18%.

Full-line supplier with the new Mercedes-Benz Citan. In 2012, Mercedes-Benz Vans launched a new vehicle that made the division a full-line supplier of vans. The Mercedes-Benz Citan city van marks our entry into the rapidly growing small-van segment. By taking this step, we plan to strengthen our leading position in the European market. The Citan is the first vehicle to be created as a result of the strategic partnership between Daimler and Renault-Nissan, and made its debut at the IAA Commercial Vehicles show in Hanover in September 2012. The Citan is designed for commercial customers and is offered in panel van and crewbus variants, as well as in a “Mixto” version with two rows of seats and a small cargo area. The city van is available in three lengths based on two different wheelbases and two different gross vehicle weights. The Citan is one of the most fuel-efficient vans of its class in both the gasoline and the diesel-powered variants. The Citan BlueEFFICIENCY has fuel consumption of 4.3 l/100 km and CO_2 emissions of 112 g/km. No conventionally powered city van consumes less fuel or produces lower emissions. At the same time, the Citan ensures optimal driving comfort and high performance while keeping operating costs low.

“Vans goes global” in Latin America, Russia, China and North America. The worldwide success of the Sprinter is one of the key elements of our “Vans goes global” growth strategy. The Sprinter, which is the designation for an entire class of vehicles, is a best-selling export model and a truly global van. The Sprinter impresses customers worldwide and is now being produced in several key growth regions. Since the beginning of 2012, we have been manufacturing the current Mercedes-Benz Sprinter generation at our plant in Buenos Aires, Argentina, where it is primarily produced as a bus variant. The upgraded product range will enable Mercedes-Benz Vans to benefit from the anticipated sharp increase in demand for passenger transport systems in Latin America. The success of the new-generation Sprinter has already been demonstrated by the van’s steadily increasing sales figures in the second half of 2012. We plan to invest more than €80 million in the production of new van models at the Buenos Aires plant over the next few years. In the process, we will create 700 new jobs there. We have also taken an important step forward in Russia, where we have formed a partnership for the production of Mercedes-Benz vans. We are currently implementing this project in cooperation with the Russian commercial vehicle manufacturer GAZ. The project’s aim is to pave the way for the production of the proven Sprinter Classic, engines and other components at the GAZ facility in Nizhny Novgorod. Production is scheduled to begin during the first half of 2013. The vehicles will be sold and serviced by the existing Mercedes-Benz dealership network, which will be greatly expanded. At present, the Russian van market is growing faster than any other van market in Europe. In China, Mercedes-Benz Vans is the only manufacturer to date that produces vans locally. We have been producing the Vito and Viano in China since 2010, and our joint venture Fujian Benz Automotive Corporation also began manufacturing a bus version of the Sprinter in 2011. With its Sprinter, Mercedes-Benz Vans is also performing very successfully in North America. Unit sales of the Sprinter increased at a double-digit rate, thanks to an outstanding retail network and the use of a consistent two-brand strategy (Mercedes-Benz and Freightliner) in the United States.

Two electric vans celebrate world premieres. One of the key elements of Mercedes-Benz Vans’ strategy is its goal of technological leadership in the sector. This leadership will be maintained by developing environmentally compatible technologies that provide customers with real utility. In this connection, we celebrated two world premieres during the year under review. At the Geneva Motor Show in March 2012, we presented the Mercedes-Benz Vito E-CELL crewbus. This crewbus is the world’s first locally emission-free series-produced seven-seat vehicle. Another van, the Sprinter E-CELL concept, made its public debut at the IAA Commercial Vehicles show. This vehicle greatly expands the possibilities of locally emission-free transportation.

Daimler Buses

As the market leader in its core markets, Daimler Buses focuses on ecologically responsible innovations that also meet the financial requirements of its customers. With its presentation of the new Mercedes-Benz Citaro Euro VI and Setra ComfortClass 500 models, Daimler Buses is setting new standards in the premium bus segment. Market-related declines in demand for bus chassis in Latin America and the ongoing difficult situation in the European bus market had a negative impact on revenue and earnings last year. We began reorganizing our bus operations in 2012, thus creating the conditions for further growth at Daimler Buses.

4.07
Daimler Buses

	2012	2011	12/11
Amounts in millions of euros			% change
EBIT	-232	162	.
Revenue	3,929	4,418	-11
Return on sales (in %)	-5.9	3.7	.
Investment in property, plant, and equipment	82	103	-20
Research and development expenditure	222	225	-1
thereof capitalized	23	32	-28
Production	31,384	40,391	-22
Unit sales	32,088	39,741	-19
Employees (December 31)	16,901	17,495	-3

4.08
Unit sales of Daimler Buses

	2012	2011	12/11
			% change
Total	32,088	39,741	-19
Western Europe	5,851	5,943	-2
thereof Germany	2,039	2,214	-8
NAFTA	3,943	4,042	-2
Latin America (excluding Mexico)	17,800	25,048	-29
Asia	1,886	1,667	+13
Other markets	2,608	3,041	-14

Unit sales down from the prior year. Daimler Buses sold 32,100 buses and chassis worldwide in 2012 (2011: 39,700) and was able to defend its market leadership in its core markets in the segment for buses over eight tons gross vehicle weight. ↗ 4.07 The decline in sales volume compared with 2011 was largely due to lower orders for bus chassis in Latin America. The decrease in unit sales caused revenue to fall by €0.5 billion to €3.9 billion. At minus €232 million, EBIT was substantially lower than the figure recorded in 2011. Earnings were negatively affected also by expenditure of €155 million on the repositioning of our European and North American business systems.

Reorganization of European and North American business systems. Daimler Buses launched a growth and efficiency campaign known as “GLOBE 2013” in order to generate additional growth potential and strengthen the division’s competitiveness, particularly in Europe. This program for safeguarding sustainable profitability is being rolled out along the entire value chain and at all locations, and aims to utilize potential for an earnings improvement in the magnitude of €200 million, to be realized by the end of 2014. One of its objectives is to intensify the links between all business locations in the European production network. As part of “GLOBE 2013,” Daimler Buses will also exploit existing growth potential in its traditional markets and further expand business in new ones. In response to the continually decreasing demand for city buses in North America in recent years, we decided to discontinue production of Orion buses in the United States and Canada. The American bus manufacturer Motor Coach Industries International (MCI) became the exclusive distributor of Setra coaches in the USA during the year under review, and we received a 10% share in MCI in return.

Varying business development in the regions. In Western Europe, the Daimler Buses brands Mercedes-Benz and Setra offer a complete range of city buses, intercity buses and coaches, as well as Mercedes-Benz bus chassis. The sovereign-debt crisis had a dampening effect on customer demand in this region, but sales of 5,900 units were nonetheless at the level of the previous year. ↗ 4.08 Daimler Buses was thus able to further strengthen its leading market position in Western Europe with a market share of approximately 28% (2011: 27%). In Turkey, we sold 1,100 units (2011: 1,100), benefiting from a larger number of public-sector orders for city buses than was the case in 2011. Sales of Mercedes-Benz bus chassis in Latin America (excluding Mexico) declined by 29% to 17,800 units. In Brazil, the stricter Euro V emissions stan-

The Setra S 517 HD – a model of the new ComfortClass 500.

dards were introduced in early 2012. In anticipation of this development, many purchases that would otherwise have been made in 2012 were concluded in 2011. With a market share of approximately 43% (2011: 43%), we were able to clearly maintain our leading market position in Latin America. The stable development of the Mexican market enabled Daimler Buses to sell 3,500 units there, just as it had done in the prior year. In addition, our market share of roughly 48% (2011: 50%) once again allowed us to defend our leading market position in Mexico last year. In the context of repositioning our North American bus business, sales of Orion city buses were discontinued in 2012.

Major orders for city buses and chassis from Brazil. Brazil's major cities are already renewing their bus fleets and improving traffic infrastructures in preparation for the huge influx of visitors and traffic expected for the World Cup soccer championship in 2014 and the Olympic Games in 2016. With its order for 135 new Mercedes-Benz city buses equipped with BlueTec 5 technology, the city of Fortaleza is just one of many environmentally conscious municipalities that are striving to modernize their local public transport fleets in anticipation of these events. We also received a major order from the Ribeirão Preto transportation company in São Paulo province for just under 390 Mercedes-Benz bus chassis. In addition, we will supply 2,600 school buses for the Brazilian educational program. The chassis will be built up as school buses together with a Brazilian bodybuilder and will be delivered in 2013.

New Mercedes-Benz Citaro named "Bus of the Year 2013." The new Citaro with its Euro VI-compliant engine greatly impressed the international jury of experts who selected the winner of the "Bus of the Year 2013" award. The new Citaro – the first series-produced regular-service bus to comply with Euro VI – was praised for the economical and forward-looking transport solution it embodies. Our main goal in developing the Citaro was to combine environmental compatibility and economy with advances in performance, safety and comfort.

New ComfortClass 500 sets the benchmark. The Setra brand's new-generation ComfortClass 500 coach sets new benchmarks for design, comfort, safety, and efficiency. The two-axle S 515 HD, the two- and three-axle S 516 HD and the three-axle S 517 HD were all launched in the fall of 2012. The new aerodynamic design of the Setra ComfortClass 500 reduces fuel consumption. Aerodynamic adjustments have lowered the bus's wind resistance by 20%, which translates into a 5% decrease in fuel consumption. With the help of additional individual measures, the Setra ComfortClass 500 now boasts a drag coefficient of 0.33, a figure unmatched in the industry.

Daimler Buses continues to work on clean drive systems. The world's population is steadily growing and becoming increasingly urbanized. The need for mobility is therefore increasing worldwide, and this development is affecting the climate and the environment. Because buses will play a key role in the mobility networks that will be required in the future, Daimler Buses is developing pioneering drive technologies to address the associated challenges. For example, it is optimizing vehicles by equipping them with ultramodern combustion engines. In particular, Daimler Buses introduced two additional Euro VI-compliant models in 2012 – the Mercedes-Benz Citaro Euro VI and the Setra ComfortClass 500. Euro VI emission limits will become obligatory in early 2014, leading to a further drastic reduction of pollutant emissions. The two buses impressively demonstrated how emission reductions can be combined with enhanced fuel economy during the Record Run Buses 2012 comparative test. During this five-day event, which was monitored by neutral parties, five buses covered a total distance of almost 18,000 kilometers. The emission and fuel consumption performance of the Euro VI-compliant buses was then compared with that of their predecessors. The anticipated fuel savings of 4-6% (Citaro) and 5-6% (Setra) were not only achieved, but also significantly exceeded. In fact, both models cut fuel consumption by more than 8% compared to their predecessors and produced lower emissions thanks to their compliance with Euro VI.

Daimler Financial Services

Daimler Financial Services achieved further growth in new business and contract volume in 2012. We expanded our financial services portfolio particularly in Asia. By the end of 2012, our car2go mobility concept was being used by some 270,000 customers in 18 cities. Daimler Financial Services once again received awards in the areas of customer satisfaction, dealer satisfaction and employer attractiveness.

4.09
Daimler Financial Services

	2012	2011	12/11
Amounts in millions of euros			% change
EBIT	1,292	1,312	-2
Revenue	13,550	12,080	+12
New business	38,076	33,521	+14
Contract volume	79,986	71,730	+12
Investment in property, plant, and equipment	23	21	+10
Employees (December 31)	7,779	7,065	+10

Further growth in new business and contract volume. Business at Daimler Financial Services once again developed favorably in 2012. New business increased by 14% to the record figure of €38.1 billion. Contract volume, which expresses the value of all leasing and financing contracts managed by Daimler Financial Services, rose by 12% to €80.0 billion. Adjusted for exchange-rate effects, contract volume increased by 13%. EBIT of €1,292 million was at the same level as in the prior year (€1,312 million). ↗ 4.09

Positive business development in Europe. Daimler Financial Services concluded new financing and leasing contracts worth €18.2 billion in the Europe region in 2012. The development of new business was particularly dynamic in Russia (+127%), Turkey (+43%) and the United Kingdom (+39%). Contract volume in Europe totaled €34.5 billion at the end of the year under review, which is an increase of 11% compared to 2011. In Germany, the contract volume of Mercedes-Benz Bank increased by 4% to €17.8 billion.

In 2012, we successfully completed the realignment of Mercedes-Benz Bank and the transfer of Daimler Financial Services' global headquarters from Berlin to Stuttgart. We expect the resulting efficiency gains to generate savings of more than €10 million each year. At €12.1 billion, Mercedes-Benz Bank's deposit volume in the direct banking business was 10% higher than a year earlier.

Growth in the Americas region. New business in the Americas region increased compared with the prior year by 16% to €14.6 billion in 2012. Business developments were particularly positive in Canada (+27%), the United States (+22%) and Mexico (+19%). However, new business in Brazil declined due to the general economic development there. Contract volume in the Americas region increased by 11% to a total of €34.1 billion at the end of the year under review.

Dynamic growth in Asia. The Africa & Asia-Pacific region once again recorded the strongest growth in 2012. At €5.3 billion, new business was up by 17% from the prior year. In Japan, the volume of new leasing and financing contracts rose by 43% to €1.4 billion. Total contract volume in the Africa & Asia-Pacific region reached €11.3 billion, which is 14% higher than in 2011. In August 2012, Daimler Financial Services became the first automotive financial services provider in China's premium segment to offer leasing contracts. Financing activities designed to support the Group's new BharatBenz commercial vehicle brand in India were successfully launched last year. In Malaysia, the new Mercedes-Benz Services Malaysia subsidiary began operating in November.

Insurance business passes the one-million mark. In the insurance business, Daimler Financial Services brokered over one million policies for the first time in one year. The number of new insurance contracts signed increased by 13% to approximately 1,100,000. Policies brokered in China were up by 22% compared with 2011, while our Russian subsidiary recorded nearly twice as many policies as in the prior year. Our cooperation with major insurance partners makes it possible for Mercedes-Benz customers to obtain exclusive vehicle insurance conditions for the brand's typical safety features. In the event that a vehicle of one of our customers is damaged, it will be repaired in authorized workshops by highly skilled mechanics using genuine Mercedes-Benz spare parts. This arrangement also supports the Group's service centers and spare parts business.

Daimler Financial Services offers tailored financial services packages also for younger people.

Growth of business with fleet customers. Daimler Financial Services once again helped small and medium-sized commercial customers as well as major international companies in many countries to finance and manage their fleets of vehicles. We were able to grow in this sector as well, with new business increasing by 6% to 126,000 units. We managed a total of 328,000 vehicles for commercial customers by the end of 2012, representing an increase of 6% compared with a year earlier. With approximately 700 customers from all industries, the Daimler Financial Services subsidiary Daimler Fleet Management is one of the biggest providers of fleet management services in Germany.

Numerous awards for customer and dealer satisfaction. Daimler Financial Services was once again honored many times in 2012 for the outstanding quality of its services. For the fourth consecutive year, Germany's "Autohaus" magazine named Mercedes-Benz Bank the best premium-segment provider of automotive financial services. Daimler Financial Services ranked first in several categories of the J.D. Power and Associates study of dealer satisfaction in the United States and Canada. The division's Australian subsidiary finished first in a local dealer satisfaction study for the third time in succession.

A highly attractive employer. Daimler Financial Services is highly regarded as an employer. This fact was confirmed in 2012 by external institutes. For example, the highly respected Great Place to Work Institute reported that Daimler Financial Services' US subsidiary is among the country's 25 most attractive employers in its segment. Daimler Financial Services in China was also singled out for praise by the Great Place to Work Institute.

Further expansion of business with innovative mobility services. Daimler Financial Services is increasingly supplementing its automotive financial services operations with activities in the rapidly growing market for mobility services. The division's innovative car2go car-sharing concept is now up and running in 18 cities in Europe and North America. As a result, the number of car2go locations more than doubled during the year under review. car2go was launched in Stuttgart at the end of November with a fleet of 300 fully electric vehicles. At the end of 2012, car2go had some 270,000 customers worldwide (2011: 60,000). Starting at the beginning of 2013, Daimler Financial Services also concentrated all activities related to innovative mobility services in the subsidiary Daimler Mobility Services GmbH and assumed responsibility for the "moovel" mobility platform, which enables customers to compare various mobility options on their smartphones.

Expansion of Toll Collect system. This system, which is used to collect truck tolls on German autobahns, continued to run smoothly and reliably during the year under review. On August 1, 2012, the system was extended to cover approximately 1,100 kilometers of four-lane non-autobahn highways in Germany. A total of 741,900 onboard systems for automatic toll collection were in use at the end of 2012. Tolls were collected for a total distance of 26.6 billion kilometers during the year under review. Daimler Financial Services holds a 45% equity interest in the Toll Collect consortium.

Sustainability

The new Mercedes-Benz Vito E-CELL wagon:
the first seven-seater with a locally emission-free drive system.

Daimler is committed to the principle of sustainability and has a holistic view of this topic. So for us, economic, social and environmental responsibility are inseparable from each other.

5 | Sustainability

- The principle of sustainability is a fixed element of our corporate strategy
- Goal of a sustained increase in enterprise value
- Intensive dialog with stakeholders

- Investment in research and development of €5.6 billion
- Further reductions in fuel consumption and CO_2 emissions
- A-Class receives environmental certificate
- Presentation of the world's most economical large sedan
- Vehicles with alternative drive systems in series production
- Fuel-efficient trucks and buses
- New technologies for greater safety

- Increase in size of total workforce
- Flexible working models gain importance
- Lifetime learning secures employees' qualifications
- High priority on fostering next-generation executives
- Personnel diversity is a value factor at Daimler

- Social involvement according to the principle of "help for self-help"
- Binding regulations on Group-wide promotion process
- Benefits provided in the context of donations, sponsoring, foundations and corporate volunteering
- Support provided for example for the arts and culture, education and charitable projects

Detailed reporting on the subject of sustainability.
Detailed information is provided in our separate Sustainability Report. It describes transparently and factually the sustainability aspects of the past year.

The web-based Interactive Sustainability Report supplements our sustainability reporting with additional details and information sustainability.daimler.com.

In 2013, the new Sustainability Report will be available as of early April in time for the Annual Shareholders' Meeting.

Further information on the subject of sustainability can be found on our website at daimler.com/sustainability.

Sustainability at Daimler

Sustainability is an integral part of our corporate strategy. Efficient management structures support the implementation of sustainability policies at all of our divisions. In the year under review, we continued and expanded our intensive dialog with our stakeholders concerning issues related to sustainability.

Our sustainability strategy. We want to enhance the value of our company over the long term. And we can do that only if we define value creation holistically and measure the success of our business operations not only in terms of financial metrics, but also in relation to their social acceptance. In order to do that, we have established sustainability as an integral part of our pyramid of goals and as a basic principle of our corporate strategy. In addition, the ideas that are of fundamental importance to us include the ten principles of the Global Compact. As one of the Global Compact's founding members and a member of the LEAD team since 2011, we are strongly committed to these principles. We are also guided by the labor standards established by the International Labour Organization (ILO) and by the OECD guidelines for multinational companies.

Our effective and coordinated strategies and initiatives ensure that the concept of sustainability is firmly embedded in our business operations. In our Group-wide sustainability management system, these strategies are implemented by means of concrete measures and measurable target indicators. Our Sustainability Program 2010–2020, which we presented for the first time in April 2011, is an important step toward our goal. This program defines our essential areas of activity in the years ahead. We aim to steadily continue reducing pollutants and emissions, further enhance the safety of our vehicles, expand the dialog with our suppliers and dealers, and further strengthen our social involvement.

The economic dimension: Profitable growth and long-term economic success safeguard our commitment to sustainable development. As the technological pacesetter of the automotive industry, we aim to stand out because of our top performance and to shape the future of safe and environmentally compatible mobility. Our business operations are based on responsible corporate management that focuses on integrity, good corporate governance and the principles of compliance. In addition, our corporate management requires and encourages the irreproachable ethical behavior of every single executive and employee.

The environmental dimension: Environmental protection, innovation and safety are the biggest issues our company will have to deal with as it strives to attain its sustainability goals. Our cars and commercial vehicles are among the very best in their respective market segments in terms of their environmental friendliness and safety. As we explore new mobility concepts, we are extending our focus beyond the individual vehicles themselves and testing environmentally compatible approaches to urban mobility. Also in the production of our vehicles, we carefully design every production step to make it as environmentally compatible as possible.

A key focus of our research and development work is to continuously improve our products and processes in terms of their environmental compatibility. In this area, we achieved impressive results during the year under review in particular. For example, in just one year, we succeeded in reducing the CO_2 emissions of our newly registered cars in the European Union by an average of 10 grams, thus meeting the target of 140 g/km that we set in our Sustainability Report.

The social dimension: Daimler regards itself as an active member of society. That's why we are committed to our employees, our customers and the people who live and work near our business locations. After all, we benefit from highly motivated and well-qualified employees, satisfied customers and relationships with our stakeholders that are based on mutual trust. We want to create values for society, and through our donations, sponsorships and foundation activities, we help people in need, promote intercultural understanding and support the arts, culture, education, science and sports.

Intensified dialog with our stakeholders. As a member of the Global Compact, we once again intensified the dialog with our stakeholders in connection with our commitment to sustainability. We also support the Code of Responsible Conduct in Business, which promotes a social market economy in which fair rules govern global competition. Through our Daimler Sustainability Dialog, we bring social leaders, politicians and scientists together with representatives of Daimler's top management. The aim of these events is to intensify dialog on various topics, including critical issues, and to engage in a joint search for practical solutions.

Daimler has a unique portfolio of cars and commercial vehicles with environmentally friendly drive systems.

In November 2012, around 130 participants came together in Stuttgart at the fifth Daimler Sustainability Dialog. Among other things, the event focused on workshops dealing with the following topics: electric mobility, generation management and human rights – particularly with respect to the supply chain and community involvement. As always, the results of the workshops will be further developed in the following twelve months in working groups that include representatives of the company's stakeholders. This process will create the starting point for the next Sustainability Dialog.

In May 2012, we conducted a stakeholder dialog for the third time in China. The event was held in Beijing for the second time after taking place in Shanghai in 2010. The subjects it focused on were air pollution and traffic congestion in urban areas, qualification measures for university graduates and corporate ethical standards with regard to suppliers and business partners. For the first time, Daimler Northeast Asia published a separate sustainability report for that region. With this report, Daimler reinforced its clear long-term commitment to China and underscored the importance of sustainable business practices in this important economic area.

First stakeholder survey conducted. In order to make a comparative analysis of the interests of our stakeholders and those of Daimler AG, we conducted the first international open stakeholder survey from November 15 to December 14, 2012. Daimler employees, shareholders, customers and suppliers as well as representatives of associations, environmental and human rights organizations, politicians, and interested members of the public all took part. This survey, which is new in terms of its scope and openness, serves to make the discourse with our stakeholders transparent and understandable.

Comprehensive reporting on sustainability. The year 2012 saw the publication of our eighth Group-wide Daimler sustainability report, which was prepared according to the guidelines set forth by the Global Reporting Initiative (GRI). It provides a detailed and comprehensive analysis of our sustainability performance for the previous financial year, and is enhanced by an interactive online sustainability report that contains more detailed and extensive information.
sustainability.daimler.com

The new Sustainability Report 2012, which will be presented at the Daimler Annual Shareholders' Meeting in early April 2013, already focuses on the future requirements of the GRI. In this context, important Daimler aspects are highlighted. This applies above all to key topics such as internationality or our cross-divisional mobility concepts. In addition, with the new report, we take the opportunity to report on other specific concerns such as generation management or our methods for reducing CO_2 emissions.

Innovation, Safety and the Environment

Innovations have always been the driving force at Daimler. Our goal is to offer our customers fascinating products and customized solutions for safe and sustainable mobility. During the year under review, we made substantial progress in reducing the CO_2 emissions of our vehicles. We also further expanded the range of vehicles we offer with alternative drive systems. In addition, our trend-setting innovations underscored our pioneering role in vehicle safety.

A tradition of innovation. Innovations have played a key role at our company ever since Carl Benz and Gottlieb Daimler invented the automobile. This is truer than ever today. After all, we must now reinvent the automobile if we are to cope with the accelerated pace of technological progress and the challenges posed by climate change and environmental protection measures. Our customers expect safe, comfortable and powerful vehicles that are increasingly fuel-efficient and environmentally friendly. In order to meet these requirements, we are forging ahead with the work in our research and development units.

At a total of €5.6 billion, Daimler's investment in research and development once again reached the very high level of the prior year in 2012. At the end of the year, approximately 21,100 men and women were employed at Group Research and the in development departments of Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses. We were also able to offer interesting employment opportunities to highly qualified staff – particularly at our international research and development facilities.

Our company's innovative prowess is demonstrated by our extensive portfolio of intellectual property rights, which includes more than 21,000 patents and a broad range of trademarks and protected designs. Daimler registered 2,200 patents in 2012 (2011: 2,175), most of them for drive systems and safety. More than 1,000 of those patents involved emission-free mobility, especially in relation to electric drive systems with batteries or fuel cells.

On the road to emission-free mobility. Finite petroleum reserves, rising energy prices, a growing population – especially in cities – and the unabated demand for mobility require new solutions for all aspects of road transport. Our aim is to offer an intelligent mix of drive systems for every need. In this way, we want to significantly reduce the fuel consumption and pollutant emissions of our vehicles today, while striving to eliminate the use of fossil fuels and emissions entirely in the long term. We are now implementing this intelligent mix of drive systems for our cars and commercial vehicles as part of our "Road to Emission-free Driving" strategy. In doing so, we are focusing on the following areas:

1. We are continuing to develop and further optimize our vehicles with state-of-the-art combustion engines in order to achieve significantly lower fuel consumption and emissions.
2. We are achieving clear further increases in efficiency through customized hybridization, i.e. the combination of combustion engines and electric motors.
3. Our electric vehicles with battery or fuel cells are making locally emission-free driving possible.

Further reductions in fuel consumption and CO_2 emissions. We have significantly reduced the fuel consumption and CO_2 emissions of our cars in recent years. This reduction was largely due to our new and extremely efficient combustion engines, our downsizing/supercharging concepts, and our new transmissions. In 2012, we were able to further reduce the CO_2 emissions of our fleet of new vehicles in the European Union by 10 grams per kilometer to an average of 140 g/km. We thus achieved an above-average reduction in the CO_2 emissions of our vehicle fleet once again in 2012, while undercutting the EU targets for this year. The use of new engines and our 7 G-TRONIC PLUS automatic transmission enabled us to lower the fuel consumption of our new 2011 and 2012 models by up to 30% compared to their predecessors. This achievement underscores our determination to consistently implement fuel efficiency technologies in all our vehicle segments. Our goal now is to reduce our fleet consumption and CO_2 emissions in Europe to 125 g/km by 2016. Our new and highly fuel-efficient compact models and our rising volumes of vehicles with hybrid and electric drive systems will play a key role here.

Environmental certificate for the A-Class. The new A-Class from Mercedes-Benz uniquely combines driving pleasure, efficiency and environmental compatibility. Its low emissions – starting at 92 g CO_2/km –and a Cd value starting at 0.26 are leading the way in the compact segment. What's more, all gasoline-engine variants of the new A-Class already meet the EURO 6 emission standard that will not take effect until 2015. The direct-injection gasoline-engine models (A 180, A 200 and A 250) already boast particulate emissions per kilometer that are below the extremely stringent limit which will become compulsory when the second stage of EURO 6 goes into effect in 2017. The outstanding environmental compatibility of the new A-Class was confirmed in October 2012 by neutral auditors from the TÜV Süd technical inspection authority, which awarded the model an environmental certificate in accordance with ISO standard TR 14062. The certificate was awarded following a comprehensive evaluation of the car's environmental

The most economical large premium sedan in the world: The Mercedes-Benz E 300 BlueTEC HYBRID.

performance. This evaluation examined and documented every environmentally relevant detail. An analysis of the total lifecycle of the Mercedes-Benz A-Class – from its production and use to its disposal – reveals that the A 180 BlueEFFICIENCY version of the new model emits 16% less CO_2 (5.7 tons) than its predecessor.

The most economical large premium sedan in the world. Despite its higher torque and increased power, the new E 300 BlueTEC HYBRID boasts minimal fuel consumption values (combined consumption: 4.1 liters/100 km; combined CO_2 emissions: 107 g/km). The vehicle's modular hybrid concept, which includes a lithium-ion battery, places no restrictions on space while ensuring an impressive driving experience. The four-cylinder diesel engine in the E 300 BlueTEC HYBRID has an output of 150 kW (204 hp) and produces 500 Nm of torque. The engine is perfectly complemented by a 20 kW/250 Nm electric motor. The hybridization concept also enhances driving comfort, as the vehicle starts and begins accelerating almost noiselessly. The hybrid module dampens vibrations from the combustion engine and the vehicle's climate control system remains fully operational in the start/stop mode. The E 300 BlueTEC HYBRID has been available for delivery to customers in both a sedan and a station wagon version since June 2012.

Environmentally friendly drive systems for the B-Class. Our presentation of the Concept B-Class Electric Drive at the 2012 Paris Motor Show offered an initial preview of the electric future of the B-Class. The so-called ENERGY SPACE in the vehicle floor ensures that the space inside the model is generous and variable. The ENERGY SPACE accommodates the lithium-ion battery in a safe and space-saving manner and ensures a good center of gravity. The model's high-torque electric motor and powerful battery guarantee locally emission-free driving pleasure over a range of 200 kilometers on a single charge. The electric vehicle with the three-pointed star, which is particularly family-friendly, is almost ready for series production. Its market launch is scheduled for 2014.

The Mercedes B 200 Natural Gas Drive, which we also presented at the Paris Motor Show, has 16% lower CO_2 emissions, much cleaner exhaust gases than those produced by gasoline or diesel engines and around 50% lower fuel costs than a comparable gasoline-engine model. This vehicle, which is fitted with either a manual transmission or the 7G DCT dual clutch automatic transmission, has been available at dealerships since the beginning of 2013.

With the B-Class, Mercedes-Benz now has a versatile automobile that can be equipped with the most diverse types of drive systems, ranging from combustion engines to all-electric battery-powered drive and fuel cells.

Series-produced electric vehicles. With a total of nine models, we offer a range of battery and fuel cell-powered, locally emission-free vehicles that is unique in the automotive industry. Our lineup starts with the smart-brand ebike and extends to passenger cars, vans, light trucks and buses. As a result, we can meet almost all mobility requirements. In June 2012, we began manufacturing the new smart fortwo electric drive, which will be launched in various markets, including China and the United States. This vehicle is also being used for the innovative car2go urban mobility concept. see pages 58 f Our Mercedes-Benz B-Class F-CELL and the Mercedes-Benz Citaro FuelCELL Hybrid city bus are the most extensively tested fuel-cell vehicles in the world. The Mercedes-Benz A-Class E-CELL has been on the road since the fall of 2010, and the Mercedes-Benz Vito E-CELL van has been delivered to customers since the middle of 2010. We also supply the Fuso Canter E-CELL and the Freightliner Custom Chassis MT E-Cell light-duty trucks. The Mercedes-Benz SLS AMG Coupe Electric Drive will be delivered to its first customers in mid-2013. The model is geared toward super-sports car fans with a passion for state-of-the-art engineering and futuristic high-tech solutions. In 2013, we will also launch the first electric vehicle built by the new DENZA brand in the Chinese market. We jointly developed, and now produce, this innovative model with our Chinese partner BYD. Finally, smart will launch a new electric scooter for use in urban areas in 2014.

Our broad spectrum of electric vehicles now on the road is being supplemented by economical hybrid models that meet a range of demands. They include the new Mercedes-Benz E 300 BlueTEC HYBRID. Hybrid technology also offers major advantages for distribution transportation involving light trucks. For example, the new Fuso Canter Eco Hybrid, which is now also manufactured in Portugal for sale in Europe, requires about 25% less fuel than a comparable Canter model equipped with a conventional drive system. The Freightliner M2e Hybrid truck boasts up to 30% lower fuel consumption, and that figure for the Atego Bluetec Hybrid is between 10% and 15%. There are currently more than 3,000 Daimler hybrid light-duty trucks and walk-in vans on the road worldwide.

Economical heavy-duty trucks for Europe and North America. We have also continually reduced the fuel consumption of our heavy-duty commercial vehicles over the past few years. Our success here is due to engines that are even more efficient, improvements we have made to tires and aerodynamics, and the use of an axle drive ratio in line with vehicle requirements. Our BLUETEC technology has also made a major contribution to this development.

The new Actros is the world's first truck to comply with the future Euro VI emission limits. Extremely economical engines, a sophisticated aerodynamic concept and services such as the Fleetboard telematics system make our heavy-duty Actros and Antos trucks among the most efficient and environmentally friendly vehicles in their respective classes. For example, despite their sophisticated exhaust gas treatment systems, our new heavy-duty Euro V truck engines consume up to 7% less diesel fuel than their predecessors, while the fuel consumption of the Euro VI variants is as much as 4% lower. Our goal for the complete Daimler truck fleet in Europe is to reduce fuel consumption by an average of 20% per ton-kilometer for the period 2005–2020. We continue to work hard to develop the technological innovations that will allow us to achieve this reduction.

This year, we will also set a new benchmark for fuel efficiency in the North American truck market with the launch of our new heavy-duty Freightliner Cascadia Evolution, whose fuel consumption is up to 7% lower than that of the current model. This increase in fuel economy was measured in the course of a one-week real-life test drive across the United States and was confirmed by an independent agency. At the beginning of 2012, the Environmental Protection Agency (EPA) certified Daimler Trucks North America's (DTNA) complete range of Freightliner and Western Star trucks as fully compliant with the Greenhouse Gas 2014 (GHG14) regulations. DTNA is thus a pioneer in the US commercial-vehicle sector, since it already complies with the EPA and National Highway Traffic Safety Administration (NHTSA) standards that will go into effect at the beginning of 2014.

New buses with impressive fuel economy. In the Record Run Buses 2012, the new Mercedes-Benz Citaro urban regular-service bus and the new Setra ComfortClass 500 travel coach demonstrated that fuel consumption can be reduced in Euro VI-compliant buses and coaches as well. During the Record Run Buses, five buses were monitored by neutral parties over a distance of almost 18,000 kilometers in October 2012. As it turned out, the anticipated fuel savings of four to six percent were noticeably exceeded, with the new Euro VI-compliant Citaro consuming 8.5% less fuel than its certified fuel-efficient predecessor. The new Setra ComfortClass S 515 HD also performed outstandingly, consuming 21.0 liters/100 km on average over a distance of 7,000 km – 8.2% less than a comparison model. Development engineers achieved these reductions by closely examining not only the drive systems of the Mercedes-Benz Citaro and the Setra ComfortClass 500, but also their auxiliary components. Whether alternators, battery management systems, radiator fans or air compressors – these and other components significantly affect fuel consumption and were therefore optimized down to the last detail in both model series. Aerodynamics also plays a key role in fuel economy – particularly when it comes to travel coaches. That is why we further improved the aerodynamic properties of the new Setra ComfortClass 500. The result is an outstanding drag coefficient of just 0.33. The drag was also reduced by a technology that is without parallel in the bus industry and lowers the vehicle's height by 20 mm at speeds above 95 km/h.

Predictive Powertrain Control lowers fuel consumption. Predictive Powertrain Control, which has been available in the Mercedes-Benz Actros since May 2012, reduces the fuel consumption of our heavy-duty trucks by a further 3%. This new driver assistance system recognizes the topography of the road ahead and can then react in a manner that optimizes fuel consumption. It is particularly effective when a truck is traveling uphill. In such a situation, the world's first GPS-based cruise control system not only regulates vehicle speed and braking, but also intervenes in gear-shifting operations. The system thus increases the effectiveness of the fuel-saving EcoRoll function, which is standard in the Actros. It can also initiate a single or double downshift if it determines that such action is needed. All in all, this intelligent cruise control system helps to achieve the type of driving performance that could only be matched by an extremely motivated truck driver with an exceptional level of concentration.

Our Road to Accident-Free Driving. Vehicle safety is one of our core areas of expertise and a key component of our product strategy. For over 60 years, our engineers have been ahead of their time when it comes to developing new safety technologies. With our Road to Accident-Free Driving strategy, we are striving to make mobility as safe as possible for all road users.

The new S-Class with all-round vision. What began ten years ago with PRE-SAFE® and continued with DISTRONIC PLUS is now leading to a new dimension in driving at Mercedes-Benz that will open up new perspectives for both drivers and automobile developers. In the future, all of our fully networked and intelligent driver assistance systems will be combined into our Mercedes-Benz Intelligent Drive package, which will begin making driving safer and more comfortable in the new S-Class and already in the new E-Class, approaching the goal of autonomous driving. The features involved include the new DISTRONIC PLUS adaptive cruise control with Steering

The new "Active Brake Assist 3" now independently applies the full brakes if a stationary object is detected ahead.

Assist and the new BAS PLUS system with an intersection assistance function. The Adaptive Highbeam Assist PLUS system enables drivers to keep their high beams switched on continuously without blinding the drivers of other vehicles, which are kept out of the light cone. The new Traffic Sign Assist system now recognizes no-passing zones and can also alert drivers to road access restrictions. All of these new systems are based on an intelligent combination of multistage radar sensors and a new stereo camera whose two "eyes" enable it to monitor an area extending approximately 50 meters in front of the vehicle in 3D. The system can also maintain an overall view up to a distance of 500 meters ahead. The data provided by the camera is further processed by various systems with the help of intelligent algorithms that analyze the information. As a result, the system can detect and spatially localize oncoming vehicles, vehicles ahead and vehicles coming from the side. It can also recognize pedestrians, various types of traffic signs and road markings. Due to the simultaneous determination of position (three dimensions) and directional movement (an additional three dimensions) the system has been named "6D vision."

An airbag for seatbelts. The Beltbag is another innovation being launched with the new S-Class as standard equipment. The device – an inflatable seatbelt strap – can reduce the risk of injury to back-seat passengers in a head-on collision by lowering the strain placed on the rib cage. Once crash sensors detect a severe frontal impact, the airbag control unit triggers the inflation of the Beltbag. A gas generator then expands the multilayered belt strap with tear seams to as much as three times its normal width. The resulting larger surface area can better distribute the force acting on the occupants, thereby reducing the risk of injury.

Even greater safety in Mercedes-Benz trucks. Although the Mercedes-Benz Actros is already considered the world's safest truck, both it and the new Mercedes-Benz Antos for distribution transportation are now becoming even safer, thanks to the next generation of the unique Active Brake Assist 3 (ABA 3) system. Adaptive cruise control and emergency braking systems currently available on the market are able to recognize and react to moving objects such as vehicles moving or slowing down ahead. The new Mercedes-Benz ABA 3 system, which we presented in September 2012 at the IAA Commercial Vehicles show in Hanover, Germany, is also effective in situations involving stationary obstacles such as construction site safety vehicles or vehicles that have broken down. In such situations, the new system independently brakes the truck until it comes to a standstill. ABA 3 thus provides important support – especially when lapses in attention occur. As a result, it can play a major role in reducing the number of accidents on the road.

Digital vehicle networking. Automobiles are increasingly being transformed into intelligent and digitally networked companions that not only react to situations and think ahead, but also link drivers to their social networks and the surrounding environment. see pages 38 ff One of the world's biggest practical tests for car-to-X communication (C2X) is now demonstrating how networked vehicles can improve safety and efficiency. The trials – part of the simTD (Safe Intelligent Mobility – test field Germany) research project headed by Daimler AG – are examining 120 vehicles that have been on the road in the Rhine-Main region since mid-2012. These cars are linked to one another and to the traffic infrastructure, thereby enabling them to keep each other informed about the current traffic situation. Daimler is also researching and developing C2X communication systems in the United States, where the Group is equipping vehicles with C2X systems and carrying out tests at its site in Palo Alto, California. These activities in the USA enable Daimler, as a major global car maker, to take account of the American market's unique needs regarding C2X communication and to harmonize technologies as much as possible.

Human Resources

A motivated and committed workforce is a precondition for sustained business success. Our extensive range of training and continuing education programs supports the personal development of our employees and improves their qualifications and on-the-job performance. The use of flexible work models is becoming more and more important in today's environment of increasingly volatile markets. Daimler employs such models in order to meet the company's business requirements – and also to help employees balance their professional and private lives.

5.01

Human resources

	2012	2011	12/11
Employees (December 31)			% change
Daimler Group	275,087	271,370	+1
Mercedes-Benz Cars	98,020	99,091	-1
Daimler Trucks	80,519	77,295	+4
Mercedes-Benz Vans	14,916	14,889	+0
Daimler Buses	16,901	17,495	-3
Sales & Marketing Organization	50,683	49,699	+2
Daimler Financial Services	7,779	7,065	+10
Other	6,269	5,836	+7

Workforce development. As of December 31, 2012, Daimler AG employed 275,087 men and women worldwide, which represents an increase of 3,717 compared with the end of 2011. This increase in workforce numbers enabled us to expand our production capacities in line with the higher demand for our products. ↗ 5.01

The number of people employed in Germany at the end of 2012 was 166,363 (2011: 167,684). We also employed 21,720 people in the United States (2011: 20,702), 14,610 in Brazil (2011: 14,533) and 11,286 in Japan (2011: 11,479). Our consolidated subsidiaries in China had 2,730 employees at the end of last year (2011: 2,121). You can find further information about the development of our workforce in the individual divisions in the Management Report of this Annual Report. see page 101

Employee qualifications. "An investment in knowledge always pays the best interest." This motto of Benjamin Franklin serves as a guiding principle for the further development of our employees and the enhancement of their skills and qualifications. We therefore provide our staff with training and continuing education opportunities throughout their entire careers. Our range of qualification measures includes practical training courses, seminars, workshops, specialist conferences and instruction with digital media. In Germany alone, we spent €112 million on the training and qualification of our employees in 2012 (2011: €101 million). On average, every employee spent 4.0 days on qualification measures in 2012 (2011: 3.8 days).

Securing young talent. Daimler adopts a holistic approach when it comes to recruiting and promoting talented young people. For example, our Genius initiative provides children and teenagers with valuable insights into the technologies of the future and career opportunities in the automotive industry. genius-community.com. School leavers can apply to participate in a technical or commercial training program at one of our locations, or to study at the Cooperative State University. They can also apply directly to our company for an entry-level position via our CAReer program.

In 2012, CAReer once again enabled approximately 400 college graduates from around the world to begin a career. The program focuses on graduates in technical and commercial fields with above-average grades and initial practical experience. The proportion of women in CAReer is currently around 33% and our trainees come from approximately 30 different nations.

Within the framework of our "Training Abroad" strategic initiative, we are supporting the establishment and sustainable expansion of Daimler training centers around the world, with a focus on the BRIC countries. We intend to strengthen our production and sales activities, especially in growth markets, by securing highly skilled employees as needed.

We had 8,267 trainees worldwide at the end of 2012 (2011: 8,499). A total of 2,109 young people began traineeships at Daimler in Germany last year (2011: 2,067). The number of people we train and subsequently hire is based solely on our company's needs and its future development. In 2012, 91% of the apprentices and trainees in Germany were hired after completing their programs (2011: 91%).

Promoting talent and retaining expertise within the company. The Daimler Academic Programs are an important instrument when it comes to lifelong learning and promoting a holistic and forward-looking approach to human resources development. The programs offer employees with or without a college education the opportunity to obtain academic degrees and certificates through a full-time or part-time course of study. This ensures that talented employees and the company as a whole will be prepared for the challenges of the future.

Apprenticeships at Daimler include "green technology modular elements" on electric drive systems and lightweight construction.

Our new "FacTS" support program offers highly talented staff from technical fields the opportunity to further their careers. This pilot program was launched in 2012 with an initial group of 20 participants at four company locations in Germany.

Diversity management. We have launched a variety of activities as part of our diversity management initiative. They range from diversity workshops and mentoring programs to the establishment of employee networks. Our commitment to such activities underscores our determination to make diversity a value factor in our human resources processes and our corporate culture. Our main goals at the moment are to increase the proportion of women in managerial positions (gender diversity), raise intercultural awareness and promote effective generation management.

Our instruments for supporting the targeted promotion of women include flexible working-time models, childcare facilities close to work and special mentoring programs. Daimler has committed itself to increasing the proportion of women in senior management positions throughout the Group to 20% by 2020. The proportion of women in such positions has continually risen over recent years and reached almost 12% by the end of last year (2011: 10%). As a technologically oriented company, when we defined our targets we took into account industry-specific conditions as well as the current proportion of women at Daimler AG (14.4%) and at the Daimler Group (16.2%).

In order to enhance intercultural awareness, we organize special regional diversity conferences. In 2012, these events took place in South Africa; Portland, Oregon (USA); and Singapore. Additional measures in this context include training programs and workshops on intercultural cooperation, international job assignments and the targeted recruitment of employees and managers with an international background. Our networking efforts also make an important contribution to the further internationalization of our workforce.

Flexible working arrangements. Increasingly volatile markets are making it ever more important to establish flexible working arrangements that allow us to exploit market opportunities and reduce risks. Within the framework of our human resources and employment strategy, we utilize instruments such as flexible working-hour models, working-time account management systems, personnel rotations and temporary work programs. Working-time accounts in particular make it possible to variably distribute working time in line with workload fluctuations and the needs of individual employees. Temporary work enables the company to react quickly and flexibly to fluctuations in demand, and therefore to safeguard the core workforce.

A "thank you" to our workforce. This year too, the Daimler Board of Management would once again like to thank all the members of the workforce for their commitment. The performance and dedication of our employees enabled us to make 2012 a successful business year, even though the economy weakened as the year progressed. We can expect to face various business challenges in the future as well. However, we are convinced that our employees' motivation and expertise will remain the most important assets of our company. Building on this foundation, we will be able to achieve long-term success and cope with any difficult market conditions that we encounter.

We would also like to thank the employee representatives for their commitment and constructive cooperation in the past year.

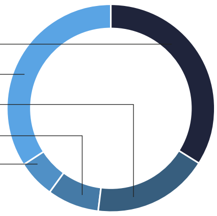
Social Responsibility

In 2012, we spent a total of €58 million supporting nonprofit institutions and socially beneficial projects. As a good corporate citizen, we want to go beyond our business operations and create socially beneficial added value in the communities near our company locations, while also helping to overcome social challenges and promoting intercultural dialog.

5.02

Donations and sponsoring in 2012

Charity/Community	34%
Arts & Culture	34%
Education	18%
Science/Technology/Environment	8%
Political Dialog	6%



Areas in which we promote socially beneficial causes. We support projects that promote the common good. By helping people help themselves, these projects have a long-term impact and contribute to sustainable development. We provide support in the form of donations, sponsorships, corporate volunteering, funding through foundations and projects that we have initiated ourselves. Our support focuses on areas connected to our role as a good corporate citizen. These activities enable us to put our special skills and key expertise as an automaker to good use in the communities in which we do business worldwide. Among other things, we promote science, technology, environmental protection, the arts and culture, education, charitable projects, community programs and political dialog. ↗ 5.02 In addition, we are involved in a variety of different initiatives for enhancing traffic safety. mobilekids.net; mbdrivingacademy.com

Requirements for receiving our support. Due to the worldwide scope of our activities, the selection and organization of social responsibility initiatives require a high level of transparency and in-depth knowledge of local conditions. In 2012, we therefore consolidated our donation and sponsorship guidelines and instituted more stringent selection criteria. The guidelines create a mandatory system for regulating the Group's entire support and funding process. They ensure that our support is provided according to verifiable criteria and that it meets legal requirements and ethical standards. To ensure transparent structures and clear areas of responsibility, we have also developed Group-wide guidelines for donations and sponsorships.

The Donations and Sponsorship Committee coordinates and assumes responsibility for the strategic focus of the various activities. The committee cooperates very closely with the Board of Management and our various sales and production locations throughout the world to define the areas in which action needs to be taken and to approve all of the major projects and funding activities. All of the Group's donations and sponsorships are registered in a database so that the activities can be systematically monitored with the help of regular analyses and reports. In-house campaigns and projects help raise our employees' awareness of social responsibility issues. Our compliance training program also teaches managers how they should deal with donations and sponsorships.

Donations to political parties must be expressly authorized by the Board of Management. In 2012, we supported political parties only in Germany, donating a total of €435,000 (2011: €435,000) to the CDU, the SPD, the FDP, the CSU and the Greens.

Funding through foundations. Because international knowledge sharing and the promotion of innovation are key conditions of sustainable development, we support universities, research institutes and interdisciplinary science projects throughout the world in the following areas: mankind, technology and the environment. We have consolidated these measures in foundations. A further focus of our work through foundations is the promotion of sports activities.

The Daimler and Benz Foundation daimler-benz-stiftung.de supports research projects in the areas of mobility, environmental protection and safe technology. Within the framework of the Founders' Association for German Science stifterverband.org, the Daimler Foundation is involved, among other things, in selecting the winners of the German Future Prize for Technology and Innovation.

Mercedes-Benz is a global partner of the Laureus Sport for Good Foundation laureus.com, which uses sports to promote social change. The foundation has collected more than €40 million since its inception and currently supports around 90 socially beneficial sports projects for helping disadvantaged children and teenagers around the world.

The arts and culture. As a promoter of creative change, we place high priority on the sponsorship of the arts and culture. Through a long-term partnership with the Staatsgalerie Stuttgart art museum, we are promoting the city's cultural

For the benefit of Laureus Sport for Good Foundation, Mercedes-Benz apprentices restored two 230 SL “pagoda-roof” cars from the 1960s.

life and also offering educational opportunities to our employees and their families. Last year, we also intensified our partnerships with leading art institutions and events at our international business locations. Examples include the Art Beijing trade show in China and the Villa Romana artists’ residence in Italy. In addition, we support Germany’s national youth orchestra and help with the Emerging Artist Award program in the United States.

Education. Improving access to education is one of the most long-lasting investments in society. That’s why we are involved in numerous projects that support young people, as they will be the skilled employees of tomorrow. The most prominent example of this involvement is our Genius education initiative genius-community.com. The initiative is geared toward children and teenagers and combines various educational projects focusing on future technologies, mobility, and environmental issues.

With the support of the initiative Big Brothers Big Sisters in Germany bbbsi.org, we are also helping to expand mentoring activities for socially disadvantaged children and teenagers between the ages of six and 16. The mentors provide the young people with help, encouragement and new perspectives on the various situations they face in their lives.

Charitable projects. As a result of our global presence, we regard it as our mission to support aid projects that improve the communities in which we do business. In addition to offering effective disaster relief when necessary, we have initiated a number of projects for providing long-term assistance to enable people to help themselves. For example, through its SEED (Sustainability Education Empowerment Development) program, Daimler Financial Services assists slum inhabitants and street children in Chennai, India. Other initiatives include the microcredit program for women in need in Ethiopia, which we developed in cooperation with the Menschen für Menschen foundation, and our global partnership with the SOS Children’s Villages organization. We also support the work of the German chapter of Doctors of the World, which organizes more than 350 healthcare programs in almost 80 countries.

As part of our national sponsorship program, we also donated money last year to charitable initiatives that focus on helping families and children in Germany. Among them is the brotZeit project brotzeitfuerkinder.com, which combines programs for supporting active senior citizens with the care of socially disadvantaged children. Needy children are served balanced breakfasts free of charge, and senior-citizen volunteers provide slow learners with individualized support.

Corporate volunteering. We are working together with our employees to improve living conditions in the communities in which we do business. Among other things, we further expanded our ProCent initiative in the year under review. In this initiative, Daimler employees voluntarily donate the cent amounts of their net salaries to nonprofit organizations. Every donated cent is matched by the company. The donations are collected in a fund and used to support environmentally and socially beneficial projects that are recommended and implemented by the company’s employees. In 2012, ProCent began to support its first group of 100 projects.

On the Day of Caring, employees from Daimler Financial Services contribute a day of work to support the company’s socially and environmentally beneficial projects. During this event, the employees help to build schools, construct housing for people in need, and renovate social welfare facilities. In 2012, the Day of Caring was held in 18 countries worldwide.

More details of projects promoted by the Group and activities related to our social commitment can be found in the Daimler Sustainability Report and on our website under “Sustainability.” daimler.com/sustainability

Corporate Governance

The new Setra ComfortClass 500:
convincing in terms of economy, safety and comfort.

Daimler’s Board of Management and Supervisory Board are committed to the principles of good corporate governance. All of our activities are based on the principles of responsible, transparent and sustainable management.

6 | Corporate Governance

Report of the Audit Committee

Dear Shareholders,

On the basis of the allocation of tasks laid down in the Rules of Procedure for the Supervisory Board and its committees, the Audit Committee deals primarily with questions of financial reporting. It also discusses the effectiveness and functional capabilities of the risk management system, the internal control system, the internal auditing system and compliance management. In addition, it deals with the annual audit and reviews the qualifications and independence of the external auditors.

After receiving the approval of the Annual Shareholders' Meeting, the Audit Committee engages the external auditors to conduct the annual audit and the auditors' review of interim financial statements, determines the important audit issues and negotiates the audit fee with the external auditors.

As independent members of the Audit Committee, both the Chairman of the Audit Committee, Dr. h. c. Bernhard Walter, and Dr. Clemens Börsig have expertise in the field of financial reporting, as well as special knowledge and experience in the application of accounting principles and internal methods of control.

The six meetings of the Audit Committee in 2012 were attended by, in addition to the members of the Audit Committee, the Chairman of the Supervisory Board, the Chairman of the Board of Management, the members of the Board of Management responsible for Finance and Controlling and for Integrity and Legal Affairs, and the external auditors. The heads of specialist departments and other experts were also present for the appropriate items of the agenda. In addition, the Chairman of the Audit Committee held regular individual discussions, for example with the external auditors, the members of the Board of Management responsible for Finance and Controlling and for Integrity and Legal Affairs, the Monitor and the external compliance advisor of the Audit Committee, and the heads of Corporate Accounting, Internal Auditing, Group Compliance and Legal Affairs. The Chairman of the Audit Committee informed the Audit Committee about the results of those bilateral discussions in each case at the next available opportunity. The Chairman of the Audit Committee also informed the Supervisory Board about the activities of the Committee and about its meetings and discussions in the following Supervisory Board meetings.

In a meeting in early February 2012 attended by the external auditors, the Audit Committee dealt with the preliminary figures of the annual company financial statements and the annual consolidated financial statements, as well as with the dividend proposal made by the Board of Management. The preliminary key figures were published at the Annual Press Conference on February 9, 2012.

At the end of February 2012, also in a meeting attended by the external auditors, who reported on the results of their audit and were available to answer supplementary questions and to provide additional information, the Audit Committee examined and discussed the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the year 2011, which had been issued with an unqualified audit opinion by the external auditors, as well as the proposal on the appropriation of profits. In preparation, the members of the Audit Committee were provided with comprehensive documentation, including the Annual Report with the consolidated financial statements according to IFRS and the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual financial statements of Daimler AG, the proposal made by the Board of Management on the appropriation of profits, the audit reports of KPMG on the annual company financial statements and the annual consolidated financial statements according to IFRS of Daimler AG, each including the combined management report, and the drafts of the reports of the Supervisory Board and of the Audit Committee. The audit reports and important issues related to financial reporting were discussed with the external auditors. In this context, the Audit Committee of Daimler AG also dealt with the monitoring of the financial reporting process, the effectiveness of the internal control system, the risk management system and the internal auditing system, as well as questions of compliance. Following an intensive review and discussion, the Audit Committee recommended that the Supervisory Board approve the annual financial statements and adopt the recommendation of the Board of Management to pay a dividend of €2.20 per share entitled to a dividend.

Dr. Bernhard Walter, Chairman of the Audit Committee.

Also in this meeting, the Audit Committee discussed the report on the fee paid to the external auditors in the year 2011 for auditing and non-auditing services, and – subject to the consenting vote of the shareholders in the Annual Shareholders' Meeting – the proposal on fees to be agreed for the year 2012.

Furthermore, the Audit Committee approved the Report of the Audit Committee for the year 2011. With due consideration of the results of the independence review and the discussion of the quality of the external audit, the Audit Committee decided to recommend to the Supervisory Board, and subsequently to the Annual Shareholders' Meeting, that KPMG be engaged to conduct the annual external audit and the external auditors' review of interim financial reports. Finally, on the basis of its responsibility, the Audit Committee dealt with the draft agenda for the 2012 Annual Shareholders' Meeting and the annual audit plan of the Internal Auditing department.

In the meetings during the year 2012 relating to the quarterly results, the Audit Committee discussed the interim financial reports before their publication with the Board of Management, dealt with the respective risk reports, and received activity reports from the Group Compliance and Corporate Audit departments. The Audit Committee regularly communicated with the independent Monitor. In this context, it was also involved in setting and evaluating the annual compliance targets for the Board of Management, and dealt on a quarterly basis with notifications received confidentially, and if desired anonymously, through the Group's own whistleblower system and processed internally by the Business Practices Office. The whistleblower system was expanded in February 2012 with an external, independent, neutral mediator as an additional contact person. Employees can personally approach the neutral mediator in confidence, without being recognized as a whistleblower within the Daimler Group.

The Audit Committee received the report on non-audit services provided by the external auditors in its meeting in June 2011. In this meeting, the important audit issues for the external audit of the year 2012 and the framework of approval for engaging the external auditors to provide non-audit services was determined. This meeting was also used to analyze the audit for the year 2011 and the performance of the Audit Committee's monitoring duties with regard to the financial reporting process and the functional capabilities of the internal control system, the risk management system and the internal auditing system. In this context, on the basis of the statements of the external auditors as assessed by the Audit Committee, the internal control system was also dealt with. As well as the area of financial reporting, the internal control system also includes internal control and risk management with the areas of internal auditing and compliance management. The Committee discussed the activity reports on the internal control system and dealt in particular detail with changes to the system and its further development.

Furthermore, the Audit Committee received information during this meeting on new developments in accounting and financial reporting and other relevant areas, on the status of legal risks, on the further development of the global treasury system, on the funding status of pension obligations and on other current topics.

In the meeting in July 2012, on the basis of the report by the Group's data protection executive, the Audit Committee dealt with key topics and current developments in the field of data protection. In its meeting in October 2012, the Audit Committee was also informed about the main contents of the Monitor's follow-up report, including the certification of the compliance program. In this context, the Audit Committee was once again convinced of the careful design and thorough implementation of compliance processes at Daimler. Subsequently, the Audit Committee was informed about the Group's ongoing activities with regard to integrity and about the newly created guidelines on behavior, the Integrity Code, which sets out the principles of behavior and guidelines for ethical conduct at Daimler.

In a meeting in early February 2013 attended by the external auditors, the Audit Committee dealt with the preliminary figures of the annual company financial statements and the annual consolidated financial statements and with the Board of Management's proposal on the appropriation of profits. The preliminary figures were published at the Annual Press Conference on February 7, 2013.

In another meeting in February 2013 attended by the external auditors, who reported on the results of their audit, the Audit Committee dealt with the annual company financial statements, the annual consolidated financial statements and the combined management report for Daimler AG and the Daimler Group for the year 2012, which had been issued with an unqualified audit opinion by the external auditors, as well as with the proposal on the appropriation of profits. In preparation, the members of the Audit Committee and the other members of the Supervisory Board were provided with comprehensive documentation, including the Annual Report with the consolidated financial statements according to IFRS and the combined management report for Daimler AG and the Daimler Group, the corporate governance report and the remuneration report, the annual financial statements of Daimler AG, the proposal made by the Board of Management on the appropriation of profits, the audit reports of KPMG on the annual financial statements and the annual consolidated financial statements according to IFRS of Daimler AG, each including the combined management report, and the drafts of the reports of the Supervisory Board and of the Audit Committee. The audit reports and important issues related to financial reporting were discussed with the external auditors. In this context, the Audit Committee of Daimler AG also dealt with the monitoring of the financial reporting process, the effectiveness of the internal control system, the risk management system and the internal auditing system, as well as with questions of compliance. This also included the further development and required adjustments of Group-wide compliance structures and activities, which had been decided upon by the Board of Management. Following an intensive review and discussion, the Audit Committee recommended that the Supervisory Board approve the annual financial statements and adopt the recommendation of the Board of Management on the payment of a dividend of €2.20 per share entitled to a dividend. Furthermore, the Audit Committee approved the Report of the Audit Committee in the current version.

Also in this meeting, the Audit Committee discussed the report on the fee paid to the external auditors in the year 2012 for auditing and non-auditing services, and – subject to the consenting vote of the shareholders in the Annual Shareholders' Meeting – the proposal on fees to be agreed for the year 2013. With due consideration of the results of the independence review, the Audit Committee decided to recommend to the Supervisory Board, and subsequently to the Annual Shareholders' Meeting, that KPMG be engaged to conduct the annual audit and the auditors' review of interim financial reports. The Audit Committee based its recommendation also on the very good results of the quality analysis carried out by the Audit Committee in May/June 2012 of the external audit in the previous year. Finally, on the basis of its responsibility, the Audit Committee dealt with the draft agenda for the 2012 Annual Shareholders' Meeting and the annual audit plan of the Internal Auditing department.

As in previous years, the Audit Committee once again conducted a self-evaluation of its own activities in 2012. This did not result in any need for action with regard to the Committee's tasks, or with regard to the content, frequency or procedure of its meetings.

Stuttgart, February 2013

The Audit Committee

Dr. h. c. Bernhard Walter
Chairman

Integrity and Compliance

Daimler wants to do decent business, and in both senses of the word: We aim to be financially successful – but not at any price. We want to achieve our business success with decency, in other words, by respectable means. Integrity is therefore one of our four corporate values, which form the foundation for our business activities. We are convinced that doing business decently brings us sustained success, and is also good for society as a whole. As a group with global operations, we accept responsibility and want to be a pioneer in terms of ethical business conduct.

UN Global Compact. We orient our business conduct towards the principles of the Global Compact of the United Nations. Daimler is a founding member of this initiative by Kofi Annan and is a member of the LEAD Group. see page 182

Group-wide "Integrity Dialog" and revision of the Integrity Code. Our goal is to permanently establish integrity in our corporate culture. But ethical principles cannot simply be dictated. They must be put into practice on the basis of an inner conviction. Daimler therefore promotes integrity through a variety of measures and through continuous dialog on the subject. see page 72 Our new "Integrity Code" that we created in 2012 reflects the results of our Group-wide "Integrity Dialog". The principles of behavior and guidelines for everyday conduct set out in the Integrity Code are therefore based on a shared understanding of values. see page 182

Creation of the Advisory Board . For the course we have set to achieve a culture of integrity at the Daimler Group, in addition to the numerous measures we have already taken, we also regard a view from outside as helpful. We have therefore established an "Advisory Board for Integrity and Corporate Responsibility" to support the integrity process at Daimler critically and constructively. We have been able to gain external personalities from various fields with valuable experience in questions of ethical conduct. see page 72

Integrity goes beyond what we at Daimler understand by compliance. Integrity is more than adherence to the law, internal rules and voluntary commitments. We understand integrity to include acting responsibly and in accordance with ethical standards, through which we not only secure our company's success for the long term, but also create benefits for society.

6.01

Members of Daimler AG's Advisory Board for Integrity and Corporate Responsibility

Name	Function
Stefan Aust	Journalist, publicist and author
Professor Kai Bussmann	Head of Economy & Crime Research Center, Martin-Luther-Universität, Halle-Wittenberg
Professor Helmut Holzapfel	Head of the Department for Integrated Traffic Planning and Mobility Development, University of Kassel
Renate Hornung-Draus	Managing Director of the German Employers' Association (BDA), Head of the Department of the European Union and European Social Policy
Professor Michael Kittner	Former Professor of Business, Labor and Social Law, University of Kassel and legal advisor for IG Metall
Professor Julian Nida-Rümelin	Professor for Philosophy, Ludwig Maximilian University, Munich
Pierre Sané	Board Member, UN Global Compact
Sylvia Schenk	Attorney in Frankfurt, Board Member of Transparency International Germany and German Olympic Academy
Professor Ernst Ulrich von Weizsäcker	Environmental scientist, Climate expert and former Member of the Bundestag

Compliance is the sustained establishment of conduct in conformance with rules. Our compliance-management system is intended to ensure that Daimler and its employees always conduct themselves in conformance with rules. Complying with anti-corruption regulations as well as maintaining and promoting fair competition have the highest priority for the Daimler Group and serve as a benchmark for our staff and management. To give further emphasis to this goal, compliance and integrity are taken into consideration in our executives' annual target agreements and assessments of target fulfillment. Particular attention is paid to individuals' correct conduct in conformance with rules and ethics.

Worldwide establishment of divisional compliance organization. In order to effectively counteract the risks of our divisions and markets, we have altered the structure of our compliance organization in line with our divisions. Each division is now supported by a compliance officer. In addition, a regional compliance office was established in China in 2012, reflecting the special importance of the Chinese market. Furthermore, local compliance managers are active worldwide, advising on matters of compliance and ensuring observance of our compliance standards.

In order to guarantee their independence of the divisions, the compliance officers for the divisions and the compliance manager for the region of China and Northeast Asia report to the Group Chief Compliance Officer. He is responsible for the entire global organization and reports directly to the Member of the Board of Management who is responsible for "Integrity and Legal Affairs".

Analysis of compliance risks. Dealing with risks responsibly and assessing them effectively is a precondition for sustained business success. We therefore evaluate and classify compliance risks in a systematic risk analysis. We apply qualitative indicators such as an assessment of the business environment as well as quantitative indicators such as relevant shares of revenue and the number of contractual partners. In line with the risk assessment carried out in this way, measures are then defined jointly with the business units to minimize the recognized risks. Against this backdrop, for example, our sales activities in countries with an increased risk of curruption are subject to particularly intensive risk management. Responsibility for implementing the individual measures and the monitoring duty lie with the management of each business unit. This is supported by the Group Compliance department.

Further development of the compliance processes. The focus of compliance activities in 2012 was on examining our business partners in the sales process (sales business partner due diligence). We apply high standards in the selection of our sales and business partners and expect them to act in accordance with our compliance rules and ethical principles. Based on a standardized risk assessment carried out in advance, the divisions decide, in addition to the specific risk factors, on the appropriate intensity for examining the respective business partner. The divisions carry out the examination in their own responsibility and with support from the Group Compliance department.

Stronger whistleblower system and Business Practices Office (BPO). A functioning whistleblower system is an important source for us to recognize risks and infringements of rules. Information on possible serious infringements by employees and external parties is passed on to the BPO. In 2012, the management and employee representatives reached a company agreement on the reorganization of the Daimler whistleblower system. This agreement sets out a fair, transparent process affording equal protection to whistleblowers and the other persons involved. Furthermore, in addition to the existing reporting channels, in Germany we have commissioned an independent lawyer as a neutral mediator, who also accepts information on violations of rules. Due to his professional obligation to maintain confidentiality, it is assured that the whistleblowers remain anonymous vis-à-vis Daimler.

Compliance training and communication. The regular provision of information and targeted training courses supplement and support the effective and sustained anchoring of correct conduct at Daimler. We carry out face-to-face trainings for specific groups of employees as well as web-based trainings. We also offer these trainings to our business partners and sales partners, so that they can familiarize themselves with our ideas of integrity and compliance. In those courses, we train participants for example on the principles of corruption prevention and on competition law. Since 2010, we have trained more than 100,000 employees in business units and departments with a special risk situation using web-based courses and presence events. The focus was on employees in sales and sales-related functions.

Declaration by the Board of Management and Supervisory Board of Daimler AG pursuant to Section 161 of the German Stock Corporation Act (AktG) regarding the German Corporate Governance Code

The Board of Management and Supervisory Board of Daimler AG declare that the recommendations of the German Corporate Governance Code Commission in the Code version dated May 26, 2010, published by the Federal Ministry of Justice in the official section of the Federal Gazette on July 2, 2010, have been and are being applied since the last declaration of compliance issued in December 2011, with the exception of Clause 3.8 paragraph 3 (D & O insurance deductible for the Supervisory Board) and Clause 5.4.6 paragraph 2 Sentence 1 (Performance-based compensation of Members of the Supervisory Board). The recommendations of the German Corporate Governance Code in the version dated May 15, 2012 have been observed by Daimler AG since the time of their publication in the official section of the Federal Gazette, with the exception of a deviation from Clause 3.8 paragraph 3 (Deductible for D & O Insurance for the Supervisory Board) and a deviation from Clause 5.4.1 paragraph 2 (Specific objectives for the composition of the Supervisory Board) which was declared as a precautionary measure. Daimler AG will continue to observe these recommendations in the future, with the aforementioned deviations.

D&O insurance deductible for the Supervisory Board (Clause 3.8, Paragraph 3). As in previous years, the Directors' & Officers' liability insurance (D & O insurance) also contains a provision for a deductible for the members of the Supervisory Board, which is appropriate in the view of Daimler AG. However, this deductible does not correspond to the legally required deductible for members of the Board of Management in the amount of at least 10% of the damage up to at least one and a half of the fixed annual remuneration. Since the remuneration structure of the Supervisory Board is limited to fixed remuneration without performance bonus components, setting a deductible for Supervisory Board members in the amount of 1.5 times the fixed annual remuneration would have a disproportionate economic impact when compared with the members of the Board of Management, whose compensation consists of fixed and performance bonus components.

Specific objectives for the composition of the Supervisory Board (Clause 5.4.1 para 2 German Corporate Governance Code in the version of May 15, 2012). In its meeting held on December 12, 2012, the Supervisory Board elaborated and confirmed the target objective for the number of independent shareholder representatives anchored in its Rules of Procedure prior to the effective date of the German Corporate Governance Code version of May 15, 2012, published after the amendment of the Code. In this meeting, the Supervisory Board also differentiated the target objective for consideration of potential conflicts of interest in its composition in conformity with the new version of the German Corporate Governance Code. In the absence of any influence on the appointments for the employee representatives' side, the Supervisory Board limited itself to the corresponding target objectives for the shareholder representatives.

Performance-based Compensation of Members of the Supervisory Board (Clause 5.4.6, Paragraph 2, Sentence 1 in the version of May 26, 2010). The members of the Daimler AG Supervisory Board receive suitable remuneration, which includes fixed and function-based components, as well as attendance fees, but does not include any performance-bonus components. A base annual fee is set for each member, with corresponding fixed increases for the Chair or Deputy Chair of the Supervisory Board and in the case of committee membership, and special consideration to the Chair in the Audit Committee in accordance with the respective area of responsibility. In our view, a function-based system of remuneration is also more appropriate for the supervisory role of the Supervisory Board than performance-based remuneration since it eliminates possible conflicts of interest arising from decisions of the Supervisory Board that could influence performance criteria. Therefore, there is no performance-based remuneration.

This deviation from the German Corporate Governance Code no longer applies since the recommendation regarding the performance-based remuneration of the Supervisory Board is no longer contained in the new version of the German Corporate Governance Code of May 15, 2012.

Stuttgart, December 2012

for the Supervisory Board Dr. Manfred Bischoff Chairman	for the Board of Management Dr. Dieter Zetsche Chairman

Corporate Governance Report

At Daimler, good corporate governance goes beyond the mere fulfillment of statutory provisions. The Board of Management and the Supervisory Board have the goal of aligning the Group's management and supervision with nationally and internationally recognized benchmarks of good and responsible corporate governance, in order to secure the success and sustained value creation of the Group with its strong traditions.

The main principles applied in our corporate governance

German Corporate Governance Code. The legal framework for the corporate governance of Daimler AG is provided by German law, in particular the Stock Corporation Act (AktG), the Codetermination Act (MitbestG) and legislation concerning capital markets, as well as the Company's Articles of Incorporation. The German Corporate Governance Code gives recommendations and makes suggestions for the details of this framework. There is no statutory duty to follow these standards. But according to the principle of comply or explain, the Board of Management and the Supervisory Board of Daimler AG are obliged by Section 161 of the German Stock Corporation Act (AktG) to make a declaration of compliance with regard to the recommendations – not with regard to the suggestions – of the German Corporate Governance Code and to disclose and justify any deviations from the Code's recommendations. With the exceptions disclosed and justified in the declaration of compliance of December 2012, Daimler AG has followed and continues to follow the recommendations of the German Corporate Governance Code. The Corporate Governance Code and the declaration of compliance can be accessed on our website at daimler.com/dai/gcgc. Previous, no longer applicable, declarations of compliance from the past five years are also available there.

Daimler AG has also followed and continues to follow the suggestions of the German Corporate Governance Code as amended on May 15, 2012 with just one exception:

Deviating from the suggestions in Clause 2.3.4 of the German Corporate Governance Code, the Annual Shareholders' Meeting is not transmitted in its entirety on the Internet, but only until the end of the report by the Board of Management. Continuing the broadcast after that point, particularly broadcasting comments made by individual shareholders, could be construed as an unjustified infringement of privacy rights. When considering this matter, the interests of transmission do not automatically take precedence over shareholders' privacy rights. This is reflected by the statutory requirement for the entire transmission to have a legal basis in the Company's Articles of Incorporation or in the rules of procedure for shareholders' meetings.

Standards of Business Conduct. Additional relevant principles of corporate governance that go beyond the legal requirements, but are applied throughout the Group are our Standards of Business Conduct. They are composed of several documents and policies and are based on the company values of passion, respect, integrity and discipline. Two key elements of our Standards of Business Conduct are the Integrity Code and our Business Partner Brochure.

Integrity Code. The Integrity Code came into effect in 2012 and replaced the guidelines that had previously been in effect since 1999. They define the principles of behavior and guidelines for everyday conduct at Daimler, and apply to interpersonal conduct within the company as well as conduct toward customers and business partners. Fairness, responsibility and compliance with legislation are key principles in this context. In addition to general principles of behavior, the Integrity Code includes requirements and regulations concerning the protection of human rights, dealing with conflicts of interest and preventing all forms of corruption.

The Principles of Social Responsibility also form part of the Integrity Code. They are binding for the entire Group. In the Principles of Social Responsibility, Daimler commits itself to the principles of the UN Global Compact and thus to internationally recognized human and workers' rights, such as the prohibition of child labor and forced labor, as well as freedom of association and sustainable protection of the environment. Daimler also commits itself to guaranteeing equal opportunity and adhering to the principle of "equal pay for equal work." The Integrity Code is available on the Internet at daimler.com/dai/guidelines.

Business Partner Brochure. In 2012, our brochure appeared under the heading "Ethical Business – Our Shared Responsibility," which shows with reference to the United Nations Global Compact principles the expectations that Daimler has with regard to ethical behavior in business. Since then, more than 63,000 external partners have received the brochure – for example all suppliers, joint-venture partners, dealers, and marketing and sponsoring partners. The Business Partner Brochure is also available on the Internet at daimler.com/dai/guidelines.

Composition and mode of operation of the Board of Management, the Supervisory Board and its committees ↗ 6.02

Daimler AG is obliged by the German Stock Corporation Act (AktG) to apply a dual management system featuring strict separation between the Board of Management and the Supervisory Board (two-tier board). Accordingly, the Board of Management manages the company while the Supervisory Board monitors and advises the Board of Management. No person may be a member of the two boards at the same time.

Board of Management. As of December 31, 2012, the Board of Management of Daimler AG comprised eight members. Information on their areas of responsibility and their curricula vitae are posted on our website at daimler.com/dai/bom. The members of the Board of Management and their areas of responsibility are also listed on pages 16 and 17 of this Annual Report. No member of the Board of Management is a member of more than three supervisory boards of listed companies outside the Daimler Group or of similar boards or committees with comparable requirements of companies outside the Daimler Group.

The Board of Management manages Daimler AG and the Daimler Group. With the consent of the Supervisory Board, the Board of Management determines the Group's strategic focus and decides on the corporate goals. The members of the Board of Management have joint responsibility for managing the Group's entire business. Irrespective of this overall responsibility, the individual members of the Board of Management manage their allocated areas within the framework of their instructions in their own responsibility. The Chairman of the Board of Management coordinates the work of the Board of Management.

The Board of Management prepares the consolidated interim reports, the annual company financial statements of Daimler AG, the annual consolidated financial statements and the management report of the Company and the Group. It is responsible for adherence to the provisions of applicable law, official regulations and the Group's internal guidelines, and works to secure compliance with those rules and regulations by the companies of the Group. The tasks of the Board of Management also include establishing and monitoring an appropriate and efficient risk management system.

The Board of Management requires the consent of the Supervisory Board for certain types of transaction of fundamental importance. At regular intervals, the Board of Management reports to the Supervisory Board on corporate strategy, corporate planning, profitability, business development and the situation of the Group, as well as on the internal control system, the risk management system and compliance. The Supervisory Board has specified the information and reporting duties of the Board of Management.

The Board of Management has also given itself a set of rules of procedure, which can be seen on our website at daimler.com/dai/rop. Those rules describe for example the procedure to be observed when passing resolutions and ways to avoid conflicts of interest.

The Board of Management has not formed any committees.

When making appointments to executive positions at the Group, the Board of Management gives due consideration to the issue of **diversity**, with regard for example to the criteria of age, internationality and gender. Diversity-management activities include diversity workshops, the development of internal networks, external cooperation with educational facilities, and membership of selected initiatives. A key area of action is the targeted promotion of women, by means for example of flexible working-time arrangements, setting up day nurseries close to workplaces, and a special mentoring program for women, The proportion of women in executive positions is currently 12% and is to be increased to 20% by the year 2020.

Supervisory Board. In accordance with the German Codetermination Act (MitbestG), the Supervisory Board of Daimler AG comprises 20 members. Half of them are elected by the shareholders at the Annual Meeting. The other half comprises members who are elected by the Company's employees who work in Germany. Information on the individual members of the Supervisory Board is available on the Internet at daimler.com/dai/supervisoryboard and on pages 24 and 25 of this Annual Report. The members representing the shareholders and the members representing the employees are equally obliged by law to act in the Company's best interests.

6.02
Governance Structure

Shareholders (Annual Meeting of shareholders)

Election of shareholder representatives to the Supervisory Board

Supervisory Board (10 shareholder and 10 employee representatives), Nomination Committee, Audit Committee, Presidential Committee, Mediation Committee

Appointments, monitoring, consulting

Board of Management (8 Board members)

The Supervisory Board monitors and advises the Board of Management with regard to its management of the Company. At regular intervals, the Supervisory Board receives reports from the Board of Management on the Group's strategy, corporate planning, revenue development, profitability, business development and general situation, as well as on the internal control system, the risk management system and compliance. The Supervisory Board has retained the right of approval for transactions of fundamental importance. Furthermore, the Supervisory Board has specified the information and reporting duties of the Board of Management to the Supervisory Board, the Audit Committee and – between the meetings of the Supervisory Board – to the Chairman of the Supervisory Board.

The Supervisory Board's duties include appointing and recalling the members of the Board of Management. Initial appointments are usually made for a period of three years. In connection with the composition of the Board of Management, the Supervisory Board pays attention not only to the members' appropriate specialist qualifications, with due consideration of the Group's international operations, but also to diversity. This applies in particular to age, nationality, gender and other personal characteristics. The Supervisory Board also decides on the system of remuneration for the Board of Management, reviews it regularly, and determines the individual remuneration of each member of the Board of Management.

The Supervisory Board has the task of reviewing the annual company financial statements, the annual consolidated financial statements and the management report of the Company and the Group, as well as the proposal for the appropriation of distributable profits. Following discussions with the external auditors and taking into consideration the audit reports of the external auditors and the results of the review by the Audit Committee, the Supervisory Board states whether, after the final results of its own review, any objections are to be raised. If that is not the case, the Supervisory Board approves the financial statements and the management report. Upon being approved, the annual company financial statements are adopted. The Supervisory Board reports to the Annual Shareholders' Meeting on the results of its own review and on the manner and scope of its supervision of the Board of Management during the previous financial year. The Report of the Supervisory Board for the year 2012 is available on pages 18 ff of this Annual Report and on the Internet at daimler.com/investor-relations/reports-and-key-figures/reports.

The Supervisory Board has given itself a set of rules of procedure, which regulate not only its duties and responsibilities and the personal requirements placed upon its members, but above all the convening and preparation of its meetings and the procedure of passing resolutions. The rules of procedure of the Supervisory Board can be seen on our website at daimler.com/dai/rop.

Meetings of the Supervisory Board are regularly prepared in separate discussions of the members representing the employees and of the members representing the shareholders with the members of the Board of Management. Each Supervisory Board meeting includes a so-called executive session for discussions of the Supervisory Board in the absence of the members of the Board of Management.

The Supervisory Board is to be composed so that its members together dispose of the knowledge, skills, and specialist experience required for the proper execution of their tasks. Proposals of candidates for election as members of the Supervisory Board representing the shareholders of Daimler AG, for which the Nomination Committee makes recommendations, take not only the requirements of applicable law, the Articles of Incorporation and the German Corporate Governance Code into consideration, but also a list of criteria of qualifications and experience. They include for example market knowledge in the regions important to Daimler, expertise in the management of technologies, and experience in certain management functions. An important condition for productive work in the Supervisory Board and for being able to properly supervise and advise the Board of Management is the members' personal individual diversity with regard to age, internationality, gender and other personal characteristics.

With regard to its own composition, the Supervisory Board has set the following goals, which, while considering the Group's specific situation, also consider the international activities of the Group, potential conflicts of interest, the number of independent Supervisory Board members, an age limit to be set, and diversity, and allow for the appropriate participation of women:

- With regard to ensuring sufficient internationality, for example by means of many years of international experience, a proportion of more than one third of non-German members, that is at least four, is deemed to be an appropriate target. With Dr. Paul Achleitner, Sari Baldauf, Petraea Heynike, Gerard Kleisterlee, Lloyd G. Trotter and Lynton R. Wilson, this target is currently exceeded. The Supervisory Board has no influence on the appointment of members representing the employees. Nonetheless, the proportion of Supervisory Board members with an international background is currently further increased due to a member representing the employees, Valter Sanches.
- In order to ensure the independent advice and supervision of the Board of Management by the Supervisory Board, the Supervisory Board has stipulated in its rules of procedure that more than half of the members of the Supervisory Board representing the shareholders are to be independent as defined by the German Corporate Governance Code and that no person may be a member of the Supervisory Board who is a member of a board of, or advises, a significant competitor of Daimler AG or its subsidiaries. At present, all members of the Supervisory Board are to be regarded as independent. No member of the Supervisory Board is a member of a board of, or advises, a significant competitor.
- At least half of the members of the Supervisory Board representing the shareholders should have
- neither an advisory nor a board function for a customer, supplier, creditor or other third party; nor
- a business or personal relationship to the company or its boards whose specific details could cause the occurrence of a conflict of interests.

  No potential conflict of interests currently exists for any member of the Supervisory Board.

- The rules of procedure of the Supervisory Board specify that candidates for election as representatives of the shareholders who are to hold the position for a full period of office should generally not be over the age of 68 at the time of the election. None of the members of the Supervisory Board currently in office who was proposed and elected for a full period of office exceeded this general age limit at the time of his or her election.
- With regard to the appropriate consideration of women, the Supervisory Board is guided by the Company's target of gradually increasing the proportion of women in executive positions to 20% by the year 2020. As of December 31, 2012, two of the members of the Supervisory Board are women: Sari Baldauf and Petraea Heynike. The proportion of women representing the shareholders has therefore already reached 20%, and will increase to 30% with Andrea Jung if the election proposal to be made by the Supervisory Board to the 2013 Annual Shareholders' Meeting is accepted.

The Chairman of the Supervisory Board, Dr. Manfred Bischoff, is a former member of the Board of Management. After stepping down from the Board of Management in December 2003, he was first elected to the Supervisory Board after a cooling-off period of more than two years in April 2006, and was first elected as the Chairman of the Supervisory Board after a cooling-off period of more than three years in April 2007. No member of the Supervisory Board is a member of the board of management of a listed company or has a board or advisory function for a significant competitor. The members of the Supervisory Board attend in their own responsibility such courses of training and further training as might be necessary for the performance of their tasks and are supported by the Company in doing so. Daimler AG offers courses of further training to the members of its Supervisory Board as required. Possible contents of such courses include subjects of technological and economic developments, accounting and financial reporting, internal control and risk management systems, compliance, new legislation and board of management remuneration.

Composition and mode of operation of the committees of the Supervisory Board. The Supervisory Board has formed four committees, which perform to the extent legally permissible the tasks assigned to them in the name of and on behalf of the entire Supervisory Board: the Presidential Committee, the Nomination Committee, the Audit Committee and the Mediation Committee. The committee chairpersons report to the entire Supervisory Board on the committees' work at the latest in the meeting of the Supervisory Board following each committee meeting. The Supervisory Board has issued rules of procedure for each of its committees. These rules of procedure can be seen on our website at daimler.com/dai/rop, as well as information on the current composition of these committees daimler.com/dai/sbc, which is also available on page 25 of this Annual Report.

Presidential Committee. The Presidential Committee is composed of the Chairman of the Supervisory Board, his Deputy and two other members, who are elected by a majority of the votes cast on the relevant resolution of the Supervisory Board. The Presidential Committee makes recommendations to the Supervisory Board on the appointment of members of the Board of Management and is responsible for their contractual affairs. It submits proposals to the Supervisory Board on the design of the remuneration system for the Board of Management and on the appropriate individual remuneration of its members, reports to the Supervisory Board regularly and without delay on consents it has issued, and once a year submits to the Supervisory Board for its approval a complete list of the sideline activities of each member of the Board of Management.

In addition, the Presidential Committee decides on questions of corporate governance, on which it also makes recommendations to the Supervisory Board. It supports and advises the Chairman of the Supervisory Board and his Deputy, and prepares the meetings of the Supervisory Board.

Nomination Committee. The Nomination Committee is composed of at least three members, who are elected by a majority of the votes cast by the members of the Supervisory Board representing the shareholders. It is the only Supervisory Board Committee comprised solely of members representing the shareholders. It makes recommendations to the Supervisory Board concerning persons to be proposed for election as members of the Supervisory Board representing the shareholders at the Annual Shareholders' Meeting. In doing so, the Nomination Committee takes into consideration the requirements of the German Corporate Governance Code and the rules of procedure of the Supervisory Board, as well as the specific goals that the Supervisory Board has set for its own composition. Furthermore, it defines the requirements for each specific position to be occupied.

Audit Committee. The Audit Committee is composed of four members, who are elected by a majority of the votes cast on the relevant resolution of the Supervisory Board. The Chairman of the Supervisory Board is not simultaneously the Chairman of the Audit Committee.

Both the Chairman of the Audit Committee, Dr. h. c. Bernhard Walter, and Dr. Clemens Börsig have expertise in the field of financial reporting, as well as special knowledge and experience in the application of accounting principles and internal methods of control.

The Audit Committee deals with the supervision of the accounting process, risk management, the effectiveness of the internal control system and of the internal auditing system, the annual external audit and compliance. At least once a year, it discusses with the Board of Management and the external auditors the effectiveness, functionality and appropriateness of the internal monitoring systems and the risk management system. Also at least once a year, it discusses with the Board of Management the effectiveness and appropriateness of the internal auditing system and compliance management. Furthermore, it regularly receives reports on the work of the Internal Auditing department and the compliance organization. At least four times a year, the Audit Committee receives a report from the Business Practices Office, which has been established to deal with complaints and information about any breaches of guidelines, criminal offences or dubious accounting, financial reporting or auditing. It regularly receives information about dealing with these complaints and information.

The Audit Committee discusses with the Board of Management the interim reports on the first quarter, first half and first nine months of the year before they are published. On the basis of the report of the external auditors, the Audit Committee reviews the annual company financial statements and the annual consolidated financial statements, as well as the management report of the Company and the Group, and discusses them with the external auditors. The responsible auditor at KPMG AG Wirtschaftsprüfungsgesellschaft, the company of auditors commissioned to carry out the external audit, is Mr. Mathieu Meyer. It makes a proposal to the Supervisory Board on the adoption of the annual company financial statements of Daimler AG, on the approval of the annual consolidated financial statements and on the appropriation of profits. The Committee also makes recommendations for the proposal on the election of external auditors, assesses those auditors' suitability and independence, and, after the external auditors are elected by the Annual Meeting, it commissions them to conduct the annual audit of the company and consolidated financial statements and to review the interim reports, negotiates an audit fee, and determines the focus of the annual audit. The external auditors report to the Audit Committee on all accounting matters that might be regarded as critical and on any material weaknesses of the internal monitoring and risk management system with regard to accounting.

Finally, the Audit Committee approves services that are not directly related to the annual audit provided by the firm of external auditors or its affiliates to Daimler AG or to companies of the Daimler Group.

Mediation Committee. The Mediation Committee is composed of the Chairman of the Supervisory Board and his Deputy, as well as one member of the Supervisory Board representing the employees and one member of the Supervisory Board representing the shareholders, each elected with a majority of the votes cast. It is formed solely to perform the functions laid down in Section 31 Subsection 3 of the German Codetermination Act (MitbestG). Accordingly, the Mediation Committee has the task of making proposals on the appointment of members of the Board of Management if in the first vote the majority required for the appointment of a Board of Management member of two thirds of the members of the Supervisory Board is not achieved.

Shareholders and Annual Shareholders' Meeting

The Company's shareholders exercise their membership rights, in particular their voting rights, at the Shareholders' Meeting. Each share in Daimler AG entitles its owner to one vote. There are no multiple voting rights, preferred stock, or maximum voting rights. Documents and information relating to the Shareholders' Meeting can be found on our website at daimler.com/ir/am.

The Annual Shareholders' Meeting is generally held within four months of the end of a financial year. The Company facilitates the personal exercise of the shareholders' rights and proxy voting among other things by appointing proxies who are strictly bound by the shareholders' voting instructions. Absentee voting is also possible. It is possible to authorize the Daimler-appointed proxies and give them voting instructions or to cast absentee votes by using the so-called e-service for shareholders.

Among other matters, the Annual Shareholders' Meeting decides on the appropriation of distributable profits, the ratification of the actions of the members of the Board of Management and the Supervisory Board, the election of the external auditors, the election of the members of the Supervisory Board representing the shareholders and the remuneration of the Supervisory Board. The Annual Meeting also makes other decisions, especially on amendments to the Articles of Incorporation, capital measures, and the approval of certain intercompany agreements. Shareholders can submit countermotions on resolutions proposed by the Board of Management and the Supervisory Board and can challenge resolutions passed by the Shareholders' Meeting in a court of law.

The influence of the Shareholders' Meeting on the management of the Company is limited by law, however. The Shareholders' Meeting can only make management decisions if it is requested to do so by the Board of Management.

Deviating from the suggestions in Clause 2.3.4 of the German Corporate Governance Code, the Annual Shareholders' Meeting is not transmitted in its entirety on the Internet, but only until the end of the report by the Board of Management.

We maintain close contacts with our shareholders in the context of comprehensive investor relations and public relations. We regularly and comprehensively inform our shareholders, financial analysts, shareholder associations, the media and the interested public about the situation of the Group, and inform them without delay about any significant changes in its business.

In addition to other methods of communication, we also make intensive use of the Company's website. All of the important information disclosed in 2012, including annual and interim reports, press releases, voting rights notifications from major shareholders, presentations and audio recordings of analyst and investor events and conference calls, and the financial calendar, can be found at daimler.com/investors. All the dates of important disclosures such as annual reports and interim reports and the date of the Annual Shareholders' Meeting are announced in advance in the financial calendar. The financial calendar can also be seen inside the rear cover of this annual report. Information is published in English as well as in German.

Shares held by the Board of Management and the Supervisory Board, directors' dealings

At December 31, 2012, the members of the Board of Management held a total of 0.45 million shares or options of Daimler AG (0.042% of the shares issued). At the same date, members of the Supervisory Board held a total of 0.05 million shares or options of Daimler AG (0.004% of the shares issued).

In 2012, members of the Board of Management and the Supervisory Board and, pursuant to the provisions of Section 15a of the German Securities Trading Act (WpHG), persons in a close relationship with the aforementioned persons, conducted transactions with shares of Daimler AG or related financial instruments as listed in the table below. ↗ **6.03** Daimler AG discloses these transactions without delay after receiving notification of them. Current information is available on our website at daimler.com/dai/dd/en.

Risk management and financial reporting

Risk management at the Group. Daimler has a risk management system commensurate with its size and position as a company with global operations. see pages 125 ff The risk management system is one component of the overall planning, controlling and reporting process. Its goal is to enable the Company's management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner. The Supervisory Board deals with the risk management system in particular with regard to the approval of the operational planning. The Audit Committee discusses at least once a year the effectiveness, functionality and appropriateness of the risk management system with the Board of Management and the external auditors. In addition, the Audit Committee deals with the risk report once each quarter. The Chairman of the Supervisory Board has regular contacts with the Board of Management to discuss not only the Group's strategy and business development, but also the issue of risk management. The Corporate Audit department monitors adherence to the legal framework and Group standards by means of targeted audits and initiates appropriate actions as required.

Accounting principles. The consolidated financial statements of the Daimler Group are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the supplementary standards to be applied according to Section 315a Subsection 1 of the German Commercial Code (HGB). Details of the IFRS are provided in this Annual Report in the Notes to the Consolidated Financial Statements. see note 1 of the Consolidated Financial Statements. The annual financial statements of Daimler AG, which is the parent company, are prepared in accordance with the accounting standards of the German Commercial Code (HGB). Both sets of financial statements are audited by a firm of accountants elected by the Annual Shareholders' Meeting to conduct the external audit.

Interim reports for the Daimler Group are prepared in accordance with IFRS for interim reporting, as adopted by the European Union, as well as, with regard to the interim management reports, the applicable provisions of the German Securities Trading Act (WpHG). Interim financial reports are reviewed by the external auditors elected by the Annual Shareholders' Meeting.

Corporate governance statement

The corporate governance statement to be issued pursuant to Section 289a of the German Commercial Code (HGB) is simultaneously published along with the Annual Report including the Corporate Governance Report at daimler.com/corpgov/en and can be accessed there.

6.03

Directors' dealings (pursuant to Section 15a of the German Securities Trading Act (WpHG)) in the year 2012

Date	Name	Function	Type and place of transaction	Number	Price	Total volume
12/12/2012	Prof. Dr. Heinrich Flegel	Member of the Supervisory Board	Sale of new shares, Frankfurt	8,000	€39.78	€318,240
12/12/2012	Prof. Dr. Heinrich Flegel	Member of the Supervisory Board	Acquisition of shares through exercise of options (over the counter)	8,000	€34.40	€275,200
07/30/2012	Andreas Renschler	Member of the Board of Management	Acquisition of shares, Frankfurt	3,970	€39.54	€156,974
7/26/2012	Andreas Renschler	Member of the Board of Management	Sale of new shares, Frankfurt	37,000	€37.25	€1,378,250
7/26/2012	Andreas Renschler	Member of the Board of Management	Acquisition of shares through exercise of options (over the counter)	37,000	€34.40	€1,272,800
7/30/2012	Prof. Dr. Thomas Weber	Member of the Board of Management	Acquisition of shares, Frankfurt	12,290	€39.55	€486,070
7/26/2012	Prof. Dr. Thomas Weber	Member of the Board of Management	Sale of new shares, Frankfurt	115,000	€37.25	€4,283,750
7/26/2012	Prof. Dr. Thomas Weber	Member of the Board of Management	Acquisition of shares through exercise of options (over the counter)	115,000	€34.40	€3,956,000
7/26/2012	Dr. Dieter Zetsche	Chairman of the Board of Management	Acquisition of shares, Frankfurt	13,000	€37.91	€492,830
7/26/2012	Dr. Dieter Zetsche	Chairman of the Board of Management	Sale of new shares, Frankfurt	250,000	€37.25	€9,312,500
7/26/2012	Dr. Dieter Zetsche	Chairman of the Board of Management	Acquisition of shares through exercise of options (over the counter)	250,000	€34.40	€8,600,000

Consolidated Financial Statements

Sports car with baggage space. With the completely new CLS Shooting Brake, Mercedes-Benz launches yet another highlight in a long line of innovative luxury automobiles.

The Consolidated Financial Statements presented as follows have been prepared in accordance with the International Financial Reporting Standards (IFRS). They also include additional requirements set forth in Section 315a (1) of the German Commercial Code (HGB).

7 | Consolidated Financial Statements

Consolidated Statement of Income

7.01

	Note	Consolidated		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
		Year ended December 31,		Year ended December 31,		Year ended December 31,	
		2012	2011	2012	2011	2012	2011
In millions of euros							
Revenue	4	114,297	106,540	100,747	94,460	13,550	12,080
Cost of sales	5	-88,784	-81,023	-77,535	-71,152	-11,249	-9,871
Gross profit		25,513	25,517	23,212	23,308	2,301	2,209
Selling expenses	5	-10,451	-9,824	-10,056	-9,502	-395	-322
General administrative expenses	5	-3,973	-3,855	-3,335	-3,301	-638	-554
Research and non-capitalized development costs	5	-4,179	-4,174	-4,179	-4,174	–	–
Other operating income	6	1,507	1,381	1,446	1,313	61	68
Other operating expense	6	-291	-355	-276	-325	-15	-30
Share of profit/loss from investments accounted for using the equity method, net	13	990	273	1,006	286	-16	-13
Other financial income/expense, net	7	-501	-208	-495	-162	-6	-46
Earnings before interest and taxes (EBIT)[1]		8,615	8,755	7,323	7,443	1,292	1,312
Interest income	8	828	955	823	951	5	4
Interest expense	8	-1,725	-1,261	-1,708	-1,248	-17	-13
Profit before income taxes		7,718	8,449	6,438	7,146	1,280	1,303
Income taxes	9	-1,223	-2,420	-763	-1,929	-460	-491
Net profit		6,495	6,029	5,675	5,217	820	812
Thereof profit attributable to non-controlling interest		400	362				
Thereof profit attributable to shareholders of Daimler AG		6,095	5,667				
Earnings per share (in €) for profit attributable to shareholders of Daimler AG	34						
Basic		5.71	5.32				
Diluted		5.71	5.31				

1 EBIT includes expenses from compounding of provisions and effects of changes in discount rates (2012: minus €543 million; 2011: minus €225 million).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income/Loss[1]

7.02

	Consolidated	
	2012	2011
In millions of euros		
Net profit	6,495	6,029
Unrealized gains/losses from currency translation adjustments	-540	153
Unrealized gains/losses from financial assets available for sale	164	-78
Unrealized gains/losses from derivative financial instruments	702	-435
Unrealized gains/losses from investments accounted for using the equity method	7	-27
Other comprehensive income/loss, net of taxes	333	-387
Thereof income/loss attributable to non-controlling interest	-39	36
Thereof income/loss attributable to shareholders of Daimler AG	372	-423
Total comprehensive income	6,828	5,642
Thereof income attributable to non-controlling interest	361	398
Thereof income attributable to shareholders of Daimler AG	6,467	5,244

1 For other information regarding comprehensive income/loss, see Note 20.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

7.03

		Consolidated		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
		At December 31,		At December 31,		At December 31,	
	Note	2012	2011	2012	2011	2012	2011
In millions of euros							
Assets							
Intangible assets	10	8,885	8,259	8,808	8,200	77	59
Property, plant and equipment	11	20,599	19,180	20,546	19,129	53	51
Equipment on operating leases	12	26,058	22,811	12,163	10,849	13,895	11,962
Investments accounted for using the equity method	13	4,646	4,661	4,633	4,631	13	30
Receivables from financial services	14	27,062	25,007	-33	-32	27,095	25,039
Marketable debt securities	15	1,539	947	9	14	1,530	933
Other financial assets	16	3,890	2,957	-216	-367	4,106	3,324
Deferred tax assets	9	2,274	2,772	1,745	2,244	529	528
Other assets	17	567	420	-1,725	-1,637	2,292	2,057
Total non-current assets		95,520	87,014	45,930	43,031	49,590	43,983
Inventories	18	17,720	17,081	17,075	16,575	645	506
Trade receivables	19	7,543	7,849	6,864	7,580	679	269
Receivables from financial services	14	21,998	20,560	-17	-52	22,015	20,612
Cash and cash equivalents		10,996	9,576	9,887	8,908	1,109	668
Marketable debt securities	15	4,059	1,334	3,832	1,157	227	177
Other financial assets	16	2,070	2,007	-6,625	-5,120	8,695	7,127
Other assets	17	3,072	2,711	536	429	2,536	2,282
Total current assets		67,458	61,118	31,552	29,477	35,906	31,641
Total assets		162,978	148,132	77,482	72,508	85,496	75,624
Equity and liabilities							
Share capital		3,063	3,060				
Capital reserve		12,026	11,895				
Retained earnings		27,977	24,228				
Other reserves		813	441				
Treasury shares		–	–				
Equity attributable to shareholders of Daimler AG		43,879	39,624				
Non-controlling interest		1,631	1,713				
Total equity	20	45,510	41,337	39,357	35,964	6,153	5,373
Provisions for pensions and similar obligations	22	3,035	3,184	2,975	2,985	60	199
Provisions for income taxes		727	2,498	726	2,496	1	2
Provisions for other risks	23	5,476	5,626	5,315	5,494	161	132
Financing liabilities	24	43,340	35,466	10,950	10,250	32,390	25,216
Other financial liabilities	25	1,711	1,911	1,574	1,840	137	71
Deferred tax liabilities	9	1,979	1,081	-97	-920	2,076	2,001
Deferred income		2,444	2,118	1,989	1,675	455	443
Other liabilities	26	38	56	32	50	6	6
Total non-current liabilities		58,750	51,940	23,464	23,870	35,286	28,070
Trade payables		8,832	9,515	8,515	9,233	317	282
Provisions for income taxes		1,006	1,030	900	921	106	109
Provisions for other risks	23	6,313	6,799	6,001	6,473	312	326
Financing liabilities	24	32,911	26,701	-8,067	-12,525	40,978	39,226
Other financial liabilities	25	6,680	7,782	5,004	6,276	1,676	1,506
Deferred income		1,640	1,548	1,153	1,064	487	484
Other liabilities	26	1,336	1,480	1,155	1,232	181	248
Total current liabilities		58,718	54,855	14,661	12,674	44,057	42,181
Total equity and liabilities		162,978	148,132	77,482	72,508	85,496	75,624

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity[1]

7.04

				Other reserves							
	Share capital	Capital reserves	Retained earnings	Currency translation adjustment	Financial assets available-for-sale	Derivative financial instruments	Share of investments accounted for using the equity method	Treasury shares	Equity attributable to share-holders of Daimler AG	Non-controlling interest	Total equity
In millions of euros											
Balance at January 1, 2011	3,058	11,905	20,553	939	149	-216	-8	-7	36,373	1,580	37,953
Net profit	–	–	5,667	–	–	–	–	–	5,667	362	6,029
Unrealized gains/losses	–	–	–	110	-75	-608	-45	–	-618	26	-592
Deferred taxes on unrealized gains/losses	–	–	–	-	-3	173	25	–	195	10	205
Total comprehensive income/loss	–	–	5,667	110	-78	-435	-20	–	5,244	398	5,642
Dividends	–	–	-1,971	–	–	–	–	–	-1,971	-278	-2,249
Share-based payment	–	-4	–	–	–	–	–	–	-4	–	-4
Capital increase/ Issue of new shares	2	25	–	–	–	–	–	–	27	16	43
Acquisition of treasury shares	–	–	–	–	–	–	–	-28	-28	–	-28
Issue and disposal of treasury shares	–	–	-21	–	–	–	–	35	14	–	14
Other	–	-31	–	–	–	–	–	–	-31	-3	-34
Balance at December 31, 2011	3,060	11,895	24,228	1,049	71	-651	-28	–	39,624	1,713	41,337
Net profit	–	–	6,095	–	–	–	–	–	6,095	400	6,495
Unrealized gains/losses	–	–	–	-519	163	988	56	–	688	-46	642
Deferred taxes on unrealized gains/losses	–	–	–	–	–	-287	-29	–	-316	7	-309
Total comprehensive income/loss	–	–	6,095	-519	163	701	27	–	6,467	361	6,828
Dividends	–	–	-2,346	–	–	–	–	–	-2,346	-387	-2,733
Share-based payment	–	1	–	–	–	–	–	–	1	–	1
Capital increase/ Issue of new shares	3	33	–	–	–	–	–	–	36	33	69
Acquisition of treasury shares	–	–	–	–	–	–	–	-25	-25	–	-25
Issue and disposal of treasury shares	–	–	–	–	–	–	–	25	25	–	25
Changes in ownership interests in subsidiaries without loss of control	–	102	–	–	–	–	–	–	102	-178	-76
Other	–	-5	–	–	–	–	–	–	-5	89	84
Balance at December 31, 2012	3,063	12,026	27,977	530	234	50	-1	–	43,879	1,631	45,510

1 For other information regarding changes in equity, see Note 20.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows[1]

7.05

	Consolidated		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	2012	2011	2012	2011	2012	2011
In millions of euros						
Profit before income taxes	7,718	8,449	6,438	7,146	1,280	1,303
Depreciation and amortization	4,067	3,575	4,042	3,553	25	22
Other non-cash expense and income	-278	-122	-339	-184	61	62
Gains (-)/losses on disposals of assets	-768	-102	-768	-113	–	11
Change in operating assets and liabilities						
Inventories	-840	-2,328	-677	-2,350	-163	22
Trade receivables	138	-620	565	-570	-427	-50
Trade payables	-621	1,762	-662	1,705	41	57
Receivables from financial services	-4,395	-4,526	803	555	-5,198	-5,081
Vehicles on operating leases	-3,676	-2,874	-126	-390	-3,550	-2,484
Other operating assets and liabilities	-343	-1,093	-66	-1,102	-277	9
Income taxes paid	-2,102	-2,817	-1,683	-904	-419	-1,913
Cash provided by/used for operating activities	-1,100	-696	7,527	7,346	-8,627	-8,042
Additions to property, plant and equipment	-4,827	-4,158	-4,804	-4,137	-23	-21
Additions to intangible assets	-1,830	-1,718	-1,800	-1,702	-30	-16
Proceeds from disposals of property, plant and equipment and intangible assets	196	252	189	244	7	8
Investments in share property	-764	-899	-759	-899	-5	–
Proceeds from disposals of share property	1,767	203	1,766	201	1	2
Acquisition of marketable debt securities	-8,089	-5,478	-6,756	-4,711	-1,333	-767
Proceeds from sales of marketable debt securities	4,742	5,241	4,057	4,747	685	494
Other	-59	20	-59	-6	–	26
Cash used for investing activities	-8,864	-6,537	-8,166	-6,263	-698	-274
Change in short-term financing liabilities	-68	2,589	-373	-235	305	2,824
Additions to long-term financing liabilities	36,904	26,037	9,539	6,464	27,365	19,573
Repayment of long-term financing liabilities	-22,590	-20,560	-4,724	-7,069	-17,866	-13,491
Dividend paid to shareholders of Daimler AG	-2,346	-1,971	-2,346	-1,971	–	–
Dividends paid to non-controlling interests	-387	-278	-380	-270	-7	-8
Proceeds from issuance of share capital	65	71	60	64	5	7
Acquisition of treasury shares	-25	-28	-25	-28	–	–
Acquisition of non-controlling interests in subsidiaries	-47	-18	-47	-18	–	–
Internal equity transactions	–	–	11	1,278	-11	-1,278
Cash provided by/used for financing activities	11,506	5,842	1,715	-1,785	9,791	7,627
Effect of foreign exchange rate changes on cash and cash equivalents	-122	64	-97	75	-25	-11
Net increase/decrease in cash and cash equivalents	1,420	-1,327	979	-627	441	-700
Cash and cash equivalents at the beginning of the period	9,576	10,903	8,908	9,535	668	1,368
Cash and cash equivalents at the end of the period	10,996	9,576	9,887	8,908	1,109	668

1 For other information regarding consolidated statements of cash flows, see Note 27.

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Significant accounting policies

General information

The consolidated financial statements of Daimler AG and its subsidiaries (“Daimler” or “the Group”) have been prepared in accordance with Section 315a of the German Commercial Code (HGB) and comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Daimler AG is a stock corporation organized under the laws of the Federal Republic of Germany. The company is entered in the Commercial Register of the Stuttgart District Court under No. HRB 19360 and its registered office is located at Mercedesstraße 137, 70327 Stuttgart, Germany.

The consolidated financial statements of Daimler AG are presented in euros (€). Unless otherwise stated, all amounts are stated in millions of euros. All figures shown are rounded in accordance with standard business rounding principles.

The Board of Management authorized the consolidated financial statements for publication on February 21, 2013.

Basis of preparation

Applied IFRSs. The accounting policies applied in the consolidated financial statements comply with the IFRSs required to be applied as of December 31, 2012. Initial application of accounting policies in 2012 did not result in any material effects on the consolidated financial statements.

IFRSs issued and EU endorsed but not yet adopted. In May 2011, the IASB issued three new standards that provide guidance with respect to accounting for investments of the reporting entity in other entities. IFRS 10 Consolidated Financial Statements establishes a single consolidation model based on control that applies to all entities irrespective of the type of controlled entity. IFRS 11 Joint Arrangements provides new guidance on accounting for joint arrangements. In the future, it has to be decided whether a joint operation or a joint venture exists. IFRS 12 Disclosure of Interests in Other Entities provides guidance on disclosure requirements for interests in other entities by combining existing disclosure requirements from several standards in one comprehensive disclosure standard. Daimler will apply the new consolidation standards as of the mandatory effective date for EU IFRS-users as of January 1, 2014 on a retrospective basis and will therefore not make use of the possibility of earlier application. Daimler is currently in the process of determining the effects of these new standards on the Group’s consolidated financial statements.

In May 2011, the IASB also published IFRS 13 Fair Value Measurement. The new standard replaces the fair value measurement rules contained in individual IFRSs and combines them in one standard for a single source of fair value measurement guidance. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Daimler will not make use of the possibility of earlier application of this standard. As a result of the application of IFRS 13, there will presumably be only minor effects on the consolidated financial statements.

In June 2011, the IASB issued an amendment to IAS 19 Employee Benefits. The amendment removes the corridor method. Actuarial gains and losses consequently have an immediate effect on the consolidated statement of financial position and have to be recognized exclusively in other comprehensive income/loss. In addition, currently at the beginning of the accounting period, the expected return on plan assets is determined based on the Company’s expectations regarding the performance of the investment portfolio. With application of the revised IAS 19, only one return on plan assets equal to the discount rate for pension obligations is allowed at beginning of period. The amended standard generally has to be applied retrospectively with a few exceptions in financial statements for EU IFRS-users for annual periods beginning on or after January 1, 2013. Daimler will apply the amendments to IAS 19 as of January 1, 2013. Due to the mandatory retrospective application, the net profit of the year 2012 will increase by the amount of €0.1 billion. Another major effect of the amendments to IAS 19 will be the one-time offset of net actuarial losses, which were not recognized in the statement of financial position up to now, with total equity. As a result of this offset, the Group's equity decreased on December 31, 2012 by the amount of €6.4 billion.

Other IFRSs and interpretations issued are not expected to have a significant influence on the Group's financial position, cash flows or earnings. Daimler does not plan to apply these standards earlier.

IFRSs issued but neither EU endorsed nor yet adopted. In November 2009, the IASB published IFRS 9 Financial Instruments as part of its project of a revision of the accounting guidance for financial instruments. Requirements for financial liabilities were added to IFRS 9 in October 2010. The requirements for financial liabilities were carried forward unchanged from IAS 39, with the exception of certain changes to the fair value option for financial liabilities that address the consideration of own credit risk. The new standard provides guidance on the accounting of financial assets and financial liabilities as far as classification and measurement are concerned. The standard will be effective in general on a retrospective basis for annual periods beginning on or after January 1, 2015. Earlier application is permitted.

Other IFRSs issued are not expected to have a significant influence on the Group's financial position, cash flows or earnings, Subject to EU endorsement of these standards, which are to be adopted in future periods, Daimler does not plan to apply these standards earlier.

Presentation. Presentation in the statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they mature within one year or within a longer and normal operating cycle. Deferred tax assets and liabilities as well as assets and provisions for pensions and similar obligations are generally presented as non-current items.

The consolidated statement of income is presented using the cost-of-sales method.

Commercial practices with respect to certain products manufactured by the Group necessitate that sales financing, including leasing alternatives, be made available to the Group's customers. Accordingly, the Group's consolidated financial statements are significantly influenced by the activities of its financial services business.

To enhance readers' understanding of the Group's consolidated financial statements, unaudited information with respect to the results of operations and financial position of the Group's industrial and financial services business activities (Daimler Financial Services) is provided in addition to the audited consolidated financial statements. Such information, however, is not required by IFRS and is not intended to, and does not represent the separate IFRS results of operations and financial position of the Group's industrial or financial services business activities. Eliminations of the effects of transactions between the industrial and financial services businesses have generally been allocated to the industrial business columns.

Measurement. The consolidated financial statements have been prepared on the historical cost basis with the exception of certain items such as available-for-sale financial assets, derivative financial instruments, hedged items and pensions and similar obligations. The measurement models applied to those exceptions are described below.

Principles of consolidation. The consolidated financial statements include the financial statements of Daimler AG and, in general, the financial statements of Daimler AG's subsidiaries, including special purpose entities which are directly or indirectly controlled by Daimler AG. Control means the power, directly or indirectly, to govern the financial and operating policies of an entity so that the Group obtains benefits from its activities.

The financial statements of consolidated subsidiaries are generally prepared as of the reporting date of the consolidated financial statements. The previously existing time lag of one month concerning Mitsubishi Fuso Truck and Bus Corporation (MFTBC) was eliminated as of the year 2012. The effect of this adjustment on the consolidated financial statements was not significant. The financial statements of Daimler AG and its subsidiaries included in the consolidated financial statements are prepared using uniform recognition and measurement principles. All significant intercompany accounts and transactions relating to consolidated subsidiaries and consolidated special purpose entities are eliminated.

Equity investments in which Daimler has the ability to exercise significant influence over the financial and operating policies of the investee (associated companies) and entities over whose activities Daimler has joint control with a partner (joint ventures) are generally included in the consolidated financial statements using the equity method.

Subsidiaries and associated companies whose business is non-active or of low volume and that are not material for the Group and the fair presentation of financial position, liquidity and capital resources, and profitability are generally measured at amortized cost in the consolidated financial statements. The aggregate balance sheet totals of these subsidiaries would amount to approximately 1% of the Group's balance sheet total; the aggregate revenues and the aggregate profit/loss before income taxes amount to approximately 1% of Group revenue and profit before income taxes.

Table ↗ 7.06 shows the composition of the Group.

Business combinations are accounted for using the purchase method.

Changes in equity interests in Group subsidiaries that reduce or increase Daimler's percentage ownership without loss of control are accounted for as an equity transaction between owners.

As an additional funding source, Daimler transfers finance receivables, in particular receivables from the leasing and automotive business, to special purpose entities. Daimler thereby principally retains the significant risks of the transferred receivables. According to IAS 27 Consolidated and Separate Financial Statements and the Standing Interpretations Committee (SIC) Interpretation 12 Consolidation – Special Purpose Entities, these special purpose entities have to be consolidated by the transferor. The transferred financial assets remain in Daimler's consolidated statement of financial position.

Investments in associated companies and joint ventures. Associated companies and joint ventures are generally accounted for using the equity method.

At the acquisition date, the excess of the cost of Daimler's initial investment in an associate or joint venture and the share of the net fair value of the associate's or joint venture's identifiable assets and liabilities is recognized as investor level goodwill and is included in the carrying amount of the investment accounted for using the equity method. Step acquisitions, through which significant influence or joint control is obtained for the first time, are generally accounted for in accordance with IFRS 3 Business Combinations, which means the previously held equity interest is remeasured at its acquisition-date fair value; resulting gains and losses are recognized in profit or loss. In case an additional ownership interest in an existing associated company is acquired while significant influence is still maintained, goodwill is calculated only to the incremental interest acquired. The pre-existing investment is not measured anew at fair value.

Daimler assesses at each reporting date whether objective evidence of impairment is present with regard to its investments in associated companies and joint ventures. If such indication exists, the Group determines the impairment. If the carrying amount exceeds the recoverable amount of an investment, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss or the reversal of such a loss is recognized in the statement of income in the line item "Share of profit/loss from investments accounted for using the equity method, net." Income and expenses from the sale of investments accounted for using the equity method are shown in the same line item.

7.06

Composition of the Group

	2012	2011
Consolidated subsidiaries		
Germany	50	74
International	287	286
Subsidiaries accounted for at cost		
Germany	40	46
International	69	80
Subsidiaries accounted for using the equity method		
Germany	1	1
International	3	4
Associated companies and joint ventures		
Germany	22	20
International	41	46
	513	557

Profits and losses from transactions with associated companies and joint ventures are eliminated by adjusting the carrying amount of the investment accordingly.

Daimler's share of any dilution gains and losses resulting from capital increases by its investees accounted for using the equity method in which the Group or other shareholders do not participate are recognized in share of profit/loss from investments accounted for using the equity method, net.

In the special event that the financial statements of associated companies or joint ventures should not be available in good time, the Group's proportionate share of the results of operations is included in Daimler's consolidated financial statements with a one to three-month time lag. Adjustments are made for all significant events or transactions that occur during the time lag (see also Note 13).

Foreign currency translation. Transactions in foreign currency are translated at the relevant foreign exchange rates prevailing at the transaction date. In subsequent periods, assets and liabilities denominated in foreign currency are translated into euros using period-end exchange rates; gains and losses from this measurement are recognized in profit and loss (except for gains and losses resulting from the translation of available-for-sale equity instruments which are recognized in other comprehensive income/loss).

7.07

Exchange rates of the US dollar

	2012	2011
	€1 =	€1 =
Average exchange rate on December 31	1.3194	1.2939
Average exchange rates		
First quarter	1.3108	1.3680
Second quarter	1.2826	1.4391
Third quarter	1.2502	1.4127
Fourth quarter	1.2967	1.3482

Assets and liabilities of foreign companies for which the functional currency is not the euro are translated into euros using period-end exchange rates. The translation adjustments are presented in other comprehensive income/loss. The components of equity are translated using historical rates. The consolidated statements of income and cash flows are translated into euros using average exchange rates during the respective periods.

The exchange rates of the US dollar, the most significant foreign currency for Daimler, were as shown in table ↗ 7.07.

Accounting policies

Revenue recognition. Revenue from sales of vehicles, service parts and other related products is recognized when the risks and rewards of ownership of the goods are transferred to the customer, the amount of revenue can be estimated reliably and collectability is reasonably assured. Revenue is recognized net of sales reductions such as cash discounts and sales incentives granted.

Daimler uses sales incentives in response to a number of market and product factors, including pricing actions and incentives offered by competitors, the amount of excess industry production capacity, the intensity of market competition, and consumer demand for the product. The Group may offer a variety of sales incentive programs at a point in time, including cash offers to dealers and consumers, lease subsidies which reduce the consumers' monthly lease payment, or reduced financing rate programs offered to costumers.

Revenue from receivables from financial services is recognized using the effective interest method. When loans are issued below market rates, related receivables are recognized at present value and revenue is reduced for the interest incentive granted. If subsidized leasing fees are agreed upon in connection with finance leases, revenue from the sale of a vehicle is reduced by the amount of the interest incentive granted.

The Group offers an extended, separately priced warranty for certain products. Revenue from these contracts is deferred and recognized into income over the contract period in proportion to the costs expected to be incurred based on historical information. In circumstances in which there is insufficient historical information, income from extended warranty contracts is recognized on a straight-line basis. A loss on these contracts is recognized in the current period if the sum of the expected costs for services under the contract exceeds unearned revenue.

For transactions with multiple deliverables, such as when vehicles are sold with free or reduced-in-price service programs, the Group allocates revenue to the various elements based on their estimated fair values.

Sales in which the Group guarantees the minimum resale value of the product, such as sales to certain rental car companies, are accounted for similar to an operating lease. The guarantee of the resale value may take the form of an obligation by Daimler to pay any deficiency between the proceeds the customer receives upon resale and the guaranteed amount, or an obligation to reacquire the vehicle after a certain period of time at a set price. Gains or losses from the resale of these vehicles are included in gross profit.

Revenue from operating leases is recognized on a straight-line basis over the lease term. Among the assets subject to operating leases are Group products which are purchased by Daimler Financial Services from independent third-party dealers and leased to customers. After revenue recognition from the sale of the vehicles to independent third-party dealers, these vehicles create further revenue from leasing and remarketing as a result of lease contracts entered into. The Group estimates that the revenue recognized following the sale of vehicles to dealers equals approximately the additions to leased assets at Daimler Financial Services. Additions to leased assets at Daimler Financial Services were approximately €8 billion in 2012 (2011: approximately €6 billion).

Research and non-capitalized development costs. Expenditure for research and development that does not meet the conditions for capitalization according to IAS 38 Intangible Assets is expensed as incurred.

Borrowing costs. Borrowing costs are expensed as incurred unless they are directly attributable to the acquisition, construction or production of a qualifying asset and are therefore part of the cost of that asset.

Government grants. Government grants related to assets are deducted from the carrying amount of the asset and are recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense. Government grants which compensate the Group for expenses are recognized as other operating income in the same periods as the expenses themselves.

Interest income and interest expense. Interest income and interest expense includes interest income from investments in securities, cash and cash equivalents as well as interest expense from liabilities. Furthermore, interest and changes in fair values related to interest rate hedging activities as well as income and expense resulting from the allocation of premiums and discounts are included. The interest components of pensions and similar obligations are also presented in this line item.

An exception to the aforementioned principles is made for Daimler Financial Services. In this case, the interest income and expense and the result from derivative financial instruments are disclosed under revenue and cost of sales respectively.

Other financial income/expense, net. Other financial income/expense, net includes all income and expense from financial transactions which are not included in interest income and/or interest expense, and for Daimler Financial Services are not included in revenue and/or cost of sales. For example, expense from the compounding of interest on provisions for other risks is recorded in this line item.

Income taxes. Current income taxes are determined based on the respective local taxable income of the period and local tax rules. In addition, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest expense and penalties on the underpayment of taxes. Changes in deferred tax assets and liabilities are included in income taxes except for changes recognized in other comprehensive income/loss or directly in equity.

Deferred tax assets or liabilities are determined based on temporary differences between financial reporting and the tax basis of assets and liabilities including differences from consolidation, loss carryforwards and tax credits. Measurement is based on the tax rates expected to be effective in the period in which an asset is realized or a liability is settled. For this purpose, the tax rates and tax rules are used which have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that taxable profit at the level of the relevant tax authority will be available for the utilization of the deductible temporary differences. Daimler recognizes a valuation allowance for deferred tax assets when it is unlikely that a corresponding amount of future taxable profit will be available.

Tax benefits resulting from uncertain income tax positions are recognized at the best estimate of the tax amount expected to be paid.

Earnings per share. Basic earnings per share are calculated by dividing profit attributable to shareholders of Daimler AG by the weighted average number of shares outstanding. Diluted earnings per share additionally reflect the potential dilution that would occur if all stock option plans were exercised.

Goodwill. For acquisitions, goodwill represents the excess of the consideration transferred over the fair values assigned to the identifiable assets proportionally acquired and liabilities assumed. Goodwill is accounted for at the subsidiaries in the functional currency of those subsidiaries.

In connection with obtaining control, non-controlling interest in the acquiree is principally recognized at the proportionate share of the acquiree's identifiable assets, which are measured at fair value.

Other intangible assets. Intangible assets acquired are measured at cost less accumulated amortization. If necessary, accumulated impairment losses are recognized.

Intangible assets with indefinite lives are reviewed annually to determine whether indefinite-life assessment continues to be appropriate. If not, the change in the useful-life assessment from indefinite to finite is made on a prospective basis.

Intangible assets other than development costs with finite useful lives are generally amortized on a straight-line basis over their useful lives (3 to 10 years) and are tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period for intangible assets with finite useful lives is reviewed at least at each year-end. Changes in expected useful lives are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recorded in functional costs.

Development costs for vehicles and components are recognized if the conditions for capitalization according to IAS 38 are met. Subsequent to initial recognition, the asset is carried at cost less accumulated amortization and accumulated impairment losses. Capitalized development costs include all direct costs and allocable overheads and are amortized on a straight-line basis over the expected product life cycle (a maximum of 10 years). Amortization of capitalized development costs is an element of the manufacturing costs and is allocated to those vehicles and components by which they were generated and is included in cost of sales when the inventory (vehicles) is sold.

7.08

Useful lives of property, plant and equipment

Buildings and site improvements	10 to 50 years
Technical equipment and machinery	6 to 25 years
Other equipment, factory and office equipment	3 to 30 years

Property, plant and equipment. Property, plant and equipment are measured at acquisition or manufacturing costs less accumulated depreciation. If necessary, accumulated impairment losses are recognized.

The costs of internally produced equipment and facilities include all direct costs and allocable overheads. Acquisition or manufacturing costs include the estimated costs, if any, of dismantling and removing the item and restoring the site. Plant and equipment under finance leases are stated at the lower of present value of minimum lease payments or fair value less the respective accumulated depreciation and any accumulated impairment losses. Depreciation expense is recognized using the straight-line method. The residual value of the asset is considered. Property, plant and equipment are depreciated over the useful lives as shown in table ↗ 7.08.

Leasing. Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment, even if the right to use such asset is not explicitly described in an arrangement. The Group is a lessee of property, plant and equipment and a lessor of its products. It is evaluated on the basis of the risks and rewards of a leased asset whether the ownership of the leased asset is attributed to the lessee (finance lease) or to the lessor (operating lease). Rent expense on operating leases by which the Group is lessee is recognized over the respective lease terms on a straight-line basis. Equipment on operating leases by which the Group is lessor is carried initially at its acquisition or manufacturing cost and is depreciated to its expected residual value over the contractual term of the lease, on a straight-line basis. The same accounting principles apply to assets if Daimler sells such assets and leases them back from the buyer.

Impairment of non-current non-financial assets. Daimler assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists, Daimler estimates the recoverable amount of the asset. The recoverable amount is determined for each individual asset unless the asset generates cash inflows that are not largely independent of those from other assets or groups of assets (cash generating units). In addition, goodwill and other intangible assets with indefinite useful lives are tested annually for impairment; this takes place at the level of the cash generating units. If the carrying amount of an asset or of a cash generating unit exceeds the recoverable amount, an impairment loss is recognized for the difference.

The recoverable amount is the higher of fair value less costs to sell and value in use. For cash generating units, which at Daimler correspond to the reportable segments, Daimler in a first step determines the respective recoverable amount as value in use and compares it with the respective carrying amounts (including goodwill). Value in use is measured by discounting expected future cash flows from the continuing use of the cash generating units using a risk-adjusted interest rate. Future cash flows are determined on the basis of the long-term planning, which is approved by the Board of Management and which is valid at the date of conduction of the impairment test. This planning is based on expectations regarding future market share, the growth of the respective markets as well as the products' profitability. The multi-year planning comprises a planning horizon until 2020 and therefore mainly covers the product lifecycles of our automotive business. The rounded risk-adjusted interest rates, which are calculated for each segment, used to discount cash flows currently are unchanged from the previous year at 8% after taxes for the cash generating units of the industrial business and 9% after taxes for Daimler Financial Services. Whereas the discount rate for Daimler Financial Services represents the cost of equity, the risk-adjusted interest rate for the cash generating units of the industrial business is based on the weighted average cost of capital (WACC). These are calculated based on the capital asset pricing model (CAPM) taking into account current market expectations. In calculating the risk-adjusted interest rate for impairment test purposes, specific peer group information for beta factors, capital structure data and for cost of debt are used. Periods not covered by the forecast are taken into account by recognizing a residual value (terminal value), which generally does not consider any growth rates. In addition, several sensitivity analyses are conducted. These show that even in case of more unfavorable premises for main influencing factors with respect to the original planning, no need for impairment exists. If value in use is lower than the carrying amount, fair value less costs to sell is additionally calculated to determine the recoverable amount.

An assessment for assets other than goodwill is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If this is the case, Daimler records a partial or entire reversal of the impairment; the carrying amount is thereby increased to its recoverable amount. However, the increased carrying amount may not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized in prior years.

Non-current assets held for sale and disposal groups. The Group classifies non-current assets or disposal groups as held for sale if the conditions of IFRS 5 Non-current assets held for sale and discontinued operations are fulfilled. In this case, the assets or disposal groups are no longer depreciated but measured at the lower of carrying amount and fair value less costs to sell. If fair value less costs to sell subsequently increases, any impairment loss previously recognized is reversed, this reversal is restricted to the impairment loss previously recognized for the assets or disposal group concerned. The Group generally discloses these assets or disposal groups separately in the statement of financial position.

Inventories. Inventories are measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price less any remaining costs to sell. The cost of inventories is generally based on the specific identification method and includes costs incurred in acquiring the inventories and bringing them to their existing location and condition. Costs for large numbers of inventories that are interchangeable are allocated under the average cost formula. In the case of manufactured inventories and work in progress, cost also includes production overheads based on normal capacity.

Financial instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments in the form of financial assets and financial liabilities are generally presented separately. Financial instruments are recognized as soon as Daimler becomes a party to the contractual provisions of the financial instrument.

Upon initial recognition, financial instruments are measured at fair value. For the purpose of subsequent measurement, financial instruments are allocated to one of the categories mentioned in IAS 39 Financial Instruments: Recognition and Measurement. Transaction costs directly attributable to acquisition or issuance are considered by determining the carrying amount if the financial instruments are not measured at fair value through profit or loss. If the transaction date and the settlement date (i.e. the date of delivery) differ, Daimler uses the transaction date for purposes of initial recognition or derecognition.

Financial assets. Financial assets primarily comprise receivables from financial services, trade receivables, receivables from banks, cash on hand, derivative financial assets and marketable securities and investments.

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss include those financial assets designated as held for trading.

Financial assets at fair value through profit or loss comprise derivatives, including embedded derivatives separated from the host contract, which are not classified as hedging instruments in hedge accounting. Shares and marketable debt securities acquired for the purpose of selling in the near term are classified as held for trading. Gains or losses on financial assets held for trading are recognized in profit or loss.

Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as receivables from financial services or trade receivables. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired. Interest effects on the application of the effective interest method are also recognized in profit or loss.

Available-for-sale financial assets. Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or that are not classified in any of the preceding categories. This category includes equity instruments and debt instruments such as government bonds, corporate bonds and commercial paper.

After initial measurement, available-for-sale financial assets are measured at fair value, with unrealized gains or losses being recognized in other comprehensive income/loss. If objective evidence of impairment exists or if changes occur in the fair value of a debt instrument resulting from currency fluctuations, these changes are recognized in profit or loss. Upon disposal of financial assets, the accumulated gains and losses recognized in other comprehensive income/loss resulting from measurement at fair value are recognized in profit or loss. If a reliable estimate of the fair value of an unquoted equity instrument, such as an investment in a German limited liability company, cannot be made, this instrument is measured at cost (less any impairment losses). Interest earned on available-for-sale financial assets is generally reported as interest income using the effective interest method. Dividends are recognized in profit or loss when the right of payment has been established.

Cash and cash equivalents. Cash and cash equivalents consist primarily of cash on hand, checks and demand deposits at banks, as well as debt instruments and certificates of deposits with an original term of up to three months. Cash and cash equivalents correspond with the classification in the consolidated statement of cash flows.

Impairment of financial assets. At each reporting date, the carrying amounts of financial assets other than those to be measured at fair value through profit or loss are assessed to determine whether there is objective evidence of impairment. Objective evidence may exist for example if a debtor is facing serious financial difficulties or there is a substantial change in the debtor's technological, economic, legal or market environment. For quoted equity instruments, a significant or prolonged decline in fair value is additional objective evidence of possible impairment. Daimler has defined criteria for the significance and duration of a decline in fair value. A decline in fair value is deemed significant if it exceeds 20% of the carrying amount of the investment; a decline is deemed prolonged if the carrying amount exceeds the fair value for a period longer than nine months.

Loans and receivables. The amount of the impairment loss on loans and receivables is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows (excluding expected future credit losses that have not been incurred), discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognized in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognized, the impairment loss recorded in prior periods is reversed and recognized in profit or loss.

In most cases, an impairment loss on loans and receivables (e.g. receivables from financial services including finance lease receivables and trade receivables) is recorded using allowance accounts. The decision to account for credit risks using an allowance account or by directly reducing the receivable depends on the estimated probability of the loss of receivables. When receivables are assessed as uncollectible, the impaired asset is derecognized.

Available-for-sale financial assets. If an available-for-sale financial asset is impaired, the difference between its cost (net of any principal payment and amortization) and its current fair value (less any impairment loss previously recognized in the statement of income) is reclassified from other comprehensive income/loss to the statement of income. Reversals with respect to equity instruments classified as available for sale are recognized in other comprehensive income/loss. Reversals of impairment losses on debt instruments are reversed through the statement of income if the increase in fair value of the instrument can be objectively attributed to an event occurring after the impairment losses were recognized in the statement of income.

Financial liabilities. Financial liabilities primarily include trade payables, liabilities to banks, bonds, derivative financial liabilities and other liabilities.

Financial liabilities measured at amortized cost. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Derivatives, including embedded derivatives separated from the host contract which are not used as hedging instruments in hedge accounting, are classified as held for trading. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivative financial instruments and hedge accounting. The Group uses derivative financial instruments exclusively for hedging of financial risks that arise from its commercial business or refinancing activities. These are mainly interest rate risks, currency risks and commodity price risks.

Embedded derivatives are separated from the host contract, which is not measured at fair value through profit or loss, if an analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

Derivative financial instruments are measured at fair value upon initial recognition and at each subsequent reporting date. The fair value of listed derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are presented as assets if their fair value is positive and as liabilities if the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, Daimler designates and documents the hedge relationship from the date a derivative contract is entered into as either a fair value hedge or a cash flow hedge. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is hedged. In a cash flow hedge, the variability of cash flows to be received or paid from expected transactions related to a recognized asset or liability or a highly probable forecast transaction are hedged. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of risk being hedged, the identification of the hedging instrument and the hedged item, as well as a description of the method used to assess hedge effectiveness. The hedging transactions are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are regularly assessed to determine that they have actually been highly effective throughout the financial reporting periods for which they are designated.

Changes in the fair value of derivative financial instruments are recognized periodically in either profit or loss or other comprehensive income/loss, depending on whether the derivative is designated as a hedge of changes in fair value or cash flows. For fair value hedges, changes in the fair value of the hedged item and the derivative are recognized in profit or loss. For cash flow hedges, fair value changes in the effective portion of the hedging instrument are recognized in other comprehensive income/loss. Amounts recognized in other comprehensive income/loss are reclassified to the statement of income when the hedged transaction affects the statement of income. The ineffective portions of fair value changes are recognized in profit or loss.

If derivative financial instruments do not or no longer qualify for hedge accounting because the qualifying criteria for hedge accounting are not or are no longer met, the derivative financial instruments are classified as held for trading and are measured at fair value through profit or loss.

Pensions and similar obligations. The measurement of defined benefit plans for pensions and other post-employment benefits (medical care) in accordance with IAS 19 Employee Benefits is based on the projected unit credit method. For the valuation of defined post-employment benefit plans, differences between actuarial assumptions used and actual developments and changes in actuarial assumptions result in actuarial gains and losses, which generally have to be amortized in future periods in accordance with the corridor approach. This approach requires partial amortization of actuarial gains and losses in the following year with an effect on earnings if the unrecognized gains and losses exceed 10% of the greater of (1) the present value of the defined post-employment benefit obligation or (2) the fair value of the plan assets. In such cases, the amount of amortization recognized in profit or loss by the Group is the resulting excess divided by the average remaining service period of active employees expected to receive benefits under the plan.

Plan assets invested to cover defined pension benefit obligations and other post-employment benefit obligations (medical care) are measured at fair value and offset against the corresponding obligations. Plan assets are recognized in the consolidated statement of income with their expected returns with an effect on earnings (see also Note 22).

Expenses resulting from the compounding of pension benefit obligations and other post-employment benefit obligations as well as the expected returns on plan assets are presented within interest expense and interest income. The amortization of unrecognized actuarial gains and losses is also included in these line items. Other expenses resulting from providing pension benefits and other post-employment benefits are allocated to the functional costs in the consolidated statement of income. The discounting factors used to calculate the present values of defined benefit pension obligations are to be determined by reference to market yields at the end of the reporting period on high-quality corporate bonds in the respective markets. For long maturities, a significant reduction of the number of high-quality corporate bonds was to be observed. At December 31, 2012, selection criteria for the inclusion of high-quality corporate bonds with AA-rating were adjusted to increase the number of bonds included and to ensure reliable estimates of discounting factors in the future. For very long maturities, there are no high-quality corporate bonds as a benchmark available. The respective discounting factors are estimated by extrapolating current market rates along the yield curve. Due to the change in the method of determining the discounting factor, the pension benefit obligation decreased on December 31, 2012 by approximately €1.1 billion. There was no effect on the consolidated income statement. Effects on future periods are expected to be minor.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs.

Provisions for other risks and contingent liabilities. A provision is recognized when a liability to third parties has been incurred, an outflow of resources is probable and the amount of the obligation can be reasonably estimated. The amount recognized as a provision represents the best estimate of the obligation at the balance sheet date. Provisions with an original maturity of more than one year are discounted to the present value of the expenditures expected to settle the obligation at the end of the reporting period. Provisions are regularly reviewed and adjusted as further information becomes available or circumstances change.

The provision for expected warranty costs is recognized when a product is sold, upon lease inception, or when a new warranty program is initiated. Estimates for accrued warranty costs are primarily based on historical experience.

Daimler records the fair value of an asset retirement obligation from the period in which the obligation is incurred.

Restructuring provisions are set up in connection with programs that materially change the scope of business performed by a segment or business unit or the manner in which business is conducted. In most cases, restructuring expenses include termination benefits and compensation payments due to the termination of agreements with suppliers and dealers. Restructuring provisions are recognized when the Group has a detailed formal plan that has either commenced implementation or been announced.

Share-based payment. Share-based payment comprises cash-settled liability awards and equity-settled equity awards.

The fair value of equity awards is generally determined by using a modified Black-Scholes option pricing model at grant date and represents the total payment expense to be recognized during the service period with a corresponding increase in equity (paid-in capital).

Liability awards are measured at fair value at each balance sheet date until settlement and are classified as provisions. The expense of the period comprises the addition to and/or the reversal of the provision between two balance sheet dates and the dividend equivalent paid during the period, and is included in the functional costs.

Presentation in the consolidated statement of cash flows. Interest and taxes paid as well as interest and dividends received are classified as cash provided by/used for operating activities. Dividends paid are shown in cash provided by/used for financing activities.

2. Accounting estimates and assessments

In the consolidated financial statements, to a certain degree, estimates, assessments and assumptions have to be made which can affect the amounts and reporting of assets and liabilities, the reporting of contingent assets and liabilities on the balance sheet date and the amounts of income and expense reported for the period. The major items affected by such estimates, assessments and assumptions are described as follows. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

Recoverable amounts of cash-generating units and investments accounted for using the equity method. In the context of impairment tests for non-financial assets, estimates have to be made to determine the recoverable amounts of cash-generating units. Assumptions have to be made in particular with regard to future cash inflows and outflows for the planning period and the following periods. The estimates include assumptions regarding future market share and the growth of the respective markets as well as regarding the products' profitability. On the basis of the impairment tests carried out in 2012, the recoverable amounts are substantially larger than the net assets of the Group's cash-generating units.

When objective evidence of impairment is present, estimates and assessments also have to be made to determine the recoverable amount of an equity method financial investment. The determination of the recoverable amount is based on assumptions regarding future business developments for the determination of the expected future cash flows of that financial investment. See Note 13 for the presentation of carrying values and fair values of equity-method financial investments in listed companies.

Equipment on operating leases. Daimler regularly reviews the factors determining the values of its leased vehicles. In particular, it is necessary to estimate the residual values of vehicles at the end of their leases, which constitute a substantial part of the expected future cash flows from leased assets. In this context, assumptions have to be made regarding the future supply of and demand for vehicles, as well as the development of vehicle prices. Those assumptions are determined either by qualified estimates or by expertise provided by third parties; qualified estimates are based, as far as they are publicly available, on external data with consideration of internally available additional information such as historical experience of price developments and recent sale prices. The residual values thus determined serve as a basis for systematic depreciation; changes in residual values lead either to prospective adjustments to the systematic depreciation or, in the case of a significant drop in expected residual values, to impairment. If systematic depreciation is prospectively adjusted, changes in estimates of residual values do not have a direct effect but are equally distributed over the remaining periods of the lease contracts.

Collectability of receivables from financial services. The Group regularly estimates the risk of default on receivables from financial services. Many factors are taken into consideration in this context, including historical loss experience, the size and composition of certain portfolios, current economic events and conditions and the estimated fair values and adequacy of collateral. Changes in economic conditions can lead to changes in our customers' creditworthiness and to changes in used vehicle prices which would have a direct effect on the market values of the vehicles assigned as collateral. Changes to the estimation and assessment of these factors influence the allowance for credit losses with a resulting impact on the Group's net results. See also Notes 14 and 31 for further information.

Product warranties. The recognition and measurement of provisions for product warranties is generally connected with estimates.

The Group provides various types of product warranties depending on the type of product and market conditions. Provisions for product warranties are generally recognized when vehicles are sold, upon lease inception, or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions have to be made on the type and extent of future warranty claims and customer goodwill, as well as on possible recall or buyback campaigns for each model series. In addition, the estimates also include assumptions on the amounts of potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information.

Further information on provisions for other risks is provided in Note 23.

Legal proceedings. Various legal proceedings, claims and governmental investigations are pending against Daimler AG and its subsidiaries on a wide range of topics. Adverse decisions in one or more of those proceedings could require us to pay substantial compensatory and punitive damages or to undertake service actions, recall campaigns or other costly actions. Litigation and governmental investigations often involve complex legal issues and are connected with a high degree of uncertainty. Accordingly, the assessment of whether an obligation exists on the balance sheet date as a result of an event in the past, and whether a future cash outflow is likely and the obligation can be reliably estimated, largely depends on estimations by the management.

Daimler regularly evaluates the current stage of legal proceedings, also with the involvement of external legal counsel. It is therefore possible that the amounts of the provisions for pending or potential litigation will have to be adjusted due to future developments. Changes in estimates and premises can have a material effect on the Group's future profitability. The end of a legal dispute can result in Daimler having to make payments in excess of the provisions recognized for that purpose. It is also possible that the outcome of individual cases for which no provisions could be recognized might force the Group to make payments whose amounts or range of amounts could not be reliably estimated at December 31, 2012. Although the final outcome of such cases can have a material effect on Daimler's earnings or cash flows in a certain reporting period, in our assessment, any such resulting obligations will not have a sustained impact on the Group's financial position. Further information on legal proceedings is provided in Note 28.

Pension obligations. To calculate the present values of defined benefit pension obligations, it is necessary among other things to determine discounting factors. Discounting factors are to be determined by reference to market yields at the end of the reporting period on high-quality corporate bonds in the respective markets. A change in the discount rate by plus or minus 0.25% would result in a reduction or an increase of €0.8 billion or €0.8 billion in the present value of the defined benefit obligation for pensions of the major German companies. In addition, at the beginning of the financial year, Daimler has to estimate the expected returns on plan assets on the basis of market expectations for the types of investment included in the plan assets. The level of the discount rate has a material effect on the funded status of the pension plans. Furthermore, the discounting factors and the expected return on plan assets have a significant effect on net periodic pension costs. Due to the use of the corridor method, changes in the assumptions as well as deviations of actual developments compared to assumptions made will not directly affect the consolidated statement of financial position or the consolidated statement of income. Starting with the year 2013, however, these effects will be reflected directly in the consolidated statement of financial position and accordingly in the consolidated statement of comprehensive income. Further information in this context is provided in Notes 1 and 22.

Income taxes. The calculation of income taxes of Daimler AG and its subsidiaries is based on the legislation and regulations applicable in the various countries. Due to their complexity, the tax items presented in the financial statements are possibly subject to different interpretation by taxpayers on the one hand and local tax authorities on the other. For the calculation of deferred tax assets, assumptions have to be made regarding future taxable income and the time of realization of the deferred tax assets. In this context, we take into consideration, among other things, the projected earnings from business operations, the effects on earnings of the reversal of taxable temporary differences, and realizable tax strategies. As future business developments are uncertain and are sometimes beyond Daimler's control, the assumptions to be made in connection with accounting for deferred tax assets are connected with a substantial degree of uncertainty. On each balance sheet date, Daimler carries out impairment tests on deferred tax assets on the basis of the planned taxable income in future financial years; if Daimler assesses that the probability of future tax advantages being partially or fully unrealized is more than 50%, the deferred tax assets are impaired. Further information is provided in Note 9.

3. Significant acquisitions and dispositions of interests in companies and of other assets and liabilities

Significant acquisitions and dispositions of interests in companies and of other assets and liabilities in 2012 and 2011 especially relate to the investments in European Aeronautic Defence and Space Company EADS N.V., in Engine Holding GmbH and Tognum AG, and in Beijing Foton Daimler Automotive Co. Ltd. Information on these transactions is provided in Note 13.

MBtech Group. On December 7, 2011, Daimler and AKKA Technologies SA signed a contract on the sale of a 65% interest in the Daimler subsidiary MBtech Group GmbH & Co. KGaA (MBtech Group). The transaction was concluded on April 12, 2012 and resulted in a cash inflow of €48 million and a gain before income taxes of €10 million in 2012. These amounts are primarily allocated to the Mercedes-Benz Cars segment. Since conclusion of the transaction, the remaining equity interest in MBtech Group is accounted for using the equity method. The assets and liabilities of MBtech Group amounted to €85 million and €78 million as of the closing of the transaction (December 31, 2011: €90 million and €78 million); in the total amount of assets, €8 million of cash and cash equivalents are included. Due to the minor significance for the Daimler Group's financial position, cash flows and profitability, the disposal of these assets and liabilities is not presented separately in the consolidated statement of financial position for the year 2011.

4. Revenue

Table ↗ 7.09 shows the composition of revenue at Group level.

Revenue by segment ↗ 7.86 and region ↗ 7.88 is presented in Note 32.

5. Functional costs

Cost of sales. Items included in cost of sales are shown in table ↗ 7.10.

Selling expenses. In 2012, selling expenses amounted to €10,451 million (2011: €9,824 million). Selling expenses include direct selling costs as well as selling overhead expenses and consist of personnel expenses, material costs and other selling costs.

General administrative expenses. General administrative expenses amounted to €3,973 million in 2012 (2011: €3,855 million) and comprise expenses which were not attributable to production, sales, research and development functions, including personnel expenses, depreciation and amortization on fixed and intangible assets, and other administrative costs.

Research and non-capitalized development costs. Research- and non-capitalized development costs were €4,179 million in 2012 (2011: €4,174 million) and primarily comprise personnel expenses and material costs.

Amortization expense of capitalized development costs is recognized in cost of sales and amounted to €982 million in 2012 (2011: €829 million).

Optimization programs. Measures and programs with implementation costs that materially impacted EBIT of the segments are briefly described below:

Daimler Buses. Daimler Buses decided in the first quarter of 2012 to restructure some sections of its business system. The first step is to define measures to improve efficiency and generate growth in order to increase the market shares of buses in Western Europe, to adapt the product portfolios to changed market requirements and to reduce cost positions. Among other things, the production network will also be optimized. In March 2012, the Board of Management announced the reduction of up to 10% of the workforce of EvoBus GmbH and of some subsidiaries in Western Europe. This headcount reduction is to be solely achieved by means of socially acceptable measures. Furthermore, in the second quarter of 2012, the Board of Management decided to restructure the activities of Daimler Buses in North America. In this context, Daimler Buses sold the assets related to Setra to Motor Coach Industries International Inc. (MCI). MCI has taken over the general distribution of the Setra coach models S 407 and S 417 in the North American Market and Daimler Buses has received a share of 10% of the equity of MCI. Due to the decreasing investment volumes of public transportation companies, the ongoing reduced demand for city buses and the negative outlook, Daimler

7.09
Revenue

	2012	2011
In millions of euros		
Sales of goods	100,531	94,274
Rental and leasing business	10,166	9,014
Interest from the financial services business at Daimler Financial Services	3,224	2,893
Sales of other services	376	359
	114,297	106,540

7.10
Cost of sales

	2012	2011
In millions of euros		
Expense of goods sold	-80,580	-73,335
Depreciation of equipment on operating leases	-3,813	-3,370
Refinancing costs at Daimler Financial Services	-1,861	-1,849
Impairment losses on receivables from financial services	-390	-417
Other cost of sales	-2,140	-2,052
	-88,784	-81,023

7.11

Expenses and income associated with the optimization programs

	2012	2011
In millions of euros		
Cost of sales	-72	–
Selling expenses	-30	–
General administrative expenses	-17	–
Research and non-capitalized development costs	-19	–
Other operating expenses	-17	–
	-155	–

7.12

Personnel expenses and number of employees

	2012	2011
In millions of euros and number of people employed		
Personnel expenses	-17,970	-17,424
Average number of people employed		
Mercedes-Benz Cars	98,218	97,542
Daimler Trucks	80,503	76,039
Mercedes-Benz Vans	14,904	14,740
Daimler Buses	17,186	17,199
Daimler Financial Services	7,526	6,865
Sales and Marketing	50,154	49,240
Other	6,114	5,649
	274,605	267,274

Buses decided to discontinue the production of Orion city buses in the United States and Canada. For the buses already delivered, Daimler Buses will continue the aftersales and maintenance services in the future. These restructuring measures led to a staff reduction of 814 people in the United States and Canada.

Expenses recorded in 2012 for these measures amounted to €155 million.

These expenses primarily relate to personnel measures and are included in the line items within the consolidated statement of income as shown in table ↗ 7.11.

The measures initiated resulted in cash outflows of €28 million in 2012. The provisions recognized for these measures amounted to €77 million as of December 31, 2012.

Daimler Financial Services. In May 2010, the Board of Management decided to restructure the business activities of Daimler Financial Services AG and Mercedes-Benz Bank AG by the end of 2012. Among other effects, this repositioning will result in streamlined structures and harmonized processes. In 2012, cash outflows of €30 million resulted from these original measures (2011: €25 million). The provisions recognized for this program amounted to €22 million as of December 31, 2012 (2011: €56 million). Furthermore, ongoing expenses and income affected earnings in 2012 and in the previous year.

Cash outflows resulting from the optimization programs at Daimler Buses and Daimler Financial Services are expected until the end of 2017.

Personnel expenses and number of employees. Personnel expenses included in the consolidated statement of income as well as the average numbers of people employed are included in table ↗ 7.12.

Information on the remuneration of the current and former members of the Board of Management and the current members of the Supervisory Board is included in Note 36.

6. Other operating income and expense

For the composition of other operating income see table ↗ 7.13.

Other miscellaneous income includes income from services recharged to unrelated parties, reimbursements of non-income related taxes, income from employee canteens and other miscellaneous items.

Government grants and subsidies mainly comprise reimbursements relating to current partial retirement contracts and subsidies for alternative drive systems.

In 2011, other operating income included reimbursements under insurance policies relating to the natural disaster in Japan.

For the composition of other operating expense, see table ↗ 7.14.

Other miscellaneous expense includes losses from sales of current assets, changes in other provisions partially in connection with legal proceedings, and other miscellaneous items.

7. Other financial income/expense, net

In 2011, an impairment of €110 million of the equity interest in Renault SA is included in miscellaneous other financial income/expense, net.

8. Interest income and interest expense

Table ↗ 7.16 shows the components of interest income and interest expense

7.13
Other operating income

	2012	2011
In millions of euros		
Gains on sales of property, plant and equipment	122	115
Government grants and subsidies	90	108
Reimbursements under insurance policies	44	133
Rental income, other than income relating to financial services	44	41
Other miscellaneous income	1,207	984
	1,507	1,381

7.14
Other operating expense

	2012	2011
In millions of euros		
Loss on sales of property, plant and equipment	-67	-66
Other miscellaneous expense	-224	-289
	-291	-355

7.15
Other financial income/expense, net

	2012	2011
In millions of euros		
Expense from compounding of provisions and effects of changes in discount rates[1]	-543	-225
Miscellaneous other financial income/expense, net	42	17
	-501	-208

1 Excluding the expense from compounding provisions for pensions and similar obligations.

7.16
Interest income and interest expense

	2012	2011
In millions of euros		
Interest income		
Expected return on pension and other post-employment benefit plan assets	602	670
Interest and similar income	226	285
	828	955
Interest expense		
Interest cost for pension and other post-employment benefit plans	-1,134	-1,029
Interest and similar expense	-591	-232
	-1,725	-1,261

7.17
Profit before income taxes

In millions of euros	2012	2011
German companies	3,399	3,976
Non-German companies	4,319	4,473
	7,718	8,449

7.18
Components of income taxes

In millions of euros	2012	2011
Current taxes		
German companies	353	-731
Non-German companies	-540	-1,213
Deferred taxes		
German companies	-458	-468
Non-German companies	-578	-8
	-1,223	-2,420

7.19
Components of deferred tax expense

In millions of euros	2012	2011
Deferred taxes	-1,036	-476
due to temporary differences	-2,831	160
due to tax loss carryforwards and tax credits	1,795	-636

7.20
Reconciliation of expected income tax expense to actual income tax

In millions of euros	2012	2011
Expected income tax expense	-2,302	-2,520
Foreign tax rate differential	-127	-71
Trade tax rate differential	12	32
Tax law changes	-13	-35
Change of valuation allowance on deferred tax assets	283	182
Tax-free income and non-deductible expenses	945	56
Other	-21	-64
Actual income tax expense	-1,223	-2,420

9. Income taxes

Profit before income taxes is comprised as shown in table ↗ 7.17.

Profit before income taxes in Germany includes the income/loss from investments accounted for using the equity method if the shares of those companies are held by German companies.

Table ↗ 7.18 shows the components of income taxes.

The current tax expense includes tax benefits at German and foreign companies of €1,164 million (2011: €469 million) recognized for prior periods.

The deferred tax expense is comprised of the components in table ↗ 7.19.

For German companies, in 2012 and 2011, deferred taxes were calculated using a federal corporate tax rate of 15%, a solidarity tax surcharge of 5.5% on each year's federal corporate taxes, plus a trade tax of 14%. In total, the tax rate applied for the calculation of German deferred taxes in both years amounted to 29.825%. For non-German companies, the deferred taxes at period-end were calculated using the tax rates of the respective countries.

Table ↗ 7.20 includes a reconciliation of expected income tax expense to actual income tax expense determined using the applicable German combined statutory rate of 29.825% (2011: 29.825%).

In 2012 and 2011, the Group released valuation allowances on deferred tax assets of foreign subsidiaries. The resulting tax benefits are included in the line “Change of valuation allowance on deferred tax assets.”

Tax-free income and non-deductible expenses include all other effects at foreign and German companies relating to tax-free income and non-deductible expenses, for instance tax-free gains included in net periodic pension costs at the German companies and tax-free results of our equity method investments. Moreover in 2012, the line also includes tax free gains realized on the sale of EADS shares and tax benefits relating to tax assessments for prior years.

Deferred tax assets and deferred tax liabilities are offset if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and if there is the right to set off current tax assets against current tax liabilities. In the statement of financial position, the deferred tax assets and liabilities are presented as shown in table ↗ 7.21.

In respect of each type of temporary difference and in respect of each type of unutilized tax losses and unutilized tax credits, the deferred tax assets and liabilities before offset are summarized in table ↗ 7.22.

7.21

Deferred tax assets and liabilities

	2012	2011
In millions of euros		
Deferred tax assets	2,274	2,772
Deferred tax liabilities	-1,979	-1,081
Deferred tax assets, net	295	1,691

7.22

Split of tax assets and liabilities before offset

	At December 31, 2012	2011
In millions of euros		
Intangible assets	40	49
Property, plant and equipment	288	453
Equipment on operating leases	1,122	819
Inventories	729	762
Investments accounted for using the equity method	23	26
Receivables from financial services	280	209
Other financial assets	3,199	3,803
Tax loss and tax credit carryforwards	4,718	4,102
Provisions for pensions and similar obligations	601	642
Other provisions	1,865	2,043
Liabilities	1,402	1,543
Deferred income	836	1,011
Other	280	111
	15,383	15,573
Valuation allowances	-2,288	-3,516
Deferred tax assets, gross	13,095	12,057
Development costs	-2,141	-1,992
Other intangible assets	-135	-100
Property, plant and equipment	-1,301	-1,192
Equipment on operating leases	-4,294	-1,934
Inventories	-50	-53
Receivables from financial services	-672	-656
Other financial assets	-172	-169
Other assets	-125	-344
Provisions for pensions and similar obligations	-3,548	-3,458
Other provisions	-123	-202
Other	-239	-266
Deferred tax liabilities, gross	-12,800	-10,366
Deferred tax assets, net	295	1,691

In 2012, the development of deferred tax assets, net, is shown in table ↗ 7.23.

Including the items recognized in other comprehensive income/loss (including items from investments accounted for using the equity method), the expense for income taxes is composed as shown in table ↗ 7.24.

In the statement of financial position, the valuation allowances on deferred tax assets, which are mainly attributable to foreign companies, decreased by €1,228 million compared to December 31, 2011. On the one hand, this is a result of the reversal of valuation allowances of €283 million recorded in net profit. On the other hand, the capital losses resulting from the sale of the former investment in Chrysler were reduced. The deferred tax assets on those capital losses were in the past completely offset by a valuation allowance because the losses have a limited carryforward period and can only be offset by gains on disposal of capital. Additionally, a decrease of the valuation allowance was recognized in equity due to the expiration of tax losses which were already adjusted by a valuation allowance at December 31, 2011 and due to translation effects.

7.23

Change of deferred tax assets, net

	2012	2011
In millions of euros		
Deferred tax assets, net as of January 1	1,691	1,938
Deferred tax expense	-1,036	-476
Change in deferred tax expense/benefit on financial assets available-for-sale included in other comprehensive income/loss	.	-3
Change in deferred tax expense/benefit on derivative financial instruments included in other comprehensive income/loss	-287	173
Income tax expense for deduction in excess of compensation expense for equity-settled employee stock option plans	–	-1
Other changes[1]	-73	60
Deferred tax assets, net as of December 31	295	1,691

1 Primarily effects from currency translation.

7.24

Tax expense in equity

	2012	2011
In millions of euros		
Income tax expense	-1,223	-2,420
Income tax expense (benefit) recorded in other reserves	-309	205
Income tax expense for deduction in excess of remuneration expense for equity-settled employee stock option plans	–	-1
	-1,532	-2,216

At December 31, 2012, the valuation allowance on deferred tax assets relates, among other things, to tax loss carryforwards in connection with capital losses (€1,119 million), corporate income tax loss carryforwards (€530 million) and tax credits (€15 million). The deferred tax assets on loss carryforwards connected with capital losses were reduced to zero by valuation allowances because the carryforward periods of those losses are limited and can only be utilized with future capital gains. These are not expected to occur in the coming years. Of the total amount of deferred tax assets adjusted by valuation allowances, deferred tax assets in connection with capital losses amounting to €740 million expire in 2014, €98 million expire in 2015 and €281 million expire in 2016. Deferred tax assets for corporate income tax loss carryforwards amounting to €158 million expire in 2013, €5 million expire at various dates from 2015 through 2017, €244 million expire at various dates from 2018 through 2032 and €123 million can be carried forward indefinitely. Of the deferred tax assets for tax credit carryforwards adjusted by a valuation allowance, €7 million expire at various dates from 2013 through 2017 and €8 million expire at various dates from 2018 through 2032. Furthermore, the valuation allowance primarily relates to temporary differences and net operating losses for state and local taxes at the US companies. Daimler believes that it is more likely than not that those deferred tax assets cannot be utilized. In 2012 and prior years, the Group had tax losses at several subsidiaries in several countries. After offsetting the deferred tax assets with deferred tax liabilities, the deferred tax assets not subject to valuation allowances amounted to €270 million for those foreign subsidiaries. Daimler believes it is more likely than not that due to future taxable income, deferred tax assets which are not subject to valuation allowances can be utilized. In future periods, Daimler's estimate of the amount of deferred tax assets that is considered realizable may change, and hence the valuation allowances may increase or decrease.

The Group did not recognize deferred tax liabilities on retained earnings of non-German subsidiaries of €16,106 million (2011: €14,539 million) because these earnings are intended to be permanently reinvested in those operations. If the dividends are paid out an amount of 5% of the dividends will be taxed under the German taxation rules and, if applicable, with non-German withholding tax. Additionally, income tax consequences could arise if the dividends first had to be distributed by a non-German subsidiary to a non-German holding company. Normally, the distribution would lead to an additional income tax expense. It is not practicable to estimate the amount of taxable temporary differences for these undistributed foreign earnings.

The Group has various unresolved issues concerning open income tax years with the tax authorities in a number of jurisdictions. Daimler believes that it has recognized adequate provisions for any future income taxes that may be owed for all open tax years.

10. Intangible assets

Intangible assets developed as shown in table ↗ 7.25.

At December 31, 2012, goodwill of €429 million (2011: €435 million) relates to the Daimler Trucks segment and €197 million (2011: €197 million) relates to the Mercedes-Benz Cars segment.

Non-amortizable intangible assets primarily relate to goodwill and development costs for projects which have not yet been completed (carrying amount at December 31, 2012: €3,037 million; carrying amount at December 31, 2011: €2,402 million). In addition, other intangible assets with a carrying amount at December 31, 2012 of €155 million (2011: €173 million) are not amortizable. Other non-amortizable intangible assets mainly comprise trademarks, which relate to the Daimler Trucks segment and can be utilized without restrictions. The Group plans to continue to use these trademarks unchanged.

7.25
Intangible assets

	Goodwill (acquired)	Development costs (internally generated)	Other intangible assets (acquired)	Total
In millions of euros				
Acquisition or manufacturing costs				
Balance at January 1, 2011	934	9,184	2,156	12,274
Additions due to business combinations	–	–	–	–
Other additions	–	1,480	258	1,738
Reclassifications	–	–	–	–
Disposals	–	-249	-65	-314
Other changes[1]	80	11	52	143
Balance at December 31, 2011	1,014	10,426	2,401	13,841
Additions due to business combinations	–	–	–	–
Other additions	–	1,486	364	1,850
Reclassifications	–	–	–	–
Disposals	–	-568	-72	-640
Other changes[1]	-12	-25	-84	-121
Balance at December 31, 2012	1,002	11,319	2,609	14,930
Amortization				
Balance at January 1, 2011	205	3,175	1,390	4,770
Additions	–	829	174	1,003
Reclassifications	–	–	–	–
Disposals	–	-249	-62	-311
Other changes[1]	73	12	35	120
Balance at December 31, 2011	278	3,767	1,537	5,582
Additions	–	982	198	1,180
Reclassifications	–	–	–	–
Disposals	–	-565	-68	-633
Other changes[1]	-5	-25	-54	-84
Balance at December 31, 2012	273	4,159	1,613	6,045
Carrying amount at December 31, 2011	736	6,659	864	8,259
Carrying amount at December 31, 2012	729	7,160	996	8,885

1 Primarily changes from currency translation.

7.26

Amortization expense for intangible assets in the consolidated statement of income

	2012	2011
In millions of euros		
Cost of sales	1,117	935
Selling expenses	32	31
General administrative expenses	26	32
Research and non-capitalized development costs	5	5
	1,180	1,003

7.27

Property, plant and equipment

	Land, leasehold improvements and buildings including buildings on land owned by others	Technical equipment and machinery	Other equipment, factory and office equipment	Advance payments relating to plant and equipment and construction in progress	Total
In millions of euros					
Acquisition or manufacturing costs					
Balance at January 1, 2011	14,065	19,119	17,492	1,960	52,636
Additions due to business combinations	–	–	–	–	–
Other additions	313	906	1,411	1,589	4,219
Reclassifications	417	611	564	-1,592	–
Disposals	-176	-574	-556	-33	-1,339
Other changes[1]	133	8	90	-26	205
Balance at December 31, 2011	14,752	20,070	19,001	1,898	55,721
Additions due to business combinations	–	–	–	–	–
Other additions	312	944	1,656	1,913	4,825
Reclassifications	232	728	520	-1,480	-
Disposals	-267	-784	-640	-18	-1,709
Other changes[1]	-217	-198	-289	-53	-757
Balance at December 31, 2012	14,812	20,760	20,248	2,260	58,080
Depreciation					
Balance at January 1, 2011	7,666	13,858	13,513	6	35,043
Additions	277	842	1,453	–	2,572
Reclassifications	-1	1	-1	1	–
Disposals	-105	-542	-488	-5	-1,140
Other changes[1]	21	-11	57	-1	66
Balance at December 31, 2011	7,858	14,148	14,534	1	36,541
Additions	291	955	1,641	–	2,887
Reclassifications	1	1	-2	–	–
Disposals	-228	-744	-565	–	-1,537
Other changes[1]	-83	-123	-204	–	-410
Balance at December 31, 2012	7,839	14,237	15,404	1	37,481
Carrying amount at December 31, 2011	6,894	5,922	4,467	1,897	19,180
Carrying amount at December 31, 2012	6,973	6,523	4,844	2,259	20,599

1 Primarily changes from currency translation.

Table ↗ 7.26 shows the line items of the consolidated statement of income in which total amortization expense for intangible assets is included.

Intangible assets include capitalized borrowing costs on qualified assets according to IAS 23 which related only to capitalized development costs. In 2012, borrowing costs in the amount of €21 million (2011: €20 million) were capitalized. The base for the calculation of borrowing costs was an average cost of debt of 1.5% (2011: 2.8%).

11. Property, plant and equipment

Property, plant and equipment developed as shown in table ↗ 7.27.

In 2012, government grants of €75 million (2011: €57 million) were deducted from property, plant and equipment.

Property, plant and equipment include buildings, technical equipment and other equipment capitalized under finance lease arrangements with a carrying amount of €348 million (2011: €443 million). In 2012, additions to and depreciation expense on assets under finance lease arrangements amounted to €33 million (2011: €58 million) and €93 million (2011: €83 million), respectively.

12. Equipment on operating leases

The development of equipment on operating leases is included in table ↗ 7.28.

As of December 31, 2012, equipment on operating leases with a carrying amount of €3,803 million is pledged as security for liabilities from ABS transactions related to a securitization transaction of future lease payments on operating leases and related vehicles (December 31, 2011: €2,086 million) (see also Note 24).

Minimum lease payments. Non-cancelable future lease payments to Daimler for equipment on operating leases are due as presented in table ↗ 7.29.

7.28
Equipment on operating leases

In millions of euros	
Acquisition or manufacturing costs	
Balance at January 1, 2011	25,683
Additions due to business combinations	–
Other additions	12,687
Reclassifications	–
Disposals	-9,904
Other changes[1]	404
Balance at December 31, 2011	28,870
Additions due to business combinations	–
Other additions	14,700
Reclassifications	–
Disposals	-10,742
Other changes[1]	-22
Balance at December 31, 2012	**32,806**
Depreciation	
Balance at January 1, 2011	5,758
Additions	3,370
Reclassifications	–
Disposals	-3,123
Other changes[1]	54
Balance at December 31, 2011	6,059
Additions	3,813
Reclassifications	–
Disposals	-3,161
Other changes[1]	37
Balance at December 31, 2012	**6,748**
Carrying amount at December 31, 2011	22,811
Carrying amount at December 31, 2012	**26,058**

1 Primarily changes from currency translation.

7.29
Maturity of minimum lease payments for equipment on operating leases

	At December 31, 2012	At December 31, 2011
In millions of euros		
Maturity		
within one year	4,391	4,134
between one and five years	4,913	4,565
later than 5 years	156	154
	9,460	8,853

13. Investments accounted for using the equity method

Table ↗ 7.30 contains key financial figures of investments accounted for using the equity method.

Table ↗ 7.31 presents summarized IFRS financial information on investments accounted for using the equity method, which was the basis for applying the equity method in the Group's consolidated financial statements.

EADS. The Group reports its investment in and its proportionate share in the results of the European Aeronautic Defence and Space Company EADS N.V. (EADS) in the reconciliation of total segments' assets to Group assets and total segments' EBIT to Group EBIT, respectively, in the segment reporting. Daimler includes its investment and its proportionate share in the results of EADS with a time lag of three months in the consolidated financial statements.

At December 6, 2012, Daimler sold a 7.5% share in EADS by way of an accelerated book building. The share price was fixed at €27.23, which reflected the final share price at December 5, 2012 at the Paris Stock exchange. Daimler realized a cash inflow of approximately €1.7 billion. The sale resulted in a pre-tax gain of €709 million, included in the equity result. Since the transaction, Daimler holds a 14.9% equity interest in EADS. Because of the agreed participation rights on the Supervisory Board, Daimler may continue to exercise significant influence on EADS.

In 2007, a subsidiary of Daimler which holds Daimler's 14.9% (2011: 22.5%) interest in EADS issued equity interests to investors in exchange for cash. As a result of this transaction, the Group reports a non-controlling interest in its consolidated statement of financial position representing the investor's ownership in the consolidated subsidiary that issued the equity interest. The amount reported as non-controlling interest reflects the investor's 50% (2011: 33%) share in the net assets of that subsidiary.

Engine Holding/Tognum. Daimler AG and Rolls-Royce Holdings plc (Rolls-Royce) received all the relevant regulatory approvals for the acquisition of Tognum AG (Tognum) on August 25, 2011. The public tender offer by Engine Holding GmbH (Engine Holding) was concluded in September 2011. As of September 30, 2011, the assets of Engine Holding consisted almost solely of an equity interest in Tognum of approximately 98%. Through the 50% equity interest in Engine Holding therefore, approximately 49% of Tognum's shares are to be allocated to Daimler. Before making the voluntary public tender offer for Tognum together with Rolls-Royce, Daimler held 28.4% of Tognum's shares.

Daimler's participation in the public tender offer by Engine Holding – with regard to the existing 28.4% equity interest in Tognum – has been accounted for with no effect on profit and loss. From an economic perspective, Daimler has transferred the Tognum shares it already held to Engine Holding in return for an indirect holding in Tognum of similar nature and value. With the granting of all regulatory approvals, Daimler indirectly acquired another 20.5% of Tognum's shares in the third quarter of 2011; in this context, Daimler had a cash outflow of €0.7 billion in the third quarter of 2011.

In the context of this transaction, Rolls-Royce received without further financial compensation additional rights from Daimler which led to Engine Holding becoming a subsidiary company of the Rolls-Royce Group on January 1, 2013, after the control and profit transfer agreement between Engine Holding and Tognum came into effect.

In return, Rolls-Royce has granted Daimler the right to exercise a put option on the shares it holds in Engine Holding at a price which generally hedges Daimler's investment in Engine Holding. Starting on January 1, 2013, the put option has a duration of six years. Part of the cost for the indirect acquisition of shares in Tognum, which also includes a premium for the control of Tognum, has been allocated to this option. The initial measurement of this option resulted in a fair value of €171 million. The option has been recognized as an asset which is to be measured at fair value through profit or loss in the following periods. The carrying amount of this option and future changes in its fair value are recognized in segment reporting as corporate items in the reconciliation to Group figures.

On December 31, 2012, the value of this option was €178 million (2011: €177 million). The change in the fair value of the option during 2012 resulted in a gain of €1 million (2011: €6 million) which is recognized in other financial income/expense, net.

In the first half of 2012, the contribution by Rolls-Royce to Engine Holding of the reciprocating engine business that trades under the Bergen brand was completed. As compensation for the 50%-stake, Daimler made a cash contribution of €200 million to Engine Holding.

On September 25, 2012, the dependent company Tognum and the controlling company Engine Holding concluded a control and profit transfer agreement, resulting in Tognum subordinating the management of its company under the control of Engine Holding and committing to transfer its total profit to Engine Holding. The obligation to transfer profits is applicable for the first time for the entire profit of the financial year 2012, in which the agreement became effective.

On November 15, 2012, Tognum's shareholders' meeting approved the agreement and the approval become legally valid upon being entered in the commercial register in December 2012. Under the provisions of this agreement outside shareholders of Tognum can exchange their shares for a cash compensation amounting to €26.46 per Tognum share within an acceptance period. Those outside shareholders, who do not wish to accept this compensation offer, are entitled to a recurring monetary payment amounting to gross €1.85 per Tognum share that is due after the Annual General Meeting of Tognum. A court proceeding (Spruchstellenverfahren) has been initiated against Engine Holding requesting that the amount offered as cash compensation and as recurring monetary payment shall be reviewed by the court.

The squeeze-out procedure initiated in 2011 has not been finally decided upon.

As of January 1, 2013, Rolls-Royce controls Engine Holding after the control and profit transfer agreement entered into effect. Daimler continues to exercise significant influence on Tognum through its equity interest in Engine Holding.

With the completion of the public tender offer, the management of the Daimler Trucks segment assumed control of Daimler's equity interest in Engine Holding. Engine Holding was therefore allocated to the Daimler Trucks segment as of September 30, 2011. As a result, our equity interest in Tognum and our proportionate share of Tognum's profit or loss, which were previously presented in segment reporting in the reconciliation from the segments to the Group, are now also allocated to the Daimler Trucks segment.

7.30

Key financial figures of investments accounted for using the equity method

	EADS	Engine Holding	Tognum	BBAC	BFDA	Kamaz	Others[1]	Total
Amounts in millions of euros								
December 31, 2012								
Equity interest (in %)	14.9	50.0	–	50.0	50.0	15.0	–	–
Market value (based on listed share prices)[2]	3,606	–	–	–	–	99	–	–
Equity investment[3]	1,781	1,498	–	510	328	165	364	4,646
Equity result (2012)[3]	1,016	51	–	101	-13	22	-187	990
December 31, 2011								
Equity interest (in %)	22.5	50.0	–	50.0	50.0	15.0	–	–
Market value (based on listed share prices)[2]	4,428	–	–	–	–	89	–	–
Equity investment[3]	2,475	1,255	–	339	–	139	453	4,661
Equity result (2011)[3]	143	7	28	142	–	-35	-12	273

1 Also including joint ventures accounted for using the equity method.
2 Proportionate market values.
3 Including investor-level adjustments.

7.31

Summarized IFRS financial information on investments accounted for using the equity method

	EADS	Engine Holding	BBAC	BFDA	Kamaz	Others[1]	Total
In millions of euros							
Income statement information[2]							
2012							
Sales	53,680	3,015	3,670	376	3,062	5,269	69,072
Net profit/loss	1,475	54	232	-26	151	-325	1,561
2011							
Sales	46,871	1,132	3,202	–	2,291	4,194	57,690
Net profit/loss	710	-45	382	–	-1	-54	992
Balance sheet information[3]							
2012							
Total assets	86,151	6,058	3,035	1,951	1,902	4,371	103,468
Equity	11,850	3,562	1,105	656	895	899	18,967
Liabilities	74,301	2,496	1,930	1,295	1,007	3,472	84,501
2011							
Total assets	83,895	5,648	2,855	–	1,875	3,524	97,797
Equity	10,888	2,865	733	–	718	1,153	16,357
Liabilities	73,007	2,783	2,122	–	1,157	2,371	81,440

1 Also including joint ventures accounted for using the equity method.
2 Figures of EADS, BFDA and Kamaz relate to the period from October 1 to September 30. Figures of BBAC relate to the period from January 1 to December 31. Figures of Engine Holding relate for the year 2011 to the period from entry in the commercial register (March 4) to December 31; for the year 2012 to the period from January 1 to December 31.
3 Figures of EADS, BFDA and Kamaz as of September 30. Figures of BBAC and Engine Holding as of December 31.

BBAC. The investment and the proportionate share in the results of Beijing Benz Automotive Co., Ltd. (BBAC) are allocated to the Mercedes-Benz Cars segment.

BFDA. Beijing Foton Daimler Automotive Co. Ltd. was founded in December 2011 as a joint venture. In 2012, a capital contribution of €344 million was made. The investment and the proportionate share in the results of BFDA are included with a time lag of three months in the consolidated financial statements and are allocated to the Daimler Trucks segment.

Kamaz. Resulting from its representation on the board of directors of Kamaz OAO (Kamaz) and its significant contractual rights under the terms of a shareholder agreement, the Group can exercise significant influence on Kamaz. Therefore, the Group accounts for its equity interest in Kamaz using the equity method; the investment and the proportionate share in the results of Kamaz are allocated to the Daimler Trucks segment. In 2012, the three-month time lag in the reporting of Kamaz was abolished. The effect of this adjustment on the consolidated financial statements was not significant.

In 2011, the Group recorded an impairment loss of €32 million with respect to its investment in Kamaz. The loss is included in the equity result of Kamaz. The impairment is based on Kamaz's expectation of reduced cash inflows.

Others. The Group's investment in Fujian Benz Automotive Co., Ltd. (FBAC) is included in other investments and is allocated to the Mercedes-Benz Vans segment. In 2012, the Group recorded an impairment loss of €64 million with respect to its investment in FBAC. The loss is included in the equity result. The impairment is based on FBAC's expectation of reduced cash inflows.

Moreover, the investment in Li-Tec Battery GmbH is reported within other investments. In 2012, expenses of €83 million resulted from this investment and are included in equity result. The investment is allocated to the Mercedes-Benz Cars segment.

The Group's investment in Tesla Motors, Inc. (Tesla) is also included in other investments. The shares in Tesla are held by a 100%-consolidated Daimler subsidiary. At December 31, 2011, Daimler held 60% and Aabar Investments PJSC (Aabar) held 40% of that subsidiary. In June 2012, Aabar exchanged its 40% interest in the holding subsidiary for 3.2% of Tesla's shares. In October 2012, Tesla issued approximately 8 million new shares in the context of a capital increase in which Daimler did not participate. As a result, Daimler now holds a 4.3% equity interest in Tesla (2011: 7.8%). The fair value and the carrying amount of its investment were €125 million and €6 million as of December 31, 2012 respectively (December 31, 2011: €179 million and €32 million). Resulting from its representation on the board of directors of Tesla and its significant contractual rights under the terms of a shareholder agreement, the Group can exercise a significant influence on Tesla. Therefore, the Group accounts for its equity interest in Tesla using the equity method; the investment and the proportionate share in the results of Tesla are allocated to the Mercedes-Benz Cars segment.

Further information on investments accounted for using the equity method is included in Note 35.

14. Receivables from financial services

Table ↗ 7.32 shows the components of receivables from financial services.

Types of receivables. Retail receivables include loans and finance leases to end users of the Group's products who purchased their vehicle either from a dealer or directly from Daimler.

Wholesale receivables represent loans for floor financing programs for vehicles sold by the Group's automotive businesses to dealers or loans for assets purchased by dealers from third parties, primarily used vehicles traded in by dealers' customer or real estate such as dealer showrooms.

Other receivables mainly represent non-automotive assets from contracts of the financial services business with third parties.

All cash flow effects attributable to receivables from financial services are presented within cash provided by/used for operating activities in the consolidated statement of cash flows.

Allowances. Changes in the allowance account for receivables from financial services are included in table ↗ 7.33.

The total expense of impairment losses on receivables from financial services amounted to €390 million in 2012 (2011: €417 million).

Credit risks. Table ↗ 7.34 gives an overview of credit risks included in receivables from financial services.

Receivables not subject to an individual impairment assessment are grouped and subject to collective impairment allowances to cover credit losses.

Further information on financial risks and nature of risks is provided in Note 31.

7.32
Receivables from financial services

	At December 31, 2012			At December 31, 2011		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Receivables from						
Retail	13,289	25,379	38,668	13,174	23,234	36,408
Wholesale	8,995	1,687	10,682	7,718	1,434	9,152
Other	102	546	648	115	838	953
Gross carrying amount	22,386	27,612	49,998	21,007	25,506	46,513
Allowances for doubtful accounts	-388	-550	-938	-447	-499	-946
Carrying amount, net	21,998	27,062	49,060	20,560	25,007	45,567

7.33
Changes in the allowance account for receivables from financial services

	2012	2011
In millions of euros		
Balance at January 1	946	1,084
Charged to costs and expenses	370	394
Amounts written off	-235	-213
Reversals	-132	-299
Currency translation and other changes	-11	-20
Balance at December 31	938	946

7.34
Credit risks included in receivables from financial services

	At December 31, 2012	2011
In millions of euros		
Receivables, neither past due nor impaired individually	45,411	42,496
Receivables past due, not impaired individually		
less than 30 days	1,478	1,101
30 to 59 days	293	305
60 to 89 days	78	62
90 to 119 days	56	35
120 days or more	158	156
Total	2,063	1,659
Receivables impaired individually	1,586	1,412
Carrying amount, net	49,060	45,567

Finance leases. Finance leases consist of leasing contracts for which all substantial risks and rewards incidental to the leasing objects are transferred to the lessee.

Maturities of the finance lease contracts are shown in table ↗ 7.35.

As of December 31, 2012, receivables from financial services with a carrying amount of €3,056 million (2011: €3,496 million) were pledged as collateral for liabilities from ABS transactions (see also Note 24).

15. Marketable debt securities

As of December 31, 2012, current and non-current marketable debt securities with a carrying amount of €5,598 million in total are presented separately in the consolidated statement of financial position (2011: €2,281 million).

The marketable debt securities are part of the Group's liquidity management and comprise debt instruments and are classified as available-for-sale.

As of December 31, 2012, a pool of marketable debt securities with a carrying amount of €200 million was pledged as collateral for liabilities to financial institutions.

Further information on marketable debt securities is provided in Note 30.

16. Other financial assets

The item "other financial assets" shown in the consolidated statement of financial position is comprised of the classes presented in table ↗ 7.36.

In 2012, equity instruments carried at cost with a carrying amount of €9 million were sold (2011: €74 million). The realized gains from the sales were €4 million in 2012 (2011: €16 million). As of December 31, 2012, the Group principally did not intend to dispose of any reported equity instruments carried at cost.

Financial liabilities recognized at fair value through profit or loss relate exclusively to derivative financial instruments which are not used in hedge accounting.

As of December 31, 2012, other receivables and financial assets include a loan and accumulated interest to Chrysler LLC of US$2.0 billion (December 31, 2011: US$1.9 billion). As in the previous year, the receivables were fully impaired.

Further information on other financial assets is provided in Note 30.

17. Other assets

Non-financial other assets are comprised as shown in table ↗ 7.37.

Other expected reimbursements predominantly relate to recovery claims from our suppliers in connection with issued product warranties.

7.35
Maturities of the finance lease contracts

	At December 31, 2012				At December 31, 2011			
	< 1 year	1 year up to 5 years	> 5 years	Total	< 1 year	1 year up to 5 years	> 5 years	Total
In millions of euros								
Contractual future lease payments	4,307	6,798	425	11,530	4,229	6,458	657	11,344
Unguaranteed residual values	485	1,665	71	2,221	558	1,207	90	1,855
Gross investment	4,792	8,463	496	13,751	4,787	7,665	747	13,199
Unearned finance income	-468	-861	-59	-1,388	-488	-853	-94	-1,435
Gross carrying amount	4,324	7,602	437	12,363	4,299	6,812	653	11,764
Allowances for doubtful accounts	-163	-205	-27	-395	-194	-225	-12	-431
Carrying amount, net	4,161	7,397	410	11,968	4,105	6,587	641	11,333

7.36
Other financial assets

	At December 31, 2012			At December 31, 2011		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Available-for-sale financial assets	–	2,031	2,031	–	1,940	1,940
Thereof equity instruments recognized at fair value through profit or loss	–	1,440	1,440	–	1,300	1,300
Thereof equity instruments carried at cost	–	591	591	–	640	640
Derivative financial instruments used in hedge accounting	306	1,058	1,364	133	426	559
Financial assets recognized at fair value through profit or loss	103	238	341	88	262	350
Other receivables and financial assets	1,661	563	2,224	1,786	329	2,115
	2,070	3,890	5,960	2,007	2,957	4,964

7.37
Other assets

	At December 31, 2012			At December 31, 2011		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Reimbursements due to income tax refunds	483	23	506	338	40	378
Reimbursements due to other tax refunds	1,678	36	1,714	1,357	6	1,363
Reimbursements due to the Medicare Act (USA)	.	160	160	.	142	142
Other expected reimbursements	169	132	301	331	13	344
Prepaid expenses	373	61	434	305	72	377
Others	369	155	524	380	147	527
	3,072	567	3,639	2,711	420	3,131

7.38
Inventories

In millions of euros	At December 31, 2012	2011
Raw materials and manufacturing supplies	2,137	1,802
Work in progress	2,292	2,451
Finished goods, parts and products held for resale	13,235	12,737
Advance payments to suppliers	56	91
	17,720	17,081

7.39
Trade receivables

In millions of euros	At December 31, 2012	2011
Gross carrying amount	7,945	8,316
Allowances for doubtful accounts	-402	-467
Carrying amount, net	7,543	7,849

7.40
Changes in the allowance account for trade receivables

In millions of euros	2012	2011
Balance at January 1	467	406
Charged to costs and expenses	61	117
Amounts written off	-123	-82
Currency translation and other changes	-3	26
Balance at December 31	402	467

7.41
Credit risks included in trade receivables

In millions of euros	At December 31, 2012	2011
Receivables neither past due nor impaired individually	5,137	5,083
Receivables past due, not impaired individually		
less than 30 days	631	668
30 to 59 days	132	106
60 to 89 days	47	36
90 to 119 days	22	21
120 days or more	53	84
Total	885	915
Receivables impaired individually	1,521	1,851
Carrying amount, net	7,543	7,849

18. Inventories

Inventories are comprised as shown in table ↗ 7.38.

The amount of write-down of inventories to net realizable value recognized as expense in cost of sales was €294 million in 2012 (2011: €317 million). Inventories that are expected to be turned over after more than twelve months amounted to €691 million at December 31, 2012 (2011: €726 million) and are primarily spare parts.

Based on the requirement to provide collateral for certain vested employee benefits in Germany, the value of company cars included in inventories at Daimler AG in an amount of €584 million (2011: €494 million) was pledged as collateral to the Daimler Pension Trust e. V.

The carrying amount of inventories recognized during the period by taking possession of collateral held as security amounted to €70 million in 2012 (2011: €89 million). The utilization of these assets occurs in the context of the normal business cycle.

19. Trade receivables

Trade receivables are comprised as shown in table ↗ 7.39.

As of December 31, 2012, €117 million of the trade receivables mature after more than one year (2011: €118 million).

Allowances. Table ↗ 7.40 includes changes in the allowance account for trade receivables.

The total expenses relating to the impairment losses of trade receivables amounted to €129 million in 2012 (2011: €165 million).

Credit risks. Table ↗ 7.41 gives an overview of credit risks included in trade receivables.

Receivables not subject to an individual impairment assessment are grouped and subject to collective impairment allowances to cover credit losses.

Further information on financial risk and types of risk is provided in Note 31.

20. Equity

See also the consolidated statement of changes in equity ↗ 7.04.

The share capital is divided into no-par value shares. All shares are fully paid up. Each share confers the right to one vote at the Annual Shareholders' Meeting of Daimler AG and, if applicable, with the exception of any new shares potentially not entitled to dividend, to an equal portion of the profits as defined by the dividend distribution resolved at the Annual Meeting. Each share represents a proportionate amount of approximately €2.87 of the share capital. For the development of shares issued or outstanding see ↗ 7.42.

Treasury shares. By resolution of the Annual Shareholders' Meeting on April 14, 2010, the Board of Management, with the consent of the Supervisory Board, was authorized until April 13, 2015 to acquire treasury shares for all legal purposes in a volume up to 10% of the share capital issued as of the day of the resolution. The authorization applies for example to the purchase of shares for the purpose of cancellation, for using them for business combinations or to acquire companies, or for disposal in other ways than through the stock exchange or by offering them to all shareholders. This authorization has not been exercised in the reporting period.

Through a final verdict reached by the higher regional court in Frankfurt am Main in November 2009, the exchange ratio specified in the domination and profit and loss transfer agreement between the former Daimler-Benz AG and the former AEG AG from 1988 as well as the compensation payment for unpaid AEG dividends determined in this agreement had been increased for the benefit of those AEG shareholders. In 2010, Daimler AG began to perform the claims of former AEG shareholders by using treasury shares held by the company at that time. The remaining 0.2 million treasury shares as of December 31, 2010 representing €0.6 million or 0.02% of the share capital were transferred to former AEG shareholders to satisfy their claims to additional Daimler shares. Furthermore in 2011, simultaneously to the continuing enforcement of claims of the former AEG shareholders to additional Daimler shares, a further 0.1 million treasury shares worth a total of €7 million were purchased and transferred to former AEG shareholders to satisfy their claims to additional Daimler shares. These treasury shares represented €0.4 million or 0.01% of the share capital.

In 2012, a further 0.005 million treasury shares worth a total of €0.21 million, representing €0.01 million or 0.0004% of the share capital, were purchased and transferred to former AEG shareholders. 0.017 million treasury shares worth a total of €0.63 million, representing €0.05 million or 0.002% of the share capital, were retransferred to Daimler AG as they could not be transferred to the authorized AEG shareholders. These shares were sold immediately for a total of €0.62 million on the stock exchange; the profit from the transaction was recognized within retained earnings.

As was the case at December 31, 2011, no treasury shares are held by Daimler AG at December 31, 2012.

Employee share purchase plan. In 2012, 0.5 million Daimler shares representing €1.5 million or 0.05% of the share capital were purchased for a price of €25 million and reissued to employees (2011: 0.6 million Daimler shares representing €2 million or 0.06% of the share capital were purchased for a price of €28 million).

7.42
Development of shares issued

	2012	2011
In millions of shares		
Shares issued on January 1	1,066	1,066
Reacquired shares not cancelled (share buyback program) previous years	.	.
Shares outstanding on January 1	1,066	1,066
Repurchase of treasury shares to settle obligations towards former AEG shareholders	.	.
Utilization of treasury shares due to the settlement of obligations towards former AEG shareholders	.	.
Shares repurchased in the share buyback program and not cancelled (previous years)	-1	-1
Reissued shares to employees in the employee share purchase plan	1	1
Creation of new shares by exercise of stock options	2	.
Shares outstanding/issued on December 31	1,068	1,066

Authorized capital. By resolution of the Annual Meeting on April 8, 2009, the Board of Management was authorized, with the consent of the Supervisory Board, to increase the share capital of Daimler AG in the period until April 7, 2014 by a total of €1.0 billion in one lump sum or by separate partial amounts at different times by issuing new, registered no-par-value shares in exchange for cash and/or non-cash contributions (Approved Capital 2009). Among other things, the Board of Management was authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights under certain conditions and within defined limits. The resolution regarding Approved Capital 2009 has not yet been exercised.

Conditional capital. By resolution of the Annual Meeting on April 14, 2010, the Board of Management, was authorized with the consent of the Supervisory Board, until April 13, 2015 to issue once or several times convertible and/or warrant bonds or a combination of these instruments ("bonds") with a total face value of up to €10 billion and a maturity of no more than ten years. The Board of Management is allowed to grant the holders of these bonds conversion or warrant rights for new registered no-par-value shares in Daimler AG with an allocable portion of the share capital of up to €500 million in accordance with the details defined in the terms and conditions of the bonds. Among other things, the Board of Management was authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights for the bonds with conversion or warrant rights for new registered no-par-value shares in Daimler AG under certain conditions and within defined limits. The bonds can also be issued by majority-owned direct or indirect subsidiaries of Daimler AG.

Accordingly, the share capital is conditionally increased by an amount of up to €500 million (Conditional Capital 2010). The authorization to issue convertible and/or warrant bonds has not yet been exercised.

Stock option plans. As of December 31, 2012, 3 million options from stock option plans initiated until and including 2004 granting subscription rights to new shares representing €8 million of the share capital had not yet been exercised (December 31, 2011: 6 million options from stock option plans granting subscription rights to new shares representing €16 million of the share capital).

Dividends. Under the German Stock Corporation Act (AktG), the dividend is paid out of the distributable profit reported in the annual financial statements of Daimler AG (parent company only) in accordance with the German Commercial Code (HGB). For the year ended December 31, 2012, the Daimler management will propose to the shareholders at the Annual Meeting to pay out €2,349 million of the distributable profit of Daimler AG as a dividend to the shareholders, equivalent to €2.20 per no-par-value share entitled to dividend (2011: €2,346 million and €2.20 per no-par-value share entitled to dividend respectively).

Table ↗ 7.43 shows the details of changes in other reserves from other comprehensive income/loss.

In the line item "Unrealized gains/losses from investments accounted for using the equity method," the amounts for 2012 include the following components (amounts attributable to shareholders of Daimler AG only): unrealized gains from currency translation adjustments before taxes and net of taxes of €12 million (2011: unrealized gains before taxes and net of taxes of €5 million), unrealized losses from financial assets available for sale before taxes of €45 million and net of taxes of €45 million (2011: unrealized gains before taxes of €15 million and net of taxes of €19 million) and unrealized gains from derivative financial instruments before taxes of €89 million and net of taxes of €60 million (2011: unrealized losses before taxes of €65 million and net of taxes of €44 million).

The changes in other reserves directly recognized in equity that are attributable to non-controlling interest are shown in table ↗ 7.44.

Changes in ownership interests in subsidiaries. The changes in ownership interests in subsidiaries shown in the consolidated statement of changes in equity primarily result from an increase in ownership interest in Mercedes-Benz (China) Ltd. from 51% to 75%; the minority shareholder did not participate in this capital increase.

21. Share-based payment

As of December 31, 2012, the Group has the 2009-2012 Performance Phantom Share Plans (PPSP) and the Stock Option Plans 2003-2004 outstanding. The unexercised rights from Stock Option Plan 2002 expired on March 31, 2012. The exercisable stock options of 2003 and 2004 are equity-settled share-based payment instruments and are measured at fair value at the date of grant. The PPSP are cash-settled share-based payment instruments and are measured at their respective fair values at the balance sheet date.

The PPSP are paid out at the end of the stipulated holding period; earlier, pro-rated payoff is possible only if certain defined conditions are met. PPSP 2008 was paid out as planned in the first quarter of 2012.

Moreover, starting with the annual bonus for 2011, 50% of the annual bonus of the members of the Board of Management will be paid out after a waiting period of one year. The actual payout is determined by the development of the Daimler share compared to an automobile related index (Auto-STOXX). The fair value of this medium-term annual bonus, which depends from this development, is measured by using the intrinsic value at the reporting date.

The pre-tax effects of share-based payment arrangements for the executive managers of the Group and the members of the Board of Management of Daimler AG on the consolidated statement of income and statement of financial position are presented in table ↗ 7.45.

7.43
Changes in other reserves

In millions of euros	2012 Before taxes	2012 Taxes	2012 Net of taxes	2011 Before taxes	2011 Taxes	2011 Net of taxes
Unrealized gains/losses from currency translation adjustments	-540	–	-540	153	–	153
Financial assets available for sale						
Unrealized gains/losses	165	.	165	-74	-3	-77
Income (-)/expense reclassified through profit or loss	-1	.	-1	-1	.	-1
Unrealized gains/losses from financial assets available for sale	164	.	164	-75	-3	-78
Derivative financial instruments						
Unrealized gains/losses	151	-43	108	-547	165	-382
Income (-)/expense reclassified through profit or loss	838	-244	594	-61	8	-53
Unrealized gains/losses from derivative financial instruments	989	-287	702	-608	173	-435
Investments accounted for using the equity method						
Unrealized gains/losses	112	-26	86	-60	28	-32
Income (-)/expense reclassified through profit or loss	-83	4	-79	-2	7	5
Unrealized gains/losses from investments accounted for using the equity method	29	-22	7	-62	35	-27
Other comprehensive income/loss	642	-309	333	-592	205	-387

7.44
Changes in other reserves directly recognized in equity attributable to non-controlling interest

In millions of euros	2012 Before taxes	2012 Taxes	2012 Net of taxes	2011 Before taxes	2011 Taxes	2011 Net of taxes
Unrealized gains/losses from currency translation adjustments	-21	–	-21	43	–	43
Unrealized gains/losses from financial assets available for sale	1	.	1	.	.	.
Unrealized gains/losses from derivative financial instruments	1	.	1	.	.	.
Unrealized gains/losses from investments accounted for using the equity method	-27	7	-20	-17	10	-7
Other comprehensive income/loss	-46	7	-39	26	10	36

7.45
Effects of share-based payment

In millions of euros	Remuneration expense 2012	Remuneration expense 2011	Provision at December 31, 2012	Provision at December 31, 2011
PPSP	-121	-85	214	141
SOP	-1	4	–	–
Medium-term component of annual bonus of the members of the Board of Management	-4	-6	10	6
	-126	-87	224	147

Table ↗ 7.46 includes expenses in the consolidated statement of income resulting from rights of current members of the Board of Management.

The details shown in the overview do not represent any paid or committed remuneration, but refer to expense which has been calculated according to IFRS. Details of the remuneration of the members of the Board of Management in 2012 can be found in the Remuneration Report.
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Performance Phantom Share Plans. In 2012, the Group adopted a Performance Phantom Share Plan (PPSP), similar to that used from 2005 to 2011, under which eligible employees are granted phantom shares entitling them to receive cash payments after four years. The amount of cash paid to eligible employees is based on the number of vested phantom shares (determined over a three-year performance period) multiplied by the quoted price of Daimler's ordinary shares (calculated as an average price over a specified period at the end of the four-year plan period). The vesting period is therefore four years. For the plans granted as of 2009, the quoted price of Daimler's ordinary shares to be used for the payout is limited to 2.5 times the Daimler share price at the date of grant. For the plans granted as of 2012, the payout for the board members is limited to 2.5 times the allotment value, used for the preliminary number of phantom shares.

The number of phantom shares that vest will be orientated on the achievement of the corporate performance goals return on net assets, derived from internal targets, and return on sales, based on competitive and internal benchmarks.

The Group recognizes a provision for awarding the PPSP. Since payment per vested phantom share depends on the quoted price of one Daimler ordinary share, the quoted price almost completely represents the fair value of each phantom share. The proportionate remuneration expenses for the individual years are determined on the basis of the year-end quoted price of Daimler ordinary shares and the estimated target achievement.

Stock Option Plans. In April 2000, the Group's shareholders approved the Daimler Stock Option Plan (SOP), which grants stock options for the purchase of Daimler ordinary shares to eligible employees. Options granted under the SOP are exercisable at a reference price per Daimler ordinary share, which is determined in advance, plus a 20% premium. The options become exercisable in equal installments at the earliest on the second and third anniversaries of the date of grant. All unexercised options expire ten years after the date of grant. If the market price per Daimler ordinary share on the date of exercise is at least 20% higher than the reference price, the holder is entitled to receive a cash payment equal to the original exercise premium of 20%. No new stock options were granted after 2004.

In the event of exercise, the Group has generally issued ordinary shares so far.

Table ↗ 7.47 shows the basic terms of the SOP (in millions).

Options granted to the Board of Management in 2004 for which – according to the recommendations of the German Corporate Governance Code – the Presidential Committee can impose a limit, or reserve the right to impose a limit in the event of exceptional and unpredictable developments, are measured at their intrinsic values as of December 31.

Table ↗ 7.48 shows an analysis of the stock options issued.

The weighted average share price of Daimler ordinary shares during the exercise period was €38.27 (2011: €50.53). As of December 31, 2012, the weighted average remaining contractual life of outstanding stock options was 1.1 years (2011: 1.5 years).

7.46

Expenses in the consolidated statement of income resulting from share-based payments of current members of the Board of Management

	Dr. Dieter Zetsche		Dr. Wolfgang Bernhard		Dr. Christine Hohmann-Dennhardt		Wilfried Porth	
	2012	2011	2012	2011	2012	2011	2012	2011
In millions of euros								
PPSP	-5.8	-4.0	-1.7	-0.9	-0.8	-0.3	-2.2	-1.4
SOP	-0.8	2.2	–	–	–	–	–	–
Medium-term component of the annual bonus	-1.2	-2.0	-0.4	-0.7	-0.5	-0.6	-0.4	-0.7

	Andreas Renschler		Hubertus Troska		Bodo Uebber		Prof. Dr. Thomas Weber	
	2012	2011	2012	2011	2012	2011	2012	2011
In millions of euros								
PPSP	-2.6	-1.8	-0.9	–	-2.8	-1.9	-2.4	-1.7
SOP	–	–	–	–	–	–	-0.3	0.9
Medium-term component of the annual bonus	-0.5	-0.8	.	–	-0.6	-0.9	-0.4	-0.7

7.47

Basic terms of the SOP

	Reference price euros per share	Exercise price euros per share	Options granted in millions	Options outstanding in millions At December 31, 2012	Options exercisable in millions At December 31, 2012
Year of grant					
2003	28.67	34.40	20.5	0.4	0.4
2004	36.31	43.57	18.0	2.3	2.3

7.48

Analysis of the stock options issued

	2012 Number of stock options in millions	2012 Average exercise price euros per share	2011 Number of stock options in millions	2011 Average exercise price euros per share
Balance at beginning of the year	5.5	42.80	11.1	52.90
Exercised	-1.2	34.62	-0.7	45.22
Disposals/Forfeited	-1.6	49.88	-4.9	65.21
Outstanding at year-end	2.7	42.24	5.5	42.80
Exercisable at year-end	2.7	42.24	5.5	42.80

Table ↗ 7.49 includes an analysis of the stock options issued to the current members of the Board of Management.

The members of the Board of Management Dr. Wolfgang Bernhard, Dr. Christine Hohmann-Dennhardt and Hubertus Troska had no exercisable or outstanding option rights, neither in 2012 nor in the prior year.

With regard to the figures shown in the table ↗ 7.49, it has to be considered that benefits from the stock option plans only arise if the Daimler share price exceeds the hurdle which has been individually defined for each stock option plan and if the owner of the stock options realizes an exercise. As variable compensation, only the difference between the reference and exercise price of the respective stock option plan is paid out. The following average exercise price is only a statistical factor, which results from the weighted average of the exercise prices shown in the table for the basic terms of the SOP. The sum of rights shown here is calculated from the addition of the different amounts of options that were granted in the years 2000 to 2004.

7.49

Analysis of the stock options issued to the current members of the Board of Management

Dr. Dieter Zetsche

	2012 Number of stock options in millions	2012 Average exercise price euros per share	2011 Number of stock options in millions	2011 Average exercise price euros per share
Balance at beginning of year	0.4	37.84	0.6	49.04
Exercised	-0.3	34.40	–	–
Disposals/Forfeited	–	–	-0.2	66.96
Outstanding at year-end	0.1	43.57	0.4	37.84
Exercisable at year-end	0.1	43.57	0.4	37.84
Weighted maturity		1.3 years		1.4 years

Wilfried Porth

	2012 Number of stock options in millions	2012 Average exercise price euros per share	2011 Number of stock options in millions[1]	2011 Average exercise price euros per share
Balance at beginning of year	–	–	.	66.96
Exercised	–	–	–	–
Disposals/Forfeited	–	–	.	66.96
Outstanding at year-end	–	–	–	–
Exercisable at year-end	–	–	–	–
Weighted maturity		–		–

1 For number of stock options partially no disclosure due to rounding.

Andreas Renschler

	2012 Number of stock options in millions[1]	2012 Average exercise price euros per share	2011 Number of stock options in millions[1]	2011 Average exercise price euros per share
Balance at beginning of year	0.1	39.43	0.1	48.46
Exercised	.	34.40	–	–
Disposals/Forfeited	–	–	.	66.96
Outstanding at year-end	.	43.57	0.1	39.43
Exercisable at year-end	.	43.57	0.1	39.43
Weighted maturity		1.3 years		1.5 years

1 For number of stock options partially no disclosure due to rounding.

Bodo Uebber

	2012 Number of stock options in millions	2012 Average exercise price euros per share	2011 Number of stock options in millions[1]	2011 Average exercise price euros per share
Balance at beginning of year	–	–	.	66.96
Exercised	–	–	–	–
Disposals/Forfeited	–	–	.	66.96
Outstanding at year-end	–	–	–	–
Exercisable at year-end	–	–	–	–
Weighted maturity		–		–

1 For number of stock options partially no disclosure due to rounding.

Prof. Dr. Thomas Weber

	2012 Number of stock options in millions	2012 Average exercise price euros per share	2011 Number of stock options in millions[1]	2011 Average exercise price euros per share
Balance at beginning of year	0.2	37.54	0.2	40.56
Exercised	-0.1	34.40	–	–
Disposals/Forfeited	–	–	.	66.96
Outstanding at year-end	0.1	43.57	0.2	37.54
Exercisable at year-end	0.1	43.57	0.2	37.54
Weighted maturity		1.3 years		1.3 years

1 For number of stock options partially no disclosure due to rounding.

7.50

Compositions of provisions for pension benefit plans and similar obligations

	At December 31, 2012	2011
In millions of euros		
Provision for pension benefits	1,911	2,151
Provision for other post-employment benefits	1,124	1,033
	3,035	3,184

7.51

Key data for other post-employment benefits

	2012	2011
In millions of euros		
Present value of defined benefit obligations	1,520	1,355
Fair value of plan assets and reimbursement rights	168	153
Funded status	-1,352	-1,202
Net periodic cost/income for other post-employment benefits	-133	-104

22. Pensions and similar obligations

Table ↗ 7.50 shows how provisions for pension benefit plans and similar obligations are comprised.

Defined benefit pension plans. Provisions for pension benefits were solely made for defined entitlements to active or former employees. Under a defined benefit pension plan, beneficiaries obtain an entitlement to a defined benefit when retirement occurs. Daimler primarily provides pension benefits with defined entitlements to its employees. The majority of the active employees are entitled to pay-related defined pension benefits. Under these plans, employees earn benefits for each year of service. The benefits earned per year of service are dependent on the salary level and age of the respective employees. Principally, the defined benefit pension plans provided by Daimler vary according to the economic, tax and legal circumstances of the country concerned. Generally, defined benefit pension plans also provide benefits for invalidity and death. The defined benefit obligations are funded in large part with assets in pension funds.

Defined contribution pension plans. To a minor degree, Daimler also maintains defined contribution plans. Under these plans, Daimler makes defined contributions to external insurances or funds. Basically, there are no further contractual obligations or risks for Daimler in excess of the defined contributions. The Group also pays contributions to governmental pension schemes. In 2012, the total cost from payments made under defined contribution plans amounted to €1.4 billion (2011: €1.3 billion). These payments are primarily related to governmental pension plans.

Other post-employment benefits. Certain foreign subsidiaries of Daimler, mainly in the United States, provide their employees with post-employment health care benefits with defined entitlements, which have to be accounted for as defined benefit plans. These obligations are funded to a small extent through reimbursement rights and plan assets. Table ↗ 7.51 provides key data for other post-employment benefits.

Details of defined pension benefit plans

Funded status. The following information with respect to the funded status of the Group's defined pension benefit plans is presented separately for German plans and non-German plans.

The development of the funded status since 2008 is presented in table ↗ 7.52.

Table ↗ 7.53 shows the reconciliation of the funded status to the net amounts recognized in the consolidated statement of financial position for defined benefit pension plans.

7.52

Development of the funded status

In millions of euros	At December 31, 2012 Total	German plans	Non-German plans	At December 31, 2011 Total	German plans	Non-German plans	At December 31, 2010 Total	German plans	Non-German plans
Present value of defined benefit obligations	23,933	20,693	3,240	19,067	16,053	3,014	17,684	15,040	2,644
Less fair value of plan assets	14,207	12,143	2,064	12,597	10,726	1,871	11,177	9,542	1,635
Funded status	-9,726	-8,550	-1,176	-6,470	-5,327	-1,143	-6,507	-5,498	-1,009

In millions of euros	At December 31, 2009 Total	German plans	Non-German plans	At December 31, 2008 Total	German plans	Non-German plans
Present value of defined benefit obligations	16,529	14,183	2,346	15,044	12,780	2,264
Less fair value of plan assets	10,624	9,197	1,427	10,110	8,796	1,314
Funded status	-5,905	-4,986	-919	-4,934	-3,984	-950

7.53

Reconciliation of the funded status to the net amounts of defined benefit pension plans

In millions of euros	At December 31, 2012 Total	German plans	Non-German plans	At December 31, 2011 Total	German plans	Non-German plans
Funded status	-9,726	-8,550	-1,176	-6,470	-5,327	-1,143
Unrecognized actuarial net losses	7,899	7,239	660	4,393	3,853	540
Unrecognized past service cost	1	–	1	2	–	2
Net amounts recognized	-1,826	-1,311	-515	-2,075	-1,474	-601
Thereof recognized in: Other assets	85	–	85	76	–	76
Thereof recognized in: Provisions for pensions and similar obligations	-1,911	-1,311	-600	-2,151	-1,474	-677

Present value of defined pension benefit obligations and fair value of plan assets. The development of these metrics in the reported periods is shown in table ↗ 7.54.

Experience adjustments. The experience related adjustments, which are the differences between the earlier actuarial assumptions applied and actual developments, are as shown in table ↗ 7.55 (based on the pension benefit plans and plan assets at December 31).

Composition of plan assets. At December 31, 2012, plan assets were invested in diversified portfolios that consisted primarily of debt and equity securities. Plan assets and income from plan assets are used solely to pay pension benefits and to administer the plans. The Group's plan asset allocations are presented in table ↗ 7.56.

Alternative investments consist of private equity and debt investments as well as investments in commodities and hedge funds.

7.54

Present value of defined pension benefit obligations and fair value of plan assets

			2012			2011
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Present value of the defined benefit obligation at January 1	19,067	16,053	3,014	17,684	15,040	2,644
Current service cost	404	320	84	354	282	72
Interest cost	864	734	130	849	730	119
Contributions by plan participants	116	114	2	103	100	3
Actuarial losses	4,380	4,144	236	744	564	180
Past service cost/income (-)	1	–	1	3	–	3
Curtailments	2	–	2	3	–	3
Settlements	–	–	–	-40	–	-40
Pension benefits paid	-822	-680	-142	-761	-666	-95
Currency exchange-rate and other changes	-79	8	-87	128	3	125
Present value of the defined benefit obligation at December 31	23,933	20,693	3,240	19,067	16,053	3,014
Thereof pension plans financed with plan assets	23,171	20,072	3,099	17,741	14,851	2,890
Thereof pension plans financed without plan assets	762	621	141	1,326	1,202	124
Fair value of plan assets at January 1	12,597	10,726	1,871	11,177	9,542	1,635
Expected return on plan assets	589	470	119	653	546	107
Actuarial gains/losses	719	644	75	-611	-626	15
Actual return/losses on plan assets	1,308	1,114	194	42	-80	122
Contributions by the employer	1,067	911	156	2,041	1,858	183
Contributions by plan participants	3	–	3	2	–	2
Settlements	–	–	–	-40	–	-40
Benefits paid	-736	-608	-128	-672	-594	-78
Currency exchange-rate and other changes	-32	–	-32	47	–	47
Fair value of plan assets at December 31	14,207	12,143	2,064	12,597	10,726	1,871

Assumptions. The measurement date for the Group's defined benefit pension obligations and plan assets is generally December 31. The measurement date for the Group's net periodic pension cost is generally January 1. The assumptions used to calculate the projected benefit obligations together with the expectations regarding long-term rates of return on plan assets vary according to the economic conditions of the country in which the pension plans are situated.

Table ↗ 7.57 shows the weighted average assumptions which the Group used to determine pension benefit obligations.

7.55
Experience adjustments

					At December 31,
	2012	2011	2010	2009	2008
In millions of euros					
Present value of defined benefit obligation	165	140	550	-43	-194
Fair value of plan assets	719	-611	226	-32	-3,970

7.56
Composition of plan assets

	Plan assets German plans At December 31,		Plan assets Non-German plans At December 31,	
	2012	2011	2012	2011
In % of plan assets				
Equity securities	29	30	37	31
Debt securities	51	51	51	53
Alternative investments	8	9	4	4
Real estate	3	3	3	3
Liquidity and other plan assets	9	7	5	9

7.57
Assumptions used to determine pension benefit obligations

	German plans At December 31,		Non-German plans At December 31,	
	2012	2011	2012	2011
In %				
Discount rates	3.1	4.7	3.8	4.3
Expected long-term remuneration increases[1]	–	–	3.0	3.6
Expected increase in cost of living[2]	1.8	1.7	–	–

1 For most German plans, expected increases in long-term remuneration are not a part of the benefit formula.
2 For most non-German plans, expected increases in cost of living are not a part of the benefit formula.

Table ↗ 7.58 shows the weighted average assumptions which the Group used to determine net periodic pension cost.

Discount rates. The discount rates for German and non-German pension plans are determined annually as of December 31 on the basis of high-quality corporate bonds with maturities and values matching those of the pension payments.

Expected return on plan assets. The expected long-term rates of return for German and non-German plan assets are primarily derived from the asset allocations of plan assets and expected future returns for the various asset classes in the portfolios. Temporary variability in the asset allocations of plan assets does not result in adjustments of the expected long-term rates of return. For the determination of the expected long-term rates of return, our investment committees survey banks and large asset portfolio managers about their expectations for future returns for the relevant market indices. The allocation-weighted average return expectations serve as an initial indicator for the expected rate of return on plan assets for each pension fund.

In addition, Daimler considers long-term actual plan assets' results and historical market returns in its evaluation in order to reflect the long-term character of the plan assets.

Multi-employer plans. Daimler participates in some collectively bargained defined benefit pension plans maintained by more than one employer. The Group accounts for several of these plans in its consolidated financial statements as defined contribution plans because the information required to use defined benefit accounting is not available in a timely manner and in sufficient detail. The Group cannot exercise direct control over such plans and the plan-trustees have no legal obligation to share information directly with participating employers. Higher contributions by the Group to such a pension plan could result in particular when an underfunded status exceeds a specific level.

Net periodic pension cost. The components of net periodic pension cost included in the consolidated statement of income are presented in table ↗ 7.59.

Table ↗ 7.60 presents the line items within the consolidated statement of income in which the net periodic pension cost are included.

Expected payments. In 2013, at present Daimler expects to make cash contributions of €0.6 billion to its pension plans; the fixing of the final height is usually in the fourth Quarter of a financial year. In addition, the Group expects to make pension benefit payments of €0.1 billion under pension benefit schemes without plan assets in 2013.

23. Provisions for other risks

The development of provisions for other risks is summarized in table ↗ 7.61.

Product warranties. Daimler issues various types of product warranties, under which it generally guarantees the performance of products delivered and services rendered for a certain period. The provision for these product warranties covers expected costs for legal and contractual warranty claims, as well as expected costs for policy coverage, recall campaigns and buyback commitments. The provision for buyback commitments represents the expected costs related to the Group's obligation, under certain conditions, to repurchase a vehicle from a customer. Buybacks may occur for a number of reasons including litigation, compliance with laws and regulations in a particular region and customer satisfaction issues. The utilization date of product warranties depends on the incidence of the warranty claims and can span the entire term of the product warranties. The cash outflow for non-current product warranties is principally expected within a period until 2015.

Personnel and social costs. Provisions for personnel and social costs primarily comprise expected expenses of the Group for employee anniversary bonuses, profit sharing arrangements and management bonuses, as well as early retirement and partial retirement plans. The additions recorded to the provisions for profit sharing and management bonuses in the reporting year usually result in cash outflows in the following year. The expected maturity of non-current provisions for personnel and social costs is primarily a period of more than 5 years.

Other. Provisions for other risks include obligations for expected reductions in revenue already recognized such as bonuses, discounts and other price reduction commitments. They also include expected costs in connection with liability and litigation risks, provisions for optimization programs, obligations under the EU End-of-Life Vehicles Directive and environmental protection risks, as well as provisions for other taxes and various other risks.

Further information on other provisions for other risks is provided in Notes 5 and 28.

7.58
Assumptions used to determine net periodic pension cost

	German plans 2012	German plans 2011	Non-German plans 2012	Non-German plans 2011
In %				
Discount rates	4.7	5.0	4.3	4.7
Expected long-term returns on plan assets	4.4	5.4	6.3	6.5
Expected long-term remuneration increases[1]	–	–	3.6	4.1
Expected increase in cost of living[2]	1.7	1.7	–	–

1 For most German plans, expected increases in long-term remuneration are not a part of the benefit formula.
2 For most non-German plans, expected increases in cost of living are not a part of the benefit formula.

7.59
Components of net period pension cost

	2012 Total	2012 German plans	2012 Non-German plans	2011 Total	2011 German plans	2011 Non-German plans
In millions of euros						
Current service cost	-404	-320	-84	-354	-282	-72
Interest cost	-864	-734	-130	-849	-730	-119
Expected return on plan assets	589	470	119	653	546	107
Amortization of net actuarial losses	-162	-136	-26	-97	-77	-20
Past service cost/income	-2	–	-2	–	–	–
Curtailments and settlements	-2	–	-2	-9	–	-9
	-845	-720	-125	-656	-543	-113

7.60
Net period pension cost within the consolidated statement of income

	2012	2011
In millions of euros		
Cost of sales	-264	-218
Selling expenses	-42	-71
General administrative expenses	-68	-33
Research and non-capitalized development costs	-34	-41
Interest income	589	653
Interest expense	-1,026	-946
	-845	-656

7.61
Provisions for other risks

	Product warranties	Personnel and social costs	Other	Total
In millions of euros				
Balance at December 31, 2011	5,608	3,110	3,707	12,425
Thereof current	2,694	1,679	2,426	6,799
Thereof non-current	2,914	1,431	1,281	5,626
Additions	2,221	1,371	2,171	5,763
Utilizations	-2,582	-1,394	-1,764	-5,740
Reversals	-319	-170	-489	-978
Addition of accrued interest and effects of changes in discount rates	203	236	104	543
Currency translation and other changes	-41	-148	-35	-224
Balance at December 31, 2012	5,090	3,005	3,694	11,789
Thereof current	2,562	1,323	2,428	6,313
Thereof non-current	2,528	1,682	1,266	5,476

24. Financing liabilities

The composition of financing liabilities is presented in table ↗ 7.62.

Liabilities from finance leases relate primarily to leases of property, plant and equipment which transfer substantially all risks and rewards to the Group as lessee. Future minimum lease payments under finance leases at December 31, 2012 amounted to €576 million (2011: €712 million). The reconciliation of future minimum lease payments from finance lease arrangements to the corresponding liabilities is included in table ↗ 7.63.

25. Other financial liabilities

The composition of other financial liabilities is presented in table ↗ 7.64.

Financial liabilities recognized at fair value through profit or loss relate exclusively to derivative financial instruments which are not used in hedge accounting.

Further information on other financial liabilities is provided in Note 30.

7.62
Financing liabilities

	At December 31, 2012			At December 31, 2011		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	7,770	27,926	35,696	5,594	20,725	26,319
Commercial paper	1,768	–	1,768	1,233	–	1,233
Liabilities to financial institutions	11,629	8,581	20,210	10,574	8,601	19,175
Deposits in the direct banking business	8,481	3,640	12,121	7,012	4,023	11,035
Liabilities from ABS transactions	2,505	2,644	5,149	1,534	1,654	3,188
Liabilities from finance leases	55	320	375	91	373	464
Loans, other financing liabilities	703	229	932	663	90	753
	32,911	43,340	76,251	26,701	35,466	62,167

7.63
Minimum lease payments from finance lease arrangements

	Future minimum lease payments At December 31,		Interest included in future minimum lease payments At December 31,		Liabilities from finance lease arrangements At December 31,	
	2012	2011	2012	2011	2012	2011
In millions of euros						
Maturity						
within one year	69	111	14	20	55	91
between one and five years	191	219	69	78	122	141
later than five years	316	382	118	150	198	232
	576	712	201	248	375	464

7.64
Other financial liabilities

	At December 31, 2012			At December 31, 2011		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Derivative financial instruments used in hedge accounting	447	173	620	691	594	1,285
Financial liabilities recognized at fair value through profit or loss	163	90	253	613	253	866
Liabilities from residual value guarantees	790	874	1,664	1,046	779	1,825
Liabilities from wages and salaries	790	208	998	999	–	999
Other	4,490	366	4,856	4,433	285	4,718
Miscellaneous other financial liabilities	6,070	1,448	7,518	6,478	1,064	7,542
	6,680	1,711	8,391	7,782	1,911	9,693

26. Other liabilities

Table ↗ 7.65 shows the composition of other liabilities.

27. Consolidated statement of cash flows

Calculating funds. As of December 31, 2012 cash and cash equivalents include restricted funds of €75 million (2011: €4 million). The restricted funds of the reporting period primarily resulted from subsidiaries where exchange controls only apply when the funds are not available for general use by the Group.

Cash provided by/used for operating activities. The changes in other operating assets and liabilities are presented in table ↗ 7.66.

The decrease in provisions in 2011 mainly resulted from provisions for pensions and similar obligations due to the high contributions to the Group's pension plans.

Table ↗ 7.67 shows cash flows included in cash provided by/used for operating activities.

The line item other non-cash expense and income within the reconciliation of profit before income taxes to cash provided by/used for operating activities primarily comprises the Group's share in the profit/loss of companies accounted for using the equity method.

Cash provided by/used for financing activities. Cash provided by/used for financing activities includes cash flows from hedging the currency risks of financial liabilities. In 2012, cash used for financing activities includes payments for the reduction of the outstanding finance lease liabilities of €105 million (2011: €109 million).

7.65
Other liabilities

		At December 31, 2012			At December 31, 2011	
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Income tax liabilities	122	30	152	118	47	165
Miscellaneous other liabilities	1,214	8	1,222	1,362	9	1,371
	1,336	38	1,374	1,480	56	1,536

7.66
Changes in other operating assets and liabilities

	2012	2011
In millions of euros		
Provisions	-605	-1,332
Financial instruments	-188	294
Miscellaneous other assets and liabilities	450	-55
	-343	-1,093

7.67
Cash flows included in cash provided by/used for operating activities

	2012	2011
In millions of euros		
Interest paid	-561	-489
Interest received	192	234
Dividends received	192	140

28. Legal proceedings

Various legal proceedings, claims and governmental investigations (legal proceedings) are pending against Daimler AG and its subsidiaries on a wide range of topics, including vehicle safety, emissions, fuel economy, financial services, dealer, supplier and other contractual relationships, intellectual property rights, product warranties, environmental matters, and shareholder matters. Some of these proceedings allege defects in various components in several different vehicle models or allege design defects relating to vehicle stability, pedal misapplication, brakes or crashworthiness. Some of the claims asserted by way of class action suits seek repair or replacement of the vehicles or compensation for their alleged reduction in value, while others seek recovery for damage to property, personal injuries or wrongful death. Adverse decisions in one or more of these proceedings could require us to pay substantial compensatory and punitive damages or undertake service actions, recall campaigns or other costly actions.

In mid-January 2011, the European Commission carried out antitrust investigations of European commercial vehicle manufacturers, including Daimler AG. Daimler is taking the Commission's initial suspicion very seriously and is also – parallel to the Commission's investigations – carrying out its own extensive internal investigation to clarify the underlying circumstances. If antitrust infringements are discovered, the European Commission can impose considerable fines depending on the gravity of the infringement. In accordance with IAS 37.92 the Group does not provide further information on this antitrust investigation and the associated risk for the Group, especially with regard to the measures taken in this context, in order not to impair the outcome of the proceeding.

On April 1, 2010, Daimler announced a settlement of the previously disclosed US Securities and Exchange Commission (SEC) and US Department of Justice (DOJ) investigations into possible violations by Daimler of the anti-bribery, record-keeping, and internal-controls provisions of the US Foreign Corrupt Practices Act (FCPA).

Pursuant to the settlement reached with the SEC, the SEC filed a civil complaint against Daimler AG in the US District Court for the District of Columbia (the Court). Without admitting or denying the allegations in the complaint, Daimler AG consented to the entry by the Court of a final judgment. Pursuant to the Court's judgment: (i) Daimler AG disgorged US$91.4 million in profits, (ii) Daimler AG is enjoined from violating the anti-bribery, record-keeping and internal-controls provisions of the FCPA, and (iii) the Honorable Louis J. Freeh is Daimler AG's post-settlement monitor for a three-year period.

Pursuant to the settlement reached with the DOJ, Daimler AG entered into a deferred-prosecution agreement with a two-year term under which the DOJ filed with the Court a two-count criminal information against Daimler AG charging it with: (i) conspiracy to violate the record-keeping provisions of the FCPA, and (ii) violating the record-keeping provisions of the FCPA. Herewith, Daimler AG agreed to pay a maximum criminal fine of US$93.6 million, to engage the Honorable Louis J. Freeh as post-settlement monitor for a three-year period, and to continue to implement a compliance and ethics program designed to prevent and detect violations of the FCPA and other applicable anti-corruption laws. In addition, a China-based subsidiary, Daimler North East Asia, Ltd. (DNEA), entered into a deferred-prosecution agreement with the same term with the DOJ under which the DOJ filed with the Court a two-count criminal information against DNEA.

In addition, a Russia-based subsidiary, Mercedes-Benz Russia SRO (MB Russia), and a Germany-based subsidiary, Daimler Export and Trade Finance GmbH (ETF), each entered into plea agreements with the DOJ with a three-year probation period under which they pleaded guilty to: (i) conspiracy to violate the anti-bribery provisions of the FCPA, and (ii) violating the anti-bribery provisions of the FCPA. Under their respective plea agreements, the Court sentenced MB Russia to pay a criminal fine of US$27.36 million and sentenced ETF to pay a criminal fine of US$29.12 million. These amounts were deducted from the maximum fine Daimler AG agreed to pay (US$93.6 million).

As a result of the SEC and DOJ settlements, Daimler paid a total of US$185 million in fines and civil disgorgement. Daimler previously recognized sufficient provisions to cover these fines. In addition, Daimler has taken personnel and remedial actions to ensure that its conduct going forward complies with the FCPA and similar applicable laws, including establishing a company-wide compliance organization and evaluating and revising Daimler's governance policies and internal-control procedures.

Failure to comply with the terms and conditions of either the SEC or the DOJ settlement, including the terms of the deferred-prosecution agreements, could result in resumed prosecution and other regulatory sanctions.

Communications with and provision of documents to the offices of German public prosecutors regarding the matters that have been under investigation by the DOJ and SEC have taken place.

As already reported in Annual Report 2011 the DOJ and Daimler AG have discussed a possible extension of the term of the deferred-prosecution agreement to align the deferred-prosecution agreements' provisions more closely with the Monitor's review period and to provide Daimler with additional time to improve the sustainability of its compliance systems. Based on these discussions, the DOJ, Daimler AG and Daimler North East Asia, Ltd. mutually agreed on March 30, 2012 to extend the terms of their respective deferred-prosecution agreement until December 31, 2012. On December 31, 2012, both deferred-prosecution agreements expired.

On August 17, 2009, the Official Committee of Unsecured Creditors of OldCarCo LLC (formerly Chrysler LLC) filed a lawsuit with the United States Bankruptcy Court, Southern District of New York, against Daimler AG, Daimler North America Corporation and others. The Committee has been substituted by the Liquidation Trust, which claims unspecified damages based on theories of constructive fraudulent transfer and other legal theories, alleging that the consideration received in certain transactions effected in connection with the investment by Cerberus in Chrysler LLC was not fair consideration. Daimler has successfully submitted miscellaneous legal defense arguments, so that the Bankruptcy Court dismissed all claims with prejudice as of May 12, 2011. The appeal of the Liquidation Trust led to a confirmation of the Bankruptcy Court's decision by the United States District Court of the Southern District of New York. A second appeal by the Liquidation Trust to the United States Court of Appeals for the Second Circuit, New York as of December 19, 2011 was unsuccessful. As of January 30, 2013, the US Court of Appeals unanimously affirmed the judgement of the Bankruptcy Court. Daimler still considers these claims and allegations of the Liquidation Trust to be without merit and will continue to defend itself vigorously.

The Federal Republic of Germany initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and Toll Collect GbR and submitted its statement of claims in August 2005. It seeks damages, contractual penalties and the transfer of intellectual property rights to Toll Collect GmbH. In particular, the Federal Republic of Germany is claiming

- lost revenue of €3.33 billion for the period September 1, 2003 through December 31, 2004 plus interest at 5% per annum over the respective base rate since submission of claims (amount as of November 21, 2010 at €1.4 billion),

- and contractual penalties of approximately €1.65 billion through July 31, 2005 plus interest at 5% per annum over the respective base rate since submission of claims (amount as of November 21, 2010 at €282 million),

- plus refinancing costs of €115 million.

Since, among other things, some of the contractual penalties are dependent on time and further claims for contractual penalties have been asserted by the Federal Republic of Germany, the amount claimed as contractual penalties may increase.

Defendants submitted their response to the statement of claims on June 30, 2006. The Federal Republic of Germany delivered its reply to the arbitrators on February 15, 2007, and the defendants delivered their rebuttal on October 1, 2007 (see also Note 29). The arbitrators held the first hearing on June 16 and 17, 2008. Additional briefs from the claimant and the defendants were filed since then. A hearing of witnesses and experts took place between December 6 and 14, 2010. The parties submitted further written statements on July 15 and November 15, 2011. After the Tribunal's President resigned as of March 30, 2012, the new President was determined by the Administrative Court as of October 29, 2012. Daimler believes the claims are without merit and will continue to defend itself vigorously.

Legal proceedings are subject to many uncertainties and Daimler cannot predict the outcome of individual matters with assurance. The Group establishes provisions in connection with pending or threatened proceedings if a loss is probable and can be reasonably estimated. Since these provisions, which are reflected in the Group's consolidated financial statements, represent estimates, it is reasonably possible that the resolution of some of these proceedings could require us to make payments in excess of the amounts accrued in an amount or range of amounts that could not be reasonably estimated on December 31, 2012. It is also reasonably possible that the resolution of some of the proceedings for which provisions could not be made may require the Group to make payments in an amount or range of amounts that could not be reasonably estimated on December 31, 2012. Although the final resolution of any such proceedings could have a material effect on Daimler's operating results and cash flows for a particular reporting period, Daimler believes that it should not materially affect the Group's financial position.

29. Guarantees and other financial commitments

Guarantees. Table ↗ 7.68 shows the amounts of provisions and liabilities at December 31 which have been established by the Group in connection with its issued guarantees (excluding product warranties).

Financial guarantees. Financial guarantees principally represent contractual arrangements. These guarantees generally provide that in the event of default or non-payment by the primary debtor, the Group will be required to settle such financial obligations. The maximum potential obligation resulting from these guarantees amounted to €968 million at December 31, 2012 (December 31, 2011: €1,367 million). The previous year's figure includes a guarantee of payment to the Chrysler pension plans, whose term expired in August 2012. These amounts include guarantees, which the Group issued for the benefit of Chrysler in connection with the Chrysler transactions entered into in 2007 and 2009. At December 31, 2012, these guarantees amounted to €0.3 billion. For a portion of these financial guarantees, Chrysler provided collateral of €0.2 billion to an escrow account.

7.68

Provisions and liabilities recognized in connection with guarantees

	At December 31, 2012	2011
In millions of euros		
Financial guarantees	111	249
Guarantees under buyback commitments	115	44
Other guarantees	141	132
	367	425

Guarantees under buyback commitments. Guarantees under buyback commitments represent arrangements whereby the Group guarantees specified trade-in or resale values for sold vehicles. Such guarantees provide the holder with the right to return purchased vehicles to the Group, the right being primarily contingent on the future purchase of vehicles or services. Residual value guarantees related to arrangements for which revenue recognition is precluded due to the Group's obligation to repurchase assets sold to unrelated guaranteed parties are not included in those amounts.

Other guarantees. Other guarantees principally comprise pledges or indemnifications related to the quality or timing of performance by third parties or participations in performance guarantees of consortiums. As of December 31, 2012, the best estimate for obligations under other guarantees for which no provisions had yet been recorded was €35 million (2011: €41 million).

In 2002, our subsidiary Daimler Financial Services AG, Deutsche Telekom AG and Compagnie Financière et Industrielle des Autoroutes S.A. (Cofiroute) entered into a consortium agreement in order to jointly develop, install, and operate under a contract with the Federal Republic of Germany (operating agreement) a system for the electronic collection of tolls for all commercial vehicles over 12 tons GVW using German highways. Daimler Financial Services AG and Deutsche Telekom AG each hold a 45% equity interest and Cofiroute holds the remaining 10% equity interest in both the consortium (Toll Collect GbR) and the joint venture company (Toll Collect GmbH) (together Toll Collect).

According to the operating agreement, the toll collection system had to be operational no later than August 31, 2003. After a delay of the launch date of the toll collection system, which resulted in a loss of revenue for Toll Collect and in payments of contractual penalties for delays, the toll collection system was introduced on January 1, 2005 with on-board units that allowed for slightly less than full technical performance in accordance with the technical specification (phase 1). On January 1, 2006, the toll collection system was installed and started to operate with full effectiveness as specified in the operating agreement (phase 2). On December 20, 2005, Toll Collect GmbH received a preliminary operating permit as specified in the operating agreement. Toll Collect GmbH expects to receive the final operating permit, and continues to operate the toll collection system under the preliminary operating permit in the interim.

Failure to perform various obligations under the operating agreement may result in penalties, additional revenue reductions and damage claims that could become significant over time. However, penalties and revenue reductions are capped at €150 million per year until the final operating permit has been issued and at €100 million per year following the issuance of the final operating permit. These cap amounts are subject to a 3% increase for every year of operation.

Beginning in June 2006, the Federal Republic of Germany began reducing monthly payments to Toll Collect GmbH by €8 million in partial set-off against amounts claimed in the arbitration proceeding referred to below. This offsetting may require the consortium members to provide additional operating funds to Toll Collect GmbH.

The operating agreement calls for the submission of all disputes related to the toll collection system to arbitration. The Federal Republic of Germany has initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and the consortium. According to the statement of claims received in August 2005, the Federal Republic of Germany is seeking damages including contractual penalties and reimbursement of lost revenue that allegedly arose from delays in the operability of the toll collection system. See Note 28 for additional information.

Each of the consortium members (including Daimler Financial Services AG) has provided guarantees supporting the obligations of Toll Collect GmbH towards the Federal Republic of Germany relating to the completion and operation of the toll collection system, which are subject to specific triggering events. In addition, Daimler AG has guaranteed bank loans obtained by Toll Collect GmbH. The guarantees are described in detail below:

– *Guarantee of bank loans.* Daimler AG issued a guarantee to third parties up to a maximum amount of €110 million for bank loans which could be obtained by Toll Collect GmbH. This amount represents the Group's 50% share of Toll Collect GmbH's external financing guaranteed by its shareholders.

– *Equity maintenance undertaking.* The consortium members have the obligation to contribute, on a joint and several basis, additional funds to Toll Collect GmbH as may be necessary for Toll Collect GmbH to maintain a minimum equity (based on German Commercial Code accounting principles) of 15% of total assets (a so-called "equity maintenance undertaking"). This obligation will terminate on August 31, 2015, when the operating agreement expires, or earlier if the agreement is terminated. Such obligation may arise if Toll Collect GmbH is subject to revenue reductions caused by underperformance, if the Federal Republic of Germany is successful in claiming lost revenue against Toll Collect GmbH for any period the system was not fully operational, or if Toll Collect GmbH incurs penalties that may become payable under the above mentioned agreements. If such penalties, revenue reductions or other events reduce Toll Collect GmbH's equity to a level below the minimum equity percentage agreed upon, the consortium members are obligated to fund Toll Collect GmbH's operations to the extent necessary to reach the required minimum equity.

Cofiroute's risks and obligations are limited to €70 million. Daimler Financial Services AG and Deutsche Telekom AG are jointly obliged to indemnify Cofiroute for amounts exceeding this limitation.

While Daimler's maximum future obligation resulting from the guarantee of the bank loan can be determined (2012: €110 million), the Group is unable to reasonably estimate the amount or range of amounts of possible loss resulting from the financial guarantee in form of the equity maintenance undertaking due to the various uncertainties described above, although it could be material. Only the guarantee for the bank loan is included in the above disclosures for financial guarantees.

Obligations associated with product warranties are also not included in the above disclosures. See Note 23 for provisions relating to such obligations.

Other financial commitments. In connection with its production programs, Daimler has committed to purchase various volumes of parts and components over extended periods. The Group also has entered into service arrangements for the provision of future services. In addition, the Group has committed to purchase or invest in the construction, maintenance of production facilities and other agreements. Amounts under the latter arrangements represent commitments to purchase plant or equipment in the future. As of December 31, 2012, total other financial commitments amounted to €10.2 billion (2011: €9.4 billion).

The Group has also entered into operating leases for property, plant and equipment. In 2012, Daimler recognized as expense rental payments of €528 million (2011: €495 million). Table ↗ 7.69 provides an overview of when future minimum lease payments under long-term lease agreements fall due (nominal amounts).

In addition, the Group issued loan commitments for a total of €1.0 billion and €2.0 billion as of December 31, 2012 and 2011 respectively. These loan commitments are unused as of those dates.

7.69

Future minimum lease payments under long-term lease agreements

	At December 31, 2012	2011
In millions of euros		
Maturity		
within one year	360	401
between one and three years	575	632
between four and five years	437	490
later than five years	767	957
	2,139	2,480

30. Financial instruments

Carrying amounts and fair values of financial instruments

Table ↗ 7.70 shows the carrying amounts and fair values of the Group's financial instruments. The fair value of a financial instrument is the price at which a party would accept the rights and/or obligations of that financial instrument from another independent party. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved on the market.

The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date. The following methods and premises were used:

7.70

Carrying amounts and fair values of financial instruments

	At December 31, 2012		At December 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
Financial assets				
Receivables from financial services	49,060	49,722	45,567	45,786
Trade receivables	7,543	7,543	7,849	7,849
Cash and cash equivalents	10,996	10,996	9,576	9,576
Marketable debt securities				
Available-for-sale financial assets	5,598	5,598	2,281	2,281
Other financial assets				
Available-for-sale financial assets[1]	2,031	2,031	1,940	1,940
Financial assets recognized at fair value through profit or loss	341	341	350	350
Derivative financial instruments used in hedge accounting	1,364	1,364	559	559
Other receivables and assets	2,224	2,224	2,115	2,115
	79,157	79,819	70,237	70,456
Financial liabilities				
Financing liabilities	76,251	77,661	62,167	63,494
Trade payables	8,832	8,832	9,515	9,515
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	253	253	866	866
Derivative financial instruments used in hedge accounting	620	620	1,285	1,285
Miscellaneous other financial liabilities	7,518	7,518	7,542	7,542
	93,474	94,884	81,375	82,702

1 Includes equity interests measured at cost whose fair value can not be determined with sufficient reliability (2012: €591 million; 2011: €640 million).

Receivables from financial services. The fair values of receivables from financial services with variable interest rates are estimated to be equal to the respective carrying amounts because the interest rates agreed and those available on the market do not significantly differ. The fair values of receivables from financial services with fixed interest rates are determined on the basis of discounted expected future cash flows. The discounting is based on the current interest rates at which similar loans with identical terms could have been borrowed as of December 31, 2012 and December 31, 2011.

Trade receivables and cash and cash equivalents. Due to the short terms of these financial instruments, it is assumed that their fair values are equal to the carrying amounts.

Marketable debt securities and other financial assets.
Financial assets available for sale include:
- debt and equity instruments measured at fair value; these instruments were measured using quoted market prices at December 31. Otherwise, the fair value measurement of these debt and equity instruments is based on inputs that are either directly or indirectly observable on active markets. Equity instruments measured at fair value predominantly comprise the investments in Renault and Nissan.
- equity interests measured at cost; for these financial instruments fair values could not be determined because market prices or fair values are not available. These equity interests comprise investments in non-listed companies for which no objective evidence existed at the balance sheet date that these assets are impaired and whose fair values cannot be determined with sufficient reliability. It is assumed that the fair values approximate the carrying amounts.

Financial assets recognized at fair value through profit or loss include derivative financial instruments not used in hedge accounting. These financial instruments as well as *derivative financial instruments used in hedge accounting comprise:*
- derivative currency hedging contracts; the fair values of currency forwards and cross currency interest rate swaps are determined on the basis of the discounted estimated future cash flows using market interest rates appropriate to the remaining terms of the financial instruments. Currency options were measured using price quotations or option pricing models using market data.
- derivative interest rate hedging contracts; the fair values of interest rate hedging instruments (e.g. interest rate swaps) are calculated on the basis of the discounted estimated future cash flows using the market interest rates appropriate to the remaining terms of the financial instruments.
- derivative commodity hedging contracts; the fair values of commodity hedging contracts (e.g. commodity forwards) are determined on the basis of current reference prices in consideration of forward premiums and discounts.

Financial assets recognized at fair value through profit and loss also include the option held by Daimler to sell shares in Engine Holding to Rolls-Royce (see also Note 13). The fair value of this option has been determined with the use of an option pricing model; estimated future cash flows and, to the extent available, market parameters were applied.

Other receivables and assets are carried at amortized cost. Because of the predominantly short maturities of these financial instruments, it is assumed that the fair values approximate the carrying amounts.

Financing liabilities. The fair values of bonds, loans, commercial papers, deposits in the direct banking business and liabilities from ABS transactions are calculated as the present values of the estimated future cash flows. Market interest rates for the appropriate terms are used for discounting.

Trade payables. Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to the carrying amounts.

Other financial liabilities. *Financial liabilities recognized at fair value through profit or loss* comprise derivative financial instruments not used in hedge accounting. For information regarding these financial instruments as well as *derivative financial instruments used in hedge accounting* see the notes above under “Marketable debt securities and other financial assets.”

Miscellaneous other financial liabilities are carried at amortized cost. Because of the predominantly short maturities of these financial instruments, it is assumed that the fair values approximate the carrying amounts.

7.71

Fair value hierarchy of financial assets and liabilities measured at fair value

	At December 31, 2012				At December 31, 2011			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros								
Assets measured at fair value								
Financial assets available for sale	7,038	3,902	3,136	–	3,581	2,070	1,511	–
Financial assets recognized at fair value through profit or loss	341	–	163	178	350	–	173	177
Derivative financial instruments used in hedge accounting	1,364	–	1,364	–	559	–	559	–
	8,743	3,902	4,663	178	4,490	2,070	2,243	177
Liabilities measured at fair value								
Financial liabilities recognized at fair value through profit or loss	253	–	253	–	866	–	866	–
Derivative financial instruments used in hedge accounting	620	–	620	–	1,285	–	1,285	–
	873	–	873	–	2,151	–	2,151	–

1 Fair value measurement based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
2 Fair value measurement for the asset or liability based on inputs that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3 Fair value measurement for the asset or liability based on inputs that are not observable market data.

7.72

Development of financial assets recognized at fair value through profit or loss classified as level 3

	2012	2011
In millions of euros		
Balance at January 1	177	–
Gains recognized in other financial income/expense, net	1	6
Purchases	–	171
Balance at December 31	178	177
Gains of period relating to financial assets held at December 31	1	6

Table ↗ 7.71 provides an overview of the classification of financial assets and liabilities measured at fair value in the fair value hierarchy (according to IFRS 7).

The development of financial assets recognized at fair value through profit or loss and classified as level 3 can be seen in table ↗ 7.72.

The financial assets shown as classified as level 3 and presented in the table ↗ 7.72 consist solely of Daimler's option to sell the shares it holds in Engine Holding to Rolls-Royce.

Parameters with a significant influence on the measurement of the option are the value of Engine Holding as determined with the use of a discounted cash flow method and the expected volatility of that value. A sensitivity analysis shows that a 10% increase in the value of Engine Holding would lead to a reduction in the value of the option of €37 million. On the other hand, a 10% decrease in the value of Engine Holding would increase the value of the option by €47 million. A 10% increase in the expected volatility of the value of Engine Holding would lead to an increase in the value of the option of €40 million. However, a 10% decrease in the expected volatility of the value of Engine Holding would reduce the value of the option by €41 million.

The carrying amounts of financial instruments presented according to IAS 39 measurement categories are shown in table ↗ 7.73.

Net gains or losses

Table ↗ 7.74 shows the net gains or losses of financial instruments included in the consolidated statement of income (not including derivative financial instruments used in hedge accounting):

Net gains and losses of financial assets and liabilities recognized at fair value through profit or loss primarily include gains and losses attributable to changes in fair value.

Net gains and losses on financial assets available for sale include realized income from equity instruments and gains or losses from their disposal.

Net gains and losses on loans and receivables mainly comprise impairment losses and recoveries that are charged to cost of sales, selling expenses and other financial income/expense, net.

Net gains and losses on financial liabilities measured at cost mainly comprise gains and losses from the valuation of liabilities denominated in foreign currencies.

7.73

Carrying amounts of financial instruments presented according to IAS 39 measurement categories

	At December 31, 2012	2011
In millions of euros		
Assets		
Receivables from financial services[1]	37,092	34,234
Trade receivables	7,543	7,849
Other receivables and assets	2,224	2,115
Loans and receivables	46,859	44,198
Marketable debt securities	5,598	2,281
Other financial assets	2,031	1,940
Available-for-sale financial assets	7,629	4,221
Financial assets recognized at fair value through profit or loss[2]	341	350
Liabilities		
Trade payables	8,832	9,515
Financing liabilities[3]	75,876	61,703
Other financial liabilities[4]	7,407	7,293
Financial liabilities measured at cost	92,115	78,511
Financial liabilities recognized at fair value through profit or loss[2]	253	866

The table above does not include cash and cash equivalents or the carrying amounts of derivative financial instruments used in hedge accounting as these financial instruments are not assigned to an IAS 39 measurement category.

1 This does not include lease receivables of €11,968 million (2011: €11,333 million) as these are not assigned to an IAS 39 measurement category.
2 Financial instruments classified as held for trading purposes. These figures comprise financial instruments that are not used in hedge accounting.
3 This does not include liabilities from finance leases of €375 million (2011: €464 million) as these are not assigned to an IAS 39 measurement category.
4 This does not include liabilities from financial guarantees of €111 million (2011: €249 million) as these are not assigned to an IAS 39 measurement category.

7.74

Net gains/losses

	2012	2011
In millions of euros		
Financial assets and liabilities recognized at fair value through profit or loss[1]	274	-140
Financial assets available for sale	122	-9
Loans and receivables	-304	-188
Financial liabilities measured at cost	-305	29

1 Financial instruments classified as held for trading purposes. These figures comprise financial instruments that are not used in hedge accounting.

7.75

Total interest income and total interest expense

In millions of euros	2012	2011
Total interest income	3,235	2,969
Total interest expense	-2,244	-2,150

7.76

Fair values of hedging instruments

In millions of euros	At December 31, 2012	2011
Fair value hedges	648	321
Cash flow hedges	96	-1,047

7.77

Net gains/losses from fair value hedges

In millions of euros	2012	2011
Net gains/losses from hedging instruments	285	317
Net gains/losses from underlying transactions	-344	-398

7.78

Unrealized gains/losses from cash flow hedges

In millions of euros	2012	2011
Unrealized gains/losses	151	-547

7.79

Reclassifications of pre-tax gains/losses from equity to the statement of income

In millions of euros	2012	2011
Revenue	-824	6
Cost of sales	-16	69
Interest income	2	–
Interest expense	.	-14
	-838	61

Total interest income and total interest expense

Total interest income and total interest expense for financial assets or financial liabilities that are not measured at fair value through profit or loss are presented in table ↗ 7.75.

Please refer to Note 1 for qualitative descriptions of accounting for financial instruments (including derivative financial instruments).

Information on derivative financial instruments

Use of derivatives. The Group uses derivative financial instruments exclusively for hedging financial risks that arise from its commercial business or refinancing activities. These are mainly interest rate risks, currency risks and commodity price risks. For these hedging purposes, the Group mainly uses currency forward transactions, cross currency interest rate swaps, interest rate swaps, options and commodity forwards.

Fair values of hedging instruments. Table ↗ 7.76 shows the fair values of hedging instruments at the end of the reporting period.

Fair value hedges. The Group uses fair value hedges primarily for hedging interest rate risks.

Net gains and losses from these hedging instruments and the changes in the value of the underlying transactions are presented in table ↗ 7.77.

Cash flow hedges. The Group uses cash flow hedges for hedging currency risks, interest rate risks and commodity price risks.

Unrealized pre-tax gains and losses on the measurement of derivatives, which are recognized during the period in other comprehensive income, are shown in table ↗ 7.78.

Table ↗ 7.79 gives an overview of the reclassifications of pre-tax gains/losses from equity to the statement of income for the period.

The unrealized pre-tax gains and losses on the measurement of derivatives as well as reclassifications of pre-tax gains and losses from equity to the statement of income do not include gains and losses from derivatives entered into by our equity-method investments (see Note 20 for further information).

The consolidated net profit for 2012 includes net losses (before income taxes) of €17 million (2011: net losses of €42 million) attributable to the ineffectiveness of derivative financial instruments entered into for hedging purposes.

In 2012, the discontinuation of cash flow hedges as a result of non-realizable hedged items resulted in losses of €11 million (2011: gains of €3 million).

The maturities of the interest rate hedges and cross currency interest rate hedges as well as of the commodity hedges correspond with those of the underlying transactions. The realization of the underlying transactions of the cash flow hedges is expected to correspond with the maturities of the hedging transactions shown in table ↗ 7.80. As of December 31, 2012, Daimler utilized derivative instruments with a maximum maturity of 37 months (2011: 39 months) as hedges for currency risks arising from future transactions.

Nominal values of derivative financial instruments. Table ↗ 7.80 shows the nominal values of derivative financial instruments entered into for the purpose of hedging currency risks, interest rate risks and commodity price risks that arise from the Group's operating and/or financing activities.

Most of the hedging transactions for which the effects from the mark-to-market valuation of the hedging instrument and the underlying transaction to a large extent offset each other in the consolidated statement of income/loss are not classified for hedge accounting treatment.

Even if derivative financial instruments do not or no longer qualify for hedge accounting, these instruments are still hedging financial risks from the operative business. If the hedged item does not exist anymore or is not expected to occur anymore, the hedging instrument will be terminated.

Explanations regarding the hedging of exchange rate risks, interest rate risks and commodity price risks can be found in Note 31 in the sub-item "Finance market risk."

7.80

Nominal values of derivative financial instruments

	December 31, 2012			December 31, 2011
	Nominal values	Maturity ≤ 1 Jahr	Maturity > 1 Jahr	Nominal values
In millions of euros				
Hedging of currency risks from receivables/liabilities				
Forward exchange contracts	5,624	5,622	2	5,033
thereof cash flow hedges	–	–	–	–
thereof fair value hedges	–	–	–	–
Cross currency interest rate swaps	7,047	3,245	3,802	6,929
thereof cash flow hedges	1,046	126	920	1,333
thereof fair value hedges	2,472	208	2,264	492
Hedging of currency risks from forecasted transactions				
Forward exchange contracts and currency options	31,794	19,067	12,727	28,394
thereof cash flow hedges	30,421	17,723	12,698	27,372
thereof fair value hedges	–	–	–	–
Hedging of interest rate risks from receivables/liabilities				
Interest rate swaps	26,249	3,768	22,481	20,313
thereof cash flow hedges	2,295	965	1,330	1,897
thereof fair value hedges	22,717	2,484	20,233	16,939
Hedging of commodity price risks from forecasted transactions				
Forward commodity contracts	1,598	823	775	2,014
thereof cash flow hedges	1,111	415	696	1,484
Total volume of derivative financial instruments	72,312	32,525	39,787	62,683
thereof cash flow hedges	34,873	19,229	15,644	32,086
thereof fair value hedges	25,189	2,692	22,497	17,431

31. Risk management

General information on financial risk

As a result of its businesses and the global nature of operations, Daimler is exposed in particular to market risks from changes in foreign currency exchange rates and interest rates, while commodity price risks arise from procurement. An equity price risk results from investments in listed companies (including EADS, Kamaz, Renault and Nissan). In addition, the Group is exposed to credit risks from its lease and financing activities and from its operating business (trade receivables). With regard to the lease and financing activities credit risks arise from operating lease contracts, finance lease contracts and financing contracts. Furthermore, the Group is exposed to liquidity risks relating to its credit and market risks or a deterioration of its operating business or financial market disturbances. If these financial risks materialize, they could adversely affect Daimler's financial position, cash flows and profitability.

Daimler has established guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlement, accounting and the related controlling. The guidelines upon which the Group's risk management processes are based are designed to identify and analyze these risks throughout the Group, to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and products.

The Group manages and monitors these risks primarily through its operating and financing activities and, if required, through the use of derivative financial instruments. Daimler uses derivative financial instruments exclusively for hedging of financial risks that arise from its commercial business or refinancing activities. Without these derivative financial instruments, the Group would be exposed to higher financial risks (additional information on financial instruments and especially on the nominal values of the derivative financial instruments used is included in Note 30). Daimler regularly evaluates its financial risks with due consideration of changes in key economic indicators and up-to-date market information.

Any market sensitive instruments including equity and debt securities that the funds hold to finance pension and other post-employment health care benefits are not included in the following quantitative and qualitative analysis. Please refer to Note 22 for additional information regarding Daimler's pension and other post-employment benefits.

Credit risk

Credit risk is the risk of economic loss arising from counterparty's failure to repay or service debt in accordance with the contractual terms. Credit risk encompasses both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risks.

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Table ↗ 7.81 shows the maximum risk positions.

Liquid assets. Liquid assets consist of cash and cash equivalents and marketable debt securities classified as available for sale. With the investment of liquid assets, banks and issuers of securities are selected very carefully and diversified in accordance with a limit system. In the past years, the limit methodology was continuously enhanced to oppose the increasing decline of the creditworthiness of the banking sector and most counterparty limits were reduced. Additionally, under consideration of the European sovereign debt crisis, the liquid assets are increasingly also held at financial institutions outside of Europe with high creditworthiness. At the same time, the Group increased the number of financial institutions with which investments are made. In connection with investment decisions, priority is placed on the borrower's very high creditworthiness and on balanced risk diversification. The limits and their utilizations are reassessed continuously. In this assessment Daimler also considers the credit risk assessment of its counterparties by the capital markets. In line with the Group's risk policy, the principal portion of liquid assets is held in investments with an external rating of "A" or better.

Receivables from financial services. Daimler's financing and leasing activities are primarily focused on supporting sales of the Group's automotive products. As a consequence of these activities, the Group is exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. Daimler Financial Services manages its credit risk irrespective of whether it is related to a financing contract or to an operating lease or a finance lease contract. For this reason, statements concerning the credit risk of Daimler Financial Services refer to the entire financing and leasing business, unless specified otherwise.

Exposure to credit risk from financing and lease activities is monitored based on the portfolio subject to credit risk. The portfolio subject to credit risk is an internal control quantity that consists of wholesale and retail receivables from financial services and the portion of the operating lease portfolio that is subject to credit risk. Receivables from financial services comprise claims arising from finance lease contracts and repayment claims from financing loans. The operating lease portfolio is reported under "equipment on operating leases" in the Group's consolidated financial statements. Overdue lease payments from operating lease contracts are recognized in trade receivable.

In addition, the Daimler Financial Services segment is exposed to credit risk from irrevocable loan commitments to retailers and end customers. At December 31, 2012, irrevocable loan commitments of Daimler Financial Services amounted to €990 million (2011: €1,921 million), of which €640 million had a maturity of less than one year (2011: €1,603 million), €176 million had maturities between one and three years (2011: €135 million), €133 million had maturities between three and four years (2011: €27 million) and €41 million had maturities between four and five years (2011: €156 million).

The Daimler Financial Services segment has guidelines at a global as well as at a local level which set the framework for effective risk management. In particular, these rules deal with minimum requirements for all risk-relevant credit processes, the evaluation of customer quality, requests for collateral as well as the treatment of unsecured loans and non-performing claims. The limitation of concentration risks is implemented primarily by means of global limits, which refer to single customer exposures. As of December 31, 2012, exposure to the top 15 customers did not exceed 3.9% (2011: 4.0%) of the total portfolio.

With respect to its financing and lease activities, the Group holds collateral for customer transactions. The value of collateral generally depends on the amount of the financed assets. Usually, the financed vehicles serve as collateral. Furthermore, Daimler Financial Services mitigates the credit risk from financing and lease activities, for example through advance payments from customers.

Scoring systems are applied for the assessment of the default risk of retail and small business customers. Corporate customers are evaluated using internal rating instruments. Both evaluation processes use external credit bureau data if available. The scoring and rating results as well as the availability of security and other risk mitigation instruments, such as pre-payments, guarantees and, to a lower extent, residual debt insurances, are essential elements for credit decisions.

Significant financing loans and finance leases to corporate customers are tested individually for impairment. An individual loan or finance lease is considered impaired when there is objective evidence that the Group will be unable to collect all amounts due as specified by the contractual terms. Examples of objective evidence that loans or finance lease receivables maybe impaired include the following factors: significant financial difficulty of the borrower, a rising probability that the borrower will become bankrupt, delinquency in his installment payments, and restructured or renegotiated contracts to avoid immediate delinquency.

The vast majority of loans and finance lease receivables related to retail or small business customers are grouped into homogeneous pools and collectively assessed for impairment. Objective evidence that loans and finance lease receivables are impaired includes adverse changes in the payment status of the borrowers included in the pool and an unfavorable change in the economic conditions affecting the portfolio with similar risk characteristics.

Within the framework of testing for impairment, existing collateral is generally given due consideration. In that context, any excess collateral of individual customers is not netted of with insufficient collateral of other customers. The maximum credit risk is limited by the fair value of collateral (e.g. financed vehicles).

If single loans and lease receivables are identified to be individually impaired, procedures are initiated to take possession of the asset financed or leased or, alternatively, to renegotiate the impaired contract. Restructuring policies and practices are based on the indicators or criteria which, in the judgment of local management, indicate that repayment will probably continue and that the total proceeds expected to be derived from the renegotiated contract exceed the expected proceeds to be derived from repossession and remarketing.

7.81

Maximum risk positions of financial assets and loan commitments

	See also Note	Maximum risk position 2012	Maximum risk position 2011
In millions of euros			
Liquid assets		16,594	11,857
Receivables from financial services	14	49,060	45,567
Trade receivables	19	7,543	7,849
Derivative financial instruments used in hedge accounting (assets only)	16	1,364	559
Derivative financial instruments not used in hedge accounting (assets only)	16	341	350
Loan commitments	29	1,022	1,960
Other receivables and financial assets	16	2,224	2,115

In southern European countries affected by the developments in the Eurozone, special attention was placed on permanent close monitoring of the risk situation and the adaptation of credit and collection processes to the ongoing developments. Further details on receivables from financial services and the balance of the recorded impairments are also provided in Note 14.

Costs of credit risk have developed to a normal level in a globally stable risk situation. The increase compared to the previous year, when costs of credit risk were extraordinary low, is caused by the fact that in 2011 the development of costs of credit risk was still influenced by the effects of the financial crisis.

Trade receivables. Trade receivables are mostly receivables from worldwide sales activities of vehicles and spare parts. The credit risk from trade receivables encompasses the default risk of customers, e.g. dealers and general distribution companies, as well as other corporate and private customers. Daimler manages its credit risk from trade receivables using appropriate IT applications and databases on the basis of internal guidelines which have to be followed globally.

A significant part of the trade receivables from each country's domestic business is secured by various country-specific types of collateral. This collateral includes conditional sales, guarantees and sureties as well as mortgages and cash deposits. In addition, Group companies guard against credit risk via credit assessments.

For trade receivables from export business, Daimler also evaluates each general distribution company's creditworthiness by means of an internal rating process and its country risk. In this context, the year-end financial statements and other relevant information on the general distribution companies such as payment history are used and assessed.

Depending on the creditworthiness of the general distribution companies, Daimler usually establishes credit limits and limits credit risks with the following types of collateral:

- credit insurances,
- first-class bank guarantees and
- letters of credit.

These procedures are defined in the export credit guidelines, which have Group-wide validity.

Appropriate provisions are recognized for the risks inherent in trade receivables. For this purpose, all receivables are regularly reviewed and impairments are recognized if there is any objective indication of non-performance or other contractual violations. In general, substantial individual receivables and receivables whose realizability is jeopardized are assessed individually. In addition, taking country-specific risks and any collateral into consideration, the other receivables are grouped by similarity of contract and tested for impairment collectively. One important factor for the definition of the provision's level is the immanent country risk.

The immanent country risk of a receivable is an important factor for the determination of the impairment to be recognized.

Further information on trade receivables and the status of impairments recognized is provided in Note 19.

Derivative financial instruments. The Group uses derivative financial instruments exclusively for hedging of financial risks that arise from its commercial business or refinancing activities. Daimler manages the credit risk exposure in connection with derivative financial instruments through a limit system, which is based on the review of each counterparty's financial strength. This system limits and diversifies the credit risk. As a result, Daimler is exposed to credit risk only to a small extent with respect to its derivative financial instruments. In accordance with the Group's risk policy, most derivatives are contracted with counterparties which have an external rating of "A" or better.

Other receivables and financial assets. With respect to other receivables and financial assets in 2012 and 2011, Daimler is exposed to credit risk only to a small extent.

Liquidity risk

Liquidity risk comprises the risk that a company cannot meet its financial obligations in full.

Daimler manages its liquidity by holding adequate volumes of liquid assets and by maintaining syndicated credit facilities in addition to the cash inflows generated by its operating business. Additionally, the possibility to securitize receivables of financial services business (ABS transactions) also reduces the Group's liquidity risk. Liquid assets comprise cash and cash equivalents as well as debt instruments classified as held for sale. The Group can dispose of these liquid assets at short notice.

In general, Daimler makes use of a broad spectrum of financial instruments to cover its funding requirements. Depending on funding requirements and market conditions, Daimler issues commercial paper, bonds and financial instruments secured by receivables in various currencies. In 2012, Daimler had good access to the money and capital markets. Credit lines are also used to cover financing requirements.

In addition, customer deposits at Mercedes-Benz Bank have been used as a further source of refinancing.

The funds raised are primarily used to finance the cash needs of the lease and financing business as well as working capital and capital expenditure requirements. In accordance with internal guidelines, the refunding of the lease and financing business is generally carried out with matching maturities so that financing liabilities have the same maturity profile as the leased assets and the receivables from financial services.

At year-end 2012 liquidity amounted to €16.6 billion (2011: €11.9 billion). In 2012, significant cash outflows resulted from contributions to pension plan assets (see Note 22) and capital contributions to Engine Holding and the joint venture of Daimler Trucks in China. Cash inflows resulted from selling shares of the European Aeronautic Defence and Space Company EADS N.V. (EADS) (see Note 13).

At year-end 2012 the Group had short-term and long-term credit lines totaling €33.7 billion, of which €12.2 billion was not utilized. These credit lines include a syndicated €7.0 billion credit facility of Daimler AG with 5 year tenor which was signed in 2010. This syndicated facility serves as a back-up for commercial paper drawings and provides funds for general corporate purposes. At the end of 2012, this facility was unused.

From an operating point of view, the management of the Group's liquidity exposures is centralized by a daily cash pooling process. This process enables Daimler to manage its liquidity surplus and liquidity requirements according to the actual needs of the Group and each subsidiary. The Group's short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from the operating business.

Information on the Group's financing liabilities is also provided in Note 24.

Table ↗ 7.82 provides an insight into how the future liquidity situation of the Group is affected by the cash flows from liabilities and financial guarantees as of December 31, 2012.

7.82

Liquidity runoff for liabilities and financial guarantees[1]

	Total	2013	2014	2015	2016	2017	≥ 2018
In millions of euros							
Financing liabilities[2]	82,109	34,720	18,719	11,847	4,709	3,886	8,228
Derivative financial instruments[3]	1,398	881	322	111	19	16	49
Trade payables[4]	8,832	8,787	43	2	–	–	–
Other financial liabilities excluding derivatives	7,518	6,070	435	542	226	89	156
Irrevocable loan commitments of the Daimler Financial Services segment and of Daimler AG[5]	1,022	672	–	176	133	41	–
Financial guarantees[6]	968	968	–	–	–	–	–
	101,847	52,098	19,519	12,678	5,087	4,032	8,433

1 The values were calculated as follows:
(a) If the counterparty can request payment at different dates, the liability is included on the basis of the earliest date on which Daimler can be required to pay. The customer deposits of Mercedes-Benz Bank are considered in this analysis to mature within the first year.
(b) The cash flows of floating interest financial instruments are estimated on the basis of forward rates.
2 The stated cash flows of financing liabilities consist of their undiscounted principal and interest payments.
3 The undiscounted sum of the net cash outflows of the derivative financial instruments are shown for the respective year. For single time bands, this may also include negative cash flows from derivatives with an overall positive fair value.
4 The cash outflows of trade payables are undiscounted.
5 The maximum available amounts are stated.
6 The maximum potential obligations under the issued guarantees are stated. It is assumed that the amounts are due within the first year.

Finance market risks

The global nature of its businesses exposes Daimler to significant market risks resulting from fluctuations in foreign currency exchange rates and interest rates. In addition, the Group is exposed to market risks in terms of commodity price risk associated with its business operations, which the Group hedges partially through derivative financial instruments. The Group is also exposed to equity price risk in connection with its investments in listed companies (including EADS, Kamaz, Renault and Nissan). If these market risks materialize, they will adversely affect the Group's financial position, cash flows and profitability.

Daimler manages market risks to minimize the impact of fluctuations in foreign exchange rates, interest rates and commodity prices on the results of the Group and its segments. The Group calculates its overall exposure to these market risks to provide the basis for hedging decisions, which include the selection of hedging instruments and the determination of hedging volumes and the corresponding periods. Decisions regarding the management of market risks resulting from fluctuations in foreign exchange rates, interest rates (asset-/liability management) and commodity prices are regularly made by the relevant Daimler risk management committees.

As part of its risk management system, Daimler employs value at risk. In performing these analyses, Daimler quantifies its market risk exposure to changes in foreign currency exchange rates and interest rates on a regular basis by predicting the maximum loss over a target time horizon (holding period) and confidence level.

The value at risk calculations employed:

- express potential losses in fair values, and
- assume a 99% confidence level and a holding period of five days.

Daimler calculates the value at risk for exchange rate and interest rate risk according to the variance-covariance approach. The value at risk calculation method for commodity hedging instruments is based on the Monte Carlo simulation.

When calculating the value at risk by using the variance-covariance approach, Daimler first computes the current fair value of the Group's financial instruments portfolio. Then the sensitivity of the portfolio value to changes in the relevant market risk factors, such as particular foreign currency exchange rates or interest rates of specific maturities, is quantified. Based on expected volatilities and correlations of these market risk factors which are obtained from the RiskMetrics™ dataset, a statistical distribution of potential changes in the portfolio value at the end of the holding period is computed. The loss which is reached or exceeded with a probability of only 1% can be deduced from this calculation and represents the value at risk.

The Monte Carlo simulation uses random numbers to generate possible changes in market risk factors over the holding period. The changes in market risk factors indicate a possible change in the portfolio value. Running multiple repetitions of this simulation leads to a distribution of portfolio value changes.

The value at risk can be determined based on this distribution as the portfolio value loss which is reached or exceeded with a probability of 1%.

In accordance with the risk management standards of the international banking industry, Daimler maintains its financial controlling system independent of Corporate Treasury and with a separate reporting line.

Exchange rate risk. *Transaction risk and currency risk management.* The global nature of Daimler's businesses exposes cash flows and earnings to risks arising from fluctuations in exchange rates. These risks primarily relate to fluctuations between the US dollar and the euro, which also apply to the export of vehicles to China and between the British pound and the Euro.

In the operating vehicle business, the Group's exchange rate risk primarily arises when revenue is generated in a currency that is different from the currency in which the costs of generating the revenue are incurred (so-called transaction risk). When the revenue is converted into the currency in which the costs are incurred, it may be inadequate to cover the costs if the value of the currency in which the revenue is generated declined in the interim relative to the value of the currency in which the costs were incurred. This risk exposure primarily affects the Mercedes-Benz Cars segment, which generates a major portion of its revenue in foreign currencies and incurs manufacturing costs primarily in euros. The Daimler Trucks segment is also subject to transaction risk, but to a lesser extent because of its global production network. The Mercedes-Benz Vans and Daimler Buses segments are also directly exposed to transaction risk, but only to a minor degree compared to the Mercedes-Benz Cars and Daimler Trucks segments. In addition, the Group is indirectly exposed to transaction risk from its equity-method investments.

Cash inflows and outflows of the business segments are offset if they are denominated in the same currency. This means that the exchange rate risk resulting from revenue generated in a particular currency can be offset by costs in the same currency, even if the revenue arises from a transaction independent of that in which the costs are incurred. As a result, only the net exposure is subject to transaction risk. In addition, natural hedging opportunities exist to the extent that currency exposures of the operating businesses of individual segments offset each other at Group level, thereby reducing overall currency exposure. These natural hedges eliminate the need for hedging to the extent of the matched exposures. To provide an additional natural hedge against any remaining transaction risk exposure, Daimler generally strives to increase cash outflows in the same currencies in which the Group has a net excess inflow.

In order to mitigate the impact of currency exchange rate fluctuations for the operating business (future transactions), Daimler continually assesses its exposure to exchange rate risks and hedges a portion of those risks by using derivative financial instruments. Daimler's Foreign Exchange Committee (FXCo) manages the Group's exchange rate risk and its hedging transactions through currency derivatives. The FXCo consists of representatives of the relevant segments and central functions. The Corporate Treasury department aggregate foreign currency exposures from Daimler's subsidiaries and operative units and carries out the FXCo's decisions concerning foreign currency hedging through transactions with international financial institutions. Risk Controlling regularly informs the Board of Management of the actions taken by Corporate Treasury based on the FXCo's decisions.

The Group's targeted hedge ratios for forecasted operating cash flows in foreign currency are indicated by a reference model. On the one hand, the hedging horizon is naturally limited by uncertainty related to cash flows that lie far in the future; on the other hand, it may also be limited by the fact that appropriate currency contracts are not available. This reference model aims to protect the Group from unfavorable movements in exchange rates while preserving some flexibility to participate in favorable developments. Based on this reference model and depending on the market outlook, the FXCo determines the hedging horizon, which usually varies from one to three years, as well as the average hedge ratios. Reflecting the character of the underlying risks, the hedge ratios decrease with increasing maturities. At year-end 2012, the centralized foreign exchange management showed an unhedged position in the automotive business for the underlying forecasted cash flows in US dollars in calendar year 2013 of 27% and for the underlying forecasted cash flows in British pounds in calendar year 2013 of 26%. The corresponding figures at year-end 2011 for calendar year 2012 were 25% for US dollars and 15% for British pounds. The higher unhedged position compared to last year contributes to a higher exposure of cash flows to currency risk with respect to the US dollar and British pound.

The hedged position of the operating vehicle businesses is influenced by the amount of derivative currency contracts held. The derivative financial instruments used to cover foreign currency exposure are primarily forward foreign exchange contracts and currency options. Daimler's guidelines call for a mixture of these instruments depending on the assessment of market conditions. Value at risk is used to measure the exchange rate risk inherent in these derivative financial instruments.

Table ↗ 7.83 shows the period-end, high, low and average value at risk figures for the 2012 and 2011 portfolios of derivative financial instruments, which were entered into primarily in connection with the operative vehicle businesses. Average exposure has been computed on an end-of-quarter basis. The offsetting transactions underlying the derivative financial instruments are not included in the following value at risk presentation. See also table ↗ 7.80 for the nominal volumes on the balance sheet date of derivative currency instruments entered into to hedge the currency risk from forecasted transactions.

In 2012, the development of the value at risk from foreign currency hedging was mainly driven by the changes of the nominal values and foreign currency volatilities.

The Group's investments in liquid assets or refinancing activities generally are not allowed to result in currency risk. Transaction risks arising from liquid assets or payables in foreign currencies that result from the Group's investment or refinancing on money and capital markets are generally hedged against currency risks at the time of investing or refinancing in accordance with Daimler's internal guidelines. The Group uses appropriate derivative financial instruments (e.g. cross currency interest rate swaps) to hedge against currency risk.

Since currency risks arising from the Group's investment refinancing in foreign currencies and the respective hedging transactions principally offset each other these financial instruments are not included in the value at risk calculation above presented.

Effects of currency translation. For purposes of Daimler's consolidated financial statements, the income and expenses and the assets and liabilities of subsidiaries located outside the euro zone are converted into euros. Therefore, period-to-period changes in average exchange rates may cause translation effects that have a significant impact on, for example, revenue, segment results (earnings before interest and taxes – EBIT) and assets and liabilities of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates. Daimler does not generally hedge against exchange rate translation risk.

Interest rate risk. Daimler uses a variety of interest rate sensitive financial instruments to manage the liquidity and cash needs of its day-to-day operations. A substantial volume of interest rate sensitive assets and liabilities results from the leasing and sales financing business operated by the Daimler Financial Services segment. The Daimler Financial Services companies enter into transactions with customers that primarily result in fixed-rate receivables. Daimler's general policy is to match funding in terms of maturities and interest rates wherever economically feasible. However, for a limited portion of the receivables portfolio in selected and developed markets, the Group does not match funding in terms of maturities in order to take advantage of market opportunities. As a result, Daimler is exposed to risks due to changes in interest rates. In this regard, the Group is not exposed to any liquidity risks.

An asset/liability committee consisting of members of the Daimler Financial Services segment, the Corporate Treasury department and the Corporate Controlling department manages the interest rate risk relating to Daimler's leasing and financing activities by setting targets for the interest rate risk position. The Treasury Risk Management department and the local Daimler Financial Services companies are jointly responsible for achieving these targets. As a separate function, the Daimler Financial Services Risk Management department monitors target achievement on a monthly basis. In order to achieve the targeted interest rate risk positions in terms of maturities and interest rate fixing periods, Daimler also uses derivative financial instruments, such as interest rate swaps. Daimler assesses its interest rate risk position by comparing assets and liabilities for corresponding maturities, including the impact of the relevant derivative financial instruments.

Derivative financial instruments are also used in conjunction with the refinancing related to the industrial business. Daimler coordinates the funding activities of the industrial and financial services businesses at the Group level.

Table ↗ 7.84 shows the period-end, high, low and average value at risk figures for the 2012 and 2011 portfolio of interest rate sensitive financial instruments and derivative financial instruments of the Group, including the derivative financial instruments of the leasing and sales financing business. In this respect, the table shows the interest rate risk regarding the unhedged position of interest rate sensitive financial instruments. The average values have been computed on an end-of-quarter basis.

In the course of last year the development of the value at risk for interest rate sensitive financial instruments was primarily determined by the development of interest rate volatilities for the euro and US dollar currency areas.

Commodity price risk. Daimler is exposed to the risk of changes in commodity prices in connection with procuring raw materials and manufacturing supplies used in production. A not insignificant share of the raw material price risk, primarily relating to forecasted procurement of certain metals, is mitigated with the use of derivative financial instruments.

For precious metals, central commodity management shows an unhedged position of 29% of the forecasted commodity purchases at year-end 2012 for calendar year 2013. The corresponding figure at year-end 2011 was 24% for calendar year 2012.

Table ↗ 7.85 shows the period-end, high, low and average value at risk figures for the 2012 and 2011 portfolio of derivative financial instruments used to hedge raw material price risk. Average exposure has been computed on an end-of-quarter basis. The offsetting transactions underlying the derivative financial instruments are not included in the following value at risk presentation. See also table ↗ 7.80 for the nominal volumes on the balance sheet date of derivative commodity price hedges.

Compared to the previous year the value at risk has been reduced. The main reason for this development was the declining volatility in the respective commodities.

Equity price risk. Daimler predominantly holds investments in shares of companies, such as EADS, Kamaz, Renault and Nissan, which are classified as long-term investments or which are accounted for using the equity method. Therefore, the Group does not include these investments in its equity price risk assessment.

In connection with the takeover of Tognum AG by Engine Holding GmbH (Engine Holding), Rolls-Royce has granted Daimler AG the right to exercise a put option on the shares it holds in Engine Holding (see also Note 13). As this option hedges the value of Daimler's investment in Engine Holding, this derivative financial instrument is also excluded from the analysis of market risk.

7.83
Value at risk for exchange rate risk

	2012				2011			
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Exchange rate risk (from derivative financial instruments)	510	821	510	652	651	651	385	563

7.84
Value at risk for interest rate risk

	2012				2011			
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Interest rate risk	33	53	33	43	60	78	29	50

7.85
Value at risk for commodity price risk

	2012				2011			
	Period-end	High	Low	Average	Period-end	High	Low	Average
In millions of euros								
Commodity price risk (from derivative financial instruments)	53	60	53	56	94	115	45	79

32. Segment reporting

Reportable segments. The reportable segments of the Group are Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Financial Services. The segments are largely organized and managed separately according to nature of products and services provided, brands, distribution channels and profile of customers.

The vehicle segments develop and manufacture passenger cars and off-road vehicles, trucks, vans and buses. Mercedes-Benz Cars sells its passenger cars and off-road vehicles under the brand names Mercedes-Benz, smart and Maybach. Daimler Trucks distributes its trucks under the brand names Mercedes-Benz, Freightliner, Western Star, BharatBenz, Thomas Built Buses and Fuso. The vans of the Mercedes-Benz Vans segment are primarily sold under the brand name Mercedes-Benz. Daimler Buses sells completely built-up buses under the brand names Mercedes-Benz and Setra. In addition, Daimler Buses produces and sells bus chassis. The vehicle segments also sell related spare parts and accessories.

The Daimler Financial Services segment supports the sales of the Group's vehicle segments worldwide. Its product portfolio mainly comprises tailored financing and leasing packages for customers and dealers. The segment also provides services such as insurance, fleet management, investment products and credit cards.

Management reporting and controlling systems. The Group's management reporting and controlling systems principally use accounting policies that are the same as those described in Note 1 in the summary of significant accounting policies under IFRS.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as "EBIT" in our management and reporting system.

EBIT is the measure of segment profit/loss used in segment reporting and comprises gross profit, selling and general administrative expenses, research and non-capitalized development costs, other operating income and expense, and our share of profit/loss from investments accounted for using the equity method, net, as well as other financial income/expense, net.

Intersegment revenue is generally recorded at values that approximate third-party selling prices.

Segment assets principally comprise all assets. The industrial business segments' assets exclude income tax assets, assets from defined pension benefit plans and other post-employment benefit plans and certain financial assets (including liquidity).

Segment liabilities principally comprise all liabilities. The industrial business segments' liabilities exclude income tax liabilities, liabilities from defined pension benefit plans and other post-employment benefit plans and certain financial liabilities (including financing liabilities).

Pursuant to risk sharing agreements between Daimler Financial Services and the respective vehicle segments the residual value risks associated with the Group's operating leases and its finance lease receivables are primarily borne by the vehicle segments that manufactured the leased equipment. The terms of the risk sharing arrangement vary by segment and geographic region.

Non-current assets comprise of intangible assets, property, plant and equipment and equipment on operating leases.

Capital expenditures for property, plant and equipment and intangible assets reflect the cash effective additions to these property, plant and equipment and intangible assets as far as they do not relate to capitalized borrowing costs or goodwill and finance leases.

The effects of certain legal proceedings are excluded from the operative results and liabilities of the segments, if such items are not indicative of the segments' performance, since their related results of operations may be distorted by the amount and the irregular nature of such events. This may also be the case for items that refer to more than one reportable segment.

If the Group hedges investments in associated companies for strategic reasons, the related financial assets and earnings effects are generally not allocated to the segments. They are included in the reconciliation to Group figures as corporate items.

With respect to information about geographical regions, revenue is allocated to countries based on the location of the customer; non-current assets are disclosed according to the physical location of these assets.

Table ↗ 7.86 presents segment information as of and for the years ended December 31, 2012 and 2011.

7.86

Segment information

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total Segments	Recon-ciliation	Consoli-dated
In millions of euros								
2012								
Revenue	59,829	29,085	8,731	3,866	12,786	114,297	–	114,297
Intersegment revenue	1,831	2,304	339	63	764	5,301	-5,301	–
Total revenue	61,660	31,389	9,070	3,929	13,550	119,598	-5,301	114,297
Segment profit (EBIT)	4,389	1,714	541	-232	1,292	7,704	911	8,615
thereof share of profit/loss from investments accounted for using the equity method	-4	72	-79	1	-16	-26	1,016	990
thereof expenses from compounding of provisions and changes in discount rates	-342	-120	-46	-14	-4	-526	-17	-543
Segment assets	43,628	21,371	5,129	3,230	85,496	158,854	4,124	162,978
thereof investments accounted for using the equity method	662	2,185	1	5	13	2,866	1,780	4,646
Segment liabilities	28,138	10,612	3,833	2,255	79,343	124,181	-6,713	117,468
Additions to non-current assets	10,254	2,236	988	365	7,564	21,407	-32	21,375
thereof capital expenditures for intangible assets	1,334	265	173	27	30	1,829	1	1,830
thereof capital expenditures for property, plant and equipment	3,495	989	223	82	23	4,812	15	4,827
Depreciation and amortization of non-current assets	3,490	1,356	387	178	2,474	7,885	-5	7,880
thereof amortization of intangible assets	835	245	78	12	11	1,181	-1	1,180
thereof depreciation of property, plant and equipment	1,860	799	141	75	14	2,889	-2	2,887

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total Segments	Recon-ciliation	Consoli-dated
In millions of euros								
2011								
Revenue	55,565	26,405	8,835	4,347	11,388	106,540	–	106,540
Intersegment revenue	1,845	2,346	344	71	692	5,298	-5,298	–
Total revenue	57,410	28,751	9,179	4,418	12,080	111,838	-5,298	106,540
Segment profit (EBIT)	5,192	1,876	835	162	1,312	9,377	-622	8,755
thereof share of profit/loss from investments accounted for using the equity method	87	32	-8	1	-13	99	174	273
thereof expenses from compounding of provisions and changes in discount rates	-135	-51	-21	-7	-3	-217	-8	-225
Segment assets	39,888	20,977	4,918	3,271	75,624	144,678	3,454	148,132
thereof investments accounted for using the equity method	482	1,603	66	4	30	2,185	2,476	4,661
Segment liabilities	28,113	10,978	3,890	2,111	70,251	115,343	-8,548	106,795
Additions to non-current assets	8,850	2,358	864	367	6,252	18,691	-47	18,644
thereof capital expenditures for intangible assets	1,174	344	148	37	16	1,719	-1	1,718
thereof capital expenditures for property, plant and equipment	2,724	1,201	109	103	21	4,158	–	4,158
Depreciation and amortization of non-current assets	3,142	1,097	391	155	2,095	6,880	65	6,945
thereof amortization of intangible assets	737	171	74	10	10	1,002	1	1,003
thereof depreciation of property, plant and equipment	1,685	657	151	67	12	2,572	–	2,572

7.87

Reconciliation to Group figures

	2012	2011
In millions of euros		
Total segments' profit/loss (EBIT)	7,704	9,377
Share of profit/loss from investments accounted for using the equity method[1]	1,016	174
Other corporate items	-113	-619
Eliminations	8	-177
Group EBIT	8,615	8,755
Interest income	828	955
Interest expense	-1,725	-1,261
Profit/loss before income taxes	7,718	8,449
Total segments' assets	158,854	144,678
Investments accounted for using the equity method[1]	1,780	2,476
Income tax assets[2]	2,200	2,575
Unallocated financial assets (including liquidity) and assets from defined benefit plans[2]	13,843	10,459
Other corporate items and eliminations	-13,699	-12,056
Group assets	162,978	148,132
Total segments' liabilities	124,181	115,343
Income tax liabilities[2]	1,627	2,551
Unallocated financial liabilities and liabilities from defined benefit plans[2]	6,173	1,672
Other corporate items and eliminations	-14,513	-12,771
Group liabilities	117,468	106,795

1 Includes mainly the Group's proportionate share in the investment and results of EADS. For further information see Note 13.
2 Industrial business

Daimler Trucks. In 2011, the Group recorded an impairment loss of €32 million with respect to its investment in Kamaz. The loss is included in the Daimler Trucks segment's EBIT.

Mercedes-Benz Vans. In 2012, the Group recognized an impairment charge on the equity investment in FBAC in the amount of €64 million: the loss is included in Mercedes-Benz Vans segment's EBIT.

Daimler Buses. In the first half of 2012, Daimler Buses decided to restructure some sections of its business system in Europe and North America. Expenses recorded in this regard amounted to €155 million in 2012, of which €28 million was already cash effective (see also Note 5).

Daimler Financial Services. In 2010, the Board of Management decided to restructure the business activities of Daimler Financial Services AG and Mercedes-Benz Bank AG in Germany by the end of 2012. In 2012, cash outflows of €30 million resulted from these original measures (2011: €25 million). Furthermore, ongoing expenses and income affected earnings in 2012 and in the previous year (see also Note 5).

Reconciliations. Reconciliations of the total segment amounts to respective items included in financial statements are presented in table ↗ 7.87.

The reconciliation includes corporate items for which headquarters are responsible. Transactions between the segments are eliminated in the context of consolidation and the eliminated amounts are included in the reconciliation.

In 2012, the reconciliation to Group EBIT includes in the line item "Share of profit/loss from investments accounted for using the equity method" mainly profit from the sale of EADS shares in the amount of €709 million.

In 2011, the line item "Other corporate items" within the reconciliation to Group EBIT mainly comprises an impairment charge on the equity investment in Renault (€110 million) and expenses in connection with legal proceedings. In addition, in 2011, further expenses were incurred at corporate level some of which relate to IT projects and compliance activities.

Revenue and non-current assets by region. Revenue from external customers by region is shown in table ↗ 7.88.

The split of non-current assets by region is included in table ↗ 7.89.

33. Capital management

"Net assets" and "value added" represent the basis for capital management at Daimler. The assets and liabilities of the segments in accordance with IFRS provide the basis for the determination of net assets at Group level. The industrial segments are accountable for the operational net 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 additionally include assets and liabilities from income taxes as well as other corporate items and eliminations.

The average annual net assets are calculated from the average quarterly net assets. The average quarterly net assets are calculated as an average of the net assets at the beginning and the end of the quarter and are shown in table ↗ 7.90.

The cost of capital of the Group's average net assets is reflected in "value added." Value added shows to which extent the Group achieves or exceeds the minimum return requirements of the shareholders and creditors, thus creating additional value. The required rate of return on net assets, and thus the cost of capital, are derived from the minimum rates of return that investors expect on their invested capital. The Group's cost of capital comprises the cost of equity as well as the costs of debt and pension obligations of the industrial business; in addition, the expected returns on liquidity and on the plan assets of the pension funds of the industrial business are considered with the opposite sign. In the reporting period, the cost of capital used for our internal capital management amounted to 8% after taxes.

The objective of capital management is to increase value added among other things by optimizing the cost of capital. This is achieved on the one hand by the management of the net assets, for instance by optimizing working capital, which is in the operational responsibility of the segments. In addition, taking into account legal regulations, Daimler strives to optimize the capital structure and, consequently, the cost of capital under cost and risk aspects. Examples for this include a balanced relationship between equity and financial liabilities as well as an appropriate level of liquidity, oriented towards the operational requirements.

7.88
Revenue by region

	2012	2011
In millions of euros		
Western Europe	39,377	39,387
thereof Germany	19,722	19,753
United States	27,233	22,222
Other American countries	9,734	10,232
Asia	25,126	22,643
thereof China	10,782	11,093
Other countries	12,827	12,056
	114,297	106,540

7.89
Non-current assets by region

	2012	2011
In millions of euros		
Germany	29,889	27,272
United States	13,889	12,168
Other countries	11,764	10,810
	55,542	50,250

7.90
Average net assets

	2012	2011
In millions of euros		
Mercedes-Benz Cars	13,947	11,814
Daimler Trucks	10,987	9,000
Mercedes-Benz Vans	1,284	1,212
Daimler Buses	1,141	1,161
Daimler Financial Services[1]	5,890	5,147
Net assets of the segments	33,249	28,334
Investments accounted for using the equity method[2]	2,408	2,643
Assets and liabilities from income taxes[3]	-80	-385
Other corporate items and eliminations[3]	808	834
Net assets Daimler Group	36,385	31,426

1 Equity
2 Unless allocated to segments
3 Industrial business

34. Earnings per share

The computation of basic and diluted earnings per share for net profit attributable to shareholders of Daimler AG is included in table ↗ 7.91.

The computations of diluted earnings per share for 2012 and 2011 do not include stock options for the acquisition of 2.3 million and 1.4 million Daimler ordinary shares, respectively, that were issued in connection with the stock option plan, because the options' underlying exercise prices were higher than the average market prices of Daimler ordinary shares in those periods.

7.91
Earnings per share

	2012	2011
In millions of euros		
Profit attributable to shareholders of Daimler AG – basic	6,095	5,667
Diluting effects in net profit	–	–
Profit attributable to shareholders of Daimler AG – diluted	6,095	5,667
In millions of shares		
Weighted average number of shares outstanding – basic	1,066.8	1,066.0
Dilutive effect of stock options	0.3	1.1
Weighted average number of shares outstanding – diluted	1,067.1	1,067.1

35. Related party relationships

Associated companies and joint ventures. Most of the goods and services supplied within the ordinary course of business between the Group and related parties comprise transactions with associated companies and joint ventures and are included in table ↗ 7.92.

A large proportion of the sales and purchases of goods and services with associated companies results from business relations with MBtech Group GmbH & Co. KGaA (MBtech Group), Engine Holding GmbH (Engine Holding) and/or Tognum AG (Tognum), which is a subsidiary of Engine Holding. Tognum purchases engines, parts and services from the Group.

After the sale of 65% shares of MBtech Group, the company is reported as an associated company as of December 31, 2012. MBtech Group develops, integrates and tests components, systems, modules and vehicles worldwide.

In June 2011, Daimler closed the sale of its equity interest in DADC Luft- und Raumfahrt Beteiligungs AG (DADC) to EADS for €110 million in cash. DADC is a holding company which primarily holds the shares in Dornier GmbH. This sale resulted in a gain of €29 million in 2011, which is included in table ↗ 7.92.

Transactions with joint ventures predominantly comprise the business relationship with Beijing Benz Automotive Co., Ltd. (BBAC). BBAC assembles and distributes Mercedes-Benz vehicles for the Group in China. To enable the Group to fully exploit the huge growth potential of the Chinese market and to intensify the cooperation with its local partner, Beijing Automotive Group Co., Ltd., Daimler has invested €0.3 billion in the joint venture BBAC and plans to additionally invest approximately €1.4 billion.

In December 2012, the joint venture company Beijing Mercedes-Benz Sales Services Co., Ltd. (BMBS) was established by Daimler and its strategic partner Beijing Automotive Group (BAIC). The new car sales company bundles as a Management-Company all sales activities for imported and locally produced Mercedes-Benz cars in China.

In December 2011, the joint venture company Beijing Foton Daimler Automotive Co., Ltd. was established by Daimler and the Chinese truck manufacturer Beiqi Foton Motor Co., Ltd. (BFDA). Daimler has committed to making a cash contribution to the joint venture company and to establishing the production of a truck engine at BFDA. In 2012, capital of €344 million was injected.

Further significant sales and purchases of goods and services relate to a joint venture in Austria, which distributes cars and spare parts of the Group. The Group also has substantial business relations with the Chinese joint venture Fujian Benz Automotive Co., Ltd. (FBAC). FBAC produces and distributes vans under the Mercedes-Benz brand name in China.

The joint ventures Mercedes-Benz Trucks Vostok OAO and Fuso Kamaz Trucks Rus Ltd., which have been established with Kamaz OAO, another of the Group's associated companies, commenced most of their business activities in 2010. These joint ventures produce and distribute trucks of the Mercedes-Benz and Fuso brands in Russia. Furthermore, buses of the Mercedes-Benz and Setra brands are sold in Russia. In addition, at the end of 2010, Daimler signed a memorandum of understanding with Kamaz to produce axles in a joint venture in Russia.

As part of their strategic partnership, Daimler and Russian truck manufacturer Kamaz signed a contract in November 2012 covering the supply of engines and axles for the Russian company's trucks and buses. In this way, the Group plans to expand its component network in Russia.

In connection with the Group's 45% equity interest in Toll Collect GmbH, Daimler has provided a number of guarantees for Toll Collect, which are not included in table ↗ 7.92 (€110 million as of December 31, 2012 and €105 million as of December 31, 2011). See Note 29 for further information.

Board members. Throughout the world, the Group has business relationships with numerous entities that are customers and/or suppliers of the Group. Those customers and/or suppliers include companies that have a connection with some of the members of the Board of Management or of the Supervisory Board and close family members of these board members of Daimler AG or its subsidiaries.

Board of Management and Supervisory Board members and close family members of these board members may also purchase goods and services from Daimler AG or its subsidiaries as customers. When such business relationships exist, transactions are concluded on the basis of customary market conditions.

For information on the remuneration of board members, see Note 36.

Contributions to plan assets. In 2012 and 2011, the Group made contributions of €1,084 million (2011: €2,053 million) to its external funds to cover pension and other post-employment benefits. For further information, see also Note 22.

7.92

Transactions with associated companies and joint ventures

	Sales of goods and services and other income		Purchases of goods and services and other expense		Receivables At December 31,		Payables At December 31,	
	2012	2011	2012	2011	2012	2011	2012	2011
In millions of euros								
Associated companies	811	789	425	197	212	239	69	46
Joint ventures	2,695	2,825	360	418	627	526	21	24

36. Remuneration of the members of the Board of Management and the Supervisory Board

Remuneration granted to the members of the Board of Management and the Supervisory Board affecting net profit for the year ended December 31 was as presented in table ↗ 7.93.

7.93

Remuneration of the members of the Board of Management and the Supervisory Board

	2012	2011
In millions of euros		
Remuneration granted to the members of the Board of Management		
Fixed remuneration	7.5	7.4
Short-term variable remuneration	4.7	6.4
Mid-term variable remuneration	4.0	6.4
Variable remuneration with a long-term incentive effect	20.2	8.9
Post-employment benefits (service cost)	2.4	2.2
Termination benefits	–	–
	38.8	31.3
Remuneration granted to the members of the Supervisory Board	3.0	3.0
	41.8	34.3

7.94

Principal accountant fees

	2012	2011
In millions of euros		
Annual audit	24	27
thereof in Germany	10	12
Other attestation services	15	18
thereof in Germany	9	12
Tax consulting services	.	.
thereof in Germany	.	.
Other services	4	4
thereof in Germany	3	3
	43	49

Expenses for variable remuneration with long-term incentive effect, as shown in table ↗ 7.93, result from the ongoing measurement at fair value at each balance sheet date of all rights granted and not yet forfeited under the Performance Phantom Share Plans (PPSP). In addition, the measurement at their intrinsic values of the stock options granted in 2004 is included. In 2012, the active members of the Board of Management were granted 242,332 (2011: 176,064) phantom shares in connection with the PPSP; the fair value of these phantom shares at the grant date was €11.4 million (2011: €8.8 million). According to Section 314 Subsection 1 Number 6a of the German Commercial Code (HGB) the overall remuneration granted to the members of the Board of Management, excluding service cost resulting from entitlements to post-employment benefits, amounted to €28.2 million (2011: €29.0 million). For additional information on share-based payment of the members of the Board of Management see Note 21.

The members of the Supervisory Board are solely granted short-term benefits for their board and committee activities, except for remuneration and other benefits paid to those members representing the employees in accordance with their contracts of employment. No remuneration was paid for services provided personally beyond board and committee activities, in particular for advisory or agency services, in 2012 or 2011.

No advances or loans were made to members of the Board of Management or members of the Supervisory Board of Daimler AG.

The payments made in 2012 to former members of the Board of Management of Daimler AG and their survivors amounted to €15.4 million (2011: €13.9 million). The pension provisions for former members of the Board of Management and their survivors amounted to €225.9 million as of December 31, 2012 (2011: €195.9 million).

Information regarding the remuneration of the members of the Board of Management and of the Supervisory Board is disclosed on an individual basis in the Remuneration Report, which is part of the Management Report.
Management Report from page 119

37. Principal accountant fees

The components of principal accountant fees for services of KPMG are included in table ↗ 7.94.

The annual audit fees are for the audit of the consolidated financial statements and the company financial statements of Daimler AG and all subsidiaries included in the Group's consolidated financial statements. Fees for other attestation services relate in particular to the review of the interim IFRS financial statements. This item also includes audits of the internal-control system as well as project-related audits performed in the context of the introduction of IT systems and other voluntary audits.

38. Subsequent events

On February 1, 2013, Daimler, Beijing Automotive Group Co., Ltd. (BAIC Group) and BAIC Motor Corporation Ltd. (BAIC Motor) signed a binding agreement according to which Daimler will to invest approximately €0.6 billion in BAIC Motor. BAIC Motor is the passenger car unit of BAIC Group, one of the leading automotive companies in China. The investment will take place through the issuance of new shares to Daimler representing a twelve percent stake in BAIC Motor. Daimler's shareholding in BAIC Motor is subject to the approval of the relevant authorities. The approvals for the closing of the transaction will require at least nine months. The agreement includes the stipulation that Daimler will receive two seats on the board of directors of BAIC Motor. Furthermore, the two companies agreed that BAIC Motor will increase its stake in the joint venture Beijing Benz Automotive Co., Ltd. (BBAC) by 1% to 51%. At the same time, Daimler will increase its stake in the integrated sales joint venture Beijing Mercedes-Benz Sales Service Co., Ltd. by 1% to 51%. Daimler will determine the effects on the Group's consolidated financial statements; a reliable estimate of the effects cannot be made at present.

The Group has announced workforce adjustments for the Daimler Trucks segment in Germany, the United States and Brazil. It is assumed that approximately up to 1,300 employees will be laid off in the area of production in the United States, while approximately 1,400 production employees in Brazil will be reemployed following in the current layoff. In non-productive areas, reductions of approximately 800 jobs are expected in Germany and of approximately 850 jobs in Brazil. Discussions with employee representatives are continuing. The effects on the consolidated financial statements can only be calculated after the relevant decisions have been made.

39. Additional information

German Corporate Governance Code. The Board of Management and the Supervisory Board of Daimler AG have issued a declaration pursuant to Section 161 of the German Stock Corporation Act and have made it permanent available to their shareholders on Daimler's website at http://www.daimler.com/company/organization-and-management/corporate-governance/declaration.

Third-party companies. At December 31, 2012, the Group was a shareholder of the companies included in table ↗ 7.95 that meet the criteria of a significant third-party company as defined by the German Corporate Governance Code.

7.95
Third-party companies

Name of the company	Renault SA[2]	Nissan Motor Company Ltd.[3]
Headquarters of the company	Boulogne-Billancourt, France	Tokyo, Japan
Equity interest in %[1]	3.1	3.1
Total equity in millions of euros	24,292	28,721
Net profit in millions of euros	1,772	3,137

1 As of December 31, 2012.
2 Based on IFRS consolidated financial statements for the year ended December 31, 2012.
3 Based on national consolidated financial statements for the year ended March 31, 2012.

Information on investments. The statement of investments of Daimler AG pursuant to Sections 285 and 313 of the German Commercial Code (HGB) is presented on pages 266 ff. ↗ 7.96 Information on equity and earnings is omitted pursuant to Section 286 Subsection 3 Sentence 1 No. 1 of the HGB if such information is of minor relevance for a fair presentation of the financial position, cash flows and profitability of Daimler AG. In addition, it is indicated in the statement of investments (footnote 7) which consolidated companies are exempt pursuant to Section 264 Subsection 3 or Section 264b of the HGB from the requirement to disclose their financial statements or to prepare a management report or notes to their financial statements. The consolidated financial statements of Daimler AG releases those subsidiaries from those requirements.

7.96
Statement of investments of Daimler AG

Name of the Company	Domicile, Country	Capital share in %[1]	Equity in millions of €	Net income (loss) in millions of €	Footnote
A. Subsidiaries					
I. Consolidated companies					
Anlagenverwaltung Daimler AG & Co. OHG Berlin	Schönefeld, Germany	100.00	307	20	7
Atlantic Detroit Diesel Allison, LLC	Detroit, USA	100.00	–	–	
Atlantis Foundries (Pty.) Ltd.	Atlantis Industria, Republic of South Africa	100.00	–	–	
Axle Alliance Company LLC	Detroit, USA	100.00	–	–	
Banco Mercedes-Benz do Brasil S.A.	São Paulo, Brazil	100.00	449	40	10
Belerofonte Empreendimentos Imobiliários Ltda.	São Paulo, Brazil	100.00	–	–	
BlackStar InvestCo LLC	Wilmington, USA	100.00	–	–	
Brooklands Estates Management Limited	Milton Keynes, United Kingdom	100.00	–	–	
car2go Canada Ltd.	Vancouver, Canada	100.00	–	–	
car2go Deutschland GmbH	Esslingen, Germany	100.00	–	–	
car2go Europe GmbH	Esslingen, Germany	75.00	–	–	
car2go Italia S.r.L.	Milan, Italy	100.00	–	–	
car2go N.A. LLC	Austin, USA	100.00	5	-16	
car2go Nederland B.V.	Amsterdam, Netherlands	100.00	–	–	
car2go Österreich GmbH	Vienna, Austria	100.00	–	–	
car2go UK Ltd.	Birmingham, United Kingdom	100.00	–	–	
CARS Technik & Logistik GmbH	Wiedemar, Germany	100.00	–	–	7, 8
Chrysler do Brasil Ltda.	São Bernardo do Campo, Brazil	100.00	–	–	
CLIDET NO 1048 (Proprietary) Limited	Centurion, Republic of South Africa	100.00	–	–	
Comercial Mercedes-Benz, S.A.	Madrid, Spain	100.00	–	–	
Commercial Vehicles of South Florida Inc.	Pompano Beach, USA	100.00	–	–	
Conemaugh Hydroelectric Projects, Inc.	Farmington Hills, USA	100.00	–	–	
Coventry Lane Holdings, L.L.C.	Farmington Hills, USA	100.00	–	–	
DAF Investments, Ltd.	Farmington Hills, USA	100.00	–	–	
Daimler AC Leasing, d.o.o.	Ljubljana, Slovenia	52.00	–	–	
Daimler Aerospace GmbH & Co. KG	Stuttgart, Germany	50.00	1,699	82	16
Daimler AG & Co. Wertpapierhandel OHG	Schönefeld, Germany	100.00	2,845	14	7, 9
Daimler Australia/Pacific Pty. Ltd.	Mulgrave, Australia	100.00	115	42	12
Daimler Automotive de Venezuela C.A.	Valencia, Venezuela	100.00	–	–	
Daimler Aviation South Africa (Pty) Ltd.	Pretoria, Republic of South Africa	100.00	–	–	
Daimler Belgium Financial Company S.A.	Brussels, Belgium	100.00	–	–	4
Daimler Buses North America Inc.	Oriskany, USA	100.00	22	-10	
Daimler Buses North America Ltd.	Mississauga, Canada	100.00	-9	-55	
Daimler Buses North Carolina LLC	Greensboro, USA	100.00	–	–	
Daimler Canada Finance Inc.	Montreal, Canada	100.00	222	12	12
Daimler Canada Investments Company	Halifax, Canada	100.00	–	–	
Daimler Capital Services LLC	Farmington Hills, USA	100.00	–	–	
Daimler Colombia S. A.	Bogota, Colombia	100.00	–	–	
Daimler Coordination Center SCS	Brussels, Belgium	100.00	650	3	4, 14
Daimler Credit Realvest, Inc.	Farmington Hills, USA	100.00	–	–	
Daimler Export and Trade Finance GmbH	Berlin, Germany	100.00	–	–	7, 8
Daimler Finance North America LLC	Montvale, USA	100.00	–	–	
Daimler Financial Services AG	Stuttgart, Germany	100.00	1,215	–	7, 8, 10
Daimler Financial Services India Private Limited	Perungudi, India	100.00	–	–	
Daimler Financial Services Japan Co., Ltd.	Tokyo, Japan	100.00	–	–	
Daimler Financial Services México, S. de R.L. de C.V.	Mexico City, Mexico	100.00	141	33	12
Daimler Financial Services, S.A. de C.V., S.O.F.O.M., E.N.R.	Mexico City, Mexico	100.00	–	–	
Daimler Fleet Management GmbH	Stuttgart, Germany	100.00	1	–	7, 8, 10
Daimler Fleet Management Singapore Pte. Ltd.	Singapore, Singapore	100.00	–	–	
Daimler Fleet Management South Africa (Pty.) Ltd.	Centurion, Republic of South Africa	65.00	17	13	10
Daimler Fleet Management UK Limited	Milton Keynes, United Kingdom	100.00	–	–	
Daimler Fleet Services A.S.	Esenyurt Istanbul, Turkey	100.00	–	–	
Daimler India Commercial Vehicles Private Limited	Chennai, India	100.00	219	-23	17
Daimler Insurance Agency LLC	Farmington Hills, USA	100.00	–	–	
Daimler Insurance Services GmbH	Berlin, Germany	100.00	–	–	7, 8

Name of the Company	Domicile, Country	Capital share in %[1]	Equity in millions of €	Net income (loss) in millions of €	Footnote
Daimler Insurance Services UK Limited	Milton Keynes, United Kingdom	100.00	–	–	
Daimler International Finance B.V.	Utrecht, Netherlands	100.00	42	-12	10
Daimler Investments US Corporation	Montvale, USA	100.00	12,038	206	12
Daimler Luft- und Raumfahrt Holding AG	Ottobrunn, Germany	100.00	3,445	–	8
Daimler Manufactura, S.A. de C.V.	Mexico City, Mexico	100.00	–	–	
Daimler Meridian Corporation	Farmington Hills, USA	100.00	–	–	
Daimler Mexico, S.A. de C.V.	Mexico City, Mexico	100.00	401	88	
Daimler Middle East & Levant FZE	Dubai, Dubai U.A.E.	100.00	–	–	
Daimler Mobility Services GmbH	Ulm, Germany	100.00	8	–	7, 8, 12
Daimler Motors Investments LLC	Farmington Hills, USA	100.00	–	–	
Daimler North America Corporation	Montvale, USA	100.00	4,859	176	12
Daimler North America Finance Corporation	Newark, USA	100.00	33,291	406	12
Daimler Northeast Asia Ltd.	Beijing, PR China	100.00	203	31	10
Daimler Northeast Asia Parts Trading and Services Co., Ltd.	Beijing, PR China	100.00	66	29	10
Daimler Re Brokers GmbH	Berlin, Germany	74.90	–	–	7, 8
Daimler Re Insurance S.A. Luxembourg	Luxembourg, Luxembourg	100.00	–	–	
Daimler Real Estate GmbH	Berlin, Germany	100.00	–	–	7, 8
Daimler Retail Receivables LLC	Farmington Hills, USA	100.00	–	–	
Daimler Servicios Corporativos Mexico S. de R.L. de C.V.	Mexico City, Mexico	100.00	–	–	
Daimler South East Asia Pte. Ltd.	Singapore, Singapore	100.00	96	85	12
Daimler Tractocamiones S. de R.L. de C.V.	Mexico City, Mexico	100.00	–	–	
Daimler Trucks Canada Ltd.	Mississauga, Canada	100.00	–	–	
Daimler Trucks Korea Ltd.	Seoul, Republic of Korea	100.00	–	–	
Daimler Trucks North America LLC	Portland, USA	100.00	888	615	11
Daimler Trucks Remarketing Corporation	Portland, USA	100.00	–	–	
Daimler Trust Holdings LLC	Farmington Hills, USA	100.00	–	–	
Daimler Trust Leasing Conduit LLC	Farmington Hills, USA	100.00	–	–	
Daimler Trust Leasing LLC	Farmington Hills, USA	100.00	–	–	
Daimler UK Ltd.	Milton Keynes, United Kingdom	100.00	416	4	
Daimler Vans Hong Kong Limited	Hong Kong, PR China	67.55	–	–	
Daimler Vans Manufacturing, LLC	Ladson, USA	100.00	–	–	
Daimler Vans USA, LLC	Montvale, USA	100.00	–	–	
Daimler Vehicle Innovations USA, LLC	Montvale, USA	100.00	-73	-21	12
Daimler Vehículos Comerciales Mexico S. de R.L. de C.V.	Mexico City, Mexico	100.00	214	39	10
Daimler Vermögens- und Beteiligungsgesellschaft mbH	Stuttgart, Germany	100.00	8,687	–	7, 8
Daimler Verwaltungsgesellschaft für Grundbesitz mbH	Schönefeld, Germany	100.00	3,697	–	7, 8
Daimler Vorsorge und Versicherungsdienst GmbH	Berlin, Germany	100.00	–	–	7, 8
Daimspain S.L.	Alcobendas, Spain	100.00	1,414	38	
Daiprodco Mexico S. de R.L. de C.V.	Mexico City, Mexico	100.00	–	–	
Dalmatian Corporation	Ladson, USA	100.00	–	–	
DCS UTI LLC, Mercedes Series	Farmington Hills, USA	100.00	–	–	
debis Financial Services Co., Ltd.	Tokyo, Japan	100.00	–	–	
Detroit Diesel Corporation	Detroit, USA	100.00	–	–	
Detroit Diesel Overseas Corporation	Detroit, USA	100.00	–	–	
Detroit Diesel Realty, Inc.	Detroit, USA	100.00	–	–	
Detroit Diesel Remanufacturing LLC	Detroit, USA	100.00	–	–	
Detroit Diesel Remanufacturing Mexicana, S. de R.L. de C.V.	Toluca, Mexico	100.00	–	–	
Detroit Diesel-Allison de Mexico, S.A. de C.V.	San Juan Ixtacala, Mexico	100.00	–	–	
Deutsche Accumotive GmbH & Co. KG	Kirchheim unter Teck, Germany	90.00	60	-12	
DLRH Zwischenholding GmbH & Co. KG	Stuttgart, Germany	100.00	–	–	
EHG Elektroholding GmbH	Stuttgart, Germany	100.00	1,130	–	7, 8
EvoBus (Schweiz) AG	Kloten, Switzerland	100.00	–	–	
EvoBus (UK) Ltd.	Coventry, United Kingdom	100.00	–	–	
EvoBus Austria GmbH	Wiener Neudorf, Austria	100.00	–	–	
EvoBus Belgium N.V.	Kobbegem-Asse, Belgium	100.00	–	–	
EvoBus Bohemia s.r.o.	Prague, Czech Republic	100.00	–	–	
EvoBus Danmark A/S	Koege, Denmark	100.00	–	–	

Name of the Company	Domicile, Country	Capital share in %[1]	Equity in millions of €	Net income (loss) in millions of €	Footnote
EvoBus France S.A.S.	Sarcelles, France	100.00	–	–	
EvoBus GmbH	Kirchheim unter Teck, Germany	100.00	293	–	7, 8
EvoBus Hellas A.E.B.E.	Thessaloniki, Greece	100.00	–	–	
EvoBus Ibérica, S. A.	Sámano, Spain	100.00	–	–	
EvoBus Italia S.p.A.	Bomporto, Italy	100.00	–	–	
EvoBus Nederland B.V.	Nijkerk, Netherlands	100.00	–	–	
EvoBus Polska Sp. z o.o.	Wolica, Poland	100.00	–	–	
EvoBus Portugal, S.A.	Abrunheira, Portugal	100.00	–	–	
EvoBus Sverige AB	Spanga, Sweden	100.00	–	–	
Florida Detroit Diesel-Allison, Inc.	Miami, USA	100.00	–	–	
Freightliner Custom Chassis Corporation	Gaffney, USA	100.00	–	–	
Freightliner Holding Ltd.	Calgary, Canada	100.00	–	–	
Freightliner Ltd.	Mississauga, Canada	100.00	–	–	
Grundstücksverwaltungsgesellschaft Daimler AG & Co. OHG	Schönefeld, Germany	100.00	452	7	7
Grundstücksverwaltungsgesellschaft EvoBus GmbH & Co. OHG	Schönefeld, Germany	100.00	144	15	7, 9
Grundstücksverwaltungsgesellschaft Henne-Unimog GmbH & Co. OHG	Schönefeld, Germany	100.00	–	–	7
Grundstücksverwaltungsgesellschaft Mercedes-Benz AG & Co. OHG	Schönefeld, Germany	100.00	5,557	492	7, 10
Henne-Unimog GmbH	Kirchheim-Heimstetten, Germany	100.00	–	–	7, 8
Intrepid Insurance Company	Farmington Hills, USA	100.00	–	–	
INVEMA ASSESSORIA EMPRESARIAL LTDA.	São Paulo, Brazil	100.00	–	–	
Inversora Privada Compania de Comercializacion Internacional S.A.	Buenos Aires, Argentina	99.00	–	–	4
Koppieview Property (Pty) Ltd.	Zwartkop, Republic of South Africa	100.00	–	–	
Masterdrive Commercial Ltd.	Milton Keynes, United Kingdom	100.00	–	–	
Masterdrive Group Unlimited	Milton Keynes, United Kingdom	100.00	–	–	
Masterdrive Ltd.	Milton Keynes, United Kingdom	100.00	–	–	
Masterdrive Management Ltd.	Milton Keynes, United Kingdom	100.00	–	–	
MBarc Credit Canada Inc.	Mississauga, Canada	100.00	–	–	
MDC Power GmbH	Kölleda, Germany	100.00	8	–	7, 8
MDC Technology GmbH	Kölleda, Germany	100.00	–	–	7, 8
Mercedes AMG High Performance Powertrains Ltd.	Brixworth, United Kingdom	100.00	–	–	
Mercedes-AMG GmbH	Affalterbach, Germany	100.00	21	–	7, 8
Mercedes-Benz – Aluguer de Veículos, Unipessoal Lda.	Mem Martins, Portugal	100.00	–	–	
Mercedes-Benz (China) Ltd.	Beijing, PR China	75.00	605	305	
Mercedes-Benz (Thailand) Limited	Bangkok, Thailand	100.00	37	25	
Mercedes-Benz (Yangzhou) Parts Distribution Co., Ltd.	Yangzhou, PR China	100.00	–	–	
Mercedes-Benz Accessories GmbH	Stuttgart, Germany	100.00	5	–	7, 8
Mercedes-Benz AG & Co. Grundstücksvermietung Objekt Franken KG	Schönefeld, Germany	99.00	–	–	3
Mercedes-Benz AG & Co. Grundstücksvermietung Objekt Germersheim Betriebsvorrichtungen OHG	Schönefeld, Germany	99.00	–	–	3, 9
Mercedes-Benz AG & Co. Grundstücksvermietung Objekt Germersheim KG	Schönefeld, Germany	99.00	–	–	3
Mercedes-Benz AG & Co. Grundstücksvermietung Objekt Rhein-Main OHG	Schönefeld, Germany	99.00	–	–	3, 9
Mercedes-Benz AG & Co. Grundstücksvermietung Objekt Südwest KG	Schönefeld, Germany	99.00	–	–	3
Mercedes-Benz AG & Co. Grundstücksvermietung Objekte Baden-Baden und Dresden OHG	Düsseldorf, Germany	100.00	–	–	3, 9
Mercedes-Benz AG & Co. Grundstücksvermietung Objekte Leipzig und Magdeburg KG	Schönefeld, Germany	100.00	–	–	3
Mercedes-Benz Antwerpen N.V.	Antwerp, Belgium	100.00	–	–	
Mercedes-Benz Argentina S.A.	Buenos Aires, Argentina	100.00	158	57	10
Mercedes-Benz Asia GmbH	Stuttgart, Germany	100.00	–	–	7, 8
Mercedes-Benz Australia/Pacific Pty Ltd.	Mulgrave, Australia	100.00	376	49	
Mercedes-Benz Auto Finance Ltd.	Beijing, PR China	100.00	377	16	
Mercedes-Benz Auto Lease Trust 2011-A	Wilmington, USA	0.00	–	–	3

Name of the Company	Domicile, Country	Capital share in %[1]	Equity in millions of €	Net income (loss) in millions of €	Footnote
Mercedes-Benz Auto Lease Trust 2011-B	Wilmington, USA	0.00	–	–	3
Mercedes-Benz Auto Lease Trust 2012-1	Wilmington, USA	0.00	–	–	3
Mercedes-Benz Auto Lease Trust 2012-A	Wilmington, USA	0.00	–	–	3
Mercedes-Benz Auto Receivables Trust 2009-1	Wilmington, USA	0.00	–	–	3
Mercedes-Benz Auto Receivables Trust 2010-1	Wilmington, USA	0.00	–	–	3
Mercedes-Benz Auto Receivables Trust 2011-1	Wilmington, USA	0.00	–	–	3
Mercedes-Benz Auto Receivables Trust 2012-1	Wilmington, USA	0.00	–	–	3
Mercedes-Benz Bank AG	Stuttgart, Germany	100.00	916	–	8, 10
Mercedes-Benz Bank Polska S.A.	Warsaw, Poland	100.00	–	–	
Mercedes-Benz Bank Rus OOO	Moscow, Russia	100.00	–	–	
Mercedes-Benz Bank Service Center GmbH	Berlin, Germany	100.00	–	–	
Mercedes-Benz Banking Service GmbH	Saarbrücken, Germany	100.00	–	–	7, 8
Mercedes-Benz Belgium Luxembourg S.A.	Brussels, Belgium	100.00	–	–	
Mercedes-Benz Bordeaux S.A.S.	Begles, France	100.00	–	–	
Mercedes-Benz Broker Biztositási Alkusz Hungary Kft.	Budapest, Hungary	100.00	–	–	
Mercedes-Benz Brooklands Limited	Milton Keynes, United Kingdom	100.00	–	–	
Mercedes-Benz Canada Inc.	Toronto, Canada	100.00	116	39	
Mercedes-Benz Ceská republika s.r.o.	Prague, Czech Republic	100.00	–	–	
Mercedes-Benz CharterWay España, S.A.	Alcobendas, Spain	100.00	–	–	
Mercedes-Benz CharterWay Gesellschaft mit beschränkter Haftung	Berlin, Germany	100.00	–	–	7, 8
Mercedes-Benz CharterWay S.A.S.	Le Chesnay Cedex, France	100.00	–	–	
Mercedes-Benz CharterWay S.p.A.	Rome, Italy	100.00	–	–	
Mercedes-Benz Comercial Valencia, S.A.	Massanassa, Spain	100.00	–	–	
Mercedes-Benz Comercial, Unipessoal Lda.	Mem Martins, Portugal	100.00	–	–	
Mercedes-Benz Compañia Financiera Argentina S.A.	Buenos Aires, Argentina	100.00	–	–	
Mercedes-Benz Corretora de Seguros Ltda.	São Paulo, Brazil	99.98	–	–	
Mercedes-Benz Côte d'Azur SAS	Villeneuve-Loubet, France	100.00	–	–	
Mercedes-Benz CPH A/S	Herlev, Denmark	100.00	–	–	
Mercedes-Benz Credit Pénzügyi Szolgáltató Hungary Zrt.	Budapest, Hungary	90.00	–	–	
Mercedes-Benz Danmark A/S	Copenhagen, Denmark	100.00	–	–	
Mercedes-Benz Dealer Bedrijven B.V.	The Hague, Netherlands	100.00	–	–	
Mercedes-Benz Desarrollo de Mercados, S. de R.L. de C.V.	Mexico City, Mexico	100.00	–	–	
Mercedes-Benz do Brasil Assessoria Comercial Ltda.	São Paulo, Brazil	100.00	–	–	
Mercedes-Benz do Brasil Ltda.	São Bernardo do Campo, Brazil	100.00	1,323	70	
Mercedes-Benz Drogenbos N.V.	Drogenbos, Belgium	100.00	–	–	
Mercedes-Benz Espana, S.A.	Alcobendas, Spain	99.96	298	65	
Mercedes-Benz Finance China Ltd.	Hong Kong, PR China	100.00	–	–	
Mercedes-Benz Finance Co., Ltd.	Tokyo, Japan	90.00	–	–	
Mercedes-Benz Financial Services Australia Pty. Ltd.	Mulgrave, Australia	100.00	142	23	
Mercedes-Benz Financial Services Austria GmbH	Salzburg, Austria	51.00	–	–	
Mercedes-Benz Financial Services BeLux N.V.	Brussels, Belgium	100.00	–	–	
Mercedes-Benz Financial Services Canada Corporation	Mississauga, Canada	100.00	308	63	12
Mercedes-Benz Financial Services Ceská republika s.r.o.	Prague, Czech Republic	100.00	69	26	
Mercedes-Benz Financial Services España, E.F.C., S.A.	Alcobendas, Spain	100.00	–	–	
Mercedes-Benz Financial Services France S.A.	Bailly, France	100.00	218	18	
Mercedes-Benz Financial Services Hellas Vehicle Sales and Rental SA	Kifissia, Greece	100.00	–	–	
Mercedes-Benz Financial Services Hong Kong Ltd.	Hong Kong, PR China	80.00	–	–	
Mercedes-Benz Financial Services Italia S.p.A.	Rome, Italy	100.00	122	-14	10
Mercedes-Benz Financial Services Korea Ltd.	Seoul, Republic of Korea	80.00	–	–	
Mercedes-Benz Financial Services Nederland B.V.	Utrecht, Netherlands	100.00	93	25	
Mercedes-Benz Financial Services New Zealand Ltd.	Auckland, New Zealand	100.00	–	–	
Mercedes-Benz Financial Services Portugal – Instituição Financeira de Crédito S.A.	Mem Martins, Portugal	100.00	–	–	
Mercedes-Benz Financial Services Rus OOO	Moscow, Russia	100.00	117	14	
Mercedes-Benz Financial Services Schweiz AG	Schlieren, Switzerland	100.00	–	–	
Mercedes-Benz Financial Services Singapore Ltd.	Singapore, Singapore	85.00	–	–	
Mercedes-Benz Financial Services Slovakia s.r.o.	Bratislava, Slovakia	75.00	–	–	

Name of the Company	Domicile, Country	Capital share in %[1]	Equity in millions of €	Net income (loss) in millions of €	Footnote
Mercedes-Benz Financial Services South Africa (Pty) Ltd.	Centurion, Republic of South Africa	100.00	107	24	10
Mercedes-Benz Financial Services Taiwan Ltd.	Taipei, Taiwan	100.00	–	–	
Mercedes-Benz Financial Services UK Limited	Milton Keynes, United Kingdom	100.00	378	50	
Mercedes-Benz Financial Services USA LLC	Farmington Hills, USA	100.00	656	512	10, 11
Mercedes-Benz Finans Danmark A/S	Hvidovre, Denmark	100.00	–	–	
Mercedes-Benz Finans Sverige AB	Malmö, Sweden	100.00	–	–	
Mercedes-Benz Finansal Kiralama Türk A.S.	Esenyurt Istanbul, Turkey	100.00	–	–	
Mercedes-Benz Finansman Türk A.S.	Esenyurt Istanbul, Turkey	100.00	62	17	
Mercedes-Benz Försäljnings AB	Malmö, Sweden	100.00	–	–	
Mercedes-Benz France S.A.S.	Rocquencourt, France	100.00	434	71	10
Mercedes-Benz Gent N.V.	Gent, Belgium	100.00	–	–	
Mercedes-Benz Grand Prix Ltd.	Brackley, United Kingdom	100.00	50	-26	
Mercedes-Benz Hellas S.A.	Kifissia, Greece	100.00	–	–	
Mercedes-Benz Hong Kong Limited	Hong Kong, PR China	100.00	31	17	
Mercedes-Benz India Private Limited	Pune, India	100.00	–	–	
Mercedes-Benz Insurance Broker SRL	Bucharest, Romania	100.00	–	–	
Mercedes-Benz Insurance Services Nederland B.V.	Utrecht, Netherlands	100.00	–	–	
Mercedes-Benz Insurance Services Taiwan Ltd.	Taipei, Taiwan	100.00	–	–	
Mercedes-Benz Italia S.p.A.	Rome, Italy	100.00	238	-12	10
Mercedes-Benz Japan Co., Ltd.	Tokyo, Japan	100.00	548	40	10
Mercedes-Benz Korea Limited	Seoul, Republic of Korea	51.00	67	24	
Mercedes-Benz Leasing (Thailand) Co., Ltd.	Bangkok, Thailand	100.00	–	–	
Mercedes-Benz Leasing Co., Ltd.	Beijing, PR China	100.00	–	–	
Mercedes-Benz Leasing do Brasil Arrendamento Mercantil S.A.	Barueri, Brazil	100.00	–	–	
Mercedes-Benz Leasing GmbH	Stuttgart, Germany	100.00	36	–	7, 8, 10
Mercedes-Benz Leasing Hrvatska d.o.o.	Zagreb, Croatia	100.00	–	–	
Mercedes-Benz Leasing IFN SA	Bucharest, Romania	100.00	–	–	
Mercedes-Benz Leasing Kft.	Budapest, Hungary	90.00	–	–	
Mercedes-Benz Leasing Polska Sp. z o.o.	Warsaw, Poland	100.00	–	–	
Mercedes-Benz Leasing Taiwan Ltd.	Taipei, Taiwan	100.00	–	–	
Mercedes-Benz Leasing Treuhand GmbH	Stuttgart, Germany	100.00	–	–	7, 8
Mercedes-Benz Lille SAS	Villeneuve d'Ascq, France	100.00	–	–	
Mercedes-Benz Ludwigsfelde GmbH	Ludwigsfelde, Germany	100.00	–	–	7, 8
Mercedes-Benz Luxembourg S.A.	Luxembourg, Luxembourg	90.00	–	–	
Mercedes-Benz Lyon S.A.S.	Lyon, France	100.00	–	–	
Mercedes-Benz Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	51.00	69	32	
Mercedes-Benz Manhattan, Inc.	New York, USA	100.00	–	–	
Mercedes-Benz Manufacturing (Thailand) Limited	Bangkok, Thailand	100.00	–	–	
Mercedes-Benz Manufacturing Hungary Kft.	Kecskemét, Hungary	100.00	15	-25	10
Mercedes-Benz Manufacturing South Africa (Pty) Ltd.	East London, Republic of South Africa	100.00	–	–	
Mercedes-Benz Master Owner Trust	Wilmington, USA	0.00	–	–	3
Mercedes-Benz Mexico, S. de R.L. de C.V.	Mexico City, Mexico	100.00	28	23	10
Mercedes-Benz Milano S.p.A.	Milan, Italy	100.00	1	-18	10
Mercedes-Benz Minibus GmbH	Dortmund, Germany	100.00	–	–	7, 8
Mercedes-Benz Mitarbeiter-Fahrzeuge Leasing GmbH	Stuttgart, Germany	100.00	–	–	7, 8
Mercedes-Benz Molsheim S.A.S.	Molsheim, France	100.00	–	–	
Mercedes-Benz Nederland B.V.	Utrecht, Netherlands	100.00	230	37	10
Mercedes-Benz New Zealand Ltd.	Auckland, New Zealand	100.00	–	–	
Mercedes-Benz Ninove N.V.	Ninove, Belgium	100.00	–	–	
Mercedes-Benz Paris SAS	Le Port-Marly, France	100.00	–	–	
Mercedes-Benz Polska Sp. z.o.o	Warsaw, Poland	100.00	–	–	
Mercedes-Benz Portugal, S.A.	Mem Martins, Portugal	100.00	–	–	
Mercedes-Benz Renting, S.A.	Alcobendas, Spain	100.00	–	–	
Mercedes-Benz Research & Development North America, Inc.	Palo Alto, USA	100.00	–	–	
Mercedes-Benz Retail Group UK Limited	Milton Keynes, United Kingdom	100.00	–	–	
Mercedes-Benz Risk Solutions South Africa (Pty.) Ltd.	Centurion, Republic of South Africa	100.00	–	–	
Mercedes-Benz Roma S.p.A.	Rome, Italy	100.00	1	-13	10
Mercedes-Benz Romania S.R.L.	Bucharest, Romania	100.00	–	–	

Name of the Company	Domicile, Country	Capital share in %[1]	Equity in millions of €	Net income (loss) in millions of €	Footnote
Mercedes-Benz Russia SAO	Moscow, Russia	100.00	251	170	10
Mercedes-Benz Schweiz AG	Schlieren, Switzerland	100.00	107	41	
Mercedes-Benz Service Leasing SRL	Bucharest, Romania	100.00	–	–	
Mercedes-Benz Services Correduria de Seguros, S.A.	Alcobendas, Spain	100.00	–	–	
Mercedes-Benz Services Malaysia Sdn Bhd	Petaling Jaya, Malaysia	100.00	–	–	
Mercedes-Benz Servizi Assicurativi Italia S.p.A.	Rome, Italy	100.00	–	–	
Mercedes-Benz Sigorta Aracilik Hizmetleri A.S.	Esenyurt Istanbul, Turkey	100.00	–	–	
Mercedes-Benz Sosnowiec Sp. z o.o.	Sosnowiec, Poland	100.00	–	–	
Mercedes-Benz South Africa (Pty) Ltd.	Pretoria, Republic of South Africa	100.00	609	103	11, 12
Mercedes-Benz Srbija i Crna Gora d.o.o.	Belgrade, Serbia	100.00	–	–	
Mercedes-Benz Sverige AB	Malmö, Sweden	100.00	–	–	
Mercedes-Benz Taiwan Ltd.	Taipei, Taiwan	51.00	80	28	10
Mercedes-Benz Technical Center Nederland B.V.	Nijkerk, Netherlands	100.00	–	–	
Mercedes-Benz Türk A.S.	Istanbul, Turkey	66.91	557	150	
Mercedes-Benz U.S. International, Inc.	Vance, USA	100.00	115	15	12
Mercedes-Benz UK Limited	Milton Keynes, United Kingdom	100.00	220	46	10
Mercedes-Benz USA, LLC	Montvale, USA	100.00	592	365	12
Mercedes-Benz V.I. Lille SAS	Vendeville, France	100.00	–	–	
Mercedes-Benz V.I. Lyon SAS	Genas, France	100.00	–	–	
Mercedes-Benz V.I. Paris Ile de France SAS	Wissous, France	100.00	–	–	
Mercedes-Benz V.I. Toulouse SAS	Fenouillet, France	100.00	–	–	
Mercedes-Benz Vietnam Ltd.	Ho Chi Minh City, Vietnam	70.00	–	–	
Mercedes-Benz Warszawa Sp. z o.o.	Warsaw, Poland	100.00	–	–	
Mercedes-Benz Waterloo S.A.	Waterloo, Belgium	100.00	–	–	
Mercedes-Benz Wavre S.A.	Wavre, Belgium	100.00	–	–	
Mercedes-Benz Wemmel N.V.	Wemmel, Belgium	100.00	–	–	
Mercedes-Benz Wholesale Receivables LLC	Wilmington, USA	100.00	–	–	
MFTA Canada, Inc.	Mississauga, Canada	100.00	–	–	
Micro Compact Car smart North N.V./S.A.	Drogenbos, Belgium	100.00	–	–	
Mitsubishi Fuso Truck and Bus Corporation	Kawasaki, Japan	89.29	235	35	10
Mitsubishi Fuso Truck Europe – Sociedade Europeia de Automòveis, S. A.	Tramagal, Portugal	100.00	–	–	
Mitsubishi Fuso Truck of America, Inc.	New Jersey, USA	100.00	–	–	
Multistate LIHTC Holdings III Limited Partnership	Farmington Hills, USA	100.00	–	–	
MVSA COMPANY, INC.	Jacksonville, USA	100.00	–	–	
N.V. Mercedes-Benz Aalst	Erembodegem, Belgium	100.00	–	–	
N.V. Mercedes-Benz Mechelen	Mechelen, Belgium	100.00	–	–	
NuCellSys GmbH	Kirchheim unter Teck, Germany	100.00	–	–	
ogotrac France S.A.S.	Paris, France	100.00	–	–	
Outer Drive Holdings LLC	Detroit, USA	100.00	–	–	
P.T. Mercedes-Benz Distribution Indonesia	Jakarta, Indonesia	95.00	39	12	
P.T. Mercedes-Benz Indonesia	Bogor, Indonesia	100.00	–	–	
P.T. Star Engines Indonesia	Bogor, Indonesia	100.00	–	–	
Renting del Pacifico S.A.C.	Lima, Peru	0.00	–	–	3
Sandown Motor Holdings (Pty) Ltd.	Johannesburg, Republic of South Africa	50.10	–	–	
SelecTrucks of America LLC	Portland, USA	100.00	–	–	
SelecTrucks of Toronto, Inc.	Mississauga, Canada	100.00	–	–	
Setra of North America, Inc.	Greensboro, USA	100.00	-19	-11	
smart France S.A.S.	Hambach, France	100.00	–	–	
smart Vertriebs gmbh	Berlin, Germany	100.00	–	–	7, 8
Starexport Trading S.A.	São Bernardo do Campo, Brazil	100.00	479	43	
Sterling Truck Corporation	Redford, USA	100.00	–	–	
Suffolk Leasing, Inc.	Farmington Hills, USA	100.00	–	–	
Sumperská správa majetku k.s.	Holysov, Czech Republic	100.00	–	–	
Taunus-Auto-Verkaufs GmbH	Wiesbaden, Germany	100.00	–	–	7, 8
Thomas Built Buses of Canada Limited	Woodstock, Canada	100.00	–	–	
Thomas Built Buses, Inc.	High Point, USA	100.00	–	–	
Trona Cogeneration Corporation	Farmington Hills, USA	100.00	–	–	
Vision Securitization Trust 2004-1	Mulgrave, Australia	0.00	–	–	3

Name of the Company	Domicile, Country	Capital share in %[1]	Equity in millions of €	Net income (loss) in millions of €	Footnote
Western Star Trucks Sales, Inc	Redford, USA	100.00	–	–	
1145820 Ontario Limited	Mississauga, Canada	100.00	–	–	
3218095 Nova Scotia Company	Mississauga, Canada	100.00	–	–	
6353 Sunset Boulevard, Inc.	Hollywood, USA	100.00	–	–	
II. Non-consolidated companies[5]					
ACN 094 979 316	Baulkham Hills, Australia	100.00	–	–	4
AEG do Brasil Produtos Eletricos e Eletronicos Ltda.	São Paulo, Brazil	100.00	–	–	
AEG India Limited	Bangalore, India	100.00	–	–	
AEG Olympia Office GmbH	Stuttgart, Germany	100.00	–	–	8
Anota Fahrzeug Service- und Vertriebsgesellschaft mbH	Berlin, Germany	100.00	–	–	8
Atlanta Freightliner Truck Sales & Service, Inc.	Forest Park, USA	100.00	–	–	
Automotive Training & Consulting GmbH	Stuttgart, Germany	100.00	–	–	8
Brefa Bremsen- und Fahrzeugdienst AG (in Liquidation)	Niederzier, Germany	100.00	–	–	4
Circulo Cerrado S.A. de ahorro para fines determinados	Buenos Aires, Argentina	70.62	–	–	
Columbia Freightliner, LLC	Columbia, USA	100.00	–	–	
Cúspide GmbH	Stuttgart, Germany	100.00	–	–	
Daimler AG & Co. Anlagenverwaltung OHG	Ludwigsfelde, Germany	100.00	–	–	9
Daimler Capital Services Asia Pacific Pte. Ltd.	Singapore, Singapore	100.00	–	–	
Daimler Culture Development Co., Ltd.	Beijing, PR China	50.00	–	–	3
Daimler Espana Gestión Inmobiliaria, S.L.	Alcobendas, Spain	100.00	–	–	
Daimler Financial Services UK Trustees Ltd.	Milton Keynes, United Kingdom	100.00	–	–	
Daimler Fleet Management Polska Sp. z o.o.	Warsaw, Poland	100.00	–	–	
Daimler FleetBoard UK Ltd.	Tamworth, United Kingdom	100.00	–	–	
Daimler Group Services Berlin GmbH	Berlin, Germany	100.00	–	–	8
Daimler Group Services Madrid, S.A.	San Sebastián de los Reyes, Spain	100.00	–	–	
Daimler Group Services Philippines, Inc.	Cebu City, Philippines	99.99	–	–	
Daimler International Assignment Services USA, LLC	Farmington Hills, USA	100.00	–	–	
Daimler IT Retail GmbH	Böblingen, Germany	100.00	–	–	8
Daimler Mitarbeiter Wohnfinanz GmbH	Stuttgart, Germany	100.00	–	–	8
Daimler Parts Brand GmbH	Stuttgart, Germany	100.00	–	–	8
Daimler Protics GmbH	Stuttgart, Germany	100.00	–	–	8
Daimler Purchasing Coordination Corp.	Farmington Hills, USA	100.00	–	–	
Daimler Services GmbH i.L.	Stuttgart, Germany	100.00	–	–	4
Daimler Starmark A/S	Horsholm, Denmark	100.00	–	–	
Daimler Trucks and Buses (China) Ltd.	Beijing, PR China	100.00	–	–	
Daimler TSS GmbH	Ulm, Germany	100.00	–	–	8
Daimler UK Share Trustee Ltd.	Milton Keynes, United Kingdom	100.00	–	–	
Daimler UK Trustees Limited	Milton Keynes, United Kingdom	100.00	–	–	
Daimler Unterstützungskasse GmbH	Stuttgart, Germany	100.00	1,248	-70	15, 19
Daiya Shoji Co., Ltd.	Maebashi, Japan	100.00	–	–	4
Dasa Aircraft Finance XV B.V.	Amsterdam, Netherlands	100.00	–	–	
Dasa Verwaltungs GmbH	Stuttgart, Germany	100.00	–	–	
Dedalus VV GmbH	Stuttgart, Germany	100.00	–	–	
Deméter Empreendimentos Imobiliários Ltda.	São Paulo, Brazil	100.00	–	–	
Deutsche Accumotive Verwaltungs-GmbH	Kirchheim unter Teck, Germany	90.00	–	–	
DLI Corporation	Farmington Hills, USA	100.00	–	–	
DLRH Verwaltungs GmbH	Stuttgart, Germany	100.00	–	–	
Eishin Jidosha Kogyo Co., Ltd.	Iwakuni, Japan	100.00	–	–	
EvoBus Reunion S. A.	Le Port, Reunion	94.33	–	–	
EvoBus Romania SRL	Bucharest, Romania	100.00	–	–	
EvoBus Russland OOO	Moscow, Russia	100.00	–	–	
France Aircraft Finance III B.V.	Amsterdam, Netherlands	100.00	–	–	
France Aircraft Finance V B.V.	Amsterdam, Netherlands	100.00	–	–	
Fünfte Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	–	–	
Gemini-Tur Excursoes Passagens e Turismo Ltda.	São Paulo, Brazil	100.00	–	–	
Grundstücksverwaltungsgesellschaft Daimler Wohnungsbau GmbH & Co. OHG	Schönefeld, Germany	100.00	–	–	

Name of the Company	Domicile, Country	Capital share in %[1]	Equity in millions of €	Net income (loss) in millions of €	Footnote
Grundstücksverwaltungsgesellschaft Porcher & Meffert GmbH & Co. OHG	Schönefeld, Germany	100.00	–	–	
Grundstücksverwaltungsgesellschaft Taunus-Auto-Verkaufs-GmbH & Co. OHG	Schönefeld, Germany	100.00	–	–	9
Jidosha Yuso Kogyo Co., Ltd.	Sapporo, Japan	100.00	–	–	
Kyushu Fuso Bipros Co., Ltd.	Shime, Japan	100.00	–	–	
Lapland Car Test Aktiebolag	Arvidsjaur, Sweden	100.00	–	–	
Legend Investments Ltd.	Milton Keynes, United Kingdom	100.00	–	–	
MB GTC GmbH Mercedes-Benz Gebrauchtteile Center	Neuhausen, Germany	100.00	–	–	8
MB Relationship Marketing Roma S.r.l.	Rome, Italy	100.00	–	–	
MB Relationship Marketing S.r.l.	Milan, Italy	84.00	–	–	
Mercedes-Benz Adm. Consorcios Ltda.	São Bernardo do Campo, Brazil	100.00	–	–	
Mercedes-Benz Capital Services (debis) UK Ltd.	Milton Keynes, United Kingdom	100.00	–	–	
Mercedes-Benz Capital Services N.V.	Brussels, Belgium	100.00	–	–	
Mercedes-Benz CharterWay Ltd.	Milton Keynes, United Kingdom	100.00	–	–	
Mercedes-Benz Consult Graz GmbH	Raaba, Austria	100.00	–	–	
Mercedes-Benz Customer Assistance Center Maastricht N.V.	Maastricht, Netherlands	100.00	–	–	
Mercedes-Benz Egypt S.A.E.	Cairo, Egypt	99.97	–	–	
Mercedes-Benz GastroService GmbH	Gaggenau, Germany	100.00	–	–	8
Mercedes-Benz Insurance Services Korea Ltd.	Seoul, Republic of Korea	100.00	–	–	
Mercedes-Benz Museum GmbH	Stuttgart, Germany	100.00	–	–	8
Mercedes-Benz Project Consult GmbH	Stuttgart, Germany	100.00	–	–	8
Mercedes-Benz Research and Development India Private Limited	Bangalore, India	100.00	–	–	
Mercedes-Benz Slovakia s.r.o.	Bratislava, Slovakia	51.00	–	–	
Mercedes-Benz Solihull Ltd.	Milton Keynes, United Kingdom	100.00	–	–	
Mercedes-Benz TrailerAxleSystems Southern Europe S.A.S.	Rocquencourt, France	100.00	–	–	
Mercedes-Benz Venezuela S.A.	Valencia, Venezuela	100.00	–	–	4
Mercedes-Benz Vertriebsgesellschaft mbH	Berlin, Germany	100.00	–	–	8
MercedesService Card Beteiligungsgesellschaft mbH	Kleinostheim, Germany	51.00	–	–	
MercedesService Card GmbH & Co. KG	Kleinostheim, Germany	51.00	–	–	
MILON Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald, Germany	95.00	–	–	3
Mitsubishi Fuso Bus Manufacturing Co., Ltd.	Toyama, Japan	100.00	–	–	
Monarch Cars (Tamworth) Ltd.	Milton Keynes, United Kingdom	100.00	–	–	
Montajes y Estampaciones Metálicas, S.L.	Esparraguera, Spain	51.00	–	–	
MORA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald, Germany	100.00	–	–	3
NAG Nationale Automobil-Gesellschaft Aktiengesellschaft	Stuttgart, Germany	100.00	–	–	
Nankyu Butsuryu Support Co., Ltd.	Kagoshima, Japan	100.00	–	–	4
PABCO Co., Ltd.	Ebina-City, Japan	100.00	–	–	
PABCO Kinki Co., Ltd.	Yamatokoriyama, Japan	90.00	–	–	
PABCO Sendai Co., Ltd.	Sendai, Japan	100.00	–	–	
Porcher & Meffert Grundstücksgesellschaft mbH & Co. Stuttgart OHG	Schönefeld, Germany	100.00	–	–	
R.T.C. Management Company Limited	Bicester, United Kingdom	88.89	–	–	
Ring Garage AG Chur	Chur, Switzerland	100.00	–	–	
Russ & Janot GmbH	Erfurt, Germany	100.00	–	–	8
Ruth Verwaltungsgesellschaft mbH	Stuttgart, Germany	100.00	–	–	
Saitama Rikuso Co., Ltd.	Saitama City, Japan	50.00	–	–	
Sechste Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	–	–	8
SelecTrucks Comércio de Veículos Ltda.	Mauá, Brazil	100.00	–	–	
Siebte Vermögensverwaltungsgesellschaft DVB mbH	Stuttgart, Germany	100.00	–	–	8
Star Egypt For Import LLC	Cairo, Egypt	99.50	–	–	
Star Transmission Cugir s.r.l.	Cugir, Romania	78.28	–	–	
STARKOM d.o.o.	Maribor, Slovenia	100.00	–	–	

Name of the Company	Domicile, Country	Capital share in %[1]	Equity in millions of €	Net income (loss) in millions of €	Footnote
SteloTec GmbH	Stuttgart, Germany	100.00	–	–	
T.O.C. (Schweiz) AG	Schlieren, Switzerland	51.00	–	–	
Tar Heel Truck Center Inc.	Charlotte, USA	100.00	–	–	
Tróia Empreendimentos Imobiliários Ltda.	São Paulo, Brazil	100.00	–	–	
Vermögensverwaltungsgesellschaft Daimler Atlanta mbH	Stuttgart, Germany	100.00	–	–	
Wings Aircraft Finance Inc.	Wilmington, USA	100.00	–	–	
Working Motors Limited	Milton Keynes, United Kingdom	100.00	–	–	
Zweite Vermögensverwaltungsgesellschaft Zeus mbH	Stuttgart, Germany	100.00	–	–	8
III. Companies accounted for at-equity					
Auto Testing Company, Inc.	Vance, USA	100.00	–	–	
Daimler FleetBoard GmbH	Stuttgart, Germany	100.00	–	–	8
DriveTest LLC	Laredo, USA	100.00	–	–	
MBtech Auto Testing Properties L.L.C.	Laredo, USA	100.00	–	–	
B. Associated companies and joint ventures					
I. Companies accounted for at-equity					
AFCC Automotive Fuel Cell Cooperation Corp.	Burnaby, Canada	50.10	–	–	2
Beijing Benz Automotive Co., Ltd.	Beijing, PR China	50.00	1,105	226	2
Beijing Foton Daimler Automotive Co., Ltd.	Beijing, PR China	50.00	–	–	2, 18
EM-motive GmbH	Hildesheim, Germany	50.00	–	–	2
Engine Holding GmbH	Friedrichshafen, Germany	50.00	3,954	243	
Euro Advanced Carbon Fiber Composites GmbH	Esslingen, Germany	44.90	–	–	2
European Aeronautic Defence and Space Company EADS N.V.	Leiden, Netherlands	14.87	8,850	1,033	10
FKT Holding GmbH	Vienna, Austria	50.00	–	–	2
Fujian Benz Automotive Co., Ltd.	Fuzhou, PR China	50.00	130	-16	2, 10
FUSO LAND TRANSPORT Co., Ltd.	Kawasaki, Japan	21.67	–	–	
Kamaz OAO	Naberezhnye Chelny, Russia	11.00	–	–	6
Kanagawa Mitsubishi Fuso Truck & Bus Sales Co., Ltd.	Yokohama, Japan	43.83	–	–	
Li-Tec Battery GmbH	Kamenz, Germany	49.90	13	-26	10
MBtech Group GmbH & Co. KGaA	Sindelfingen, Germany	35.00	–	–	
Mercedes-Benz Buses Central Asia GmbH	Stuttgart, Germany	50.00	–	–	2
Mercedes-Benz Trucks Vostok Holding GmbH	Vienna, Austria	50.00	–	–	2
MTU Detroit Diesel Australia Pty. Ltd.	Sydney, Australia	50.00	–	–	2
North America Fuel Systems Remanufacturing LLC	Kentwood, USA	50.00	–	–	2
Okayama Mitsubishi Fuso Truck & Bus Sales Co., Ltd.	Okayama City, Japan	50.00	–	–	
P.T. Krama Yudha Tiga Berlian Motors	Jakarta, Indonesia	18.00	247	107	17
P.T. Mitsubishi Krama Yudha Motors and Manufacturing	Jakarta, Indonesia	32.28	–	–	
Polomex, S.A. de C.V.	Garcia, Mexico	26.00	–	–	2
SelecTrucks of Atlanta LLC	McDonough, USA	50.00	–	–	2
SelecTrucks of Houston LLC	Houston, USA	50.00	–	–	2
SelecTrucks of Los Angeles LLC	Fontana, USA	50.00	–	–	2
SelecTrucks of Omaha LLC	Council Bluffs, USA	50.00	–	–	2
Shenzen BYD Daimler New Technology Co. Ltd.	Shenzhen, PR China	50.00	–	–	2
TASIAP GmbH	Stuttgart, Germany	60.00	–	–	2
Tesla Motors, Inc.	Palo Alto, USA	4.28	173	-183	10
Toll Collect GbR (Variable Interest Entity)	Berlin, Germany	45.00	–	–	2
Toll Collect GmbH	Berlin, Germany	45.00	696	82	2, 13
II. Companies not accounted for at-equity[5]					
BDF IP Holdings Ltd.	Burnaby, Canada	33.00	–	–	
Beijing Mercedes-Benz Sales Service Co., Ltd.	Beijing, PR China	50.00	–	–	2
Bishop Technology Group Ltd. (Australia)	Armidale, Australia	30.00	–	–	4
car2go Hamburg GmbH	Hamburg, Germany	25.00	–	–	
carpooling.com GmbH	Munich, Germany	16.67	–	–	
CONTRAC GmbH Maschinen und Anlagen	Wiesbaden, Germany	33.33	–	–	

Name of the Company	Domicile, Country	Capital share in %[1]	Equity in millions of €	Net income (loss) in millions of €	Footnote
EADS Participations B.V.	Amsterdam, Netherlands	45.75	–	–	2
Egyptian-German Automotive Co. (EGA) S.A.E.	6th of October City, Egypt	26.00	–	–	2
European Center for Information and Communication Technologies – EICT GmbH	Berlin, Germany	20.00	–	–	
EvoBus Hungária Kereskedelmi Kft.	Budapest, Hungary	33.33	–	–	
Grundstücksgesellschaft Schlossplatz 1 mbH & Co. KG	Berlin, Germany	18.37	–	–	
IHI Charging Systems International GmbH	Heidelberg, Germany	49.00	–	–	2
INPRO Innovationsgesellschaft für fortgeschrittene Produktionssysteme in der Fahrzeugindustrie mbH	Berlin, Germany	14.29	–	–	
Institut für angewandte Systemtechnik Bremen GmbH	Bremen, Germany	26.25	–	–	
Lackzentrum Bielefeld GmbH	Bielefeld, Germany	33.33	–	–	
Laureus World Sports Awards Limited	London, United Kingdom	50.00	–	–	2
MBtech Verwaltungs-GmbH	Sindelfingen, Germany	35.00	–	–	
Mercedes-Benz Finance Middle East LLC	Dubai, Dubai U.A.E.	40.00	–	–	2
Mercedes-Benz Hungária Kft.	Budapest, Hungary	50.00	–	–	2
Mercedes-Benz Lackzentrum Dresden GmbH	Dresden, Germany	36.00	–	–	
Mercedes-Benz Leasing Middle East LLC	Dubai, Dubai U.A.E.	40.00	–	–	2
Mercedes-Benz Österreich Vertriebsgesellschaft m.b.H.	Salzburg, Austria	50.00	–	–	2
Mercedes-Benz Starmark I/S	Vejle, Denmark	50.00	–	–	2
MFTB Taiwan Co., Ltd.	Tao-tuan, Taiwan	33.40	–	–	2
Motor Coach Holdings, LLC	New York, USA	10.00	–	–	
National Automobile Industry Company Ltd.	Jeddah, Saudi Arabia	26.00	–	–	
Omuta Unso Co., Ltd.	Omuta, Japan	33.51	–	–	
Reva SAS	Cunac, France	34.00	–	–	
smart-Brabus GmbH	Bottrop, Germany	50.00	–	–	2
STARCAM s.r.o.	Most, Czech Republic	51.00	–	–	2
tiramizoo GmbH	Munich, Germany	20.41	–	–	
Toyo Kotsu Co., Ltd.	Kurokawa-gun, Japan	28.20	–	–	

1 Share pursuant to Section 16 of the German Stock Corporation Act (AktG)
2 Joint venture
3 Control due to economic circumstances
4 In liquidation
5 As the impact of these companies is not material for the consolidated financial statements, they were not accounted for using the equity method of accounting or not consolidated
6 EBRD holds 4% of the shares. Due to the contractual situation, Daimler is deemed to be the economic owner of the shares held by the EBRD pursuant to IFRS
7 Qualification for Section 264 Subsection 3 and Section 264b of the German Commercial Code (HGB)
8 Profit and loss transfer agreement with Daimler AG (direct or indirect)
9 Daimler AG is unlimited partner
10 Financial statements 2011
11 Consolidated group financial statements
12 Financial statements according to IFRS
13 Financial statements September 1, 2011 – August 31, 2012
14 Financial statements December 1, 2011 – November 30, 2012
15 Financial statements November 1, 2010 – October 31, 2011
16 Financial statements June 1, 2011 – May 31, 2012
17 Financial statements April 1, 2011 – March 31, 2012
18 Short business year December 16, 2011 – December 31, 2011
19 Control of the investment of the assets. No consolidation of the assets due to the contractual situation.

Further Information

Hybrid nation Japan: Playing a pioneering role with green innovations is a strategic cornerstone of the “Fuso 2015” program for the future.

Responsibility Statement

in accordance with Section 37y (1) of the WpHG (German Securities Trading Act) in conjunction with Section 297 (2), 4 and Section 315 (1), 6 of the HGB (German Commercial Law)

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which has been combined with the management report for DAG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Stuttgart, February 21, 2013

Dieter Zetsche

Wolfgang Bernhard

Christine Hohmann-Dennhardt

Wilfried Porth

Andreas Renschler

Hubertus Troska

Bodo Uebber

Thomas Weber

Independent Auditor's Report

Report on the Consolidated Financial Statements. We have audited the accompanying consolidated financial statements of Daimler AG, Stuttgart, and its subsidiaries, which comprise the consolidated statement of income/loss, the consolidated statement of comprehensive income/loss, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, and notes to the consolidated financial statements for the business year from January 1 to December 31, 2012.

Management's Responsibility for the Consolidated Financial Statements. The management of Daimler AG is responsible for the preparation of these consolidated financial statements. This responsibility includes preparing these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and the supplementary requirements of German law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB (Handelsgesetzbuch: "German Commercial Code"), to give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The company's management is also responsible for the internal controls that management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) as well as in supplementary compliance with International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion. Pursuant to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the supplementary requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at December 31, 2012 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Combined Management Report. We have audited the accompanying group management report of Daimler AG, which is combined with the management report of the company for the business year from January 1 to December 31, 2012. The management of Daimler AG is responsible for the preparation of this combined management report in compliance with the applicable requirements of German commercial law pursuant to § 315a Abs. 1 HGB (Handelsgesetzbuch: German Commercial Code). We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the combined management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the combined management report to obtain reasonable assurance about whether the combined management report is consistent with the consolidated financial statements and the audit findings, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz 1 HGB, we state that our audit of the combined management report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and combined management report, the combined management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, February 21, 2013

KPMG AG Wirtschaftsprüfungsgesellschaft

Becker
Wirtschaftsprüfer

Meyer
Wirtschaftsprüfer

Ten Year Summary[1]

8.01

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Amounts in millions of euros										
From the statements of income										
Revenue	136,437	142,059	95,209	99,222	101,569	98,469	78,924	97,761	106,540	114,297
Personnel expenses[2]	24,287	24,216	24,650	23,574	20,256	15,066	13,928	16,454	17,424	17,970
Research and development expenditure	5,571	5,658	3,928	3,733	4,148	4,442	4,181	4,849	5,634	5,644
thereof capitalized	–	–	591	715	990	1,387	1,285	1,373	1,460	1,465
Operating profit/EBIT	5,686	5,754	2,873	4,992	8,710	2,730	-1,513	7,274	8,755	8,615
Operating margin (%)	4.2	4.1	3.0	5.0	8.6	2.8	-1.9	7.4	8.2	7.5
Income (loss) before income taxes and extraordinary items	596	3,535	2,426	4,902	9,181	2,795	-2,298	6,628	8,449	7,718
Net operating income/ Net operating profit (loss)	1,467	3,165	4,834	4,032	4,123	1,370	-2,102	5,120	6,240	7,096
as % of net assets (RONA)	2.5	5.7	10.0	8.3	10.5	4.4	-6.6	17.5	19.9	19.5
Net income/Net profit (loss)	448	2,466	4,215	3,783	3,985	1,414	-2,644	4,674	6,029	6,495
Net income per share (€)/ Net profit (loss) per share (€)	0.44	2.43	4.09	3.66	3.83	1.41	-2.63	4.28	5.32	5.71
Diluted net income per share (€)/ Diluted net profit (loss) per share (€)	0.44	2.43	4.08	3.64	3.80	1.40	-2.63	4.28	5.31	5.71
Total dividend	1,519	1,519	1,527	1,542	1,928	556	0	1,971	2,346	2,349
Dividend per share (€)	1.50	1.50	1.50	1.50	2.00	0.60	0.00	1.85	2.20	2.20
From the balance sheets										
Property, plant and equipment	32,933	34,017	35,295	32,747	14,650	16,087	15,965	17,593	19,180	20,599
Leased equipment	24,385	26,711	34,236	36,949	19,638	18,672	18,532	19,925	22,811	26,058
Other non-current assets	–	–	76,200	67,507	39,686	42,077	40,044	41,309	45,023	48,863
Inventories	14,948	16,805	19,699	18,396	14,086	16,805	12,845	14,544	17,081	17,720
Liquid assets	14,296	11,666	8,063	8,409	15,631	6,912	9,800	10,903	9,576	10,996
Other current assets	–	–	54,519	53,626	31,403	31,672	31,635	31,556	34,461	38,742
Total assets	178,450	182,872	228,012	217,634	135,094	132,225	128,821	135,830	148,132	162,978
Shareholders' equity	34,486	33,522	35,957	37,346	38,230	32,730	31,827	37,953	41,337	45,510
thereof share capital	2,633	2,633	2,647	2,673	2,766	2,768	3,045	3,058	3,060	3,063
Equity ratio Group (%)	18.5	17.5	15.1	16.5	26.9	24.3	24.7	26.5	26.3	26.5
Equity ratio industrial business (%)	26.1	25.2	23.7	27.1	43.7	42.7	42.6	45.8	46.4	47.8
Non-current liabilities	–	–	96,823	90,452	47,998	47,313	49,456	44,738	51,940	58,750
Current liabilities	–	–	95,232	89,836	48,866	52,182	47,538	53,139	54,855	58,718
Net liquidity industrial business	1,774	2,193	8,016	9,861	12,912	3,106	7,285	11,938	11,981	11,508
Net assets (average)	59,572	55,885	48,313	48,584	39,187	31,466	31,778	29,338	31,426	36,385

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Amounts in millions of euros										
From the statements of cash flows[2]										
Investments in property, plant and equipment	6,614	6,386	6,480	5,874	4,247	3,559	2,423	3,653	4,158	4,827
Depreciation and amortization	–	–	7,363	7,169	4,146	3,023	3,264	3,364	3,575	4,067
Cash provided by (used for) operating activities	13,826	11,060	11,032	14,337	7,146	-786	10,961	8,544	-696	-1,100
investing activities	-13,608	-16,682	-10,237	-15,857	26,479	-4,812	-8,950	-313	-6,537	-8,864
financing activities	2,518	2,549	-1,284	2,396	-25,204	-2,915	1,057	-7,551	5,842	11,506
Free cash flow of the industrial business	3,877	1,757	2,423	2,679	7,637	-3,915	2,706	5,432	989	1,452
From the stock exchanges										
Share price at year-end (€)	37.00	35.26	43.14	46.80	66.50	26.70	37.23	50.73	33.92	41.32
Average shares outstanding (in millions)	1,012.7	1,012.8	1,014.7	1,022.1	1,037.8	957.7	1,003.8	1,050.8	1,066.0	1,066.8
Average diluted shares outstanding (in millions)	1,012.7	1,014.5	1,017.7	1,027.3	1,047.3	959.9	1,003.8	1,051.5	1,067.1	1,067.1
Ratings										
Credit rating, long-term										
Standard & Poor’s	BBB	BBB	BBB	BBB	BBB+	A-	BBB+	BBB+	BBB+	A-
Moody’s	A3	A3	A3	Baa1	A3	A3	A3	A3	A3	A3
Fitch	BBB+	BBB+	BBB+	BBB+	A-	A-	BBB+	BBB+	A-	A-
DBRS	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)
Average annual number of employees	370,684	379,019	296,109	277,771	271,704	274,330	258,628	258,120	267,274	274,605

1 For the years 2003 and 2004, figures according to US GAAP, since 2005 according to IFRS.
2 Until August 3, 2007, including Chrysler.

Glossary

BlueEFFICIENCY. Efficiency packages for saving fuel. They include measures taken inside engines, bodywork weight reductions, tires with low roll resistance, aerodynamic improvements, the ECO start-stop function etc. As a result, fuel consumption can be reduced by more than 20%.

BLUETEC. A combination of inner-engine measures to reduce emissions and the treatment of exhaust gases. It improves diesel engines' efficiency for cars and commercial vehicles by optimizing their combustion, and reduces their emissions with SCR catalysts.

BRIC. This abbreviation stands for the four countries of Brazil, Russia, India and China.

Compliance. By the term compliance, we understand adherence to all laws, rules, regulations and voluntary commitments, as well as the related internal policies and guidelines of the Daimler Group.

Consolidated Group. The consolidated Group is the total of all those companies that are included in the consolidated financial statements.

Corporate governance. The term corporate governance applies to the proper management and supervision of a company. The structure of corporate governance at Daimler AG is determined by Germany's Stock Corporation Act (AktG), Codetermination Act (MitbestG) and capital-market legislation.

Cost of capital. The cost of capital is the product of the average amount of capital employed and the cost-of-capital rate. The cost-of-capital rate is derived from the investors' required rate of return. see pages 95 f

CSR – corporate social responsibility. A collective term for the social responsibility assumed by companies, including economic, environmental and social aspects.

EBIT. Earnings before interest and taxes are the measure of operating profit before taxes. see pages 92 f

Equity method. Accounting and valuation method for shareholdings in associated companies and joint ventures, as well as for subsidiaries that are not fully consolidated.

Fair value. The amount for which an asset or liability could be exchanged in an arm's length transaction between knowledgeable and willing parties who are independent of each other.

Goodwill. Goodwill represents the excess of the cost of an acquired business over the fair values assigned to the separately identifiable assets acquired and liabilities assumed.

Hybrid drive. Hybrid drive systems combine internal-combustion engines with electric motors, which can be operated separately or together depending on the type of vehicle and driving situation.

IFRS – International Financial Reporting Standards. The IFRS are a set of standards and interpretations for companies' external accounting and financial reporting developed by an independent private-sector committee, the International Accounting Standards Board (IASB).

Integrity. Integrity is a matter of one's inner attitude and basic values, according to which one's actions are oriented. It means behaving towards others in a fair, open and friendly way, and doing the right thing out of conviction. Behaving with integrity necessitates adherence to rules as well as calibrating one's actions against one's inner attitude.

Integrity Code. The new "Integrity Code" has been in effect since November 2012. It defines the principles of behavior and guidelines for everyday conduct that are applicable at Daimler. Fairness, responsibility and compliance with legislation are key principles in this context.

Lithium-ion batteries. They are at the heart of future electric drive systems. Compared with conventional batteries, lithium-ion batteries are considerably smaller and feature significantly higher power density, short charging times and long lives.

Net assets. Net assets represent the capital employed by the Group and the industrial divisions. The relevant capital basis for Daimler Financial Services is equity capital.
see pages 95 f

NEDC – New European Driving Cycle. A measuring method used in Europe for the objective assessment of vehicles' fuel consumption.

Net operating profit. Net operating profit is the relevant parameter for measuring the Group's operating performance after taxes.

Rating. An assessment of a company's creditworthiness issued by a rating agency.

ROE – return on equity. The profitability of Daimler Financial Services is measured by return on equity. ROE is defined as the quotient of EBIT and shareholders' equity.

ROS – return on sales. The profitability of the industrial divisions is measured by return on sales. ROS is defined as the quotient of EBIT and revenue.

Sustainability. Sustainability means using natural resources in such a way that they continue to be available to fulfill the needs of future generations. In the view of the Daimler Group, sustainable business operations have to give due consideration to economic, environmental and social aspects.

Value added. Value added indicates the extent to which operating profit exceeds the cost of capital. When value added is positive, return on net assets is higher than the cost of capital.
see pages 94 f

Value at risk. This measures the potential future loss (related to market value) for a given portfolio in a certain period and for which there is a certain probability that it will not be exceeded.

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Further Information

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daimler.com/investors

Publications for our shareholders:
- Annual Report (German, English)
- Interim Reports for the 1st, 2nd and 3rd quarters (German, English)
- Sustainability Report (German, English)
- Brochure: The Road to Emission-free Mobility (German, English)
- Brochure: The Vision of Accident-free Driving (German, English)
- Brochure: Company Profile 2013 (German, English)

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The company financial statements of Daimler AG were prepared in accordance with German accounting principles; the consolidated financial statements and the combined management report for Daimler AG and the Daimler Group were prepared in accordance with the International Financial Reporting Standards (IFRS). Both sets of financial statements and the management report were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and an unqualified audit opinion was issued thereon.

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Daimler Worldwide

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Sales Organization Automotive Businesses	Daimler Financial Services
Europe						
Production locations	11	7	3	7	–	–
Sales outlets	–	–	–	–	3,904	29
Revenue (in millions of euros)	26,669	9,064	7,093	2,218	–	5,769
Employees	89,738	32,567	13,246	14,752	41,178	4,516
NAFTA						
Production locations	1	14	1	3	–	–
Sales outlets	–	–	–	–	1,452	5
Revenue (in millions of euros)	14,358	10,469	881	430	–	6,121
Employees	3,258	20,609	99	660	3,586	1,373
Latin America (excluding Mexico)						
Production locations	–	2	1	2	–	–
Sales outlets	–	–	–	–	555	5
Revenue (in millions of euros)	614	2,952	441	974	–	435
Employees	–	13,537	1,571	1,482	–	419
Africa						
Production locations	1	1	–	1	–	–
Sales outlets	–	–	–	–	349	1
Revenue (in millions of euros)	1,691	1,031	196	51	–	262
Employees	5,024	1,170	–	–	–	288
Asia						
Production locations	2	3	–	2	–	–
Sales outlets	–	–	–	–	1,661	9
Revenue (in millions of euros)	16,987	6,967	284	221	–	692
Employees	–	12,636	–	7	4,958	1,016
Australia/Oceania						
Production locations	–	–	–	–	–	–
Sales outlets	–	–	–	–	280	2
Revenue (in millions of euros)	1,201	897	169	34	–	270
Employees	–	–	–	–	961	167

Note: Unconsolidated revenue of each division (segment revenue).

Financial Calendar 2013

Annual Press Conference
February 7, 2013

Analysts' and Investors' Conference Call
February 7, 2013

Presentation of the Annual Report 2012
February 25, 2013

Annual Meeting
April 10, 2013
10:00 a.m. CEST | 4:00 a.m. EST
Messe Berlin

Interim Report Q1 2013
April 24, 2013

Interim Report Q2 2013
July 24, 2013

Interim Report Q3 2013
October 24, 2013

As we cannot rule out changes of dates, we recommend checking them on the Internet at daimler.com/ir/calendar.

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