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

		Consolidated		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
		Year ended December 31,		Year ended December 31,		Year ended December 31,	
	Note	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

	Share capital	Capital reserves	Retained earnings	Other reserves: Currency translation adjustment	Other reserves: Financial assets available-for-sale	Other reserves: Derivative financial instruments	Other reserves: 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

In millions of euros	2012	2011
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

In millions of euros	2012	2011
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

In millions of euros	2012	2011
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

In millions of euros and number of people employed	2012	2011
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

In millions of euros	2012	2011
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

In millions of euros	2012	2011
Loss on sales of property, plant and equipment	-67	-66
Other miscellaneous expense	-224	-289
	-291	-355

7.15
Other financial income/expense, net

In millions of euros	2012	2011
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

In millions of euros	2012	2011
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

In millions of euros	2012	2011
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

In millions of euros	2012	2011
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	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

Amounts in millions of euros	EADS	Engine Holding	Tognum	BBAC	BFDA	Kamaz	Others[1]	Total
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

In millions of euros	EADS	Engine Holding	BBAC	BFDA	Kamaz	Others[1]	Total
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

	At December 31, 2012	2011
In millions of euros		
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

	At December 31, 2012	2011
In millions of euros		
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

	2012	2011
In millions of euros		
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

	At December 31, 2012	2011
In millions of euros		
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

In millions of shares	2012	2011
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.
Management Report from page 119

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	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		2011	
	Number of stock options in millions	Average exercise price euros per share	Number of stock options in millions	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		2011
	Number of stock options in millions	Average exercise price euros per share	Number of stock options in millions	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		2011
	Number of stock options in millions	Average exercise price euros per share	Number of stock options in millions[1]	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	At December 31, 2012 German plans	At December 31, 2012 Non-German plans	At December 31, 2011 Total	At December 31, 2011 German plans	At December 31, 2011 Non-German plans	At December 31, 2010 Total	At December 31, 2010 German plans	At December 31, 2010 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	At December 31, 2009 German plans	At December 31, 2009 Non-German plans	At December 31, 2008 Total	At December 31, 2008 German plans	At December 31, 2008 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	At December 31, 2012 German plans	At December 31, 2012 Non-German plans	At December 31, 2011 Total	At December 31, 2011 German plans	At December 31, 2011 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		Non-German plans	
	2012	2011	2012	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			2011		
	Total	German plans	Non-German plans	Total	German plans	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		Interest included in future minimum lease payments		Liabilities from finance lease arrangements	
	At December 31,		At December 31,		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

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total Segments	Reconciliation	Consolidated
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

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total Segments	Reconciliation	Consolidated
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.