

Financial performance measures

The financial performance measures used at Daimler are oriented towards our investors' interests and expectations and provide the foundation for our value-based management.

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

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

The use of ROS and net assets productivity within the context of a revenue growth strategy provides the basis for a positive development of value added. Value added shows to which extent the Group and its divisions achieve or exceed the minimum return requirements of the shareholders and creditors, thus creating additional value.

Profit measure. The measure of operating profit at divisional level is EBIT and is calculated before interest and income taxes. EBIT hence reflects the divisions' profit and loss responsibility. The operating profit measure used at Group level is net operating profit. It comprises the EBIT of the divisions as well as profit and loss effects for which the divisions are not held responsible, including income taxes and other reconciliation items.

Net assets. ↗ 3.20 ↗ 3.22 Net assets represent the basis for the investors' required return. The industrial divisions are accountable for the net operating assets; all assets, liabilities and provisions which they are responsible for in day-to-day operations are therefore allocated to them. Performance measurement at Daimler Financial Services is on an equity basis, in line with the usual practice in the banking business. Net assets at Group level include the net assets of the industrial divisions and the equity of Daimler Financial Services, as well as assets and liabilities from income taxes and other reconciliation items for which the divisions are not held accountable. Average annual net assets are calculated from average quarterly net assets, which are calculated as the average of net assets at the beginning and the end of each quarter.

Cost of capital. ↗ 3.18 The required rate of return on net assets and hence the cost of capital is derived from the minimum rates of return that investors expect on their invested capital. The cost of capital of the Group and the industrial divisions comprises the cost of equity as well as the costs of debt and pension obligations of the industrial business; the expected returns on liquidity and plan assets of the pension funds of the industrial business are considered with the opposite sign. The cost of equity is calculated according to the capital asset pricing model (CAPM), using the interest rate for long-term risk-free securities (such as German government bonds) plus a risk premium reflecting the specific risks of an investment in Daimler shares. The cost of debt is derived from the required rate of return for obligations entered into by the Group with external lenders. The cost of capital for pension obligations is calculated on the basis of discount rates used in accordance with IFRS. The expected return on liquidity is based on money market interest rates. The expected return on the plan assets of the pension funds is derived from the expected interest, dividends and other income generated by the plan assets invested to cover the pension obligations. The Group's cost of capital is the weighted average of the individually required or expected rates of return; in the reporting period, the cost of capital amounted to 8% after taxes. For the industrial divisions, the cost of capital amounted to 12% before taxes; for Daimler Financial Services, a cost of equity of 13% before taxes was applied.

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

3.19

Value added

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

3.20

Net assets (average)

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

1 Total equity

2 To the extent not allocated to the segments

3 Industrial business

3.21

Reconciliation to net operating profit

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

1 Adjusted for tax effects of interest income

Value added

The **Group's value added** increased by €0.5 billion to €4.2 billion; representing a return on net assets of 19.5% (2011: 19.9%).

This was once again considerably higher than the minimum required rate of return of 8%. Despite lower earnings by the operating divisions and higher net assets, the Group's value added surpassed the high level of the prior year. This was primarily due to the lower income tax expense and the sale of 7.5% of the shares of EADS. ↗ 3.19 ↗ 3.20

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

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

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

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

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

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