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SECURITIES REPORT

(Report pursuant to Article 24, Paragraph 1
of the Financial Instruments and Exchange Act)

Financial Year (2014)

From: January 1, 2014
To: December 31, 2014

Daimler AG

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Attention:	The Director General of the Kanto Local Finance Bureau
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Notes:

1. Unless otherwise specified, in this report, “we,” “us,” “our,” “Daimler,” the “Daimler Group” or the “Group” refers to Daimler AG and its consolidated subsidiaries, or any one or more of them, as the context may require. "Germany" means the Federal Republic of Germany.
2. In this Securities Report, unless otherwise noted, "euro" refers to euro (€). For the convenience of the Japanese reader, conversion into Japanese Yen has been made at the exchange rate of € 1.00 = ¥ 132.29 (the means of the Telegraphic Transfer Spot Selling and Buying Exchange Rates of The Bank of Tokyo-Mitsubishi UFJ, Ltd. on April 30, 2015).
3. Where figures in tables in this Securities Report have been rounded, the totals may not necessarily agree with the sum of the figures.
4. Unless otherwise indicated, "shares" in this document refer to ordinary registered shares of the Company.
5. This annual report contains forward looking statements that reflect our current views about future events. The words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” “may,” “can,” “could,” “plan,” “project,” “should” and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including:
   - an adverse development of global economic conditions, in particular a decline of demand in our most important markets;
   - a worsening of the sovereign-debt crisis in the euro zone;
   - an increase in political tension in Eastern Europe;
   - a deterioration of our refinancing possibilities on the credit and financial markets;
   - events of force majeure including natural disasters, epidemics, acts of terrorism, political unrest, industrial accidents and their effects on our sales, purchasing, production or financial services activities;
   - changes in currency exchange rates;
   - a shift in consumer preferences towards smaller, lower margin vehicles;
   - a possible lack of acceptance of our products or services which limits our ability to achieve prices and adequately utilize our production capacities;
   - price increases for fuel or raw materials;
   - disruption of production due to shortages of materials, labor strikes or supplier insolvencies;
   - a decline in resale prices of used vehicles;
   - the effective implementation of cost-reduction and efficiency-optimization measures;
   - the business outlook of companies in which we hold a significant equity interest;

- the successful implementation of strategic cooperations and joint ventures;
- changes in laws, regulations and government policies, particularly those relating to vehicle emissions, fuel economy and safety;
- the resolution of pending official investigations and the conclusion of pending or threatened future legal proceedings; and
- other risks and uncertainties, some of which we describe under the heading "4 Risk Factors" in "III Description of Business."

If any of these risks and uncertainties materializes or if the assumptions underlying any of our forward-looking statements prove to be incorrect, the actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements since they are based solely on the circumstances at the date on which they have been made.

PART 1. COMPANY'S INFORMATION

I. Outline of the Legal and Other Systems of the Company's Country of Incorporation

1. Outline of the Corporate System, etc.

(1) Legal Corporate System of the Federal Republic of Germany

(a) General

The laws of the Federal Republic of Germany provide for different types of commercial companies, mainly:

- General Partnership (Offene Handelsgesellschaft - "OHG"), governed by Sections 105-160 of the German Commercial Code (Handelsgesetzbuch); all partners are jointly and severally fully and personally liable for the liabilities of the partnership.
- Limited Partnership (Kommanditgesellschaft - "KG"), governed by Sections 161- 177a of the German Commercial Code; at least one partner is fully and personally liable (general partner) whereas the liability of the other (limited) partner(s) is limited to his/their capital contribution.
- GmbH & Co. KG, special type of a Limited Partnership in which a GmbH acts as general partner with full liability for the partnership to the effect that the full liability for the partnership is restricted to the assets of the GmbH according to the German Private Limited Liability Company Act. This type of company is basically governed by the provisions applicable to a Limited Partnership.
- Private Limited Liability Company (Gesellschaft mit beschränkter Haftung - "GmbH"), governed by the German Private Limited Liability Company Act. A GmbH qualifies as an own legal entity. Only the assets of the company are liable to satisfy the claims of the creditors of the company; with very rare exceptions no personal liability is incurred on the part of the shareholders who have paid in their share of the equity capital. The minimum share capital for a GmbH is €25,000 which is divided into one or more shares. The shares are transferable only by notarial deed. As a special form of the Private Limited Liability Company, the German Private Limited Liability Company Act provides for the Business Company (with limited liability) (“Unternehmergesellschaft (haftungsbeschränkt)”) that only requires a minimum share capital of €1. Business Companies must use 25% of their profit to build up equity reserves.
- Stock Corporation (Aktiengesellschaft - "AG"), governed by the German Stock Corporation Act (Aktiengesetz). Like a GmbH an AG qualifies as a legal entity. Only the assets of the corporation are liable to satisfy the claims of the creditors of the corporation; no personal liability is incurred on the part of the shareholders who have paid in their share of the equity capital. The corporation must have a share capital of a least €50,000 which is divided into shares. Such shares can be transferred without notarization. In general, however, the German Stock Corporation Act gives much less flexibility to the structure of the corporation than the German Private Limited Liability Company Act does.
- Finally, European Council Regulation (EC) No. 2157/2001 of Oct. 8, 2001 on the Statute for a European Company (SE) provides for a special European legal entity with a share capital of at least €120,000. Liability of the shareholders is limited to the amount of the capital subscribed.

The legal framework governing Daimler AG (the “Company”) as a corporation is the German Stock Corporation Act of September 6, 1965, as amended. The following provides a summary of the principal provisions of German Stock Corporation Act, applicable to companies such as the Company.

(b) Establishment of a German Stock Corporation

The establishment of a stock corporation (hereinafter: corporation) requires that one person or more persons (the "founders") subscribe to its share capital for a contribution equal to or greater than the par values of the respective shares or the pro rata share capital attributable to no par value shares, and that they "execute" the Articles of Incorporation of the corporation. These must include:

- name and domicile of the corporation,
- objects of the corporation,
- amount of the share capital,
- subdivision of the share capital either into par value shares or into no par value shares, for par value shares the par value of the shares and the number of shares of each par value, for no par value shares the number of no par value shares, and additionally, in case there are several classes of shares, the class of the shares and the numbers of shares in each class,
- whether the shares are issued in registered or bearer form,
- number of members of the Board of Management or rules according to which this number is determined,
- provision for the public notices of the corporation.

The corporation must be recorded in the Commercial Register (Handelsregister), at the domicile of the corporation. The Articles of Incorporation of the corporation must also be submitted to the Commercial Register for registration. Registration includes the following information:

- name and domicile,
- amount of the share capital,
- names of the members of the Board of Management and the extent of their authority to represent the corporation.

Amendments to the Articles of Incorporation become effective when they have been recorded in the Commercial Register.

(c) Share Capital

The capital of a corporation is subdivided into par value or no par value shares. It must be denominated in Euro and have a minimum total par value of €50,000, with a minimum par value or a minimum portion of the share capital attributable to a no par value share of €1 per share. No shares may be issued below par. Shares may enjoy different rights, in particular with regard to the distribution of profits and voting rights, but multiple voting rights per share are prohibited. All shares enjoying the same rights belong to one class.

The stock corporation may acquire own shares only under special conditions, as set forth in Sections 71 and 71 a)-e) of the German Stock Corporation Act. It is not entitled to any rights or benefits from own shares held.

The Board of Management may increase the corporation’s share capital against payments in cash or contribution in kind only after having been duly authorized to do so by the shareholders' meeting.

The shareholders must be granted rights of pre-emption with respect to new shares issued against capital increase except as provided in Section 186 (3) - (5) of the German Stock Corporation Act. The capital increase other than an increase by means of conditional capital becomes legally effective when it has been recorded in the Commercial Register.

The shareholders' meeting may create conditional capital to secure conversion or option rights to be granted by the corporation. Such capital increase becomes legally effective as and when the shares are issued.

(d) Shareholders' Meetings

An ordinary shareholders' meeting is to be held within the first 8 months of each financial year of the corporation. Other shareholders' meetings may also be held whenever this is required in the interest of the corporation.

Shareholders' meetings may be convened by the Board of Management or, if the company’s interest so requires, by the Supervisory Board. Such a meeting shall also be called when shareholders holding an aggregate of the 20th part of the share capital request the Board of Management in writing to do so. (The Articles of Incorporation may provide this right to the holders of a smaller percentage of the share capital). The shareholders' meetings must be convened in the Federal Gazette (of which only the electronic version is still available) no later than thirty days before the date of the meeting. This minimum term is prolonged by the number of days of the term for giving notice of attendance if the Articles of Incorporation of the corporation require such prior notice of shareholders. Aside from the time and place of the meeting, the notice of convening the shareholders’ meeting must state the agenda including a proposal of the Board of Management and of the Supervisory Board (in certain cases only of the latter) regarding each issue on which the meeting is to vote. In case of a listed stock corporation the notice of convening the meeting shall also include in particular the conditions for attending the meeting and exercising the voting rights, the procedure for casting votes by a proxy holder or by absentee voting, the company’s Internet page and the rights of the shareholders pursuant to certain sections of the German Stock Corporation Act. The latter may be limited to the terms for exercising these rights if the notice of convening the meeting refers to further explanations on the company’s Internet page. Shareholders (provided they hold at least the 20th part of the share capital or €500,000 of the share capital) may also place items on the agenda of the shareholders' meeting.

Especially Decisions in the following matters are reserved to shareholders' meetings:

(1) appointment of shareholders' representatives on the Supervisory Board,

(2) allocation of the distributable profit as shown in the balance sheet,

(3) ratification of the acts of the members of the Board of Management and of the Supervisory Board in the previous financial year,

(4) election of the auditors,

(5) amendments to the Articles of Incorporation,

(6) capital increase and decrease,

(7) dissolution of the corporation,

(8) major restructuring, such as mergers and transformations of the corporation.

The shareholders' meeting decides matters regarding the management of the corporation only upon request of the Board of Management.

At a shareholders' meeting each shareholder is entitled to receive from the Board of Management answers to his questions, to the extent that the information requested is necessary to enable him to assess objectively the items on the agenda, except as provided in Section 131 (3) of the German Stock Corporation Act.

Each share shall confer voting rights. While, as an exception from the rule, preferred shares which confer no voting rights may be issued in accordance with German Stock Corporation Act, multiple voting rights per share shall be prohibited. Voting rights may be exercised in person or by proxy. Such proxy has to be duly issued readably on a permanent medium, i. a in writing, by fax or via electronic media (Textform). The Articles of Incorporation or the notice of convening the shareholders' meeting based on the authorization under the Articles of Incorporation may provide other means of proxy issuance (e.g. via the company's Internet page) however, in case of a listed stock corporation, they may only facilitate the formal requirements. The Articles of Incorporation may also provide for the possibility or authorize the Board of Management to provide for the possibility for shareholders to cast their votes themselves, i. e. without granting proxy, although not attending the shareholders' meeting ("absentee voting").

As a rule, the shareholders' meeting decides by a majority of the votes cast. For certain purposes, such as the amendment of the Articles of Incorporation, capital increases or decreases or the dissolution of the corporation, the German Stock Corporation Act requires that a decision may be made only by a majority of no less than 75% of the capital represented at the meeting at the time the resolution is voted upon. The Articles of Incorporation may provide for higher or, in some cases as permitted by law, lower majorities.

The minutes of the shareholders' meeting of a listed stock corporation must be recorded by a notary public. The minutes together with certain other documents must be submitted to the Commercial Register after the meeting without undue delay.

(e) Board of Management

The Board of Management consists of one or more natural persons. These are appointed by the Supervisory Board, each for a term of no more than 5 years. They may be reappointed or their terms extended, for further terms of up to 5 years each by resolution of the Supervisory Board. If the Board of Management consists of more than one person, the Supervisory Board may appoint a chairman of the Board of Management.

The Board of Management represents the corporation vis-à-vis third parties and in court. If the Board of Management consists of more than one person, the Articles of Incorporation may provide that individual members may represent the corporation severally or jointly, or together with another duly authorized officer (Prokurist) of the corporation. The Board of Management or members of the Board who are empowered to do so may authorize one of themselves or individuals who are not members of the Board of Management to conduct certain business transactions or certain types of business. The competence of the Board of Management as a whole to represent the corporation cannot be limited.

Any change in the membership of the Board of Management or of the authorization of individual members to represent the corporation must be entered in the Commercial Register.

The Board of Management must conduct the business of the corporation on its own responsibility. It may determine its rules of procedure unless the Supervisory Board decides to provide these rules or is mandated by the Articles of Incorporation to do so.

The Board of Management must report to the Supervisory Board on the projected business policy, the profitability of the corporation, business development and the state of business of the corporation, transactions of considerable impact on the profitability or the liquidity of the corporation and all other matters of considerable significance to the corporation.

The Board of Management must implement the decisions of the shareholders' meeting, provided such resolution was within the competence of the shareholders’ meeting.

The Supervisory Board determines the remuneration of the members of the Board of Management.

(f) Supervisory Board

The members of the Supervisory Board are elected by the Shareholders` Meeting. In corporations having more than 500 or 2,000 employees in Germany (including group companies), employees are also represented in the Supervisory Board, which then is composed of employee representatives to one third or to one half, respectively, who are elected by the employees. In corporations with more than 2,000 employees in Germany (including group companies) and therefore one half of the members of the Supervisory Board representing the employees, the Chairman of the Supervisory Board, as a matter of the rules for the election as chairman, normally is a representative of the shareholders. In case of equality of votes and second vote conducted resulting in equality of votes again, the chairman has the casting vote in resolutions of the Supervisory Board. The representatives elected by the shareholders and the representatives elected by the employees are equally obliged to act in the company's best interest. The Supervisory Board of corporations which generally employ more than 20,000 persons must consist of 10 members elected by the shareholders and 10 members elected by the employees. Of the latter, seven must be employed by the corporation and three must be representatives of trade unions, who may also be employees of the corporation.

Only natural persons may be members of the Supervisory Board of a corporation. Generally a member of the Board of Management of the relevant corporation, or a deputy member of the Board of Management or a person being otherwise authorized to generally represent the said corporation in its entire business may not be member of the Supervisory Board of this corporation. The Supervisory Board may, however, appoint one or more of its members for a period not exceeding one year to substitute members of the Board of Management who are absent or incapacitated. The person so appointed may not serve on the Supervisory Board during the term of such appointment.

Additionally a person who

- already serves on the Supervisory boards of 10 companies(1) which are legally required to form Supervisory Boards(2)
    - (1) In determining the maximum number of 10 mandates, the mandate as a Chairman of a Supervisory Board shall count double.
    - (2) Membership in up to five Supervisory Boards of companies controlled by the corporation does not count for the maximum number.
- is a member of the Board of Management (or equivalent body) of a company which is controlled by the relevant corporation

- is a member of the Board of Management (or equivalent body) of a company whose Supervisory Board includes a member of the Board of Management of the company
- was a member of the Board of Management of the same listed stock corporation in the past two years, unless he/she is elected upon nomination by shareholders holding more than 25 per cent of the voting rights in the company.

cannot be a member of the Supervisory Board.

The members of the Supervisory Board representing the shareholders are elected by a shareholders' meeting. In a corporation with more than 2,000 employees, the election of the representatives of the employees is governed by sections 9 through 24 of the Co-Determination Act (“Mitbestimmungsgesetz”). The election procedure is complicated and tedious.

The term of office of any member of the Supervisory Board may not exceed the period which ends with the shareholders' meeting which decides on the ratification of the acts of such member for the fourth financial year after the beginning of the term of office; the financial year in which such term of office commences shall not be taken into account, i.e. the maximum term is about 5 years.

In case of any changes in membership of the Supervisory Board, a complete list of all members must be filed with the Commercial Register.

The function of the Supervisory Board is to supervise and advise the management of the corporation. Its members may examine the books and the assets of the corporation or authorize individual members, or, with respect to specific tasks, suitable experts to do so. The Supervisory Board must convene a shareholders' meeting when the interests of the corporation so require. It may not assume management functions. The Supervisory Board or the Articles of Incorporation must, however, stipulate that certain types of transaction are subject to its consent.

The remuneration of members of the Supervisory Board may be determined by the Articles of Incorporation or by resolution of the shareholders' meeting.

(g) Financial Statements

A corporation must keep orderly accounts of its transactions and its assets and liabilities in accordance with the requirements of the German Commercial Code and the German Stock Corporation Act. The Board of Management must prepare a balance sheet, statement of profit and loss and notes thereto (together: the "financial statements") as well as a management report for the preceding year within the first three months of the current financial year. Pursuant to Section 289 a German Commercial Code, a listed stock corporation has to issue a separate Corporate Governance Statement comprising i. a. the compliance declaration according to Section 161 of the German Stock Corporation Act, information on corporate governance practices and a description of rules of procedure of the Board of Management and the Supervisory Board; the latter may only consist of a reference to the homepage of the company, if rules of procedure are available there. The Corporate Governance Statement may be published in the management report as a separate section or on the company’s homepage (with a reference to this page in the management report). If applicable the Board of Management has also to prepare consolidated financial statements and a management report for the group. The form and content of the financial statements are stipulated in provisions of the German Commercial Code and the German Stock Corporation Act. Moreover, according to IAS Regulation (EC), publicly traded companies shall prepare their consolidated financial statements in conformity with the international accounting standards (IAS/IFRS) as adopted according to such IAS Regulation.

The Board of Management has to issue a responsibility statement that declares, that, to the best of the Management Board’s knowledge and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company. The Board of Management has to issue the same statement of responsibility with regard to consolidated statements and group management report, if applicable.

For corporations exceeding certain thresholds of key figures, the financial statements and consolidated financial statements as well as the management reports of the corporation and the group must be audited by an independent auditor or auditing company elected by the shareholders' meeting and mandated by the Supervisory Board.

The independent auditor is responsible for summarizing the audit findings in an auditor’s opinion. The auditor’s opinion must contain a description of the object, type and scope of the audit, as well as an evaluation of the audit findings. If the independent auditor does not have any objections regarding the financial statements, consolidated financial statements and management reports, the auditor’s opinion must state that the audit conducted by him in conformity with Section 317 of the German Commercial Code did not present any grounds for objections and that, according to the knowledge gained by the independent auditor during the audit, in his professional judgment (i) the financial statements and consolidated financial statements prepared by the company’s management present a true and fair view of the net assets, financial position and results of operations of the company and the group in accordance with generally accepted accounting principles in Germany including IFRS, if applicable, and (ii) the management report and group management report are consistent with the financial statements and as a whole provide a suitable view of the company’s and the group’s position and suitably present the opportunities and risks of future development.

The evaluation of the audit findings is to be carried out in a comprehensible and problem-oriented way in consideration of the fact that the financial statements are the responsibility of the company’s management. Any risks which may jeopardize the continued existence of the company are to be disclosed individually.

The auditor’s opinion must also state whether the chances and risks associated with the future development of the company are adequately presented.

The independent auditor shall state the result of the audit in the independent auditor’s report (Bestätigungsvermerk). If objections are to be raised, the independent auditor is required to issue a qualified auditor’s report or a denial of auditor’s report. Qualified auditor’s reports and denials of auditor’s report must be supported by sufficient justification.

The independent auditor is required to sign the auditor’s report or the denial of auditor’s report, stating the place and date of signing. The auditor’s report or the denial of auditor’s report is to be included as part of the auditor’s opinion to be submitted to the Supervisory Board.

The Board of Management must submit the financial statements and, in case of a parent corporation, also the consolidated financial statements as well as the management report for the company and the group and a proposal for allocation of distributable profit to the Supervisory Board, which in turn must examine these documents and report the results of its examination in writing to the shareholders' meeting. The Supervisory Board must also comment on the auditor's report and state whether it approves the financial statements of the company and of the group. If approved by the Supervisory Board, the financial statements of the company are final unless the Board of Management and the Supervisory Board decide to request the shareholders' meeting to approve the financial statements, which would be rather uncommon for a listed stock corporation.

The legal representatives of a corporation must file with the operator of the Federal Gazette the financial statements and consolidated financial statements, if applicable, together with the report (Bestätigungsvermerk) or the denial of report of the independent auditor, the management report and group management report, if applicable, the report of the Supervisory Board, as well as the compliance declaration according to Section 161 of the German Stock Corporation Act and the proposal to and resolution of the shareholders' meeting on the allocation of distributable profit. Filing must incur without undue delay after presentation of said documents to the shareholders' meeting but not later than 12 months, and, i. a. in case of corporations with their shares listed on a German Stock Exchange not later than four months after the end of the respective financial year. The legal representatives of corporations are required to cause publication of the aforementioned documents in the Federal Gazette without undue delay after filing.

(h) Allocation of distributable profit

The allocation of the distributable profit is determined by the shareholders' meeting. The shareholders are entitled to the distributable profit unless the shareholders' meeting resolves different allocation in accordance with the law and the Articles of Incorporation of the corporation. The resolution of the Shareholders' Meeting on the allocation of the distributable profit to the shareholders must be published. Until the liquidation of the corporation, only distributable profit may be paid out to shareholders.

(i) Enterprise Contracts

Enterprise contracts are contracts under which a corporation agrees to be controlled by and/or to transfer all its profits and losses to another business organization, as well as certain other similar contracts. Such contracts may be entered into and amended only with the approval of the shareholders' meeting, by the majority prescribed by law and the Articles of Incorporation. Upon request, individual shareholders are entitled to receive a copy of such a contract after publication of the invitation to the respective shareholders' meeting in the Federal Gazette and to inspect the contract and additional documents from that time on in the offices of the company unless such documents are available on the company's Internet homepage for the same period of time. The documents shall also be made available to the shareholders at the respective shareholders' meeting. The contract takes effect when its conclusion has been entered in the Commercial Register at the domicile of the subordinated corporation. The Commercial Register publishes the new entry.

(j) Amendment of the Articles of Incorporation

The Articles of Incorporation of a corporation may be amended only by a resolution of the shareholders' meeting. The law and the Articles of Incorporation prescribe the majority required to resolve each of various types of amendment. An amendment becomes effective when it has been entered in the Commercial Register.

(2) The Corporate System as provided for by law and in the Articles of Incorporation of the Company

The corporate system of the Company is as follows:

(a) Organization and Register

Daimler AG is a stock corporation organized in the Federal Republic of Germany under the German Stock Corporation Act. It is registered in the Commercial Register maintained by the local court in Stuttgart, Germany, under the entry number “HRB 19360”.

(b) Corporate Governance

German stock corporations are principally governed by three separate bodies: the Shareholders’ Meeting, the Supervisory Board and the Board of Management. Their roles are defined by German law and by the corporation’s Articles of Incorporation.

Several of the specific corporate governance provisions of Daimler AG are summarized below, as well as in section V. Description of the Company, subsection 4. Directors and Officers under (c) Compensation of the Supervisory Board and Board of Management and subsection 5. Description of Corporate Governance, etc. under (1) Description of Corporate Governance — I Corporate Governance at Daimler.

(c) Business Purposes

The Articles of Incorporation of Daimler AG state that its business purpose is to engage, directly or indirectly, in the business of development, producing and selling of products and providing services, especially in the following lines of business:

- land vehicles,
- watercraft, aircraft, spacecraft and other products in the fields of road transport, aerospace, and marine technology,
- engines and other propulsion systems,
- electronic equipment, devices and systems,
- communication and information technology,
- financial services of all kinds, insurance brokerage, and
- management and development of real property.

The Articles of Incorporation authorize to take all actions and measures that serve to accomplish the business purposes, except that Daimler AG is not permitted to engage directly financial services transactions or banking and real property transactions that require a government license.

(d) Ordinary Shares

The share capital of Daimler AG consists solely of one class of ordinary shares without par value (Stückaktien), which are issued in registered form. Record holders of the ordinary shares are registered in the share register (Aktienregister). registrar services GmbH acts as the transfer agent and registrar in Germany and various other countries and administers the share register on behalf of the Company. The sub-transfer agent and registrar in the United States is

American Stock Transfer (AST). The following is a summary of significant provisions under German law and the Articles of Incorporation relating to the Company's ordinary shares:

- *Capital Increases.* In accordance with authorized or conditional capital passed upon by the Company's shareholders, Daimler AG may increase the share capital in consideration of cash or non-cash contributions. Authorized capital provides the Board of Management with the flexibility to issue new shares during a period of up to five years, generally to preserve liquidity. Conditional capital allows the issuance of new shares for specified purposes, including subscription rights (e.g. from stock option plans) for employees and members of the Board of Management, mergers, and upon conversion of option bonds and convertible bonds. Authorized and conditional capital increases require an approval by 75% of the shares present at the shareholders' meeting at the time the increase is voted upon. The Articles of Incorporation of the Company do not provide for a larger capital majority or additional requirements that are more stringent than the law requires. The Articles of Incorporation include authorized and conditional capital in Article 3 (2) and (3).
- *Redemption.* The share capital may be reduced by a specific resolution adopted by the shareholders. The share capital may also be reduced by retiring and canceling shares purchased in a share buyback program if the authorization by the shareholders' meeting contemplates such cancellation.
- *Preemptive Rights.* The Articles of Incorporation provide that the preemptive right (Bezugsrecht) of shareholders to subscribe for the issue of new shares under existing authorized or conditional capital in proportion to their shareholdings in the existing capital may be excluded under certain circumstances.
- *Liquidation.* If Daimler AG were to be liquidated, any liquidation proceeds remaining after all of its liabilities are paid would be distributed to its shareholders in proportion to their shareholdings.
- *No Limitation on Foreign or Substantial Ownership.* Neither German law nor our Articles of Incorporation limit the rights of persons who are not citizens or residents of Germany, or who hold a substantial number of the shares, with respect to holding or voting the ordinary shares of Daimler AG.

(e) Dividends

The Board of Management submits the unconsolidated financial statements (prepared in accordance with German GAAP) of the Group's parent company, Daimler AG, for each financial year to the Supervisory Board for approval and both boards recommend a resolution on the allocation of all distributable profits, including the amount of net profits to be distributed as a dividend to the shareholders, for approval at the annual general shareholders' meeting. Shareholders holding shares on the date of the annual general meeting are entitled to receive the dividend as resolved.

The Company pays dividends to shareholders in proportion to their percentage ownership of the outstanding share capital. A shareholder's right to claim a dividend expires four years from the end of the year in which the shareholders' meeting adopted the resolution on the dividend and the dividend has become due for payment.

The Articles of Incorporation, in accordance with the German Stock Corporation Act, authorize the Board of Management, with the approval of the Supervisory Board, to make an interim payment to shareholders with respect to the foreseeable distributable profit of the prior financial year, if a preliminary closing of the financial statements for that year shows a profit. The interim payment may not exceed 50% of the amount of the foreseeable distributable profit, after deducting any amounts required to be transferred to retained earnings. Furthermore, the interim payment may not exceed 50% of the previous financial year's distributable profit.

(f) Voting Rights

Each of the ordinary Daimler shares represents one vote. German law does not permit multiple voting rights. The Articles of Incorporation provide that resolutions are passed at shareholder meetings by a simple majority of votes cast, unless a higher vote is required by law. German law requires that any resolution imposing additional obligations on shareholders requires the consent of all affected shareholders in order to be effective. German law further requires that the following matters, among others, be approved by the affirmative vote of 75% of the shares present at the shareholders' meeting resolving upon them:

- changing the objects and purposes provision in the Articles of Incorporation;
- approving authorized and conditional capital increases;
- excluding preemptive rights of shareholders to subscribe for new shares;
- dissolving the company;
- merging into, or consolidating with, another stock corporation;
- transferring all or virtually all of the company's assets; and
- changing the corporate form.

Based on the Articles of Association, individuals nominated as representatives of the shareholders in the Supervisory Board shall be elected on the basis of the highest number of yes votes actually cast.

(g) Shareholders' Meetings

The Board of Management, under certain conditions the Supervisory Board, or shareholders owning in the aggregate at least 5% of the issued share capital may call a meeting of shareholders. The Supervisory Board must convene a Shareholders' Meeting if this is deemed necessary for the well-being of Daimler AG. There is no minimum quorum requirement for shareholder meetings. At the annual general shareholders' meeting, the management presents the adopted financial statements, the approved consolidated financial statements, the management reports for Daimler AG and the Group (which may be combined in one report), the report of the Supervisory Board and the explanatory reports on the information required pursuant to Section 289 (4) and (5) and Section 315 (4) of the German Commercial Code. Further the shareholders are asked to ratify the actions of the Board of Management and Supervisory Board during the prior year and to approve the allocation of distributable profit and to appoint an independent auditor. The shareholders also elect their representatives to the Supervisory Board at the Shareholders' Meeting for terms of up to five years and decide on certain other matters as assigned to its competence by applicable law.

If a shareholder wants to participate and vote at any of the Shareholders' Meetings of Daimler AG, the shareholder must be registered in the share register on the meeting date and must also have notified the Company no later than four calendar days before the meeting that he or she wishes to attend (not counting the day of receipt of the notice nor the day of the meeting). Instead of voting in person at the meeting, shareholders may vote their shares by proxy nominated by him/her or by proxy granted to the proxy representative appointed by the Company. The details, in particular the form and terms for conferring and revocation of proxies, shall be announced together with convening the Shareholders' Meeting. Convening shall further include in particular the conditions for attending the meeting and exercising voting rights. The Company shall publish the convention of the Shareholders' Meeting including the agenda with the items to be voted on in the Federal Gazette and forward a meeting notice including the agenda to the shareholders. The items for the agenda may be proposed either by the Board of Management and the Supervisory Board, in certain cases only by the latter, or by a shareholder or group of shareholders holding a minimum of either 5% of the issued share capital or shares representing at least €500,000 of the Company's share capital.

(h) Directors

Under German law, the Supervisory Board members and Board of Management members owe a duty of loyalty and care to the Company. They must exercise the standard of care of a prudent and diligent businessman and bear the burden of proving they did so if their actions are contested. Both boards must consider the Company's interest, interests of the shareholders, the workers and, to some extent, the common interest. The Company may hold those Board members who violate their duties jointly and severally liable for any resulting damages of the Company. The Board members are not liable to the Company if they acted pursuant to a lawful resolution of the shareholders' meeting. The German Stock Corporation Act also provides that a Board member is not liable for breach of duty if the Board member makes a business decision that he or she reasonably believes is based on appropriate information and is in the Company's interest. Supervisory Board or Board of Management members are not obligated to own shares of the corporation to qualify for the board membership. According to German law, the Supervisory Board or Board of Management members may not receive a loan from Daimler AG unless approved by the Supervisory Board. German law stipulates that Supervisory Board and Board of Management members may not vote on a matter that concerns ratification of his or her own acts or discharges the Board member from liability or enforcement of a claim of the Company against the respective Board member. The compensation of the Supervisory Board members is determined in the Articles of Incorporation or shareholders' resolution. Amendment of the Articles of Incorporation requires the approval of the shareholders' meeting of Daimler AG.

Board of Management

The Board of Management of Daimler AG shall consist of not less than two members. The Supervisory Board shall appoint the members of the Board of Management in accordance with the provisions of the German Stock Corporation Act and the Co-Determination Act (Mitbestimmungsgesetz) and shall determine their number.

The Board of Management, which acts under the principle of collective responsibility, manages the day-to-day business. It is authorized to represent Daimler AG and to enter into binding agreements with third parties on its behalf.

Supervisory Board

The Supervisory Board of Daimler AG shall consist of twenty members, ten of whom shall be elected by the shareholders and ten by the employees. They are elected for a period ending no later than at the close of the Shareholders' Meeting which ratifies the member's actions for the fourth financial year following the commencement of their term of office, excluding the financial year in which that term begins. At the election, the Shareholders' Meeting may determine a shorter period of office for the shareholders' representatives.

According to the Articles of Incorporation, any member of the Supervisory Board may resign from his/her office, even without cause, by giving four weeks' notice in writing to the Chairman of the Supervisory Board and the Board of Management. An amicable reduction of the notice period is admissible.

A quorum of the Supervisory Board shall be constituted when notices have been issued to all its members at their last known address and at least ten members of the Supervisory Board participate in passing the resolution. Abstentions from members of the Supervisory Board are included when determining whether there is a quorum. In justified exceptional cases, members of the Supervisory Board can, subject to the approval of the Chairman, take part in a meeting of the Supervisory Board or its committees via a telephone or video conference.

Members of the Supervisory Board who do not attend a meeting nor participate in the manner described in the previous sentence may participate in a resolution of the Supervisory Board and its committees by submitting their vote in writing (or also by fax) to the person chairing the meeting, prior to the vote. This shall also apply to the additional casting vote of the Chairman in a second vote on the same matter that results in equality of votes.

If not all members of the Supervisory Board attend a meeting of the Supervisory Board and the absent members of the Supervisory Board do not submit their votes as described above, the passing of the resolution shall be postponed if at least two members of the Supervisory Board taking part in the meeting so request. In the event of postponement and if a special meeting of the Supervisory Board is not convened, the resolution shall be deferred to the next regular meeting. A minority request for postponement shall not be permitted for the second resolution.

If the Chairman of the Supervisory Board participates in the meeting, or if one of the attending members is in possession of his vote submitted in the manner described above, the aforementioned paragraph shall not apply when the number of shareholders' representatives on the Supervisory Board take part in the meeting or take part in the passing of a resolution by submitting their vote in the manner described above equals the number of employee representatives, or when an imbalance is offset by the voting abstention of certain Supervisory Board members.

The Chairman, or in his absence, the Deputy Chairman may also arrange for the voting on a resolution of the Supervisory Board to be carried out in writing, by fax or e-mail – or by a combination of these communication media – if no member of the Supervisory Board objects to this procedure within an appropriate period of time, to be determined by the Chairman. The Chairman shall determine the details of the procedure. This regulation also applies to resolutions in committees.

Resolutions of the Supervisory Board shall be passed by a simple majority of votes cast unless another majority is required by law. Abstentions shall not be counted in determining the outcome of the vote. In the event of an equality of votes, any member of the Supervisory Board may request that a second vote be conducted. The Chairman, or in his absence, the Deputy Chairman shall decide when the vote is to be repeated. If the second vote also results in an equality of votes, the Chairman of the Supervisory Board shall have an additional casting vote.

This regulation also applies to resolutions in committees, with the Chairman of the Supervisory Board and his Deputy being replaced by the Chairman of the Committee or his Deputy, unless otherwise required by applicable law.

The members of the Supervisory Board maintain secrecy regarding confidential corporate information, especially company or business secrets, being disclosed to the members of the Supervisory Board in their service; this obligation continues beyond the end of their office as a member of the Supervisory Board. The members of the Supervisory Board are particularly obliged to maintain secrecy concerning confidential reports and confidential consultations.

Members of the Supervisory Board shall be covered by insurance against pecuniary damage, taken out by and in the interest of the corporation for executive bodies and certain senior executives, insofar as such coverage exists. The insurance premiums shall be paid by the corporation.

(i) Change of Control

The Articles of Incorporation do not contain any specific provisions that would have an effect of delaying, deferring or preventing a change in control or that would only apply in the context of a merger, acquisition or corporate restructuring involving the Company or any of its subsidiaries. The German Takeover Act (Wertpapiererwerbs- und Übernahmegesetz) requires, among other things, that a bidder seeking control of a company with its corporate seat in Germany and traded on a stock exchange in the European Economic Area must publish advance notice of a tender offer; submit a draft offer statement to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) for review; and obtain certification from a qualified financial institution that adequate financing is in place to complete the offer. Once a shareholder has acquired shares representing 30% of the voting power (other than by voluntary public offer), it must make an offer for all remaining shares of the target. The German Takeover Act requires the Board of Management of the target to refrain from taking any measures that may frustrate the success of the takeover offer. However, the target’s Board of Management is permitted to take any action which a prudent and diligent management of a company that is not the target of a takeover bid would also take. Moreover, the target’s Board of Management may search for other bidders and, with the prior approval of the Supervisory Board, may take other defensive measures, provided that both boards act within their general authority under the German Stock Corporation Act. The Board of Management may also adopt specific defensive measures if the Supervisory Board has approved such measures and if the measures were specifically authorized by the shareholders no later than 18 months in advance of a takeover bid by resolution of 75% of the votes cast present at the shareholders’ meeting at the time the resolution is voted upon. The German Takeover Act also provides that a company’s Articles of Incorporation may be amended to replace the above rules on prohibiting the frustration of tender offers with the European rules on the prohibition of frustrating actions, which tend to be more restrictive. However, the Articles of Incorporation of Daimler AG do not contain any more restrictive rules.

(j) Disclosure of Shareholdings

German Securities Trading Act (Wertpapierhandelsgesetz) requires holders of voting securities of a German stock corporation whose shares are listed on a stock exchange to notify the corporation of the number of shares they hold if the voting rights reach, exceed or fall below specified thresholds. These thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the corporation's voting rights. Upon reaching or crossing these thresholds, holders must promptly, and within no more than four trading days, notify the issuer and concurrently the German Federal Financial Supervisory Authority.

In addition, with respect to derivative instruments, under German law, anyone who directly or indirectly holds instruments that grant the holder the right to unilaterally acquire previously issued voting shares of a German issuer must promptly upon obtaining, exceeding, or no longer holding 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75%, and within no more than four trading days, must provide notice thereof to the issuer and to the German Federal Financial Supervisory Authority. The voting rights from shares and voting rights obtainable through financial instruments will be aggregated.

Finally, all financial and other instruments held directly or indirectly that only enable – instead of entitle – the holder to acquire voting rights, also cause notification obligations. Enabling rights in particular exist if (i) the counterparty of the holder of the right could exclude or reduce risks arising from these instruments by holding shares, irrespective of whether they actually hedge such risk in the specific case, or (ii) the instruments grant a right or create an obligation to acquire shares. This notification requirement e. g. covers swaps (even cash-settled equity swaps), cash-settled call options, put options and other instruments that have the economic consequence of only enabling the acquisition of voting rights. The thresholds for this notification requirement also are 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%. Any voting rights or instruments that have to be notified under the other notification requirements will have to be aggregated with these notifiable instruments, with the respective percentages of the three different baskets to be disclosed separately.

A German issuer must publish promptly any such notice it receives, but in any event no later than three trading days after receiving the notice. The notice must be published through an electronically operated information dissemination system, a news agency, a news provider, a print medium, and a website for the financial markets (jointly known as a media bundle). In that regard, at least one of those media must allow an active dissemination throughout Europe. In addition, the issuer must promptly, though not prior to publication, transmit a copy of the notice to the company register (Unternehmensregister). At the same time, the issuer must notify the German Federal Financial Supervisory Authority of the publication. The same publication regime applies if an issuer reaches, exceeds or falls below 5% or 10%, in case of a German issuer also 3% of the voting rights with own shares. In this case, the issuer must promptly, no later than four trading days after such event, publish respective notification.

The German Securities Trading Act also contains various provisions designed to ensure that shareholdings in German listed companies are attributed to the person who actually controls the voting rights associated with such shares. Failure by a shareholder to give a required notice results, for the duration of the failure, in the loss of the rights (including voting rights and dividend rights) attached to the shares that belong to such shareholder and in certain cases to the loss of the rights attached to shares whose voting rights are attributable to it. In certain cases involving a willful or grossly negligent breach of the notification obligations, the loss of rights will continue for an additional six months. In addition, a fine may be imposed for failure to comply with the notice and publication requirement.

Any party whose voting rights from shares meet or exceed the 10% threshold or a higher threshold must notify the issuer, within twenty trading days, of its intentions with respect to the acquisition as well as identify the source of the funds used to make the acquisition and, in the process, make other required disclosures.

Based on the amendment of the EU Transparency Directive (2013/50/EU) that needs to be transformed into German law until 27 November 2015, legislative procedures for respective amendment of German Securities Trading Act have started.

(k) Basis of Potential Claims

Claims against members of the Supervisory Board or Board of Management may be asserted on behalf of Daimler AG if the shareholders’ meeting so resolves by simple majority. The claim must be brought within six months from the day of the shareholders’ meeting at which the resolution was passed. Admission of an action against the Supervisory Board and Board of Management members on behalf of the company may be claimed in court by shareholders holding in the aggregate at least 1% of the issued shares or shares representing at least €100,000 of the share capital. The competent court will allow the action to proceed if (i) the shareholders acquired their shares before any information was published from which they could have become aware of the alleged breach of duty or damage; (ii) the company failed to file a suit itself within a reasonable period of time after being asked to do so by the shareholders; (iii) facts exist that justify the suspicion that the company has suffered damage by dishonesty or gross breach of the law or the Articles of Incorporation; and (iv) there are no overriding interests of the company against the assertion of such damage claim.

(l) German Corporate Governance Code Declaration

As a German corporation listed on a German stock exchange, Daimler AG is subject to the German Corporate Governance Code that recommends specific corporate governance practices. The Code was issued in 2002 by a government appointed commission, and amended most recently in May 2013 with effect as of June 2013. In 2014, the Code was merely refined in its Appendix with regard to the description of the recommended sample charts for depicting board of management remuneration and then published with this revised description in the German Federal Gazette on September 30, 2014. In May 2015, the Code was amended again, but as of May 31, 2015 not yet republished in the Federal Gazette. Amendments do not become effective before publication.

The German Stock Corporation Act requires a company’s Supervisory Board and Board of Management to declare annually if the Code’s recommendations have been and are being met by the company or, if not, which recommendations have not been or are not being applied and, if applicable, why not. Shareholders must be given permanent access to such declaration. The Supervisory Board and Board of Management issued a statement declaring that Daimler AG has complied, does comply and intends to comply in the future with the recommendations of the Corporate Governance Code, subject to the exceptions identified in the declaration. For shareholders and others who may wish to read the English convenience translation of the declaration, the Company has made it available on the website at www.daimler.com/dai/gcgc.

For further information on corporate governance, please also read 5. Description of Corporate Governance under V. Description of the Company.

(m) Financial year and accounting

The financial year of the Company is the calendar year.

The Board of Management shall prepare the financial statements and the management report for the previous financial year during the first three months and the consolidated financial statements and the group management report during the first four months of the financial year and shall submit them immediately to the Supervisory Board and to the auditors. The proposal to be made at the Annual General Meeting of Shareholders for the allocation of distributable profits is to be submitted to the Supervisory Board together with the financial statements and the management report.

(n) Announcements

Announcements of the Company shall be published in the Federal Gazette (Bundesanzeiger).

2. Foreign Exchange Control System

Under the German Foreign Trade Act (Außenwirtschaftsgesetz) as amended and substantiated by the Foreign Trade Ordinance (Außenwirtschaftsverordnung) as amended, restrictions can under certain circumstances be imposed on the purchase of major shareholdings in German warfare-related companies by non-residents, or, in exceptional cases, on the purchase of major shareholdings in other German companies by investors from outside the European Union if such purchase threatens Germany's public policy or public security. With these exceptions, the Federal Republic of Germany presently does not impose foreign exchange control restrictions on the acquisition or disposition by a non-resident of shares of a corporation domiciled in the Federal Republic of Germany, on remittances to non-residents of a) dividends or any other distribution on such shares or b) sales proceeds from such shares, notwithstanding financial sanctions based on resolutions adopted by the European Union or the United Nations.

3. Tax Treatment

(a) German Tax Treatment

Dividends paid by Daimler AG to a Japanese shareholder are subject to a withholding tax levied at source. According to the Corporate Tax Reform Act 2008, the withholding tax on dividends amounts to 25%. A solidarity surcharge of 5.5% on 25% has to be added, totaling to an aggregate rate of 26.4%, effective as of January 1, 2009.

In accordance with the Tax Convention between Germany and Japan, the 26.4% aggregate German withholding tax on the dividends will be reduced to 15% upon application with the German tax authorities. A special application for such reduction has to be filed with the following German tax authority: Bundeszentralamt für Steuern, 53225 Bonn, Germany, to obtain the refund. The refund claim has to be filed with the Bundeszentralamt für Steuern by the end of the fourth calendar year following that in which the dividends have been received. The remaining withholding tax of 15% may be offset as a tax credit in Japan.

Capital gains realized by a Japanese resident from the sale of shares of Daimler AG are not subject to German income tax.

German inheritance tax (Erbschaftsteuer) with respect to shares of Daimler AG owned by a Japanese resident would only be due if the shares held by such Japanese resident amounted to 10% or more of the share capital of Daimler AG.

(b) Japanese Tax Treatment

Subject to compliance with and the limitations of the Income Tax Law, the Corporation Tax Law, the Inheritance Tax Law and other current and pertinent laws and regulations of Japan, credits may be claimed as offsets to taxes payable in Japan pursuant to the applicable tax convention by Japanese persons or Japanese corporations for German taxes to which the income (and estates, as to individuals) of such persons or corporations have been subjected as noted above. See also VIII. 6. Tax Treatment of Dividends etc. in Japan, below.

4. Legal Opinion

The legal department of the Company has submitted a legal opinion of Mr. Michael Winkler and Ms. Veronika Revesz of the legal department of Daimler AG rendering, to the effect:

(1) the Company has been duly incorporated and is validly existing under the laws of Germany; and

(2) to the best of its knowledge and belief, the descriptions in this Securities Report relating to German law are true and correct.

II. Outline of the Company

1. Changes in Major Management Accounts, etc.

We have derived the selected financial data presented in the tables below from our audited consolidated financial statements for the years ended December 31, 2014, 2013, 2012, 2011, and 2010. We prepared the consolidated financial statements included in this report (Consolidated Financial Statements) for those five years in accordance with IFRS as issued by the IASB. Our financial statements are denominated in euros, which is the currency of our home country, Germany.

You should read the tables together with our Consolidated Financial Statements and the notes thereto and the discussion in "III. Description of Business".

Daimler Group	**Year ended December 31,**					
(€ in millions, except for otherwise indicated)	**2014**	**2013**	**2012**	**2011**	**2010**	**14 : 13 % change**
Income Statement data						
Revenue	129,872	117,982	114,297	106,540	97,761	+10
Earnings before interest and taxes (EBIT) [1, 2]	10,752	10,815	8,820	8,755	7,274	-1
Net profit [2]	7,290	8,720	6,830	6,029	4,674	-16
Profit [2] attributable to shareholders of Daimler AG	6,962	6,842	6,428	5,667	4,498	+2
Earnings per share for profit attributable to shareholders of Daimler AG (in €)						
Basic [2]	6.51	6.40	6.02	5.32	4.28	+2
Diluted [2]	6.51	6.40	6.02	5.31	4.28	+2
Balance Sheet data *(end of period)*						
Total assets [2]	189,635	168,518	163,062	148,132	135,830	+13
Non-current liabilities [2]	78,077	66,047	65,016	51,940	44,738	+18
Current liabilities [2]	66,974	59,108	58,716	54,855	53,139	+13
Share capital	3,070	3,069	3,063	3,060	3,058	+0
Equity attributable to shareholders of Daimler AG [2]	43,665	42,680	37,905	39,624	36,373	+2
Equity [2]	44,584	43,363	39,330	41,337	37,953	+3

Daimler Group (€ in millions, except for otherwise indicated)	**Year ended December 31,**					
	2014	**2013**	**2012**	**2011**	**2010**	**14 : 13 % change**
Other data						
Employees (at year-end)	279,972	274,616	275,087	271,370	260,100	+2
Employees (average annual number)	279,857	275,384	274,605	267,274	258,120	+2
Research and development expenditure [3]	5,680	5,489	5,644	5,634	4,849	+3
thereof capitalized	1,148	1,284	1,465	1,460	1,373	-11
Investments in property, plant and equipment	4,844	4,975	4,827	4,158	3,653	-3
Cash provided by (used for) operating activities	(1,274)	3,285	(1,100)	(696)	8,544	—
Total dividend	2,621	2,407	2,349	2,346	1,971	+9
Weighted average number of shares Outstanding (basic) (in million shares)	1,069.8	1,068.8	1,066.8	1,066.0	1,050.8	+0
Weighted average number of shares Outstanding (diluted) (in million shares)	1,069.8	1,069.1	1,067.1	1,067.1	1,051.5	+0
Dividend per share (in €)	2.45	2.25	2.20	2.20	1.85	+9

1) EBIT includes expenses from the compounding of provisions and effects from changes in discount rates (2014: minus €353 million; 2013: minus €95 million; 2012: minus €504 million; 2011: minus €225 million; 2010: minus €240 million).

2) Figure for the year 2012 adjusted primarily due to the effects of the application of the amended IAS 19. Further information on the adjustments is provided in Note 1 of the Notes to the Consolidated Financial Statements for the year 2013.

3) For the year 2013, the figure has been adjusted due to reclassifications within functional costs. Further information is provided in Note 1 of the Notes to the Consolidated Financial Statements.

In addition to reporting on the Daimler Group, the following tables describe the development of Daimler AG.

Daimler AG is the parent company of the Daimler Group and is domiciled in Stuttgart. Its principal business activities comprise the development, production and distribution of cars, vans and trucks in Germany and the management of the Daimler Group.

We have derived the selected financial data presented in the tables below from the audited financial statements of Daimler AG for the years ended December 31, 2014, 2013, 2012, 2011, and 2010. The annual financial statements of Daimler AG for those five years are prepared according to the German Commercial Code (HGB).

You should read the tables together with our Annual Financial Statements and the notes thereto. They are included in section “VI. Financial Conditions” of the original Japanese version.

Daimler AG	Year ended December 31,					
(€ in millions, except for otherwise indicated)	**2014**	**2013**	**2012**	**2011**	**2010**	**14 : 13 % change**
Condensed statement of income						
Revenue	83,947	75,531	72,727	69,486	63,002	+11
Cost of sales (including R&D expenses) [1]	(75,307)	(68,183)	(64,600)	(59,562)	(54,241)	+10
Selling expenses [1]	(6,518)	(6,243)	(5,883)	(5,655)	(4,907)	+4
General administrative expenses [1]	(1,885)	(1,779)	(2,600)	(2,443)	(2,194)	+6
Other operating income, net	1,122	1,497	1,755	1,309	923	-25
Financial income	3,635	2,687	3,710	2,323	3,024	+35
Profit from ordinary activities	4,994	3,510	5,109	5,458	5,607	+42
Extraordinary income	—	—	—	—	254	—
Income tax benefit (expense)	(1,223)	203	366	(701)	(462)	—
Net profit	3,771	3,713	5,475	4,757	5,399	+2
Transfer to retained earnings	(1,150)	(1,306)	(2,737)	(2,378)	(2,699)	-12
Distributable profit	2,621	2,407	2,738	2,379	2,700	+9

Daimler AG	Year ended December 31,					
(€ in millions, except for otherwise indicated)	**2014**	**2013**	**2012**	**2011**	**2010**	**14 : 13 % change**
Balance Sheet data *(end of period)*						
Total assets	85,258	85,276	83,377	78,698	76,700	-0
Liabilities	35,791	36,463	36,387	32,536	31,932	-2
Provisions	11,861	12,619	12,302	14,492	15,490	-6
Share capital	3,070	3,069	3,063	3,060	3,057	+0
Capital reserve	11,480	11,477	11,390	11,351	11,321	+0
Retained earnings	19,891	18,748	17,061	14,298	11,193	+6
Distributable profit	2,621	2,407	2,738	2,379	2,700	+9
Equity	37,062	35,701	34,252	31,088	28,271	+4
Other data						
Employees (at year-end)	151,524	150,605	149,644	148,651	145,796	+1
Employees (average annual number)	152,740	151,058	150,158	147,702	145,759	+1

1) For the year 2013, the figures have been adjusted due to reclassifications within functional costs.

Due to the interrelations between Daimler AG and its subsidiaries and the relative size of Daimler AG within the Group, the following description and discussion in this Securities Report refer to the business of the Daimler Group and its consolidated data.

2. Brief History of the Company

(a) Organization

The legal and commercial name of our company is Daimler AG. It is a stock corporation organized under the laws of the Federal Republic of Germany and was incorporated in 1998 and named DaimlerChrysler AG. In October 2007, following the transfer of a majority interest in the Chrysler activities, we changed the name of the company from DaimlerChrysler AG to Daimler AG. Our registered office is located at Mercedesstrasse 137, 70327 Stuttgart, Germany, telephone +49-711-17-0.

(b) History

Daimler can look back on a tradition of more than 125 years, a tradition that extends back to Gottlieb Daimler and Carl Benz, the inventors of the automobile, and features pioneering achievements in automotive engineering.

Daimler AG was incorporated in 1998, the year in which Daimler-Benz Aktiengesellschaft and Chrysler Corporation combined their respective businesses, stockholder groups, managements and other constituencies. In August 2007, we transferred an 80.1% controlling interest in the Chrysler automotive activities and the related Chrysler financial services business in the NAFTA region to a subsidiary of the private equity firm Cerberus Capital Management L.P.. We disposed of the remaining 19.9% non-controlling equity interest in Chrysler Holding LLC in April 2009. Following a resolution adopted at an extraordinary shareholders' meeting in October 2007, we changed the name of the company from DaimlerChrysler AG to Daimler AG.

3. Contents of Business

Daimler AG is the ultimate parent company of the Daimler Group. The Group develops, manufactures, distributes and sells a wide range of automotive products, mainly passenger cars, trucks, vans and buses. It also provides financial, mobility and other services relating to its automotive businesses.

With its strong brands, Daimler is active in nearly all the countries of the world. In the year 2014, Daimler generated revenue of €129.9 billion. In regional terms, Daimler achieved revenue growth in Western Europe (+6% to €43.7 billion), in the NAFTA region (+15% to €38.0 billion) and in Asia (+20% to €29.4 billion).

For information on significant acquisitions and dispositions of businesses during the last two years, please refer to Notes 3 and 13 to our Consolidated Financial Statements. For a discussion of their effect on our revenue and operating results, please refer to "7. Analysis of Financial Condition, Results of Operations and Cash Flow Status" in "III. Description of Business."

Capital expenditure. In 2014, we once again invested a very high amount of €4.8 billion in property, plant and equipment (2013: €5.0 billion). Of that capital expenditure, €3.1 billion was invested in Germany (2013: €3.2 billion). In relation to revenue, investment in property, plant and equipment reached the high proportion of 3.7% (2013: 4.2%). For additional information on our capital expenditure, please refer to "IV. Conditions of Facilities."

Daimler operates its business through five reportable segments, as they are:

- Mercedes-Benz Cars
- Daimler Trucks

- Mercedes-Benz Vans
- Daimler Buses
- 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. For further information regarding our segment reporting, please refer to “7. Analysis of Financial Condition, Results of Operations and Cash Flow Status” in “III. Description of Business” and to Note 33 to our Consolidated Financial Statements.

(a) Mercedes-Benz Cars

The products supplied by the Mercedes-Benz Cars division comprise a broad spectrum of premium vehicles of the Mercedes-Benz brand and its Mercedes-AMG and Mercedes-Maybach sub-brands. These vehicles range from the compact models of the A-Class and B-Class to various sport utility vehicles, roadsters, coupes and convertibles, and S-Class luxury sedans. Additional products are the high-quality small cars of the smart brand. In 2014, Mercedes-Benz Cars contributed approximately 55% of our revenue.

Products

Mercedes-Benz. Mercedes-Benz passenger cars are world-renowned for innovative technology, highest levels of comfort, quality and safety, and pioneering design. We offer most Mercedes-Benz passenger cars with a choice of several diesel and gasoline engines. Electric drive, either with battery or fuel cell, is a key component of our zero-emission driving strategy. Furthermore, hybrid solutions have been realized from the compact smart to the premium Mercedes-Benz S-Class. Under the AMG sub-brand, we offer high performance versions of Mercedes-Benz vehicles with V8 or V12 engines. In 2014, the new Mercedes-Maybach sub-brand and the first model from this new and exceptionally exclusive brand – the Mercedes-Maybach S 600 – celebrated their world premiere. The availability of individual models differs by geographic market.

The Mercedes-Benz passenger car product range consists of the following classes:

- *S-/CL-/SL-Class/SLS.* The S-Class is a line of full-size luxury sedans, which are available in short and long wheelbase versions. The S-Class sedans are complemented by the new S-Class Coupé, a top-of-the-line two-door coupe which has been available since September 2014, the SL, a luxury roadster, and the Mercedes-Benz SLS AMG, a premium sports car. The Mercedes-AMG GT, a new top-class sports-car, celebrated its world premiere in September 2014.

- *E-/CLS-Class.* The E-Class is a line of luxury sedans, coupes, convertibles and station wagons. We also offer the CLS, a four-door coupe based on the E-Class, and the CLS Shooting Brake, a sports car with cargo space.

- *C-/SLK-Class.* The C-Class is a line of compact luxury sedans and station wagons. The all-new C-Class sedan celebrated its successful launch in Europe in March 2014. The model has been available also as a wagon version since September 2014. With the C-Class Coupe we offer a compact, classic coupe. The SLK, a two-seat roadster, complement the C-Class product family.

- *A-/B-/CLA-/GLA-Class.* The A-Class is a front wheel drive compact and the B-Class is a front wheel drive 4-door Compact Sports Tourer (CST). They are complemented by the CLA, a four-door coupe. The new GLA, a premium compact SUV, was launched in

March 2014. The practical and stylish CLA Shooting Brake, the fifth of the new compact models from the brand, has been available since March 2015.

- *M-/R-/GLK-/GL-/G-Class.* The M-Class is a line of sport utility vehicles with permanent all-wheel drive. The R-Class is a line of SUV Tourers, which is available in a short and a long wheelbase version. The GLK-Class is a line of compact sport utility vehicles. The GL-Class is a line of seven seat luxury sport utility vehicles. The G-Class is a line of cross country vehicles with permanent four-wheel drive that come in a short and a long wheelbase version and as a convertible.

smart. The smart brand represents a micro compact car concept. The brand started a new era with the launch of the two all-new models fortwo and forfour. The new models have been available in Europe since November 2014 and will be launched in all key markets in 2015. The smart fortwo cabrio and the smart fortwo electric drive continue to be based on the previous model series for the time being. The smart ebike rounds off the e-product portfolio.

(b) Daimler Trucks

As the biggest globally active manufacturer of trucks above 6 tons gross vehicle weight, Daimler Trucks develops and produces vehicles in a global network under the brands Mercedes-Benz, Freightliner, Western Star, FUSO, BharatBenz and the components brand Detroit. In China, Beijing Foton Daimler Automotive Co., Ltd. (BFDA), a joint venture with our Chinese partner Beiqi Foton Motor Co., Ltd., has been producing trucks under the Auman brand since July 2012. Daimler Trucks' product range includes light-, medium- and heavy-duty trucks for local and long-distance deliveries and construction sites, as well as special vehicles for municipal applications. Due to close links in terms of production technology, the division's product range also includes the buses of the Thomas Built Buses and FUSO brands. Daimler Trucks contributed approximately 23% of the Group's revenue in 2014.

Products

Mercedes-Benz Trucks. The Mercedes-Benz Trucks brand comprises model series with a permissible gross vehicle weight over 6 tons: Actros, Atego, Axor, Antos and Arocs, for long-distance and distribution transport as well as for construction and services. In Latin America we additionally offer the heavy and medium-duty trucks Accelo and Atron. Further vehicles for special purposes are the Mercedes-Benz Econic, Unimog and Zetros.

Freightliner Trucks, Western Star Trucks, Thomas Built Buses. Comprising of: heavy and medium-duty commercial vehicles for long-distance and distribution transport as well as for construction and services (Freightliner and Western Star trucks); school buses (Thomas Built Buses); chassis for delivery vans, recreational vehicles and shuttle buses (Freightliner Custom Chassis).

FUSO Trucks and Buses. Our Japanese subsidiary Mitsubishi Fuso Truck and Bus Corporation (MFTBC) offers a broad product range, from the FUSO Canter light-duty truck up to the new FUSO Super Great V for distribution and goods transportation, construction, services and numerous other industrial uses. The product range also includes small, mid-size and large FUSO buses for city transportation and touring, light-duty hybrid trucks and large-size hybrid buses as well as industrial engines. Based on the strategic partnership between Daimler and Renault-Nissan, FUSO cooperates with Nissan Motor Co. through supply agreements for the FUSO Canter Van as well as the light-duty truck FUSO Canter Guts.

BharatBenz Trucks. The product range, developed for the Indian market, comprises trucks with a gross vehicle weight between 6 and 49 tons for various deployment areas.

Auman Trucks. In China, our joint venture BFDA produces heavy and medium-duty trucks for the Chinese market under the Auman brand. Auman trucks are not included in the unit sales reported by Daimler Trucks.

Rolls-Royce Power Systems Holding (RRPSH). Daimler Trucks' area of responsibility also included our investment in Rolls-Royce Power Systems AG (formerly Tognum AG), a globally leading supplier of complete systems in the field of industrial engines. This company is controlled by RRPSH in which Daimler and Rolls-Royce Holdings plc (Rolls-Royce) each held a 50% interest. In March 2014, Daimler decided to sell its interest to the other shareholder. For that purpose, Daimler exercised a put option on its stake in RRPSH that had been agreed upon with Rolls-Royce in 2011. In the third quarter of 2014, the transaction was closed and the agreed purchase price of €2,433 million was received. The gain on the sale amounted to €1,006 million. In addition, the measurement of the put option resulted in an expense of €118 million in the first quarter of 2014. On the basis of long-term supply agreements, Daimler will remain a key supplier of heavy-duty and medium-duty diesel engines to Rolls-Royce Power Systems. Further information on the sale of the shares in RRPSH is provided in Note 13 of the Notes to the Consolidated Financial Statements.

(c) Mercedes-Benz Vans

The product range of the Mercedes-Benz Vans division in the segment for medium-sized and large vans comprises the Sprinter and Vito series. Our portfolio is rounded out at the lower end by the Mercedes Benz Citan city van, the addition of which makes us a full-range supplier in the van market. In 2014, we also introduced the new V-Class, which is a new multi-purpose vehicle (MPV). We continue to manufacture the Viano in China for private customers. Production of the Vario was discontinued in September 2013.

The most important markets for vans at the moment are in Western Europe, which accounts for 65% of unit sales. As part of the "Mercedes-Benz Vans goes global" business strategy, we are also increasingly developing the growth markets of South America and Asia, as well as the Russian van market, through appropriate distribution and production activities in those regions. We plan to more effectively exploit the potential of the expanding North American van market in the future through local production of the Sprinter and the introduction of the Vito. The Sprinter is sold in the United States not only as a Mercedes-Benz vehicle but also under the Freightliner brand name. In the year 2014, Mercedes-Benz Vans contributed approximately 7% of the Group's revenue.

Products

Four commercial Mercedes-Benz model series: Citan (1.79 up to 2.2 tons), Vito (2.77 up to 3.2 tons), Sprinter Classic (3.5 up to 4.6 tons), Sprinter (3.0 up to 5.0 tons; in the United States under the brand names Freightliner and Mercedes-Benz). Two passenger car Mercedes-Benz model series: Viano in China (2.77 up to 3.05 tons), V-Class (2.8 up to 3.05 tons).

(d) Daimler Buses

The Daimler Buses division with its brands Mercedes-Benz and Setra is the undisputed industry leader in its core markets in the segment for buses above 8 tons. Daimler Buses generated 23% of its revenue in Western Europe and 53% in Latin America (excluding Mexico) in 2014. While we mainly sell complete buses in Europe, our business in Latin America, Mexico, Africa and Asia is focused on the production and distribution of bus chassis. In 2014, Daimler Buses contributed approximately 3% of our revenue.

Products

The range of products supplied by Daimler Buses includes coaches, city buses and intercity buses as well as bus chassis. Daimler Buses thus disposes of a full-line product portfolio ranging from minibuses to double-deckers to articulated buses.

(e) Daimler Financial Services

The Daimler Financial Services division supports the sales of the Daimler Group’s automotive brands in 40 countries. Its product portfolio primarily consists of tailored financing and leasing packages for customers and dealers, but it also provides insurance, fleet management services, investment products and credit cards, as well as various mobility services such as the “moovel” mobility platform, the “mytaxi” app and the flexible car2go car-sharing concept. The main areas of the division’s activities are Western Europe and North America, and increasingly Asia as well. During the year under review, Daimler Financial Services financed or leased more than four out of ten vehicles sold by the Daimler Group. The division’s contract volume of €99.0 billion covers more than 3.3 million vehicles. Daimler Financial Services also holds a 45% interest in the Toll Collect consortium, which operates an electronic road-charging system for trucks on highways in Germany. Daimler Financial Services contributed approximately 12% of the Group’s revenue in 2014.

4. Description of Related Companies

(a) Parent Company

Daimler AG has no parent company.

(b) Significant Subsidiaries and Affiliated Companies

Through a broad network of holdings, joint ventures and cooperations, Daimler is active in the global automotive industry and related sectors. For the statement of investments of Daimler AG pursuant to Sections 285 and 313 of the German Commercial Code (HGB) please refer to Note 39 to our Consolidated Financial Statements.

The following table is an extract from that statement of investments, showing the significant subsidiaries, associated companies and joint ventures Daimler AG owned, directly or indirectly, as of December 31, 2014. We have used as the significance criterion whether information on equity and earnings are disclosed. Earnings figures may be omitted for some of those companies yet, in case a profit and loss transfer agreement with Daimler AG (direct or indirect) exists.

Name and Location of the Company	**Capital share** [1] (in %)	**Equity** (in mn of €)	**Net income (Net loss)** (in mn of €)	**The Contents of the Principal Business and Relationship**
I. Consolidated subsidiaries				
Banco Mercedes-Benz do Brasil S.A., São Paulo, Brazil	100	440	40	Financial services company
BlackStar InvestCo LLC, Wilmington, USA	100	653	587	Investment company
car2go Deutschland GmbH, Leinfelden-Echterdingen	100	6	(11)	Car rental management
car2go Europe GmbH, Leinfelden-Echterdingen	75	72	(13)	Car rental management
car2go N.A. LLC, Wilmington, USA	100	21	(18)	Car rental management
Daimler Canada Finance Inc., Montreal, Canada [2]	100	203	1	Holding and financing company
Daimler Financial Services AG, Stuttgart [3, 4, 5]	100	1,715	—	Financial services company
Daimler Financial Services Japan Co., Ltd., Kawasaki, Japan [5]	100	55	11	Financial services company
Daimler Fleet Management GmbH, Stuttgart [3, 4, 5]	100	1	—	Fleet management
Daimler Fleet Management South Africa (Pty.) Ltd., Centurion, Republic of South Africa	65	29	10	Fleet management
Daimler Greater China Ltd., Beijing, PR China	100	889	245	Holding company
Daimler India Commercial Vehicles Private Limited, Chennai, India [6]	100	177	(164)	Production company
Daimler International Finance B.V., Utrecht, Netherlands [5]	100	27	(10)	Holding and financing company
Daimler Investments US Corporation, Montvale, USA [2]	100	15,163	(54)	Holding and financing company
Daimler Luft- und Raumfahrt Holding AG, Stuttgart [3, 4]	100	3,445	—	Holding company
Daimler Mexico, S.A. de C.V., Mexico City, Mexico [2]	100	387	56	Holding and financing company
Daimler Nederland B.V., Utrecht, Netherlands [2]	100	833	3	Holding and financing company

Daimler North America Corporation, Montvale, USA [2]	100	5,308	827	Holding and financing company
Daimler North America Finance Corporation, Newark, USA [2]	100	36,917	342	Holding and financing company
Daimler Northeast Asia Parts Trading and Services Co., Ltd., Beijing, PR China	100	85	20	After sales company
Daimler South East Asia Pte. Ltd., Singapore, Singapore [2]	100	119	38	Sales management company
Daimler Trucks Canada Ltd., Mississauga, Canada [2]	100	60	15	Sales and production company
Daimler Trucks North America LLC, Portland, USA [2]	100	2,035	1,013	Sales and production company
Daimler UK Limited, Milton Keynes, United Kingdom	100	599	115	Holding and financing company
Daimler Vermögens- und Beteiligungsgesellschaft mbH, Stuttgart [3, 4]	100	8,815	—	Financial company
Daimler Verwaltungsgesellschaft für Grundbesitz mbH, Schönefeld [3, 4]	100	3,697	—	Real estate management
Daimspain S.L., Madrid, Spain	100	1,620	39	Holding and financing company
Detroit Diesel Corporation, Detroit, USA [2]	100	182	158	Research, production and sales company
Detroit Diesel Remanufacturing LLC, Detroit, USA [2]	100	60	17	Production company
EHG Elektroholding GmbH, Stuttgart [3, 4]	100	1,130	—	Holding company
EvoBus GmbH, Kirchheim unter Teck [3, 4]	100	173	—	Holding and production company
Freightliner Custom Chassis Corporation, Gaffney, USA [2]	100	35	70	Sales and production company
Freightliner Holding Ltd., Calgary, Canada [2]	100	51	18	Holding company
Freightliner Ltd., Portland, USA [2]	100	62	(16)	Sales and production company
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 1 OHG, Schönefeld [3]	100	1,769	27	Real estate management

Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 4 OHG, Schönefeld [3]	100	340	4	Real estate management
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Alpha 5 OHG, Schönefeld [3]	100	584	20	Real estate management
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Beta OHG, Schönefeld [3]	100	271	1	Real estate management
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Delta OHG, Schönefeld [3]	100	420	1	Real estate management
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Epsilon OHG, Schönefeld [3]	100	325	1	Real estate management
Grundstücksverwaltungsgesellschaft Daimler AG & Co. Gamma 1 OHG, Schönefeld [3]	100	1,002	2	Real estate management
Grundstücksverwaltungsgesellschaft EvoBus GmbH & Co. OHG, Schönefeld [3, 7]	100	145	15	Real estate management
MDC Power GmbH, Kölleda [3, 4]	100	8	—	Production company
Mercedes-AMG High Performance Powertrains Ltd, Brixworth, United Kingdom	100	106	11	Development and production company
Mercedes-AMG GmbH, Affalterbach [3, 4]	100	21	—	Production company
Mercedes-Benz (China) Ltd., Beijing, PR China	75	1,920	1,501	Sales and production company
Mercedes-Benz (Thailand) Limited, Bangkok, Thailand	100	171	103	Sales company
Mercedes-Benz Accessories GmbH, Stuttgart [3, 4]	100	5	—	After sales company
Mercedes-Benz Argentina S.A., Buenos Aires, Argentina [5]	100	182	66	Sales and production company
Mercedes-Benz Australia/Pacific Pty Ltd, Melbourne, Australia [2]	100	395	51	Sales company
Mercedes-Benz Auto Finance Ltd., Beijing, PR China	100	475	36	Financial services company
Mercedes-Benz Bank AG, Stuttgart [4, 5]	100	1,416	—	Financial services company
Mercedes-Benz Bank Rus OOO, Moscow, Russian Federation [5]	100	90	17	Financial services company
Mercedes-Benz Belgium Luxembourg S.A., Brussels, Belgium	100	93	23	Sales company

Mercedes-Benz Canada Inc., Toronto, Canada	100	27	59	Sales company
Mercedes-Benz CharterWay Gesellschaft mit beschränkter Haftung, Berlin [3, 4, 5]	100	1	—	Fleet management
Mercedes-Benz do Brasil Ltda., São Bernardo do Campo, Brazil	100	786	(155)	Sales and production company
Mercedes-Benz España, S.A., Alcobendas, Spain	100	402	60	Sales and production company
Mercedes-Benz Finance Co., Ltd., Tokyo, Japan	90	144	18	Financial services company
Mercedes-Benz Financial Services Australia Pty. Ltd., Melbourne, Australia [2]	100	134	28	Financial services company
Mercedes-Benz Financial Services Canada Corporation, Mississauga, Canada [2]	100	184	63	Financial services company
Mercedes-Benz Financial Services Ceská republika s.r.o., Prague, Czech Republic	100	64	13	Financial services company
Mercedes-Benz Financial Services France S.A., Montigny-le-Bretonneux, France	100	234	15	Financial services company
Mercedes-Benz Financial Services Korea Ltd., Seoul, South Korea [5]	80	107	13	Financial services company
Mercedes-Benz Financial Services Nederland B.V., Utrecht, Netherlands [2]	100	72	21	Financial services company
Mercedes-Benz Financial Services Schweiz AG, Schlieren, Switzerland	100	72	14	Financial services company
Mercedes-Benz Financial Services South Africa (Pty) Ltd, Centurion, Republic of South Africa	100	119	18	Financial services company
Mercedes-Benz Financial Services UK Limited, Milton Keynes, United Kingdom [5]	100	405	97	Financial services company
Mercedes-Benz Financial Services USA LLC, Farmington Hills, USA [2]	100	1,781	349	Financial services company
Mercedes-Benz Finansman Türk A.S., Istanbul, Turkey	100	167	51	Financial services company
Mercedes-Benz France S.A.S., Montigny-le-Bretonneux, France	100	320	29	Sales company

Mercedes-Benz Grand Prix Ltd., Brackley, United Kingdom	60	(112)	(99)	Design, production and sales company
Mercedes-Benz Hong Kong Limited, Hong Kong, PR China	100	61	26	Sales company
Mercedes-Benz India Private Limited, Pune, India [6]	100	123	24	Sales and production company
Mercedes-Benz Italia S.p.A., Rome, Italy	100	189	40	Sales company
Mercedes-Benz Japan Co., Ltd., Tokyo, Japan [5]	100	341	33	Sales company
Mercedes-Benz Korea Limited, Seoul, South Korea	51	146	73	Sales company
Mercedes-Benz Leasing Co., Ltd., Beijing, PR China	100	16	(12)	Financial services company
Mercedes-Benz Leasing GmbH, Stuttgart [3, 4, 5]	100	36	—	Financial services company
Mercedes-Benz Ludwigsfelde GmbH, Ludwigsfelde [3, 4]	100	14	—	Production company
Mercedes-Benz Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	51	32	43	Sales and production company
Mercedes-Benz Manufacturing Hungary Kft., Kecskemét, Hungary [2]	100	229	64	Production company
Mercedes-Benz Mexico, S. de R.L. de C.V., Mexico City, Mexico	100	15	12	Sales company
Mercedes-Benz Nederland B.V., Utrecht, Netherlands [5]	100	179	11	Sales company
Mercedes-Benz New Zealand Ltd, Auckland, New Zealand	100	34	11	Sales company
Mercedes-Benz Polska Sp. z.o.o, Warsaw, Poland	100	51	17	Sales company
Mercedes-Benz Portugal, S.A., Mem Martins, Portugal	100	88	19	Sales company
Mercedes-Benz Retail Group UK Limited, Milton Keynes, United Kingdom	100	98	22	Sales company
Mercedes-Benz Russia SAO, Moscow, Russian Federation [5]	100	169	21	Sales company
Mercedes-Benz Schweiz AG, Schlieren, Switzerland	100	157	62	Sales company
Mercedes-Benz South Africa Ltd, Pretoria, Republic of South Africa	100	652	38	Sales and production company
Mercedes-Benz Sverige AB, Malmö, Sweden	100	39	10	Sales company

Mercedes-Benz Taiwan Ltd., Taipei, Taiwan	51	118	61	Sales company
Mercedes-Benz Türk A.S., Istanbul, Turkey [2]	67	930	244	Sales and production company
Mercedes-Benz U.S. International, Inc., Vance, USA [2]	100	163	38	Production company
Mercedes-Benz UK Limited, Milton Keynes, United Kingdom	100	213	(20)	Sales company
Mercedes-Benz USA, LLC, Montvale, USA [2]	100	236	196	Sales company
Mercedes-Benz Vietnam Ltd., Ho Chi Minh City, Vietnam	70	42	12	Sales and production company
Mitsubishi Fuso Truck and Bus Corporation, Kawasaki, Japan [5]	89	614	218	Sales and production company
moovel GmbH, Leinfelden-Echterdingen [3, 4]	100	12	—	Car rental management
smart France S.A.S., Hambach, France [2]	100	53	30	Production company
Starexport Trading S.A., São Bernardo do Campo, Brazil	100	301	3	Trading company
Sterling Truck Corporation, Portland, USA [2]	100	(538)	(2)	After sales company
Thomas Built Buses, Inc., High Point, USA [2]	100	63	29	Production company
II. Unconsolidated subsidiaries [8]				
Daimler Unterstützungskasse GmbH, Stuttgart [9, 10]	100	1,181	(61)	Financing company
Mercedes-Benz Research and Development India Private Limited, Bangalore, India	100	24	10	Research and development company
III. Joint ventures accounted for using the equity method				
Beijing Foton Daimler Automotive Co., Ltd, Beijing, PR China [5]	50	660	23	Production company
Shenzhen BYD Daimler New Technology Co., Ltd., Shenzhen, PR China [5]	50	193	(10)	Research, production and sales company
Toll Collect GmbH, Berlin [11]	45	490	(129)	Toll collection
IV. Associated companies accounted for using the equity method				
Beijing Benz Automotive Co., Ltd., Beijing, PR China [2]	49	1,895	310	Production company

1) Share pursuant to Section 16 of the German Stock Corporation Act (AktG)
2) Financial statements according to IFRS
3) Qualification for Section 264, Subsection 3 and Section 264b of the German Commercial Code (HGB)
4) Profit and loss transfer agreement with Daimler AG (direct or indirect)
5) Financial statements 2013

6) Financial statements April 1, 2013 - March 31, 2014
7) Daimler AG is unlimited partner
8) As the impact of these companies is not material for the consolidated financial statements, they are not consolidated and not accounted for using the equity method.
9) Control of the investment of the assets. No consolidation of the assets due to the contractual situation.
10) Financial statements November 1, 2012 - October 31, 2013
11) Financial statements September 1, 2013 - August 31, 2014

5. Description of Employees

The following table shows the number of employees at December 31, 2014 and 2013. Due to reorganization within the context of the Customer Dedication initiative, the employees previously reported under "Sales & Marketing Organization" are included in the employee numbers for the respective divisions as of 2014. However, this does not apply to the Group's own sales and service centers in Germany and the global logistics center in Germersheim, Germany, whose employees are included under "Group Functions & Services" as of 2014. On a comparable basis, workforce numbers in all divisions increased against the previous year.

	Employees at December 31,	
	2014	**2013**
Mercedes-Benz Cars	129,106	96,895
Daimler Trucks	82,743	79,020
Mercedes-Benz Vans	15,782	14,838
Daimler Buses	16,631	16,603
Daimler Financial Services	8,878	8,107
Group Functions & Services	26,832	—
Sales & Marketing Organization	—	52,455
Other	—	6,698
Daimler Group	**279,972**	**274,616**

On December 31, 2014, the Daimler Group employed a total of 279,972 men and women. Due to the high demand for our products, the workforce grew by 2% compared with the end of 2013. At the beginning of 2014, we had anticipated that the workforce would remain stable. The number of employees in Germany increased to 168,909 (2013: 167,447) and employee numbers also rose in the United States, to 22,833 (2013: 20,993). At the end of 2014, Daimler employed 12,313 men and women in Brazil (2013: 14,091) and 11,400 (2013: 11,275) in Japan. Our consolidated subsidiaries in China had a total headcount of 2,664 at the end of the year (2013: 1,966). At the end of the reporting year, the parent company Daimler AG employed a total of 151,524 men and women (2013: 150,605).

We have combined in-house services worldwide in shared service centers in order to further improve the quality and efficiency of our administrative functions and various services. These shared services include financial processes as well as HR, IT and development tasks, sales functions, and certain location-specific services. Some of the shared service centers are not consolidated because they do not affect our profitability, cash flow or financial position; those companies employed more than 6,000 men and women at the end of 2014.

The Group's workforce also does not include the employees of companies that we manage together with Chinese partners; at December 31, 2014, they numbered 20,600 people.

On the basis of the company agreement on profit sharing valid for 2013 and 2014, all eligible employees at Daimler AG subject to collective bargaining agreements were paid an amount of €2,541 for the 2013 financial year. Group management also decided to pay out a one-time bonus of €500 as an expression of gratitude to our employees for their special commitment. The full participation in the company's success – €3,041 – was paid out in April 2014.

The eligible employees of Daimler AG in Germany will also receive a performance participation bonus for the company's very positive business development in financial year 2014. The amount of the profit-sharing payout, which was determined on the basis of the valid company agreement, totals €4,350. The increase from the prior year is a result of the significant increase in earnings at the divisions used for the profit-sharing calculation: Mercedes-Benz Cars, Daimler Trucks and Mercedes-Benz Vans. Employees received their profit-sharing payout in April 2015.

The average age of our global workforce in 2014 was 42.4 years (2013: 42.3). Our employees in Germany were 43.8 years old on average (2013: 43.5). Employees who are 50 years old or older currently make up about 36% of our permanent workforce at Daimler AG. On the basis of current assumptions, this proportion will rise to about 50% over the next ten years. In order to address the challenges resulting from the aging of our workforce, we launched and successfully continued numerous projects and activities at our German locations in 2014. They included measures for improving workplace ergonomics as well as concepts for work organization, personnel allocation management, health management and human resources development and management.

The average number of years Daimler employees have worked for the company was close to the prior-year level at 16.1 years (2013: 16.2 years). In Germany, employees had worked for the Group for an average of 19.4 years at the end of 2014 (2013: 19.2 years). The comparative figure for Daimler AG was 19.8 years (2013: 19.5 years). Daimler employees outside Germany had worked for the Group for an average of 11.0 years (2013: 11.3 years).

Daimler has committed itself to increasing the proportion of women in senior management positions to 20% by 2020. The proportion of women in such positions has continually risen over the last few years to reach 14.1% at the end of 2014 (2013: 12.7%). Because we are a technologically oriented company, the targets take into account sector-specific conditions and women's current share of our workforce. At the Daimler Group, the proportion of women in the total worldwide workforce increased to 16.8% (2013: 16.3%). At Daimler AG, women accounted for 14.9% of all employees at the end of the year under review (2013: 14.6%).

The average personnel expenses per employee were €70,061 in 2014. This amount also includes bonuses.

III. Description of Business

1. Outline of Business Results, etc.

The following table provides an overview of the profit and loss account for the financial years 2014 and 2013:

Consolidated Statements of Income (€ in millions, except per share amounts)	**Year ended December 31,**	
	2014	**2013**
Revenue	**129,872**	**117,982**
Cost of sales [1]	(101,688)	(92,855)
Gross profit [1]	**28,184**	**25,127**
Selling expenses [1]	(11,534)	(11,050)
General administrative expenses [1]	(3,329)	(3,188)
Research and non-capitalized development costs [1]	(4,532)	(4,205)
Other operating income	1,759	1,530
Other operating expense	(1,160)	(399)
Profit on equity method investments, net	897	3,345
Other financial expense, net	458	(349)
Interest income	145	212
Interest expense	(715)	(884)
Profit before income taxes	**10,173**	**10,139**
Income taxes	(2,883)	(1,419)
Net profit	**7,290**	**8,720**
thereof profit attributable to non-controlling interest	328	1,878
thereof profit attributable to shareholders of Daimler AG	**6,962**	**6,842**
Earnings per share (in €) for profit attributable to shareholders of Daimler AG		
Basic	**6.51**	**6.40**
Diluted	**6.51**	**6.40**

1) For the year 2013, the figures have been adjusted due to reclassifications within functional costs. Further information is provided in Note 1 of the Notes to the Consolidated Financial Statements.

The accompanying notes are an integral part of these Consolidated Financial Statements. A detailed analysis of the business results is provided under the item "7. Analysis of Financial Condition, Results of Operations and Cash Flow Status."

2. Results of Productions, Orders Received and Sales

As part of our strategic planning and operations, we monitor our production capacity in relation to developing and anticipated industry changes and market conditions. As these conditions fluctuate, we adjust our capacity by opening, closing, selling, expanding, or downsizing production facilities, or by adding or eliminating work shifts.

For further information about the conditions of our production facilities, please also refer to "2. Conditions of Major Facilities" under "IV. Conditions of Facilities."

(a) Supplies and Raw Materials

The procurement departments of our company employ some 2,700 men and women at more than 50 locations worldwide. With a procurement volume that amounts to about half of Daimler's annual revenue, Daimler procurement together with the suppliers makes an important contribution to the success of the company. The collaboration with our suppliers is based on shared values and requirements, which also include compliance with sustainability standards along the supply chain.

Our Supplier Sustainability Standards present our requirements for working conditions, human rights, environmental protection, safety, business ethics, and compliance. They form the basis of any business relationship with producing suppliers and service providers, and are a binding component of the contractual conditions. By signing the contract, our direct suppliers commit to observing the sustainability standards, communicating them to their employees, and spreading them to their upstream value chains.

For us, sustainability in supplier management is a continuous process that can be successful on a permanent basis only in collaboration with our suppliers. That is why we attach great value to an active dialog with our suppliers worldwide, in which we also include the local supplier industry. We regularly organize supplier events in which we also address our sustainability requirements. In collaboration with other automotive manufacturers, Daimler Procurement also organizes supplier training courses. In 2014, such training programs were conducted in China, Turkey, and Russia. Overall, we have already trained more than 300 suppliers since 2010. In addition, the implementation of sustainability standards in the supply chain is an important topic in our stakeholder dialogs.

To identify possible sustainability risks in our supply chain with regard to child labor, environmental protection, corruption prevention, violation of freedom of association or violations of human rights at an early stage, we conduct a targeted risk analysis of our suppliers by country and commodity at regular intervals. This analysis enables us to identify suppliers that are subject to increased risk and to derive activities on this basis. In addition, we use media and database research to review cases of actual sustainability and compliance violations by our direct suppliers. We systematically follow up on all reports of violations.

Particularly in the case of new suppliers from high-risk countries, trained auditors ask specific questions concerning the compliance with sustainability standards during on-site assessments. In addition, we use a self-assessment questionnaire if required.

In the event of a suspected or actual violation against our sustainability standards by a supplier, we follow an established escalation process, which begins with the request for an opinion and explanation of the measures taken to remedy the irregularities. If any doubts remain, we seek direct contact with the supplier or demand a written statement from the supplier's company management. We work closely together with the employee representatives, especially in cases of suspected human rights violations.

(b) Orders Received

The Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans and Daimler Buses divisions produce vehicles predominantly to order in accordance with customers' specifications. While doing so, we flexibly adjust the production numbers to changing levels of demand. Overall, the order situation of the Daimler Group developed very positively in 2014.

Due to strong demand in the United States and China in particular, the number of orders placed with Mercedes-Benz Cars was once again higher than the high level of orders recorded in the prior year. This was driven on the product side primarily by the models from the new compact class, the continued strong success of our SUVs, the new S-Class and, in the second half of the year, the new C-Class as well. Due to the stable demand, we also increased our production volumes substantially. Nevertheless, the order backlog at the end of 2014 was higher than a year before. Order levels at Daimler Trucks were generally stable despite the difficult situation in various markets. This stability was largely a result of high demand in the NAFTA region, as well our attractive product range. The total number of orders received by Daimler Trucks in 2014 and the order backlog at year-end were both significantly higher than in the previous year.

(c) Sales Results

The development of unit sales and revenue is discussed under the sub-items (b) to (e) of "7. Analysis of Financial Condition, Results of Operations and Cash Flow Status" in "III. Description of Business."

(d) Production Results

The following tables set forth the distribution of production volume by product segments for 2014 and 2013:

Mercedes-Benz Cars	**Year ended December 31,**	
(production volume in units)	**2014**	**2013**
Mercedes-Benz and Maybach	1,654,900	1,490,400
smart	99,200	98,200
Total	**1,754,100**	**1,588,700**

Daimler Trucks	**Year ended December 31,**	
(production volume in units)	**2014**	**2013**
Trucks Europe / Latin America	146,400	167,800
Trucks NAFTA	166,100	140,900
Trucks Asia (FUSO)	172,700	175,300
Trucks India (BharatBenz)	12,500	6,300
Total	**497,700**	**490,300**

Mercedes-Benz Vans (production volume in units)	**Year ended December 31,**	
	2014	**2013**
Mercedes-Benz vans	299,000	270,700

Daimler Buses (production volume in units)	**Year ended December 31,**	
	2014	**2013**
Buses and coaches	31,500	34,500

3. Matters to be Dealt with

The material contracts, agreements and business developments are described under:

- “3. Contents of Business” in section “II. Outline of the Company”, and
- “5. Material Contracts Relating to Business”,
- “6. Activities on Research and Development” and
- “7. Analysis of the Financial Condition and Results of Operation” all in section “III. Description of Business.”

Furthermore, the automotive industry is subject to extensive governmental regulations worldwide. Laws in various jurisdictions regulate occupant safety and the environmental impact of vehicles, including emission levels, fuel economy and noise, as well as the levels of pollutants generated by the plants that produce them. The cost of compliance with these regulations is significant, and we expect to incur higher compliance costs in the future. New legislation may subject us to additional expense in the future, which could be significant. Noncompliance with regulations applicable to the automotive industry could also result in significant penalties or the inability to sell noncompliant vehicles in the relevant markets.

For a full description of risk factors influencing the Groups business development, please refer to “4. Risk Factors” hereunder and consider note 5 of the “Table of Contents” on pages ii and iii of this document.

4. Risk Factors

The Daimler Group’s divisions are exposed to a large number of risks which are directly linked with business activities. A risk is understood as the danger that events or actions prevent the Group or one of its divisions from achieving its targets. It is also important for the Daimler Group to identify opportunities so that they can be utilized as part of Daimler’s business activities, thus securing and enhancing the Daimler Group’s competitiveness. An opportunity is understood as the possibility to surpass the planned targets as a result of events, developments or actions.

The divisions have direct responsibility for recognizing and managing entrepreneurial risks and opportunities at an early stage. As part of the strategy process, risks related to the planned long-term development and opportunities for further profitable growth are identified and integrated into the decision-making process. In order to identify risks and opportunities at an early stage and to assess and deal with them consistently, Daimler applies effective management and control systems, which are integrated into a risk management system and an opportunity management system. Opportunities and risks are not offset. The principal risks and opportunities are described below.

(a) Industry and Business Risks and Opportunities

Economic risks and opportunities. Economic risks and opportunities constitute the framework for the risks and opportunities listed in the following categories and are integrated as premises into the quantification of these risks and opportunities. Overall economic conditions have a significant influence on automobile sales markets, and their development is one of the Group's major risks and opportunities.

With a real rate of growth of 2.7% in 2014, the **world economy** failed to fulfill our hopes for a more noticeable acceleration of economic expansion. As was the case in the two previous years, growth was also once again lower than the long-term trend. This development was mainly due to ongoing weak demand in the European Monetary Union and the difficult economic situation in several important emerging markets. Prices on the global financial markets fluctuated greatly throughout the year. This was also the case with raw material prices, which declined noticeably in the second half of the year, especially for crude oil.

At the beginning of 2015, the world economy was on a path of moderate growth. As in 2014, the upward trend this year is likely to be primarily driven by the advanced economies. The emerging economies are not expected to post an increase in their overall growth rate, however. In the course of 2015, Daimler along with the majority of economic research institutes anticipates a slight acceleration of growth.

Economic risks and opportunities are linked with assumptions and forecasts on the general development of the individual topics. Overall, economic risks for the business environment have tended to increase slightly compared with the prior year and the opportunities for an improvement of the world economy have declined slightly.

The development of the **US economy** will be decisively impacted by how the planned exit from the expansive monetary policy is further managed and whether – as hoped – investors and consumers boost the rate of growth. After such a long phase of very low interest rates, an increase in interest rates could have a profound effect on economic recovery and slow down the pace of growth. This would also affect the housing market and its recovery, along with other sectors. Although the Federal Reserve could attempt to counteract any negative impact through its monetary policy, it has little room to maneuver here, which means the effectiveness of such possible measures would be limited. Such an event would have significant consequences because the Daimler Group (and especially the Mercedes-Benz Cars and Daimler Trucks divisions) generates a considerable volume of its unit sales in the United States, and diminished growth could also spread to other regions. However, if investment activity in the United States is more dynamic than previously assumed, this could result in substantially stronger growth. The resulting increased employment and income effects would boost the demand for the automotive divisions.

If there is no continuation of the required consolidation of state budgets and reform efforts in the countries of the **European Monetary Union** (EMU), this could cause renewed turmoil in the financial markets, leading to increasing refinancing costs through rising capital-market interest rates, and thus jeopardizing the already fragile economic recovery. Further effects could be triggered by the debate about a Greek exit, which recently flared up again. This could lead to greater uncertainty and volatility in the financial markets. The extremely low rate of inflation harbors an additional risk in that a long-lasting and broad-based fall in prices would constitute a considerable threat to the economic recovery of the EMU and make it even more difficult for the debt-ridden countries in the euro zone to finance their remaining debt. The European market continues to be very important for Daimler across all divisions; for the Mercedes-Benz Cars and Mercedes-Benz Vans divisions, it is in fact still the biggest sales market. An opportunity that is difficult to assess can be seen in a significantly improved economic development in the euro zone. If countries such as Italy and France implement reform measures more quickly and decisively than has so far been assumed, economic growth could also accelerate. That would benefit the development of investment and demand for motor vehicles in the important European market.

One risk of a significant obstacle to growth in **Japan** – namely the second stage of the value-added tax hike from 8% to 10%, which had been planned for October 2015 – was eliminated at the end of 2014 with the announcement that the tax increase was to be postponed until 2017. Apart from that, the failure of the country’s expansive monetary and fiscal policy and the lack of structural reforms could trigger a growth slowdown in Japan, although this should be regarded as only a regionally limited risk. A slowdown of growth could lead to lower demand for cars and trucks, which in turn could negatively affect the Mercedes-Benz Cars and Daimler Trucks divisions, for which Japan is an important sales market. A regionally limited opportunity exists in the possibility of a distinct acceleration of economic growth in Japan. This could be caused by a significant increase in investment activity, resulting from the targeted structural reforms and the expansive monetary and fiscal policies that have already been initiated. The Mercedes-Benz Cars and Daimler Trucks divisions could then benefit from this positive development.

Due to the significant growth of the country’s importance in recent years, an economic slump in **China** would present a considerable risk for the world economy. The extremely high level of debt in the economy as a whole and the high level of investment in the construction industry have considerably increased the risk of an abrupt adjustment in the real estate market or a banking-sector crisis. China is now a key sales market for the Mercedes-Benz Cars and Mercedes-Benz Vans divisions in particular, which means any disruptions caused by the above-mentioned risks could result in lower-than-planned growth in unit sales. On the other hand, we see a further opportunity in an even stronger development of the Chinese economy. This could be triggered by the reform measures taking rapid effect, accompanied by increased consumption. Strong growth in overall economic consumption would create additional opportunities for the divisions mentioned above.

Another risk is to be seen in a renewed weakening of growth in major **emerging markets**. There were disappointing developments already during 2013 and 2014, especially in major economies such as India, Russia and Brazil, although other countries such as Indonesia and Turkey also developed below their possibilities. A combination of weak growth and high interest rates increases the risk of a rising number of defaults, especially in view of the substantial expansion of credit in some cases over the past few years. As Daimler is already very active in these countries or their markets play a strategic role, such a scenario represents a risk. An opportunity is to be seen in the implementation of reforms occurring in important emerging economies. If structural reforms are quickly and consistently carried out in countries such as India, Russia and Brazil, flows of global capital into these countries would increase again, resulting in new scope for growth.

The conflict between **Russia and Ukraine** has led to an additional risk for the development of the world economy since 2014. This risk has increased macroeconomic uncertainty and had a negative effect on the business climate and consumer confidence. An escalation of the crisis and the resulting tightening of sanctions and counter-sanctions would have a massive negative impact on the economy in Europe especially, whereby the exact scope of this effect is very difficult to predict. It is conceivable that such an escalation would negatively impact oil prices as well through a higher risk premium, and it would also dampen the mood, and demand, in markets that depend on oil. Furthermore, the consequences of a possible debt default by Russia or of failure to service due debts cannot be predicted.

The conflict in **Syria**, which has heated up as a result of the offensive of the “Islamic State” (IS), is threatening the stability of the region, especially in neighboring Iraq. Although most Iraqi oil production facilities are located in regions not controlled by IS, concerns still remain that Iraqi oil deliveries could be interrupted or that the armed conflict in Syria could spill over into other areas. An abrupt increase in oil prices brought about by an attack on oil refineries could endanger the recovery in fragile European economies or in the United States, and could also negatively affect emerging markets that depend on oil imports. The effect on the world’s stock markets would also be noticeable, and this could undermine investment and consumer confidence on a broad scale. However, if oil prices remain on such a low level for a long time, this could present a significant growth opportunity for the world economy due to purchasing power.

Moreover, a too-rapid rise in interest rates in the United States would not only negatively affect the US economy but also lead to a renewed sell-off on stock markets in particularly sensitive emerging markets. The tapering of bond purchases by the US Federal Reserve already triggered unrest in the financial markets in 2014. Long-term interest rates increased and there were capital outflows and currency devaluations in the emerging markets. In some countries, this also resulted in additional inflationary pressure, which, in combination with a more restrictive interest policy, reduced the potential for growth. If a possible decrease of liquidity in the US in 2015 leads to more substantial effects, this could significantly reduce GDP growth through the chain of cause and effect described above, especially in the emerging markets. Increased volatility in the financial markets would also dampen investor and consumer confidence, with an impact on the global economy. In addition, tensions resulting from exchange rate volatility and possible manipulations carried out to preserve global competitiveness could lead to an increase in **protectionist measures** and a type of “devaluation race.” This would put a substantial strain on world trade and threaten future growth.

General market risks and opportunities. The risks and opportunities for the development of automotive markets are strongly affected by the situation of the global economy as described above.

The assessment of **market risks and opportunities** is connected with assumptions and forecasts about the overall development of markets in the various regions. The potential effects of the risks on the development of the Daimler Group’s unit sales are included in risk scenarios. The danger of worsening market developments or changed market conditions, especially due to the macroeconomic environment and political or economic uncertainties, generally exists for all divisions of the Daimler Group. The only differences between the divisions have to do with their varying regional focus of activities. Markets and competitors are continuously analyzed and monitored; if necessary, specific marketing and sale programs are implemented. Due to the competitive pressure in the automotive markets, Daimler regularly adapts production and cost structures to the changing conditions. Clear strategies have been formulated for all divisions. Each division consistently pursues the goal of growing profitably and increasing its efficiency.

Some **dealers and vehicle importers** are in a difficult financial situation. As a result, supporting actions may become necessary, whereby such actions would negatively impact the profitability, cash flows and financial position of the automotive segments. For this reason, the financial situations of strategically relevant dealerships are continually monitored.

In addition to these issues affecting all segments, segment-specific risks also exist. In the Mercedes-Benz Cars and Daimler Trucks divisions, these include **increasing competitive and price pressure**. A change within the framework of a product’s lifecycle bears the risk of a negative volume effect in relation to the anticipated sales volumes. In addition, aggressive pricing policies, the introduction of new products by competitors and price pressure related to the aftersales business could make it impossible to enforce targeted prices. To a lesser extent, the same also applies to sales volumes at the divisions Mercedes-Benz Vans and Daimler Buses. Depending on the magnitude of regional unit sales, various measures are taken to support weaker markets. They include the use of new sales channels, actions designed to strengthen brand awareness and brand loyalty, as well as sales and marketing campaigns. These measures are also applied to safeguard business in the area of aftersales. Daimler also operates various programs to boost sales through the use of financial incentives. Corresponding measures taken to support the segments' unit sales would adversely affect the projected earnings.

Further risks and opportunities at Mercedes-Benz Cars relate to the **development of the used-car market**. As part of the established residual-value management process, certain assumptions are made on the local and corporate levels regarding the expected level of prices, on which basis the cars returned in the leasing business are valued. If general market developments lead to a negative or positive deviation from the assumptions, there is a risk of lower residual values or an opportunity of higher residual values of used cars. Depending on the region and the current market situation, the measures taken generally include continuous market monitoring as well as, if required, price-setting strategies or sales promotions designed to regulate vehicle inventories. The quality of market forecasts is verified by periodic comparisons of internal and external sources. If necessary, the set residual values are adjusted and refined with regard to methods, processes and systems for determining such values.

As the target achievement of the Daimler Financial Services division is closely connected with the development of business in the automotive divisions, the existing **volume risks and opportunities** are also reflected in the Daimler Financial Services segment. In this context, Daimler Financial Services participates in marketing expenses, especially for advertising campaigns.

In general, there is also the possibility that the overall market, or regional conditions, for the automotive industry will develop better than assumed in the internal forecasts upon which the Group's target planning is based. This includes positive deviations from planning premises – for example, if planned sales support measures do not have to be fully utilized. Other opportunities can be exploited through the creation of additional production capacities at the divisions. The existing **market opportunities** for the divisions of the Daimler Group can only be utilized if production activities are organized accordingly and the gaps between demand and supply can be recognized and covered in time. This could require increases in production volumes. The Mercedes-Benz Cars division sees a market opportunity for sales of additional vehicles in various model series. The possibility of higher unit sales of vehicles exists in the Daimler Trucks segment as a result of improved market developments or changed conditions in the market. Additional market opportunities have also been identified by Daimler Buses. The measures that could be taken by the Daimler Group to utilize this potential opportunity include a combination of local sales and marketing activities and central strategic product and capacity planning.

The general market-risk situation remains unchanged compared to the prior year in terms of impact and probability of occurrence. The assessment of the impact of opportunities has been slightly lowered as compared to the previous year, because current business activities have already exploited the opportunities identified in the prior year.

Risks and opportunities relating to the leasing and sales financing business. In connection with the sale of vehicles, Daimler also offers its customers a wide range of financing possibilities — primarily leasing and financing the Group's products. The resulting risks for the Daimler Financial Services segment are mainly due to borrowers' worsening creditworthiness, so that receivables might not be recoverable in whole or in part due to customers' insolvency (**default risk or credit risk**). Daimler counteracts credit risks by means of appropriate market analyses, creditworthiness checks on the basis of standardized scoring and rating methods, and the collateralization of receivables. Other risks connected with the leasing and sales-financing business involve the possibility of increased refinancing costs due to potential changes in interest rates. An adjustment of credit conditions for customers in the leasing and sales-financing business due to higher **refinancing costs** could reduce the new business and contract volume of Daimler Financial Services, also reducing the unit sales of the automotive divisions. Risks and opportunities could also arise from a **lack of matching maturities with the refinancing**. The risk of mismatching maturities is minimized by coordinating the refinancing with the periods of financing agreements, from the perspective of interest rates as well as liquidity. Any remaining risks of changes in interest rates are managed with the application of derivative financial instruments. Further information on credit risks and the Group's risk-minimizing actions is provided in Note 32 of the Notes to the Consolidated Financial Statements. With regard to the leasing business, the automotive divisions also have a **residual-value risk** resulting from the risks associated with the development of used-vehicle prices.

Procurement market risks and opportunities. Procurement market risks arise for the automotive divisions in particular from fluctuations in prices of raw materials. There are also minor risks that result from dependency on certain materials and capacity bottlenecks caused by supplier delivery failures. In general, the possible impact of risks related to the procurement market, especially resulting from increases in raw-material prices, has changed from "medium" to "high." As was the case in the previous year, only small opportunities are anticipated in the raw-material markets.

During the reporting year, **raw material prices** developed in a varied manner and were marked by a high level of volatility. Due to almost completely unchanged macroeconomic conditions, we expect to see price fluctuations with uncertain and uneven trends in the near future. On the one hand, raw-material markets are strongly impacted by political crises and uncertainties – combined with possible supply bottlenecks – as well as by a volatile demand for specific raw materials. On the other hand, this is offset by the notably less dynamic growth of the Chinese industry and the renewed slightly below-average growth of the world economy to date. Vehicle manufacturers are generally limited in their ability to pass on the higher costs of commodities and other materials in higher prices for their products because of the strong competitive pressure in the international automotive markets. A drastic increase in raw material prices would at least temporarily result in a considerable reduction in economic growth.

Daimler continues to counteract procurement risks by means of targeted commodity and supplier risk management. The Group attempts to reduce its **dependency on individual materials** in the context of commodity management by making appropriate technological progress, for example. Daimler protects itself against the volatility of raw material prices by entering into long-term supply agreements, which make short-term risks for material supplies and the effects of price fluctuations more calculable. Furthermore, the Group makes limited and targeted use of derivative price-hedging instruments for certain metals in order to reduce the impact of price fluctuations.

Supplier risk management aims to identify **suppliers' potential financial difficulties** at an early stage and to initiate suitable countermeasures. Even though the crisis of recent years is over, the situation of some of the suppliers remains difficult due to the tough competitive pressure. This has necessitated individual or joint support actions by vehicle manufacturers to ensure their production and sales. In the context of supplier risk management, regular reporting dates are set for suppliers for which we have received early warning signals and made a corresponding internal assessment. On these dates, the suppliers report key performance indicators to Daimler and decisions are made concerning any required support actions.

Risks and opportunities related to the legal and political framework. The risks and opportunities from the legal and political framework also have a considerable impact on Daimler's future business success. Regulations concerning vehicles' **emissions, fuel consumption and safety** play a particularly important role. Complying with these varied and often diverging regulations all over the world requires strenuous efforts on the part of the automotive industry. We expect to expend an even larger proportion of the research and development budget in the future to ensure the fulfillment of these regulations. The probability of the occurrence of a risk increased from low in the prior year to medium in the reporting year; the assessment of possible impact remains unchanged at high. Many countries have already implemented stricter regulations to reduce vehicles' emissions and fuel consumption, or are now doing so.

The **Mercedes-Benz Cars** segment faces risks in China in particular, as the Chinese authorities have defined fleet average fuel consumption as of 2015 of 6.9 liters per 100 kilometers (approximately 160 g CO2/km) as the industry's target for new cars. The legislative process for addressing the period 2016–2020 has not yet been concluded. Failure to meet the fleet target could prevent new vehicles from being registered in the country. For the year 2020, the current five-year plan stipulates a new, very demanding target of 5.0 l/100 km (approximately 117 g CO2/km); discussions on the final version for the target are now being conducted as part of the final phase of the legislative process.

Regulations concerning the CO2 emissions of new cars are also quite demanding in the European Union. For 2015, all new cars in Europe will have to meet a fleet CO2 average of 129 g CO2/km following a transition period. The relevant limit for Daimler depends on the portfolio of cars we sell in the European Union and is derived from vehicle weight. For 2020, new cars in Europe will have to meet a fleet CO2 average of 95 g CO2/km. The new regulation will apply to 100% of the fleet in 2021 following a one-year transition period. Daimler will have to pay penalties if it exceeds its limits. The planned elimination of the NEDC (New European Driving Cycle) and its replacement with the WLTP (Worldwide harmonized Light vehicles Test Procedures) is also creating uncertainty, as there has been no final decision on introduction dates, the conditions associated with the new test cycle, or the continuation of the fleet targets. According to present knowledge, the WLTP will make it difficult to achieve CO2 targets beginning in 2020.

In Germany are considerations to change the taxation of company cars in order to make it dependent on vehicle emissions. This could cause fleet customers to switch over to smaller and more fuel-efficient cars.

Legislation in the United States on greenhouse gases and fuel consumption stipulates that new car fleets in the United States may only emit an average of 163 grams of CO2 per mile as of 2025 (approximately 100 grams CO2 per kilometer). These new regulations will require an average annual reduction in CO2 emissions as of 2017 amounting to 5% for cars and 3.5% in the beginning for SUVs and pickups (this rather lower rate applies until 2022). This will impact the German premium manufacturers and thus also the Mercedes-Benz Cars division harder than the US manufacturers, for example. As a result of strong demand for large, powerful engines in the United States as well as Canada, financial penalties cannot be ruled out. Similar legislation exists or is being prepared in many other countries, for example in Japan, South Korea, India, Canada, Switzerland, Mexico, Saudi Arabia, Brazil and Australia.

Daimler gives these targets due consideration in its product planning. The increasingly ambitious targets require significant shares of plug-in hybrids or cars with other types of electric drive. The market success of these drive systems is greatly influenced by regional market conditions, for example the battery-charging infrastructure and state support. But as market conditions cannot be predicted with certainty, a residual risk exists.

Pursuant to EU Directive 2006/40/EC, since January 1, 2011, vehicles only receive a type approval if their air-conditioning units are filled with a **refrigerant** that meets certain criteria with regard to climate friendliness. The directive calls for an introductory period until December 31, 2016 for such refrigerants to be used in all new vehicles. Mercedes-Benz Cars had originally planned to use the refrigerant R1234yf in its new vehicle models as early as possible and therefore did not intend to make use of this transitional period. However, due to the safety risks identified by Mercedes-Benz Cars in the summer of 2012, Daimler is not using the new refrigerant R1234yf in its vehicles at the moment and has started with the development of safe alternatives. At present, the Group does not assume that this will result in any significant effects on its profitability, cash flows or financial position.

Strict regulations for the reduction of vehicles' emissions and fuel consumption also create potential risks for the **Daimler Trucks** division. For example, legislation was passed in Japan in 2006 and in the United States in 2011 for the reduction of greenhouse-gas emissions and fuel consumption by heavy-duty commercial vehicles. In China, legislation has been drafted which is likely to affect exports to that country and require additional expenditure as of 2015. The European Commission is currently working on methods for measuring the CO2 emissions of heavy-duty commercial vehicles that will probably have to be applied as of 2017. We have to assume that the statutory limits will be very difficult to meet in some countries.

Very demanding regulations for CO2 emissions are also planned, or else have been approved for light commercial vehicles. This will present a long-term challenge for **Mercedes-Benz Vans** especially, because the division primarily serves the heavy segment of N1 vehicles. The European fleet of N1 vehicles may not emit an average of more than 175 g CO2/km as of 2017 and not more than 147 g CO2/km as of 2020; penalty payments may otherwise be imposed.

Daimler currently does not anticipate any additional risks though worldwide **statutory safety regulations** due to the Group's long-standing strong focus on vehicle safety.

In addition to emission, consumption and safety regulations, **traffic-policy restrictions** for the reduction of traffic jams, noise and pollution are becoming increasingly important in cities and urban areas of the European Union and other regions of the world. Drastic measures are increasingly being taken, such as general vehicle-registration restrictions like those in Beijing, Guangzhou or Shanghai. These can have a dampening effect on the development of unit sales, especially in the growth markets. Pressure to reduce personal transport is also being applied in European cities through increasing measures, such as restrictions on vehicles in inner cities, congestion charges and other types of road-use fees. This stimulates demand for mobility services including car sharing services. In order to utilize the resulting opportunities, Daimler is present in the market with the provision of mobility services (e.g. car2go, moovel).

Daimler continually monitors the development of statutory and political conditions and attempts to anticipate foreseeable requirements and long-term targets at an early stage in the process of product development. The biggest challenge in the coming years will be to offer an appropriate range of drive systems and the right product portfolio in each market, while fulfilling customers' wishes, internal financial targets and statutory requirements. With an optimal product portfolio and market-launch strategy, competitive advantages may also arise.

The position of the Daimler Group in key foreign markets could also be affected by an increase in **bilateral free-trade agreements**, at least to the extent to which the European Union fails to reach similar agreements with the markets in question.

Furthermore, the danger exists that individual countries will attempt to defend their competitiveness in the world's markets by resorting to **interventionist and protectionist actions**. Particularly in China and the markets of developing countries and emerging economies, we are increasingly faced with tendencies to limit imports or at least reduce the rate of growth of imports, and to attract direct foreign investment by means of appropriate **industrial policies**. Furthermore, a tendency of tightening the regulatory environment in general and in particular with regard to competition law is to be observed.

Daimler has increased the local value added in order to adapt to the requirements of industrial policy and has thus taken appropriate action in good time. The increasing proximity of the production sites to local markets and consideration of, among other things, logistical and other advantages result in opportunities in terms of utilizing those markets' potential.

(b) Company-specific Risks and Opportunities

Production and technology risks and opportunities. Key success factors for achieving the desired level of prices for the products of the Daimler Group, and hence for the achievement of the corporate goals, are the brand image, design and quality of the products – and thus their acceptance by customers – as well as technical features based on innovative research and development. Convincing solutions, which for example promote accident-free driving or further improve our vehicles' fuel consumption and emissions (e.g. diesel-hybrid or electric vehicles), are of key importance for safe and sustainable mobility. Due to growing technical complexity, continually rising requirements in terms of emissions, fuel consumption and safety, and the Daimler Group's goal of meeting and steadily raising its quality standards, product manufacturing in the various automotive divisions is subject to production and technology risks.

The demanding combination of requirements, complexity and quality can lead to higher advance expenditure and thus also to an adverse impact on the automotive segment's profitability. One of the associated risks is that **development expenditure** cannot later flow directly into the end product if the solution is not ideally usable for the customer or proves not to be marketable.

In addition, the **launch of new products** is generally connected with high investment and can lead to a short-term decline in production volume during the initial production phase. In order to achieve a very high level of quality, which is one of the key factors for a customer's decision to buy a product of the Daimler Group, it is necessary to make investments in new products and technologies that sometimes exceed the originally planned scope. This cost overrun would then reduce the anticipated earnings from the launch of a new model series or product generation. These automotive segments are affected, which are currently launching new products or that are planning to do so, in some cases in conformance with specific regional conditions.

In principle, there is also a danger that due to problems with or the failure of **production equipment or a production plant**, it might not be possible to maintain the planned level of production, and that would consequently generate costs. Such risks mainly exist for the Mercedes-Benz Cars division. As a precaution, spare parts are held available for the production plants that are at risk.

Product components also have to be available at the right time. Bottlenecks could also be caused by interruptions in the supply chain. In order to avoid **bottleneck situations**, priority is given to the regular maintenance of production equipment and to avoid capacity bottlenecks by means of foresighted planning. In addition, supply chains and the availability and quality of products are continuously monitored within the context of managing the entire value chain. Risks in this area are to be avoided through the continuous modernization of production equipment and facilities.

Warranty and goodwill claims can arise when the quality of the products does not meet customers' expectations, when a regulation is not fully complied with, or when support is not provided in the required form in connection with product problems and product care. The

Daimler Group works continually and intensively to maintain product quality at a very high level, even given the growing product complexity, in order to avoid the danger of making corrections to end products and to supply customers with the best possible products. Furthermore, processes are implemented at the Daimler Group to regularly obtain customers' opinions on the support provided so that our service and customer satisfaction can be continuously improved.

Production and technology risks continue to have a low probability of occurrence due to preventive measures. However, because of the continually high number of new product launches, the potential impact of such risks remains on the same level.

Innovations and technology opportunities from the advanced and future-oriented design of our product range are incorporated into the strategic product planning of the automotive divisions. Within the framework of a continuous process, it is constantly reviewed whether the production level can be increased by means of shift models, the worldwide production network, investment projects or more flexible production equipment. The opportunities reported on in the previous year and the measures planned in that context for the optimization of production capacities have been realized and continue to have a positive effect in the area of production.

Information technology risks and opportunities. Information technology plays a crucial role for the Daimler Group's business processes. Storing and exchanging data in a timely, complete and correct manner is of key importance for a global group such as Daimler. Appropriately secure IT systems and a reliable IT infrastructure must be used in order to protect information. Risks that could result in the interruption of business processes due to the failure of IT systems or which could cause the loss or corruption of data are therefore identified and evaluated over the entire lifecycles of applications and IT systems. Daimler has defined suitable measures for risk avoidance and limitation of damage. These measures are continually adapted to changing circumstances.

For example, the Group minimizes potential interruptions of operating routines in the data centers by means of mirrored data sets, decentralized data storage, outsourced archiving, high-availability computers and appropriate emergency plans. An IT security operations center coordinates potential danger from cybercrime and hacker attacks. Daimler utilizes various preventive and corrective measures in order to meet the growing demands placed on the confidentiality, integrity and availability of data. Despite all the precautionary measures taken, Daimler cannot completely rule out the possibility that IT disturbances will arise and have a negative impact on the Group's business processes. The impact and probability of occurrence of IT risks remain unchanged compared to the prior year.

Personnel risks and opportunities. Daimler's success is highly dependent on employees and their expertise. With their ideas and suggestions, they are involved in their respective activities and working processes and thus contribute considerably every day to improvements and innovations.

To support this process, the Daimler Group has established an **ideas management** system through which employees can submit ideas and suggestions for improvements. The processing of the information received by this system and the integration of ideas in an assessment process carried out by experts and persons in charge of the respective processes is supported by the established IT system "idee.com." This is intended to ensure the systematic and sustained promotion of employees' ideas and suggestions for improvement.

Furthermore, work groups create processes and instruments to produce new business ideas and to establish interdepartmental cooperation. In this context, an online community exists in the area of **business innovation** to which suggestions for discussions can be submitted, which all employees can assess and develop further.

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

Because of demographic developments, the Group has to cope with changes relating to an aging workforce and has to secure a sufficient number of qualified young persons with the potential to become the next generation of highly skilled specialists and executives. We address this issue by taking appropriate measures in the area of generation management. There is no segment-specific assessment of the human resources risk because the described risks are not related to any specific business segment but are valid for all segments. If this risk materializes, depending on the size of the personnel shortage, an impact on the Group’s activities and thus also on the earnings of the Daimler Group is to be expected. Due to upcoming collective bargaining negotiations, the category of personnel risks displays a higher possible impact and probability of occurrence as compared to the prior year.

Risks and opportunities related to equity interests and joint ventures. Cooperation with partners in associated companies, joint ventures, joint operations and other types of partnerships is of central importance for Daimler. Along with ensuring better access to growth markets and new technologies, equity interests and joint ventures help us exploit synergies and improve cost structures and thus enable us to successfully respond to competitive pressures in the automotive industry.

Daimler generally bears a proportionate share of the risks and opportunities of its equity interests. The possible risks include negative financial developments and delays in the set-up of development and production structures in equity interests and joint ventures, all of which can negatively impact the achievement of growth targets in the affected segments. Risks exist in connection with equity interests in the segments Mercedes-Benz Cars, Daimler Trucks and Mercedes-Benz Vans. The cases involved are subject to a continuous monitoring process so that an equity interest can be promptly supported if required and its profitability can be ensured. The recoverable value of investments is also continually monitored.

The development of production capacities and the acquisition of equity interests in the Chinese market are particularly exposed to risks due to the uncertain nature of market development in China. Efficient production processes are established to deal with and reduce quality risks in the Chinese market. Furthermore, dependencies between contracting parties and possible changes to political and legal conditions in China must be included in the local decision-making processes. In view of the tense situation in Russia and Ukraine, the Group is also paying closer attention to affected equity interests and joint ventures in those countries.

(c) Financial Risks and Opportunities

In principle, the Group’s operating and financial risk exposures underlying the financial risks and opportunities can be divided into symmetrical and asymmetrical risk and opportunity profiles. With the symmetrical risk and opportunity profiles (e.g. currency exposures), risks and opportunities exist equally, while with the asymmetrical risk and opportunity profiles (e.g. credit and country exposures), the risks outweigh the opportunities.

Daimler is generally exposed to risks and opportunities from changes in market-prices such as currency exchange rates, interest rates, commodity prices and share prices. Market-price changes can have a negative or positive influence on the Group's profitability, cash flows and financial position. Daimler manages and monitors market-price risks and opportunities primarily in the context of its operational business and financing activities, and applies derivative financial instruments for hedging purposes where needed, whereby both market-price risks and opportunities are limited.

In addition, the Group is exposed to credit and country-related risks. As part of the risk management process, Daimler regularly assesses these risks by considering changes in key economic indicators and market information. Pension plan assets to cover retirement and healthcare benefits (market sensitive investments including equities and interest-bearing securities) are not included in the following analysis.

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

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

Equity price risks and opportunities. As of December 31, 2014, the only shares that Daimler holds are shares that are classified as long-term investments (especially Nissan and Renault) or that are included in the consolidated financial statements using the equity method (primarily BAIC Motor Co., Ltd. (BAIC Motor) and Kamaz). The Group does not include these investments in a market price risk analysis.

Commodity price risks and opportunities. As already described in the section on procurement market risks, the Group's business operations are exposed to changes in the prices of consignments and raw materials. The Group addresses these procurement risks by means of concerted commodity and supplier risk management. To a minor degree, derivative financial instruments are used to reduce the Group's market price risks related to the purchase of certain metals.

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

Country risks. Daimler is exposed to country risks that primarily result from cross-border financing for Group companies or customers, as well as from investments in subsidiaries and joint ventures. Country risks also arise from cross-border cash deposits at financial institutions. The Group addresses these risks by setting country limits (e.g. for cross-border financing of customers and for hard-currency portfolios from financial services companies) and through investment-protection insurance against political risks in high-risk countries. Daimler also has an internal rating system that divides all countries in which it operates into risk categories.

Further information on financial risks, risk-limiting measures and the management of these risks is provided in Note 32 of the Notes to the Consolidated Financial Statements. Information on the Group's financial instruments is provided in Note 31.

Risks and opportunities relating to pension plans. Daimler has pension benefit obligations, and, to a lesser degree, obligations relating to healthcare benefits, which are largely covered by plan assets. The balance of obligations less plan assets constitutes the balance total or funded status for these employee benefit plans. The valuation of the pension obligations and the calculation of net pension expense are based on certain assumptions. Even small changes in these assumptions, such as a change in the discount rate, could have a negative or positive effect on the funded status in the current financial year or could lead to changes in the periodic net pension expense in the following financial year. The market value of plan assets is determined to a large degree by developments in the capital markets. Unfavorable or favorable developments, especially relating to equity prices and fixed-interest securities, could reduce or increase the value of plan assets. The large majority of the fixed-interest securities in the plan assets have an investment grade rating; a large portion of these are government bonds with very good ratings. Further information on the pension plans and their risks is provided in Note 22 of the Notes to the Consolidated Financial Statements.

Risks and opportunities from changes in credit ratings. Daimler's creditworthiness is assessed by the rating agencies Standard & Poor's Rating Services, Moody's Investors Service, Fitch Ratings and DBRS.

There are risks and opportunities in connection with potential downgrades or upgrades to credit ratings by these rating agencies. Downgrades could have a negative impact on the Group's financing if such a downgrade leads to an increase in the costs for external financing or otherwise restrict the Group's ability to obtain financing. A credit rating downgrade could also damage the company's reputation or discourage investment in Daimler AG. A risk to the credit rating of the Daimler Group could also arise if the earnings and cash flows anticipated from the Group's growth could not be realized.

Credit rating upgrades could lead to lower borrowing costs for the Group and also facilitate its access to financing sources on the money and capital markets. If the positive development of the Group should continue and its cash flow and profitability should also develop positively, opportunities could arise for an upgrade of the credit rating on the part of the rating agencies.

(d) Risks from Guarantees and Legal Risks

The Group remains exposed to risks from guarantees and legal risks. Provisions are recognized for those risks if and to the extent that they are likely to be utilized and the amounts of the obligations can be reasonably estimated.

Risks from guarantees. The issue of guarantees results in liability risks for the Group. For example, Daimler holds an equity interest in the system for recording and charging tolls for the use of highways in Germany by commercial vehicles. The operation of the electronic toll-collection system is the responsibility of the operator company, Toll Collect GmbH, in which Daimler holds a 45% stake and which is included in the consolidated financial statements using the equity method of accounting. In addition to Daimler's membership of the Toll Collect consortium and its equity interest in Toll Collect GmbH, risks also arise from guarantees that Daimler has assumed with the other partners in the Toll Collect consortium (Deutsche Telekom AG and Cofiroute S.A.) supporting obligations of Toll Collect GmbH toward the Federal Republic of Germany in connection with the toll system and a call option of the Federal Republic of Germany. Claims could be made under those guarantees if toll revenue is lost for technical reasons, if certain contractually defined performance parameters are not fulfilled, if additional claims are made by the Federal Republic of Germany, if the final operating permit is not granted, if Toll Collect GmbH fails to meet contractual obligations, if it fails to have the required equipment available, or if the Federal Republic of Germany takes over Toll Collect GmbH. The maximum loss risk for the Group from these risks can be substantial. Additional information is provided in Note 29 (Legal proceedings) and Note 30 (Financial guarantees, contingent liabilities and other financial commitments) of the Notes to the Consolidated Financial Statements.

Legal risks. Various legal proceedings, claims and government 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, warranty claims, environmental matters, legal proceedings relating to competition law and shareholder litigation. Product-related litigation involves claims alleging faults in vehicles, some of which have been made as class actions.

Adverse decisions in one or more of these proceedings could require us to pay substantial compensatory and punitive damages or undertake service actions, recall campaigns or other costly actions. Some of these proceedings may have an impact on the Group's reputation. It is possible, as these proceedings are connected with a large degree of uncertainty, that after the final resolution of litigation, some of the provisions we have recognized for legal proceedings could prove to be insufficient. As a result, substantial additional expenditures may arise. This also applies to legal proceedings for which the Group has seen no requirement to recognize a provision.

Although the final result of any such litigation may influence the Group's earnings and cash flows in any particular period, Daimler believes that any resulting obligations are unlikely to have a sustained effect on the Group's cash flows, financial position or profitability. Further information on legal proceedings is provided in Note 29 of the Notes to the Consolidated Financial Statements.

(e) Overall Assessment of the Risk and Opportunity Situation

The Group's overall risk situation is the sum of the individual risks of all risk categories for the divisions and the corporate functions and legal entities. In addition to the risk categories described above, **unpredictable events**, such as natural disasters or terrorist attacks, are possible, and these can disturb production and business processes. This could adversely affect consumer confidence and could cause production interruptions due to supplier problems and intensified security measures at national borders. In this context, Daimler also considers risks from earthquakes (especially in Asia), weather-related damage and political instability in sales regions. In the case of natural disasters, emergency plans are developed to allow the resumption of business activities. In addition, further protective measures are established and, if possible, insurance coverage is obtained. Other smaller risks relate to project and process risks as well as the implementation of organizational changes and possible resource shortages. In order to avoid or minimize these risks, measures are defined for each individual case and must be implemented accordingly. Risks relating to compliance are addressed in the risk management process and continually monitored. Regular courses of training are designed to prevent compliance violations. Further opportunities that can have a positive impact on the Group’s net income arise from efficiency programs at the divisions and, to a minor extent, potential compensation payments for occurred natural disasters.

In addition to the risks described above, there are risks that affect the **reputation** of the Daimler Group as a whole. Public interest is focused on Daimler’s position with regard to issues such as ethics and sustainability. Furthermore, customers and capital markets are interested in how the Group reacts to the technological challenges of the future and how we succeed in offering up-to-date and technologically leading products in the markets. As one of the fundamental principles of entrepreneurial activity, Daimler places particular priority on adherence to applicable law and ethical standards. In addition, a secure approach to sensitive data is a precondition for doing business with customers and suppliers in a trusting and cooperative environment. The Group takes extensive measures in order to ensure risks that may arise in this context with an impact on the reputation of the Daimler Group are subject to well-regulated internal controls.

In order to obtain an overall picture, Corporate Risk Management collates the information described on risks from the individual organizational units. There are no discernible risks that either alone or in combination with other risks could endanger the continued existence of the Group. But since considerable economic and industry risks still exist, setbacks on the way to regularly achieving growth and profitability targets cannot be completely ruled out. The aforementioned opportunities represent both potentials and challenges for the Daimler Group. By effectively and flexibly focusing the production program and sales activities on changing conditions, the divisions of the Daimler Group strive to secure or surpass their respective targets and plans. As far as it can be influenced by the Daimler Group and if measures prove to be economical, the Group takes appropriate action to realize the potential of its opportunities.

The Group’s overall risk and opportunity situation is the sum of the individual risks and opportunities presented. The risk situation of the Daimler Group has not changed significantly from the prior year. Most of the opportunities cited last year were effectively realized. The associated measures that have been implemented continue to have a positive effect on the Group’s earnings. Current planning takes identified opportunities into account. Daimler is confident that due to the established risk and opportunity management system, risks and opportunities will continue to be recognized at an early stage in the future and that the current risk situation can be successfully managed, as well as opportunities effectively utilized.

5. Material Contracts Relating to Business

(a) Change-of-Control Clauses

Daimler AG is a party of the following agreements that include clauses regulating the possible occurrence of a change of control and that may be considered material under a takeover aspect:

- A non-utilized syndicated credit line in a total amount of €9 billion, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- Credit agreements with lenders for a total amount of €2.5 billion, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- Guarantees and securities for credit agreements of consolidated subsidiaries for a total amount of €569 million, which the lenders are entitled to terminate if Daimler AG becomes a subsidiary of another company or comes under the control of one person or several persons acting jointly.
- An agreement concerning the acquisition of a majority (50.1%) of AFCC Automotive Fuel Cell Cooperation Corp., which has the purpose of further developing fuel cells for automotive applications and making them marketable. In the case of a change of control of Daimler AG, the agreement provides for the right of termination by the other main shareholder, Ford Motor Company. Control as defined by this agreement is the beneficial ownership of the majority of the voting rights and the resulting right to appoint the majority of the members of the Board of Management.
- A cooperation agreement with Ford concerning the joint predevelopment of a fuel-cell system. In the event of a change of control of one of the parties to the agreement, the agreement provides for the right of termination for the other parties. A change of control is deemed to occur at a threshold of 50% of the voting rights of the company in question or upon authorization to appoint the majority of the members of its managing board.
- A master cooperation agreement on wide-ranging strategic cooperation with Renault S. A., Renault-Nissan B.V. and Nissan Motor Co., Ltd. in connection with cross-shareholdings. The Renault-Nissan Alliance received an equity interest of 3.1% in Daimler AG and Daimler AG received equity interests of 3.1% in each of Renault S. A. and Nissan Motor Co., Ltd. In the case of a change of control of one of the parties to the agreement, each of the other parties has the right to terminate the agreement. A change of control as defined by the master cooperation agreement occurs if a third party or several third parties acting jointly acquire, legally or economically, directly or indirectly, at least 50% of the voting rights in the company in question or are authorized to appoint a majority of the members of its managing board. Under the master cooperation agreement, several cooperation agreements were concluded between Daimler AG on the one side and Renault and/or Nissan on the other, which provide for the right of termination for a party to the agreement in the case of a change of control of another party. These agreements primarily concern a new architecture for small cars, the shared use and development of fuel-efficient diesel and gasoline engines and transmissions, the development and supply of a small van, the use of an existing architecture for compact cars, the joint development of components for a new architecture for compact cars, the joint production of Infiniti and Mercedes-Benz compact vehicles in a 50:50 joint venture in Mexico and the predevelopment of a hydrogen tank system. A change of control is deemed to occur at a threshold of 50% of the voting rights of the company in question or upon authorization to appoint a majority of the members of its managing board. In the case of termination of cooperation in the area of the development of

small cars due to a change of control in the early phase of the cooperation, the party affected by the change of control would be obliged to bear its share of the costs of the development of shared components even if the development were terminated for that party.

- An agreement with BAIC Motor, relating to a jointly held company for the production and distribution of cars of the Mercedes-Benz brand in China, by which BAIC Motor given the right to terminate or exercise a put or call option in the case that a third party acquires one third or more of the voting rights in Daimler AG.
- An agreement relating to the establishment of a joint venture with Beiqi Foton Motor Co., Ltd. for the purpose of producing and distributing heavy-duty and medium-duty trucks of the Auman brand. This agreement gives Beiqi Foton Motor Co., Ltd. the right of termination in the case that one of its competitors acquires more than 25% of the equity or assets of Daimler AG or becomes able to influence the decisions of its Board of Management.
- An agreement between Daimler and Robert Bosch GmbH relating to the joint establishment and joint operation of EM-motive GmbH for the development and production of traction and transmission-integrated electric motors as well as parts and components for such motors for automotive applications and for the sale of those articles to the Robert Bosch Group and the Daimler Group. If Daimler should become controlled by a competitor of Robert Bosch GmbH, Robert Bosch GmbH has the right to terminate the consortium agreement without prior notice and to acquire all the shares in the joint venture held by Daimler at a fair market price.

(b) Material Contracts

On May 27, 2010, **BYD Company Limited** and Daimler AG signed an agreement on the establishment of a 50:50 joint venture, Shenzhen BYD Daimler New Technology Co. Ltd. Combining Daimler’s expertise in automotive architecture and safety with BYD’s know-how in the fields of battery technology and electric vehicle systems, the company is missioned to develop and deliver a very safe and reliable new electric vehicle in China and for China. The vehicle will be sold under the new brand DENZA jointly created by Daimler and BYD. The brand rights are owned by the joint venture.

In September, 2010, we intensified our cooperation with Russian truck manufacturer **Kamaz**. In addition to the joint venture for the production of axles that was agreed upon at the end of 2010, Daimler and Kamaz also signed a memorandum of understanding on the supply and licensing of the Axor cab, which is to be used in a new Kamaz truck model series. Since 2013, Mercedes-Benz Axor cabs have been installed in Kamaz’ new generation of trucks on the basis of a licensing agreement. Since November 2012, we have also been supplying diesel and natural gas engines as well as axles to Kamaz as part of a supply agreement. In this way, Daimler Trucks is expanding the partnership, which also encompasses two local joint ventures established to produce and sell Mercedes-Benz and FUSO trucks in Russia.

In February 2012, Daimler and Chinese partner Beiqi Foton Motor Co., Ltd. received the business license for the **BFDA** joint venture. Through BFDA, Daimler’s truck division participates in the Chinese market for medium and heavy trucks. Foton is contributing its existing business with medium and heavy trucks of the Auman brand, production facilities and the sales and service network. The joint venture also benefits from Foton’s knowledge of markets in China and the whole of Asia. This will enable BFDA to push forward faster with the development of business in the entire region. The first jointly produced truck under the Auman brand already rolled off the assembly line in the third quarter of 2012. The cornerstone of the engine plant at BFDA has been laid, ensuring further execution of the plant construction.

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

Cooperation between Daimler and **Renault-Nissan** remains very successful. The number of joint projects has increased approximately fourfold, from three to 13, since the partnership commenced in 2010. An important milestone in 2014 was the market launch of the first vehicles fully co-developed from scratch: the new Renault Twingo and the new smart fortwo and forfour models. The smart fortwo is built at the smart plant in Hambach, France, while the Renault Twingo and smart forfour are manufactured at the Renault plant in Novo Mesto, Slovenia. In June 2014, joint production of a two-liter, turbocharged four-cylinder gasoline engine began at a new plant in Tennessee in the United States. The engines, which are built at the Infiniti Decherd Powertrain facility, will initially be used in the Infiniti Q50 sports sedan for the European market and in the Mercedes-Benz C-Class. Also in June 2014, Renault-Nissan and Daimler AG announced an agreement covering the development of premium compact cars and the joint production of vehicles in a new manufacturing facility in Aguascalientes, Mexico. Production is scheduled to begin with Infiniti models in 2017. In the van segment, Daimler's MFTBC and Nissan Motor Co. Ltd. signed a contract in October 2014 covering the supply of finished commercial vans for export. Under the terms of the contract, Nissan is supplying its "NV350 Urvan" (GVW: 3.5 metric tons) to Mitsubishi Fuso, which has been selling the model as the "Canter Van" in the Middle East since the end of 2014. In the second quarter of 2015, Daimler and Renault-Nissan announced that they will expand their cooperation into the pickup truck segment. Daimler and Nissan will develop a 1-ton pickup truck for Mercedes-Benz. The Mercedes-Benz pickup will share some of the architecture with the all-new Nissan NP300, but it will be engineered and designed by Daimler to meet the specific needs of its customers. The primary target markets for the truck are Europe, Australia, South Africa and Latin America.

In December 2012, Daimler established a new, integrated car distribution company in China, thus taking an important step in the implementation of our growth strategy. **Beijing Mercedes-Benz Sales Service Co., Ltd.** was at that time a 50:50 joint venture with our strategic partner Beijing Automotive Group (BAIC). The company combines the functions of sales and marketing, aftersales, dealer network development, used-car and fleet-car sales, and dealer and workshop training for Mercedes-Benz cars in China in an integrated organization. Previously, there were two separate sales channels: one for imported and one for locally produced vehicles. Already in mid-2012, Daimler had also increased its interest in the import company, Mercedes-Benz (China) Ltd., from 51% to 75% – an important step on the way to an integrated distribution company. On February 1, 2013, Daimler and BAIC signed a binding agreement, according to which Daimler would invest around €0.6 billion in BAIC Motor. BAIC Motor is the passenger car division of the BAIC Group, one of the leading automotive companies in China. On November 18, 2013, this transaction closed and BAIC Motor issued new shares to Daimler representing a 12% stake in BAIC Motor for a purchase price of €627 million including incidental acquisition costs. Daimler received two seats on the board of directors of BAIC Motor. On December 19, 2014, BAIC Motor successfully placed its equity securities for trading on the Hong Kong Stock Exchange, also with the issue of new shares. As a result, Daimler's interest in BAIC Motor was diluted from 12.0% to 10.1%. Together with the investment of Daimler in BAIC Motor, Daimler increased its stake in Beijing Mercedes-Benz Sales Service Co., Ltd. by 1% to 51% on November 18, 2013. In March 2014, Daimler and BAIC signed an agreement to increase production capacities at Beijing Benz Automotive Co., Ltd. (BBAC). This move will lead to a further expansion of our activities in China and will also strengthen our strategic partnership with BAIC. Around €4 billion is currently being invested at BBAC, with €1 billion earmarked for the expansion of local car and engine production capacity alone through 2015. The existing annual capacity at BBAC for production of the C-Class, E-Class and GLK will be more than doubled to over 200,000 units by the end of 2015. This figure also includes the GLA compact SUV, being manufactured as of 2015.

6. Activities on Research and Development

Research and development have always played a key role at Daimler. Our researchers anticipate trends, customer wishes and the requirements of the mobility of the future, and our development engineers systematically implement these ideas in products that are ready for series production. Our goal is to offer our customers fascinating products and customized solutions for need-oriented, safe and sustainable mobility. Our technology portfolio and our key areas of expertise are oriented toward this objective.

The expertise, creativity and drive of our employees in research and development are key factors behind our vehicles' market success. At the end of 2014, Daimler employed 21,700 men and women at its research and development units (2013: 21,300). A total of 14,000 employees (2013: 13,600) worked at Group Research & Mercedes-Benz Cars Development, 5,500 (2013: 5,600) at Daimler Trucks, 1,000 (2013: 1,000) at Mercedes-Benz Vans and 1,100 (2013: 1,100) at Daimler Buses. Around 4,600 researchers and development engineers (2013: 4,400) worked outside Germany.

Our global research and development network comprises 21 locations in ten countries. Our biggest facilities are in Sindelfingen and Stuttgart-Untertürkheim in Germany. Approximately 120 people are currently employed in Sunnyvale, California, the headquarters of our research facilities in North America. Other important research locations in North America are Long Beach, California; Portland, Oregon; and Redford, Michigan. Our most important locations in Asia are our facility in Bangalore, India; the Global Hybrid Center in Kawasaki, Japan; and our research and development center in Beijing. With its approximately 2,000 employees, Mercedes-Benz Research and Development India is Daimler's largest research and development center outside Germany. In November 2014, Daimler Greater China Ltd. opened a new research and development center in China, thereby expanding the existing R&D network in Beijing. The Advanced Design Studio is the most important component of the new center and it also serves as the Group's new design hub in Asia. Its primary task is to provide Chinese customers with an even more intense Mercedes-Benz brand experience. Some 500 highly qualified engineers and designers will work at the new Mercedes-Benz research and development center in China in the future. In 2013, our van joint venture in China, Fujian Benz Automotive Corporation (FBAC), opened a new product development center in Fuzhou. This facility, which is the first Mercedes-Benz Vans product development center outside Germany, has a design and calculation department, proving grounds, test labs and component and complete-vehicle test rigs.

Along with our internal activities, we also maintain close contacts with external research institutions. For example, we work together with various renowned research institutes and participate in international exchange programs for up-and-coming scientists.

In order to reach our ambitious goals, we also cooperate very closely with research and development units from the supplier industry. Daimler must be closely meshed with supplier companies in order to deal with the rapid pace of technological change in the automotive industry and the need to quickly bring new technologies to market. Strong partners from the supplier industry are also indispensable for our efforts to develop and offer new concepts for future mobility. As part of our joint research and development work, we ensure that the Group retains the key technological expertise it needs in order to keep our brands distinct and to safeguard the future of the automobile in general.

Carl Benz invented and patented the automobile in 1886. Since then, we have refined automobiles with more than 100,000 patents. In the year 2014, a total of 2,049 new ideas were registered for patents (2013: 2,078). These patent applications secure not only scope for the application of innovative technologies, but also the exclusivity of our innovations. Inventions are identified and protected at all of our sites in the global research and development network – especially in Germany, China, Japan, the United States and India. In addition to industrial property rights, unique visual aspects of our products are protected with over 6,400 designs registered in 2014 (2013: 6,100). Furthermore, with a portfolio of more than 32,900 trademarks (2013: 32,500), we protect the renowned and valuable Mercedes-Benz brand, the three-pointed star and all other product brands in each relevant market.

We want to continue shaping mobility through our pioneering innovations in the coming years. We once again invested the very large amount of €5.7 billion in research and development work in 2014 (2013: €5.5 billion). Of that amount, €1.1 billion (2013: €1.3 billion) was capitalized as development costs, which amounts to a capitalization rate of 20% (2013: 23%). The amortization of capitalized research and development expenditure totaled €1.2 billion during the year under review (2013: €1.1 billion). With a rate of 4.4% (2013: 4.7%), research and development expenditure also remained at a high level in comparison with revenue. Research in the reporting year focused on new vehicle models, extremely fuel-efficient and environmentally friendly drive systems and new safety technologies. We made improvements in all of the main areas that help further increase our vehicles' efficiency – ranging from innovative drive-system concepts to energy management, aerodynamics and lightweight engineering.

The table below shows research and development expenditures during each of the last two years:

Research and development expenditures	**Year ended December 31,**	
(€ in millions)	**2014**	**2013**
Research and development expenditures [1]	5,680	5,489
thereof: Capitalized development costs	1,148	1,284

1) For the year 2013, the figure has been adjusted due to reclassifications within functional costs. Further information is provided in Note 1 of the Notes to the Consolidated Financial Statements.

The most important development projects at Mercedes-Benz Cars were the successor models of the E-Class and M-Class, as well as our new generation of compact cars. In addition, we continually invest in new low-emission engines, alternative drive systems and innovative safety technologies. Mercedes-Benz Cars spent a total of €4.0 billion on research and development in 2014, surpassing the high level of expenditure in 2013 (€3.8 billion). Daimler Trucks invested €1.2 billion in research and development projects (2013: €1.2 billion). The focus there was on new medium-duty and heavy-duty engines as well as on the successor generations of existing products. R & D expenditure at Mercedes-Benz Vans mainly for ongoing product enhancement measures, as well as efforts to further reduce emissions and increase fuel efficiency. Daimler

Buses primarily focused its development activities on new products, the fulfillment of new emissions standards and the creation of alternative drive systems. Around half of our research and development expenditure is applied for the development of green technologies.

7. Analysis of Financial Condition, Results of Operations and Cash Flow Status

The reportable segments of the Group are Mercedes-Benz Cars (see (b)), Daimler Trucks (see (c)), Mercedes-Benz Vans (see (d)), Daimler Buses (see (e)) and Daimler Financial Services (see (f)).

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.

Information about EBIT

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 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 equity-method investments, net, as well as other financial income/expense, net. Although amortization of capitalized borrowing costs is included in cost of sales, it is not included in EBIT.

Overview of Business Segment Revenue and EBIT

You should read the following discussion in conjunction with Notes 1 and 33 to our Consolidated Financial Statements and the discussions under section "III. Description of Business," "4. Risk Factors."

The following table presents revenue and EBIT for each of our five segments during the last two financial years.

	Year Ended December 31,			
	2014		**2013**	
(€ in millions)	**Revenue**	**EBIT [1]**	**Revenue**	**EBIT [1]**
Mercedes-Benz Cars	73,584	5,853	64,307	4,006
Daimler Trucks	32,389	1,878	31,473	1,637
Mercedes-Benz Vans	9,968	682	9,369	631
Daimler Buses	4,218	197	4,105	124
Daimler Financial Services	15,991	1,387	14,522	1,268
Total Segment Revenue and EBIT	136,150	9,997	123,776	7,666
Reconciliation	(6,278)	755	(5,794)	3,149
Total	**129,872**	**10,752**	**117,982**	**10,815**

1) EBIT includes expenses from the compounding of provisions and effects from changes in discount rates (2014: minus €353 million; 2013: minus €95 million).

The segment discussions below describe in more detail the specific factors which affected segment EBIT.

We computed the percentages in the following discussion using exact euro amounts and numbers. Some of those percentages may, therefore, not reflect the ratio between the rounded amounts presented below.

(a) Daimler Group

The Group's **total revenue** increased by 10.1% to €129.9 billion in 2014; adjusted for exchange rate effects, it increased by 12.1%. The revenue growth primarily reflects the strong demand for the products of Mercedes-Benz Cars, especially in Asia, Europe and the United States. You can find further details on the development of revenue of each segment in the segment discussions below.

Cost of sales amounted to €101.7 billion in 2014, increasing by approximately 9.5% compared with the previous year. The rise in cost of sales was caused by higher business volumes and consequentially higher material expenses. Personnel expenses and depreciation of leased equipment and property, plant and equipment also increased. Overall, cost of sales increased at a lower rate than revenue, so gross profit in relation to revenue increased to 21.7% (2013: 21.3%). Further information on cost of sales is provided in Note 5 of the Notes to the Consolidated Financial Statements.

Due to the growth in unit sales, **selling expenses** increased by €0.5 billion to €11.5 billion. The main factors here were higher expenses for marketing and personnel. As a percentage of revenue, selling expenses decreased from 9.4% to 8.9%.

General administrative expenses of €3.3 billion were slightly above the level of the previous year (2013: €3.2 billion), mainly driven by higher IT and personnel expenses. As a percentage of revenue, general administrative expenses decreased slightly to 2.6% (2013: 2.7%).

Research and non-capitalized development costs increased by €0.3 billion to €4.5 billion in 2014. They were mainly related to the development of new models, advance expenditure for the renewal of existing models and the further development of fuel-efficient and environmentally friendly drive systems and safety technologies. As a proportion of revenue, research and non-capitalized development costs slightly decreased from 3.6% to 3.5%. Further information on the Group's research and development costs is provided under "6. Activities on Research and Development" in section "III. Description of Business".

Other operating income increased to €1.8 billion (2013: €1.5 billion) and **other operating expense** rose significantly this year to €1.2 billion (2013: €0.4 billion), due in particular to expenses of €0.6 billion related to the ongoing antitrust investigations of European manufacturers of commercial vehicles by the EU Commission. Further information on the composition of other operating income and expense is provided in Note 6 of the Notes to the Consolidated Financial Statements.

In 2014, our **share of profit from equity-method investments** decreased to €0.9 billion (2013: €3.3 billion). Both years were affected by large gains relating to the loss of significant influence on companies which were previously accounted for using the equity method. In 2014, Daimler lost its significant influence on Tesla Motors Inc. (Tesla); the subsequent remeasurement of our Tesla shares resulted in a gain of €0.7 billion. In 2013, Daimler lost its significant influence on EADS, which resulted in a gain of €3.4 billion.

Other financial expense/income improved from an expense of €0.3 billion to income of €0.5 billion. This was primarily due to the disposal of the RRPSH shares, which resulted in a gain of €1.0 billion in 2014.

Net interest expense improved to €0.6 billion (2013: €0.7 billion). Expenses in connection with pension and healthcare benefits were at the prior-year level. Other interest expense improved due to lower costs of maintaining adequate liquidity following the successive expiry of refinancing at high interest rates. There was an opposing effect from lower income from cash deposits and from the remeasurement of interest-rate hedges.

The tax expense of €2.9 billion entered under **income-tax expense** is €1.5 billion higher than in 2013. The effective tax rate for 2014 was 28.3% (2013: 14.0%). In 2014, a gain was recognized on the sale of the RRPSH shares that was largely tax free. In connection with the ongoing antitrust investigations of European manufacturers of commercial vehicles by the EU Commission, expenses arose that were not tax deductible. In 2013, the gain on the remeasurement and sale of Daimler's EADS shares was largely tax free. Adjusted for those gains and losses, earnings subject to normal income taxes increased in 2014 compared with the previous year, which led to a correspondingly higher tax expense. Additional factors were that gains were recognized on the reversal of impairments of deferred tax assets in 2014 and that there were high tax benefits in connection with the tax assessment of previous years in 2013.

Net profit for the year amounts to €7.3 billion (2013: €8.7 billion). Net profit of €0.3 billion is attributable to non-controlling interests (2013: €1.9 billion); a large portion of the prior-year amount is related to the remeasurement of the EADS shares. Net profit **attributable to the shareholders of Daimler AG** amounts to €7.0 billion (2013: €6.8 billion), representing **earnings per share** of €6.51 (2013: €6.40). The calculation of earnings per share (basic) is based on an average number of outstanding shares of 1,069.8 million (2013: 1,068.8 million).

Group EBIT

The Daimler Group achieved EBIT of €10.8 billion in 2014 (2013: €10.8 billion), with significant increases across all divisions in total. Compared to the previous year, there was a negative impact on Group EBIT, however, caused by a lower contribution from the reconciliation of segment EBIT to Group EBIT.

This result was positively affected in particular by the new S-Class in its first full year, the expanded range of compact automobiles and better pricing at Mercedes-Benz Cars. At Daimler Trucks, increased unit sales in the NAFTA region were the main factor contributing to the significant earnings improvement in 2014. The earnings posted by Mercedes-Benz Vans were also significantly higher than in the previous year, due in particular to the very positive development of unit sales. Daimler Buses achieved significantly improved earnings primarily due to strong unit sales of complete buses and a positive product mix in Western Europe. Daimler Financial Services was also able to significantly surpass its prior-year earnings as a result of increased contract volume. In all divisions, the increasing impact of the implemented efficiency programs had a positive impact on operating profit. The development of currency exchange rates had a negative impact on earnings, however.

All the automotive divisions were also affected by the restructuring of Daimler's own sales organization in Germany by a total of €116 million. In this context, we refer to the information provided in Note 5 of the Notes to the Consolidated Financial Statements.

Gains recognized on the disposal of shares in RRPSH and on the remeasurement and sale of shares in Tesla (less the loss on the related share-price hedges) boosted earnings by a total of €1,482 million. Expenses connected with the EU Commission's ongoing antitrust investigation of European manufacturers of commercial vehicles reduced earnings by €600 million. In the previous year, the remeasurement and sale of the remaining 7.4% of EADS shares resulted in a gain of €3,223 million. Due to the favorable business development in all divisions, Daimler was able to significantly exceed its prior-year EBIT from the ongoing business of €8.0 billion, achieving €10.1 billion in 2014, which is in line with our expectations as stated in the Outlook section of Annual Report 2013.

The table in "Overview of Business Segment Revenue and EBIT" above shows the business segment contributions to Group EBIT. The segment discussions below describe in more detail the specific factors which affected the operating results of each segment.

(b) Mercedes-Benz Cars

The following table presents revenue for the Mercedes-Benz Cars division by major regions during the last two financial years.

Revenue	**Year ended December 31,**	
(€ in millions)	**2014**	**2013**
Total	**73,584**	**64,307**
Europe	30,595	27,879
NAFTA	16,955	15,038
Latin America (excluding Mexico)	729	852
Africa	1,417	1,569
Asia	22,385	17,519
Australia/Pacific	1,534	1,440

The following table presents unit sales for the Mercedes-Benz Cars division by major regions during the last two financial years.

Unit sales	**Year ended December 31,**	
(units)	**2014**	**2013**
Western Europe	668,600	640,200
of which Germany	272,500	279,900
NAFTA	390,700	363,100
of which United States	344,400	318,500
Asia	475,600	389,100
of which China	292,700	238,700
Other markets	187,700	173,200
Total	**1,722,600**	**1,565,600**

The Mercedes-Benz Cars division, comprising the Mercedes-Benz and smart brands as well as the Mercedes-AMG and Mercedes-Maybach sub-brands, once again accelerated its pace of growth in the year under review. Unit sales rose by 10% to the new record level of 1,722,600 vehicles. The increase in revenue was even more substantial at plus 14% to €73.6 billion.

Unit sales of the Mercedes-Benz brand increased by 11% to 1,630,100 vehicles in 2014. This is the fourth consecutive year in which the brand has set a new record. Despite difficult conditions in several markets, the pace of growth increased slightly compared with the previous year due to the launch of attractive new models. We were able to improve our market position in China in particular.

Mercedes-Benz also performed very well overall in a volatile market environment in Europe. Growth was particularly strong in Spain (+35%), the United Kingdom (+13%) and France (+9%). Unit sales in Western Europe were up 6% from the prior year, although they did fall slightly in Germany. We set a new record in the United States with sales of 334,000 vehicles

(+8%). We continued to grow in China, where sales increased by 25% to 275,000 units. We recorded significant increases in unit sales also in Japan (+15%), India (+14%) and Brazil (+6%).

The main contributions to the growth in unit sales came from the S-Class, our compact cars and the new C-Class models. A total of 471,700 customers opted to buy a vehicle of the A-Class, B-Class, CLA-Class or the new GLA-Class series during the year under review, representing an increase of 23% over the previous year. The sedans and wagons of the E-Class remained very popular and unit sales of those models increased by 2% to 252,300 vehicles. Total sales of 329,000 units in the E-Class segment almost matched the high prior-year level. Mercedes-Benz further improved its position in the global market for luxury vehicles. A total of 125,100 vehicles in the S-Class segment were sold in 2014 (+75%), more than ever before in the long and successful history of that model series. Business with our SUVs remained very positive, with sales rising to the new record level of 341,500 vehicles (+6%). The C-Class performed extremely well in the year of its model changeover. Unit sales totaled 362,700 vehicles (+2%) despite the fact that the new C-Class models did not become available in all core markets until October 2014.

Despite being in its last year prior to a model changeover, smart was able to keep unit sales relatively stable at 92,500 cars in the year under review (2013: 98,200). The smart fortwo electric drive remained very successful in the electric-car market.

Mercedes-Benz Cars posted EBIT of €5,853 million, which is significantly higher than the prior-year figure of €4,006 million. The division’s return on sales was 8.0% (2013: 6.2%). The development of earnings primarily reflects the ongoing growth in unit sales, especially in Asia, Europe and the United States. This was due in particular to the new S-Class in its first full year and the expanded range of compact automobiles. Mercedes-Benz Cars also improved its earnings as a result of better pricing and the efficiency program “Fit for Leadership”. Adverse effects on earnings resulted from expenses for the enhancement of products’ attractiveness, capacity expansions and advance expenditure for new technologies and vehicles. In addition, currency translation had a negative impact. EBIT also include impairments of €30 million recognized on investments in the area of alternative drive systems.

“Fit for Leadership” is a key element of our “Mercedes-Benz 2020” growth strategy. In the short term, the program combines existing efficiency-boosting measures and identifies additional efficiency potential. Over the long term, it will optimize the Mercedes-Benz business system and create the structures necessary to achieve the growth defined by Mercedes-Benz 2020. By the end of 2014, Fit for Leadership measures had achieved a sustainable cost-structure improvement of approximately €2 billion. Beginning in 2015, these savings will be fully reflected in our earnings. We have thus successfully completed the first phase of the program as planned. Substantial progress was made on the optimization of production and the reduction of material costs and fixed costs, for example. We systematically identified the technical and structural potential for optimization, and we also made a considerable impact on material costs by applying new procedures for awarding contracts to suppliers. The second phase of the program will focus more strongly on long-term structural changes. Our goal here is to further improve the competitiveness of Mercedes-Benz Cars over the long term. This will require us to holistically adjust the Mercedes-Benz Cars business system to changing conditions, such as the globalization of sales and production structures and changes in the product mix.

(c) Daimler Trucks

The following table presents revenue for the Daimler Trucks division by major regions during the last two financial years.

Revenue	**Year ended December 31,**	
(€ in millions)	**2014**	**2013**
Total	**32,389**	**31,473**
Europe	9,962	10,390
NAFTA	12,159	10,104
Latin America (excluding Mexico)	2,630	3,315
Africa	1,092	1,073
Asia	5,901	5,891
Australia/Pacific	636	693

The following table presents unit sales for the Daimler Trucks division by major regions during the last two financial years.

Unit sales	**Year ended December 31,**	
(units)	**2014**	**2013**
Western Europe	57,400	65,900
of which Germany	29,000	33,500
NAFTA	161,500	135,200
of which United States	141,600	117,800
Latin America (excl. Mexico)	47,100	59,300
of which Brazil	32,200	38,800
Asia	167,200	162,700
of which Japan	43,900	38,300
Other markets	62,500	61,100
Total	**495,700**	**484,200**

Daimler Trucks was able to slightly increase its unit sales in a market environment that differed greatly from region to region in 2014. Deliveries of heavy, medium and light-duty trucks, as well as buses of the Thomas Built Buses and FUSO brands, totaled 495,700 units in the year under review (2013: 484,200). We thus achieved the highest level of sales since 2006 and we remain the biggest global manufacturer of trucks above 6 metric tons gross vehicle weight. The high degree of market acceptance of our trucks is due in large part to their extremely competitive total cost of ownership, which is the most important factor in our customers' purchasing decisions. That is why fuel efficiency is a top priority in all regions. The Euro VI Actros in Europe, the Freightliner Cascadia Evolution in North America and the FUSO Super Great V in Japan are all at the forefront in terms of fuel economy.

In Western Europe, we increased our market share slightly to 24.4% (2013: 24.1%) in a difficult market environment. However, at 57,400 units, sales were 13% lower than in the previous year. This was due not only to advance purchases made in 2013 prior to the introduction of the Euro VI emission standard, but also to the generally sluggish economy in the region during the year under review. At 33,900 units, sales in Eastern Europe were 5% lower than in the prior year. Here, the increase in unit sales in Turkey to the record level of 22,200 vehicles could not offset declines in our other markets, especially Russia.

Sales in Latin America fell significantly due to a lack of dynamic growth. Our main market in the region – Brazil – was strongly impacted by this, and unit sales in the country therefore declined by 17% to 32,200 vehicles. Nonetheless, we were able to increase our market share in the medium-duty and heavy-duty segment to 25.8% (2013: 24.7%).

Our market share of 37.2% in the NAFTA region (2013: 38.2%) once again made us the undisputed market leader in the segment for Class 6-8 medium-duty and heavy-duty trucks. Sales in the region rose by 19% to the record level of 161,500 units. The Freightliner Cascadia Evolution, which was added to the product portfolio in March 2013, played a major role in our sales success in North America.

Overall business development in Asia was positive, but the situation varied from region to region. We were able to defend our market position in Japan and to improve it in Indonesia. We also gained market share in India with our BharatBenz trucks in a weak market. All in all, our sales in Asia increased by 3% to 167,200 units.

Through BFDA, a joint venture with our Chinese partner Foton, we are represented in the Chinese truck market with locally produced vehicles. In the year under review, BFDA sold 99,200 Auman brand trucks (2013: 103,300), which are not included in the Daimler Group's unit sales.

Daimler Trucks achieved EBIT of €1,878 million (2013: €1,637 million), which is significantly higher than the prior-year figure. The division's return on sales was 5.8% (2013: 5.2%). Significantly higher unit sales in the NAFTA region and Japan made a major contribution to the earnings improvement in 2014. Lower warranty costs and the successful efficiency and growth program "Daimler Trucks #1" also had positive effects. Unit sales and EBIT were adversely influenced in 2014 by the weak economic situation in Latin America and Europe, as well as by the after-effects of the introduction of Euro VI emission regulations at the beginning of 2014. Currency effects and expenses of €149 million for workforce adjustments in the context of optimization programs in Brazil and Germany also had a negative impact. EBIT also includes an expense of €30 million from the impairment of the carrying value of the investment in Kamaz. An additional factor is that there was no longer a contribution to earnings from RRPSH following the execution of the put option.

The "Daimler Trucks #1" excellence program was successfully continued during the year under review. More than 10,000 program initiatives had been implemented worldwide by the end of 2014. The program target of €1.6 billion will be achieved in 2015, when the measures will have been in effect for a full year. The goal of "Daimler Trucks #1" is to improve the competitiveness and profitability of Daimler Trucks on a sustained basis. All units at the division have been working continually to increase their unit sales and efficiency since the start of the program. To this end, numerous measures have been defined and implemented along the entire value chain in all regions. This has enabled us to achieve substantial reductions in production, material and fixed costs worldwide. Moreover, our product offensive and the systematic development of new markets have allowed us to exploit additional growth potential.

(d) Mercedes-Benz Vans

The following table presents revenue for the Mercedes-Benz Vans division by major regions during the last two financial years.

Revenue	**Year ended December 31,**	
(€ in millions)	**2014**	**2013**
Total	**9,968**	**9,369**
Europe	7,817	7,188
NAFTA	1,029	925
Latin America (excluding Mexico)	499	592
Africa	131	179
Asia	302	315
Australia/Pacific	190	170

The following table presents unit sales for the Mercedes-Benz Vans division by major regions during the last two financial years.

Unit sales	**Year ended December 31,**	
(units)	**2014**	**2013**
Western Europe	190,000	169,200
of which Germany	79,900	71,500
Eastern Europe	30,800	26,900
NAFTA	31,500	28,100
of which United States	25,800	22,800
Latin America (excl. Mexico)	16,100	19,600
Asia	16,900	16,800
of which China	12,800	12,700
Other markets	9,300	9,500
Total	**294,600**	**270,100**

Mercedes-Benz Vans set a new sales record in 2014, with deliveries rising by 9% to 294,600 units. At €10.0 billion, revenue was also higher than in the previous year (2013: €9.4 billion). Our Sprinter, Vito and Citan vans are targeted mainly at commercial customers, while the Viano and V-Class models are designed primarily for private use.

Unit sales in Western Europe, our most important market, rose by 12% to 190,000 vans in the year under review. The southern European markets experienced an especially strong comeback last year. Mercedes-Benz Vans sold 20,700 units of the Citan city van in Western Europe in 2014 (2013: 17,700). Sales of mid-size and large vans rose by 12% to 169,400 units. Growth was particularly strong in our German home market (+12%), where we also set a new sales record. Despite a difficult market environment in Eastern Europe, Mercedes-Benz Vans was able to increase its sales in that region to 30,800 units (+14%). This figure includes 6,700 Sprinter Classic models that were built and sold in Russia. The success story of our Sprinter continues in United States as well. With sales of 25,800 vehicles (2013: 22,800), we increased our market share in the United States to the new record level of 8.9%. At 12,800 units, sales in China were slightly above the prior-year level. Sales in Latin America declined by 18% to 16,100 units due to the difficult economic situation in that region.

We sold a total of 186,300 Sprinter vehicles worldwide during the year under review; this marks an increase of 12% over the previous year and a new record as well. Despite model changeovers, we were still able to significantly surpass the previous year's sales figure in the segment for mid-size vans (including the new V-Class) with sales of 86,000 units (2013: 80,900). Demand for the Citan city van rose by 10% to 22,100 units in the year under review.

Mercedes-Benz Vans posted EBIT of €682 million in 2014, a significant improvement on its prior-year earnings of €631 million. The division's return on sales increased to 6.8% from 6.7% in 2013. Operating profit reflects the very positive development of unit sales, especially in Europe and the NAFTA region. Earnings were negatively impacted, however, by research and development expenditure for new products and by expenses for the market launch of the new V-Class multipurpose vehicle and the new Vito; currency effects had an additional negative impact on earnings. EBIT increased by €61 million following the reversal of an impairment previously recognized on an investment in the joint venture FBAC.

(e) Daimler Buses

The following table presents revenue for the Daimler Buses division by major regions during the last two financial years.

Revenue	**Year ended December 31,**	
(€ in millions)	**2014**	**2013**
Total	**4,218**	**4,105**
Europe	2,690	2,494
NAFTA	292	255
Latin America (excluding Mexico)	980	1,074
Africa	88	72
Asia	125	164
Australia/Pacific	41	45

The following table presents unit sales for the Daimler Buses division by major regions during the last two financial years.

Unit sales	**Year ended December 31,**	
(units)	**2014**	**2013**
Western Europe	7,600	6,700
of which Germany	2,900	2,400
NAFTA	3,700	3,000
Latin America (excl. Mexico)	17,600	19,100
Asia	1,100	1,700
Other markets	3,200	3,200
Total	**33,200**	**33,700**

Sales of 33,200 buses and bus chassis worldwide by Daimler Buses in 2014 did not quite match the prior-year figure (2013: 33,700). Nevertheless, the division was able to significantly expand its leading position in its core markets for buses with a gross vehicle weight of over 8 metric tons. Business with complete buses in Western Europe improved considerably from the previous year. At €4.2 billion, revenue was slightly above the level of 2013 (€4.1 billion).

In Western Europe, the Daimler Buses brands Mercedes-Benz and Setra offer not only a complete range of city buses, intercity buses and coaches, but also bus chassis. Thanks to a significant improvement in our complete bus business, sales in the region increased by 13% to 7,600 units. Daimler Buses also further expanded its leading position in Western Europe with its market share reaching an all-time high of 34.4% (2013: 30.9%). This reflects the very positive response to the new city-bus generation Citaro and the new Setra TopClass 500 and ComfortClass 500. High demand for our Mercedes-Benz buses had a very positive effect on our sales in Germany, which rose by 17% to 2,900 units. In addition, the coach segment was positively impacted by the growing business of long-distance bus services. Our market share in Germany expanded significantly to 57.1% (2013: 51.2%). In Turkey, we recorded sales of 700 units (2013: 1,200). This market-related sales decline had been previously anticipated. The market in Latin America (excluding Mexico) deteriorated significantly due to the region's difficult economic situation. Sales of Mercedes-Benz bus chassis in the region fell by 8% to 17,600 units. Nonetheless, we were able to significantly expand our leading position in Latin America to a market share of 48.6% (2013: 41.6%). At 3,600 units, sales in Mexico were significantly higher than in the previous year.

Daimler Buses significantly increased its EBIT to €197 million in 2014 (2013: €124 million). The division's return on sales was 4.7% (2013: 3.0%). This earnings improvement resulted primarily from increased unit sales of complete buses and a positive product mix in Western Europe, as well as from positive exchange rate effects. There was an opposing, negative impact from lower unit sales of bus chassis in Latin America. Although the economic situation in Brazil and Argentina was difficult and, as had been expected, the Turkish market contracted, profitability improved significantly compared with the previous year. Expenses for repositioning the division's business amounted to €12 million in 2014 (2013: €39 million). The earnings increase was also largely due to the fact that measures associated with the "GLOBE 2013" growth and efficiency program had their full effect during the reporting year. The division actually exceeded the "GLOBE 2013" earnings improvement target of €200 million.

(f) Daimler Financial Services

The following table presents revenue for the Daimler Financial Services division by major regions during the last two financial years.

Revenue	**Year ended December 31,**	
(€ in millions)	**2014**	**2013**
Total	**15,991**	**14,522**
Europe	6,488	6,104
NAFTA	7,963	6,980
Latin America (excluding Mexico)	323	341
Africa	226	231
Asia	754	615
Australia/Pacific	237	252

During the year under review, Daimler Financial Services concluded 1.3 million new financing and leasing contracts worth a total of €47.9 billion. The total value of all new contracts therefore rose by 18%. More than 3.3 million financed or leased vehicles were on the books at the end of 2014; this corresponds to an 18% increase in contract volume to €99.0 billion. Adjusted for exchange-rate effects, the increase amounted to 12%.

In the Europe region, Daimler Financial Services concluded approximately 690,000 new financing and leasing contracts worth €21.6 billion (+11%). High rates of growth were recorded in Turkey (+30%) and the United Kingdom (+14%). In Germany, Mercedes-Benz Bank's new business increased by 8% to €9.9 billion; the volume of deposits in the direct banking business totaled €10.8 billion at the end of the year (-4%). Daimler Financial Services' contract volume in Europe rose by 8% to €40.4 billion.

Daimler Financial Services was able to record an increase over the high level of new business of the previous year in the Americas region, where the company brokered about 437,700 new financing and leasing contracts worth €18.2 billion in 2014 (+18%). Strong growth was recorded in the United States (+21%) and Brazil (+18%). Total contract volume in the Americas rose by 25% to €43.1 billion. Adjusted for exchange-rate effects, the increase amounted to 12%.

New business in the Africa & Asia-Pacific region increased by 44% on the previous year, to €8.1 billion. Business development was especially strong in China (+128%), India (+66%) and South Korea (+66%). At the end of 2014, contract volume in the region totaled €15.4 billion, which corresponds to a 32% increase over the previous year. Adjusted for exchange-rate effects, the increase amounted to 24%.

During the year under review, Daimler Financial Services once again supported a large number of companies with the financing and management of their vehicles and fleets. A total of 305,000 contracts with fleet clients were on the books at the end of 2014, an increase of 1% from the prior year. We significantly expanded our business in the field of insurance as well. At 1.4 million, the number of automotive policies we brokered was higher than ever before (+10%). We continued to enhance our business with innovative mobility services during the year under review. The mobility subsidiary moovel had passed the mark of one million customers by the end of the year. With the flexible car-sharing model car2go, moovel was operating in 29 locations in Europe and North America by the end of 2014. car2go is thus the clear market leader for flexible short-term car rentals.

Daimler Financial Services posted EBIT of €1,387 million, significantly surpassing its prior-year earnings (2013: €1,268 million). The division's return on equity was 19.4% (2013: 19.2%). This development was primarily due to the increased contract volume and the ongoing positive development of risk costs, whereby currency effects and additional expenses in connection with business expansion were more than offset.

(g) Discussion of Liquidity and Capital Resources

Principles and Objectives of Financial Management

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

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

Liquidity management ensures the Group's ability to meet its payment obligations at any time. For this purpose, liquidity planning provides information about all cash flows from operating and financial activities in a rolling plan. The resulting financial requirements are covered by the use of appropriate instruments for liquidity management (e.g. bank credits, commercial papers, notes); liquidity surpluses are invested in the money market or the capital market to optimize risk and return. Our goal is to ensure the level of liquidity regarded as necessary at optimal costs. Besides operational liquidity, Daimler keeps additional liquidity reserves which are available in the short term. Those additional financial resources include a pool of receivables from the financial services business which are available for securitization in the capital market, as well as a contractually confirmed syndicated credit facility with a volume of €9 billion.

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

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

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

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

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

For information about our market risk exposure, including risks associated with currency exchange rates and interest rates, and our related hedging activities, please refer to "(d) Finance Market Risks" under "4. Risk Factors" in section "III. Description of Business". Additional information on the management of market price risks, credit defaults and liquidity risks is provided in Note 32 of the Notes to the Consolidated Financial Statements.

Cash Flows

The following table presents the condensed consolidated statement of cash flows for the years ended December 2014 and 2013:

(€ in millions)	Year ended December 31,	
	2014	**2013**
Cash and cash equivalents at the beginning of the year	**11,053**	**10,996**
Cash used for/provided by operating activities	(1,274)	3,285
Cash used for investing activities	(2,709)	(6,829)
Cash provided by financing activities	2,274	3,855
Effect of exchange-rate changes on cash and cash equivalents	323	(254)
Cash and cash equivalents at the end of the year	**9,667**	**11,053**

Cash used for/provided by operating activities resulted in a cash outflow of €1.3 billion in 2014 (2013: cash inflow of €3.3 billion). This decrease was mainly caused by the realization of the growth strategy. Working capital increased at a higher rate than in the prior-year period due to the higher inventory increase. Growth in new business in leasing and sales financing surpassed the high level of the prior-year period by €2.6 billion. An additional factor is that the positive business development in 2014 led to higher income-tax payments. Furthermore, there was a cash outflow of €2.5 billion for the extraordinary contribution to the German pension fund assets. These effects were partially offset by the higher result from ongoing business which did not include the lower measurement effects compared to the prior-year period. In 2014, they were related to RRPSH and Tesla with a total of €0,4 billion and in 2013 to EADS with €3,4 billion.

Cash used for investing activities amounted to €2.7 billion (2013: €6.8 billion). The change compared with the prior-year period resulted primarily from acquisitions and disposals of securities in the context of liquidity management. Those transactions resulted in a net cash inflow in 2014, whereas acquisitions of securities significantly exceeded disposals in the previous year. In addition, lower investments in intangible assets had a positive impact. Investments in property, plant and equipment for the ramp-up of new products and for the expansion of production capacities were slightly below the high level of recent years. Both years were affected by proceeds from the sale of equity interests. In August 2014, the sale of the shares in RRPSH was concluded and a capital gain of €2.4 billion was recognized. In October 2014, the sale of shares in Tesla and the termination of the related share-price hedge led to a cash inflow of €0.6 billion. In 2013, cash used for investing activities was significantly affected by the sale of the remaining shares in EADS (€2.3 billion); there were opposing, negative effects of €0.6 billion from the acquisition of a 12% equity interest in BAIC Motor and of €0.2 billion from the capital increase at BBAC.

Cash provided by financing activities amounted to €2.3 billion (2013: €3.9 billion). The decrease resulted almost solely from the change in financing liabilities.

Cash and cash equivalents decreased compared with December 31, 2013 by €1.4 billion, after taking currency translation into account. Total liquidity, which also includes marketable debt securities, decreased by €1.8 billion to €16.3 billion.

The following table presents the free cash flow of the industrial business for the years ended December 2014 and 2013:

(€ in millions)	**Year ended December 31,**	
	2014	**2013**
Cash provided by operating activities	7,539	10,313
Cash used for investing activities	(2,887)	(6,767)
Changes in marketable debt securities	(195)	1,548
Other adjustments [1]	1,022	(252)
Free cash flow of the industrial business	**5,479**	**4,842**

1) The effects from the financing of the Group's own dealerships, which are reflected in cash provided by operating activities, are eliminated under other adjustments.

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

Other adjustments relate to additions to property, plant and equipment that are allocated to the Group as their beneficial owner due to the form of their underlying lease contracts. Furthermore, adjustments are made for the effects of financing dealerships within the Group. In addition, the calculation of the free cash flow includes those cash flows to be shown under cash from financing activities in connection with the acquisition or sale of interests in subsidiaries without loss of control.

The free cash flow of the industrial business amounted to €5.5 billion in 2014. The sale of the shares in RRPSH and Tesla contributed €3.0 billion of that amount. On the other hand, the free cash flow of the industrial business was reduced by the cash outflows for the extraordinary contribution to the German pension fund assets of €2.5 billion and for the settlement of a healthcare plan in the United States. Adjusted for these special effects, the free cash flow of the industrial business amounted to €5.2 billion.

The positive contributions to earnings from the automotive divisions were reduced by the increase in working capital, defined as the net change in inventories, trade receivables and trade payables, in a total amount of €2.3 billion. This included positive effects from the sale of trade receivables to Daimler Financial Services by companies in the industrial business. The positive development of other operating assets and liabilities was related to the business expansion and is primarily due to payments received from sales with service and maintenance contracts and sales with residual-value guarantees. In addition, high expenses for dealer bonuses and provisions are considered. There were opposing, negative effects from ongoing high investments in property, plant and equipment and intangible assets, as well as from income taxes and interest payments.

At the beginning of 2014, we expected the free cash flow to be significantly below prior-year level. However, when comparing with the previous year, it is necessary to consider that the free cash flow in both years included effects from acquisitions and disposals of equity interests. In 2013, the sale of the shares in EADS led to a cash inflow of €2.3 billion while the acquisition of the equity interest in BAIC Motor resulted in a cash outflow of €0.6 billion. After adjusting for special effects, the free cash flow of the industrial business of €5.2 billion in the year 2014 was significantly higher than the previous year value of €3.2 billion, in line with our forecast as adjusted during the year.

The increase in the free cash flow adjusted for special effects of €2.0 billion to €5.2 billion reflects the positive business development and was primarily due to higher profit contributions from the automotive divisions. The higher inventory increase due to realization of the growth strategy was not offset by the development of trade receivables and payables. Positive effects resulted from the development of other operating assets and liabilities.

The following table presents the net liquidity of the industrial business as of December 31, 2014 and 2013:

(€ in millions)	**December 31,**	
	2014	**2013**
Cash and cash equivalents	8,341	9,845
Marketable debt securities	5,156	5,303
Liquidity	**13,497**	**15,148**
Financing liabilities	3,193	(1,324)
Market valuation and currency hedges for financing liabilities	263	10
Financing liabilities (nominal)	**3,456**	**(1,314)**
Net liquidity	**16,953**	**13,834**

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

To the extent that the Group's internal refinancing of the financial services business is provided by the companies of the industrial business, this amount is deducted in the calculation of the net debt of the industrial business. At December 31, 2014, the Group's internal refinancing was of a higher volume than the financing liabilities originally taken on in the industrial business due to the application of the industrial business's own financial resources. This resulted in a positive value for the financing liabilities of the industrial business, thus increasing net liquidity, so the net liquidity of the industrial business exceeds the gross liquidity presented here.

Compared with December 31, 2013, the net liquidity of the industrial business increased from €13.8 billion to €17.0 billion. The increase mainly reflects the positive free cash flow. Dividend payments to the shareholders of Daimler AG and to minority interests of subsidiaries reduced net liquidity by €2.6 billion. The adoption of the refinancing of the Group's own dealerships by the industrial business was offset by the positive currency effects.

The following table presents the net debt of the Daimler Group as of December 31, 2014 and 2013:

(€ in millions)	**December 31,**	
	2014	**2013**
Cash and cash equivalents	9,667	11,053
Marketable debt securities	6,634	7,066
Liquidity	**16,301**	**18,119**
Financing liabilities	(86,689)	(77,738)
Market valuation and currency hedges for financing liabilities	270	(3)
Financing liabilities (nominal)	**(86,419)**	**(77,741)**
Net debt	**(70,118)**	**(59,622)**

Net debt at Group level, which primarily results from the refinancing of the leasing and sales-financing business, increased by €10.5 billion compared with December 31, 2013.

Refinancing

The funds raised by Daimler in the year 2014, primarily served to refinance the leasing and sales-financing business. For that purpose, Daimler made use of a broad spectrum of various financing instruments in various currencies and markets. They include bank credits, commercial papers in the money market, bonds with medium and long maturities, customer deposits at Mercedes-Benz Bank and the securitization of receivables from customers in the financial services business (asset backed securities, ABS).

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

In 2014, the Group covered its refinancing requirements mainly through the issuance of bonds. A large proportion of those bonds were placed in the form of so-called benchmark emissions (bonds with high nominal volumes) in the US dollar and euro market.

As the first international corporation, Daimler AG placed bonds in the domestic capital market of the People's Republic of China, so-called panda bonds. In addition, a large number of smaller bonds were issued in various currencies in the euro market, as well as in Mexico, Brazil, Argentina, South Africa, Thailand and South Korea.

Refinancing was facilitated by high capital-market liquidity as well as by Daimler's good credit ratings. The continuation of expansive monetary policies by the central banks had a significant impact on the situation of the bond markets also in 2014. The high volumes of available liquidity meant that risk premiums for companies with investment-grade ratings fell once again compared with the previous year; this was to the benefit also of Daimler.

In addition, Daimler issued small volumes of commercial papers in 2014.

Furthermore, several asset-backed securities (ABS) transactions were carried out in the United States, Canada and Germany. In the United States for example, two emissions generated a refinancing volume totaling US$3.1 billion. Bonds in a volume of CAN$0.5 billion were issued in Canada, and were for the first time placed directly with investors. In addition, Mercedes-Benz Bank once again sold ABS bonds in a volume of €1.0 billion to European investors through its Silver Arrow Platform.

Bank credit was another important source of refinancing in 2014. Funds were provided not only by large, globally active banks, but increasingly also by a number of local banks. The lenders included supranational banks such as the European Investment Bank and the Brazilian Development Bank (BNDES).

In this way, we continued our diversification in refinancing through banks.

In order to secure sufficient financial flexibility, in September 2013, Daimler concluded a €9 billion syndicated credit facility with a consortium of international banks with a maturity of five years and two extension options of two years in total. This provides the Group with financial flexibility until the year 2020. More than 40 European, American and Asian banks participated in the consortium. Daimler does not intend to utilize the credit line. In 2014, Daimler exercised the option to extend the facility by another year until 2019. All the banks in the consortium participated in the extension.

At the end of 2014, Daimler had short- and long-term credit lines totaling €41.7 billion (2013: €35.4 billion), of which €17.2 billion was not utilized (2013: €15.0 billion). They include a syndicated credit facility arranged in September 2013 with a consortium of international banks with a volume of €9 billion.

The carrying values of the main refinancing instruments and the weighted average interest rates are shown in the table below:

	Average interest rates		**Carrying values**	
	December 31,		**December 31,**	
	2014	**2013**	**2014**	**2013**
	(in %)		(€ in millions)	
Notes/bonds and liabilities from ABS transactions	1.68	2.14	49,165	44,875
Commercial paper	1.11	2.02	2,277	1,086
Liabilities to financial institutions	3.08	3.32	22,893	19,089
Deposits in the direct banking business	1.06	1.54	10,853	11,257

At December 31, 2014, they are mainly denominated in the following currencies: 43% in euros, 26% in US dollars, 4% in Brazilian real, 3% in Japanese yen and 4% in Canadian dollars.

At December 31, 2014, the total of financial liabilities shown in the consolidated statement of financial position amounted to €86,689 million (2013: €77,738 million).

Detailed information on the amounts and terms of financing liabilities is provided in Notes 24 and 32 of the Notes to the Consolidated Financial Statements. Note 32 also provides information on the maturities of the other financial liabilities.

Other Financial Obligations, Financial Guarantees and Contingent Liabilities

In the context of its ordinary business operations, the Group has entered into **other financial obligations** in addition to the liabilities shown in the consolidated balance sheet at December 31, 2014. The following table provides an overview of the nominal amounts of other financial obligations. With regard to their maturities, please refer to Note 30 (Financial guarantees, contingent liabilities and other financial commitments) and Note 32 (Management of financial risks) of the Notes to the Consolidated Financial Statements.

(€ in millions)	**December 31,**	
	2014	**2013**
Obligations from purchasing agreements	9,769	9,771
Non-terminable rental and leasing agreements	2,157	1,980
Irrevocable loan obligations	1,320	1,508
Miscellaneous other financial obligations	2,318	1,356
Other financial obligations	**15,564**	**14,615**

Within the context of **financial guarantees**, Daimler generally guarantees the settlement of the payment obligations of the main debtor vis-à-vis the holder of the guarantee. The maximum potential obligation resulting from these guarantees amounts to €0.8 billion at December 31, 2014 (end of 2013: €0.8 billion); liabilities recognized in this context amount to €0.1 billion at the end of the year (end of 2013: €0.1 billion). In connection with the Chrysler transaction entered into 2007 and 2009, Daimler provides guarantees for Chrysler obligations; at December 31, 2014, those guarantees amounted to €0.3 billion, whereby Chrysler provided €0.2 billion on an escrow account as collateral for the guaranteed obligations. Another financial guarantee of €0.1 billion relates to bank loans of Toll Collect GmbH, the operator company of the toll-collection system for trucks in Germany. Other risks arise from an additional guarantee that the Group provided for obligations of Toll Collect GmbH to the Federal Republic of Germany. This guarantee is related to the completion and operation of the toll-collection system. A claim on this guarantee could primarily arise if for technical reasons toll revenue is lost or if certain contractually defined parameters are not fulfilled, if the Federal Republic of Germany makes additional claims or if the final operating permit is not granted. Furthermore, arbitration proceedings have been initiated against the Group. The maximum obligation that could result from this guarantee is substantial, but cannot be reliably estimated.

The **contingent liabilities** principally constitute buyback obligations. At December 31, 2014, the best possible estimate for the loss risk from these guarantees amounted to €1.2 billion (2013: €1.0 billion). Warranty and goodwill commitments (product guarantees) provided by the Group in connection with its vehicle sales are not included in the contingent liabilities. Contingent liabilities also include other contingent liabilities. The best possible estimate for potential expenses from the other contingent liabilities is €0.4 billion (December 31, 2013: €0.4 billion).

Credit Ratings

Daimler’s credit ratings remained unchanged in 2014. Daimler AG therefore has comparable ratings at the level of A- with all four of the credit-rating agencies it has engaged. The outlook for the ratings was assessed as “stable” by all four agencies in 2014.

On December 19, 2014, **Moody’s Investors Service** (Moody’s) confirmed its long-term credit rating for Daimler AG of A3 with a stable outlook. Moody’s referred to the highly valued premium brand Mercedes-Benz, the positioning of Daimler Trucks as the global market leader in the truck business, the strong positions of Mercedes-Benz Vans and Daimler Buses in their respective market segments, and the credit metrics which place the Group well within its rating category.

On November 27, 2014, **Standard & Poor’s Ratings Services** (S&P) published a report on Daimler AG in which it confirmed our long-term corporate credit rating at A- as well as the stable outlook. In S&P’s terminology, the rating is the result of a “satisfactory” business risk and a “minimal” financial risk. The business risk is partially a reflection of the Group’s exposure to cyclical demand for cars, trucks and other vehicles. The financial risk profile is supported by the Group’s strong financial metrics.

On July 7, 2014, **Fitch Ratings** (Fitch) also emphasized Daimler’s wide geographical and product diversification, and confirmed its long-term issuer default rating of A- with a stable outlook. The heavy product pipeline was assessed as having a positive impact on the credit rating. However, high capital expenditure and investment in research and development were regarded as constraining factors. Fitch believes that Daimler enjoys adequate headroom in its ratings with regard to the relevant financial metrics.

The Canadian credit agency **DBRS** confirmed on October 24, 2014, its long-term rating for Daimler AG at A (low) with a stable trend. DBRS referred to the improved financial performance of Mercedes-Benz Cars and Daimler Trucks reflecting those divisions’ product offensives, as well as the implementation of their cost-reduction activities, which are expected to contribute substantially to expanding the Group’s profit margins in the future.

The short-term credit ratings of all four rating agencies remained unchanged in 2014.

On February 11, 2015, Moody’s changed the outlook of Daimler to positive from stable. Concurrently, Moody’s has affirmed the A3 long-term and Prime-2 short-term ratings assigned to Daimler, its rated subsidiaries and ratings guaranteed by Daimler. Moody’s considers that Daimler’s enhancements to its profitability and financial metrics since 2013 have strengthened the company’s position in the A3 rating category.

The change in the outlook to positive reflects Moody’s expectation that Daimler will benefit from a positive sales momentum within the next 12 to 18 months which, together with its ongoing efficiency measures, will strengthen the company’s credit profile in the single-A rating category. Evidence of Daimler’s continued resilience to mixed global conditions within both the passenger car and trucks markets and efforts at pursuing a balanced financial policy will be key considerations for an upgrade.

Our current ratings are as follows:

	S&P	**Moody's**	**Fitch**	**DBRS**
Short-term debt	A-2	P-2	F2	R-1 (low)
Long-term debt	A-	A3	A-	A (low)

IV. Conditions of Facilities

1. Outline of Capital Expenditure, etc.

The table below provides a break down for each division for capital expenditure (investment in property, plant and equipment) in 2014 and 2013:

Capital Expenditure	**Year ended December 31,**	
(€ in millions)	**2014**	**2013**
Daimler Group	**4,844**	**4,975**
Mercedes-Benz Cars	3,621	3,710
Daimler Trucks	788	839
Mercedes-Benz Vans	304	288
Daimler Buses	105	76
Daimler Financial Services	23	19

In the context of our growth strategy, we aim to make good use of the opportunities presented by international automotive markets. This requires substantial investment in new products and new technologies as well as in the expansion of our worldwide production network. In 2014, we therefore once again invested a very high amount of €4.8 billion in property, plant and equipment (2013: €5.0 billion). However, we did not quite reach the investment volume that we planned in the previous year and announced in Annual Report 2013. This was partially due to the very efficient application of our financial resources and the postponement of some investment projects. As of December 31, 2014, no material financial obligations exist in connection with future investment in property, plant and equipment.

At Mercedes-Benz Cars, investment in property, plant and equipment of €3.6 billion was almost at the prior-year level. The most important projects included the models of the new C-Class, which has been in production since 2014 in Bremen as well as in Tuscaloosa, Beijing and East London. Another focus of investment was on new sport-utility vehicles. We also made substantial investments in the modernization and realignment of our German production plants as competence centers, as well as in the expansion of our production capacities in the United States.

The main areas of investment at Daimler Trucks were for new products such as the Western Star 5700XE, the new FUSO Super Great V and the new Actros and Arocs heavy-duty tractor units (SLT). In addition, progress was made with various projects for the global standardization of engines and other major components. As in the previous year, total investment in property, plant and equipment at Daimler Trucks amounted to €0.8 billion.

At the Mercedes-Benz Vans division, the focus of investment was on the new V-Class multipurpose vehicle and the next generation of the commercial vehicle Vito. The main investments at Daimler Buses in 2014 were in new products and the modernization of production facilities.

In addition to capital expenditure on property, plant and equipment, we also invested amounts in associated companies and joint ventures in 2014.

Furthermore, we capitalized development costs of €1.1 billion in 2014 (2013: €1.3 billion); this is presented under intangible assets.

2. Conditions of Major Facilities

With its strong brands, Daimler is active in nearly all the countries of the world. The Group has production facilities in a total of 19 countries and more than 8,500 sales centers worldwide. The global networking of research and development activities and of production and sales locations gives Daimler considerable advantages in the international competitive field and also offers additional growth opportunities.

Worldwide, Mercedes-Benz Cars has 18 production sites at present. In the medium term, we anticipate significant growth in worldwide demand for automobiles and above-average growth in the premium car segment. In order to ensure we can exploit this potential, we are creating additional production capacities, especially at BBAC in China and at our plants in the United States and India. We will also expand our global production network with a new plant in Brazil, where we plan to produce the next generation of the C-Class as well as the GLA compact SUV for the local market starting in 2016.

Daimler Trucks' 27 production facilities are located in the NAFTA region (14, thereof 11 in the United States and 3 in Mexico), Europe (7), Asia (3), South America (2) and Africa (1). In China, BFDA has been producing trucks under the Auman brand name since July 2012.

Mercedes-Benz Vans has manufacturing facilities at a total of nine locations in Germany, Spain, the United States and Argentina, as well as in China within the framework of the FBAC joint venture, and in France in the context of the strategic alliance with Renault-Nissan. The Mercedes-Benz Sprinter Classic is produced under license by our partner GAZ in Russia.

The largest of the 13 production sites of Daimler Buses are located in Germany, France, Spain, Turkey, Argentina, Brazil and Mexico. During the year under review, we also laid the cornerstone for a new bus plant in India that will begin operating in 2015.

We also have other properties, including office buildings, sales and service locations as well as research laboratories, development centers and test tracks. The total carrying amount of land, leasehold improvements and buildings including buildings on land owned by others, was €6.9 billion at December 31, 2014 (end of 2013: €6.8 billion).

The tables below show as an abstract some major locations of each automotive division and the contents of business of each location. As far as available, we show the number of employees as of December 31, 2014, working at such location and the share of employees attributable to the division under which the location is stated.

Mercedes-Benz Cars

Location	Contents of operations	Number of employees	
		From division	On site
Sindelfingen, Germany	E-Class sedan, E-Class wagon, CLS, CLS Shooting Brake, S-Class sedan, S-Class coupe, Mercedes-Maybach S-Class, Mercedes-AMG GT	25,513	25,948
Untertürkheim, Germany	Engines, axles, transmissions, components incl. upstream operations foundry and forge	18,683	18,708

Bremen, Germany	C-Class sedan, C-Class wagon, C-Class coupe, SLK, SL, E-Class coupe, E-Class cabriolet, GLK	12,410	12,672
Rastatt, Germany	A-Class, B-Class, B-Class Electric Drive, GLA	6,344	6,489
Berlin, Germany	Engines, components, transmission parts, fuel systems	2,532	2,538
Hamburg, Germany	Axles and axle components, steering columns, components for exhaust gas technology, lightweight structural parts	2,610	2,624
Kölleda, Germany	Engines	1,074	1,074
Tuscaloosa, USA	M-Class, GL, R-Class, GLE coupe (as of first half-year 2015)	3,386	3,386
East London, South Africa	C-Class sedan	3,076	3,076
Kecskemét, Hungary	B-Class, CLA, CLA Shooting Brake	3,973	3,973
Hambach, France	smart fortwo, smart fortwo electric drive	863	863

Daimler Trucks

Location	**Contents of operations**	**Number of employees**	
		From division	**On site**
Trucks Europe/Latin America *(Mercedes-Benz)*			
Wörth, Germany	Production of Mercedes-Benz trucks and Mercedes-Benz special trucks	11,246	11,380
Mannheim, Germany	Production of commercial vehicles engines and industrial engines; foundry; remanufactured engines for Mercedes-Benz trucks, passenger cars and vans	5,061	5,101
Kassel, Germany	Production of front and rear axles and propeller shafts for commercial vehicles; components for Mercedes-Benz passenger cars	2,897	2,920
Gaggenau, Germany	Gearboxes, planetary hub axles, portal axles, converter production, cutting and forming technology, international logistics	6,385	6,490
Aksaray, Turkey	Production of Mercedes-Benz trucks and Mercedes-Benz special trucks	1,904	1,904

Molsheim, France	Customization of special purpose vehicles	569	569
São Bernardo do Campo, Brazil	Assembly plant for the Latin American truck product range; production of engines, transmissions and axles; stamping facility; product engineering	9,885	9,885
Juiz de Fora, Brazil	Mercedes-Benz truck assembly of Accelo and Actros	797	797
Trucks NAFTA *(Freightliner/Western Star/Thomas Built Buses)*			
Portland, USA	Daimler Trucks North America headquarters; research and development; truck assembly	4,236	4,236
Cleveland, USA	Truck assembly	3,037	3,037
Mount Holly, USA	Truck assembly	1,429	1,429
Redford, USA	Production of engines and transmissions; Axle Alliance Company; axles assembly	2,538	2,538
High Point, USA	Thomas Built Buses headquarters; school bus assembly; research and development	1,387	1,387
Santiago Tianguistenco, Mexico	Truck assembly	1,749	1,749
Saltillo, Mexico	Truck assembly	3,657	3,657
Trucks Asia *(FUSO, BharatBenz)*			
Kawasaki, Japan	MFTBC headquarters; production of trucks, vehicle engines, industrial engines, axles and transmissions; Global Hybrid Center; research and development; information technology and procurement	4,714	4,714
Chennai, India	BharatBenz trucks and truck components production; research and development; proving grounds and test track; FUSO trucks production for selected export markets in Asia and Africa	2,709	2,709

Mercedes-Benz Vans

Location	**Contents of operations**	**Number of employees**	
		From division	**On site**
Düsseldorf, Germany	Chassis and assembly plant	6,517	6,561
Ludwigsfelde, Germany	Chassis and assembly plant	1,853	1,853

Vitoria/Barcelona, Spain	Chassis and assembly plant	3,078	3,078
Gonzáles Catan, Argentina	Chassis and assembly plant	1,644	1,644
Charleston, USA	Assembly plant	108	108

Daimler Buses

Location	**Contents of operations**	**Number of employees**	
		From division	**On site**
Mannheim, Germany	Bodyshell assembly of Mercedes-Benz and Setra city/interurban buses and coaches; assembly of Mercedes-Benz city/interurban buses	3,336	3,336
Neu-Ulm, Germany	Painting and assembly of Mercedes-Benz and Setra city/interurban buses and coaches	3,619	3,619
Dortmund, Germany	Bodyshell assembly, painting and manufacturing plant of Mercedes-Benz minibuses	286	286
Istanbul, Turkey	Bodyshell assembly, painting and manufacturing plant of Mercedes-Benz city/interurban buses and coaches and Setra interurban buses	4,451	4,451
Ligny-en-Barrois, France	Assembly of Mercedes-Benz city/interurban buses	383	383
São Bernardo do Campo, Brazil	Assembly of Mercedes-Benz chassis	1,106	1,106

Property, plant and equipment include buildings, technical equipment and other equipment capitalized under finance lease arrangements with a carrying amount of €238 million (2013: €262 million). In 2014, additions to and depreciation expense on assets under finance lease arrangements amounted to €19 million (2013: €17 million) and €40 million (2013: €67 million), respectively. For additional information, please refer to Note 11 of the Notes to our Consolidated Financial Statements.

3. Plans for Installation and Removal of Facilities

In order to achieve our ambitious growth targets, we will expand our product range in the coming years and develop additional production and distribution capacities. We also want to make sure that we can play a leading role in the far-reaching technological transformation of the automotive industry. For this purpose, we will once again slightly increase our already very high investment in property, plant and equipment in the year 2015.

Growth in global automobile demand will take place mainly in markets outside of Europe, North America and Japan in the coming years. While we continue to strengthen our position in traditional markets, we also want to expand in Brazil, Russia, India and China especially, as well as in other emerging markets.

In order to reach Mercedes-Benz Cars' sales targets, we are intensifying our local activities, particularly in China, Brazil and India. We are increasing production capacities in China for model series that are already manufactured locally. We manufacture the GLK SUV in China, as well as the long-wheelbase version of the E-Class. During the year under review, we also began producing the long-wheelbase version of the new C-Class in China. We began local production of the new GLA compact SUV in China in the second quarter of 2015. We opened a new production plant for four-cylinder engines in China back in November 2013. In order to serve the promising electric-vehicle segment in China, we joined forces with the Chinese battery and vehicle manufacturer BYD to develop a battery-electric automobile. This electric vehicle was launched in China in 2014 under the DENZA brand name.

Our activities in the field of medium-duty and heavy-duty trucks in China focus on cooperation with our partner Foton. Mercedes-Benz Vans manufactures the Vito, Viano and Sprinter models for the Chinese market in cooperation with FBAC. We are continuing our internationalization strategy for the research and development unit with a new R&D center in Beijing, which will employ around 500 men and women in the future. We also further expanded our dealership network in China in 2014 and opened our biggest training center in the world for car-dealership employees.

We will begin manufacturing the C-Class and the GLA for the local market in Brazil in 2016. Daimler Trucks is investing in the modernization of its product range in Brazil in order to further improve its strong market position over the medium term. Our two production plants (São Bernardo do Campo and Juiz de Fora) are also being modernized.

In Russia, Europe's biggest truck market, we are continuing cooperation with our partner Kamaz. The previously separate Mercedes-Benz Trucks Vostok and Fuso Kamaz Trucks Rus joint ventures will be merged into a new company in the future. Since the second half of 2013, Mercedes-Benz Vans has been manufacturing the Sprinter Classic in Russia in cooperation with the commercial vehicle manufacturer GAZ.

Daimler Trucks has been successfully manufacturing trucks in India under the new BharatBenz brand name since June 2012. In 2013, we also began building FUSO-brand trucks for export at the Chennai plant. The FUSO trucks built in India are mainly aimed at other price-sensitive markets in Asia and Africa. Daimler Buses has integrated its local business activities into Daimler India Commercial Vehicles and will establish local bus manufacturing operations in India in 2015. The expansion of our international production network is being accompanied by measures to strengthen our international research and development network in India as well.

The table below presents the investment in property, plant and equipment which we plan for the years 2015 and 2016 in comparison with the expenditure in 2014:

Investment in property, plant and equipment	**Period**	
(€ in billion)	**2014**	**2015-2016**
Daimler Group	**4.8**	**11.1**
Mercedes-Benz Cars	3.6	8.1
Daimler Trucks	0.8	2.3
Mercedes-Benz Vans	0.3	0.5
Daimler Buses	0.1	0.2
Daimler Financial Services	0.02	0.03

In the coming years, we will continue to move ahead systematically with our investment offensive in order to implement our growth strategy through the introduction of new products, new technologies and state-of-the-art manufacturing capacities. We will therefore invest approximately €11 billion in property, plant and equipment in 2015 and 2016, as well as more than €13 billion in research and development projects. The investment in property, plant and equipment will mainly be used to prepare for the production launches of our new models, to modernize and realign our manufacturing facilities in Germany, to expand local production in growth markets and to enhance our sales organization.

Above all, the Mercedes-Benz Cars and Daimler Trucks divisions will account for the increase in capital expenditure. In addition, we are developing our position in the emerging markets by means of targeted financial investments in our holdings. That includes the expansion of our car production capacities in China, together with our partner BAIC.

At the Mercedes-Benz Cars division, the focus of capital expenditure will be on renewing and expanding our product range. The most important projects include the new E-Class family, additional versions of the C-Class and the new SUVs. Substantial investment is planned also for the modernization and expansion of our German production sites as competence centers, as well as for the expansion of our international production network.

After completing its Euro VI product offensive, Daimler Trucks will mainly invest in successor generations of existing products, the expansion and modernization of the plants, and new global component projects in 2015.

At Mercedes-Benz Vans, the focus will be on further developing the existing model range, expanding the sales-and-service organization and establishing production of the Sprinter in the United States. Key projects at Daimler Buses are advance expenditures for new models and product enhancements and the new bus plant in India.

V. Description of the Company

1. Description of Shares, etc.

(a) Total Number of Shares, etc.

(i) Total Number of Shares

Approved number of Shares: (as of December 31, 2014)	1,592,615,185	
Issued Shares: (as of December 31, 2014)	1,069,837,447	(0 of them treasury shares)
Shares not yet issued: (as of December 31, 2014)	522,777,738	
	348,518,492	(Authorized/Approved Capital 2014)
	174,259,246	(Conditional Capital 2010)

Authorized/Approved Capital 2014: After the Authorized/Approved Capital 2009 expired on April 7, 2014, a new Authorized/Approved Capital 2014 has been created. By resolution of the Annual Shareholders' Meeting held on April 9, 2014, the Board of Management was authorized, with the consent of the Supervisory Board, to increase the Company's share capital in the period until April 8, 2019 by a total of €1,000,000,000.00, 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 (Authorized/Approved Capital 2014). Among other things, the Board of Management was authorized, with the consent of the Supervisory Board, to exclude shareholders' subscription rights under certain conditions. No use has yet been made of this authorization.

Conditional Capital 2010: By resolution of the Annual Shareholders' 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. 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.

By resolution of the Annual Shareholders' Meeting on April 1, 2015, the Conditional Capital 2010 has been cancelled and a new Conditional Capital 2015 has been created. The Board of Management was authorized until March 31, 2020, to issue, with the consent of the Supervisory Board, once or several times convertible bonds 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, with the consent of the Supervisory Board, 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. 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 2015). The authorization to issue convertible and/or warrant bonds has not yet been exercised.

Conditional Capital II was approved by the Annual Shareholders' Meeting 2000 to cover the option rights issued by Daimler AG in the period up to April 18, 2005 in line with the Daimler Stock Option Plan (SOP), which granted stock options for the purchase of Daimler ordinary shares to eligible employees/board members. As the last options rights expired on March 31, 2014, the Residual Conditional Capital II was cancelled and deleted from the Articles of Incorporation.

For further details on the before mentioned authorized and conditional capital, please refer to section II. Share Capital and Shares, Article 3 (§ 3) Share Capital, of the Company's Articles of Incorporation.

(ii) Issued and outstanding shares

Kind:	registered ordinary shares, no par value
Number of shares:	1,069,837,447 (0 of them treasury shares) (as of December 31, 2014) 1,069,837,447 (0 of them treasury shares) (as of May 31, 2015)
Stock Exchanges on which the Shares are listed or Securities Dealers Associations with which the Securities are registered:	Our ordinary shares are listed on the Frankfurt Stock Exchange and the Stuttgart Stock Exchange.
Contents:	N/A

(b) Conditions of Execution of a Convertible Bond with a Floating Conversion Ratio, Etc.

Not applicable.

(c) Changes in the Number of Issued and Outstanding Shares and Share Capital

Date or time	Increase / Decrease in share capital	Total share capital after the increase / decrease in € (ten thousand Yen)	Remarks
Balance as of Dec 31, 2009	1,061,183,782 shares	3,044,842,112.82 (40,280,216)	End of financial 2009
Jan 1 to Dec 31, 2010	€12,791,645.49 4,458,125 shares	3,057,633,758.31 (40,449,437)	Exercise of stock options
Balance as of Dec 31, 2010	1,065,641,907 shares	3,057,633,758.31 (40,449,437)	End of financial 2010
Jan 1 to Dec 31, 2011	€2,019,476.78 703,825 shares	3,059,653,235.09 (40,476,153)	Exercise of stock options
Balance as of Dec 31, 2011	1,066,345,732 shares	3,059,653,235.09 (40,476,153)	End of financial 2011
Jan 1 to Dec 31, 2012	€3,538,262.75 1,233,150 shares	3,063,191,497.84 (40,522,960)	Exercise of stock options
Balance as of Dec 31, 2012	1,067,578,882 shares	3,063,191,497.84 (40,522,960)	End of financial 2012
Jan 1 to Dec 31, 2013	€6,295,117.91 2,193,965 shares	3,069,486,615.75 (40,606,238)	Exercise of stock options
Balance as of Dec 31, 2013	1,069,772,847 shares	3,069,486,615.75 (40,606,238)	End of financial 2013
Jan 1 to Dec 31, 2014	€185,356.01 64,600 shares	3,069,671,971.76 (40,608,691)	Exercise of stock options
Balance as of Dec 31, 2014	1,069,837,447 shares	3,069,671,971.76 (40,608,691)	End of financial 2014
Balance as of May 31, 2015	1,069,837,447 shares	3,069,671,971.76 (40,608,691)	Status as of May 31, 2015

In 2014, 64,600 new Daimler shares were issued in connection with the exercise of stock options. After this issuance of new shares under Conditional Capital II, the total number of issued shares of the Company amounted to 1,069,837,447 on December 31, 2014.

Share buyback program

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.

By resolution of the Annual Shareholders' Meeting on April 1, 2015, resolution dated April 2010 re. the purchase of treasury shares was cancelled and the Company was authorized again, until March 31, 2020, to acquire treasury shares for all legally permissible 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 using them for business combinations or to acquire companies, for disposal in other ways than through the stock exchange for consideration in cash, by offering them to all shareholders or for the purpose of cancellation. This authorization has not been exercised yet.

As was the case at December 31, 2013, no treasury shares are held by Daimler AG at December 31, 2014.

(d) Distribution of Share by Holders

Daimler continues to have a broad shareholder base of approximately 900,000 shareholders. The Kuwait Investment Authority (KIA) currently owns 6.8% of the company's stock, making it Daimler AG's largest single shareholder. In September 2014, Daimler AG and KIA held a ceremony to celebrate their 40-year partnership. The Renault-Nissan Alliance continues to hold 3.1% of Daimler's shares.

During the year 2014, we received several voting-rights notifications from companies within the BlackRock group. According to the most recent notifications, BlackRock, Inc. held 5.03% of our shares on December 23, 2014. The voting rights held by BlackRock Holdco 2, Inc. fell below the notification threshold of 5% on December 11, 2014 and amounted to 4.98% as of that date. The voting rights held by BlackRock Financial Management, Inc. fell below the notification threshold of 5% on December 10, 2014 and amounted to 4.96% as of that date. The voting rights held by BlackRock Advisors Holdings, Inc., BlackRock International Holdings, Inc. and BR Jersey International Holdings L.P. fell below the notification threshold of 3% on November 14, 2014 and amounted to 2.97% as of that date. The voting rights held by BlackRock Group Limited fell below the notification threshold of 3% on October 28, 2014 and amounted to 2.99% as of that date. According to the provisions of the German Securities Trading Act (WpHG) regarding the attribution of voting rights, several investors, especially investors which for a group may be obliged to file a voting rights notification with respect to the same voting rights.

Norges Bank, Oslo, and the Norwegian Ministry of Finance, in the name of and on behalf of the State of Norway, notified us on April 25, 2014 that the number of shares held by Norges Bank had exceeded the notification threshold of 3% stipulated by Section 21 of the WpHG on April 24, 2014 and amounted to 3.17% as per this date.

In January 2014, Deutsche Bank AG notified us that its holding of Daimler shares rose above the 3% threshold on January 27, 2014, and that it had once again dropped below this threshold on January 28, 2014, at 0.02%.

In April 2014, we also received notifications of voting rights from UBS AG, DekaBank Deutsche Girozentrale, and Commerzbank AG. According to those notification, the banks' directly or indirectly held voting rights in Daimler had risen above the 3% threshold in the run-up to our Annual Shareholders' Meeting before dropping significantly below this threshold again two weeks later.

The aforementioned voting rights notifications and the notifications relating to other financial instruments required by law are published on the Internet at www.daimler.com/investor-relations/daimler-shares/shareholder-structure.

Institutional investors hold a total of 74% of our equity capital while private investors own 16%. Approximately 60% of our capital is in the hands of European investors and around 27% is held by US investors.

Staff members entitled to purchase employee shares were able to once again do so in March 2014. As was the case in the prior year, the employees received a discount as well as bonus shares. At 15.4%, the participation rate was lower than in 2013 (19.2%). This was probably due in part to the significantly higher share price compared to the previous year. A total of 26,600 employees took part in the program. Those staff members purchased a total of 390,000 shares.

The tables below provide a breakdown of the shareholder structure by both the type of shareholder and the major regions as of December 31, 2014 and May 31, 2015. Since the tables are based on the notifications that Daimler received from the respective shareholders until December 31, 2014 and May 31, 2015, the figures may not reflect the exact shareholding on the respective day:

	December 31, 2014	**May 31, 2015**
By type of shareholder		
Kuwait Investment Authority	6.8%	6.8%
Renault-Nissan	3.1%	3.1%
Institutional investors	73.7%	74.8%
Private investors	16.4%	15.3%
By region		
Germany	33.7%	30.2%
Europe excl. Germany	26.6%	30.8%
USA	26.9%	26.5%
Kuwait	6.8%	6.8%
Asia	5.6%	5.1%
Rest of the world	0.4%	0.6%

(e) Major shareholders

Our capital stock consists of ordinary shares without par value *(Stückaktien)*. Our ordinary shares are issued in registered form. Under our Articles of Incorporation *(Satzung)*, each ordinary share represents one vote. Major shareholders do not have different voting rights.

German law requires notification of real shareholding only if (i) the voting rights reach a certain level or (ii) the voting rights exceed or fall below such certain level. “Certain level” means, the certain percentages of voting rights owned: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%. The chart below is based on the notifications that Daimler received from the respective shareholders until December 31, 2014. Therefore, the figures below may not reflect the exact shareholding on December 31, 2014. There may have been changes in the shareholding previously notified that did not touch the above thresholds and therefore did not need to be notified.

Under German law, for the purposes of the notifications mentioned above, treasury shares are taken into account for the total number of voting shares although such voting rights from treasury shares are suspended as long as the shares are held by the issuer.

In case of an investor with a multi-level structure, each company in the chain of companies controlled by the investor is subject to the obligation to notify reaching, exceeding or falling below the legal thresholds for significant shareholdings. If, for instance, an investor acquires 3% of voting rights indirectly via a second-tier subsidiary, the parent company, the subsidiary and the second-tier subsidiary must notify that they have reached the 3%-threshold, although the investor does not hold 9% but only 3%, effectively. This fact is indicated in the notification that must refer to the attribution of voting rights held by subsidiaries.

The table below shows the number of ordinary shares held by major shareholders who substantially hold at least 3% in total and their percentage of ownership as notified on or before December 31, 2014. As there may have been changes in the notified shareholding that did not touch the legal thresholds and therefore did not need to be notified, the exact shareholding may have changed until December 31, 2014:

Identity of the Person or Group	Address	Shares owned	Percent
Kuwait Investment Authority as agent for the Government of the State of Kuwait	Ministries Complex, AlMurqab, Kuwait City, Kuwait	73,169,320	6.8%
BlackRock, Inc.	55 East 52nd Street New York, NY 10055, USA	53,815,110	5.03%[1]
Renault S.A.	13-15, Quai Alphonse Le Gallo, 92100 Boulogne-Billancourt, France	16,448,378	1.54%
Nissan Motor Co. Ltd	1-1, Takashima 1-chome, Nishi-ku, Yokohama-shi, Kanagawa 220-8686, Japan	16,448,378	1.54%
Sum of Renault S.A. and Nissan Motor Co. Ltd		32,896,756	3.1%[2]
The State of Norway	Oslo, Norway	33,911,167	3.17%[3]

1) In this table, we describe only the shareholding of BlackRock, Inc., as notified in December 2014. In 2014, we have received several notifications from other BlackRock companies as mentioned above. The highest percentage of voting rights notified by these other BlackRock companies amounted to 4.98%. Please refer to "(d) Distribution of Share by Holders" in subsection "1. Description of Shares, etc." of "V. Description of the Company" for information regarding the shareholding of the other BlackRock companies. As we have no knowledge of the internal structure of the BlackRock group, we cannot confirm, which shareholding of which BlackRock company is attributed to which other BlackRock company.
2) Based on the formal notification referring to April 28, 2010.
3) Based on the formal notification referring to April 25, 2014.

In addition to the voting rights notifications described above under (d) Distribution of Share by Holders, Daimler received the following voting rights notifications based on exceeding, reaching or falling below the notification thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% for the holding of real shares (to be distinguished from instruments only granting the right or enabling to acquire shares) from January 1, 2015 to May 31, 2015:

Between January and May 2015, we received again several voting-rights notifications from companies within the BlackRock group. According to the most recent notifications, BlackRock, Inc. held 5.30% of our shares on May 29, 2015. The voting rights held by

BlackRock Holdco 2, Inc. and BlackRock Financial Management, Inc. amounted to 5.21% as of that date.

Norges Bank, Oslo, and the Norwegian Ministry of Finance, in the name of and on behalf of the State of Norway, notified us on March 27, 2015 that the number of shares held by Norges Bank had dropped below the notification threshold of 3% stipulated by Section 21 of the WpHG on March 26, 2015. On April 10, 2015, this threshold was once again exceeded and the bank held 3.05% of the voting rights in Daimler as per this date.

Additional notifications received between January 1, 2015 and May 31, 2015 are based on notification requirements for instruments granting a right to acquire shares or just enabling to acquire them. For further details regarding such notification requirements, please refer to I. Outline of the Legal and other Systems of the Company’s Country of Incorporation, 1. Outline of the Corporate System, etc., (2) The Corporate System as Provided for by Law and in the Articles of Incorporation of the Company, (j) Disclosure of Shareholdings.

(f) Related party transactions

For a description of our related party transactions, please refer to Note 36 to our Consolidated Financial Statements.

2. Dividend Policy

We want our shareholders to participate appropriately in our financial success. In setting the dividend, we aim to distribute approximately 40% of the net profit attributable to Daimler shareholders. The Board of Management and the Supervisory Board decided to recommend to the shareholders for their approval a dividend of €2.45 per share be paid out (prior year: €2.25). With this proposal, we let our shareholders participate in the Company’s success while expressing our confidence about the ongoing course of business. Please also refer to “(2) The Corporate System as Provided for by Law and in the Articles of Incorporation of the Company” in the subsection “1. Outline of the Corporate System, etc.” of the section “I. Outline of the Legal and other Systems of the Company's Country of Incorporation”, above, and the Company’s Articles of Incorporation.

On April 1, 2015, the Annual Meeting resolved to distribute €2,621 million (prior year: €2,407 million) of the distributable profit for the 2014 financial year, representing a dividend of €2.45 per each share entitled to dividend payment.

3. Trends in Stock Prices

Our ordinary shares trade on the floor of the Frankfurt Stock Exchange, the most significant of the German stock exchanges, and also on Xetra, which stands for Exchange Electronic Trading. Xetra is an integrated electronic exchange system which is an integral part of the Frankfurt Stock Exchange. In 2014, Xetra accounted for approximately 99% of the trading volume of our ordinary shares on the Frankfurt Stock Exchange.

(a) Yearly High and Low Share Prices for Each Business Period during the Most Recent Five (5) - Year Period

The table below shows, for the periods indicated, the Xetra high and low closing sales prices for our ordinary shares:

	Price per Share in € (Yen)	
Year	**High**	**Low**
2010	54.87 (7,258.7523)	30.35 (4,015.0015)
2011	58.46 (7,733.6734)	29.16 (3,857.5764)
2012	48.45 (6,409.4505)	33.40 (4,418.4860)
2013	63.15 (8,354.1135)	38.65 (5,113.0085)
2014	71.14 (9,411.1106)	56.01 (7,409.5629)

(b) Monthly High and Low Share Prices for Each of the Most Recent Six (6) Months in This Business Year

The following are the Xetra high and low closing sales prices for our ordinary shares during the periods shown:

	Price per Share in € (Yen)	
Month/Year	**High**	**Low**
July 2014	70.44 (9,318.5076)	61.88 (8,186.1052)
August 2014	63.49 (8,399.0921)	58.95 (7,798.4955)
September 2014	65.17 (8,621.3393)	60.54 (8,008.8366)
October 2014	62.03 (8,205.9487)	56.01 (7,409.5629)
November 2014	67.80 (8,969.2620)	61.00 (8,069.6900)
December 2014	70.06 (9,268.2374)	64.58 (8,543.2882)

4. Directors and Officers

Daimler AG is obliged by the German Stock Corporation Act (AktG) to apply a dual management system featuring strict separation between the Board of Management and the Supervisory Board (two-tier board). Accordingly, the Board of Management manages the company while the Supervisory Board monitors and advises the Board of Management. No person may be a member of the two boards at the same time.

Members of the Board of Management and the Supervisory Board and, pursuant to the provisions of Section 15a of the German Securities Trading Act (WpHG), persons in a close relationship with the aforementioned persons, are obliged to notify the Bundesanstalt für Finanzdienstleistungsaufsicht (the German financial services supervisory authority) and Daimler AG of any transactions involving shares of Daimler AG or related financial instruments, so-called directors' dealings. Daimler AG is obliged to disclose such transactions without delay after being notified of them. No transactions as defined by Section 15a of the German Securities Trading Act (WpHG) took place in 2014. Current information is published on our website at www.daimler.com/dai/dd/en.

(a) The Supervisory Board

As required by the German Stock Corporation Act *(AktG)*, the German Co-Determination Act *(MitbestG)* and our Articles of Incorporation, our Supervisory Board consists of 20 members. Ten members are elected by our shareholders at the Shareholders' Meeting and ten members are elected by our employees. Any member of our Supervisory Board elected by our shareholders may be removed by a majority of the votes cast at a Shareholders' Meeting. Any member of our Supervisory Board elected by our employees may be removed by three quarters of the votes cast by the electoral delegates representing the employees.

The Supervisory Board elects a chairman and a deputy chairman from among its members. Unless the board elects candidates for chairman and deputy chairman with at least a two-thirds majority of votes cast, the representatives of the shareholders have the right to elect the chairman and the representatives of the employees have the right to elect the deputy chairman.

At least half of the total number of members of the Supervisory Board, in our case at least ten, must be present or participate in decision-making to constitute a quorum. Unless otherwise provided for by law, the Supervisory Board passes resolutions by a simple majority of votes cast. In the event of a deadlock, passing a resolution requires another vote and, in the case of a second deadlock, the chairman of the Supervisory Board casts the deciding vote. Any member of the Supervisory Board is under a duty to disclose conflicts of interest.

Under German corporate law, the maximum term of office for members of a Supervisory Board is five years. If elected for the maximum term, a member's term expires at the end of the Shareholders' Meeting resolving on the ratification of his/her the actions for the fourth financial year after the year in which the Supervisory Board member was elected, the year of election not being counted. Supervisory board members may be re-elected and are not subject to a compulsory retirement age. Only German Corporate Governance Code recommends to specify an objective regarding an age limit. Following this recommendation, the rules of procedure for our Supervisory Board, provide that candidates under consideration for a full term of office as shareholders' representatives on our Supervisory Board should generally not exceed the age of 72 at the time of their election.

The following changes in the Supervisory Board occurred in 2014:

- At the close of the Annual Meeting of Shareholders on April 9, 2014, the period of office of Mr. Gerard Kleisterlee, Mr. Lloyd G. Trotter and Dr. h.c. Bernhard Walter ended as members of the Supervisory Board representing the shareholders.
- The Annual Meeting of Shareholders on April 9, 2014 elected Dr. Bernd Bohr, former member of the Management Board of Robert Bosch GmbH, Joe Kaeser, Chairman of the Board of Management of Siemens AG, and Dr. Bernd Pischetsrieder, Chairman of the Supervisory Board of the Münchener Rückversicherungs-Gesellschaft, Aktiengesellschaft in Munich, as members of the Supervisory Board representing the shareholders effective as of the end of that Annual Meeting for the period until the end of the Annual Shareholders' Meeting that passes a resolution on the ratification of the actions of the Boards for the year 2018, i. e. until 2019.
- With effect as of May 1, 2014, Ergun Lümali succeeded Erich Klemm, who retired on April 30, 2014, as a member of the Daimler Supervisory Board representing the employees. Mr. Lümali was elected as the substitute member for Mr. Klemm in the Supervisory Board election in March 2013. Mr. Lümali was born in Eskisehir, Turkey, on August 1, 1962. He is Deputy Chairman of the General Works Council, Daimler Group and Daimler AG, and Chairman of the Works Council Sindelfingen Plant, Daimler AG.

- Jürgen Langer stepped down from the Supervisory Board as of December 31, 2014. With effect as of January 1, 2015, Michael Bettag was appointed by the court to the Supervisory Board as his successor representing the employees.

In addition, the following changes occurred since year-end 2014:

- At the close of the Annual Meeting on April 1, 2015, the period of office of Dr. Paul Achleitner as member of the Supervisory Board ended. The Annual Meeting of Shareholders on April 1, 2015 reelected Dr. Paul Achleitner, Munich, chairman of the Supervisory Board of Deutsche Bank AG, as member of the Supervisory Board representing the shareholders effective as of the end of that Annual Meeting for the period until the end of the Annual Meeting that passes a resolution on the ratification of the actions of the Boards for the year 2019, i. e. until 2020.

As of December 31, 2014, the members of the Supervisory Board held a total of 0.02 million shares or options on shares of Daimler AG (0.002% of the shares issued).

The following table shows the members of our Supervisory Board as of May 31, 2015. Employee representatives are identified by a footnote.

Name (Birthday mm/dd/yyyy)	**Position/ Responsibility at the Company**	**Brief Resume/ First appointed/ Elected until**
Dr. Manfred BISCHOFF (04/22/1942)	Chairman of the Supervisory Board	Former member of the Board of Management of the company First appointed: 04/12/2006 Elected until: 2016
Michael BRECHT [1] (07/02/1965)	Deputy Chairman of the Supervisory Board	Chairman of the General Works Council, Daimler Group and Daimler AG; Chairman of the Works Council, Gaggenau Plant, Daimler AG First appointed: 07/01/2012 Elected until: 2018
Dr. Paul ACHLEITNER (09/28/1956)	—	Chairman of the Supervisory Board of Deutsche Bank AG First appointed: 04/14/2010 Elected until: 2020
Sari BALDAUF (08/10/1955)	—	Former Executive Vice President and General Manager of the Networks Business Group of Nokia Corporation First appointed: 02/11/2008 Elected until: 2018
Michael BETTAG [1] (12/21/1961)	—	Chairman of the Works Council of the Nuremberg Dealership, Daimler AG First appointed: 01/01/2015 Appointed until: 2018
Dr. Clemens BÖRSIG (07/27/1948)	—	Chairman of the Board of Directors of Deutsche Bank Foundation First appointed: 04/04/2007 Elected until: 2017

Dr.-Ing. Bernd BOHR (09/07/1956)	—	Former Member of the Management Board of Robert Bosch GmbH First appointed: 04/09/2014 Elected until: 2019
Dr. Jürgen HAMBRECHT (08/20/1946)	—	Chairman of the Supervisory Board of BASF SE First appointed: 02/08/2008 Elected until: 2018
Petraea HEYNIKE (01/06/1947)	—	Former Executive Vice President of Nestlé SA First appointed: 04/13/2011 Elected until: 2016
Jörg HOFMANN[1] (12/03/1955)	—	Vice Chairman of the German Metalworkers' Union (IG Metall) First appointed: 04/09/2008 Elected until: 2018
Andrea JUNG (09/18/1958)	—	President and Chief Executive Officer of Grameen America, Inc. First appointed: 04/10/2013 Elected until: 2018
Joe KAESER (06/23/1957)	—	Chairman of the Board of Management of Siemens AG First appointed: 04/09/2014 Elected until: 2019
Ergun LÜMALI[1] (08/01/1962)	—	Deputy Chairman of the General Works Council, Daimler Group and Daimler AG; Chairman of the Works Council, Sindelfingen Plant, Daimler AG First appointed: 05/01/2014 Elected until: 2018
Dr. Sabine MAASSEN[1] (05/07/1966)	—	General Counsel of the German Metalworkers' Union (IG Metall) First appointed: 04/10/2013 Elected until: 2018
Wolfgang NIEKE[1] (12/12/1956)	—	Chairman of the Works Council, Untertürkheim Plant, Daimler AG First appointed: 04/10/2013 Elected until: 2018
Dr. Ing. e.h. Dipl.-Ing. Bernd PISCHETSRIEDER (02/15/1948)	—	Chairman of the Supervisory Board of the Münchener Rückversicherungs-Gesellschaft, Aktiengesellschaft in Munich First appointed: 04/09/2014 Elected until: 2019

Valter SANCHES [1] (02/02/1964)	—	Director of Communications of the Metalworkers' Union ABC; President of the Fundação Sociedade Comunicação, Cultura e Trabalho (Foundation Society of Communications, Culture and Work) First appointed: 11/21/2007 Elected until: 2018
Jörg SPIES [1] (07/29/1961)	—	Chairman of the Works Council, Headquarters, Daimler AG First appointed: 01/05/2010 Elected until: 2018
Elke TÖNJES-WERNER [1] (06/02/1963)	—	Deputy Chairwoman of the Works Council, Bremen Plant, Daimler AG First appointed: 04/10/2013 Elected until: 2018
Dr. Frank WEBER [1] (05/24/1961)	—	Director of the Press Shop, Sindelfingen Plant, Daimler AG; Chairman of the Management Representatives Committee First appointed: 04/10/2013 Elected until: 2018

1) Employee representatives

The Supervisory Board held nine meetings in 2014. It has established and maintains the following committees responsible for compensation, audit and nomination matters:

- The Presidential Committee *(Präsidialausschuss)* makes recommendations to the Supervisory Board on the appointment of members of the Board of Management and is responsible for their contractual affairs. It submits proposals to the Supervisory Board on the design of the remuneration system for the Board of Management and on the appropriate total individual remuneration of its members. In this context, it follows the relevant recommendations of the German Corporate Governance Code. The Presidential Committee also decides on the granting of approval for sideline activities of the members of the Board of Management, reports to the Supervisory Board regularly and without delay on consents it has issued and once a year submits to the Supervisory Board for its approval a complete list of the sideline activities of each member of the Board of Management. In addition, the Presidential Committee decides on questions of corporate governance, on which it also makes recommendations to the Supervisory Board. It supports and advises the Chairman of the Supervisory Board and his Deputy, and prepares the meetings of the Supervisory Board. The Presidential Committee convened five times in 2014. The current members of the Presidential Committee are Dr. Manfred Bischoff (Chairman), Dr. Jürgen Hambrecht, Michael Brecht and Jörg Hofmann.
- The Audit Committee *(Prüfungsausschuss)* deals with the supervision of the accounting process and the annual external audit, the risk and compliance management system, and the internal control and auditing system. At least once a year, it discusses with the Board of Management the effectiveness and functionality of the risk management system, the internal control and auditing system and the compliance management system. It regularly receives reports on the work of the Internal Auditing department and the Compliance Organization. At least four times a year, the Audit Committee receives a report from the Business Practices Office on complaints and information about any breaches of guidelines or criminal offenses on the part of high-level executives. It regularly receives

information about the handling of these complaints and notifications. The Audit Committee discusses with the Board of Management the interim reports on the first quarter, first half and first nine months of the year before they are published. On the basis of the report of the external auditors, the Audit Committee reviews the annual company financial statements and the annual consolidated financial statements, as well as the management report of the Company and the Group, and discusses them with the external auditors. The responsible auditor at KPMG AG Wirtschaftsprüfungsgesellschaft, the company of auditors commissioned to carry out the external audit, is Dr. Axel Thümler. The Audit Committee makes a proposal to the Supervisory Board on the adoption of the annual company financial statements of Daimler AG, on the approval of the annual consolidated financial statements and on the appropriation of profits. The Committee also makes recommendations for the proposal on the election of external auditors, assesses those auditors' suitability and independence, and, after the external auditors are elected by the Annual Meeting, it engages them to conduct the annual audit of the company and consolidated financial statements and to review the interim reports, negotiates an audit fee, and determines the focus of the annual audit. The external auditors report to the Audit Committee on all accounting matters that might be regarded as critical and on any material weaknesses of the internal control and risk management system with regard to accounting that might be discovered during the audit. Finally, the Audit Committee approves services that are not directly related to the annual audit provided by the firm of external auditors or its affiliates to Daimler AG or to companies of the Daimler Group. The Audit Committee met six times in 2014. The current members of the Audit Committee are Dr. Clemens Börsig (Chairman), Joe Kaeser, Michael Brecht and Dr. Sabine Maassen.

- The Nomination Committee *(Nominierungsausschuss)* is the only Supervisory Board Committee comprised solely of members representing the shareholders and makes recommendations to the Supervisory Board concerning persons to be proposed for election as members of the Supervisory Board representing the shareholders at the Annual Shareholders' Meeting. In doing so, the Nomination Committee takes into consideration the requirements of the German Corporate Governance Code and the rules of procedure of the Supervisory Board, as well as the specific goals that the Supervisory Board has set for its own composition. Furthermore, it defines the requirements for each specific position to be occupied. The Nomination Committee convened once in 2014. The current members of the Nomination Committee are Dr. Manfred Bischoff (Chairman), Dr. Paul Achleitner and Sari Baldauf.

- As required by the German Co-Determination Act, the Supervisory Board has also established a Mediation Committee *(Vermittlungsausschuss)*. The Mediation Committee has the task of making proposals on the appointment of members of the Board of Management if in the first vote the majority required for the appointment of a Board of Management member of two thirds of the members of the Supervisory Board is not achieved. The committee was not required to take action in 2014. The current members of the Mediation Committee are Dr. Manfred Bischoff (Chairman), Dr. Jürgen Hambrecht, Michael Brecht and Jörg Hofmann.

For further information on the Supervisory Board and its committees please refer to "(1) I (b) Daimler's corporate bodies" in subsection "5. Description of Corporate Governance, etc." of this section.

The business address of the members of our Supervisory Board is the same as our business address, which is Mercedesstrasse 137, 70327 Stuttgart, Germany.

(b) The Board of Management

In accordance with Article 5 of the Articles of Incorporation, the Board of Management has at least two members. The number of members is decided by the Supervisory Board. Pursuant to Section 84 Subsection 2 of the German Stock Corporation Act (AktG), the Supervisory Board can appoint a member of the Board of Management as its Chairperson. The Board of Management of Daimler AG had seven members at December 31, 2014 and was expanded to eight members as of January 1, 2015.

The members of the Board of Management are appointed by the Supervisory Board for a maximum period of office of five years. However, the Supervisory Board of Daimler AG has decided to limit the initial appointment of members of the Board of Management usually to three years. Reappointment or the extension of a period of office is permissible, in each case for a maximum of five years.

The Board of Management manages Daimler AG and the Daimler Group. With the consent of the Supervisory Board, the Board of Management determines the Group's strategic focus, defines the corporate goals and makes decisions concerning operational planning issues. The members of the Board of Management must represent the interests of the Company and share responsibility for managing the Group's entire business. Irrespective of this overall responsibility, the individual members of the Board of Management manage their allocated areas on their own responsibility and within the framework of their instructions. Affairs of fundamental or great importance that affect the areas of responsibility of several Board of Management members are handled by the Board as a whole, which must approve all associated decisions. The Chairman of the Board of Management coordinates the work of the Board of Management.

As of December 31, 2014, the members of the Board of Management held a total of 0.26 million shares or options on shares of Daimler AG (0.025% of the shares issued).

The following personnel changes in the Board of Management occurred in 2014 and in the first months of 2015:

In the Supervisory Board meeting held on January 28, 2014, the appointment of Andreas Renschler as a member of the Board of Management was terminated by mutual agreement. Andreas Renschler was released of his duties as of that date. Also in that meeting, the Supervisory Board decided that responsibility for the area of Manufacturing and Procurement Mercedes-Benz Cars in the Board of Management of Daimler AG would be transferred until further notice to its Chairman, Dr. Dieter Zetsche, in his position as Head of the Mercedes-Benz Cars division. Responsibility for the Mercedes-Benz Vans division was allocated to Wilfried Porth.

In the Supervisory Board meeting on February 18, 2014, Bodo Uebber's appointment as the member of the Board of Management of Daimler AG with responsibility for Finance & Controlling and Daimler Financial Services was extended for a further five years as of January 1, 2015.

In its meeting on December 11, 2014, the Supervisory Board decided to expand the Board of Management and to appoint Ola Källenius as a new member with responsibility for "Mercedes-Benz Cars Marketing & Sales" for a period of three years with effect as of January 1, 2015, and to adjust the schedule of responsibilities accordingly.

In the Supervisory Board meeting on February 13, 2015, Hubertus Troska was reappointed as a member of the Board of Management of Daimler AG with responsibility for "Greater China" for a further five years with effect as of January 1, 2016.

The table below shows each member of our Board of Management as of May 31, 2015:

Name (Birthday mm/dd/yyyy)	**Position/ Responsibility**	**Brief Resume/ First appointed to current position/ Term expires**
Dr.-Ing. Dieter ZETSCHE (05/05/1953)	Chairman of the Board of Management, Head of Mercedes-Benz Cars	Joined Daimler-Benz in 1976 First appointed: 01/01/2006 Term expires: 2016
Dr. rer. pol. Wolfgang BERNHARD (09/03/1960)	Daimler Trucks and Buses	Joined Daimler in 2009 First appointed: 02/18/2010 Term expires: 2018
Dr. Christine HOHMANN-DENNHARDT (04/30/1950)	Integrity and Legal Affairs	Joined Daimler in 2011 First appointed: 02/16/2011 Term expires: 2017
Ola KÄLLENIUS (06/11/1969)	Mercedes-Benz Cars Marketing & Sales	Joined Daimler-Benz in 1993 First appointed: 01/01/2015 Term expires: 2017
Wilfried PORTH (02/02/1959)	Human Resources and Labor Relations Director & Mercedes-Benz Vans	Joined Daimler-Benz in 1985 First appointed: 04/08/2009 Term expires: 2017
Hubertus TROSKA (03/25/1960)	Greater China	Joined Daimler-Benz in 1988 First appointed: 12/13/2012 Term expires: 2020
Bodo UEBBER (08/18/1959)	Finance & Controlling, Daimler Financial Services	Joined Daimler-Benz in 1985 First appointed: 12/16/2004 Term expires: 2019
Prof. Dr. Thomas WEBER (05/26/1954)	Group Research & Mercedes-Benz Cars Development	Joined Daimler-Benz in 1987 First appointed: 05/01/2004 Term expires: 2016

For further information, especially regarding remuneration, retirement provisions and benefits upon termination of service, please read the compensation report hereunder.

(c) Compensation of the Supervisory Board and Board of Management

Supervisory Board

The remuneration of the Supervisory Board is determined by the Shareholders' Meeting of Daimler AG and is governed by the Company's Articles of Incorporation. The regulations for Supervisory Board remuneration approved by the Annual Shareholders' Meeting in April 2014 and effective for the financial year beginning on January 1, 2014 specify that the members of the Supervisory Board receive, in addition to the refund of their expenses and the cost of any value-added tax incurred by them in performance of their office, fixed remuneration of €120,000. The Chairman of the Supervisory Board receives an additional €240,000 and the Deputy Chairman of the Supervisory Board receives an additional €120,000. The members of the Audit Committee are paid an additional €60,000, the members of the Presidential Committee are paid an additional €48,000 and the members of the other committees of the Supervisory Board are paid an additional €24,000; an exception is the Chairman of the Audit Committee, who is paid an additional €120,000. Payments are made for activities in a maximum of three committees; any persons who are members of more than three such committees receive payments for the three most highly paid functions. Members of a Supervisory Board committee are only entitled to remuneration for such membership if the committee has actually convened to fulfill its duties in the respective year.

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

If any members of the Supervisory Board step down from the Supervisory Board during a financial year, they shall receive remuneration proportionate to the time of office. If a member of the Supervisory Board steps down from a function for which there is additional remuneration, the previous sentence applies in respect of the remuneration for the relevant function. A proportionate remuneration for functions on committees shall only be paid if the relevant committee has held at least one meeting in discharge of its duties during the respective part of the financial year.

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

The remuneration of all the activities of the members of the Supervisory Board of Daimler AG in the year 2014 was thus €3.6 million (2013: €3.0 million).

No advances or loans were made to members of the Supervisory Board of Daimler AG in 2014.

The following table sets forth the individual remuneration of the members of the Supervisory Board for services to Daimler in all capacities (other than compensation paid to employee representatives on the Supervisory Board in their capacity as Daimler employees) for the year ended December 31, 2014:

Name	Function(s) remunerated	Total in 2014 (in €)
Dr. Manfred Bischoff	Chairman of the Supervisory Board, the Presidential Committee and the Nomination Committee	448,500
Erich Klemm [1]	Deputy Chairman of the Supervisory Board, the Presidential Committee and the Audit Committee (each until April 30, 2014)	126,511
Michael Brecht [1]	Member of the Supervisory Board and the Audit Committee, Deputy Chairman of the Supervisory Board, the Presidential Committee and the Audit Committee (each since May 1, 2014)	312,567
Dr. Paul Achleitner	Member of the Supervisory Board and the Nomination Committee	152,800

Sari Baldauf	Member of the Supervisory Board and the Nomination Committee	155,000
Dr. Clemens Börsig	Member of the Supervisory Board and the Audit Committee (Chairman of the Audit Committee since April 9, 2014)	238,190
Dr. Bernd Bohr	Member of the Supervisory Board (since April 9, 2014)	93,281
Dr. Jürgen Hambrecht	Member of the Supervisory Board and the Presidential Committee	183,400
Petraea Heynike	Member of the Supervisory Board	128,800
Jörg Hofmann [1]	Member of the Supervisory Board and the Presidential Committee	183,400
Andrea Jung	Member of the Supervisory Board	128,800
Joe Kaeser	Member of the Supervisory Board and the Audit Committee (since April 9, 2014)	139,371
Gerard Kleisterlee	Member of the Supervisory Board Committee (until April 9, 2014)	35,848
Jürgen Langer [1]	Member of the Supervisory Board	129,900
Ergun Lümali [1]	Member of the Supervisory Board (since May 1, 2014)	83,848
Dr. Sabine Maaßen [1]	Member of the Supervisory Board and the Audit Committee (since May 1, 2014)	173,474
Wolfgang Nieke [1]	Member of the Supervisory Board	129,900
Dr. Bernd Pischetsrieder	Member of the Supervisory Board (since April 9, 2014)	92,181
Valter Sanches [2]	Member of the Supervisory Board	129,900
Jörg Spies [1]	Member of the Supervisory Board	129,900
Elke Tönjes-Werner [1]	Member of the Supervisory Board	129,900
Lloyd G. Trotter	Member of the Supervisory Board (until April 9, 2014)	35,848
Dr. h.c. Bernhard Walter	Member of the Supervisory Board and Chairman of the Audit Committee (each until April 9, 2014)	71,696
Dr. Frank Weber	Member of the Supervisory Board	129,900

1) The employee representatives have stated that their board remuneration is to be transferred to the Hans-Böckler Foundation, in accordance with the guidelines of the German Trade Union Federation. The Hans-Böckler Foundation is a German not-for-profit organization of the German Trade Union Federation.
2) Mr. Sanches has directed that his board remuneration is to be paid to the Hans-Böckler Foundation.

Board of Management

The remuneration system for the Board of Management aims to remunerate its members commensurately with their areas of activity and responsibility and in compliance with applicable law. The adequate combination of non-performance-related and performance-related components of remuneration is designed to create an incentive to secure the Group's long-term success. The fixed component of remuneration is paid as a base salary; the variable components intended to reflect, clearly and directly, the joint and individual performance of the members of the Board of Management as well as the long-term performance of the Group. The interests of all stakeholders, in particular those of the shareholders as the owners of the Company and those of the employees, are harmonized through the focus on the Group's long-term success.

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

For the long-term variable component of remuneration, the so-called Performance Phantom Share Plan (PPSP) the Supervisory Board sets an amount to be granted for the upcoming financial year in the form of an absolute amount in euros and sets the related performance targets.

The fixed base salary and the annual bonus continue to comprise approximately 29% of the target remuneration, while the variable component of remuneration with a long-term incentive effect (PPSP) makes up approximately 42% of the target remuneration. The base salary was increased by an average of 5%, for the first time since 2011. Changes were also made to the range of possible target achievement for the annual bonus and to the reference parameters of the PPSP. The reference parameters of the annual bonus and the range of possible target achievement for the PPSP remained unchanged.

As before, only 50% of the annual bonus is paid out in the March of the following year. The other 50% is paid out a year later with the application of a bonus-malus rule (so-called deferral), depending on the development of the Daimler share price compared with an automotive index (Dow Jones STOXX Auto Index), which Daimler AG uses as a benchmark for the relative share-price development. Both the delayed payout of the portion of the annual bonus (with the use of the bonus-malus rule) and the variable component of remuneration from the PPSP with its link to additional, ambitious comparative parameters and to the share price reflect the recommendations of the German Corporate Governance Code and give due consideration to both positive and negative developments.

The maximum amounts of remuneration of the members of the Board of Management are limited, both overall and with regard to the variable components, in accordance with the recommendation included in the German Corporate Governance Code in 2013. Effective January 1, 2014, the members of the Board of Management agreed to the inclusion of such limits in their current contracts of service.

The maximum amounts of remuneration of the members of the Board of Management were set as of financial year 2014 at 1.9 times the target remuneration for its members and 1.5 times the target remuneration for its Chairman. The target remuneration consists of the base salary, the target annual bonus and the grant value of the PPSP, excluding fringe benefits and retirement benefit commitments. With the inclusion of fringe benefits and retirement benefit commitments from the respective financial years, the maximum limit of total remuneration increases by these amounts. The possible cap on the amount exceeding the maximum limit takes place with the payment of the PPSP issued in the relevant financial year, i.e. for the year 2014, with payment of the PPSP in 2018.

The individual components of the remuneration system are as follows:

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

The **annual bonus** is variable remuneration, the level of which is primarily linked to the operating profit of the Daimler Group (EBIT). For the past financial year, the annual bonus was also linked to the target for the respective financial year determined by the Supervisory Board (derived from the level of return targeted for the medium term and the growth targets), the actual result compared with the prior year, the individual performance of the Board of Management members and the achievement of compliance targets. In addition, qualitative targets are defined and included.

Primary reference parameters are: 50% relates to a comparison of actual EBIT in 2014 with EBIT targeted for 2014, 50% relates to a comparison of actual EBIT in 2014 with actual EBIT in 2013.

With 100% target achievement, the annual bonus would have been 100% of the base salary in the year 2014.

Range of possible target achievement: 0 to 200%, that is, the annual bonus due to EBIT achievement has an upper limit of double the base salary and may also be zero. Both primary reference parameters, each of which relates to half of the annual bonus, can vary between 0% and 200%. For the primary reference parameter relating to half of the annual bonus "comparison of actual EBIT in the financial year with EBIT targeted for the financial year," the limits of the unchanged possible range of 0% to 200% are defined as of 2014 by a deviation of +/- three percent of the prior-year revenue (previously two percent). For the other primary reference parameter, which also relates to half of the annual bonus, "comparison of actual EBIT in the financial year with actual EBIT in the prior year," the limits of the unchanged possible range of 0% to 200% continue to be defined by a deviation of +/- two percent of the prior-year revenue.

The Supervisory Board has the possibility, with the degree of target achievement calculated from the primary reference parameters, to take account of the personal performance of the individual Board of Management members with an addition or deduction of up to 25% on the basis of the agreed individual targets. In addition, an amount of up to 10 percent can be added or deducted, depending on the key figures/assessment basis determined in advance. Since 2012, non-financial targets have been used as a basis for assessment. For the past financial year, those targets were employee satisfaction, diversity, customer satisfaction/product quality, and the further development and permanent establishment of the corporate value of integrity.

In 2014, further individual targets were agreed upon with the Board of Management with regard to the development and sustained function of the compliance management system. The complete or partial non-achievement of individual compliance targets can be reflected by a deduction of up to 25% from the individual target achievement. However, the compliance targets cannot result in any increase in individual target achievement, even in the case of full accomplishment.

The total amount to be paid out from the annual bonus is limited to 2.35 times the base salary of the respective financial year. In the agreements on the inclusion maximum amounts of remuneration in their current contracts of service effective as of January 1, 2014, the members of the Board of Management also agreed to the application of this percentage limit to the annual bonus payments for the years 2012 and 2013, which at that time had not yet been paid out.

The **PPSP** is a variable element of remuneration with long-term incentive effects. At the beginning of the plan, the Supervisory Board specifies an absolute amount in euros in the context of setting the individual annual target remuneration. This amount is divided by the relevant average price of Daimler shares calculated over a long period of time, which results in the preliminary number of phantom shares allocated. Also at the beginning of the plan, performance targets are set for a period of three years (performance period). Depending on the achievement of these performance targets with a possible range of 0% to 200%, after three years, the phantom shares allocated at the beginning of the plan are converted into the final number of phantom shares allocated. After another plan year has elapsed, the amount to be paid out is calculated from this final number of phantom shares and the applicable share price at that time. The share price relevant for the payout under this plan is also relevant for allocating the preliminary number of phantom shares for the plan newly issued in the respective year.

As a supplement to these three components of remuneration, “Stock Ownership Guidelines” exist for the Board of Management. These guidelines require the members of the Board of Management to invest a portion of their private assets in Daimler shares over several years and to hold those shares until the end of their Board of Management membership. The number of shares to be held was set in 2005 when the PPSP was introduced in relation to double the then annual base salary for each ordinary member of the Board of Management and triple the then annual base salary for the Chairman of the Board of Management. In fulfillment of the guidelines, up to 25% of the gross remuneration out of each PPSP is generally to be used to acquire ordinary shares in the Company, but the required shares can also be acquired in other ways.

The total remuneration granted by Group companies (excluding retirement benefit commitments) to the members of the Board of Management of Daimler AG is calculated as the total of the amounts of the base salary in 2014, the half of the annual bonus for 2014 payable in 2015 and measured as of the end of the reporting period, the half of the medium-term share-based component of the annual bonus for 2014 payable in 2016 with its value at the end of the reporting period (entitlement depending on the development of Daimler’s share price compared with the Dow Jones STOXX Auto Index), the value of the long-term share-based remuneration at the time when granted in 2014, and the taxable non-cash benefits in 2014.

For both of the share-based components – the second 50% of the annual bonus and the PPSP with a long-term orientation – the amounts actually paid out can deviate significantly from the values described depending on the development of the Daimler share price and on the achievement of the relevant target parameters. Upward deviation is possible only as far as the maximum limits described above. Both components can also be zero.

The remuneration of the Board of Management for the year 2014 amounts to €29.9 million (2013: €32.1 million). Of that total, €8.2 million was fixed, that is, non-performance-related remuneration (2013: €9.1 million), €11.6 million (2013: €12.1 million) was short- and medium-term variable performance-related remuneration (annual bonus with deferral), and €10.1 million was variable performance-related remuneration granted in 2014 with a long-term incentive effect (2013: €10.9 million).

The following table shows the base salaries and variable remuneration of the active members of the Board of Management for the year 2014:

		Short- and medium-term variable remuneration (annual bonus)		**Long-term variable remuneration (PPSP)**		
€ in thousands, except for Number of PPSPs	**Base salary**	**short-term**	**medium-term**	**Number**	**Value when granted (at a share price of €66.83)**	**Total**
Dr. Dieter Zetsche	2,008	1,727	1,727	43,424	2,902	**8,364**
Dr. Wolfgang Bernhard	779	670	670	18,380	1,228	**3,347**
Dr. Christine Hohmann-Dennhardt	758	633	633	17,370	1,161	**3,185**
Wilfried Porth	758	652	652	18,159	1,151 [1]	**3,213**
Andreas Renschler [2]	62	47	47	—	—	**156**
Hubertus Troska	758	652	652	17,370	1,161	**3,223**
Bodo Uebber	901	775	775	20,765	1,298 [3]	**3,749**
Prof. Dr. Thomas Weber	758	652	652	18,444	1,233	**3,295**
Total	**6,782**	**5,808**	**5,808**	**153,912**	**10,134**	**28,532**

1) Taking into account supervisory board remuneration of €62,707.
2) Board of Management remuneration granted until January 28, 2014.
3) Taking into account supervisory board remuneration of €89,391.

The granting of non-cash benefits in kind, primarily the reimbursement of expenses for security precautions and the provision of company cars, resulted in taxable benefits for the members of the Board of Management in 2014 as shown in the following table:

€ in thousands	**Non-cash benefits and other fringe benefits**
Dr. Dieter Zetsche	163
Dr. Wolfgang Bernhard	163
Dr. Christine Hohmann-Dennhardt	94
Wilfried Porth	93
Andreas Renschler [1]	8
Hubertus Troska [2]	431
Bodo Uebber	332
Prof. Dr. Thomas Weber	121
Total	**1,405**

1) Board of Management remuneration granted until January 28, 2014.
2) For the fulfillment of disclosure obligations pursuant to Section 285 No. 9a of the German Commercial Code (HGB), this amount is reduced by €139,000 for the year 2014. The corresponding fringe benefits were granted and borne by a subsidiary and are thus not included in the amounts to be disclosed in the annual financial statements of the parent company, Daimler AG.

The pension agreements of some Board of Management members include a commitment to an annual retirement pension, calculated as a proportion of the former base salary and depending on the number of years of service. Those pension rights were granted until 2005 and remain valid; the same procedure was applied for the relevant hierarchy level for Wilfried Porth for the period before his membership of the Board of Management. The pension rights have been frozen at that level, however. Payments of these retirement pensions start upon request when the term of service ends at or after the age of 60, or are paid as disability pensions if the term of service ends before the age of 60 due to disability. The respective agreements provide for 3.5% annual increases starting when benefits are received (with the exception that Wilfried Porth's benefits are adjusted in accordance with applicable law). The agreements include a provision by which a spouse of a deceased Board of Management member is entitled to 60% of that member's pension. That amount can increase by up to 30 percentage points depending on the number of dependent children.

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

In 2012, Daimler introduced a new company retirement benefit plan for new entrants and new appointments for employees paid according to collective bargaining wage tariffs as well as for executives: the "Daimler Pensions Plan." As before, the new retirement benefit system features the payment of annual contributions by Daimler, but is oriented towards the capital market. Daimler makes a commitment to guarantee the total of contributions paid, which are invested in the capital market according to a precautionary investment concept. The Supervisory Board of Daimler AG has approved the application of this system for all members of the Board of Management newly appointed since 2012. The amount of the annual contributions results from a fixed percentage of the base salary and the total annual bonus for the respective financial year calculated as of the balance sheet date. This percentage is 15%. This calculation takes into consideration the targeted level of retirement provision for each Board of Management member – also according to the period of membership – and the resulting annual and long-term expense for the Company. The contributions to retirement provision are granted until the age of 62.

The benefit from the pension plan is payable to surviving Board of Management members at the earliest at the age of 62, irrespective of their age upon retirement. If a member of the Board of Management retires due to disability, the benefit is paid as a disability pension, irrespective of their age upon retirement.

Service costs for pension obligations according to IFRS amounted to €2.8 million in 2014 (2013: €2.5 million). The present value of the total defined benefit obligation according to IFRS amounted to €80.5 million at December 31, 2014 (December 31, 2013: €70.1 million). Taking age and period of service into account, the individual entitlements, service costs and present values are shown in the following table:

€ in thousands	Annual pension (as regulated until 2005) as of age 60	Service cost (for pension, pension capital and Daimler Pensions Plan)	Present value [1] of obligations (for pension, pension capital and Daimler Pensions Plan)
Dr. Dieter Zetsche	1,050	827	39,238
Dr. Wolfgang Bernhard	—	380	2,565
Wilfried Porth	156	220	8,788
Andreas Renschler [2]	225	30	—
Hubertus Troska	—	314	3,321
Bodo Uebber	275	676	14,148
Prof. Dr. Thomas Weber	300	333	12,454
Total	**2,006**	**2,780**	**80,514**

1) The sharp increase in the present values is primarily due to the decrease in the relevant discount rate.
2) Mr. Renschler pro rata until January 28, 2014.
Dr. Hohmann-Dennhardt has no entitlement to a company retirement benefit.

In the case of early termination of a service contract without an important reason, Board of Management service contracts include commitments to payment of the base salary and provision of a company car until the end of the original service period at a maximum. Such persons are only entitled to payment of the annual bonus pro rata for the period until the end of the contract of service or of the Board of Management membership takes effect. Entitlement to payment of the performance-related component of remuneration with a long-term incentive effect that has already been allocated is defined by the conditions of the respective plans. To the extent that the payments described above are subject to the provisions of the so-called severance cap of the German Corporate Governance Code, their total including fringe benefits is limited to double the annual remuneration and may not exceed the total remuneration for the remaining period of the service contract.

The members of the Board of Management should accept management board or supervisory board positions and/or any other administrative or honorary functions outside the Group only to a limited extent. Furthermore, they require the consent of the Supervisory Board before commencing any sideline activities. This ensures that neither the time required nor the remuneration paid for such activities leads to any conflict with the members’ duties to the Group. Insofar as such sideline activities are memberships of other statutory supervisory boards or comparable boards of business enterprises, they are disclosed in the notes to the annual company financial statements of Daimler AG and on our website. In general, Board of Management members have no right to separate remuneration for board positions held at other companies of the Group.

In 2014, no advances or loans were made to members of the Board of Management of Daimler AG.

Payments made in 2014 to former members of the Board of Management of Daimler AG and their survivors amounted to €16.8 million (2013: €14.6 million). Pension provisions for former members of the Board of Management and their survivors amounted to €263.0 million at December 31, 2014 (2013: €217.0 million).

For further information regarding compensation of our Supervisory Board and our Board of Management, please refer to Note 37 to our Consolidated Financial Statements. For further information regarding share-based payment, please refer to Notes 1 and 21 to our Consolidated Financial Statements.

5. Description of Corporate Governance, etc.

(1) Description of Corporate Governance

I Corporate Governance at Daimler

At Daimler, good corporate governance goes beyond the mere fulfillment of statutory provisions. The Board of Management and the Supervisory Board aim to align the Group's management and supervision with nationally and internationally recognized standards in order to secure sustainable value creation at the Daimler Group with its strong traditions.

(a) General Conditions

The legal framework for the corporate governance of Daimler AG is provided by German law, in particular the Stock Corporation Act (AktG), the Co-Determination Act (MitbestG) and legislation concerning capital markets, as well as by the Company's Articles of Incorporation.

The German Corporate Governance Code gives recommendations and makes suggestions for the details of this framework. These were neither altered nor supplemented during the year under review. The Government Commission for the German Corporate Governance Code merely refined in the Code appendix the description of the recommended sample charts for depicting board of management remuneration and then published this revised description in the German Federal Gazette on September 30, 2014.

There is no statutory duty to follow the standards contained in the recommendations and suggestions of the Code. However, according to the principle of comply or explain, the Board of Management and the Supervisory Board of Daimler AG are obliged by Section 161 of the German Stock Corporation Act (AktG) to make a declaration of compliance with regard to the recommendations of the German Corporate Governance Code and to disclose and justify any deviations from the Code's recommendations. With the exceptions disclosed and justified in the declaration of compliance of December 2014, Daimler AG has followed and continues to follow the recommendations of the German Corporate Governance Code. The declaration of compliance can be accessed on our website at www.daimler.com/dai/gcgc.

(b) Daimler's corporate bodies

Supervisory Board. In accordance with the German Co-Determination Act (MitbestG), the Supervisory Board of Daimler AG comprises 20 members. Half of them are elected by the shareholders at the Annual Meeting. The other half comprises members who are elected by the Company's employees who work in Germany. The members representing the shareholders and the members representing the employees are equally obliged by law to act in the Company's best interests.

The Supervisory Board monitors and advises the Board of Management with regard to its management of the Company. At regular intervals, the Supervisory Board receives reports from the Board of Management on the Group's strategy, corporate planning, revenue development, profitability, business development and general situation, as well as on the internal control system, the risk management system and compliance. The Supervisory Board has retained the right of approval for transactions of fundamental importance. Furthermore, the Supervisory Board has specified the information and reporting duties of the Board of Management to the Supervisory Board, to the Audit Committee and – between the meetings of the Supervisory Board – to the Chairman of the Supervisory Board.

The Supervisory Board's duties include appointing and recalling the members of the Board of Management. Initial appointments are usually made for a period of three years. In connection with the composition of the Board of Management, the Supervisory Board pays attention not only to the members' appropriate specialist qualifications, with due consideration of the Group's international operations, but also to diversity. This applies in particular to age, nationality, gender and other personal characteristics.

The draft of legislation of December 11, 2014 for equal participation by women and men in executive positions calls for the supervisory boards of listed companies or companies subject to German law on codetermination to set a target for the proportion of women in the management board by June 30, 2015 at the latest. If the proportion of women at the time when this target is set is below 30%, the target may not be lower than the proportion already reached. At the same time, a period is to be set for the achievement of the target. The first period may not be longer than two years. Since January 1, 2015, the Board of Management has had eight members again. It has one female member, Dr. Hohmann-Dennhardt, so the current proportion is 12.5%. The Supervisory Board will pass a resolution on a target for women in the Board of Management after the new law takes effect.

The Supervisory Board also decides on the system of remuneration for the Board of Management, reviews it regularly and determines the individual remuneration of each member of the Board of Management with consideration of the ratio of Board of Management remuneration to the remuneration of the senior executives and the workforce as a whole, also with regard to development over time. For this comparison, the Supervisory Board has defined the senior executives by applying Daimler's internal terminology for the hierarchical levels and has defined the workforce of Daimler AG in Germany as the relevant workforce. For the individual Board of Management remuneration in total and with regard to its variable components, the Supervisory Board has set upper limits taking effect as of January 1, 2014.

The Supervisory Board reviews the annual company financial statements, the annual consolidated financial statements and the management report of the Company and the Group, as well as the proposal for the appropriation of distributable profits. Following discussions with the external auditors and taking into consideration the audit reports of the external auditors and the results of the review by the Audit Committee, the Supervisory Board states whether, after the final results of its own review, any objections are to be raised. If that is not the case, the Supervisory Board approves the financial statements and the management reports. Upon being approved, the annual company financial statements are adopted. The Supervisory Board reports to the Annual Shareholders' Meeting on the results of its own review and on the manner and scope of its supervision of the Board of Management during the previous financial year. The Report of the Supervisory Board for the year 2014 is available on the Internet at www.daimler.com/dai/sbc.

The Supervisory Board has given itself a set of rules of procedure, which regulate not only its duties and responsibilities and the personal requirements placed upon its members, but above all the convening and preparation of its meetings and the procedure of passing resolutions. The rules of procedure of the Supervisory Board can be viewed on our website at www.daimler.com/dai/rop.

Meetings of the Supervisory Board are regularly prepared in separate discussions of the members representing the employees and of the members representing the shareholders with the members of the Board of Management. Each Supervisory Board meeting includes a so-called executive session for discussions of the Supervisory Board in the absence of the members of the Board of Management.

The Supervisory Board is to be composed so that its members together dispose of the knowledge, skills and specialist experience that are required for the proper execution of their tasks. Proposals by the Supervisory Board of candidates for election by the Shareholders' Meeting as members representing the shareholders of Daimler AG, for which the Nomination Committee makes recommendations, take not only the requirements of applicable law, the Articles of Incorporation and the German Corporate Governance Code into consideration, but also a list of criteria of qualifications and experience. They include for example market knowledge in the regions important to Daimler, expertise in the management of technologies and experience in certain management functions. Other important conditions for productive work in the Supervisory Board and for being able to properly supervise and advise the Board of Management are the members' personality and integrity as well as individual diversity with regard to age, internationality, gender and other personal characteristics.

With regard to its own composition, the Supervisory Board has set the following goals, which, while considering the Group's specific situation, also consider the international activities of the Group, potential conflicts of interest, the number of independent Supervisory Board members, an age limit to be set, and diversity, and allow for the appropriate participation of women.

- In order to ensure sufficient internationality, for example through many years of international experience, the Supervisory Board set a target in 2010 of a proportion of at least 40% of international members representing the shareholders, and the resulting proportion of the entire Supervisory Board of at least 20%. Until the Annual Shareholders' Meeting held in 2014, this target was significantly overachieved, irrespective of the many years of international experience of a great majority of the members representing the shareholders, due to the international origins of Dr. Paul Achleitner, Sari Baldauf, Petraea Heynike, Andrea Jung, Gerard Kleisterlee and Lloyd G. Trotter on the shareholders' side (60%) and Valter Sanches on the employers' side, resulting in an international proportion of more than 30% for the entire Supervisory Board. Following the end of the Annual Shareholders' Meeting on April 9, 2014, two members on the shareholders' side with international origins stepped down from the Supervisory Board: Gerard Kleisterlee and Lloyd G. Trotter. As a result, the proportion of Supervisory Board members representing the shareholders with international origins decreased to 40% on the shareholders side and 20% of the entire Supervisory Board. As a precautionary measure and in order to maintain flexibility with future appointments, the Supervisory Board has decided to adjust the target for its own composition with regard to securing appropriate internationality, for example through many years of international experience, to at least 30% international members representing the shareholders and a resulting proportion of 15% of the entire Supervisory Board. Irrespective of the many years of international experience of a great majority of the members representing the shareholders, the new target is currently significantly overachieved due to the international origins of Dr. Paul Achleitner, Sari Baldauf, Petraea Heynike and Andrea Jung on the shareholders' side (40%) and Valter Sanches on the employers' side, resulting in an international proportion of more than 20% for the entire Supervisory Board.
- At least half of the members of the Supervisory Board representing the shareholders should have neither an advisory nor a board function for a customer, supplier, creditor, or

other third party nor a business or personal relationship to the Company or its boards whose specific details could cause a conflict of interests. There was one isolated individual case in a particular situation during the reporting period where there might have been the appearance of a potential conflict of interest during a specific vote. As a highly precautionary measure, the Supervisory Board member in question in these cases refrained from taking part in the discussions and the voting process regarding the issue that may have led to a conflict of interest. With this exception, there were no instances of a potential conflict of interest that might have affected a shareholder representative on the Supervisory Board.

- In order to ensure the independent advice and supervision of the Board of Management by the Supervisory Board, the rules of procedure of the Supervisory Board already stipulate that more than half of the members of the Supervisory Board representing the shareholders are to be independent as defined by the German Corporate Governance Code and that no person may be a member of the Supervisory Board who is a member of a board of, or advises, a significant competitor of the Daimler Group. At present, there are no indications for any of the members of the Supervisory Board representing the shareholders that relevant relationships or circumstances exist that would compromise their independence. In particular, this is not the case with their relationships or circumstances vis-a-vis the Company, the Board of Management or other Supervisory Board members. No member of the Supervisory Board is a member of a board of, or advises, a significant competitor.
- The rules of procedure of the Supervisory Board stipulate that candidates for election as representatives of the shareholders who are to hold the position for a full period of office should generally not be over the age of 72 at the time of the election. This is intended to ensure a broad range of potential Supervisory Board candidates and also to allow reelection. None of the members of the Supervisory Board currently in office who were proposed and elected for a full period of office exceeded the applicable general age limit at the time of his or her election.
- With regard to appropriate participation of women and on the basis of the Daimler Group’s targets, the Supervisory Board has resolved that at least 20% of all members of the Supervisory Board are to be women. In addition, at least 30% of the Supervisory Board members representing the shareholders should be female. These targets have already been met. With Sari Baldauf, Petraea Heynike and Andrea Jung, 30% of the members on the shareholders’ side are women. With the members on the employees’ side, Dr. Sabine Maaßen and Elke Tönjes-Werner, the proportion of women on the entire Supervisory Board is 25%. The draft of legislation for equal participation by women and men in executive positions of December 11, 2014 calls for the supervisory boards of listed companies subject to German law on parity codetermination to have a binding gender ratio of at least 30% women for new appointments as of 2016. The ratio is to apply to the entire supervisory board. If the side of the supervisory board representing the shareholders or the side representing the employees objects to the chairman of the supervisory board about the application of the ratio to the entire supervisory board, the minimum ratio is to apply separately to the shareholders’ side and to the employees’ side for that election. If the draft legislation becomes law, the target set by the Supervisory Board for appropriate participation by women will be replaced by the requirements of the new law.

The Chairman of the Supervisory Board, Dr. Manfred Bischoff, is a former member of the Board of Management. After stepping down from the Board of Management in December 2003, he was first elected to the Supervisory Board after a cooling-off period of more than two years in April 2006, and was first elected as the Chairman of the Supervisory Board after a cooling-off period of more than three years in April 2007. One member of the Supervisory Board is a member of the board of management of a listed company. Excluding his membership of that company's board of management, he is a member of no more than three supervisory boards of listed companies or similar company boards or committees with comparable requirements, including his membership of the Supervisory Board of Daimler AG. No member of the Supervisory Board is a member of a board of, or advises, a significant competitor. The members of the Supervisory Board attend in their own responsibility such courses of training and further training as might be necessary for the performance of their tasks and are supported by the Company in doing so. Daimler AG offers courses of further training to the members of its Supervisory Board as required. Possible contents of such courses include subjects of technological and economic developments, accounting and financial reporting, internal control and risk management systems, compliance, new legislation and board of management remuneration.

The Supervisory Board has formed four committees, which perform to the extent legally permissible the tasks assigned to them in the name of and on behalf of the entire Supervisory Board: the Presidential Committee, the Nomination Committee, the Audit Committee and the Mediation Committee. The committee chairpersons report to the entire Supervisory Board on the committees' work at the latest in the meeting of the Supervisory Board following each committee meeting. The Supervisory Board has issued rules of procedure for each of its committees. These rules of procedure can be viewed on our website at www.daimler.com/dai/rop, as well as information on the current composition of these committees at www.daimler.com/dai/sbc. The members of the Supervisory Board and its committees are also listed under "(a) The Supervisory Board" in subsection "4. Directors and Officers" of this section.

The *Presidential Committee* is composed of the Chairman of the Supervisory Board, his Deputy, and two other members, who are elected by a majority of the votes cast on the relevant resolution of the Supervisory Board.

The Presidential Committee makes recommendations to the Supervisory Board on the appointment of members of the Board of Management and is responsible for their contractual affairs. It submits proposals to the Supervisory Board on the design of the remuneration system for the Board of Management and on the appropriate total individual remuneration of its members. In this context, it follows the relevant recommendations of the German Corporate Governance Code. The Presidential Committee also decides on the granting of approval for sideline activities of the members of the Board of Management, reports to the Supervisory Board regularly and without delay on consents it has issued and once a year submits to the Supervisory Board for its approval a complete list of the sideline activities of each member of the Board of Management.

In addition, the Presidential Committee decides on questions of corporate governance, on which it also makes recommendations to the Supervisory Board. It supports and advises the Chairman of the Supervisory Board and his Deputy, and prepares the meetings of the Supervisory Board.

The *Nomination Committee* is composed of at least three members, who are elected by a majority of the votes cast by the members of the Supervisory Board representing the shareholders. It is the only Supervisory Board Committee comprised solely of members representing the shareholders and makes recommendations to the Supervisory Board concerning persons to be proposed for election as members of the Supervisory Board representing the shareholders at the Annual Shareholders' Meeting. In doing so, the Nomination Committee takes into consideration the requirements of the German Corporate

Governance Code and the rules of procedure of the Supervisory Board, as well as the specific goals that the Supervisory Board has set for its own composition. Furthermore, it defines the requirements for each specific position to be occupied.

The *Audit Committee* is composed of four members, who are elected by a majority of the votes cast on the relevant resolution of the Supervisory Board. The Chairman of the Supervisory Board is not simultaneously the Chairman of the Audit Committee.

The Chairman of the Audit Committee, Dr. Clemens Börsig, fulfills the criteria for independence. Dr. Clemens Börsig and the new member of the Audit Committee, Joe Kaeser, have expertise in the field of financial reporting and special knowledge and experience in the application of accounting principles and internal methods of control. Dr. h.c. Bernhard Walter, the Chairman of the Audit Committee until he stepped down from the Supervisory Board in April 2014, also fulfilled the requirements of independence and of expertise and long experience in the stated fields.

The Audit Committee deals with the supervision of the accounting process and the annual external audit, the risk and compliance management system, and the internal control and auditing system. At least once a year, it discusses with the Board of Management the effectiveness and functionality of the risk management system, the internal control and auditing system and the compliance management system. It regularly receives reports on the work of the Internal Auditing department and the Compliance Organization. At least four times a year, the Audit Committee receives a report from the Business Practices Office on complaints and information about any breaches of guidelines or criminal offenses on the part of high-level executives. It regularly receives information about the handling of these complaints and notifications.

The Audit Committee discusses with the Board of Management the interim reports on the first quarter, first half and first nine months of the year before they are published. On the basis of the report of the external auditors, the Audit Committee reviews the annual company financial statements and the annual consolidated financial statements, as well as the management report of the Company and the Group, and discusses them with the external auditors. The responsible auditor at KPMG AG Wirtschaftsprüfungsgesellschaft, the company of auditors commissioned to carry out the external audit, is Dr. Axel Thümler. The Audit Committee makes a proposal to the Supervisory Board on the adoption of the annual company financial statements of Daimler AG, on the approval of the annual consolidated financial statements and on the appropriation of profits. The Committee also makes recommendations for the proposal on the election of external auditors, assesses those auditors' suitability and independence, and, after the external auditors are elected by the Annual Meeting, it engages them to conduct the annual audit of the company and consolidated financial statements and to review the interim reports, negotiates an audit fee, and determines the focus of the annual audit. The external auditors report to the Audit Committee on all accounting matters that might be regarded as critical and on any material weaknesses of the internal control and risk management system with regard to accounting that might be discovered during the audit.

Finally, the Audit Committee approves services that are not directly related to the annual audit provided by the firm of external auditors or its affiliates to Daimler AG or to companies of the Daimler Group.

The *Mediation Committee* is composed of the Chairman of the Supervisory Board and his Deputy, as well as one member of the Supervisory Board representing the employees and one member of the Supervisory Board representing the shareholders, each elected with a majority of the votes cast. It is formed solely to perform the functions laid down in Section 31 Subsection 3 of the German Co-Determination Act (MitbestG). Accordingly, the Mediation

Committee has the task of making proposals on the appointment of members of the Board of Management if in the first vote the majority required for the appointment of a Board of Management member of two thirds of the members of the Supervisory Board is not achieved.

Board of Management. The Board of Management of Daimler AG had seven members at December 31, 2014 and was expanded to eight members as of January 1, 2015. Information on their areas of responsibility and their curricula vitae are posted on our website at www.daimler.com/dai/bom. For further information on the members of the Board of Management and their areas of responsibility please refer to "(b) The Board of Management" in subsection "4. Directors and Officers" of this section.

No member of the Board of Management is a member of more than three supervisory boards of listed companies outside the Daimler Group or of similar boards or committees with comparable requirements of companies outside the Daimler Group.

The Board of Management manages Daimler AG and the Daimler Group. With the consent of the Supervisory Board, the Board of Management determines the Group's strategic focus, defines the corporate goals and makes decisions concerning operational planning issues. The members of the Board of Management must represent the interests of the Company and share responsibility for managing the Group's entire business. Irrespective of this overall responsibility, the individual members of the Board of Management manage their allocated areas on their own responsibility and within the framework of their instructions. Affairs of fundamental or great importance that affect the areas of responsibility of several Board of Management members are handled by the Board as a whole, which must approve all associated decisions. The Chairman of the Board of Management coordinates the work of the Board of Management.

The Board of Management prepares the consolidated interim reports, the annual company financial statements of Daimler AG, and the annual consolidated financial statements and the management report of the Company and the Group. It ensures that the provisions of applicable law, official regulations and the Group's internal guidelines are adhered to, and works to make sure that the companies of the Group comply with those rules and regulations. The tasks of the Board of Management also include establishing and monitoring an appropriate and efficient risk management system.

For certain types of transaction of fundamental importance defined by the Supervisory Board, the Board of Management requires the consent of the Supervisory Board. At regular intervals, the Board of Management reports to the Supervisory Board on corporate strategy, corporate planning, profitability, business development and the situation of the Group, as well as on the internal control system, the risk management system and compliance. The Supervisory Board has specified the information and reporting duties of the Board of Management.

The Board of Management has also given itself a set of rules of procedure, which can be viewed on our website at www.daimler.com/dai/rop. Those rules describe for example the procedure to be observed when passing resolutions and ways to avoid conflicts of interest.

The Board of Management has not formed any committees.

The Board of Management has committed to diversity management as a strategic factor of success that safeguards the future of the company, with the signed statement: Promote diversity. Create links. Shape the future.

When making appointments to executive positions at the Group, the Board of Management thus gives due consideration to the issue of diversity, with regard for example to the criteria of age, internationality and gender. The management of teams with a varied makeup requires a conscious approach to the teams' inherent diversity. A key element of our approach here is therefore to make managers more aware of the importance of diversity. For this purpose, we also use mentoring programs, communication activities, conferences, workshops and e-learning tools. By continually addressing diversity management issues, we help further develop our corporate culture.

A key area of action is the targeted promotion of women, by means for example of flexible working-time arrangements, company nurseries and special mentoring programs for women. The proportion of women in executive positions was 14.1% at the end of 2014 (2013: 12.7%) and is to be increased to 20% by 2020.

On December 11, 2014, the German federal cabinet decided on a revised draft of legislation for equal participation by women and men in executive positions. The new law is to take effect as soon as possible but the legislative procedure has not yet been concluded. According to the draft bill, the management boards of listed companies or companies subject to Germany's system of codetermination will have to set a target for the proportion of women at both levels below the management board by June 30, 2015 at the latest. If the proportion of women at the time when this target is set is below 30%, the target may not be lower than the proportion already reached.

At the same time, a period is to be set for the achievement of the target. The first period may not be longer than two years. The Board of Management will pass a resolution on this target after the new law has taken effect.

With regard to the compensation of the board members, please refer to "(c) Compensation of the Supervisory Board and Board of Management" in subsection "4. Directors and Officers" of this section.

Shareholders' Meeting. The Company's shareholders exercise their membership rights, in particular their information and voting rights, at the Shareholders' Meeting. Each share in Daimler AG entitles its owner to one vote. There are no multiple voting rights, preferred stock, or maximum voting rights at Daimler AG. Documents and information relating to the Annual Shareholders' Meeting can be found on our website at www.daimler.com/ir/am.

The Annual Shareholders' Meeting is generally held within four months of the end of a financial year. The Company facilitates the personal exercise of the shareholders' rights and proxy voting in a variety of ways, such as by appointing proxies who are strictly bound by the shareholders' voting instructions and who can be contacted also during the Annual Shareholders' Meeting. Absentee voting is also possible. It is possible to authorize the Daimler-appointed proxies and give them voting instructions or to cast absentee votes by using the so-called e-service for shareholders.

Among other matters, the Annual Shareholders' Meeting decides on the appropriation of distributable profits, the ratification of the actions of the members of the Board of Management and of the Supervisory Board, the election of the external auditors, the election of the members of the Supervisory Board representing the shareholders and the remuneration of the Supervisory Board. The Annual Meeting also makes other decisions, especially on amendments to the Articles of Incorporation, capital measures and the approval of certain intercompany agreements. Shareholders can submit countermotions on resolutions proposed by the Board of Management and the Supervisory Board and, within the provisions of applicable law, can challenge resolutions passed by the Annual Shareholders' Meeting in a court of law.

The influence of the Annual Shareholders' Meeting on the management of the Company is limited by law, however. The Shareholders' Meeting can only make management decisions if it is requested to do so by the Board of Management.

Deviating from the suggestions in Clause 2.3.4 of the German Corporate Governance Code, the Annual Shareholders’ Meeting is not transmitted in its entirety on the Internet, but only until the end of the report by the Board of Management.

We maintain close contacts with our shareholders in the context of our comprehensive investor relations and public relations activities. We regularly and comprehensively inform our shareholders, financial analysts, shareholder associations, the media and the interested public about the situation of the Group, and inform them without delay about any significant changes in its business.

In addition to other methods of communication, we also make extensive use of the Company’s website. All of the important information disclosed in 2014, including annual and interim reports, press releases, voting rights notifications from major shareholders, presentations, and audio recordings of analyst and investor events and conference calls, as well as the financial calendar, can be found at w daimler.com/investors. All the dates of important disclosures such as annual reports and interim reports and the date of the Annual Shareholders’ Meeting are announced in advance in the financial calendar. The financial calendar is also printed inside the back cover of this Annual Report. Disclosures are made in English as well as in German.

(c) Principles guiding our actions

Risk management at the Group. Daimler has a risk management system commensurate with its size and position as a company with global operations. The risk management system is one component of the overall planning, controlling and reporting process. Its goal is to enable the company’s management to recognize significant risks at an early stage and to initiate appropriate countermeasures in a timely manner. The Supervisory Board deals with the risk management system in particular with regard to the approval of the operational planning. The Audit Committee discusses at least once a year the effectiveness and functionality of the risk management system with the Board of Management and the external auditors. In addition, the Audit Committee regularly deals with the risk report. The Chairman of the Supervisory Board has regular contacts with the Board of Management to discuss not only the Group’s strategy and business development but also the issue of risk management. The Corporate Audit department monitors adherence to the legal framework and Group standards by means of targeted audits and initiates appropriate actions as required.

Accounting principles. The consolidated financial statements of the Daimler Group are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the supplementary standards to be applied according to Section 315a Subsection 1 of the German Commercial Code (HGB). Details of the IFRS are provided Note 1 of the Notes to the Consolidated Financial Statements. The annual financial statements of Daimler AG, which is the parent company, are prepared in accordance with the accounting standards of the German Commercial Code (HGB). Both sets of financial statements are audited by a firm of accountants elected by the Annual Shareholders’ Meeting to conduct the external audit.

Interim reports for the Daimler Group are prepared in accordance with IFRS for interim reporting, as adopted by the European Union, as well as, with regard to the interim management reports, the applicable provisions of the German Securities Trading Act (WpHG). Interim financial reports are reviewed by the external auditors elected by the Annual Shareholders’ Meeting.

Integrity Code. The Integrity Code defines the principles of behavior and guidelines for everyday conduct at Daimler. This applies to interpersonal conduct within the company as well as conduct toward customers and business partners. Fairness, responsibility and compliance with legislation are key principles in this context. The Integrity Code is based on a shared understanding of values, which was developed together with the Daimler employees. In addition to general principles of behavior, it includes requirements and regulations concerning the protection of human rights, dealing with conflicts of interest and preventing all forms of corruption.

The “Principles of Social Responsibility” also form part of the Integrity Code. They are binding for the entire Group. In the Principles of Social Responsibility, Daimler commits itself to the principles of the UN Global Compact and thus to internationally recognized human and workers’ rights, such as the prohibition of child labor and forced labor, as well as freedom of association and sustainable protection of the environment. Daimler also commits itself to guaranteeing equal opportunities and adhering to the principle of “equal pay for equal work.” The Integrity Code is available on the Internet at www.daimler.com/dai/iac.

(d) Liability Limitation Agreements

Board of Management and Supervisory Board

Daimler AG has relieved its board members of liability in single cases that do not involve infringements of duty towards Daimler AG. The Company has not set any further liability limits for members of the Board of Management or Supervisory Board. D & O insurance is in place, including retention provisions as required by law for members of the Board of Management as well as adequate retention provisions for members of the Supervisory Board.

Independent Auditor

With respect to the statutory audits of Daimler's (Single and Consolidated) Financial Statements according to applicable GAAP, Section 323, Subsection 2 of the German Commercial Code applies, which limits the liability of the independent auditor KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG) for acts of negligence (including gross negligence) to €4 million.

II Integrity and Compliance at Daimler

Integrity. Integrity is one of our four corporate values, which form the foundations for our business activities. We are convinced that doing business ethically brings us sustained success, and is also good for society as a whole. As a group of companies with global operations, we accept responsibility and want to be a pioneer in terms of ethical business conduct. Integrity is a permanent component of our corporate culture. The further development and permanent establishment of integrity is therefore also a component of the target agreements for Board of Management remuneration. Our business activities are also strongly guided by the ten principles of the UN Global Compact, of which Daimler is a founding member. We are also a member of the Global Compact LEAD Group.

We employ a broad range of measures that enable us to conduct a dialogue with our employees in order to foster a culture of integrity at the company. The regular exchange of opinions on questions of integrity brought about by this dialogue is an integral component of our everyday working life.

The most important result of our dialogue is our Integrity Code. The Code, which is based on a shared understanding of values that is derived from our dialogue with employees, lays out the principles for our everyday business conduct. Such principles include fairness, responsibility, mutual respect, transparency, openness, legal compliance and the honoring of rights. The Code is valid throughout the Group and is available in 22 languages. An intranet guide has been prepared for the application of the Code in everyday situations, providing answers to the most frequently asked questions. A team of experts is also available to answer questions on all aspects of the Code.

Compliance. Compliance is an essential element of integrity culture at Daimler. For us, it is only natural that we adhere to all relevant legislation, voluntary commitments and internal rules, and that we act in accordance with ethical principles. We place the utmost priority on complying with all applicable anti-corruption regulations and on maintaining and promoting fair competition. We have set this out in binding form in our Integrity Code, and we intend to permanently establish integrity and compliance as fixed components of our value chain.

Our compliance management system (CMS) is based on national and international standards and helps us to ensure that we conduct ourselves in conformance with applicable laws and regulations in our day-to-day business. We continually review the effectiveness of the system (through our internal audits as well), and we adjust it to worldwide developments, changed risks and new legal requirements. In this way, we continuously improve its efficiency and effectiveness. In 2014, for example, we developed new processes for examining and complying with international sanctions and we also expanded measures for preventing money laundering in goods trading and the inadvertent financing of terrorist organizations.

In 2014, we once again assessed the compliance risks of all our business units. Both qualitative and quantitative indicators were assessed, including the respective business model, business environment and type of contracting-party relationship. The results of this analysis are the basis for risk management. Together with the business units, we define measures to be taken to minimize risks. One focus of our activities is on sales companies in high-risk countries. The responsibility for implementing and monitoring these measures lies within the management of each business unit, which cooperates closely with the Group Compliance department.

Our Compliance Organization is structured along the lines of our divisions. This structure has proved its worth and enables us to offer effective support and advice to the divisions. Among other things, the organization consists of divisional and regional compliance officers. In addition, local compliance managers throughout the world make sure that our standards are observed. In order to guarantee the divisional and regional compliance officers' independence from the divisions, the officers report directly to the Chief Compliance Officer. The latter reports directly to the Member of the Board of Management for Integrity and Legal Affairs and to the Chairman of the Supervisory Board.

We offer specific training courses to ensure compliance staff members remain up to date on the repeated changes made to laws and regulations. All new compliance employees also receive comprehensive orientation through a practical compliance seminar.

Whistleblower system. Our whistleblower system BPO (Business Practices Office) serves as a valuable source of information on possible risks and specific violations of rules. It's therefore an important instrument for good corporate governance, and it also helps prevent damage to our Company's reputation. Our whistleblower system receives information on misconduct from employees and from external parties worldwide, around the clock, through various reporting channels and – if allowed by local law – also anonymously. The prerequisites for the acceptance of a whistleblower system are that it is organized in a fair manner, that it follows the principle of proportionality, and that the whistleblowers and the other parties involved are equally protected. We laid down these criteria in a corporate policy with worldwide validity in 2013. Since February 1, 2012, we have also commissioned an independent lawyer as a neutral intermediary in Germany. This intermediary also accepts information on violations of rules and, due to his or her professional duty of discretion, is obliged to maintain confidentiality.

We regard our business partners' integrity and behavior in conformance with regulations as an indispensable precondition for trusting cooperation. In the selection of our direct business partners, we ensure that they comply with the law and observe ethical principles. We offer our business partners target group-focused training programs in line with the specific risks they face. In addition, we have clearly formulated the expectations we have of our business partners in the brochure "Ethical Business. Our Shared Responsibility." We reserve the right to terminate our cooperation with business partners who fail to conform to our standards.

III Description of Audit Activities

(a) Organization and Procedures of Internal Audit Activities

Corporate Audit is an independent and objective assurance and advisory function of the Daimler Group. Corporate Audit supports the optimization of the company's risk exposure and assesses internal controls and processes regarding:

- compliance with applicable laws and regulations,
- compliance with internal and external policies and guidelines,
- safeguarding of corporate assets,
- reliability of internal and external reporting,
- effectiveness and efficiency of operations and administration.

The Head of Corporate Audit reports disciplinarily and functionally to the Chairman of the Board of Management. In addition, the Head of Corporate Audit reports to the Board of Management and periodically to the Audit Committee.

Corporate Audit derives its authority from the Board of Management. In order to execute its duties, Corporate Audit is authorized to have unrestricted access to all functions, records, property, and personnel under consideration of data protection regulations with respect to personal data.

As of December 31, 2014, Corporate Audit had 157 staff members worldwide. Engagements are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. Corporate Audit's activities are also guided by Daimler's Integrity Code and the principles of social responsibility.

Corporate Audit meets with the Company's external auditor on a regular basis to discuss the results of internal audits, the risk-oriented audit approach it employs and new international regulatory requirements.

(b) Interrelationships between the Company and the Independent Auditors

Our audit committee nominates an independent auditor for proposal of the Supervisory Board to the Shareholders' Meeting and after appointment by resolution of the Shareholders' Meeting engages our independent auditor to audit our financial statements. In 2003, our audit committee adopted a policy requiring management to obtain the Committee's approval before engaging our independent auditors to provide any other audit or permitted non-audit services to us or our subsidiaries. Pursuant to this policy, which is designed to assure that such engagements do not impair the independence of our auditors, the audit committee pre-approves annually a catalog of specific Audit Services (Base Audit and Other Attestation Services) and Non-Audit Services (Tax Services and Other Services) that may be performed by our independent auditors. In addition, the audit committee limited the aggregate amount in fees our independent auditors may receive during the 2014 financial year for non-audit services in certain categories.

Our Chief Accounting Officer reviews all individual management requests to engage our independent auditors as a service provider in accordance with this catalog and, if the requested services are permitted pursuant to the catalog, approves the request accordingly. We inform the audit committee about these approvals on a regular basis. The audit committee's chairman is not permitted to approve any engagement of our independent auditors if the services to be performed either fall into a category of services that are not permitted by applicable law or the services would be inconsistent with maintaining the auditors' independence.

For further information regarding the Audit Committee and the Supervisory Board as well as business relationships to those members, please also refer to section V. Description of the Company:

- subsection "1. Description of Shares, etc." under "(f) Related party transactions,"
- subsection "4. Directors and Officers" under "(a) The Supervisory Board,"
- and subsection "5. Description of Corporate Governance, etc" under "(1) Description of Corporate Governance – I Corporate Governance at Daimler."

(c) Description of Independent Auditors

At the Annual Meeting held on April 9, 2014, our shareholders appointed KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG), to serve as our independent auditor for the 2014 financial year. The lead audit engagement partner for the 2014 financial year was Dr. Axel Thümler. The other audit partners and managers within the audit engagement team are German certified public accountants (Wirtschaftsprüfer) too, and supervise a number of senior and junior auditors. The audit engagement team further includes specialists e. g. in IT and taxes. The partners within the engagement team are subject to partner rotation rules in Germany.

(2) Details of Remuneration of Auditors, etc.

(a) Details of remuneration for Registered Foreign Audit Certified Public Accountants, etc.

The following table summarizes the remuneration which Daimler AG and its consolidated German and Non-German subsidiaries have paid to KPMG AG for audit and attestation services and for other services in each of the last two financial years.

€ in millions (100 million Yen)	Preceding Consolidated Financial Year 2013		Present Consolidated Financial Year 2014	
	Remuneration based on Audit and Attestation Services	Remuneration based on Non-Audit Services	Remuneration based on Audit and Attestation Services	Remuneration based on Non-Audit Services
Company	14.3 (18.9)	3.8 (5.0)	14.5 (19.2)	3.9 (5.2)
Consolidated German Subsidiaries	5.1 (6.7)	0.3 (0.4)	5.2 (6.9)	1.0 (1.3)
Consolidated Non-German Subsidiaries	0.5 (0.7)	—	0.5 (0.7)	—
Total	**19.9 (26.3)**	**4.1 (5.4)**	**20.2 (26.7)**	**4.9 (6.5)**

(b) Contents of Other Material Remuneration

In 2014, the consolidated Non-German subsidiaries of Daimler AG paid a total of €17.6 million (2013: €17.5 million) as remuneration for audit certification services and €1.1 million (2013: €0.8 million) as remuneration for non-audit services to respective KPMG auditing companies that belong to the global KPMG network, excluding KPMG AG which is also a member of the KPMG network.

(c) Contents of Non-Audit Services of Registered Foreign Audit Certified Public Accountants, etc. for the Company

The non-audit services provided by KPMG AG consist of fees billed for services rendered for tax compliance, tax advice on actual or contemplated transactions, tax consulting associated with international transfer prices and advisory services.

(d) Policy for the Remuneration of Auditors

Not applicable.

VI. Financial Conditions

The consolidated financial statements, prepared according to IFRS, the annual financial statements of Daimler AG, prepared according to the German Commercial Code (HGB), and additional explanations required under Japanese law have been omitted. They are included on pages 143 to 563 of the original Japanese version.

VII. Trends in Foreign Exchange Rates

Omitted because the foreign exchange rates between Yen and euro, currency used in the Company's financial statements, have been published for the last five financial years in more than one Japanese newspaper concerning current events.

VIII. Summary of Share Handling, etc. in Japan

1. Summary of Share Handling, etc. in Japan

A rule concerning the Foreign Securities Transactions Account (the “Foreign Securities Transactions Account Rule”) between a person acquiring the Shares (a “Beneficial Shareholder”) and a securities company acting as a broker for the acquisition of the Shares (the “Broker”), will provide for the opening of a foreign securities transactions account in the name of the Beneficial Shareholder (the “Transactions Account”). All matters relating to the trading, settlement of sale and purchase prices, custody of securities and other transactions in respect of the Shares shall be processed through the Transactions Account.

The following is a summary of the general standard procedures for handling the Shares in Japan, which are taken in accordance with the model of the Foreign Securities Transactions Account Rule established by the Japan Securities Dealers Association:

(1) Custody of Shares

The Shares will be registered in the name of Clearstream Banking Frankfurt (the "Custodian") in Germany, or its nominee, on behalf of the Broker. The Beneficial Holder will be recorded as the holder in the Broker’s book, and the Broker will issue a post-transaction balance report to the Beneficial Holder.

(2) Procedure for Transfer of Shares

The Beneficial Shareholder may place an order to change the custody of, or an order to sell, his holding. Settlement of transactions between the Beneficial Shareholder and the Broker will be made in Japanese yen, or foreign currencies designated by the Beneficial Shareholder to the extent that the Broker may accept such designation.

(3) Notices and Reports to Beneficial Shareholders

All notices and communications to be given or made by Daimler AG to its shareholders and received by the Broker will be maintained by the Broker, and made available at the counter of the Broker for inspection by Beneficial Shareholders. If the Beneficial Shareholders wish to receive these notices and communications, the Broker will send them to such Beneficial Shareholders, the actual expenses thereof being charged to such Beneficial Shareholders.

(4) Exercise of Voting Rights of Beneficial Shareholders

The right to vote will be exercised by the Custodian or its nominee in accordance with instructions given by the Beneficial Shareholders through the Broker. In the absence of instructions from the Beneficial Stockholders, no voting rights shall be exercised by the Custodian or its nominee.

(5) Distribution of Dividends, etc.

In accordance with the Foreign Securities Transactions Account Rule, the payment of cash dividends will be made to each Beneficial Shareholder through its Transactions

Account, subject to receipt by the Broker of such dividends in a lump sum from the Custodian or its nominee.

2. Places for Accepting Applications for Registration of Transfer of Shares and Transfer Agent in Japan

The Company has neither a place for handling transfers of share ownership nor a transfer agent in Japan.

3. Special Privileges to Shareholders

Not applicable.

4. Restrictions on the Transfer of the Shares

Not applicable.

5. Other Matters Concerning the Handling of Shares

(a) Close of Accounts:

December 31, each year.

(b) Annual Shareholders' Meeting:

The Annual Shareholders' meeting is held within the first eight months of the financial year, at the registered office of the Company or at other places permitted by applicable laws and the Articles of Association.

(c) Record Dates:

In principle, the Beneficial Shareholders entitled to receive dividends are those Beneficial Shareholders who are recorded in the Broker’s book as of the day of the shareholders meeting, which resolves the payment of the said dividend.

(d) Denominations of Share Certificates:

No par value registered ordinary shares. The Company may issue certificates of shares representing one or more shares.

(e) Charges Respecting Share Holdings:

The Beneficial Shareholders are usually required to pay the annual charge for opening and maintaining a Foreign Securities Transactions Account at a securities company in Japan, as well as fees for the execution of specific transactions, pursuant to the Foreign Securities Transaction Account Agreement.

(f) Newspaper in which Public Notice shall be made:

No public notice is given in Japan.

6. Tax Treatment of Dividends, etc. in Japan

It should be noted that the tax treatment may be changed and that tax treatment of the Beneficial Shareholder may be different from the descriptions specified below, depending upon affairs particular to each Beneficial Shareholder. Each person should consult with his or her tax counsel with respect to the tax treatment to be applied to him or her.

(1) Dividends

Individual Income Taxpayers:

Dividends to Beneficial Shareholders (individuals) are basically treated as dividend income under the Japanese tax laws.

With respect to dividends to be received through a paying agent in Japan by individuals who are Japanese residents, basically, the dividends will be subject to if the dividends are to be received on and after January 1, 2014, a 20% Japanese income tax (including a 15% income tax, a 5% local income tax), on the amounts of the dividends (if the dividends are subject to a withholding tax in Germany or any local public entity thereof when the dividends are paid in Germany, the taxable amounts are the balance of the dividends remaining after collection of the withholding tax in Germany or any local public entity thereof.), to be withheld at source (a measure to withhold at source in local taxes in Japan is called a "Special Collection.").

In addition, the Special Reconstruction Income Tax due to the Great East Japan Earthquake will apply to dividends paid from January 1, 2013 to December 31, 2037. Accordingly, the tax rate of 20.315% will apply to dividends paid from January 1, 2014 to December 31, 2037, and the tax rate of 20% will apply to dividends paid from January 1, 2038 onwards.

With regard to such dividends, in accordance with applicable law, although they are basically subject to comprehensive taxation, Beneficial Shareholders can select separate self-assessment taxation, or can also select to terminate their tax procedures just by withholding in Japan as described above (including a Special Collection). A tax rate for separate self-assessment taxation, if the dividends are to be received on and after January 1, 2014, a 20% Japanese income tax (including a 15% income tax, a 5% local income tax). In addition, in case of separate self-assessment taxation, the Special Reconstruction Income Tax due to the Great East Japan Earthquake will apply to dividends paid from January 1, 2013 to December 31, 2037. Accordingly, the tax rate of 20.315% will apply to dividends paid from January 1, 2014 to December 31, 2037, and the tax rate of 20% will apply to dividends paid from January 1, 2038 onwards.

If the taxation procedure is not terminated only by withholding in Japan, as described above (including a Special Collection), with respect to the amount of tax withheld in Germany, a foreign tax credit may be claimed in accordance with the Tax Convention between Germany and Japan and the Japanese tax laws.

Corporate Income Taxpayers:

Dividends to Beneficial Shareholders (domestic corporations in Japan) are basically included in their gross profits, under the Japanese tax laws.

With respect to dividends to be received through a paying agent in Japan by domestic corporations in Japan, basically, the dividends will be subject to if the dividends are to be received on and after January 1, 2014, a 15% Japanese income tax, on the amounts of the dividends (if the dividends are subject to a withholding tax in Germany or any local public entity thereof when the dividends are paid in Germany, the taxable amounts are the balance of the dividends remaining after collection of the withholding tax in Germany or any local public entity thereof.), to be withheld at source. As is the case with individual income taxpayers, the Special Reconstruction Income Tax will apply to dividends paid from January 1, 2013 to December 31, 2037.

With respect to the amount of tax withheld in Germany, a foreign tax credit may be claimed in accordance with the Tax Convention between Germany and Japan and the Japanese tax laws. In addition, with regard to the amount of tax withheld in Japan as described above, an income tax credit may be claimed in accordance with applicable law.

(2) Capital Gain and Loss

The tax treatment of the capital gain or loss arising from the transaction in the shares of the Company in Japan is generally the same as that of the capital gain or loss from transactions in the shares of Japanese corporation listed in Japan.

(3) Inheritance Tax

Beneficial holders (individuals) of the shares of the Company in Japan who have inherited the shares of the Company by succession or by will are liable for inheritance tax in accordance with the Inheritance Tax Law of Japan. However, they may be entitled to the foreign tax credit, under certain circumstances.

IX. Reference Information

1. Information about Parent Company, etc.

Not Applicable

2. Other Reference Information

The following documents have been filed since the commencement of the relevant year up to the filing date of this securities report.

1 Securities Report and its attachments filed with the Director General of the Kanto Local Finance Bureau on June 17, 2014.

(For the financial year from January 1, 2013 through December 31, 2013)

2 Semi-Annual Report filed with the Director General of the Kanto Local Finance Bureau on September 25, 2014.

(For the period from January 1, 2014 through June 30, 2014)

3 Extraordinary Report

Extraordinary Report filed with the Director General of the Kanto Local Finance Bureau on December 26, 2014 (pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act of Japan and Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of the Contents, etc. of Companies).

4 Amendment

Not applicable.

5 Securities Registration Statement

Not applicable.

6 Amendment to Shelf Registration Statement

Not applicable.

PART 2. INFORMATION CONCERNING GUARANTOR, ETC.

Not applicable.