

Performance measurement system

Value-based management

The performance measurement system used at Daimler is designed to ensure that our investors' interests and expectations are taken into account within the framework of a value-based management system. Value added shows the extent to which the Group and its divisions achieve or exceed the return requirements of the investors, thus creating additional value.

Value added is derived from financial value drivers which, due to their direct relationship to ongoing business operations, are utilized as financial performance indicators for the periodic assessment of the performance of the Group and its divisions.

In this sense, value added can be calculated as the difference between the measure of operating profit (EBIT or net operating profit) and the cost of capital of the average net assets.

➤ B.02

The return on net assets (RONA) is calculated from the ratio of EBIT to net assets. Value is created for our shareholders when RONA exceeds the cost of capital. The required rate of return on net assets, and hence the cost of capital rate, is derived from the minimum rates of return that equity investors and lenders expect on their invested capital. During the year under review, the cost of capital rate of the Group remained unchanged at 8% after taxes. For the automotive divisions, the cost of capital rate remained at 12% before taxes; for Daimler Mobility, a cost of equity of 12% before taxes was applied (2019: 13%). ➤ B.03

The quantitative development of value added and the related financial performance measures is explained in the chapter [Profitability](#).

B.02

Calculation of value added

| | | | | |
|--------------------|---|----------------|---|---|
| Value added | = | Profit measure | - | $\frac{\text{Net assets} \times \text{Cost of capital (\%)}}{\text{Cost of capital}}$ |
|--------------------|---|----------------|---|---|

Financial performance measures

Profit measure

The measure of operating profit at the divisional level is EBIT (earnings before interest and income taxes). EBIT thus reflects the divisions' responsibility for profit and loss. EBIT that is calculated at the Group level takes into account centrally managed matters and eliminations. In order to provide a more transparent presentation of our ongoing business, we additionally calculate and report adjusted EBIT for both the Group and the divisions. The adjustments include individual items if they lead to material effects in a reporting year. These individual items can relate in particular to legal proceedings and related measures, restructuring measures and M&A transactions. Group EBIT minus the centrally managed income taxes equals net operating profit. ➤ B.18 in chapter [Profitability](#)

Return on sales

As one of the main factors influencing value added, return on sales is of particular importance for assessing the automotive divisions' profitability. Return on sales is the ratio of EBIT to revenue, whereby unit sales are the primary source of revenue. The measure of profitability for Daimler Mobility is not return on sales but return on equity (the ratio of EBIT to average equity on a quarterly basis). On the basis of adjusted EBIT, we report an adjusted return on sales (ROS) for the automotive divisions and an adjusted return on equity (ROE) for Daimler Mobility.

Net assets

All assets, liabilities and provisions for which the automotive divisions are responsible in day-to-day operations are allocated to those divisions. Performance measurement at Daimler Mobility is implemented on an equity basis. Net assets at the Group level include the net operating assets of the automotive divisions and the equity of Daimler Mobility, as well as assets and liabilities from income taxes and other reconciliation items which cannot be allocated to the divisions. Average annual net assets are calculated on the basis of average quarterly net assets. ➤ Profitability