Risk and Opportunity Report.

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 two systems are described below.

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Assessment of probability of occurrence and possible impact

Category	Probability of occurrence		
Low	0% <	Probability of occurrence	≤ 33%
Medium	33% <	Probability of occurrence	≤ 66%
High	66% <	Probability of occurrence	< 100%

Category	Possible impact		
Low	€0 ≤	Impact	< €500 million
Medium	€500 million ≤	Impact	< €1 billion
High		Impact	≥ €1 billion

Risk and opportunity management system

The **risk management system** with regard to material risks and existence-threatening risks is integrated into the value-based management and planning system of the Daimler Group. It is an integral part of the overall planning, management and reporting process in the relevant legal entities, divisions and corporate functions. The risk management system is intended to systematically and continually identify, assess, control, monitor and document material risks and risks threatening Daimler's existence, in order to secure the achievement of corporate goals and to enhance risk awareness at the Group.

Opportunity management system at the Daimler Group is derived from the risk management system. The objective of opportunity management is to recognize at an early stage the possible opportunities arising in business activities as a result of positive developments, and to utilize them as optimally as possible for the Group by taking appropriate measures. Taking advantage of opportunities may lead to overachieve planned goals.

Risk assessment in principal is carried out for a two-year planning period, although Daimler also identifies and monitors risks related to a longer period in the discussions for the derivation of medium-term and strategic goals. Within the context of the strategic and operational planning, relevant and feasible opportunities are identified in addition to risks. Those opportunities are considered that are possible but which have not yet been included in the planning. The reporting of risks and opportunities in the management report in principal refer to a period of one year.

In the context of its operational planning, Daimler uses appropriate risk and opportunity categories to identify and assess risks and opportunities for the divisions and operating units, important associated companies, joint ventures, joint operations and the corporate departments. The scope of consolidation for risk and opportunity management corresponds to the scope of consolidation of the consolidated financial statements and goes even beyond if necessary.

Risk assessment takes place on the basis of the probability of occurrence and the possible impact of the risk according to the categories low, medium and high. These categories also apply to the potential impact of opportunities, although an analysis of the probability of occurrence is not conducted here. When assessing the impact of a risk, the effect before measures in relation to EBIT is considered. At the Daimler Group, risks below €500 million are categorized as low, between €500 million and €1 billion as medium and above €1 billion as high. Risk management is based on the principle of completeness. This means that at the level of the individual entities, all specific risks flow into the risk management process. General uncertainties without clear indication of a possible effect on earnings are monitored in the internal control system (ICS). The assessment of the dimensions of the probability of occurrence and possible impact is based on the categories shown in table ↗ B.54.

Quantification of each risk and opportunity category in the Management Report summarizes the individual risks and opportunities for each category. The category descriptions include the explaination of important changes in comparison to the prior year.

The tasks of the employees responsible for risk and opportunity management include, in addition to identification and assessment, the development of measures and the initiation of such measures where appropriate, whereby the goal of such measures is to avoid, reduce or counteract risks. The utilization or enhancement of an opportunity, and its partial or full implementation, also require the application of specific measures. The standard approach here is to assess the cost-effectiveness of the measures before they are implemented. The development of all the risks and opportunities of the individual entities and of the related countermeasures that have been initiated are continually monitored.

Corporate risk management regularly reports on the identified risks and opportunities to the Board of Management and the Supervisory Board. As well as the regular reporting, there is also an internal reporting obligation within the Group for risks arising unexpectedly.

Risk controlling at the Daimler Group takes place at the level of the divisions based on individual risks. If the impact of an individual risk exceeds the amount of €2 billion, this risk is described separately in the Management Report. To the extent not otherwise presented, even in the case of simultaneous occurrence of all individual risks in a risk category, the Group does not expect any effect in this category of more than €3 billion.

The **internal control and risk management system with regard to the accounting process** has the goal of ensuring the correctness and effectiveness of accounting and financial reporting. It is designed in line with the internationally recognized framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Internal Control – Integrated Framework), is continually developed further and is an integral part of the accounting and financial reporting process in all relevant legal entities and corporate functions. The system includes principles and procedures as well as preventive and detective controls. Among other things, it is regularly checked that

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

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

The **organizational embedding and monitoring of risk management** takes place through the risk management organization established at the Group. As previously described in the “Risk management system” section with regard to material risks and risks threatening Daimler’s existence, the divisions, corporate functions and legal entities inquire about the specific risks at regular intervals. This information is passed on to Corporate Risk Management, which processes the information and provides it to the Board of Management and the Supervisory Board as well as to the Group Risk Management Committee (GRMC). In order to ensure the complete presentation and assessment not only of material risks and risks threatening the existence of the Group, but also of the control and risk process with regard to the corporate accounting process, Daimler has established the Group Risk Management Committee. It is composed of representatives of the areas of Finance & Controlling, Accounting, Legal Affairs and Compliance, and is chaired by the Board of Management Member for Finance & Controlling and Daimler Financial Services. The Internal Auditing department contributes material findings on the internal control and risk management system. In addition to fundamental issues, the committee has the following tasks:

- The GRMC defines and shapes the framework conditions with regard to the organization, methods, processes and systems that are needed to ensure a functioning, Group-wide, and thorough control and risk management system.
- The GRMC regularly reviews the effectiveness and functionality of the installed control and risk management processes. Minimum requirements can be laid down in terms of the design of the control processes and of risk management and corrective measures can be initiated as necessary or appropriate to eliminate any system failings or weaknesses exposed.

However, responsibility for operational risk management for risks threatening the existence of the Group and for the control and risk management processes with regard to the corporate accounting process remains directly with the divisions, corporate functions and legal entities. The measures taken by the GRMC ensure that relevant risks and any existing process weaknesses in the corporate accounting process are identified and eliminated as early as possible.

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

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

Risks and opportunities

The following section describes in detail the risks and opportunities that can have a significant influence on the profitability, cash flows and financial position of the Daimler Group. In general, the reporting of risks and opportunities takes place for the individual segments. If no segment is explicitly mentioned, the risks and opportunities described relate to all divisions.

In addition, risks and opportunities that are not yet known about or classified as not material can influence profitability, cash flows and financial position.

Industry and business risks and opportunities

The following section describes in detail the industry and business risks of the Daimler Group. A quantification of these risks and opportunities is shown in table ↗ **B.55**.

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 regard to the **world economy**, Daimler along with the majority of economic research institutes anticipates a slight acceleration of growth in 2015. Economic developments in 2014 are described in detail in the “Economic Conditions and Business Development” section of this Management Report; growth assumptions for 2015 are explained in the “Outlook” section see page 146

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.

B.55

Industry and business risks and opportunities

Risk category	Probability of occurrence	Impact	Opportunity category	Impact
General market risks	Medium	High	General market opportunities	Medium
Risks relating to leasing and sales financing	Low	Low	Opportunities relating to leasing and sales financing	Low
Procurement market risks	Medium	High	Procurement market opportunities	Low
Risks relating to the legal and political framework	Medium	High	Opportunities relating to the legal and political framework	Low

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 CO_2/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 CO_2/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 CO_2 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 CO_2 average of 129 g CO_2/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 CO_2 average of 95 g CO_2/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 CO_2 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 CO_2 per mile as of 2025 (approximately 100 grams CO_2 per kilometer). These new regulations will require an average annual reduction in CO_2 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 CO_2 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 CO_2 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 CO_2/km as of 2017 and not more than 147 g CO_2/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.

Company-specific risks and opportunities

The following section deals with the company-specific risks and opportunities of the Daimler Group. A quantification of these risks and opportunities is shown in table ↗ B.56.

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.

B.56
Company-specific risks and opportunities

Risk category	Probability of occurrence	Impact	Opportunity category	Impact
Production and technology risks	Low	High	Production and technology opportunities	–
Information technology risks	Low	Medium	Information technology opportunities	–
Personnel risks	Medium	High	Personnel opportunities	–
Risks related to equity interests and joint ventures	Low	Medium	Opportunities related to equity interests and joint ventures	Low

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.

Financial risks and opportunities

The following section deals with the financial risks and opportunities of the Daimler Group. Risks and opportunities can have a negative or positive effect, respectively, on the profitability, cash flows and financial position of the Daimler Group. The probability of occurrence and possible impact of these risks and opportunities is presented in table ↗ **B.57**.

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.

B.57
Financial risks and opportunities

Risk category	Probability of occurrence	Impact	Opportunity category	Impact
Exchange rate risks	Low	High	Exchange rate opportunities	High
Interest rate risks	Low	Low	Interest rate opportunities	Low
Commodity price risks	Low	Low	Commodity price opportunities	Low
Credit risks	Low	Low	Credit opportunities	–
Country risks	Low	Low	Country opportunities	–
Risks relating to pension plans	Low	High	Opportunities relating to pension plans	High
Risks from changes in credit ratings	Low	Low	Opportunities from changes in credit ratings	Low

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 and Kamaz). The Group does not include these investments in a market price risk analysis. For more information on equity risks and opportunities, please see the section "Risks and opportunities related to equity interests and joint ventures."

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.

Liquidity risks. Because of the current capital resources and the existing funding facilities, we do not present the liquidity risk in table ↗ **B.57.**

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. The following statements pertain to risks arising from the Group's liquid assets; risks related to leasing and sales financing are addressed on page 137. 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 pensions 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.

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.

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 occured 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.