Interim Report Q2 2014

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Cover photo:
The new S-Class Coupé is at the peak of the Mercedes-Benz model range and once again sets a new benchmark in the segment of luxury coupés. The stylish and unique design combines the classical proportions of a sporty large coupé with modern luxury and pioneering technology. As a world premiere, the S-Class Coupé can also be ordered with the MAGIC BODY CONTROL suspension system with a corner tilting function. Eye-catching headlights with a total of 96 Swarovski crystals are another option for a very special appearance.

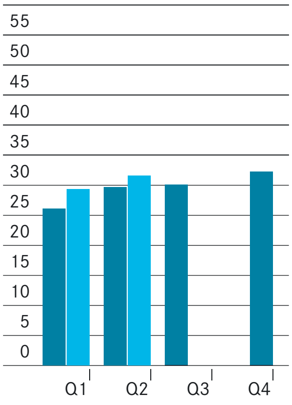
Q2

Key Figures Daimler Group

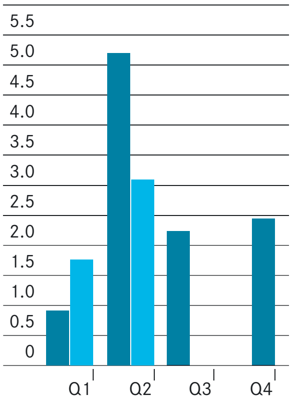
Amounts in millions of euros	Q2 2014	Q2 2013	% change
Revenue	31,544	29,692	+6 [1]
Western Europe	10,852	10,181	+7
thereof Germany	5,277	5,012	+5
NAFTA	9,183	8,387	+9
thereof United States	7,935	7,224	+10
Asia	6,756	5,976	+13
thereof China	3,227	2,819	+14
Other markets	4,753	5,148	-8
Investment in property, plant and equipment	1,045	1,037	+1
Research and development expenditure	1,316	1,371	-4
thereof capitalized development costs	243	355	-32
Free cash flow of the industrial business	753	3,454	-78
EBIT	3,095	5,242	-41
Net profit	2,196	4,583	-52
Earnings per share (in euros)	1.97	2.65	-26
Employees	280,829	274,616 [2]	+2

1 Adjusted for the effects of currency translation, increase in revenue of 11%.
2 As of December 31, 2013.

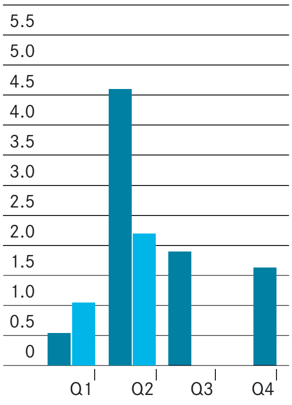
Revenue
In billions of euros



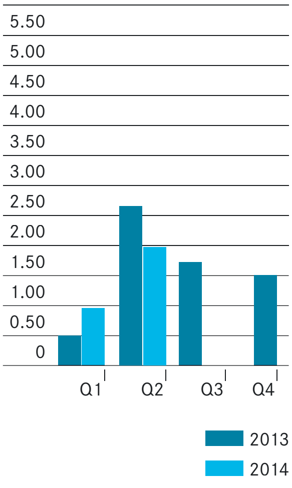
EBIT
In billions of euros



Net profit
In billions of euros



Earnings per share
In euros



Q1-2

Key Figures Daimler Group

Amounts in millions of euros	Q1-2 2014	Q1-2 2013	% change
Revenue	61,001	55,794	+9 [1]
Western Europe	20,908	19,198	+9
thereof Germany	10,090	9,292	+9
NAFTA	17,513	15,916	+10
thereof United States	15,282	13,747	+11
Asia	13,806	11,192	+23
thereof China	6,504	4,971	+31
Other markets	8,774	9,488	-8
Investment in property, plant and equipment	2,088	2,095	-0
Research and development expenditure	2,667	2,731	-2
thereof capitalized development costs	518	674	-23
Free cash flow of the industrial business	1,447	2,302	-37
EBIT	4,882	6,159	-21
Net profit	3,282	5,147	-36
Earnings per share (in euros)	2.93	3.16	-7
Employees	280,829	274,616 [2]	+2

1 Adjusted for the effects of currency translation, increase in revenue of 14%.
2 As of December 31, 2013.

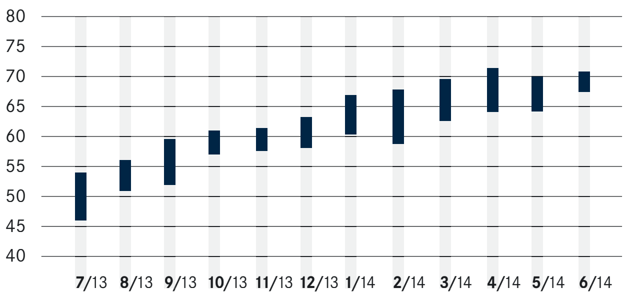
Daimler and the Capital Market.

Key figures

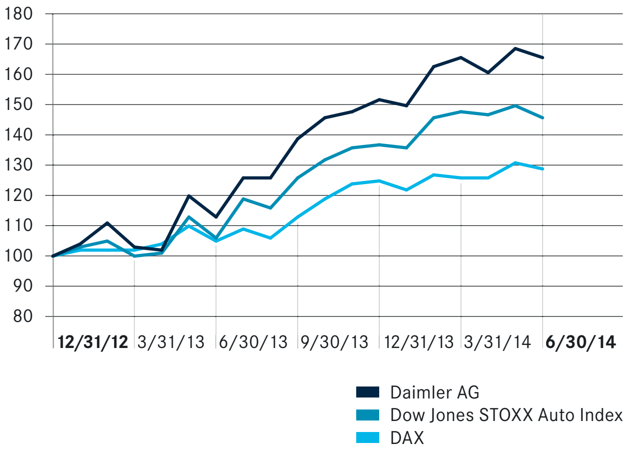
	June 30, 2014	June 30, 2013	% change
Earnings per share in Q2 (in €)	1.97	2.65	-26
Outstanding shares (in millions)	1,069.8	1,069.0	+0
Market capitalization (€ billion)	73.18	49.70	+47
Xetra closing price (€)	68.40	46.49	+47

Daimler share price (highs and lows) in 2013/2014

in €



Share-price development (indexed)



Daimler share price moves sideways in the second quarter

Our share price developed during the second quarter of 2014 in line with the Dow Jones STOXX Auto Index. At the beginning of the quarter, equity markets profited from the expectation that the European Central Bank (ECB) might expand its supporting measures against the backdrop of low inflation. However, increasing concern about the spread of the Ukraine crisis then led to weakening share prices on worldwide stock markets. With its results for the first quarter, Daimler somewhat exceeded analysts' expectations. But in general in this reporting season, most companies' results were in line with market expectations and did not have a positive impact on share prices. Equity markets recovered in the second half of the quarter after the ECB had announced that it would counteract the risk of deflation and the weak development of credit volumes in the euro zone by taking further monetary measures, and both the DAX and the S&P 500 reached new historic levels. Cyclical sectors followed a rather weaker development than the overall market in the second quarter and the automotive sector was not immune to this trend. Daimler's share price stood at €68.40 at closing on June 30, and was thus at the level of the start of the quarter. It developed slightly better than the Dow Jones STOXX Auto Index (-1%) but slightly worse than the DAX (+3%). Taking into consideration the dividend of €2.25 per share decided upon by the Annual Shareholders' Meeting on April 9, 2014, our shareholders benefited from value growth of 3% in the second quarter. Market capitalization at the end of the quarter was €73.2 billion, which was €23.5 billion or 47% higher than a year earlier.

Favorable interest environment used for refinancing

The Daimler Group took advantage of favorable conditions particularly in the sterling market in the second quarter and placed two emissions with a total volume of £650 million. In addition, in early July, Daimler AG issued a ten-year bond in the euro market with a volume of €500 million. In April and July 2014, due to the very favorable market environment, asset-backed securities (ABS) transactions were carried out in the United States with volumes of $2.0 billion and $1.1 billion respectively.

Interim Management Report.

Unit sales above prior-year level at 628,900 vehicles
Revenue up by 6% to €31.5 billion
EBIT from ongoing business significantly higher than in prior year at €2,463 million (Q2 2013: €2,192 million)
Net profit of €2,196 million (Q2 2013: €4,583 million)
Significant growth in unit sales and revenue anticipated for full-year 2014
EBIT from ongoing business expected to be significantly higher than in 2013

Business development

Ongoing expansion of world economy

Although the **world economy** confirmed its general upward trend in the second quarter of 2014, its rate of growth was still relatively low. The most dynamic economic development was probably in the United States, which seems to have expanded significantly after its unexpectedly significant contraction in the first quarter. In Japan, however, demand is now weak following the tax-related purchases brought forward to the first quarter. The leading economic indicators for the European Monetary Union suggest that the revival has continued but is still very moderate and with considerable regional differences. Fortunately, there are many indications that the Chinese economy is continuing its solid growth. But the economic situation has been difficult in other important emerging markets, especially in Russia and Brazil. Increased political risks are a negative factor for the world economy; this is reflected by the high oil price, for example. Despite this rather difficult environment, stock markets rose slightly in the second quarter while the strength of the euro was almost unchanged.

Worldwide demand for cars in the second quarter was stronger than in the prior-year period, supported by ongoing market growth in China and the United States and a moderate market recovery in Western Europe. In China, the stable upward trend continued with double-digit growth rates. The US market became substantially more dynamic following the subdued first quarter and posted growth of 7% compared with the same period of last year. At the same time, sales figures were higher in the second quarter than since 2006. In Western Europe, the moderate upward trend became firmer with an increase in demand of nearly 4%. While the British market continued to expand at a significant rate, the other major markets of Western Europe posted only slight growth. The Japanese market was affected in the second quarter by the recent increase in value-added tax, but the drop in demand of 2% was significantly lower than expected. With the exception of China, demand in the major emerging markets developed unfavorably. The Indian market stabilized and was for the first time in one and a half years slightly above its prior-year level once again. But sales of cars in Russia decreased significantly due to the Ukraine crisis and the related economic weakness.

With just a few exceptions, demand for **medium- and heavy-duty trucks** in the major markets continued to be impacted by difficult market conditions. The European market returned to a lower level in the first half of 2014 after the strong effect of purchases brought forward in late 2013 due to the impending introduction of Euro VI emission regulations. In the second quarter, the market volume just failed to match the relatively weak level of the prior-year period. The Japanese market for light-, medium- and heavy-duty trucks was also influenced by special effects. The increase in value-added tax as of April 1, 2014 led to purchases being brought forward also in this market; a resulting market weakness was only to be observed in April, however. But in the full quarter, the market continued its solid growth trend. The North American market continued to develop favorably in Class 6-8 and surpassed the prior-year level by nearly 10%. In the Brazilian market, the segment of medium- and heavy-duty trucks continued to contract due to the disappointing economic situation. In India, however, there are increasing signs of market stabilization after the significant double-digit decreases in recent quarters. There were still no signs of an end to the market contraction In Russia. According to recent estimates, the market was down on its prior-year level by a double-digit percentage. In China, the effects of the introduction of new emission limits are increasingly apparent. The market contracted in the second quarter compared with the prior-year period.

Demand for **vans** in Europe increased slightly compared with the second quarter of last year. The North American van market benefited from an even stronger recovery. The market for vans in Latin America contracted significantly due to the general economic situation there.

In the second quarter of 2014, the **bus market** in Western Europe developed significantly better than in the prior-year period. Demand decreased overall in Eastern Europe, however, because of the significantly reduced volume in Turkey. Due to the difficult economic situation in Brazil and Argentina, the Latin American market was also smaller than in the second quarter of 2013.

Significant growth in second-quarter unit sales

In the second quarter of this year, the Daimler Group sold 628,900 cars and commercial vehicles worldwide, surpassing the prior-year total by 4%.

Mercedes-Benz Cars achieved a new record for unit sales in the second quarter of 2014. Total sales by the car division grew by 3% to 418,700 units. In a volatile European market environment, Mercedes-Benz Cars performed very well and was able to increase its share of nearly all markets. In Western Europe (excluding Germany), Mercedes-Benz Cars sold 98,700 vehicles, slightly more than the 98,500 sold in the second quarter of last year. In the German market, the division sold 73,200 vehicles (Q2 2013: 79,800). In our biggest export market, the United States, the division was more successful than ever before with sales of 81,900 units, representing growth of 7%. In China, Mercedes-Benz Cars continued its strong development and increased its unit sales by 13% to 68,100 vehicles.

Second-quarter sales of 126,100 units by **Daimler Trucks** were 2% above the prior-year level, whereby regional developments differed greatly. In Western Europe, sales of 13,200 units were 7% lower than in the second quarter of last year, primarily due to purchases being brought forward because of the introduction of Euro VI emission limits at the end of 2013. At the same time, we increased the market share of our Mercedes-Benz vehicles in the medium- and heavy-duty segment by 2.2 percentage points to 26.2%. Our unit sales in Eastern Europe were lower than in the prior-year period, with a particularly sharp decrease in Russia. In Latin America, the current economic situation continued to have a negative impact on demand for trucks. Our sales in that market of 11,900 units were down by 26% compared with the prior-year period. Despite the difficult market environment, we were able to improve our market position in Brazil and achieved a market share of 25.7% (Q2 2013: 24.9%) in the medium- and heavy-duty segment. In the NAFTA region, increased market demand led to an increase in unit sales of 18% to 41,100 vehicles. Our market share in Class 6-8 was 36.0% (Q2 2013: 38.3%), so we once again clearly defended our market leadership. In Asia, our sales of 42,800 units in a highly varied market environment were slightly higher than in the prior-year period. In the overall Japanese truck market, we sold 8,900 FUSO vehicles, slightly more than in the second quarter of 2013, and thus increased our market share to 21.4% (Q2 2013: 19.9%). In India, we succeeded in further improving our market share of the medium- and heavy-duty segment with our BharatBenz vehicles.

In the second quarter of 2014, **Mercedes-Benz Vans** significantly increased its unit sales to 76,000 vehicles (Q2 2013: 69,400). In its core Western Europe region, the van division achieved a strong increase in unit sales of 17% to 49,600 vehicles. Due to the volatile market environment in Turkey, sales of 6,400 units in Eastern Europe did not match the high level of the prior-year period (Q2 2013: 7,200). In the United States, sales of 7,200 units were 18% above the prior-year level. We achieved double-digit growth rates also in China, with growth of 17% to 3,900 units. In Latin America, however, our unit sales decreased significantly compared with the second quarter of last year (-22%).

Daimler Buses' unit sales of 8,100 buses and bus chassis in the second quarter were 2% higher than in the prior-year period. Growth in Western Europe was stimulated by increased demand for complete buses and more than offset the decreasing sales of bus chassis in Latin America. In Western Europe, we sold 1,700 units of the Mercedes-Benz and Setra brands. Due to the current market situation, unit sales in Turkey were lower than in the prior-year period. In Latin America (excluding Mexico), sales of 4,300 units were below the prior-year level (Q2 2013: 4,500). The main factor behind the negative development of our unit sales was the difficult economic situation in Argentina.

At **Daimler Financial Services**, new business increased compared with the prior-year quarter by 12% to €11.5 billion. Contract volume reached €88.1 billion at the end of June and was thus 5% higher than at the end of 2013. The insurance business also continued to develop very positively.

The Daimler Group's second-quarter **revenue** amounted to €31.5 billion, which is 6% higher than in the second quarter of last year. Adjusted for exchange-rate effects, revenue grew by 11%.

Strong demand for automobiles in combination with a favorable model mix at Mercedes-Benz Cars led to revenue rising at a higher rate than unit sales, namely by 9% to €17.8 billion. Revenue of nearly €8.0 billion at Daimler Trucks was at the prior-year level and did not reflect the slight increase in unit sales due in particular to exchange-rate effects. The 2% growth in revenue to €2.5 billion at Mercedes-Benz Vans was also disproportionately low due to currency effects. However, Daimler Buses increased its revenue by 12%, a higher rate than for unit sales, to €1.0 billion. This is primarily a reflection of the higher proportion of complete buses.

C.01
Unit sales by division

	Q2 2014	Q2 2013	% change
Daimler Group	628,857	605,823	+4
Mercedes-Benz Cars	418,685	404,711	+3
Daimler Trucks	126,066	123,763	+2
Mercedes-Benz Vans	76,009	69,436	+9
Daimler Buses	8,097	7,913	+2

C.02
Revenue by division

In millions of euros	Q2 2014	Q2 2013	% change
Daimler Group	31,544	29,692	+6
Mercedes-Benz Cars	17,771	16,324	+9
Daimler Trucks	7,966	7,965	+0
Mercedes-Benz Vans	2,494	2,434	+2
Daimler Buses	1,048	934	+12
Daimler Financial Services	3,828	3,548	+8

Profitability

The **Daimler Group** posted EBIT of €3,095 million for the second quarter of 2014 (Q2 2013: €5,242 million). EBIT from the ongoing business increased significantly to €2,463 million in the second quarter of 2014 (Q2 2013: €2,192 million). ↗ C.03

Unit sales and revenue developed positively at all the divisions in the second quarter of 2014. The current product mix at Mercedes-Benz Cars and the increasing impact of the efficiency measures that have been implemented at all divisions have had a positive effect on operating profit. Foreign exchange rates had a negative impact on earnings, however.

The second quarter of 2014 was influenced by the remeasurement of Daimler's shares in Tesla Motors, Inc. (Tesla) as well as valuation effects from the hedging of Tesla's share price. From these effects, a remeasurement gain of €650 million in total was recognized, which is presented in the reconciliation. EBIT in the second quarter of 2013 was influenced by a gain recognized on the remeasurement and sale of the EADS shares.

The special items shown in table ↗ C.04 affected EBIT in the second quarter and first six months of 2014 and 2013.

C.03
EBIT by segment

In millions of euros	Q2 2014	Q2 2013	% change	Q1-2 2014	Q1-2 2013	% change
Mercedes-Benz Cars	1,409	1,041	+35	2,592	1,501	+73
Daimler Trucks	455	434	+5	796	550	+45
Mercedes-Benz Vans	242	204	+19	365	285	+28
Daimler Buses	50	27	+85	103	-4	.
Daimler Financial Services	336	319	+5	733	633	+16
Reconciliation	603	3,217	-81	293	3,194	-91
Daimler Group	3,095	5,242	-41	4,882	6,159	-21

C.04
Special items affecting EBIT

In millions of euros	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013
Mercedes-Benz Cars				
Impairment of investments in the area of alternative drive systems	-	-43	-	-43
Daimler Trucks				
Workforce adjustments	-71	-82	-76	-95
Mercedes-Benz Vans				
Reversal of impairment of investment in FBAC	61	-	61	-
Daimler Buses				
Business repositioning	-8	-20	-9	-24
Reconciliation				
Remeasurement of Tesla shares	718	-	718	-
Hedge of Tesla share price	-68	-	-229	-
EADS – remeasurement and sale of remaining shares	-	3,209	-	3,209
Measurement of put option for RRPSH	-	-14	-118	-29

Mercedes-Benz Cars' second-quarter EBIT of €1,409 million was significantly higher than the prior-year figure of €1,041 million. The division's return on sales was 7.9% (Q2 2013: 6.4%). ↗ C.03

The earnings development primarily reflects the ongoing growth in unit sales, especially in China and the United States. This growth was driven in particular by the S-Class and the E-Class, as well as by the expanded range of compact cars. Mercedes-Benz Cars achieved earnings growth also as a result of better pricing. Efficiency actions from the "Fit for Leadership" program also had a positive impact on earnings. There were negative effects on earnings from expenses for the enhancement of products' attractiveness, capacity expansions and advance expenditure for new technologies and vehicles. Exchange-rate effects also had a negative impact on earnings.

The EBIT of €455 million posted by **Daimler Trucks** for the second quarter of 2014 was above the prior-year level (Q2 2013: €434 million). The division's return on sales was 5.7% (Q2 2013: 5.4%). ↗ C.03

The main drivers of the stronger earnings were the significant increase in unit sales in the NAFTA region and reduced warranty expenses. Earnings were negatively influenced by the ongoing weak demand in Latin America and exchange-rate effects. An additional factor was that there was no longer a contribution to earnings from Rolls-Royce Power Systems Holding (RRPSH) due to the exercise of the put option. Furthermore, expenses of €71 million arose for workforce adjustments in connection with the ongoing optimization programs in Brazil. The implementation of the "Daimler Trucks #1" efficiency measures had a positive effect on earnings.

Mercedes-Benz Vans achieved second-quarter EBIT of €242 million (Q2 2013: €204 million). The division's return on sales increased to 9.7% from 8.4% in the prior-year period. ↗ C.03

Earnings in the second quarter of this year reflect the positive development of unit sales, especially in Europe and the NAFTA region. Earnings were negatively affected, however, by expenses for the market launch of the new V-Class multipurpose vehicle and the new Vito; exchange-rate effects had an additional negative impact. A positive effect on EBIT of €61 million resulted from the reversal of an impairment of Daimler's investment in the joint venture Fujian Benz Automotive Corporation.

Daimler Buses achieved EBIT of €50 million, which is significantly higher than in the prior-year period (Q2 2013: €27 million), and its return on sales of 4.8% was also a substantial improvement (Q2 2013: 2.9%). ↗ C.03

The improvement in earnings compared with the second quarter of last year reflects the very positive development of unit sales of complete buses and an improved model mix in Western Europe. Exchange-rate effects and further efficiency progress also had a positive impact on earnings. Overall, this was sufficient to more than offset the negative development of the division's business in Latin America and Turkey. The optimization program for business repositioning led to expenses of €8 million (Q2 2013: €20 million).

With EBIT of €336 million, the **Daimler Financial Services** division also surpassed its prior-year earnings (Q2 2013: €319 million). ↗ C.03

The main reason for this earnings growth was the increased contract volume. Exchange-rate effects had a negative impact on EBIT, however.

The **reconciliation** of the divisions' EBIT to Group EBIT comprises income and expenses at the corporate level as well as effects on earnings from the elimination of intra-group transactions between the divisions.

Items at the corporate level resulted in income of €594 million (Q2 2013: €3,189 million). This primarily reflects the remeasurement of shares in Tesla Motors, Inc. with the amount of €718 million resulting from the end of the significant influence on that company. On the other hand, an expense of €68 million was recognized for hedging the price of Tesla shares. The second quarter of 2013 was affected by a gain of €3,209 million on the remeasurement and sale of Daimler's shares in EADS.

The elimination of intra-group transactions resulted in income of €9 million in the second quarter of 2014 (Q2 2013: €28 million).

Net interest expense for the second quarter improved by €26 million to €158 million (Q2 2013: €184 million). Expenses in connection with pension and healthcare benefits obligations were slightly below the prior-year level. Other interest result improved due to the successive expiry of refinancing at high interest rates. There was an opposing effect from lower income from cash deposits and from the measurement of interest-rate hedges.

The expense of €739 million entered under **income-tax expense** increased by €264 million compared with the prior-year period. In the second quarter of last year, the income-tax expense was relatively low compared with pre-tax earnings because the gain on the remeasurement and sale of the EADS shares was largely tax free. Adjusted for this amount, normal taxable earnings increased in the second quarter of 2014 compared with the prior-year period, which led to a correspondingly higher income-tax expense.

Net profit for the second quarter of this year amounted to €2,196 million (Q2 2013: €4,583 million). Net profit of €92 million is **attributable to non-controlling interest** (Q2 2013: €1,749 million); in the year 2013, this primarily resulted from the remeasurement of the EADS shares. Net profit of €2,104 million is **attributable to the shareholders of Daimler AG** (Q2 2013: €2,834 million); **earnings per share** therefore amounted to €1.97 (Q2 2013: €2.65).

The calculation of earnings per share (basic) is based on an average number of outstanding shares of 1,069.8 million (Q2 2013: 1,068.4 million).

The **Daimler Group's** EBIT for the first six months of 2014 amounts to €4,882 million (Q1-2 2013: €6,159 million). ↗ C.03

All the divisions posted a very positive development of unit sales and revenue in the first half of 2014. Additional factors with a positive impact on operating profit were the current product mix at Mercedes-Benz Cars and the increasing effect of the efficiency measures that have been implemented in all divisions. Group EBIT was reduced, however, by slightly negative exchange-rate effects.

The remeasurement and hedging of the Tesla shares resulted in a gain of €489 million in the first half of 2014. On the other hand, the exercise of the option to transfer shares in Rolls-Royce Power Systems Holding GmbH to Rolls-Royce led to an expense of €118 million. The first half of the year 2013 was substantially influenced by the gain realized on the EADS transaction in a total amount of €3,209 million.

The **Mercedes-Benz Cars** division posted EBIT of €2,592 million for the first two quarters of 2014 (Q1-2 2013: €1.501 million). Its return on sales was 7.5% (Q1-2 2013: 4.9%). ↗ C.03

The earnings development primarily reflects the ongoing growth in unit sales, especially in China and the United States. This growth was driven in particular by the S-Class and the E-Class, as well as by the expanded range of compact cars. Mercedes-Benz Cars achieved earnings growth also as a result of better pricing. Efficiency actions from the "Fit for Leadership" program also had a positive impact on earnings. There were negative effects on earnings from expenses for the enhancement of products' attractiveness, capacity expansions and advance expenditure for new technologies and vehicles. Exchange-rate effects also had a negative impact on earnings.

Daimler Trucks achieved EBIT of €796 million for the first half of this year (Q1-2 2013: €550 million) and a return on sales of 5.3% (Q1-2 2013: 3.7%). ↗ C.03

The increase in earnings was mainly the result of the positive development of unit sales in the NAFTA region and Asia. Lower warranty expenses and the implementation of efficiency measures from the "Daimler Trucks #1" program also had a positive effect on earnings. On the other hand, lower unit sales in Latin America and exchange-rate effects had a negative impact. Expenses of €76 million were recognized for workforce adjustments in connection with the ongoing optimization programs in Brazil.

With first-half year EBIT of €365 million, the **Mercedes-Benz Vans** division significantly surpassed its prior-year earnings (Q1-2 2013: €285 million). Its return on sales reached 7.8% (Q1-2 2013: 6.4%). ↗ C.03

The main reasons for this development were significant growth in demand in Europe and the NAFTA region; however, expenses in connection with the launch of the new V-Class and the new Vito influenced earnings. Exchange-rate effects had an additional negative impact. Earnings were boosted by a gain of €61 million on the reversal of an impairment of Daimler's investment in the Chinese joint venture Fujian Benz Automotive Corporation.

The **Daimler Buses** division achieved EBIT for the first six months of this year of €103 million (Q1-2 2013: EBIT of minus €4 million). Its return on sales was 5.4% (Q1-2 2013: minus 0.2%). ↗ C.03

Operating profit increased due to the positive development of the business with complete buses as well as significant efficiency progress. The optimization program for business repositioning resulted in expenses of €9 million in the first half 2014 (Q1-2 2013: €24 million).

Earnings by the **Daimler Financial Services** division of €733 million for the first two quarters of 2014 were significantly higher than in the prior-year period (Q1-2 2013: €633 million). ↗ C.03

The main reasons for this earnings growth were the increased contract volume and a gain of €45 million on the sale of a non-automotive-related asset in the United States. However, exchange-rate effects had a negative impact on EBIT.

Items included in the **reconciliation** from the EBIT of the divisions to Group EBIT had a total overall positive impact of €293 million in the first half of this year (Q1-2 2013: €3,194 million).

Items at corporate level resulted in income of €280 million (Q1-2 2013: income of €3,132 million). This includes the gain of €718 million recognized on the remeasurement of Daimler's Tesla shares. This remeasurement had to be carried out as Daimler no longer had a significant influence on that company. On the other hand, an expense of €229 million was recognized from hedging the Tesla share price. In March 2014, the Board of Management and the Supervisory Board decided to transfer Daimler's 50% interest in RRPSH to the partner Rolls-Royce Holdings plc. In this context, Daimler exercised the put option on the investment in RRPSH agreed upon in 2011; this resulted in an expense of €118 million in the first half of 2014. In mid-April 2014, the sale of the shares in RRPSH was agreed upon for a price of €2.43 billion; the carrying amount of the investment at March 31, 2014 was €1.42 billion. The transaction is expected to be closed by the end of 2014 but is still subject to the approval of the antitrust and foreign-trade authorities.

Until the sale of Daimler's remaining shares in EADS in the second quarter of 2013, income and expenses at the corporate level also included Daimler's proportionate share of the earnings of the equity-method investment in EADS, which amounted to €49 million in the first half of 2013. Furthermore, earnings in the first half of 2013 were boosted by a total gain of €3.2 billion on the remeasurement and sale of the remaining EADS shares.

The elimination of intra-group transactions resulted in income of €13 million in the first two quarters of 2014 (Q1-2 2013: €62 million).

Net interest expense in the first half of 2014 improved by €48 million to €293 million (Q1-2 2013: €341 million). Expenses in connection with pension and healthcare benefits obligations were unchanged compared with the prior-year level. Other interest result improved due to the successive expiry of refinancing at high interest rates. There was an opposing effect from lower income from cash deposits and from the measurement of interest-rate hedges.

The expense of €1,303 million entered under **income-tax expense** increased by €632 million compared with the prior-year period. In the first half of last year, the income-tax expense was relatively low compared with pre-tax earnings, as the gain recognized on the remeasurement and sale of the EADS shares was largely tax free. Adjusted for this amount, normal taxable earnings increased in the first two quarters of 2014 compared with the prior-year period, which led to a correspondingly higher income-tax expense.

Net profit decreased in the first six months of 2014 to €3,282 million (Q1-2 2013: €5,147 million). Profit **attributable to non-controlling interest** amounted to €151 million (Q1-2 2013: €1,777 million); in the year 2013, this primarily resulted from the remeasurement of the EADS shares. Net profit of €3,131 million is **attributable to the shareholders of Daimler AG** (Q1-2 2013: €3,370 million); **earnings per share** decreased to €2.93 (Q1-2 2013: €3.16).

The calculation of earnings per share (basic) is based on an average number of outstanding shares of 1,069.8 million (Q1-2 2013: 1,068.0 million).

Cash flows

Cash provided by operating activities ↗ C.05 of €1.6 billion in the first half of 2014 was at the level of the prior-year period. Profit before income taxes included a non-cash gain on the remeasurement and an expense from hedging the price of Tesla shares in a net amount of €0.5 billion in the first half of 2014; in the first half of 2013, it included a non-cash gain of €3.4 billion on the remeasurement of the EADS shares. Adjusted for these effects, profit before income taxes improved compared with the prior-year period. The development of working capital had an opposing effect. The comparatively higher inventory increase and the lower increase in trade payables was not fully offset by the development of trade receivables. Growth in new business in leasing and sales financing once again surpassed the high level of the prior-year period. Another factor was that the positive business development in the first half of 2014 led to higher income-tax payments.

C.05

Condensed consolidated statement of cash flows

In millions of euros	Q1-2 2014	Q1-2 2013	Change
Cash and cash equivalents at beginning of period	11,053	10,996	+57
Cash provided by operating activities	1,641	1,570	+71
Cash used for investing activities	-1,758	-2,716	+958
Cash provided by/used for financing activities	-163	1,807	-1,970
Effect of exchange-rate changes on cash and cash equivalents	21	-50	+71
Cash and cash equivalents at end of period	10,794	11,607	-813

C.06

Free cash flow of the industrial business

In millions of euros	Q1-2 2014	Q1-2 2013	Change
Cash provided by operating activities	4,082	3,430	+652
Cash used for investing activities	-1,957	-2,640	+683
Change in marketable debt securities	-722	1,639	-2,361
Other adjustments	44	-127	+171
Free cash flow of the industrial business	1,447	2,302	-855

C.07

Net liquidity of the industrial business

In millions of euros	June 30, 2014	Dec. 31, 2013	Change
Cash and cash equivalents	9,487	9,845	-358
Marketable debt securities	4,597	5,303	-706
Liquidity	14,084	15,148	-1,064
Financing liabilities	-1,688	-1,324	-364
Market valuation and currency hedges for financing liabilities	300	10	+290
Financing liabilities (nominal)	-1,388	-1,314	-74
Net liquidity	12,696	13,834	-1,138

C.08

Net debt of the Daimler Group

In millions of euros	June 30, 2014	Dec. 31, 2013	Change
Cash and cash equivalents	10,794	11,053	-259
Marketable debt securities	6,115	7,066	-951
Liquidity	16,909	18,119	-1,210
Financing liabilities	-81,453	-77,738	-3,715
Market valuation and currency hedges for financing liabilities	289	-3	+292
Financing liabilities (nominal)	-81,164	-77,741	-3,423
Net liquidity	-64,255	-59,622	-4,633

Cash used for investing activities ↗ C.05 amounted to €1.8 billion (Q1-2 2013: €2.7 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 the reporting period, whereas acquisitions of securities significantly exceeded disposals in the prior-year period. In addition, the slight decrease in 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 remained at the high level of the previous years. While the sale of the remaining EADS shares (€2.2 billion) and the capital increase at Beijing Benz Automotive Co., Ltd. (BBAC) (€0.2 billion) had a major impact on cash used for investing activities in the first half of 2013, there were only small cash outflows for investments in equity interests in the first half of 2014.

Cash provided by / used for financing activities ↗ C.05 resulted in a cash outflow of €0.2 billion (Q1-2 2013: cash inflow of €1.8 billion). The change resulted almost solely from the reduction in financing liabilities (net). Increased dividend payments to minority shareholders of subsidiaries and to the shareholders of Daimler AG were another factor.

Cash and cash equivalents decreased compared with December 31, 2013 by €0.3 billion, after taking currency translation into account. Total liquidity, which also includes marketable debt securities, decreased by €1.2 billion to €16.9 billion.

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** ↗ C.06, 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, effects from the financing of dealerships within the Group are adjusted. 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 the loss of control.

The free cash flow amounted to €1.4 billion in the first half of 2014. The positive profit contributions of the automotive divisions were offset by the increase in working capital, defined as the net change in inventories, trade receivables and trade payables, in a total amount of €0.7 billion. Positive effects resulted from the sale of trade receivables of companies in the industrial business to Daimler Financial Services. There were negative effects on the free cash flow of the industrial business from high investments in property, plant and equipment and intangible assets, income-tax payments and interest payments.

The decrease in free cash flow of €0.9 billion was mainly due to the proceeds of €2.2 billion in the prior-year period from the sale of the remaining EADS shares. Furthermore, income-tax payments and interest payments increased. On the other hand, higher profit contributions from the automotive divisions and lower investments in intangible assets had positive effects.

The **net liquidity of the industrial business** ↗ C.07 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.

Compared with December 31, 2013, the net liquidity of the industrial business decreased by €1.1 billion to €12.7 billion. The decrease mainly reflects the dividend payments to the shareholders of Daimler AG (€2.4 billion) and to the minority interest of subsidiaries (€0.2 billion). On the other hand, the free cash flow of €1.4 billion had a positive effect on net liquidity.

Net debt at Group level, which primarily results from the refinancing of the leasing and sales financing business, decreased by €4.6 billion compared with December 31, 2013. ↗ C.08

The Daimler Group once again utilized the attractive conditions in the international money and capital markets in the first half of 2014 for **refinancing**.

In the first two quarters of 2014, Daimler had a cash inflow of €6.8 billion from the issuance of bonds (Q1-2 2013: €6.7 billion). Outflows for the redemption of maturing bonds amounted to €5.8 billion (Q1-2 2013: €3.0 billion). ↗ C.09

In addition to the emissions shown in the table ↗ C.09, we undertook multiple smaller emissions in various countries and currencies. In particular, favorable conditions in the sterling market were utilized in the second quarter of 2014.

In addition, Daimler AG issued a ten-year bond in a volume of €500 million in the euro market in early July.

In April and July 2014, **asset-backed securities (ABS) transactions** were conducted in the United States in volumes of approximately $2.0 billion and $1.1 billion respectively, due to the very favorable market environment there.

C.09
Benchmark emissions

Issuer	Volume	Month of emission	Maturity
Daimler AG	€750 million	Jan. 2014	Jan. 2022
Daimler Finance North America	$1,500 million	Mar. 2014	Mar. 2017
Daimler Finance North America	$650 million	Mar. 2014	Mar. 2021
Daimler AG	£400 million	May 2014	Dec. 2016

Financial position

The Group's **balance sheet total** increased compared with December 31, 2013 from €168.5 billion to €176.0 billion. Adjusted for exchange-rate effects, there was an increase of €5.9 billion. Daimler Financial Services accounts for €93.8 billion of the balance sheet total (December 31, 2013: €89.4 billion), equivalent to 53% of the Daimler Group's total assets, as at December 31, 2013.

The increase in total assets is primarily due to high inventories and the increased financial services business. On the liabilities side of the balance sheet, financial liabilities and provisions increased in particular. Current assets account for 42% of total assets, as at December 31, 2013. Current liabilities are also unchanged at 35% of total equity and liabilities.

C.10

Condensed consolidated statement of financial position

In millions of euros	June 30, 2014	Dec. 31, 2013	% change
Assets			
Intangible assets	9,278	9,388	-1
Property, plant and equipment	22,191	21,779	+2
Equipment on operating leases and receivables from financial services	83,321	78,930	+6
Investments accounted for using the equity method	2,041	3,432	-41
Inventories	19,818	17,349	+14
Trade receivables	7,657	7,803	-2
Cash and cash equivalents	10,794	11,053	-2
Marketable debt securities	6,115	7,066	-13
Other financial assets	7,358	6,241	+18
Other assets	6,027	5,477	+10
Assets held for sale	1,415	-	-
Total assets	176,015	168,518	+4
Equity and liabilities			
Equity	42,720	43,363	-1
Provisions	24,434	23,098	+6
Financing liabilities	81,453	77,738	+5
Trade payables	10,403	9,086	+14
Other financial liabilities	9,641	8,276	+16
Other liabilities	7,364	6,957	+6
Total equity and liabilities	176,015	168,518	+4

Intangible assets of €9.3 billion include €7.2 billion of capitalized development costs (December 31, 2013: €7.3 billion) and €0.7 billion of goodwill. The Mercedes-Benz Cars division accounts for 68% of the development costs and the Daimler Trucks division accounts for 23%.

Capital expenditure was higher than depreciation, causing **property, plant and equipment** to rise to €22.2 billion (December 31, 2013: €21.8 billion). In the first half of 2014, a total of €2.1 billion was invested primarily at the sites in Germany for the ramp-up of new products, the expansion of production capacities and modernization.

Equipment on operating leases and receivables from financial services increased to €83.3 billion (December 31, 2013: €78.9 billion). This increase adjusted for exchange-rate effects of €3.3 billion was the result of higher new business at Daimler Financial Services. Those assets' share of total assets of 47% is at the level of December 31, 2013.

Investments accounted for using the equity method of €2.0 billion (December 31, 2013: €3.4 billion) mainly comprise the carrying amounts of our investments in the Chinese companies Beijing Benz Automotive Co., Ltd. and BAIC Motor Corporation Ltd. in the automotive business and in Beijing Foton Daimler Automotive Co., Ltd. and Kamaz OAO in the truck business. With the decision of the Board of Management and Supervisory Board of Daimler AG to transfer the 50% equity interest in the joint venture company Rolls-Royce Power Systems Holding GmbH to the partner Rolls-Royce Holdings plc, this investment is presented separately under **"Assets held for sale."**

Inventories increased from €17.3 billion to €19.8 billion, equivalent to 11% of total assets (December 31, 2013: 10%). The increase was due in particular to the development of production during the year to date and the launch of new models. This resulted primarily at the Mercedes-Benz Cars, Daimler Trucks and Mercedes-Benz Vans divisions in increased stocks of finished and unfinished goods in Germany and the United States.

Trade receivables decreased by €0.1 billion to €7.7 billion. The Mercedes-Benz Cars division accounts for 44% of these receivables and the Daimler Trucks division accounts for 34%.

Cash and cash equivalents decreased compared with the end of the year 2013 by €0.3 billion to €10.8 billion.

Marketable debt securities decreased compared with December 31, 2013 from €7.1 billion to €6.1 billion. Those assets include the debt instruments that are allocated to liquidity, most of which are publicly traded. They generally have an external rating of A or better.

Other financial assets increased by €1.1 billion to €7.4 billion. The increase is primarily related to the shares in Tesla, which were remeasured at fair value on the basis of their stock-market price after Daimler lost its significant influence on the company. In addition, other financial assets mainly comprise investments – in Renault and Nissan for example – and derivative financial instruments, as well as loans and other receivables due from third parties.

Other assets of €6.0 billion (December 31, 2013: €5.5 billion) primarily comprise deferred tax assets and tax refund claims.

The Group's **equity** decreased compared with December 31, 2013 from €43.4 billion to €42.7 billion. Equity attributable to the shareholders of Daimler AG decreased to €42.0 billion (December 31, 2013: €42.7 billion). The net profit of €3.3 billion was offset by the distribution of the dividend for financial year 2013 to the shareholders of Daimler AG in an amount of €2.4 billion and actuarial losses from defined-benefit pension plans (€1.2 billion), which are accounted for under retained earnings.

The **equity ratio** was 24.3% for the Group, as at December 31, 2013, and 43.3% for the industrial business (December 31, 2013: 43.4%). The equity ratios for the year 2013 are adjusted for the dividend payment.

Provisions increased to €24.4 billion (December 31, 2013: €23.1 billion), equivalent to 14% of the balance sheet total, as at the end of 2013. They primarily comprise provisions for pensions and similar obligations of €11.6 billion (December 31, 2013: €9.9 billion) as well as liabilities from product warranties of €4.7 billion (December 31, 2013: €4.7 billion), from personnel and social costs of €3.0 billion (December 31, 2013: €3.2 billion) and from income taxes of €1.2 billion (December 31, 2013: €1.3 billion). The increase in provisions was mainly caused by provisions for pensions and similar obligations and primarily relates to the decrease in discount rates.

Financing liabilities of €81.5 billion were above the level of December 31, 2013 (€77.7 billion). The increase adjusted for exchange-rate effects of €2.8 billion primarily reflects the growing leasing and sales-financing business. 50% of the financing liabilities are accounted for by bonds, 26% by liabilities to financial institutions, 14% by deposits in the direct banking business, and 7% by liabilities from ABS transactions.

Trade payables increased to €10.4 billion due to changes in production volumes during the year (December 31, 2013: €9.1 billion). The Mercedes-Benz Cars division accounts for 60% of these payables and the Daimler Trucks division accounts for 28%.

Other financial liabilities amount to €9.6 billion (December 31, 2013: €8.3 billion). They mainly consist of liabilities from residual value guarantees, accrued interest expenses on financing liabilities, deposits received, liabilities from wages and salaries, and derivative financial instruments.

Other liabilities of €7.4 billion (December 31, 2013: €7.0 billion) primarily comprise deferred income, tax liabilities and deferred taxes.

Further information on the Group's assets, equity and liabilities is provided in the consolidated statement of financial position, the consolidated statement of changes in equity and the relevant notes in the Notes to the Interim Consolidated Financial Statements.

The **funded status of pension obligations**, defined as the difference between the present value of the pension obligations and the fair value of pension plan assets, amounted to minus €10.6 billion at June 30, 2014, compared with minus €8.6 billion at December 31, 2013. At June 30, 2014, the present value of the Group's pension obligations amounted to €25.8 billion (December 31, 2013: €23.2 billion). The increase resulted primarily from the decrease in discount rates, primarily for the German plans from 3.4% at December 31, 2013 to 2.7% at June 30, 2014. The fair value of plan assets available to finance the pension obligations increased from €14.7 billion to €15.2 billion at June 30, 2014. In total, actuarial losses from defined benefit pension plans, which are recognized in equity under retained earnings, increased by €1.7 billion before taxes.

Capital expenditure and research activities

The Daimler Group invested €2.1 billion in property, plant and equipment in the first six months of this year (Q1-2 2013: €2.1 billion). Most of that investment volume, €1.6 billion, was at the Mercedes-Benz Cars division (Q1-2 2013: €1.6 billion). The main area of capital expenditure was on production preparations for new models, in particular the new C-Class and its derivatives, the CLA Shooting Brake, the new models from AMG and smart, as well as investments for new transmissions and engine versions. Another area of capital expenditure was for the ongoing expansion of our international production and component plants.

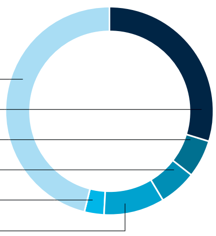
The Daimler Group's research and development spending in the first half of the year amounted to €2.7 billion (Q1-2 2013: €2.7 billion), of which €0.5 billion was capitalized (Q1-2 2013: €0.7 billion). Approximately two thirds of the research and development spending was at the Mercedes-Benz Cars segment. The main areas were new vehicle models, particularly fuel-efficient and environmentally friendly drive systems and new safety technologies.

Workforce

At the end of the second quarter of 2014, Daimler employed 280,829 people worldwide (end of 2013: 274,616). Of that total, 170,649 were employed in Germany (end of 2013: 167,447); this includes the effects of employing vacation workers due to the good demand situation. 22,193 people were employed in the United States (end of 2013: 20,993), 12,668 in Brazil (end of 2013: 14,091) and 11,585 in Japan (end of 2013: 11,275). Our consolidated companies in China had 2,215 employees at the end of the second quarter (end of 2013: 1,966). Due to reorganization in the context of the Customer Dedication initiative, the numbers of employees previously reported under "Sales Organization" are included in the respective divisions as of 2014. This does not apply, however, to the Group's own sales and service centers in Germany and the logistics center in Germersheim, whose employees are included under "Group Functions & Services" as of 2014.

C.11
Employees by division

Daimler Group	280,829
Mercedes-Benz Cars	129,651
Daimler Trucks	83,960
Mercedes-Benz Vans	16,276
Daimler Buses	16,214
Daimler Financial Services	8,488
Group functions & Services	26,240



Important events

Changes in the Supervisory Board
As of the end of the Annual Shareholders' Meeting held on April 9, 2014, the periods of office ended of Gerard Kleisterlee, Lloyd G. Trotter and Dr. h.c. Bernhard Walter as members of the Supervisory Board representing the shareholders. The Annual Shareholders' Meeting elected Dr. Bernd Bohr, Joe Kaeser and Dr. Bernd Pischetsrieder to the Supervisory Board as their successors for a period of five years.

Effective as of May 1, 2014, the Supervisory Board of Daimler AG elected Michael Brecht as the new Deputy Chairman of the Supervisory Board and thus as the principle representative of the employees in this board. He succeeds to Erich Klemm, who took early retirement and stepped down from the Supervisory Board as of April 30, 2014, after 44 years at the company and 26 years as a member of the Supervisory Board.

Daimler expands cooperation with Renault-Nissan
On June 27, 2014, Renault-Nissan and Daimler AG announced an agreement on the joint development of premium compact vehicles and a shared production facility in Mexico.

A new 50:50 joint venture is responsible for the construction and operation of the new plant in Aguascalientes in north-central Mexico. The new plant will be immediately adjacent to an existing Nissan plant and will have an annual capacity of 300,000 vehicles after the ramp-up phase.

The start of production with Infiniti models is planned for the year 2017. The production of Mercedes-Benz brand vehicles will follow as of 2018.

Risk and opportunity report

The risks and opportunities that can have a significant influence on the profitability, cash flows and financial position of the Daimler Group as well as detailed information on our risk and opportunity management system are presented on pages 129 to 141 of our Annual Report 2013. Otherwise, we refer to the notes on forward-looking statements provided at the end of this Interim Management Report.

At the beginning of the third quarter of 2014, economic risks for the world economy have increased somewhat, mainly reflecting increased political risks. Those risks are on the one hand the possible escalation of tension between Russia and the Western countries, primarily in the form of an accelerating spiral of sanctions and countersanctions. On the other hand, the considerable tension in the Middle East constitutes a threat for the development of the oil price. In particular, those economies that depend on cash inflows due to their foreign-trade imbalances remain susceptible to growth slowdowns. In the United States, there was a surprising decrease in gross domestic product in the first quarter, raising doubts about the sustainability and dynamism of the upswing. The peripheral countries of the European Monetary Union have so far remained rather stable, but we are still far from a full all clear with regard to the sovereign-debt crisis and deflationary risks still exist in this region. In China, there is undiminished concern about the possibility of uncontrolled developments in the financial market caused by a bursting of the credit bubble, the insolvency of various investment products or a crash of the real-estate market. Furthermore, the restructuring of the Chinese economy continues to entail the risk of a “hard landing.” On the opportunities side, the main potential is of a quick improvement and rapid economic recovery of the emerging markets. Should political tension in the Middle East quickly subside, there would be positive effects from a falling oil price.

Apart from the aforementioned factors, our assessment of risks and opportunities has not changed significantly since publication of Annual Report 2013.

Outlook

At the beginning of the third quarter, the prospects of a continuation of the world economic upswing are generally still intact. However, the available leading indicators give no cause to expect significant acceleration. In combination with the rather moderate economic development in the first half of the year, the anticipated growth rate for global economic output in full-year 2014 has decreased slightly. At the beginning of the year, a rate of well above 3% was expected; meanwhile, it has become less likely that this magnitude will be achieved. It must therefore be assumed that the economies of the industrialized countries will grow faster than last year, while the developing economies in the emerging markets will generally post lower growth rates. The surprisingly significant contraction of the US economy in the first quarter reduced the starting level so much that even with the assumed lively domestic demand in the next quarters, GDP is likely to grow at just under 2% in 2014. For the European Monetary Union, the economic outlook is largely unchanged with expected growth of approximately 1% this year. Regional developments will differ significantly, however. The outlook for the German economy of about 2% growth is very positive, but forecasts for Spain and Portugal have also improved perceptibly. Growth prospects for countries such as Italy or France are significantly less favorable, however. It is highly likely that the economy of the United Kingdom will enjoy the strongest growth in Western Europe, with a rate approaching 3%. Despite ongoing concern about the stability of the financial market, the Chinese economy should be able to achieve growth of 7-7.5% this year. In the other emerging markets, overall economic growth rates should improve again slightly in the second half of the year. But major economies such as Brazil, India, South Africa and Turkey remain well below their growth potential. For the Russian economy, an unfavorable development could even lead to recession. In view of the existing risks, the further development of the world economy remains fragile and susceptible to external disturbances.

According to current assessments, **worldwide demand for cars** is likely to grow by approximately 4% in 2014. Once again, the most important growth driver will be the Chinese market, which is expected to expand at a double-digit rate also this year. The US market will also deliver significant contribution to growth, although it will not expand at the same rate as in recent years. But with a probable market volume of just over 16 million cars and light trucks, the market will return to the level that it last achieved before the financial crisis occurred. Demand in Western Europe will also increase, after several years of a contracting overall market, but this growth will be only moderate despite the low starting point. Developments are varied in the key markets of Western Europe. Demand in the United Kingdom should increase again significantly. Only moderate growth is anticipated in Germany, however, and the French market is likely to remain at its weak prior-year level. In Japan, the negative effect of the increase in value-added tax was considerably less pronounced than had been assumed, so from today’s perspective, this year’s market volume should in fact equal the prior-year level. In the major emerging markets (excluding China), we continue to assume that the lack of economic dynamism will also have an impact on the development of demand for cars. The Russian market is likely to contract perceptibly, although the premium segment should continue to develop better than the overall market. In India, risks have decreased recently, so we maintain our forecast of a moderate market recovery.

From today's perspective, **global demand for medium- and heavy-duty trucks** in the year 2014 can only be expected at around the level of last year. With the exception of the North American market, difficult market conditions are still anticipated for most of the major markets. In the NAFTA region, we expect an ongoing positive market development in the second half of 2014 and market growth of around 10% in the full year. In the European market, demand has weakened as expected after the end of purchases brought forward because of the new Euro VI emission limits. A crucial factor for the second half of the year will be the extent to which the moderate economic recovery can offset this negative effect. From today's perspective, we expect market contraction of at least 5% in 2014. The Japanese market for light-, medium- and heavy-duty trucks should expand by around 5% in the full year, despite the increase in value-added tax. In Brazil, however, the market is likely to contract by at least 10% due to the country's ongoing weak economy. Despite the recent stabilization in India, we expect demand for trucks to decrease perceptibly again also in that market. And according to current assessments, the Russian market will also contract significantly once again this year. In China, new emission regulations are hindering the market's development. Demand this year should be only around the level of 2013.

We assume that overall demand in Europe for medium-sized and large **vans** will recover slightly in 2014, although market developments are likely to differ greatly in the various countries. For small vans, we anticipate a market volume in Europe in the magnitude of the previous year. In the United States, we expect demand for large vans to increase significantly in the year 2014, and we anticipate a further revival of demand also in China. In Latin America, we assume that the market for large vans will contract in the full year.

We anticipate a market volume for **buses** in Western Europe in 2014 that is slightly above the level of the previous year. Due to the difficult economic situation in Brazil and Argentina, we assume that demand for buses will decrease significantly in Latin America.

On the basis of the divisions' planning, Daimler expects its **total unit sales** to increase significantly in the year 2014.

After the strongest half year in the company's history, **Mercedes-Benz Cars** assumes that it will significantly increase its unit sales also in full-year 2014 and will set a new record. Following the market launch in Europe of the C-Class sedan and the GLA, a compact SUV, the division will continue its model offensive in the coming months. In the fall, the market launch of the C-Class sedan in the high-volume markets of the United States and China will provide a significant growth boost. The wagon version of the C-Class will accelerate this momentum as soon as it is launched on the important European market in September. Mercedes-Benz is setting another milestone on the way to emission-free mobility with the S 500 PLUG-IN HYBRID, which is based on the modular hybrid system. The hybrid version of the S-Class will be launched in September. Also in the fall, the S-Class Coupé will further expand the Mercedes-Benz luxury segment. In July, the new smart fortwo and smart forfour had their world premieres; the first of those models will be available on the market as of November.

Daimler Trucks anticipates a slight increase in overall unit sales in the year 2014. In Western Europe, we expect a negative impact on the full year from the purchases brought forward to the year 2013 due to the introduction of the new Euro VI emission regulations. We therefore assume that the demand situation will not normalize before the end of the year and will be lower than in 2013. But we intend to further strengthen our very good market position with the new Mercedes-Benz model range. In Eastern Europe, the politically tense situation entails sales risks for the rest of the year. In the Brazilian market, we anticipate a further significant drop in demand due to the current economic situation. The extensive optimization measures we are taking, which involve the investment of approximately €300 million mainly in our production facilities and new products by the end of 2015, should further strengthen our market position. We anticipate a negative economic development also in some neighboring countries. Our unit sales in the NAFTA region should develop positively in view of the expected market growth and should be significantly higher than in the year 2013. In Japan, we will participate in the anticipated market growth. Our expanded BharatBenz model range in India should also make an important contribution to our growth in unit sales. Additional growth opportunities will result from our integrated Asia Business Model. For example, our vehicles of the FUSO brand from India will increasingly be sold in the upcoming markets of Africa and Southeast Asia in the future.

Mercedes-Benz Vans assumes that its unit sales will increase significantly in full-year 2014. We expect significant growth in unit sales of mid-sized and large vans in Europe; the new Sprinter as well as the new Vito and the V-Class will stimulate additional demand. Unit sales in Latin America are likely to be lower, however, due to the difficult economic situation there. We anticipate a further increase in unit sales of the Citan.

Daimler Buses now expects unit sales in the year 2014 to be slightly lower than in the previous year, although the proportion of complete buses should develop positively. In Western Europe, Daimler Buses anticipates significant expansion of its business with complete buses this year. Due to the worsening economic situation in Brazil and Argentina, unit sales of bus chassis in Latin America are expected to be slightly below the prior-year level.

Daimler Financial Services anticipates significant growth in new business and contract volume in 2014. The key growth drivers are the product offensives and market developments in the automotive divisions, effective marketing directed at younger target groups, the expansion of business especially in Asia, the further development of our online sales channels and the expansion of innovative mobility services.

We assume that the **Daimler Group's revenue** will increase significantly in the year 2014. In regional terms, we anticipate above-average growth rates in North America and China.

On the basis of the anticipated market development, the aforementioned factors and the planning of our divisions, we assume that **EBIT from the ongoing business** will increase significantly in the year 2014. We expect EBIT from the ongoing business to be higher in the second half of the year than in the first.

For the individual divisions, we aim to achieve the following EBIT targets from the ongoing business in full-year 2014:
– Mercedes-Benz Cars: significantly above the prior-year level,
– Daimler Trucks: significantly above the prior-year level,
– Mercedes-Benz Vans: at the prior-year level,
– Daimler Buses: significantly above the prior-year level, and
– Daimler Financial Services: slightly above the prior-year level.

The remeasurement at fair value of our equity interest in Tesla Motors and the hedge of its share price resulted in an EBIT contribution of €0.65 billion in the second quarter, which is not attributable to the ongoing business. Furthermore, we expect the sale of our shares in Rolls-Royce Power Systems Holding GmbH to result in a contribution to earnings of €1.0 billion in the second half of the year.

The anticipated development of earnings in the automotive divisions will also have a positive impact on the **free cash flow of the industrial business** in 2014. When comparing with the prior-year figure, however, it is necessary to consider the fact that the free cash flow of €4.8 billion in the year 2013 included a cash inflow of €2.2 billion from the successful EADS transaction and a cash outflow of €0.6 billion for the acquisition of a 12% equity interest in BAIC Motor. Furthermore, reporting-date effects positively affected the free cash flow in 2013; these will be partially offset during 2014. In combination with ongoing high investment and research and development spending, we expect the free cash flow of the industrial business adjusted for the effects of acquisitions and disposals of equity interests to be significantly lower in 2014 than in 2013. Subject to the approval of the relevant authorities, we anticipate a cash inflow of €2.43 billion from the sale of our shares in Rolls-Royce Power Systems Holding GmbH in 2014.

In order to achieve our ambitious growth targets, we will once again slightly increase our already very high **investment in property, plant and equipment** in the year 2014 (2013: €5.0 billion). All the automotive divisions will contribute to this increase. In addition to capital expenditure, we are developing our position in the emerging markets by means of targeted financial investments in joint ventures and equity interests.

We expect our **research and development expenditure** also to be slightly higher than the prior-year figure of €5.5 billion. Key projects include the successor models of the E-Class and M-Class and our next generation of compact cars. In our cars business, we are also investing substantial amounts in new economical engines with low emissions, alternative drive systems and innovative safety technologies. Increased fuel efficiency and further reductions in engine emissions are important areas of research and development also at the other automotive divisions.

From today's perspective, we assume that the **number of employees** worldwide will remain stable compared with the end of 2013.

Forward-looking statements:

This document 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, 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 for 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 government investigations and the conclusion of pending or threatened future legal proceedings; and other risks and uncertainties, some of which we describe under the heading "Risk and Opportunity Report" in the current Annual Report. 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 of publication.

Mercedes-Benz Cars.

Mercedes-Benz Cars achieves record second-quarter unit sales of 418,700 vehicles (Q2 2013: 404,700)
Successful market launch of new C-Class
World premiere of S-Class Coupé
EBIT of €1,409 million (Q2 2013: €1,041 million)

D.01 Q2

Amounts in millions of euros	Q2 2014	Q2 2013	% change
EBIT	1,409	1,041	+35
Revenue	17,771	16,324	+9
Unit sales	418,685	404,711	+3
Production	406,639	412,009	-1
Employees	129,651	96.895*	+34

* As of December 31, 2013.

D.02 Q2

Unit sales	Q2 2014	Q2 2013	% change
Total	418,685	404,711	+3
Western Europe	171,900	178,247	-4
Germany	73,221	79,774	-8
United States	81,914	76,476	+7
China	68,061	60,043	+13
Other markets	96,810	89,945	+8

New record for second-quarter unit sales

Mercedes-Benz Cars achieved a new record for unit sales in the second quarter of 2014. The total sales of the car division increased by 3% to 418,700 units and second-quarter revenue rose by 9% to €17.8 billion. EBIT amounted to €1,409 million (Q2 2013: €1,041 million).

Mercedes-Benz Cars performed well in a volatile European market environment and increased its share of almost all markets. Sales of 98,700 units in Western Europe (excluding Germany) were slightly above the number of 98,500 vehicles sold in the second quarter of last year. In the German market, Mercedes-Benz Cars sold 73,200 units (Q2 2013: 79,800). In our biggest export market, the United States, the division was more successful than ever before with sales of 81,900 units, representing growth of 7% compared with the prior-year period. In China, Mercedes-Benz Cars continued along its successful path with an increase in unit sales to 68,100 vehicles (+13%). The development of unit sales was very positive also in Brazil (+32%) and India (+20%).

E-Class and S-Class models as the growth drivers

The new compact cars sold very well also in the second quarter: From April through June, 114,800 units of the A-, B-, CLA- and GLA-Class were sold (+15%). The E-Class family is meeting with a very good response from the customers: 88,600 cars were sold in the E-Class segment in the second quarter (+8%). Demand for the Mercedes-Benz S-Class continued to be particularly strong: From April through June, 29,500 units were sold in the luxury segment, an increase of 85%. Worldwide sales of SUVs totaled 89,200 units (+6%). Sales of 73,400 units of the C-Class were lower than in the prior-year period due to the model change (Q2 2013: 93,400), and the approaching model change of the smart resulted in lower sales also of that model (23,200 units compared with 29,000 in Q2 2013).

Four world premieres in three months

In April, Mercedes-AMG presented another dream car in the luxury segment: the S 63 AMG Coupé. At the same time, the Concept Coupé SUV had its world premiere. This coupé study demonstrates the possibilities of a sporty and dynamic “on-road” line amongst the SUVs. And with the new C-Class wagon, Mercedes-Benz Cars presented the second model in its best-selling series in May. In June, the upgraded CLS four-door coupe and the Shooting Brake had their world premieres.

Positive effects from Fit for Leadership

By the end of the second quarter of 2014, we had already achieved 55% of the planned efficiency volume. This means we are right on track to reach 70-80% of the total volume by the end of 2014, as planned.

C-Class: production on four continents

Utilization of our production plants remained high in the second quarter. A key feature of the second quarter was the C-Class, which for the first time is now produced on four continents. Following the start of production of the sedan at the Bremen plant, two more plants followed in May (East London, South Africa) and June (Tuscaloosa, United States). In Sindelfingen, the new S-Class Coupé rolled off the assembly lines for the first time in June. Furthermore, the Rastatt plant started production of the fully electric B-Class Electric Drive. In April, the foundation stone was laid for a new transmission factory in Sebes, Romania, with investment of more than €300 million.

D.03 Q1-2

Amounts in millions of euros	Q1-2 2014	Q1-2 2013	% change
EBIT	2,592	1,501	+73
Revenue	34,775	30,434	+14
Unit sales	808,161	746,222	+8
Production	814,097	786,050	+4
Employees	129,651	96.895*	+34

* As of December 31, 2013.

D.04 Q1-2

Unit sales	Q1-2 2014	Q1-2 2013	% change
Total	808,161	746,222	+8
Western Europe	324,229	327,938	-1
Germany	132,327	140,904	-6
United States	158,765	144,474	+10
China	138,404	106,455	+30
Other markets	186,763	167,355	+12

Daimler Trucks.

Growth in sales to 126,100 units (Q2 2013: 123,800)
Actros, Antos and Arocs voted "Best Commercial Vehicles"
FUSO Super Great V sets new standards for economy
EBIT of €455 million (Q2 2013: €434 million)

D.05 Q2

Amounts in millions of euros	Q2 2014	Q2 2013	% change
EBIT	455	434	+5
Revenue	7,966	7.965	+0
Unit sales	126,066	123,763	+2
Production	127,651	127,401	+0
Employees	83,960	79,020*	+6

* As of December 31, 2013.

D.06 Q2

Unit sales	Q2 2014	Q2 2013	% change
Total	126,066	123,763	+2
Western Europe	13,241	14,270	-7
NAFTA region	41,142	34,924	+18
Latin America (excluding Mexico)	11,931	16,051	-26
Asia	42,838	41,955	+2
Other markets	16,914	16,563	+2
BFDA (Auman Trucks)	31,242	28,229	+11
Total (including BFDA)	157,308	151,992	+3

Slight growth in unit sales and EBIT
Daimler Trucks' second-quarter unit sales were 2% above the prior-year level at 126,100 vehicles. Revenue of €8.0 billion was at the prior-year level. EBIT amounted to €455 million (Q2 2013: €434 million), including expenses of €71 million for workforce adjustments in Brazil.

Heterogeneous market developments
The development of demand and unit sales in the individual regions differed greatly also in the second quarter. In Western Europe, sales of 13,200 units were below the prior-year level, primarily due to purchases brought forward to the end of 2013 before the introduction of Euro VI emission limits. At the same time, we increased the market share of our Mercedes-Benz vehicles in the medium- and heavy-duty segment by 2.2 percentage points to 26.2%. In Latin America, the current economic situation continued to have a negative impact on demand for trucks. Our sales of 11,900 units in that market were 26% below the prior-year level. Despite the difficult market environment, we were able to improve our market position in Brazil and achieved a market share of 25.7% (Q2 2013: 24.9%) in the medium- and heavy-duty segment.

In the NAFTA region, increased market demand led to growth in unit sales of 18% to 41,100 vehicles. Our market share in Class 6-8 was 36.0% (Q2 2013: 38.3%). We were thus able to clearly defend our market leadership once again. In Asia, sales of 42,800 units in a very disparate market environment were slightly higher than in the second quarter of last year. With sales of 8,900 units in the overall Japanese truck market, we sold rather more FUSO trucks than in the prior-year period and thus increased our market share to 21.4% (Q2 2013: 19.9%). Also in India, we succeeded once again in increasing the market share of our BharatBenz vehicles in the medium- and heavy-duty segment, thus defending our fourth position in the market.

Positive effects from Daimler Trucks #1
By the end of the second quarter of 2014, our efficiency and growth program Daimler Trucks #1 had already achieved approximately 50% of its overall target of €1.6 billion. This means we are well on the way to realizing 70-80% of the total volume by the end of 2014, as planned. We continue to work hard in all regions on the implementation of more than 10,000 individual measures.

Best trucks award for Mercedes-Benz Actros, Antos and Arocs
The EuroTransportMedia publishing house carries out an annual readers' vote on the best commercial vehicles. Our renewed top places in this survey prove that the Mercedes-Benz Actros is the best long-distance truck, convincing customers and drivers alike. The Mercedes-Benz Antos was voted the best local-delivery truck and the Mercedes-Benz Arocs was the winner in the category of tipper trucks up to 32 tons.

Super Great V: the champion of long-distance transport
The new Super Great V heavy-duty truck from FUSO sets new standards for economy: Its fuel consumption is up to 10% better than that of the trucks currently offered in the Japanese market. This is primarily due to the optimized engine, which is based on Daimler Trucks' heavy-duty engine platform.

D.07 Q1-2

Amounts in millions of euros	Q1-2 2014	Q1-2 2013	% change
EBIT	796	550	+45
Revenue	15,087	14,989	+1
Unit sales	234,595	225,196	+4
Production	249,745	238,551	+5
Employees	83,960	79,020*	+6

* As of December 31, 2013.

D.08 Q1-2

Unit sales	Q1-2 2014	Q1-2 2013	% change
Total	234,595	225,196	+4
Western Europe	24,873	26,238	-5
NAFTA region	75,700	65,566	+15
Latin America (excluding Mexico)	22,082	29,038	-24
Asia	83,478	77,176	+8
Other markets	28,462	27,178	+5
BFDA (Auman Trucks)	57,885	51,230	+13
Total (including BFDA)	292,480	276,426	+6

Mercedes-Benz Vans.

Significant increase in unit sales to 76,000 vehicles (Q2 2013: 69,400)
Mercedes-Benz Vans remains on its growth path
Market launch of new V-Class in Europe
EBIT of €242 million (Q2 2013: €204 million)

D.09 Q2

Amounts in millions of euros	Q2 2014	Q2 2013	% change
EBIT	242	204	+19
Revenue	2,494	2,434	+2
Unit sales	76,009	69,436	+9
Production	81,487	72,811	+12
Employees	16,276	14,838*	+10

* As of December 31, 2013.

D.10 Q2

Unit sales	Q2 2014	Q2 2013	% change
Total	76,009	69,436	+9
Western Europe	49,579	42,480	+17
Germany	21,526	18,573	+16
Eastern Europe	6,412	7,243	-11
United States	7,188	6,108	+18
Latin America (excluding Mexico)	4,030	5,162	-22
China	3,877	3,310	+17
Other markets	4,923	5,133	-4

Unit sales, revenue and EBIT above prior-year level
Mercedes-Benz Vans increased its unit sales by 9% to 76,000 vehicles in the second quarter of 2014. Revenue of €2.5 billion was also above the prior-year level (Q2 2013: €2.4 billion). EBIT amounted to €242 million (Q2 2013: €204 million).

Mercedes-Benz Vans remains on its growth path
Mercedes-Benz Vans profited also in the second quarter of 2014 from its attractive product range and achieved significant growth in unit sales of 17% to 49,600 vehicles in its core region of Western Europe. Growth was particularly strong in Germany (+16%), the United Kingdom (+28%) and Spain (+96%). Due to the volatile market environment in Turkey, sales of 6,400 units in Eastern Europe did not match the high level of the prior-year period (Q2 2013: 7,200).

The development of unit sales in the United States and China was positive once again: In the United States, Mercedes-Benz Vans increased its sales in the second quarter by 18% to 7,200 units. We posted a double-digit growth rate also in China, where unit sales increased by 17% to 3,900 vehicles. In Latin America, however, unit sales decreased significantly compared with the second quarter of last year (-22%). This development primarily reflects the difficult market environment in that region.

Our growth was driven above all by the market success of the Sprinter. We sold 48,700 units of our large van worldwide in the second quarter of 2014, which is 15% more than in the prior-year period. In the segment of mid-sized vans (including the new V-Class), Mercedes-Benz Vans surpassed the prior-year level in the reporting period despite the model change and sold 22,300 vehicles (Q2 2013: 20,800). 5,000 units of the Mercedes-Benz Citan were sold (Q2 2013: 5,200).

First major order for new V-Class from France
Immediately after the market launch of the new Mercedes-Benz V-Class in France, Europcar received 175 units of the model for its fleet. Europe's leading auto rental company will at first offer the premium vehicles with the three-pointed star at its Europcar car-rental stations at airports and in holiday regions. The new multipurpose vehicle is the youngest and largest member of our passenger-car family and sets new standards in its segment with its design and a large number of innovations such as SIDEWIND ASSIST and ATTENTION ASSIST.

International awards for Mercedes-Benz Sprinter and Vito
As in the past eight years, the Sprinter confirmed its leading position and was once again awarded first place as "KEP Van of the Year 2014." The prize was awarded by a jury of experts from Germany's courier, express and parcel-service industry (KEP). The Mercedes-Benz Vito also succeeded within a strong competitive environment and was the winner in the category of "Vans up to 3.0 tons." In addition, the Sprinter took first and second place as the most environmentally friendly and most efficient van in the "Green Van 2014" competition.

D.11 Q1-2

Amounts in millions of euros	Q1-2 2014	Q1-2 2013	% change
EBIT	365	285	+28
Revenue	4,706	4,420	+6
Unit sales	137,128	122,059	+12
Production	155,426	135,980	+14
Employees	16,276	14,838*	+10

* As of December 31, 2013.

D.12 Q1-2

Unit sales	Q1-2 2014	Q1-2 2013	% change
Total	137,128	122,059	+12
Western Europe	88,636	75,126	+18
Germany	37,183	31,168	+19
Eastern Europe	12,406	12,456	-0
United States	12,208	10,084	+21
Latin America (excluding Mexico)	7,677	9,271	-17
China	6,572	5,681	+16
Other markets	9,629	9,441	+2

Daimler Buses.

Unit sales above prior-year level at 8,100 buses and chassis
Positive growth in demand for complete buses in Western Europe
40,000th Mercedes-Benz Citaro city bus delivered
EBIT significantly above prior-year level at €50 million (Q2 2013: €27 million)

D.13 Q2

Amounts in millions of euros	Q2 2014	Q2 2013	% change
EBIT	50	27	+85
Revenue	1,048	934	+12
Unit sales	8,097	7,913	+2
Production	8,855	9,269	-4
Employees	16,214	16,603*	-2

* As of December 31, 2013.

D.14 Q2

Unit sales	Q2 2014	Q2 2013	% change
Total	8,097	7,913	+2
Western Europe	1,706	1,488	+15
Germany	728	503	+45
Mexico	998	704	+42
Latin America (excluding Mexico)	4,290	4,529	-5
Asia	311	349	-11
Other markets	792	843	-6

Unit sales, revenue and EBIT above prior-year levels
Daimler Buses' sales of 8,100 buses and bus chassis in the second quarter surpassed the number of 7,900 units sold in the prior-year period. Growth in Western Europe due to increased demand for complete buses more than compensated for the decrease in units sales of bus chassis in Latin America. Primarily due to the positive development of unit sales in the business with complete buses, revenue rose by 12% to €1.0 billion. EBIT improved to €50 million (Q2 2013: €27 million).

Stronger demand in Western Europe contributes to positive development of unit sales
At Daimler Buses, the positive growth in demand for complete buses continued in Western Europe in the second quarter of 2014. In this core market, 1,700 units of the Mercedes-Benz and Setra brands were sold. In Germany, Daimler Buses increased its unit sales by 45% to 700 vehicles. In Turkey, we sold 200 units (Q2 2013: 400); this development resulted from the significant contraction of the overall market compared with the second quarter of last year.

In Latin America (excluding Mexico), second-quarter unit sales of 4,300 bus chassis were lower than in the prior-year period (Q2 2013: 4,500). There was a negative impact on our unit sales in particular from the difficult economic situation in Argentina. We sold 1,000 units in Mexico, which is 42% more than in the prior-year period.

Delivery of 40,000th Mercedes-Benz Citaro and 20,000th minibus
In April, we delivered the 40,000th Mercedes-Benz Citaro city bus to a customer. The Mercedes-Benz Citaro is thus the best-selling bus of all time. Almost at the same time, the minibuses of the Mercedes-Benz brand passed the mark of 20,000 units.

Major order from France
The RATP Group, which operates public transport services in the Paris area, decided to purchase 199 Mercedes-Benz Citaro city buses after holding a Europe-wide invitation to tender. Delivery of the buses is planned to start this year.

Setra TopClass 500 awarded design prize
The Setra TopClass 500 was awarded the "Red Dot Award Product Design 2014" by an international jury of experts in Essen at the beginning of July. Amongst their reasons, the jury particularly emphasized the high-quality interior fittings as well as the coach's general comfort and elegance.

Chassis program completed with Euro VI
We completed our chassis program fulfilling the Euro VI emission limits with the triple-axle Mercedes-Benz OC 500 RF chassis for long-distance buses and coaches.

D.15 Q1-2

Amounts in millions of euros	Q1-2 2014	Q1-2 2013	% change
EBIT	103	-4	.
Revenue	1,907	1,685	+13
Unit sales	14,772	13,946	+6
Production	16,591	16,627	-0
Employees	16,214	16,603*	-2

* As of December 31, 2013.

D.16 Q1-2

Unit sales	Q1-2 2014	Q1-2 2013	% change
Total	14,772	13,946	+6
Western Europe	2,792	2,026	+38
Germany	1,261	734	+72
Mexico	1,723	1,053	+64
Latin America (excluding Mexico)	8,282	8,670	-4
Asia	397	753	-47
Other markets	1,578	1,444	+9

Daimler Financial Services.

New business up by 12%
Contract volume rises to €88.1 billion
car2go has 780,000 customers
EBIT of €336 million (Q2 2013: €319 million)

D.17 Q2

Amounts in millions of euros	Q2 2014	Q2 2013	% change
EBIT	336	319	+5
Revenue	3,828	3,548	+8
New business	11,515	10,292	+12
Contract volume	88,084	83,539*	+5
Employees	8,488	8,107*	+5

* As of December 31, 2013.

Strong growth on a global scale
Daimler Financial Services concluded approximately 328,000 new leasing and financing contracts worth €11.5 billion in the second quarter of this year, increasing its new business by 12% compared with the prior-year quarter. Contract volume reached €88.1 billion at the end of June, which is 5% higher than at the end of 2013. The division's EBIT amounted to €336 million (Q2 2013: €319 million).

New business in Europe up by 9%
In Europe, approximately 181,000 new leasing and financing contracts in a total volume of €5.6 billion were concluded, which is 9% more than in the second quarter of last year. Strong growth was achieved for example in Spain (+70%). In Germany, the new business of Mercedes-Benz Bank increased to €2.7 billion (+4%) and the deposit volume in the direct banking business amounted to €11.2 billion at the end of the second quarter, nearly constant compared with the end of 2013 (-1%). Contract volume in Europe reached €38.6 billion as of June 30, rising by 4% compared with December 31, 2013.

Gain of 10% in the Americas
In the Americas, Daimler Financial Services increased its new business compared with the prior-year quarter by 10% to €4.2 billion. In the United States, new business grew by 16%. Contract volume in the Americas region rose to €36.6 billion, which is 6% above the level at year-end 2013. Adjusted for exchange-rate effects, there was an increase of 4%. During the first half of 2014, customers in the United States made instalment payments in a total volume of $50 million with the aid of the innovative app myMBFS; that was 20% more than in the prior-year period.

D.18 Q1-2

Amounts in millions of euros	Q1-2 2014	Q1-2 2013	% change
EBIT	733	633	+16
Revenue	7,637	7,125	+7
New business	21,353	18,911	+13
Contract volume	88,084	83,539*	+5
Employees	8,488	8,107*	+5

* As of December 31, 2013.

Africa & Asia-Pacific: growth of 28%
In the Africa & Asia-Pacific region, new business increased compared with the second quarter of last year by 28% to €1.7 billion. In China, the volume of newly concluded financing and leasing contracts more than doubled compared with the prior-year quarter with an increase of 140%. Contract volume in the Africa & Asia-Pacific region amounted to €12.7 billion at the end of June, which is 10% higher than at the end of 2013. The myMBFS app, with which customers can access information about financial services from Daimler, passed the mark of 100,000 downloads in the Africa & Asia-Pacific region.

Insurance business at ongoing high level
In the insurance business, Daimler Financial Services brokered 1% more automotive-related policies than in the second quarter of last year. Worldwide, approximately 340,000 insurance contracts were concluded in the reporting period. The insurance business developed extremely well in France. From April through June, approximately 13,000 policies were brokered, 11% more than in the prior-year period.

car2go has 780,000 customers
The flexible mobility concept car2go started in Florence, Italy and South Bay, California in the second quarter. car2go was therefore present in 26 cities by the end of June. Worldwide, car2go had 780,000 customers as of June 30, 2014, over 30% more than at the end of 2013.

Consolidated Statement of Income (unaudited) Q2.

E.01

	Consolidated Group		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	Q2 2014	Q2 2013[1]	**Q2 2014**	Q2 2013[1]	**Q2 2014**	Q2 2013
In millions of euros						
Revenue	**31,544**	29,692	**27,716**	26,144	**3,828**	3,548
Cost of sales	**-24,704**	-23,221	**-21,473**	-20,257	**-3,231**	-2,964
Gross profit	**6,840**	6,471	**6,243**	5,887	**597**	584
Selling expenses	**-2,812**	-2,848	**-2,701**	-2,718	**-111**	-130
General administrative expenses	**-806**	-767	**-654**	-627	**-152**	-140
Research and non-capitalized development costs	**-1,073**	-1,016	**-1,073**	-1,016	**-**	-
Other operating income	**377**	286	**359**	268	**18**	18
Other operating expense	**-153**	-85	**-146**	-78	**-7**	-7
Share of profit/loss from investments accounted for using the equity method, net	**828**	3,323	**838**	3,329	**-10**	-6
Other financial expense, net	**-108**	-122	**-109**	-122	**1**	-
Interest income	**30**	35	**30**	35	**-**	-
Interest expense	**-188**	-219	**-187**	-217	**-1**	-2
Profit before income taxes[2]	**2,935**	5,058	**2,600**	4,741	**335**	317
Income taxes	**-739**	-475	**-624**	-339	**-115**	-136
Net profit	**2,196**	4,583	**1,976**	4,402	**220**	181
thereof profit attributable to non-controlling interest	**92**	1,749				
thereof profit attributable to shareholders of Daimler AG	**2,104**	2,834				
Earnings per share (in euros) for profit attributable to shareholders of Daimler AG						
Basic	**1.97**	2.65				
Diluted	**1.97**	2.65				

1 Information related to the reclassifications within functional expenses is presented in Note 1.
2 The reconciliation of profit before income taxes to Group EBIT is presented in Note 19.

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Income (unaudited) Q1-2.

E.02

	Consolidated Group		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	Q1-2 2014	Q1-2 2013[1]	Q1-2 2014	Q1-2 2013[1]	Q1-2 2014	Q1-2 2013
In millions of euros						
Revenue	61,001	55,794	53,364	48,669	7,637	7,125
Cost of sales	-47,749	-44,089	-41,334	-38,102	-6,415	-5,987
Gross profit	13,252	11,705	12,030	10,567	1,222	1,138
Selling expenses	-5,487	-5,473	-5,268	-5,231	-219	-242
General administrative expenses	-1,558	-1,524	-1,285	-1,256	-273	-268
Research and non-capitalized development costs	-2,149	-2,057	-2,149	-2,057	-	-
Other operating income	682	577	654	548	28	29
Other operating expense	-239	-176	-227	-166	-12	-10
Share of profit/loss from investments accounted for using the equity method, net	850	3,325	863	3,337	-13	-12
Other financial expense, net	-473	-218	-473	-216	-	-2
Interest income	64	105	64	105	-	-
Interest expense	-357	-446	-354	-443	-3	-3
Profit before income taxes[2]	4,585	5,818	3,855	5,188	730	630
Income taxes	-1,303	-671	-1,054	-419	-249	-252
Net profit	3,282	5,147	2,801	4,769	481	378
thereof profit attributable to non-controlling interest	151	1,777				
thereof profit attributable to shareholders of Daimler AG	3,131	3,370				
Earnings per share (in euros) for profit attributable to shareholders of Daimler AG						
Basic	2.93	3.16				
Diluted	2.93	3.16				

1 Information related to the reclassifications within functional expenses is presented in Note 1.
2 The reconciliation of profit before income taxes to Group EBIT is presented in Note 19.

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income (unaudited) Q2.

E.03

	Consolidated Group	
	Q2 2014	Q2 2013
In millions of euros		
Net profit	2,196	4,583
Unrealized gains/losses on currency translation	326	-730
Unrealized gains on financial assets available for sale	107	90
Unrealized losses/gains on derivative financial instruments	-504	545
Unrealized losses on investments accounted for using the equity method	-1	-94
Items that may be reclassified to profit/loss	-72	-189
Actuarial gains on investments accounted for using the equity method	-	7
Actuarial losses/gains from pensions and similar obligations	-360	256
Items that will not be reclassified to profit/loss	-360	263
Other comprehensive income, net of taxes	-432	74
thereof income/loss attributable to non-controlling interest, after taxes	8	-58
thereof loss/income attributable to shareholders of Daimler AG, after taxes	-440	132
Total comprehensive income	1,764	4,657
thereof income attributable to non-controlling interest	100	1,691
thereof income attributable to shareholders of Daimler AG	1,664	2,966

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income (unaudited) Q1-2.

E.04

	Consolidated Group	
	Q1-2 2014	Q1-2 2013
In millions of euros		
Net profit	3,282	5,147
Unrealized gains/losses on currency translation	253	-545
Unrealized gains on financial assets available for sale	270	227
Unrealized losses/gains on derivative financial instruments	-650	384
Unrealized losses/gains on investments accounted for using the equity method	-1	41
Items that may be reclassified to profit/loss	-128	107
Actuarial losses/gains from pensions and similar obligations	-1,220	418
Items that will not be reclassified to profit/loss	-1,220	418
Other comprehensive income, net of taxes	-1,348	525
thereof income attributable to non-controlling interest, after taxes	7	9
thereof loss/income attributable to shareholders of Daimler AG, after taxes	-1,355	516
Total comprehensive income	1,934	5,672
thereof income attributable to non-controlling interest	158	1,786
thereof income attributable to shareholders of Daimler AG	1,776	3,886

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Financial Position (unaudited).

E.05

	Consolidated Group		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	June 30, 2014	Dec. 31, 2013	**June 30, 2014**	Dec. 31, 2013	**June 30, 2014**	Dec. 31, 2013
In millions of euros						
Assets						
Intangible assets	**9,278**	9,388	**9,170**	9,289	**108**	99
Property, plant and equipment	**22,191**	21,779	**22,137**	21,732	**54**	47
Equipment on operating leases	**29,547**	28,160	**13,668**	13,207	**15,879**	14,953
Investments accounted for using the equity method	**2,041**	3,432	**2,041**	3,419	**-**	13
Receivables from financial services	**29,898**	27,769	**-23**	-29	**29,921**	27,798
Marketable debt securities	**1,457**	1,666	**6**	6	**1,451**	1,660
Other financial assets	**4,835**	3,523	**365**	-767	**4,470**	4,290
Deferred tax assets	**2,167**	1,829	**1,648**	1,348	**519**	481
Other assets	**511**	531	**-1,909**	-1,818	**2,420**	2,349
Total non-current assets	**101,925**	98,077	**47,103**	46,387	**54,822**	51,690
Inventories	**19,818**	17,349	**19,146**	16,648	**672**	701
Trade receivables	**7,657**	7,803	**6,924**	7,208	**733**	595
Receivables from financial services	**23,876**	23,001	**-7**	-14	**23,883**	23,015
Cash and cash equivalents	**10,794**	11,053	**9,487**	9,845	**1,307**	1,208
Marketable debt securities	**4,658**	5,400	**4,591**	5,297	**67**	103
Other financial assets	**2,523**	2,718	**-7,034**	-6,670	**9,557**	9,388
Other assets	**3,349**	3,117	**600**	447	**2,749**	2,670
Subtotal current assets	**72,675**	70,441	**33,707**	32,761	**38,968**	37,680
Assets held for sale	**1,415**	-	**1,415**	-	**-**	-
Total current assets	**74,090**	70,441	**35,122**	32,761	**38,968**	37,680
Total assets	**176,015**	168,518	**82,225**	79,148	**93,790**	89,370
Equity and liabilities						
Share capital	**3,070**	3,069				
Capital reserves	**11,842**	11,850				
Retained earnings	**27,132**	27,628				
Other reserves	**-2**	133				
Equity attributable to shareholders of Daimler AG	**42,042**	42,680				
Non-controlling interest	**678**	683				
Total equity	**42,720**	43,363	**35,578**	36,767	**7,142**	6,596
Provisions for pensions and similar obligations	**11,637**	9,869	**11,480**	9,726	**157**	143
Provisions for income taxes	**798**	823	**798**	823	**-**	-
Provisions for other risks	**5,639**	5,270	**5,521**	5,152	**118**	118
Financing liabilities	**47,783**	44,746	**14,862**	13,542	**32,921**	31,204
Other financial liabilities	**2,260**	1,701	**2,121**	1,575	**139**	126
Deferred tax liabilities	**746**	892	**-1,648**	-1,300	**2,394**	2,192
Deferred income	**2,855**	2,728	**2,494**	2,283	**361**	445
Other liabilities	**8**	18	**7**	15	**1**	3
Total non-current liabilities	**71,726**	66,047	**35,635**	31,816	**36,091**	34,231
Trade payables	**10,403**	9,086	**10,082**	8,778	**321**	308
Provisions for income taxes	**402**	517	**343**	438	**59**	79
Provisions for other risks	**5,958**	6,619	**5,568**	6,230	**390**	389
Financing liabilities	**33,670**	32,992	**-13,174**	-12,218	**46,844**	45,210
Other financial liabilities	**7,381**	6,575	**5,400**	4,797	**1,981**	1,778
Deferred income	**2,095**	1,868	**1,485**	1,351	**610**	517
Other liabilities	**1,660**	1,451	**1,308**	1,189	**352**	262
Total current liabilities	**61,569**	59,108	**11,012**	10,565	**50,557**	48,543
Total equity and liabilities	**176,015**	168,518	**82,225**	79,148	**93,790**	89,370

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Cash Flows (unaudited).

E.06

	Consolidated Group		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013	Q1-2 2014	Q1-2 2013
In millions of euros						
Profit before income taxes	4,585	5,818	3,855	5,188	730	630
Depreciation and amortization	2,446	2,153	2,432	2,141	14	12
Other non-cash expense and income	-808	-3,277	-846	-3,307	38	30
Gains/losses on disposals of assets	13	146	13	146	-	-
Change in operating assets and liabilities						
Inventories	-2,283	-1,878	-2,321	-2,066	38	188
Trade receivables	209	-516	346	-280	-137	-236
Trade payables	1,254	1,716	1,249	1,722	5	-6
Receivables from financial services	-2,260	-1,579	-52	103	-2,208	-1,682
Vehicles on operating leases	-1,117	-1,298	-62	-161	-1,055	-1,137
Other operating assets and liabilities	586	766	350	257	236	509
Income taxes paid	-984	-481	-882	-313	-102	-168
Cash provided by/used for operating activities	1,641	1,570	4,082	3,430	-2,441	-1,860
Additions to property, plant and equipment	-2,088	-2,095	-2,080	-2,087	-8	-8
Additions to intangible assets	-703	-1,126	-686	-1,109	-17	-17
Proceeds from disposals of property, plant and equipment and intangible assets	89	71	83	66	6	5
Investments in share property	-48	-219	-22	-219	-26	-
Proceeds from disposals of share property	4	2,307	4	2,307	-	-
Acquisition of marketable debt securities	-973	-4,335	-934	-3,951	-39	-384
Proceeds from sales of marketable debt securities	1,942	2,632	1,656	2,312	286	320
Other	19	49	22	41	-3	8
Cash provided by/used for investing activities	-1,758	-2,716	-1,957	-2,640	199	-76
Change in financing liabilities	2,409	4,199	52	2,759	2,357	1,440
Dividends paid to shareholders of Daimler AG	-2,407	-2,349	-2,407	-2,349	-	-
Dividends paid to non-controlling interests	-153	-52	-152	-51	-1	-1
Proceeds from issuance of share capital	24	66	22	66	2	-
Acquisition of treasury shares	-26	-24	-26	-24	-	-
Acquisition of non-controlling interests in subsidiaries	-10	-33	-10	-33	-	-
Internal equity transactions	-	-	13	-315	-13	315
Cash provided by/used for financing activities	-163	1,807	-2,508	53	2,345	1,754
Effect of foreign exchange-rate changes on cash and cash equivalents	21	-50	25	-39	-4	-11
Net increase/decrease in cash and cash equivalents	-259	611	-358	804	99	-193
Cash and cash equivalents at beginning of period	11,053	10,996	9,845	9,887	1,208	1,109
Cash and cash equivalents at end of period	10,794	11,607	9,487	10,691	1,307	916

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Changes in Equity (unaudited).

E.07

In millions of euros	Share capital	Capital reserves	Retained earnings	Currency translation	Financial assets available for sale
Balance at January 1, 2013	3,063	12,026	22,017	516	234
Net profit	-	-	3,370	-	-
Other comprehensive income/loss before taxes	-	-	586	-527	228
Deferred taxes on other comprehensive income	-	-	-168	-	-2
Total comprehensive income/loss	-	-	3,788	-527	226
Dividends	-	-	-2,349	-	-
Share-based payment	-	1	-	-	-
Capital increase/Issue of new shares	4	46	-	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-12	-	-	-
Other	-	-29	-	-	-
Balance at June 30, 2013	3,067	12,032	23,456	-11	460
Balance at January 1, 2014	**3,069**	**11,850**	**27,628**	**-969**	**261**
Net profit	-	-	3,131	-	-
Other comprehensive income/loss before taxes	-	-	-1,789	248	316
Deferred taxes on other comprehensive income	-	-	569	-	-46
Total comprehensive income/loss	-	-	1,911	248	270
Dividends	-	-	-2,407	-	-
Capital increase/Issue of new shares	1	2	-	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Other	-	-10	-	-	-
Balance at June 30, 2014	**3,070**	**11,842**	**27,132**	**-721**	**531**

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Other reserves: Items that may be reclassified to profit/loss: Derivative financial instruments	Other reserves: Items that may be reclassified to profit/loss: Share of investments accounted for using the equity method	Treasury shares	**Equity attributable to share-holders of Daimler AG**	Non-controlling interest	**Total equity**	In millions of euros
50	-1	-	37,905	1,425	39,330	**Balance at January 1, 2013**
-	-	-	3,370	1,777	5,147	Net profit
548	57	-	892	22	914	Other comprehensive income/loss before taxes
-163	-43	-	-376	-13	-389	Deferred taxes on other comprehensive income
385	14	-	3,886	1,786	5,672	Total comprehensive income/loss
-	-	-	-2,349	-137	-2,486	Dividends
-	-	-	1	-	1	Share-based payment
-	-	-	50	-	50	Capital increase/Issue of new shares
-	-	-24	-24	-	-24	Acquisition of treasury shares
-	-	24	24	-	24	Issue and disposal of treasury shares
-	-	-	-12	-2,442	-2,454	Changes in ownership interests in subsidiaries
-	-	-	-29	-12	-41	Other
435	13	-	39,452	620	40,072	**Balance at June 30, 2013**
853	-12	-	42,680	683	43,363	**Balance at January 1, 2014**
-	-	-	3,131	151	3,282	Net profit
-925	-1	-	-2,151	7	-2,144	Other comprehensive income/loss before taxes
273	-	-	796	-	796	Deferred taxes on other comprehensive income
-652	-1	-	1,776	158	1,934	Total comprehensive income/loss
-	-	-	-2,407	-153	-2,560	Dividends
-	-	-	3	2	5	Capital increase/Issue of new shares
-	-	-26	-26	-	-26	Acquisition of treasury shares
-	-	26	26	-	26	Issue and disposal of treasury shares
-	-	-	-10	-12	-22	Other
201	-13	-	42,042	678	42,720	**Balance at June 30, 2014**

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Notes to the Interim Consolidated Financial Statements (unaudited).

1. Presentation of the Interim Consolidated Financial Statements

General. These unaudited interim consolidated financial statements (interim financial statements) of Daimler AG and its subsidiaries ("Daimler" or "the Group") have been prepared in accordance with Section 37w Subsection 3 of the German Securities Trading Act (WpHG) and International Accounting Standard (IAS) 34 Interim Financial Reporting.

The interim financial statements comply with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Daimler AG is a stock corporation organized under the laws of the Federal Republic of Germany. Daimler AG is entered in the Commercial Register of the Stuttgart District Court under No. HRB 19360 and its registered office is located at Mercedesstraße 137, 70327 Stuttgart, Germany.

The interim financial statements of the Daimler Group are presented in euros (€). Unless otherwise stated, all amounts are stated in millions of euros. All figures shown are rounded in accordance with standard business rounding principles.

All significant intercompany accounts and transactions have been eliminated. In the opinion of the management, the interim financial statements reflect all adjustments (i.e. normal recurring adjustments) necessary for a fair presentation of the profitability, liquidity and capital resources, and financial position of the Group. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period or for the full fiscal year. The interim financial statements should be read in conjunction with the December 31, 2013 audited and published IFRS consolidated financial statements and notes thereto. With the exception of the accounting policies outlined below, the Group applies the same accounting policies in these interim financial statements as those applied in the consolidated financial statements for the year ended December 31, 2013.

In order to support the distribution of certain products manufactured by Daimler, sales financing, including leasing alternatives, is made available to the Group's customers. Accordingly, the Group's consolidated financial statements are also significantly influenced by the activities of its financial services business. To enhance readers' understanding of the Group's profitability, liquidity and capital resources and its financial position, the accompanying interim consolidated financial statements also present information with respect to the Group's industrial business and Daimler Financial Services' business activities. Such information, however, is not required by IFRS and is not intended to, and does not represent the separate IFRS profitability, liquidity and capital resources and the financial position of the Group's industrial business or Daimler Financial Services business activities. Eliminations of the effects of transactions between the industrial business and Daimler Financial Services' as well as corporate items have generally been allocated to the industrial business columns.

Preparation of interim financial statements in conformity with IFRS requires management to make estimates, assessments and assumptions which can affect the amounts and reporting of assets and liabilities, the reporting of contingent assets and liabilities as at the end of the reporting period and the amounts of income and expense reported for the period. Actual amounts can differ from those estimates. Changes in the estimates, assessments and assumptions can have a material impact on the interim consolidated financial statements.

Reclassifications within functional costs. In the course of the organizational focus on the divisions, corporate functions in each country are being streamlined and functional departments are being aligned more closely with the needs of the divisions. In this context, Daimler has reviewed the allocation of the cost centers in the headquarters functions to the individual functional costs. As a result, amongst other changes, IT services and personnel expenses have been reclassified from general administrative expenses to the other functional costs.

The following tables show the effects of the retrospective change of the allocation to the individual functional costs on the consolidated statement of income in the second quarter and first half of 2013.

E.08

Effects of reclassifications within functional costs

In millions of euros	Q2 2013 disclosed	Reclassifi-cations	Q2 2013 changed
Cost of sales	-23,131	-90	-23,221
Selling expenses	-2,809	-39	-2,848
General administrative expenses	-919	152	-767
Research and non-capitalized development costs	-993	-23	-1,016

E.09

Effects of reclassifications within functional costs

In millions of euros	Q1-2 2013 disclosed	Reclassifi-cations	Q1-2 2013 changed
Cost of sales	-43,892	-197	-44,089
Selling expenses	-5,388	-85	-5,473
General administrative expenses	-1,857	333	-1,524
Research and non-capitalized development costs	-2,006	-51	-2,057

The following tables show the effects on the consolidated statement of income in the second quarter and first half of 2014 if the original allocation of the cost centers to the individual functional costs had been retained.

E.10

Effects of retention of original presentation of functional costs

In millions of euros	Q2 2014 changed	Reclassifi-cations	Q2 2014 previous classification
Cost of sales	-24,704	95	-24,609
Selling expenses	-2,812	42	-2,770
General administrative expenses	-806	-161	-967
Research and non-capitalized development costs	-1,073	24	-1,049

E.10

Effects of retention of original presentation of functional costs

In millions of euros	Q1-2 2014 changed	Reclassifi-cations	Q1-2 2014 previous classification
Cost of sales	-47,749	221	-47,528
Selling expenses	-5,487	97	-5,390
General administrative expenses	-1,558	-376	-1,934
Research and non-capitalized development costs	-2,149	58	-2,091

There are no effects on net profit, basic and diluted earnings per share or Group equity.

Effects of the application of IFRS 10-12. As of January 1, 2014, Daimler retrospectively applies the new consolidation standards IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, as well as the amendments to IAS 28 Investments in Associates and Joint Ventures.

IFRS 10 establishes a single consolidation model based on control that applies to all entities. According to the new model, control exists if the potential parent company has the power of decision over the potential subsidiary based on voting rights or other rights, if it participates in positive or negative variable returns from the potential subsidiary, and if it can affect these returns by its power of decision. For Daimler, no significant impacts arise from the application of the new standard.

IFRS 11 provides new guidance on accounting for joint arrangements. In the future, it has to be decided whether a joint operation or a joint venture exists. In a joint venture, the parties that have joint control have rights to the net assets. Interest in a joint venture shall be accounted for as an investment using the equity method. A joint operation exists if the parties that have joint control have rights to the assets and obligations for the liabilities. In the case of a joint operation the proportionate assets, liabilities, revenues and expenses have to be recognized. The joint operations identified at Daimler do not have a significant influence on the consolidated financial statements. Therefore, Daimler continues to account for those investments using the equity method or the investments are measured at amortized costs.

IFRS 12 sets out the requirements for disclosures relating to interests in subsidiaries, joint arrangements, associated companies, consolidated and unconsolidated structured entities. For these interim consolidated financial statements, no separate disclosure requirements arise for Daimler from IFRS 12.

2. Assets held for sale

RRPSH. The assets held for sale presented separately in the consolidated statement of financial position comprise the equity interest in Rolls-Royce Power Systems Holding GmbH (RRPSH). In the first quarter of 2014, the Board of Management and the Supervisory Board of Daimler AG decided to sell the 50% equity interest in the joint venture RRPSH to the partner Rolls-Royce Holdings plc (Rolls-Royce).

Daimler therefore exercised a put option on its stake in RRPSH that was agreed upon with Rolls-Royce in 2011. In the middle of April 2014, the disposal of the equity interest in RRPSH for a price of €2.43 billion was agreed.

Further details of the equity interest in RRPSH are provided in Notes 10 and 18.

3. Revenue

Revenue at Group level is comprised as follows:

E.11
Revenue

In millions of euros	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013
Revenue from the sale of goods	**27,686**	26,097	**53,404**	48,693
Revenue from the rental and leasing business	**2,990**	2,736	**5,872**	5,373
Interest from the financial services business at Daimler Financial Services	**769**	767	**1,518**	1,533
Revenue from the provision of other services	**99**	92	**207**	195
	31,544	29,692	**61,001**	55,794

4. Functional costs

Optimization programs. Measures and programs with implementation costs that materially impacted the EBIT of the segments are briefly described below.

Daimler Trucks. In January 2013, Daimler Trucks announced workforce adjustments as part of its goal of increasing its profitability by stronger utilization of efficiencies. In the administrative sector in Brazil, a voluntary redundancy program was launched in the first quarter of 2013 leading to a reduction of approximately 1,000 jobs (including Daimler Buses). In April 2014, Daimler Trucks announced the continuation of the workforce adjustments in Brazil with the start of a voluntary program that led to a reduction of about 1,100 jobs in the first half of 2014, mostly in the production area.

Furthermore, in non-productive areas in Germany, a reduction of approximately 800 jobs is planned for which a program was started in May 2013, based on socially acceptable voluntary measures. The Group also intends to continue this program in 2014.

Daimler Buses. At the end of 2013, Daimler Buses successfully completed the optimization measures started in Western Europe in 2012. The program focused on the systematic further development of the European production network, the reduction of variable costs, and the optimization of overhead costs. Growth was supported by a new-customer acquisition offensive and a restructured market management system. In North America, the activities were already restructured in 2012. In this context, the production of Orion city buses was discontinued. In addition, further optimization measures were initiated in non-productive areas in Brazil in the first quarter of 2013, for which the voluntary severance program described under Daimler Trucks was started. The continuation of the workforce adjustments in Brazil mentioned under Daimler Trucks are also impacting Daimler Buses to a small extent.

Table ↗ **E.13** shows the expenses related to the optimization programs which affected the EBIT of the segments. The cash flows associated with the implementation of the programs are also shown.

These expenses primarily relate to personnel measures.
The allocation to the line items of the consolidated statement of income is shown in table ↗ **E.14.**

The provisions recognized for the measures at Daimler Trucks amounted to €6 million as of June 30, 2014 (December 31, 2013: €64 million). At Daimler Buses, the provisions recognized for the measures amounted to €21 million as of June 30, 2014 (December 31, 2013: €36 million).

Cash outflows resulting from the optimization programs are expected until the end of 2017, whereby the largest part of the payments will already occur in 2014.

For the optimization programs at Daimler Trucks, the Group anticipates expenses of up to €150 million for 2014 and 2015.

E.12
Optimization programs

In millions of euros	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013
Daimler Trucks				
EBIT	-71	-82	-76	-95
Cash outflow	-70	-18	-134	-25
Daimler Buses				
EBIT	-8	-20	-9	-24
Cash outflow/inflow	-10	5	-19	-16

E.13
Expenses and income associated with optimization programs at Daimler Trucks and Daimler Buses

In millions of euros	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013
Cost of sales	-48	-42	-51	-50
Selling expenses	-8	-12	-8	-13
General administrative expenses	-13	-31	-16	-39
Research and non-capitalized development costs	-10	-11	-10	-11
Other operating expenses	-	-9	-	-9
Other operating income	-	3	-	3
	-79	-102	-85	-119

5. Other financial expense, net

Other financial expense, net is comprised as follows:

E.14
Other financial expense, net

In millions of euros	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013
Expense and income from compounding of provisions and effects of changes in discount rates[1]	-65	13	-131	-34
Miscellaneous other financial expense/income, net	-43	-135	-342	-184
	-108	-122	-473	-218

1 Excluding the expense from compounding provisions for pensions and similar obligations.

In the first six months of 2014, “Miscellaneous other financial income/expense, net” includes expenses of €229 million (2013: €0 million) from hedging the share price of Tesla Motors, Inc. (Tesla) and of €118 million (2013: €29 million) from the measurement of the RRPSH put option. In the first six months of 2013, a loss of €154 million on the sale of the remaining EADS shares is disclosed.

6. Interest income and expense

Interest income and expense are comprised as follows:

E.16
Interest income and expense

In millions of euros	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013
Interest income				
Net interest income on net defined benefit pension plan assets	1	1	1	1
Interest and similar income	29	34	63	104
	30	35	64	105
Interest expense				
Net interest expense for the net obligation from defined benefit pension plans	-93	-89	-177	-177
Interest and similar expenses	-95	-130	-180	-269
	-188	-219	-357	-446

7. Intangible assets

Intangible assets are comprised as follows:

E.17
Intangible assets

In millions of euros	June 30, 2014	Dec. 31, 2013
Goodwill	687	681
Development costs	7,210	7,310
Other intangible assets	1,381	1,397
	9,278	9,388

8. Property, plant and equipment

Property, plant and equipment are comprised as follows:

E.18
Property, plant and equipment

In millions of euros	June 30, 2014	Dec. 31, 2013
Land, leasehold improvements and buildings including buildings on land owned by others	6,765	6,791
Technical equipment and machinery	7,719	7,350
Other equipment, factory and office equipment	5,535	5,366
Advance payments relating to plant and equipment and construction in progress	2,172	2,272
	22,191	21,779

9. Equipment on operating leases

At June 30, 2014, the carrying amount of equipment on operating leases amounted to €29,547 million (December 31, 2013: €28,160 million). In the six months ended June 30, 2014, additions and disposals amounted to €8,501 million and €5,104 million respectively (2013: €7,491 million and €4,163 million). Depreciation for the first half of 2014 was €2,235 million (2013: €2,151 million). Other changes primarily include effects from currency translation.

10. Investments accounted for using the equity method

Table ↗ E.19 shows the key figures of investments in associated companies and joint ventures accounted for using the equity method.

E.19

Investments accounted for using the equity method

in millions of euros	RRPSH	BBAC	BAIC Motor[2]	BFDA	Kamaz	EADS	Others[1]	Total
June 30, 2014								
Equity interest (in %)	**-**	**49.0**	**12.0**	**50.0**	**15.0**	**-**	**-**	**-**
Equity investment	**-**	**696**	**590**	**295**	**150**	**-**	**310**	**2,041**
Equity result (Q2 2014)[1]	**-**	**37**	**11**	**4**	**1**	**-**	**775**	**828**
Equity result (Q1-2 2014)[1]	**13**	**66**	**13**	**-2**	**-2**	**-**	**762**	**850**
December 31, 2013								
Equity interest (in %)	50.0	49.0	12.0	50.0	15.0	-	-	-
Equity investment	1,494	640	595	298	155	-	250	3,432
Equity result (Q2 2013)[1]	12	11	-	-6	2	3,363	-59	3,323
Equity result (Q1-2 2013)[1]	-6	31	-	-23	7	3,397	-81	3,325

1 Including investor-level adjustments.
2 As of the first quarter of 2014 proportionate earnings of BAIC Motor Corporation Ltd. (BAIC Motor) are included in Daimler's consolidated financial statements with a three month time lag. The result for Q1-2 2014 of BAIC Motor covers the four months from December 2013 through March 2014. BAIC Motor's figures are unaudited and based on local GAAP.

RRPSH/RRPS. In March 2014, Daimler decided to sell its 50% equity interest in the joint venture RRPSH to its partner Rolls-Royce. Daimler therefore used a put option on its stake in RRPSH that was agreed upon with Rolls-Royce in 2011.

The carrying amount of the equity interest of €1,415 million, which is allocated to the Daimler Trucks segment, was reclassified to "Assets held for sale." Measurement using the equity method was ended.

In the middle of April 2014, the sale price of €2.43 billion was agreed upon; the transaction is expected to be closed by the end of the year 2014 but is still subject to the provisions of antitrust law and foreign-trade law. Further details of the put option are provided in Note 18.

Others. Since the Annual Shareholders' Meeting of Tesla on June 3, 2014 no representative of Daimler is a member of the Board of Directors. Therefore, Daimler's significant influence on Tesla ended on the day of the Annual Shareholders' Meeting and the equity interest is recognized as a "financial asset available for sale" at fair value based on the stock-market price since then. The difference between the first-time fair value measurement on June 3, 2014 using the stock-market price and the carrying amount measured by applying the equity method resulted in a non-cash gain of €718 million affecting Group EBIT in the second quarter of 2014. The carrying amount, which was previously assigned to the Mercedes-Benz Cars segment and the remeasurement gain are reallocated as corporate items in the reconciliation of total segments' figures to Group figures in the segment reporting.

In March 2014, Daimler acquired 50.1% of the shares in Li-Tec Battery GmbH (Li-Tec), which were previously held by Evonik Degussa GmbH (Evonik), and therefore became the sole owner of the company. The effects on the consolidated financial statements are not material.

Furthermore the Group's investment in Fujian Benz Automotive Co., Ltd. (FBAC) is included in other investments and is allocated to the Mercedes-Benz Vans segment. In 2012, an impairment loss was recorded on the investment in FBAC; in the second quarter of 2014, the impairment was reversed based on improved profit expectations, leading to a gain of €61 million.

11. Receivables from financial services

Receivables from financial services are shown in the following table:

E.20
Receivables from financial services

In millions of euros	June 30, 2014 Current	Non-current	Total	December 31, 2013 Current	Non-current	Total
Sales financing with customers	9,327	19,236	28,563	9,065	17,599	26,664
Sales financing with dealers	10,239	1,730	11,969	9,781	1,723	11,504
Finance-lease contracts	4,712	9,448	14,160	4,545	8,928	13,473
Gross carrying amount	24,278	30,414	54,692	23,391	28,250	51,641
Allowances for doubtful accounts	-402	-516	-918	-390	-481	-871
Net carrying amount	23,876	29,898	53,774	23,001	27,769	50,770

As of June 30, 2014, non-automotive assets from contracts of the financial services business with third parties (leveraged leases) in the amount of €357 million (December 31, 2013: €455 million) were included in “Finance lease contracts.”

Within the context of the ongoing concentration on the automotive business, Daimler Financial Services sold a non-automotive asset that was subject to a finance-lease contract in the first half of 2014. This resulted in a total cash inflow of €69 million. The pre-tax income from this transaction amounted to €45 million in the first half of 2014 and was allocated to the EBIT of the Daimler Financial Services segment.

12. Inventories

Inventories are comprised as follows:

E.21
Inventories

In millions of euros	June 30, 2014	Dec. 31, 2013
Raw materials and manufacturing supplies	2,150	2,011
Work in progress	2,841	2,275
Finished goods, parts and products held for resale	14,683	13,028
Advance payments to suppliers	144	35
	19,818	17,349

13. Equity

Approved capital. The Annual Shareholders’ Meeting held on April 9, 2014 once again authorized the Board of Management, with the consent of the Supervisory Board, to increase the share capital of Daimler AG in the period until April 8, 2019 by a total of €1 billion in one lump sum or by separate partial amounts at different times by issuing new, registered no par value shares in exchange for cash and/or non-cash contributions (Approved Capital 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 and within defined limits.

Employee share purchase plan. In the first six months of 2014, 0.4 million Daimler shares were purchased and reissued to employees in connection with an employee share purchase plan.

Dividend. The Annual Shareholders’ Meeting held on April 9, 2014 authorized Daimler to pay a dividend of €2,407 million (€2.25 per share) from the distributable profit of Daimler AG (separate financial statement) for the year 2013. The dividend was paid out on April 10, 2014.

14. Pensions and similar obligations

Pension cost. The components of pension cost included in the consolidated statement of income are as shown in tables ↗ E.22 and ↗ E.23.

Contributions to plan assets. In the second quarter and the first half of 2014, contributions to the Group's pension plans were €94 million and €131 million respectively (2013: €66 million and €84 million).

Plan settlement. In May 2014, Daimler Trucks North America LLC and the United Auto Workers union (UAW) entered into an agreement to settle a healthcare plan as part of a collective bargaining agreement. As a result of this agreement, the provision relating to the obligation to the active eligible employees was reclassified from "Provisions for pensions and similar obligations" to "Other financial liabilities" in the consolidated statement of financial position as of June 30, 2014; the resulting cash outflow from this transaction (approximately €0.3 billion) is expected in the fourth quarter of 2014. The transfer of the obligation to the retirees (approximately €0.1 billion) is subject to US court approval so the timing of the cash outflow cannot be reliably estimated. The settlement has no material impact on the Group's consolidated statement of income or on the EBIT of Daimler Trucks.

E.22
Pension cost for the three-month periods ended June 30

In millions of euros	Total	German plans	Q2 2014 Non-German plans	Total	German plans	Q2 2013 Non-German plans
Current service cost	-128	-108	-20	-136	-112	-24
Net interest expense	-74	-63	-11	-74	-66	-8
Net interest income	1	-	1	1	-	1
	-201	-171	-30	-209	-178	-31

E.23
Pension cost for the six-month periods ended June 30

In millions of euros	Total	German plans	Q1-2 2014 Non-German plans	Total	German plans	Q1-2 2013 Non-German plans
Current service cost	-257	-216	-41	-271	-224	-47
Net interest expense	-144	-124	-20	-149	-132	-17
Net interest income	1	-	1	1	-	1
	-400	-340	-60	-419	-356	-63

15. Provisions for other risks

Provisions for other risks are comprised as shown in the following table.

E.24

Provisions for other risks

In millions of euros	Current	Non-current	June 30, 2014 Total	Current	Non-current	December 31, 2013 Total
Product warranties	2,120	2,564	4,684	2,380	2,325	4,705
Personnel and social costs	1,243	1,805	3,048	1,501	1,732	3,233
Other	2,595	1,270	3,865	2,738	1,213	3,951
	5,958	5,639	11,597	6,619	5,270	11,889

16. Financing liabilities

Financing liabilities are comprised as follows:

E.25

Financing liabilities

In millions of euros	Current	Non-current	June 30, 2014 Total	Current	Non-current	December 31, 2013 Total
Notes/bonds	8,986	31,462	40,448	9,091	29,653	38,744
Commercial paper	1,210	21	1,231	1,086	-	1,086
Liabilities to financial institutions	10,450	11,014	21,464	10,173	8,916	19,089
Deposits in the direct banking business	9,044	2,125	11,169	8,539	2,718	11,257
Liabilities from ABS transactions	3,362	2,173	5,535	3,478	2,653	6,131
Liabilities from finance leases	43	252	295	39	271	310
Loans, other financing liabilities	575	736	1,311	586	535	1,121
	33,670	47,783	81,453	32,992	44,746	77,738

17. Legal proceedings

As previously reported the Federal Republic of Germany initiated arbitration proceedings against Daimler Financial Services AG, Deutsche Telekom AG and Toll Collect GbR and submitted its statement of claims in August 2005. It seeks damages, contractual penalties and the transfer of intellectual property rights to Toll Collect GmbH. In particular, the Federal Republic of Germany is claiming

- lost revenue of €3.33 billion for the period of September 1, 2003 through December 31, 2004 plus interest at 5% per annum over the respective base rate since submission of claims (amount as of May 19, 2014 at €2.0 billion),

- and contractual penalties of approximately €1.65 billion for the period through July 31, 2005 plus interest at 5% per annum over the respective base rate since submission of claims (amount as of May 19, 2014 at €232 million)

- and refinancing costs of €190 million.

Since, among other things, some of the contractual penalties are dependent on time and further claims for contractual penalties have been asserted by the Federal Republic of Germany, the amount claimed as contractual penalties may increase. The defendants submitted their response to the statement of claims on June 30, 2006. The Federal Republic of Germany delivered its reply to the arbitrators on February 15, 2007 and the defendants delivered their rebuttal on October 1, 2007. The arbitrators held the first hearing on June 16 and 17, 2008. Additional briefs from the claimant and the defendants have been filed since then. A hearing of witnesses and experts took place between December 6 and 14, 2010. The parties submitted further written statements on July 15 and November 15, 2011. After the tribunal's president resigned for personal reasons as of March 30, 2012, the new president was determined by the Berlin Administrative Court as of October 29, 2012. In 2013 and 2014, the parties filed further briefs. A further hearing was held in May 2014. Both parties will file further briefs regarding the outcome of such hearing in August and September 2014. An additional hearing is scheduled for late September/early October 2014. According to IAS 37.92, no further information regarding the arbitration proceedings and the measures taken by the company are disclosed in order to prevent negative effects on the proceeding.

Daimler continues to believe the claims of the Federal Republic of Germany are without merit.

18. Financial instruments

The following table shows the carrying amounts and fair values of the Group's financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved on the market.

E.26

Carrying amounts and fair values of financial instruments

	June 30, 2014		December 31, 2013	
In millions of euros	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Receivables from financial services	53,774	54,160	50,770	51,115
Trade receivables	7,657	7,657	7,803	7,803
Cash and cash equivalents	10,794	10,794	11,053	11,053
Marketable debt securities				
Available-for-sale financial assets	6,115	6,115	7,066	7,066
Other financial assets				
Available-for-sale financial assets	3,137	3,137	2,052	2,052
thereof equity instruments measured at fair value	2,503	2,503	1,452	1,452
thereof equity instruments carried at cost	634	634	600	600
Financial assets recognized at fair value through profit or loss	102	102	350	350
Derivative financial instruments used in hedge accounting	1,322	1,322	1,703	1,703
Other receivables and assets	2,797	2,797	2,136	2,136
	85,698	86,084	82,933	83,278
Financial liabilities				
Financing liabilities	81,453	82,880	77,738	79,026
Trade payables	10,403	10,403	9,086	9,086
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	530	530	413	413
Derivative financial instruments used in hedge accounting	655	655	395	395
Miscellaneous other financial liabilities	8,456	8,456	7,468	7,468
	101,497	102,924	95,100	96,388

The fair values of financial instruments were calculated on the basis of market information available at the end of the reporting period. The following methods and premises were used for financial instruments recognized at fair value:

Marketable debt securities and other financial assets.
Financial assets available for sale include:
- debt and equity instruments measured at fair value; these instruments were measured using quoted market prices at June 30. Otherwise, the fair value measurement of these debt and equity instruments is based on inputs that are either directly or indirectly observable in active markets. Equity instruments measured at fair value predominantly comprise the investments in Nissan Motor Co., Ltd. (Nissan), Tesla and Renault SA (Renault).
- equity interests measured at cost; fair values could not be determined for these financial instruments because market prices or fair values are not available. These equity interests comprise investments in non-listed companies for which no objective evidence existed at the balance sheet date that these assets are impaired and whose fair values cannot be determined with sufficient reliability. It is assumed that the fair values approximate the carrying amounts. Daimler does not intend to sell the equity interests which are presented as of June 30, 2014.

Financial assets recognized at fair value through profit or loss include derivative financial instruments not used in hedge accounting. These financial instruments as well as *derivative financial instruments used in hedge accounting* comprise:
- derivative currency hedging contracts; the fair values of currency forwards and cross-currency interest rate swaps are determined on the basis of the discounted estimated future cash flows using market interest rates appropriate to the remaining terms of the financial instruments. Currency options were measured using price quotations or option pricing models based on market data.
- derivative interest rate hedging contracts; the fair values of interest rate hedging instruments (e.g. interest rate swaps) are calculated on the basis of the discounted estimated future cash flows using the market interest rates appropriate to the remaining terms of the financial instruments.
- derivative commodity hedging contracts; the fair values of commodity hedging contracts (e.g. commodity forwards) are determined on the basis of current reference prices with consideration of forward premiums and discounts.

Other financial liabilities. *Financial liabilities recognized at fair value through profit or loss* comprise derivative financial instruments not used in hedge accounting. For information regarding these financial instruments as well as *derivative financial instruments used in hedge accounting,* see the notes above under “Marketable debt securities and other financial assets.”

At the end of each reporting period, Daimler reviews the necessity for reclassification between the fair value hierarchies.

For the determination of the credit risk from derivative financial instruments which are allocated to the Level 2 fair value hierarchy, we apply the exception described in IFRS 13.48 (portfolios managed on the basis of net exposure).

Table ↗ E.27 provides an overview of the classification of financial assets and liabilities measured at fair value in the fair value hierarchy.

E.27

Fair value hierarchy of financial assets and liabilities measured at fair value

	June 30, 2014				December 31, 2013			
In millions of euros	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
Assets measured at fair value								
Financial assets available for sale	8,618	6,960	1,658	-	8,518	6,264	2,254	-
thereof equity instruments	2,503	2,495	8	-	1,452	1,446	6	-
thereof marketable debt securities	6,115	4,465	1,650	-	7,066	4,818	2,248	-
Financial assets recognized at fair value through profit or loss	102	-	102	-	350	-	232	118
Derivative financial instruments used in hedge accounting	1,322	-	1,322	-	1,703	-	1,703	-
	10,042	6,960	3,082	-	10,571	6,264	4,189	118
Liabilities measured at fair value								
Financial liabilities recognized at fair value through profit and loss	530	-	530	-	413	-	413	-
Derivative financial instruments used in hedge accounting	655	-	655	-	395	-	395	-
	1,185	-	1,185	-	808	-	808	-

1 Fair value measurement based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
2 Fair value measurement for the asset or liability based on inputs that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3 Fair value measurement for the asset or liability based on inputs that are not observable market data.

The development of financial assets recognized at fair value through profit or loss and classified as Level 3 can be seen in the following table.

E.28

Development of financial assets recognized at fair value through profit or loss classified as Level 3

In millions of euros	2014
Balance at January 1	118
Losses recognized in other financial income/ expense, net	-118
Balance at June 30	-

The financial assets classified as Level 3 as of January 1, 2014 consist solely of Daimler's option to sell the shares it holds in RRPSH to Rolls-Royce. In the first quarter of 2014 Daimler offered its stake in RRPSH to Rolls-Royce. The transaction price for the equity interest in RRPSH is above the floor price of the option. Therefore, the value of the option was determined to be zero as of March 31, 2014.

19. Segment reporting

Segment information for the three-month periods ended June 30, 2014 and June 30, 2013 is as follows:

E.29

Segment reporting for the three-month periods ended June 30

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Reconciliation	Daimler Group
Q2 2014								
External revenue	17,111	7,441	2,400	1,031	3,561	31,544	-	31,544
Intersegment revenue	660	525	94	17	267	1,563	-1,563	-
Total revenue	17,771	7,966	2,494	1,048	3,828	33,107	-1,563	31,544
Segment profit (EBIT)	1,409	455	242	50	336	2,492	603	3,095
Thereof share of profit/loss from investments accounted for using the equity method	31	15	62	-	-10	98	730	828
Thereof expense from compounding of provisions and changes in discount rates	-43	-15	-6	-	-	-64	-1	-65

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Reconciliation	Daimler Group
Q2 2013								
External revenue	15,691	7,398	2,338	921	3,344	29,692	-	29,692
Intersegment revenue	633	567	96	13	204	1,513	-1,513	-
Total revenue	16,324	7,965	2,434	934	3,548	31,205	-1,513	29,692
Segment profit (EBIT)	1,041	434	204	27	319	2,025	3,217	5,242
Thereof share of profit/loss from investments accounted for using the equity method	-47	10	1	-	-6	-42	3,365	3,323
Thereof income and expense from compounding of provisions and changes in discount rates	12	2	-	-1	-	13	-	13

Segment information for the six-month periods ended June 30, 2014 and June 30, 2013 is as follows:

E.30

Segment reporting for the six-month periods ended June 30

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Recon-ciliation	Daimler Group
Q1-2 2014								
External revenue	33,438	14,062	4,523	1,877	7,101	61,001	-	61,001
Intersegment revenue	1,337	1,025	183	30	536	3,111	-3,111	-
Total revenue	34,775	15,087	4,706	1,907	7,637	64,112	-3,111	61,001
Segment profit (EBIT)	2,592	796	365	103	733	4,589	293	4,882
Thereof share of profit/loss from investments accounted for using the equity method	55	13	63	-	-13	118	732	850
Thereof expense from compounding of provisions and changes in discount rates	-86	-31	-11	-1	-	-129	-2	-131

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Recon-ciliation	Daimler Group
Q1-2 2013								
External revenue	29,247	13,932	4,247	1,658	6,710	55,794	-	55,794
Intersegment revenue	1,187	1,057	173	27	415	2,859	-2,859	-
Total revenue	30,434	14,989	4,420	1,685	7,125	58,653	-2,859	55,794
Segment profit (EBIT)	1,501	550	285	-4	633	2,965	3,194	6,159
Thereof share of profit/loss from investments accounted for using the equity method	-44	-18	1	-	-12	-73	3,398	3,325
Thereof expense from compounding of provisions and changes in discount rates	-18	-8	-3	-2	-	-31	-3	-34

Reconciliation. Reconciliation of the total segments' profit (EBIT) to profit before income taxes is as shown in table ↗ E.31.

The reconciliation includes corporate items for which headquarters are responsible. Transactions between the segments are eliminated in the context of consolidation and the eliminated amounts are included in the reconciliation.

In the first six months of 2014, "Share of profit from investments accounted for using the equity method" includes the income from the remeasurement of the equity investment in Tesla of €718 million as well as the proportionate result of BAIC Motor. The prior-year profit includes the gain from the remeasurement of the EADS shares.

In the first six months of 2014, "Other corporate items" include the expenses from hedging the share price of Tesla of €229 million (2013: €0 million) and from the measurement of the RRPSH put option of €118 million (2013: €29 million). Furthermore it includes expenses in connection with legal proceedings. In the prior-year period, a loss of €154 million in connection with the disposal of the remaining EADS shares was disclosed, which was reported within "Other financial expense, net."

E.31

Reconciliation of the total segments' profit (EBIT)

In millions of euros	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013
Total segments' profit (EBIT)	2,492	2,025	4,589	2,965
Share of profit from investments accounted for using the equity method	730	3,365	732	3,398
Other corporate items	-136	-176	-452	-266
Eliminations	9	28	13	62
Group EBIT	3,095	5,242	4,882	6,159
Amortization of capitalized borrowing costs[1]	-2	-	-4	-
Interest income	30	35	64	105
Interest expense	-188	-219	-357	-446
Profit before income taxes	2,935	5,058	4,585	5,818

1 Amortization of capitalized borrowing costs is not considered in the internal performance measure "EBIT," but is included in cost of sales.

20. Related party relationships

Most of the goods and services supplied within the ordinary course of business between the Group and related parties comprise transactions with associated companies and joint ventures and are included in table ↗ E.32.

Associated companies. Since the fourth quarter of 2013, a large proportion of the sales and purchases of goods and services with associated companies results from business relations with Beijing Benz Automotive Co., Ltd. (BBAC).

On February 1, 2013, Daimler, Beijing Automotive Group Co., Ltd. (BAIC Group) and BAIC Motor Corporation Ltd. (BAIC Motor) signed a binding agreement according to which Daimler will invest in BAIC Motor. BAIC Motor is the passenger-car unit of BAIC Group, one of the leading automotive companies in China. On November 18, 2013, this transaction was 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. In December 2013 and June 2014, the shareholders of BAIC Motor decided to pay dividends, of which €23 million and €10 million are attributable to Daimler. The Group is in the process of allocating the purchase price to the identifiable assets and liabilities.

Also on November 18, 2013, BAIC Motor increased its stake in the joint venture BBAC by 1% to 51%. As a result of this transaction, Daimler's equity interest in BBAC decreased to 49% and the Group classified the investment in BBAC as an associated company; the company had been accounted for as a joint venture until the end of the third quarter of 2013. The effect of the change of status of BBAC was not material; BBAC continues to be accounted for using the equity method.

BBAC produces and markets Mercedes-Benz vehicles in China for the Daimler Group. Daimler plans to contribute additional equity of €0.2 billion to the joint venture BBAC in 2014. Additional funds needed by BBAC to fund its investments will be directly raised in the capital markets by BBAC. In December 2013, the shareholders of BBAC decided to pay a dividend, of which €101 million is attributable to Daimler. The related receivable due from BBAC is included in table ↗ E.32.

Furthermore, business relations exist with RRPSH and/or Rolls-Royce Power Systems AG (RRPS), which is a subsidiary of RRPSH. RRPS purchases engines, parts and services from the Group.

Moreover, services are procured from MBtech Group GmbH & Co. KGaA (MBtech Group). MBtech Group develops, integrates and tests components, systems, modules and vehicles worldwide.

Joint ventures. The Group's transactions with joint ventures in the first six months of 2013 predominantly relate to the business relationship with BBAC (see information under the section on associated companies).

Until the end of March 2013, further significant sales and purchases of goods and services were related to Mercedes-Benz Österreich Vertriebsgesellschaft, which distributes cars and spare parts of the Group. In March 2013, the remaining shares of the entity were acquired together with other Pappas Group entities.

The Group also has business relations with the Chinese joint venture Fujian Benz Automotive Co. Ltd. (FBAC). FBAC produces and distributes vans under the Mercedes-Benz brand name in China. In 2013, a new research and development center of Mercedes-Benz Vans was opened in China. A total of approximately €60 million was invested in the new center.

The joint venture Beijing Foton Daimler Automotive Co. Ltd. (BFDA), which was established by Daimler and the Chinese truck manufacturer Beiqi Foton Motor Co., Ltd. for the production of trucks and engines, commenced operations on July 1, 2012. Daimler has so far contributed capital of €344 million to BFDA.

The joint ventures Mercedes-Benz Trucks Vostok OOO and Fuso Kamaz Trucks Rus Ltd., which have been established with Kamaz OAO (Kamaz), another of the Group's associates, produce and distribute trucks of the Mercedes-Benz and FUSO brands and distribute buses of the Mercedes-Benz and Setra brands in Russia. As part of their strategic partnership, Daimler and Russian truck manufacturer Kamaz have signed licensing agreements on Axor and Atego cab production as well as contracts covering the supply of cabins, engines and axles for the Russian company's trucks and buses.

Shenzen BYD Daimler New Technology Co. Ltd. (SBDNT) is another of the Group's joint ventures and is allocated to the Mercedes-Benz Cars segment. A capital increase of €34 million took place in the first quarter of 2014. On April 4, 2014, Daimler provided a joint and separate liability guarantee to external banks which provided a syndicate loan to SBDNT. The guarantee provided by Daimler amounts to RMB 750 million (approximately €90 million) and equates to the Group's share in the loan granted to SBDNT based on its 50% equity interest in SBDNT.

In connection with the Group's 45% equity interest in Toll Collect GmbH, Daimler has provided a number of guarantees for Toll Collect, which are not included in table ↗ E.32 (€100 million as of June 30, 2014 and as of December 31, 2013).

E.32

Related party relationships

	Sales of goods and services and other income				Purchases of goods and services and other expense			
In millions of euros	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013
Associated companies	600	118	1,103	300	75	108	145	191
Joint ventures	186	571	342	1,122	75	46	147	80
thereof BBAC	495	379	876	703	2	6	10	8

	Receivables		Payables	
In millions of euros	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013
Associated companies	658	713	33	61
Joint ventures	222	234	20	54
thereof BBAC	589	569	8	12

Responsibility Statement.

in accordance with Section 37y of the WpHG (German Securities Trading Act)
in conjunction with Section 37w (2) No. 3 of the WpHG

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Stuttgart, July 22, 2014

Dieter Zetsche

Wolfgang Bernhard

Christine Hohmann-Dennhardt

Wilfried Porth

Hubertus Troska

Bodo Uebber

Thomas Weber

Auditor's Review Report.

To the Supervisory Board of Daimler AG

We have reviewed the condensed interim consolidated financial statements of Daimler AG, Stuttgart, comprising - the consolidated statement of income/loss, consolidated statement of comprehensive income/loss, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and selected, explanatory notes – together with the interim group management report of Daimler AG, Stuttgart, for the period from January 1 to June 30, 2014, that are part of the semi annual report according to § 37 w WpHG ("Wertpapierhandelsgesetz": "German Securities Trading Act"). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and additional application of the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Stuttgart, July 22, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

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This report and additional information on Daimler are available on the Internet at
www.daimler.com

Concept and contents
Daimler AG
Investor Relations

Publications for our shareholders
Annual Reports (German, English)
Interim Reports on first, second and third quarters (German, English)
Sustainability Report (German, English)
www.daimler.com/ir/reports

Financial Calendar.

Interim Report Q2 2014
July 23, 2014

Interim Report Q3 2014
October 23, 2014

Annual Press Conference
February 5, 2015

Analyst and Investor Conference
February 6, 2015

Annual Meeting 2015
Messe Berlin
April 1, 2015

Interim Report Q1 2015
April 28, 2015

Interim Report Q2 2015
July 23, 2015

Interim Report Q3 2015
October 22, 2015

As changes to the above dates cannot be ruled out, we recommend checking on the Internet shortly before each scheduled date at www.daimer.com/ir/calendar.

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