DAIMLER

Interim Report Q2 2017

Contents

A | Key Figures 4

B | Daimler and the Capital Market 6

C | Interim Management Report 7 - 20

Business development 7
Profitability 9
Cash flows 12
Financial position 14
Capital expenditure and research activities 16
Workforce 16
Important events 16
Events after the reporting period 16
Risk and opportunity report 17
Outlook 18

D | The Divisions 21 - 25

Mercedes-Benz Cars 21
Daimler Trucks 22
Mercedes-Benz Vans 23
Daimler Buses 24
Daimler Financial Services 25

E | Interim Consolidated Financial Statements 26 - 52

Consolidated Statement of Income 26
Consolidated Statement of Comprehensive Income 28
Consolidated Statement of Financial Position 30
Consolidated Statement of Cash Flows 31
Consolidated Statement of Changes in Equity 32
Notes to the Interim Consolidated Financial Statements 34

Responsibility Statement 53
Auditor's Review Report 54

F | Addresses – Information – Financial Calendar 55

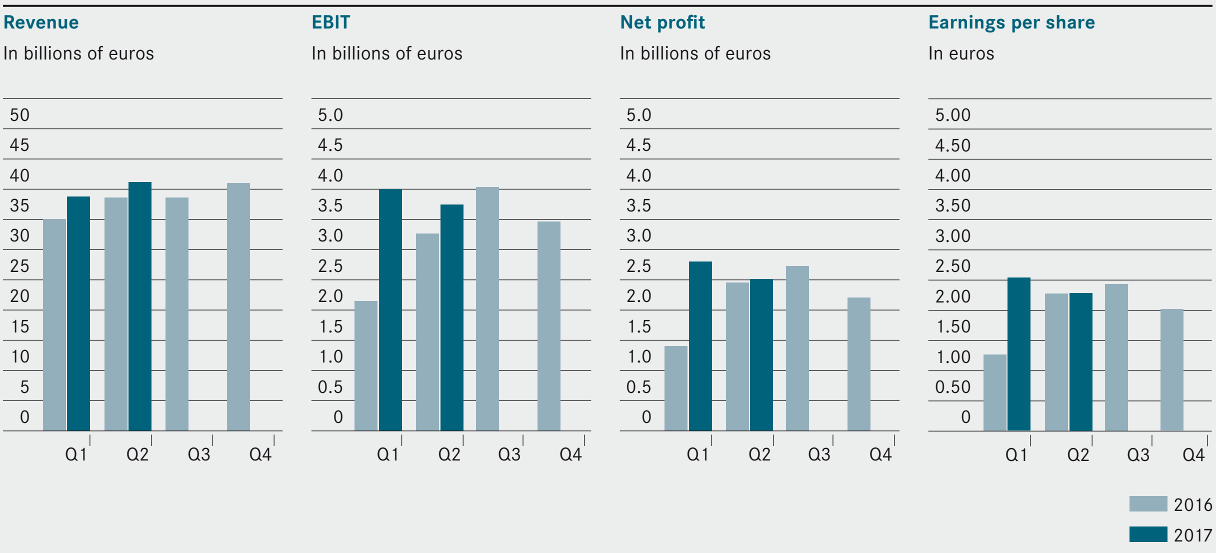
Cover photo: the new FUSO Super Great.
With the new generation of the FUSO flagship, Daimler Trucks is setting benchmarks in the Japanese market for efficiency, safety and connectivity. The newly developed FUSO Super Great improves fuel efficiency by up to 15% compared with the previous model. The powertrain components are from our global platforms. The new FUSO Super Great features the latest safety systems. Active Brake Assist 4 and Sideguard Assist are already well known from our trucks in Europe and North America. Active Attention Assist, which warns of driver fatigue, is also featured for the first time. And the new connectivity service "Truckonnect" is available in all Super Great models.

Q2

Key Figures Daimler Group

€ amounts in millions	Q2 2017	Q2 2016	% change
Revenue	41,158	38,616	+7[1]
Europe	17,160	16,438	+4
thereof Germany	6,043	6,151	-2
NAFTA	11,817	11,464	+3
thereof United States	10,153	9,958	+2
Asia	9,580	8,416	+14
thereof China	4,652	3,948	+18
Other markets	2,601	2,298	+13
Investment in property, plant, equipment	1,404	1,332	+5
Research and development costs	2,132	1,831	+16
thereof capitalized development costs	718	568	+26
Free cash flow of the industrial business	1,093	1,856	-41
EBIT	3,746	3,258	+15
Net profit	2,507	2,452	+2
Earnings per share (in euros)	2.28	2.27	+0
Employees	290,867	282,488[2]	+3

1 Adjusted for the effects of currency translation, increase in revenue of 5%.
2 As of December 31, 2016.



Q1-2

Key Figures Daimler Group

€ amounts in millions	Q1-2 2017	Q1-2 2016	% change
Revenue	79,934	73,663	+9[1]
Europe	33,379	30,636	+9
thereof Germany	11,778	11,412	+3
NAFTA	22,870	22,048	+4
thereof United States	19,807	19,345	+2
Asia	18,686	16,659	+12
thereof China	8,847	7,600	+16
Other markets	4,999	4,320	+16
Investment in property, plant, equipment	2,704	2,455	+10
Research and development costs	4,265	3,555	+20
thereof capitalized development costs	1,403	1,054	+33
Free cash flow of the industrial business	3,038	2,120	+43
EBIT	7,754	5,406	+43
Net profit	5,308	3,852	+38
Earnings per share (in euros)	4.81	3.54	+36
Employees	290,867	282,488[2]	+3

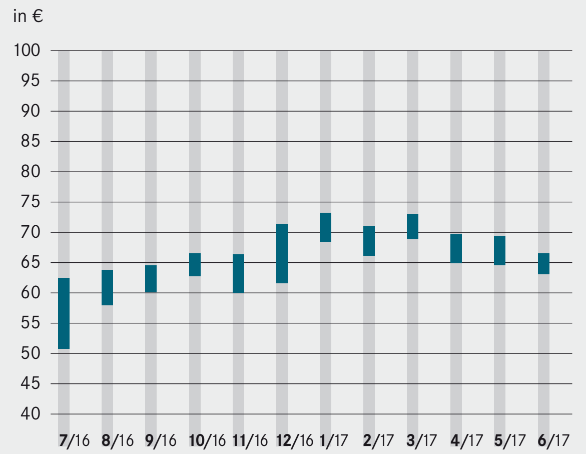
1 Adjusted for the effects of currency translation, increase in revenue of 6%.
2 As of December 31, 2016.

Daimler and the Capital Market

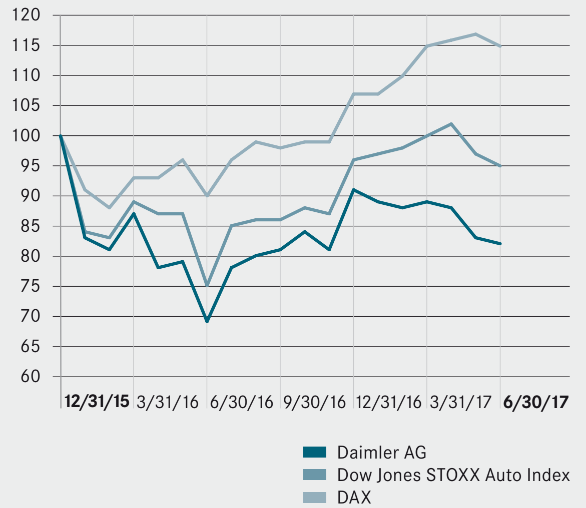
Key figures

	June 30, 2017	June 30, 2016	% change
Earnings per share in Q2 (in €)	2.28	2.27	+0
Outstanding shares (in millions)	1,069.8	1,069.8	0
Market capitalization (€ billion)	67.80	57.26	+18
Xetra closing price (in €)	63.37	53.52	+18

Daimler share price (highs and lows) in 2016/2017



Share-price development (indexed)



Auto stocks weaken in second quarter of 2017

In the second quarter of 2017, automotive stocks remained under pressure worldwide. Discussions about the future of diesel-engine technology became more international with a negative impact on the entire sector, and thus also on our share price. Due to the advancing electrification of powertrains, investors are afraid that to manage this transition in the coming years, automotive companies will have to make large investments in combination with comparatively low profitability. Indeed, the automotive markets remain at the center of investors' and analysts' attention. One important aspect is the development of the US car market. Falling new-car registrations and concern about residual values are causing increased uncertainty in the capital market about the sustainability of demand. An additional factor is that global economic growth rates are being questioned, although Europe and China continue to develop positively. The discussion about Brexit has also intensified. Overall, the appreciation of the euro against the US dollar is having a negative impact on shares in companies with a high proportion of sales in the United States.

Our share price was not immune to this environment, despite the continuation of very good unit sales by Mercedes-Benz Cars and the high level of orders received by Daimler Trucks. Daimler's share price was €63.37 at the end of the second quarter, which is 8% lower than at the end of the first quarter of 2017. Taking into consideration the dividend of €3.25, our stock's performance amounted to minus 6% in the first half of 2017, whereas the DAX rose by 7% and the Dow Jones STOXX Auto Index fell by 1% during the same period.

Favorable interest environment used for refinancing

In the first half of 2017, the Daimler Group once again undertook refinancing at attractive conditions in the international money and capital markets. Daimler raised funds of €10.7 billion from the issue of bonds in the first half of 2017 (Q1-2 2016: €12.6 billion). In June, Daimler AG issued a multi-tranche bond in the European capital market with a volume of €4.1 billion and maturities of up to 20 years. In addition, Daimler Finance North America LLC issued bonds in the US capital market in early May with eighteen-month and three- and five-year maturities and a total volume of US$2.0 billion.

Interim Management Report

Unit sales significantly above prior-year level at 822,500 vehicles (+8%)
Revenue up by 7% to €41.2 billion
Group EBIT of €3.7 billion (Q2 2016: €3.3 billion)
Net profit of €2.5 billion (Q2 2016: €2.5 billion)
Free cash flow of industrial business of €3.0 billion in first half of year (Q1-2 2016: €2.1 billion)
Significant growth in unit sales and revenue anticipated for full-year 2017
Group EBIT expected to be significantly higher than in 2016

Business development

Solid growth of world economy

The **world economy** proved to be quite resilient in the second quarter of this year, despite the continuation of major geopolitical uncertainty, and is likely to have expanded compared with the prior-year period at a similar rate to that in the first quarter. Growth of the US economy seems to have accelerated somewhat following a rather moderate start to the year. As a result, the US Federal Reserve slightly increased its base lending rate, as had been expected. The development of business and consumer confidence in the European Monetary Union was very positive. By some measures, such as the IFO index in Germany, they reached new record levels, which should ultimately be reflected also by higher consumption and investment spending. In view of these favorable economic developments, the European Central Bank (ECB) has for the first time indicated that its currently still very expansive monetary policy could change in the medium term. The markets reacted very positively also to the result of the election in France. In this environment, the euro climbed significantly against the US dollar. The price of crude oil weakened again during the second quarter, mainly due to oversupply, and fell significantly below 50 dollars per barrel. As industrial raw-material prices were also generally lower, the process of economic recovery in the export-oriented emerging markets lost some of its momentum. Nonetheless, the South American economic area seems no longer to have had negative growth in the second quarter, for the first time in a long period. The Chinese economy continued its stable development and grew by another 6.9%, following its surprisingly strong growth at the beginning of the year.

Worldwide demand for cars in the second quarter was similar to that in the prior-year period. The main reason for the lack of growth was the weaker market development in China and the United States. Cars sales in China continued to develop rather moderately because tax incentives for the purchase of small cars were halved at the beginning of the year. The most recent figures indicate that the market was only at its prior-year level. In the United States, overall demand for cars and light trucks decreased slightly. While sales of SUVs and pickups continued to grow, demand was significantly weaker for other automobiles, especially traditional sedans. The European market was slightly larger than in the prior-year period. Total car sales in Western Europe were only at the prior-year level due to a calendar effect (Easter) and the recently weak market development in the United Kingdom, but demand increased significantly in Eastern Europe. The Japanese market was significantly larger than in the second quarter of last year, while demand for cars in India increased slightly.

Demand for **medium- and heavy-duty trucks** continued to develop very differently from one region to another. The North American market seems to have bottomed out, although overall sales in weight classes 6-8 were still slightly lower than in the prior-year quarter. The medium-duty segment (classes 6-7) was about at its prior-year volume, while there was still a considerable drop in demand for heavy-duty trucks (class 8).

In the EU30 region (European Union, Switzerland and Norway), demand remained close to the solid prior-year level. The Brazilian market was once again below its already very weak level of the prior-year quarter, although some signs of demand stabilization were apparent. Truck sales in Turkey continued their dissatisfactory development with another double-digit decrease. The Russian market developed positively, however; according to recent estimates, it continued along its path of recovery with significantly double-digit growth rates.

The most important Asian markets from Daimler's perspective presented a mixed picture also in the second quarter. Demand for light-, medium- and heavy-duty trucks in Japan was slightly lower than the solid prior-year level. The Indonesian truck market seems to have continued its recovery; recent estimates suggest that the market grew significantly compared with the weak prior-year period. However, demand for medium- and heavy-duty trucks in India decreased significantly, whereby regulatory factors have recently had an impact on the market. This relates on the one hand to the introduction of a new emission standard in April, which led to purchases being brought forward to the first quarter, and on the other hand to the reform of the country's goods and services tax, which took effect on July 1. Both factors lead to lower demand in the past quarter. The Chinese market continued its strong expansion.

Demand for vans in the EU30 region continued to grow in the second quarter of 2017, with an 7% increase in the market volume for mid-size and large vans. Demand for small vans rose by 4%. The US market and the Latin American market for large vans were at the prior-year level.

The market volume for **buses** in the EU30 region declined by about 6% compared with the second quarter of last year. Demand in Brazil was significantly higher than in the prior-year period with an increase of 7%. As a result of the currently difficult situation, domestic demand in Turkey was significantly lower than in the second quarter of 2016.

Significant growth in second-quarter unit sales

In the second quarter of 2017, Daimler sold 822,500 cars and commercial vehicles worldwide, surpassing the total for the prior-year period by 8%. ↗ C.01

The second quarter of 2017 was the quarter with the highest unit sales so far by **Mercedes-Benz Cars**. Worldwide, 595,200 automobiles of the Mercedes-Benz and smart brands were sold (+9%). Sales in Europe reached the new record of 270,400 units (+6%). In Germany, unit sales increased slightly compared with the prior-year period to 85,400 vehicles (+2%). New sales records were set for example in the United Kingdom, France, Belgium, Switzerland and Sweden. With growth of 28% and 150,100 vehicles sold, another record was set also in China including Hong Kong. Unit sales increased in South Korea by 42% and in Australia by 22%. In the United States, 77,600 vehicles were sold (Q2 2016: 86,600). Unit sales were up in Canada by 8% and in Mexico by 57%.

Second-quarter unit sales by **Daimler Trucks** of 116,400 vehicles were higher than in the prior-year period (Q2 2016: 108,300). In the EU30 region, our sales of 20,400 units were at the prior-year level. Sales in Turkey decreased for market-related reasons to 2,900 trucks (Q2 2016: 3,100). Business in the NAFTA region developed positively with sales of 42,300 units (Q2 2016: 40,600). Compared with the prior-year quarter, our unit sales grew also in Latin America. We significantly increased our unit sales in Argentina, while sales of 2,900 trucks in Brazil were just under the low prior-year number (Q2 2016: 3,000). In Asia, our unit sales were significantly above the prior-year level, due in particular to strong growth in Indonesia to 9,800 vehicles (Q2 2016: 5,600). We achieved substantial growth compared with the prior-year period also in the Middle East with sales of 6,400 units (Q2 2016: 3,900). In Japan, our sales of 10,200 trucks were lower than in the prior-year period (Q2 2016: 11,000). For market-related reasons, sales decreased also in India to 3,600 units (Q2 2016: 3,900).

Mercedes-Benz Vans increased its unit sales by 4% to the new record of 103,400 vehicles in the second quarter of 2017. In the EU30 region, the van division achieved growth of 1% to 70,400 units. In the important German market, Mercedes-Benz Vans achieved another very good second quarter with 27,400 units sold (Q2 2016: 26,800), which is slightly more than in the prior-year quarter. In Latin America, we achieved significant growth (+31%) to sales of 4,000 units in the second quarter. Mercedes-Benz Vans further improved its position in China and recorded its highest quarterly unit sales there so far, selling 6,300 vehicles (+49%).

Second-quarter unit sales by **Daimler Buses** increased by 8% to 7,500 vehicles. In the EU30 region, we sold 2,200 buses of the Mercedes-Benz and Setra brands, representing a decrease of 2% compared with the second quarter of last year. Due to the currently difficult market situation in Turkey, our sales there of 140 units were well below the level of the prior-year period (Q2 2016: 300). However, in Latin America (excluding Mexico), Daimler Buses increased its unit sales by 15% to 3,400 bus chassis, although the market situation in Brazil remained difficult. We achieved significant sales growth also in Mexico, selling 1,000 units (Q2 2016: 600). A total of 400 units were sold in Asia (Q2 2016: 500).

At **Daimler Financial Services**, new business increased compared with the prior-year period by 16% to €17.9 billion. Contract volume reached €134.2 billion at the end of June, and was thus at the level of year-end 2016. Adjusted for exchange-rate effects, contract volume increased by 5%. The insurance business also developed very positively. Worldwide, 519,000 insurance contracts were brokered by Daimler Financial Services in the second quarter (Q2 2016: 432,000).

The Daimler Group's second-quarter **revenue** amounted to €41.2 billion, which is 7% higher than in the same quarter of 2016. Adjusted for exchange-rate effects, revenue grew by 5%. ↗ C.02

Mercedes-Benz Cars' revenue increased by 7% to €23.6 billion. Revenue at Daimler Trucks increased by 4%, a lower rate than for unit sales, to €9.0 billion. This was mainly due to shifts in the product and regional mix, and especially the strong sales increase in Indonesia. Mercedes-Benz Vans' second-quarter revenue decreased by 3%, while Daimler Buses increased its revenue by the same percentage. Daimler Financial Services' revenue increased by 18% to €5.9 billion, due in particular to the significant growth in contract volume.

C.01
Unit sales by division

	Q2 2017	Q2 2016	% change
Daimler Group	822,504	761,340	+8
Mercedes-Benz Cars	595,178	546,517	+9
Daimler Trucks	116,429	108,282	+8
Mercedes-Benz Vans	103,393	99,583	+4
Daimler Buses	7,504	6,958	+8

C.02
Revenue by division

In millions of euros	Q2 2017	Q2 2016	% change
Daimler Group	41,158	38,616	+7
Mercedes-Benz Cars	23,571	22,122	+7
Daimler Trucks	9,028	8,666	+4
Mercedes-Benz Vans	3,324	3,441	-3
Daimler Buses	1,154	1,122	+3
Daimler Financial Services	5,930	5,014	+18

Profitability

The **Daimler Group** achieved second-quarter EBIT of €3,746 million in 2017, thus significantly surpassing its prior-year earnings (Q2 2016: €3,258 million). ↗ C.03

The positive development of unit sales of the new E-Class and the SUVs resulted in significant earnings growth at the Mercedes-Benz Cars division. An additional factor is that special items had a negative impact on earnings in the second quarter of last year. Daimler Trucks did not match its earnings of the prior-year quarter, due in particular to customer service measures at Mercedes-Benz Trucks. The Mercedes-Benz Vans and Daimler Buses divisions also posted significantly lower EBIT compared to the prior-year quarter. Daimler Financial Services achieved a slight increase in second-quarter EBIT. Exchange-rate effects had a positive impact on earnings at all the divisions.

The reconciliation of segment earnings to Group EBIT resulted in a considerably lower contribution to earnings than in the prior-year quarter. There was a positive impact in the second quarter of 2016, mainly from special items.

C.03
EBIT by segment

In millions of euros	Q2 2017	Q2 2016	% change	Q1-2 2017	Q1-2 2016	% change
Mercedes-Benz Cars	2,404	1,410	+70	4,638	2,805	+65
Daimler Trucks	543	621	-13	1,211	1,137	+7
Mercedes-Benz Vans	358	401	-11	715	702	+2
Daimler Buses	64	88	-27	129	127	+2
Daimler Financial Services	522	479	+9	1,046	911	+15
Reconciliation	-145	259	.	15	-276	.
Daimler Group[1]	3,746	3,258	+15	7,754	5,406	+43

1 EBIT, the indicator of operating performance, comprises earnings before interest income and corporate income taxes. The reconciliation of the Daimler Group's EBIT to earnings before income taxes is included in Note 20 of the Notes to the Interim Consolidated Financial Statements.

In the second quarter of 2017, the EBIT of the **Mercedes-Benz Cars** division was €2,404 million, which is considerably higher than the prior-year figure of €1,410 million. The division's return on sales was 10.2% (Q2 2016: 6.4%). ↗ C.03

The positive development of earnings in the second quarter of 2017 was influenced by growing unit sales of the new E-Class and the SUVs. Positive exchange-rate effects also had a favorable impact on EBIT. However, there were negative effects on earnings from advance expenditure for new technologies and future products. In the second quarter of the previous year, it was mainly expenses in connection with Takata airbags of €440 million and net expenses from the measurement of inventories of €284 million that had negative effects on earnings.

The **Daimler Trucks** division's EBIT of €543 million is significantly below the prior-year figure (Q2 2016: €621 million). Its return on sales was 6.0% (Q2 2016: 7.2%). ↗ C.03

Customer service measures at Mercedes-Benz Trucks affected EBIT negatively. Efficiency enhancements increased the division's EBIT.

The **Mercedes-Benz Vans** division achieved EBIT of €358 million, which is significantly below the very high prior-year level (Q2 2016: €401 million). Its return on sales decreased to 10.8%, compared to 11.7% in the second quarter of last year. ↗ C.03

Despite lower warranty costs, earnings did not match the prior-year period, as a result of higher expenses from advance expenditure for new technologies and future products as well as the end of a contract manufacturing arrangement.

Daimler Buses' EBIT of €64 million was also significantly lower than the very high earnings in the prior-year period (Q2 2016: €88 million). This resulted in a return on sales of 5.5% (Q2 2016: 7.8%). ↗ C.03

Further efficiency enhancements did not quite offset the decrease in earnings due to lower unit sales in Turkey and higher inflation-related costs in Latin America.

In the second quarter of 2017, the **Daimler Financial Services** division's earnings of €522 million slightly surpassed the prior-year figure (Q2 2016: €479 million). ↗ C.03

This positive development was mainly the result of increased contract volume and an improved cost-of-risk situation. On the other hand, the higher level of interest rates impacted earnings negatively.

The **reconciliation** of the divisions' EBIT to Group EBIT comprises gains and/or losses at the corporate level and the effects on earnings of eliminating intra-group transactions between the divisions.

Items at the corporate level resulted in expenses of €152 million in the second quarter of 2017 (Q2 2016: income of €237 million). In the prior-year quarter, EBIT was reduced by expenses of €400 million related to legal proceedings. On the other hand, the EBIT of the prior-year period was strengthened by the contribution into the pension plan assets of the shares of each of Renault S.A. (Renault) and Nissan Motor Company Ltd. (Nissan) in an amount of €605 million.

The elimination of intra-group transactions resulted in income of €7 million in the second quarter of 2017 (Q2 2016: €22 million).

Net interest expense in the second quarter of 2017 amounted to €93 million (Q2 2016: €79 million).

The **income-tax expense** recognized in the second quarter of 2017 amounts to €1,143 million (Q2 2016: €724 million). The effective tax rate developed from 22.8% to 31.3% in the reporting period. The increase in the income-tax expense is due to the improved pretax income as well as the differing composition of pretax income. In the second quarter of 2016, pretax income included the largely tax-free income from the contribution of our shares in Renault and Nissan into the German pension plan assets. Adjusted for this income in 2016, the income-tax expense developed in line with pretax income.

Net profit for the second quarter of 2017 improved slightly to €2,507 million (Q2 2016: €2,452 million). Net profit of €68 million is attributable to **non-controlling interests** (Q2 2016: €23 million). Net profit **attributable to the shareholders of Daimler AG** amounts to €2,439 million (Q2 2016: €2,429 million), representing **earnings per share** of €2.28 (Q2 2016: €2.27).

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

In the first six months of the year 2017, the **Daimler Group** achieved EBIT of €7,754 million, thus substantially surpassing its prior-year earnings (Q1-2 2016: €5,406 million). ↗ C.03

The Mercedes-Benz Cars division made a major contribution to the earnings growth. Its significant increase in EBIT was mainly the result of growth in unit sales of the new E-Class and the SUVs. However, in the prior-year period, special items had a very negative impact on earnings. Daimler Trucks slightly increased its earnings in the first half of the year mainly due to the sale of real estate in Japan. The Mercedes-Benz Vans and Daimler Buses divisions achieved EBIT at the prior-year level. At Daimler Financial Services, earnings increased significantly due to the higher contract volume and a further improvement in the cost-of-risk situation. Exchange-rate effects had a positive impact on earnings at all the divisions.

The reconciliation of segment earnings to Group EBIT was positively impacted in the first half of 2017 by the reversal of an impairment of Daimler's equity investment in BAIC Motor Corporation Ltd. (BAIC Motor). In the prior-year period, special items had a negative net effect on earnings.

The EBIT of the **Mercedes-Benz Cars** division in the first six months of the year 2017 was €4,638 million, which is considerably higher than the prior-year figure of €2,805 million. The division's return on sales was 10.0% (Q1-2 2016: 6.7%). ↗ C.03

The very positive development of earnings in the first six months of the year 2017 was primarily influenced by growing unit sales of the new E-Class and the SUVs. In addition, the first half of the prior-year period was affected by expenses in connection with Takata airbags of €460 million and net expenses from the measurement of inventories of €284 million. In the first six months of the year 2017, positive exchange-rate effects and the non-cash income effect of €183 million in connection with new investors in the digital mapping provider HERE also had a favorable impact on EBIT. However, there were negative effects on earnings from advance expenditure for new technologies and future products.

The **Daimler Trucks** division's first-half EBIT of €1,211 million was slightly above the prior-year figure (Q1-2 2016: €1,137 million). Its return on sales was 7.1% (Q1-2 2016: 6.7%). ↗ C.03

The sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan increased earnings by €267 million in the first quarter of 2017 and also efficiency enhancements resulted in a positive impact on earnings. EBIT was reduced by lower unit sales in the NAFTA region and expenses for customer service measures at Mercedes-Benz Trucks.

Mercedes-Benz Vans achieved EBIT of €715 million in the first half of this year, at the prior-year level (Q1-2 2016: €702 million). The division's return on sales increased to 11.3% from 11.2% in the first half of last year. ↗ C.03

The division's EBIT reflects the positive development of exchange rates in the first half of 2017. However, earnings were negatively affected by higher expenses from advance expenditure for new technologies and future products.

Daimler Buses' EBIT of €129 million in the first half of 2017 was at the prior-year level (Q1-2 2016: €127 million). The division's return on sales was 6.3% (Q1-2 2016: 6.5%). ↗ C.03

As well as further efficiency enhancements and positive exchange-rate effects, a better cost situation also had a positive impact on EBIT. This offset the reduction in earnings from lower unit sales in Turkey and higher inflation-related costs in Latin America.

In the first six months of 2017, the **Daimler Financial Services** division achieved earnings of €1,046 million, thus significantly surpassing the prior-year figure (Q1-2 2016: €911 million). ↗ C.03

The main factor for this positive development was the increased contract volume and a better cost-of-risk situation. On the other hand, a higher interest-rate level impacted earnings negatively.

Items included in the **reconciliation** of the divisions' EBIT to Group EBIT had a positive effect of €15 million in the first six months of 2017 (Q1-2 2016: expense of €276 million).

Items at the corporate level resulted in net income of €17 million in the first half of 2017 (Q1-2 2016: net expense of €282 million). The first six months of the year 2017 were influenced primarily by the reversal of an impairment of €240 million of Daimler's equity investment in BAIC Motor. In the prior-year period, EBIT was reduced by expenses related to legal proceedings of €400 million. In addition, the prior year included the impairment of €244 million of the equity investment in BAIC Motor and losses of €241 million from currency transactions which are not allocated to business operations. The gain of €605 million recognized on the contribution of 3.1% of the shares of each of Renault and Nissan into the German pension plan assets did not offset those expenses.

The elimination of intra-group transactions resulted in an expense of €2 million in the first half of 2017 (Q1-2 2016: income of €6 million).

In the first six months of the year 2017, **net interest expense** amounted to €170 million (Q1-2 2016: €146 million).

The expense of €2,270 million (Q1-2 2016: €1,402 million) entered under **income-tax expense** for the first half of 2017 increased mainly due to the improvement in profit before income taxes of €2,324 million. The effective tax rate was 30.0% (Q1-2 2016: 26.7%). Tax-free gains are included in both periods. In the first half of 2017, there was substantial income from our equity-method investments, which is partially tax-free. In the first half of 2016, a gain was in connection with the contribution of our shares in Renault and Nissan into the pension plan assets recognized that was largely tax-free.

Net profit for the first half of 2017 amounts to €5,308 million, which is significantly higher than in the prior-year period (Q1-2 2016: €3,852 million). Net profit of €163 million is attributable to **non-controlling interests** (Q1-2 2016: €70 million). Net profit **attributable to the shareholders of Daimler AG** amounts to €5,145 million (Q1-2 2016: €3,782 million), representing an increase in **earnings per share** to €4.81 (Q1-2 2016: €3.54).

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

Cash flows

In the first half of 2017, **cash provided by operating activities** ↗ C.04 amounted to €2.5 billion (Q1-2 2016: €2.6 billion) and was slightly below the level of the prior-year period. In comparison to the first half of 2016, there were effects due in particular to the positive business performance. The development of working capital also had a positive impact. A cash inflow of €0.4 billion resulted from the dividend distributed by Beijing Benz Automotive Co., Ltd. On the other hand, cash provided by operating activities was reduced by renewed growth in the leasing and sales-financing business.

C.04
Condensed consolidated statement of cash flows

In millions of euros	Q1-2 2017	Q1-2 2016	Change
Cash and cash equivalents at beginning of period	10,981	9,936	+1,045
Cash provided by operating activities	2,517	2,622	-105
Cash used for investing activities	-2,376	-4,451	+2,075
Cash provided by financing activities	2,428	5,988	-3,560
Effect of exchange-rate changes on cash and cash equivalents	-555	-107	-448
Cash and cash equivalents at end of period	12,995	13,988	-993

C.05
Free cash flow of the industrial business

In millions of euros	Q1-2 2017	Q1-2 2016	Change
Cash provided by operating activities	7,349	5,945	+1,404
Cash used for investing activities	-2,377	-4,456	+2,079
Change in marketable debt securities	-1,767	625	-2,392
Other adjustments	-167	6	-173
Free cash flow of the industrial business	3,038	2,120	+918

Cash used for investing activities ↗ C.04 resulted in a cash outflow of €2.4 billion (Q1-2 2016: €4.5 billion). The change compared with the first half of last year primarily reflects 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 exceeded disposals in the prior-year period. The sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan led to a cash inflow of €0.3 billion. Opposing effects resulted from the increased investments in intangible assets and property, plant and equipment and from the acquisition of an interest in LSH Auto International Limited (LSHAI).

Cash provided by financing activities ↗ C.04 resulted in a cash inflow of €2.4 billion in the first half of 2017 (Q1-2 2016: cash inflow of €6.0 billion). The decrease was primarily due to the change in financing liabilities.

Cash and cash equivalents increased compared with December 31, 2016 by €2.0 billion, after taking currency translation into account. Total liquidity, which also includes marketable debt securities, increased by €0.1 billion to €21.8 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.05, 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 non-cash 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 provided by financing activities in connection with the acquisition or disposal of interests in subsidiaries without loss of control.

In the first half of 2017, the **free cash flow of the industrial business** amounted to €3.0 billion (Q1-2 2016: €2.1 billion). This increase resulted primarily from the positive business performance and the development of working capital. A cash inflow of €0.4 billion resulted from the dividend distributed by Beijing Benz Automotive Co., Ltd. In addition, the sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan led to a cash inflow of €0.3 billion. Opposing effects resulted from increased investments in intangible assets and property, plant and equipment and from the acquisition of an interest in LSHAI.

The **net liquidity of the industrial business** ↗ C.06 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, 2016, the net liquidity of the industrial business decreased from €19.7 billion to €18.4 billion. The dividend payment to shareholders of Daimler AG and negative exchange rate effects led to a decrease in net liquidity that was only partially offset by the positive free cash flow.

Net debt at Group level, which primarily results from refinancing the leasing and sales-financing business, increased compared with December 31, 2016 by €1.7 billion to €97.6 billion. ↗ C.07

The Daimler Group once again utilized attractive conditions in the international money and capital markets for **refinancing** in the first half of 2017.

In the first half of 2017, Daimler had a cash inflow of €10.7 billion from the **issuance** of bonds (Q1-2 2016: €12.6 billion). The redemption of bonds resulted in cash outflows of €7.5 billion (Q1-2 2016: €3.8 billion). A large proportion of the issuance volume was carried out in the form of so-called benchmark bonds (bonds with high nominal values).

In the second quarter 2017, particular use was made of favorable conditions in the euro market. In June, Daimler AG issued a multi-tranche bond in the European capital market, placing a volume of €4.05 billion. Furthermore, in early May, Daimler Finance North America LLC issued bonds with maturities of eighteen months, three years and five years in a total volume of US$2.0 billion in the US capital market. ↗ C.08

In addition to the issuances shown in the table, multiple smaller issuances were undertaken in various countries. In May, Daimler placed a so-called panda-bond with a volume of RMB4.0 billion in the capital market of the People's Republic of China.

In the second quarter, several **asset-backed securities (ABS) transactions** were also conducted in China, the United States, Canada and Germany. In China, an ABS transaction was successfully placed with a volume of RMB5.2 billion. In addition, a total of US$2.6 billion in refinancing volume was generated by two issuances in the United States as well as a further C$0.4 billion in Canada. In addition, Mercedes-Benz Bank sold ABS bonds worth €1.1 billion to European investors at the end of June via the Silver Arrow platform.

C.06
Net liquidity of the industrial business

In millions of euros	June 30, 2017	Dec. 31, 2016	Change
Cash and cash equivalents	11,030	8,751	+2,279
Marketable debt securities	7,635	9,498	-1,863
Liquidity	18,665	18,249	+416
Financing liabilities	-345	1,451	-1,796
Market valuation and currency hedges for financing liabilities	62	37	+25
Financing liabilities (nominal)	-283	1,488	-1,771
Net liquidity	18,382	19,737	-1,355

C.07
Net debt of the Daimler Group

In millions of euros	June 30, 2017	Dec. 31, 2016	Change
Cash and cash equivalents	12,995	10,981	+2,014
Marketable debt securities	8,801	10,748	-1,947
Liquidity	21,796	21,729	+67
Financing liabilities	-119,500	-117,686	-1,814
Market valuation and currency hedges for financing liabilities	74	61	+13
Financing liabilities (nominal)	-119,426	-117,625	-1,801
Net debt	-97,630	-95,896	-1,734

C.08
Benchmark issuances

Issuer	Volume	Month of issue	Maturity
Daimler Finance North America	US$1,400 million	Jan. 2017	Jan. 2020
Daimler Finance North America	US$850 million	Jan. 2017	Jan. 2022
Daimler Finance North America	US$750 million	Jan. 2017	Jan. 2027
Daimler AG	€1,250 million	Feb. 2017	Feb. 2025
Daimler Finance North America	US$500 million	May 2017	Nov. 2018
Daimler Finance North America	US$1,250 million	May 2017	May 2020
Daimler Finance North America	US$250 million	May 2017	Jan. 2022
Daimler AG	€1,250 million	Jun. 2017	Jul. 2024
Daimler AG	€1,500 million	Jun. 2017	Jul. 2029
Daimler AG	€1,300 million	Jun. 2017	Jul. 2037

Financial position

The **balance sheet total** increased compared with December 31, 2016 from €243.0 billion to €246.6 billion; adjusted for the effects of currency translation, the increase amounted to €11.3 billion. Daimler Financial Services accounts for €142.6 billion of the balance sheet total (December 31, 2016: €141.8 billion), equivalent to 58% of the Daimler Group's total assets (December 31, 2016: 58%).

The increase in total assets is primarily due to the growth of the financial services business and increased other financial assets. On the liabilities side of the balance sheet, there were increases primarily in financial liabilities, equity and trade liabilities. Current assets account for 42% of the balance sheet total (December 31, 2016: 42%). Current liabilities amount to 34% of total equity and liabilities, which is slightly under the prior-year level (December 31, 2016: 35%).

C.09

Condensed consolidated statement of financial position

In millions of euros	June 30, 2017	Dec. 31, 2016	% change
Assets			
Intangible assets	12,935	12,098	+7
Property, plant and equipment	26,518	26,381	+1
Equipment on operating leases and receivables from financial services	128,896	127,449	+1
Equity-method investments	4,213	4,098	+3
Inventories	26,227	25,384	+3
Trade receivables	10,195	10,614	-4
Cash and cash equivalents	12,995	10,981	+18
Marketable debt securities	8,801	10,748	-18
Other financial assets	7,081	5,736	+23
Other assets	8,735	9,499	-8
Total assets	**246,596**	**242,988**	**+1**
Equity and liabilities			
Equity	60,677	59,133	+3
Provisions	25,689	26,810	-4
Financing liabilities	119,500	117,686	+2
Trade payables	13,973	11,567	+21
Other financial liabilities	11,358	12,869	-12
Other liabilities	15,399	14,923	+3
Total equity and liabilities	**246,596**	**242,988**	**+1**

Intangible assets of €12.9 billion (December 31, 2016: €12.1 billion) include €9.6 billion of capitalized development costs and €1.2 billion of goodwill. The Mercedes-Benz Cars division accounts for 77% of the development costs and the Daimler Trucks division accounts for 12%.

Property, plant and equipment of €26.5 billion were slightly above the prior-year level (December 31, 2016: €26.4 billion). In the first six months of 2017, €2.7 billion was invested worldwide, in particular at our production and assembly sites for new products and technologies and for the expansion and modernization of the production facilities. The sites in Germany accounted for €1.8 billion of capital expenditure (Q1-2 2016: €1.7 billion).

Equipment on operating leases and receivables from financial services increased to €128.9 billion (December 31, 2016: €127.4 billion). The increase of €6.5 billion after adjusting for exchange-rate effects was primarily caused by the higher level of new business at Daimler Financial Services. The business with end-customers was further expanded in Asia and Europe. The leasing and sales-financing business as a proportion of total assets was at the prior year-level of 52%.

Equity-method investments of €4.2 billion (December 31, 2016: €4.1 billion) mainly comprise the carrying amounts of our equity interests in Beijing Benz Automotive Co., Ltd. (BBAC), BAIC Motor Corporation Ltd. (BAIC Motor), There Holding B.V. (digital mapping provider HERE) and LSH Auto International Limited (LSHAI). See Note 11 of the Notes to the Interim Consolidated Financial Statements for further information.

Inventories increased from €25.4 billion to €26.2 billion, equivalent to 11% of total assets and thus higher than at the end of 2016 (10%). The increase adjusted for exchange-rate effects of €1.5 billion applied to all automotive divisions.

Trade receivables amounted to €10.2 billion which is under the prior-year level of €10.6 billion. The Mercedes-Benz Cars division accounts for 45% of these receivables and the Daimler Trucks division accounts for 27%.

Cash and cash equivalents increased compared with the end of the year 2016 by €2.0 billion to €13.0 billion.

Marketable debt securities decreased compared with December 31, 2016 from €10.7 billion to €8.8 billion. Those assets include the debt instruments that are allocated to liquidity, most of which are traded in active markets. They generally have an external rating of A or better.

Other financial assets increased by €1.3 billion to €7.1 billion. They primarily consist of derivative financial instruments, equity interests in unconsolidated subsidiaries and other investments, as well as loans and other receivables due from third parties. The increase is attributable to dividends due from BBAC in the second half-year of 2017 as well as higher positive fair values of currency derivatives.

Other assets of €8.7 billion (December 31, 2016: €9.5 billion) primarily comprise deferred tax assets and tax refund claims.

The Group's **equity** increased compared with December 31, 2016 from €59.1 billion to €60.7 billion, adjusted for the effects of currency translation, the increase amounted to €3.2 billion. Positive effects resulted from the net profit of €5.3 billion and remeasurement of derivative financial instruments not recognized in profit and loss of €1.5 billion. The increase was partially offset by the dividend of €3.5 billion paid out to Daimler's shareholders and effects from currency translation of €1.6 billion. Equity attributable to the shareholders of Daimler AG therefore increased to €59.6 billion (December 31, 2016: €58.0 billion).

In relation to the increase in the balance-sheet total of 1%, equity increased by the disproportionately high rate of 3%. The Group's **equity ratio** of 24.6% was therefore above the level at the end of 2016 (22.9%); the equity ratio for the industrial business was 47.9% (December 31, 2016: 44.7%).

Provisions decreased to €25.7 billion from €26.8 billion at December 31, 2016; as a proportion of the balance-sheet total, they amount to 10%, which is slightly lower than at December 31, 2016 (11%). They primarily comprise provisions for pensions and similar obligations of €9.3 billion (December 31, 2016: €9.0 billion), which mainly consist of the difference between the present value of defined-benefit pension obligations of €31.7 billion (December 31, 2016: €31.2 billion) and the fair value of the pension-plan assets applied to finance those obligations of €23.6 billion (December 31, 2016: €23.4 billion). Provisions also relate to liabilities from income taxes of €1.2 billion (December 31, 2016: €1.7 billion), from product warranties of €6.1 billion (December 31, 2016: €6.1 billion) and from personnel and social costs of €3.7 billion (December 31, 2016: €4.3 billion), as well as other provisions of €5.4 billion (December 31, 2016: €5.7 billion).

Financing liabilities of €119.5 billion were above the level of December 31, 2016 (€117.7 billion); adjusted for exchange-rate effects, the increase amounts to €5.8 billion. 53% of the financing liabilities are accounted for by notes and bonds, 25% by liabilities to financial institutions, 10% by deposits in the direct banking business and 9% by liabilities from ABS transactions.

Trade payables increased to €14.0 billion (December 31, 2016: €11.6 billion), primarily due to the higher volume of business. The Mercedes-Benz Cars division accounts for 62% of those payables and the Daimler Trucks division accounts for 22%.

Other financial liabilities of €11.4 billion (December 31, 2016: €12.9 billion) mainly consist of liabilities from derivative financial instruments, residual-value guarantees, accrued interest on financing liabilities, deposits received, and liabilities from salaries and wages. The decrease was primarily caused by a reduction in negative fair values of currency derivatives.

Other liabilities of €15.4 billion (December 31, 2016: €14.9 billion) primarily comprise deferred income, tax liabilities, and deferred taxes.

Further information on the assets presented in the statement of financial position and on the Group's equity and liabilities is provided in the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity and the related notes in the Notes to the Interim Consolidated Financial Statements.

Capital expenditure and research activities

The Daimler Group invested €2.7 billion in property, plant and equipment in the first six months of this year (Q1-2 2016: €2.5 billion). Most of that investment, €1.9 billion, was at the Mercedes-Benz Cars division (Q1-2 2016: €1.8 billion). The main focus of capital expenditure was on production preparations for new models, in particular the derivatives of the E-Class and the new generation of compact-class cars, especially the new A-Class. Another area of capital expenditure was for the ongoing expansion of our international production and component plants. At Daimler Trucks, the main investments were for new products and successor generations of existing products, global component projects and the optimization of our worldwide production network.

The Daimler Group's research and development spending in the first half of the year amounted to €4.3 billion (Q1-2 2016: €3.6 billion), of which €1.4 billion was capitalized (Q1-2 2016: €1.1 billion). More than three quarters, €3.3 billion, of the research and development spending was at the Mercedes-Benz Cars segment (Q1-2 2016: €2.7 billion). This already includes a substantial amount of advance expenditure for the mobility of the future. The other main areas were new vehicle models, fuel-efficient drive systems, and the intensification of the modular strategy. Daimler Trucks invested primarily in the areas of emission reduction, alternative drive systems and future technologies, as well as in tailored products and technologies, especially for the Latin American markets and China.

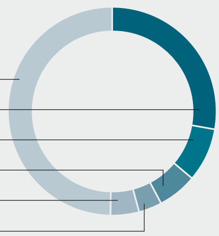
Workforce

At the end of the second quarter of 2017, the Daimler Group employed 290,867 people worldwide (end of 2016: 282,488). Of that total, 174,909 were employed in Germany (end of 2016: 170,034); 23,705 in the United States (end of 2016: 21,857), 9,872 in Brazil (end of 2016: 9,782) and 10,301 in Japan (end of 2016: 10,535). Our consolidated companies in China had 3,944 employees at the end of June (end of 2016: 3,696). ↗ C.10

C.10

Employees by division (as of June 30, 2017)

Daimler Group	290,867
Mercedes-Benz Cars	144,799
Daimler Trucks	80,832
Mercedes-Benz Vans	24,605
Daimler Buses	17,828
Daimler Financial Services	12,498
Group Functions & Services	10,305



Important events

Daimler and BAIC sign framework agreement on strategic cooperation on alternative drive systems

On June 1, 2017, in the presence of the German Chancellor, Dr. Angela Merkel, and the Chinese Prime Minister, Li Keqiang, Daimler AG and its Chinese partner, BAIC Group, signed a framework agreement on the further deepening of their strategic cooperation by means of investment for vehicles with alternative drive systems in China. The investment agreement includes the planned acquisition of a minority interest in Beijing Electric Vehicle Co., Ltd. (BJEV), a subsidiary of the BAIC Group, with the goal of strengthening strategic cooperation with BAIC in the field of vehicles with alternative drive systems. China is now the world's biggest market for electric vehicles.

Daimler and BAIC make joint investment in the localization of battery-electric vehicles in China

On July 5, 2017, in the presence of the German Chancellor, Dr. Angela Merkel, and the Chinese President, Xi Jinping, the partner companies announced a framework agreement on the further deepening of cooperation in the German-Chinese production joint venture Beijing Benz Automotive Co., Ltd. (BBAC). The two companies agreed on a joint investment of approximately RMB 5 billion (equivalent to €655 million) in the production of battery-electric vehicles of the Mercedes-Benz brand at the local production facility of BBAC in Beijing. As part of this strategic framework agreement, until 2020, Daimler and BAIC Motor will prepare for the local production of battery-electric vehicles at BBAC and will provide the required infrastructure for the local production of battery cells in China, as well as research and development capacities.

Events after the reporting period

In July 2017, Daimler approved a comprehensive plan for the future of diesel engines, which extends the ongoing voluntary customer service activities to more than three million Mercedes-Benz vehicles in Europe and other countries. Daimler expects this to lead to expenses of approximately €0.2 billion in the third quarter of 2017.

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 158 to 173 of our Annual Report 2016. In addition, we refer to the notes on forward-looking statements provided at the end of this Interim Management Report.

Compared with Annual Report 2016, worldwide economic risks have tended to subside. Especially in the European Monetary Union (EMU), the macroeconomic outlook has further improved since the beginning of the year. Economic risks for this year have decreased also in China. In the United States, however, there is now a lower probability that economic growth will accelerate significantly in 2017. From today's perspective, the government economic stimulus that would be required and which was anticipated at the beginning of the year seems unlikely to materialize.

Daimler is subject to governmental information requests, inquiries and investigations as well as litigation relating to environmental, securities, criminal, antitrust and other laws and regulations in connection with diesel exhaust emissions. Several federal and state authorities, including in Europe, the United States and Asia, have inquired about and are investigating test results, the emission control systems used in Mercedes-Benz diesel vehicles and Daimler's interaction with the relevant federal and state authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, securities, criminal and antitrust laws. These authorities include, amongst others, the U.S. Department of Justice ("DOJ"), which has requested that Daimler conduct an internal investigation, the U.S. Environmental Protection Agency ("EPA"), the California Air Resources Board ("CARB") and other state authorities, the U.S. Securities and Exchange Commission ("SEC"), the authorities of various Asian states, the European Commission and national cartel authorities and the German Federal Motor Transport Authority ("KBA"). The Stuttgart district attorney's office has meanwhile initiated criminal investigation proceedings against Daimler employees on, among other things, the suspicion of fraud and criminal advertising, and has searched the premises of Daimler at several locations in Germany. Further, Daimler has comprehensively responded to the diesel emissions committee of inquiry of the German Parliament. Daimler continues to fully cooperate with the authorities. Irrespective of such cooperation by Daimler with the authorities, it is possible that further civil and criminal investigative and enforcement actions and measures relating to Daimler and/or its employees will be taken, such as subpoenas, i.e. legal instructions issued under penalty of law in the process of taking evidence, or other requests for documentation, testimony or other information, further search warrants, a notice of violation or an increased formalization of the governmental proceedings. Additionally, delays in obtaining regulatory approvals necessary to introduce new or recertify existing diesel models could occur. In light of the notices of violation that were issued by US environmental authorities to another vehicle manufacturer in January of 2017 and the related complaint filed by the United States against such manufacturer in May 2017, identifying functionalities, apparently including functionalities that are common in diesel vehicles, as undisclosed Auxiliary Emission Control Devices (AECDs) and, in some unspecified cases, as impermissible, and in light of the ongoing governmental information requests, inquiries and investigations, and our own internal investigation, it cannot be ruled out that the various authorities might reach the conclusion that Mercedes-Benz diesel vehicles have similar functionalities. The inquiries and investigations as well as the replies to the governmental information requests and our internal investigation are still ongoing and open; hence, Daimler cannot predict the outcome at this time. If these or other inquiries, investigations, legal actions and/or proceedings result in unfavorable findings, an unfavorable outcome or otherwise develop unfavorably, Daimler could be subject to significant monetary penalties, remediation requirements, vehicle recalls, process improvements and mitigation measures, and/or other sanctions, measures and actions, including further investigations by these or other authorities and additional litigations. The occurrence of the aforementioned events in whole or in part could cause significant collateral damage including reputational harm. In addition, Daimler's ability to defend itself in litigations could be impaired by unfavorable findings, results or developments in any of the governmental information requests, inquiries, investigations, legal actions and proceedings discussed above. Therefore, it cannot be ruled out that the risks discussed above may materially adversely impact our profitability, cash flows and financial situation.

Beyond the above, our assessment of risks and opportunities has not changed significantly since publication of Annual Report 2016.

The geopolitical environment continues to be a source of risks, but there were no material changes to those risks in the second quarter of 2017.

Outlook

The outlook for the **world economy** continues to be favorable at the beginning of the third quarter of 2017, so global growth could accelerate slightly this year. Current growth forecasts for full-year 2017 are meanwhile for about 3%. Although the economic stimulus from the new US government is likely to be less significant than originally expected, the US economy will grow by about 2.3% this year, a significantly higher rate than in 2016. Corporate investment, which decreased slightly in 2016, should be an important growth driver. The economy of the European Monetary Union (EMU) continues to develop positively. Due to very favorable business and consumer sentiment, anticipated growth in gross domestic product (GDP) has now increased from 1.5% to approximately 2.0%. Despite the commencement of Brexit negotiations, the outlook for the British economy has so far remained quite stable with expected growth of 1.5%. A key factor for the world economy is the ongoing development of economic prospects in China. Although growth is likely to be somewhat less dynamic in the second half of the year, GDP growth for full-year 2017 should be in the magnitude of the prior year. Although the South American economies will overcome last year's recession, their growth rates remain disappointing overall. That applies in particular to the Brazilian economy, which is likely to expand only slightly along with significantly lower inflationary pressure. With support from a slight revival of the Russian economy, Eastern Europe is expected to have rather stronger GDP growth than in 2016.

According to recent assessments, worldwide **demand for cars** is likely to increase from its already high level by 1-2% in 2017. This would be the eighth year of growth in succession for the world market. Only slight growth is expected for the Chinese market, however, after tax incentives for cars with small engines were reduced this year. Although the US market for cars and light trucks remains at a high level, it will probably be slightly smaller than last year's volume. Slight growth is anticipated for the European car market. Following the strong revival of demand of recent years, the market in Western Europe should grow again slightly compared with 2016. In Russia, a significant recovery from a low level can be assumed, which should ensure slight growth in Eastern Europe overall. We anticipate slight growth in demand in the Japanese market and significant growth in India.

Following the cyclical downturn of the prior year for the **truck market** in the NAFTA region, demand can be expected to recover gradually as the year progresses. In full-year 2017, sales in classes 6-8 are likely to be slightly lower than in 2016, however. We anticipate a rather weaker development in the segment of heavy-duty trucks (class 8).

We expect demand in the EU30 region (the European Union, Switzerland and Norway) to stay at about the solid prior-year level. In the Brazilian market, it is to be assumed that truck sales will once again slightly decrease from last year's extremely weak level. Following the dramatic slump in demand in Turkey last year, another significant decrease is to be expected in 2017. The Russian market should recover significantly.

The most important Asian markets from Daimler's perspective are likely to develop disparately in 2017. In Japan, demand for light-, medium- and heavy-duty trucks is likely to see a stable development at a solid level. The overall Indonesian truck market should be significantly above its level of 2016, following several years of significant contraction. In India, the reform of the country's goods and services tax that was implemented in the middle of the year should stimulate the market somewhat in the second half of 2017; in the full year, we anticipate a slight increase in market volume. In China, a normalization of demand is anticipated during the rest of this year, but the market is likely to expand significantly in the full year compared with 2016.

For the year 2017, in the EU30 region, we expect slight market growth in the segment of mid-size and large **vans** as well as for small vans. In the United States, demand for large vans should remain fairly stable. The market for large vans in Latin America should revive again significantly in 2017, but from a very low level. In China, we now anticipate stable demand in the market we address there.

We expect the **bus market** in the EU30 region to grow slightly compared with 2016. Market developments in Latin America continue to be affected by the currently difficult economic situation, especially in Brazil. Following the significant declines of recent years, we assume that demand bottomed out in the year 2016. So we anticipate a significant recovery in 2017, especially in Brazil, although the market volume will remain very low.

On the basis of the assumptions presented above on the development of the markets important for us and of the division's current assessments, Daimler expects to significantly increase its **total unit sales** in the year 2017.

In the second quarter of 2017, **Mercedes-Benz Cars** continued along its successful path of the previous quarters and achieved the highest half-year unit sales in the company's history. In full-year 2017, we plan to significantly increase our unit sales once again. This will be primarily driven by the new E-Class family, which we will complete in September with the market launch of the E-Class Cabriolet. In addition, the comprehensively modernized and further developed S-Class sedan will be available as of July. The market launch of the GLC 63 4MATIC+ und GLC 63 S 4MATIC+ as SUV and coupe will start in September, in time for the 50th anniversary of Mercedes-AMG, the Affalterbach-based sports-car and performance brand. We anticipate further sales impetus from the new fully electric smart models. Fourth-generation electric driving can be enjoyed not only in the smart fortwo coupe and smart forfour, but also with the roof down in the smart fortwo cabrio. This makes smart the first manufacturer to offer a fully electric convertible.

Daimler Trucks now assumes that its total unit sales in 2017 will be slightly higher than in the previous year. In the NAFTA region, we expect to further consolidate our strong market position and to sell slightly more trucks than in 2016. This will be aided by the new Freightliner Cascadia, our flagship in the North American market. In the EU30 region, we anticipate unit sales in the magnitude of last year. In Japan, where we presented the latest generation of our FUSO Super Great heavy-duty truck in the second quarter, we anticipate unit sales similar to the prior-year level. Our unit sales in Brazil are likely to be at about the very low level of 2016. In Indonesia and India, our unit sales should be higher than in the previous year.

Mercedes-Benz Vans plans to achieve significant growth in unit sales in 2017. We anticipate significant increases in sales of vans also in the EU30 region. In the context of our strategy for the division, "Mercedes-Benz Vans goes global," we launched the V-Class multipurpose vehicle and the Vito van in 2016 also in China, the world's biggest market for motor vehicles. This will additionally boost demand there. And towards the end of this year, we will enter the midsize-pickup segment with the X-Class, enabling us to further increase our worldwide unit sales in the long term.

Daimler Buses assumes that it will be able to defend its market leadership in its traditional core markets for buses above 8 tons with innovative, future-oriented and high-quality products. We anticipate total unit sales in 2017 significantly above the prior-year level and assume that unit sales in the EU30 region will increase moderately. After the substantial decrease in unit sales in Brazil last year, we expect a significant recovery in 2017, but still at a very low level. In Mexico, we anticipate a significant decrease in unit sales.

Daimler Financial Services anticipates significant growth in new business and further growth in contract volume in the year 2017. This will continue to be driven by the good sales development of the automotive divisions, especially Mercedes-Benz Cars. An additional factor is that we are utilizing new market potential especially in Asia, and are applying new and digital possibilities for customer contacts – in particular by systematically further developing our online sales channels. We continue to see good growth opportunities worldwide also in the field of innovative mobility services.

We assume that the Daimler Group's **revenue** will increase significantly in the year 2017. On the basis of the significant growth in unit sales, the Mercedes-Benz Cars, Daimler Buses, and Daimler Financial Services divisions expect significantly higher revenues than in 2016. Mercedes-Benz Vans anticipates slight revenue growth and the Daimler Trucks division now also expects its revenue to be slightly higher than in the previous year. In regional terms, we expect the strongest growth in Asia and Europe.

On the basis of expected market developments and the current assessments of our divisions, we assume that **Group EBIT** will increase significantly once again in 2017.

The individual divisions have the following expectations for EBIT in the year 2017:

- Mercedes-Benz Cars: significantly above the prior-year level,
- Daimler Trucks: around the prior-year level,
- Mercedes-Benz Vans: around the prior-year level,
- Daimler Buses: slightly above the prior-year level, and
- Daimler Financial Services: slightly above the prior-year level.

The anticipated development of earnings in the automotive divisions will have a positive impact on the **free cash flow of the industrial business** also in the year 2017. Despite a further increase in advance expenditure for new products and technologies, the free cash flow from the industrial business should be slightly above the level of 2016, and thus higher than the dividend distribution in 2017.

In order to achieve our ambitious growth targets, we will once again significantly increase our already very high **investment in property, plant and equipment** in the year 2017 (2016: €5.9 billion). Capital expenditure in 2017 at both Mercedes-Benz Cars and Daimler Trucks will primarily be for successor generations for existing products, new products, global component projects and the optimization of the worldwide production network.

With our **research and development activities**, we anticipate a total volume significantly above last year's spending of €7.6 billion. Key projects at Mercedes-Benz Cars include successor models for the current S-Class and C-Class. In addition, we are investing in new, more efficient engines, alternative and conventional drive systems, autonomous driving and connectivity. At Daimler Trucks, the main areas of investment continue to be for improved fuel efficiency, alternative drive systems and future technologies, as well as the development of tailored products and technologies, especially for Latin America and China.

Against the backdrop of further efficiency improvements in the context of the medium- and long-term programs for the structural improvement of our business processes, we assume that our ambitious growth targets can be achieved with only a slight increase in the size of our **workforce**.

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 deterioration of our refinancing possibilities on the credit and financial markets; events of force majeure including natural disasters, acts of terrorism, political unrest, armed conflicts, 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 or of investigations requested by governments 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

Record unit sales of 595,200 vehicles in second quarter (Q2 2016: 546,500)
Ongoing strong demand for new E-Class and SUVs
Market launch of new GLA and AMG GT Roadster
EBIT significantly above prior-year level at €2,404 million (Q2 2016: €1,410 million)

D.01 Q2

€ amounts in millions	Q2 2017	Q2 2016	% change
Revenue	23,571	22,122	+7
EBIT	2,404	1,410	+70
Unit sales	595,178	546,517	+9
Production	600,358	570,041	+5
Employees	144,799	139,947[1]	+3

1 As of December 31, 2016

D.02 Q2

Unit sales	Q2 2017	Q2 2016	% change
Total	595,178	546,517	+9
Europe	270,433	256,260	+6
thereof Germany	85,369	84,040	+2
United States	77,605	86,624	-10
China	150,146	117,134	+28
Other markets	96,994	86,499	+12

Strongest quarterly unit sales in the company's history
The second quarter of this year had the strongest quarterly unit sales in the history of Mercedes-Benz Cars. Worldwide, 595,200 automobiles of the Mercedes-Benz and smart brand were sold in the months of April through June (+9%). Revenue increased by 7% to €23.6 billion and EBIT amounted to €2,404 billion (Q2 2016: €1,410 million).

Sales of 270,400 vehicles in Europe were also at a new high for a quarter (+6%). In Germany, sales increased slightly compared with the prior-year period to 85,400 units (+2%). New sales records were set for example also in the United Kingdom, France, Belgium, Switzerland and Sweden. With an increase of 28% and sales of 150,100 vehicles, China including Hong Kong posted a new record. Unit sales increased in South Korea by 42% and in Australia by 22%. In the United States, 77,600 vehicles were sold in the second quarter (Q2 2016: 86,600). In the other NAFTA countries, unit sales increased in Canada by 8% and in Mexico by 57%.

Strong growth in unit sales for E-Class and GLC
The E-Class sedan and wagon posted the strongest growth of the Mercedes-Benz Cars models in the second quarter with sales of 89,300 units, which is 93% more than in the prior-year period. The top seller among the SUVs was the GLC. It helped the SUV segment to achieve the new best-ever number of 201,100 vehicles sold (+12%). Sales in the C-Class segment amounted to 121,800 units (Q2 2016: 127,600). In the compact-car segment, sales of 112,000 models of the A- and B-Class, the CLA and the CLA Shooting Brake were in the magnitude of the prior-year quarter. In the last quarter before its model change, 15,100 S-Class sedans were sold (Q2 2016: 20,600). Sales of the smart models amounted to 36,600 units (Q2 2016: 39,500).

Market launch of new GLA and AMG GT Roadster
The new GLA has been available in Europe since April and was launched in the United States a month later. The AMG GT Roadster has also been at the European dealerships since April and will be available in the United States as of the third quarter. The E-Class coupe was launched in China at the end of the second quarter. The electric versions of the smart fortwo coupe and the smart forfour expanded the model range of our urban micro car in the past quarter.

Daimler points the way on e-mobility with expansion of its battery production
We continued to pursue our growth strategy in the second quarter and at the same time pushed forward with our electric offensive. We also further expanded our worldwide production network: We laid the foundation stones for a new engine plant in Poland and for a new car plant in Russia. With the official start of construction of the second battery factory in Kamenz in the German federal state of Saxony, we are systematically preparing for electric mobility. This includes the decision to produce electric vehicles of the EQ product and technology brand at the compact-car plant in Rastatt in the future.

D.03 Q1-2

€ amounts in millions	Q1-2 2017	Q1-2 2016	% change
Revenue	46,294	42,102	+10
EBIT	4,638	2,805	+65
Unit sales	1,163,248	1,043,273	+11
Production	1,185,300	1,093,070	+8
Employees	144,799	139,947[1]	+3

1 As of December 31, 2016

D.04 Q1-2

Unit sales	Q1-2 2017	Q1-2 2016	% change
Total	1,163,248	1,043,273	+11
Europe	511,836	478,923	+7
thereof Germany	159,441	153,763	+4
United States	156,030	163,880	-5
China	304,709	225,476	+35
Other markets	190,673	174,994	+9

Daimler Trucks

Sales above prior-year level at 116,400 units (Q2 2016: 108,300)
New generation of FUSO Super Great heavy-duty truck improves fuel efficiency by up to 15%
Fleetboard: digital solutions and attractive connectivity services for the entire logistics sector
EBIT significantly below prior-year level at €543 million (Q2 2016: €621 million)

D.05 Q2

€ amounts in millions	Q2 2017	Q2 2016	% change
Revenue	9,028	8,666	+4
EBIT	543	621	-13
Unit sales	116,429	108,282	+8
Production	119,522	110,501	+8
Employees	80,832	78,642[1]	+3

1 As of December 31, 2016

D.06 Q2

Unit sales	Q2 2017	Q2 2016	% change
Total	116,429	108,282	+8
EU30[1]	20,431	20,381	+0
NAFTA	42,293	40,643	+4
Latin America (excl. Mexico)	7,028	6,779	+4
Asia	35,682	30,385	+17
Other markets	10,995	10,094	+9
BFDA (Auman Trucks)	28,623	21,259	+35
Total (incl. BFDA)	145,052	129,541	+12

1 European Union, Switzerland and Norway

Sales and revenue above prior-year level
Unit sales by Daimler Trucks of 116,400 vehicles were higher than in the second quarter of last year (Q2 2016: 108,300). Revenue reached €9.0 billion (Q2 2016: €8.7 billion) and EBIT amounted to €543 million (Q2 2016: €621 million).

Growth in second-quarter unit sales
Unit sales of 20,400 vehicles in the EU30 region (European Union, Switzerland and Norway) were at the prior-year level (Q2 2016: 20,400). Mercedes-Benz achieved market leadership in the segment of heavy- and medium-duty trucks with a share of 21.8%, compared with 21.5% in the second quarter of 2016 (excluding the United Kingdom). In Germany sales remained slightly below the prior-year level at 8,100 units (Q2 2016: 8,300). Sales in Turkey decreased to 2,900 units as a result of the generally weak market (Q2 2016: 3,100). In the NAFTA region, our unit sales increased slightly to 42,300 vehicles (Q2 2016: 40,600). We continued to be the market leader in weight classes 6-8 with a share of 40.2% (Q2 2016: 40.9%). Unit sales in Latin America were higher than in the prior-year period. We significantly increased our sales in Argentina, whereas sales of 2,900 units in Brazil were slightly below the low level of the previous year (Q2 2016: 3,000). In Asia, our second-quarter unit sales increased strongly, mainly due to significantly increased sales of 9,800 units in Indonesia (Q2 2016: 5,600). We significantly increased our sales also in the Middle East to 6,400 units (Q2 2016: 3,900). In Japan, our sales of 10,200 vehicles were below the prior-year level (Q2 2016: 11,000). FUSO achieved a share of 18.8% of the overall Japanese truck market (Q2 2016: 20.9%). In India, our sales of 3,600 units were below the prior-year level (Q2 2016: 3,900). The important milestone of 10,000 trucks exported from the plant in Chennai was passed in the second quarter. Sales of Auman trucks by our joint venture BFDA in China increased significantly to 28,600 units (Q2 2016: 21,300).

Presentation of the new FUSO Super Great
With the new FUSO Super Great, Daimler Trucks is setting new standards in Japan for efficiency, safety and connectivity. This heavy-duty truck, whose fuel consumption has been reduced by up to 15% compared with the predecessor model, is a completely new development and uses the technologies of the global Daimler Trucks platforms. The new Super Great features the latest safety and assistance systems. Using the standard telematics function “Truckonnect,” relevant vehicle data can be accessed by the customer in real time.

New digital services from Fleetboard
Big data, the Internet of things, cloud solutions and artificial intelligence expand the scope for new business ideas from Fleetboard. The HERE map service and Microsoft Azure’s cloud computing provide the basis for new, connected services that can increase the profitability of all players in the logistics sector. Fleetboard will also offer its meta search engine nxtload, which in the first stage will show all offers and search functions from various freight exchanges in a single user interface. Additional services are in the pilot phase.

D.07 Q1-2

€ amounts in millions	Q1-2 2017	Q1-2 2016	% change
Revenue	16,968	16,870	+1
EBIT	1,211	1,137	+7
Unit sales	210,436	213,946	-2
Production	224,321	222,410	+1
Employees	80,832	78,642[1]	+3

1 As of December 31, 2016

D.08 Q1-2

Unit sales	Q1-2 2017	Q1-2 2016	% change
Total	210,436	213,946	-2
EU30	37,825	35,850	+6
NAFTA	75,199	81,071	-7
Latin America (excl. Mexico)	13,352	12,745	+5
Asia	65,682	65,804	-0
Other markets	18,378	18,476	-1
BFDA (Auman Trucks)	55,056	38,398	+43
Total (incl. BFDA)	265,492	252,344	+5

Mercedes-Benz Vans

Best unit sales in a second quarter with 103,400 vehicles sold (Q2 2016: 99,600)
Strong growth for Vito (+19%) and V-Class (+13%)
Hermes to purchase 1,500 electric vans from Mercedes-Benz Vans by 2020
EBIT significantly lower than in prior-year period at €358 million (Q2 2016: €401 million)

D.09 Q2

€ amounts in millions	Q2 2017	Q2 2016	% change
Revenue	3,324	3,441	-3
EBIT	358	401	-11
Unit sales	103,393	99,583	+4
Production	100,884	103,688	-3
Employees	24,605	24,029[1]	+2

1 As of December 31, 2016

D.10 Q2

Unit sales	Q2 2017	Q2 2016	% change
Total	103,393	99,583	+4
EU30	70,357	69,532	+1
thereof Germany	27,441	26,830	+2
NAFTA region	11,955	11,635	+3
thereof United States	8,994	8,837	+2
Latin America (excluding Mexico)	3,974	3,045	+31
Asia	8,856	6,441	+37
thereof China	6,312	4,230	+49
Other markets	8,251	8,930	-8

New record for unit sales
Mercedes-Benz Vans increased its unit sales by 4% to the new record of 103,400 vehicles in the second quarter of 2017. Compared with the prior-year period, there was a slight decrease in revenue of 3% to €3.3 billion. EBIT also decreased to €358 million (Q2 2016: €401 million).

Mercedes-Benz Vans continues along its growth path
In the EU30, the van division's second-quarter unit sales increased by 1% to 70,400 vehicles. Growth was particularly strong in Austria (+25%), Poland (+16%) and Norway (+12%). In the important German market, Mercedes-Benz Vans once again had a very good second quarter with sales of 27,400 vehicles, which is slightly higher than last year (Q2 2016: 26,800).

The development of unit sales was positive also in the NAFTA region, with growth of 3%. Sales of 4,000 units in Latin America were significantly higher than in the second quarter of last year (+31%), aided by the significant market recovery in Argentina.

In China, Mercedes-Benz Vans further improved its position and posted its best-ever sales in a quarter of 6,300 units (+49%). This was primarily due to the great success of the V-Class and Vito models, which were launched in 2016.

Our vans in the midsize segment made a major contribution to our worldwide success, with growth of 17% to sales of 45,100 units in the second quarter. Vito sales increased by 19% to 29,300 units. The V-Class multipurpose vehicle also remained very popular; sales of 15,700 units were 13% higher than in the prior-year quarter. Second-quarter sales of 51,200 units of the Sprinter large van were lower than last year (Q2 2016: 54,100). Sales of the Citan urban delivery van rose by 4% to 7,100 units.

1,500 Mercedes-Benz electric vans for Hermes
Mercedes-Benz Vans and Hermes reached an agreement in May on a strategic partnership to develop technologies and services for the delivery and logistics service provider. Starting in 2018, Hermes Germany will deploy a total of 1,500 Mercedes-Benz electric vans for parcel delivery. The cooperation includes preparing a concept for an efficient charging infrastructure at the logistics centers of Hermes, as well as IT services for the optimal management of the fleet of electric vehicles.

55 years of the Mercedes-Benz plant in Düsseldorf
April 1 marked the 55th anniversary of the first Mercedes-van "made in Düsseldorf." Today's Mercedes-Benz Sprinter plant is an outstanding success story and is the lead plant for the division's worldwide Sprinter production.

D.11 Q1-2

€ amounts in millions	Q1-2 2017	Q1-2 2016	% change
Revenue	6,317	6,256	+1
EBIT	715	702	+2
Unit sales	190,171	176,230	+8
Production	205,000	193,429	+6
Employees	24,605	24,029[1]	+2

1 As of December 31, 2016

D.12 Q1-2

Unit sales	Q1-2 2017	Q1-2 2016	% change
Total	190,171	176,230	+8
EU30	130,896	123,474	+6
thereof Germany	48,406	46,043	+5
NAFTA region	20,486	21,884	-6
thereof United States	15,245	16,905	-10
Latin America (excluding Mexico)	7,834	5,525	+42
Asia	15,643	9,559	+64
thereof China	10,716	5,718	+87
Other markets	15,312	15,788	-3

Daimler Buses

Significant increase in unit sales to 7,500 buses and bus chassis
New edition of successful coach Mercedes-Benz Tourismo RHD
Major orders for delivery of city buses to Saudi Arabia and Brazil
EBIT significantly lower than in prior-year period at €64 million (Q2 2016: €88 million)

D.13 Q2

€ amounts in millions	Q2 2017	Q2 2016	% change
Revenue	1,154	1,122	+3
EBIT	64	88	-27
Unit sales	7,504	6,958	+8
Production	7,973	6,600	+21
Employees	17,828	17,899[1]	-0

1 As of December 31, 2016

D.14 Q2

Unit sales	Q2 2017	Q2 2016	% change
Total	7,504	6,958	+8
EU30	2,202	2,239	-2
thereof Germany	811	726	+12
Latin America (excluding Mexico)	3,448	2,988	+15
thereof Brazil	2,108	1,796	+17
Mexico	1,020	614	+66
Asia	439	521	-16
Other markets	395	596	-34

Unit sales and revenue above prior-year levels
Daimler Buses' second-quarter sales increased by 8% to 7,500 units. Revenue of €1.2 billion was slightly higher than in the second quarter of last year (Q2 2016: €1.1 billion). The division's EBIT amounted to €64 million (Q2 2016: €88 million).

Significant growth in overall unit sales
In the EU30 region, Daimler Buses sold 2,200 complete buses and bus chassis of the Mercedes-Benz and Setra brands in the second quarter, which is a decrease of 2% compared with the prior-year period. In Germany, the domestic market, the bus division maintained its undisputed market leadership and improved its sales by 12% to 800 units. Due to the currently difficult market situation in Turkey, our sales there decreased significantly to 140 units (Q2 2016: 300).

Despite the continuation of the difficult market situation in Brazil, the division's second-quarter sales of 3,400 bus chassis in Latin America (excluding Mexico) were significantly higher than in the previous year (Q2 2016: 3,000). In Mexico, Daimler Buses sold 1,000 units, which is substantially more than in the prior-year period (Q2 2016: 600) as well. A total of 400 units were sold in Asia (Q2 2016: 500).

New edition of successful coach Tourismo RHD
In June, the new Mercedes-Benz Tourismo high-decker coach (RHD) had its world premiere in Brussels. The RHD has been completely renewed after nearly 20 years in production. With four model versions and a wide range of drive systems and equipment options, the new Mercedes-Benz Tourismo covers diverse customer requirements across the entire coach segment. This will pay off for the bus division, especially in the growing coach and long-distance bus business.

Major orders for delivery of city buses
The Saudi Arabian bus operator SAPTCO (Saudi Public Transport Company) in a joint venture with the French public transport operator RATP Dev (Régie Autonome des Transports Parisiens) has ordered 600 Mercedes-Benz Citaro buses. This is the biggest individual order for Mercedes-Benz Citaro city buses in the history of Daimler Buses. The vehicles will be deployed in Riad, the capital of Saudi Arabia, and will be mainly used on newly established bus rapid transit (BRT) routes. In addition, Daimler Buses received a major order in June to supply 200 city buses to the city of Recife in Brazil.

D.15 Q1-2

€ amounts in millions	Q1-2 2017	Q1-2 2016	% change
Revenue	2,054	1,952	+5
EBIT	129	127	+2
Unit sales	12,908	11,776	+10
Production	14,556	12,176	+20
Employees	17,828	17,899[1]	-0

1 As of December 31, 2016

D.16 Q1-2

Unit sales	Q1-2 2017	Q1-2 2016	% change
Total	12,908	11,776	+10
EU30	3,594	3,811	-6
thereof Germany	1,320	1,208	+9
Latin America (excluding Mexico)	5,846	5,144	+14
thereof Brazil	3,507	3,256	+8
Mexico	1,758	1,156	+52
Asia	954	704	+36
Other markets	756	961	-21

Daimler Financial Services

New business up by 16%
Contract volume grows to €134 billion
Toll4Europe: Daimler Financial Services invests in new European toll company
EBIT slightly above prior-year level at €522 million (Q2 2016: €479 million)

D.17 Q2

€ amounts in millions	Q2 2017	Q2 2016	% change
Revenue	5,930	5,014	+18
EBIT	522	479	+9
New business	17,925	15,415	+16
Contract volume	134,156	132,565[1]	+1
Employees	12,498	12,062[1]	+4

1 As of December 31, 2016

New business up by 16% worldwide
Daimler Financial Services increased its new business once again in the second quarter of 2017. Worldwide, 477,000 new leasing and financing contracts were concluded with a total volume of €17.9 billion, which is 16% more than in the prior-year period. Contract volume reached €134.2 billion at the end of June and was thus at the level of year-end 2016. Adjusted for exchange-rate effects, contract volume grew by 5%. Second-quarter EBIT amounted to €522 million (Q2 2016: €479 million).

Further growth in Europe
In the whole of Europe, 247,000 new leasing and financing contracts were signed in the second quarter (+12%). New business thus increased by 13% to €8.0 billion. The acquisition of fleet service provider Athlon in December 2016 made a major contribution to the increase in new business. Contract volume in Europe increased compared with the end of 2016 by 5% to €56.1 billion.

Increased new business in the Americas
In the Americas region, leasing and financing contracts with a total value of €5.6 billion were concluded in the second quarter (+6%). Contract volume in the Americas region of €51.3 billion at the end of June was slightly lower than at year-end 2016 (-5%). Adjusted for exchange-rate effects, contract volume increased by 2%.

Strong growth in Africa & Asia-Pacific and China
New business in this region (excluding China) grew by 27% to €2.1 billion in the second quarter. In South Korea and Japan, the value of newly signed leasing and financing contracts increased by 82% and 38% respectively. Contract volume in the region amounted to €16.6 billion at the end of June (+3%). There was a strong increase in new business also in China. In the second quarter, 70,000 new leasing and financing contracts were concluded with a volume of €2.2 billion (+59%). Contract volume amounted to €10.1 billion at the end of June, representing growth of 15% compared with the end of 2016.

D.18 Q1-2

€ amounts in millions	Q1-2 2017	Q1-2 2016	% change
Revenue	11,841	9,876	+20
EBIT	1,046	911	+15
New business	34,737	29,122	+19
Contract volume	134,156	132,565[1]	+1
Employees	12,498	12,062[1]	+4

1 As of December 31, 2016

Continued growth of insurance business
In the insurance business, Daimler Financial Services brokered 519,000 contracts in the second quarter (+20%). Developments were particularly positive in Japan (+54%), China (+28%) and Russia (+52%).

Increased market leadership with mobility services
The number of car2go customers increased to 2.6 million worldwide in the second quarter. The fleet was expanded with the addition of new vehicle models, e.g. B-Class Electric Drive.

In the first half of the year, the moovel Group registered approximately ten million transactions on its apps. The moovel Group has expanded its business model and has launched moovel transit in Europe. moovel transit supplies apps for transport companies with integrated ticketing and real-time information as well as additionally integrable mobility services.

mytaxi, Europe's premier taxi app with more than eight million registered users, has expanded its portfolio with the acquisition of Clever Taxi in Romania. And in the second quarter, we also acquired a minority interest in Careem, the leading taxi app in the Middle East and North Africa.

Toll4Europe: investment in European toll-collection company
Together with T-Systems and DKV EURO SERVICE GmbH + Co. KG, Daimler AG has established the joint venture Toll4Europe. Toll4Europe plans to start operations at first in Belgium and Germany in 2018, to be followed soon after by France, Austria and other countries. The goal is to offer a one-stop shop so that truck tolls charged in different countries of Europe can be paid with one onboard unit and one invoice.

Consolidated Statement of Income (unaudited) Q2

E.01

	Consolidated		Industrial Business		Daimler Financial Services	
	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016
In millions of euros						
Revenue	41,158	38,616	35,228	33,602	5,930	5,014
Cost of sales	-32,470	-30,851	-27,427	-26,599	-5,043	-4,252
Gross profit	8,688	7,765	7,801	7,003	887	762
Selling expenses	-3,222	-2,975	-3,047	-2,821	-175	-154
General administrative expenses	-924	-794	-707	-614	-217	-180
Research and non-capitalized development costs	-1,414	-1,263	-1,414	-1,263	-	-
Other operating income	574	418	529	379	45	39
Other operating expense	-216	-601	-196	-598	-20	-3
Profit/loss on equity-method investments, net	310	150	311	151	-1	-1
Other financial income/expense, net	-53	555	-56	539	3	16
Interest income	46	71	46	71	-	-
Interest expense	-139	-150	-138	-149	-1	-1
Profit before income taxes[1]	3,650	3,176	3,129	2,698	521	478
Income taxes	-1,143	-724	-999	-556	-144	-168
Net profit	2,507	2,452	2,130	2,142	377	310
thereof profit attributable to non-controlling interests	68	23				
thereof profit attributable to shareholders of Daimler AG	2,439	2,429				
Earnings per share (in euros) for profit attributable to shareholders of Daimler AG						
Basic	2.28	2.27				
Diluted	2.28	2.27				

1 The reconciliation of Group EBIT to profit before income taxes is presented in Note 20.

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

Consolidated Statement of Income (unaudited) Q1-2

E.02

	Consolidated		Industrial Business		Daimler Financial Services	
	Q1-2 2017	Q1-2 2016	Q1-2 2017	Q1-2 2016	Q1-2 2017	Q1-2 2016
In millions of euros						
Revenue	79,934	73,663	68,093	63,787	11,841	9,876
Cost of sales	-63,134	-58,953	-53,042	-50,564	-10,092	-8,389
Gross profit	16,800	14,710	15,051	13,223	1,749	1,487
Selling expenses	-6,286	-5,894	-5,952	-5,584	-334	-310
General administrative expenses	-1,821	-1,548	-1,387	-1,209	-434	-339
Research and non-capitalized development costs	-2,862	-2,501	-2,862	-2,501	-	-
Other operating income	1,383	959	1,289	896	94	63
Other operating expense	-388	-744	-360	-735	-28	-9
Profit/loss on equity-method investments, net	1,029	-9	1,032	-7	-3	-2
Other financial income/expense, net	-107	427	-109	406	2	21
Interest income	104	134	104	134	-	-
Interest expense	-274	-280	-271	-277	-3	-3
Profit before income taxes [1]	7,578	5,254	6,535	4,346	1,043	908
Income taxes	-2,270	-1,402	-1,972	-1,096	-298	-306
Net profit	5,308	3,852	4,563	3,250	745	602
thereof profit attributable to non-controlling interests	163	70				
thereof profit attributable to shareholders of Daimler AG	5,145	3,782				
Earnings per share (in euros) for profit attributable to shareholders of Daimler AG						
Basic	4.81	3.54				
Diluted	4.81	3.54				

1 The reconciliation of Group EBIT to profit before income taxes is presented in Note 20.

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

Consolidated Statement of Comprehensive Income/Loss (unaudited) Q2

E.03

	Consolidated	
	Q2 2017	Q2 2016
In millions of euros		
Net profit	2,507	2,452
Gains/losses on currency translation	-1,733	844
Gains/losses on financial assets available for sale	8	-814
Gains/losses on derivative financial instruments	1,532	-122
Gains/losses on equity-method investments	24	-2
Items that may be reclassified to profit/loss	-169	-94
Actuarial Gains/losses from pensions and similar obligations	-182	-1,164
Items that will not be reclassified to profit/loss	-182	-1,164
Other comprehensive income/loss, net of taxes	-351	-1,258
thereof income/loss attributable to non-controlling interests, after taxes	-61	23
thereof income/loss attributable to shareholders of Daimler AG, after taxes	-290	-1,281
Total comprehensive income/loss	2,156	1,194
thereof income/loss attributable to non-controlling interests	7	46
thereof income/loss attributable to shareholders of Daimler AG	2,149	1,148

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

Consolidated Statement of Comprehensive Income/Loss (unaudited) Q1-2

E.04

	Consolidated	
	Q1-2 2017	Q1-2 2016
In millions of euros		
Net profit	5,308	3,852
Gains/losses on currency translation	-1,619	189
Gains/losses on financial assets available for sale	11	-1,078
Gains/losses on derivative financial instruments	1,529	1,480
Gains/losses on equity-method investments	37	-3
Items that may be reclassified to profit/loss	-42	588
Actuarial Gains/losses from pensions and similar obligations	5	-3,090
Items that will not be reclassified to profit/loss	5	-3,090
Other comprehensive income/loss, net of taxes	-37	-2,502
thereof income/loss attributable to non-controlling interests, after taxes	-53	2
thereof income/loss attributable to shareholders of Daimler AG, after taxes	16	-2,504
Total comprehensive income/loss	5,271	1,350
thereof income/loss attributable to non-controlling interests	110	72
thereof income/loss attributable to shareholders of Daimler AG	5,161	1,278

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

Consolidated Statement of Financial Position (unaudited)

E.05

	Consolidated		Industrial Business		Daimler Financial Services	
	June 30, 2017	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016	June 30, 2017	Dec. 31, 2016
In millions of euros						
Assets						
Intangible assets	12,935	12,098	12,021	11,199	914	899
Property, plant and equipment	26,518	26,381	26,453	26,314	65	67
Equipment on operating leases	47,115	46,942	18,202	17,433	28,913	29,509
Equity-method investments	4,213	4,098	4,163	4,043	50	55
Receivables from financial services	44,640	42,881	-61	-76	44,701	42,957
Marketable debt securities	1,024	1,100	2	1	1,022	1,099
Other financial assets	2,989	2,899	-3,168	-3,043	6,157	5,942
Deferred tax assets	2,813	3,870	1,960	3,128	853	742
Other assets	993	667	-2,601	-2,642	3,594	3,309
Total non-current assets	143,240	140,936	56,971	56,357	86,269	84,579
Inventories	26,227	25,384	25,388	24,426	839	958
Trade receivables	10,195	10,614	8,586	8,977	1,609	1,637
Receivables from financial services	37,141	37,626	-12	-11	37,153	37,637
Cash and cash equivalents	12,995	10,981	11,030	8,751	1,965	2,230
Marketable debt securities	7,777	9,648	7,633	9,497	144	151
Other financial assets	4,092	2,837	-6,610	-8,002	10,702	10,839
Other assets	4,929	4,962	1,004	1,151	3,925	3,811
Total current assets	103,356	102,052	47,019	44,789	56,337	57,263
Total assets	246,596	242,988	103,990	101,146	142,606	141,842
Equity and liabilities						
Share capital	3,070	3,070				
Capital reserves	11,726	11,744				
Retained earnings	42,432	40,794				
Other reserves	2,353	2,342				
Equity attributable to shareholders of Daimler AG	59,581	57,950				
Non-controlling interests	1,096	1,183				
Total equity	60,677	59,133	49,802	48,685	10,875	10,448
Provisions for pensions and similar obligations	9,261	9,034	9,101	8,875	160	159
Provisions for income taxes	693	966	691	964	2	2
Provisions for other risks	6,964	6,632	6,759	6,461	205	171
Financing liabilities	74,233	70,398	17,355	19,029	56,878	51,369
Other financial liabilities	2,570	3,327	1,976	2,721	594	606
Deferred tax liabilities	3,463	3,467	-948	-941	4,411	4,408
Deferred income	5,591	5,559	4,600	4,605	991	954
Other liabilities	20	15	14	15	6	-
Total non-current liabilities	102,795	99,398	39,548	41,729	63,247	57,669
Trade payables	13,973	11,567	13,078	10,853	895	714
Provisions for income taxes	505	751	381	604	124	147
Provisions for other risks	8,266	9,427	7,804	8,864	462	563
Financing liabilities	45,267	47,288	-17,010	-20,480	62,277	67,768
Other financial liabilities	8,788	9,542	6,174	6,924	2,614	2,618
Deferred income	3,530	3,444	2,339	2,283	1,191	1,161
Other liabilities	2,795	2,438	1,874	1,684	921	754
Total current liabilities	83,124	84,457	14,640	10,732	68,484	73,725
Total equity and liabilities	246,596	242,988	103,990	101,146	142,606	141,842

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

Consolidated Statement of Cash Flows (unaudited)

E.06

	Consolidated		Industrial Business		Daimler Financial Services	
	Q1-2 2017	Q1-2 2016	Q1-2 2017	Q1-2 2016	Q1-2 2017	Q1-2 2016
In millions of euros						
Profit before income taxes	**7,578**	5,254	**6,535**	4,346	**1,043**	908
Depreciation and amortization/impairments	**2,774**	2,679	**2,725**	2,643	**49**	36
Other non-cash expense and income	**-1,016**	-582	**-1,064**	-621	**48**	39
Gains (-)/losses (+) on disposals of assets	**-277**	-30	**-276**	-13	**-1**	-17
Change in operating assets and liabilities						
Inventories	**-1,588**	-2,416	**-1,684**	-2,580	**96**	164
Trade receivables	**203**	-351	**215**	14	**-12**	-365
Trade payables	**2,649**	2,709	**2,449**	2,590	**200**	119
Receivables from financial services	**-4,620**	-2,726	**24**	66	**-4,644**	-2,792
Vehicles on operating leases	**-1,951**	-1,687	**259**	-38	**-2,210**	-1,649
Other operating assets and liabilities	**138**	1,251	**-581**	932	**719**	319
Dividends received from equity-method investments	**448**	11	**448**	11	**-**	-
Income taxes paid	**-1,821**	-1,490	**-1,701**	-1,405	**-120**	-85
Cash used for/provided by operating activities	**2,517**	2,622	**7,349**	5,945	**-4,832**	-3,323
Additions to property, plant and equipment	**-2,704**	-2,455	**-2,687**	-2,441	**-17**	-14
Additions to intangible assets	**-1,721**	-1,370	**-1,680**	-1,348	**-41**	-22
Proceeds from disposals of property, plant and equipment and intangible assets	**530**	128	**516**	119	**14**	9
Investments in shareholdings	**-612**	-194	**-565**	-190	**-47**	-4
Proceeds from disposals of shareholdings	**209**	27	**205**	9	**4**	18
Acquisition of marketable debt securities	**-2,035**	-3,376	**-2,008**	-3,352	**-27**	-24
Proceeds from sales of marketable debt securities	**3,888**	2,780	**3,775**	2,727	**113**	53
Other	**69**	9	**67**	20	**2**	-11
Cash used for/provided by investing activities	**-2,376**	-4,451	**-2,377**	-4,456	**1**	5
Change in financing liabilities	**6,134**	9,669	**3,169**	7,775	**2,965**	1,894
Dividend paid to shareholders of Daimler AG	**-3,477**	-3,477	**-3,477**	-3,477	**-**	-
Dividends paid to non-controlling interests	**-243**	-196	**-240**	-195	**-3**	-1
Proceeds from the issue of share capital	**56**	30	**33**	30	**23**	-
Acquisition of treasury shares	**-42**	-38	**-42**	-38	**-**	-
Internal equity and financing transactions	**-**	-	**-1,633**	-1,184	**1,633**	1,184
Cash used for/provided by financing activities	**2,428**	5,988	**-2,190**	2,911	**4,618**	3,077
Effect of foreign exchange rate changes on cash and cash equivalents	**-555**	-107	**-503**	-104	**-52**	-3
Net increase/decrease in cash and cash equivalents	**2,014**	4,052	**2,279**	4,296	**-265**	-244
Cash and cash equivalents at beginning of period	**10,981**	9,936	**8,751**	8,369	**2,230**	1,567
Cash and cash equivalents at end of period	**12,995**	13,988	**11,030**	12,665	**1,965**	1,323

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, 2016	3,070	11,917	36,991	2,145	1,121
Net profit	-	-	3,782	-	-
Other comprehensive income/loss before taxes	-	-	-4,256	177	-1,082
Deferred taxes on other comprehensive income/loss	-	-	1,168	-	5
Total comprehensive income/loss	-	-	694	177	-1,077
Dividends	-	-	-3,477	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Other	-	-2	-	-	-
Balance at June 30, 2016	3,070	11,915	34,208	2,322	44
Balance at January 1, 2017	**3,070**	**11,744**	**40,794**	**2,842**	**53**
Net profit	-	-	**5,145**	-	-
Other comprehensive income/loss before taxes	-	-	**-46**	**-1,570**	**13**
Deferred taxes on other comprehensive income/loss	-	-	**51**	-	**-2**
Total comprehensive income/loss	-	-	**5,150**	**-1,570**	**11**
Dividends	-	-	**-3,477**	-	-
Changes in consolidated group	-	-	**-35**	-	-
Capital increase	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	**-11**	-	-	-
Other	-	**-7**	-	-	-
Balance at June 30, 2017	**3,070**	**11,726**	**42,432**	**1,272**	**64**

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: Equity-method investments	Treasury shares	**Equity attributable to shareholders of Daimler AG**	Non-controlling interests	**Total equity**	In millions of euros
-1,679	-4	-	53,561	1,063	54,624	**Balance at January 1, 2016**
-	-	-	3,782	70	3,852	Net profit
2,124	-3	-	-3,040	-1	-3,041	Other comprehensive income/loss before taxes
-637	-	-	536	3	539	Deferred taxes on other comprehensive income/loss
1,487	-3	-	1,278	72	1,350	Total comprehensive income/loss
-	-	-	-3,477	-196	-3,673	Dividends
-	-	-38	-38	-	-38	Acquisition of treasury shares
-	-	38	38	-	38	Issue and disposal of treasury shares
-	-	-	-2	-8	-10	Other
-192	-7	-	51,360	931	52,291	**Balance at June 30, 2016**
-537	-16	-	57,950	1,183	59,133	**Balance at January 1, 2017**
-	-	-	5,145	163	5,308	Net profit
2,188	37	-	622	-54	568	Other comprehensive income/loss before taxes
-655	-	-	-606	1	-605	Deferred taxes on other comprehensive income/loss
1,533	37	-	5,161	110	5,271	Total comprehensive income/loss
-	-	-	-3,477	-243	-3,720	Dividends
-	-	-	-35	-	-35	Changes in consolidated group
-	-	-	-	22	22	Capital increase
-	-	-42	-42	-	-42	Acquisition of treasury shares
-	-	42	42	-	42	Issue and disposal of treasury shares
-	-	-	-11	15	4	Changes in ownership interests in subsidiaries
-	-	-	-7	9	2	Other
996	21	-	59,581	1,096	60,677	**Balance at June 30, 2017**

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 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.

The Board of Management authorized the interim consolidated financial statements for publication on July 25, 2017.

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. 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, 2016 audited and published IFRS consolidated financial statements and notes thereto. The accounting policies applied by the Group in these interim financial statements basically correspond with those applied for the consolidated financial statements for the year ended December 31, 2016.

The Group's consolidated financial statements are 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 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 and items at the corporate level have generally been allocated to the industrial business.

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.

IFRSs issued, EU endorsed and not yet adopted
In May 2014, the IASB published **IFRS 15 Revenue from Contracts with Customers**. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The new standard lays down a comprehensive framework for determining in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers. As a result of IFRS 15, new items are introduced in the statement of financial position: "Contract assets" and "Contract liabilities." These items can arise through advance payment or advance delivery at the contract level. In addition, disclosure requirements are extended.

Application of IFRS 15 is mandatory at the latest for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. Daimler will apply IFRS 15 for the first time for the financial year beginning on January 1, 2018. Daimler currently plans for first-time application to be retrospective so that the comparative period is presented according to IFRS 15.

Effects on Daimler may occur in particular with regard to the date of recognition of sales incentives and also with regard to the sale of vehicles for which the Group enters into a repurchase obligation or grants a residual-value guarantee. The latter are reported as operating leases. Under IFRS 15, such vehicle sales can necessitate the reporting of a sale with the right of return. Additionally, the accounting of contract manufacturing may lead to effects. In a contract manufacturing agreement Daimler sells assets to a third-party manufacturer from which Daimler buys back the manufactured products after completion of the commissioned work. If the sale of the assets is not accompanied by the transfer of control to the third-party manufacturer no revenue will be recognized under IFRS 15.

The statement of financial position will be changed in particular by the separate presentation of “Contract liabilities.”

Group-wide investigation of the effects on the consolidated financial statements of adopting IFRS 15 has not yet been completed. From today’s perspective, the application of IFRS 15 is not expected to have any major impact on the Group’s profitability, liquidity and capital resources or financial position. The preliminary opening balance for January 1, 2017 would show an increase in equity of approximately €0.1 billion compared to the figure disclosed as of December 31, 2016. The option that contracts concluded before January 1, 2017 need not be reassessed under IFRS 15 was made use of.

In July 2014, the IASB published **IFRS 9 Financial Instruments**, which replaces IAS 39. IFRS 9 includes a uniform model for classification and measurement methods (including impairments) for financial instruments. It also includes regulations for general hedge accounting. IFRS 9 requires additional notes disclosure, resulting from the amendment to IFRS 7 Financial Instruments – Disclosures.

Daimler will apply IFRS 9 for the first time for the financial year beginning on January 1, 2018. Daimler currently plans, in compliance with the transitional regulations, not to adjust the prior-year figures and to present the accumulated transitional effects in retained earnings. One exception to this is the recognition through other comprehensive income of the non-designated portion of derivatives, which is to be applied retrospectively to the comparative figures.

Examination of the effects on the consolidated financial statements of applying IFRS 9 is not yet completed. From today’s perspective, Daimler continues to anticipate no material impact on the Group’s profitability, liquidity and capital resources or financial position from the transition to IFRS 9.

IFRSs issued but neither EU endorsed nor yet adopted
In May 2017, the IASB issued **IFRS 17 Insurance Contracts**. IFRS 17 replaces the current guideline of IFRS 4. It establishes more transparency and comparability with regard to the recognition, measurement, presentation and disclosure of Insurance contracts with the insurer. The application of IFRS 17 is mandatory for reporting periods beginning on or after January 1, 2021. Early adoption is permitted. Daimler currently does not expect any material impacts on the Group’s profitability, liquidity and capital resources or financial position due to the application of IFRS 17.

The IASB published **Amendments to IFRS 15** in April 2016. These changes allow for transitional arrangements for modified and fulfilled contracts, and clarify the identification of performance obligations, principal-agent relationships, and licenses.

2. Significant acquisitions and disposals of equity investments

Significant acquisitions
In the second quarter of 2017 Daimler acquired an interest of 15% in **LSH Auto International Limited**. We refer to our explanations in Note 11.

On June 30, 2016, Daimler signed the agreements for the acquisition of 100% of the shares in **Athlon Car Lease International B.V.** (Athlon), based in Eindhoven, Netherlands, a subsidiary of the Dutch Rabobank Group. Athlon is one of the leading providers of mobility solutions in Europe, especially leasing and fleet management for commercial customers. The transaction was closed on December 1, 2016. Upon closing, the purchase price of €1.1 billion was paid and financial liabilities of the Athlon companies in an amount of approximately €2.7 billion were settled. Purchase-price allocation will be finalized in the second half of 2017. In the context of preliminary purchase-price allocation, €637 million was allocated to intangible assets, €56 million to leased equipment and €72 million to deferred tax liabilities.

Significant disposals
In December 2016, **There Holding B.V.** signed agreements on the sale of shares in HERE International B.V. Further explanations can be found in Note 11.

Effective as of June 30, 2016, Daimler placed its 3.1% interest in each of **Renault S.A.** (Renault) and **Nissan Motor Company Ltd.** (Nissan) at the amount of the fair value (€1,800 million) into the Daimler Pension Trust e.V. for the purpose of strengthening the German pension plan assets over the long term. Before this transfer, the investments in Renault and Nissan were presented under other financial assets. The investments were measured at fair value, whereby unrecognized gains were shown under other comprehensive income. The contribution of the shares had led to other financial income in an amount of €605 million, which was shown in the reconciliation in the second quarter of 2016.

3. Revenue

Revenue at Group level is comprised as follows:

E.08
Revenue

In millions of euros	Q2 2017	Q2 2016	Q1-2 2017	Q1-2 2016
Revenue from sales of goods	35,085	33,607	67,939	63,806
Revenue from the rental and leasing business	4,670	3,860	9,214	7,597
Interest from the financial services business at Daimler Financial Services	1,147	1,020	2,261	2,017
Revenue from sales of other services	256	129	520	243
	41,158	38,616	79,934	73,663

4. Functional costs

Cost of sales
Cost of sales amounted to €32,470 million in the second quarter of 2017 (Q2 2016: €30,851 million) and €63,134 million in the six-month period ended June 30, 2017 (Q1-2 2016: €58,953 million). They primarily comprise expenses of goods sold.

Selling expenses
In the second quarter of 2017, selling expenses amounted to €3,222 million (Q2 2016: €2,975 million) and in the six-month period ended June 30, 2017 they amounted to €6,286 million (Q1-2 2016: €5,894 million). Selling expenses consist of direct selling costs as well as selling overhead expenses and comprise personnel expenses, material costs and other selling costs.

General administrative expenses
General administrative expenses amounted to €924 million in the second quarter of 2017 (Q2 2016: €794 million) and €1,821 million in the six-month period ended June 30, 2017 (Q1-2 2016: €1,548 million). They consist of expenses which are not attributable to production, sales or research and development functions, and comprise personnel expenses, depreciation and amortization of fixed and intangible assets, and other administrative costs.

Research and non-capitalized development costs
Research and non-capitalized development costs were €1,414 million in the second quarter of 2017 (Q2 2016: €1,263 million) and €2,862 million in the six-month period ended June 30, 2017 (Q1-2 2016: €2,501 million). They primarily comprise personnel expenses and material costs.

Optimization programs
In the course of the organizational focus on the divisions, programs for restructuring the Group's dealer network abroad were initiated, involving the sale of selected Daimler-owned dealerships. In the second quarter and the first half of 2017 as well as in the prior-year periods, that led to no significant effects on the Group's profitability and cash flows. At June 30, 2017, the disposal group's assets for those dealerships abroad amounted to €223 million (December 31, 2016: €240 million) and its liabilities amounted to €109 million (December 31, 2016: €135 million). Due to their minor impact on the Group's financial position, the assets and liabilities held for sale are not presented separately in the consolidated statement of financial position.

In the year 2016, a severance program was implemented in Brazil. In the second quarter of 2016, this resulted in expenses of €34 million in the Daimler Trucks segment.

Mainly in the second half of 2017, Daimler Trucks anticipates expenses of up to €0.5 billion from measures relating to the further optimization of fixed costs, especially for the Mercedes-Benz brand. The implementation of the measures was started in the second quarter of 2017.

In the year 2016, Mercedes-Benz Vans initiated a socially acceptable voluntary severance program for the Düsseldorf plant. The program led to an expense of €30 million in the first quarter of 2016. In the year 2017, expenses are expected only in a small extent.

Provisions have been recognized for the optimization programs only in a small extent. Cash inflows and outflows are expected until 2018.

5. Other operating income and expense

In the second quarter of 2017, other operating income amounted to €574 million (Q2 2016: €418 million). In the first half of 2017, other operating income was €1,383 million (Q1-2 2016: €959 million). The increase primarily reflects income of €267 million from the sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan in the first quarter of 2017.

Other operating expense in the second quarter of 2017 was €216 million (Q2 2016: €601 million). In the first half of 2017, other operating income was €388 million (Q1-2 2016: €744 million). The second quarter of 2016 included expenses of €400 million connected with legal proceedings.

6. Other financial income/expense

In the second quarter of 2017, financial expense was €53 million (Q2 2016: income of €555 million) and in the first half of 2017, financial expense was €107 million (Q1-2 2016: income of €427 million). The second quarter of 2016 included the recognition of gains of €605 million from the contribution of the equity interests in Renault and Nissan to the pension plan assets at fair value. Those gains were presented within other comprehensive income/loss until the transfer.

7. Interest income and interest expense

Interest income and interest expense are comprised as follows:

E.09

Interest income and interest expense

	Q2 2017	Q2 2016	Q1-2 2017	Q1-2 2016
In millions of euros				
Interest income				
Net interest income on the net assets of defined benefit pension plans	-	2	1	3
Interest and similar income	46	69	103	131
	46	71	104	134
Interest expense				
Net interest expense on the net obligation from defined benefit pension plans	-51	-58	-103	-117
Interest and similar expense	-88	-92	-171	-163
	-139	-150	-274	-280

8. Intangible assets

Intangible assets are shown in the following table:

E.10

Intangible assets

	June 30, 2017	Dec. 31, 2016
In millions of euros		
Goodwill	1,165	1,188
Development costs	9,567	8,827
Other intangible assets	2,203	2,083
	12,935	12,098

9. Property, plant and equipment

Property, plant and equipment are comprised as follows:

E.11

Property, plant and equipment

	June 30, 2017	Dec. 31, 2016
In millions of euros		
Land, leasehold improvements and buildings including buildings on land owned by others	8,022	8,007
Technical equipment and machinery	9,167	9,155
Other equipment, factory and office equipment	5,612	5,730
Advance payments relating to plant and equipment and construction in progress	3,717	3,489
	26,518	26,381

10. Equipment on operating leases

At June 30, 2017, the carrying amount of equipment on operating leases amounted to €47,115 million (December 31, 2016: €46,942 million). In the six-month period ended June 30, 2017, additions and disposals amounted to €12,612 million and €6,809 million respectively (Q1-2 2016: €10,770 million and €5,864 million). Depreciation for the first half of 2017 was €3,867 million (Q1-2 2016: €3,264 million). Other changes primarily comprise the effects of currency translation.

11. Equity-method investments

Table ↗ E.12 shows the carrying amounts and profits/losses from equity-method investments.

Table ↗ E.13 presents key figures on interests in associated companies accounted for using the equity method in the Group's consolidated financial statements.

E.12

Summarized carrying amounts and profits/losses from equity-method investments

In millions of euros	Associated companies	Joint ventures	Joint operations	Total
At June 30, 2017				
Equity investment[1]	**3,696**	**476**	**41**	**4,213**
Equity result (Q2 2017)[1]	**284**	**26**	**-**	**310**
Equity result (Q1-2 2017)[1]	**998**	**29**	**2**	**1,029**
At December 31, 2016				
Equity investment[1]	3,582	468	48	4,098
Equity result (Q2 2016)[1]	134	15	1	150
Equity result (Q1-2 2016)[1]	-13	2	2	-9

1 Including investor-level adjustments.

E.13

Key figures on interests in associated companies accounted for using the equity method

In millions of euros	BBAC	BAIC Motor[2]	THBV (HERE)	Others	Total
At June 30, 2017					
Equity interest (in %)	**49.0**	**10.1**	**33.3**	**-**	**-**
Equity investment[1]	**1,570**	**769**	**765**	**592**	**3,696**
Equity result (Q2 2017)[1]	**258**	**20**	**-13**	**19**	**284**
Equity result (Q1-2 2017)[1]	**548**	**284**	**153**	**13**	**998**
At December 31, 2016					
Equity interest (in %)	49.0	10.1	33.3	-	-
Equity investment[1]	2,141	557	611	273	3,582
Equity result (Q2 2016)[1]	133	11	-12	2	134
Equity result (Q1-2 2016)[1]	247	-218	-40	-2	-13

1 Including investor-level adjustments.
2 Earnings of BAIC Motor Corporation Ltd. (BAIC Motor) are included in Daimler's consolidated financial statements with a three-month time lag.

BBAC
In the first quarter of 2017, Beijing Benz Automotive Co., Ltd. (BBAC) received a capital increase of €97 million from Daimler. The capital increase took place through the contribution of dividend receivables.

In the first quarter of 2017, the shareholders of BBAC approved the payout of a dividend. The amount of €401 million attributable to Daimler was paid out in the second quarter of 2017 and decreased the carrying amount of the investment accordingly. In the second quarter of 2017, the shareholders of BBAC approved the payout of another dividend. The amount of €733 million attributable to Daimler decreased the carrying amount of the investment accordingly. The dividend has not yet been paid out.

BAIC Motor
In the first quarter of 2016, due to the lower stock-exchange price, the Group recognized an impairment loss of €244 million with respect to its investment in BAIC Motor Corporation Ltd. (BAIC Motor). As of March 31, 2017 the impairment was fully reversed. The effect of the reversal amounts to €240 million including minor currency effects. Both, the gain and the loss are included in the line item profit/loss on equity-method investments, net.

THBV (HERE)
In December 2016, There Holding B.V. (THBV) signed agreements on the sale of shares in HERE International B.V. (HERE), a 100% subsidiary of THBV. A 15% shareholding was sold to Intel Holdings B.V. (Intel) and a 10% shareholding was sold to a Chinese consortium consisting of NavInfo Co. Ltd., Tencent Holdings Ltd. and GIC Private Ltd.

The transaction with Intel was concluded on January 31, 2017. As a result THBV now only has a significant influence on HERE. Therefore, from the first quarter of 2017 HERE is no longer fully consolidated in the financial statements of THBV, but is presented as an associated company using the equity method. The change of the consolidation method led to the remeasurement of the HERE shares at fair value in the first quarter of 2017. The income of €183 million from this transaction that is attributable to Daimler is included in profit/loss on equity-method investments in the first quarter of 2017.

Completion of the transaction with the Chinese consortium depends on the approval of the authorities. Daimler does not expect this to have any significant effects on earnings.

Other minor equity-method investments
In 2017, minor equity-method investments include **LSH Auto International Limited (LSHAI)**. In the second quarter of 2017, Daimler acquired an interest of 15% in LSHAI, which is responsible for the Mercedes-Benz retail business of Lei Shing Hong Group. LSHAI, a subsidiary of Lei Shing Hong Group, is one of the biggest Mercedes-Benz dealers worldwide. The transaction was concluded after receiving the approval of the relevant antitrust authorities on May 22, 2017. The purchase price was €0.3 billion. Due to Daimler's possibility to exercise a significant influence on the board of directors of LSHAI, as well as other contractual agreements and significant supply relations, the Group classifies this investment as an investment in an associate, to be accounted for using the equity method; in the segment reporting, the investment's carrying amount and its proportionate share of profit or loss are presented in the reconciliation of total segment's assets to Group assets and total segments' EBIT to Group EBIT, respectively. Earnings of LSHAI are included in Daimler's consolidated financial statements with a three-month time lag.

12. Receivables from financial services

Receivables from financial services are shown in the following table:

E.14
Receivables from financial services

	June 30, 2017			Dec. 31, 2016		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Sales financing with customers	14,951	26,336	41,287	14,803	26,288	41,091
Sales financing with dealers	15,540	3,041	18,581	16,302	2,970	19,272
Finance-lease contracts	7,133	15,809	22,942	7,012	14,186	21,198
Gross carrying amount	37,624	45,186	82,810	38,117	43,444	81,561
Allowances for doubtful accounts	-483	-546	-1,029	-491	-563	-1,054
Net carrying amount	37,141	44,640	81,781	37,626	42,881	80,507

13. Inventories

Inventories are comprised as follows:

E.15

Inventories

	June 30, 2017	Dec. 31, 2016
In millions of euros		
Raw materials and manufacturing supplies	2,797	2,723
Work in progress	3,937	3,814
Finished goods, parts and products held for resale	19,205	18,609
Advance payments to suppliers	288	238
	26,227	25,384

In the first half of 2016, net expenses in an amount of €284 million from the measurement of inventories were included in the EBIT of the Mercedes-Benz Cars segment.

14. Equity

Conditional capital

By resolution of the Annual Shareholders' Meeting on April 1, 2015, the Board of Management is authorized, with the consent of the Supervisory Board, until March 31, 2020 to issue convertible and/or warrant bonds or a combination of these instruments ("bonds") with a total face value of up to €10.0 billion and a maturity of no more than ten years. The Board of Management is allowed to grant the holders of these bonds conversion or warrant rights for new registered no-par-value shares in Daimler AG with an allocable portion of the share capital of up to €500 million in accordance with the details defined in the terms and conditions of the bonds. The bonds can be offered in exchange for cash and/or non-cash contributions, in particular for shares in other companies. The terms and conditions of the bonds can include warranty obligations or conversion obligations. The bonds can be issued once or several times, wholly or in installments, or simultaneously in various tranches, as well by affiliates of the Company within the meaning of Sections 15 et seq. of the German Stock Corporation Act (AktG). Among other things, the Board of Management was authorized to exclude shareholders' subscription rights for the bonds under certain conditions and within defined constraints with the consent of the Supervisory Board.

In order to fulfill the conditions of the above-mentioned authorization, the Annual Shareholders' Meeting on April 1, 2015 also resolved to increase the share capital conditionally by an amount of up to €500 million (Conditional Capital 2015).

Treasury shares

By resolution of the Annual Shareholders' Meeting on April 1, 2015, the Company is authorized until March 31, 2020 to acquire treasury shares in a volume up to 10% of the share capital issued as of the day of the resolution to be used for all legal purposes. The shares can be used, amongst other things, excluding shareholders' subscription rights for business combinations or to acquire companies or to be sold to third parties for cash at a price that is not significantly lower than the stock-exchange price of the Company's shares. The acquired shares can also be used to fulfill obligations from issued convertible bonds and/or bonds with warrants and to be issued to employees of the Company and employees and board members of the Company's affiliates pursuant to Sections 15 et seq. of the German Stock Corporation Act (AktG). The treasury shares can also be canceled.

The Board of Management is further authorized, with the consent of the Supervisory Board, to exclude shareholders' subscription rights in other defined cases. In a volume up to 5% of the share capital issued as of the day of the resolution of the Annual Shareholders' Meeting, the Company was also authorized to acquire treasury shares also by using derivatives (put options, call options, forward purchases or a combination of these instruments), whereas the term of a derivative must not exceed 18 months and must not end later than March 31, 2020.

Employee share purchase plan

In the first quarter of 2017, 0.6 million (2016: 0.6 million) Daimler shares were purchased and reissued to employees in connection with employee share purchase plans.

Dividend

The Annual Shareholders' Meeting held on March 29, 2017 authorized Daimler to pay a dividend of €3,477 million (€3.25 per share) from the distributable profit of Daimler AG (separate financial statements) for the year 2016 (2016: €3,477 million and €3.25 per share). The dividend was paid out on April 3, 2017.

15. Pensions and similar obligations

Pension cost
The components of pension cost included in the consolidated statement of income are shown in tables ↗ E.16 and ↗ E.17.

Contributions to pension plan assets
In the second quarter and the first half of 2017, contributions from Daimler to the Group's pension plan assets amounted to €56 million and €101 million (2016: €1,868 million and €1,896 million). The transfer of the shares of Renault and Nissan resulted in an extraordinary contribution to the German pension plan assets of €1,800 million in the second quarter of 2016.

E.16
Components of net periodic pension cost for the three-month-periods ended June 30

			Q2 2017			Q2 2016
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Current service cost	-168	-146	-22	-148	-126	-22
Past service cost	-	-	-	-2	-2	-
Net interest expense	-39	-30	-9	-46	-36	-10
Net interest income	-	-	-	2	-	2
	-207	-176	-31	-194	-164	-30

E.17
Components of net periodic pension cost for the six-month-periods ended June 30

			Q1-2 2017			Q1-2 2016
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Current service cost	-338	-291	-47	-297	-252	-45
Past service cost	-	-	-	-17	-17	-
Net interest expense	-78	-59	-19	-92	-73	-19
Net interest income	1	-	1	3	-	3
	-415	-350	-65	-403	-342	-61

16. Provisions for other risks

Provisions for other risks are comprised as shown in table ↗ E.18.

E.18
Provisions for other risks

	June 30, 2017			Dec. 31, 2016		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Product warranties	2,459	3,628	6,087	2,512	3,590	6,102
Personnel and social costs	1,608	2,117	3,725	2,181	2,079	4,260
Other	4,199	1,219	5,418	4,734	963	5,697
	8,266	6,964	15,230	9,427	6,632	16,059

17. Financing liabilities

Financing liabilities are comprised as follows:

E.19
Financing liabilities

	June 30, 2017			Dec. 31, 2016		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	13,601	49,748	63,349	13,820	49,260	63,080
Commercial paper	1,945	-	1,945	1,701	-	1,701
Liabilities to financial institutions	14,205	15,711	29,916	16,528	13,146	29,674
Deposits in the direct banking business	9,200	2,497	11,697	8,876	2,766	11,642
Liabilities from ABS transactions	5,832	5,385	11,217	5,823	4,745	10,568
Liabilities from finance leases	25	330	355	30	203	233
Loans, other financing liabilities	459	562	1,021	510	278	788
	45,267	74,233	119,500	47,288	70,398	117,686

18. Legal proceedings

As already reported, several consumer class-action lawsuits were filed against Mercedes-Benz USA, LLC (MBUSA) in federal courts in the U.S. in early 2016. The main allegation was the use of devices that impermissibly impair the effectiveness of emission control systems in reducing nitrogen-oxide (NOx) emissions and which cause excessive emissions from vehicles with diesel engines. In addition, plaintiffs alleged that consumers were deliberately deceived in connection with the advertising of Mercedes-Benz diesel vehicles. Those consumer class actions were consolidated into one class action pending against both Daimler AG and MBUSA in the US District Court for the District of New Jersey, in which the plaintiffs asserted various grounds for monetary relief on behalf of a nation-wide class of persons or entities who owned or leased certain models of Mercedes-Benz diesel vehicles as of February 18, 2016. Daimler AG and MBUSA moved to dismiss the lawsuit in its entirety. By order dated December 6, 2016, the court granted Daimler AG's and MBUSA's motion to dismiss and dismissed the lawsuit without prejudice, based on plaintiffs' failure to allege with sufficient specificity the advertising that they contended had misled them. Plaintiffs subsequently filed an amended class action complaint in the same court making similar allegations. The amended complaint also adds as defendants Robert Bosch LLC and Robert Bosch GmbH (collectively; "Bosch"), and alleges that Daimler AG and MBUSA conspired with Bosch to deceive U.S. regulators and consumers. Daimler AG and MBUSA view the lawsuit as being without merit and will defend against the claims.

Another consumer class-action lawsuit against Daimler AG and other companies of the Group containing similar allegations was filed in Canada in April 2016. On June 29, 2017, the court granted a procedural motion to certify certain issues for class treatment. On July 14, 2017, an additional class action was filed in the Superior Court of California, Los Angeles County, against Daimler AG and other companies of the Group, alleging similar claims as the existing U.S. class action. Daimler also regards these lawsuits as being without merit, and will defend vigorously against the claims.

Several state and federal authorities, including in Europe, the United States and Asia, have inquired about and are investigating test results, the emission control systems used in Mercedes-Benz diesel vehicles and Daimler's interaction with the relevant state and federal authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, securities, criminal and antitrust laws. These authorities include, amongst others, the U.S. Department of Justice (DOJ), which in April 2016 requested that Daimler AG review its certification and admissions processes related to exhaust emissions of diesel vehicles in the United States by way of an internal investigation in cooperation with the DOJ, the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB) and other state authorities, the U.S. Securities and Exchange Commission (SEC), authorities of various Asian states, the European Commission and national cartel authorities, the German Federal Motor Transport Authority (KBA), the diesel emissions committee of inquiry of the German Parliament and the Stuttgart district attorney's office. The Stuttgart district attorney's office has meanwhile initiated criminal investigation proceedings against Daimler employees concerning, among other things, the suspicion of fraud and criminal advertising, and has searched the premises of Daimler at several locations in Germany. Daimler continues to fully cooperate with the DOJ and the other authorities. As these inquiries, investigations and the replies to these information requests as well as Daimler's internal investigation are ongoing, we are not disclosing any further information in accordance with IAS 37.92.

As already reported in the 2016 annual report, in August 2016, Mercedes-Benz Canada (MB Canada) was added as a defendant to a putative nation-wide class action pending in Ontario Superior Court. The main allegation in the matter is that MB Canada, along with Takata entities as well as many other companies which sold vehicles with Takata airbag inflators installed in them, was allegedly negligent in selling such vehicles, purportedly not recalling them quickly enough, and failing to provide an allegedly adequate replacement airbag inflator. In addition, on June 28, 2017, Takata entities along with Daimler AG and MBUSA were named as defendants in a nation-wide class action, which was filed in New Jersey federal court and includes allegations that are similar to the Canadian action. The already reported lawsuit filed by the State of New Mexico, which also made similar claims against MBUSA as well as many other companies which sold vehicles with Takata airbag inflators installed in them, was dismissed without prejudice on June 22, 2017. It may, however, be filed again under specific conditions. Daimler AG continues to regard all these lawsuits brought with regard to Mercedes-Benz vehicles as being without merit, and the respective affected group affiliates will further defend themselves against the claims with all available legal means.

In the course of the Toll Collect arbitration proceedings the arbitrators held further hearings in March and July 2017. The shareholders Deutsche Telekom AG and Daimler Financial Services AG have now asserted counterclaims relating to breaches of duty by the Federal Republic of Germany with regard to the delay in the start of the toll system.

The statements contained in this interim report are to be read in conjunction with the consolidated financial statements as of December 31, 2016. In our assessment, there have been no substantial changes with respect to the other legal proceedings reported in note 29 to the consolidated financial statements as of December 31, 2016.

19. Financial instruments

Table ↗ E.20 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.20
Carrying amounts and fair values of financial instruments

	June 30, 2017		Dec. 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
Financial assets				
Receivables from financial services	81,781	82,107	80,507	80,851
Trade receivables	10,195	10,195	10,614	10,614
Cash and cash equivalents	12,995	12,995	10,981	10,981
Marketable debt securities				
Available-for-sale financial assets	8,801	8,801	10,748	10,748
Other financial assets				
Available-for-sale financial assets	920	920	811	811
thereof equity instruments measured at fair value	165	165	166	166
thereof equity instruments measured at cost	755	755	645	645
Financial assets recognized at fair value through profit or loss	207	207	106	106
Derivative financial instruments used in hedge accounting	2,173	2,173	1,730	1,730
Other receivables and financial assets	3,781	3,781	3,089	3,089
	120,853	121,179	118,586	118,930
Financial liabilities				
Financing liabilities	119,500	120,801	117,686	118,929
Trade payables	13,973	13,973	11,567	11,567
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	125	125	186	186
Derivative financial instruments used in hedge accounting	743	743	2,463	2,463
Miscellaneous other financial liabilities	10,490	10,490	10,220	10,220
	144,831	146,132	142,122	143,365

The fair values of financial instruments were calculated on the basis of market information available on the balance sheet date. The following methods and premises were used:

Marketable debt securities, other financial assets and liabilities

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, 2017. If quoted market prices were not available for these debt and equity instruments, the fair value measurement is based on inputs that are either directly or indirectly observable in active markets.
- equity interests measured at cost; fair values could not be determined for these financial instruments because no stock exchange or market prices are available. These equity interests comprise investments in non-listed companies for which no objective evidence existed at the balance sheet date that these assets were 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 at June 30, 2017.

Financial assets and liabilities 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 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. The valuation of currency forwards is based on market quotes of forward curves; currency options were measured using price quotations or option pricing models using 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.

Table ↗ E.21 provides an overview of the classification into measurement hierarchies of financial assets and liabilities measured at fair value (according to IFRS 13).

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 measurement hierarchy, portfolios managed on basis of net exposure are applied.

E.21

Measurement hierarchy of financial assets and liabilities measured at fair value

	June 30, 2017				Dec. 31, 2016			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros								
Financial assets measured at fair value								
Financial assets available for sale	8,966	4,773	4,193	-	10,914	5,164	5,750	-
thereof equity instruments measured at fair value	165	97	68	-	166	93	73	-
thereof marketable debt securities	8,801	4,676	4,125	-	10,748	5,071	5,677	-
Financial assets recognized at fair value through profit or loss	207	-	207	-	106	-	106	-
Derivative financial instruments used in hedge accounting	2,173	-	2,173	-	1,730	-	1,730	-
	11,346	4,773	6,573	-	12,750	5,164	7,586	-
Financial liabilities measured at fair value								
Financial liabilities recognized at fair value through profit and loss	125	-	125	-	186	-	186	-
Derivative financial instruments used in hedge accounting	743	-	743	-	2,463	-	2,463	-
	868	-	868	-	2,649	-	2,649	-

1 Fair value measurement based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
2 Fair value measurement based on inputs that are observable in active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3 Fair value measurement based on inputs for which no observable market data is available.

20. Segment reporting

Segment information for the three-month periods ended June 30, 2017 and June 30, 2016 is as follows:

E.22

Segment reporting for the three-month periods ended June 30

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Recon-ciliation	Daimler Group
In millions of euros								
Q2 2017								
External revenue	22,637	8,637	3,181	1,131	5,572	41,158	-	41,158
Intersegment revenue	934	391	143	23	358	1,849	-1,849	-
Total revenue	23,571	9,028	3,324	1,154	5,930	43,007	-1,849	41,158
Segment profit (EBIT)	2,404	543	358	64	522	3,891	-145	3,746
thereof share of profit/loss from equity-method investments	244	32	13	2	-1	290	20	310
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-5	-5	-2	-	-1	-13	-	-13

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Recon-ciliation	Daimler Group
In millions of euros								
Q2 2016								
External revenue	21,235	8,274	3,295	1,104	4,708	38,616	-	38,616
Intersegment revenue	887	392	146	18	306	1,749	-1,749	-
Total revenue	22,122	8,666	3,441	1,122	5,014	40,365	-1,749	38,616
Segment profit (EBIT)	1,410	621	401	88	479	2,999	259	3,258
thereof share of profit/loss from equity-method investments	120	9	10	-	-1	138	12	150
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-35	-12	-3	-2	-	-52	-	-52

Segment information for the six-month periods ended June 30, 2017 and June 30, 2016 is as follows:

E.23

Segment reporting for the six-month periods ended June 30

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Recon-ciliation	Daimler Group
In millions of euros								
Q1-2 2017								
External revenue	**44,474**	**16,238**	**6,048**	**2,012**	**11,162**	**79,934**	**-**	**79,934**
Intersegment revenue	**1,820**	**730**	**269**	**42**	**679**	**3,540**	**-3,540**	**-**
Total revenue	**46,294**	**16,968**	**6,317**	**2,054**	**11,841**	**83,474**	**-3,540**	**79,934**
Segment profit (EBIT)	**4,638**	**1,211**	**715**	**129**	**1,046**	**7,739**	**15**	**7,754**
thereof share of profit/loss from equity-method investments	**700**	**26**	**20**	**2**	**-3**	**745**	**284**	**1,029**
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	**-8**	**-7**	**-2**	**-**	**-2**	**-19**	**-**	**-19**

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Recon-ciliation	Daimler Group
In millions of euros								
Q1-2 2016								
External revenue	40,383	16,094	5,985	1,916	9,285	73,663	-	73,663
Intersegment revenue	1,719	776	271	36	591	3,393	-3,393	-
Total revenue	42,102	16,870	6,256	1,952	9,876	77,056	-3,393	73,663
Segment profit (EBIT)	2,805	1,137	702	127	911	5,682	-276	5,406
thereof share of profit/loss from equity-method investments	206	-3	8	-	-2	209	-218	-9
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-110	-36	-11	-5	-	-162	-	-162

Reconciliation

Reconciliation of the total segments' profit (EBIT) to profit before income taxes is as shown in table ↗ E.24.

The reconciliation comprises corporate items for which headquarter is responsible. Transactions between the segments are eliminated in the context of consolidation.

Share of profit from equity-method investments in the first quarter of the year 2017 primarily comprises the reversal of the impairment of the equity investment in BAIC Motor of €240 million (Q1 2016: impairment of €244 million). It also includes the proportionate share in the results of BAIC Motor (Q2 2017: €20 million; Q2 2016: €11 million and Q1-2 2017: €44 million; Q1-2 2016: €27 million). In the prior-year quarter, other corporate items included a gain of €605 million recognized in connection with the contribution of the shares of Renault and Nissan. The second quarter of the year 2016 included expenses of €400 million in connection with legal proceedings. Furthermore, the first six months of the prior year included losses from currency transactions of €241 million which are not allocated to business operations.

E.24

Reconciliation to Group figures

	Q2 2017	Q2 2016	Q1-2 2017	Q1-2 2016
In millions of euros				
Total segments' profit (EBIT)	**3,891**	2,999	**7,739**	5,682
Share of profit from equity-method investments	**20**	12	**284**	-218
Other corporate items	**-172**	225	**-267**	-64
Eliminations	**7**	22	**-2**	6
Group EBIT	**3,746**	3,258	**7,754**	5,406
Amortization of capitalized borrowing costs[1]	**-3**	-3	**-6**	-6
Interest income	**46**	71	**104**	134
Interest expense	**-139**	-150	**-274**	-280
Profit before income taxes	**3,650**	3,176	**7,578**	5,254

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

21. Related party relationships

Related parties are deemed to be associated companies, joint ventures, joint operations and unconsolidated subsidiaries, as well as persons who exercise a significant influence on the financial and business policy of the Daimler Group. The latter category includes all persons in key positions and their close family members. At the Daimler Group, those persons are the members of the Board of Management and of the Supervisory Board.

Most of the goods and services supplied within the ordinary course of business between the Group and related parties involve transactions with associated companies, joint ventures and joint operations, and are shown in table ↗ **E.25**.

Associated companies
A large proportion of the Group's sales of goods and services with associated companies as well as receivables due from them results from business relations with **Beijing Benz Automotive Co., Ltd.** (BBAC). See Note 11 for further information on BBAC.

In the second quarter of 2017, Daimler acquired an equity interest of 15% in **LSH Auto International Limited** (LSHAI), which is responsible for the Mercedes-Benz retail business of Lei Shing Hong Group. See Note 11 for further information on LSHAI.

Daimler plans to sell the Group's own Mercedes-Benz dealer in Melbourne, Australia to LSHAI. This led to led to an advanced payment received in June of AUD133 million (approximately €90 million) out of a total expected cash inflow of approximately AUD0.2 billion.

The purchases of goods and services shown in table ↗ **E.25** were primarily from **LSH Auto International Limited** and **MBtech Group GmbH & Co. KGaA** (MBtech Group). MBtech Group develops, integrates and tests components, systems, modules and vehicles worldwide.

Joint ventures
Significant sales of goods and services took place with **Fujian Benz Automotive Co., Ltd.** and with **DAIMLER KAMAZ RUS OOO**, a company established with Kamaz PAO, another of the Group's associated companies.

On November 7, 2016, the joint venture Shenzen BYD Daimler New Technology Co. Ltd. was renamed as **Shenzen DENZA New Energy Automotive Co. Ltd.** (DENZA).

DENZA is allocated to the Mercedes-Benz Cars segment. Daimler provided guarantees in a total amount of RMB1,250 million (approximately €162 million) to external banks which provided two loans to DENZA. As of June 30, 2017, loans amounting to RMB735 million (approximately €95 million) were utilized. In addition, Daimler provided a shareholder loan of RMB250 million (approximately €32 million) to DENZA, which is fully utilized. In accordance with its shareholding ratio, Daimler contributed additional equity of RMB500 million (approximately €65 million) to DENZA in July 2017.

In connection with its 45% equity interest in Toll Collect GmbH, Daimler has issued guarantees which are not shown in table ↗ **E.25** (€100 million at June 30, 2017 and at December 31, 2016).

Joint operations
Joint operations primarily relate to significant business transactions with **Beijing Mercedes-Benz Sales Service Co., Ltd.** and **EM-motive GmbH**.

E.25

Related party relationships

In millions of euros	Sales of goods and services and other income				Purchases of goods and services and other expense			
	Q2 2017	Q2 2016	**Q1-2 2017**	Q1-2 2016	**Q2 2017**	Q2 2016	**Q1-2 2017**	Q1-2 2016
Associated companies	**2,111**	770	**3,214**	1,660	**160**	107	**256**	196
thereof BBAC	**863**	686	**1,871**	1,511	**23**	19	**60**	40
thereof LSHAI[1]	**1,140**	-	**1,140**	-	**59**	-	**59**	-
Joint ventures	**243**	107	**412**	212	**22**	19	**36**	22
Joint operations	**14**	6	**17**	14	**59**	66	**113**	122

In millions of euros	Receivables[2]		Payables[3]	
	June 30, 2017	Dec. 31, 2016	**June 30, 2017**	Dec. 31, 2016
Associated companies	**2,502**	1,233	**247**	89
thereof BBAC	**1,729**	1,178	**44**	27
thereof LSHAI[1]	**672**	-	**166**	-
Joint ventures	**165**	150	**109**	110
Joint operations	**38**	38	**15**	30

1 Since the equity interest in LSHAI was acquired in May 2017, business relations with LSHAI will be reported from June 2017 onward.
2 After write-downs totaling €51 million (December 31, 2016: €51 million).
3 Including liabilities from default risks from guarantees for related parties.

22. Events after the reporting period

In July 2017, Daimler approved a comprehensive plan for the future of diesel engines, which extends the ongoing voluntary customer service activities to more than three million Mercedes-Benz vehicles in Europe and other countries. Daimler expects this to lead to expenses of approximately €0.2 billion in the third quarter of 2017.

Responsibility Statement

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 25, 2017

Dieter Zetsche	Martin Daum
Renata Jungo Brüngger	Ola Källenius
Wilfried Porth	Britta Seeger
Hubertus Troska	Bodo Uebber

Auditor's Review Report

To the Supervisory Board of Daimler AG, Stuttgart

We have reviewed the condensed interim consolidated financial statements of Daimler AG – 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, for the period from January 1 to June 30, 2017, that are part of the semi annual financial report according to § 37w 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 25, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Becker
Wirtschaftsprüfer

Dr. Thümler
Wirtschaftsprüfer

Addresses | Information

Investor Relations
Telephone +49 711 17 92261
17 97778
17 95256
17 95277
Fax +49 711 17 94075

This report and additional information
can be found on the Internet at
www.daimler.com

Concept and contents
Daimler AG
Investor Relations

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

Financial Calendar

Interim Report Q2 2017
July 26, 2017

Interim Report Q3 2017
October 20, 2017

Annual Press Conference
February 1, 2018

Analyst and Investor Conference
February 2, 2018

Annual Shareholders' Meeting 2018
Berlin
April 5, 2018

Interim Report Q1 2018
April 26, 2018

Interim Report Q2 2018
July 26, 2018

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

Daimler AG
Mercedesstr. 137
70327 Stuttgart
Germany
www.daimler.com