DAIMLER

Interim Report Q2 2020

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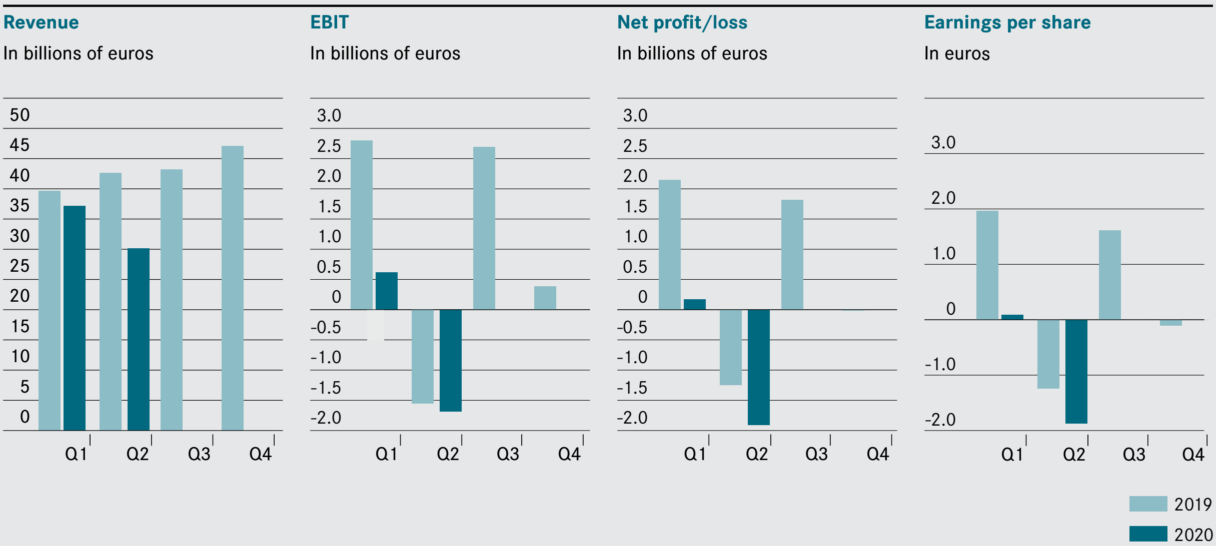
Cover photo: the new E-Class.
Launch of the comprehensively upgraded new E-Class. The most important aspects of the model upgrade are the more dynamic design, the next generation of driver assistance systems, the higher level of comfort and the expansion of the model portfolio to include numerous electrified drive systems. Seven models are available as plug-in hybrids (diesel and gasoline, sedan and wagon, rear-wheel and all-wheel drive). With more than 14 million sedans and wagons delivered since 1946, the E-Class is the best-selling model series in the history of Mercedes-Benz.

Q2

Key Figures Daimler Group

€ amounts in millions	Q2 2020	Q2 2019	% change
Revenue	**30,184**	42,650	-29[1]
Europe	**11,455**	17,237	-34
thereof Germany	**4,787**	6,708	-29
North America	**8,212**	13,217	-38
thereof United States	**7,268**	11,364	-36
Asia	**9,173**	9,690	-5
thereof China	**5,348**	4,659	+15
Other markets	**1,344**	2,506	-46
Investment in property, plant, equipment	**1,609**	1,751	-8
Research and development expenditure	**2,255**	2,357	-4
thereof capitalized development costs	**711**	788	-10
Free cash flow of the industrial business	**685**	-1,302	.
Free cash flow of the industrial business adjusted	**778**	-1,208	.
EBIT	**-1,682**	-1,558	.
EBIT adjusted	**-708**	2,447	.
Net profit/loss	**-1,906**	-1,242	.
Earnings per share (in euros)	**-1.87**	-1.24	.
Employees	**293,688**	298,655[2]	-2

1 Adjusted for the effects of currency translation, decrease in revenue of 29%.
2 As of December 31, 2019.



Q1-2

Key Figures Daimler Group

€ amounts in millions	Q1-2 2020	Q1-2 2019	% change
Revenue	67,407	82,348	-18[1]
Europe	26,799	33,857	-21
thereof Germany	10,727	13,088	-18
North America	19,361	24,822	-22
thereof United States	17,119	21,502	-20
Asia	17,777	18,661	-5
thereof China	9,177	9,049	+1
Other markets	3,470	5,008	-31
Investment in property, plant, equipment	3,221	3,419	-6
Research and development expenditure	4,609	4,735	-3
thereof capitalized development costs	1,343	1,462	-8
Free cash flow of the industrial business	-1,631	-3,341	.
Free cash flow of the industrial business adjusted	-1,084	-3,168	.
EBIT	-1,065	1,240	.
EBIT adjusted	11	4,757	-100
Net profit/loss	-1,738	907	.
Earnings per share (in euros)	-1.78	0.72	.
Employees	293,688	298,655[2]	-2

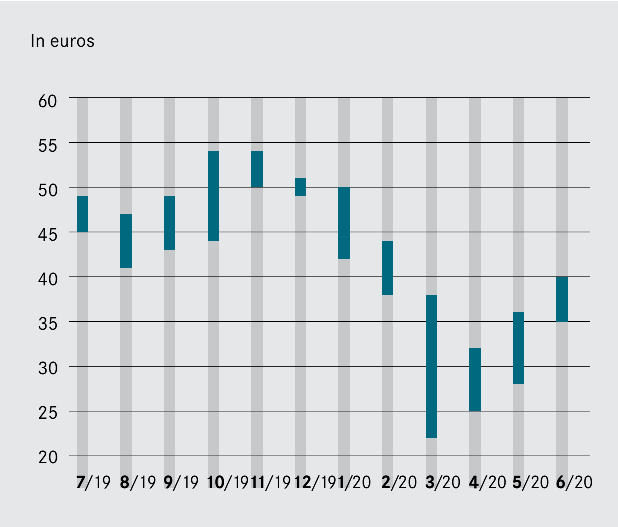
1 Adjusted for the effects of currency translation, decrease in revenue of 18%.
2 As of December 31, 2019.

Daimler and the Capital Market

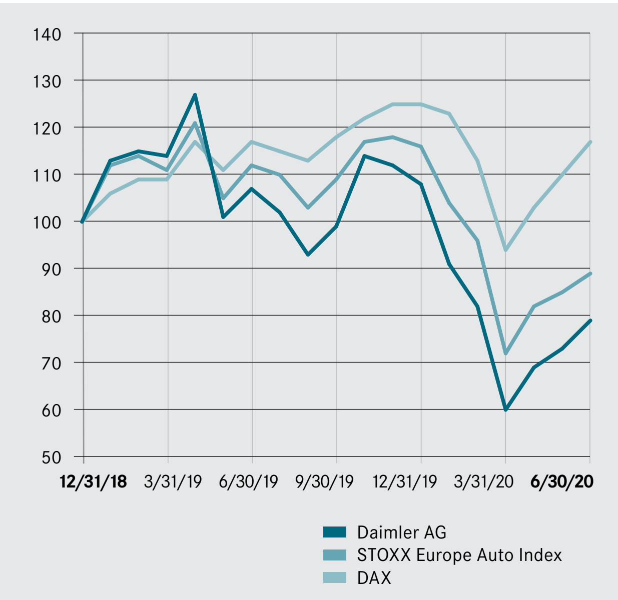
Key figures

	June 30, 2020	June 30, 2019	% change
Earnings per share in Q2 (in €)	**-1.87**	-1.24	.
Outstanding shares (in millions)	**1,069.8**	1,069.8	0
Market capitalization (€ billion)	**38.67**	52.35	-26
Xetra closing price (in €)	**36.15**	48.93	-26

Daimler share price (high/low), 2019/2020



Share-price development (indexed)



Stock exchanges and automotive shares with a volatile upward trend in second quarter of 2020

After a brief period of weakness at the beginning of the second quarter, the supporting measures taken by central banks and governments, some of which were augmented during the period under review, began to take effect. Stock-market indices worldwide climbed during the quarter, thus making up a large part of the losses from the previous months. Automotive stocks also benefited from tailwinds in the second quarter, with investors increasing their share positions again in the past three months. Automotive share prices were boosted in particular by the support measures and economic policy measures taken, as well as by the fall in oil prices, but car sales in China also recovered faster in the second quarter than many market participants had expected. Daimler's share price also displayed a significant recovery in the second quarter of 2020 after initial losses. In addition to monetary and fiscal policy measures, investors were particularly encouraged by positive signs from the Chinese automotive market. Daimler shares were listed at €36.15 at the end of the quarter and were thus approximately 31% higher than at the end of the first quarter of 2020. During the same period, the DAX increased by 24% and the STOXX Europe Auto Index rose by 23%.

Successful refinancing in a volatile market environment

In the second quarter of 2020, the Daimler Group once again successfully undertook refinancing in the international money and capital markets despite a very volatile market environment. In addition to several local transactions, Daimler AG issued two bonds with volumes of €1.5 billion and €3.0 billion. Furthermore, we agreed with a consortium of international banks on an additional credit line of €12 billion at the beginning of April. Following capital market transactions during the second quarter that led to a reduction of this credit line, the available amount was adjusted from €12 billion to €9.9 billion. Several transactions were also carried out with asset-backed securities (ABS) in the second quarter of 2020. In the United States, a refinancing volume of $2.6 billion was generated; in the United Kingdom, a volume of GBP 0.5 billion was issued. Furthermore, in Germany, €0.65 billion was raised through an ABS transaction and €0.92 billion through an open-market transaction (page 19).

Interim Management Report

Significant decrease in total unit sales to 541,800 vehicles (Q2 2019: 821,700)
Revenue of €30.2 billion (Q2 2019: €42.7 billion)
Group EBIT of minus €1.7 billion (Q2 2019: minus €1.6 billion); adjusted Group EBIT of minus €0.7 billion (Q2 2019: €2.4 billion)
Net loss of €1.9 billion (Q2 2019: €1.2 billion)
Free cash flow of the industrial business of €0.7 billion (Q2 2019: minus €1.3 billion) supported by effective cash measures
Unit sales, revenue, EBIT and free cash flow of the industrial business expected to be lower in 2020 than in 2019

Business development

World economic downturn
Already in the first quarter of the year, the global spread of the coronavirus and the countermeasures taken had considerably restricted economic activity, first in China and then later in Europe, the United States and other markets. This development then intensified further during the second quarter. Not only the volatile industrial sector, but also and especially the service sector were massively impacted by the crisis. The business climate, consumer confidence, consumer spending and industrial production all fell sharply in April due to national lockdowns in almost all major economies. As a result, according to the latest estimates, global economic output in the second quarter fell again significantly compared with the prior-year period. As restrictions began to be cautiously eased from May onwards, economic recovery started in many places, but this process will take a long time in view of the continuing corona pandemic. Despite these developments, the global stock market recovered significantly in the course of the second quarter after the deep slump in March, and was recently only about 10% below its high of mid-February. In China, the first major economy to be affected by the covid-19 pandemic, the recovery started earlier, so after the sharp slump at the beginning of the year, economic output there could increase slightly in the second quarter year-on-year. The recession in the European Monetary Union probably bottomed out in April, when industrial production and retail sales slumped by more than a quarter and about a fifth respectively compared with the previous year. Leading indicators point to an incipient recovery from May onwards; nonetheless, it must be assumed that economic output in the euro zone as a whole contracted even more sharply in the second quarter than in the first. Almost at the same time as in Europe, and with similar abruptness, economic activity slowed down also in the United States. Although the drastic declines in production and consumer spending in April were partly offset in May after early easing of restrictions, the US economy also contracted significantly overall. As a reaction to the economic slump, central banks and governments in China, Europe, the United States and other regions have taken massive support measures, which is likely to have prevented an even more serious crisis. Other major economies such as Japan, India, Brazil and Russia have also been severely impacted by the corona crisis. For the commodity-exporting economies, the situation was exacerbated by the further drop in the price of oil to less than $20 per barrel in some cases in April; as the quarter progressed, the oil price recovered to a level of just under $40 per barrel due to the slight recovery in demand and significant production cuts.

The development of **worldwide demand for cars** continued to be impacted by the corona crisis. The significantly negative market development, which had already started in the first quarter, continued in the second in nearly all sales regions important to Daimler. However, April probably marked the low point of the crisis in many places. But the Chinese market, which had already recorded its sharpest decline in the first quarter, has recently seemed to be recovering again. Nonetheless, global demand for cars in the second quarter was still below the prior-year level by a significant double-digit percentage.

Since its low point in February, demand has been gradually recovering in the Chinese market. Sales of cars in the second quarter were already slightly higher than in the prior-year period. The US market for cars and light trucks had its weakest month of the current crisis in April with contraction of nearly 50%. The slump became rather less severe later in the quarter, and overall demand was more than 30% lower than in the second quarter of last year.

The European market also reached its low point in April with total sales about a quarter of the prior-year volume. Although the decreases in May and June were no longer quite as drastic, there was a sharp overall fall in second-quarter car sales. The Western European sales market declined drastically with a slump of more than 50%. Of the five largest individual markets, Spain and the United Kingdom were the worst hit, each with declines of approximately 70%, but sales in France, Germany and Italy were down by between 43 and 57%. Demand in Eastern Europe also fell substantially.

Demand for vans in the EU30 region (European Union, United Kingdom, Norway and Switzerland) fell sharply in the second quarter of 2020. The market volume declined by approximately 40% for midsize and large vans and by more than 50% for small vans. The US market for large vans was significantly smaller than in the second quarter of last year. The market for large vans in Latin America also contracted significantly.

The development of major **truck markets** was very weak in the second quarter. The North American market for heavy trucks (class 8) was already in a cyclical downturn before the corona crisis. As a result of the drastic deterioration of the overall economic situation, the market lost around half of its volume compared with the prior-year level.

According to the latest estimates, the market for heavy-duty trucks in the EU30 region contracted by more than 50%. In Brazil, demand for heavy-duty trucks was also increasingly affected by the severe economic crisis and shrank by around 30% compared with the second quarter of 2019. Sales of heavy-duty trucks were around 10% below the prior-year level in Japan.

Demand for **buses** was also very weak as a result of the crisis. In the EU30 region, demand for buses decreased significantly according to the latest estimates. The Brazilian market also contracted significantly in the second quarter.

Significant decrease in total unit sales
In the second quarter of 2020, Daimler sold 541,800 cars and commercial vehicles worldwide (Q2 2019: 821,700). ↗ C.01

Mercedes-Benz Cars concluded the second quarter with sales of 408,900 vehicles (Q2 2019: 575,600). The effects of the covid-19 pandemic and the consequences of the temporary closure of sales outlets had a significant impact on our unit sales. In the second quarter of 2020, 113,400 automobiles of the Mercedes-Benz and smart brands were sold in Europe (Q2 2019: 244,800). In Germany, the region's core market, sales of 39.500 units were recorded (Q2 2019: 82,500). In China, the biggest market, 196,200 vehicles were sold in the period of April through June, 17% more than in the prior-year period (Q2 2019: 168,300). This represents the highest number of cars ever sold by Mercedes-Benz Cars in a second quarter in China, and shows that demand has started recovering in the biggest market. Deliveries of Mercedes-Benz and smart automobiles in the United States totaled 42,500 units (Q2 2019: 75,500).

Mercedes-Benz Vans posted second-quarter unit sales of 71,900 vehicles (Q2 2019: 111,100). The significant decrease is primarily due to the effects of the covid-19 pandemic. In the EU30 region, Mercedes-Benz Vans sold 42,900 units (Q2 2019: 78,600). Sales of 10,900 vans in North America were also significantly lower than in the prior-year quarter (Q2 2019: 12,300). In the United States, we sold 9,600 vehicles in the second quarter (Q2 2019: 8,700), while sales in Latin America decreased to 2,200 units (Q2 2019: 4,900). In China, sales of 9,500 units were already significantly higher than in the prior-year period (Q2 2019: 7,100).

Unit sales by **Daimler Trucks** of 57,900 vehicles in the second quarter of 2020 were 54% lower than in the prior-year period, due in particular to the covid-19 pandemic. Our truck sales in North America declined by 63% to 20,000 units. We were affected by the global market slump also in the EU30 region, with a significant decrease in sales to 9,700 units (Q2 2019: 19,800). In Brazil, we sold 4,800 trucks, a decrease of 34% compared with the second quarter of last year. In Asia, our sales of 17,700 trucks were also significantly lower than in the prior-year period (Q2 2019: 34,000).

Daimler Buses' sales decreased in the second quarter of 2020 by 63% to 3,100 units, primarily because of covid-19. In the EU30 region, Daimler Buses' second-quarter sales of 1,200 complete buses and bus chassis of the Mercedes-Benz and Setra brands were 57% lower than in the same period of last year. Our sales in Mexico also decreased significantly to 200 units (-64%). In Brazil, our main market in Latin America, we had a fall in sales of 66% to 900 units. Our sales in India slumped dramatically to 45 units (Q2 2019: 500).

At **Daimler Mobility**, due to the effects of the covid-19 pandemic and the related falls in unit sales by our automotive divisions, new business decreased significantly compared with the prior-year period by 24% to €14.0 billion. Contract volume amounted to €153.7 billion at the end of June and was thus 6% lower than at the end of 2019. The insurance business also contracted. Worldwide, 504,000 insurance policies were brokered by Daimler Mobility in the second quarter of this year (Q2 2019: 602,000).

C.01
Group unit sales

	Q2 2020	Q2 2019	% change
Daimler Group	541,833	821,666	-34
Mercedes-Benz Cars	408,924	575,639	-29
Mercedes-Benz Vans	71,876	111,118	-35
Daimler Trucks	57,945	126,474	-54
Daimler Buses	3,088	8,435	-63

Profitability, cash flows and financial position

In order to provide a better insight into profitability, cash flows and financial position, the condensed statement of income/loss, condensed statement of cash flows and condensed statement of financial position are presented not only for the Daimler Group but also for the “Industrial Business” and for “Daimler Mobility.” The industrial business and Daimler Mobility columns represent a business point of view. The industrial business comprises the vehicle segments Mercedes-Benz Cars & Vans and Daimler Trucks & Buses. Daimler Mobility corresponds to the Daimler Mobility segment. Eliminations of intra-Group transactions between the industrial business and Daimler Mobility are generally allocated to the industrial business.

Change in the Group’s internal management and reporting structure as of January 1, 2020
Until December 31, 2019, the Group’s **reportable segments** were Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Mobility. As of January 1, 2020, the Group’s activities are divided into the segments Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks & Buses and Daimler Mobility. This corresponds to the internal reporting and organizational structure. The segments Mercedes-Benz Cars and Mercedes-Benz Vans are aggregated into the reportable segment Mercedes-Benz Cars & Vans in line with the nature of the products and services offered as well as their brands, sales channels and customer profiles.

In order to provide a more transparent presentation of the ongoing business, adjusted figures for both the Group and the segments are also calculated and reported from financial year 2020 onwards. The **adjustments** include individual items where they lead to material effects in a reporting year. These individual circumstances may relate in particular to legal proceedings and associated measures, restructuring measures and M&A transactions. Further information on the management system can be found in Annual Report 2019 in the Corporate Profile section of the Combined Management Report.

Adjustment of prior-year figures
The figures for 2019 have been adjusted to the new segment structure to ensure that the figures for 2020 are comparable with the prior-year figures. Internal supply relationships within the new segments have been taken into account. Furthermore, in the figures for the previous year, the effects of certain legal issues and equity investments not previously allocated to the segments have been reclassified from the reconciliation to the vehicle segments.

Profitability

Daimler Group statement of income/loss for the three-month period ended June 30, 2020

As a result of the worldwide fall in unit sales due to the lower customer demand caused by the covid-19 pandemic and the closure of sales-and-service centers and dealerships in important markets, the Daimler Group’s **revenue** of €30,184 million in the second quarter of 2020 was significantly below the prior-year level (Q2 2019: €42,650 million). Adjusted for positive exchange-rate effects, revenue was also significantly lower than in the second quarter of last year.

The measures taken as a consequence of the covid-19 pandemic had a slightly dampening effect on gross profit and also led to an improvement in cost positions in other functional cost areas. On the other hand, expenses in connection with residual-value risks had a negative impact on gross profit. At the Daimler Mobility segment, earnings were also reduced by increased expenses for credit-risk costs. Research and development expenses were at the level of the second quarter of 2019 due to the further development of the product portfolio and ongoing expenditure on vehicle electrification.

Earnings were adversely affected by falling discount rates in other financial income/expense.

As in the prior-year period, earnings were also affected by individual items. Both depreciation of property, plant and equipment and expenses from increased provisions in connection with the adjustment and realignment of capacities within the global production network and expenses from ongoing cost-optimization programs had a negative impact on cost of sales. In the second quarter of 2019, a reassessment of risks in connection with ongoing governmental and court proceedings and measures taken with regard to Mercedes-Benz diesel vehicles had led to significant earnings reductions, both in cost of sales and in other operating income/expense. In addition, expenses connected with an updated risk assessment for an expanded recall of Takata airbags had a negative impact on gross profit in the prior-year quarter. Expenses in connection with terminating production of the X-Class also worsened cost of sales in the second quarter of 2019.

EBIT amounted to minus €1,682 million in the second quarter of 2020, which is slightly lower than in the second quarter of last year (Q2 2019: minus €1,558 million). The Daimler Group’s adjusted EBIT was minus €708 million (Q2 2019: plus €2,447 million). Exchange-rate effects had a positive impact on operating profit at all segments. The reconciliation from EBIT to adjusted EBIT is shown in table ↗ **C.04**.

Net interest expense in the second quarter of 2020 amounted to €60 million (Q2 2019: €114 million).

The **income-tax expense** recognized in the second quarter of 2020, in spite of a pretax loss, amounted to €164 million (Q2 2019: tax benefit of €430 million). The effective tax rate was minus 9.4% (Q2 2019: 25.7%). This is mainly because no tax benefit could be recognized in the second quarter of 2020 on losses incurred in Germany.

Net loss for the second quarter of 2020 amount to €1,906 million (Q2 2019: €1,242 million). Net profit of €95 million is attributable to **non-controlling interests** (Q2 2019: €86 million). Net loss attributable to the **shareholders of Daimler AG** amounts to €2,001 million (Q2 2019: €1,328 million), representing an **expense per share** of €1.87 (Q2 2019: €1.24).

The calculation of earnings per share (basic) is based on an average number of outstanding shares of 1,069.8 million (Q2 2019: 1,069.7 million).

Table ↗ **C.02** shows the condensed statement of income/loss of the Daimler Group as well as of the industrial business and Daimler Mobility. Table ↗ **C.03** shows the composition of EBIT for the industrial business.

C.02

Condensed consolidated statement of income/loss for the three-month periods ended June 30	Daimler Group		Industrial Business		Daimler Mobility	
	Q2 2020	Q2 2019	**Q2 2020**	Q2 2019	**Q2 2020**	Q2 2019
In millions of euros						
Revenue	**30,184**	42,650	**23,734**	35,505	**6,450**	7,145
Cost of sales	**-27,489**	-37,104	**-21,742**	-30,878	**-5,747**	-6,226
Gross profit	**2,695**	5,546	**1,992**	4,627	**703**	919
Selling expenses	**-2,462**	-3,072	**-2,304**	-2,875	**-158**	-197
General administrative expenses	**-808**	-975	**-627**	-760	**-181**	-215
Research and non-capitalized development costs	**-1,544**	-1,569	**-1,544**	-1,569	**–**	–
Other operating income/expense	**366**	-1,611	**341**	-1,660	**25**	49
Gains/losses on equity-method investments, net	**269**	210	**451**	335	**-182**	-125
Other financial expense, net	**-198**	-87	**-196**	-87	**-2**	–
EBIT	**-1,682**	-1,558	**-1,887**	-1,989	**205**	431
Interest income/expense	**-60**	-114	**-57**	-112	**-3**	-2
Profit/loss before income taxes	**-1,742**	-1,672	**-1,944**	-2,101	**202**	429
Income taxes	**-164**	430	**-28**	577	**-136**	-147
Net profit/loss	**-1,906**	-1,242	**-1,972**	-1,524	**66**	282
thereof profit attributable to non-controlling interests	**95**	86				
thereof loss attributable to shareholders of Daimler AG	**-2,001**	-1,328				
Earnings per share (in euros)						
for loss attributable to shareholders of Daimler AG						
Basic	**-1.87**	-1.24				
Diluted	**-1.87**	-1.24				

C.03

EBIT of the industrial business for the three-month periods ended June 30	Industrial Business		Mercedes-Benz Cars & Vans		Daimler Trucks & Buses		Reconciliation	
	Q2 2020	Q2 2019	**Q2 2020**	Q2 2019	**Q2 2020**	Q2 2019	**Q2 2020**	Q2 2019
In millions of euros								
Revenue	**23,734**	35,505	**18,949**	25,418	**6,200**	11,581	**-1,415**	-1,494
Cost of sales	**-21,742**	-30,878	**-17,341**	-22,755	**-5,805**	-9,381	**1,404**	1,258
Gross profit	**1,992**	4,627	**1,608**	2,663	**395**	2,200	**-11**	-236
Selling expenses	**-2,304**	-2,875	**-1,839**	-2,431	**-608**	-713	**143**	269
General administrative expenses	**-627**	-760	**-338**	-453	**-312**	-376	**23**	69
Research and non-capitalized development costs	**-1,544**	-1,569	**-1,223**	-1,225	**-330**	-370	**9**	26
Other income/expense	**596**	-1,412	**667**	-1,338	**99**	93	**-170**	-167
EBIT	**-1,887**	-1,989	**-1,125**	-2,784	**-756**	834	**-6**	-39

Segment revenue and EBIT for the three-month period ended June 30, 2020

Due to the significant fall in unit sales caused by the worldwide consequences of the covid-19 pandemic, the revenue of the **Mercedes-Benz Cars & Vans** division fell by 25% to €18,949 million in the second quarter of 2020 (Q2 2019: €25,418 million). The division's EBIT amounted to minus €1,125 million (Q2 2019: minus €2,784 million); adjusted EBIT amounted to minus €284 million (Q2 2019: plus €1,148 million). The adjusted return on sales of minus 1.5% was below the adjusted prior-year figure of plus 4.5%. ↗ **C.03** ↗ **C.04**

Gross profit in relation to revenue decreased from 10.5% to 8.5%. The measures introduced as a consequence of the covid-19 pandemic, including the use of short-time working in Germany, led to lower costs in all functional cost areas. A better model mix as well as a significant reduction in fixed costs also had a positive effect. On the other hand, expenses in connection with residual-value risks had a negative impact on earnings. Furthermore, there were negative effects on earnings from falling discount rates in other financial income/expense.

In the second quarter of 2020, the segment's earnings were reduced by restructuring expenses of €788 million. That amount includes expenses of €687 million for the adjustment and realignment of capacities within the global production network, partially in connection with the intended sale of the car plant in Hambach (France) and with capacity adjustments at the car plants in Aguascalientes (Mexico) and Tuscaloosa (USA). The restructuring expenses also include €101 million for cost-optimization programs. Earnings in the prior-year quarter were also reduced by individual items relating to ongoing governmental and court proceedings and measures taken with regard to Mercedes-Benz diesel vehicles (€2,532 million) and by expenses connected with a recall of Takata airbags (€941 million). Earnings in the second quarter of last year were also reduced by restructuring expenses in connection with terminating production of the X-Class (€459 million). The reconciliation from EBIT to adjusted EBIT is shown in table ↗ **C.04**.

As a result of the significant decline in unit sales, the revenue of **Daimler Trucks & Buses** decreased in the second quarter of 2020 by 46% to €6,200 million (Q2 2019: €11,581 million). EBIT amounted to minus €756 million (adjusted: minus €747 million; Q2 2019: plus €834 million). The segment's adjusted return on sales was below the prior-year figure at minus 12.0% (Q2 2019: plus 7.2%). ↗ **C.03** ↗ **C.04**

The development of earnings in the second quarter of 2020 was substantially adversely affected by declining volumes. Unit sales decreased in all regions, primarily due to contracting markets. Earnings were also reduced by expenses for customer service measures at Mercedes-Benz Trucks and the valuation of used-vehicle inventories. As a result, the gross profit in relation to revenue decreased from 19.0% to 6.4%. Cost and capacity adjustments in response to the covid-19 pandemic, including the use of short-time working in Germany, and a significant reduction in fixed costs made positive contributions to earnings. The reconciliation from EBIT to adjusted EBIT is shown in table ↗ **C.04**.

In the second quarter of 2020, the **Daimler Mobility** segment achieved EBIT of €205 million (Q2 2019: €431 million); adjusted EBIT amounted to €313 million (Q2 2019: €483 million). Adjusted return on equity of 8.6% was below the adjusted prior-year figure of 14.0%. ↗ **C.02** ↗ **C.04**

Against the background of the economic downturn in connection with the covid-19 pandemic, higher credit-cost risks adversely affected EBIT. Earnings were additionally reduced by higher funding costs. In the second quarter of 2020, the equity-method earnings of YOUR NOW Holding GmbH include an impairment of €105 million. Positive effects were achieved through the measures taken to improve the cost position. The **reconciliation** of EBIT to adjusted EBIT is shown in table ↗ **C.04**.

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

Items at the corporate level resulted in expenses of €83 million in the second quarter of 2020 (Q2 2019: €45 million). The elimination of intra-Group transactions resulted in income of €77 million (Q2 2019: €6 million).

C.04

Reconciliation EBIT to EBIT adjusted for the three-month periods ended June 30

In millions of euros	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Recon-ciliation	Daimler Group
Q2 2020					
EBIT	**-1,125**	**-756**	**205**	**-6**	**-1,682**
Legal proceedings (and related measures)	**53**	**–**	**–**	**–**	**53**
Restructuring measures	**788**	**9**	**108**	**16**	**921**
M&A transactions	**–**	**–**	**–**	**–**	**–**
EBIT adjusted	**-284**	**-747**	**313**	**10**	**-708**
Return on sales/return on equity (in %)	**-5.9**	**-12.2**	**5.6**		
Return on sales/return on equity adjusted (in %)[1]	**-1.5**	**-12.0**	**8.6**		

In millions of euros	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Recon-ciliation	Daimler Group
Q2 2019					
EBIT	-2,784	834	431	-39	-1,558
Legal proceedings (and related measures)	3,473	–	23	21	3,517
Restructuring measures	459	–	29	–	488
M&A transactions	–	–	–	–	–
EBIT adjusted	1,148	834	483	-18	2,447
Return on sales/return on equity (in %)	-11.0	7.2	12.5		
Return on sales/return on equity adjusted (in %)[1]	4.5	7.2	14.0		

1 Return on sales adjusted is calculated as the ratio of EBIT adjusted to revenue.
Return on equity adjusted is determined as the ratio of EBIT adjusted to average quarterly equity.

Daimler Group statement of income/loss for the six-month period ended June 30, 2020

As a result of the worldwide fall in unit sales due to the lower customer demand caused by the covid-19 pandemic and the closure of sales-and-service centers and dealerships in important markets, the Daimler Group's **revenue** of €67,407 million in the first half of the year 2020 was significantly below the prior-year level (Q1-2 2019: €82,348 million). Also adjusted for positive exchange-rate effects, revenue was significantly lower than in the prior-year period at all segments.

The measures taken as a consequence of the covid-19 pandemic had an offsetting effect on gross profit and also led to an improvement in cost positions in other functional cost areas. Expenses in connection with residual-value risks had a negative impact on earnings. Increased expenses for credit-risk provisions worsened the cost of sales at the Daimler Mobility segment. Research and development expenses were at the level of the first half of 2019 due to the further development of the product portfolio and ongoing expenditure on vehicle electrification.

As in the prior-year period, earnings were affected by individual items. Both depreciation of property, plant and equipment and expenses from increased provisions in connection with the adjustment and realignment of capacities within the global production network and expenses from ongoing cost-optimization programs had a negative impact on cost of sales. Especially in the first half of 2019, a reassessment of risks in connection with ongoing governmental and court proceedings and measures taken with regard to Mercedes-Benz diesel vehicles led to significant earnings reductions, both in cost of sales and in other operating income. In addition, expenses connected with an updated risk assessment for an expanded recall of Takata airbags had a negative impact on gross profit in the prior-year period. Expenses in connection with the termination of X-Class production also affected cost of sales in the first half of 2019.

EBIT amounted to minus €1,065 million in the first half of the year 2020, which is significantly lower than in the prior-year period (Q1-2 2019: plus €1,240 million). The Daimler Group's adjusted EBIT was €11 million (Q1-2 2019: €4,757 million). Exchange-rate effects had a positive impact on operating profit. The reconciliation from EBIT to adjusted EBIT is shown in table ↗ C.07.

Net interest expense in the first six months of 2020 amounted to €137 million (Q1-2 2019: €289 million).

In spite of a pretax loss, an **income-tax expense** of €536 million was recognized in the first half of the year 2020 (Q1-2 2019: €44 million). The effective tax rate was minus 44.6% (Q1-2 2019: 4.6%). This is mainly because no tax benefit could be recognized in the first half of the year 2020 on the losses incurred in Germany. The effective tax rate in the first half of the year 2019 was reduced by the largely tax-free gain on the merger of the mobility services of the Daimler Group and the BMW Group.

Net loss for the first six months of the year 2020 of €1,738 million is significantly lower than the net profit of €907 million achieved in the prior-year period. Net profit of €169 million is attributable to **non-controlling interests** (Q1-2 2019: €140 million). Net loss attributable to the **shareholders of Daimler AG** amounts to €1,907 million (Q1-2 2019: net profit of €767 million), representing a sharp decrease in **earnings per share** to minus €1.78 (Q1-2 2019: plus €0.72).

The calculation of earnings per share (basic) is based on an average number of outstanding shares of 1,069.8 million (Q1-2 2019: 1,069.7 million).

Table ↗ C.05 shows the condensed statement of income/loss of the Daimler Group as well as of the industrial business and Daimler Mobility. Table ↗ C.06 shows the composition of EBIT for the industrial business.

C.05

Condensed consolidated statement of income/loss for the six-month periods ended June 30

	Daimler Group		Industrial Business		Daimler Mobility	
	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019
In millions of euros						
Revenue	67,407	82,348	53,856	68,322	13,551	14,026
Cost of sales	-59,001	-69,231	-46,611	-57,028	-12,390	-12,203
Gross profit	8,406	13,117	7,245	11,294	1,161	1,823
Selling expenses	-5,351	-6,223	-5,015	-5,836	-336	-387
General administrative expenses	-1,728	-1,994	-1,360	-1,552	-368	-442
Research and non-capitalized development costs	-3,266	-3,273	-3,266	-3,273	–	–
Other operating income/expense	781	-619	717	-1,417	64	798
Gains/losses on equity-method investments, net	219	472	474	624	-255	-152
Other financial expense, net	-126	-240	-123	-240	-3	–
EBIT	-1,065	1,240	-1,328	-400	263	1,640
Interest income/expense	-137	-289	-131	-285	-6	-4
Profit/loss before income taxes	-1,202	951	-1,459	-685	257	1,636
Income taxes	-536	-44	-396	233	-140	-277
Net profit/loss	-1,738	907	-1,855	-452	117	1,359
thereof profit attributable to non-controlling interests	169	140				
thereof profit/loss attributable to shareholders of Daimler AG	-1,907	767				
Earnings per share (in euros)						
for profit/loss attributable to shareholders of Daimler AG						
Basic	-1.78	0.72				
Diluted	-1.78	0.72				

C.06

EBIT of the industrial business for the six-month periods ended June 30

	Industrial Business		Mercedes-Benz Cars & Vans		Daimler Trucks & Buses		Reconciliation	
	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019	Q1-2 2020	Q1-2 2019
In millions of euros								
Revenue	53,856	68,322	42,145	49,481	14,944	21,755	-3,233	-2,914
Cost of sales	-46,611	-57,028	-36,617	-41,969	-13,130	-17,649	3,136	2,590
Gross profit	7,245	11,294	5,528	7,512	1,814	4,106	-97	-324
Selling expenses	-5,015	-5,836	-4,108	-4,829	-1,236	-1,386	329	379
General administrative expenses	-1,360	-1,552	-757	-900	-637	-739	34	87
Research and non-capitalized development costs	-3,266	-3,273	-2,591	-2,575	-690	-740	15	42
Other income/expense	1,068	-1,033	1,313	-849	240	146	-485	-330
EBIT	-1,328	-400	-615	-1,641	-509	1,387	-204	-146

Segment revenue and EBIT for the six-month period ended June 30, 2020

Due to the significant fall in unit sales caused by the worldwide consequences of the covid-19 pandemic, the revenue of the **Mercedes-Benz Cars & Vans** division fell by 15% to €42,145 million in the first half of the year 2020 (Q1-2 2019: €49,481 million). The division's EBIT amounted to minus €615 million (Q1-2 2019: minus €1,641 million); adjusted EBIT amounted to €319 million (Q1-2 2019: €2,520 million). The adjusted return on sales of 0.8% was below the adjusted prior-year figure of 5.1%. ↗ C.06 ↗ C.07

Gross profit in relation to revenue decreased from 15.2% to 13.1%. The measures introduced as a consequence of the covid-19 pandemic, including the use of short-time working in Germany, led to cost reductions in all functional cost areas. A better model mix and a significant reduction in fixed costs also had a positive effect. On the other hand, expenses in connection with residual-value risks had a negative impact on earnings.

Furthermore, the segment's earnings were reduced by restructuring expenses of €788 million. This includes expenses of €687 million for the adjustment and realignment of capacities within the global production network, partially in connection with the intended sale of the car plant in Hambach (France) and with capacity adjustments at the car plants in Aguascalientes (Mexico) and Tuscaloosa (USA). The restructuring expenses also include €101 million for cost-optimization programs. Effects from ongoing governmental and court proceedings relating to Mercedes-Benz diesel vehicles led to a reduction in earnings of €146 million. Earnings in the prior-year period were reduced by individual items relating to ongoing governmental and court proceedings and measures taken with regard to Mercedes-Benz diesel vehicles (€2,654 million) as well as expenses connected with an updated risk assessment for an expanded recall of Takata airbags (€941 million). Earnings in the first half of last year were also reduced by restructuring expenses in connection with terminating production of the X-Class (€566 million). The reconciliation from EBIT to adjusted EBIT is shown in the table ↗ C.07.

As a result of the significant fall in unit sales, the revenue of **Daimler Trucks & Buses** decreased in the first half of the year 2020 by 31% to €14,944 million (Q1-2 2019: €21,755 million). EBIT amounted to minus €509 million (adjusted: minus €500 million; Q1-2 2019: plus €1,387 million). The segment's adjusted return on sales was below the prior-year figure at minus 3.3% (Q1-2 2019: plus 6.4%). ↗ C.06 ↗ C.07

The development of earnings in the first half of 2020 was substantially adversely affected by declining volumes. Unit sales decreased in all regions, primarily due to contracting markets. Earnings were also reduced by expenses for customer service measures at Mercedes-Benz Trucks and the valuation of used-vehicle inventories. As a result, gross profit in relation to revenue decreased from 18.9% to 12.1%. Cost and capacity adjustments in response to the covid-19 pandemic, including the use of short-time working in Germany, and a significant reduction in fixed costs made positive contributions to earnings. The reconciliation from EBIT to adjusted EBIT is shown in the table ↗ C.07.

In the first six months of the year 2020, the **Daimler Mobility** segment achieved EBIT of €263 million (Q1-2 2019: €1,640 million; adjusted EBIT amounted to €371 million (Q1-2 2019: €974 million). Adjusted return on equity of 5.0% was below the adjusted prior-year figure of 14.2%. ↗ C.05 ↗ C.07

The increase in provisions for credit risks recognized due to the worsened economic forecasts in connection with the covid-19 pandemic, adversely affected cost of sales. Earnings were additionally reduced by higher funding costs. In the second quarter of 2020, the equity-method earnings of YOUR NOW Holding GmbH include an impairment of €105 million. The deterioration in earnings is also due to the positive effect in other operating income in the first quarter of 2019 of €718 million from the merger of the mobility services of the Daimler Group and the BMW Group. Positive effects were achieved through the measures taken to improve the cost position. The reconciliation of EBIT to adjusted EBIT is shown in table ↗ C.07.

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

Items at the corporate level resulted in expenses of €301 million in the first half of the year 2020 (Q1-2 2019: €190 million). These expenses include an impairment of Daimler's equity investment in BAIC Motor Corporation Ltd. in the first quarter of 2020. The elimination of intra-Group transactions resulted in income of €97 million in the first half of the year 2020 (Q1-2 2019: €44 million).

C.07

Reconciliation EBIT to EBIT adjusted for the six-month periods ended June 30

	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Reconciliation	Daimler Group
In millions of euros					
Q1-2 2020					
EBIT	-615	-509	263	-204	-1,065
Legal proceedings (and related measures)	146	–	–	9	155
Restructuring measures	788	9	108	16	921
M&A transactions	–	–	–	–	–
EBIT adjusted	319	-500	371	-179	11
Return on sales/return on equity (in %)	-1.5	-3.4	3.6		
Return on sales/return on equity adjusted (in %)[1]	0.8	-3.3	5.0		

	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Reconciliation	Daimler Group
In millions of euros					
Q1-2 2019					
EBIT	-1,641	1,387	1,640	-146	1,240
Legal proceedings (and related measures) as well as Takata	3,595	–	23	22	3,640
Restructuring measures	566	–	29	–	595
M&A transactions	–	–	-718	–	-718
EBIT adjusted	2,520	1,387	974	-124	4,757
Return on sales/return on equity (in %)	-3.3	6.4	24.0		
Return on sales/return on equity adjusted (in %)[1]	5.1	6.4	14.2		

1 Return on sales adjusted is calculated as the ratio of EBIT adjusted to revenue.
Return on equity adjusted is determined as the ratio of EBIT adjusted to average quarterly equity.

Cash flows

In the first six months of 2020, **cash provided by/used for operating activities** ↗ C.08 resulted in a cash inflow of €9.0 billion (Q1-2 2019: €2.2 billion) and was particularly affected by the worldwide consequences of the covid-19 pandemic. Whereas in the prior year period, the development of the leasing and sales-financing portfolio at Daimler Mobility negatively affected cash used for/provided by operating activities, the first six months of 2020 saw a significant positive cash flow effect due to the decrease in the portfolio caused by the corona crisis. The consequences of the covid-19 pandemic also affected the development of working capital positively. In particular, lower sales in the first six months of 2020 led to a significant decrease in trade receivables at all segments. The suspension of production led to a lower build-up of inventories than in the prior-year period, whereby increased inventory levels at Mercedes-Benz Cars & Vans in the first six months of 2019 were also due to the normal cyclical development of inventories, as well as additional effects from model changes and restrictions in the availability of vehicles in certain international markets. The significant deterioration of the business performance associated with the consequences of the covid-19 pandemic was reflected in earnings before taxes, which had been reduced in the prior-year period by the non-cash increases in provisions included in other operating assets and liabilities. An additional effect in the first quarter of 2020 resulted from payments made in the context of reviewing and prioritizing the product portfolio for the planned discontinuation of X-Class production.

C.08

Condensed statement of cash flows	Daimler Group		Industrial Business		Daimler Mobility	
	Q1-2 2020	Q1-2 2019	**Q1-2 2020**	Q1-2 2019	**Q1-2 2020**	Q1-2 2019
In millions of euros						
Cash and cash equivalents at beginning of period	**18,883**	15,853	**16,152**	12,799	**2,731**	3,054
Profit/loss before income taxes	**-1,202**	951	**-1,459**	-685	**257**	1,636
Depreciation and amortization/impairments	**4,452**	3,644	**4,376**	3,569	**76**	75
Other non-cash expense and income and gains/losses on disposals of assets	**-274**	-1,143	**-561**	-601	**287**	-542
Change in operating assets and liabilities						
Inventories	**-1,059**	-3,849	**-1,040**	-4,009	**-19**	160
Trade receivables	**2,237**	-92	**2,077**	-320	**160**	228
Trade payables	**778**	946	**736**	866	**42**	80
Receivables from financial services	**3,675**	-1,172	**16**	-44	**3,659**	-1,128
Vehicles on operating leases	**2,249**	-631	**-136**	-39	**2,385**	-592
Other operating assets and liabilities	**-1,151**	4,561	**-733**	4,040	**-418**	521
Dividends received from equity-method investments	**64**	52	**64**	52	**–**	–
Income taxes paid	**-784**	-1,069	**-160**	-473	**-624**	-596
Cash used for/provided by operating activities	**8,985**	2,198	**3,180**	2,356	**5,805**	-158
Additions to property, plant and equipment and intangible assets	**-4,708**	-5,119	**-4,668**	-5,040	**-40**	-79
Investments in and disposals of shareholdings	**13**	-1,010	**-3**	-273	**16**	-737
Acquisitions and sales of marketable debt securities and similar investments	**1,213**	751	**993**	562	**220**	189
Other	**129**	106	**121**	79	**8**	27
Cash used for/provided by investing activities	**-3,353**	-5,272	**-3,557**	-4,672	**204**	-600
Change in financing liabilities	**-2,175**	3,455	**-5,120**	2,969	**2,945**	486
Dividends paid	**-207**	-3,709	**-198**	-3,698	**-9**	-11
Other transactions with shareholders	**1**	-43	**-12**	-11	**13**	-32
Internal equity and financing transactions	**–**	–	**7,646**	770	**-7,646**	-770
Cash used for/provided by financing activities	**-2,381**	-297	**2,316**	30	**-4,697**	-327
Effect of foreign exchange rate changes on cash and cash equivalents	**-185**	37	**-124**	25	**-61**	12
Cash and cash equivalents at end of period	**21,949**	12,519	**17,967**	10,538	**3,982**	1,981

Cash used for/provided by investing activities ↗ C.08 led to a cash outflow of €3.4 billion (Q1-2 2019: €5.3 billion). The change compared with the first six months of last year primarily reflects cash outflows (net) of €0.7 billion relating to the merger of the mobility services of the Daimler Group and the BMW Group during the first quarter of 2019. This was mainly due to capital increases at the joint ventures. In the context of liquidity management, positive effects resulted from sales and purchases of marketable debt securities and similar investments. In the first six months of 2020, this resulted in a net cash inflow. Further effects resulted from decreased investments in property, plant and equipment and intangible assets.

Cash used for/provided by financing activities ↗ C.08 resulted in a cash outflow of €2.4 billion (Q1-2 2019: €0.3 billion). The change is primarily due to lower net cash inflows from financing liabilities, mainly in connection with the refinancing of the leasing and sales-financing business. Positive effects resulted from the dividend payment made to the shareholders of Daimler AG in the first six months of 2019; this year's dividend will not be made until in July.

Cash and cash equivalents increased compared with December 31, 2019 by €3.1 billion, after taking into account currency translation. Total liquidity, which also includes marketable debt securities and similar investments, increased by €1.8 billion to €29.3 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.09**, which is derived from the reported cash flows from operating and investing activities. The cash flows from sales and purchases of marketable debt securities and similar investments 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. On the other hand, effects in connection with the recognition and measurement of right-of-use assets, which result from the change in lessee accounting and are largely non-cash items, are included in the free cash flow of the industrial business.

Other adjustments relate to effects from the financing of the Group's own dealerships and effects from internal deposits within the Group. In addition, the calculation of the free cash flow includes the cash flows to be shown under cash used for/provided by financing activities in connection with the acquisition or disposal of interests in subsidiaries without loss of control.

In the first six months of 2020, the **free cash flow of the industrial business** led to a lower cash outflow of €1.6 billion (Q1-2 2019: €3.3 billion), and was particularly affected by the worldwide consequences of the covid-19 pandemic. The significant decline in customer demand and the temporary suspension of production were the main drivers of the development of working capital. A significant decrease in trade receivables, as well as a smaller increase in inventory levels, had a positive effect on the working capital at all automobile segments. Furthermore, increased inventory levels at Mercedes-Benz Cars & Vans in the first six months of 2019 contributed to the positive effect. This was due to the normal cyclical development of inventories, as well as additional effects from model changes and restrictions in the availability of vehicles in certain international markets. Further effects on the free cash flow of the industrial business resulted from decreased investments in property, plant and equipment, intangible assets and right-of-use assets. The significant deterioration of the business performance associated with the consequences of the covid-19 pandemic is reflected by earnings before taxes, which were reduced in the prior-year period by the non-cash increases in provisions included in the other operating assets and liabilities. Additionally, payments made in connection with the product portfolio review and prioritization in the first quarter of 2020 had a negative impact on the free cash flow of the industrial business.

C.09
Free cash flow of the industrial business

In millions of euros	Q1-2 2020	Q1-2 2019	Change
Cash used for/provided by operating activities	3,180	2,356	+824
Cash used for/provided by investing activities	-3,557	-4,672	+1,115
Change in marketable debt securities and similar investments	-993	-562	-431
Right-of-use assets	-218	-476	+258
Other adjustments	-43	13	-56
Free cash flow of the industrial business	-1,631	-3,341	+1,710
Legal proceedings (and related measures)	246	173	+73
Restructuring measures	301	–	+301
M&A transactions	–	–	–
Free cash flow of the industrial business adjusted	-1,084	-3,168	+2,084

In the interest of greater transparency in reporting on the ongoing business, from the first six months of 2020, we will report an adjusted free cash flow of the industrial business ↗ C.09. The adjustments for legal proceedings include payments by the automotive segments in connection with ongoing governmental and legal proceedings and related measures taken with regard to Mercedes-Benz diesel vehicles. The adjustments for restructuring measures include payments made in connection with the product portfolio review and prioritization. The adjusted free cash flow of the industrial business led to a cash outflow of €1.1 billion (Q1-2 2019: €3.2 billion).

In the first six months of 2020, the **free cash flow of the Daimler Group** resulted in a cash inflow of €4.1 billion (Q1-2 2019: cash outflow of €4.4 billion). Besides the effects of the free cash flow of the industrial business, the free cash flow of the Daimler Group is mainly affected by the leasing and sales-financing business of Daimler Mobility. Additional effects resulted from the cash outflows (net) relating to the merger of the mobility services of the Daimler Group and the BMW Group in the first quarter of 2019.

As well as being calculated on the basis of the disclosed cash flows from operating and investing activities, the **free cash flow of the industrial business** can also be calculated on the basis of the cash flows before interest and taxes (CFBIT) of the automotive segments. The reconciliation from the CFBIT of Mercedes-Benz Cars & Vans and Daimler Trucks & Buses to the free cash flow of the industrial business also includes payments of interest and taxes. The other reconciliation items primarily comprise eliminations between the segments and items that are allocated to the industrial business but for which the automotive segments are not responsible. Table ↗ C.10 shows the reconciliation of the CFBIT of the vehicle segments to the free cash flow of the industrial business.

The **CFBIT of the vehicle segments** is derived from EBIT and the change in net assets, and also includes additions to right-of-use assets. Table ↗ C.11 shows the composition of CFBIT for Mercedes-Benz Cars & Vans and Daimler Trucks & Buses for the second quarter of 2020 compared with the prior-year period. Table ↗ C.12 shows the reconciliation from CFBIT to adjusted CFBIT and the adjusted cash conversion rate for Mercedes-Benz Cars & Vans and Daimler Trucks & Buses for the second quarter of the current and prior year.

C.10
Reconciliation from CFBIT to the Free cash flow of the industrial business

	Q2 2020	Q2 2019	Q1-2 2020	Q1-2 2019
In millions of euros				
CFBIT Mercedes-Benz Cars & Vans	430	-2,141	-1,299	-2,976
CFBIT Daimler Trucks & Buses	-121	1,027	-206	795
Income taxes paid/refunded	271	-37	-160	-473
Interest paid/received	35	-30	51	-224
Other reconciling items	70	-121	-17	-463
Free cash flow of the industrial business	685	-1,302	-1,631	-3,341

C.11

CFBIT	Mercedes-Benz Cars & Vans		Daimler Trucks & Buses	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019
In millions of euros				
EBIT	-1,125	-2,784	-756	834
Change in working capital	1,548	-1,050	306	35
Net financial investments	170	-89	-27	58
Net investments in property, plant and equipment and intangible assets	-2,191	-2,429	-201	-321
Depreciation and amortization/impairments	2,090	1,486	339	320
Other	-62	2,725	218	101
CFBIT	430	-2,141	-121	1,027

C.12

Reconciliation to CFBIT adjusted	Mercedes-Benz Cars & Vans		Daimler Trucks & Buses	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019
In millions of euros				
CFBIT	430	-2,141	-121	1,027
Legal proceedings (and related measures)	92	94	–	–
Restructuring measures	–	–	–	–
M&A transactions	–	–	–	–
CFBIT adjusted	522	-2,047	-121	1,027
EBIT adjusted	-284	1,148	-747	834
Cash conversion rate adjusted[1]	-1.8	-1.8	0.2	1.2

1 The adjusted cash conversion rate is the ratio of adjusted CFBIT to adjusted EBIT.

The **net liquidity of the industrial business** ↗ C.13 is calculated as the total amount as shown in the statement of financial position of cash, cash equivalents and marketable debt securities and similar investments 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, 2019, the net liquidity of the industrial business decreased by €1.5 billion to €9.5 billion. The decrease is mainly due to the negative free cash flow of the industrial business.

Net debt at Group level, which primarily results from refinancing the leasing and sales-financing business, decreased compared with December 31, 2019 by €7.0 billion to €126.7 billion. ↗ C.14

Despite a very volatile market environment, the Daimler Group once again utilized attractive conditions in the international money and capital markets for **refinancing** in the second quarter of 2020.

In the second quarter of 2020, Daimler had a cash inflow of €5.2 billion from the **issuance** of bonds (Q2 2019: €0.4 billion). The redemption of bonds resulted in cash outflows of €7.4 billion (Q2 2019: €2.8 billion). A large proportion of the issuance volume was carried out in the form of so-called benchmark bonds (bonds with high nominal values). ↗ C.15

In addition to the issuances shown in the table, multiple smaller issuances were undertaken in various countries.

Furthermore, several **asset-backed securities (ABS) transactions** were conducted in the second quarter of 2020. In the United States, the company generated a refinancing volume of $2.6 billion; in UK, a volume of GBP 0.5 billion was generated. In addition, an ABS bond with a refinancing volume of €1.75 billion was issued in Germany. Mercedes-Benz Bank AG itself acquired €1.1 billion of these securities. The securities are used as collateral for open market transactions with the Deutsche Bundesbank. Through an open market transaction between Mercedes-Benz Bank AG and the Deutsche Bundesbank, the Daimler Group subsequently received an additional €0.92 billion.

Furthermore, we agreed with a consortium of international banks on an additional **credit line** of €12 billion at the beginning of April. Following capital market transactions led to a reduction of this credit line in the second quarter 2020, the available amount was adjusted to €9.9 billion.

C.13

Net liquidity of the industrial business

In millions of euros	June 30, 2020	Dec. 31, 2019	Change
Cash and cash equivalents	17,967	16,152	+1,815
Marketable debt securities and similar investments	6,469	7,522	-1,053
Liquidity	24,436	23,674	+762
Financing liabilities	-16,539	-13,289	-3,250
Market valuation and currency hedges for financing liabilities	1,584	612	+972
Financing liabilities (nominal)	-14,955	-12,677	-2,278
Net liquidity	9,481	10,997	-1,516

C.14

Net debt of the Daimler Group

In millions of euros	June 30, 2020	Dec. 31, 2019	Change
Cash and cash equivalents	21,949	18,883	+3,066
Marketable debt securities and similar investments	7,370	8,655	-1,285
Liquidity	29,319	27,538	+1,781
Financing liabilities	-157,591	-161,780	+4,189
Market valuation and currency hedges for financing liabilities	1,595	579	+1,016
Financing liabilities (nominal)	-155,996	-161,201	+5,205
Net debt	-126,677	-133,663	+6,986

C.15

Benchmark issuances

Issuer	Volume	Month of Issue	Maturity
Daimler Finance North America LLC	$1,250 million	March 2020	March 2023
Daimler Finance North America LLC	$450 million	March 2020	March 2025
Daimler Finance North America LLC	$450 million	March 2020	March 2030
Daimler AG	€1,500 million	April 2020	April 2025
Daimler AG	€1,000 million	May 2020	August 2023
Daimler AG	€1,250 million	May 2020	August 2026
Daimler AG	€750 million	May 2020	May 2030

Financial position

The **balance sheet total** decreased compared with December 31, 2019 from €302.4 billion to €294.8 billion; adjusted for the effects of currency translation, there was a decrease of €2.6 billion. Daimler Mobility accounts for €166.2 billion of the balance sheet total (December 31, 2019: €174.8 billion), equivalent to 56% of the Daimler Group's total assets (December 31, 2019: 58%).

The global impact of the covid-19 pandemic affected balance sheet items to varying degrees as of June 30, 2020. The decrease in total assets primarily reflects the reduced volume of the financial services business and lower trade receivables due to lower customer demand. Opposing effects came from higher cash and cash equivalents. On the liabilities side of the balance sheet, there were decreases in financing liabilities and lower equity. Table ↗ C.16 shows the condensed statement of financial position for the Group as well as for the industrial business and Daimler Mobility.

Current assets account for 42% of the balance sheet total, the same proportion as at the end of last year. Current liabilities amount to 35% of total equity and liabilities, also the same proportion as at December 31, 2019.

C.16

Condensed statement of financial position	Daimler Group		Industrial Business		Daimler Mobility	
	June 30, 2020	Dec. 31, 2019	June 30, 2020	Dec. 31, 2019	June 30, 2020	Dec. 31, 2019
In millions of euros						
Assets						
Intangible assets	16,587	15,978	15,697	15,077	890	901
Property, plant and equipment	36,483	37,143	36,162	36,782	321	361
Equipment on operating leases	48,774	51,482	17,472	18,799	31,302	32,683
Receivables from financial services	97,670	103,661	-84	-88	97,754	103,749
Equity-method investments	4,932	5,949	4,079	4,842	853	1,107
Inventories	30,118	29,757	28,828	28,420	1,290	1,337
Trade receivables	9,928	12,332	8,886	11,045	1,042	1,287
Cash and cash equivalents	21,949	18,883	17,967	16,152	3,982	2,731
Marketable debt securities and similar investments	7,370	8,655	6,469	7,522	901	1,133
thereof current	6,517	7,885	6,217	7,420	300	465
thereof non-current	853	770	252	102	601	668
Other financial assets	8,441	6,083	-9,705	-13,283	18,146	19,366
Other assets	12,513	12,515	2,834	2,349	9,679	10,166
Total assets	294,765	302,438	128,605	127,617	166,160	174,821
Equity and liabilities						
Equity	58,857	62,841	44,263	47,858	14,594	14,983
Provisions	31,757	30,652	30,595	29,473	1,162	1,179
Financing liabilities	157,591	161,780	16,539	13,289	141,052	148,491
thereof current	61,700	62,601	-21,916	-21,218	83,616	83,819
thereof non-current	95,891	99,179	38,455	34,507	57,436	64,672
Trade payables	13,665	12,707	12,825	11,896	840	811
Other financial liabilities	8,922	9,864	5,900	6,224	3,022	3,640
Contract and refund liabilities	12,765	13,631	12,366	13,239	399	392
Other liabilities	11,208	10,963	6,117	5,638	5,091	5,325
Total equity and liabilities	294,765	302,438	128,605	127,617	166,160	174,821

Intangible assets of €16.6 billion (December 31, 2019: €16.0 billion) include €13.0 billion of capitalized development costs (December 31, 2019: €12.5 billion), €1.8 billion of franchises, industrial property rights and similar rights (December 31, 2019: €1.7 billion) and €1.3 billion of goodwill (December 31, 2019: €1.2 billion). The Mercedes-Benz Cars & Vans segment accounts for 94% of the development costs (December 31, 2019: 93%) and the Daimler Trucks & Buses segment accounts for 6% (December 31, 2019: 7%).

Property, plant and equipment decreased to €36.5 billion, among other things, due to the adjustment and realignment of capacities within the global production network (December 31, 2019: €37.1 billion). In the first six months of 2020, €3.2 billion was invested worldwide (Q1-2 2019: €3.4 billion), primarily at our production and assembly sites for innovative products and new technologies, as well as for the modernization of the worldwide production network. The sites in Germany accounted for €2.4 billion of capital expenditure, the same as last year.

Equipment on operating leases and **receivables from financial services** decreased to €146.4 billion (December 31, 2019: €155.1 billion). Adjusted for exchange-rate effects, the decrease of €5.9 billion was mainly due to the lower customer demand caused by the corona crisis. In addition, there was an increase in risk provisions, which was recognized to take into account the deteriorating economic forecasts in connection with the covid-19 pandemic. The leasing and sales-financing business as a proportion of 50% of total assets was below the level of the end of last year (51%).

Equity-method investments decreased to €4.9 billion (December 31, 2019: €5.9 billion). They mainly comprise the carrying amounts of our equity interests in Beijing Benz Automotive Co., Ltd. (BBAC), BAIC Motor Corporation Ltd., There Holding B.V. and YOUR NOW Holding GmbH. The decrease is partially due to dividends to be paid out by BBAC.

Inventories increased slightly from €29.8 billion to €30.1 billion, equivalent to 10% of total assets and thus same level as at the end of 2019. The usual seasonal increase at all automotive divisions in the first six months is lower than in normal years due to the covid-19 pandemic.

Trade receivables decreased significantly to €9.9 billion (December 31, 2019: €12.3 billion). This is due to the global effects of the corona crisis and the resulting lower sales. The Mercedes-Benz Cars & Vans segment accounts for 63% of these receivables (December 31, 2019: 61%) and the Daimler Trucks & Buses segment accounts for 26% (December 31, 2019: 28%).

Cash and cash equivalents increased compared with the end of the year 2019 by €3.1 billion to €21.9 billion.

Marketable debt securities and similar investments decreased compared with December 31, 2019 from €8.7 billion to €7.4 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 of €8.4 billion are significantly above last year's level (December 31, 2019: €6.1 billion). They primarily consist of derivative financial instruments, equity and debt instruments, investments in non-consolidated subsidiaries, and loans and other receivables due from third parties. The increase is mainly attributable to higher positive fair values of currency derivatives, as well as dividends to be received from BBAC.

Other assets of €12.5 billion primarily comprise deferred tax assets and tax refund claims (December 31, 2019: €12.5 billion).

The Group's **equity** decreased compared with December 31, 2019 from €62.8 billion to €58.9 billion. The decrease of €3.0 billion (adjusted for the effects of currency translation) resulted from the net loss of €1.7 billion and losses of €1.3 billion in connection with pensions recognized in other comprehensive income. On the other hand, there were gains of €0.3 billion on the remeasurement of derivative financial instruments recognized in other comprehensive income. Equity attributable to the shareholders of Daimler AG decreased accordingly to €57.4 billion (December 31, 2019: €61.3 billion).

Equity adjusted for the dividend decreased at a higher rate than the decrease in the balance sheet total of 3% compared with year-end 2019. The Group's **equity ratio** of 19.6% was therefore below the level of year-end 2019 (December 31, 2019: 20.5%); the equity ratio for the industrial business was 33.7% (December 31, 2019: 36.7%). The equity ratios are adjusted for the dividend for the year 2019, which was approved by the Annual Meeting at beginning of July and has meanwhile been paid out.

Provisions of €31.8 billion were above the level of December 31, 2019 (€30.7 billion); as a proportion of the balance sheet total, they amount to 11%, which is also above last year's level (10%). They primarily comprise provisions for pensions and similar obligations of €11.7 billion (December 31, 2019: €9.7 billion), which mainly consist of the difference between the present value of defined-benefit pension obligations of €37.1 billion (December 31, 2019: €36.2 billion) and the fair value of the pension plan assets applied to finance those obligations of €26.8 billion (December 31, 2019: €27.8 billion). The slight decrease in discount rates led to an increase in the present value of defined-benefit pension obligations. This effect was boosted by a slightly negative development of interest rates on plan assets. Provisions also relate to liabilities from product warranties of €8.3 billion (December 31, 2019: €8.7 billion), from personnel and social costs of €4.1 billion (December 31, 2019: €4.2 billion), from litigation risks and regulatory proceedings of €4.8 billion (December 31, 2019: €4.9 billion) and from other risks of €2.9 billion (December 31, 2019: €3.1 billion).

Financing liabilities of €157.6 billion were below the level of December 31, 2019 (€161.8 billion). The decrease of €1.3 billion, adjusted for exchange-rate effects, was mainly due to the development of the leasing and sales-financing business. 51% of the financing liabilities relate to notes and bonds, 24% to liabilities to banks, 11% to liabilities from ABS transactions and 9% to deposits in the direct banking business.

Trade payables increased to €13.7 billion (December 31, 2019: €12.7 billion). The increase relates almost solely to Mercedes-Benz Cars & Vans and is connected with the ramp-up after temporary production shutdowns. The Mercedes-Benz Cars & Vans segment accounts for 74% of those payables (December 31, 2019: 71%) and the Daimler Trucks & Buses segment accounts for 21% (December 31, 2019: 22%).

Other financial liabilities of €8.9 billion (December 31, 2019: €9.9 billion) mainly consist of liabilities from residual-value guarantees, salaries and wages, derivative financial instruments, deposits received and accrued interest on financing liabilities.

Contract and refund liabilities of €12.8 billion are below the level of December 31, 2019 (€13.6 billion). They mainly comprise deferred revenue from service and maintenance contracts, as well as extended warranties and obligations from sales in the scope of IFRS 15.

Other liabilities of €11.2 billion (December 31, 2019: €11.0 billion) primarily comprise deferred taxes, tax liabilities and deferred income.

Table ↗ **C.17** shows the derivation of net assets for the automotive segments. They relate to the operating assets and liabilities for which the divisions are responsible.

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 ↗ **E.03**, the Consolidated Statement of Changes in Equity ↗ **E.05** and the related notes in the Notes to the Interim Consolidated Financial Statements.

C.17

Net assets of the automotive segments

	Mercedes-Benz Cars & Vans		Daimler Trucks & Buses	
	June 30, 2020	Dec. 31, 2019	**June 30, 2020**	Dec. 31, 2019
In millions of euros				
Intangible assets	**13,888**	13,234	**1,794**	1,828
Property, plant and equipment	**27,586**	27,933	**8,264**	8,569
Inventories	**21,132**	20,959	**7,839**	7,615
Trade receivables	**6,291**	7,556	**2,595**	3,469
Other segment assets	**24,189**	24,808	**5,976**	6,497
Segment assets	**93,086**	94,490	**26,468**	27,978
Trade payables	**10,056**	9,042	**2,851**	2,847
Other segment liabilities	**49,738**	52,150	**13,944**	14,706
Segment liabilities	**59,794**	61,192	**16,795**	17,553
Net assets	**33,292**	33,298	**9,673**	10,425

Capital expenditure and research activities

The Daimler Group invested €3.2 billion in property, plant and equipment in the first half of this year (Q1-2 2019: €3.4 billion). Most of that investment, €2.9 billion, was at Mercedes-Benz Cars & Vans (Q1-2 2019: €2.9 billion). The main focus of capital expenditure was on production preparations for the new S-Class and the successor models of the compact cars, as well as preparing for the launch of the new C-Class. High investments also continued to be made in battery production. At Daimler Trucks & Buses, the main investments in the first half of 2020 were for successor generations of existing products, future projects, global engine and transmission projects and the optimization of our worldwide production and sales network.

The Daimler Group's research and development spending in the first half of the year amounted to €4.6 billion (Q1-2 2019: €4.7 billion), of which €1.3 billion was capitalized (Q1-2 2019: €1.5 billion). More than three quarters, €3.9 billion, of the research and development expenditure was at Mercedes-Benz Cars & Vans (Q1-2 2019: €4.0 billion). The main areas of development expenditure were for the next generation of electric vehicles and battery production. Furthermore, the topics of digitization and autonomous driving are constantly being pushed forward. The most important projects at Daimler Trucks & Buses were in the areas of emission standards and fuel efficiency, as well as tailored products and technologies for major growth markets. In addition, an important role is played by the future technologies of automated and autonomous driving, electric mobility and connectivity. Against the background of the measures we have initiated to secure liquidity and reduce costs, we also made reductions in the development budget, but the focus on future technologies remained unchanged.

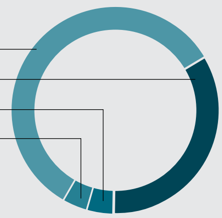
Workforce

At the end of the second quarter of 2020, the Daimler Group employed 293,688 people worldwide (end of 2019: 298,655). Of that total, 169,593 were employed in Germany (end of 2019: 173,813), 25,543 in the United States (end of 2019: 25,788), 11,335 in Brazil (end of 2019: 11,128) and 11,473 in Japan (end of 2019: 10,056). Our consolidated companies in China employed 4,255 people at the end of June 2020 (end of 2019: 4,439). ↗ C.18

C.18

Employees by division (as of June 30, 2020)

Daimler-Group	293,688
Mercedes-Benz Cars & Vans	170,601
Daimler Trucks & Buses	100,203
Daimler Mobility	12,057
Group Functions & Services	10,827



Important events

Strategic alignment supported by a very large majority of Daimler shareholders
The Annual Shareholders' Meeting of Daimler AG supported the strategic alignment and transformation of the company with a high level of approval. At the virtual Annual Meeting on July 8, the shareholders approved all the items on the agenda. The actions of the members of the Board of Management were ratified with 96.6% of the votes cast and those of the members of the Supervisory Board with 88.4%. The remuneration system for the members of the Board of Management was approved with 95.3% of the votes. The dividend for the 2019 financial year proposed by the Board of Management and the Supervisory Board was approved with 98.9%.

Furthermore, the Annual Meeting elected Timotheus Höttges, Chairman of the Board of Management of Deutsche Telekom AG, Bonn, as a member of the Supervisory Board representing the shareholders. He succeeds Dr. Paul Achleitner, who did not stand for reelection to the Supervisory Board.

Rolls-Royce and Daimler Truck AG plan cooperation on stationary fuel-cell systems
Daimler Truck AG and Rolls-Royce plc plan to cooperate on stationary fuel-cell generators for the CO_2-neutral emergency power supply of safety-critical facilities such as data centers. This is intended to offer emission-free alternatives to diesel engines, which are currently used in generators for emergency use or to cover peak loads. Daimler Truck AG and the British technology company Rolls-Royce signed a letter of intent on this subject in May 2020. A comprehensive cooperation agreement is to be drawn up and signed by the end of the year.

BMW Group and Mercedes-Benz AG suspend cooperation on development of automated driving
The BMW Group and Mercedes-Benz AG have suspended their cooperation on the development of next-generation technology in the field of automated driving for the time being. After intensive reviews and in the best spirit of partnership, the two companies agreed in June 2020 to focus on their respective existing development paths – also with their respective existing or new partners. Both companies expressly emphasize that cooperation is still possible at a later stage. The BMW Group and Mercedes-Benz AG are working independently of each other on their current generations of highly automated driving, and have made great progress in the past. However, the BMW Group and Mercedes-Benz AG were only able to hold detailed discussions at expert level and discuss technology roadmaps together with suppliers after the contract was signed last year. Following intensive reviews, both sides came to the conclusion in these talks that, in view of the high cost and effort required for a common technological basis and of the overall corporate and economic conditions, this is not the right time for the successful implementation of the cooperation.

Automated driving: Mercedes-Benz and NVIDIA want to develop software-defined vehicle architecture for future vehicle fleet
Mercedes-Benz AG and NVIDIA intend to cooperate on the development of an in-car computer system and an AI computing infrastructure. The new technology is to be launched across all Mercedes-Benz model series in order to equip next-generation vehicles with upgradeable, automated driving functions. The objective of the planned cooperation is to develop the most intelligent and most advanced computer architectures in the automotive industry for all Mercedes-Benz model series. The new software-defined architecture will be based on NVIDIA DRIVETM and will be standard equipment in all Mercedes-Benz vehicles in the future to enable modern automated driving functions. One goal will be for regular routes to be driven in automated mode. There will also be numerous other safety and comfort applications.

Mercedes-Benz AG intends to streamline its global production network and is examining the sale of its car plant in Hambach, France
Mercedes-Benz AG is on the way to the CO_2-neutral mobility of the future and will invest massively in the transformation of the company in the coming years. It is concentrating on the electrification of the product range and the digitization of vehicles and company processes. At the same time, we have initiated numerous measures to sustainably improve our cost structure and become significantly more efficient. An important lever for this is the adjustment and realignment of capacities within the global production network. Against this background, Mercedes-Benz AG intends to start negotiations on the sale of its car plant in Hambach, France.

Mercedes-Benz announces strategic partnership and equity interest in battery producer Farasis
Mercedes-Benz AG has entered into a far-reaching strategic partnership, including an equity interest, with the Chinese battery-cell producer Farasis Energy (Ganzhou) Co., Ltd. Core elements of the agreement are the development and industrialization of advanced cell technologies and ambitious targets in the cost position. The agreement offers Mercedes-Benz a secure supply of battery cells for its electric offensive, while Farasis gains planning security for capacity expansion. In order to meet the increasing demand from the German Mercedes-Benz plants in the future, Farasis is building a plant for battery cells in Bitterfeld-Wolfen and creating up to 2,000 new jobs there. The facility in Eastern Germany is being designed as a CO_2-neutral factory right from the start.

Short-time work partially ended, production being ramped up again

Due to the worsening covid-19 pandemic, Daimler initially suspended most of its production and work in selected administrative departments and subsidiaries in Europe for two weeks starting on March 23, 2020, and then introduced short-time working. Effective June 30, 2020, short-time work was ended for all employees in the corporate functions. The Mercedes-Benz car plants successively restarted production already in mid-April, at first with engine and component plants in Germany on April 20, followed by the Mercedes-Benz car assembly plants in Germany. The international Mercedes-Benz plants ramped up production again in parallel. The plants of the Daimler Trucks & Buses division are also producing again in various restart phases and taking into account the respective demand situation. The health and safety of everyone involved is our top priority.

We are in very close contact with our suppliers and check and control worldwide requirements and inventories by closely monitoring the individual suppliers and supply chains.

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 135 to 149 of our Annual Report 2019. In addition, we refer to the notes on forward-looking statements provided at the end of this Interim Management Report. In particular against the background of the covid-19 pandemic, the assessment of risks and opportunities for the 2020 financial year has changed since the presentation of Management Report 2019 as follows.

The macroeconomic effects of the covid-19 pandemic are meanwhile being felt in most of the sales markets relevant to Daimler.

Economic risks

The entire global economy is affected by this development, with declines, in some cases drastic, in economic output. The economic expectations for each region are stated in the Outlook section.

Risks arise from a possibly even more serious development of the corona crisis, especially in the event of a massive second wave of infection, which would lead to repeated far-reaching lockdown measures. On the one hand, this would result in an even deeper slump for the global economy than anticipated in the Outlook section. On the other hand, the risks for Daimler – which affect not only the development of unit sales but could also have a significant impact on production, the procurement market and the supply chain – would in this case be even more serious than currently assumed. Further risks may arise from the development of the global stock market, which has already largely anticipated the hoped-for real economic recovery with its rise since the end of March. If the expectations of the financial markets are disappointed – for example, due to a second wave of the pandemic – a further fall in share prices could occur. This would have a corresponding negative impact on sentiment indicators, asset values and real economic development. However, in the currently unlikely event of a significantly earlier end to the corona crisis and a faster and more vigorous economic revival, there would be opportunities for a better sales development and a faster recovery of production, the procurement market and supply chains.

With regard to oil price developments, risks of supply shortages and significant price increases have been considerably reduced. In view of the sharp drop in demand, there is still more of a risk of a sustained very low oil price, which would put additional pressure on oil-exporting economies. This could have negative effects on unit sales for all Daimler segments in those countries.

Industry and business risks and financial risks

Under the described conditions, which are currently largely determined by the covid-19 pandemic, an unusually high level of uncertainty still exists concerning the further development of the business of the Daimler Group, so we cannot assess the reporting figures we forecast for the rest of the year in the usual level of detail and to the usual extent, which significantly impairs the assessment of the Daimler Group's and its segments' opportunities and risks. It is not possible to estimate at this time what further course the pandemic will take in our important sales and procurement markets. The resulting volatility of the financial markets also cannot be reliably estimated at present, so we currently anticipate increased risks from financial risks.

Risks from legal proceedings in connection with diesel exhaust gas emissions – governmental proceedings

Daimler is continuously subject to governmental information requests, inquiries, investigations, administrative orders and proceedings relating to environmental, criminal, antitrust and other laws and regulations in connection with diesel exhaust emissions.

Several federal and state authorities and other institutions worldwide have inquired about and/or are/have been conducting investigations and/or administrative proceedings, and/or have issued administrative orders or, in the case of the Stuttgart district attorney's office, a fine notice. These particularly relate to test results, the emission control systems used in Mercedes-Benz diesel vehicles and/or 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, criminal and antitrust laws. These authorities and institutions 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 US state authorities, the South Korean Ministry of Environment, the South Korean competition authority (Korea Fair Trade Commission) and the Seoul Prosecutor's Office (South Korea), the European Commission, the German Federal Cartel Office ("Bundeskartellamt") as well as national antitrust authorities and other authorities of various foreign states as well as the German Federal Ministry of Transport and Digital Infrastructure ("BMVI") and the German Federal Motor Transport Authority ("KBA"). In the course of its formal investigation into possible collusion on clean emission technology, the European Commission sent a statement of objections to Daimler and other automobile manufacturers in April 2019. In this context, Daimler filed an application for immunity from fines (leniency application) with the European Commission some time ago.

The Stuttgart district attorney's office is conducting criminal investigation proceedings against Daimler employees on the suspicion of fraud and criminal advertising, and, in May 2017, searched the premises of Daimler at several locations in Germany. In February 2019, the Stuttgart district attorney's office also initiated a formal investigation proceeding against Daimler AG with respect to an administrative offense. In September 2019, the Stuttgart district attorney's office issued a fine notice against Daimler based on a negligent violation of supervisory duties in the amount of €870 million which has become legally binding, thereby concluding the administrative offense proceedings against Daimler. Daimler continues to fully cooperate with the authorities and institutions. Irrespective of such cooperation and in light of the recent developments, it is possible that further regulatory, criminal and administrative investigative and enforcement actions and measures relating to Daimler and/or its employees will be taken or administrative orders will be issued. Such actions, measures and orders may include subpoenas, that is, legal instructions issued under penalty of law in the process of taking evidence, or other requests for documentation, testimony or other information, or orders to recall vehicles, further search warrants, a notice of violation or an increased formalization of the governmental investigations, coordination or proceedings, including the resolution of proceedings by way of a settlement. Additionally, further delays in obtaining regulatory approvals necessary to introduce new or recertify existing vehicle models could occur.

Since 2018, the KBA has issued various administrative orders holding that certain calibrations of specified functionalities in certain Mercedes-Benz diesel vehicles are to be qualified as impermissible defeat devices and ordered subsequent auxiliary provisions for the respective EC type approvals in this respect, including mandatory recalls and, in certain cases, stops of the first registration. In addition and since 2018, Daimler has (in view of KBA's interpretation of the law as a precaution) implemented a temporary delivery and registration stop with respect to certain models, also covering the used car, leasing and financing businesses, and is constantly reviewing whether it can lift this delivery and registration stop in whole or in part. Daimler has filed and will continue to file timely objections against the KBA's administrative orders in order to have the open legal issues resolved, if necessary by a court of law. In the course of its regular market supervision, the KBA is routinely conducting further reviews of Mercedes-Benz vehicles and is asking questions about technical elements of the vehicles. In light of the aforementioned administrative orders issued by, and continued discussions with, the KBA, it is likely that in the course of the ongoing and/or further investigations KBA will issue additional administrative orders holding that other Mercedes-Benz diesel vehicles are also equipped with impermissible defeat devices. The new calibrations requested by KBA are being processed, and for a substantial proportion of the vehicles, the relevant software has already been approved by KBA; the related recalls have insofar been initiated. It cannot be ruled out that under certain circumstances, software updates may have to be reworked or further delivery and registration stops may be ordered or resolved by the Company as a precautionary measure, also with regard to the used car, leasing and financing businesses. Daimler is conducting further investigations and otherwise continues to fully cooperate with the authorities and institutions.

In January 2019, another vehicle manufacturer reached civil settlements with US federal and state authorities, as well as with vehicle customers. Although the manufacturer did not admit liability, the authorities maintain the position that the manufacturer included undisclosed Auxiliary Emission Control Devices (AECDs) in its diesel vehicles, apparently including functionalities that are common in diesel vehicles, and that certain of these AECDs are illegal defeat devices. As part of these settlements, the manufacturer has agreed to, among other things, pay civil penalties, undertake a recall of affected vehicles, provide extended warranties, undertake a nationwide mitigation project and make other payments. The manufacturer has furthermore agreed to provide payments to current and former diesel vehicle owners as part of a class action settlement.

In light of these matters and in light of the ongoing governmental information requests, inquiries, investigations, administrative orders and proceedings, as well as our own internal investigations, it is likely that, besides KBA, one or more regulatory and/or investigative authorities worldwide will reach the conclusion that other passenger cars and/or commercial vehicles with the brand name Mercedes-Benz or other brand names of the group are equipped with impermissible defeat devices and/or that certain functionalities and/or calibrations were not properly disclosed. Furthermore, the authorities have increased scrutiny of Daimler's processes regarding running-change, field-fix and defect reporting as well as other compliance issues. Except for, in particular, the Stuttgart district attorney's office's administrative offense proceedings, the other inquiries, investigations, legal actions and proceedings as well as the replies to the governmental information requests and the objection proceedings against KBA's administrative orders are still ongoing and open; hence, Daimler cannot predict the outcome at this time. Due to the outcome of the administrative offense proceedings by the Stuttgart district attorney's office against Daimler and the above as well as any potential other information requests, inquiries, investigations, administrative orders and proceedings, it is possible that Daimler will become subject to significant additional monetary penalties, fines, disgorgements of profits, remediation requirements, further vehicle recalls, further registration and delivery stops, process and compliance improvements, mitigation measures and the early termination of promotional loans, and/or other sanctions, measures and actions (such as the exclusion from public tenders), including further investigations and/or administrative orders by these or other authorities and additional proceedings. The occurrence of the aforementioned events in whole or in part could cause significant collateral damage including reputational harm. Further, due to negative determinations or findings with respect to technical or legal issues by one of the various governmental agencies, other agencies – or also plaintiffs – could also adopt such determinations or findings, even if such determinations or findings are not within the scope of such authority's responsibility or jurisdiction. Thus, a negative determination or finding in one proceeding, such as the fine notice issued by the Stuttgart district attorney's office, carries the risk of being able to have an adverse effect on other proceedings, also potentially leading to new or expanded investigations or proceedings, including lawsuits.

In addition, Daimler's ability to defend itself in proceedings could be impaired by the fine notice issued by the Stuttgart district attorney's office as well as other unfavorable findings, results or developments in any of the information requests, inquiries, investigations, administrative orders, legal actions and/or proceedings discussed above.

Risks from legal proceedings in connection with diesel exhaust gas emissions – court proceedings

A consumer class-action lawsuit is pending in the United States in which it is alleged that Daimler AG and MBUSA conspired with Robert Bosch LLC and Robert Bosch GmbH (collectively, "Bosch") to deceive US regulators and consumers. A separate lawsuit was filed in January 2019 by the State of Arizona alleging that Daimler AG and MBUSA deliberately deceived consumers in connection with the advertising of Mercedes-Benz diesel vehicles. Consumer class-action lawsuits containing similar allegations were filed against Daimler AG and other companies of the Group in Canada in April 2016, and against Daimler AG in Israel in February 2019. A similar class action was filed in the United States in July 2017, but in December 2017, the parties stipulated to dismiss that lawsuit without prejudice. It may be filed again under specific conditions.

Furthermore, class actions have been filed in the United States and Canada alleging anticompetitive behavior relating to vehicle technology, costs, suppliers, markets, and other competitive attributes, including diesel emissions control technology.

Daimler AG and the respective other affected companies of the Group regard these lawsuits as being without merit and will defend against the claims.

A securities class action lawsuit has been pending in the United States on behalf of investors in Daimler AG American Depositary Receipts which alleges that the defendants made materially false and misleading statements about diesel emissions in Mercedes-Benz vehicles. The parties have agreed to settle the lawsuit, such settlement being subject to court approval.

In Germany and other European states, particularly in the Netherlands, a multitude of lawsuits by customers alleging contractual and non-contractual claims are pending. In addition, investors have filed lawsuits in Germany alleging the violation of disclosure requirements. In this context, motions to initiate a model proceeding in accordance with the Act on Model Proceedings in Capital Markets Disputes (KapMuG) have been filed by investors as well as by Daimler AG. Currently, no model proceeding is pending. Daimler AG also regards these lawsuits as being without merit and will defend against the claims.

If court proceedings have an unfavorable outcome for Daimler, this could result in significant damages and punitive damages payments, remedial works or other cost-intensive measures. Court proceedings can in part also have an adverse effect on the reputation of the Group.

Furthermore, Daimler's ability to defend itself in the court proceedings could be impaired by unfavorable findings, results or developments in any of the governmental or other court proceedings discussed above, in particular the fine notice issued by the Stuttgart district attorney's office.

Risks from other legal proceedings

Following the settlement decision by the European Commission adopted on July 19, 2016 concluding the trucks antitrust proceedings, Daimler AG and Daimler Truck AG are facing customers' claims for damages to a considerable degree. Respective legal actions, class actions and other forms of legal redress have been initiated in various states in and outside of Europe and should further be expected. Daimler takes appropriate legal remedies to defend itself.

As legal proceedings are fraught with a large degree of uncertainty, it is possible that after their final resolution, some of the provisions we have recognized for them could prove to be insufficient. As a result, substantial additional expenditures may arise. This also applies to legal proceedings for which the Group has seen no requirement to recognize a provision.

It cannot be ruled out that the regulatory risks and risks from legal proceedings discussed above individually or in the aggregate may materially adversely impact our profitability and financial position.

Although the final result of any such litigation may influence the Group's earnings and cash flows in any particular period, Daimler believes that any resulting obligations are unlikely to have a sustained effect on the Group's financial position.

Further information on legal proceedings is provided in Note 30 of the Notes to the Consolidated Financial Statements of the Annual Report 2019.

Outlook

After the **world economy** slipped into a deep recession in the first half of the year, its development in the second half will continue to be dominated by the corona crisis. The decisive factors will be when the pandemic will be under control worldwide, how quickly and comprehensively the restrictions on economic activity are lifted, and what the pattern of economic recovery will look like in the rest of the year. From today's perspective, a significant decline in global economic output must be anticipated for the year 2020 as a whole.

The Chinese economy was the first of the major economies to suffer a massive slump, but also the first to improve again. Nonetheless, it is to be expected that China will achieve only slight growth this year, instead of the originally expected 5 to 6%. For the European Monetary Union (EMU), a deep recession must be expected due to the economic impact of the covid-19 pandemic. Although it is currently assumed that a recovery will occur in the second half of the year after the low point in the second quarter and the relaxation of the lockdown in most countries, the great majority of analysts anticipate a significant decline in gross domestic product (GDP) for the year as a whole. Current expectations are that none of the larger individual economies of the EMU will be able to escape this fall in GDP. The decline in economic output is likely to be above average in countries very severely affected by the pandemic, such as France, Italy and Spain. In the US economy, there were already signs of a recovery of the labor market and private consumption at the end of the second quarter as a result of the early easing of restrictions. However, due to the deep slump in March and April, the US economy is also expected to suffer a significant GDP decline.

The economies of major emerging nations are also likely to be very weak due to the impact of the covid-19 pandemic. For major commodity exporters such as Russia and Brazil, the likely continuation of the rather low oil price during the rest of the year will have an additional negative effect. A sharp decline in economic output is therefore expected both in Eastern Europe and in South America, which has been particularly hard hit by the pandemic.

Worldwide **demand for cars** is likely to be severely affected by the corona crisis in most of the sales regions important for Daimler. The second quarter may well have marked the worst of the crisis for many markets, and the market situation is expected to improve in the coming months. Compared with prior-year levels, however, the declines in the second half of the year will still be considerable in many countries. From today's perspective, we therefore expect significant contraction of the global car market in full-year 2020.

The European market is likely to contract, with a significant decline in demand anticipated in Western Europe. This will probably affect all major individual markets, each with significant decreases. Significant contraction of the car market in Eastern Europe is also to be expected.

A significant decline in demand is expected in the US market for cars and light trucks. Among the major sales markets, China is likely to be the first to reach a moderate recovery path. However, it will probably not be able to fully offset the massive losses of the first quarter, so significant market contraction is expected for the year as a whole.

We expect mainly negative developments for **van markets**, as a result of the deep global economic recession. In the EU30 region (European Union, United Kingdom, Norway and Switzerland), a significant drop in demand both in the combined segment of midsize and large vans and in the market for small vans must be anticipated. In the United States, demand for large vans is also likely to be significantly lower than in the previous year. We expect the market volume for large vans in Latin America to decrease significantly as well. The volume of the market for midsize vans in China should be at about the level of the previous year.

According to current assessments, major **truck markets** will develop very unfavorably this year as a result of the corona-related economic crisis.

In the North American market, we assume that demand for heavy-duty trucks (class 8) will decrease significantly. In the EU30 region, we also expect sales of heavy-duty trucks to decline significantly. The same applies to demand for heavy-duty trucks in Brazil and Japan.

For **buses**, we expect market volumes in both the EU30 region and Brazil to be significantly lower than in 2019.

Under the described conditions, which are currently largely determined by the covid-19 pandemic, an unusually high level of uncertainty exists concerning the further development of our business, which has a significant impact on our company's forecasting ability. It is not possible to estimate at this time what further course the pandemic will take in our important sales markets. This will also depend on the extent and duration of the measures taken to contain the wave of infection and the resulting economic burdens. However, we assume that we will not be able to fully offset the shortfalls that have already occurred during the further course of the year.

At present, therefore, we cannot assess the reporting figures we forecast for the rest of the year in the usual level of detail and to the usual extent. For the industrial divisions, adjusted returns on sales and adjusted cash conversion rates cannot be reliably forecasted; as a result, the forecasts made in this regard in the 2019 Management Report have lost their validity.

On the basis of the assumptions presented above for the development of the markets important for us and of the divisions' current assessments, Daimler expects its **total unit sales** in 2020 to be below the magnitude of the previous year.

Due to the far-reaching effects of the coronavirus, **Mercedes-Benz Cars** anticipates unit sales in full-year 2020 below the level of the previous year. This assessment also reflects the complete changeover of the smart brand to all-electric models. Mercedes-Benz Cars intends to launch a total of about ten new or updated models in 2020, which will further rejuvenate the product portfolio and extend it in particular with electrified models. We expect positive sales impetus from the ongoing popularity of our SUVs, such as the GLB, GLE and GLS models launched last year.

At **Mercedes-Benz Vans**, unit sales in 2020 are likely to be below the prior-year level, primarily due to the effects of the coronavirus.

In addition to the already expected normalization of our core truck markets, the covid-19 pandemic will lead to further customer restraint, resulting in lower worldwide unit sales for **Daimler Trucks** in full-year 2020.

Daimler Buses also anticipates decreasing unit sales in 2020. As before, however, Daimler Buses expects to maintain its market leadership in its most important traditional core markets for buses above eight tons.

Due to the effects of the covid-19 pandemic and the resulting lower unit sales by our automotive divisions, **Daimler Mobility** anticipates a decrease in new business and a reduced contract volume in full-year 2020.

In view of declining unit sales due to the covid-19 pandemic, we assume that **Group revenue** in full-year 2020 will also be lower than in the previous year.

Assuming that the economic recovery continues in the second half of the year and that there is no new significant wave of covid-19 infections in our key sales markets, we expect both **Group EBIT** and the **free cash flow of the industrial business** to be positive in 2020, but lower than in the previous year. The free cash flow of the industrial business does not take into account possible expenses in connection with legal and governmental proceedings.

As the EBIT of the **Mercedes-Benz Cars & Vans** division was adversely affected by substantial special items in 2019, we anticipate EBIT for this division above the prior-year level despite the effects of the covid-19 pandemic. We do not expect the **adjusted return on equity of Daimler Mobility** to reach the prior-year level.

As part of the measures we are taking to safeguard liquidity and cut costs, we will also reduce our investment in **property, plant and equipment** and **our research and development expenditure**. However, we will continue to maintain the advance expenditures that serve to ensure the future viability of our company. Overall, we assume that investment in property, plant and equipment and research and development expenditure will be lower than in the previous year.

The focus of **investment in property, plant and equipment** at the Mercedes-Benz Cars & Vans division is on the successor models of the S-Class and C-Class. In addition, we continue to plan high investments for electric mobility. Daimler Trucks & Buses will invest primarily in future projects and successor generations for existing products, global engine and transmission projects, and the optimization of the worldwide production and sales network.

At Mercedes-Benz Cars & Vans, a large part of the expenditure for **research and development activities** will be for the renewal of the product portfolio. The most important individual projects here are the S-Class and the C-Class, as well as the expansion of the model range of the EQ product and technology brand. We are also working hard on new, low-emission combustion engines, electric mobility, vehicle connectivity and innovative safety technologies for automated and autonomous driving. Despite covid-19-related reductions in the development budget, the topics of automated driving, electric mobility and connectivity play an important role at Daimler Trucks & Buses. Other key areas are successor generations for existing products, fuel efficiency and reduced emissions, as well as customized products and technologies for important growth markets.

Mercedes-Benz Cars & Vans

Sales of 480,800 vehicles in the second quarter (Q2 2019: 686,800)
Mercedes-Benz Cars achieves its highest unit sales so far in a second quarter in China
Mercedes-Benz Vans starts sales of new eSprinter
Adjusted EBIT of minus €284 million (Q2 2019: plus €1,148 million)

D.01 **Q2**

€ amounts in millions	Q2 2020	Q2 2019	% change
Revenue	18,949	25,418	-25
EBIT	-1,125	-2,784	.
EBIT adjusted	-284	1,148	.
Return on sales (in %)	-5.9	-11.0	.
Return on sales adjusted (in %)	-1.5	4.5	.
CFBIT	430	-2,141	.
CFBIT adjusted	522	-2,047	.
CCR[1] adjusted	-1.8	-1.8	.
Unit sales	480,800	686,757	-30
Production	422,082	704,039	-40
Employees	170,601	173,394[2]	-2

1 Cash conversion rate
2 As of December 31, 2019

Unit sales, revenue and EBIT

The Mercedes-Benz Cars & Vans division delivered 480,800 vehicles worldwide in the months of April through June (Q2 2019: 686,800). Revenue fell by 25% to €18.9 billion. Adjusted EBIT amounted to minus €284 million (Q2 2019: plus €1,148 million). The adjusted return on sales of minus 1.5% was lower than the prior-year figure of plus 4.5%.

Revised product range and new product launches

In May, the revised E-Class Coupe and Cabriolet models made their debut with a sporty, sharpened design featuring standard full-LED headlights and rear lights. Both models are also equipped with the new generation of driver assistance systems and the enhanced MBUX infotainment system (Mercedes-Benz User Experience).

D.02 **Q1-2**

€ amounts in millions	Q1-2 2020	Q1-2 2019	% change
Revenue	42,145	49,481	-15
EBIT	-615	-1,641	.
EBIT adjusted	319	2,520	-87
Return on sales (in %)	-1.5	-3.3	.
Return on sales adjusted (in %)	0.8	5.1	.
CFBIT	-1,299	-2,976	.
CFBIT adjusted	-759	-2,803	.
CCR[1] adjusted	-2.4	-1.1	.
Unit sales	1,027,542	1,339,107	-23
Production	1,031,635	1,429,731	-28
Employees	170,601	173,394[2]	-2

1 Cash conversion rate
2 As of December 31, 2019

Also in May, Mercedes-AMG presented in digital form the upgraded Mercedes-AMG E 53 4MATIC+ Coupe and Cabriolet (fuel consumption combined: 9.1-8.9 l/100 km; CO_2 emissions combined: 209-204 g/km), followed in June by the Mercedes-AMG E 63 4MATIC+ Sedan and Wagon (fuel consumption combined: 11.9-11.6 l/100 km; CO_2 emissions combined: 273-265 g/km). These models will be available from our European sales partners as of fall 2020.

Under the “EQ Power” label, Mercedes-Benz Cars has expanded its range of plug-in hybrids. Three more compact cars with third-generation hybrid drive and electric ranges of more than 70 km (NEDC) can now be ordered: the **CLA 250 e Coupe** (fuel consumption combined, weighted: 1.5-1.4 l/100 km; electricity consumption, weighted: 15.2-14.7 kWh/100 km; CO_2 emissions combined, weighted: 35-31 g/km), the **CLA 250 e Shooting Brake** (fuel consumption combined, weighted: 1.6-1.4 l/100 km; electricity consumption, weighted: 15.5-14.8 kWh/100 km; CO_2 emissions combined, weighted: 37-33 g/km) and the **B 250 e** (fuel consumption combined, weighted: 1.6-1.4 l/100 km; electricity consumption, weighted: 15.4-14.7 kWh/100 km; CO_2 emissions combined, weighted: 36-32 g/km).

No future without tradition

In second quarter, Mercedes-Benz once again demonstrated that future and tradition are inseparable: The company celebrated two jubilees – in digital form of course: “25 years of the Sprinter” and the 120th anniversary of the “Mercedes” brand name.

Mercedes-Benz Vans pushes forward with electric mobility

25 years ago, the Mercedes-Benz Sprinter started its success story and is meanwhile regarded as eponymous for the large-van segment. It has now reached the next milestone with the start of sales of the electric version. After the eVito, the eSprinter is the second electric van offered by Mercedes-Benz Vans as a series-produced vehicle. In May, the first 15 eSprinters from series production were integrated into the fleet of the logistics service provider Hermes Germany. And the first electric model from Mercedes-Benz Vans for the private market segment has been available to order since May: the EQV (combined power consumption: 26.4 - 26.3 kWh/100 km; combined CO_2 emissions: 0 g/km). After the EQC (combined electricity consumption: 20.8-19.7 kWh/100 km; combined CO_2 emissions: 0 g/km), the electric multipurpose vehicle is the second model in the Mercedes-Benz EQ family.

D.03 **Q2**

Unit sales Mercedes-Benz Cars	Q2 2020	Q2 2019	% change
Total	**408,924**	575,639	-29
Europe	**113,369**	244,788	-54
thereof Germany	**39,531**	82,521	-52
North America	**49,074**	88,640	-45
thereof United States	**42,452**	75,497	-44
Asia	**236,448**	224,231	+5
thereof China	**196,173**	168,313	+17
Other markets	**10,033**	17,980	-44

D.04 **Q2**

Unit sales Mercedes-Benz Vans	Q2 2020	Q2 2019	% change
Total	**71,876**	111,118	-35
EU30	**42,943**	78,622	-45
thereof Germany	**18,542**	32,670	-43
North America	**10,888**	12,338	-12
thereof United States	**9,581**	8,668	+11
Latin America (excluding Mexico)	**2,225**	4,902	-55
Asia	**10,576**	9,072	+17
thereof China	**9,505**	7,134	+33
Other markets	**5,244**	6,184	-15

Mercedes-Benz Cars completed the second quarter with sales of 408,900 automobiles of the Mercedes-Benz and smart brands worldwide (Q2 2019: 575,600). Unit sales in the second quarter were significantly reduced by the effects of the covid-19 pandemic and the temporary closure of retail outlets, especially in Europe and North America. In Europe, 113,400 vehicles were sold (Q2 2019: 244,800). In Germany, the region's core market, we delivered 39,500 vehicles (Q2 2019: 82,500). And in China, Mercedes-Benz Cars' biggest sales market, 196,200 units were sold (Q2 2019: 168,300). This represents the highest number of cars ever sold by Mercedes-Benz Cars in a second quarter in China, and shows that demand has started recovering in the biggest market. Deliveries by Mercedes-Benz Cars of 42,500 automobiles in the United States were significantly lower than in the prior-year period (Q2 2019: 75,500).

The challenging conditions of the covid-19 pandemic also had adverse effects on unit sales in the various product segments in the second quarter. Deliveries of the compact cars, including the A-Class, the A-Class Sedan, the B-Class, the CLA Coupe and the CLA Shooting Brake, totaled 80,500 units (Q2 2019: 123,800). Sales of the SUVs totaled 158,800 units (Q2 2019: 180,500). With the GLE and the GLS, unit sales actually increased in the second quarter. Deliveries of the C-Class Sedan and Wagon totaled 66,600 units (Q2 2019: 97,100) and 63,600 of the E-Class Sedan and Wagon were sold (Q2 2019: 84,600). A total of 14,400 units of the S-Class Sedan were delivered to customers (Q2 2019: 16,600), while deliveries of the Mercedes-Maybach S-Class Sedan increased by 3%. Sales of the smart were additionally reduced compared with the prior-year period by the discontinuation of the previous models and the changeover to purely battery-electric drive. A total of 4,200 units of the smart models were delivered worldwide (Q2 2019: 32,000).

Mercedes-Benz Vans recorded sales of 71,900 vehicles in the period of April through June (Q2 2019: 111,100). The significant decrease is mainly due to the effects of the covid-19 pandemic. Mercedes-Benz Vans sold 42,900 units in the EU30 region (Q2 2019: 78,600). Sales in North America were also significantly below the previous year's level at 10,900 units (Q2 2019: 12,300). In the United States, we sold 9,600 vans in the second quarter (Q2 2019: 8,700), while sales in Latin America decreased to 2,200 units (Q2 2019: 4,900). Our sales of 9,500 vans in China were significantly higher than in the prior-year quarter (Q2 2019: 7,100).

D.05 **Q1-2**

Unit sales Mercedes-Benz Cars	Q1-2 2020	Q1-2 2019	% change
Total	**879,505**	1,130,951	-22
Europe	**302,559**	480,086	-37
thereof Germany	**100,556**	160,605	-37
North America	**128,831**	164,601	-22
thereof United States	**110,977**	139,756	-21
Asia	**417,346**	445,880	-6
thereof China	**327,739**	341,465	-4
Other markets	**30,769**	40,384	-24

D.06 **Q1-2**

Unit sales Mercedes-Benz Vans	Q1-2 2020	Q1-2 2019	% change
Total	**148,037**	208,156	-29
EU30	**96,021**	145,179	-34
thereof Germany	**40,174**	55,054	-27
North America	**18,176**	24,009	-24
thereof United States	**15,928**	17,514	-9
Latin America (excluding Mexico)	**4,966**	9,076	-45
Asia	**16,782**	18,043	-7
thereof China	**13,670**	13,265	+3
Other markets	**12,092**	11,849	+2

Daimler Trucks & Buses

Unit sales significantly below prior-year level at 61,000 vehicles (Q2 2019: 134,900)
Mercedes-Benz and Setra offer retrofit Sideguard Assist for trucks and buses
Market entry in Vietnam with Mercedes-Benz touring coaches
Significant decrease in adjusted EBIT to minus €747 million (Q2 2019: plus €834 million)

D.07 **Q2**

€ amounts in millions	Q2 2020	Q2 2019	% change
Revenue	6,200	11,581	-46
EBIT	-756	834	.
EBIT adjusted	-747	834	.
Return on sales (in %)	-12.2	7.2	.
Return on sales adjusted (in %)	-12.0	7.2	.
CFBIT	-121	1,027	.
CFBIT adjusted	-121	1,027	.
CCR[1] adjusted	0.2	1.2	.
Unit sales	61,033	134,909	-55
Production	54,295	135,894	-60
Employees	100,203	101,397[2]	-1

1 Cash conversion rate
2 As of December 31, 2019

Unit sales, revenue and adjusted EBIT significantly below prior-year levels

Unit sales by Daimler Trucks & Buses in the second quarter of 2020 decreased to 61,000 vehicles, primarily due to the world-wide effects of the covid-19 pandemic (Q2 2019: 134,900). Revenue also decreased significantly compared with the prior-year quarter to €6.2 billion. Adjusted EBIT of minus €747 million was also significantly lower than the prior-year level (Q2 2019: plus €834 million). The adjusted return on sales was minus 12.0% (Q2 2019: plus 7.2%).

D.08 **Q1-2**

€ amounts in millions	Q1-2 2020	Q1-2 2019	% change
Revenue	14,944	21,755	-31
EBIT	-509	1,387	.
EBIT adjusted	-500	1,387	.
Return on sales (in %)	-3.4	6.4	.
Return on sales adjusted (in %)	-3.3	6.4	.
CFBIT	-206	795	.
CFBIT adjusted	-206	795	.
CCR[1] adjusted	0.4	0.6	.
Unit sales	158,607	256,355	-38
Production	163,046	268,465	-39
Employees	100,203	101,397[2]	-1

1 Cash conversion rate
2 As of December 31, 2019

Mercedes-Benz and Setra offer retrofit Sideguard Assist for trucks and buses

Daimler Trucks & Buses has always been committed to the highest possible level of safety for all road users and to the vision of accident-free driving. Numerous safety assistance systems for heavy-duty commercial vehicles were first seen in trucks and buses from Mercedes-Benz and Setra, including the world's first fully integrated sideguard assistant. There is now a suitable support system for almost every truck and bus from Mercedes-Benz and Setra, whether ex works or as a retrofit solution: With Sideguard Assist, our Mercedes-Benz and Setra trucks and buses are ahead of the current legal requirements. Sideguard assistance systems for trucks will not be mandatory in the EU until 2022 for new vehicle types and two years later for all existing models.

All-electric Mercedes-Benz eCitaro bus supplemented with an articulated version

The all-electric eCitaro G articulated bus is an addition to the family of Citaro city-buses and a further key milestone along the way to more environmentally friendly cities that are pleasant to live in. With the eCitaro G, Daimler Buses is systematically continuing the electrification of city buses. The new all-electric articulated bus will be available with new battery technologies, including solid-state batteries. Furthermore, the eCitaro G can accommodate up to 146 passengers, depending on the version, making it ideal for use in highly congested cities and metropolitan areas with large passenger volumes. Firm orders have already been placed for more than 60 vehicles. The first deliveries to transport companies are scheduled for the end of the year.

Market entry in Vietnam with Mercedes-Benz touring coaches

Daimler Buses is expanding its bus business in Southeast Asia and is starting to sell Mercedes-Benz bus chassis in Vietnam. To this end, Daimler Buses will in the future work with the local automotive company Truong Hai Auto Corporation (THACO), which will act as general agent in the Vietnamese market. The chassis for the buses, which will be adapted to local conditions, will be supplied by the Mercedes-Benz plant in São Bernardo do Campo, Brazil. THACO intends then to assemble the chassis locally at its factory in Chu Lai, to fit them with a body and to distribute them in the Vietnamese market through its sales network. Market entry in Vietnam is an important step for Daimler Buses to further expand its global market presence and thus continue its growth in the Southeast Asian region.

D.09			Q2
Unit sales Daimler Trucks	Q2 2020	Q2 2019	% change
Total	57,945	126,474	-54
EU30	9,675	19,836	-51
thereof Germany	3,999	7,846	-49
North America	20,023	54,533	-63
thereof United States	17,321	45,593	-62
Latin America (excl. Mexico)	6,208	10,215	-39
thereof Brazil	4,809	7,301	-34
Asia	17,739	33,982	-48
Other markets	4,300	7,908	-46
for information: BFDA (Auman Trucks)	41,926	22,902	+83

D.10			Q2
Unit sales Daimler Buses	Q2 2020	Q2 2019	% change
Total	3,088	8,435	-63
EU30	1,230	2,837	-57
thereof Germany	590	924	-36
North America	240	665	-64
thereof Mexico	239	655	-64
Latin America (excluding Mexico)	1,249	3,712	-66
thereof Brazil	920	2,673	-66
Asia	133	716	-81
Other markets	236	505	-53

Significant decrease in unit sales at Daimler Trucks
Sales of 57,900 vehicles by Daimler Trucks in the second quarter of 2020 were 54% lower than in the prior-year period. This development was mainly the result of the worldwide impact of the covid-19 pandemic. In North America, our truck sales decreased by 63% to 20,000 units. In weight classes 6 to 8, Daimler Trucks continued to be the market leader with a market share of 37.1% (Q2 2019: 35.4%). Sales of 9,700 trucks in the EU30 region (European Union, United Kingdom, Switzerland and Norway) were also significantly below the prior-year level (Q2 2019: 19,800). With a market share of 19.1%, Mercedes-Benz trucks remained the market leader in the medium- and heavy-duty truck segment (Q2 2019: 19.2%). In Germany, sales of 4,000 units were 49% lower than in the second quarter of last year. In Brazil, we sold 4,800 units, which is a decrease of 34% compared with the prior-year period. In Asia, our deliveries also decreased significantly to 17,700 trucks (Q2 2019: 34,000). Truck sales in India declined massively to 800 units, due in particular to the strict lockdown in April (Q2 2019: 3,800). In Indonesia, we sold 3,500 units, also substantially fewer than in the prior-year quarter (Q2 2019: 10,000). Our sales in Japan also decreased, by 23% to 7,800 trucks. With the FUSO brand, we achieved a market share of 20.6% of the total Japanese truck market (Q2 2019: 18.7%). Deliveries by Auman Trucks, our joint venture in China, increased significantly to 41,900 units (Q2 2019: 22,900).

Unit sales by Daimler Buses significantly below the prior-year level
Daimler Buses achieved sales of 3,100 vehicles in the second quarter (Q2 2019: 8,400). This significant decrease was also largely influenced by the global consequences of the covid-19 pandemic. With sales of 1,200 units in the EU30 region, Daimler Buses sold 57% fewer complete buses and bus chassis of the Mercedes-Benz and Setra brands than in the prior-year quarter. Sales in Germany fell by 36% to 600 units. With our Mercedes-Benz and Setra brands, we continued to be the market leader by far in the EU30 region with a market share of 23.5% (Q2 2019: 27.6%). Our sales in Mexico also decreased significantly to 200 units (-64%). In Brazil, our main market in Latin America, our unit sales were down by 66% to 900 bus chassis. Our sales in India fell by 90% to 45 units (Q2 2019: 500).

D.11			Q1-2
Unit sales Daimler Trucks	Q1-2 2020	Q1-2 2019	% change
Total	150,413	242,394	-38
EU30	22,872	38,803	-41
thereof Germany	9,835	14,422	-32
North America	55,573	102,358	-46
thereof United States	48,735	87,969	-45
Latin America (excl. Mexico)	13,204	18,892	-30
thereof Brazil	9,805	13,398	-27
Asia	48,390	68,289	-29
Other markets	10,374	14,052	-26
for information: BFDA (Auman Trucks)	64,871	45,577	+42

D.12			Q1-2
Unit sales Daimler Buses	Q1-2 2020	Q1-2 2019	% change
Total	8,194	13,961	-41
EU30	2,490	3,756	-34
thereof Germany	1,121	1,266	-11
North America	688	1,047	-34
thereof Mexico	687	1,037	-34
Latin America (excluding Mexico)	3,635	6,875	-47
thereof Brazil	2,835	4,901	-42
Asia	536	1,562	-66
Other markets	845	721	+17

Daimler Mobility

New business down significantly by 24%
Contract volume decreases to €154 billion
YOUR NOW joint ventures: clear change in demand for mobility
Adjusted EBIT significantly lower at €313 million (Q2 2019: €483 million)

D.13 — **Q2**

€ amounts in millions	Q2 2020	Q2 2019	% change
Revenue	6,450	7,145	-10
EBIT	205	431	-52
EBIT adjusted	313	483	-35
Return on equity (in %)	5.6	12.5	.
Return on equity adjusted (in %)	8.6	14.0	.
New business	13,971	18,363	-24
Contract volume	153,704	162,843[1]	-6
Employees	12,057	12,680[1]	-5

1 As of December 31, 2019

Significant decrease in worldwide new business

Daimler Mobility's business development was impacted by the effects of the global covid-19 pandemic also in the second quarter of 2020. The extensive measures taken to contain the pandemic significantly restricted economic activity, especially in Europe and the United States, but the first signs of recovery were apparent in China. Total new business was significantly below the prior-year level. Worldwide, 383,000 new leasing and financing contracts were concluded in a total amount of €14.0 billion, 24% less than in the prior-year period. Contract volume amounted to €153.7 billion at the end of June, and was thus 6% lower than at the end of 2019. Adjusted for exchange-rate effects, contract volume decreased by 4%. Adjusted EBIT amounted to €313 million (Q2 2019: €483 million) and the adjusted return on equity was 8.6% (Q2 2019: 14.0%).

Europe region: new business significantly lower than in prior-year quarter

In the whole of Europe, 134,000 leasing and financing contracts were signed in the second quarter (-46%). New business decreased by a significant 43% to €4.7 billion. Contract volume in Europe of €63.6 billion at the end of June was lower than the level at year-end 2019 (-5%). At the end of the second quarter, Athlon und Daimler Fleet Management had 411,000 contracts on their books, equivalent to contract volume of €6.5 billion.

D.14 — **Q1-2**

€ amounts in millions	Q1-2 2020	Q1-2 2019	% change
Revenue	13,551	14,026	-3
EBIT	263	1,640	-84
EBIT adjusted	371	974	-62
Return on equity (in %)	3.6	24.0	.
Return on equity adjusted (in %)	5.0	14.2	.
New business	30,145	35,687	-16
Contract volume	153,704	162,843[1]	-6
Employees	12,057	12,680[1]	-5

1 As of December 31, 2019

Decreased new business in the Americas

In the Americas region, leasing and financing contracts with a total value of €4.6 billion were concluded in the second quarter of 2020 (-23%). In the United States, new business decreased by a significant 18%. Contract volume in the Americas region of €56.2 billion at the end of June was below the level of year-end 2019 (-6%).

Asia-Pacific, Africa & China: increased new business

New business in the Asia-Pacific, Africa & China region amounted to €4.7 billion and was thus significantly higher than in the second quarter of 2019 (+11%). Contract volume in the region totaled €33.8 billion at the end of June (-6%). In China, 120,000 new leasing and financing contracts in a total amount of €3.3 billion were concluded in the second quarter (+53%). The incipient economic recovery in China during the second quarter had a positive impact on new business. Contract volume in China amounted to €16.2 billion at the end of June, and was thus at the level of year-end 2019 (-2%).

Decrease in the insurance business

Daimler Mobility brokered approximately 504,000 insurance policies in the second quarter of 2020 – a decrease of 16% compared with the prior-year quarter. The markets that were most affected by the corona crisis were Germany (-39%) and the United States (-38%).

YOUR NOW joint ventures: clear decline in demand for mobility

At June 30, 2020, 92 million people were using the mobility services of the joint ventures, which are organized in the three areas of FREE NOW & REACH NOW, SHARE NOW, and PARK NOW & CHARGE NOW. They provide solutions for ride hailing, multimodal platforms, car sharing, parking and charging the batteries of electric vehicles. After all the services had continued smoothly along their growth paths until February 2020, declining demand for mobility as a result of the covid-19 pandemic was clearly noticeable in the second quarter of 2020 and the number of 43 million transactions was about 70% lower than in the same period of the previous year. Meanwhile, FREE NOW is integrating third-party providers into the app to offer customers even more mobility options: Since the second quarter of 2020, Voi's electric scooters in Hamburg, Berlin and Munich can be booked directly via the FREE NOW app.

Consolidated Statement of Income/Loss Q2

E.01

	Q2 2020	Q2 2019
In millions of euros		
Revenue	30,184	42,650
Cost of sales	-27,489	-37,104
Gross profit	**2,695**	5,546
Selling expenses	-2,462	-3,072
General administrative expenses	-808	-975
Research and non-capitalized development costs	-1,544	-1,569
Other operating income	517	516
Other operating expense	-151	-2,127
Gains on equity-method investments, net	269	210
Other financial expense, net	-198	-87
Earnings before interest and taxes (EBIT)	**-1,682**	-1,558
Interest income	51	121
Interest expense	-111	-235
Loss before income taxes	**-1,742**	-1,672
Income taxes	-164	430
Net Loss	**-1,906**	-1,242
thereof profit attributable to non-controlling interests	95	86
thereof loss attributable to shareholders of Daimler AG	-2,001	-1,328
Earnings per share (in euros) for loss attributable to shareholders of Daimler AG		
Basic	-1.87	-1.24
Diluted	-1.87	-1.24

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

Consolidated Statement of Income/Loss Q1-2

E.02

	Q1-2 2020	Q1-2 2019
In millions of euros		
Revenue	67,407	82,348
Cost of sales	-59,001	-69,231
Gross profit	8,406	13,117
Selling expenses	-5,351	-6,223
General administrative expenses	-1,728	-1,994
Research and non-capitalized development costs	-3,266	-3,273
Other operating income	1,088	1,733
Other operating expense	-307	-2,352
Gains on equity-method investments, net	219	472
Other financial expense, net	-126	-240
Earnings before interest and taxes (EBIT)	-1,065	1,240
Interest income	128	200
Interest expense	-265	-489
Profit/loss before income taxes	-1,202	951
Income taxes	-536	-44
Net profit/loss	-1,738	907
thereof profit attributable to non-controlling interests	169	140
thereof profit/loss attributable to shareholders of Daimler AG	-1,907	767
Earnings per share (in euros) for profit/loss attributable to shareholders of Daimler AG		
Basic	-1.78	0.72
Diluted	-1.78	0.72

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

Consolidated Statement of Comprehensive Income/Loss Q2

E.03

	Q2 2020	Q2 2019
In millions of euros		
Net profit	-1,906	-1,242
Gains/losses on currency translation	-475	-474
Gains/losses on debt instruments	30	–
Gains/losses on derivative financial instruments	100	398
Gains/losses on equity-method investments	-5	12
Items that may be reclassified to profit/loss	-350	-64
Actuarial gains/losses from pensions and similar obligations	-1,905	-1,171
Gains/losses on equity instruments	10	-4
Items that will not be reclassified to profit/loss	-1,895	-1,175
Other comprehensive income/loss, net of taxes	-2,245	-1,239
thereof income/loss attributable to non-controlling interests, after taxes	-15	-17
thereof income/loss attributable to shareholders of Daimler AG, after taxes	-2,230	-1,222
Total comprehensive income/loss	-4,151	-2,481
thereof income/loss attributable to non-controlling interests	80	69
thereof income/loss attributable to shareholders of Daimler AG	-4,231	-2,550

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

Consolidated Statement of Comprehensive Income/Loss Q1-2

E.04

	Q1-2 2020	Q1-2 2019
In millions of euros		
Net profit	-1,738	907
Gains/losses on currency translation	-1,010	289
Gains/losses on debt instruments	-1	7
Gains/losses on derivative financial instruments	349	-285
Gains/losses on equity-method investments	-1	-5
Items that may be reclassified to profit/loss	-663	6
Actuarial gains/losses from pensions and similar obligations	-1,333	-1,483
Gains/losses on equity instruments	9	24
Items that will not be reclassified to profit/loss	-1,324	-1,459
Other comprehensive income/loss, net of taxes	-1,987	-1,453
thereof income/loss attributable to non-controlling interests, after taxes	-19	10
thereof income/loss attributable to shareholders of Daimler AG, after taxes	-1,968	-1,463
Total comprehensive income/loss	-3,725	-546
thereof income/loss attributable to non-controlling interests	150	150
thereof income/loss attributable to shareholders of Daimler AG	-3,875	-696

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

Consolidated Statement of Financial Position

E.05

In millions of euros	June 30, 2020	Dec. 31, 2019
Assets		
Intangible assets	16,587	15,978
Property, plant and equipment	36,483	37,143
Equipment on operating leases	48,774	51,482
Equity-method investments	4,932	5,949
Receivables from financial services	52,550	52,880
Marketable debt securities and similar investments	853	770
Other financial assets	3,668	3,347
Deferred tax assets	6,156	5,803
Other assets	1,018	1,286
Total non-current assets	171,021	174,638
Inventories	30,118	29,757
Trade receivables	9,928	12,332
Receivables from financial services	45,120	50,781
Cash and cash equivalents	21,949	18,883
Marketable debt securities and similar investments	6,517	7,885
Other financial assets	4,773	2,736
Other assets	5,339	5,426
Total current assets	123,744	127,800
Total assets	294,765	302,438
Equity and liabilities		
Share capital	3,070	3,070
Capital reserves	11,551	11,552
Retained earnings	43,037	46,329
Other reserves	-242	393
Equity attributable to shareholders of Daimler AG	57,416	61,344
Non-controlling interests	1,441	1,497
Total equity	58,857	62,841
Provisions for pensions and similar obligations	11,665	9,728
Provisions for other risks	10,660	10,597
Financing liabilities	95,891	99,179
Other financial liabilities	1,892	2,112
Deferred tax liabilities	3,966	3,935
Deferred income	1,441	1,598
Contract and refund liabilities	5,975	6,060
Other liabilities	894	586
Total non-current liabilities	132,384	133,795
Trade payables	13,665	12,707
Provisions for other risks	9,432	10,327
Financing liabilities	61,700	62,601
Other financial liabilities	7,030	7,752
Deferred income	1,562	1,624
Contract and refund liabilities	6,790	7,571
Other liabilities	3,345	3,220
Total current liabilities	103,524	105,802
Total equity and liabilities	294,765	302,438

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

Consolidated Statement of Cash Flows

E.06

	Q1-2 2020	Q1-2 2019
In millions of euros		
Profit/loss before income taxes	-1,202	951
Depreciation and amortization/impairments	4,452	3,644
Other non-cash expense and income	-296	-446
Gains (-)/losses (+) on disposals of assets	22	-697
Change in operating assets and liabilities		
Inventories	-1,059	-3,849
Trade receivables	2,237	-92
Trade payables	778	946
Receivables from financial services	3,675	-1,172
Vehicles on operating leases	2,249	-631
Other operating assets and liabilities	-1,151	4,561
Dividends received from equity-method investments	64	52
Income taxes paid	-784	-1,069
Cash provided by operating activities	**8,985**	2,198
Additions to property, plant and equipment	-3,221	-3,419
Additions to intangible assets	-1,487	-1,700
Proceeds from disposals of property, plant and equipment and intangible assets	178	186
Investments in shareholdings	-201	-1,209
Proceeds from disposals of shareholdings	214	199
Acquisition of marketable debt securities and similar investments	-1,192	-3,047
Proceeds from sales of marketable debt securities and similar investments	2,405	3,798
Other	-49	-80
Cash used for investing activities	**-3,353**	-5,272
Change in financing liabilities	-2,175	3,455
Dividend paid to shareholders of Daimler AG	–	-3,477
Dividends paid to non-controlling interests	-207	-232
Proceeds from the issue of share capital	31	63
Acquisition of treasury shares	-30	-42
Acquisition of non-controlling interests in subsidiaries	–	-64
Cash used for financing activities	**-2,381**	-297
Effect of foreign exchange rate changes on cash and cash equivalents	-185	37
Net increase/decrease in cash and cash equivalents	**3,066**	-3,334
Cash and cash equivalents at beginning of period	**18,883**	15,853
Cash and cash equivalents at end of period	**21,949**	12,519

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

Consolidated Statement of Changes in Equity

E.07

In millions of euros	Share capital	Capital reserves	Retained earnings	Currency translation	Equity instruments/ debt instruments
Balance at January 1, 2019	3,070	11,710	49,490	472	15
Net profit	–	–	767	–	–
Other comprehensive income/loss before taxes	–	–	-2,231	279	35
Deferred taxes on other comprehensive income/loss	–	–	748	–	-4
Total comprehensive income/loss	–	–	-716	279	31
Dividends	–	–	-3,477	–	–
Changes in consolidated group	–	–	-14	–	–
Capital increase/Issue of new shares	–	–	–	–	–
Acquisition of treasury shares	–	–	–	–	–
Issue and disposal of treasury shares	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	-48	–	–	–
Other	–	–	52	–	–
Balance at June 30, 2019	3,070	11,662	45,335	751	46
Balance at January 1, 2020	**3,070**	**11,552**	**46,329**	**930**	**30**
Net profit	**–**	**–**	**-1,907**	**–**	**–**
Other comprehensive income/loss before taxes	**–**	**–**	**-1,602**	**-992**	**7**
Deferred taxes on other comprehensive income/loss	**–**	**–**	**269**	**–**	**2**
Total comprehensive income/loss	**–**	**–**	**-3,240**	**-992**	**9**
Dividends	**–**	**–**	**–**	**–**	**–**
Changes in consolidated group	**–**	**–**	**-78**	**–**	**–**
Capital increase/Issue of new shares	**–**	**–**	**–**	**–**	**–**
Acquisition of treasury shares	**–**	**–**	**–**	**–**	**–**
Issue and disposal of treasury shares	**–**	**–**	**–**	**–**	**–**
Changes in ownership interests in subsidiaries	**–**	**-1**	**–**	**–**	**–**
Other	**–**	**–**	**26**	**–**	**–**
Balance at June 30, 2020	**3,070**	**11,551**	**43,037**	**-62**	**39**

Other reserves: Items that may be reclassified to profit/loss: Derivative financial instruments	Other reserves: Items that may be reclassified to profit/loss: Share of investments accounted for using the equity method	Treasury shares	**Equity attributable to shareholders of Daimler AG**	Non-controlling interests	**Total equity**	In millions of euros
-95	5	–	64,667	1,386	66,053	**Balance at January 1, 2019**
–	–	–	767	140	907	Net profit
-397	-5	–	-2,319	10	-2,309	Other comprehensive income/loss before taxes
112	–	–	856	–	856	Deferred taxes on other comprehensive income/loss
-285	-5	–	-696	150	-546	Total comprehensive income/loss
–	–	–	-3,477	-232	-3,709	Dividends
–	–	–	-14	-28	-42	Changes in consolidated group
–	–	–	–	32	32	Capital increase/Issue of new shares
–	–	-42	-42	–	-42	Acquisition of treasury shares
–	–	42	42	–	42	Issue and disposal of treasury shares
–	–	–	-48	-16	-64	Changes in ownership interests in subsidiaries
–	–	–	52	4	56	Other
-380	–	–	60,484	1,296	61,780	**Balance at June 30, 2019**
-546	**-21**	**–**	**61,344**	**1,497**	**62,841**	**Balance at January 1, 2020**
–	**–**	**–**	**-1,907**	**169**	**-1,738**	Net profit
505	**-1**	**–**	**-2,083**	**-19**	**-2,102**	Other comprehensive income/loss before taxes
-156	**–**	**–**	**115**	**–**	**115**	Deferred taxes on other comprehensive income/loss
349	**-1**	**–**	**-3,875**	**150**	**-3,725**	Total comprehensive income/loss
–	**–**	**–**	**–**	**-218**	**-218**	Dividends
–	**–**	**–**	**-78**	**2**	**-76**	Changes in consolidated group
–	**–**	**–**	**–**	**13**	**13**	Capital increase/Issue of new shares
–	**–**	**-30**	**-30**	**–**	**-30**	Acquisition of treasury shares
–	**–**	**30**	**30**	**–**	**30**	Issue and disposal of treasury shares
–	**–**	**–**	**-1**	**–**	**-1**	Changes in ownership interests in subsidiaries
–	**–**	**–**	**26**	**-3**	**23**	Other
-197	**-22**	**–**	**57,416**	**1,441**	**58,857**	**Balance at June 30, 2020**

Notes to the Interim Consolidated Financial Statements

1. Presentation of the Interim Consolidated Financial Statements

General
These Interim Consolidated Financial Statements (Interim Financial Statements) of Daimler AG and its subsidiaries (“Daimler” or “the Group”) have been prepared in accordance with Section 115 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 120, 70372 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 22, 2020. These Interim Consolidated Financial Statements have been reviewed by the Daimler Group’s auditors.

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 financial year. The Interim Financial Statements should be read in conjunction with the December 31, 2019 audited and published IFRS Consolidated Financial Statements and notes thereto. The accounting policies applied by the Group in these Interim Financial Statements fundamentally correspond with those applied for the Consolidated Financial Statements for the year ended December 31, 2019.

IFRS issued but neither EU endorsed nor yet adopted
In the second quarter of 2020, the International Accounting Standards Board published an amendment to IFRS 16 (“Covid-19-Related Rent Concessions”), in which they provide an accounting policy choice to lessees to apply practical relief for rent concessions arising as a result of the covid-19 pandemic. This amendment has not yet been endorsed by the European Union.

Accounting estimates and management judgements due to the covid-19 pandemic
Accounting estimates and management judgements can affect the amounts and reporting of assets and liabilities, the reporting of contingent assets and liabilities as at the balance sheet date, and the amounts of income and expense reported for the period. Due to the currently unforeseeable global consequences of the covid-19 pandemic, these accounting estimates and management judgements are subject to increased uncertainty. Actual amounts may differ from the estimates and management judgements; changes can have a material impact on the Interim Consolidated Financial Statements.

With the update of the accounting estimates and management judgements, available information on the expected economic developments and country-specific governmental countermeasures has been included.

This information was included in the analysis of the recoverability and collectability of financial assets, especially of receivables from financial services and equity-method investments. With regard to hedge accounting, estimates were updated concerning whether forecast transactions can still be assumed to be highly likely to occur. Furthermore, estimates of future residual values of leased vehicles, the measurement of provisions for residual value guarantees and the measurement of the net realizable value of inventories have been updated to include the expected consequences of the covid-19 pandemic. In addition, impairment tests for the cash-generating units of the automotive business have confirmed the correctness of the corresponding carrying amounts.

Adjustment of segment figures in the prior-year period due to the change in the Group's internal management and reporting structure as of January 1, 2020
Until December 31, 2019, the Group's **reportable segments** were Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses and Daimler Mobility. As of January 1, 2020, the Group's activities are divided into the segments Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks & Buses and Daimler Mobility. This corresponds to the internal reporting and organizational structure. The segments Mercedes-Benz Cars and Mercedes-Benz Vans are aggregated into the reportable segment Mercedes-Benz Cars & Vans in line with the nature of the products and services offered, as well as their brands, sales channels and customer profiles.

The figures for 2019 have been adjusted to the new segment structure to ensure that the figures for 2020 are comparable with the prior-year figures. Internal supply of goods and services within the new segments have been taken into account. Furthermore, in the figures for the previous year, the effects of certain legal issues and equity investments not previously allocated to the segments have been reclassified from the reconciliation to the vehicle segments.

In this context, the amortization of capitalized borrowing costs is included in EBIT as of January 1, 2020. From the 2020 financial year onwards, EBIT will therefore be presented in the Consolidated Statement of Income as an arithmetical amount.

2. Revenue

Revenue disclosed in the Consolidated Statement of Income includes revenue from contracts with customers and other revenue not in the scope of IFRS 15.

Revenue from contracts with customers (revenue according to IFRS 15) is disaggregated by the two categories – type of products and services and geographical regions – and presented in table ↗ **E.08** and table ↗ **E.09.** The category type of products and services corresponds to the reportable segments.

Other revenue primarily comprises revenue from the rental and leasing business, interest from the financial services business at Daimler Mobility and effects from currency hedging.

As a result of the worldwide fall in unit sales due to the lower customer demand caused by the covid-19 pandemic and the closure of sales-and-service centers and dealerships in important markets, the Daimler Group's revenue declined significantly in key markets.

E.08
Revenue for the three-month periods ended June 30

In millions of euros	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Total segments	Reconciliation	Daimler Group
Q2 2020						
Europe	**6,875**	**1,970**	**944**	**9,789**	**-374**	**9,415**
North America	**3,340**	**2,164**	**1,233**	**6,737**	**-156**	**6,581**
Asia	**7,423**	**1,275**	**41**	**8,739**	**-2**	**8,737**
Other markets	**645**	**539**	**30**	**1,214**	**–**	**1,214**
Revenue according to IFRS 15	**18,283**	**5,948**	**2,248**	**26,479**	**-532**	**25,947**
Other revenue	**666**	**252**	**4,202**	**5,120**	**-883**	**4,237**
Total revenue	**18,949**	**6,200**	**6,450**	**31,599**	**-1,415**	**30,184**

In millions of euros	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Total segments	Reconciliation	Daimler Group
Q2 2019						
Europe	11,052	3,332	1,041	15,425	-325	15,100
North America	5,009	5,151	1,648	11,808	-281	11,527
Asia	7,518	1,684	46	9,248	-5	9,243
Other markets	1,124	1,171	30	2,325	-2	2,323
Revenue according to IFRS 15	24,703	11,338	2,765	38,806	-613	38,193
Other revenue	715	243	4,380	5,338	-881	4,457
Total revenue	25,418	11,581	7,145	44,144	-1,494	42,650

E.09

Revenue for the six-month periods ended June 30

In millions of euros	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Total segments	Reconciliation	Daimler Group
Q1-2 2020						
Europe	17,195	4,440	2,058	23,693	-1,014	22,679
North America	7,972	5,745	2,748	16,465	-431	16,034
Asia	13,897	2,901	83	16,881	-5	16,876
Other markets	1,770	1,344	59	3,173	-3	3,170
Revenue according to IFRS 15	40,834	14,430	4,948	60,212	-1,453	58,759
Other revenue	1,311	514	8,603	10,428	-1,780	8,648
Total revenue	42,145	14,944	13,551	70,640	-3,233	67,407

In millions of euros	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Total segments	Reconciliation	Daimler Group
Q1-2 2019						
Europe	21,946	6,193	2,250	30,389	-698	29,691
North America	9,396	9,603	2,947	21,946	-463	21,483
Asia	14,304	3,361	83	17,748	-11	17,737
Other markets	2,461	2,118	72	4,651	-7	4,644
Revenue according to IFRS 15	48,107	21,275	5,352	74,734	-1,179	73,555
Other revenue	1,374	480	8,674	10,528	-1,735	8,793
Total revenue	49,481	21,755	14,026	85,262	-2,914	82,348

3. Functional costs

Cost of sales

Cost of sales amounted to €27,489 million in the second quarter of 2020 (Q2 2019: €37,104 million) and €59,001 million in the six-month period ended June 30, 2020 (Q1-2 2019: €69,231 million). It primarily comprises the expenses of goods sold.

The decrease in cost of sales is mainly due to the cost adjustments in response to the covid-19 pandemic. Also in the other functional cost areas, the measures taken due to the current economic situation, including the use of short-time working in Germany, led to an improvement in the cost positions.

On the other hand, the covid-19 pandemic resulted in increased expenses for credit-risk provisions at the Daimler Mobility segment. Expenses in connection with the adjustment and realignment of capacities within the global production network in the Mercedes-Benz Cars & Vans segment had a negative impact on cost of sales. In addition, expenses related to residual risks also affected cost of sales. In the prior-year period, a reassessment of risks in connection with ongoing governmental and court proceedings and measures taken with regard to Mercedes-Benz diesel vehicles in various regions had led to significant earnings reductions in cost of sales. Furthermore, expenses connected with an updated risk assessment for an expanded recall of Takata airbags in Europe and other markets and expenses in connection with terminating production of the X-Class had a negative impact on cost of sales in the prior-year period.

Selling expenses

In the second quarter of 2020, selling expenses amounted to €2,462 million (Q2 2019: €3,072 million) and in the six-month period ended June 30, 2020, they amounted to €5,351 million (Q1-2 2019: €6,223 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 €808 million in the second quarter of 2020 (Q2 2019: €975 million) and €1,728 million in the six-month period ended June 30, 2020 (Q1-2 2019: €1,994 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 €1,544 million in the second quarter of 2020 (Q2 2019: €1,569 million) and €3,266 million in the six-month period ended June 30, 2020 (Q1-Q2 2019: €3,273 million). They primarily comprise personnel expenses and material costs.

4. Other operating income and expense

Other operating income amounted to €517 million in the second quarter of 2020 (Q2 2019: €516 million) and €1,088 million in the first half of the year (Q1-2 2019: €1,733 million). A positive impact in the first quarter of 2020 was the contribution of the smart brand to the joint venture smart Automobile Co., Ltd. This resulted in an income of €154 million. See Note 11 for further information. In the first quarter of 2019, income of €718 million resulted from the merger of the business units for mobility services of the Daimler Group and the BMW Group.

The use of short-time work in Germany led to social security claims that are included in other operating income.

Other operating expense was €151 million in the second quarter of 2020 (Q2 2019: €2,127 million) and €307 million in the six-month period ended June 30, 2020 (Q1-2 2019: €2,352 million). The decrease mainly resulted from expenses in connection with ongoing governmental and court proceedings and measures relating to Mercedes-Benz diesel vehicles in various regions in the second quarter of 2019.

5. Other financial income/expense

Table ↗ E.10 shows the components of other financial income/expense, net.

6. Interest income and interest expense

The composition of interest income and interest expense is shown in table ↗ E.11.

E.10
Other financial income/expense, net

	Q2 2020	Q2 2019	Q1-2 2020	Q1-2 2019
In millions of euros				
Income and expense from compounding and effects from changes in discount rates of provisions for other risks	-202	-89	-60	-198
Miscellaneous other financial income/expense, net	4	2	-66	-42
	-198	-87	-126	-240

E.11
Interest income and interest expense

	Q2 2020	Q2 2019	Q1-2 2020	Q1-2 2019
In millions of euros				
Interest income				
Net interest income on the net assets of defined-benefit pension plans	–	1	1	2
Interest and similar income	51	120	127	198
	51	121	128	200
Interest expense				
Net interest expense on the net obligation from defined-benefit pension plans	-39	-46	-79	-91
Interest and similar expense	-72	-189	-186	-398
	-111	-235	-265	-489

E.12
Income Taxes

	Q2 2020	Q2 2019	Q1-2 2020	Q1-2 2019
In millions of euros				
Income/loss before income taxes	-1,742	-1,672	-1,202	951
Income taxes	-164	430	-536	-44
Tax rate	-9.4%	25.7%	-44.6%	4.6%

7. Income taxes

Table ↗ E.12 shows Income/loss before income taxes, income taxes and the derived effective tax rate.

In the second quarter of 2020 and the first six months of 2020, income taxes are significantly impacted by the non-recognition of deferred tax assets on losses incurred in Germany in 2020. Thus, in spite of a pretax loss, a tax expense was recognized.

For the first six months of 2019, the mainly tax-free gain on the merger of the mobility services of the Daimler Group and the BMW Group reduced the effective tax rate.

8. Intangible assets

The composition of intangible assets is shown in table ↗ E.13.

9. Property, plant and equipment

Property, plant and equipment as presented in the Statement of Financial Position with a carrying amount of €36,483 million (December 31, 2019: €37,143 million) also includes right-of-use assets related to lessee accounting.

Table ↗ E.14 shows property, plant and equipment excluding right-of-use assets. The decrease is partially due to write-downs in the amount of €0.3 billion for the adjustment and realignment of capacities within the global production network.

Table ↗ E.15 shows the right-of-use assets.

10. Equipment on operating leases

At June 30, 2020, the carrying amount of equipment on operating leases was €48,774 million (December 31, 2019: €51,482 million). In the six-month period ended June 30, 2020, additions and disposals amounted to €9,495 million and €6,998 million respectively (Q1-2 2019: €12,874 million and €7,716 million). Depreciation for the six-month period ended June 30, 2020 was €4,772 million (Q1-2 2019: €4,566 million) and includes impairments in the amount of €0.2 billion arising in connection with the corona crisis. Other changes primarily comprise the effects of currency translation.

E.13
Intangible assets

	June 30, 2020	Dec. 31, 2019
In millions of euros		
Goodwill	1,257	1,217
Development costs	12,986	12,525
Other intangible assets	2,344	2,236
	16,587	15,978

E.14
Property, plant and equipment (excluding right-of-use assets)

	June 30, 2020	Dec. 31, 2019
In millions of euros		
Land, leasehold improvements and buildings including buildings on land owned by others	9,790	9,859
Technical equipment and machinery	9,942	10,113
Other equipment, factory and office equipment	7,464	7,864
Advance payments relating to plant and equipment and construction in progress	5,239	5,073
	32,435	32,909

E.15
Right-of-use assets

	June 30, 2020	Dec. 31, 2019
In millions of euros		
Land, leasehold improvements and buildings	3,796	3,956
Technical equipment and machinery	167	187
Other equipment, factory and office equipment	85	91
	4,048	4,234

11. Equity-method investments

Table ↗ **E.16** shows the carrying amounts and gains/losses on equity-method investments.

Table ↗ **E.17** presents key figures on interests in associated companies accounted for using the equity method in the Group's Consolidated Financial Statements.

Table ↗ **E.18** presents key figures on interests in joint ventures accounted for using the equity method in the Group's Consolidated Financial Statements.

E.16

Summarized carrying amounts and gains/losses on equity-method investments

In millions of euros	Associated companies	Joint ventures	Joint operations	Total
At June 30, 2020				
Equity investment[1]	**3,431**	**1,485**	**16**	**4,932**
Equity result (Q2 2020)[1]	**432**	**-163**	**–**	**269**
Equity result (Q1-2 2020)[1]	**493**	**-276**	**2**	**219**
At December 31, 2019				
Equity investment[1]	4,349	1,582	18	5,949
Equity result (Q2 2019)[1]	323	-112	-1	210
Equity result (Q1-2 2019)[1]	587	-129	14	472

1 Including investor-level adjustments.

E.17

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, 2020					
Equity interest (in %)	**49.0**	**9.6**	**29.7**		
Equity investment[1]	**1,890**	**498**	**379**	**664**	**3,431**
Equity result (Q2 2020)[1]	**364**	**-5**	**88**	**-15**	**432**
Equity result (Q1-2 2020)[1]	**586**	**-144**	**68**	**-17**	**493**
At December 31, 2019					
Equity interest (in %)	49.0	9.6	29.7		
Equity investment[1]	2,519	665	475	690	4,349
Equity result (Q2 2019)[1]	353	16	-31	-15	323
Equity result (Q1-2 2019)[1]	669	21	-71	-32	587

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.

E.18

Key figures on interests in joint ventures accounted for using the equity method

	YOUR NOW[2]	Others	Total
In millions of euros			
At June 30, 2020			
Equity interest (in %)	**50**		
Equity investment[1]	**618**	**867**	**1,485**
Equity result (Q2 2020)[1]	**-171**	**8**	**-163**
Equity result (Q1-2 2020)[1]	**-248**	**-28**	**-276**
At December 31, 2019			
Equity interest (in %)	50		
Equity investment[1]	866	716	1,582
Equity result (Q2 2019)[1]	-108	-4	-112
Equity result (Q1-2 2019)[1]	-129	–	-129

1 Including investor-level adjustments.
2 Earnings of YOUR NOW are included in Daimler's Consolidated Financial Statements with a one-month time lag. The figures for the equity result of Q2 relate to the period of March 1 to May 31. The figures for Q1-2 2019 relate to the period of February 1 to May 31, 2019. The figures for Q1-2 2020 relate to the period of December 1, 2019 to May 31, 2020.

BBAC
In the second quarter of 2020, the shareholders of BBAC approved the payout of a dividend for the 2019 financial year. The amount of €1,174 million attributable to Daimler reduced the carrying amount of the investment accordingly. The payout of the dividend is expected in the second half of 2020. Daimler plans to contribute additional equity of in total €0.5 billion in accordance with its shareholding ratio in the years 2020 to 2022.

BAIC Motor
In the first quarter of 2020, due to a reassessment of the business development in light of the covid-19 pandemic, the Group recognized an impairment loss of €150 million with respect to its investment in BAIC Motor Corporation Ltd. (BAIC Motor). The loss is included in the line item profit/loss on equity-method investments, net.

THBV (HERE)
In December 2019, There Holding B.V. (THBV) and HERE International B.V. (HERE) and other companies signed an agreement on the basis of which 30% of the shares in HERE are to be sold to a joint venture between Mitsubishi Corporation and Nippon Telegraph and Telephone Corporation. The transaction was completed on May 29, 2020 after receiving the approval of the relevant authorities and lead to a gain of €105 million, included in the line item profit/loss on equity-method investments, net.

In the first half of 2020, THBV implemented capital measures which reduced the carrying amount of the investment by €164 million.

YOUR NOW
In the second quarter of 2020, the profit/loss on equity-method investments, net of YOUR NOW Holding GmbH (YOUR NOW) includes an impairment loss of €105 million.

Other joint ventures accounted for using the equity-method

In December 2019, Mercedes-Benz AG and Zhejiang Geely Holding Group founded the joint venture **smart Automobile Co., Ltd.** (smart). In the first quarter of 2020, each company contributed RMB 2.7 billion to the equity of the joint venture. The share of Mercedes-Benz AG essentially consisted of the contribution of the smart brand, leading to a positive effect on earnings in the amount of €154 million in the first quarter of 2020, recognized in other operating income. The joint venture is allocated to the Mercedes-Benz Cars & Vans segment.

Joint venture between Volvo Group and Daimler Truck AG

In April 2020, the Volvo Group and Daimler Truck AG signed a preliminary agreement to establish a new joint venture. It is planned that the Volvo Group and Daimler Truck AG will each hold a 50% interest in the joint venture. To make the joint venture possible, Daimler will place all of its Group-wide fuel-cell activities in new fuel cell entities. A binding agreement with the Volvo Group on the acquisition of 50% of the joint venture for approximately €0.6 billion is expected to be concluded in the third quarter of 2020. The transaction is expected to have a significant positive effect on the Daimler Group's earnings. Following the review and approval by the relevant competition authorities, the transaction is expected to be closed within six months of the binding agreements being signed. In the future, the joint venture will probably be included in the Consolidated Financial Statements using the equity method and will be reported in the Daimler Trucks & Buses segment.

12. Receivables from financial services

Receivables from financial services are shown in the following table:

E.19
Receivables from financial services

In millions of euros	June 30, 2020 Current	Non-current	Total	Dec. 31, 2019 Current	Non-current	Total
Sales financing with customers	**18,335**	**31,055**	**49,390**	18,963	30,627	49,590
Sales financing with dealers	**16,696**	**3,360**	**20,056**	21,016	3,573	24,589
Finance lease contracts	**11,007**	**19,110**	**30,117**	11,461	19,329	30,790
Gross carrying amount	**46,038**	**53,525**	**99,563**	51,440	53,529	104,969
Loss allowances	**-918**	**-975**	**-1,893**	-659	-649	-1,308
Net carrying amount	**45,120**	**52,550**	**97,670**	50,781	52,880	103,661

At June 30, 2020, €0.5 billion of the loss allowances relates to the increase in the allowance for credit losses recognized at the Daimler Mobility segment as a result of the worsened economic outlook in connection with the covid-19 pandemic.

13. Inventories

Inventories are comprised as follows:

E.20
Inventories

In millions of euros	June 30, 2020	Dec. 31, 2019
Raw materials and manufacturing supplies	**3,481**	3,321
Work in progress	**4,336**	4,290
Finished goods, parts and products held for resale	**22,106**	21,922
Advance payments to suppliers	**195**	224
	30,118	29,757

14. Equity

Approved capital
The Annual Shareholders' Meeting held on April 5, 2018 authorized the Board of Management, with the consent of the Supervisory Board, to increase the share capital of Daimler AG in the period until April 4, 2023 by a total of €1.0 billion in one lump sum or by separate partial amounts at different times by issuing new, registered no-par-value shares in exchange for cash and/or non-cash contributions (Approved Capital 2018). The new shares are generally to be offered to the shareholders for subscription (also by way of indirect subscription pursuant to Section 186 Subsection 5 Sentence 1 of the German Stock Corporation Act (AktG)). Among other things, the Board of Management was authorized, with the consent of the Supervisory Board, to exclude shareholders' subscription rights under certain conditions and within defined limits.

Approved Capital 2018 has not yet been exercised.

Conditional capital
The authorization granted by Annual Shareholders' Meeting on April 1, 2015, to issue convertible and/or warrant bonds was limited until March 31, 2020. This authorization has not been exercised. The corresponding Conditional Capital 2015 was cancelled by resolution of the Annual Shareholders' Meeting on July 8, 2020.

Also by resolution of the Annual Shareholders' Meeting on July 8, 2020, the Board of Management is authorized, with the consent of the Supervisory Board, until July 7, 2025 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 is 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 July 8, 2020 also resolved to increase the share capital conditionally by an amount of up to €500 million (Conditional Capital 2020). Conditional Capital 2020 will be effective upon being entered in the commercial register.

Treasury shares
The authorization granted by Annual Shareholders' Meeting on April 1, 2015 to acquire and use treasury shares expired on March 31, 2020. By resolution of the Annual Shareholders' Meeting on July 8, 2020, the Board of Management is again authorized, with the consent of the Supervisory Board, until July 7, 2025 to acquire treasury shares in a volume up to 10% of the share capital issued as of the day of the resolution or – if this is lower – of the share capital existing at the time of the authorization being exercised, to be used for all permissible purposes. The shares can be used, among other things, with the exclusion of 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.

In a volume up to 5% of the share capital issued as of the day of the resolution of the Annual Shareholders' Meeting, the Board of Management is authorized, with the consent of the Supervisory Board, to acquire treasury shares also by using derivatives (put options, call options, forward purchases or a combination of these instruments), whereby the term of a derivative must not exceed 18 months and must not end later than July 7, 2025.

Employee share purchase plan
In the first quarter of 2020, 1.1 million (2019: 0.8 million) Daimler shares were purchased pursuant to Section 71 Subsection 1 No. 2, of the German Stock Corporation Act (AktG) without utilizing the authorization to acquire treasury shares granted by the Annual Shareholders' Meeting on April 1, 2015, to be reissued to employees in connection with employee share purchase plans. The shares were reissued on March 25, 2020.

Dividend
The Annual Shareholders' Meeting held on July 8, 2020 authorized Daimler to pay a dividend of €963 million (€0.90 per dividend-entitled no-par-value share) from the distributable profit of Daimler AG (separate financial statements) for the year 2019 (2019: €3,477 million and €3.25 per share). The dividend was paid out on July 13, 2020.

15. Pensions and similar obligations

Development of funded status
The funded status of pension obligations is shown in table ↗ E.21. The increase in the present value of defined benefit obligations results from a slight decrease in discount rates. This effect is increased by the slightly negative development of the return on plan assets.

E.21
Development of funded status

In millions of euros	June 30, 2020	Dec. 31, 2019
Present value of the defined benefit obligation	-37,149	-36,195
Fair value of plan assets	26,798	27,760
Funded status	-10,351	-8,435
thereof recognized in other assets	77	83
thereof recognized in provisions for pensions and similar obligations	-10,428	-8,518

Pension cost
The components of pension cost included in the Consolidated Statement of Income are shown in table ↗ E.22 and table ↗ E.23.

Contributions to pension plan assets
In the second quarter and the first half of 2020, contributions by Daimler to the Group's pension plan assets amounted to €29 million and €120 million respectively (2019: €47 million and €89 million).

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

	Q2 2020			Q2 2019		
In millions of euros	Total	German plans	Non-German plans	Total	German plans	Non-German plans
Current service cost	-200	-171	-29	-174	-149	-25
Net interest expense	-27	-19	-8	-33	-24	-9
Net interest income	–	–	–	1	–	1
	-227	-190	-37	-206	-173	-33

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

	Q1-2 2020			Q1-2 2019		
In millions of euros	Total	German plans	Non-German plans	Total	German plans	Non-German plans
Current service cost	-399	-342	-57	-348	-299	-49
Net interest expense	-55	-38	-17	-65	-47	-18
Net interest income	1	–	1	2	–	2
	-453	-380	-73	-411	-346	-65

16. Provisions for other risks

Provisions for other risks are comprised as shown in table ↗ E.24.

E.24
Provisions for other risks

In millions of euros	Current	Non-current	June 30, 2020 Total	Current	Non-current	Dec. 31, 2019 Total
Product warranties	3,320	5,012	8,332	3,744	4,964	8,708
Personnel and social costs	1,300	2,810	4,110	1,522	2,726	4,248
Litigation risks and regulatory proceedings	2,504	2,273	4,777	2,498	2,404	4,902
Other	2,308	565	2,873	2,563	503	3,066
	9,432	10,660	20,092	10,327	10,597	20,924

17. Financing liabilities

Financing liabilities are comprised as follows:

E.25
Financing liabilities

In millions of euros	Current	Non-current	June 30, 2020 Total	Current	Non-current	Dec. 31, 2019 Total
Notes/bonds	13,496	67,239	80,735	17,806	67,819	85,625
Commercial paper	2,305	–	2,305	3,278	–	3,278
Liabilities to financial institutions	24,544	13,506	38,050	23,043	16,768	39,811
Deposits in the direct banking business	9,886	3,858	13,744	9,713	3,406	13,119
Liabilities from ABS transactions	9,773	7,358	17,131	6,911	7,021	13,932
Lease liabilities	700	3,367	4,067	703	3,537	4,240
Loans, other financing liabilities	996	563	1,559	1,147	628	1,775
	61,700	95,891	157,591	62,601	99,179	161,780

18. Legal proceedings

As previously reported, Daimler AG and its subsidiaries are confronted with various legal proceedings, claims as well as governmental investigations and orders (legal proceedings) on a large number of topics.

Diesel emission behavior: class-action and other lawsuits in the United States, Canada and Europe
As already reported, several consumer class-action lawsuits were filed against Mercedes-Benz USA, LLC (MBUSA) in Federal Courts in the United States in early 2016. The main allegation was the use of devices that impermissibly impair the effectiveness of emission control systems in reducing nitrogen-oxide (NO_X) 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 nationwide 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 US regulators and consumers. On February 1, 2019, the court granted in part and denied in part Daimler AG's and MBUSA's subsequent motion to dismiss. The case is ongoing as the court's decision merely addressed certain legal aspects of plaintiffs' claims and did not decide whether the plaintiffs can ultimately prove their claims, whether the plaintiffs' allegations are true, or whether their claims have merit.

On January 8, 2019, the Arizona State Attorney General filed a civil complaint in Arizona state court against Daimler AG and MBUSA making similar allegations that Arizona consumers had been deliberately deceived in connection with the advertising of Mercedes-Benz diesel vehicles. The state seeks monetary penalties for violation of Arizona's consumer protection laws.

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, and on March 12, 2018, the court ordered the parties to send a notice to the class by May 18, 2018, informing class members that the litigation is ongoing and that they will be bound by the outcome. That notice was sent, and class members had until July 20, 2018 to opt out of the class to avoid being bound by subsequent rulings in the case.

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 claims similar to the existing US class action. That action was removed to Federal Court and, on October 31, 2017, was transferred to the District of New Jersey. On December 21, 2017, the parties stipulated to dismiss, without prejudice, that lawsuit. It may be filed again under specific conditions. Daimler AG and MBUSA, respectively, regard the foregoing lawsuits in the United States and Canada as being without merit and will defend against the claims.

Furthermore, a class action against Daimler AG and other Group companies was filed in the Netherlands on June 23, 2020. The class action makes allegations comparable to the aforementioned US and Canadian class actions relating to all Euro 5 and 6 diesel vehicles sold in the EU between 2009 and 2019. The plaintiff, a foundation under the law of the Netherlands, is representing Dutch claimants and seeks certification of an opt-out Netherlands class (Dutch claimants are participating in the class action by law). In the course of the proceedings, other claimants who bought such vehicles in the EU market have the option to declare participation in the class action (opt-in). Furthermore, the plaintiff is seeking declarations of law concerning the customers' entitlement to nullify or rescind their vehicle purchase contracts, to demand replacement of their vehicle and/or to demand damages. Daimler AG and the other Group companies affected regard this class action as being without merit and will defend against the claims.

In Germany, a multitude of lawsuits by investors alleging the violation of disclosure requirements is pending against Daimler. In addition, some investors have raised out-of-court claims for damages. The investors contend that Daimler AG did not immediately disclose inside information in connection with the emission behavior of its diesel vehicles and that it had made false and misleading public statements. They further claim that the purchase price of the financial instruments acquired by them (in particular Daimler shares) would have been lower if Daimler had correctly complied with its disclosure duties. In this context, both investors as well as Daimler AG have filed motions to initiate a model proceeding in accordance with the Act on Model Proceedings in Capital Markets Disputes (KapMuG). Currently, no model proceeding is pending. Daimler AG also regards these lawsuits as being without merit and will defend against the claims.

Diesel emission behavior: governmental proceedings
As reported, several federal and state authorities and other institutions worldwide have inquired about and/or are/have been conducting investigations and/or administrative proceedings and/or have issued administrative orders or, in the case of the Stuttgart district attorney's office, a fine notice. These particularly relate to test results, the emission control systems used in Mercedes-Benz diesel vehicles and/or 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, criminal and antitrust laws. These authorities and institutions 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 US state authorities, the South Korean Ministry of Environment (MoE), the South Korean competition authority (Korea Fair Trade Commission (KFTC)) and the Seoul Public Prosecutor's Office (South Korea), the European Commission, the German Federal Cartel Office ("Bundeskartellamt"), as well as national antitrust authorities and other authorities of various foreign states as well as the German Federal Ministry of Transport and Digital Infrastructure (BMVI) and the German Federal Motor Transport Authority (KBA). In the course of its formal investigation into possible collusion on clean emission technology, the European Commission sent a statement of objections to Daimler and other automobile manufacturers in April 2019. In this context, Daimler filed an application for immunity from fines (leniency application) with the European Commission some time ago. The Stuttgart district attorney's office is conducting criminal investigation proceedings against Daimler employees concerning the suspicion of fraud and criminal advertising, and, in May 2017, searched the premises of Daimler at several locations in Germany. In February 2019, the Stuttgart district attorney's office also initiated a formal investigation proceeding against Daimler AG with respect to an administrative offense. In September 2019, the Stuttgart district attorney's office issued a fine notice against Daimler based on a negligent violation of supervisory duties in the amount of €870 million which has become legally binding, thereby concluding the administrative offense proceedings against Daimler.

Since 2018, KBA has issued various administrative orders holding that certain calibrations of specified functionalities in certain Mercedes-Benz diesel vehicles are to be qualified as impermissible defeat devices and ordered subsequent auxiliary provisions for the respective EC type approvals in this respect, including mandatory recalls and, in certain cases, stops of the first registration. In addition and since 2018, Daimler has (in view of KBA's interpretation of the law as a precaution) implemented a temporary delivery and registration stop with respect to certain models, also covering the used-car, leasing and financing businesses, and is constantly reviewing whether it can lift this delivery and registration stop in whole or in part. Daimler has filed and will continue to file timely objections against the KBA's administrative orders in order to have the open legal issues resolved, if necessary, also by a court of law. In the course of its regular market supervision, KBA is routinely conducting further reviews of Mercedes-Benz vehicles and is asking questions about technical elements of the vehicles. In light of the aforementioned administrative orders issued by, and continued discussions with, the KBA, it is likely that in the course of the ongoing and/or further investigations, KBA will issue additional administrative orders holding that other Mercedes-Benz diesel vehicles are also equipped with impermissible defeat devices. The new calibrations requested by KBA are being processed, and for a substantial proportion of the vehicles, the relevant software has already been approved by KBA; the related recalls have insofar been initiated. It cannot be ruled out that software updates may be reworked, further delivery and registration stops may be ordered or resolved by the Company as a precautionary measure, also with a view to the used car, leasing and financing businesses, under the relevant circumstances. Daimler is conducting further investigations and otherwise continues to fully cooperate with the authorities and institutions.

Except for the Stuttgart district attorney's office's administrative offense proceedings, the aforementioned inquiries, investigations, administrative proceedings and the replies to these related information requests, as well as the objection proceedings against the administrative orders are ongoing.

Accounting assessment of the legal proceedings in connection with diesel emission behavior
With respect to the legal proceedings described in the two preceding chapters, in accordance with IAS 37.92 no further information is disclosed with respect to whether, or to what extent, provisions have been recognized and/or contingent liabilities have been disclosed, so as not to prejudice Daimler's position. A contingent liability from the class action in the Netherlands cannot currently be measured.

Antitrust law proceedings (including actions for damages)
Starting on July 25, 2017, a number of class actions have been filed in the United States and Canada against Daimler AG and other manufacturers of automobiles as well as various of their North American subsidiaries. Plaintiffs allege to have suffered damages because defendants engaged in anticompetitive behavior relating to vehicle technology, costs, suppliers, markets, and other competitive attributes, including diesel emissions control technology, since the 1990s. On October 4, 2017, all pending US class actions were centralized in one proceeding by the Judicial Panel on multidistrict litigation and transferred to the U.S. District Court for the Northern District of California. On March 15, 2018, plaintiffs in the US class action amended and consolidated their complaints into two pleadings, one on behalf of consumers and the other on behalf of dealers. On June 17, 2019, the court granted motions to dismiss in the consolidated US class action proceedings, albeit with leave to amend, and on August 15, 2019, the plaintiffs filed amended complaints making similar allegations. On March 31, 2020, the court granted motions to dismiss these first amended US class action complaints, albeit with leave to amend. On June 26, 2020, the plaintiffs filed second amended complaints. Daimler AG and MBUSA regard the US and Canadian lawsuits as being without merit, and will defend against the claims. This contingent liability cannot currently be measured.

In this context, Daimler AG may disclose that it filed a leniency application with the European Commission some time ago. In late October 2017, the European Commission conducted preannounced inspections with Daimler in Stuttgart (as well as further inspections with other manufacturers) in order to further clarify the facts of the case. In the third quarter of 2018, the European Commission opened a formal investigation into possible collusion on clean emission technology. In the course of such investigation, the European Commission, in April 2019, sent a statement of objections to Daimler and other automobile manufacturers to which Daimler responded in good time. At present, Daimler does not expect this issue to have any material impact on the Group's profitability, cash flow and financial situation.

Following the settlement decision by the European Commission adopted on July 19, 2016, concluding the trucks antitrust proceedings, Daimler AG and Daimler Truck AG are facing customers' claims for damages to a considerable degree. Respective legal actions, class actions and other forms of legal redress have been initiated in various states in and outside of Europe and should further be expected. Daimler is taking appropriate legal remedies to defend itself. In accordance with IAS 37.92, no further information is disclosed with respect to whether, or to what extent, provisions have been recognized and/or contingent liabilities have been disclosed, so as not to prejudice Daimler's position.

Class-action lawsuits Takata airbag inflators
As already reported, class actions in connection with Takata airbags are pending in Canada, the United States and Israel. The lawsuits are based on the allegation that, along with Takata entities and many other companies that sold vehicles equipped with Takata airbag inflators, Daimler entities were allegedly negligent in selling such vehicles, purportedly not recalling them quickly enough, and failing to provide an adequate replacement airbag inflator. In detail: In August 2016, Mercedes-Benz Canada (MB Canada) was added as a defendant to a putative nationwide class action that remains pending in Ontario Superior Court. In addition, Daimler AG and MBUSA were named as defendants along with Takata companies in June 2017, in a US nationwide class action, which was filed in New Jersey Federal Court. In the third quarter of 2017, such lawsuit was transferred to federal court in the Southern District of Florida for consolidation with other multidistrict litigation proceedings. Further class action lawsuits in the USA were integrated into the multiple district proceedings. One of the multidistrict litigation complaints also asserts claims by automotive recyclers who allege injury because they are not able to re-sell salvaged airbag inflators that are subject to the Takata recall. The motions to dismiss against that complaint are still pending. In February 2019, Daimler AG and its non-subsidiary Israeli distributor (Colmobil) were named as defendants in an Israel-wide class action alleging inadequacy of Takata recall efforts in Israel and that action remains pending. The previously reported lawsuit filed by the State of New Mexico against MBUSA 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 Daimler Group affiliates respectively affected will further defend themselves against the claims. Contingent liabilities were disclosed to a low extent for this topic.

The statements regarding legal proceedings set out above are to be read in conjunction with Notes 23, 30 and 31 to the Consolidated Financial Statements as at December 31, 2019.

19. Financial instruments

Table ↗ E.26 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 in the market.

E.26

Carrying amounts and fair values of financial instruments

	June 30, 2020		Dec. 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
Financial assets				
Receivables from financial services	**97,670**	**99,382**	103,661	104,930
Trade receivables	**9,928**	**9,928**	12,332	12,332
Cash and cash equivalents	**21,949**	**21,949**	18,883	18,883
Marketable debt securities and similar investments	**7,370**	**7,370**	8,655	8,655
Recognized at fair value through other comprehensive income	**4,910**	**4,910**	5,323	5,323
Recognized at fair value through profit or loss	**2,246**	**2,246**	2,858	2,858
Measured at cost	**214**	**214**	474	474
Other financial assets				
Equity instruments and debt instruments	**843**	**843**	860	860
Recognized at fair value through other comprehensive income	**476**	**476**	482	482
Recognized at fair value through profit or loss	**367**	**367**	378	378
Other financial assets recognized at fair value through profit or loss	**67**	**67**	27	27
Derivative financial instruments used in hedge accounting	**2,155**	**2,155**	1,191	1,191
Other receivables and financial assets	**4,899**	**4,899**	3,328	3,328
	144,881	**146,593**	148,937	150,206
Financial liabilities				
Financing liabilities	**153,524**	**153,567**	157,540	159,288
Trade payables	**13,665**	**13,665**	12,707	12,707
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	**87**	**87**	52	52
Derivative financial instruments used in hedge accounting	**660**	**660**	1,186	1,186
Miscellaneous other financial liabilities	**8,042**	**8,042**	8,491	8,491
Contract and refund liabilities				
Obligations from sales transactions	**4,278**	**4,278**	5,200	5,200
	180,256	**180,299**	185,176	186,924

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

Marketable debt securities and similar investments, other financial assets and liabilities
Marketable debt securities are recognized at fair value through other comprehensive income or at fair value through profit or loss. *Similar investments* are measured at amortized cost and are not included in the measurement hierarchy, as their carrying amount is a reasonable approximation of fair value due to the short terms of these financial instruments and the fundamentally lower credit risk.

Equity instruments are recognized at fair value through other comprehensive income or at fair value through profit or loss. Daimler does not generally intend to sell its equity instruments which are presented at June 30, 2020.

Marketable debt securities and equity instruments recognized at fair value were measured using quoted market prices at the end of the reporting period. If quoted market prices were not available for these debt and equity instruments, fair value measurement is based on inputs that are either directly or indirectly observable in active markets. Fair values are calculated using recognized financial valuation models such as discounted cash-flow models or multiples.

Other 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 (taking account of credit premiums and default risks) 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 are measured with 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 (taking account of credit premiums and default risks) 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 and default risks.

Contract and refund liabilities
Contract and refund liabilities include obligations from sales transactions that qualify as financial instruments. Obligations from sales transactions should, in principle, be regarded as short term. Due to the short maturities of these financial instruments, it is assumed that their fair values are equal to their carrying amounts.

Table ↗ E.27 provides an overview of the classification into measurement hierarchies of financial assets and liabilities recognized 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.27

Measurement hierarchy of financial assets and liabilities recognized at fair value

	June 30, 2020				Dec. 31, 2019			
	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 recognized at fair value								
Marketable debt securities	7,156	4,618	2,538	–	8,181	5,254	2,927	–
Recognized at fair value through other comprehensive income	4,910	2,372	2,538	–	5,323	2,396	2,927	–
Recognized at fair value through profit or loss	2,246	2,246	–	–	2,858	2,858	–	–
Equity instruments and debt instruments	843	238	279	326	860	275	270	315
Recognized at fair value through other comprehensive income	476	198	158	120	482	205	158	119
Recognized at fair value through profit or loss	367	40	121	206	378	70	112	196
Other financial assets recognized at fair value through profit or loss	67	–	67	–	27	–	27	–
Derivative financial instruments used in hedge accounting	2,155	–	2,155	–	1,191	–	1,191	–
	10,221	4,856	5,039	326	10,259	5,529	4,415	315
Financial liabilities recognized at fair value								
Financial liabilities recognized at fair value through profit or loss	87	–	87	–	52	–	52	–
Derivative financial instruments used in hedge accounting	660	–	660	–	1,186	–	1,186	–
	747	–	747	–	1,238	–	1,238	–

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

As described in Note 1, as of January 1, 2020, the internal reporting and organizational structure is based on the segments Mercedes-Benz Cars, Mercedes-Benz Vans, Daimler Trucks & Buses and Daimler Mobility. The segments Mercedes-Benz Cars and Mercedes-Benz Vans are aggregated into the reportable segment Mercedes-Benz Cars & Vans in line with the nature of the products and services offered, as well as their brands, sales channels and customer profiles.

Taking into account the internal supply of goods and services within the new segments, segment information for the year 2019 has been adjusted to the new segment structure. Furthermore, in the figures for the previous year, the effects of certain legal issues and equity investments not previously allocated to the segments have been reclassified from the reconciliation to the vehicle segments. See Note 1 for further information.

Segment information for the three-month periods ended June 30, 2020 and June 30, 2019 is as follows:

E.28
Segment reporting for the three-month periods ended June 30

In millions of euros	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Total segments	Reconciliation	Daimler Group
Q2 2020						
External revenue	**18,235**	**5,895**	**6,054**	**30,184**	**–**	**30,184**
Intersegment revenue	**714**	**305**	**396**	**1,415**	**-1,415**	**–**
Total revenue	**18,949**	**6,200**	**6,450**	**31,599**	**-1,415**	**30,184**
Segment profit/loss (EBIT)	**-1,125**	**-756**	**205**	**-1,676**	**-6**	**-1,682**

In millions of euros	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Total segments	Reconciliation	Daimler Group
Q2 2019						
External revenue	24,872	11,235	6,543	42,650	–	42,650
Intersegment revenue	546	346	602	1,494	-1,494	–
Total revenue	25,418	11,581	7,145	44,144	-1,494	42,650
Segment profit/loss (EBIT)	-2,784	834	431	-1,519	-39	-1,558

Segment information for the six-month periods ended June 30, 2020 and June 30, 2019 is as follows:

E.29
Segment reporting for the six-month periods ended June 30

In millions of euros	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Total segments	Recon-ciliation	Daimler Group
Q1-2 2020						
External revenue	**40,547**	**14,294**	**12,566**	**67,407**	**–**	**67,407**
Intersegment revenue	**1,598**	**650**	**985**	**3,233**	**-3,233**	**–**
Total revenue	**42,145**	**14,944**	**13,551**	**70,640**	**-3,233**	**67,407**
Segment profit/loss (EBIT)	**-615**	**-509**	**263**	**-861**	**-204**	**-1,065**

In millions of euros	Mercedes-Benz Cars & Vans	Daimler Trucks & Buses	Daimler Mobility	Total segments	Recon-ciliation	Daimler Group
Q1-2 2019						
External revenue	48,407	21,048	12,893	82,348	–	82,348
Intersegment revenue	1,074	707	1,133	2,914	-2,914	–
Total revenue	49,481	21,755	14,026	85,262	-2,914	82,348
Segment profit/loss (EBIT)	-1,641	1,387	1,640	1,386	-146	1,240

Reconciliation

Reconciliation of the total segments' profit/loss (EBIT) to the EBIT of the Daimler Group is as shown in table ↗ E.30.

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

E.30
Reconciliation to Group figures

In millions of euros	**Q2 2020**	Q2 2019	**Q1-2 2020**	Q1-2 2019
Total segments' profit/loss (EBIT)	**-1,676**	-1,519	**-861**	1,386
Share of gains/losses on equity-method investments[1]	**-4**	14	**-143**	20
Other corporate items	**-79**	-59	**-158**	-210
Eliminations	**77**	6	**97**	44
EBIT	**-1,682**	-1,558	**-1,065**	1,240

1 In the first quarter of 2020, the impairment of Daimler's equity investment in BAIC Motor of €150 million is included.

21. Transactions with related parties

Related parties (companies or persons) are deemed to be associated companies, joint ventures 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.

Related companies
Business transactions with related companies are carried out at market terms. Most of the goods and services supplied between the Group and related companies comprise transactions with associated companies and joint ventures and are shown in table ↗ **E.31**.

Associated companies
A large proportion of the Group's sales of goods and services with associated companies as well as of its receivables relates to business relations with LSH Auto International Limited (LSHAI) and with Beijing Benz Automotive Co., Ltd. (BBAC), which are allocated to Mercedes-Benz Cars & Vans.

The purchases of goods and services shown in table ↗ **E.31** were primarily from LSHAI.

Joint ventures
In business relationships with joint ventures, significant sales of goods and services took place with Fujian Benz Automotive Co., Ltd., which is allocated to Mercedes-Benz Cars & Vans, and with DAIMLER KAMAZ RUS OOO, which is allocated to Daimler Trucks & Buses. In addition, other operating income of €154 million resulted from the contribution of the smart brand to the joint venture smart Automobile Co., Ltd. in the first quarter of 2020.

Note 11 provides further details of the significant associated companies and joint ventures.

E.31
Related party relationships

In millions of euros	Q2 2020	Q2 2019	Q1-2 2020	Q1-2 2019	Q2 2020	Q2 2019	Q1-2 2020	Q1-2 2019
	Sales of goods and services and other income				Purchases of goods and services and other expenses			
Associated companies	**3,312**	3,591	**6,098**	6,671	**203**	256	**418**	471
thereof LSHAI	**1,717**	2,037	**3,137**	3,619	**108**	233	**271**	416
thereof BBAC	**1,527**	1,448	**2,804**	2,831	**91**	19	**139**	44
Joint ventures	**174**	232	**603**	429	**66**	29	**170**	50

In millions of euros	Receivables[1] June 30, 2020	Receivables[1] Dec. 31, 2019	Payables[2] June 30, 2020	Payables[2] Dec. 31, 2019
Associated companies	**3,513**	3,324	**133**	116
thereof LSHAI	**654**	1,288	**40**	24
thereof BBAC	**2,767**	1,966	**83**	78
Joint ventures	**268**	213	**90**	78

1 After write-downs totaling €85 million (December 31, 2019: €66 million).
2 Including liabilities from default risks from guarantees for related parties.

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 material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Stuttgart, July 22, 2020

Ola Källenius

Martin Daum

Renata Jungo Brüngger

Wilfried Porth

Markus Schäfer

Britta Seeger

Hubertus Troska

Harald Wilhelm

Auditor’s Review Report

To Daimler Aktiengesellschaft, Stuttgart

We have reviewed the condensed interim consolidated financial statements of Daimler AG – comprising 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 the Daimler AG, for the period from January 1 to June 30, 2020, that are part of the semi-annual financial report according to § 115 WpHG (“Wertpapierhandelsgesetz”: “German Securities Trading Act”). The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 “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 IAS 34, “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 IAS 34, “Interim Financial Reporting” as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Stuttgart, July 22, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

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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 2020
July 23, 2020

Interim Report Q3 2020
October 23, 2020

Analyst and Investor Conference
February 18, 2021

Annual Press Conference
February 18, 2021

Annual Shareholders' Meeting 2021
March 31, 2021

Interim Report Q1 2021
April 23, 2021

Interim Report Q2 2021
July 21, 2021

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.

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