

DAIMLER

Interim Report Q3 2014



Contents.

A	Key Figures
B	Daimler and the Capital Market
C	Interim Management Report (pages 7 – 20)
7	Business development
9	Profitability
11	Cash flows
14	Financial position
16	Capital expenditure and research activities
16	Workforce
17	Important events
17	Subsequent events
17	Risk and opportunity report
18	Outlook
D	The Divisions (pages 21 – 25)
21	Mercedes-Benz Cars
22	Daimler Trucks
23	Mercedes-Benz Vans
24	Daimler Buses
25	Daimler Financial Services
E	Interim Consolidated Financial Statements (pages 26 – 51)
26	Consolidated Statement of Income
28	Consolidated Statement of Comprehensive Income
30	Consolidated Statement of Financial Position
31	Consolidated Statement of Cash Flows
32	Consolidated Statement of Changes in Equity
34	Notes to the Interim Consolidated Financial Statements
F	Addresses Information Financial Calendar

Cover photo:

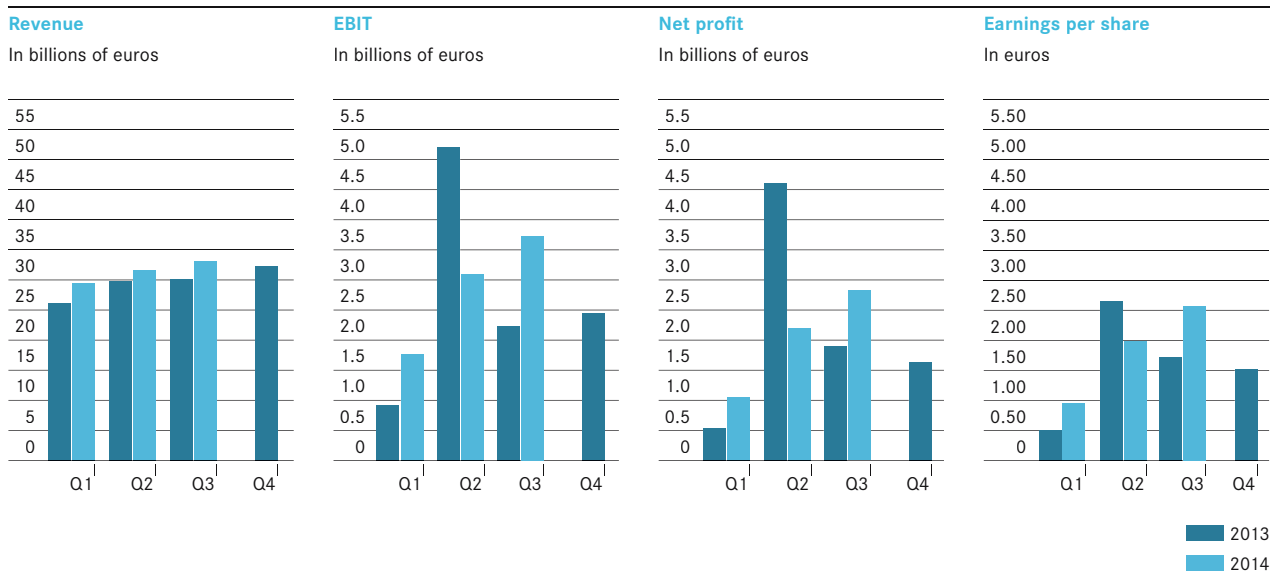
The new Super Great V heavy-duty truck from FUSO sets new standards for economy. Its low fuel consumption is the result of the optimized 6R10 engine, proven and continually further developed technology on the basis of the Heavy Duty Engine Platform, combined with a newly developed asymmetrical turbocharger. The new Super Great V is the only truck of which all models already surpass by five percent the Fuel Efficiency Standard (FES) 2015, which comes into force in Japan next year.

Key Figures Daimler Group

Amounts in millions of euros	Q3 2014	Q3 2013	% change
Revenue	33,122	30,099	+10 ¹
Western Europe	10,958	10,315	+6
thereof Germany	5,059	5,220	-3
NAFTA	9,498	8,282	+15
thereof United States	8,369	7,201	+16
Asia	7,883	6,485	+22
thereof China	3,564	2,858	+25
Other markets	4,783	5,017	-5
Investment in property, plant and equipment	1,169	1,126	+4
Research and development expenditure	1,414	1,317	+7
thereof capitalized development costs	285	295	-3
Free cash flow of the industrial business	5,375	1,577	+241
EBIT	3,732	2,231	+67
Net profit	2,821	1,897	+49
Earnings per share (in euros)	2.56	1.72	+49
Employees	282,302	274,616 ²	+3

1 Adjusted for the effects of currency translation, increase in revenue of 11%.

2 As of December 31, 2013.



Q1-3

Key Figures Daimler Group

Amounts in millions of euros	Q1-3 2014	Q1-3 2013	% change
Revenue	94,123	85,893	+10 ¹
Western Europe	31,866	29,513	+8
thereof Germany	15,149	14,512	+4
NAFTA	27,011	24,198	+12
thereof United States	23,651	20,948	+13
Asia	21,689	17,677	+23
thereof China	10,068	7,829	+29
Other markets	13,557	14,505	-7
Investment in property, plant and equipment	3,257	3,221	+1
Research and development expenditure	4,081	4,048	+1
thereof capitalized development costs	803	969	-17
Free cash flow of the industrial business	6,822	3,879	+76
EBIT	8,614	8,390	+3
Net profit	6,103	7,044	-13
Earnings per share (in euros)	5.48	4.87	+13
Employees	282,302	274,616 ²	+3

1 Adjusted for the effects of currency translation, increase in revenue of 13%.

2 As of December 31, 2013.

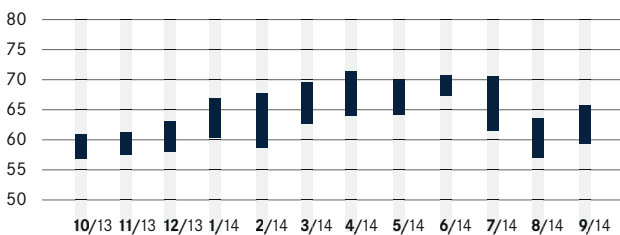
Daimler and the Capital Market.

Key figures

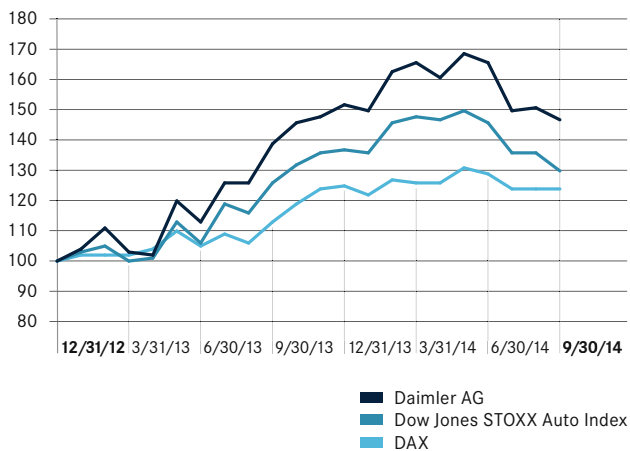
	Sept. 30, 2014	Sept. 30, 2013	% change
Earnings per share in Q3 (in €)	2.56	1.72	+49
Outstanding shares (in millions)	1,069.8	1,069.6	+0
Market capitalization (€ billion)	64.97	61.63	+5
Xetra closing price (€)	60.73	57.62	+5

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

in €



Share-price development (indexed)



Daimler share price follows general trend of automotive sector and weakens in third quarter

Daimler's stock followed the general trend in the automotive sector in the third quarter of 2014 with a volatile share-price development.

Geopolitical tension continued to create uncertainty on the global stock markets once again in the third quarter. In addition to the volatile situation in Ukraine and the possibility of stricter sanctions being imposed on Russia, the market environment was also affected by concerns about the spread of the conflict in the Middle East. The worsened outlook for economic developments in Europe also had a negative impact on stock-market sentiment. Against this backdrop, share prices on the European stock exchanges started falling significantly in July. Daimler's share price was unable to escape this development. There were slight signs of recovery on the European stock markets in the second half of the third quarter, however, partially offsetting share-price falls in many sectors. This seems to have been primarily due to the announcement of further monetary-policy support measures by the European Central Bank (ECB). But the development of cyclical stocks was weaker than the overall market in the second half of the quarter. Those stock included the automotive sector and Daimler shares.

Daimler's share price stood at €60.73 at closing on September 30, and had thus fallen by 11% over the third quarter, like the Dow Jones STOXX Auto. The DAX fell by 4% over the same period. Daimler's market capitalization at the end of the quarter was €65.0 billion, which was €3.3 billion or 5% higher than a year earlier.

Favorable market environment used for benchmark emissions

The Daimler Group carried out two so-called benchmark emissions in the third quarter. In early July, Daimler AG issued a ten-year bond in the euro market with a volume of €500 million. In August, Daimler Finance North America LLC issued bonds with three-, five- and ten-year maturities in one transaction in the US capital market with a total volume of US \$2.5 billion. In addition, an asset-backed securities (ABS) transaction was conducted in the United States in July with a volume of approximately US \$1.1 billion.

Interim Management Report.

Unit sales 7% above prior-year level at 637,400 vehicles

Revenue up by 10% to €33.1 billion

EBIT from ongoing business of €2,787 million significantly higher than in prior-year period (€2,300 million)

Net profit of €2,821 million (Q3 2013: €1,897 million)

Free cash flow of industrial business excluding effects of acquisitions and disposals of €2.9 billion (Q3 2013: €1.6 bn)

Significant growth in unit sales and revenue anticipated for full-year 2014

EBIT from ongoing business expected to be significantly higher than in 2013

Free cash flow of the industrial business excluding effects of acquisitions and disposals as well as special payments in connection with pension and healthcare benefits expected to be significantly higher than in 2013

Business development

Moderate upswing of world economy

Although the **world economy** continued its upward trend in the third quarter, its rate of growth still seems to have been rather low. This was primarily due to the weak economic development of the European Monetary Union. Meanwhile, the political uncertainty caused by the tension between Russia and Ukraine is having a sustained dampening effect on business confidence, investment and exports. In particular, the major European economies such as Germany, France and Italy are therefore likely to have developed only very moderately in the third quarter. But also in some of the larger emerging countries, total economic output in the third quarter is likely to have been well below expectations, in Brazil, South Africa and Russia for example. Against this backdrop, the growth of the world economy is mainly driven by the Anglo-Saxon economies, above all the United States and the United Kingdom. The Asian economies also developed positively, benefiting from solid economic growth in China as well as improving prospects in India and Indonesia. Despite the general tendency of increased geopolitical risks, the oil price decreased from its peak in July of approximately US \$20 per barrel, which in turn further reduced inflation rates. In view of the ongoing danger of deflation and the weak economy, the European Central Bank therefore decided on lower interest rates as well as further expansive measures. In this context, the euro came under increasing pressure against the US dollar and weakened during the third quarter by 10 cents or 8%.

Worldwide demand for cars in the third quarter was stronger than in the prior-year period, but the growth dynamism weakened somewhat. Global growth was once again primarily driven by the two largest sales markets, China and the United States. In China, the stable upward trend continued with growth of nearly 10%. The US market continued its dynamic development and expanded by almost 8% compared with the third quarter of last year. The Western European market continued its moderate recovery with growth of just over 4%, but the individual countries performed very differently once again. The boom of the British market continued unabated with expansion of approximately 6%. The German market showed moderate growth, while demand in France did not improve from the weak prior-year level. In the Japanese market, the negative impact of the increase in value-added tax this April was still apparent and the number of cars sold was about 5% lower than in the third quarter of 2013. Apart from China, demand in the major emerging markets differed widely. The Indian market continued to stabilize and posted significant growth again for the first time since late 2012. But demand in Russia slumped by about a quarter due to the Ukraine crisis and the related economic weakness.

With the exception of the NAFTA region and Japan, demand for **medium- and heavy-duty trucks** in the major markets continued to be impacted by difficult economic conditions. The European market was still suffering from the negative market effects of the new Euro VI emission limits as well as sluggish economic developments and contracted significantly compared with the prior-year period. However, the increase in value-added tax in Japan had only a temporary impact on demand for light-, medium- and heavy-duty trucks. The Japanese market continued its growth trend in the third quarter and was significantly larger than in the prior-year period. The development of demand in North America was also favorable. Thanks to the region's positive economic development, the market for trucks in weight classes 6-8 expanded by a double-digit rate. Demand for medium- and heavy-duty trucks in Brazil remained weak, however. That market was affected by the unfavorable economic outlook and political uncertainty and contracted by a double-digit rate compared with the third quarter of 2013. Increasing signs of market stabilization were apparent in India, however. For the first time in almost three years, the Indian market expanded again compared with the prior-year quarter. But there are still no signs of an end to the weakness of demand in Russia. According to recent estimates, that market seems to have contracted by a significant double-digit rate. Little dynamism was to be observed in China, the world's biggest truck market, where demand was significantly lower than in the third quarter of last year.

Demand for medium-sized and large **vans** in Europe increased slightly compared with the third quarter of 2013, whereas the market for small vans decreased slightly. The North American van market continued its strong growth. The market for vans in Latin America contracted significantly due to the general economic situation there.

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

Significant growth in third-quarter unit sales

In the third quarter of this year, the Daimler Group sold 637,400 cars and commercial vehicles worldwide, surpassing the prior-year total by 7%.

Unit sales by **Mercedes-Benz Cars** increased by 9% to 431,000 vehicles in the third quarter of 2014. This means that the period under review was the quarter with the highest unit sales in the company's history. Mercedes-Benz Cars sold 94,100 units in Western Europe (excluding Germany), which is 15% more than in the prior-year period. The main growth driver in this region was the United Kingdom (+18%). In Germany, the division sold 66,200 vehicles of the Mercedes-Benz and smart brands (Q3 2013: 69,900). Mercedes-Benz Cars set a new record in the United States, the division's biggest export market, with sales of 84,100 units in the third quarter (+5%). In China, we continued along our growth path and increased our unit sales to the new record of 76,200 vehicles (+18%). In Japan, we were able to resist the general market weakness and increased our unit sales by 15%. The development of unit sales by Mercedes-Benz Cars was particularly positive also in South Korea (+40%) and the Middle East (+28%).

Daimler Trucks achieved sales of 125,600 units in the third quarter, which is slightly more than in the prior-year period (Q3 2013: 124,500). The development of demand and unit sales differed greatly in the various regions, however. In Western Europe, sales of 14,800 vehicles were 11% lower than in the third quarter of last year. This was primarily due to purchases being brought forward last year because of the new emission regulations that came into force in 2014. Sales of trucks in Latin America have been decreasing since the beginning of this year. Our third-quarter sales there fell significantly by 23% to

12,500 units, with a reduction of 17% in Brazil. At the same time, with our Mercedes-Benz trucks in the medium- and heavy-duty segment, we succeeded in expanding our market share in Western Europe from 24.3% to 24.7% and in Brazil from 24.5% to 27.1%. On the other hand, the division achieved strong growth of 25% to 43,900 units in the NAFTA region, where we once again clearly defended our market leadership in weight classes 6-8. In Asia, the number of 38,600 trucks sold was 6% lower than in the prior-year quarter. This was mainly the result of the sharp drop in demand in Indonesia. Our unit sales in Japan and India developed positively, however.

Mercedes-Benz Vans increased its third-quarter unit sales by 11% to 72,200 units. After its very successful market launch, the new V-Class boosted unit sales in the segment of multipurpose vehicles. The Sprinter also continued its market success. In the core region of Western Europe, Mercedes-Benz Vans once again achieved double-digit growth in unit sales with an increase of 19% to 47,100 vehicles. Sales of 7,000 units in Eastern Europe were slightly below the prior-year level (Q3 2013: 7,200). The division continued along its successful path in the United States, where sales in the third quarter increased by 18% to 6,500 units. The market environment in Latin America remained difficult, however. We sold 3,600 vehicles in this region, which is substantially lower than the volume of the prior-year quarter (-31%). Sales decreased also in China: by 7% to 3,200 units.

Daimler Buses' worldwide unit sales of 8,600 buses and bus chassis in the third quarter were significantly lower than the number of 9,600 units sold in the same period of last year. The decrease in unit sales primarily reflects the weaker business with bus chassis in Latin America. However, the business with complete buses in Western Europe grew once again compared with the prior-year period; sales in this region rose to 1,900 units (+9%). In Latin America (excluding Mexico), sales of 4,700 bus chassis in the reporting period were significantly lower than in the prior-year period, as expected (Q3 2013: 5,800). The difficult economic situation in Argentina, Brazil and other countries in the region had a negative impact on the development of our sales.

At **Daimler Financial Services**, new business of €12.4 billion was 20% above the volume of the third quarter of last year. Contract volume reached €93.7 billion at the end of September and was thus 12% higher than at the end of 2013. Adjusted for exchange-rate effects, there was an increase of 7%. The insurance business continued to develop very positively.

The Daimler Group's third-quarter **revenue** amounted to €33.1 billion, which is 10% higher than in the third quarter of last year. Adjusted for exchange-rate effects, revenue grew by 11%.

Strong demand for automobiles in combination with a favorable model-mix at Mercedes-Benz Cars led to revenue rising at a higher rate than unit sales, namely by 13% to €18.7 billion. Primarily due to its successful unit sales in the NAFTA region, Daimler Trucks increased its revenue by 6% to €8.5 billion. The Mercedes-Benz Vans division achieved revenue growth of 12%, whereas Daimler Buses' revenue decreased by 8% as a result of the weaker business in Latin America. In regional terms, the Group's revenue increased significantly in the NAFTA region and in Asia, while the difficult economic situation in Latin America resulted in lower revenue there.

C.01

Unit sales by division

	Q3 2014	Q3 2013	% change
Daimler Group	637,423	594,874	+7
Mercedes-Benz Cars	431,041	395,446	+9
Daimler Trucks	125,556	124,465	+1
Mercedes-Benz Vans	72,207	65,314	+11
Daimler Buses	8,619	9,649	-11

C.02

Revenue by division

In millions of euros	Q3 2014	Q3 2013	% change
Daimler Group	33,122	30,099	+10
Mercedes-Benz Cars	18,677	16,521	+13
Daimler Trucks	8,463	7,982	+6
Mercedes-Benz Vans	2,515	2,253	+12
Daimler Buses	1,034	1,127	-8
Daimler Financial Services	3,998	3,657	+9

Profitability

The **Daimler Group** posted EBIT of €3,732 million for the third quarter of 2014, which was significantly higher than the prior-year figure (Q3 2013: €2,231 million). Due to the positive development of business at all the divisions, EBIT from the ongoing business increased from €2,300 million to €2,787 million.

In particular, the product mix at Mercedes-Benz-Cars and the increasing impact of the efficiency measures that have been implemented at all divisions had a positive effect on operating profit. Foreign exchange rates had a slightly negative impact on earnings, however. [↗ C.03](#)

The third quarter of 2014 was particularly influenced by the sale of the shares in Rolls-Royce Power Systems Holding GmbH (RRPSH). This resulted in a gain of €1,006 million, which is presented in the reconciliation.

The special items shown in table [↗ C.04](#) affected EBIT in the third quarter and the first nine months of 2014 and 2013.

C.03

EBIT by segment

In millions of euros	Q3 2014	Q3 2013	% change	Q1-3 2014	Q1-3 2013	% change
Mercedes-Benz Cars	1,584	1,200	+32	4,176	2,701	+55
Daimler Trucks	588	522	+13	1,384	1,072	+29
Mercedes-Benz Vans	176	152	+16	541	437	+24
Daimler Buses	64	59	+8	167	55	+204
Daimler Financial Services	355	322	+10	1,088	955	+14
Reconciliation	965	-24	.	1,258	3,170	-60
Daimler Group	3,732	2,231	+67	8,614	8,390	+3

C.04

Special items affecting EBIT

In millions of euros	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013
Mercedes-Benz Cars				
Impairment of investments in the area of alternative drive systems	-30	-51	-30	-94
Daimler Trucks				
Workforce adjustments	-30	-8	-106	-103
Mercedes-Benz Vans				
Reversal of impairment of investment in Fujian Benz Automotive Corp. Ltd.	-	-	61	-
Daimler Buses				
Business repositioning	-	-2	-9	-26
Reconciliation				
Sale of shares in RRPSH	1,006	-	1,006	-
Measurement of put option for RRPSH	-	-21	-118	-50
Remeasurement of Tesla shares	-	-	718	-
Hedge of Tesla share price	-1	-	-230	-
EADS – remeasurement and sale of remaining shares	-	13	-	3,222

Mercedes-Benz Cars' third-quarter EBIT of €1,584 million was significantly higher than the prior-year figure of €1,200 million. The division's return on sales was 8.5% (Q3 2013: 7.3%). ↗ **C.03**

The earnings development primarily reflects the ongoing growth in unit sales, especially in Asia, Europe and the United States. That growth was driven in particular by the S-Class and the expanded range of compact cars. Mercedes-Benz Cars achieved earnings growth also as a result of better pricing. Efficiency actions from the "Fit for Leadership" program also had a positive impact on earnings. There were negative effects on earnings from expenses for the enhancement of products' attractiveness, capacity expansions and advance expenditure for new technologies and vehicles, which includes impairments on investments in the area of alternative drive systems of €30 million. Exchange-rate effects also had a slightly negative impact on earnings.

The EBIT of €588 million posted by **Daimler Trucks** for the third quarter of 2014 was above the prior-year level (Q3 2013: €522 million). The division's return on sales was 6.9% (Q3 2013: 6.5%). ↗ **C.03**

The main driver of the earnings growth was the ongoing very positive development of unit sales in the NAFTA region. The successful implementation of the Daimler Trucks #1 growth and efficiency program also had a positive impact on earnings. However, there were negative effects from lower unit sales in Latin America and Europe as well as from currency development. Workforce adjustments in the context of ongoing optimization programs in Germany and Brazil resulted in expenses of €30 million. An additional factor was that there was no longer a contribution to earnings from RRPSH due to the exercise of the put option.

Mercedes-Benz Vans achieved third-quarter EBIT of €176 million, which is significantly higher than the earnings in the prior-year period of €152 million. The division's return on sales increased slightly to 7.0%, compared with 6.7% in the prior-year period. ↗ **C.03**

Earnings in the third quarter reflect the very positive development of unit sales, especially in Europe and the NAFTA region. Earnings were negatively affected, however, by research and development expenditure for new products and by expenses for the market launch of the new Vito.

Daimler Buses' EBIT of €64 million was higher than its very good earnings of the prior-year period (Q3 2013: €59 million). The division achieved a return on sales of 6.2%, compared with 5.2% in the third quarter of 2013. ↗ **C.03**

The positive business development, a favorable product mix and further efficiency progress in Western Europe more than offset the decreases in earnings in Latin America. Despite the difficult economic situation in Argentina and Brazil and the declining market in Turkey, earnings improved once again compared with the very strong prior-year quarter. Positive exchange-rate developments also contributed to third-quarter earnings.

The **Daimler Financial Services** division surpassed its prior-year earnings with EBIT of €355 million in the third quarter (Q3 2013: €322 million). ↗ **C.03**

The main reason for this development was the growth in contract volume. Additional expenses arose in connection with the expansion of business operations.

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

Items at the corporate level resulted in income of €947 million (Q3 2013: expense of €30 million). This primarily reflects the gain of €1,006 million on the sale of the shares in RRPSH.

The elimination of intra-group transactions resulted in income of €18 million in the third quarter of 2014 (Q3 2013: €6 million).

Net interest expense in the third quarter of 2014 improved by €10 million to €149 million (Q3 2013: €159 million). Expenses in connection with pension and healthcare benefits obligations were lower than the prior-year level. Other interest result improved due to lower costs for maintaining adequate liquidity following the successive expiry of refinancing at high interest rates. There was an opposing effect from lower income from cash deposits and from the remeasurement of interest-rate hedges.

The tax expense of €760 million entered under **income-tax expense** is €585 million higher than in the third quarter of last year. In both periods, the tax expense was relatively low compared with profit before income taxes. In the third quarter of 2014, a gain was recognized on the sale of the RRPSH shares that was largely tax free. In the prior-year period, tax benefits related to the tax assessment of previous years led to the relatively low income-tax expense.

Net profit for the third quarter of 2014 amounted to €2,821 million (Q3 2013: €1,897 million). Net profit of €86 million is attributable to **non-controlling interest** (Q3 2013: €61 million) and net profit of €2,735 million is attributable to the **shareholders of Daimler AG** (Q3 2013: €1,836 million); **earnings per share** therefore amount to €2.56 (Q3 2013: €1.72).

The calculation of earnings per share (basic) is based on an average number of outstanding shares of 1,069.8 million (Q3 2013: 1,069.4 million).

Cash flows

Cash provided by operating activities \nearrow **C.05** of €3.3 billion in the first nine months of 2014 was slightly above the level of the prior-year period. Profit before income taxes included a non-cash gain on the remeasurement and an expense from hedging the price of Tesla shares in a net amount of €0.5 billion in the first nine months of 2014, as well as a cash effective gain of €1.0 billion on the sale of the share in RRPS. In the prior-year period, it included a non-cash gain of €3.4 billion on the remeasurement of the EADS shares. Excluding those effects, profit before income taxes improved significantly compared with the prior-year period. Working capital increased at a higher rate than in the prior-year period. The comparatively higher inventory increase was not fully offset by the development of trade receivables and payables. Growth in new business in leasing and sales financing surpassed the high level of the prior-year period by €1.5 billion. Another factor was that the positive business development in the first nine months of 2014 led to higher income-tax payments.

C.05

Condensed consolidated statement of cash flows

In millions of euros	Q1-3 2014	Q1-3 2013	Change
Cash and cash equivalents at beginning of period	11,053	10,996	57
Cash provided by operating activities	3,270	3,160	110
Cash used for investing activities	-1,557	-4,159	2,602
Cash provided by / used for financing activities	-457	777	-1,234
Effect of exchange-rate changes on cash and cash equivalents	301	-159	460
Cash and cash equivalents at end of period	12,610	10,615	1,995

Cash used for investing activities \nearrow **C.05** amounted to €1.6 billion (Q1-3 2013: €4.2 billion). The change compared with the prior-year period resulted primarily from acquisitions and disposals of securities in the context of liquidity management. Those transactions resulted in a net cash inflow in the reporting period, whereas acquisitions of securities significantly exceeded disposals in the prior-year period. In addition, the decrease in investments in intangible assets had a positive impact. Investments in property, plant and equipment for the ramp-up of new products and for the expansion of production capacities remained at the high level of recent years. In both 2014 and 2013, the first nine months were affected by proceeds from the sale of equity interests. In August 2014, the sale of the shares in RRPSH was concluded and a capital gain of €2.4 billion was recognized. In the first nine months of 2013, cash used for investing activities was significantly affected by the sale of the remaining shares in EADS (€2.3 billion) and by the capital increase at Beijing Benz Automotive Co., Ltd. (BBAC) (€0.2 billion).

Cash provided by / used for financing activities \nearrow **C.05** resulted in a cash outflow of €0.5 billion (Q1-3 2013: cash inflow of €0.8 billion). The change resulted almost solely from the reduction in financing liabilities (net).

Cash and cash equivalents increased compared with December 31, 2013 by €1.6 billion, after taking currency translation into account. Total liquidity, which also includes marketable debt securities, increased by €1.3 billion to €19.5 billion.

C.06

Free cash flow of the industrial business

In millions of euros	Q1-3 2014	Q1-3 2013	Change
Cash provided by operating activities	7,603	6,430	1,173
Cash used for investing activities	-1,737	-4,183	2,446
Change in marketable debt securities	-1	1,736	-1,737
Other adjustments ¹	957	-104	1,061
Free cash flow of the industrial business	6,822	3,879	2,943

1 The effects from the financing of the Group's own dealerships, which are reflected in cash provided by operating activities, are eliminated under other adjustments.

C.07

Net liquidity of the industrial business

In millions of euros	Sept. 30, 2014	Dec. 31, 2013	Change
Cash and cash equivalents	11,659	9,845	1,814
Marketable debt securities	5,357	5,303	54
Liquidity	17,016	15,148	1,868
Financing liabilities	626	-1,324	1,950
Market valuation and currency hedges for financing liabilities	233	10	223
Financing liabilities (nominal)	859	-1,314	2,173
Net liquidity	17,875	13,834	4,041

C.08

Net debt of the Daimler Group

In millions of euros	Sept. 30, 2014	Dec. 31, 2013	Change
Cash and cash equivalents	12,610	11,053	1,557
Marketable debt securities	6,840	7,066	-226
Liquidity	19,450	18,119	1,331
Financing liabilities	-83,642	-77,738	-5,904
Market valuation and currency hedges for financing liabilities	241	-3	244
Financing liabilities (nominal)	-83,401	-77,741	-5,660
Net debt	-63,951	-59,622	-4,329

The parameter used by Daimler to measure the financial capability of the Group's industrial business is the **free cash flow of the industrial business** ↗ C.06, which is derived from the reported cash flows from operating and investing activities.

The cash flows from the acquisition and sale of marketable debt securities included in cash flows from investing activities are deducted, as those securities are allocated to liquidity and changes in them are thus not a part of the free cash flow.

Other adjustments relate to additions to property, plant and equipment that are allocated to the Group as their beneficial owner due to the form of their underlying lease contracts.

Furthermore, effects from the financing of dealerships within the Group are adjusted. In addition, the calculation of the free cash flow includes those cash flows to be shown under cash from financing activities in connection with the acquisition or sale of interests in subsidiaries without the loss of control.

The free cash flow of the industrial business amounted to €6.8 billion in the first nine months of 2014. The sale of the shares in RRPSH contributed €2.4 billion of that amount. The positive profit contributions to earnings of the automotive divisions were reduced by the increase in working capital, defined as the net change in inventories, trade receivables and trade payables, in a total amount of €1.1 billion. The positive development of other operating assets and liabilities was related to the business expansion. Additional positive effects resulted from the sale of trade receivables to Daimler Financial Services by companies in the industrial business. There were negative effects on the free cash flow of the industrial business from high investments in property, plant and equipment and intangible assets, income-tax payments and interest payments.

The increase in the free cash flow of €2.9 billion to €6.8 billion reflects the positive business development and was primarily due to higher profit contributions of the automotive divisions. Higher cash inflows (net) from acquisitions and sales of shares in companies as well as decreasing investments in intangible assets also had a positive impact. Payments of income taxes and interest increased, however.

The **net liquidity of the industrial business** [↗ C.07](#) is calculated as the total amount as shown in the statement of financial position of cash, cash equivalents and marketable debt securities included in liquidity management, less the currency-hedged nominal amounts of financing liabilities.

To the extent that the Group's internal refinancing of the financial services business is provided by the companies of the industrial business, this amount is deducted in the calculation of the net debt of the industrial business. At September 30, 2014, the Group's internal refinancing was of a higher volume than the financing liabilities originally taken on in the industrial business due to the application of the industrial business's own financial funds. This resulted in a positive value for the financing liabilities of the industrial business, thus increasing net liquidity.

Compared with December 31, 2013, the net liquidity of the industrial business increased by €4.0 billion to €17.9 billion. The increase mainly reflects the positive free cash flow. Dividend payments to the shareholders of Daimler AG reduced net liquidity by €2.4 billion. The assumption of the refinancing of the Group's own dealerships by the industrial business as well as positive currency effects led to a total reduction in net liquidity of €0.3 billion.

Net debt at Group level, which primarily results from the refinancing of the leasing and sales financing business, increased by €4.3 billion compared with December 31, 2013. [↗ C.08](#)

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

In the first three quarters of 2014, Daimler had a cash inflow of €10.1 billion from the **issuance of bonds** (Q1-3 2013: €9.3 billion). Bonds were redeemed in an amount of €8.9 billion (Q1-3 2013: €5.2 billion). [↗ C.09](#)

The Daimler Group carried out two so-called **benchmark emissions** in the third quarter. In early July, Daimler AG issued a ten-year bond in the euro market with a volume of €500 million. In August, Daimler Finance North America LLC issued bonds with three-, five- and ten-year maturities in one transaction in the US capital market with a total volume of US \$2.5 billion.

In addition to the emissions shown in the table [↗ C.09](#), the Daimler Group undertook multiple **smaller emissions** in various countries and currencies. In September for example, Mercedes-Benz Finansman Türk A.S. issued a bond for the first time in the context of the Euro Medium Term Note (EMTN) program.

In addition, an **asset-backed securities (ABS) transaction** was conducted in the United States in July in a volume of approximately US \$1.1 billion.

C.09

Benchmark emissions

Issuer	Volume	Month of emission	Maturity
Daimler AG	€750 million	Jan. 2014	Jan. 2022
Daimler Finance North America	\$1,500 million	Mar. 2014	Mar. 2017
Daimler Finance North America	\$650 million	Mar. 2014	Mar. 2021
Daimler AG	£400 million	May 2014	Dec. 2016
Daimler AG	€500 million	July 2014	July 2024
Daimler Finance North America	\$1,500 million	Aug. 2014	Aug. 2017
Daimler Finance North America	\$500 million	Aug. 2014	Sept. 2019
Daimler Finance North America	\$500 million	Aug. 2014	Aug. 2024

Financial position

The Group's **balance sheet total** increased compared with December 31, 2013 from €168.5 billion to €187.2 billion. Adjusted for exchange-rate effects, there was an increase of €12.3 billion. Daimler Financial Services accounts for €99.5 billion of the balance sheet total (December 31, 2013: €89.4 billion), equivalent to 53% of the Daimler Group's total assets, as at December 31, 2013.

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

C.10

Condensed consolidated statement of financial position

In millions of euros	Sept. 30, 2014	Dec. 31, 2013	% change
Assets			
Intangible assets	9,255	9,388	-1
Property, plant and equipment	22,684	21,779	+4
Equipment on operating leases and receivables from financial services	89,596	78,930	+14
Investments accounted for using the equity method	2,235	3,432	-35
Inventories	21,471	17,349	+24
Trade receivables	8,238	7,803	+6
Cash and cash equivalents	12,610	11,053	+14
Marketable debt securities	6,840	7,066	-3
Other financial assets	7,378	6,241	+18
Other assets	6,892	5,477	+26
Total assets	187,199	168,518	+11
Equity and liabilities			
Equity	45,083	43,363	+4
Provisions	27,116	23,098	+17
Financing liabilities	83,642	77,738	+8
Trade payables	11,929	9,086	+31
Other financial liabilities	10,960	8,276	+32
Other liabilities	8,469	6,957	+22
Total equity and liabilities	187,199	168,518	+11

Intangible assets of €9.3 billion include €7.2 billion of capitalized development costs (December 31, 2013: €7.3 billion) and €0.7 billion of goodwill. The Mercedes-Benz Cars division accounts for 69% of the development costs and the Daimler Trucks division accounts for 23%.

Capital expenditure was higher than depreciation, causing **property, plant and equipment** to rise to €22.7 billion (December 31, 2013: €21.8 billion). In the first nine months of 2014, a total of €3.3 billion was invested primarily at the sites in Germany for the ramp-up of new products, the expansion of production capacities and modernization.

Equipment on operating leases and receivables from financial services increased to €89.6 billion (December 31, 2013: €78.9 billion). The increase of €6.4 billion after adjusting for exchange-rate effects was the result of higher new business at Daimler Financial Services. The growth reflects the successful course of business in particular in the United States, Asia and Western Europe. Those assets' share of total assets of 48% is above the level of December 31, 2013 (47%).

Investments accounted for using the equity method of €2.2 billion (December 31, 2013: €3.4 billion) mainly comprise the carrying amounts of our investments in Beijing Benz Automotive Co., Ltd. and BAIC Motor Corporation Ltd. in the car business and in Beijing Foton Daimler Automotive Co., Ltd. and Kamaz OAO in the truck business. The decrease compared with the end of 2013 resulted from the sale of the 50% stake in the joint venture Rolls-Royce Power Systems Holding GmbH to Rolls-Royce Holdings plc in the third quarter of 2014.

Inventories increased from €17.3 billion to €21.5 billion, equivalent to 11% of total assets (December 31, 2013: 10%). The increase of €3.5 billion after adjusting for exchange-rate effects was primarily due to changes in production volumes during the year as well as the launch of new models. This resulted primarily at the Mercedes-Benz Cars and Daimler Trucks divisions in increased stocks of finished and unfinished goods in Germany and the United States.

Trade receivables increased by €0.4 billion to €8.2 billion. The Mercedes-Benz Cars division accounts for 47% of these receivables and the Daimler Trucks division accounts for 32%.

Cash and cash equivalents increased compared with the end of 2013 by €1.6 billion to €12.6 billion. The increase amounted to €1.3 billion after adjusting for exchange-rate effects.

Marketable debt securities decreased compared with December 31, 2013 from €7.1 billion to €6.8 billion. Those assets include debt instruments that are allocated to liquidity, most of which are publicly traded. They generally have an external rating of A or better.

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

Other assets of €6.9 billion (December 31, 2013: €5.5 billion) primarily comprise deferred tax assets and tax refund claims. The increase in deferred tax assets primarily relates to non-profit effects from pensions and similar obligations as well as from derivative financial instruments.

The Group's **equity** increased compared with December 31, 2013 from €43.4 billion to €45.1 billion. Equity attributable to the shareholders of Daimler AG increased to €44.3 billion (December 31, 2013: €42.7 billion). The net profit of €6.1 billion and positive currency translation effects of €1.6 billion led to the increase in equity. There was a negative impact on equity, however, from the distribution of the dividend for financial year 2013 to the shareholders of Daimler AG in an amount of €2.4 billion, actuarial losses from defined-benefit pension plans (€2.1 billion) and the remeasurement of derivative financial instruments (€1.7 billion).

The Group's **equity ratio** of 24.1% was lower than at the end of 2013 (24.3%). The equity ratio for the industrial business was 42.8% (December 31, 2013: 43.4%). This development is due not only to the changes in equity, but also to the increase in the balance sheet total. It is necessary to consider that the equity ratios at year-end 2013 are adjusted for the dividend payment.

Provisions increased to €27.1 billion (December 31, 2013: €23.1 billion), equivalent to 14% of the balance sheet total, as at the end of 2013. They primarily comprise provisions for pensions and similar obligations of €13.2 billion (December 31, 2013: €9.9 billion), which mainly relate to net pension obligations defined as the difference between the present value of pension obligations of €27.5 billion (December 31, 2013: €23.2 billion) and the fair value of the pension plan assets applied to finance those obligations of €15.4 billion (December 31, 2013: €14.7 billion). Provisions also relate to liabilities from product warranties of €4.9 billion (December 31, 2013: €4.7 billion), from personnel and social costs of €3.5 billion (December 31, 2013: €3.2 billion) and from income taxes of €1.3 billion (December 31, 2013: €1.3 billion).

The increase was mainly caused by significantly higher provisions for pensions and similar obligations, caused by the decrease in discount rates, especially for the German plans from 3.4% at December 31, 2013 to 2.3% at September 30, 2014.

Financing liabilities of €83.6 billion were above the level of December 31, 2013 (€77.7 billion). As well as exchange-rate effects of €3.1 billion, the increase primarily reflects the growing leasing and sales-financing business. 50% of the financing liabilities are accounted for by bonds, 26% by liabilities to financial institutions, 13% by deposits in the direct banking business, and 7% by liabilities from ABS transactions.

Trade payables increased to €12.0 billion due to changes in production volumes during the year (December 31, 2013: €9.1 billion). The Mercedes-Benz Cars division accounts for 62% of those payables and the Daimler Trucks division accounts for 26%.

Other financial liabilities amount to €11.0 billion (December 31, 2013: €8.3 billion). They mainly consist of liabilities from residual value guarantees, accrued interest expenses on financing liabilities, deposits received, liabilities from wages and salaries, and derivative financial instruments. The increase after adjusting for exchange-rate effects (€2.0 billion) is primarily related to derivative financial instruments.

Other liabilities of €8.5 billion (December 31, 2013: €7.0 billion) primarily comprise deferred income, tax liabilities and deferred taxes. The increase mainly results from deferred income (€0.8 billion) and currency translation (€0.4 billion).

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

Capital expenditure and research activities

The Daimler Group invested €1.2 billion in property, plant and equipment in the third quarter of this year (Q3 2013: €1.1 billion). Most of that investment volume, €0.9 billion, was at the Mercedes-Benz Cars division (Q3 2013: €0.8 billion). The main area of capital expenditure was on production preparations for new models, in particular the new C-Class and its derivatives, the new SUV coupe, and investments for new transmissions and engine versions. Another area of capital expenditure was for the ongoing expansion of our international production and component plants.

The Daimler Group's research and development spending in the third quarter of the year amounted to €1.4 billion (Q3 2013: €1.3 billion), of which €0.3 billion was capitalized (Q3 2013: €0.3 billion). Approximately two thirds of the research and development spending was at the Mercedes-Benz Cars segment. The main areas were new vehicle models, particularly fuel-efficient and environmentally friendly drive systems, and new safety technologies.

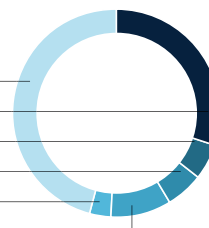
Workforce

At the end of the third quarter of 2014, Daimler employed 282,302 people worldwide (end of 2013: 274,616). Of that total, 170,417 were employed in Germany (end of 2013: 167,447), 22,463 in the United States (end of 2013: 20,993), 12,645 in Brazil (end of 2013: 14,091) and 11,468 in Japan (end of 2013: 11,275). Our consolidated companies in China had 2,571 employees at the end of the third quarter (end of 2013: 1,966). Due to reorganization in the context of the Customer Dedication initiative, the numbers of employees previously reported under "Sales Organization" are included in the respective divisions as of 2014. This does not apply, however, to the Group's own sales and service centers in Germany and the logistics center in Germersheim, whose employees are included under "Group Functions & Services" as of 2014.

C.11

Employees by division at September 30, 2014

Daimler Group	282,302
Mercedes-Benz Cars	130,022
Daimler Trucks	84,124
Mercedes-Benz Vans	16,281
Daimler Buses	16,214
Daimler Financial Services	8,690
Group Functions & Services	26,971



Important events

World premiere: Daimler Trucks presents the self-driving Mercedes-Benz Future Truck 2025

On July 3, 2014, Daimler Trucks presented the Mercedes-Benz Future Truck 2025. This vehicle features the highly intelligent Highway Pilot assistance system and can thus drive fully autonomously on highways at speeds up to 85 km/h. Daimler Trucks provided the proof of this technology on a section of the A 14 autobahn near Magdeburg, demonstrating the Future Truck in use in entirely realistic driving situations. The many advantages of a self-driving truck are clear: The Future Truck stands for more efficiency, safety and connectivity – and thus for more sustainable transport – to the common benefit of the economy, society and consumers.

40 years of partnership: Daimler and Kuwait Investment Authority celebrate a jubilee

Daimler AG and the state-owned Kuwait Investment Authority (KIA) underscored their 40 years of partnership with a celebration on September 18, 2014. The Kuwait Investment Authority acquired an equity interest in the former Daimler-Benz AG in November 1974, taking over a block of shares representing approximately 14% of the then share capital from the Quandt Group. With its current stake of 6.8%, the Kuwait Investment Authority is the biggest shareholder in Daimler AG.

Subsequent events

In mid-October 2014, Daimler sold its equity interest in Tesla and discontinued the related hedging arrangement prematurely. This resulted in a net cash inflow of approximately €0.6 billion. The Group's EBIT for the fourth quarter of 2014 will be positively impacted by approximately €0.1 billion.

Risk and opportunity report

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

At the beginning of the fourth quarter of 2014, economic risks for the world economy have increased somewhat, mainly reflecting increased political risks. Those risks are on the one hand the possible escalation of tension between Russia and the Western countries, primarily in the form of an accelerating spiral of sanctions and countersanctions. On the other hand, the considerable tension in the Middle East constitutes a considerable threat for the development of the oil price. In particular, those economies that depend on cash inflows due to their foreign-trade imbalances remain susceptible to growth slowdowns. In the United States, the expected monetary-policy turnaround could lead to unforeseen effects in particular on investments. Although the peripheral countries of the European Monetary Union have so far remained rather stable, we are still far from a full all clear with regard to the sovereign-debt crisis, and deflationary risks still exist in this region. The ongoing economic weakness of France and Italy gives increasing cause for concern; due to the size of those countries' economies, there could be an impact on the economic development of the entire euro zone. In China, there is undiminished concern about the possibility of uncontrolled developments in the financial market caused by a bursting of the credit bubble, the insolvency of various investment products or a crash of the real-estate market. Furthermore, the restructuring of the Chinese economy continues to entail the risk of a hard landing. On the opportunities side, the main potential is of a quick improvement and rapid economic recovery of the emerging markets, as well as a sustained revival of the economy of the euro zone. Should political tension in the Middle East quickly subside, there also would be positive effects from a falling oil price. The reduction of the legal period for payment of invoices to 30 calendar days means that the Group will have to maintain higher levels of working capital.

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

Outlook

At the beginning of the fourth quarter, the **world economy** continues to develop at significantly below its long-term growth potential. Unfortunately, the available leading indicators currently do not suggest that a sustainable improvement can be expected by the end of the year. In particular, economic indicators in the European Monetary Union (EMU) point towards a rather difficult fourth quarter. The uncertainty caused by the tension between Russia and Ukraine is dampening business sentiment and is thus having a negative impact on investment. Another factor is that bank lending in the EMU is still restrained and deflationary fears have become established. Although the European Central Bank has already reacted with lower interest rates and additional expansive monetary policy, and is expected to continue with further measures, the impact on the real economy is likely to remain limited until the end of the year. Moreover, the considerable economic weakness of such important countries as Italy, France and recently also Germany is dampening the economic outlook. The EMU is likely to post overall growth of only about 0.7% this year, whereby the German economy should surpass the 1% mark. Within Western Europe, the British economy is currently an exception with a rate of expansion of approximately 3%. The US economy is one of the most important drivers of global growth. Following negative growth in the first quarter due to the severe winter, the economy has gained significant impetus and has been developing at a strong pace recently. As solid growth rates can be expected towards the end of 2014, expansion of rather more than 2% can be anticipated for the full year. Economic expectations for Japan have meanwhile settled at between 1% and 1.5%. The stabilization of overall economic growth in China at between 7% and 7.5% is of crucial importance for the world economy. Although concern generally continues about the stability of the Chinese financial system, the risk of a hard landing has decreased somewhat. While most Asian economies are now on a path of solid expansion, the outlook has worsened for South America, Eastern Europe and South Africa. Overall, the world economy should grow in the year 2014 by 2.7% – a similar rate to last year – but when compared with the long-term trend, it would be the third successive year with below-average growth. Particularly in view of the substantial geopolitical risks, the further development of the world economy remains very fragile and susceptible to disturbances.

Worldwide demand for cars is likely to expand only moderately this year, with expected growth of around 3%. The Chinese and US markets continue to be the most important growth drivers. In China, growth in demand has slowed down somewhat recently, but a double-digit rise in car sales can be expected for the full year. The US market is profiting from the country's booming economy and should expand by approximately 5% compared with last year. With a probable volume of significantly more than 16 million cars and light trucks, the market will return to a level that was last achieved before the financial crisis broke out. For the first time after many years of a negative market development, demand will expand once again also in Western Europe. But due to the region's weak economic growth, the market recovery will be relatively moderate in spite of the very low starting point. The core markets of Western Europe present a disparate picture. Demand in the United Kingdom should expand significantly once again. Only moderate growth is to be expected in Germany, however, and the French market is unlikely to be much larger than its weak prior-year volume. In Japan, the negative effect of the increase in value-added tax has been less pronounced than expected, so from today's perspective, it seems possible that this year's market volume will match that of last year. The picture has become rather disparate in the major emerging markets (excluding China). In India, a stabilization of demand has become increasingly apparent, so we continue to forecast a moderate market recovery. In Russia, however, the number of cars sold has slumped recently due to the economic consequences of the Ukraine crisis, so market contraction at a double-digit rate is to be expected for the full year.

From today's perspective, **global demand for medium- and heavy-duty trucks** in the year 2014 is expected to be slightly below the level of last year. With the exception of North America and Japan, difficult market conditions are still to be observed in most of the major markets. In the NAFTA region, however, we expect an ongoing positive market development in the rest of 2014 and market growth of around 10% in the full year. In the European market, there are ongoing negative effects from the introduction of Euro VI emission regulations as well as from low economic growth rates. From today's perspective, we anticipate market contraction in the magnitude of 10%. The Japanese market for light-, medium- and heavy-duty trucks was largely unaffected by the increase in value-added tax and should expand by approximately 10%. In Brazil, however, the market is likely to contract by around 15% due to the country's ongoing weak economy. We expect the Indian market to continue stabilizing during the rest of 2014, but anticipate a drop in demand for the full year. The Russian market is severely affected by the Ukraine crisis and will contract significantly once again this year. In China, the repeated postponement of the introduction of new emission regulations is creating uncertainty and hindering the market's development. Demand in China in 2014 is likely to be slightly below the level of 2013.

We assume that overall demand for medium-sized and large **vans** in Europe will recover slightly in 2014, although market developments are likely to differ greatly in the various countries. For small vans, we now anticipate a slightly larger market volume in Europe than in 2013. In the United States, we expect demand for large vans to increase significantly in the year 2014, and we anticipate a moderate revival of demand also in China. In Latin America, we now assume that the market for large vans will contract significantly in the full year.

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

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

After the strongest nine months in the company's history, **Mercedes-Benz Cars** assumes that it will significantly increase its unit sales also in full-year 2014 and will set a new record. Following the market launch of the C-Class sedan in the high-volume markets of the United States and China in late August, this model series is providing additional growth impetus. That momentum is now being accelerated by the wagon version of the C-Class, which was launched in the major European markets in September. Further products will follow by the end of the year as we continue our product offensive. In November, we will launch the extensively upgraded B-Class, which will be available with fuel-efficient engines: four diesel and four gasoline. Also in November, the new smart fortwo and forfour will be delivered to dealerships. These new models maintain the proven smart concept, but offer even more variety than their predecessors.

Daimler Trucks assumes that it will achieve a slight increase in overall unit sales in the year 2014, but anticipates differing developments in the various regions. In Western Europe, the year 2013 was affected by purchases being brought forward because of the introduction of Euro VI emission regulations in 2014. Low economic growth rates are also dampening demand, so we expect a significant decrease in unit sales in this region in the full year. Demand in Eastern Europe is also likely to fall due to the ongoing difficult political and economic situation. The economic situation had a negative impact on unit sales also in Latin America. Against this backdrop, we anticipate another significant drop in demand in the Brazilian market. However, unit sales in the NAFTA region should be significantly higher than in 2013 due to the generally positive development of demand. In view of the excellent acceptance of our products, we assume that we will be able to successfully defend our market leadership in that region. In Asia, we assume that the expected growth in Japan, our core market, will have a positive effect on unit sales. In Indonesia, on the other hand, declining market demand is likely to have a negative impact on our unit sales. However, we anticipate a significant contribution to the division's growth in unit sales from our steadily expanding BharatBenz model range.

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

Daimler Buses expects unit sales in 2014 to be slightly lower than in the previous year, although the proportion of complete buses should develop positively. In Western Europe, Daimler Buses anticipates significant expansion of its business with complete buses this year. Due to the critical economic situation in Brazil and Argentina, demand for bus chassis in Latin America is expected to be weaker also in the fourth quarter of 2014. We therefore now anticipate a significantly lower volume of unit sales in Latin America than in 2013.

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

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

On the basis of the anticipated market development, the aforementioned factors and the planning of our divisions, we assume that **EBIT from the ongoing business** will increase significantly in the year 2014.

For the individual divisions, we aim to achieve the following EBIT targets from the ongoing business in full-year 2014:

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

The remeasurement at fair value of our equity interest in Tesla Motors and the hedge of its share price resulted in an EBIT contribution of €0.5 billion in the first nine months. In addition, the sale of our shares in Rolls-Royce Power Systems Holding GmbH resulted in an EBIT effect of plus €1.0 billion in the third quarter. These profit contributions are not attributable to the ongoing business.

The anticipated development of earnings in the automotive divisions will have a positive impact also on the **free cash flow of the industrial business** in 2014.

When comparing with the prior-year figure, it is necessary to consider that the free cash flow of €4.8 billion in the year 2013 included a cash inflow of €2.2 billion from the successful EADS transaction and a cash outflow of €0.6 billion for the acquisition of a 12% equity interest in BAIC Motor. The free cash flow of the year 2014 includes a cash inflow of €2.43 billion from the sale of our shares in Rolls-Royce Power Systems Holding GmbH, which we concluded in the third quarter. In addition, we had a cash inflow in the fourth quarter of €0.6 billion from the sale of the shares in Tesla and the discontinuation of the related share-price hedge. According to our current assessment, the free cash flow of the industrial business in 2014, adjusted for the effects of acquisitions and disposals of equity interests as well as special payments in connection with pension and healthcare benefits, will be significantly higher than in 2013.

In order to achieve our ambitious growth targets, we plan to **invest in property, plant and equipment** in the year 2014 in the magnitude of the previous year (€5.0 billion). In addition to capital expenditure, we are developing our position in the emerging markets by means of targeted financial investments in joint ventures and equity interests.

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

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

Forward-looking statements:

This document contains forward-looking statements that reflect our current views about future events. The words "anticipate," "assume," "believe," "estimate," "expect," "intend," "may," "can," "could," "plan," "project," "should" and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including an adverse development of global economic conditions, in particular a decline of demand in our most important markets; a worsening of the sovereign-debt crisis in the euro zone; an increase in political tension in Eastern Europe; a deterioration of our refinancing possibilities on the credit and financial markets; events of force majeure including natural disasters, epidemics, acts of terrorism, political unrest, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates; a shift in consumer preferences towards smaller, lower-margin vehicles; a possible lack of acceptance of our products or services which limits our ability to achieve prices and adequately utilize our production capacities; price increases for fuel or raw materials; disruption of production due to shortages of materials, labor strikes or supplier insolvencies; a decline in resale prices of used vehicles; the effective implementation of cost-reduction and efficiency-optimization measures; the business outlook for companies in which we hold a significant equity interest; the successful implementation of strategic cooperations and joint ventures; changes in laws, regulations and government policies, particularly those relating to vehicle emissions, fuel economy and safety; the resolution of pending government investigations and the conclusion of pending or threatened future legal proceedings; and other risks and uncertainties, some of which we describe under the heading "Risk and Opportunity Report" in the current Annual Report. If any of these risks and uncertainties materializes or if the assumptions underlying any of our forward-looking statements prove to be incorrect, the actual results may be materially different from those we express or imply by such statements. We do not intend or assume any obligation to update these forward-looking statements since they are based solely on the circumstances at the date of publication.

Mercedes-Benz Cars.

Best-ever quarter for unit sales with 431,000 vehicles sold (Q3 2013: 395,400)

Successful market launch of C-Class sedan and wagon

World premiere of Mercedes-AMG GT

EBIT up 32% to €1,584 million

	Q3		
Amounts in millions of euros	Q3 2014	Q3 2013	% change
EBIT	1,584	1,200	+32
Revenue	18,677	16,521	+13
Unit sales	431,041	395,446	+9
Production	459,259	391,934	+17
Employees	130,022	96,895 ¹	+34

¹ At December 31, 2013

Best-ever quarter for unit sales

Mercedes-Benz Cars' sales volume increased in the third quarter of 2014 by 9% to 431,000 vehicles. This made that quarter the best ever in the company's history in terms of unit sales. Revenue rose by 13% to €18.7 billion and EBIT amounted to €1,584 million (Q3 2013: €1,200 million).

In Western Europe (excluding Germany), Mercedes-Benz Cars sold 94,100 vehicles, 15% more than in the third quarter of last year. The main growth driver in this region was the United Kingdom (+18%). In Germany, the division sold 66,200 vehicles of the Mercedes-Benz and smart brands in a highly competitive environment (Q3 2013: 69,900). In the United States, its biggest market, Mercedes-Benz Cars set a new record with sales of 84,100 units (+5%). In China, we continued along our successful path and increased our unit sales to the new record of 76,200 vehicles (+18%). The development of unit sales by Mercedes-Benz Cars was particularly strong in the third quarter also in Japan (+15%), South Korea (+40%) and the Middle East (+28%).

Growth driven by compact cars and S-Class

Amongst the Mercedes-Benz model series, the new compact cars were especially strong growth drivers in the third quarter. Worldwide, 125,900 customers decided in favor of a model of the A-, B-, CLA- or GLA-Class (+30%). Sales of 92,000 units in the C-Class segment were 6% above the prior-year level thanks to the successful market launch of the sedan and wagon versions. In the E-Class segment, 78,100 units were sold (Q3 2013: 98,700). Our leadership in the luxury segment continued with the S-Class. From July through September, 28,200 units of the S-Class sedan were sold, approximately three times as many as in the same period of last year (Q3 2013: 10,100).

	Q1-3		
Amounts in millions of euros	Q1-3 2014	Q1-3 2013	% change
EBIT	4,176	2,701	+55
Revenue	53,452	46,955	+14
Unit sales	1,239,202	1,141,668	+9
Production	1,273,356	1,177,984	+8
Employees	130,022	96,895 ¹	+34

¹ At December 31, 2013

	Q3		
Unit sales	Q3 2014	Q3 2013	% change
Total	431,041	395,446	+9
Western Europe	160,264	151,438	+6
Germany	66,201	69,908	-5
United States	84,085	80,106	+5
China	76,233	64,808	+18
Other markets	110,459	99,094	+11

Worldwide sales of our SUVs increased by 5% to 85,800 units. The upcoming model change of the smart was reflected by a slight decrease in sales volume to 17,800 units (Q3 2013: 18,000).

C-Class available in all major markets

By the end of the third quarter, the C-Class had become available in all major markets. In late August, the sedan was launched in the high-volume markets of the United States and China. In Europe, the wagon version also became available in late September, after the market launch of the sedan in March. With the launch of the S-Class Coupé and the S 500 PLUG-IN HYBRID on September 27, two more members of the S-Class family are now available in Europe. And the new Mercedes-AMG GT had its world premiere in September.

Positive effects from Fit for Leadership program

By the end of the third quarter of 2014, we had already reached 70% of the program's planned efficiency volume. This means we are well on the way towards achieving 80-90% of the total volume of €2 billion by the end of 2014, as planned.

C-Class: production on four continents

Our production plants continued to have high capacity utilization in the third quarter of this year. Most of them worked through the summer months without any vacation breaks. A main feature of the third quarter was the new C-Class, which for the first time is now produced on four continents: Production of the C-Class started in Beijing in July, after the plants in Bremen, East London and Tuscaloosa had previously started producing our best-selling model series.

	Q1-3		
Unit sales	Q1-3 2014	Q1-3 2013	% change
Total	1,239,202	1,141,668	+9
Western Europe	484,493	479,376	+1
Germany	198,528	210,812	-6
United States	242,850	224,580	+8
China	214,637	171,263	+25
Other markets	297,222	266,449	+12

Daimler Trucks.

Ongoing excellent development of unit sales in the NAFTA region
 Presentation of new FUSO models in Indonesia
 Future Truck 2025 is the highlight of the 65th IAA Commercial Vehicles Show
 EBIT up 13% to €588 million

D.05 Q3

Amounts in millions of euros	Q3 2014	Q3 2013	% change
EBIT	588	522	+13
Revenue	8,463	7,982	+6
Unit sales	125,556	124,465	+1
Production	124,366	128,289	-3
Employees	84,124	79,020 ¹	+6

¹ At December 31, 2013

D.06 Q3

Unit sales	Q3 2014	Q3 2013	% change
Total	125,556	124,465	+1
Western Europe	14,822	16,662	-11
NAFTA region	43,868	35,125	+25
Latin America (excluding Mexico)	12,528	16,204	-23
Asia	38,582	41,115	-6
Other markets	15,756	15,359	+3
BFDA (Auman Trucks)	18,051	24,129	-25
Total (including BFDA)	143,607	148,594	-3

Growth in unit sales, revenue and EBIT

Daimler Trucks' third-quarter unit sales of 125,600 vehicles were slightly above the prior-year level. Revenue increased by 6% to €8.5 billion. EBIT surpassed the level of the prior-year period and reached €588 million (Q3 2013: €522 million), including expenses of €30 million for workforce adjustments in Germany and Brazil.

Excellent development of unit sales in the NAFTA region

A feature of unit sales in the third quarter was the continuation of disparate market developments in the various regions. In Western Europe, sales of 14,800 units were 11% lower than in the third quarter of last year. This was primarily due to purchases being brought forward in the prior-year period because of new emission limits that came into effect at the beginning of 2014. As a result of generally weak market demand, sales in Latin America also decreased by a significant 23% to 12,500 units; the reduction was 17% in Brazil, the region's main market. At the same time, we succeeded in gaining market share in both regions with our Mercedes-Benz vehicles in the medium- and heavy-duty segment: in Western Europe from 24.3% to 24.7% and in Brazil from 24.5% to 27.1%.

The steadily growing demand for our products in the NAFTA region led to renewed significant growth in unit sales of 25% to 43,900 vehicles. With a market share of 37.1% in weight classes 6-8 (Q3 2013: 38.2%), we were able to maintain our significant market leadership once again. Sales of 38,600 trucks in Asia were 6% below the prior-year level. This was mainly due to a sharp drop in demand in Indonesia. Unit sales developed positively in Japan and India, however. In the overall Japanese

truck market, we achieved a market share of 21.4% with our FUSO vehicles (Q3 2013: 21.1%). The new FUSO Super Great V was partially responsible for the sales success of Daimler Trucks in that market. The customer response to this fuel-efficient heavy-duty truck, deliveries of which started in September, is excellent. In India, we successfully expanded the market share of our BharatBenz trucks in the medium- and heavy-duty segment to 5.7% (Q3 2013: 3.9%).

On track with Daimler Trucks #1

By the end of the third quarter, we had made good progress towards achieving the target of 70-80% of the program's volume of €1.6 billion by the end of 2014. We have already reached approximately 60%. The success of the efficiency and growth program can also be seen from the integrated Asia Business Model: In September, the Daimler commercial-vehicle subsidiary MFTBC presented trucks of the new medium- and heavy-duty series, FUSO FI and FUSO FJ, in Indonesia. The new FUSO models are produced in Chennai, India, and should help us to further extend our market leadership in Indonesia.

Daimler Trucks presents the first self-driving truck

Daimler Trucks presented new models from all over the world at this year's IAA Commercial Vehicles trade fair in Hanover. One of the show's highlights was the Future Truck 2025. The first self-driving truck is a key element of the transport system of the future, as it will make goods transport safer, more efficient and more connected. New features include the Highway Pilot intelligent system as well as Blind Spot Assist, a technological breakthrough in the field of road safety. With this vehicle, Daimler Trucks has once again underscored its technological leadership.

D.07 Q1-3

Amounts in millions of euros	Q1-3 2014	Q1-3 2013	% change
EBIT	1,384	1,072	+29
Revenue	23,550	22,971	+3
Unit sales	360,151	349,661	+3
Production	374,111	366,840	+2
Employees	84,124	79,020 ¹	+6

¹ At December 31, 2013

D.08 Q1-3

Unit sales	Q1-3 2014	Q1-3 2013	% change
Total	360,151	349,661	+3
Western Europe	39,695	42,900	-7
NAFTA region	119,568	100,691	+19
Latin America (excluding Mexico)	34,610	45,242	-24
Asia	122,060	118,291	+3
Other markets	44,218	42,537	+4
BFDA (Auman Trucks)	75,936	75,359	+1
Total (including BFDA)	436,087	425,020	+3

Mercedes-Benz Vans.

Significant increase in unit sales to 72,200 vehicles (Q3 2013: 65,300)

Mercedes-Benz Vans remains on its growth path

World premiere of new Vito in Europe

EBIT up 16% to €176 million

D.09

Q3

Amounts in millions of euros	Q3 2014	Q3 2013	% change
EBIT	176	152	+16
Revenue	2,515	2,253	+12
Unit sales	72,207	65,314	+11
Production	73,140	62,843	+16
Employees	16,281	14,838 ¹	+10

¹ As of December 31, 2013

Unit sales, revenue and EBIT above prior-year level

Unit sales by Mercedes-Benz Vans increased by 11% to 72,200 vehicles in the third quarter of 2014. Revenue of €2.5 billion was also significantly higher than in the prior-year period (Q3 2013: €2.3 billion). EBIT amounted to €176 million (Q3 2013: €152 million).

Mercedes-Benz Vans remains on its growth path

Unit sales increased as a result of the new V-Class, following its very successful launch in the segment of multipurpose vehicles. The Sprinter also continued its success in the market. In Western Europe, Mercedes-Benz Vans once again achieved a double-digit increase in unit sales of 19% to 47,100 vehicles in the third quarter of 2014. Growth was particularly strong in Germany (+20%), the United Kingdom (+28%) and Spain (+78%). Sales of 7,000 vans in Eastern Europe were slightly below the prior-year level (Q3 2013: 7,200).

The division continued along its successful path in the United States, with third-quarter unit sales rising by 18% to 6,500 vehicles. Sales in China decreased from 3,500 to 3,200 units in the third quarter of this year. The market environment in Latin America remained difficult; sales of 3,600 units in that region were significantly lower than in the third quarter of last year (-31%).

Mercedes-Benz Vans achieved growth for all its model series in the third quarter of 2014. We sold 47,100 units of the Sprinter worldwide, which is 12% more than in the prior-year period. In the segment of mid-sized vans (including the new V-Class), we

D.11

Q1-3

Amounts in millions of euros	Q1-3 2014	Q1-3 2013	% change
EBIT	541	437	+24
Revenue	7,221	6,673	+8
Unit sales	209,335	187,373	+12
Production	228,566	198,823	+15
Employees	16,281	14,838 ¹	+10

¹ As of December 31, 2013

D.10

Q3

Unit sales	Q3 2014	Q3 2013	% change
Total	72,207	65,314	+11
Western Europe	47,116	39,528	+19
Germany	20,707	17,323	+20
Eastern Europe	7,006	7,180	-2
United States	6,531	5,546	+18
Latin America (excluding Mexico)	3,574	5,176	-31
China	3,208	3,466	-7
Other markets	4,772	4,418	+8

also significantly surpassed the volume of the prior-year quarter despite the model change, and sold a total of 20,000 units (Q3 2013: 17,500). Sales of 5,100 units of the Mercedes-Benz Citan were also higher than in the same period of last year (Q3 2013: 4,950).

Mercedes-Benz Vans strengthens its market position with the new Vito

The new Mercedes-Benz Vito sets the benchmark in the segment of mid-sized vans. At its world premiere in Berlin in late July, Mercedes-Benz Vans presented this versatile van in the range of 2.5-3.2 tons gross vehicle weight to the public for the first time. The new Vito offers a whole range of outstanding features. It is the first vehicle in its class available with three drive systems (rear-, front- and all-wheel drive) and is thus able to meet all customers' requirements. It also features a high payload and efficient engines. The Vito additionally appeals with numerous innovative safety and assistance systems. Furthermore, with the Vito TOURER, we are now repositioned in the segment of passenger transport and have created our own model family for these applications.

Immediately after the world premiere, the new Vito went into production at the plant in Vitoria in mid-August. In the context of the model change, Mercedes-Benz Vans invested approximately €190 million in the plant in Spain, primarily to modernize and reorganize the body shop, paint shop and assembly lines. After the Sprinter, Mercedes-Benz Vans is now applying the Vans Goes Global strategy to the Vito: Starting in the year 2015, we will sell the Vito also in North and South America.

D.12

Q1-3

Unit sales	Q1-3 2014	Q1-3 2013	% change
Total	209,335	187,373	+12
Western Europe	135,752	114,654	+18
Germany	57,890	48,491	+19
Eastern Europe	19,412	19,636	-1
United States	18,739	15,630	+20
Latin America (excluding Mexico)	11,251	14,447	-22
China	9,780	9,147	+7
Other markets	14,401	13,859	+4

Daimler Buses.

Business development affected by difficult market situation in Latin America in third quarter of 2014

Unit sales significantly lower than prior-year level at 8,600 buses and bus chassis

Mercedes-Benz Citaro city bus recognized with major awards

EBIT above prior-year figure at €64 million (Q3 2013: €59 million)

D.13 Q3

Amounts in millions of euros	Q3 2014	Q3 2013	% change
EBIT	64	59	+8
Revenue	1,034	1,127	-8
Unit sales	8,619	9,649	-11
Production	8,034	9,488	-15
Employees	16,214	16,603 ¹	-2

¹ As of December 31, 2013

D.14 Q3

Unit sales	Q3 2014	Q3 2013	% change
Total	8,619	9,649	-11
Western Europe	1,857	1,696	+9
Germany	493	573	-14
Mexico	917	923	-1
Latin America (excluding Mexico)	4,692	5,750	-18
Asia	420	435	-3
Other markets	733	845	-13

Business development affected by difficult market situation in Latin America

Daimler Buses' third-quarter unit sales worldwide of 8,600 buses and bus chassis were significantly lower than the 9,600 units sold in the prior-year period. This decrease was primarily due to the weaker business with bus chassis in Latin America. However, the business with complete buses in Western Europe was once again stronger than the high level of last year. As a result of decreased unit sales in Latin America, Daimler Buses' revenue of €1.0 billion was also lower than in the third quarter of 2013 (€1.1 billion). EBIT amounted to €64 million (Q3 2013: €59 million).

Significant decrease in unit sales in Latin America

In Western Europe, the division sold 1,900 complete buses and bus chassis of the Mercedes-Benz and Setra brands in the third quarter, which was 9% more than in the prior-year period. Daimler Buses' market share increased significantly once again from 30% to 35%. While significant growth was achieved for example in Belgium, Italy, Sweden and the Netherlands, sales in Germany decreased by 14% to 500 units. In Turkey, our unit sales fell from 300 to 200 units due to a substantial contraction of the overall market. In Latin America (excluding Mexico), sales of 4,700 bus chassis in the third quarter were significantly lower than in the prior-year period, as expected (Q3 2013: 5,800). The difficult economic situation in Argentina, Brazil and other Latin American markets had a negative impact on the development of our unit sales. Our sales in Mexico of 900 units were similar to the volume sold in the third quarter of 2013.

New models from Mercedes-Benz and Setra at IAA Commercial Vehicles in Hanover

At the IAA Commercial Vehicles trade fair, the division presented Mercedes-Benz and Setra buses with numerous new features and model versions. The Citaro G articulated bus is now available with the compact and horizontally installed OM 936 h in-line engine. This increases the passenger capacity of the Citaro G by up to eight persons. The premium high-decker Mercedes-Benz Travego with the new Active Brake Assist 3 (ABA 3) can automatically apply the brakes fully if there is a stationary obstacle ahead of it. The Setra ComfortClass 500 range has been extended with two additional vehicle lengths in the high-decker (HD) versions, and is now also available in two mid-decker (MD) versions in a completely new vehicle segment. In this way, we have created an inexpensive and flexible entry model in this bus category.

Mercedes-Benz Citaro receives Green Bus Award 2014 and IBC Award 2014

The Mercedes-Benz Citaro Euro VI city bus received the Green Bus Award 2014 at IAA Commercial Vehicles. This prize has been awarded by the trade magazines "Omnibusrevue" and "Busfahrer" alternately for a coach and a city bus each year since 2011. One of the features with which the Citaro convinced the jury was the lowest fuel consumption of the buses in the test. Furthermore, the Mercedes-Benz Citaro was ahead of its competitors in the International Bus & Coach Competition (IBC) carried out by "Busfahrer" trade magazine.

D.15 Q1-3

Amounts in millions of euros	Q1-3 2014	Q1-3 2013	% change
EBIT	167	55	+204
Revenue	2,941	2,812	+5
Unit sales	23,391	23,595	-1
Production	24,625	26,115	-6
Employees	16,214	16,603 ¹	-2

¹ As of December 31, 2013

D.16 Q1-3

Unit sales	Q1-3 2014	Q1-3 2013	% change
Total	23,391	23,595	-1
Western Europe	4,649	3,722	+25
Germany	1,754	1,307	+34
Mexico	2,640	1,976	+34
Latin America (excluding Mexico)	12,974	14,420	-10
Asia	817	1,188	-31
Other markets	2,311	2,289	+1

Daimler Financial Services.

New business grows by 20%
Contract volume rises to €93.7 billion
car2go has 870,000 customers
EBIT of €355 million (Q3 2013: €322 million)

D.17

Q3

Amounts in millions of euros	Q3 2014	Q3 2013	% change
EBIT	355	322	+10
Revenue	3,998	3,657	+9
New business	12,406	10,379	+20
Contract volume	93,721	83,539 ¹	+12
Employees	8,690	8,107 ¹	+7

¹ As of December 31, 2013

339,000 new financing and leasing contracts

Daimler Financial Services concluded approximately 339,000 new financing and leasing contracts worth €12.4 billion in the third quarter, increasing its new business by 20% compared with the prior-year period. Contract volume reached €93.7 billion at the end of September, which is 12% higher than at the end of 2013. Adjusted for exchange-rate effects, contract volume grew by 7%. EBIT amounted to €355 million (Q3 2013: €322 million).

New business in Europe up by 11%

In Europe, approximately 172,000 new leasing and financing contracts in a total volume of €5.4 billion were signed, representing growth in new business of 11% compared with the prior-year quarter. Strong growth was achieved in the Benelux countries (+31%) and the United Kingdom (+22%). In Germany, the deposit volume of Mercedes-Benz Bank in the direct banking business amounted to €11.1 billion at the end of the third quarter (-2% compared with December 31, 2013). In the year of the 65th IAA Commercial Vehicles trade fair, which was held in September in Hanover, Mercedes-Benz Bank achieved the record number of nearly 250,000 financed trucks, buses and vans. Daimler Financial Services' contract volume in Europe reached €39.1 billion at the end of September, rising by 5% compared with the end of 2013.

Growth in the Americas

In the Americas region, new business increased compared with the prior-year period by 21% to €5.0 billion. There were particularly strong gains in Mexico (+37%) and the United States (+26%). Contract volume in the region reached €40.2 billion at the end of the quarter, which is 16% higher than at the end of 2013. Adjusted for exchange-rate effects, contract volume grew by 7%.

D.18

Q1-3

Amounts in millions of euros	Q1-3 2014	Q1-3 2013	% change
EBIT	1,088	955	+14
Revenue	11,635	10,782	+8
New business	33,759	29,290	+15
Contract volume	93,721	83,539 ¹	+12
Employees	8,690	8,107 ¹	+7

¹ As of December 31, 2013

Strong growth in Africa & Asia-Pacific

Strong growth was achieved, in many cases double-digit, in nearly all countries of the Africa & Asia-Pacific region. Compared with the third quarter of 2013, new business increased by 46% to €2.1 billion. Business developed very positively especially in South Korea (+119%), China (+114%) and India (+62%). Contract volume in the Africa & Asia-Pacific region reached €14.3 billion at the end of September, which is 23% higher than at the end of 2013. Adjusted for exchange-rate effects, there was growth of 16%.

Increase in number of insurance policies brokered

Daimler Financial Services brokered approximately 360,000 automotive insurance policies in the third quarter, representing growth of 6% compared with the prior-year period.

Acquisition of Intelligent Apps and RideScout

The flexible mobility concept car2go started in Frankfurt am Main and Copenhagen during the third quarter. By the end of September, car2go was available in 28 cities and more than 870,000 customers were registered worldwide – 45% more than at the end of 2013. During the third quarter, in order to strengthen its presence in the international mobility market also beyond the flexible car-sharing business, the car2go operator company moovel GmbH acquired Intelligent Apps GmbH, the provider of the taxi-brokering app mytaxi. In addition, moovel GmbH announced the acquisition of RideScout LLC, the provider of the leading mobility app in North America.

Consolidated Statement of Income (unaudited) Q3.

E.01

	Consolidated Group		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	Q3 2014	Q3 2013 ¹	Q3 2014	Q3 2013 ¹	Q3 2014	Q3 2013
In millions of euros						
Revenue	33,122	30,099	29,124	26,442	3,998	3,657
Cost of sales	-25,622	-23,583	-22,228	-20,478	-3,394	-3,105
Gross profit	7,500	6,516	6,896	5,964	604	552
Selling expenses	-2,920	-2,662	-2,809	-2,555	-111	-107
General administrative expenses	-856	-819	-706	-694	-150	-125
Research and non-capitalized development costs	-1,129	-1,022	-1,129	-1,022	-	-
Other operating income	380	363	366	356	14	7
Other operating expense	-173	-84	-172	-80	-1	-4
Share of profit/loss from investments accounted for using the equity method, net	17	4	17	4	-	-
Other financial income/expense, net	911	-65	912	-64	-1	-1
Interest income	40	63	40	63	-	-
Interest expense	-189	-222	-187	-220	-2	-2
Profit before income taxes²	3,581	2,072	3,228	1,752	353	320
Income taxes	-760	-175	-619	1	-141	-176
Net profit	2,821	1,897	2,609	1,753	212	144
thereof profit attributable to non-controlling interest	86	61				
thereof profit attributable to shareholders of Daimler AG	2,735	1,836				
Earnings per share (in euros)						
for profit attributable to shareholders of Daimler AG						
Basic	2.56	1.72				
Diluted	2.56	1.72				

1 Information related to the reclassifications within functional expenses is presented in Note 1.

2 The reconciliation of profit before income taxes to Group EBIT is presented in Note 19.

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

Consolidated Statement of Income (unaudited) Q1-3.

E.02

	Consolidated Group		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	Q1-3 2014	Q1-3 2013 ¹	Q1-3 2014	Q1-3 2013 ¹	Q1-3 2014	Q1-3 2013
In millions of euros						
Revenue	94,123	85,893	82,488	75,111	11,635	10,782
Cost of sales	-73,371	-67,672	-63,562	-58,580	-9,809	-9,092
Gross profit	20,752	18,221	18,926	16,531	1,826	1,690
Selling expenses	-8,407	-8,135	-8,077	-7,786	-330	-349
General administrative expenses	-2,414	-2,343	-1,991	-1,950	-423	-393
Research and non-capitalized development costs	-3,278	-3,079	-3,278	-3,079	-	-
Other operating income	1,062	940	1,020	904	42	36
Other operating expense	-412	-260	-399	-246	-13	-14
Share of profit/loss from investments accounted for using the equity method, net	867	3,329	880	3,341	-13	-12
Other financial income/expense, net	438	-283	439	-280	-1	-3
Interest income	104	168	104	168	-	-
Interest expense	-546	-668	-541	-663	-5	-5
Profit before income taxes²	8,166	7,890	7,083	6,940	1,083	950
Income taxes	-2,063	-846	-1,673	-418	-390	-428
Net profit	6,103	7,044	5,410	6,522	693	522
thereof profit attributable to non-controlling interest	237	1,838				
thereof profit attributable to shareholders of Daimler AG	5,866	5,206				
Earnings per share (in euros)						
for profit attributable to shareholders of Daimler AG						
Basic	5.48	4.87				
Diluted	5.48	4.87				

¹ Information related to the reclassifications within functional expenses is presented in Note 1.

² The reconciliation of profit before income taxes to Group EBIT is presented in Note 19.

Consolidated Statement of Comprehensive Income (unaudited) Q3.

E.03

	Consolidated Group	
	Q3 2014	Q3 2013
In millions of euros		
Net profit	2,821	1,897
Unrealized gains/losses on currency translation	1,301	-406
Unrealized gains on financial assets available for sale	36	12
Unrealized losses/gains on derivative financial instruments	-1,017	199
Unrealized gains/losses on investments accounted for using the equity method	8	-18
Items that may be reclassified to profit/loss	328	-213
Actuarial losses/gains from pensions and similar obligations	-855	181
Items that will not be reclassified to profit/loss	-855	181
Other comprehensive income, net of taxes	-527	-32
thereof income/loss attributable to non-controlling interest, after taxes	39	-10
thereof loss attributable to shareholders of Daimler AG, after taxes	-566	-22
Total comprehensive income	2,294	1,865
thereof income attributable to non-controlling interest	125	51
thereof income attributable to shareholders of Daimler AG	2,169	1,814

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

Consolidated Statement of Comprehensive Income (unaudited) Q1-3.

E.04

	Consolidated Group	
	Q1-3 2014	Q1-3 2013
In millions of euros		
Net profit	6,103	7,044
Unrealized gains/losses on currency translation	1,554	-951
Unrealized gains on financial assets available for sale	306	239
Unrealized losses/gains on derivative financial instruments	-1,667	583
Unrealized gains on investments accounted for using the equity method	7	23
Items that may be reclassified to profit/loss	200	-106
Actuarial losses/gains from pensions and similar obligations	-2,075	599
Items that will not be reclassified to profit/loss	-2,075	599
Other comprehensive income, net of taxes	-1,875	493
thereof income/loss attributable to non-controlling interest, after taxes	46	-1
thereof loss/income attributable to shareholders of Daimler AG, after taxes	-1,921	494
Total comprehensive income	4,228	7,537
thereof income attributable to non-controlling interest	283	1,837
thereof income attributable to shareholders of Daimler AG	3,945	5,700

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

Consolidated Statement of Financial Position (unaudited).

E.05

	Consolidated Group		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	Sept. 30, 2014	Dec. 31, 2013	Sept. 30, 2014	Dec. 31, 2013	Sept. 30, 2014	Dec. 31, 2013
In millions of euros						
Assets						
Intangible assets	9,255	9,388	9,147	9,289	108	99
Property, plant and equipment	22,684	21,779	22,628	21,732	56	47
Equipment on operating leases	31,488	28,160	14,000	13,207	17,488	14,953
Investments accounted for using the equity method	2,235	3,432	2,235	3,419	-	13
Receivables from financial services	32,553	27,769	-23	-29	32,576	27,798
Marketable debt securities	1,422	1,666	6	6	1,416	1,660
Other financial assets	5,104	3,523	97	-767	5,007	4,290
Deferred tax assets	2,957	1,829	2,417	1,348	540	481
Other assets	563	531	-1,989	-1,818	2,552	2,349
Total non-current assets	108,261	98,077	48,518	46,387	59,743	51,690
Inventories	21,471	17,349	20,884	16,648	587	701
Trade receivables	8,238	7,803	7,444	7,208	794	595
Receivables from financial services	25,555	23,001	-14	-14	25,569	23,015
Cash and cash equivalents	12,610	11,053	11,659	9,845	951	1,208
Marketable debt securities	5,418	5,400	5,351	5,297	67	103
Other financial assets	2,274	2,718	-6,866	-6,670	9,140	9,388
Other assets	3,372	3,117	701	447	2,671	2,670
Total current assets	78,938	70,441	39,159	32,761	39,779	37,680
Total assets	187,199	168,518	87,677	79,148	99,522	89,370
Equity and liabilities						
Share capital	3,070	3,069				
Capital reserves	11,906	11,850				
Retained earnings	29,012	27,628				
Other reserves	287	133				
Equity attributable to shareholders of Daimler AG	44,275	42,680				
Non-controlling interest	808	683				
Total equity	45,083	43,363	37,548	36,767	7,535	6,596
Provisions for pensions and similar obligations	13,233	9,869	13,060	9,726	173	143
Provisions for income taxes	773	823	772	823	1	-
Provisions for other risks	5,759	5,270	5,638	5,152	121	118
Financing liabilities	50,005	44,746	14,935	13,542	35,070	31,204
Other financial liabilities	2,682	1,701	2,515	1,575	167	126
Deferred tax liabilities	935	892	-1,766	-1,300	2,701	2,192
Deferred income	3,136	2,728	2,686	2,283	450	445
Other liabilities	3	18	2	15	1	3
Total non-current liabilities	76,526	66,047	37,842	31,816	38,684	34,231
Trade payables	11,929	9,086	11,538	8,778	391	308
Provisions for income taxes	499	517	419	438	80	79
Provisions for other risks	6,852	6,619	6,429	6,230	423	389
Financing liabilities	33,637	32,992	-15,561	-12,218	49,198	45,210
Other financial liabilities	8,278	6,575	6,279	4,797	1,999	1,778
Deferred income	2,307	1,868	1,721	1,351	586	517
Other liabilities	2,088	1,451	1,462	1,189	626	262
Total current liabilities	65,590	59,108	12,287	10,565	53,303	48,543
Total equity and liabilities	187,199	168,518	87,677	79,148	99,522	89,370

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

Consolidated Statement of Cash Flows (unaudited).

E.06

	Consolidated Group		Industrial Business (unaudited additional information)		Daimler Financial Services (unaudited additional information)	
	Q1-3 2014	Q1-3 2013	Q1-3 2014	Q1-3 2013	Q1-3 2014	Q1-3 2013
In millions of euros						
Profit before income taxes	8,166	7,890	7,083	6,940	1,083	950
Depreciation and amortization	3,673	3,255	3,650	3,236	23	19
Other non-cash income and expense	-829	-3,273	-879	-3,312	50	39
Gains/losses on disposals of assets	-971	157	-971	157	-	-
Change in operating assets and liabilities						
Inventories	-3,420	-1,862	-3,592	-1,980	172	118
Trade receivables	-201	-403	-30	-384	-171	-19
Trade payables	2,640	1,700	2,571	1,698	69	2
Receivables from financial services	-4,714	-2,988	-939	70	-3,775	-3,058
Vehicles on operating leases	-1,806	-2,069	33	-207	-1,839	-1,862
Other operating assets and liabilities	2,097	1,600	1,830	844	267	756
Income taxes paid	-1,365	-847	-1,153	-632	-212	-215
Cash provided by/used for operating activities	3,270	3,160	7,603	6,430	-4,333	-3,270
Additions to property, plant and equipment	-3,257	-3,221	-3,243	-3,207	-14	-14
Additions to intangible assets	-1,010	-1,494	-990	-1,469	-20	-25
Proceeds from disposals of property, plant and equipment and intangible assets	120	88	110	79	10	9
Investments in share property	-137	-253	-62	-249	-75	-4
Proceeds from disposals of share property	2,436	2,383	2,436	2,383	-	-
Acquisition of marketable debt securities	-2,209	-5,483	-2,170	-5,061	-39	-422
Proceeds from sales of marketable debt securities	2,498	3,790	2,171	3,325	327	465
Other	2	31	11	16	-9	15
Cash provided by/used for investing activities	-1,557	-4,159	-1,737	-4,183	180	24
Change in financing liabilities	2,108	3,340	-1,786	744	3,894	2,596
Dividends paid to shareholders of Daimler AG	-2,407	-2,349	-2,407	-2,349	-	-
Dividends paid to non-controlling interests	-154	-218	-153	-217	-1	-1
Proceeds from issuance of share capital	32	92	30	89	2	3
Acquisition of treasury shares	-26	-24	-26	-24	-	-
Acquisition of non-controlling interests in subsidiaries	-10	-73	-10	-73	-	-
Proceeds from disposals of interests in subsidiaries without loss of control	-	9	-	9	-	-
Internal equity transactions	-	-	14	-319	-14	319
Cash provided by/used for financing activities	-457	777	-4,338	-2,140	3,881	2,917
Effect of foreign exchange-rate changes on cash and cash equivalents	301	-159	286	-132	15	-27
Net increase/decrease in cash and cash equivalents	1,557	-381	1,814	-25	-257	-356
Cash and cash equivalents at beginning of period	11,053	10,996	9,845	9,887	1,208	1,109
Cash and cash equivalents at end of period	12,610	10,615	11,659	9,862	951	753

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

Consolidated Statement of Changes in Equity (unaudited).

E.07

	Share capital	Capital reserves	Retained earnings	Currency translation	Financial assets available for sale
In millions of euros					
Balance at January 1, 2013	3,063	12,026	22,017	516	234
Net profit	-	-	5,206	-	-
Other comprehensive income/loss before taxes	-	-	798	-922	242
Deferred taxes on other comprehensive income	-	-	-199	-	-4
Total comprehensive income/loss	-	-	5,805	-922	238
Dividends	-	-	-2,349	-	-
Share-based payment	-	2	-	-	-
Capital increase/Issue of new shares	6	66	-	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-23	-	-	-
Other	-	-204	-	-	-
Balance at September 30, 2013	3,069	11,867	25,473	-406	472
Balance at January 1, 2014	3,069	11,850	27,628	-969	261
Net profit	-	-	5,866	-	-
Other comprehensive income/loss before taxes	-	-	-3,073	1,504	358
Deferred taxes on other comprehensive income	-	-	998	-	-52
Total comprehensive income/loss	-	-	3,791	1,504	306
Dividends	-	-	-2,407	-	-
Capital increase/Issue of new shares	1	2	-	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Other	-	54	-	-	-
Balance at September 30, 2014	3,070	11,906	29,012	535	567

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

Other reserves	Items that may be reclassified to profit/loss	Share of investments accounted for using the equity method	Derivative financial instruments	Treasury shares	Equity attributable to shareholders of Daimler AG	Non-controlling interest	Total equity		
In millions of euros									
			50	-1	-	37,905	1,425	39,330	Balance at January 1, 2013
			-	-	-	5,206	1,838	7,044	Net profit
			831	39	-	988	12	1,000	Other comprehensive income/loss before taxes
			-248	-43	-	-494	-13	-507	Deferred taxes on other comprehensive income
			583	-4	-	5,700	1,837	7,537	Total comprehensive income/loss
			-	-	-	-2,349	-218	-2,567	Dividends
			-	-	-	2	-	2	Share-based payment
			-	-	-	72	4	76	Capital increase/Issue of new shares
			-	-	-24	-24	-	-24	Acquisition of treasury shares
			-	-	24	24	-	24	Issue and disposal of treasury shares
			-	-	-	-23	-2,433	-2,456	Changes in ownership interests in subsidiaries
			-	-	-	-204	71	-133	Other
			633	-5	-	41,103	686	41,789	Balance at September 30, 2013
			853	-12	-	42,680	683	43,363	Balance at January 1, 2014
			-	-	-	5,866	237	6,103	Net profit
			-2,367	7	-	-3,571	45	-3,526	Other comprehensive income/loss before taxes
			704	-	-	1,650	1	1,651	Deferred taxes on other comprehensive income
			-1,663	7	-	3,945	283	4,228	Total comprehensive income/loss
			-	-	-	-2,407	-154	-2,561	Dividends
			-	-	-	3	10	13	Capital increase/Issue of new shares
			-	-	-26	-26	-	-26	Acquisition of treasury shares
			-	-	26	26	-	26	Issue and disposal of treasury shares
			-	-	-	54	-14	40	Other
			-810	-5	-	44,275	808	45,083	Balance at September 30, 2014

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

Notes to the Interim Consolidated Financial Statements (unaudited).

1. Presentation of the Interim Consolidated Financial Statements

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

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

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

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

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

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

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

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

The following tables show the effects of the retrospective change of the allocation to the individual functional costs on the consolidated statement of income for the three- and nine-month periods ended September 30, 2014.

E.08

Effects of reclassifications within functional costs

In millions of euros	Q3 2013 disclosed	Reclassifications	Q3 2013 changed
Cost of sales	-23,486	-97	-23,583
Selling expenses	-2,622	-40	-2,662
General administrative expenses	-985	166	-819
Research and non-capitalized development costs	-993	-29	-1,022

E.09

Effects of reclassifications within functional costs

In millions of euros	Q1-3 2013 disclosed	Reclassifications	Q1-3 2013 changed
Cost of sales	-67,378	-294	-67,672
Selling expenses	-8,010	-125	-8,135
General administrative expenses	-2,842	499	-2,343
Research and non-capitalized development costs	-2,999	-80	-3,079

The following tables show the effects on the consolidated statement of income for the three- and nine-month periods ended September 30, 2014 if the original allocation of the cost centers to the individual functional costs had been retained.

E.10

Effects of retention of original presentation of functional costs

In millions of euros	Q3 2014 changed	Reclassifications	Q3 2014 previous classification
Cost of sales	-25,622	106	-25,516
Selling expenses	-2,920	47	-2,873
General administrative expenses	-856	-181	-1,037
Research and non-capitalized development costs	-1,129	28	-1,101

E.11

Effects of retention of original presentation of functional costs

In millions of euros	Q1-3 2014 changed	Reclassifications	Q1-3 2014 previous classification
Cost of sales	-73,371	327	-73,044
Selling expenses	-8,407	144	-8,263
General administrative expenses	-2,414	-557	-2,971
Research and non-capitalized development costs	-3,278	86	-3,192

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

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

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

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

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

2. Significant dispositions of interests in companies

RRPSH. In the first quarter of 2014, the Board of Management and the Supervisory Board of Daimler AG decided to sell the 50% equity interest in the joint venture Rolls-Royce Power Systems Holding GmbH (RRPSH) to the partner Rolls-Royce Holdings plc (Rolls-Royce). For that purpose, Daimler exercised a put option on its stake in RRPSH that was agreed upon with Rolls-Royce in 2011. As a consequence, the equity interest in RRPSH was presented separately under "Assets held for sale" in the consolidated statement of financial position from March 31, 2014 onwards.

The transaction was closed in the third quarter of 2014, and the purchase price of €2.43 billion, agreed in the middle of April 2014, was received.

Further details of the equity interest in RRPSH are provided in Notes 5, 10 and 18.

3. Revenue

Revenue at Group level is comprised as follows:

E.12

Revenue

In millions of euros	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013
Revenue from the sale of goods	29,158	26,489	82,562	75,182
Revenue from the rental and leasing business	3,045	2,771	8,917	8,144
Interest from the financial services business at Daimler Financial Services	812	739	2,330	2,272
Revenue from the provision of other services	107	100	314	295
	33,122	30,099	94,123	85,893

4. Functional costs

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

Daimler Trucks. In January 2013, Daimler Trucks announced workforce adjustments as part of its goal of increasing its profitability by stronger utilization of efficiencies. In the administrative sector in Brazil, a voluntary redundancy program was launched in the first quarter of 2013 leading to a reduction of approximately 1,000 jobs (including Daimler Buses). In April 2014, Daimler Trucks announced the continuation of the workforce adjustments in Brazil with the start of a voluntary program that led to a reduction of about 1,100 jobs in the nine-month period ended September 30, 2014, mostly in the production area.

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

Daimler Buses. At the end of 2013, Daimler Buses successfully completed the optimization measures started in Western Europe in 2012. The program focused on the systematic further development of the European production network, the reduction of variable costs, and the optimization of overhead costs.

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

Table [E.13](#) shows the expenses related to the optimization programs which affected the EBIT of the segments. The cash flows associated with the implementation of the programs are also shown.

These expenses primarily relate to personnel measures. The allocation to the line items of the consolidated statement of income is shown in table [E.14](#).

The provisions recognized for the measures at Daimler Trucks amounted to €6 million as of September 30, 2014 (December 31, 2013: €64 million). At Daimler Buses, the provisions recognized for the measures amounted to €17 million as of September 30, 2014 (December 31, 2013: €36 million).

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

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

E.13

Optimization programs

In millions of euros	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013
Daimler Trucks				
EBIT	-30	-8	-106	-103
Cash outflow	-8	-13	-142	-38
Daimler Buses				
EBIT	-	-2	-9	-26
Cash outflow	-3	-9	-22	-25

E.14

Expenses and income associated with optimization programs at Daimler Trucks and Daimler Buses

In millions of euros	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013
Cost of sales	-10	-7	-61	-57
Selling expenses	-3	-	-11	-13
General administrative expenses	-15	-2	-31	-41
Research and non-capitalized development costs	-2	-1	-12	-12
Other operating expenses	-	-	-	-9
Other operating income	-	-	-	3
	-30	-10	-115	-129

5. Other financial income/expense, net

Other financial income/expense, net is comprised as follows:

E.15

Other financial income/expense, net

In millions of euros	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013
Expense from compounding of provisions and effects of changes in discount rates ¹	-84	-57	-215	-91
Miscellaneous other financial income/expense, net	995	-8	653	-192
	911	-65	438	-283

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

In the nine months ended September 30, 2014, "Miscellaneous other financial income/expense, net" includes income of €1,006 million (2013: €0 million) from the disposal of the 50% equity interest in RRPSH, as well as expenses of €118 million (2013: €50 million) from the measurement of the RRPSH put option. In addition expenses of €230 million (2013: €0 million) from hedging the share price of Tesla Motors, Inc. (Tesla) are included. In the nine months ended September 30, 2013, a loss of €142 million on the sale of the remaining EADS shares is disclosed.

6. Interest income and expense

Interest income and expense are comprised as follows:

E.16

Interest income and expense

In millions of euros	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013
Interest income				
Net interest income on net defined benefit pension plan assets	1	.	2	1
Interest and similar income	39	63	102	167
	40	63	104	168
Interest expense				
Net interest expense for the net obligation from defined benefit pension plans	-81	-89	-258	-266
Interest and similar expenses	-108	-133	-288	-402
	-189	-222	-546	-668

7. Intangible assets

Intangible assets are comprised as follows:

E.17

Intangible assets

In millions of euros	Sept. 30, 2014	Dec. 31, 2013
Goodwill	712	681
Development costs	7,203	7,310
Other intangible assets	1,340	1,397
	9,255	9,388

9. Equipment on operating leases

At September 30, 2014, the carrying amount of equipment on operating leases amounted to €31,488 million (December 31, 2013: €28,160 million). In the nine months ended September 30, 2014, additions and disposals amounted to €13,476 million and €8,148 million respectively (2013: €11,506 million and €6,378 million). Depreciation for the nine months ended September 30, 2014 was €3,479 million (2013: €3,247 million). Other changes primarily comprise the effects of currency translation.

8. Property, plant and equipment

Property, plant and equipment are comprised as follows:

E.18

Property, plant and equipment

In millions of euros	Sept. 30, 2014	Dec. 31, 2013
Land, leasehold improvements and buildings including buildings on land owned by others	6,807	6,791
Technical equipment and machinery	7,840	7,350
Other equipment, factory and office equipment	5,463	5,366
Advance payments relating to plant and equipment and construction in progress	2,574	2,272
	22,684	21,779

10. Investments accounted for using the equity method

Table 7 E.19 shows the key figures of investments in associated companies and joint ventures accounted for using the equity method.

E.19

Investments accounted for using the equity method

In millions of euros	BBAC	BAIC Motor ²	BFDA	Kamaz	RRPSH	EADS	Others	Total
September 30, 2014								
Equity interest (in %)	49.0	12.0	50.0	15.0	-	-	-	-
Equity investment	784	661	329	140	-	-	321	2,235
Equity result (Q3 2014) ¹	19	13	8	1	-	-	-24	17
Equity result (Q1-3 2014) ¹	85	26	6	-1	13	-	738	867
December 31, 2013								
Equity interest (in %)	49.0	12.0	50.0	15.0	50.0	-	-	-
Equity investment	640	595	298	155	1,494	-	250	3,432
Equity result (Q3 2013) ¹	11	-	1	5	18	-	-31	4
Equity result (Q1-3 2013) ¹	42	-	-22	12	12	3,397	-112	3,329

1 Including investor-level adjustments.

2 As of the first quarter of 2014 proportionate earnings of BAIC Motor Corporation Ltd. (BAIC Motor) are included in Daimler's consolidated financial statements with a three month time lag. The result for Q1-3 2014 of BAIC Motor covers the seven months from December 2013 through June 2014. BAIC Motor's figures are unaudited and based on local GAAP.

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

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

In the middle of April 2014, the sale price of €2,433 million was agreed upon. The transaction was consummated on August 26, 2014, when antitrust law and foreign-trade law approvals had been obtained; the board members and management representatives from Daimler in RRPSH companies resigned. The proceeds of the sale of €1,006 million are classified as "Other financial result" and, in the segment reporting, are presented in the reconciliation of total segments' EBIT to Group EBIT. Further details of the put option are provided in Note 18.

BAIC Motor. The effects resulting from allocating the purchase price to the identifiable assets and liabilities are not material.

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

previously assigned to the Mercedes-Benz Cars segment, and the remeasurement gain are reallocated as corporate items in the reconciliation of total segments' figures to Group figures in the segment reporting.

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

Furthermore, the Group's investment in Fujian Benz Automotive Co., Ltd. (FBAC) is included in other investments and is allocated to the Mercedes-Benz Vans segment. In 2012, an impairment loss was recorded on the investment in FBAC; in the second quarter of 2014, the impairment was reversed based on improved profit expectations, leading to a gain of €61 million. FBAC has received a capital increase of €24 million in the third quarter of 2014.

Shenzen BYD Daimler New Technology Co. Ltd. (SBDNT) is another of the Group's joint ventures and is allocated to the Mercedes-Benz Cars segment. A capital increase of €34 million took place in the first quarter of 2014.

In addition, the equity results of the other investments contain startup losses in the area of alternative drive systems which are allocated to the Mercedes-Benz Cars segment. In the third quarter 2014 an impairment of an investment of €30 million was conducted.

11. Receivables from financial services

Receivables from financial services are shown in the following table:

E.20

Receivables from financial services

In millions of euros	September 30, 2014			December 31, 2013		
	Current	Non-current	Total	Current	Non-current	Total
Sales financing with customers	9,838	20,995	30,833	9,065	17,599	26,664
Sales financing with dealers	11,222	2,039	13,261	9,781	1,723	11,504
Finance-lease contracts	4,911	10,049	14,960	4,545	8,928	13,473
Gross carrying amount	25,971	33,083	59,054	23,391	28,250	51,641
Allowances for doubtful accounts	-416	-530	-946	-390	-481	-871
Net carrying amount	25,555	32,553	58,108	23,001	27,769	50,770

As of September 30, 2014, non-automotive assets from contracts of the financial services business with third parties (leveraged leases) in the amount of €359 million (December 31, 2013: €455 million) were included in "Finance-lease contracts."

Within the context of the ongoing concentration on the automotive business, Daimler Financial Services sold a non-automotive asset that was subject to a finance-lease contract in the nine months ended September 30, 2014. This resulted in a total cash inflow of €69 million. The pre-tax income from this transaction amounted to €45 million in the nine months ended September 30, 2014 and was allocated to the EBIT of the Daimler Financial Services segment.

12. Inventories

Inventories are comprised as follows:

E.21

Inventories

In millions of euros	Sept. 30, 2014	Dec. 31, 2013
Raw materials and manufacturing supplies	2,311	2,011
Work in progress	3,143	2,275
Finished goods, parts and products held for resale	15,877	13,028
Advance payments to suppliers	140	35
	21,471	17,349

13. Equity

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

Employee share purchase plan. In the nine months ended September 30, 2014, 0.4 million Daimler shares were purchased and reissued to employees in connection with an employee share purchase plan.

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

14. Pensions and similar obligations

Pension cost. The components of pension cost included in the consolidated statement of income are as shown in tables [E.22](#) and [E.23](#).

Contributions to plan assets. In the three- and nine-month periods ended September 30, 2014, contributions to the Group's pension plans were €37 million and €168 million respectively (2013: €23 million and €107 million).

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

E.22

Pension cost for the three-month periods ended September 30

In millions of euros	Total	Q3 2014		Total	Q3 2013	
		German plans	Non-German plans		German plans	Non-German plans
Current service cost	-130	-108	-22	-136	-112	-24
Past service cost	-25	-25	-	-	-	-
Net interest expense	-72	-62	-10	-75	-63	-12
Net interest income	1	-	1	-	-	-
	-226	-195	-31	-211	-175	-36

E.23

Pension cost for the nine-month periods ended September 30

In millions of euros	Total	Q1-3 2014		Total	Q1-3 2013	
		German plans	Non-German plans		German plans	Non-German plans
Current service cost	-387	-324	-63	-407	-336	-71
Past service cost	-25	-25	-	-	-	-
Net interest expense	-216	-186	-30	-224	-195	-29
Net interest income	2	-	2	1	-	1
	-626	-535	-91	-630	-531	-99

15. Provisions for other risks

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

E.24

Provisions for other risks

In millions of euros	September 30, 2014			December 31, 2013		
	Current	Non-current	Total	Current	Non-current	Total
Product warranties	2,359	2,492	4,851	2,380	2,325	4,705
Personnel and social costs	1,527	1,945	3,472	1,501	1,732	3,233
Other	2,966	1,322	4,288	2,738	1,213	3,951
	6,852	5,759	12,611	6,619	5,270	11,889

16. Financing liabilities

Financing liabilities are comprised as follows:

E.25

Financing liabilities

In millions of euros	September 30, 2014			December 31, 2013		
	Current	Non-current	Total	Current	Non-current	Total
Notes/bonds	8,640	33,222	41,862	9,091	29,653	38,744
Commercial paper	1,077	8	1,085	1,086	-	1,086
Liabilities to financial institutions	10,739	11,182	21,921	10,173	8,916	19,089
Liabilities from customer deposits	8,796	2,353	11,149	8,539	2,718	11,257
Liabilities from ABS transactions	3,688	2,295	5,983	3,478	2,653	6,131
Liabilities from finance leases	44	245	289	39	271	310
Loans, other financing liabilities	653	700	1,353	586	535	1,121
	33,637	50,005	83,642	32,992	44,746	77,738

17. Legal proceedings

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

- lost revenue of €3.33 billion for the period of September 1, 2003 through December 31, 2004 plus interest at 5% per annum over the respective base rate since submission of claims (amount as of September 29, 2014 at €2.0 billion),
- and contractual penalties of approximately €1.65 billion for the period through July 31, 2005 plus interest at 5% per annum over the respective base rate since submission of claims (amount as of September 29, 2014 at €225 million)
- and refinancing costs of €196 million.

Since, among other things, some of the contractual penalties are dependent on time and further claims for contractual penalties have been asserted by the Federal Republic of Germany, the amount claimed as contractual penalties may increase. The defendants submitted their response to the statement of claims on June 30, 2006. The Federal Republic of Germany delivered its reply to the arbitrators on February 15, 2007 and the defendants delivered their rebuttal on October 1, 2007. The arbitrators held the first hearing on June 16 and 17, 2008. Additional briefs from the claimant and the defendants have been filed since then. A hearing of witnesses and experts took place between December 6 and 14, 2010. The parties submitted further written statements on July 15 and November 15, 2011.

After the tribunal's president resigned for personal reasons as of March 30, 2012, the new president was determined by the Berlin Administrative Court as of October 29, 2012. In 2013 and 2014, the parties filed further briefs. A further hearing was held in May 2014. Both parties filed further briefs regarding the outcome of that hearing in August and September 2014. An additional hearing was held in early October 2014. In accordance with IAS 37.92, no further information is disclosed regarding the arbitration proceedings and the related risks to the company, in particular regarding the measures taken by the company, in order to prevent negative effects on the proceedings.

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

18. Financial instruments

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

E.26

Carrying amounts and fair values of financial instruments

In millions of euros	September 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Receivables from financial services	58,108	58,509	50,770	51,115
Trade receivables	8,238	8,238	7,803	7,803
Cash and cash equivalents	12,610	12,610	11,053	11,053
Marketable debt securities				
Available-for-sale financial assets	6,840	6,840	7,066	7,066
Other financial assets				
Available-for-sale financial assets	3,323	3,323	2,052	2,052
thereof equity instruments measured at fair value	2,618	2,618	1,452	1,452
thereof equity instruments carried at cost	705	705	600	600
Financial assets recognized at fair value through profit or loss	88	88	350	350
Derivative financial instruments used in hedge accounting	943	943	1,703	1,703
Other receivables and assets	3,024	3,024	2,136	2,136
	93,174	93,575	82,933	83,278
Financial liabilities				
Financing liabilities				
Trade payables	11,929	11,929	9,086	9,086
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	400	400	413	413
Derivative financial instruments used in hedge accounting	1,944	1,944	395	395
Miscellaneous other financial liabilities	8,616	8,616	7,468	7,468
	106,531	108,051	95,100	96,388

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

Marketable debt securities and other financial assets.

Financial assets available for sale comprise:

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

Financial assets recognized at fair value through profit or loss include derivative financial instruments not used in hedge accounting. These financial instruments as well as *derivative financial instruments used in hedge accounting* comprise:

- derivative currency hedging contracts; the fair values of currency forwards and cross-currency interest rate swaps are determined on the basis of the discounted estimated future cash flows using market interest rates appropriate to the remaining terms of the financial instruments. Currency options were measured using price quotations or option pricing models based on market data.
- derivative interest rate hedging contracts; the fair values of interest rate hedging instruments (e.g. interest rate swaps) are calculated on the basis of the discounted estimated future cash flows using the market interest rates appropriate to the remaining terms of the financial instruments.
- derivative commodity hedging contracts; the fair values of commodity hedging contracts (e.g. commodity forwards) are determined on the basis of current reference prices with consideration of forward premiums and discounts.

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

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

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

Table 7 E.27 provides an overview of the classification of financial assets and liabilities measured at fair value in the fair value hierarchy.

E.27

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

In millions of euros	September 30, 2014				December 31, 2013			
	Total	Level 1 ¹	Level 2 ²	Level 3 ³	Total	Level 1 ¹	Level 2 ²	Level 3 ³
Assets measured at fair value								
Financial assets available for sale	9,458	7,275	2,183	-	8,518	6,264	2,254	-
thereof equity instruments	2,618	2,610	8	-	1,452	1,446	6	-
thereof marketable debt securities	6,840	4,665	2,175	-	7,066	4,818	2,248	-
Financial assets recognized at fair value through profit or loss	88	-	88	-	350	-	232	118
Derivative financial instruments used in hedge accounting	943	-	943	-	1,703	-	1,703	-
	10,489	7,275	3,214	-	10,571	6,264	4,189	118
Liabilities measured at fair value								
Financial liabilities recognized at fair value through profit and loss	400	-	400	-	413	-	413	-
Derivative financial instruments used in hedge accounting	1,944	-	1,944	-	395	-	395	-
	2,344	-	2,344	-	808	-	808	-

1 Fair value measurement based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.

2 Fair value measurement for the asset or liability based on inputs that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

3 Fair value measurement for the asset or liability based on inputs that are not observable market data.

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

E.28

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

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

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

19. Segment reporting

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

E.29

Segment reporting for the three-month periods ended September 30

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Reconciliation	Daimler Group
Q3 2014								
External revenue	18,007	7,925	2,424	1,019	3,747	33,122	-	33,122
Intersegment revenue	670	538	91	15	251	1,565	-1,565	-
Total revenue	18,677	8,463	2,515	1,034	3,998	34,687	-1,565	33,122
Segment profit (EBIT)	1,584	588	176	64	355	2,767	965	3,732
Thereof share of profit/loss from investments accounted for using the equity method	-8	11	1	-	-	4	13	17
Thereof income and expense from compounding of provisions and changes in discount rates	-55	-21	-7	-2	-1	-86	2	-84

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Reconciliation	Daimler Group
Q3 2013								
External revenue	15,887	7,502	2,170	1,112	3,428	30,099	-	30,099
Intersegment revenue	634	480	83	15	229	1,441	-1,441	-
Total revenue	16,521	7,982	2,253	1,127	3,657	31,540	-1,441	30,099
Segment profit (EBIT)	1,200	522	152	59	322	2,255	-24	2,231
Thereof share of profit/loss from investments accounted for using the equity method	-36	39	1	1	-	5	-1	4
Thereof expense from compounding of provisions and changes in discount rates	-32	-15	-5	-1	-1	-54	-3	-57

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

E.30

Segment reporting for the nine-month periods ended September 30

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Reconciliation	Daimler Group
Q1-3 2014								
External revenue	51,445	21,987	6,947	2,896	10,848	94,123	-	94,123
Intersegment revenue	2,007	1,563	274	45	787	4,676	-4,676	-
Total revenue	53,452	23,550	7,221	2,941	11,635	98,799	-4,676	94,123
Segment profit (EBIT)	4,176	1,384	541	167	1,088	7,356	1,258	8,614
Thereof share of profit/loss from investments accounted for using the equity method	47	24	64	-	-13	122	745	867
Thereof expense from compounding of provisions and changes in discount rates	-141	-52	-18	-3	-1	-215	-	-215

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Reconciliation	Daimler Group
Q1-3 2013								
External revenue	45,134	21,434	6,417	2,770	10,138	85,893	-	85,893
Intersegment revenue	1,821	1,537	256	42	644	4,300	-4,300	-
Total revenue	46,955	22,971	6,673	2,812	10,782	90,193	-4,300	85,893
Segment profit (EBIT)	2,701	1,072	437	55	955	5,220	3,170	8,390
Thereof share of profit/loss from investments accounted for using the equity method	-80	21	2	1	-12	-68	3,397	3,329
Thereof expense from compounding of provisions and changes in discount rates	-50	-23	-8	-3	-1	-85	-6	-91

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

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

In the nine-month period ended September 30, 2014, "Share of profit from investments accounted for using the equity method" includes the income from the remeasurement of the equity investment in Tesla of €718 million as well as the proportionate result of BAIC Motor. The prior-year profit includes the gain from the remeasurement of the EADS shares.

In the nine-month period ended September 30, 2014, "Other corporate items" include the expenses from hedging the share price of Tesla of €230 million (2013: €0 million) and from the measurement of the RRPSH put option of €118 million (2013: €50 million). Furthermore, it includes expenses in connection with legal proceedings. In the prior-year period, a loss of €142 million in connection with the disposal of the remaining EADS shares was disclosed, which was reported within "Other financial income/expense, net."

E.31

Reconciliation of the total segments' profit (EBIT)

In millions of euros	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013
Total segments' profit (EBIT)	2,767	2,255	7,356	5,220
Result from the disposal of the RRPSH shares	1,006	-	1,006	-
Share of profit from investments accounted for using the equity method	13	-1	745	3,397
Other corporate items	-72	-29	-524	-295
Eliminations	18	6	31	68
Group EBIT	3,732	2,231	8,614	8,390
Amortization of capitalized borrowing costs ¹	-2	-	-6	-
Interest income	40	63	104	168
Interest expense	-189	-222	-546	-668
Profit before income taxes	3,581	2,072	8,166	7,890

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

20. Related party relationships

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

Associated companies. A large proportion of the sales and purchases of goods and services with associated companies in 2014, results from business relations with Beijing Benz Automotive Co., Ltd. (BBAC).

On February 1, 2013, Daimler, Beijing Automotive Group Co., Ltd. (BAIC Group) and BAIC Motor Corporation Ltd. (BAIC Motor) signed a binding agreement according to which Daimler will invest in BAIC Motor. BAIC Motor is the passenger-car unit of BAIC Group, one of the leading automotive companies in China. On November 18, 2013, this transaction was closed and BAIC Motor issued new shares to Daimler representing a 12% stake in BAIC Motor for a purchase price of €627 million including incidental acquisition costs. Daimler received two seats on the board of directors of BAIC Motor. In December 2013 and June 2014, the shareholders of BAIC Motor decided to pay dividends, of which €23 million and €10 million are attributable to Daimler. The effects resulting from allocating the purchase price to the identifiable assets and liabilities are not material.

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

BBAC produces and markets Mercedes-Benz vehicles in China for the Daimler Group. Daimler plans to contribute additional equity of €0.3 billion to the joint venture BBAC in 2014 and 2015. Additional funds needed by BBAC to fund its investments will be directly raised in the capital markets by BBAC. In December 2013, the shareholders of BBAC decided to pay a dividend, of which €101 million is attributable to Daimler. The related receivable due from BBAC is included in table [E.32](#).

Furthermore, business relations exist with Rolls-Royce Power Systems AG (RRPS), which is a subsidiary of RRPSH. RRPS purchases engines, parts and services from the Group. The equity interest in RRPSH was sold in the third quarter of 2014.

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

Joint ventures. The Group's transactions with joint ventures in the nine-month period ended September 30, 2013 predominantly related to the business relationship with BBAC.

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

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

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

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

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

In connection with the Group's 45% equity interest in Toll Collect GmbH, Daimler has provided a number of guarantees for Toll Collect, which are not included in table [7 E.32](#) (€100 million as of September 30, 2014 and as of December 31, 2013).

E.32

Related party relationships

In millions of euros	Q3 2014	Q3 2013	Sales of goods and services and other income		Q3 2014	Q3 2013	Purchases of goods and services and other expense	
			Q1-3 2014	Q1-3 2013			Q1-3 2014	Q1-3 2013
Associated companies	633	180	1,736	480	79	91	224	282
Joint ventures	158	703	500	1,825	89	125	236	205
thereof BBAC	577	519	1,453	1,222	11	20	21	28

In millions of euros	Receivables		Payables	
	Sept. 30, 2014	Dec. 31, 2013	Sept. 30, 2014	Dec. 31, 2013
Associated companies	696	713	38	61
Joint ventures	194	234	26	54
thereof BBAC	676	569	12	12

21. Subsequent Events

In mid-October 2014, Daimler sold its equity interest in Tesla and discontinued the related hedging arrangement prematurely. This resulted in a net cash inflow of approximately €0.6 billion. The Group's EBIT for the fourth quarter of 2014 will be positively impacted by approximately €0.1 billion.

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

Concept and contents

Daimler AG
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Publications for our shareholders

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

Interim Report Q3 2014

October 23, 2014

Annual Press Conference

February 5, 2015

Analyst and Investor Conference

February 6, 2015

Presentation of Annual Report 2014

February 17, 2015

Annual Meeting 2015

Messe Berlin
April 1, 2015

Interim Report Q1 2015

April 28, 2015

Interim Report Q2 2015

July 23, 2015

Interim Report Q3 2015

October 22, 2015

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

