Interim Report Q3 2016

Contents

Cover photo: the new Cascadia.

The new Freightliner Cascadia with its aerodynamic design and integrated Detroit powertrain achieves an improvement in fuel efficiency of up to 8% compared with a 2016 Cascadia Evolution. It reaches a new level also in terms of safety, connectivity and operating time. With its new full-LED system, the new Cascadia offers a significantly larger field of vision in situations of poor visibility. The optional Detroit Assurance 4.0 safety package includes Active Brake Assist. A new, exclusive connectivity platform can supply automatic fuel-efficiency and safety analyses. This platform helps to reduce repair costs and increase operating times.

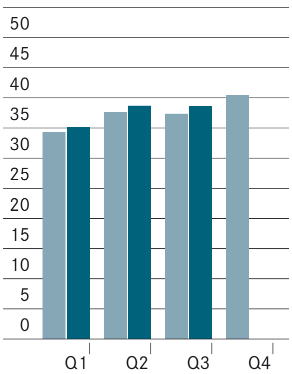
Q3

Key Figures Daimler Group

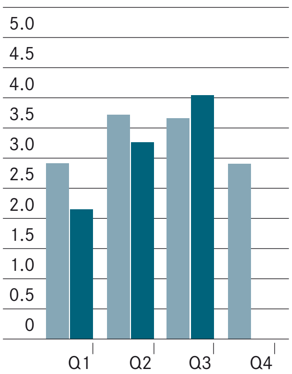
€ amounts in millions	Q3 2016	Q3 2015	% change
Revenue	38,597	37,276	+4 [1]
Western Europe	13,449	12,349	+9
thereof Germany	5,811	5,388	+8
NAFTA	11,259	12,221	-8
thereof United States	9,778	10,817	-10
Asia	9,377	8,120	+15
thereof China	4,067	3,297	+23
Other markets	4,512	4,586	-2
Investment in property, plant and equipment	1,427	1,139	+25
Research and development costs	1,892	1,596	+19
thereof capitalized development costs	594	464	+28
Free cash flow of the industrial business	473	1,463	-68
EBIT	4,037	3,661	+10
Net profit	2,726	2,415	+13
Earnings per share (in euros)	2.43	2.23	+9
Employees	284,482	284,015 [2]	+0

1 Adjusted for the effects of currency translation, increase in revenue of 3%.
2 As of December 31, 2015.

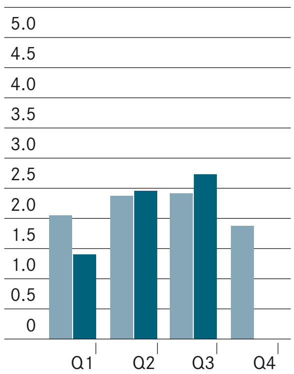
Revenue
In billions of euros



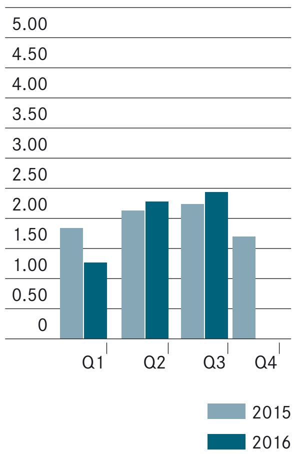
EBIT
In billions of euros



Net profit
In billions of euros



Earnings per share
In euros



Q1-3

Key Figures Daimler Group

€ amounts in millions	Q1-3 2016	Q1-3 2015	% change
Revenue	112,260	109,039	+3 [1]
Western Europe	39,851	35,405	+13
thereof Germany	17,223	15,957	+8
NAFTA	33,307	35,081	-5
thereof United States	29,123	30,920	-6
Asia	26,036	24,816	+5
thereof China	11,667	10,655	+9
Other markets	13,066	13,737	-5
Investment in property, plant and equipment	3,882	3,211	+21
Research and development costs	5,447	4,743	+15
thereof capitalized development costs	1,648	1,296	+27
Free cash flow of the industrial business	2,593	4,828	-46
EBIT	9,443	10,285	-8
Net profit	6,578	6,837	-4
Earnings per share (in euros)	5.96	6.19	-4
Employees	284,482	284,015 [2]	+0

1 Adjusted for the effects of currency translation, increase in revenue of 4%.
2 As of December 31, 2015.

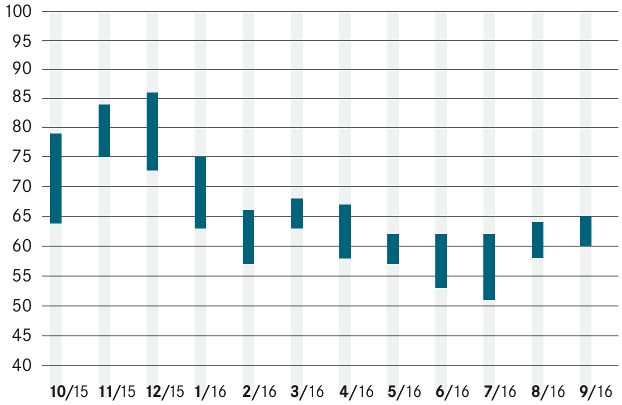
Daimler and the Capital Market

Key figures

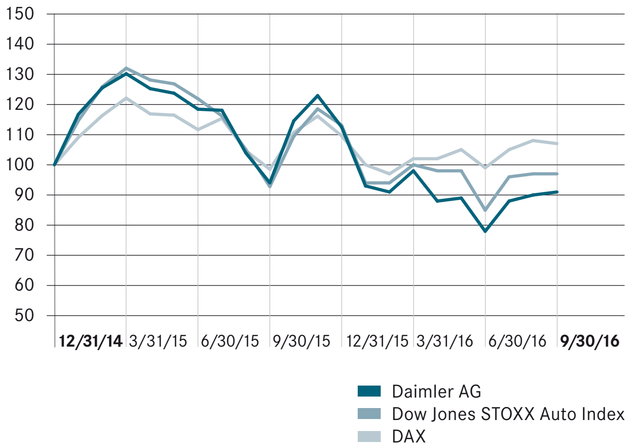
	Sept. 30, 2016	Sept. 30, 2015	% change
Earnings per share in Q3 (in €)	**2.43**	2.23	+9
Outstanding shares (in millions)	**1,069.8**	1,069.8	0
Market capitalization (€ billion)	**67.09**	69.38	-3
Xetra closing price (in €)	**62.71**	64.85	-3

Daimler share price (highs and lows) in 2015/2016

in €



Share-price development (indexed)



Daimler share price recovers in third quarter

Following a second quarter featuring high volatility, a recovery of global stock markets commenced in the third quarter, but differed in strength from one region to another. Most of the automotive stocks, which had come under pressure during the first half of the year, gained significant value. After the vote in the United Kingdom in favor of leaving the European Union at first led to severe share-price movements, the development of share prices in the third quarter was no longer significantly influenced by fears of the long-term consequences of Brexit. However, expectations concerning the future policy of world-wide central banks remained of key importance for stock-market investors.

Unit sales by Mercedes-Benz Cars continued to develop very positively due to the strong demand for our new products and thus had a positive impact on the development of our share price. At the China Capital Market Days on September 6 and 7, Daimler's management explained the strategy of Mercedes-Benz Cars, which had recently been confirmed by the good business development in China and was very positively received by the analysts and investors. On the side of commercial vehicles, investors continue to focus in particular on the ongoing development of major truck markets, especially in the NAFTA region and Europe.

Our share price developed positively in the third quarter and increased significantly. At the end of the third quarter, Daimler's share price was €62.71 and its increase of 17% was stronger than that of the DAX (+9%) and the Dow Jones STOXX Auto Index (+14%).

Favorable interest environment used for refinancing

Favorable market conditions in the third quarter of 2016 were utilized for refinancing, especially in the North American market. In July, Daimler Finance North America issued a multi-tranche bond in the United States with a volume of US$3 billion and Daimler Canada Finance issued a multi-tranche bond with a volume of CAN$0.75 billion. In the United States, we also conducted an asset-backed-securities (ABS) transaction with a volume of US$1.5 billion.

Interim Management Report

Unit sales slightly above prior-year level at 754,100 vehicles (+5%)
Revenue up by 4% to €38.6 billion
Group EBIT of €4,037 million (Q3 2015: €3,661 million)
Net profit of €2,726 million (Q3 2015: €2,415 million)
Free cash flow of industrial business of €2,593 million in the first nine months (Q1-3 2015: €4,828 million)
Slight growth in unit sales and revenue on prior-year level anticipated for full-year 2016
Group EBIT adjusted for special items expected to be slightly higher than in 2015

Business development

World economy still lacks dynamism
The **world economy** continued its moderate, below-average growth with a year-on-year rate of probably just under 2.5% in the third quarter. Most economic indicators followed a sideways development in the past three months, especially the still rather moderate global business sentiment. The major impact on markets feared following the referendum in the United Kingdom did not really occur, with the exception of the pound's depreciation by just over 10%. The European economy was fairly resistant and continued to expand in line with its long-term growth trend of about 1.5%. The European Central Bank maintained its very expansive monetary policy. As the US Federal Reserve has not yet raised interest rates and the Bank of England actually reduced interest rates in order to counteract the effects of the referendum, the global level of interest rates remained very low in the third quarter. After relatively weak growth in the second quarter, the US economy seems recently to have accelerated again somewhat. Although the economic situation in emerging markets with high exports of raw materials continued to stabilize, economic output in some South American countries and in Russia remained lower than in the prior-year period, in some cases by a significant margin.

Worldwide demand for cars continued along its path of expansion in the third quarter. The main drivers of the global growth were ongoing favorable market developments in China and Western Europe. Demand in China profited not only from tax incentives for the purchase of small cars, but also from rather more favorable economic conditions. Compared with the development in the first half of the year, the market became more dynamic and was a good double-digit percentage larger than in the third quarter of 2015. Demand for cars in Western Europe continued to recover, but the growth rate of about 4% was rather moderate due to the rising basis of comparison. The markets of Italy and Spain once again expanded very substantially (+13% and +10% respectively). But the German market also remained solid with growth of approximately 4%. In the United States, demand for cars and light trucks remained at a high level, but was slightly lower than in the third quarter of last year at about minus 1%. The Japanese car market continued to stabilize and was roughly at the prior-year level. Car markets in the emerging economies continued to show a varying picture. In India, demand was higher than in the prior-year period by a double-digit percentage, and the Russian market contracted by a similar rate.

The development of demand for **medium- and heavy-duty trucks** continued to differ considerably from one region to another. In the North American market, the expected cyclical downswing is meanwhile taking place, so the number of trucks sold in Classes 6-8 decreased by a double-digit rate. The situation was positive in the European market, which remained significantly above the prior-year level, although with rather less dynamism. The Turkish market, which is anyway experiencing considerably lower demand this year due to the introduction of the Euro VI emission standard, has recently been additionally weakened by the country's current situation and was once again below its prior-year level by a double-digit percentage. The development in Brazil was similarly negative; due to the country's ongoing deep recession, the market contracted again by almost 30% from its already low level of the prior-year period. The Japanese market for light-, medium- and heavy-duty trucks continued to display a favorable tendency in the past quarter, expanding slightly compared with the prior-year period. The development of the overall truck market was disappointing in Indonesia. Although the downward trend became less pronounced, the drop in demand was still significant. The development of the Indian market for medium- and heavy-duty trucks has recently also weakened significantly. After strong growth in the first half of the year, sales declined by a double-digit rate in the third quarter. Demand in Russia continued to stabilize and according to recent estimates was significantly stronger than in the weak prior-year period. The recovery of the Chinese market has recently been increasingly dynamic, with strong double-digit growth in the third quarter.

Demand for **vans** in Western Europe continued to grow, with a 19% increase in market volume for mid-size and large vans. Demand for small vans increased by 17%. The US market for large vans also continued its strong growth at a rate of 13%. Due to unfavorable economic conditions, the market for large vans in Latin America once again contracted, however.

The **bus market** in Western Europe developed significantly better in the third quarter of 2016 than in the prior-year period, with growth of 12%. Due to the ongoing difficult economic situation, demand in Brazil was significantly lower than in the third quarter of last year, with a decrease of approximately 15%. As a result of the current difficult situation, domestic demand in Turkey was well below the prior-year level (-56%).

Slight growth in third-quarter unit sales
In the third quarter of 2016, Daimler sold 754,100 cars and commercial vehicles worldwide, surpassing the total for the prior-year period by 5%. ↗ C.01

Mercedes-Benz Cars increased its unit sales in the third quarter of 2016 by 11% to a total of 565,600 vehicles. The past three months were therefore the best-selling quarter in the company's history. In Europe, Mercedes-Benz Cars set a new record for a third quarter with sales of 244,600 units, or 12% more than in the prior-year period. Double-digit growth was achieved in the United Kingdom, France, Italy, Spain and Belgium. In Germany, 79,100 vehicles of the Mercedes-Benz and smart brands were sold between July and September (+8%). Sales in China rose by 20% to a new high of 126,600 units, and new records were set also in Japan (+8%), South Korea (+40%), Australia (+8%) and Taiwan (+13%). Unit sales were higher than ever before in a third quarter also in the NAFTA region. In the United States, sales by Mercedes-Benz Cars in the period of July through September increased to 89,900 units (Q3 2015: 88,100).

Third-quarter sales of 97,100 units by **Daimler Trucks** were 24% lower than the prior-year figure. In the NAFTA region, our truck sales decreased to 31,400 units in a declining market environment (Q3 2015: 52,200). We were able to further extend our market leadership in Classes 6-8, however, with a market share of 39,3% (Q3 2015: 38.1%). In the EU30 region (European Union, Switzerland and Norway), we achieved a positive sales development with growth of 7% to 21,300 units. In Latin America, our sales decreased to 7,700 units due to the continuation of difficult economic conditions (Q3 2015: 7,800). Our deliveries in Turkey decreased to 1,700 units in a very weak market environment (Q3 2015: 4,500). Sales of 11,700 vehicles in Japan were on the prior-year level. Unit sales were significantly lower than in the prior-year period in the Middle East, where we delivered 3,300 trucks (Q3 2015: 9,700). Our unit sales in Indonesia amounted to 6.700 vehicles (Q3 2015: 5,400).

Mercedes-Benz Vans increased its unit sales by 13% to the new record of 85,200 vehicles in the third quarter of 2016. In its core region of Western Europe, the van division achieved further substantial growth of 13% to 54,200 units, with strong growth in Germany (+19%), France (+16%), Spain (+14%) and Italy (+40%). In Eastern Europe, however, unit sales decreased by 19% to 6,900 vehicles. The development was positive once again in the NAFTA region, where Mercedes-Benz Vans increased its third-quarter sales by 14% to 10,600 units. The market environment in Latin America remained difficult; nonetheless, our unit sales there stabilized at 3,400 vehicles (-3%). In China, unit sales more than doubled to 4,100 units, following the market launch of the new Mercedes-Benz Vito in that market.

Third-quarter sales by **Daimler Buses** decreased by 17% to 6,200 units. In Western Europe, we sold 1,700 buses of the Mercedes-Benz and Setra brands despite supply bottlenecks in the logistics chain (Q3 2015: 1,800). In Turkey our sales were significantly lower than in the third quarter of last year due to the current difficult situation in that country (-81%). In Latin America (excluding Mexico), demand for bus chassis continued to be negatively affected by the ongoing difficult economic situation in Brazil, so sales of 2,200 units were significantly lower than in the prior-year period (Q3 2015: 3,500).

At **Daimler Financial Services**, new business increased by 7% compared with the prior-year period to €15.7 billion. Contract volume reached €122.1 billion at the end of September, which is 5% higher than at the end of 2015. Adjusted for exchange-rate effects, contract volume increased by 6%. The business of brokering insurance contracts continued to develop very positively. Worldwide, approximately 445,000 insurance contracts were concluded through Daimler Financial Services (Q3 2015: 428,000).

The Daimler Group's third-quarter **revenue** amounted to €38.6 billion, which is 4% higher than in the third quarter of 2015. Adjusted for exchange-rate effects, revenue grew by 3%. ↗ C.02

Mercedes-Benz Cars' revenue increased by 12% to €23.3 billion. At Daimler Trucks, revenue decreased by 19% to €7.9 billion due to lower unit sales caused by weak markets in major regions. Mercedes-Benz Vans achieved revenue growth of 13% to €3.1 billion. Despite an overall significant decrease in unit sales at Daimler Buses, changes in the division's sales structure led to a disproportionately small decrease in revenue of 8% to €0.9 billion.

C.01
Unit sales by division

	Q3 2016	Q3 2015	% change
Daimler Group	754,130	720,016	+5
Mercedes-Benz Cars	565,564	508,350	+11
Daimler Trucks	97,143	128,496	-24
Mercedes-Benz Vans	85,238	75,732	+13
Daimler Buses	6,185	7,438	-17

C.02
Revenue by division

In millions of euros	Q3 2016	Q3 2015	% change
Daimler Group	38,597	37,276	+4
Mercedes-Benz Cars	23,251	20,707	+12
Daimler Trucks	7,851	9,650	-19
Mercedes-Benz Vans	3,120	2,752	+13
Daimler Buses	937	1,018	-8
Daimler Financial Services	5,133	4,702	+9

Profitability

The **Daimler Group** achieved third-quarter EBIT of €4,037 million in 2016, thus significantly surpassing its prior-year earnings (Q3 2015: €3,661 million). ↗ C.03

The EBIT of the Mercedes-Benz Cars division increased significantly, due in particular to growing unit sales in the SUV segment and the market success of the new E-Class. In addition, the Mercedes-Benz Vans division increased its EBIT significantly as a result of higher revenue. However, Daimler Trucks and Daimler Buses could not reach their high earnings of the prior-year quarter. Among other things, this was caused by sharp decreases in unit sales in some key markets. At Daimler Financial Services, earnings increased significantly primarily due to the growth in contract volume. Exchange-rate effects had an overall positive effect on earnings.

The special items affecting EBIT in the third quarters of 2016 and 2015 are shown in table ↗ C.04.

C.03
EBIT by segment

In millions of euros	Q3 2016	Q3 2015	% change	Q1-3 2016	Q1-3 2015	% change
Mercedes-Benz Cars	2,746	2,183	+26	5,551	6,251	-11
Daimler Trucks	464	791	-41	1,601	1,945	-18
Mercedes-Benz Vans	312	193	+62	1,014	642	+58
Daimler Buses	45	89	-49	172	180	-4
Daimler Financial Services	438	378	+16	1,349	1,232	+9
Reconciliation	32	27	+19	-244	35	.
Daimler Group[1]	4,037	3,661	+10	9,443	10,285	-8

1 EBIT, the indicator of operating performance, comprises earnings before interest income and corporate income taxes. The reconciliation of the Daimler Group's EBIT to earnings before income taxes is included in Note 21 of the Notes to the Interim Consolidated Financial Statements.

C.04
Special items affecting EBIT

In millions of euros	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015
Mercedes-Benz Cars				
Expenses in connection with Takata airbags	-	-	-460	-
Profit/loss in connection with remeasurement of inventories	+46	-	-238	-
Settlement in connection with a patent dispute	-	-	-64	-
Restructuring of own dealer network	+41	+21	+20	-15
Relocation of headquarters of MBUSA	-	+1	-	-10
Sale of real estate in the United States	-	-	-	+87
Daimler Trucks				
Workforce adjustments	-49	-10	-83	-35
Restructuring of own dealer network	+3	-4	-4	-23
Sale of Atlantis Foundries	-	-	-	-55
Mercedes-Benz Vans				
Expenses in connection with Takata airbags	-7	-	-70	-
Workforce adjustments in Germany	-	-	-30	-
Restructuring of own dealer network	-	-3	-3	-11
Relocation of headquarters of MBUSA	-	-	-	-2
Daimler Buses				
Workforce adjustments	-8	-	-8	-
Restructuring of own dealer network	+1	-1	-	-2
Reconciliation				
Expenses related to legal proceedings	-	-	-400	-
Impairment of investment in BAIC Motor	-	-	-244	-
Losses from currency transactions (not allocated to business operations)	-	-	-241	-
Contribution of shares in Renault and Nissan to pension plan assets	-	-	+605	-

In the third quarter of 2016, the EBIT of the **Mercedes-Benz Cars** division was €2,746 million, which is significantly higher than the prior-year figure of €2,183 million. The division's return on sales was 11.8% (Q3 2015: 10.5%). ↗ C.03

The very positive development of earnings was primarily influenced by growing unit sales in the SUV segment and the new E-Class. Positive exchange-rate effects and better pricing also had a positive impact on EBIT. However, there were negative effects on earnings from advance expenditure for new technologies and future products.

The **automotive divisions** were affected also by the restructuring of the Group's own dealer network. In this context, we refer to the information provided in Note 4 of the Notes to the Interim Consolidated Financial Statements.

Daimler Trucks' EBIT of €464 million and its return on sales of 5.9% were significantly below the prior-year levels (Q3 2015: €791 million and 8.2%). ↗ C.03

Negative effects on the division's earnings primarily resulted from significantly lower unit sales in the NAFTA region, Turkey and the Middle East. Earnings were also reduced by intense competition in Europe. The realization of further efficiency improvements and exchange-rate effects had positive effects on earnings. EBIT also includes expenses for workforce adjustments in the context of ongoing optimization programs in Brazil.

With EBIT of €312 million, **Mercedes-Benz Vans** achieved significantly higher third-quarter earnings than in the prior year (Q3 2015: €193 million). The division's return on sales also increased significantly to 10.0%, compared to 7.0% in the third quarter of last year. ↗ C.03

The division's EBIT reflects the very positive development of unit sales, especially in Europe, the NAFTA region and China, as well as further efficiency improvements. Exchange-rate effects also had a positive effect on earnings.

Daimler Buses' EBIT of €45 million was significantly below the unusually high prior-year level (Q3 2015: €89 million). The division's return on sales was 4.8% (Q3 2015: 8.7%). ↗ C.03

The persistently difficult economic situation in Brazil and the associated decline in demand for bus chassis negatively affected earnings in the third quarter of 2016. In addition, significantly lower unit sales in Turkey due to the uncertain market situation and cost inflation in Latin America had negative effects on earnings. However, further efficiency improvements had a positive impact on earnings.

In the third quarter of 2016, the **Daimler Financial Services** division achieved earnings of €438 million, thus surpassing the prior-year figure significantly (Q3 2015: €378 million). ↗ C.03

This positive development was mainly the result of increased contract volume and a slight improvement in the cost of risk. On the other hand, earnings were reduced by negative exchange-rate effects.

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

Items at the corporate level resulted in income of €39 million in the third quarter of 2016 (Q3 2015: €11 million).

The elimination of intra-group transactions resulted in an expense of €7 million in the third quarter of 2016 (Q3 2015: income of €16 million).

Net interest expense amounted to €74 million in the third quarter of 2016 (Q3 2015: €129 million). The net interest expense in connection with pension and healthcare benefits improved primarily due to the positive development of the funded status of pension obligations. This was partially offset by the increase in applicable interest rates. Another factor is that there was an improvement in other interest result.

The **income-tax expense** recognized in the third quarter of 2016 amounts to €1,234 million (Q3 2015: €1,115 million) and developed in line with the change in profit before income taxes.

Net profit for the third quarter of 2016 improved to €2,726 million (Q3 2015: €2,415 million). Net profit of €131 million is attributable to **non-controlling interests** (Q3 2015: €30 million). Net profit **attributable to the shareholders of Daimler AG** amounts to €2,595 million (Q3 2015: €2,385 million), representing an increase in **earnings per share** to €2.43 (Q3 2015: €2.23).

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

Cash flows

In the first nine months of 2016, **cash provided by operating activities** ↗ C.05 amounted to €3.4 billion (Q1-3 2015: €1.5 billion). The increase was primarily due to effects from the leasing and sales-financing business. In addition, a positive impact resulted from the development of working capital. There was an opposing effect from the payment of the fine of €1.0 billion imposed by the European Commission in the context of the settlement in the truck antitrust proceedings against Daimler AG. Furthermore, there were higher tax payments in the first nine months of 2016, as the prior-year period was influenced by tax refunds.

C.05

Condensed consolidated statement of cash flows

In millions of euros	Q1-3 2016	Q1-3 2015	Change
Cash and cash equivalents at beginning of period	9,936	9,667	+269
Cash provided by operating activities	3,428	1,475	+1,953
Cash used for investing activities	-6,926	-4,700	-2,226
Cash provided by financing activities	7,893	5,526	+2,367
Effect of exchange-rate changes on cash and cash equivalents	-142	89	-231
Cash and cash equivalents at end of period	14,189	12,057	+2,132

C.06

Free cash flow of the industrial business

In millions of euros	Q1-3 2016	Q1-3 2015	Change
Cash provided by operating activities	8,480	9,874	-1,394
Cash used for investing activities	-6,923	-4,974	-1,949
Change in marketable debt securities	1,079	5	+1,074
Other adjustments	-43	-77	+34
Free cash flow of the industrial business	2,593	4,828	-2,235

Cash used for investing activities ↗ C.05 amounted to €6.9 billion (Q1-3 2015: €4.7 billion). The change compared with the first nine months of last year resulted from acquisitions and disposals of securities in the context of liquidity management. Those transactions resulted in a net cash outflow in the reporting period, whereas disposals of securities exceeded acquisitions in the prior-year period. Cash used for investing activities was also impacted by higher investments in intangible assets and property, plant and equipment.

Cash provided by financing activities ↗ C.05 resulted in a cash inflow of €7.9 billion (Q1-3 2015: €5.5 billion). The change is based primarily on the renewed increase in financing liabilities. There was an opposing effect from the increased dividend payment to the shareholders of Daimler AG.

Cash and cash equivalents increased compared with December 31, 2015 by €4.3 billion, after taking currency translation into account. Total liquidity, which also includes marketable debt securities, increased by €5.3 billion to €23.6 billion.

The parameter used by Daimler to measure the financial capability of the Group's industrial business is the **free cash flow of the industrial business,** ↗ C.06 which is derived from the reported cash flows from operating and investing activities. The cash flows from the acquisition and sale of marketable debt securities included in cash flows from investing activities are deducted, as those securities are allocated to liquidity and changes in them are thus not a part of the free cash flow.

Other adjustments relate to additions to property, plant and equipment that are allocated to the Group as their beneficial owner due to the form of their underlying lease contracts. Furthermore, effects from the financing of dealerships within the Group are adjusted. In addition, the calculation of the free cash flow includes those cash flows to be shown under cash provided by financing activities in connection with the acquisition or disposal of interests in subsidiaries without loss of control.

In the first nine months of 2016, the **free cash flow of the industrial business** resulted in a cash inflow of €2.6 billion (Q1-3 2015: €4.8 billion). This decrease was due to different factors. The payment of the fine imposed by the European Commission in the context of the settlement in the truck antitrust proceedings against Daimler AG reduced the free cash flow of the industrial business by €1.0 billion. Furthermore, there were higher tax payments, as the prior-year period was influenced by tax refunds. The free cash flow of the industrial business was also impacted by higher investments in intangible assets and property, plant and equipment. Positive effects resulted from the development of working capital.

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

To the extent that the Group's internal refinancing of the financial services business is provided by the companies of the industrial business, this amount is deducted in the calculation of the net debt of the industrial business.

Compared with December 31, 2015, the net liquidity of the industrial business decreased from €18.6 billion to €17.9 billion. The decrease was mainly caused by the dividend payment to the shareholders of Daimler AG, which more than offset the positive free cash flow.

Net debt at Group level, which primarily results from refinancing the leasing and sales financing business, increased compared with December 31, 2015 by €5.0 billion to €87.3 billion. ↗ C.08

C.07
Net liquidity of the industrial business

In millions of euros	Sept. 30, 2016	Dec. 31, 2015	Change
Cash and cash equivalents	12,577	8,369	+4,208
Marketable debt securities	8,149	6,999	+1,150
Liquidity	20,726	15,368	+5,358
Financing liabilities	-3,766	2,612	-6,378
Market valuation and currency hedges for financing liabilities	946	600	+346
Financing liabilities (nominal)	-2,820	3,212	-6,032
Net liquidity	17,906	18,580	-674

C.08
Net debt of the Daimler Group

In millions of euros	Sept. 30, 2016	Dec. 31, 2015	Change
Cash and cash equivalents	14,189	9,936	+4,253
Marketable debt securities	9,362	8,273	+1,089
Liquidity	23,551	18,209	+5,342
Financing liabilities	-111,812	-101,142	-10,670
Market valuation and currency hedges for financing liabilities	932	583	+349
Financing liabilities (nominal)	-110,880	-100,559	-10,321
Net debt	-87,329	-82,350	-4,979

The Daimler Group once again utilized attractive conditions in the international money and capital markets for **refinancing** in the first three quarters of 2016.

In the first three quarters of 2016, Daimler had a cash inflow of €16.5 billion from the **issuance** of bonds (Q1-3 2015: €13.9 billion). The redemption of bonds resulted in cash outflows of €8.1 billion (Q1-3 2015: €8.5 billion). A large proportion of the issuance volume was carried out in the form of so-called benchmark bonds (bonds with high nominal values).

In the third quarter, favorable conditions above all in the US capital market were utilized. In early July, Daimler Finance North America LLC issued bonds with three- and five-year maturities in a total volume of US$3.0 billion. ↗ C.09

In addition to the issuances shown in the table, multiple smaller issuances were undertaken in various countries. In July, Daimler Canada Finance Inc. issued a three-year bond and a five-year bond with a total volume of CAN$750 million in the Canadian capital market.

In the United States, an **asset-backed securities (ABS) transaction** with a volume of US$1.5 billion was conducted in September.

C.09
Benchmark issuances

Issuer	Volume	Month of issue	Maturity
Daimler AG	€1,250 million	Jan. 2016	Jan. 2019
Daimler AG	€1,000 million	Jan. 2016	Jan. 2021
Daimler AG	€1,000 million	Jan. 2016	Jan. 2024
Daimler AG	€1,000 million	Mar. 2016	Mar. 2018
Daimler AG	€1,500 million	Mar. 2016	Sep. 2019
Daimler AG	€1,000 million	Mar. 2016	Mar. 2026
Daimler AG	€1,250 million	May 2016	May 2020
Daimler AG	€750 million	May 2016	May 2023
Daimler AG	€1,250 million	May 2016	May 2028
Daimler Finance North America	$250 million	July 2016	July 2019
Daimler Finance North America	$1,500 million	July 2016	July 2019
Daimler Finance North America	$1,250 million	July 2016	July 2021

Financial position

The **balance sheet total** increased compared with December 31, 2015 from €217.2 billion to €235.1 billion; adjusted for the effects of currency translation, the increase amounted to €19.6 billion. Daimler Financial Services accounts for €129.6 billion of the balance sheet total (December 31, 2015: €123.9 billion), equivalent to 55% of the Daimler Group's total assets (December 31, 2015: 57%).

The increase in total assets is primarily due to increased liquidity (cash and cash equivalents and marketable debt securities), more volume in the financial services business and higher inventories. On the liabilities side of the balance sheet, there were increases primarily in financing liabilities, provisions and trade liabilities. Current assets account for 44% of the balance sheet total (December 31, 2015: 42%). Current liabilities amount to 35% of total equity and liabilities (December 31, 2015: 35%).

C.10

Condensed consolidated statement of financial position

In millions of euros	Sept. 30, 2016	Dec. 31, 2015	% change
Assets			
Intangible assets	11,007	10,069	+9
Property, plant and equipment	25,346	24,322	+4
Equipment on operating leases and receivables from financial services	117,729	112,456	+5
Equity-method investments	3,823	3,633	+5
Inventories	27,130	23,760	+14
Trade receivables	9,958	9,054	+10
Cash and cash equivalents	14,189	9,936	+43
Marketable debt securities	9,362	8,273	+13
Other financial assets	6,793	7,454	-9
Other assets	9,781	8,209	+19
Total assets	235,118	217,166	+8
Equity and liabilities			
Equity	54,753	54,624	+0
Provisions	29,140	26,145	+11
Financing liabilities	111,812	101,142	+11
Trade payables	13,857	10,548	+31
Other financial liabilities	11,571	12,360	-6
Other liabilities	13,985	12,347	+13
Total equity and liabilities	235,118	217,166	+8

Intangible assets of €11.0 billion include €8.5 billion of capitalized development costs and €0.7 billion of goodwill. The Mercedes-Benz Cars division accounts for 75% of the development costs and the Daimler Trucks division accounts for 15%.

Property, plant and equipment increased to €25.3 billion (December 31, 2015: €24.3 billion). In the first nine months of 2016, €3.9 billion was invested worldwide, in particular at our production and assembly sites for new products and technologies and for the expansion and modernization of the production facilities. The sites in Germany accounted for €2.7 billion of capital expenditure (Q1-3 2015: €2.3 billion).

Equipment on operating leases and receivables from financial services increased to €117.7 billion (December 31, 2015: €112.5 billion). The increase adjusted for exchange-rate effects of €6.9 billion was primarily caused by the higher level of new business at Daimler Financial Services. The business with end-customers was further expanded in the major markets of Europe as well as in Asia. The leasing and sales-financing business as a proportion of total assets of 50% is below the prior year-level (52%).

Equity-method investments of €3.8 billion (December 31, 2015: €3.6 billion) mainly comprise the carrying amounts of our equity interests in Beijing Benz Automotive Co., Ltd. (BBAC), There Holding B.V. (digital mapping provider HERE), BAIC Motor Corporation Ltd. (BAIC Motor), Beijing Foton Daimler Automotive Co., Ltd. and Kamaz PAO. The decrease caused by the impairment of the investment in BAIC Motor was offset by positive effects from the share of the profit and the capital increase at BBAC.

Inventories increased from €23.8 billion to €27.1 billion, equivalent to 12% of total assets, and accordingly higher than in the prior year (11%). The increase in stocks, mainly in finished goods, applied to all automotive divisions. Especially at Mercedes-Benz Cars, the increase was caused by the ongoing growth and the continuation of the model offensive.

Trade receivables increased by €0.9 billion to €10.0 billion. The Mercedes-Benz Cars division accounts for 49% of these receivables and the Daimler Trucks division accounts for 28%.

Cash and cash equivalents increased compared with the end of the year 2015 by €4.3 billion to €14.2 billion.

Marketable debt securities increased compared with December 31, 2015 from €8.3 billion to €9.4 billion. Those assets include the debt instruments that are allocated to liquidity, most of which are traded in active markets. They generally have an external rating of A or better.

Other financial assets decreased by €0.7 billion to €6.8 billion. They primarily consist of derivative financial instruments, equity instruments in unconsolidated subsidiaries and other investments, as well as loans and other receivables due from third parties. The change is related to effects from the contribution of the shares in Renault S.A. (Renault) and Nissan Motor Company Ltd. (Nissan) to the pension-plan assets. There was an opposing effect from higher carrying values of derivative financial instruments.

Other assets of €9.8 billion (December 31, 2015: €8.2 billion) primarily comprise deferred tax assets and tax refund claims. The increase in deferred tax assets primarily relates to effects from pensions and similar obligations not recognized in profit and loss.

The Group's **equity** increased compared with December 31, 2015 from €54.6 billion to €54.8 billion. The increase was mainly due to net profit of €6.6 billion and the remeasurement of derivative financial instruments not recognized in profit and loss (€1.7 billion). Equity was reduced, however, by the payment of the dividend to the shareholders of Daimler AG of €3.5 billion and by actuarial losses of €3.4 billion from the defined-benefit pension plans that are recognized in retained earnings. In addition, the remeasurement (€0.5 billion) and contribution to the pension-plan assets (€0.6 billion) of the shares in Renault and Nissan led to a decrease in the reserve of financial assets available for sale. Equity attributable to the shareholders of Daimler AG increased slightly to €53.7 billion (December 31, 2015: €53.6 billion).

In relation to the slight increase in equity, the balance-sheet total increased at the disproportionately high rate of 8%. The Group's **equity ratio** of 23.3% was therefore below the level at the end of 2015 (23.6%); the equity ratio for the industrial business was 42.4% (December 31, 2015: 44.2%).

Provisions increased from €26.1 billion at December 31, 2015 to €29.1 billion; as a proportion of the balance-sheet total, they amount to 12%, as at the end of 2015. They primarily comprise provisions for pensions and similar obligations of €12.2 billion (December 31, 2015: €8.7 bilion), which mainly consist of the difference between the present value of defined-benefit pension obligations of €33.6 billion (December 31, 2015: €27.6 billion) and the fair value of the pension-plan assets applied to finance those obligations of €22.7 billion (December 31, 2015: €20.2 billion). The decrease in discount rates, especially for the German plans from 2.6% at December 31, 2015 to 1.25% at September 30, 2016, led to an increase in the present value of the defined-benefit pension obligations. The contribution to the pension-plan assets of the shares in Renault and Nissan (€1.8 billion) led to an increase in the fair value of the pension-plan assets. Provisions also relate to liabilities from income taxes of €1.4 billion (December 31, 2015: €1.7 billion), from product warranties of €6.1 billion (December 31, 2015: €5.7 billion) and from personnel and social costs of €4.1 billion (December 31, 2015: €4.4 billion), as well as other provisions of €5.3 billion (December 31, 2015: €5.8 billion).

Financing liabilities of €111.8 billion were above the level of December 31, 2015 (€101.1 billion). The increase of €11.5 billion after adjusting for exchange-rate effects primarily reflects the refinancing of the growing leasing and sales-financing business. 53% of the financing liabilities are accounted for by notes and bonds, 26% by liabilities to financial institutions, 10% by deposits in the direct banking business and 8% by liabilities from ABS transactions.

Trade payables increased to €13.9 billion (December 31, 2015: €10.5 billion), primarily due to the higher volume of business. The Mercedes-Benz Cars division accounts for 65% of those payables and the Daimler Trucks division accounts for 20%.

Other financial liabilities of €11.6 billion (December 31, 2015: €12.4 billion) mainly consist of liabilities from derivative financial instruments, residual value guarantees, accrued interest on financing liabilities, deposits received and liabilities from salaries and wages. The decrease mainly results from the derivative financial instruments.

Other liabilities of €14.0 billion (December 31, 2015: €12.3 billion) primarily comprise deferred income, tax liabilities, and deferred taxes. The increase was mainly the result of higher deferred taxes and deferred revenue from multi-year service and maintenance contracts.

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

Capital expenditure and research activities

The Daimler Group invested €1.4 billion in property, plant and equipment in the third quarter of this year (Q3 2015: €1.1 billion). Most of that investment, €1.1 billion, was at the Mercedes-Benz Cars division (Q3 2015: €0.8 billion). The main focus of capital expenditure was on production preparations for new models, in particular the derivatives of the C-Class and the E-Class, as well as investments for new transmissions and engine versions. Another area of capital expenditure was for the ongoing expansion of our international production and component plants. At Daimler Trucks, the main investments were for engines, transmissions and new vehicles, as well as the optimization of our worldwide production network.

The Daimler Group's research and development spending in the third quarter of the year amounted to €1.9 billion (Q3 2015: €1.6 billion), of which €0.6 billion was capitalized (Q3 2015: €0.5 billion). More than two thirds of the research and development spending (€1.4 billion) was at the Mercedes-Benz Cars segment (Q3 2015: €1.2 billion). A substantial proportion of that amount represents our advance expenditure for the mobility of the future. The other main areas there, as at Daimler Trucks, were new vehicle models, particularly fuel-efficient and environmentally friendly drive systems, and the intensification of the modular strategy.

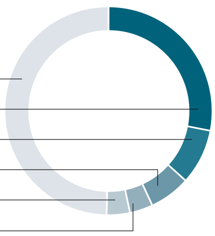
Workforce

At the end of the third quarter of 2016, Daimler employed 284,482 people worldwide (end of 2015: 284,015). Of that total, 172,857 were employed in Germany (end of 2015: 170,454), 22,145 in the United States (end of 2015: 24,607), 9.811 in Brazil (end of 2015: 11,669) and 10,641 in Japan (end of 2015: 11,002). Our consolidated companies in China had 3,530 employees at the end of September (end of 2015: 3,155). ↗ C.01

C.01

Employees by division (as of September 30, 2016)

Daimler Group	284,482
Mercedes-Benz Cars	142,013
Daimler Trucks	79,943
Mercedes-Benz Vans	23,970
Daimler Buses	18,076
Daimler Financial Services	10,671
Group Functions & Services	9,809



Important events

Changes in the Board of Management and the Supervisory Board

Sibylle Wankel has been appointed as a member of the Supervisory Board representing the employees, effective since August 25, 2016. The appointment is not yet legally final. Sibylle Wankel has been an active trade unionist since 1991 and has worked at the IG Metall trade union since 1997. Since May 2016, she has been head of the legal department of IG Metall in Frankfurt. Sibylle Wankel will succeed to Dr. Sabine Maaßen as a trade union representative on the employees' side of the Supervisory Board.

The Supervisory Board of Daimler AG has appointed Britta Seeger as a member of the Board of Management, effective as of January 1, 2017. Britta Seeger will be responsible for Mercedes-Benz Cars Marketing and Sales, succeeding to Ola Källenius, who at the same time will assume responsibility for Group Research and Mercedes-Benz Cars Development. Britta Seeger is currently President & CEO of Mercedes-Benz Türk A.S. The Supervisory Board has extended the contract of service of Wilfried Porth as Board of Management Member for Human Resources and Labor Relations Director, IT & Mercedes-Benz Vans by five years until April 30, 2022.

EQ – the new brand for electric mobility

At the Paris Motor Show, Mercedes-Benz presented its new product brand for electric mobility: EQ. The name EQ stands for "Electric Intelligence" and is derived from the Mercedes-Benz brand values "Emotion and Intelligence." The new brand includes all the key aspects for customer-oriented electric mobility and goes beyond the car itself. EQ offers a comprehensive electric-mobility ecosystem consisting of products, services, technologies and innovations. The spectrum reaches from electric vehicles to wall boxes and charging services and to home energy storage. A precursor of the new brand is the EQ show car, which is close to a series version and had its world premiere in Paris. Before the end of this decade, the first EQ series-produced model will be launched in the SUV segment. This will be followed by a model offensive that will gradually supplement the Mercedes-Benz Cars portfolio with electrified vehicles.

Daimler Financial Services to acquire Athlon Car Lease International

Daimler Financial Services is making strategic investments in the fleet-management business and is acquiring Athlon Car Lease International B.V., a subsidiary of the Dutch Rabobank. Athlon's portfolio will be merged with that of Daimler Fleet Management under the Athlon brand. This will create one of the leading providers in the European fleet-management business with a portfolio of approximately 340,000 cars and vans. The transaction is awaiting the required approvals from antitrust and other regulatory authorities, and is likely to be closed in the fourth quarter of 2016.

EU antitrust proceedings
In a settlement decision adopted on July 19, 2016, the European Commission concluded the antitrust proceedings against Daimler and other truck manufacturers that commenced in 2011. The European Commission imposed a fine on Daimler in the amount of €1,009 million. Daimler cooperated closely with the authorities throughout the proceedings and the European Commission took this into account in reducing the fine imposed. Daimler had recognized a provision for the proceedings and paid the fine in September.

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 138 to 151 of our Annual Report 2015. In addition, we refer to the notes on forward-looking statements provided at the end of this Interim Report.

Our assessment of risks and opportunities has changed since publication of Annual Report 2015 with regard to the following points.

At the beginning of the fourth quarter of 2016, economic risks for the world economy are still considerable. The British vote to leave the European Union first of all involves considerable risks for the economic prospects of the United Kingdom, but could also have an impact on continental Europe. If other countries follow the example of the UK and plan to carry out referendums, the ensuing investor and consumer uncertainty could additionally affect the economic outlook for the EU. Although energy prices have recovered again recently, the danger of deflation has not yet been overcome, especially in the euro zone. Within the European Monetary Union, developments in Greece, Italy and Spain remain problematic, both politically and economically. In Italy in particular, business uncertainty could increase significantly depending on the result of the referendum on constitutional reform planned for early December. From a global perspective, political events continue to be the cause of risks in many cases. With a view to the terror attacks both within and outside Europe, it is very hard to assess whether and to what extent they could lead to a crisis of confidence among the key economies. After the attempted coup d'état, this also applies to further developments in Turkey. The possibility of political escalation between Russia and the Western countries continues to be a source of risks. The ongoing tension in the Middle East also represents a considerable threat potential. It is still the case that those economies that depend on the inflow of capital due to external trade deficits are especially susceptible to major currency volatilities and growth slowdowns. In the United States, possible uncertainty in connection with the presidential election could lead to unforeseen impacts, particularly on investment. In connection with the increasingly expansive monetary policy of the European Central Bank, there is also continuing concern about the extent to which this will increase the danger of speculative bubbles in the stock and bond markets. Greater turbulence in the financial markets would then have a direct impact on the economic outlook. Opportunities exist on the one hand in a rapid economic recovery of the emerging markets, and on the other hand in a stronger revival of the economies of the United States and the euro zone. A sustained reduction in tension in the Middle East would also have a positive impact on the world economy.

The automotive industry is subject to extensive governmental regulations worldwide. Laws in various jurisdictions regulate occupant safety and the environmental impact of vehicles, including emission levels, fuel economy and noise, as well as the pollutants generated by the plants where vehicles are produced. Noncompliance with regulations applicable in the different regions could result in significant penalties and reputational harm or the inability to sell vehicles in the relevant markets. The cost of compliance with these regulations is significant, and in this context Daimler expects a significant increase in such costs.

Currently, Daimler is subject to regulatory information requests, inquiries and litigation relating to environmental and other laws and regulations in connection with diesel exhaust emissions. Several authorities, including in Europe and the United States, have inquired about test results and the emission control systems used in Mercedes-Benz diesel vehicles and related legal implications, including but not limited to under applicable securities laws. These authorities include, among others, the U.S. Department of Justice ("DOJ"), which has requested that Daimler conduct an internal investigation, the U.S. Environmental Protection Agency ("EPA") and the California Air Resources Board ("CARB"). These information requests, inquiries and our internal investigation are still ongoing and open; hence, Daimler cannot predict the outcome at this time. If these or other inquiries result in unfavorable findings, Daimler could be subject to significant monetary penalties, remediation requirements, vehicle recalls, process improvements and mitigation measures, and/or other sanctions, measures and actions, including subsequent civil and criminal enforcement actions against Daimler and/or its employees, and delays in obtaining regulatory approvals necessary to introduce new diesel models, which could cause significant collateral damage including reputational harm. In addition, Daimler's ability to defend itself in litigations could be impaired by unfavourable results in any of the regulatory inquiries discussed above. Insofar, it cannot be ruled out that the risks discussed above may materially adversely impact our profitability, cash flows and financial situation.

With regard to the legal proceedings, we refer to Note 18 of the Notes to the Interim Consolidated Financial Statements.

Information on production and technology risks is provided in Interim Report Q2 2016.

Outlook

At the beginning of the fourth quarter, the fundamental situation of the **world economy** has not changed; there are no perceptible indications of either acceleration or deceleration of growth. Although moderate expansion can therefore be expected for the fourth quarter, full-year 2016 will probably have the lowest growth rate since the financial crisis, with expansion of global gross domestic product (GDP) of just under 2.5%. The US economy will also remain significantly below its growth potential. Meanwhile, most analysts assume that despite a rather better second half of the year, GDP growth will amount to only about 1.5% in 2016. With relatively stable consumption, it is above all weak investment demand and increasing destocking that are preventing stronger growth. A positive factor, however, is the ongoing resilience of the economy of the European Monetary Union (EMU). For the year 2016, GDP growth in the EMU in the region of 1.5% can still be anticipated. But the development of the British economy might well be weaker. It is quite possible that the referendum's outcome has unsettled investors and consumers so much that the overall economy will merely stagnate until the end of the year. But the ongoing stabilization of economic prospects in China is significantly more important for the global economy. Most analysts now assume that China will achieve GDP growth of just over 6.5% this year. On the other hand, economic developments in South America remain very difficult, even though the recession in Brazil meanwhile seems to have bottomed out. And although the distinct recovery in oil prices compared with the beginning of the year has improved the growth prospects of the Russian economy, slight contraction is still expected for the full year.

According to recent assessments, worldwide **demand for cars** is likely to increase from its already high level by about 2% in 2016. Once again, the biggest contribution to this global growth should come from the Chinese market, which is likely to continue expanding at a significant rate. But the expected increase in demand will to a great extent be due to state stimulus. Since last fall, tax on cars with engines of up to 1.6 liters displacement has been halved. As this measure is expected to remain in effect until the end of 2016, we continue to anticipate a positive impact on the overall Chinese car market in the fourth quarter. We do not expect any more growth for the US market for cars and light trucks, and sales volumes there will be slightly below the high level of the previous year. We anticipate significant growth for the Western European car market. With a view to the individual markets, this growth is continuing on a relatively broad base. Despite the vote in favor of Brexit, current assessments are that the British market will remain at its unusually high level. In Japan, a slight decrease in demand is to be expected following the significant market correction of 2015. Prospects for the major emerging markets remain mixed. In India, market growth is likely to remain solid. In Russia, however, the ongoing difficult economic situation is likely to result in another double-digit drop in car sales.

Demand for **medium- and heavy-duty trucks** in the regions important for Daimler should be perceptibly below the prior-year volume. A major negative factor is the expected significant market contraction in North America. In a comparatively weak overall investment environment, from today's perspective, demand in the market for Class 6-8 trucks can be expected to decrease by approximately 15%. But the European market has so far proven to be relatively resilient and should continue its recovery with growth of 5-10% in the full year. There is still no turnaround in sight for the Brazilian market; due to the ongoing economic recession, we have to anticipate further market contraction there in the magnitude of 25%. The situation of the Russian market has meanwhile stabilized somewhat, so the market should not contract any further than its very low prior-year level. Demand in China will recover significantly after last year's sharp market contraction. The Japanese market for light-, medium- and heavy-duty trucks continues its solid development and should be close to its level of 2015. The Indonesian truck market is likely to contract once again, however; from today's perspective, we anticipate contraction of approximately 15%. In India, only slight growth is meanwhile expected in the segment of medium- and heavy-duty trucks.

We expect significant growth in the market for mid-size, large and small **vans** in Western Europe in 2016. In the United States, we also anticipate significant growth in demand for large vans. In Latin America, however, we expect further significant contraction in the market for large vans. In China, we now anticipate significantly lower demand in the market we address there.

We now expect a significantly larger market volume for **buses** in Western Europe in 2016 than in 2015. In Brazil, we anticipate further significant market contraction in full-year 2016.

On the basis of the assumptions presented above on the development of the markets important for us and of the division's current assessments, Daimler expects to slightly increase its **total unit sales** in the year 2016.

Following the strongest first three quarters of a year for **Mercedes-Benz Cars**, we intend to continue our growth in the fourth quarter and thus to significantly increase our unit sales in full-year 2016. This will be primarily driven by the new E-Class sedan, which has made a successful start, as well as by the new wagon version of the E-Class, deliveries of which will start in Europe in October. Sales will be boosted also by the market launch of the GLC Coupe in the United States – a model without a direct predecessor in the product portfolio. The Mercedes-AMG GT R and its convertible version, the Mercedes-AMG GT Roadster, will be available to customers as of the end of the year. This year's model offensive will be concluded in December with the market launch of the new smart fortwo coupe electric drive in the USA.

Due to negative developments in many truck markets, **Daimler Trucks** assumes that unit sales in full-year 2016 will be significantly lower than in the previous year. Weaker development of demand for heavy-duty trucks in the NAFTA region will have a significant impact on our sales. We anticipate a significantly weaker sales development also in Brazil, in a sharply declining market environment. We should achieve increased sales of trucks in the EU30 region (European Union, Switzerland and Norway). In Turkey, we anticipate a significant decrease in unit sales in the full year. This is due to purchases being brought forward to 2015 because of the new emission standard taking effect in 2016, as well as the current economic environment. The low level of oil prices is negatively impacting demand in the Middle East, so we expect a substantial reduction in unit sales in that region. We assume that unit sales in the full year will be significantly lower also in Indonesia for market-related reasons. Our truck sales in Japan should be at the level of the previous year. In India, we expect unit sales to be slightly higher than in 2015. And we will generate additional unit sales with the expanded range of FUSO trucks produced in India, especially in Asia and Africa.

Mercedes-Benz Vans plans to achieve significant growth in unit sales in 2016. We anticipate further significant increases in sales of vans especially in Western Europe, our core market. We expect significant growth in unit sales also in the NAFTA region. In the context of our strategy for the division, “Mercedes-Benz Vans goes global,” following the successful market launch of the V-Class in China in spring 2016, we also launched the new Vito there in September. This will allow us to further expand our presence in the market we address in that country.

Daimler Buses assumes that it will be able to defend its market leadership in its core markets for buses above 8 tons with innovative, high-quality and modern products. However, we anticipate total unit sales in 2016 at slightly below the prior-year level. We assume that unit sales in Western Europe will continue to grow at a significant rate. Following the substantial decrease in Brazil in 2015, we expect another significant fall in unit sales in 2016. In Mexico, unit sales are now expected to be slightly below the prior-year level.

Daimler Financial Services anticipates slight growth in new business and further growth in contract volume in the year 2016, driven by the growth offensives of the automotive divisions. In addition, we are utilizing new market potential especially in Asia, and are applying new and digital possibilities for customer contacts – in particular by systematically further developing our online sales channels. We continue to see good growth opportunities also in the field of innovative mobility services.

We anticipate **Daimler Group’s revenue** in 2016 in the magnitude of the previous year. Revenue growth is expected in Western Europe and Asia, while revenue in the NAFTA region is likely to be below the prior-year level.

On the basis of the market development we anticipate and the assessments of our divisions, we assume that **EBIT adjusted for special items** will increase slightly in 2016.

The individual divisions have the following expectations for EBIT adjusted for special items in the year 2016:
- Mercedes-Benz Cars: slightly above the prior-year level,
- Daimler Trucks: significantly below the prior-year level,
- Mercedes-Benz Vans: significantly above the prior-year level,
- Daimler Buses: slightly above the prior-year level, and
- Daimler Financial Services: slightly above the prior-year level.

The anticipated development of earnings in the automotive divisions will have a positive impact on the **free cash flow of the industrial business** also in 2016. The free cash flow in the year 2015 was significantly affected by extraordinary contributions to the German and American pension-plan assets of €1.2 billion, as well as by the acquisition of a stake in the digital mapping business, HERE, for an amount of €0.7 billion. As we will continue and intensify our investment offensive in products and technologies, the free cash flow of the industrial business adjusted for special items should be significantly lower in 2016 than the comparable amount of €5.9 billion in 2015. We assume, however, that it will be significantly higher than the dividend distribution in the year 2016.

In order to achieve our ambitious growth targets, we will once again significantly increase our already very high **investment in property, plant and equipment** in the year 2016 (2015: €5.1 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.

With our **research and development activities**, we anticipate a total volume significantly above the previous year’s spending of €6.6 billion. Key projects at Mercedes-Benz Cars include successor models for the current compact class, the GLS and GLE SUVs, and the S-Class. In addition, we are investing in the automotive divisions in new, low-emission and fuel-efficient engines, alternative drive systems, autonomous driving and the connected and digital user interface. Further key projects at Daimler Trucks include the development of tailored products and technologies for the Brazilian market and for the FUSO product portfolio.

From today’s perspective, we assume that the size of the worldwide **workforce** will be at the level of year-end 2015.

Mercedes-Benz Cars

Record unit sales of 565,600 vehicles in third quarter (Q3 2015: 508,400)
Strong demand for new E-Class and SUVs
Six market launches in third quarter
EBIT significantly above prior-year level at €2,746 million (Q3 2015: €2,183 million)

D.01 Q3

€ amounts in millions	Q3 2016	Q3 2015	% change
EBIT	2,746	2,183	+26
Revenue	23,251	20,707	+12
Unit sales	565,564	508,350	+11
Production	596,433	540,200	+10
Employees	142,013	136,941[1]	+4

1 As of December 31, 2015

D.02 Q3

Unit sales	Q3 2016	Q3 2015	% change
Total	565,564	508,350	+11
Western Europe	217,470	191,126	+14
Germany	79,064	73,445	+8
United States	89,878	88,073	+2
China	126,601	105,675	+20
Other markets	131,615	123,476	+7

New records for unit sales, revenue and EBIT
Mercedes-Benz Cars' third-quarter unit sales increased by 11% to 565,600 vehicles. The car division thus set another new record in the past quarter. Revenue rose by 12% to €23.3 billion and EBIT amounted to €2,746 million (Q3 2015: €2,183 million).

In Europe, Mercedes-Benz Cars achieved another new high in the third quarter with sales of 244,600 vehicles, which is 12% more than in the third quarter of last year. Double-digit growth was recorded in the United Kingdom, France, Italy, Spain and Belgium. In Germany, 79,100 vehicles of the Mercedes-Benz and smart brands were sold (+8%). In China, sales increased by 20% to a best-ever figure of 126,600 units, and new records were set also in Japan (+8%), South Korea (+40%), Australia (+8%) and Taiwan (+13%). Unit sales were higher than ever before in a third quarter also in the NAFTA region. In the United States, sales in the period of July through September rose to 89,900 units (Q3 2015: 88,100).

Growth drivers: E-Class and SUVs
Sales of the A-/B-Class (including the CLA) reached 108,600 units in the third quarter (Q3 2015: 106,700). In the C-Class segment, unit sales amounted to 124,200 automobiles (Q3 2015: 130,400). The E-Class sedan is now available in all major markets and the response from our customers is very positive. Unit sales in the E-Class segment increased to 85,400 units (+4%). The S-Class was once again the world's bestselling luxury sedan in the third quarter with sales of 20,700 units (Q3 2015: 22,400). Particularly strong growth was achieved with our SUVs, with an increase in sales of 39% to 186,500, another new record.

Six new models from Mercedes-Benz now in showrooms
In the third quarter, Mercedes-Benz launched six new or improved models on the market. In the compact-car segment, the upgraded CLA and CLA Shooting Brake have been in the showrooms since July. In September, the new GLC Coupe was added to the SUV portfolio in Europe. In the year of the E-Class, the wagon version has also been in the showrooms in Germany since September, and the long-wheelbase version of the E-Class sedan is available in China. The C-Class convertible was also launched in the third quarter. At the Paris Motor Show in late September, the new EQ show car was presented for the first time, providing a good glimpse of a completely new automobile generation with battery-electric drive. The new generation of the smart electric drive also had its world premiere in Paris.

EQ – the new brand for electric mobility
At the Paris Motor Show, Mercedes-Benz presented its new product brand for electric mobility: EQ. The name EQ stands for "Electric Intelligence" and is derived from the Mercedes-Benz brand values "Emotion and Intelligence." The new brand includes all the key aspects for customer-oriented electric mobility and goes beyond the car itself. A precursor of the new brand is the EQ show car, which is close to a series version.
Before the end of this decade, the first EQ series-produced model will be launched in the SUV segment.

D.03 Q1-3

€ amounts in millions	Q1-3 2016	Q1-3 2015	% change
EBIT	5,551	6,251	-11
Revenue	65,353	61,352	+7
Unit sales	1,608,837	1,468,752	+10
Production	1,689,503	1,539,120	+10
Employees	142,013	136,941[1]	+4

1 As of December 31, 2015

D.04 Q1-3

Unit sales	Q1-3 2016	Q1-3 2015	% change
Total	1,608,837	1,468,752	+10
Western Europe	644,345	568,410	+13
Germany	232,827	217,528	+7
United States	253,758	266,170	-5
China	352,077	284,253	+24
Other markets	358,657	349,919	+2

Daimler Trucks

Sales of 97,100 units significantly below prior-year level (Q3 2015: 128,500)
Daimler Trucks North America presents its new flagship: the new Cascadia
Electric and connected – Daimler Trucks presents its visions of the transport of the future
EBIT significantly below prior-year level at €464 million (Q3 2015: €791 million)

D.05 Q3

€ amounts in millions	Q3 2016	Q3 2015	% change
EBIT	464	791	-41
Revenue	7,851	9,650	-19
Unit sales	97,143	128,496	-24
Production	98,741	129,890	-24
Employees	79,943	86,391[1]	-7

1 As of December 31, 2015

D.06 Q3

Unit sales	Q3 2016	Q3 2015	% change
Total	97,143	128,496	-24
EU30[1]	21,307	19,938	+7
NAFTA	31,433	52,185	-40
Latin America (excl. Mexico)	7,656	7,831	-2
Asia	28,070	36,081	-22
Other markets	8,677	12,461	-30
BFDA (Auman Trucks)	16,913	14,292	+18
Total (incl. BFDA)	114,056	142,788	-20

1 European Union, Switzerland and Norway

EBIT significantly below high level of prior-year quarter
Daimler Trucks sold 97,100 vehicles in the third quarter of this year (Q3 2015: 128,500). The decrease is the result of lower demand for trucks in many of our major markets. Revenue fell from €9.7 billion to €7.9 billion. EBIT of €464 million was significantly below the high prior-year figure (Q3 2015: €791 million).

Weak market environment for Daimler Trucks
The development of unit sales by Daimler Trucks was particularly affected by weak demand in the NAFTA region in the third quarter. The market adjustment there had an impact on our unit sales, which were significantly below the prior-year level at 31,400 units (Q3 2015: 52,200). At the same time, we succeeded in further extending our market leadership in Classes 6-8, taking 39.3% of the market (Q3 2015: 38.1%). We delivered 3,500 units in a contracting market in Brazil, which is fewer than in the same period of last year (Q3 2015: 4,300). In the EU30 region, we achieved growth in unit sales of 7% and sold 21,300 vehicles. Our market share (excluding the United Kingdom) in the segment of medium- and heavy-duty trucks was 22.3% (Q3 2015: 23.6%). We sold more vehicles than in the prior-year period also in Germany (+4%). The share of the market accounted for by Mercedes-Benz was 37.9% (Q3 2015: 38.7%). In Turkey, we were not immune to the weak market environment and our sales decreased to 1,700 units in the third quarter (Q3 2015: 4,500). The fall in unit sales in Asia mainly reflects the negative development in the Middle East, with sales of 3,300 vehicles (Q3 2015: 9,700). In Japan, our major market in the region, sales of 11,700 units were at the level of the prior-year quarter. Sales in Indonesia amounted to 6,700 units (Q3 2015: 5,400). Our joint venture in China achieved sales growth of 18% with the Auman trucks, selling 16,900 vehicles.

New Freightliner Cascadia sets standards
Daimler Trucks North America presented its new flagship in September. The new Cascadia set new standards for fuel efficiency due to its aerodynamic design in combination with the integrated powertrain, and also offers an exclusive connectivity platform: Detroit Connect Analytics.

Daimler Trucks presents itself electric and connected
At IAA Commercial Vehicles in Hannover, the world's biggest trade fair of its kind, Daimler Trucks presented its visions of the urban transport of the future. Mercedes-Benz showed its Urban eTruck, the first electric truck for heavy-duty distribution transport. It is free of local emissions and has a range of up to 200 kilometers. Market launch is conceivable for early in the next decade. FUSO presented the eCanter, the third generation of the world's first light-duty truck with purely electric power. It will be delivered to customers in a small series as of 2017. We are already launching new connectivity services on the market such as Uptime, the preventive service product from Mercedes-Benz. The new FleetBoard Store will be online as of 2017 for body manufacturers and service providers. They will be able to offer for example logistics and supply-chain apps on one platform.

D.07 Q1-3

€ amounts in millions	Q1-3 2016	Q1-3 2015	% change
EBIT	1,601	1,945	-18
Revenue	24,721	27,505	-10
Unit sales	311,089	366,033	-15
Production	321,151	379,098	-15
Employees	79,943	86,391[1]	-7

1 As of December 31, 2015

D.08 Q1-3

Unit sales	Q1-3 2016	Q1-3 2015	% change
Total	311,089	366,033	-15
EU30	57,157	51,622	+11
NAFTA	112,504	142,417	-21
Latin America (excl. Mexico)	20,401	23,616	-14
Asia	93,874	108,774	-14
Other markets	27,153	39,604	-31
BFDA (Auman Trucks)	55,311	49,123	+13
Total (incl. BFDA)	366,400	415,156	-12

Mercedes-Benz Vans

Best unit sales in a third quarter with 85,200 vehicles sold (Q3 2015: 75,700)
Midsize segment continues as strongest growth driver – Vito now available also in China
New strategic initiative started: adVANce
EBIT significantly higher than in prior-year period at €312 million (Q3 2015: €193 million)

D.09 Q3

€ amounts in millions	Q3 2016	Q3 2015	% change
EBIT	312	193	+62
Revenue	3,120	2,752	+13
Unit sales	85,238	75,732	+13
Production	84,123	77,425	+9
Employees	23,970	22,639[1]	+6

1 As of December 31, 2015

D.10 Q3

Unit sales	Q3 2016	Q3 2015	% change
Total	85,238	75,732	+13
Western Europe	54,163	48,114	+13
Germany	23,327	19,549	+19
Eastern Europe	6,904	8,488	-19
NAFTA	10,570	9,235	+14
Latin America (excluding Mexico)	3,390	3,478	-3
China	4,124	1,704	+142
Other markets	6,087	4,713	+29

New records for unit sales, revenue and EBIT

Mercedes-Benz Vans increased its unit sales by 13% to the new record of 85,200 vehicles in the third quarter of 2016. Revenue grew by 13% to €3.1 billion. The division's EBIT rose by 62% to €312 million.

Mercedes-Benz Vans continues its strong growth

In its core region of Western Europe, Mercedes-Benz Vans achieved significant growth in unit sales of 13% to 54,200 units. We posted strong growth once again in France (+16%), Spain (+14%) and Italy (+40%). In Germany, the important domestic market, Mercedes-Benz Vans set a new record in a third quarter with sales of 23,300 vehicles (+19%). In Eastern Europe, however, unit sales decreased by 19% to 6,900 vehicles; sales in that region were primarily influenced by weak demand in Turkey (-50%) and Russia (-32%). Developments in the NAFTA region were positive once again with an increase of 14%. The market environment in Latin America remained difficult, but unit sales stabilized there at a volume of 3,400 vehicles (-3%). In China, we achieved strong growth of 142% to 4,100 units.

The main growth drivers were once again our vehicles in the midsize segment, whose unit sales grew by 43% to 33,200 units. Sales of the Vito increased by 25% to 20,500 units, while the V-Class posted an 84% increase to 12,700 units. Worldwide unit sales of the Sprinter decreased compared with the prior-year period by 3% to 46,200 vehicles. Sales of the Citan urban delivery van rose by 16% to 5,800 units.

New strategic initiative: adVANce

In September, Mercedes-Benz Vans presented adVANce, its strategic initiative for the commercial transport sector. In this context, the division will invest approximately €500 million for digitization, automation and robotics in vans, as well as innovative mobility services, in the next five years. Mercedes-Benz Vans is thus developing from a manufacturer of globally successful vans into a supplier of holistic system solutions. The "Vision Van" fully electric vehicle study was also presented in September. With a fully automated cargo space and integrated delivery drones, it embodies the holistic approach of adVANce.

Market premiere of new Mercedes-Benz Vito in China

Mercedes-Benz Vans has been delivering the new Vito midsize van also to customers in China since its local market premiere in September. The division has thus completed its successful range of midsize vans in this growth market following the launch of the V-Class in spring 2016.

Groundbreaking for new Sprinter plant in the USA

In July, Mercedes-Benz Vans held the groundbreaking ceremony for its new Sprinter plant for the North American market in North Charleston, South Carolina. The division is investing approximately US$500 million in this plant and will create up to 1,300 new jobs there.

D.11 Q1-3

€ amounts in millions	Q1-3 2016	Q1-3 2015	% change
EBIT	1,014	642	+58
Revenue	9,376	7,996	+17
Unit sales	261,468	221,148	+18
Production	277,552	238,654	+16
Employees	23,970	22,639[1]	+6

1 As of December 31, 2015

D.12 Q1-3

Unit sales	Q1-3 2016	Q1-3 2015	% change
Total	261,468	221,148	+18
Western Europe	169,217	144,088	+17
Germany	69,370	60,100	+15
Eastern Europe	23,869	23,317	+2
NAFTA	32,454	27,112	+20
Latin America (excluding Mexico)	8,915	10,914	-18
China	9,842	4,505	+118
Other markets	17,171	11,212	+53

Daimler Buses

Unit sales significantly below prior-year level at 6,200 buses and bus chassis
Daimler Buses presents innovative products at IAA Commercial Vehicles in Hannover
World premiere of Mercedes-Benz Future Bus with CityPilot
EBIT significantly lower than in prior-year period at €45 million (Q3 2015: €89 million)

D.13 — Q3

€ amounts in millions	Q3 2016	Q3 2015	% change
EBIT	45	89	-49
Revenue	937	1,018	-8
Unit sales	6,185	7,438	-17
Production	6,952	7,070	-2
Employees	18,076	18,147[1]	-0

1 As of December 31, 2015

D.14 — Q3

Unit sales	Q3 2016	Q3 2015	% change
Total	6,185	7,438	-17
Western Europe	1,657	1,835	-10
Germany	569	535	+6
Mexico	1,166	1,226	-5
Latin America (excluding Mexico)	2,237	3,471	-36
Asia	470	251	+87
Other markets	655	655	0

Revenue and EBIT significantly below prior-year levels
Unit sales by Daimler Buses decreased by 17% to 6,200 buses and bus chassis in the third quarter of 2016. As a result of the decrease in unit sales, revenue of €0.9 billion was lower than in the same period of last year (Q3 2015: €1.0 billion). EBIT amounted to €45 million (Q3 2015: €89 million).

Significant decrease in overall unit sales
In Western Europe, 1,700 units of the Mercedes-Benz and Setra brands were sold in the third quarter, despite supply bottlenecks in the logistics chain (Q3 2015: 1,800). In Germany, the domestic market, sales improved to 600 units along with unchallenged market leadership; this represents growth of 6% compared with the prior-year quarter. In Turkey, our sales of 33 units were significantly lower than in the third quarter of last year (Q3 2015: 175) due to the current difficult situation in that country.

In Latin America (excluding Mexico), sales of 2,200 chassis in the reporting period were significantly lower than in the prior-year quarter (Q3 2015: 3,500). Demand for bus chassis continued to be negatively impacted by the ongoing difficult economic situation in Brazil, the region's biggest market. Negotiations with trade unions meant that the Brazilian plant had to be closed for ten days. In Mexico, we sold 1,200 units in the third quarter (Q3 2015: 1,200).

World premiere of Future Bus with CityPilot
The Mercedes-Benz Future Bus with CityPilot, which operates in partially automated driving mode, made its first public journey on a section of the BRT line (bus rapid transit) in Amsterdam in July. CityPilot is a further developed version of the Highway Pilot technology used in the Mercedes-Benz Actros truck. It has been specially adapted for the needs of city buses and allows partially automated driving on BRT routes in urban areas. By using numerous cameras and sensors, the city bus can recognize and communicate with traffic lights, brake independently, react independently to pedestrians and objects ahead of it, and halt at bus stops. With its futuristic design and integrated infotainment systems, Daimler Buses is providing a glimpse of the city bus of the future. The Future Bus will significantly increase safety, efficiency and ride comfort.

Daimler Buses at IAA Commercial Vehicles 2016
With its product brands Mercedes-Benz and Setra and the downstream brands OMNIplus and BusStore, Daimler Buses presented a comprehensive portfolio of solutions for the bus mobility of the future at IAA Commercial Vehicles 2016. Highlights included the Mercedes-Benz Future Bus with CityPilot and partially autonomous driving mode, as well as the natural-gas powered Citaro NGT, which features low CO_2 and noise emissions. Visitors to the trade fair showed great interest also in the new Mercedes-Benz school bus produced in India and in an improved range of services with remote-diagnostics.

D.15 — Q1-3

€ amounts in millions	Q1-3 2016	Q1-3 2015	% change
EBIT	172	180	-4
Revenue	2,889	2,932	-1
Unit sales	17,961	20,456	-12
Production	19,128	22,800	-16
Employees	18,076	18,147[1]	-0

1 As of December 31, 2015

D.16 — Q1-3

Unit sales	Q1-3 2016	Q1-3 2015	% change
Total	17,961	20,456	-12
Western Europe	5,042	4,853	+4
Germany	1,777	1,547	+15
Mexico	2,322	2,748	-16
Latin America (excluding Mexico)	7,381	9,710	-24
Asia	1,174	631	+86
Other markets	2,042	2,514	-19

Daimler Financial Services

New business up by 7%
Contract volume rises to €122 billion
mytaxi merges with London taxi-app provider Hailo
EBIT significantly above prior-year level at €438 million (Q3 2015: €378 million)

D.17 Q3

€ amounts in millions	Q3 2016	Q3 2015	% change
EBIT	438	378	+16
Revenue	5,133	4,702	+9
New business	15,658	14,589	+7
Contract volume	122,118	116,727[1]	+5
Employees	10,671	9,975[1]	+7

1 As of December 31, 2015

New business up by 7% worldwide
Daimler Financial Services achieved growth in its new business also in the third quarter of 2016. Worldwide, approximately 415,000 new leasing and financing contracts were concluded with a total volume of €15.7 billion, which is 7% more than in the prior-year period. Contract volume reached €122.1 billion at the end of September and was 5% above the level of year-end 2015. Adjusted for exchange-rate effects, contract volume grew by 6%. Third-quarter EBIT amounted to €438 million (Q3 2015: €378 million).

Slight growth in Europe
In the whole of Europe, approximately 204,000 new leasing and financing contracts were signed in the third quarter (+5%). New business thus increased by 4% to €6.5 billion. Contract volume in Europe increased by 5% compared with year-end 2015 to reach €48.0 billion. Mercedes-Benz Bank's deposit volume in the direct banking business amounted to €11.2 billion at the end of the quarter.

The Americas: slight growth in new business
In the Americas region, leasing and financing contracts with a total value of €5.6 billion were concluded in the third quarter, which is 2% more than in the prior-year period. In particular, growth took place in Mexico and Brazil. Contract volume of €50.4 billion in the Americas region at the end of September was at the level of year-end 2015.

D.18 Q1-3

€ amounts in millions	Q1-3 2016	Q1-3 2015	% change
EBIT	1,349	1,232	+9
Revenue	15,009	14,020	+7
New business	44,780	42,581	+5
Contract volume	122,118	116,727[1]	+5
Employees	10,671	9,975[1]	+7

1 As of December 31, 2015

Strong growth in new business in Africa & Asia-Pacific
New business in the Africa & Asia-Pacific region grew compared with the prior-year period by 24% to €3.5 billion in the third quarter. In Japan and China, the value of newly signed leasing and financing contracts increased by 34% and 32% respectively. Contract volume in the Africa & Asia-Pacific region amounted to €23.6 billion at the end of September, representing growth of 17% compared with the end of 2015.

Further positive development of insurance business
In the insurance business, Daimler Financial Services brokered 445,000 contracts, which is 4% more than in the third quarter of last year. Developments were particularly positive in China (+34%), Italy (+32%) and Germany (+7%).

Ongoing success of business with mobility services
mytaxi and Hailo, two leading app-based taxi providers, decided to join forces in July. Subject to the approval of the antitrust authorities, the combined company with 100,000 drivers in 50 cities in nine countries will constitute the biggest taxi network in Europe. The company will be based in Hamburg and will operate under the mytaxi brand.

In August, Daimler Financial Services increased its holding in the exclusive chauffeur service Blacklane, in order to further expand the worldwide business with limousine services.

car2go extended its worldwide market leadership in car-sharing and passed the mark of two million customers in September. Furthermore, the company expanded its fleet in the Rhineland, and in Munich, Hamburg and Frankfurt with vehicles of the Mercedes-Benz brand.

Consolidated Statement of Income (unaudited) Q3

E.01

	Consolidated Group		Industrial Business		Daimler Financial Services	
	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015
In millions of euros						
Revenue	38,597	37,276	33,464	32,574	5,133	4,702
Cost of sales[1]	-29,795	-29,327	-25,414	-25,294	-4,381	-4,033
Gross profit	8,802	7,949	8,050	7,280	752	669
Selling expenses	-2,995	-2,863	-2,832	-2,722	-163	-141
General administrative expenses[1]	-868	-785	-698	-607	-170	-178
Research and non-capitalized development costs	-1,298	-1,132	-1,298	-1,132	-	-
Other operating income	542	497	517	465	25	32
Other operating expense	-158	-89	-150	-83	-8	-6
Profit/loss on equity-method investments, net	223	109	229	109	-6	-
Other financial expense, net	-214	-27	-222	-29	8	2
Interest income	35	32	35	31	-	1
Interest expense	-109	-161	-108	-159	-1	-2
Profit before income taxes[2]	3,960	3,530	3,523	3,153	437	377
Income taxes	-1,234	-1,115	-1,097	-986	-137	-129
Net profit	2,726	2,415	2,426	2,167	300	248
thereof profit attributable to non-controlling interests	131	30				
thereof profit attributable to shareholders of Daimler AG	2,595	2,385				
Earnings per share (in euros)						
for profit attributable to shareholders of Daimler AG						
Basic	2.43	2.23				
Diluted	2.43	2.23				

1 In the industrial business, €82 million was reclassified from general administrative expenses into cost of sales in the third quarter of 2015 (Note 4).
2 The reconciliation of Group EBIT to profit before income taxes is presented in Note 21.

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		Daimler Financial Services	
	Q1-3 2016	Q1-3 2015	Q1-3 2016	Q1-3 2015	Q1-3 2016	Q1-3 2015
In millions of euros						
Revenue	112,260	109,039	97,251	95,019	15,009	14,020
Cost of sales [1]	-88,748	-85,367	-75,978	-73,451	-12,770	-11,916
Gross profit	23,512	23,672	21,273	21,568	2,239	2,104
Selling expenses	-8,889	-8,928	-8,416	-8,518	-473	-410
General administrative expenses [1]	-2,416	-2,401	-1,907	-1,878	-509	-523
Research and non-capitalized development costs	-3,799	-3,447	-3,799	-3,447	-	-
Other operating income	1,501	1,381	1,413	1,302	88	79
Other operating expense	-902	-323	-885	-305	-17	-18
Profit/loss on equity-method investments, net	214	349	222	351	-8	-2
Other financial expense, net	213	-25	184	-27	29	2
Interest income	169	119	169	118	-	1
Interest expense	-389	-441	-385	-436	-4	-5
Profit before income taxes [2]	9,214	9,956	7,869	8,728	1,345	1,228
Income taxes	-2,636	-3,119	-2,193	-2,707	-443	-412
Net profit	6,578	6,837	5,676	6,021	902	816
thereof profit attributable to non-controlling interests	201	220				
thereof profit attributable to shareholders of Daimler AG	6,377	6,617				
Earnings per share (in euros)						
for profit attributable to shareholders of Daimler AG						
Basic	5.96	6.19				
Diluted	5.96	6.19				

1 In the industrial business, €240 million was reclassified from general administrative expenses into cost of sales in the first nine months of 2015 (Note 4).
2 The reconciliation of Group EBIT to profit before income taxes is presented in Note 21.

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

Consolidated Statement of Comprehensive Income/Loss (unaudited) Q3

E.03

	Consolidated Group	
	Q3 2016	Q3 2015
In millions of euros		
Net profit	**2,726**	2,415
Unrealized losses on currency translation	-117	-689
Unrealized gains/losses on financial assets available for sale	3	-429
Unrealized gains on derivative financial instruments	184	1,117
Unrealized gains/losses on equity-method investments	2	-2
Items that may be reclassified to profit/loss	**72**	-3
Actuarial losses from pensions and similar obligations	-335	-1,052
Items that will not be reclassified to profit/loss	**-335**	-1,052
Other comprehensive income/loss, net of taxes	**-263**	-1,055
thereof income/loss attributable to non-controlling interests, after taxes	1	-24
thereof income/loss attributable to shareholders of Daimler AG, after taxes	-264	-1,031
Total comprehensive income/loss	**2,463**	1,360
thereof income/loss attributable to non-controlling interests	132	6
thereof income/loss attributable to shareholders of Daimler AG	2,331	1,354

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

Consolidated Statement of Comprehensive Income/Loss (unaudited) Q1-3

E.04

	Consolidated Group	
	Q1-3 2016	Q1-3 2015
In millions of euros		
Net profit	**6,578**	6,837
Unrealized gains on currency translation	**72**	1,076
Unrealized gains/losses on financial assets available for sale	**-1,075**	165
Unrealized gains/losses on derivative financial instruments	**1,664**	-299
Unrealized losses on equity-method investments	**-1**	-3
Items that may be reclassified to profit/loss	**660**	939
Actuarial gains/losses from pensions and similar obligations	**-3,425**	1,302
Items that will not be reclassified to profit/loss	**-3,425**	1,302
Other comprehensive income/loss, net of taxes	**-2,765**	2,241
thereof income/loss attributable to non-controlling interests, after taxes	**3**	56
thereof income/loss attributable to shareholders of Daimler AG, after taxes	**-2,768**	2,185
Total comprehensive income/loss	**3,813**	9,078
thereof income/loss attributable to non-controlling interests	**204**	276
thereof income/loss attributable to shareholders of Daimler AG	**3,609**	8,802

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		Daimler Financial Services	
	Sept. 30, 2016	Dec. 31, 2015	Sept. 30, 2016	Dec. 31, 2015	Sept. 30, 2016	Dec. 31, 2015
In millions of euros						
Assets						
Intangible assets	11,007	10,069	10,791	9,847	216	222
Property, plant and equipment	25,346	24,322	25,293	24,262	53	60
Equipment on operating leases	40,708	38,942	17,008	15,864	23,700	23,078
Equity-method investments	3,823	3,633	3,789	3,610	34	23
Receivables from financial services	41,180	38,359	-71	-58	41,251	38,417
Marketable debt securities	1,061	1,148	1	1	1,060	1,147
Other financial assets	3,457	4,908	-2,390	-536	5,847	5,444
Deferred tax assets	4,162	3,284	3,395	2,747	767	537
Other assets	606	654	-2,489	-2,371	3,095	3,025
Total non-current assets	131,350	125,319	55,327	53,366	76,023	71,953
Inventories	27,130	23,760	26,374	22,862	756	898
Trade receivables	9,958	9,054	8,788	8,215	1,170	839
Receivables from financial services	35,841	35,155	-14	-24	35,855	35,179
Cash and cash equivalents	14,189	9,936	12,577	8,369	1,612	1,567
Marketable debt securities	8,301	7,125	8,148	6,998	153	127
Other financial assets	3,336	2,546	-7,106	-7,435	10,442	9,981
Other assets	5,013	4,271	1,398	952	3,615	3,319
Total current assets	103,768	91,847	50,165	39,937	53,603	51,910
Total assets	235,118	217,166	105,492	93,303	129,626	123,863
Equity and liabilities						
Share capital	3,070	3,070				
Capital reserves	11,915	11,917				
Retained earnings	36,467	36,991				
Other reserves	2,239	1,583				
Equity attributable to shareholders of Daimler AG	53,691	53,561				
Non-controlling interests	1,062	1,063				
Total equity	54,753	54,624	44,712	44,752	10,041	9,872
Provisions for pensions and similar obligations	12,205	8,663	12,010	8,546	195	117
Provisions for income taxes	551	875	549	874	2	1
Provisions for other risks	6,866	6,120	6,700	5,994	166	126
Financing liabilities	66,902	59,831	20,662	18,805	46,240	41,026
Other financial liabilities	2,618	2,876	2,031	2,301	587	575
Deferred tax liabilities	2,890	2,215	-1,127	-1,363	4,017	3,578
Deferred income	5,139	4,851	4,375	4,144	764	707
Other liabilities	27	30	27	30	-	-
Total non-current liabilities	97,198	85,461	45,227	39,331	51,971	46,130
Trade payables	13,857	10,548	13,074	10,182	783	366
Provisions for income taxes	871	777	750	709	121	68
Provisions for other risks	8,647	9,710	8,106	9,204	541	506
Financing liabilities	44,910	41,311	-16,896	-21,417	61,806	62,728
Other financial liabilities	8,953	9,484	6,382	7,133	2,571	2,351
Deferred income	3,248	2,888	2,219	1,886	1,029	1,002
Other liabilities	2,681	2,363	1,918	1,523	763	840
Total current liabilities	83,167	77,081	15,553	9,220	67,614	67,861
Total equity and liabilities	235,118	217,166	105,492	93,303	129,626	123,863

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

Consolidated Statement of Cash Flows (unaudited)

E.06

	Consolidated		Industrial Business		Daimler Financial Services	
	Q1-3 2016	Q1-3 2015	Q1-3 2016	Q1-3 2015	Q1-3 2016	Q1-3 2015
In millions of euros						
Profit before income taxes	9,214	9,956	7,869	8,728	1,345	1,228
Depreciation and amortization/impairments	4,098	3,976	4,046	3,930	52	46
Other non-cash expense and income	-768	-396	-829	-444	61	48
Gains (-)/losses (+) on disposals of assets	-109	-146	-91	-145	-18	-1
Change in operating assets and liabilities						
Inventories	-3,351	-3,899	-3,503	-4,093	152	194
Trade receivables	-868	-593	-522	-567	-346	-26
Trade payables	3,258	2,284	2,852	2,143	406	141
Receivables from financial services	-4,237	-7,052	121	262	-4,358	-7,314
Vehicles on operating leases	-2,744	-3,102	-88	-126	-2,656	-2,976
Other operating assets and liabilities	1,073	1,693	666	1,331	407	362
Income taxes paid	-2,138	-1,246	-2,041	-1,145	-97	-101
Cash used for/provided by operating activities	3,428	1,475	8,480	9,874	-5,052	-8,399
Additions to property, plant and equipment	-3,882	-3,211	-3,859	-3,191	-23	-20
Additions to intangible assets	-2,136	-1,565	-2,096	-1,538	-40	-27
Proceeds from disposals of property, plant and equipment and intangible assets	331	302	308	290	23	12
Investments in shareholdings	-270	-470	-244	-423	-26	-47
Proceeds from disposals of shareholdings	39	24	21	-103	18	127
Acquisition of marketable debt securities	-4,745	-1,697	-4,654	-1,687	-91	-10
Proceeds from sales of marketable debt securities	3,686	1,931	3,575	1,682	111	249
Other	51	-14	26	-4	25	-10
Cash used for/provided by investing activities	-6,926	-4,700	-6,923	-4,974	-3	274
Change in financing liabilities	11,580	8,377	7,201	4,299	4,379	4,078
Dividend paid to shareholders of Daimler AG	-3,477	-2,621	-3,477	-2,621	-	-
Dividends paid to non-controlling interests	-198	-265	-195	-264	-3	-1
Proceeds from the issue of share capital	30	62	30	26	-	36
Acquisition of treasury shares	-38	-27	-38	-27	-	-
Acquisition of non-controlling interests in subsidiaries	-4	-	-4	-	-	-
Internal equity and financing transactions	-	-	-740	-4,019	740	4,019
Cash used for/provided by financing activities	7,893	5,526	2,777	-2,606	5,116	8,132
Effect of foreign exchange rate changes on cash and cash equivalents	-142	89	-126	107	-16	-18
Net increase/decrease in cash and cash equivalents	4,253	2,390	4,208	2,401	45	-11
Cash and cash equivalents at beginning of period	9,936	9,667	8,369	8,341	1,567	1,326
Cash and cash equivalents at end of period	14,189	12,057	12,577	10,742	1,612	1,315

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

Consolidated Statement of Changes in Equity (unaudited)

E.07

In millions of euros	Share capital	Capital reserves	Retained earnings	Currency translation	Financial assets available for sale
Balance at January 1, 2015	3,070	11,906	28,487	775	460
Net profit	-	-	6,617	-	-
Other comprehensive income/loss before taxes	-	-	1,446	1,029	166
Deferred taxes on other comprehensive income/loss	-	-	-144	-	-1
Total comprehensive income/loss	-	-	7,919	1,029	165
Dividends	-	-	-2,621	-	-
Capital increase/Issue of new shares	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Other	-	5	-	-	-
Balance at September 30, 2015	3,070	11,911	33,785	1,804	625
Balance at January 1, 2016	**3,070**	**11,917**	**36,991**	**2,145**	**1,121**
Net profit	-	-	6,377	-	-
Other comprehensive income/loss before taxes	-	-	-4,888	56	-1,078
Deferred taxes on other comprehensive income/loss	-	-	1,464	-	4
Total comprehensive income/loss	-	-	2,953	56	-1,074
Dividends	-	-	-3,477	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Other	-	-2	-	-	-
Balance at September 30, 2016	**3,070**	**11,915**	**36,467**	**2,201**	**47**

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

Other reserves – Items that may be reclassified to profit/loss: Derivative financial instruments	Other reserves – Items that may be reclassified to profit/loss: Equity-method investments	Treasury shares	**Equity attributable to shareholders of Daimler AG**	Non-controlling interests	**Total equity**	In millions of euros
-1,032	-1	-	43,665	919	44,584	**Balance at January 1, 2015**
-	-	-	6,617	220	6,837	Net profit
-442	-3	-	2,196	58	2,254	Other comprehensive income/loss before taxes
134	-	-	-11	-2	-13	Deferred taxes on other comprehensive income/loss
-308	-3	-	8,802	276	9,078	Total comprehensive income/loss
-	-	-	-2,621	-265	-2,886	Dividends
-	-	-	-	41	41	Capital increase/Issue of new shares
-	-	-27	-27	-	-27	Acquisition of treasury shares
-	-	27	27	-	27	Issue and disposal of treasury shares
-	-	-	5	-8	-3	Other
-1,340	-4	-	49,851	963	50,814	**Balance at September 30, 2015**
-1,679	**-4**	**-**	**53,561**	**1,063**	**54,624**	**Balance at January 1, 2016**
-	**-**	**-**	**6,377**	**201**	**6,578**	Net profit
2,408	**-1**	**-**	**-3,503**	**-2**	**-3,505**	Other comprehensive income/loss before taxes
-733	**-**	**-**	**735**	**5**	**740**	Deferred taxes on other comprehensive income/loss
1,675	**-1**	**-**	**3,609**	**204**	**3,813**	Total comprehensive income/loss
-	**-**	**-**	**-3,477**	**-198**	**-3,675**	Dividends
-	**-**	**-38**	**-38**	**-**	**-38**	Acquisition of treasury shares
-	**-**	**38**	**38**	**-**	**38**	Issue and disposal of treasury shares
-	**-**	**-**	**-2**	**-7**	**-9**	Other
-4	**-5**	**-**	**53,691**	**1,062**	**54,753**	**Balance at September 30, 2016**

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

Notes to the Interim Consolidated Financial Statements (unaudited)

1. Presentation of the Interim Consolidated Financial Statements

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

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

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

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

The Board of Management authorized the interim consolidated financial statements for publication on October 20, 2016.

All significant intercompany accounts and transactions have been eliminated. In the opinion of the management, the interim financial statements reflect all adjustments (i.e. normal recurring adjustments) necessary for a fair presentation of the profitability, liquidity and capital resources, and financial position of the Group. Results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period or for the full fiscal year. The interim financial statements should be read in conjunction with the December 31, 2015 audited and published IFRS consolidated financial statements and notes thereto. The accounting policies applied by the Group in these interim financial statements basically correspond with those applied for the consolidated financial statements for the year ended December 31, 2015.

The Group's consolidated financial statements are significantly influenced by the activities of its financial services business. To enhance readers' understanding of the Group's profitability, liquidity and capital resources and its financial position, the accompanying interim consolidated financial statements also present information with respect to the Group's industrial business and Daimler Financial Services' business activities. Such information, however, is not required by IFRS and is not intended to, and does not, represent the separate IFRS profitability, liquidity and capital resources and financial position of the Group's industrial business or Daimler Financial Services business activities. Eliminations of the effects of transactions between the industrial business and Daimler Financial Services and items at the corporate level have generally been allocated to the industrial business.

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

2. Significant acquisitions and disposals

Significant acquisitions

Athlon
On June 30, 2016 Daimler signed the agreements for the acquisition of 100% of the shares of Athlon Car Lease International B.V. (Athlon), Haarlemmermeer, a subsidiary of the Dutch Rabobank Group. Athlon is one of the leading providers of mobility solutions in Europe, especially leasing and fleet management for commercial customers. The purchase price amounts to €1.1 billion, subject to possible purchase price adjustments. Furthermore, when the transaction is finalized, Daimler will settle the financial liabilities of Athlon, which will probably amount to approximately €2.3 billion. The finalization of the transaction is subject to the approval of antitrust and other supervisory authorities and is expected in the fourth quarter of 2016. After completion of the transaction, Athlon will be allocated to the segment Daimler Financial Services.

Significant disposals

3.1% interest in Renault / 3.1% interest in Nissan
Effective as of June 30, 2016, Daimler placed its 3.1% interest in each of Renault S.A. (Renault) and Nissan Motor Company Ltd. (Nissan) into the Daimler Pension Trust e.V. for the purpose of strengthening the German pension plan assets over the long term. Before this transfer, the investments in Renault and Nissan were presented under other financial assets. The investments were measured at fair value, whereby unrecognized gains were shown under other comprehensive income.

The extraordinary contribution to the German pension plan assets is equal to the fair value of the assets transferred at the time of transfer and amounts to €1,800 million. In the second quarter of 2016, the contribution of the shares led to other financial income in an amount of €605 million, which is shown in the reconciliation. There was no impact on cash flows.

Atlantis Foundries
At the end of February 2015, Daimler decided to sell its equity interest in Atlantis Foundries (Pty.) Ltd., which had been allocated to the Daimler Trucks segment, to Neue Halberg-Guss GmbH. Subsequently, the assets and liabilities of the company were classified as assets held for sale. The remeasurement of the assets and liabilities led to an impairment loss of €55 million in the first quarter of 2015. The transaction was closed in the second quarter of 2015. There was no material impact on the income statement or EBIT of Daimler Trucks in the second quarter of 2015.

3. Revenue

Revenue at Group level is comprised as follows:

E.08
Revenue

In millions of euros	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015
Revenue from sales of goods	33,389	32,625	97,195	95,195
Revenue from the rental and leasing business	4,023	3,574	11,620	10,666
Interest from the financial services business at Daimler Financial Services	1,056	970	3,073	2,843
Revenue from sales of other services	129	107	372	335
	38,597	37,276	112,260	109,039

4. Functional costs

Cost of sales
Cost of sales increased from €29,327 million to €29,795 million in the third quarter of 2016 and from €85,367 million to €88,748 million in the nine-month period ended September 30, 2016. Cost of sales primarily comprises expenses of goods sold.

Selling expenses
In the third quarter of 2016, selling expenses amounted to €2,995 million (Q3 2015: €2,863 million) and in the nine-month period ended September 30, 2016 they amounted to €8,889 million (Q1-3 2015: €8,928 million). Selling expenses include direct selling costs as well as selling overhead expenses and consist of personnel expenses, material costs and other selling costs.

General administrative expenses
General administrative expenses amounted to €868 million in the third quarter of 2016 (Q3 2015: €785 million) and amounted to €2,416 million in the nine- month period ended September 30, 2016 (Q1-3 2015: €2,401 million). They comprise expenses which are not attributable to production, sales or research and development functions, and include personnel expenses, depreciation and amortization of fixed and intangible assets, and other administrative costs. In the third quarter and the nine-month period ended September 30, 2015, a redefinition of cost allocations led to the reclassification of €82 million and €240 million from administrative expenses to cost of sales.

Research and non-capitalized development costs
Research and non-capitalized development costs were €1,298 million in the third quarter of 2016 (Q3 2015: €1,132 million) and €3,799 million in the nine-month period ended September 30, 2016 (Q1-3 2015: €3,447 million). They primarily comprise personnel expenses and material costs.

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

In the course of the organizational focus on the divisions, Daimler started a restructuring program for its sales organization in Germany in 2014. Selected sales-and-service centers and outlets are being combined into passenger car and commercial vehicle outlets in order to steadily increase the profitability of Daimler's own dealer activities in the highly competitive German market. In addition, programs for restructuring the Group's dealer network abroad were initiated in 2015.

The restructuring programs also include the sale of selected operations of the Group's current sales network in Germany and abroad. Those programs affect all automotive segments, but especially the Mercedes-Benz Cars segment. In the third quarter and the nine-month period ended September 30, 2016, they resulted in net income of €45 million and €13 million (Q3 2015: net income of €13 million and Q1-3 2015: net expense of €51 million.) The restructuring program for the sales organization in Germany was concluded in the third quarter of 2016.

At September 30, 2016, the disposal group's assets for the locations abroad amounted to €321 million (December 31, 2015: €248 million) and its liabilities amounted to €115 million (December 31, 2015: €12 million). Due to their minor impact on the Group's profitability, liquidity and capital resources, and financial position, the assets and liabilities held for sale are not presented separately in the consolidated statement of financial position.

In the Daimler Trucks segment, a redundancy program was launched in Brazil in 2013. That program led to a reduction of approximately 3,200 jobs in the administrative and productive areas as of December 31, 2015, mostly through voluntary severance agreements.

Furthermore, another severance program was initiated in Brazil in the second quarter of 2016. So far, that program has led to a reduction of approximately 2,000 jobs, mostly through voluntary severance agreements. In the Daimler Trucks segment, that program resulted in expenses of €49 million in the third quarter and €83 million in the nine-month period ended September 30, 2016. Daimler Trucks anticipates a total expense of up to €0.1 billion in this respect in full-year 2016.

The aforementioned workforce adjustments in Brazil also affect the Daimler Buses segment to a small extent. In the third quarter of 2016, an expense of €8 million was recognized in this respect at Daimler Buses.

In addition, in non-productive areas of Daimler Trucks in Germany, a program based on socially acceptable voluntary measures ran between May 2013 and December 2014, which was continued in the third quarter of 2015 and led to a total reduction of approximately 700 jobs as of December 31, 2015.

In January 2016, Mercedes-Benz Vans initiated a socially acceptable voluntary severance program for the Düsseldorf plant. Approximately 150 severance agreements were signed in the first quarter of this year, leading to an expense of €30 million in that quarter. Total expenses of up to €0.1 billion are expected in the years 2016 through 2018.

Table ↗ E.09 shows the expenses related to the optimization programs which affected the EBIT of the segments. The cash inflows and outflows associated with the implementation of the programs are also shown.

E.09
Optimization programs

	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015
In millions of euros				
Mercedes-Benz Cars				
EBIT	41	21	20	-15
Cash flow	170	60	267	115
Daimler Trucks				
EBIT	-46	-14	-87	-58
Cash flow	-68	-10	-58	-62
Mercedes-Benz Vans				
EBIT	-	-3	-33	-11
Cash flow	-	-	3	-
Daimler Buses				
EBIT	-7	-1	-8	-2
Cash flow	-4	-	-3	-

The provisions recognized for the optimization programs are shown in Table ↗ E.10.

E.10
Provisions for optimization programs

	Sept. 30, 2016	Dec. 31, 2015
In millions of euros		
Mercedes-Benz Cars	13	82
Daimler Trucks	4	21
Mercedes-Benz Vans	4	19
Daimler Buses	-	2

The cash effects resulting from the optimization programs are expected until 2018.

5. Other operating income and expense

Other operating income in the third quarter of 2016 amounted to €542 million (Q3 2015: €497 million). In the first nine months of the year, other operating income was €1,501 million (Q1-3 2015: €1,381 million). The amount for the first quarter of 2015 included gains of €87 million from the sale of real-estate properties in the United States.

Other operating expense in the third quarter of 2016 was €158 million (Q3 2015: €89 million). Other operating expense increased from €323 million to €902 million in the first nine months of 2016. The second quarter of 2016 included expenses of €400 million connected with legal proceedings.

6. Other financial income/expense

In the nine-month period ended September 30, 2016, financial income amounted to €213 million (Q1-3 2015: expense of €25 million). The increase results in particular from the recognition of gains of €605 million from the contribution of the equity interests in Renault and Nissan at fair value. Those gains were previously presented within other comprehensive income/loss. Financial income also includes expenses from the compounding of provisions and effects of changes in discount rates of €233 million (Q1-3 2015: €24 million).

7. Interest income and interest expense

Interest income and interest expense are comprised as follows:

E.11

Interest income and interest expense

	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015
In millions of euros				
Interest income				
Net interest income on the net assets of defined benefit pension plans	1	1	4	3
Interest and similar income	34	31	165	116
	35	32	169	119
Interest expense				
Net interest expense on the net obligation from defined benefit pension plans	-48	-73	-165	-212
Interest and similar expense	-61	-88	-224	-229
	-109	-161	-389	-441

8. Intangible assets

Intangible assets are shown in the following table:

E.12

Intangible assets

	Sept. 30, 2016	Dec. 31, 2015
In millions of euros		
Goodwill	724	727
Development costs	8,479	7,789
Other intangible assets	1,804	1,553
	11,007	10,069

9. Property, plant and equipment

Property, plant and equipment are comprised as follows:

E.13

Property, plant and equipment

	Sept. 30, 2016	Dec. 31, 2015
In millions of euros		
Land, leasehold improvements and buildings including buildings on land owned by others	7,518	7,257
Technical equipment and machinery	8,890	8,430
Other equipment, factory and office equipment	5,364	5,790
Advance payments relating to plant and equipment and construction in progress	3,574	2,845
	25,346	24,322

10. Equipment on operating leases

At September 30, 2016 the carrying amount of equipment on operating leases amounted to €40,708 million (December 31, 2015: €38,942 million). In the nine-month period ended September 30, 2016 additions and disposals amounted to €16,620 million and €9,098 million respectively (Q1-3 2015: €15,691 million and €8,150 million). Depreciation for the nine-month period ended September 30, 2016 was €4,825 million (Q1-3 2015: €4,442 million). Other changes primarily comprise the effects of currency translation.

11. Equity-method investments

Table ↗ E.14 shows the carrying amounts and profits/losses from equity-method investments.

Table ↗ E.15 presents key figures on interests in associated companies accounted for using the equity method in the Group's consolidated financial statements.

E.14
Summarized carrying amounts and profits/losses from equity-method investments

	Associated companies	Joint ventures	Joint operations	Total
In millions of euros				
At September 30, 2016				
Equity investment[1]	**3,337**	**441**	**45**	**3,823**
Equity result (Q3 2016)[1]	**221**	**-**	**2**	**223**
Equity result (Q1-3 2016)[1]	**208**	**2**	**4**	**214**
At December 31, 2015				
Equity investment[1]	3,124	462	47	3,633
Equity result (Q3 2015)[1]	120	-13	2	109
Equity result (Q1-3 2015)[1]	367	-21	3	349

1 Including investor-level adjustments.

E.15
Key figures on interests in associated companies accounted for using the equity method

	BBAC	BAIC Motor[2]	THBV (HERE)[3]	Kamaz[4]	Others	Total
In millions of euros						
At September 30, 2016						
Equity interest (in %)	**49.0**	**10.1**	**33.3**	**15.0**	**-**	**-**
Equity investment[1]	**1,904**	**528**	**615**	**59**	**231**	**3,337**
Equity result (Q3 2016)[1]	**217**	**21**	**-13**	**-2**	**-2**	**221**
Equity result (Q1-3 2016)[1]	**464**	**-197**	**-53**	**-7**	**1**	**208**
At December 31, 2015						
Equity interest (in %)	49.0	10.1	33.3	15.0	-	-
Equity investment[1]	1,418	772	668	58	208	3,124
Equity result (Q3 2015)[1]	113	8	-	-6	5	120
Equity result (Q1-3 2015)[1]	298	73	-	-6	2	367

1 Including investor-level adjustments.
2 Earnings of BAIC Motor Corporation Ltd. (BAIC Motor) are included in Daimler's consolidated financial statements with a three-month time lag.
3 The proportionate share of earnings of There Holding B.V. (THBV) is included in Daimler's consolidated financial statements with a one-month time lag. The shareholding was acquired on December 4, 2015.
4 Kamaz PAO

BBAC
In the second and third quarter of 2016, Beijing Benz Automotive Co., Ltd. (BBAC) received capital increases in total of €101 million. Daimler plans to contribute additional equity of €0.1 billion, in accordance with its shareholding ratio, to BBAC in the coming years.

BAIC Motor
In the first quarter of 2016, due to the lower stock-exchange price, the Group recognized an impairment loss of €244 million with respect to its investment in BAIC Motor Corporation Ltd. (BAIC Motor). The loss is included in the line item profit/loss on equity-method investments, net. In the second quarter of 2016, the shareholders of BAIC Motor approved the distribution of a dividend, which was paid out in the third quarter of 2016. The amount attributable to Daimler was €16 million.

THBV (HERE)
There Holding B.V. (THBV), based in Rijswijk, Netherlands, was founded in 2015. Daimler, Audi and BMW each hold an interest in the company of 33.3%. Effective December 4, 2015, HERE International B.V. (formerly There Acquisition B.V.), based in Rijswijk, Netherlands, a 100% subsidiary of There Holding B.V., acquired the roadmap service HERE from Nokia Corporation. Purchase-price allocation was finalized in the first quarter of 2016.

12. Receivables from financial services

Receivables from financial services are shown in the following table:

E.16

Receivables from financial services

	Sept. 30, 2016			Dec. 31, 2015		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Sales financing with customers	14,117	25,289	39,406	13,561	23,900	37,461
Sales financing with dealers	15,565	2,681	18,246	15,944	2,588	18,532
Finance-lease contracts	6,662	13,774	20,436	6,166	12,371	18,537
Gross carrying amount	36,344	41,744	78,088	35,671	38,859	74,530
Allowances for doubtful accounts	-503	-564	-1,067	-516	-500	-1,016
Net carrying amount	35,841	41,180	77,021	35,155	38,359	73,514

At September 30, 2016, finance-lease contracts included non-automotive assets from contracts of the financial services business with third parties (leveraged leases) in the amount of €156 million (December 31, 2015: €238 million).

13. Inventories

Inventories are comprised as follows:

E.17

Inventories

	Sept. 30, 2016	Dec. 31, 2015
In millions of euros		
Raw materials and manufacturing supplies	2,909	2,643
Work in progress	4,008	3,371
Finished goods, parts and products held for resale	20,105	17,609
Advance payments to suppliers	108	137
	27,130	23,760

In the nine-month period ended September 30, 2016 net expenses in an amount of €238 million from the measurement of inventories were included in the EBIT of the Mercedes-Benz Cars segment.

14. Equity

Conditional capital
The resolution of the Annual Shareholders' Meeting on April 14, 2010 authorizing the Company until April 13, 2015 to issue convertible and/or warrant bonds, which had not been utilized, was replaced by a new authorization of the Annual Shareholders' Meeting on April 1, 2015. This authorizes the Board of Management, with the consent of the Supervisory Board, until March 31, 2020 to issue convertible and/or warrant bonds or a combination of these instruments ("bonds") with a total face value of up to €10.0 billion and a maturity of no more than ten years. The Board of Management is allowed to grant the holders of these bonds conversion or warrant rights for new registered no-par-value shares in Daimler AG with an allocable portion of the share capital of up to €500 million in accordance with the details defined in the terms and conditions of the bonds. The bonds can be offered in exchange for cash and/or non-cash contributions, in particular for shares in other companies. The terms and conditions of the bonds can include warranty obligations or conversion obligations. The bonds can be issued once or several times, wholly or in installments, or simultaneously in various tranches, as well by affiliates of the Company within the meaning of Sections 15 et seq. of the German Stock Corporation Act (AktG). Among other things, the Board of Management was authorized to exclude shareholders' subscription rights for the bonds under certain conditions and within defined constraints with the consent of the Supervisory Board.

In order to fulfill the conditions of the above-mentioned authorization, the Annual Shareholders' Meeting on April 1, 2015 also resolved to increase the share capital conditionally by an amount of up to €500 million (Conditional Capital 2015). Conditional Capital 2010 has been canceled.

Treasury shares
The authorization resolved by the Annual Meeting on April 14, 2010 to acquire treasury shares including the authorization to use derivative financial instruments in this context until April 13, 2015 was canceled by resolution of the Annual Shareholders' Meeting held on April 1, 2015 and replaced by a new authorization. This authorizes the Company until March 31, 2020 to acquire treasury shares in a volume up to 10% of the share capital issued as of the day of the resolution to be used for all legal purposes. The shares can be used, amongst other things, excluding shareholders' subscription rights for business combinations or to acquire companies or to be sold to third parties for cash at a price that is not significantly lower than the stock-exchange price of the Company's shares. The acquired shares can also be used to fulfill obligations from issued convertible bonds and/or bonds with warrants and to be issued to employees of the Company and employees and board members of the Company's affiliates pursuant to Sections 15 et seq. of the German Stock Corporation Act (AktG). The treasury shares can also be canceled.

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

Employee share purchase plan
In the first quarter of 2016, 0.6 million (2015: 0.3 million) Daimler shares were purchased and reissued to employees in connection with employee share purchase plans.

Dividend
The Annual Shareholders' Meeting held on April 6, 2016 authorized Daimler to pay a dividend of €3,477 million (€3.25 per share) from the distributable profit of Daimler AG (separate financial statements) for the year 2015 (2015: €2,621 million and €2.45 per share). The dividend was paid out on April 7, 2016.

15. Pensions and similar obligations

Pension cost
The components of pension cost included in the consolidated statement of income are shown in table ↗ E.18 and ↗ E.19.

Contributions to pension plan assets
In the three- and nine-month periods ended September 30, 2016, contributions from Daimler to the Group's pension plan assets amounted to €14 million and €1,910 million (2015: €19 million and €115 million). The amount includes the extraordinary contribution to German plan assets of €1,800 million in the second quarter of 2016. Further information is provided in Note 2.

Other post-employment benefits
The settlement of a healthcare plan at Daimler Trucks North America LLC resulted in a cash outflow of €63 million and income of €49 million in the first quarter of 2015; the income is included in the EBIT of the Daimler Trucks segment.

E.18
Components of net periodic pension cost for the three-month periods ended September 30

			Q3 2016			Q3 2015
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Current service cost	-147	-126	-21	-178	-149	-29
Past service cost	-3	-3	-	-	-	-
Net interest expense	-35	-27	-8	-61	-49	-12
Net interest income	1	-	1	1	-	1
	-184	-156	-28	-238	-198	-40

E.19
Components of net periodic pension cost for the nine-month periods ended September 30

			Q1-3 2016			Q1-3 2015
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Current service cost	-444	-378	-66	-530	-447	-83
Past service cost	-20	-20	-	20	-	20
Net interest expense	-127	-100	-27	-175	-145	-30
Net interest income	4	-	4	3	-	3
	-587	-498	-89	-682	-592	-90

16. Provisions for other risks

Provisions for other risks are comprised as shown in table ↗ E.20.

E.20
Provisions for other risks

	Sept. 30, 2016			Dec. 31, 2015		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Product warranties	2,486	3,660	6,146	2,589	3,072	5,661
Personnel and social costs	1,865	2,251	4,116	2,189	2,175	4,364
Other	4,296	955	5,251	4,932	873	5,805
	8,647	6,866	15,513	9,710	6,120	15,830

17. Financing liabilities

Financing liabilities are comprised as follows:

E.21
Financing liabilities

	Sept. 30, 2016			Dec. 31, 2015		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	13,095	46,502	59,597	10,238	41,173	51,411
Commercial paper	2,121	-	2,121	2,961	-	2,961
Liabilities to financial institutions	15,805	12,824	28,629	15,226	12,085	27,311
Deposits in the direct banking business	8,860	2,531	11,391	8,012	2,520	10,532
Liabilities from ABS transactions	4,460	4,509	8,969	3,990	3,388	7,378
Liabilities from finance leases	30	217	247	43	220	263
Loans, other financing liabilities	539	319	858	841	445	1,286
	44,910	66,902	111,812	41,311	59,831	101,142

18. Legal proceedings

In the second quarter of 2016, expenses of €400 million were recognized in connection with legal proceedings. In accordance with IAS 37.92, no further information is disclosed on these expenses.

Since the beginning of 2016, several consumer class-action lawsuits against MBUSA have been filed in federal courts of various US states. The main allegation is the use of devices that impermissibly impair the effectiveness of emission control systems in reducing nitrogen-oxide (NOx) emissions and which cause excessive emissions from vehicles with diesel engines. In addition, plaintiffs allege that consumers were deliberately deceived in connection with the advertising of Mercedes-Benz diesel vehicles. The US consumer class actions have all been consolidated into one class action pending against Daimler AG and MBUSA in the US District Court for the District of New Jersey, in which the plaintiffs are seeking monetary relief on behalf of a nationwide class of all persons or entities who owned or leased certain models of Mercedes-Benz diesel vehicles as of February 18, 2016. Another consumer class-action lawsuit against Daimler AG and other companies of the Group containing similar allegations was filed in Canada in April 2016. Daimler regards the lawsuits as without merit, and will defend vigorously against the claims.

In addition, several authorities, including in Europe and the United States have inquired about test results and the emission control systems used in Mercedes-Benz diesel vehicles and related legal implications, e.g. under applicable securities laws. These authorities include, among others, the U.S. Department of Justice (DOJ), the U.S. Environmental Protection Agency (EPA) and the California Air Resources Board (CARB), whereas in April 2016, the DOJ requested that Daimler AG review its certification and admissions processes related to exhaust emissions in the United States by way of an internal investigation in cooperation with the DOJ. Daimler has agreed to cooperate fully with the DOJ and the other authorities. These inquiries and Daimler’s internal investigation are ongoing.

In late August 2016, Mercedes-Benz Canada (“MBC”) was added as a defendant to a putative nationwide class action pending in Ontario Superior Court. The main allegation is that MB Canada, along with Takata entities as well as many other companies who sold vehicles with Takata airbag inflators installed in them, was allegedly negligent in selling such vehicles, purportedly not recalling them quickly enough, and continuing to not be able to provide an allegedly adequate new airbag inflator. Daimler AG regards these cases as without merit, and MB Canada will defend vigorously against the claims.

On June 23, 2016 the German Federal Cartel Office carried out dawn raids at several car manufacturers and suppliers, including Daimler AG, with regard to steel purchasing. Daimler is cooperating in full with the authority. It is not possible to provide further details at the moment.

In a settlement decision adopted on July 19, 2016, the European Commission concluded the trucks antitrust proceedings against Daimler AG and other truck manufacturers that commenced in 2011. The European Commission imposed a fine on Daimler AG in the amount of €1,009 million which has, in the meantime, been paid. During the entire proceedings, Daimler AG cooperated closely with the authorities and the European Commission took into account the company’s cooperation by reducing the fine imposed. Daimler had recognized a provision for the fine.

19. Contingent liabilities

In connection with the industry-wide problems with Takata airbags and as of a result of regulatory recalls of Mercedes-Benz vehicles provisions for warranty expenses in that context were recognized. Additional charges on earnings cannot be ruled out. Further disclosure pursuant to IAS 37.86 cannot be made at present due to the ongoing technical investigations and consultations with the relevant authorities.

20. Financial instruments

Table ↗ E.22 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.22

Carrying amounts and fair values of financial instruments

	Sept. 30, 2016		Dec. 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
Financial assets				
Receivables from financial services	77,021	77,381	73,514	73,837
Trade receivables	9,958	9,958	9,054	9,054
Cash and cash equivalents	14,189	14,189	9,936	9,936
Marketable debt securities				
Available-for-sale financial assets	9,362	9,362	8,273	8,273
Other financial assets				
Available-for-sale financial assets	712	712	3,049	3,049
thereof equity instruments measured at fair value	91	91	2,303	2,303
thereof equity instruments measured at cost	621	621	746	746
Financial assets recognized at fair value through profit or loss	117	117	203	203
Derivative financial instruments used in hedge accounting	2,545	2,545	1,363	1,363
Other receivables and financial assets	3,419	3,419	2,839	2,839
	117,323	117,683	108,231	108,554
Financial liabilities				
Financing liabilities	111,812	113,189	101,142	101,759
Trade payables	13,857	13,857	10,548	10,548
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	138	138	263	263
Derivative financial instruments used in hedge accounting	1,602	1,602	3,120	3,120
Miscellaneous other financial liabilities	9,831	9,831	8,977	8,977
	137,240	138,617	124,050	124,667

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

Marketable debt securities, other financial assets and liabilities

Financial assets available for sale include:

- debt and equity instruments measured at fair value; these instruments were measured using quoted market prices at September 30, 2016. 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. Until June 30, 2016, equity instruments measured at fair value predominantly comprised the investments in Renault and Nissan (see Note 2).
- equity interests measured at cost; fair values could not be determined for these financial instruments because no stock exchange or market prices are available. These equity interests comprise investments in non-listed companies for which no objective evidence existed at the balance sheet date that these assets were impaired and whose fair values cannot be determined with sufficient reliability. It is assumed that the fair values approximate the carrying amounts. Daimler does not intend to sell the equity interests which are presented at September 30, 2016.

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

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

Table ↗ E.23 provides an overview of the classification into measurement hierarchies of financial assets and liabilities measured at fair value (according to IFRS 13).

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

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

E.23

Measurement hierarchy of financial assets and liabilities measured at fair value

	Sept. 30, 2016				Dec. 31, 2015			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros								
Financial assets measured at fair value								
Financial assets available for sale	9,453	5,045	4,408	-	10,576	6,976	3,600	-
thereof equity instruments measured at fair value	91	82	9	-	2,303	2,297	6	-
thereof marketable debt securities	9,362	4,963	4,399	-	8,273	4,679	3,594	-
Financial assets recognized at fair value through profit or loss	117	-	117	-	203	-	203	-
Derivative financial instruments used in hedge accounting	2,545	-	2,545	-	1,363	-	1,363	-
	12,115	5,045	7,070	-	12,142	6,976	5,166	-
Financial liabilities measured at fair value								
Financial liabilities recognized at fair value through profit and loss	138	-	138	-	263	-	263	-
Derivative financial instruments used in hedge accounting	1,602	-	1,602	-	3,120	-	3,120	-
	1,740	-	1,740	-	3,383	-	3,383	-

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

21. Segment reporting

Segment information for the three-month periods ended September 30, 2016 and September 30, 2015 is as follows:

E.24

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 2016								
External revenue	22,358	7,513	2,990	917	4,819	38,597	-	38,597
Intersegment revenue	893	338	130	20	314	1,695	-1,695	-
Total revenue	23,251	7,851	3,120	937	5,133	40,292	-1,695	38,597
Segment profit (EBIT)	2,746	464	312	45	438	4,005	32	4,037
thereof share of profit/loss from equity-method investments	209	-9	8	-	-6	202	21	223
thereof profit/loss from compounding and changes in discount rates of provisions for other risks	-49	-14	-5	-2	-	-70	-1	-71

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Reconciliation	Daimler Group
Q3 2015								
External revenue	20,019	9,158	2,708	1,002	4,389	37,276	-	37,276
Intersegment revenue	688	492	44	16	313	1,553	-1,553	-
Total revenue	20,707	9,650	2,752	1,018	4,702	38,829	-1,553	37,276
Segment profit (EBIT)	2,183	791	193	89	378	3,634	27	3,661
thereof share of profit/loss from equity-method investments	117	-9	-6	1	-	103	6	109
thereof profit/loss from compounding and changes in discount rates of provisions for other risks	-27	-10	-2	-1	-	-40	-2	-42

Segment information for the nine-month periods ended September 30, 2016 and September 30, 2015 is as follows:

E.25
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	Recon-ciliation	Daimler Group
Q1-3 2016								
External revenue	**62,741**	**23,607**	**8,975**	**2,833**	**14,104**	**112,260**	**-**	**112,260**
Intersegment revenue	**2,612**	**1,114**	**401**	**56**	**905**	**5,088**	**-5,088**	**-**
Total revenue	**65,353**	**24,721**	**9,376**	**2,889**	**15,009**	**117,348**	**-5,088**	**112,260**
Segment profit (EBIT)	**5,551**	**1,601**	**1,014**	**172**	**1,349**	**9,687**	**-244**	**9,443**
thereof share of profit/loss from equity-method investments	**415**	**-12**	**16**	**-**	**-8**	**411**	**-197**	**214**
thereof profit/loss from compounding and changes in discount rates of provisions for other risks	**-159**	**-50**	**-16**	**-7**	**-**	**-232**	**-1**	**-233**

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Recon-ciliation	Daimler Group
Q1-3 2015								
External revenue	59,238	26,049	7,754	2,884	13,114	109,039	-	109,039
Intersegment revenue	2,114	1,456	242	48	906	4,766	-4,766	-
Total revenue	61,352	27,505	7,996	2,932	14,020	113,805	-4,766	109,039
Segment profit (EBIT)	6,251	1,945	642	180	1,232	10,250	35	10,285
thereof share of profit/loss from equity-method investments	296	-9	-11	3	-2	277	72	349
thereof profit/loss from compounding and changes in discount rates of provisions for other risks	11	-20	-6	-4	-	-19	-5	-24

Reconciliation

Reconciliation of the total segments' profit (EBIT) to profit before income taxes is as shown in table ↗ E.26.

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

Share of profit from equity-method investments in the first quarter of 2016 primarily comprises an impairment of the investment in BAIC Motor of €-244 million. It also includes the proportionate share in the results of BAIC Motor (Q3 2016: €21 million; Q3 2015: €8 million and Q1-3 2016: €48 million; Q1-3 2015: €73 million). Other corporate items include the gain of €605 million recognized in the first nine months of 2016 in connection with the contribution of the shares of Renault and Nissan in the German pension plan. It also includes expenses of €400 million in connection with legal proceedings. Furthermore, the item includes losses from currency transactions of €241 million which are not allocated to business operations.

E.26
Reconciliation to Group figures

In millions of euros	Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015
Total segments' profit (EBIT)	4,005	3,634	9,687	10,250
Share of profit from equity-method investments	21	6	-197	72
Other corporate items	18	5	-46	-75
Eliminations	-7	16	-1	38
Group EBIT	4,037	3,661	9,443	10,285
Amortization of capitalized borrowing costs[1]	-3	-2	-9	-7
Interest income	35	32	169	119
Interest expense	-109	-161	-389	-441
Profit before income taxes	3,960	3,530	9,214	9,956

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

22. Related party relationships

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

Most of the goods and services supplied within the ordinary course of business between the Group and related parties involve transactions with associated companies, joint ventures and joint operations, and are shown in table ↗ E.27.

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

The purchases of goods and services shown in table ↗ E.27 were primarily from MBtech Group GmbH & Co. KGaA (MBtech Group). MBtech Group develops, integrates and tests components, systems, modules and vehicles worldwide.

Joint ventures
Significant sales of goods and services took place with Fujian Benz Automotive Co. Ltd. (FBAC) and with Mercedes-Benz Trucks Vostok OOO, a joint venture established with Kamaz PAO, another of the Group’s associated companies. The Mercedes-Benz Trucks Vostok (MBTV) and Fuso Kamaz Trucks Rus (FKTR) joint ventures, which had previously operated separately, were merged in 2015 as Mercedes-Benz Trucks Vostok (MBTV). MBTV was renamed into DAIMLER KAMAZ RUS OOO (DK RUS) on January 21, 2016.

In 2014, Daimler provided a joint and separate liability guarantee to external banks which provided a syndicated loan to the joint venture Shenzen BYD Daimler New Technology Co. Ltd. (SBDNT) which is allocated to the Mercedes-Benz Cars segment. The guarantee provided by Daimler amounts to RMB 750 million (approximately €100 million as of September 30, 2016) and equates to the Group’s share in the loan granted to SBDNT based on its 50% equity interest in SBDNT. This loan had been utilized in the amount of RMB 743 million as of September 30, 2016.

In December 2015, Daimler decided to provide a shareholder loan of RMB 250 million (approximately €34 million) to the joint venture SBDNT, which had been fully utilized as of September 30, 2016.

In connection with its 45% equity interest in Toll Collect GmbH, Daimler has issued guarantees which are not shown in table ↗ E.27 (€100 million at September 30, 2016 and at December 31, 2015).

In the first nine months of 2016, Daimler recognized risk provisions of around €97 million (Q1-3 2015: €57 million) in connection with the financing of joint ventures. These expenses are shown in other financial income.

Joint operations
Joint operations primarily relate to significant business transactions with Beijing Mercedes-Benz Sales Service Co., Ltd. (BMBS), which provides advisory and other services relating to marketing, sales and distribution in the Chinese market.

E.27
Related party relationships

In millions of euros	Sales of goods and services and other income Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015	Purchases of goods and services and other expense Q3 2016	Q3 2015	Q1-3 2016	Q1-3 2015
Associated companies	943	800	2,603	2,365	100	96	296	227
thereof BBAC	850	742	2,361	2,204	11	8	51	51
Joint ventures	157	124	369	379	21	18	43	61
Joint operations	6	4	20	12	77	62	199	193

In millions of euros	Receivables Sept. 30, 2016	Dec. 31, 2015	Payables Sept. 30, 2016	Dec. 31, 2015
Associated companies	1,086	936	84	96
thereof BBAC	1,036	884	45	51
Joint ventures	142	158	11	8
Joint operations	33	47	27	35

Auditor's Review Report

To the Supervisory Board of Daimler AG, Stuttgart

We have reviewed the condensed interim consolidated financial statements of Daimler AG, Stuttgart, comprising – the consolidated statement of income/loss, consolidated statement of comprehensive income/loss, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and selected, explanatory notes – together with the interim group management report of Daimler AG, for the period from January 1 to September 30, 2016, that are part of the quarterly financial report according to § 37 w WpHG ("Wertpapierhandelsgesetz": "German Securities Trading Act"). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Stuttgart, October 20, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Becker Wirtschaftsprüfer	Dr. Thümler Wirtschaftsprüfer

Addresses | Information

Investor Relations

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

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

Concept and contents
Daimler AG
Investor Relations

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

Financial Calendar

Interim Report Q3 2016
October 21, 2016

Annual Press Conference
February 2, 2017

Investor and Analyst Conference
February 3, 2017

Annual Shareholders' Meeting 2017
Berlin
March 29, 2017

Interim Report Q1 2017
April 26, 2017

Interim Report Q2 2017
July 26, 2017

Interim Report Q3 2017
October 20, 2017

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

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