DAIMLER

Interim Report Q3 2017

Contents

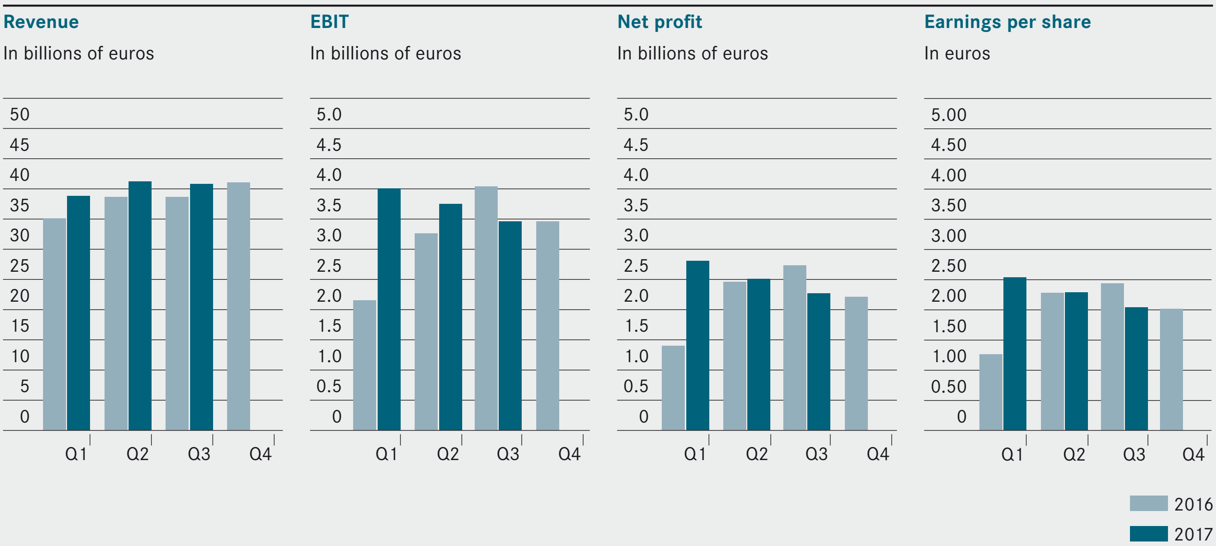
Cover photo: The new Mercedes-Benz X-Class.
The Mercedes-Benz X-Class is the first pickup from a premium manufacturer. It combines the typical features of a pickup – robustness, functionality, toughness and off-road capability – with the traditional strengths of a genuine Mercedes – design, comfort, driving dynamics and safety. In addition to the various equipment lines – PURE for classic robust applications, PROGRESSIVE for higher demands in terms of exclusivity and comfort, and POWER as a high-end version for an urban lifestyle – the X-Class offers the broadest selection of materials and colors in the segment, lifting exclusivity to a new level. The X-Class range is completed with a diverse accessories program. And thanks to Mercedes me connect, the X-Class is the first intelligent, connected pickup.

Q3

Key Figures Daimler Group

€ amounts in millions	Q3 2017	Q3 2016	% change
Revenue	40,807	38,597	+6[1]
Europe	16,821	15,555	+8
thereof Germany	5,739	5,811	-1
NAFTA	11,577	11,259	+3
thereof United States	9,942	9,778	+2
Asia	9,785	9,377	+4
thereof China	4,488	4,067	+10
Other markets	2,624	2,406	+9
Investment in property, plant, equipment	1,466	1,427	+3
Research and development costs	2,296	1,892	+21
thereof capitalized development costs	649	594	+9
Free cash flow of the industrial business	2,733	473	+478
EBIT	3,458	4,037	-14
Net profit	2,268	2,726	-17
Earnings per share (in euros)	2.03	2.43	-16
Employees	292,121	282,488[2]	+3

1 Adjusted for the effects of currency translation, increase in revenue of 8%.
2 As of December 31, 2016.



Q1-3

Key Figures Daimler Group

€ amounts in millions	Q1-3 2017	Q1-3 2016	% change
Revenue	120,741	112,260	+8[1]
Europe	50,200	46,191	+9
thereof Germany	17,517	17,223	+2
NAFTA	34,447	33,307	+3
thereof United States	29,749	29,123	+2
Asia	28,471	26,036	+9
thereof China	13,335	11,667	+14
Other markets	7,623	6,726	+13
Investment in property, plant, equipment	4,170	3,882	+7
Research and development costs	6,561	5,447	+20
thereof capitalized development costs	2,052	1,648	+25
Free cash flow of the industrial business	5,771	2,593	+123
EBIT	11,212	9,443	+19
Net profit	7,576	6,578	+15
Earnings per share (in euros)	6.84	5.96	+15
Employees	292,121	282,488[2]	+3

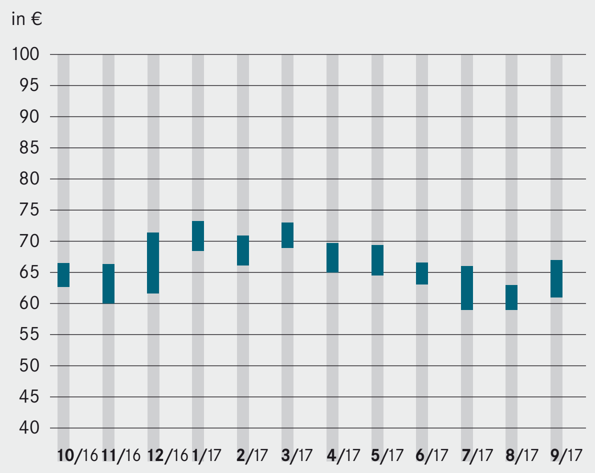
1 Adjusted for the effects of currency translation, increase in revenue of 7%.
2 As of December 31, 2016.

Daimler and the Capital Market

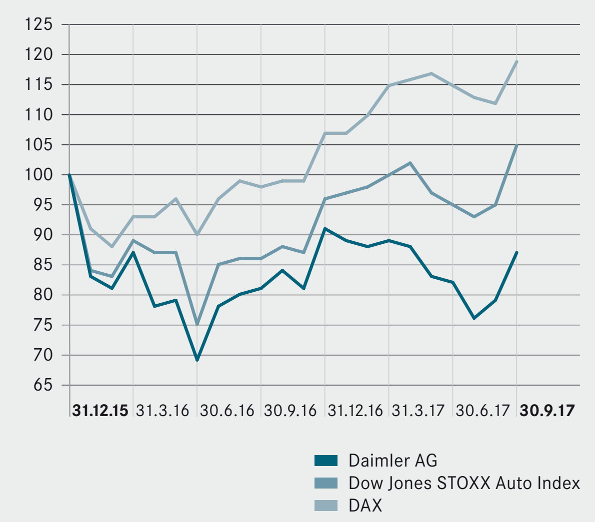
Key figures

	Sept. 30, 2017	Sept. 30, 2016	% change
Earnings per share in Q3 (in €)	**2.03**	2.43	-16
Outstanding shares (in millions)	**1,069.8**	1,069.8	0
Market capitalization (€ billion)	**72.18**	67.09	+8
Xetra closing price (in €)	**67.47**	62.71	+8

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



Share-price development (indexed)



Auto stocks prove volatile in third quarter 2017

Automotive stocks were subject to great fluctuations in the third quarter of 2017. Discussions about the future of diesel technology and legal uncertainties also had a negative impact on the sector. Due to the advancing electrification of powertrains, investors fear that to manage this transition in the coming years, automotive companies will have to make large investments in combination with comparatively low profitability. Recent accusations of cartel agreements in the German automobile industry have put additional pressure on carmakers' shares. The development of the US car market and concern about residual values in the US and Europe have boosted uncertainty in the capital market about the ongoing business development. And overall, the appreciation of the euro against the US dollar is negatively affecting shares in companies with a high proportion of exports to dollar-based markets. But investors' confidence in the automotive sector was improved by more objectivity in the debate about diesel engines and further clarity on action to be taken by the German government and automobile manufacturers following the diesel summit in early August. Investors' share-price expectations were also supported by the innovativeness and strategic focus of the automotive industry as demonstrated at the Frankfurt Motor Show. Starting in the middle of the third quarter, many investors therefore took the opportunity of low prices to buy carmaker's shares once again.

Our share price also benefitted from this situation. The development was additionally supported by the continuation of good unit sales by Mercedes-Benz Cars, good orders received at Daimler Trucks and very positive feedback at the Mercedes-Benz Cars Capital Market Day prior to the Frankfurt Motor Show. Daimler's share price was €67.47 at the end of the third quarter, which is 6% higher than at the end of the second quarter of 2017. During the same period, the DAX rose by 4% and the Dow Jones STOXX Auto Index climbed by 11%.

Favorable interest environment used for refinancing

In the first three quarters of 2017, the Daimler Group once again undertook refinancing at attractive conditions in the international money and capital markets. Daimler raised funds of €16.6 billion from the issue of bonds during that period (Q1-3 2016: €16.4 billion). In August, Daimler AG issued a three-year bond with a volume of RMB 5.0 billion in the Chinese capital market.

Interim Management Report

Unit sales significantly above prior-year level at 824,100 vehicles (+9%)
Revenue up by 6% to €40.8 billion
Group EBIT of €3.5 billion (Q3 2016: €4.0 billion)
Net profit of €2.3 billion (Q3 2016: €2.7 billion)
Free cash flow of industrial business of €5.8 billion in first nine months (Q1-3 2016: €2.6 billion)
Significant growth in unit sales and revenue anticipated for full-year 2017
Group EBIT expected to be significantly higher than in 2016

Business development

Favorable development of world economy

In the third quarter of this year, the **world economy** seems to have continued its upswing on a broad basis with growth of approximately 3% compared with the same period of last year. This is remarkable against a backdrop of ongoing geopolitical tension and confirms the current robustness of the global economy. Indicators of business and consumer confidence generally developed favorably in the third quarter and global trade continued to revive. In the United States, although the recent severe storms are likely to have a temporary impact on growth rates, the fundamentally solid development of the country's economy continued. Economic output in the European Monetary Union (EMU) was very positive and seems to have expanded once again by just over 2% compared with the prior-year period, driven by strong domestic demand. Against that backdrop, the European Central Bank (ECB) maintained its announcement of gradually scaling back its expansive monetary policy, as expected. In this environment, the euro gained significantly against the US dollar. The Chinese economy continued its strong development and is likely to have approximately maintained its growth dynamism of the first half of the year. Raw-material prices increased by 20% during the third quarter, but remained very moderate compared with the long-term trend. Most of the emerging markets profited from the general improvement in the global economy and posted strong growth. Even the economies of South America are meanwhile showing clear signs of recovery, although their growth rates have so far been relatively low.

Worldwide demand for cars regained some dynamism in the third quarter and increased slightly compared with the prior-year period. Demand in the Chinese market has recently improved and sales figures rose moderately. This is likely due in part to purchases being brought forward because of the termination of tax incentives for buyers of small cars announced for the end of the year. In the United States, demand was affected by the severe storms. Nonetheless, a strong revival was apparent already in September, so sales figures for the full quarter were only slightly lower than in the prior-year period. The SUV and pickup segments continued to develop significantly better than sales of sedans. The European market expanded slightly. Overall sales in Western Europe remained solid despite the visible weakening of the British market and were about at the prior-year level. There was significant growth in Eastern Europe, primarily due to the recently favorable development of the Russian market. The Japanese market expanded moderately compared with the prior-year quarter and there was a strong increase in demand for cars in India.

Demand for **medium- and heavy-duty trucks** continued to develop very differently from one region to another, whereby a generally positive trend was apparent. The North American market continued its recovery and sales in weight classes 6-8 were significantly higher than in the prior-year period once again for the first time since 2015.

In the EU30 region (European Union, Switzerland and Norway), demand was slightly below the solid prior-year level. Demand in the Brazilian market continued to stabilize. Although sales figures there were still at an exceptionally low level, there was an increase compared with the prior-year period for the first time since 2013. The Turkish market expanded, whereby the prior-year level of sales was substantially reduced by the attempted coup. The Russian market continued its positive development; according to recent estimates, its recovery has recently been progressing at double-digit growth rates.

The most important Asian markets from Daimler's perspective presented a mainly positive picture in the third quarter. Demand for light-, medium- and heavy-duty trucks in Japan was slightly higher than the solid prior-year level. The Indonesian truck market seems to have continued its recovery; recent estimates suggest that the market grew strongly compared with the weak prior-year period. Although the Indian market recovered perceptibly after several quarters of significant contraction, the strong market recovery originally anticipated due to the goods and service tax taking effect has been only slight so far.
The Chinese market expanded again significantly.

Demand for vans in the EU30 region continued to grow in the third quarter of 2017, with a 8% increase in the market volume for mid-size and large vans. Demand for small vans rose by 4%. While the US market for large vans was at the prior-year level, the market volume for large vans in Latin America increased significantly.

The market volume for **buses** in the EU30 region increased significantly compared with the third quarter of last year. Demand in Brazil was higher than in the prior-year period, with an increase of 12%.

Significant growth in third-quarter unit sales
In the third quarter of 2017, Daimler sold 824,100 cars and commercial vehicles worldwide, surpassing the total for the prior-year period by 9%. ↗ C.01

With sales of 597,300 **Mercedes-Benz** and smart automobiles, the third quarter of 2017 was the bestselling quarter so far in the history of Mercedes-Benz Cars (+6%). In Europe, the two brands posted a record quarter with sales of 252,800 units (+3%). Of that total, 82,800 vehicles were sold in Germany (+5%). Belgium, Switzerland, Poland, Austria and Sweden contributed to the success in Europe with new sales records. Demand in China including Hong Kong increased by 21% resulting in third-quarter sales of 153,300 units. New record unit sales were achieved in the Asia-Pacific region not only in China, but also in Australia, India, Taiwan and Thailand. Sales of automobiles in the United States were affected by a generally contracting US market and amounted to 82,200 units in the past quarter (Q3 2016: 89,900). In Canada, Mercedes-Benz Cars set a new sales record.

Daimler Trucks increased its unit sales in the third quarter by 30%, selling 126,600 vehicles. With growth in the NAFTA region to 45,300 unit sales (Q3 2016: 31,400), we sold significantly more trucks there than in the third quarter of last year. Also in Asia, we posted a substantial increase in sales to the number of 40,000 units (Q3 2016: 28,100). There were substantial contributions from the significant sales increase in Indonesia to 11,900 vehicles (Q3 2016: 6,700). Our sales of 4,900 trucks in India also surpassed the number sold in the prior-year period significantly (Q3 2016: 2,400). In Japan, one of our major markets, we achieved unit sales at about the prior-year level with 11,900 vehicles (Q3 2016: 11,700). In the region EU30 with 20,900 vehicles we were slightly below the prior-year level (Q3 2016: 21,300). We also posted a slight decrease in Germany with sales of 8,100 trucks (Q3 2016: 8,300). Following a prolonged weaker phase, our sales in Turkey increased from low levels to 3,400 units (Q3 2016: 1,700). In Brazil, with 3,700 (Q3 2016: 3,500) trucks, for the first time once again we also delivered more vehicles than in the prior-year quarter.

Mercedes-Benz Vans increased its unit sales by 9% to the new record of 93,100 vehicles in the third quarter of 2017. In the EU30 region, the van division achieved growth of 2% to 59,000 units. In the important German market, Mercedes-Benz Vans achieved another very good third quarter with 23,700 units sold, which is slightly more than in the prior-year quarter (Q3 2016: 23,300). The development of sales in the NAFTA region was very positive with growth of 19% to 12,600 vehicles. We achieved significant growth also in Latin America with sales of 4,100 units in the third quarter (+22%). Mercedes-Benz Vans further improved its position in China and recorded its highest quarterly unit sales there so far, selling 6,800 vehicles (+64%).

Third-quarter unit sales by **Daimler Buses** increased by 17% to 7,200 vehicles. In the EU30 region, we sold 1,900 buses of the Mercedes-Benz and Setra brands, representing an increase of 1% compared with the third quarter of last year. In Latin America (excluding Mexico), Daimler Buses achieved substantial growth of 63% with sales of 3,600 bus chassis. In Mexico, we sold 800 units in the third quarter (Q3 2016: 1,200).

At **Daimler Financial Services**, new business increased compared with the prior-year period by 11% to €17.4 billion. Contract volume reached €135.8 billion at the end of September and was thus 2% higher than at year-end 2016. Adjusted for exchange-rate effects, contract volume increased by 8%. The insurance business also developed very positively. Worldwide, 551,000 insurance contracts were brokered by Daimler Financial Services in the third quarter (Q3 2016: 445,000).

The Daimler Group's third-quarter **revenue** amounted to €40.8 billion, which is 6% higher than in the same quarter of 2016. Adjusted for exchange-rate effects, revenue grew by 8%. ↗ C.02

At Mercedes-Benz Cars, revenue was at the prior-year level at €23.4 billion (Q3 2016: €23.3 billion), while Daimler Trucks was able to increase its revenue by 17% to €9.2 billion. Also at Mercedes-Benz Vans, revenue of €3.1 billion was at the prior-year figure (Q3 2016: €3.1 billion). Revenue at Daimler Buses increased by 8% to €1.0 billion. The divisions' revenue increased at a lower rate than unit sales due to unfavorable exchange-rate effects. At Daimler Trucks and Daimler Buses, regional shifts in the sales structure also had an impact. At Daimler Financial Services revenue increased by 14% to €5.8 billion.

C.01
Unit sales by division

	Q3 2017	Q3 2016	% change
Daimler Group	824,130	754,130	+9
Mercedes-Benz Cars	597,253	565,564	+6
Daimler Trucks	126,558	97,143	+30
Mercedes-Benz Vans	93,106	85,238	+9
Daimler Buses	7,213	6,185	+17

C.02
Revenue by division

In millions of euros	Q3 2017	Q3 2016	% change
Daimler Group	40,807	38,597	+6
Mercedes-Benz Cars	23,449	23,251	+1
Daimler Trucks	9,199	7,851	+17
Mercedes-Benz Vans	3,077	3,120	-1
Daimler Buses	1,010	937	+8
Daimler Financial Services	5,835	5,133	+14

Profitability

The **Daimler Group's** third-quarter EBIT of €3,458 million in 2017 was significantly below its prior-year earnings (Q3 2016: €4,037 million). ↗ C.03

The EBIT of the Mercedes-Benz Cars division was significantly below the prior-year figure, due in particular to expenses in connection with warranty measures and voluntary service activities. The Mercedes-Benz Vans and Daimler Buses divisions also posted significantly lower EBIT than in the prior-year quarter. On the other hand, Daimler Trucks significantly surpassed its earnings of the prior-year quarter, due in particular to growing unit sales in the NAFTA region and in Asia. Daimler Financial Services also achieved a significant increase in third-quarter EBIT.

The reconciliation of segment earnings to Group EBIT resulted in a considerably lower contribution to earnings than in the prior-year quarter.

C.03
EBIT by segment

In millions of euros	Q3 2017	Q3 2016	% change	Q1-3 2017	Q1-3 2016	% change
Mercedes-Benz Cars	2,147	2,746	-22	6,785	5,551	+22
Daimler Trucks	614	464	+32	1,825	1,601	+14
Mercedes-Benz Vans	218	312	-30	933	1,014	-8
Daimler Buses	26	45	-42	155	172	-10
Daimler Financial Services	507	438	+16	1,553	1,349	+15
Reconciliation	-54	32	.	-39	-244	.
Daimler Group[1]	3,458	4,037	-14	11,212	9,443	+19

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

In the third quarter of 2017, the EBIT of the **Mercedes-Benz Cars** division was €2,147 million, which is considerably lower than the prior-year figure of €2,746 million. The division's return on sales was 9.2% (Q3 2016: 11.8%). ↗ C.03

The strong demand for SUVs had a positive effect on EBIT in the third quarter of 2017. On the other hand, earnings were negatively affected by expenses for a specific vehicle recall (€230 million) and expenses for voluntary service activities in connection with a comprehensive plan for diesel engines (€223 million). Furthermore, advance expenditure for new technologies and future vehicles also had an impact on EBIT.

The **Daimler Trucks** division's third quarter EBIT of €614 million is significantly above the prior-year figure (Q3 2016: €464 million). Its return on sales rose to 6.7% (Q3 2016: 5.9%). ↗ C.03

Earnings were boosted by growing unit sales in the NAFTA region and in Asia as well as efficiency enhancements. Expenses for the planned fixed-cost optimization (€70 million) affected EBIT negatively. Higher expenses mainly for raw materials, new technologies and future products had also a negative impact on earnings.

The **Mercedes-Benz Vans** division achieved a third quarter EBIT of €218 million, which is significantly below the prior-year level (Q3 2016: €312 million). Its return on sales decreased to 7.1%, compared to 10.0% in the third quarter of last year. ↗ C.03

EBIT was influenced by expenses for new products and higher raw material prices. In addition, EBIT decreased due to the end of a contract manufacturing arrangement. Increasing unit sales, particularly in Europe, the NAFTA region and China, only partially offset this effect.

Daimler Buses' third quarter EBIT of €26 million was also significantly lower than the earnings in the prior-year period (Q3 2016: €45 million). The return on sales decreased to 2.6% (Q3 2016: 4.8%). ↗ C.03

The sales increase in Latin America and further efficiency enhancements did not offset negative exchange-rate effects and cost inflation, mainly in Latin America.

In the third quarter of 2017, the **Daimler Financial Services** division's earnings of €507 million significantly surpassed the prior-year figure (Q3 2016: €438 million). ↗ C.03

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

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

Items at the corporate level resulted in expenses of €62 million in the third quarter of 2017 (Q3 2016: income of €39 million). Losses on equity-method investments of €53 million are included (Q3 2016: profit of €21 million).

The elimination of intra-group transactions resulted in income of €8 million in the third quarter of 2017 (Q3 2016: expense of €7 million).

Net interest expense in the third quarter of 2017 amounted to €96 million (Q3 2016: €74 million).

The **income-tax expense** recognized in the third quarter of 2017 amounts to €1,090 million (Q3 2016: €1,234 million) and developed in line with the change in profit before taxes. The effective tax rate increased slightly to 32.5% (Q3 2016: 31.2%).

Net profit for the third quarter of 2017 decreased to €2,268 million (Q3 2016: €2,726 million). Net profit of €91 million is attributable to **non-controlling interests** (Q3 2016: €131 million). Net profit **attributable to the shareholders of Daimler AG** amounts to €2,177 million (Q3 2016: €2,595 million), representing **earnings per share** of €2.03 (Q3 2016: €2.43).

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 2017, **cash provided by operating activities** ↗ C.04 amounted to €3.8 billion and was above the level of the prior-year period (Q1-3 2016: €3.4 billion). This increase resulted from the effects of the positive business performance and the positive development of working capital. A cash inflow of €0.8 billion resulted from the dividend distributed by Beijing Benz Automotive Co., Ltd. Another factor affecting comparison with the prior-year period is the cash outflow in 2016 in payment of the fine of €1.0 billion imposed on Daimler by the European Commission in the context of the settlement in the truck antitrust proceedings. On the other hand, cash provided by operating activities was reduced by growth in the leasing and sales-financing business.

C.04
Condensed consolidated statement of cash flows

In millions of euros	Q1-3 2017	Q1-3 2016	Change
Cash and cash equivalents at beginning of period	10,981	9,936	+1,045
Cash provided by operating activities	3,815	3,428	+387
Cash used for investing activities	-5,534	-6,926	+1,392
Cash provided by financing activities	8,957	7,893	+1,064
Effect of exchange-rate changes on cash and cash equivalents	-818	-142	-676
Cash and cash equivalents at end of period	17,401	14,189	+3,212

C.05
Free cash flow of the industrial business

In millions of euros	Q1-3 2017	Q1-3 2016	Change
Cash provided by operating activities	12,445	8,480	+3,965
Cash used for investing activities	-5,539	-6,923	+1,384
Change in marketable debt securities	-988	1,079	-2,067
Other adjustments	-147	-43	-104
Free cash flow of the industrial business	5,771	2,593	+3,178

Cash used for investing activities ↗ C.04 resulted in a cash outflow of €5.5 billion (Q1-3 2016: €6.9 billion). The change compared with the previous year primarily reflects acquisitions and disposals of securities in the context of liquidity management. Those transactions resulted in a net cash inflow in the first nine months, whereas acquisitions of securities exceeded disposals in the prior-year period. The sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan led to a cash inflow of €0.3 billion. Opposing effects resulted from increased investments in intangible assets and property, plant and equipment and from the acquisition of an interest in LSH Auto International Limited (LSHAI).

Cash provided by financing activities ↗ C.04 resulted in a cash inflow of €9.0 billion (Q1-3 2016: €7.9 billion). The increase was primarily due to the change in financing liabilities.

Cash and cash equivalents increased compared with December 31, 2016 by €6.4 billion, after taking currency translation into account. Total liquidity, which also includes marketable debt securities, increased by €5.2 billion to €26.9 billion.

The parameter used by Daimler to measure the financial capability of the Group's industrial business is the **free cash flow of the industrial business** ↗ C.05, which is derived from the reported cash flows from operating and investing activities. The cash flows from the acquisition and sale of marketable debt securities included in cash flows from investing activities are deducted, as those securities are allocated to liquidity and changes in them are thus not a part of the free cash flow.

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

In the first nine months of 2017, the **free cash flow of the industrial business** amounted to €5.8 billion (Q1-3 2016: €2.6 billion). This increase resulted from the positive business performance and the positive development of working capital. Another factor affecting comparison with the prior-year period is the cash outflow in 2016 in payment of the fine of €1.0 billion imposed on Daimler by the European Commission in the context of the settlement in the truck antitrust proceedings. A cash inflow of €0.8 billion resulted from the dividend distributed by Beijing Benz Automotive Co., Ltd. In addition, the sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan led to a cash inflow of €0.3 billion. Opposing effects resulted from increased investments in intangible assets and property, plant and equipment and from the acquisition of an interest in LSHAI.

C.06
Net liquidity of the industrial business

In millions of euros	Sept. 30, 2017	Dec. 31, 2016	Change
Cash and cash equivalents	15,168	8,751	+6,417
Marketable debt securities	8,368	9,498	-1,130
Liquidity	23,536	18,249	+5,287
Financing liabilities	-2,702	1,451	-4,153
Market valuation and currency hedges for financing liabilities	-2	37	-39
Financing liabilities (nominal)	-2,704	1,488	-4,192
Net liquidity	20,832	19,737	+1,095

C.07
Net debt of the Daimler Group

In millions of euros	Sept. 30, 2017	Dec. 31, 2016	Change
Cash and cash equivalents	17,401	10,981	+6,420
Marketable debt securities	9,501	10,748	-1,247
Liquidity	26,902	21,729	+5,173
Financing liabilities	-123,885	-117,686	-6,199
Market valuation and currency hedges for financing liabilities	-4	61	-65
Financing liabilities (nominal)	-123,889	-117,625	-6,264
Net debt	-96,987	-95,896	-1,091

C.08
Benchmark issuances

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

The **net liquidity of the industrial business** ↗ C.06 is calculated as the total amount as shown in the statement of financial position of cash, cash equivalents and marketable debt securities included in liquidity management, less the currency-hedged nominal amounts of financing liabilities.

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

Compared with December 31, 2016, the net liquidity of the industrial business increased from €19.7 billion to €20.8 billion. The increase was mainly due to the positive free cash flow. Opposing effects resulted from the dividend payment to shareholders of Daimler AG and negative exchange-rate effects.

Net debt at Group level, which primarily results from refinancing the leasing and sales-financing business, increased compared with December 31, 2016 by €1.1 billion to €97.0 billion. ↗ C.07

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

In the first nine months of 2017, Daimler had a cash inflow of €16.6 billion from the **issuance** of bonds (Q1-3 2016: €16.4 billion). The redemption of bonds resulted in cash outflows of €10.6 billion (Q1-3 2016: €8.1 billion). A large proportion of the issuance volume was carried out in the form of so-called benchmark bonds (bonds with high nominal values). ↗ C.08

In addition to the issuances shown in the table, multiple smaller issuances were undertaken in various countries. In August, Daimler placed a so-called panda-bond with a volume of RMB5.0 billion in the capital market of the People's Republic of China.

In the third quarter, **asset-backed securities (ABS) transactions** were also conducted in China, the United States and Australia. In China, transactions of RMB5.0 billion were successfully placed in the market. In Australia, a first-time ABS transaction (AUD0.8 billion) was placed in July. In addition, a refinancing volume of US$2.1 billion was generated with an ABS transaction in the United States.

Financial position

The **balance sheet total** increased compared with December 31, 2016 from €243.0 billion to €255.6 billion; adjusted for the effects of currency translation, the increase amounted to €23.9 billion. Daimler Financial Services accounts for €145.1 billion of the balance sheet total (December 31, 2016: €141.8 billion), equivalent to 57% of the Daimler Group's total assets (December 31, 2016: 58%).

The increase in total assets is primarily due to the growth of cash and cash equivalents, an increase in the financial services business and higher other financial assets. On the liabilities side of the balance sheet, there were increases primarily in financial liabilities, trade liabilities and equity. Current assets account for 43% of the balance sheet total, which is just above the prior-year level (December 31, 2016: 42%). Current liabilities amount to 33% of total equity and liabilities, which is slightly below the prior-year level (December 31, 2016: 35%).

C.09

Condensed consolidated statement of financial position

In millions of euros	Sept. 30, 2017	Dec. 31, 2016	% change
Assets			
Intangible assets	13,288	12,098	+10
Property, plant and equipment	26,804	26,381	+2
Equipment on operating leases and receivables from financial services	130,153	127,449	+2
Equity-method investments	4,426	4,098	+8
Inventories	26,958	25,384	+6
Trade receivables	10,913	10,614	+3
Cash and cash equivalents	17,401	10,981	+58
Marketable debt securities	9,501	10,748	-12
Other financial assets	7,460	5,736	+30
Other assets	8,711	9,499	-8
Total assets	255,615	242,988	+5
Equity and liabilities			
Equity	62,730	59,133	+6
Provisions	26,486	26,810	-1
Financing liabilities	123,885	117,686	+5
Trade payables	15,200	11,567	+31
Other financial liabilities	11,422	12,869	-11
Other liabilities	15,892	14,923	+6
Total equity and liabilities	255,615	242,988	+5

Intangible assets of €13.3 billion (December 31, 2016: €12.1 billion) include capitalized development costs (€9.9 billion), franchises, industrial property and similar rights (€1.8 billion) as well as goodwill (€1.2 billion). The Mercedes-Benz Cars division accounts for 78% of the development costs and the Daimler Trucks division accounts for 11%.

Property, plant and equipment of €26.8 billion were slightly above the prior-year level (December 31, 2016: €26.4 billion). In the first nine months of 2017, €4.2 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. As in the prior-year period, the sites in Germany accounted for a volume of €2.7 billion of capital expenditure (Q1-3 2016: €2.7 billion).

Equipment on operating leases and receivables from financial services increased to €130.2 billion (December 31, 2016: €127.4 billion). The increase of €10.1 billion after adjusting for exchange-rate effects was primarily caused by the higher level of new business at Daimler Financial Services. The business with end-customers was further expanded in Asia and Europe. The leasing and sales-financing business as a proportion of total assets amounts to 51%, which is slightly below the prior-year level (December 31, 2016: 52%).

Equity-method investments of €4.4 billion (December 31, 2016: €4.1 billion) mainly comprise the carrying amounts of our equity interests in Beijing Benz Automotive Co., Ltd. (BBAC), BAIC Motor Corporation Ltd. (BAIC Motor), There Holding B.V. (digital mapping provider HERE) and LSH Auto International Limited (LSHAI). See Note 11 of the Notes to the Interim Consolidated Financial Statements for further information.

Inventories increased from €25.4 billion to €27.0 billion, equivalent to 11% of total assets and thus slightly higher than at the end of 2016 (10%). The increase adjusted for exchange-rate effects of €2.6 billion applied to all automotive divisions.

Trade receivables amounted to €10.9 billion, which is above the prior-year level of €10.6 billion. The Mercedes-Benz Cars division accounts for 44% of these receivables and the Daimler Trucks division accounts for 27%.

Cash and cash equivalents increased compared with the end of the year 2016 by €6.4 billion to €17.4 billion.

Marketable debt securities decreased compared with December 31, 2016 from €10.7 billion to €9.5 billion. Those assets include the debt instruments that are allocated to liquidity, most of which are traded in active markets. They generally have an external rating of A or better.

Other financial assets increased by €1.7 billion to €7.5 billion. They primarily consist of derivative financial instruments, equity interests in unconsolidated subsidiaries and other investments, as well as loans and other receivables due from third parties. The increase is attributable to higher positive fair values of currency derivatives as well as dividends due from BBAC to be received in the fourth quarter of 2017.

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

The Group's **equity** increased compared with December 31, 2016 from €59.1 billion to €62.7 billion; adjusted for the effects of currency translation, the increase amounted to €5.9 billion. Positive effects resulted from the net profit of €7.6 billion and the remeasurement of derivative financial instruments not recognized in profit and loss of €1.9 billion. The increase was partially offset by the dividend of €3.5 billion paid out to Daimler's shareholders and effects from currency translation of €2.4 billion. Equity attributable to the shareholders of Daimler AG therefore increased to €61.6 billion (December 31, 2016: €58.0 billion).

In relation to the increase in the balance-sheet total of 5%, equity increased by the disproportionately high rate of 6%. The Group's **equity ratio** of 24.5% was therefore above the level at the end of 2016 (22.9%); the equity ratio for the industrial business was 46.7% (December 31, 2016: 44.7%). It is necessary to consider that the equity ratio at year-end 2016 was adjusted for the proposed dividend for that financial year.

Provisions decreased to €26.5 billion from €26.8 billion at December 31, 2016; as a proportion of the balance-sheet total, they amount to 10%, which is slightly lower than at December 31, 2016 (11%). They primarily comprise provisions for pensions and similar obligations of €9.2 billion (December 31, 2016: €9.0 billion), which mainly consist of the difference between the present value of defined-benefit pension obligations of €31.7 billion (December 31, 2016: €31.2 billion) and the fair value of the pension-plan assets applied to finance those obligations of €23.7 billion (December 31, 2016: €23.4 billion). Provisions also relate to liabilities from income taxes of €1.2 billion (December 31, 2016: €1.7 billion), from product warranties of €6.5 billion (December 31, 2016: €6.1 billion) and from personnel and social costs of €4.1 billion (December 31, 2016: €4.3 billion), as well as other provisions of €5.5 billion (December 31, 2016: €5.7 billion).

Financing liabilities increased by €6.2 billion to €123.9 billion (December 31, 2016: €117.7 billion); adjusted for exchange-rate effects, the increase amounts to €12.1 billion. 53% of the financing liabilities are accounted for by notes and bonds, 26% by liabilities to financial institutions, 9% by deposits in the direct banking business and 10% by liabilities from ABS transactions.

Trade payables increased to €15.2 billion (December 31, 2016: €11.6 billion), primarily due to the higher volume of business. The Mercedes-Benz Cars division accounts for 64% of those payables and the Daimler Trucks division accounts for 21%.

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

Other liabilities of €15.9 billion (December 31, 2016: €14.9 billion) primarily comprise deferred income, tax liabilities, and deferred taxes.

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

Capital expenditure and research activities

The Daimler Group invested €1.5 billion in property, plant and equipment in the third quarter of this year (Q3 2016: €1.4 billion). Most of that investment, €1.0 billion, was at the Mercedes-Benz Cars division (Q3 2016: €1.1 billion). The main focus of capital expenditure was on production preparations for the new generation of compact-class cars, especially the new A-Class. Another area of capital expenditure was for the ongoing expansion of our international production and component plants. At Daimler Trucks, the main investments were for new products and successor generations of existing products, global component projects and the optimization of our worldwide production network.

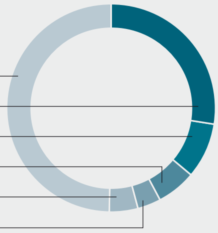
The Daimler Group's research and development spending in the third quarter of the year amounted to €2.3 billion (Q3 2016: €1.9 billion), of which €0.6 billion was capitalized (Q3 2016: €0.6 billion). Around three quarters, €1.7 billion, of the research and development spending was at the Mercedes-Benz Cars segment (Q3 2016: €1.4 billion). This already includes a substantial amount of advance expenditure for the mobility of the future. The other main areas were new vehicle models, fuel-efficient drive systems and the intensification of the modular strategy. Daimler Trucks invested primarily in the areas of emission reduction, alternative drive systems and future technologies, as well as in tailored products and technologies, especially for the Latin American markets and China.

Workforce

At the end of the third quarter of 2017, the Daimler Group employed 292,121 people worldwide (end of 2016: 282,488). Of that total, 175,166 were employed in Germany (end of 2016: 170,034), 23,513 in the United States (end of 2016: 21,857), 9,878 in Brazil (end of 2016: 9,782) and 10,098 in Japan (end of 2016: 10,535). Our consolidated companies in China had 3,986 employees at the end of September (end of 2016: 3,696).
↗ C.10

C.10
Employees by division (as of September 30, 2017)

Daimler Group	292,121
Mercedes-Benz Cars	145,293
Daimler Trucks	80,980
Mercedes-Benz Vans	24,955
Daimler Buses	17,733
Daimler Financial Services	12,706
Group Functions & Services	10,454



Important events

Daimler Board of Management decides on comprehensive future plan for diesel engines

The future plan includes the massive expansion of the current voluntary service activities for customers' vehicles as well as the rapid market launch of a completely newly developed family of diesel engines. Already since March, Mercedes-Benz has offered owners of compact-class vehicles an improvement in NOx emissions for one engine version. In order to effectively improve the emissions of other model series as well, the Board of Management of Daimler AG decided this July to extend the service activities to more than three million Mercedes-Benz vehicles. The measures for a large proportion of EU5 and EU6 vehicles in Europe and other markets are being carried out in close consultation with the regulatory authorities. In this respect, Daimler is spending an amount of €223 million. The service action will be carried out for customers free of charge. The company is carrying out a similar voluntary service action also for V-Class customers. At a summit meeting attended by politicians and representatives of the automotive industry in August, this package was expanded with some additional measures. In order to rejuvenate the fleet of vehicles on the roads, Daimler is offering owners of EU1 to EU4 diesel cars in Europe a bonus of €2,000 when they buy or order a new Mercedes-Benz car this year. The bonus for a new smart electric drive is €1,000. Daimler is participating in the mobility fund that has been jointly launched by the German government and German industry in line with its market share. One of the aims of this fund is to finance measures for the improvement of traffic flows in cities.

Mercedes-Benz Vans founds joint venture with US startup Via

Mercedes-Benz Vans is entering the ride-sharing market. In this context, the Daimler Group's van division founded a joint venture together with a New York-based startup, Via. The contract was signed in early September. Via's intelligent algorithm facilitates a dynamic mass-transportation system that supplements the public-transportation system and reduces road traffic in cities. In this way, the technology from Via and the engineering from Mercedes-Benz Vans form a perfect combination for efficient, inexpensive and sustainable ride-sharing services.

Mercedes-Benz strengthens industrial activities in the United States with investment of US$1 billion

Mercedes-Benz is systematically continuing its global electric offensive. Electric vehicles of the EQ product and technology brand are to drive off the production line at the US plant in Tuscaloosa. It is also planned to set up a battery factory near the existing car plant. Mercedes-Benz intends to invest a total of US$1 billion in the expansion of its industrial activities in the region, which should result in the creation of more than 600 new jobs.

Daimler Board of Management decides on first steps to strengthen divisional structure

Daimler AG aims to further focus and strengthen the Group's corporate structure through the creation of legally independent entities. In addition to the existing legally independent division Daimler Financial Services, the divisions Mercedes-Benz Cars & Vans as well as Daimler Trucks & Buses may be transferred into two legally independent entities to take greater entrepreneurial responsibility. This project intends to strengthen the future viability of the business units and better utilize the potential for growth and earnings in the various markets. Safeguarding Daimler's future is based on three pillars: protecting and increasing the company's success, pushing forward with shaping the future for the employees, and ensuring the long-term commitment of investors.

Daimler will invest a three-digit million euro amount for these first steps. With this project, the Group is following neither a savings nor an efficiency program, and does not intend to cut jobs. Daimler AG does not plan to divest any of its divisions.

Close consultation is taking place with the employee representatives; an agreement has been reached on the cornerstones of a balance of interests to secure Daimler's employees' future. Major elements are the extension of the agreement on safeguarding employment until the end of 2029 ("Zukunftssicherung 2030") and increasing the funded status of pension obligations.

In connection with the balance of interests, Daimler plans a contribution of €3.0 billion from liquid funds to the German pension fund of Daimler AG in the fourth quarter 2017, subject to the approval of the Supervisory Board. This is to increase to funded status of the pension obligations.

Until now, neither the Board of Management nor the Supervisory Board of Daimler AG has made a final decision on implementing the new structure for the Daimler Group. Both boards will come to a final resolution after the ongoing assessments and negotiations have been completed. Should the Board of Management and Supervisory Board decide to finally implement the new Group structure, those measures would require the approval of a shareholders' meeting of Daimler AG. Such a motion could be voted on at the earliest at a shareholders' meeting in the year 2019.

Risk and opportunity report

The risks and opportunities that can have a significant influence on the profitability, cash flows and financial position of the Daimler Group, as well as detailed information on our risk and opportunity management system, are presented on pages 158 to 173 of our Annual Report 2016. In addition, we refer to the notes on forward-looking statements provided at the end of this Interim Report.

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

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

The geopolitical environment continues to be a source of risks, which increased in the third quarter of 2017.

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

Outlook

At the beginning of the fourth quarter, leading economic indicators suggest that the **world economy** will maintain its currently favorable rate of expansion. Forecasts for global economic growth in full-year 2017 have meanwhile stabilized at just above 3%. Although little of the economic stimulus expected from the new US government is materializing, the US economy should grow this year by about 2.2%, which is significantly better than last year's rate (1.5%). With stable growth in consumer spending, companies' investment will be an important growth driver, following its slight decrease in 2016. Positive indicators for business and consumer sentiment suggest that the economy of the European Monetary Union (EMU) will expand at an above-average rate in 2017. Forecasts for gross domestic product (GDP) have continually improved during the course of the year and are now for growth of just over 2% in the full year. In the United Kingdom, growth in private consumption has slowed down noticeably, but the negative impact on the British economy of the Brexit negotiations should generally be rather limited this year, and GDP growth of about 1.5% is likely. A key factor for the world economy is the ongoing economic development in China. Although growth there is likely to slow down somewhat towards the end of the year due to reduced state stimulus, overall economic expansion in 2017 could actually surpass the prior-year level (6.7%). While the other Asian emerging markets should post solid GDP growth of about 4.5% this year, the South American economic area is likely to expand only by approximately 1%. But compared with the deep recession of the previous year, this would be a significant improvement. Boosted by the revival of the Russian economy and strong growth in the economies of eastern central Europe, Eastern Europe overall is expected to achieve GDP growth at about twice the level of 2016.

According to recent assessments, worldwide **demand for cars** is likely to increase by approximately 2% this year. Only slight growth is expected for the Chinese market due to last year's unusually high volume. However, a considerable number of purchases are expected to be brought forward to the remaining months of 2017, because tax incentives for buyers of cars with small engines seem likely to be terminated at the end of the year. So if the market grows faster than expected in the fourth quarter, China's importance would cause global growth to increase slightly. Although the US market for cars and light trucks remains at a high level, it will probably be slightly smaller than last year's volume. Slight growth is anticipated for the European car market. Following the strong revival of demand of recent years, the market in Western Europe should grow again slightly compared with 2016. In Russia, a significant recovery from a low level can be assumed. Significant growth is expected for the Japanese market and for demand in India.

Following the cyclical downturn of the prior year for the **truck market** in the NAFTA region, a noticeable recovery of demand has now started, which should continue in the coming months. Nonetheless, sales in classes 6-8 are likely to be slightly lower in full-year 2017 than in 2016. We continue to anticipate a weaker development in the segment of heavy-duty trucks (class 8).

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

The most important Asian markets from Daimler's perspective are likely to develop disparately in 2017. In Japan, demand for light-, medium- and heavy-duty trucks is likely to see a stable development at a solid level. The overall Indonesian truck market should be significantly above its level of 2016, following several years of significant contraction. In India, however, regulatory and fiscal changes have triggered uncertainty amongst truck customers. Due to the resulting purchasing restraint, significant market contraction is now to be expected for medium- and heavy-duty trucks. In China, there is an impact from special effects as well as from the economic recovery, so the market is likely to expand significantly compared with 2016.

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

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

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

Also in the third quarter of 2017, **Mercedes-Benz Cars** continued along its successful path of the previous quarters and achieved the highest quarterly unit sales in the company's history. In full-year 2017, we plan for a significant increase in our unit sales compared with the previous year and to achieve a new record level. This will be especially supported also in the fourth quarter by our bestselling model families, the C-Class and E-Class, as well as by our SUVs. Since September, the comprehensively modernized S-Class sedan has been available also in the United States and its biggest sales market, China (in Europe since July), and should also boost our unit sales in the coming months. The refreshed S-Class coupe and convertible had their world premieres at the Frankfurt Motor Show. In addition, our sports-car and high-performance brand, Mercedes-AMG, will continue to be an important sales driver.

For the year 2017, **Daimler Trucks** now anticipates a significant increase in its total unit sales compared with 2016. In the NAFTA region, we expect to further consolidate our strong market position and to sell significantly more trucks than in the previous year. We anticipate a slight increase in unit sales also in the EU30 region. We assume that our sales volume in Brazil will also slightly surpass the low level of the year 2016. In Japan, where we presented the latest generation of our FUSO Super Great heavy-duty truck this year, we continue to expect our unit sales to be at a similar level to the previous year. Significantly increasing unit sales are anticipated both in Indonesia and India.

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

Daimler Buses assumes that it will be able to defend its market leadership in its traditional core markets for buses above 8 tons with innovative, future-oriented and high-quality products. Overall, we anticipate a significant increase in unit sales in the year 2017. In the EU30 region, we now assume that unit sales will be in the magnitude of the previous year. Following the significant decrease in Brazil last year, we expect a significant recovery for the year 2017, although still at a very low level. In Mexico, we now anticipate a slight decrease in unit sales.

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

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

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

The individual divisions have the following expectations for EBIT in the year 2017:
- Mercedes-Benz Cars: significantly above the prior-year level,
- Daimler Trucks: significantly above the prior-year level,
- Mercedes-Benz Vans: around the prior-year level,
- Daimler Buses: slightly below the prior-year level, and
- Daimler Financial Services: significantly above the prior-year level.

Daimler Trucks anticipates expenses in connection with the planned optimization of fixed costs, especially at the Mercedes-Benz brand, of up to €0.2 billion, most of which will be recognized in 2017. Due to transfer opportunities of our employees within the Daimler Group, Daimler Trucks now expects these expenses to be lower than originally assumed. In the first nine months of 2017, expenses of €94 million were recognized in this respect.

The anticipated development of earnings in the automotive divisions will have a positive impact on the **free cash flow of the industrial business** also in the year 2017. Despite a further increase in advance expenditure for new products and technologies, the free cash flow from the industrial business – without taking into consideration a planned extraordinary contribution of €3.0 billion to the German pension plan assets of Daimler AG – should be slightly above the level of 2016 and thus higher than the dividend distribution in 2017. Taking into consideration the extraordinary contribution to the pension plan assets, we expect the free cash flow from the industrial business to be lower than in 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 2017 (2016: €5.9 billion). Capital expenditure in 2017 at both Mercedes-Benz Cars and Daimler Trucks will primarily be for successor generations for existing products, new products, global component projects and the optimization of the worldwide production network.

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

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

Mercedes-Benz Cars

Record unit sales of 597,300 vehicles in the third quarter (Q3 2016: 565,600)
SUVs as popular as ever
Refreshed S-Class sedan launched in its major markets
EBIT significantly below prior-year level at €2,147 million (Q3 2016: €2,746 million)

D.01 — Q3

€ amounts in millions	Q3 2017	Q3 2016	% change
Revenue	23,449	23,251	+1
EBIT	2,147	2,746	-22
Unit sales	597,253	565,564	+6
Production	639,058	596,443	+7
Employees	145,293	139,947[1]	+4

1 As of December 31, 2016

D.02 — Q3

Unit sales	Q3 2017	Q3 2016	% change
Total	597,253	565,564	+6
Europe	252,839	244,553	+3
thereof Germany	82,805	79,064	+5
United States	82,175	89,878	-9
China	153,269	126,601	+21
Other markets	108,970	104,532	+4

Strongest quarterly unit sales once again
The third quarter of this year had the strongest quarterly unit sales in the history of Mercedes-Benz Cars. Worldwide, 597,300 automobiles of the Mercedes-Benz and smart brand were sold in that period (+6%). Revenue increased by 1% to €23.4 billion and EBIT amounted to €2,147 million (Q3 2016: €2,746 million).

With sales of 597,300 **Mercedes-Benz** and smart automobiles, the third quarter of 2017 was the bestselling quarter so far in the history of Mercedes-Benz Cars (+6%). In Europe, the two brands posted a record quarter with sales of 252,800 units (+3%). Of that total, 82,800 vehicles were sold in Germany (+5%). Belgium, Switzerland, Poland, Austria and Sweden contributed to the success in Europe with new sales records. Demand in China including Hong Kong increased by 21% resulting in third-quarter sales of 153,300 units. New record unit sales were achieved in the Asia-Pacific region not only in China, but also in Australia, India, Taiwan and Thailand. Sales of automobiles in the United States were affected by a generally contracting US market and amounted to 82,200 units in the past quarter (Q3 2016: 89,900). In Canada, Mercedes-Benz Cars set a new sales record.

SUVs as popular as ever
The SUVs from Mercedes-Benz set another record in the third quarter of 2017; with sales of 211,200 units, the prior-year figure was surpassed by 13%. The E-Class sedan and wagon also achieved best-ever quarterly sales with an increase of 8% to 81,900 vehicles sold. Sales in the C-Class segment increased slightly to 127,200 units (+2%). In the compact-car category, 105,000 of the A- and B-Class, CLA and CLA Shooting Brake models were sold (Q3 2016: 108,600). Due to the model changeover, sales of the S-Class sedan amounted to 16,600 units (Q3 2016: 17,300). 30,400 two-door and four-door smart cars were sold in the past quarter (Q3 2016: 32,000).

Refreshed S-Class sedan launched in its major markets
The refreshed S-Class sedan was launched in Europe in July; since September, it has also been available in the United States and its biggest market, China. The same applies to the long-wheelbase versions of the S-Class sedan and Maybach S-Class. Customers in Europe and the United States have been thrilled by the E-Class convertible since September. The electric version of the smart fortwo cabrio was launched in July in Europe and one month later in the United States. Since the third quarter, the smart fortwo coupe electric drive has also been available in the USA.

Mercedes-Benz Cars expands global battery network across three continents
Our plants continued producing through the summer without a break in order to satisfy market demand. At the same time, we have been preparing our worldwide production network for electric mobility. The Mercedes-Benz plant in Tuscaloosa (Alabama) will produce battery-electric SUVs in the future. And in close proximity to the plant, a battery factory is being established to supply local production and for export. Also in China, we will produce electric vehicles and the required batteries for the Chinese market within our joint venture BBAC. Mercedes-Benz Cars will thus have six production facilities for electric vehicles and will expand its global battery network to five factories across three continents.

D.03 — Q1-3

€ amounts in millions	Q1-3 2017	Q1-3 2016	% change
Revenue	69,743	65,353	+7
EBIT	6,785	5,551	+22
Unit sales	1,760,501	1,608,837	+9
Production	1,824,358	1,689,513	+8
Employees	145,293	139,947[1]	+4

1 As of December 31, 2016

D.04 — Q1-3

Unit sales	Q1-3 2017	Q1-3 2016	% change
Total	1,760,501	1,608,837	+9
Europe	764,675	723,476	+6
thereof Germany	242,246	232,827	+4
United States	238,205	253,758	-6
China	457,978	352,077	+30
Other markets	299,643	279,526	+7

Daimler Trucks

Sales significantly above prior-year level at 126,600 units (Q3 2016: 97,100)
Global market launch of FUSO eCanter from series production
Daimler Trucks tests truck platooning on public highways in the United States
EBIT significantly above prior-year level at €614 million (Q3 2016: €464 million)

D.05 — Q3

€ amounts in millions	Q3 2017	Q3 2016	% change
Revenue	9,199	7,851	+17
EBIT	614	464	+32
Unit sales	126,558	97,143	+30
Production	129,845	98,741	+32
Employees	80,980	78,642[1]	+3

1 As of December 31, 2016

D.06 — Q3

Unit sales	Q3 2017	Q3 2016	% change
Total	126,558	97,143	+30
EU30	20,874	21,307	-2
NAFTA	45,290	31,433	+44
Latin America (excl. Mexico)	7,978	7,656	+4
Asia	39,977	28,070	+42
Other markets	12,439	8,677	+43
BFDA (Auman Trucks)	30,031	16,913	+78
Total (incl. BFDA)	156,589	114,056	+37

Significant increases in unit sales, revenue and EBIT
Unit sales by Daimler Trucks increased by 30% to 126,600 vehicles in the third quarter of 2017. Revenue of €9.2 billion was also significantly higher than in the prior-year period (Q3 2016: €7.9 billion). EBIT amounted to €614 million (Q3 2016: €464 million).

Significant growth in overall unit sales
The division's sales in the NAFTA region increased significantly to 45,300 vehicles (Q3 2016: 31,400). We maintained our position as the market leader in weight classes 6-8 with a share of 37.7% (Q3 2016: 39.3%). Significant growth was achieved also in Asia with sales of 40,000 trucks (Q3 2016: 28,100), due in particular to positive developments in Indonesia with sales of 11,900 units (Q3 2016: 6,700). Sales of 4,900 trucks in India were also significantly higher than in the prior-year period (Q3 2016: 2,400). In Japan, one of our major markets, sales of 11,900 trucks were around the prior-year level (Q3 2016: 11,700) and FUSO achieved a market share of 19.4% (Q3 2016: 21.2%). In the EU30 region (European Union, Switzerland and Norway), sales were slightly below the prior-year level with 20,900 vehicles (Q3 2016: 21,300). We continued to be the market leader with the Mercedes-Benz brand in the medium- and heavy-duty segment, taking a share of 22.1% (Q3 2016: 21.2%). Sales of 8,100 trucks in Germany were slightly lower than in the third quarter of last year (Q3 2016: 8,300). After a prolonged weaker phase in Turkey, sales there developed positively with 3,400 units sold (Q3 2016: 1,700). In Latin America, our unit sales were slightly above the level of the third quarter of last year. In Brazil, we delivered 3,700 vehicles, more than in the prior-year period for the first time once again (Q3 2016: 3,500). Our joint venture in China increased its sales of Auman Trucks by well over 50% to 30,000 units (Q3 2016: 16,900).

Market launch of new FUSO eCanter in New York
In September, Daimler Trucks launched the FUSO eCanter in New York, the world's first fully electric light-duty truck from series production. The first customers in the United States are United Parcel Service and four charitable organizations in New York. Since July, the FUSO eCanter has been produced in Tramagal, Portugal, for Europe and the United States; the trucks for Japan are produced in Kawasaki. Within the next few years, a total of 500 trucks of this generation are to be delivered to selected customers. Large-scale production is planned for 2019.

Cooperation with StoreDot Ltd.
Daimler Trucks has invested in StoreDot Ltd., one of the leading companies for electric loading systems and energy-storage materials, and has agreed on a strategic partnership. The focus will be on fast battery charging to give customers more vehicle utilization.

Daimler Trucks tests truck platooning in the United States
Daimler Trucks North America (DTNA) is for the first time testing digitally connected trucks on highways in Oregon and Nevada. As of 2018, truck platooning is to be tested under real-life transport conditions. Platooning can improve safety within the vehicle convoys, support drivers and enhance efficiency through closer distances between the connected trucks.

D.07 — Q1-3

€ amounts in millions	Q1-3 2017	Q1-3 2016	% change
Revenue	26,167	24,721	+6
EBIT	1,825	1,601	+14
Unit sales	336,994	311,089	+8
Production	354,166	321,151	+10
Employees	80,980	78,642[1]	+3

1 As of December 31, 2016

D.08 — Q1-3

Unit sales	Q1-3 2017	Q1-3 2016	% change
Total	336,994	311,089	+8
EU30	58,699	57,157	+3
NAFTA	120,489	112,504	+7
Latin America (excl. Mexico)	21,330	20,401	+5
Asia	105,659	93,874	+13
Other markets	30,817	27,153	+13
BFDA (Auman Trucks)	85,087	55,311	+54
Total (incl. BFDA)	422,081	366,400	+15

Mercedes-Benz Vans

Best unit sales in a third quarter with 93,100 vehicles sold (Q3 2016: 85,200)
Strong growth for Vito (+27%) and V-Class (+15%)
World premiere of the Mercedes-Benz X-Class
EBIT significantly lower than in prior-year period at €218 million (Q3 2016: €312 million)

D.09 Q3

€ amounts in millions	Q3 2017	Q3 2016	% change
Revenue	3,077	3,120	-1
EBIT	218	312	-30
Unit sales	93,106	85,238	+9
Production	84,821	84,123	+1
Employees	24,955	24,029[1]	+4

1 As of December 31, 2016

D.10 Q3

Unit sales	Q3 2017	Q3 2016	% change
Total	93,106	85,238	+9
EU30	58,966	57,761	+2
thereof Germany	23,687	23,327	+2
NAFTA region	12,630	10,570	+19
thereof United States	9,555	8,171	+17
Latin America (excl. Mexico)	4,134	3,390	+22
Asia	9,106	6,607	+38
thereof China	6,758	4,124	+64
Other markets	8,270	6,910	+20

New record for unit sales
Mercedes-Benz Vans increased its unit sales by 9% to the new third-quarter record of 93,100. Revenue of €3.1 billion was at the prior-year level. EBIT amounted to €218 million, which is significantly lower than in the prior-year quarter (Q3 2016: €312 million).

Mercedes-Benz Vans continues along its growth path
In the EU30 region, the van division's third-quarter unit sales increased by 2% to 59,000 vehicles. Growth was particularly strong in the United Kingdom (+8%), Austria (+21%), Spain (+8%), Poland (+11%) and Switzerland (+9%). In the important German market, Mercedes-Benz Vans once again had a very good third quarter with sales of 23,700 vehicles, which is slightly higher than last year (Q3 2016: 23.300). The development was very positive in the NAFTA region with growth of 19%. Unit sales in the United States increased by a significant 17% to 9,600 units. Third-quarter unit sales increased significantly in Latin America to 4,100 vehicles (+22%). This was aided by the significant market recovery in Argentina as well as the very pleasing development in Brazil, despite the contraction of the overall market there. In China, Mercedes-Benz Vans further improved its position and posted its best-ever quarterly sales of 6,800 units (+64%). This was primarily due to the great success of the V-Class and Vito models, which were launched in 2016. Our vans in the midsize segment made a major contribution to our worldwide success, with growth of 23% to sales of 40,700 units in the third quarter. Vito sales increased by 27% to 26,000 units. The V-Class multipurpose vehicle also remained very popular; sales of 14,600 units were 15% higher than in the prior-year quarter. Third-quarter sales of 46,200 units of the Sprinter large van were at the level of last year. Sales of the Citan urban delivery van rose significantly by 6% to 6,200 units.

World premiere of Mercedes-Benz X-Class
In mid-July, Mercedes-Benz Vans had the world premiere of the new X-Class – the first pickup from a premium manufacturer. Market launch in Europe will be in November 2017, with further markets to follow early next year.

Joint venture for ride sharing with startup Via
In September, Mercedes-Benz Vans announced its entry into the ride-sharing business. For this purpose, the van division founded a joint venture for the European market with the US startup Via. The jointly operated ride-sharing service will start in London this year.

Innovative "Mercedes-Benz Van Rental" service
Mercedes-Benz Vans Mobility GmbH launched its first service in the German market in July. The Daimler subsidiary has started an innovative and highly flexible rental offering under the name Mercedes-Benz Van Rental.

D.11 Q1-3

€ amounts in millions	Q1-3 2017	Q1-3 2016	% change
Revenue	9,394	9,376	+0
EBIT	933	1,014	-8
Unit sales	283,277	261,468	+8
Production	289,821	277,552	+4
Employees	24,955	24,029[1]	+4

1 As of December 31, 2016

D.12 Q1-3

Unit sales	Q1-3 2017	Q1-3 2016	% change
Total	283,277	261,468	+8
EU30	189,862	181,235	+5
thereof Germany	72,093	69,370	+4
NAFTA region	33,116	32,454	+2
thereof United States	24,800	25,076	-1
Latin America (excl. Mexico)	11,968	8,915	+34
Asia	24,749	16,166	+53
thereof China	17,474	9,842	+78
Other markets	23,582	22,698	+4

Daimler Buses

Significant increase in unit sales to 7,200 buses and bus chassis
World premiere of Mercedes-Benz Citaro hybrid
Presentation of new Setra double-decker bus S 531 DT
EBIT significantly lower than in prior-year period at €26 million (Q3 2016: €45 million)

D.13 Q3

€ amounts in millions	Q3 2017	Q3 2016	% change
Revenue	1,010	937	+8
EBIT	26	45	-42
Unit sales	7,213	6,185	+17
Production	7,089	6,952	+2
Employees	17,733	17,899[1]	-1

1 As of December 31, 2016

D.14 Q3

Unit sales	Q3 2017	Q3 2016	% change
Total	7,213	6,185	+17
EU30	1,864	1,842	+1
thereof Germany	568	569	-0
Latin America (excl. Mexico)	3,643	2,237	+63
thereof Brazil	2,084	1,012	+106
Mexico	846	1,166	-27
Asia	597	470	+27
Other markets	263	470	-44

Unit sales and revenue significantly above prior-year levels
Daimler Buses' third-quarter sales increased by 17% to 7,200 units. Revenue of €1.0 billion was also significantly higher than in the same period of last year (Q3 2016: €0.9 billion). The division's EBIT amounted to €26 million (Q3 2016: €45 million).

Significant growth in overall unit sales
In the EU30 region, Daimler Buses sold 1,900 complete buses and bus chassis of the Mercedes-Benz and Setra brands in the third quarter, which is an increase of 1% compared with the prior-year period. In Germany, the domestic market, the bus division maintained its undisputed market leadership with sales at the prior-year level of 600 units.

In Latin America (excluding Mexico), our unit sales increased significantly to 3,600 bus chassis (Q3 2016: 2,200). In Mexico, Daimler Buses sold 800 units in the third quarter (Q3 2016: 1,200).

World premiere of Mercedes-Benz Citaro hybrid
In Stuttgart, the Mercedes-Benz Citaro hybrid was presented to the public as a preview of the Busworld Europe Kortrijk 2017 trade fair to take place this October. The hybrid drive system is offered as an option for a large number of model versions of the Citaro city bus with diesel and natural-gas engines. In combination with the new electro-hydraulic steering, it further reduces our city buses' fuel consumption, depending on application and vehicle equipment. Bus operators profit from attractive prices and rapid amortization.

Presentation of new Setra double-decker bus S 531 DT
Daimler Buses has renewed its double-decker luxury coach after 15 years with the new Setra S 531 DT. This Setra double-decker is the largest and most comfortable coach from Daimler Buses and is the clear market leader in its segment. The S 531 DT features new safety and assistance systems.

Future package for efficiency enhancements in production and implementation of CASE
Daimler Buses has approved a set of targets for its European production network. In this context, investments will be made in the coming years in optimized structures and more efficient processes in the production network, as well as in the implementation of the CASE strategy at Daimler Buses.

D.15 Q1-3

€ amounts in millions	Q1-3 2017	Q1-3 2016	% change
Revenue	3,064	2,889	+6
EBIT	155	172	-10
Unit sales	20,121	17,961	+12
Production	21,645	19,128	+13
Employees	17,733	17,899[1]	-1

1 As of December 31, 2016

D.16 Q1-3

Unit sales	Q1-3 2017	Q1-3 2016	% change
Total	20,121	17,961	+12
EU30	5,458	5,653	-3
thereof Germany	1,888	1,777	+6
Latin America (excl. Mexico)	9,489	7,381	+29
thereof Brazil	5,591	4,268	+31
Mexico	2,604	2,322	+12
Asia	1,551	1,174	+32
Other markets	1,019	1,431	-29

Daimler Financial Services

New business up by 11%
Contract volume grows to €136 billion
Turo investment: Daimler Mobility Services acquires interest in US market leader for peer-to-peer car sharing
EBIT significantly above prior-year level at €507 million (Q3 2016: €438 million)

D.17 Q3

€ amounts in millions	Q3 2017	Q3 2016	% change
Revenue	5,835	5,133	+14
EBIT	507	438	+16
New business	17,437	15,658	+11
Contract volume	135,771	132,565[1]	+2
Employees	12,706	12,062[1]	+5

1 As of December 31, 2016

New business up by 11% worldwide
Daimler Financial Services increased its new business once again in the third quarter of 2017. Worldwide, 481,400 new leasing and financing contracts were concluded with a total volume of €17.4 billion, which is 11% more than in the prior-year period. Contract volume reached €135.8 billion at the end of September and was thus 2% higher than at year-end 2016. Adjusted for exchange-rate effects, contract volume grew by 8%. Third-quarter EBIT amounted to €507 million (Q3 2016: €438 million).

Further growth in Europe
In the whole of Europe, 244,000 new leasing and financing contracts were signed in the third quarter (+20%). New business thus increased by 21% to €7.9 billion. Contract volume in Europe increased compared with the end of 2016 by 8% to €57.8 billion.

The Americas: significant decrease in new business
In the Americas region, leasing and financing contracts with a total value of €5.1 billion were concluded in the third quarter (-9%). Contract volume in the Americas region of €50.5 billion at the end of September was 7% lower than at year-end 2016. Adjusted for exchange-rate effects, contract volume increased by 3%.

Strong growth in Africa & Asia-Pacific and China
New business in the AAP region (excluding China) grew by 10% to €2.0 billion in the third quarter. Contract volume in the region amounted to €16.6 billion at the end of September (+3%). There was a strong increase in new business also in China.

D.18 Q1-3

€ amounts in millions	Q1-3 2017	Q1-3 2016	% change
Revenue	17,676	15,009	+18
EBIT	1,553	1,349	+15
New business	52,174	44,780	+17
Contract volume	135,771	132,565[1]	+2
Employees	12,706	12,062[1]	+5

1 As of December 31, 2016

In the third quarter, 79,700 new leasing and financing contracts were concluded with a volume of €2.4 billion (+45%). Contract volume in China amounted to €10.9 billion at the end of September, representing growth of 24% compared with the end of 2016.

Continued growth of insurance business
In the insurance business, Daimler Financial Services brokered 551,000 contracts in the third quarter (+24%). Since the beginning of September, the “InScore” telematics-based insurance tariff has been available in the German market.

Expansion of mobility services portfolio
The total number of mobility services users increased to 15.9 million customers worldwide (+116%).

The number of car2go customers grew to 2.8 million in the third quarter. The expansion of the fleet with new vehicle models is progressing systematically and customers have also been able to book hourly packages since September.

By the end of September, the moovel Group registered approximately 16.4 million transactions on its apps. In August, the moovel Group acquired the Hamburg startup Familonet, a location-based app with more than 2 million users. mytaxi, Europe’s number-one taxi app with more than 9.7 million registered users, started a pooling service under the label mytaxi match, which allows several customers to share a taxi. A pilot operation is now running in Warsaw.

The private car-sharing service has been expanded with the acquisition of a minority interest in Turo, the leading peer-to-peer (P2P) marketplace for vehicle rentals in the United States. At the same time, Daimler’s private car-sharing platform, Croove, has been integrated into the US company. Croove was previously only active in Germany.

In addition, Daimler has taken a stake in Via Transportation, Inc. This US provider of on-demand ride sharing is successful in major US cities such as Washington DC and New York. The European rollout is to start in London. With the acquisition of flinc, the leading provider of door-to-door ride sharing, Daimler has further expanded its portfolio of future-oriented mobility services.

Consolidated Statement of Income (unaudited) Q3

E.01

	Consolidated		Industrial Business		Daimler Financial Services	
	Q3 2017	Q3 2016	Q3 2017	Q3 2016	Q3 2017	Q3 2016
In millions of euros						
Revenue	40,807	38,597	34,972	33,464	5,835	5,133
Cost of sales	-32,374	-29,795	-27,443	-25,414	-4,931	-4,381
Gross profit	8,433	8,802	7,529	8,050	904	752
Selling expenses	-3,049	-2,995	-2,862	-2,832	-187	-163
General administrative expenses	-932	-868	-682	-698	-250	-170
Research and non-capitalized development costs	-1,647	-1,298	-1,647	-1,298	-	-
Other operating income	627	542	584	517	43	25
Other operating expense	-91	-158	-88	-150	-3	-8
Profit/loss on equity-method investments, net	194	223	196	229	-2	-6
Other financial income/expense, net	-81	-214	-83	-222	2	8
Interest income	51	35	51	35	-	-
Interest expense	-147	-109	-146	-108	-1	-1
Profit before income taxes [1]	3,358	3,960	2,852	3,523	506	437
Income taxes	-1,090	-1,234	-936	-1,097	-154	-137
Net profit	2,268	2,726	1,916	2,426	352	300
thereof profit attributable to non-controlling interests	91	131				
thereof profit attributable to shareholders of Daimler AG	2,177	2,595				
Earnings per share (in euros) for profit attributable to shareholders of Daimler AG						
Basic	2.03	2.43				
Diluted	2.03	2.43				

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

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

Consolidated Statement of Income (unaudited) Q1-3

E.02

	Consolidated		Industrial Business		Daimler Financial Services	
	Q1-3 2017	Q1-3 2016	Q1-3 2017	Q1-3 2016	Q1-3 2017	Q1-3 2016
In millions of euros						
Revenue	120,741	112,260	103,065	97,251	17,676	15,009
Cost of sales	-95,508	-88,748	-80,485	-75,978	-15,023	-12,770
Gross profit	25,233	23,512	22,580	21,273	2,653	2,239
Selling expenses	-9,335	-8,889	-8,814	-8,416	-521	-473
General administrative expenses	-2,753	-2,416	-2,069	-1,907	-684	-509
Research and non-capitalized development costs	-4,509	-3,799	-4,509	-3,799	-	-
Other operating income	2,010	1,501	1,873	1,413	137	88
Other operating expense	-479	-902	-448	-885	-31	-17
Profit/loss on equity-method investments, net	1,223	214	1,228	222	-5	-8
Other financial income/expense, net	-188	213	-192	184	4	29
Interest income	155	169	155	169	-	-
Interest expense	-421	-389	-417	-385	-4	-4
Profit before income taxes [1]	10,936	9,214	9,387	7,869	1,549	1,345
Income taxes	-3,360	-2,636	-2,908	-2,193	-452	-443
Net profit	7,576	6,578	6,479	5,676	1,097	902
thereof profit attributable to non-controlling interests	254	201				
thereof profit attributable to shareholders of Daimler AG	7,322	6,377				
Earnings per share (in euros)						
for profit attributable to shareholders of Daimler AG						
Basic	6.84	5.96				
Diluted	6.84	5.96				

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

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

Consolidated Statement of Comprehensive Income/Loss (unaudited) Q3

E.03

	Consolidated	
	Q3 2017	Q3 2016
In millions of euros		
Net profit	**2,268**	2,726
Gains/losses on currency translation	-732	-117
Gains/losses on financial assets available for sale	1	3
Gains/losses on derivative financial instruments	373	184
Gains/losses on equity-method investments	-4	2
Items that may be reclassified to profit/loss	**-362**	72
Actuarial gains/losses from pensions and similar obligations	140	-335
Items that will not be reclassified to profit/loss	**140**	-335
Other comprehensive income/loss, net of taxes	**-222**	-263
thereof income/loss attributable to non-controlling interests, after taxes	-27	1
thereof income/loss attributable to shareholders of Daimler AG, after taxes	-195	-264
Total comprehensive income/loss	**2,046**	2,463
thereof income/loss attributable to non-controlling interests	64	132
thereof income/loss attributable to shareholders of Daimler AG	1,982	2,331

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	
	Q1-3 2017	Q1-3 2016
In millions of euros		
Net profit	7,576	6,578
Gains/losses on currency translation	-2,351	72
Gains/losses on financial assets available for sale	12	-1,075
Gains/losses on derivative financial instruments	1,902	1,664
Gains/losses on equity-method investments	33	-1
Items that may be reclassified to profit/loss	-404	660
Actuarial gains/losses from pensions and similar obligations	145	-3,425
Items that will not be reclassified to profit/loss	145	-3,425
Other comprehensive income/loss, net of taxes	-259	-2,765
thereof income/loss attributable to non-controlling interests, after taxes	-80	3
thereof income/loss attributable to shareholders of Daimler AG, after taxes	-179	-2,768
Total comprehensive income/loss	7,317	3,813
thereof income/loss attributable to non-controlling interests	174	204
thereof income/loss attributable to shareholders of Daimler AG	7,143	3,609

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

Consolidated Statement of Financial Position (unaudited)

E.05

	Consolidated		Industrial Business		Daimler Financial Services	
	Sept. 30, 2017	Dec. 31, 2016	Sept. 30, 2017	Dec. 31, 2016	Sept. 30, 2017	Dec. 31, 2016
In millions of euros						
Assets						
Intangible assets	13,288	12,098	12,378	11,199	910	899
Property, plant and equipment	26,804	26,381	26,735	26,314	69	67
Equipment on operating leases	47,391	46,942	18,649	17,433	28,742	29,509
Equity-method investments	4,426	4,098	4,377	4,043	49	55
Receivables from financial services	45,471	42,881	-69	-76	45,540	42,957
Marketable debt securities	1,002	1,100	1	1	1,001	1,099
Other financial assets	3,457	2,899	-3,037	-3,043	6,494	5,942
Deferred tax assets	2,848	3,870	1,939	3,128	909	742
Other assets	833	667	-3,124	-2,642	3,957	3,309
Total non-current assets	145,520	140,936	57,849	56,357	87,671	84,579
Inventories	26,958	25,384	26,089	24,426	869	958
Trade receivables	10,913	10,614	8,829	8,977	2,084	1,637
Receivables from financial services	37,291	37,626	-21	-11	37,312	37,637
Cash and cash equivalents	17,401	10,981	15,168	8,751	2,233	2,230
Marketable debt securities	8,499	9,648	8,367	9,497	132	151
Other financial assets	4,003	2,837	-6,928	-8,002	10,931	10,839
Other assets	5,030	4,962	1,141	1,151	3,889	3,811
Total current assets	110,095	102,052	52,645	44,789	57,450	57,263
Total assets	255,615	242,988	110,494	101,146	145,121	141,842
Equity and liabilities						
Share capital	3,070	3,070				
Capital reserves	11,726	11,744				
Retained earnings	44,749	40,794				
Other reserves	2,018	2,342				
Equity attributable to shareholders of Daimler AG	61,563	57,950				
Non-controlling interests	1,167	1,183				
Total equity	62,730	59,133	51,641	48,685	11,089	10,448
Provisions for pensions and similar obligations	9,181	9,034	9,021	8,875	160	159
Provisions for income taxes	693	966	691	964	2	2
Provisions for other risks	7,189	6,632	6,956	6,461	233	171
Financing liabilities	78,481	70,398	19,909	19,029	58,572	51,369
Other financial liabilities	2,491	3,327	1,907	2,721	584	606
Deferred tax liabilities	3,975	3,467	-486	-941	4,461	4,408
Deferred income	5,594	5,559	4,574	4,605	1,020	954
Other liabilities	22	15	15	15	7	-
Total non-current liabilities	107,626	99,398	42,587	41,729	65,039	57,669
Trade payables	15,200	11,567	14,262	10,853	938	714
Provisions for income taxes	513	751	375	604	138	147
Provisions for other risks	8,910	9,427	8,439	8,864	471	563
Financing liabilities	45,404	47,288	-17,207	-20,480	62,611	67,768
Other financial liabilities	8,931	9,542	6,240	6,924	2,691	2,618
Deferred income	3,545	3,444	2,328	2,283	1,217	1,161
Other liabilities	2,756	2,438	1,829	1,684	927	754
Total current liabilities	85,259	84,457	16,266	10,732	68,993	73,725
Total equity and liabilities	255,615	242,988	110,494	101,146	145,121	141,842

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

Consolidated Statement of Cash Flows (unaudited)

E.06

	Consolidated		Industrial Business		Daimler Financial Services	
	Q1-3 2017	Q1-3 2016	Q1-3 2017	Q1-3 2016	Q1-3 2017	Q1-3 2016
In millions of euros						
Profit before income taxes	10,936	9,214	9,387	7,869	1,549	1,345
Depreciation and amortization/impairments	4,158	4,098	4,085	4,046	73	52
Other non-cash expense and income	-1,212	-768	-1,268	-829	56	61
Gains (-)/losses (+) on disposals of assets	-386	-109	-385	-91	-1	-18
Change in operating assets and liabilities						
Inventories	-2,705	-3,351	-2,744	-3,503	39	152
Trade receivables	-626	-868	-128	-522	-498	-346
Trade payables	3,987	3,258	3,734	2,852	253	406
Receivables from financial services	-7,209	-4,237	93	121	-7,302	-4,358
Vehicles on operating leases	-2,938	-2,744	340	-88	-3,278	-2,656
Other operating assets and liabilities	1,551	976	903	569	648	407
Dividends received from equity-method investments	841	97	840	97	1	-
Income taxes paid	-2,582	-2,138	-2,412	-2,041	-170	-97
Cash used for/provided by operating activities	3,815	3,428	12,445	8,480	-8,630	-5,052
Additions to property, plant and equipment	-4,170	-3,882	-4,137	-3,859	-33	-23
Additions to intangible assets	-2,530	-2,136	-2,473	-2,096	-57	-40
Proceeds from disposals of property, plant and equipment and intangible assets	628	331	610	308	18	23
Investments in shareholdings	-906	-270	-859	-244	-47	-26
Proceeds from disposals of shareholdings	266	39	264	21	2	18
Acquisition of marketable debt securities	-3,871	-4,745	-3,840	-4,654	-31	-91
Proceeds from sales of marketable debt securities	4,985	3,686	4,828	3,575	157	111
Other	64	51	68	26	-4	25
Cash used for/provided by investing activities	-5,534	-6,926	-5,539	-6,923	5	-3
Change in financing liabilities	12,666	11,580	6,181	7,201	6,485	4,379
Dividend paid to shareholders of Daimler AG	-3,477	-3,477	-3,477	-3,477	-	-
Dividends paid to non-controlling interests	-246	-198	-243	-195	-3	-3
Proceeds from the issue of share capital	66	30	33	30	33	-
Acquisition of treasury shares	-42	-38	-42	-38	-	-
Acquisition of non-controlling interests in subsidiaries	-10	-4	-10	-4	-	-
Internal equity and financing transactions	-	-	-2,192	-740	2,192	740
Cash provided by financing activities	8,957	7,893	250	2,777	8,707	5,116
Effect of foreign exchange rate changes on cash and cash equivalents	-818	-142	-739	-126	-79	-16
Net increase in cash and cash equivalents	6,420	4,253	6,417	4,208	3	45
Cash and cash equivalents at beginning of period	10,981	9,936	8,751	8,369	2,230	1,567
Cash and cash equivalents at end of period	17,401	14,189	15,168	12,577	2,233	1,612

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

Consolidated Statement of Changes in Equity (unaudited)

E.07

	Share capital	Capital reserves	Retained earnings	Currency translation	Financial assets available for sale
In millions of euros					
Balance at January 1, 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
Balance at January 1, 2017	**3,070**	**11,744**	**40,794**	**2,842**	**53**
Net profit	-	-	**7,322**	-	-
Other comprehensive income/loss before taxes	-	-	**130**	**-2,273**	**14**
Deferred taxes on other comprehensive income/loss	-	-	**15**	-	**-2**
Total comprehensive income/loss	-	-	**7,467**	**-2,273**	**12**
Dividends	-	-	**-3,477**	-	-
Changes in consolidated group	-	-	**-35**	-	-
Capital increase	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	**-11**	-	-	-
Other	-	**-7**	-	-	-
Balance at September 30, 2017	**3,070**	**11,726**	**44,749**	**569**	**65**

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	Equity-method investments	Treasury shares	**Equity attributable to shareholders of Daimler AG**	Non-controlling interests	**Total equity**	
						In millions of euros
-1,679	-4	-	53,561	1,063	54,624	**Balance at January 1, 2016**
-	-	-	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**
-537	-16	-	57,950	1,183	59,133	**Balance at January 1, 2017**
-	-	-	7,322	254	7,576	Net profit
2,717	33	-	621	-81	540	Other comprehensive income/loss before taxes
-813	-	-	-800	1	-799	Deferred taxes on other comprehensive income/loss
1,904	33	-	7,143	174	7,317	Total comprehensive income/loss
-	-	-	-3,477	-249	-3,726	Dividends
-	-	-	-35	-	-35	Changes in consolidated group
-	-	-	-	33	33	Capital increase
-	-	-42	-42	-	-42	Acquisition of treasury shares
-	-	42	42	-	42	Issue and disposal of treasury shares
-	-	-	-11	15	4	Changes in ownership interests in subsidiaries
-	-	-	-7	11	4	Other
1,367	17	-	61,563	1,167	62,730	**Balance at September 30, 2017**

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

Notes to the Interim Consolidated Financial Statements (unaudited)

1. Presentation of the Interim Consolidated Financial Statements

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

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

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

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

The Board of Management authorized the interim consolidated financial statements for publication on October 19, 2017.

All significant intercompany accounts and transactions have been eliminated. In the opinion of the management, the interim financial statements reflect all adjustments (i.e. normal recurring adjustments) necessary for a fair presentation of the profitability, liquidity and capital resources, and financial position of the Group. Results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period or for the full fiscal year. The interim financial statements should be read in conjunction with the December 31, 2016 audited and published IFRS consolidated financial statements and notes thereto. The accounting policies applied by the Group in these interim financial statements basically correspond with those applied for the consolidated financial statements for the year ended December 31, 2016.

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

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

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

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

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

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

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

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

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

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

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

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

2. Significant acquisitions and disposals of equity investments

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

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

Significant disposals
In the first quarter of 2017, **There Holding B.V.** sold an equity interest of 15% in HERE International B.V. Further explanations can be found in Note 11.

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

3. Revenue

Revenue at Group level is comprised as follows:

E.08
Revenue

	Q3 2017	Q3 2016	Q1-3 2017	Q1-3 2016
In millions of euros				
Revenue from sales of goods	34,922	33,389	102,861	97,195
Revenue from the rental and leasing business	4,476	4,023	13,690	11,620
Interest from the financial services business at Daimler Financial Services	1,160	1,056	3,421	3,073
Revenue from sales of other services	249	129	769	372
	40,807	38,597	120,741	112,260

4. Functional costs

Cost of sales
Cost of sales amounted to €32,374 million in the third quarter of 2017 (Q3 2016: €29,795 million) and €95,508 million in the nine-month period ended September 30, 2017 (Q1-3 2016: €88,748 million). They primarily comprise expenses of goods sold.

Selling expenses
In the third quarter of 2017, selling expenses amounted to €3,049 million (Q3 2016: €2,995 million) and in the nine-month period ended September 30, 2017 they amounted to €9,335 million (Q1-3 2016: €8,889 million). Selling expenses consist of direct selling costs as well as selling overhead expenses and comprise personnel expenses, material costs and other selling costs.

General administrative expenses
General administrative expenses amounted to €932 million in the third quarter of 2017 (Q3 2016: €868 million) and €2,753 million in the nine-month period ended September 30, 2017 (Q1-3 2016: €2,416 million). They consist of expenses which are not attributable to production, sales or research and development functions, and comprise personnel expenses, depreciation and amortization of fixed and intangible assets, and other administrative costs.

Research and non-capitalized development costs
Research and non-capitalized development costs were €1,647 million in the third quarter of 2017 (Q3 2016: €1,298 million) and €4,509 million in the nine-month period ended September 30, 2017 (Q1-3 2016: €3,799 million). They primarily comprise personnel expenses and material costs.

Optimization programs
In the course of the organizational focus on the divisions, programs for restructuring the Group's dealer network abroad were initiated, involving the sale of selected Daimler-owned dealerships. In the third quarter and the nine-month period ended September 30, 2017, they resulted in income of €61 million and €88 million (Q3 2016: €45 million and Q1-3 2016: €13 million). At September 30, 2017, the disposal group's assets for those dealerships abroad amounted to €186 million (December 31, 2016: €240 million) and its liabilities amounted to €138 million (December 31, 2016: €135 million). Due to their minor impact on the Group's financial position, the assets and liabilities held for sale are not presented separately in the consolidated statement of financial position.

In the year 2016, a severance program was implemented in Brazil. In the 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 expenses in connection with the planned optimization of fixed costs, especially at the Mercedes-Benz brand, of up to €0.2 billion, most of which will be recognized in 2017. Due to transfer opportunities of our employees within the Daimler Group, Daimler Trucks now expects these expenses to be lower than originally assumed. These measures led to expenses of €70 million in the third quarter of 2017 and to €94 million in the nine-month period ended September 30, 2017.

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

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

5. Other operating income and expense

In the third quarter of 2017, other operating income amounted to €627 million (Q3 2016: €542 million). In the nine month of the year, other operating income was €2,010 million (Q1-3 2016: €1,501 million). The increase in the nine month of the year reflects income of €267 million from the sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan as well as other income from gains on sales of property, plant and equipment of €118 million.

Other operating expense in the third quarter of 2017 was €91 million (Q3 2016: €158 million). In the first nine months of the year, other operating income was €479 million (Q1-3 2016: €902 million). The second quarter of 2016 included expenses of €400 million connected with legal proceedings.

6. Other financial income/expense

In the third quarter of 2017, financial expense was €81 million (Q3 2016: expense of €214 million) and in the first nine months of 2017, financial expense was €188 million (Q1-3 2016: income of €213 million). The first nine months of 2016 included the recognition of gains of €605 million from the contribution of the equity interests in Renault and Nissan to the pension plan assets at fair value. Those gains were presented within other comprehensive income/loss until the transfer.

7. Interest income and interest expense

Interest income and interest expense are comprised as follows:

E.09

Interest income and interest expense

In millions of euros	Q3 2017	Q3 2016	Q1-3 2017	Q1-3 2016
Interest income				
Net interest income on the net assets of defined benefit pension plans	-	1	1	4
Interest and similar income	51	34	154	165
	51	35	155	169
Interest expense				
Net interest expense on the net obligation from defined benefit pension plans	-50	-48	-153	-165
Interest and similar expense	-97	-61	-268	-224
	-147	-109	-421	-389

8. Intangible assets

Intangible assets are shown in the following table:

E.10

Intangible assets

In millions of euros	Sept. 30, 2017	Dec. 31, 2016
Goodwill	1,156	1,188
Development costs	9,884	8,827
Other intangible assets	2,248	2,083
	13,288	12,098

9. Property, plant and equipment

Property, plant and equipment are comprised as follows:

E.11

Property, plant and equipment

In millions of euros	Sept. 30, 2017	Dec. 31, 2016
Land, leasehold improvements and buildings including buildings on land owned by others	7,961	8,007
Technical equipment and machinery	9,141	9,155
Other equipment, factory and office equipment	5,633	5,730
Advance payments relating to plant and equipment and construction in progress	4,069	3,489
	26,804	26,381

10. Equipment on operating leases

At September 30, 2017, the carrying amount of equipment on operating leases amounted to €47,391 million (December 31, 2016: €46,942 million). In the nine-month period ended September 30, 2017, additions and disposals amounted to €18,810 million and €10,051 million respectively (Q1-3 2016: €16,620 million and €9,098 million). Depreciation for the nine-month period ended September 30, 2017 was €5,833 million (Q1-3 2016: €4,825 million). Other changes primarily comprise the effects of currency translation.

11. Equity-method investments

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

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

E.12

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

	Associated companies	Joint ventures	Joint operations	Total
In millions of euros				
At September 30, 2017				
Equity investment[1]	**3,885**	**498**	**43**	**4,426**
Equity result (Q3 2017)[1]	**240**	**-48**	**2**	**194**
Equity result (Q1-3 2017)[1]	**1,238**	**-19**	**4**	**1,223**
At December 31, 2016				
Equity investment[1]	3,582	468	48	4,098
Equity result (Q3 2016)[1]	221	-	2	223
Equity result (Q1-3 2016)[1]	208	2	4	214

1 Including investor-level adjustments.

E.13

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

	BBAC	BAIC Motor[2]	THBV (HERE)	Others	Total
In millions of euros					
At September 30, 2017					
Equity interest (in %)	**49.0**	**10.1**	**33.3**	**-**	**-**
Equity investment[1]	**1,838**	**762**	**743**	**542**	**3,885**
Equity result (Q3 2017)[1]	**307**	**-6**	**-21**	**-40**	**240**
Equity result (Q1-3 2017)[1]	**855**	**278**	**132**	**-27**	**1,238**
At December 31, 2016					
Equity interest (in %)	49.0	10.1	33.3	-	-
Equity investment[1]	2,141	557	611	273	3,582
Equity result (Q3 2016)[1]	217	21	-13	-4	221
Equity result (Q1-3 2016)[1]	464	-197	-53	-6	208

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

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

In the first quarter of 2017, the shareholders of BBAC approved the payout of a dividend. The amount of €401 million attributable to Daimler was paid out in the second quarter of 2017 and decreased the carrying amount of the investment accordingly. In the second quarter of 2017, the shareholders of BBAC approved the payout of another dividend. The amount of €733 million attributable to Daimler decreased the carrying amount of the investment accordingly. The payment of the first half of that dividend took place in August 2017. The second half is planned to be paid out in November 2017.

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

THBV (HERE)
In December 2016, There Holding B.V. (THBV) signed agreements on the sale of shares in HERE International B.V. (HERE), a 100% subsidiary of THBV. Accordingly, it was agreed to sell a 15% shareholding to Intel Holdings B.V. (Intel) and a 10% shareholding to a Chinese consortium consisting of NavInfo Co. Ltd., Tencent Holdings Ltd. and GIC Private Ltd. However, the transaction with the Chinese consortium will not be completed. During a regulatory review process, the Chinese consortium decided no longer to proceed with the transaction.

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

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

The equity-method result of joint ventures in the third quarter of 2017 includes an impairment of an investment of €50 million.

12. Receivables from financial services

Receivables from financial services are shown in the following table:

E.14

Receivables from financial services

	Sept. 30, 2017			Dec. 31, 2016		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Sales financing with customers	15,173	26,468	41,641	14,803	26,288	41,091
Sales financing with dealers	15,323	3,117	18,440	16,302	2,970	19,272
Finance-lease contracts	7,251	16,409	23,660	7,012	14,186	21,198
Gross carrying amount	37,747	45,994	83,741	38,117	43,444	81,561
Allowances for doubtful accounts	-456	-523	-979	-491	-563	-1,054
Net carrying amount	37,291	45,471	82,762	37,626	42,881	80,507

13. Inventories

Inventories are comprised as follows:

E.15

Inventories

	Sept. 30, 2017	Dec. 31, 2016
In millions of euros		
Raw materials and manufacturing supplies	2,761	2,723
Work in progress	3,990	3,814
Finished goods, parts and products held for resale	19,944	18,609
Advance payments to suppliers	263	238
	26,958	25,384

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

14. Equity

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

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

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

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

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

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

15. Pensions and similar obligations

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

Contributions to pension plan assets
In the three- and nine-month periods ended September 30, 2017, contributions from Daimler to the Group's pension plan assets amounted to €22 million and €123 million (Q3 2016: €14 million and Q1-3 2016: €1,910 million). The transfer of the shares of Renault and Nissan resulted in an extraordinary contribution to the German pension plan assets of €1,800 million in the second quarter of 2016. In addition to the planned contributions of €0.7 billion, Daimler intends to make further contributions of €3.0 billion.

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

			Q3 2017			Q3 2016
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Current service cost	-169	-145	-24	-147	-126	-21
Past service cost	-	-	-	-3	-3	-
Net interest expense	-38	-29	-9	-35	-27	-8
Net interest income	-	-	-	1	-	1
	-207	-174	-33	-184	-156	-28

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

			Q1-3 2017			Q1-3 2016
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Current service cost	-507	-436	-71	-444	-378	-66
Past service cost	-	-	-	-20	-20	-
Net interest expense	-116	-88	-28	-127	-100	-27
Net interest income	1	-	1	4	-	4
	-622	-524	-98	-587	-498	-89

16. Provisions for other risks

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

E.18
Provisions for other risks

	Sept. 30, 2017			Dec. 31, 2016		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Product warranties	2,653	3,873	6,526	2,512	3,590	6,102
Personnel and social costs	1,962	2,140	4,102	2,181	2,079	4,260
Other	4,295	1,176	5,471	4,734	963	5,697
	8,910	7,189	16,099	9,427	6,632	16,059

17. Financing liabilities

Financing liabilities are comprised as follows:

E.19
Financing liabilities

	Sept. 30, 2017			Dec. 31, 2016		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	13,671	51,431	65,102	13,820	49,260	63,080
Commercial paper	1,337	8	1,345	1,701	-	1,701
Liabilities to financial institutions	14,921	16,697	31,618	16,528	13,146	29,674
Deposits in the direct banking business	9,420	2,186	11,606	8,876	2,766	11,642
Liabilities from ABS transactions	5,516	6,896	12,412	5,823	4,745	10,568
Liabilities from finance leases	21	317	338	30	203	233
Loans, other financing liabilities	518	946	1,464	510	278	788
	45,404	78,481	123,885	47,288	70,398	117,686

18. Legal proceedings

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

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

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

Starting on July 25, 2017, a number of class actions have been filed in the United States and Canada against Daimler AG and other manufacturers of automobiles as well as various of their North American subsidiaries. Plaintiffs allege to have suffered damages because defendants engaged in anticompetitive behavior relating to vehicle technology, costs, suppliers, markets, and other competitive attributes, including diesel emissions control technology, since the 1990s. On October 4, 2017, all pending U.S. class actions were centralized in one proceeding by the Judicial Panel on Multidistrict Litigation and transferred to the U.S. District Court for the Northern District of California. Daimler AG and the other Daimler group affiliates respectively affected regard the U.S. and Canadian lawsuits as being without merit, and will defend against the claims.

In this context, Daimler AG may now disclose that it has filed an application for immunity from fines (leniency application) with the European Commission some time ago. Currently, it is uncertain whether the European Commission will initiate formal antitrust proceedings. The Commission may take various measures of investigation, such as inspections (often referred to as ‚searches') with the companies involved, in order to further clarify the facts of the case.

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

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

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

19. Financial instruments

Table ↗ **E.20** shows the carrying amounts and fair values of the Group's financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved on the market.

E.20

Carrying amounts and fair values of financial instruments

	Sept. 30, 2017		Dec. 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
Financial assets				
Receivables from financial services	82,762	83,134	80,507	80,851
Trade receivables	10,913	10,913	10,614	10,614
Cash and cash equivalents	17,401	17,401	10,981	10,981
Marketable debt securities				
Available-for-sale financial assets	9,501	9,501	10,748	10,748
Other financial assets				
Available-for-sale financial assets	1,127	1,127	811	811
thereof equity instruments measured at fair value	166	166	166	166
thereof equity instruments measured at cost	961	961	645	645
Financial assets measured at fair value through profit or loss	54	54	106	106
Derivative financial instruments used in hedge accounting	2,709	2,709	1,730	1,730
Other receivables and financial assets	3,570	3,570	3,089	3,089
	128,037	128,409	118,586	118,930
Financial liabilities				
Financing liabilities	123,885	125,272	117,686	118,929
Trade payables	15,200	15,200	11,567	11,567
Other financial liabilities				
Financial liabilities measured at fair value through profit or loss	183	183	186	186
Derivative financial instruments used in hedge accounting	639	639	2,463	2,463
Miscellaneous other financial liabilities	10,600	10,600	10,220	10,220
	150,507	151,894	142,122	143,365

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

Marketable debt securities, other financial assets and liabilities
Financial assets available for sale include:
- debt and equity instruments measured at fair value; these instruments were measured using quoted market prices at September 30, 2017. If quoted market prices were not available for these debt and equity instruments, the fair value measurement is based on inputs that are either directly or indirectly observable in active markets.
- equity interests measured at cost; fair values could not be determined for these financial instruments because no stock exchange or market prices are available. These equity interests comprise investments in non-listed companies for which no objective evidence existed at the balance sheet date that these assets were impaired and whose fair values cannot be determined with sufficient reliability. It is assumed that the fair values approximate the carrying amounts.
  Daimler does not intend to sell the equity interests which are presented at September 30, 2017.

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

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

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

For the determination of the credit risk from derivative financial instruments which are allocated to the Level 2 measurement hierarchy, portfolios managed on basis of net exposure are applied.

E.21

Measurement hierarchy of financial assets and liabilities measured at fair value

	Sept. 30, 2017				Dec. 31, 2016			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros								
Financial assets measured at fair value								
Financial assets available for sale	9,667	5,598	4,069	-	10,914	5,164	5,750	-
thereof equity instruments measured at fair value	166	99	67	-	166	93	73	-
thereof marketable debt securities	9,501	5,499	4,002	-	10,748	5,071	5,677	-
Financial assets measured at fair value through profit or loss	54	-	54	-	106	-	106	-
Derivative financial instruments used in hedge accounting	2,709	-	2,709	-	1,730	-	1,730	-
	12,430	5,598	6,832	-	12,750	5,164	7,586	-
Financial liabilities measured at fair value								
Financial liabilities measured at fair value through profit and loss	183	-	183	-	186	-	186	-
Derivative financial instruments used in hedge accounting	639	-	639	-	2,463	-	2,463	-
	822	-	822	-	2,649	-	2,649	-

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

20. Segment reporting

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

E.22

Segment reporting for the three-month periods ended September 30

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Reconciliation	Daimler Group
In millions of euros								
Q3 2017								
External revenue	22,565	8,820	2,948	984	5,490	40,807	-	40,807
Intersegment revenue	884	379	129	26	345	1,763	-1,763	-
Total revenue	23,449	9,199	3,077	1,010	5,835	42,570	-1,763	40,807
Segment profit (EBIT)	2,147	614	218	26	507	3,512	-54	3,458
thereof share of profit/loss from equity-method investments	224	13	11	1	-2	247	-53	194
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-4	-3	-1	-1	-1	-10	-1	-11

	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Reconciliation	Daimler Group
In millions of euros								
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 effects from changes in discount rates of provisions for other risks	-49	-14	-5	-2	-	-70	-1	-71

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

E.23

Segment reporting for the nine-months 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 2017								
External revenue	67,039	25,058	8,996	2,996	16,652	120,741	-	120,741
Intersegment revenue	2,704	1,109	398	68	1,024	5,303	-5,303	-
Total revenue	69,743	26,167	9,394	3,064	17,676	126,044	-5,303	120,741
Segment profit (EBIT)	6,785	1,825	933	155	1,553	11,251	-39	11,212
thereof share of profit/loss from equity-method investments	924	39	31	3	-5	992	231	1,223
thereof profit/loss from compounding and effects from changes in discount rates of provisions for other risks	-12	-10	-3	-1	-3	-29	-1	-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 effects from changes in discount rates of provisions for other risks	-159	-50	-16	-7	-	-232	-1	-233

Reconciliation

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

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

Share of profit from equity-method investments in the first nine months of the year 2017 primarily comprises the reversal of the impairment of the equity investment in BAIC Motor (Q1 2017: €240 million; Q1 2016: impairment of €244 million). Other corporate items included in the first nine months of the year 2016 a gain of €605 million recognized in connection with the contribution of the shares of Renault and Nissan. On the other hand, expenses of €400 million in connection with legal proceedings and losses from currency transactions of €241 million were included which were not allocated to business operations.

E.24

Reconciliation to Group figures

	Q3 2017	Q3 2016	Q1-3 2017	Q1-3 2016
In millions of euros				
Total segments' profit (EBIT)	3,512	4,005	11,251	9,687
Share of profit from equity-method investments	-53	21	231	-197
Other corporate items	-9	18	-276	-46
Eliminations	8	-7	6	-1
Group EBIT	3,458	4,037	11,212	9,443
Amortization of capitalized borrowing costs [1]	-4	-3	-10	-9
Interest income	51	35	155	169
Interest expense	-147	-109	-421	-389
Profit before income taxes	3,358	3,960	10,936	9,214

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

21. Related party relationships

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

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

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

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

In the third quarter 2017, Daimler sold the Group's own Mercedes-Benz dealer in Melbourne, Australia, to LSHAI. This resulted in an income of AUD 90 million (€61 million).

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

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

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

DENZA is allocated to the Mercedes-Benz Cars segment. Daimler provided guarantees in a total amount of RMB1,250 million (€159 million) to external banks which provided two loans to DENZA. As of September 30, 2017, loans amounting to RMB735 million (€94 million) were utilized. In addition, Daimler provided a shareholder loan of RMB250 million (€32 million) to DENZA, which is fully utilized. In accordance with its shareholding ratio, Daimler contributed additional equity of RMB500 million (€64 million) to DENZA in July 2017.

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

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

E.25

Related party relationships

In millions of euros	Sales of goods and services and other income Q3 2017	Q3 2016	Q1-3 2017	Q1-3 2016	Purchases of goods and services and other expense Q3 2017	Q3 2016	Q1-3 2017	Q1-3 2016
Associated companies	**2,700**	943	**5,914**	2,603	**172**	100	**428**	296
thereof BBAC	**961**	850	**2,832**	2,361	**13**	11	**73**	51
thereof LSHAI[1]	**1,648**	-	**2,788**	-	**79**	-	**138**	-
Joint ventures	**268**	157	**680**	369	**18**	21	**54**	43
Joint operations	**12**	6	**29**	20	**67**	77	**180**	199

In millions of euros	Receivables[2] Sept. 30, 2017	Dec. 31, 2016	Payables[3] Sept. 30, 2017	Dec. 31, 2016
Associated companies	**2,317**	1,233	**203**	89
thereof BBAC	**1,516**	1,178	**52**	27
thereof LSHAI[1]	**721**	-	**122**	-
Joint ventures	**199**	150	**110**	110
Joint operations	**29**	38	**15**	30

1 Since the equity interest in LSHAI was acquired in May 2017, business relations with LSHAI are reported from June 2017 onward.
2 After write-downs totaling €50 million (December 31, 2016: €51 million).
3 Including liabilities from default risks from guarantees for related parties.

Auditor's Review Report

To the Supervisory Board of Daimler AG, Stuttgart

We have reviewed the condensed interim consolidated financial statements of Daimler AG – comprising the consolidated statement of income/loss, consolidated statement of comprehensive income/loss, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and selected, explanatory notes – together with the interim group management report of Daimler AG, for the period from January 1 to September 30, 2017, 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 International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and additional application of the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Stuttgart, October 19, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Becker Wirtschaftsprüfer	Dr. Thümler Wirtschaftsprüfer

Addresses | Information

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

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

Concept and contents
Daimler AG
Investor Relations

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

Financial Calendar

Interim Report Q3 2017
October 20, 2017

Annual Press Conference
February 1, 2018

Analyst and Investor Conference
February 2, 2018

Annual Shareholders' Meeting 2018
Berlin
April 5, 2018

Interim Report Q1 2018
April 26, 2018

Interim Report Q2 2018
July 26, 2018

Interim Report Q3 2018
October 25, 2018

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

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