DAIMLER

Interim Report Q2 2016

Contents

Cover photo: Mercedes-Benz C-Class Cabriolet.

Mercedes-Benz has completed its range of convertibles featuring traditional fabric soft tops with the first convertible based on the C-Class. Its design interprets modern luxury with a young appeal and lots of high-quality details. This underscores its independent character – especially with the roof down. If desired, the C-Class Cabriolet can be fitted with the AIRCAP automatic wind-blocker system and the AIRSCARF neck-level heating system – for exceptional comfort with open-top driving on 365 days a year.

Q2

Key Figures Daimler Group

€ amounts in millions	Q2 2016	Q2 2015	% change
Revenue	38,616	37,527	+3 [1]
Western Europe	13,991	12,031	+16
thereof Germany	6,151	5,515	+12
NAFTA	11,464	12,130	-5
thereof United States	9,958	10,601	-6
Asia	8,416	8,453	-0
thereof China	3,948	3,800	+4
Other markets	4,745	4,913	-3
Investment in property, plant and equipment	1,332	1,045	+27
Research and development expenditure	1,831	1,621	+13
thereof capitalized development costs	568	432	+31
Free cash flow of the industrial business	1,856	1,073	+73
EBIT	3,258	3,718	-12
Net profit	2,452	2,372	+3
Earnings per share (in euros)	2.27	2.12	+7
Employees	286,860	284,015 [2]	+1

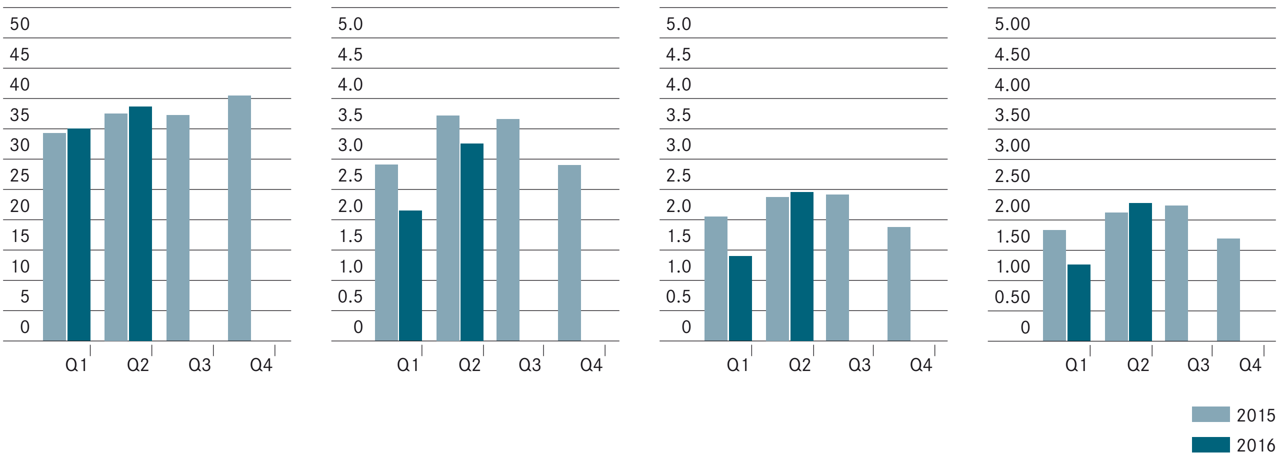
1 Adjusted for the effects of currency translation, increase in revenue of 5%.
2 As of December 31, 2015.

Revenue
In billions of euros

EBIT
In billions of euros

Net profit
In billions of euros

Earnings per share
In euros



Q1-2

Key Figures Daimler Group

€ amounts in millions	Q1-2 2016	Q1-2 2015	% change
Revenue	73,663	71,763	+3 [1]
Western Europe	26,402	23,056	+15
thereof Germany	11,412	10,569	+8
NAFTA	22,048	22,860	-4
thereof United States	19,345	20,103	-4
Asia	16,659	16,696	-0
thereof China	7,600	7,358	+3
Other markets	8,554	9,151	-7
Investment in property, plant and equipment	2,455	2,072	+18
Research and development expenditure	3,555	3,147	+13
thereof capitalized development costs	1,054	832	+27
Free cash flow of the industrial business	2,120	3,365	-37
EBIT	5,406	6,624	-18
Net profit	3,852	4,422	-13
Earnings per share (in euros)	3.54	3.96	-11
Employees	286,860	284,015 [2]	+1

1 Adjusted for the effects of currency translation, increase in revenue of 5%.
2 As of December 31, 2015.

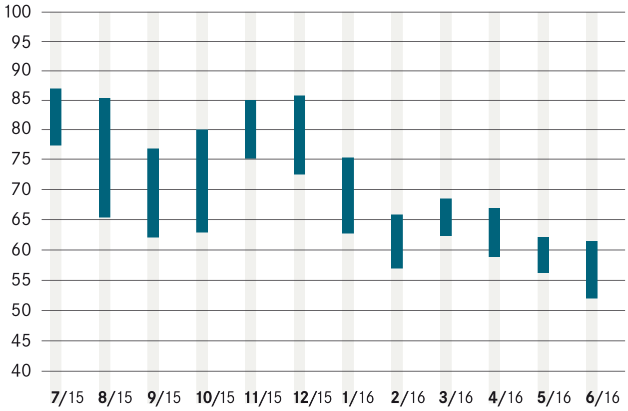
Daimler and the Capital Market

Key figures

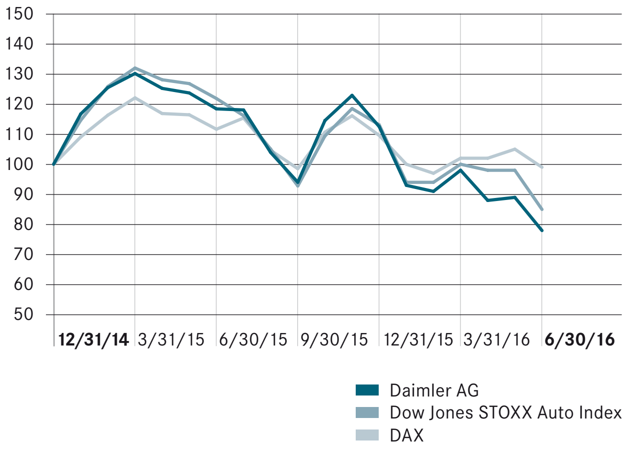
	June 30, 2016	June 30, 2015	% change
Earnings per share in Q2 (in €)	2.27	2.12	+7
Outstanding shares (in millions)	1,069.8	1,069.8	0
Market capitalization (€ billion)	57.26	87.34	-34
Xetra closing price (in €)	53.52	81.64	-34

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

in €



Share-price development (indexed)



Daimler share price falls in second quarter

Political and economic uncertainty led to the continuation of high volatility in the global capital markets in the second quarter. Investors became more risk averse as a result of the British vote to leave the European Union, speculation about the next interest-rate changes by the US Federal Reserve and ongoing uncertainty concerning the further development of the emissions issue. This increased pressure to sell equities, especially those of companies in the automotive and financial sectors.

While unit sales by Mercedes-Benz Cars continued to develop very positively because of strong demand for our new products, major truck markets did not meet our expectations. Primarily due to the weaker market development in the NAFTA region, the situation of intense competition in Europe and low demand in the Middle East, Daimler Trucks was obliged this May to reduce its outlook for unit sales and earnings in full-year 2016. At the Capital Market Day held on June 8, the management of Daimler Trucks explained its strategy of further improving profitability in structural terms and being able to react even better to market fluctuations. Feedback from the participating analysts and investors was very positive.

Our share price was not immune to the high level of volatility and fell significantly during the second quarter. At the end of June, Daimler's share price was €53.52. Taking into consideration the payment of a dividend of €3.25 per share, its development (-16%) was weaker than that of the Dow Jones STOXX Auto Index (-15%) and of the DAX (-3%). The highest dividend paid so far represents a total payout of €3.5 billion. Market capitalization at the end of the quarter was €57.3 billion.

Favorable interest environment used for refinancing

Favorable market conditions in the second quarter of 2016 were utilized for refinancing, especially in the euro market. In May, Daimler AG issued a multi-tranche bond in the European capital market with a volume of €3.25 billion. In the United States, we conducted two asset-backed-securities (ABS) transactions with a volume of $0.75 billion in May. We also placed a transaction of approximately €1 billion in the European market in late June, backed by credit receivables in Germany.

Interim Management Report

Unit sales significantly above prior-year level at 761,300 vehicles (+7%)
Revenue up by 3% to €38.6 billion
Group EBIT of €3,258 million (Q2 2015: €3,718 million)
Net profit of €2,452 million (Q2 2015: €2,372 million)
Free cash flow of industrial business of €2,120 million in the first six months (Q1-2 2015: €3,365 million)
Significant growth in unit sales and slight revenue growth anticipated for full-year 2016
Group EBIT adjusted for special items expected to be slightly higher than in 2015

Business development

World economy still lacks dynamism
The **world economy** continued to expand in the second quarter, but is once again likely to have been significantly below its long-term potential with a growth rate of approximately 2.5% compared with the second quarter of last year. Although prices of raw materials continued to recover, especially of crude oil, and equity prices also stabilized at first, global business sentiment remained rather weak during the second quarter. The economic situation in emerging markets with high exports of raw materials remained very difficult, whether in South America, the Middle East or Russia. The past three months were very disappointing also for the Japanese economy, which probably stagnated. The development of the US economy seems to have been significantly better, with somewhat more dynamism after a rather moderate start to the year. Despite all political difficulties, but supported by a very expansive monetary policy of the European Central Bank, the economy of the European Monetary Union (EMU) performed very well and is likely to have expanded at a rate in line with its long-term trend. After a surprisingly dynamic first quarter, the German economy seems to have expanded at a rather lower rate, but continued to be one of the stable economies of the EMU. In late June, the referendum in the United Kingdom with the vote to leave the European Union triggered further significant volatility in the financial markets.

Worldwide demand for cars continued along its path of moderate expansion in the second quarter. The main drivers of the global growth were ongoing favorable market developments in China and Western Europe. Demand in China continued to profit from tax incentives for the purchase of small cars, and was significantly higher than in the second quarter of last year. The strong recovery of demand for cars in Western Europe continued with growth of 9%. The southern European markets in Italy and Spain once again expanded strongly (+18% and +17% respectively), but the German market was also very robust with growth of 9%. Demand in the US market for cars and light trucks was at a high level, but there was no more growth compared with the prior-year period. The Japanese car market stabilized somewhat and was just slightly smaller than a year before. Car markets in the emerging economies continued to show a varying picture. In India, demand was perceptibly higher than in the second quarter of last year, while the Russian market once again contracted by a double-digit percentage.

The development of demand for **medium and heavy-duty trucks** continued to differ considerably from one region to another. In the North American market, the weak orders received in the previous quarters increasingly affected unit sales, so the number of Class 6-8 trucks sold in the second quarter decreased significantly. The situation was positive in the European market, which continued to be unaffected by political uncertainty and the weakening development of the global economy, and grew by a double-digit rate. The picture in Brazil was quite different. Due to the ongoing deep recession, the market contracted by approximately 30% from its already low level of the prior-year period. The Japanese market for light-, medium- and heavy-duty trucks became rather more dynamic following a weak start to the year and expanded perceptibly compared with the prior-year quarter. The development of the overall truck market was disappointing in Indonesia, with repeated contraction by a double-digit rate. The situation in the Indian market for medium- and heavy-duty trucks was much better, with strong double-digit growth. Demand in Russia continued to be at a very low level due to the ongoing recession, but according to recent estimates, it seems to have been stronger than in the prior-year period. The Chinese market expanded strongly, although the prior-year period was weak and therefore constitutes a low basis for comparison.

Demand for **vans** in Western Europe continued to grow, with a 15% increase in market volume for mid-size and large vans. Demand for small vans increased by 12%. The US market for large vans also continued its strong growth with a rate of 12%. Due to unfavorable economic conditions, the market for large vans in Latin America once again contracted sharply, however.

The **bus market** in Western Europe developed better in the second quarter of 2016 than in the prior-year period, with growth of 12%. Due to the ongoing difficult economic situation, demand in Brazil was significantly lower than in the second quarter of last year, with a decrease of approximately 33%.

Significant growth in second-quarter unit sales
In the second quarter of 2016, Daimler sold 761,300 cars and commercial vehicles worldwide, surpassing the total for the prior-year period by 7%. ↗ C.01

Unit sales by the **Mercedes-Benz Cars** division increased by 9% to 546,500 vehicles in the reporting period. The past three months were thus the quarter with the strongest sales in the company's history so far. In Europe, Mercedes-Benz Cars sold 256,300 units, which is 13% more than in the second quarter of last year and also a new record. Particularly strong growth of over 20% was achieved in France, Belgium, Sweden and Poland. In Germany, we sold 84,000 cars of the Mercedes-Benz and smart brands in the months of April through June (+7%). In China, its biggest market, Mercedes-Benz Cars achieved the new record of 117,100 units sold (+29%). Sales by Mercedes-Benz Cars in the United States totaled 86,600 vehicles in the second-quarter (Q2 2015: 90,400).

Second-quarter sales of 108,300 units by **Daimler Trucks** were 13% below the prior-year figure. This was mainly the result of the negative development of many core markets outside the EU30 region (European Union, Switzerland and Norway). In the EU30 region, our truck sales increased by 13% to 20,400 units. Unit sales in Turkey decreased to 3,100 vehicles (Q2 2015: 6,600). This was mainly due to purchases being brought forward to the year 2015 because of the country's introduction of the Euro VI emission standard as of 2016. Our sales in the NAFTA region decreased to 40,600 units (Q2 2015: 49,400). In Classes 6-8, we further strengthened our market leadership, taking a 40.9% share of the market (Q2 2015: 37.3%). Due to the ongoing difficult economic situation in Latin America, sales there fell once again to 6,800 units (Q2 2015: 8,500). Sales in Indonesia, where the overall market is still contracting, declined to 5,600 units (Q2 2015: 9,500). Demand for our trucks in the Middle East decreased to 3,900 units (Q2 2015: 7,600). We increased our unit sales in Japan to 11,000 vehicles (Q2 2015: 10,400) and sales developed positively also in India, with 3,900 units sold (Q2 2015: 3,000).

Mercedes-Benz Vans increased its unit sales by 22% to the new record of 99,600 vehicles in the second quarter of 2016. In its core region of Western Europe, the van division achieved further substantial growth of 19% to 64,800 units, with strong growth in Germany (+19%), the United Kingdom (+15%), France (+17%), Spain (+26%) and Italy (+38%). Growth in unit sales continued also in Eastern Europe, with an increase of 23% in the second quarter. The development of unit sales was positive also in the NAFTA region, where Mercedes-Benz Vans increased its second-quarter sales by 13% to 11,600 units. Due to the continuation of difficult economic conditions, unit sales in Latin America fell to 3,000 vehicles (-19%). After the market launch of the new V-Class in China, however, we achieved strong growth of 122% to 4,200 units.

Unit sales by **Daimler Buses** of 7,000 buses and bus chassis in the second quarter were significantly lower than the number of 7,300 sold in the prior-year period. Growth in Western Europe due to increased demand for complete buses partially offset the fall in unit sales of chassis in Latin America. In Western Europe, we sold 2,000 units of the Mercedes-Benz and Setra brands (Q2 2015: 1,800). In Latin America (excluding Mexico), demand for bus chassis continued to be negatively affected by the ongoing difficult economic situation in Brazil, so sales of 3,000 units were significantly lower than in the prior-year period (Q2 2015: 3,300).

At **Daimler Financial Services**, new business increased by 4% compared with the prior-year period to €15.4 billion. Contract volume reached €120.3 billion at the end of June, which is 3% higher than at the end of 2015. Adjusted for exchange-rate effects, contract volume increased by 4%. The business of brokering insurance contracts continued to develop very positively. Worldwide, approximately 432,000 insurance contracts were concluded through Daimler Financial Services (Q2 2015: 421,000).

The Daimler Group's second-quarter **revenue** amounted to €38.6 billion, which is 3% higher than in the second quarter of 2015. Adjusted for exchange-rate effects, revenue grew by 5%. ↗ C.02

Mercedes-Benz Cars' revenue increased by 5% to €22.1 billion. At Daimler Trucks, revenue decreased by 8% to €8.7 billion due to lower unit sales because of weak markets in some regions. Mercedes-Benz Vans achieved revenue growth of 22% to €3.4 billion. Changes in the structure of unit sales at Daimler Buses led to revenue growth of 8% to €1.1 billion, despite lower overall unit sales.

C.01
Unit sales by division

	Q2 2016	Q2 2015	% change
Daimler Group	**761,340**	714,759	+7
Mercedes-Benz Cars	**546,517**	500,694	+9
Daimler Trucks	**108,282**	125,113	-13
Mercedes-Benz Vans	**99,583**	81,611	+22
Daimler Buses	**6,958**	7,341	-5

C.02
Revenue by division

In millions of euros	Q2 2016	Q2 2015	% change
Daimler Group	**38,616**	37,527	+3
Mercedes-Benz Cars	**22,122**	21,136	+5
Daimler Trucks	**8,666**	9,441	-8
Mercedes-Benz Vans	**3,441**	2,829	+22
Daimler Buses	**1,122**	1,037	+8
Daimler Financial Services	**5,014**	4,769	+5

Profitability

The **Daimler Group** achieved second-quarter EBIT of €3,258 million (Q2 2015: €3,718 million). ↗ C.03

The earnings decrease is primarily the result of the special items that affected EBIT. The special items in the second quarters of 2016 and 2015 are shown in table ↗ C.04.

As a result, the Mercedes-Benz Cars division's EBIT adjusted for special items was close to prior year level. Daimler Trucks could not reach its high earnings of the prior-year quarter. Earnings at the Mercedes-Benz Vans and Daimler Buses divisions increased, however, as a result of higher revenues. At Daimler Financial Services, earnings increased primarily due to the higher contract volume. Decreasing discount rates reduced earnings.

C.03
EBIT by segment

In millions of euros	Q2 2016	Q2 2015	% change	Q1-2 2016	Q1-2 2015	% change
Mercedes-Benz Cars	1,410	2,227	-37	2,805	4,068	-31
Daimler Trucks	621	682	-9	1,137	1,154	-1
Mercedes-Benz Vans	401	234	+71	702	449	+56
Daimler Buses	88	57	+54	127	91	+40
Daimler Financial Services	479	445	+8	911	854	+7
Reconciliation	259	73	+255	-276	8	.
Daimler Group[1]	3,258	3,718	-12	5,406	6,624	-18

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

C.04
Special items affecting EBIT

In millions of euros	Q2 2016	Q2 2015	Q1-2 2016	Q1-2 2015
Mercedes-Benz Cars				
Expenses in connection with Takata airbags	-440	-	-460	-
Net expenses from measurement of inventories	-284	-	-284	-
Settlement in connection with a patent dispute	-64	-	-64	-
Restructuring of own dealer network	-11	-16	-21	-36
Relocation of headquarters of MBUSA	-	+9	-	-11
Sale of real estate in the United States	-	-	-	+87
Daimler Trucks				
Workforce adjustments	-34	-20	-34	-25
Restructuring of own dealer network	-6	-15	-7	-19
Sale of Atlantis Foundries	-	-	-	-55
Mercedes-Benz Vans				
Expenses in connection with Takata airbags	-59	-	-63	-
Workforce adjustments in Germany	-	-	-30	-
Restructuring of own dealer network	-2	-4	-3	-8
Relocation of headquarters of MBUSA	-	-	-	-2
Daimler Buses				
Restructuring of own dealer network	-1	-	-1	-1
Reconciliation				
Expenses related to legal proceedings	-400	-	-400	-
Impairment of investment in BAIC Motor	-	-	-244	-
Losses from currency transactions (not allocated to business operations)	-19	-	-241	-
Contribution of shares in Renault and Nissan to pension plan assets	+605	-	+605	-

The reconciliation was impacted in the second quarter of 2016 in particular by a gain of €605 million from the contribution of the 3.1% interests in each of Renault S.A. (Renault) and Nissan Motor Company Ltd. (Nissan) into the German pension plan assets. On the other hand, there were negative effects from expenses of €400 million related to legal proceedings.

In the second quarter of 2016, the EBIT of the **Mercedes-Benz Cars** division was €1,410 million, which is significantly lower than the prior-year figure of €2,227 million. The division's return on sales was 6.4% (Q2 2015: 10.5%). ↗ C.03

The development of earnings was primarily influenced by special items. Expenses in connection with Takata airbags, net expenses from the measurement of inventories and the settlement in connection with a patent dispute are classified as special items in the second quarter of 2016. In addition, earnings decreased due to the lower unit sales of the S-Class for lifecycle reasons, the model change of the E-Class, the regional sales structure, higher advance expenditures for new technologies and vehicles and decreasing discount rates. However, the significant increase in unit sales in the SUV segment had a positive impact on earnings.

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

Daimler Trucks' EBIT of €621 million was below the prior-year level (Q2 2015: €682 million). The division's return on sales reached 7.2%, as in the prior-year period. ↗ C.03

Increased unit sales in the EU30 region, the realization of further efficiency improvements and exchange rate effects had a positive impact on earnings. Negative effects on earnings resulted from lower unit sales in the NAFTA region, Turkey, Latin America, Indonesia and the Middle East. Earnings were also reduced by the intense competition in Europe. EBIT also includes expenses for workforce adjustments in the context of ongoing optimization programs in Brazil.

With EBIT of €401 million, **Mercedes-Benz Vans** achieved significantly higher second-quarter earnings than in the prior year (Q2 2015: €234 million). The division's return on sales also increased significantly to 11.7% compared to 8.3% in the second quarter of last year. ↗ C.03

EBIT reflects the very positive development of unit sales, especially in Europe, the NAFTA region and China, as well as efficiency improvements. On the other hand, expenses were recognized in connection with Takata airbags.

The **Daimler Buses** division's EBIT of €88 million was significantly above the prior-year level (Q2 2015: €57 million). Its return on sales was 7.8% (Q2 2015: 5.5%). ↗ C.03

The persistently difficult economic situation in Latin America and also the associated decline in demand for chassis negatively affected earnings in the second quarter of 2016. Strong demand for our complete buses, a positive product-mix in Western Europe, further efficiency improvements and positive exchange-rate effects more than offset the negative impact in Latin America.

In the second quarter of 2016, the **Daimler Financial Services** division achieved earnings of €479 million, and thus slightly surpassed the prior-year figure (Q2 2015: €445 million). ↗ C.03

This was mainly the result of increased contract volume in all regions, which more than offset the negative exchange rate effects.

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

Items at the corporate level resulted in income of €237 million in the second quarter of 2016 (Q2 2015: €66 million). In order to strengthen its pension plan assets in Germany sustainably, Daimler contributed its shares in Renault and Nissan into the pension plan assets, resulting in a gain of €605 million. However, the reconciliation also includes expenses of €400 million related to legal proceedings. Losses on currency transactions of €19 million (Q2 2015: €0 million), which are not allocated to business operations, also had a negative impact.

The elimination of intra-group transactions resulted in income of €22 million in the second quarter of 2016 (Q2 2015: €7 million).

Net interest expense amounted to €79 million in the second quarter of 2016 (Q2 2015: €90 million).

In the second quarter of 2016, the decrease in **expense for income taxes** of €724 million (Q2 2015: 1,253 million) was significantly more pronounced than the decrease in profit before income taxes. This was mainly due to the contribution of our shares in Renault and Nissan into the German pension plan assets. The gain resulting from the contribution was largely tax-free. Adjusted for this gain, profit subject to normal income taxes decreased in the second quarter of 2016 compared with the previous year, which is the main reason for the lower tax expense.

Net profit for the second quarter of 2016 amounts to €2,452 million (Q2 2015: €2,372 million). Net profit of €23 million is attributable to **non-controlling interests** (Q2 2015: €103 million). Net profit **attributable to the shareholders of Daimler AG** amounts to €2,429 million (Q2 2015: €2,269 million), representing **earnings per share** of €2.27 (Q2 2015: €2.12).

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

In the first six months of the year 2016, the **Daimler Group's** EBIT decreased to €5,406 million (Q1-2 2015: €6,624 million). ↗ C.03

The earnings decrease is primarily the result of the special items that affected EBIT. The special items in the first six months of 2016 and 2015 are shown in table ↗ C.04.

There were major negative effects on the Mercedes-Benz Cars division's EBIT in particular from the special items and the current model-mix. The Daimler Trucks division achieved earnings at the prior-year level. Mercedes-Benz Vans and Daimler Buses were both able to increase their earnings. At Daimler Financial Services, earnings increased primarily due to the higher contract volume. Exchange-rate effects had an overall negative impact on earnings. Decreasing discount rates also reduced earnings.

In addition, earnings in the first half of 2016 were negatively affected by expenses of €400 million related to legal proceedings, by an impairment of €244 million of the investment in BAIC Motor Corporation Ltd. (BAIC Motor) and by losses of €241 million (Q1-2 2015: €43 million) from currency transactions which are not allocated to business operations. The gain of €605 million recognized on the contribution of Renault and Nissan shares into the German pension plan assets did not offset the expenses.

In the first half of 2016, the EBIT of the **Mercedes-Benz Cars** division amounted to €2,805 million, which is significantly lower than the prior-year figure of €4,068 million. The division's return on sales was 6.7% (Q1-2 2015: 10.0%). ↗ C.03

The development of earnings was primarily influenced by special items. Expenses in connection with Takata airbags, net expenses from the measurement of inventories and the settlement in connection with a patent dispute are classified as special items in the first half of 2016. In addition, earnings decreased due to the lower unit sales of the S-Class for lifecycle reasons, the model change of the E-Class, the regional sales structure, higher advance expenditures for new technologies and vehicles and decreasing discount rates. However, the significant increase in unit sales in the SUV segment and a better pricing had a positive impact on earnings.

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

Daimler Trucks' EBIT of €1,137 million in the first half of the year was close to the prior-year level (Q1-2 2015: €1,154 million). The division's return on sales reached 6.7% (Q1-2 2015: 6.5%). ↗ C.03

Increased unit sales in EU30 region, the realization of further efficiency improvements and exchange-rate effects had a positive impact on earnings. Negative effects on earnings resulted from lower unit sales in the NAFTA region, Turkey, Latin America, Indonesia and the Middle East. Earnings were also reduced by the intense competition in Europe. EBIT also includes expenses for workforce adjustments in the context of ongoing optimization programs in Brazil. In the prior-year period, EBIT was reduced by expenses in connection with the sale of Daimler's investment in Atlantis Foundries (Pty.) Ltd. in South Africa.

Mercedes-Benz Vans achieved significantly higher EBIT of €702 million in the first half of 2016 (Q1-2 2015: €449 million). The division's return on sales also increased significantly to 11.2%, from 8.6% in the prior-year period. ↗ C.03

EBIT reflects the very positive development of unit sales, especially in Europe, the NAFTA region and China, as well as efficiency improvements. On the other hand, expenses resulted from workforce adjustments at the Düsseldorf plant and in connection with Takata airbags.

The **Daimler Buses** division's EBIT in the first six months of €127 million was significantly above the prior-year level (Q1-2 2015: €91 million). Its return on sales was 6.5% (Q1-2 2015: 4.8%). ↗ C.03

Strong demand for our complete buses in Western Europe, a positive product-mix and positive exchange-rate effects more than offset the negative impact in Latin America.

In the first half-year of 2016, the **Daimler Financial Services** division achieved earnings of €911 million, thus surpassing the prior-year figure (Q1-2 2015: €854 million). ↗ C.03

This was mainly the result of increased contract volume in all regions. However, exchange-rate effects had an overall negative affect on earnings.

Items included in the **reconciliation** of the divisions' EBIT to Group EBIT had a negative effect of €-276 million in the first half of 2016 (Q1-2 2015: positive effect of €8 million).

Items at the corporate level resulted in a net expense of €282 million in the first half of 2016 (Q1-2 2015: €14 million). This includes expenses of €400 million related to legal proceedings, the impairment of €244 million of the investment in BAIC Motor and losses of €241 million (Q1-2 2015: €43 million) from currency transactions. The gain of €605 million recognized on the contribution of 3.1% of the shares of each of Renault and Nissan into the German pension plan assets did not offset those expenses.

The elimination of intra-group transactions resulted in income of €6 million in the first half of 2016 (Q1-2 2015: €22 million).

In the first half of 2016, **net interest expense** amounted to €146 million (Q1-2 2015: €193 million). The net interest expense in connection with pension and healthcare benefits improved primarily due to the positive development of the funded status of pension obligations. This was partially offset by the increase in applicable interest rates. Another factor is that there was an improvement in other interest income.

The expense of €1,402 million (Q1-2 2015: €2,004 million) entered under **income-tax expense** for the first half of 2016 decreased mainly due to the decrease of €1,172 million in profit before income taxes. But both years are impacted by special tax issues. In the year 2016, in connection with the contribution of our shares in Renault and Nissan into the pension plan assets, a gain was recognized that was largely tax-free, while the first half of 2015 included tax benefits in connection with the tax assessment of previous years.

Net profit for the first half of 2016 amounts to €3,852 million (Q1-2 2015: €4,422 million). Net profit of €70 million is attributable to **non-controlling interests** (Q1-2 2015: €190 million). Net profit **attributable to the shareholders of Daimler AG** amounts to €3,782 million (Q1-2 2015: €4,232 million), representing **earnings per share** of €3.54 (Q1-2 2015: €3.96).

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

Cash flows

Cash provided by operating activities ↗ C.05 amounted to €2.6 billion (Q1-2 2015: €1.0 billion). The increase was primarily due to effects from the leasing and sales-financing business. In addition, a positive impact resulted from the development of working capital. There were opposing effects from the lower profit before income taxes. Furthermore, there were higher tax payments in the first half of 2016, as the prior-year period was influenced by tax refunds.

C.05
Condensed consolidated statement of cash flows

In millions of euros	Q1-2 2016	Q1-2 2015	Change
Cash and cash equivalents at beginning of period	**9,936**	9,667	+269
Cash provided by operating activities	**2,622**	1,002	+1,620
Cash used for investing activities	**-4,451**	-2,790	-1,661
Cash provided by financing activities	**5,988**	1,686	+4,302
Effect of exchange-rate changes on cash and cash equivalents	**-107**	278	-385
Cash and cash equivalents at end of period	**13,988**	9,843	+4,145

C.06
Free cash flow of the industrial business

In millions of euros	Q1-2 2016	Q1-2 2015	Change
Cash provided by operating activities	**5,945**	6,681	-736
Cash used for investing activities	**-4,456**	-3,098	-1,358
Change in marketable debt securities	**625**	-157	+782
Other adjustments	**6**	-61	+67
Free cash flow of the industrial business	**2,120**	3,365	-1,245

Cash used for investing activities ↗ C.05 amounted to €4.5 billion (Q1-2 2015: €2.8 billion). The change compared with the first half of last year resulted primarily from acquisitions and disposals of securities in the context of liquidity management. Those transactions resulted in a net cash outflow in the reporting period, whereas disposals of securities exceeded acquisitions in the prior-year period. Cash used for investing activities was also impacted by higher investments in intangible assets and property, plant and equipment.

Cash provided by financing activities ↗ C.05 resulted in a cash inflow of €6.0 billion (Q1-2 2015: €1.7 billion). The change is based primarily on the renewed increase in financing liabilities. There was an opposing effect from the increased dividend payment to the shareholders of Daimler AG.

Cash and cash equivalents increased compared with December 31, 2015 by €4.1 billion, after taking currency translation into account. Total liquidity, which also includes marketable debt securities, increased by €4.7 billion to €22.9 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.06 which is derived from the reported cash flows from operating and investing activities. The cash flows from the acquisition and sale of marketable debt securities included in cash flows from investing activities are deducted, as those securities are allocated to liquidity and changes in them are thus not a part of the free cash flow.

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

In the first half of 2016, the **free cash flow of the industrial business** resulted in a cash inflow of €2.1 billion (Q1-2 2015: €3.4 billion). This decrease was due to the lower profit contributions of the industrial business. Furthermore, there were higher tax payments, as the prior-year period was influenced by tax refunds. The free cash flow of the industrial business was also impacted by higher investments in intangible assets and property, plant and equipment. Positive effects resulted from the development of working capital.

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

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

Compared with December 31, 2015, the net liquidity of the industrial business decreased from €18.6 billion to €17.4 billion. The decrease was mainly caused by the dividend payment to the shareholders of Daimler AG, which more than offset the positive free cash flow.

Net debt at Group level, which primarily results from refinancing the leasing and sales financing business, increased compared with December 31, 2015 by €4.2 billion to €86.5 billion. ↗ C.08

C.07
Net liquidity of the industrial business

In millions of euros	June 30, 2016	Dec. 31, 2015	Change
Cash and cash equivalents	12,665	8,369	+4,296
Marketable debt securities	7,701	6,999	+702
Liquidity	20,366	15,368	+4,998
Financing liabilities	-4,052	2,612	-6,664
Market valuation and currency hedges for financing liabilities	1,134	600	+534
Financing liabilities (nominal)	-2,918	3,212	-6,130
Net liquidity	17,448	18,580	-1,132

C.08
Net debt of the Daimler Group

In millions of euros	June 30, 2016	Dec. 31, 2015	Change
Cash and cash equivalents	13,988	9,936	+4,052
Marketable debt securities	8,952	8,273	+679
Liquidity	22,940	18,209	+4,731
Financing liabilities	-110,586	-101,142	-9,444
Market valuation and currency hedges for financing liabilities	1,097	583	+514
Financing liabilities (nominal)	-109,489	-100,559	-8,930
Net debt	-86,549	-82,350	-4,199

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

In the first half of 2016, Daimler had a cash inflow of €12.6 billion from the **issuance** of bonds (Q1-2 2015: €9.0 billion). The redemption of bonds resulted in cash outflows of €3.8 billion (Q1-2 2015: €5.6 billion). A large proportion of the issuance volume was carried out in the form of so-called benchmark bonds (bonds with high nominal values).

In the second quarter, in particular the favorable conditions in the euro market were used. In May, Daimler AG issued a multi-tranche bond in the European capital market, placing a volume of €3.25 billion. ↗ C.09 Furthermore, in early July, Daimler Finance North America LLC issued bonds with three- and five-year maturities in a total volume of US$3.0 billion in the US capital market.

In addition to the issuances shown in the table, multiple smaller issuances were undertaken in various countries. In June, Daimler placed a so-called panda bond with a volume of RMB 4.0 billion in the capital market of the People's Republic of China.

In May, two **asset-backed securities (ABS) transactions** with a volume of US$0.75 billion were conducted in the United States. Furthermore, a transaction of approximately €1 billion was placed in the European market at the end of June, backed by German credit receivables.

C.09

Benchmark issuances

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

Financial position

The **balance sheet total** increased compared with December 31, 2015 from €217.2 billion to €230.1 billion; adjusted for the effects of currency translation, the increase amounted to €13.9 billion. Daimler Financial Services accounts for €127.1 billion of the balance sheet total (December 31, 2015: €123.9 billion), equivalent to 55% of the Daimler Group's total assets (December 31, 2015: 57%).

The increase in total assets is primarily due to the increased liquidity (cash and cash equivalents and marketable debt securities), more volume in the financial services business and higher inventories. On the liabilities side of the balance sheet, there were increases primarily in financing liabilities, provisions and trade liabilities. Current assets account for 44% of the balance sheet total (December 31, 2015: 42%). Current liabilities amount to 36% of total equity and liabilities (December 31, 2015: 35%).

C.10

Condensed consolidated statement of financial position

In millions of euros	June 30, 2016	Dec. 31, 2015	% change
Assets			
Intangible assets	10,655	10,069	+6
Property, plant and equipment	25,051	24,322	+3
Equipment on operating leases and receivables from financial services	115,801	112,456	+3
Equity-method investments	3,583	3,633	-1
Inventories	26,198	23,760	+10
Trade receivables	9,457	9,054	+4
Cash and cash equivalents	13,988	9,936	+41
Marketable debt securities	8,952	8,273	+8
Other financial assets	6,755	7,454	-9
Other assets	9,699	8,209	+18
Total assets	230,139	217,166	+6
Equity and liabilities			
Equity	52,291	54,624	-4
Provisions	28,777	26,145	+10
Financing liabilities	110,586	101,142	+9
Trade payables	13,316	10,548	+26
Other financial liabilities	11,530	12,360	-7
Other liabilities	13,639	12,347	+10
Total equity and liabilities	230,139	217,166	+6

Intangible assets of €10.7 billion include €8.2 billion of capitalized development costs and €0.7 billion of goodwill. The Mercedes-Benz Cars division accounts for 75% of the development costs and the Daimler Trucks division accounts for 16%.

Property, plant and equipment increased to €25.1 billion (December 31, 2015: €24.3 billion). In the first six months of 2016, €2.5 billion was invested worldwide, in particular at our production and assembly sites for new products and technologies and for the expansion and modernization of the production facilities. The sites in Germany accounted for €1.7 billion of capital expenditure (Q1-2 2015: €1.5 billion).

Equipment on operating leases and receivables from financial services increased by €3.3 billion to €115.8 billion (December 31, 2015: €112.5 billion). The increase adjusted for exchange-rate effects of €4.4 billion was primarily caused by the higher level of new business at Daimler Financial Services. The business with end-customers was further expanded in the major markets of Europe as well as in Japan and China. The leasing and sales-financing business as a proportion of total assets of 50% is below the prior year-level (52%).

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

Inventories increased from €23.8 billion to €26.2 billion, equivalent to 11% of total assets, as in the prior year. The increase was partially caused by the ongoing growth and the continuation of the model offensive. This resulted in increased stocks in all automotive divisions, especially of finished goods.

Trade receivables increased by €0.4 billion to €9.5 billion. The Mercedes-Benz Cars division accounts for 46% of these receivables and the Daimler Trucks division accounts for 29%.

Cash and cash equivalents increased compared with the end of the year 2015 by €4.1 billion to €14.0 billion.

Marketable debt securities increased compared with December 31, 2015 from €8.3 billion to €9.0 billion. Those assets include the debt instruments that are allocated to liquidity, most of which are traded in active markets. They generally have an external rating of A or better.

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

Other assets of €9.7 billion (December 31, 2015: €8.2 billion) primarily comprise deferred tax assets and tax refund claims. The increase in deferred tax assets primarily relates to effects from pensions and similar obligations not recognized in profit and loss.

The Group's **equity** decreased compared with December 31, 2015 from €54.6 billion to €52.3 billion. Equity attributable to the shareholders of Daimler AG decreased to €51.4 billion (December 31, 2015: €53.6 billion). The decrease was mainly due to payment of the dividend to the shareholders of Daimler AG of €3.5 billion and actuarial losses of €3.1 billion from the defined-benefit pension plans that are recognized in retained earnings. In addition, the measurement (€0.5 billion) and contribution to the pension-plan assets (€0.6 billion) of the shares in Renault and Nissan led to a decrease in the reserves of financial assets available for sale. Positive effects came from the net profit of €3.9 billion and the remeasurement of derivative financial instruments not recognized in profit and loss (€1.5 billion).

Due the effects described above, the Group's **equity ratio** of 22.7% was below the level at the end of 2015 (23.6%); the equity ratio for the industrial business was 41.2% (December 31, 2015: 44.2%).

Provisions increased to €28.8 billion (December 31, 2015: €26.1 billion); as a proportion of the balance sheet total, they amount to 13%, compared with 12% at the end of 2015. They primarily comprise provisions for pensions and similar obligations of €11.5 billion (December 31, 2015: €8.7 billion), which mainly consist of the difference between the present value of defined-benefit pension obligations of €32.3 billion (December 31, 2015: €27.6 billion) and the fair value of the pension-plan assets applied to finance those obligations of €22.1 billion (December 31, 2015: €20.2 billion). The decrease in discount rates, especially for the German plans from 2.6% at December 31, 2015 to 1.5% at June 30, 2016, led to an increase in the present value of the defined-benefit pension obligations. The contribution to the pension-plan assets of the shares in Renault and Nissan led to an increase in the fair value of the pension-plan assets (€1.8 billion). Provisions also relate to liabilities from income taxes of €1.5 billion (December 31, 2015: €1.7 billion), from product warranties of €6.1 billion (December 31, 2015: €5.7 billion) and from personnel and social costs of €3.7 billion (December 31, 2015: €4.4 billion), as well as other provisions of €6.0 billion (December 31, 2015: €5.8 billion).

Financing liabilities of €110.6 billion were above the level of December 31, 2015 (€101.1 billion). The increase of €9.9 billion after adjusting for exchange-rate effects primarily reflects the refinancing of the growing leasing and sales-financing business. 54% of the financing liabilities are accounted for by notes and bonds, 25% by liabilities to financial institutions, 10% by deposits in the direct banking business and 7% by liabilities from ABS transactions.

Trade payables increased to €13.3 billion (December 31, 2015: €10.5 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 23%.

Other financial liabilities of €11.5 billion (December 31, 2015: €12.4 billion) mainly consist of liabilities from derivative financial instruments, residual value guarantees, accrued interest on financing liabilities, deposits received and liabilities from salaries and wages. The decrease mainly results from the derivative financial instruments and exchange-rate effects.

Other liabilities of €13.6 billion (December 31, 2015: €12.3 billion) primarily comprise deferred income, tax liabilities, and deferred taxes.

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

Capital expenditure and research activities

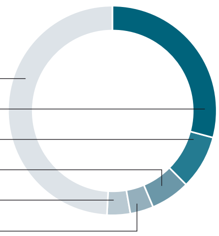
The Daimler Group invested €2.5 billion in property, plant and equipment in the first six months of this year (Q1-2 2015: €2.1 billion). Most of that investment, €1.8 billion, was at the Mercedes-Benz Cars division (Q1-2 2015: €1.6 billion). The main focus of capital expenditure was on production preparations for new models, in particular the new E-Class and its derivatives and the derivatives of the C-Class, as well as investments for new transmissions and engine versions. Another area of capital expenditure was for the ongoing expansion of our international production and component plants. At Daimler Trucks, the main investments were for engines, transmissions and new vehicles, as well as the optimization of our worldwide production network.
The Daimler Group's research and development spending in the first half of the year amounted to €3.6 billion (Q1-2 2015: €3.1 billion), of which €1.1 billion was capitalized (Q1-2 2015: €0.8 billion). More than two thirds of the research and development spending was at the Mercedes-Benz Cars segment. The main areas there, as at Daimler Trucks, were new vehicle models, particularly fuel-efficient and environmentally friendly drive systems, and the intensification of the modular strategy.

Workforce

At the end of the second quarter of 2016, Daimler employed 286,860 people worldwide (end of 2015: 284,015). Of that total, 172,135 were employed in Germany (end of 2015: 170,454), 22,948 in the United States (end of 2015: 24,607), 11,836 in Brazil (end of 2015: 11,669) and 10,882 in Japan (end of 2015: 11,002). Our consolidated companies in China had 3,383 employees at the end of June (end of 2015: 3,155). ↗ C.11

C.11
Employees by division (as of June 30, 2016)

Daimler Group	286,860
Mercedes-Benz Cars	141,233
Daimler Trucks	84,102
Mercedes-Benz Vans	23,744
Daimler Buses	17,569
Daimler Financial Services	10,497
Group Functions & Services	9,715



Important events

Changes in the Board of Management and the Supervisory Board
At the end of the Annual Shareholders' Meeting held on April 6, 2016, the periods of office ended of Petraea Heynike and Dr. Manfred Bischoff as members of the Supervisory Board. The Annual Shareholders' Meeting reelected both of them with great majorities as members of the Supervisory Board representing the shareholders. Their new periods of office began at the end of the 2016 Annual Shareholders' Meeting and will terminate at the end of the Annual Shareholders' Meeting held in 2021. In a meeting of the Supervisory Board straight after the 2016 Annual Shareholders' Meeting, the Supervisory Board once again elected Dr. Manfred Bischoff as its Chairman.

Dr. Sabine Maaßen stepped down from the Supervisory Board of Daimler AG as of June 30, 2016. The procedure of a court-appointed successor is currently in progress.

Daimler once again strengthens its pension-plan assets
The Supervisory Board of Daimler AG decided on a contribution to the pension-plan assets of approximately €1.8 billion at the end of June. This contribution is taking place by placing the investment in Renault S.A. and Nissan Motor Co. Ltd. into the pension-plan assets of Daimler AG. This improves the funded status of our pension obligations and leads to a one-time effect on EBIT of plus approximately €0.6 billion in 2016. Irrespective of this financial transaction, we are continuing the successful strategic cooperation with the Renault-Nissan Alliance.

Daimler Financial Services to acquire Athlon Car Lease International
Daimler Financial Services is making strategic investments in the fleet-management business and for €1.1 billion is acquiring Athlon Car Lease International B.V., a subsidiary of De Lage Landen International B.V., which belongs to the Dutch Rabobank Group. Athlon's portfolio will be merged with that of Daimler Fleet Management under the Athlon brand. This will create one of the leading providers in the European fleet-management business with a portfolio of approximately 340,000 cars and vans. The transaction is awaiting the required approvals from antitrust and other regulatory authorities, and is likely to be closed in the fourth quarter of 2016.

Risk and opportunity report

The risks and opportunities that can have a significant influence on the profitability, cash flows and financial position of the Daimler Group, as well as detailed information on our risk and opportunity management system, are presented on pages 138 to 151 of our Annual Report 2015. In addition, we refer to the notes on forward-looking statements provided at the end of this Interim Report.

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

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

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

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

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

The risks from the industry-wide problems with Takata airbags have increased significantly since publication of Annual Report 2015.

In total, production and technology risks have risen to more than €3 billion, while the probability of occurrence remains low.

Outlook

At the beginning of the third quarter, there are many indications that the **world economy** will continue along its course of expansion with growth rates below their long-term trends. At present, world gross domestic product (GDP) is growing at a year-on-year rate of nearly 2.5% and growth for the full year is likely to be of that magnitude. For the US economy, growth of 2% this year seems very ambitious. Most analysts currently assume that 2.0% will not be achieved. This is primarily due to weak investment and unfavorable exports. Notwithstanding the political turbulence, the available leading indicators suggest that total economic output in the European Monetary Union (EMU) should continue its solid development. From today's perspective, this will not be changed by the British vote to leave the European Union. A negative impact should be prevented by the positive effects of low raw-material prices, a rather weak euro, a favorable development of real incomes and the very expansive monetary policy of the European Central Bank. The British economy could follow a weaker development, however. It is quite possible that the result of the referendum will unsettle investors and consumers so much that the country's economy will stagnate in the second half of the year. This would mean a reduction in the previously assumed GDP growth for the full year of about half a percentage point. But a much more significant factor for the ongoing expansion of the world economy is that the outlook for the Chinese economy has continued to stabilize. Most analysts now assume that China can achieve GDP growth in the magnitude of 6.5%. On the other hand, economic developments in South America remain difficult, especially as Brazil is likely to go through a significant recession. The same is true of the Russian economy, which will also remain in recession this year, although the recent increase in the oil price has triggered a slight improvement.

According to recent assessments, worldwide **demand for cars** is likely to increase from its high level by about 3% in 2016. As in the previous year, the biggest contribution to this global growth should come from the Chinese market, which is likely to grow again significantly. But the expected increase in demand will be largely due to state stimulus. Last fall, the Chinese government halved its sales tax on cars with engines of up to 1.6 liters displacement. As things stand, this measure will be in effect until the end of 2016, so a positive impact on the overall Chinese car market is to be expected during the rest of the year. For the US market for cars and light trucks, we anticipate a volume in the magnitude of last year. For the Western European car market, we anticipate slight growth. This growth should continue to take place on a relatively broad basis, whereby the greatest need to catch up exists in markets such as Italy, France and Spain. Uncertainty in the United Kingdom following the referendum result in favor of exit from the European Union is likely to primarily affect the British market. Only a slight impact is to be expected on the market of Western Europe. In Japan at best, stabilization of demand is to be expected following the significant market correction of 2015. Prospects for the large emerging markets remain mixed. In India, market growth is likely to remain solid. In Russia, however, the ongoing recession is likely to cause another significant drop in car sales.

Demand for **medium- and heavy-duty trucks** in the regions important for Daimler should be perceptibly below the prior-year volume. In North America, weak overall investment is having a significant impact on the truck market. From today's perspective, demand for Class 6-8 trucks is likely to decrease by approximately 15%. But the European market seems to be fairly unaffected so far by political turbulence and the uncertain development of the world economy, and should continue its recovery with growth in the magnitude of 10% this year. We currently do not expect the United Kingdom's planned exit from the EU to have a significant impact on demand for trucks in Europe this year. The Brazilian market shows no signs of improvement. Due to the ongoing economic recession, we have to anticipate further market contraction in the magnitude of 25%. The situation in the Russian market will remain difficult, so demand there is expected to fall again. Demand in China is likely to recover significantly after last year's sharp market contraction. Demand in Japan for light-, medium- and heavy-duty trucks is likely to be relatively solid. In a rather sluggish economic environment, the market volume should be at about the prior-year level. The Indonesian truck market is likely to contract once again; from today's perspective, we anticipate contraction of approximately 15%. In India, further significant growth is to be expected in the segment of medium- and heavy-duty trucks.

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

We expect a slightly larger market volume for **buses** in Western Europe in 2016 than in 2015. Following the substantial drop in demand for buses in Brazil, we anticipate further significant market contraction there in full-year 2016.

On the basis of the assumptions presented above on the development of the markets important for us and of the division's current assessments, Daimler expects to significantly increase its **total unit sales** once again in the year 2016. However, the rate of growth is likely to be rather lower than in 2015, which featured exceptional dynamism.

Following the strongest first half of a year for **Mercedes-Benz Cars** with more than a million vehicles sold, we intend to continue our growth in the second half and to significantly increase our unit sales in full-year 2016. This will be primarily driven by the new E-Class sedan, which was launched recently. The new E-Class station wagon can also be ordered in Europe as of July. In the fall, the long-wheelbase version of the new E-Class sedan will be at the Chinese dealerships and is expected to provide further sales stimulus. The new GLC Coupé and C-Class Cabriolet – two models without a predecessor in the current product portfolio – will also boost sales in the third quarter. Additional growth in unit sales will be ensured by the revised versions of the CLA and CLA Shooting Brake. And the smart cabrio will be launched in the United States in time for the summer.

For the year 2016, **Daimler Trucks** now expects significantly lower unit sales than in 2015. In the NAFTA region, we anticipate a considerable decrease in unit sales due to generally weak demand. In the Middle East, the continuation of low oil prices is having a negative impact on demand, so we expect unit sales there to be significantly lower than in the previous year. Our truck sales in the EU30 region (European Union, Switzerland and Norway) should increase significantly along with rising market expectations. In Turkey, we anticipate a significant decrease in unit sales. This is primarily due to purchases being brought forward to 2015 because of the Euro VI emission standard, which took effect as of January 2016 also in Turkey. Due to the lack of economic dynamism, our unit sales in Brazil are likely to decrease again in 2016. In Japan, we expect to maintain our truck sales at the level of the previous year. In India, we assume that we will sell more trucks than in 2015. And we will generate additional unit sales in Asia and Africa with the expanded range of FUSO vehicles produced in India. In Indonesia, we expect a decrease in our unit sales due to the overall weakness of demand in that market.

Mercedes-Benz Vans plans to achieve significant growth in unit sales in 2016. We anticipate significant increases in sales of vans above all in Western Europe, our core market. In the context of our strategy for the division, "Mercedes-Benz Vans goes global," following the successful market launch of the V-Class in China in spring 2016, we will also launch the new Vito there in the second half of the year. This will allow us to expand our presence in the market we address in that country.

Daimler Buses assumes that it will be able to defend its market leadership in its core markets for buses above 8 tons with innovative, high-quality and modern products. For the year 2016, we now anticipate total unit sales at slightly below the prior-year level. This is based on the ongoing assumption of significant growth in unit sales in Western Europe. Following the significant decrease in Brazil in 2015, we expect another significant fall in unit sales in 2016. In Mexico, unit sales are expected to be at prior-year level.

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

We assume that the **Daimler Group's revenue** will increase slightly in 2016. In regional terms, we anticipate the strongest revenue growth in Asia and Western Europe, but our business volumes should grow also in the other regions.

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

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

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

In order to achieve our ambitious growth targets, we will once again significantly increase our already very high **investment in property, plant and equipment** in the year 2016 (2015: €5.1 billion). In addition to capital expenditure, we are developing our position in the emerging markets by means of targeted financial investments in joint ventures and equity interests.

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

Against the backdrop of further efficiency progress in the context of our medium- and long-term programs for structural improvements in our business processes, we assume that we will be able to achieve our ambitious growth targets with only slight **workforce** growth.

Mercedes-Benz Cars

Record unit sales of 546,500 vehicles in the second quarter (Q2 2015: 500,700)
Very strong growth in the SUV segment
Five market launches in the second quarter
EBIT of €1,410 million (Q2 2015: €2,227 million) significantly below prior year

D.01 Q2

€ amounts in millions	Q2 2016	Q2 2015	% change
EBIT	1,410	2,227	-37
Revenue	22,122	21,136	+5
Unit sales	546,517	500,694	+9
Production	570,041	503,950	+13
Employees	141,233	136,941[1]	+3

1 As of December 31, 2015.

D.02 Q2

Unit sales	Q2 2016	Q2 2015	% change
Total	546,517	500,694	+9
Western Europe	226,430	200,939	+13
Germany	84,040	78,689	+7
United States	86,617	90,383	-4
China	117,134	91,152	+29
Other markets	116,336	118,220	-2

Record unit sales at Mercedes-Benz Cars once again
Mercedes-Benz Cars' second-quarter unit sales increased by 9% to 546,500 vehicles. The car division thus set once again a new record in the past quarter. Revenue rose by 5% to €22.1 billion and EBIT amounted to €1,410 million (Q2 2015: €2,227 million).

In Europe, Mercedes-Benz Cars sold 256,300 units, which is 13% more than in the prior-year quarter and a new record. Particularly high growth rates of over 20% were achieved in France, Belgium, Sweden and Poland. In Germany, we sold 84,000 vehicles of the Mercedes-Benz and smart brands in the period of April through June (+7%). In China, its biggest single market, Mercedes-Benz Cars set the new record of 117,100 units sold (+29%). In the United States, Mercedes-Benz Cars sold 86,600 vehicles in the second quarter (Q2 2015: 90,400).

New records for SUVs and compact cars
The compact cars of the Mercedes-Benz brand continue to be very popular. In the second quarter, 112,700 units of the A-/B-Class, the CLA and the CLA Shooting Brake were sold (+2%). In the C-Class segment, unit sales increased by 13% to 127,600 vehicles. Sales of the E-Class decreased to 46,400 units because of the change to the new model in the second quarter (Q2 2015: 64,500). The S-Class was once again the world's bestselling luxury sedan in the second quarter with sales of 22,800 units (Q2 2015: 28,200). The SUVs continued to make an above-average contribution to the strong growth. In the second quarter, sales of those models increased by 41% to 179,800 units.

Five market launches in the second quarter
Mercedes-Benz Cars' model offensive continued, with five new or upgraded models launched in April. In addition to the new generation of the E-Class sedan and the GLS, the dream cars SL, SLC and the new S-Class Cabriolet were in the dealerships in Europe punctually for the start of spring. The new smart BRABUS models and the long-wheelbase version of the E-Class sedan, which was specially developed for the Chinese market, were presented at the Beijing Motor Show in late April. The sixth generation of the E-Class station wagon was presented to the public for the first time in June.

New engine plant planned in Poland
Utilization of capacity at our car and powertrain plants was at a high level also in the second quarter. At BBAC in China, production of the long-wheelbase version of the new E-Class started successfully in June, and the Mercedes-Benz plant in Bremen started production of the C-Class Cabriolet and the GLC Coupé. In addition, we are further expanding our worldwide production network in the context of our "Mercedes-Benz 2020" growth strategy, and plan to establish a new engine plant in Jawor, Poland.

D.03 Q1-2

€ amounts in millions	Q1-2 2016	Q1-2 2015	% change
EBIT	2,805	4,068	-31
Revenue	42,102	40,645	+4
Unit sales	1,043,273	960,402	+9
Production	1.093.070	998,920	+9
Employees	141.233	136,941[1]	+3

1 As of December 31, 2015.

D.04 Q1-2

Unit sales	Q1-2 2016	Q1-2 2015	% change
Total	1,043,273	960,402	+9
Western Europe	426,875	377,284	+13
Germany	153,763	144,083	+7
United States	163,870	178,097	-8
China	225,476	178,578	+26
Other markets	227,052	226,443	+0

Daimler Trucks

Sales of 108,300 units significantly below prior-year level (Q2 2015: 125,100)
Multi-brand synergy potential through expansion of intelligent platforms
Fleet test with FUSO electric trucks in Germany
EBIT below prior-year level at €621 million (Q2 2015: €682 million)

D.05 Q2

€ amounts in millions	Q2 2016	Q2 2015	% change
EBIT	621	682	-9
Revenue	8,666	9,441	-8
Unit sales	108,282	125,113	-13
Production	110,501	126,972	-13
Employees	84,102	86,391[1]	-3

1 As of December 31, 2015.

D.06 Q2

Unit sales	Q2 2016	Q2 2015	% change
Total	108,282	125,113	-13
EU30[1]	20,381	18,028	+13
NAFTA	40,643	49,388	-18
Latin America (excluding Mexico)	6,779	8,549	-21
Asia	30,385	35,416	-14
Other markets	10,094	13,732	-26
BFDA (Auman Trucks)	21,259	18,929	+12
Total (including BFDA)	129,541	144,042	-10

1 European Union, Switzerland and Norway

Unit sales, revenue and EBIT below prior-year levels
Unit sales by Daimler Trucks decreased to 108,300 vehicles in the second quarter (Q2 2015: 125,100). Revenue reached €8.7 billion (Q2 2015: €9.4 billion) and EBIT amounted to €621 million (Q2 2015: €682 million).

Decreasing unit sales in many regions, positive in EU30
In the EU30 region (European Union, Switzerland and Norway), Daimler Trucks achieved 13% growth in unit sales to 20,400 vehicles. Mercedes-Benz had a market share in the segment of medium- and heavy-duty trucks of 20.3% (Q2 2015: 19.7%). In Germany, our core market, we sold 8,300 trucks (Q2 2015: 7,600) and are the market leader in the segment of medium- and heavy-duty trucks; Mercedes-Benz trucks gained 36.9% of the market (Q2 2015: 31.1%). In Turkey, lower demand due to the introduction of the Euro VI emission standard in 2016 caused sales to decrease to 3,100 units (Q2 2015: 6,600).

The weakening of demand in the NAFTA region had an impact on unit sales, which decreased to 40,600 vehicles (Q2 2015: 49,400). We continued to strengthen our market leadership in Classes 6-8 and achieved a market share of 40.9% (Q2 2015: 37.3%). The development of unit sales in Latin America is still negative due to the generally weak market there. In Brazil, our main market, sales fell to 3,000 units (Q2 2015: 4,400). We achieved market leadership in the medium- and heavy-duty segment with a share of 30.8% (Q2 2015: 26.2%). Sales in Indonesia also decreased for market-related reasons to 5,600 units (Q2 2015: 9,500). Sales in the Middle East decreased to 3,900 units (Q2 2015: 7,600). In Japan, unit sales grew by 6% to 11,000 vehicles. FUSO achieved a share of 20.9% of the overall Japanese truck market (Q2 2015: 21.0%). Unit sales in India rose to 3,900 vehicles (Q2 2015: 3,000). Sales by BFDA of Auman trucks increased by 12% to 21,300 units.

Daimler Trucks extends its platform strategy
We are working continuously on the three pillars of our strategy. We will extend the strategic pillar of intelligent platforms beyond the drivetrain to include the electric and electronic architecture, the chassis and the cab. We are systematically pursuing our strategy of a global market presence: We opened the last of six regional centers for sales and service of our commercial vehicles in Chennai for the region of Southern Asia. As a technology leader, we have started the first fleet test of locally emission-free electric trucks in Germany with five battery-powered FUSO Canter E-Cell trucks.

More connectivity, safety and efficiency at Mercedes-Benz
Our new Road Efficiency concept creates the conditions for even more economical use of our Mercedes-Benz trucks. The Mercedes-Benz Uptime service increases vehicle availability for operators by applying real-time data. We protect other road users, especially pedestrians and cyclists, with Sideguard Assist and Active Brake Assist with pedestrian detection. And with the latest generations of heavy-duty truck engines from Mercedes-Benz and optimizations of the entire vehicle, the Actros model consumes up to 6% less fuel.

D.07 Q1-2

€ amounts in millions	Q1-2 2016	Q1-2 2015	% change
EBIT	1,137	1,154	-1
Revenue	16,870	17,855	-6
Unit sales	213,946	237,537	-10
Production	222,410	249,208	-11
Employees	84,102	86,391[1]	-3

1 As of December 31, 2015.

D.08 Q1-2

Unit sales	Q1-2 2016	Q1-2 2015	% change
Total	213,946	237,537	-10
EU30	35,850	31,684	+13
NAFTA	81,071	90,232	-10
Latin America (excluding Mexico)	12,745	15,785	-19
Asia	65,804	72,693	-9
Other markets	18,476	27,143	-32
BFDA (Auman Trucks)	38,398	34,831	+10
Total (including BFDA)	252,344	272,368	-7

Mercedes-Benz Vans

Best unit sales in a second quarter with 99,600 vehicles sold (Q2 2015: 81,600)
Strong growth for all products: V-Class unit sales up by 70%
Expansion of production capacities at main plant for mid-size vans in Vitoria, Spain
EBIT substantially higher than prior-year period at €401 million (Q2 2015: €234 million)

D.09 Q2

€ amounts in millions	Q2 2016	Q2 2015	% change
EBIT	401	234	+71
Revenue	3,441	2,829	+22
Unit sales	99,583	81,611	+22
Production	103,688	86,507	+20
Employees	23,744	22,639[1]	+5

1 As of December 31, 2015.

D.10 Q2

Unit sales	Q2 2016	Q2 2015	% change
Total	99,583	81,611	+22
Western Europe	64,771	54,254	+19
Germany	26,830	22,550	+19
Eastern Europe	9,675	7,847	+23
NAFTA	11,635	10,337	+13
Latin America (excluding Mexico)	3,045	3,778	-19
China	4,230	1,909	+122
Other markets	6,227	3,486	+79

New records for unit sales, revenue and EBIT
Mercedes-Benz Vans increased its unit sales by 22% to the new record of 99,600 vehicles in the second quarter of 2016. Revenue also rose strongly compared with the prior-year period: by 22% to the level of €3.4 billion (Q2 2015: €2.8 billion). The van division's EBIT also reached a new record of €401 million (Q2 2015: €234 million).

Mercedes-Benz Vans continues along its growth path
In its core region of Western Europe, Mercedes-Benz Vans achieved significant growth in unit sales of 19% to 64,800 units. Our vehicles were particularly popular in the major markets of Western Europe, with strong growth in the United Kingdom (+15%), France (+17%), Spain (+26%) and Italy (+38%). In Germany, the domestic market, sales increased again significantly to 26,800 units (+19%). Primarily due to strong demand in Poland, Czechia and Hungary, sales in Eastern Europe grew by 23% to 9,700 units.

The development of unit sales was positive once again in the NAFTA region: Sales in the United States increased by 10% to 8,800 units. But markets remained difficult in Latin America, where unit sales decreased to 3,000 vehicles (-19%). In China, we achieved strong growth of 122% to 4,200 units.

The division's market success was due in particular to the new models in the mid-size segment, where second-quarter unit sales increased by 39% to 38,600 vehicles. Sales of the Vito rose by 26% to 24,700 units. The V-Class multipurpose vehicle was also very popular with customers, achieving sale growth of 70% to 13,900 units in the second quarter of 2016 (Q2 2015: 8,200). The Sprinter large van posted a year-on-year increase of 11% to 54,100 units. Unit sales of the Citan increased by 28% to 6,900 vehicles.

Thanks to sales success of Vito and V-Class: significant expansion of production capacities at main plant for mid-size vans in Vitoria
In order to meet the ongoing strong demand for the Vito and the V-Class, Mercedes-Benz Vans is further expanding its production capacities at its plant in Vitoria, Spain. The introduction of a third shift in October this year will significantly increase annual output at the main plant worldwide for the production of vans in the mid-size segment. The division will thus increase its investment at the plant to a total of approximately €260 million since the beginning of preparations for production of the current vehicle generation.

More power and payload for the Sprinter
Mercedes-Benz Vans presented the Sprinter in a higher weight category and with two new entry-level engines this April. The new version of the bestseller is now also approved for a gross vehicle weight of 5.5 metric tons, which is half a ton above the previous limit. Compared with the previous top model, this heavy-duty Sprinter has a significantly increased payload of 2.95 to 3.41 metric tons, depending on the model version.

D.11 Q1-2

€ amounts in millions	Q1-2 2016	Q1-2 2015	% change
EBIT	702	449	+56
Revenue	6,256	5,244	+19
Unit sales	176,230	145,416	+21
Production	193,429	161,229	+20
Employees	23,744	22,639[1]	+5

1 As of December 31, 2015.

D.12 Q1-2

Unit sales	Q1-2 2016	Q1-2 2015	% change
Total	176,230	145,416	+21
Western Europe	115,054	95,974	+20
Germany	46,043	40,551	+14
Eastern Europe	16,965	14,829	+14
NAFTA	21,884	17,877	+22
Latin America (excluding Mexico)	5,525	7,436	-26
China	5,718	2,801	+104
Other markets	11,084	6,499	+71

Daimler Buses

Unit sales below prior-year level at 7,000 buses and bus chassis
Ongoing strong demand for complete buses in Western Europe
Buses of the Mercedes-Benz and Setra brands receive prestigious awards
EBIT substantially higher than prior-year period at €88 million (Q2 2015: €57 million)

D.13 Q2

€ amounts in millions	Q2 2016	Q2 2015	% change
EBIT	88	57	+54
Revenue	1,122	1,037	+8
Unit sales	6,958	7,341	-5
Production	6,600	7,972	-17
Employees	17,569	18,147[1]	-3

1 As of December 31, 2015.

D.14 Q2

Unit sales	Q2 2016	Q2 2015	% change
Total	6,958	7,341	-5
Western Europe	2,027	1,769	+15
Germany	726	691	+5
Mexico	614	945	-35
Latin America (excluding Mexico)	2,988	3,307	-10
Asia	521	242	+115
Other markets	808	1,078	-25

Significant growth in revenue and EBIT
Daimler Buses' second quarter unit sales of 7,000 buses and bus chassis were significantly lower than the prior-year number of 7,300 units. Growth in Western Europe because of increased demand for complete buses partially offset declining unit sales of bus chassis in Latin America. As a result of the stronger business with complete buses, revenue grew to €1.1 billion (Q2 2015: €1.0 billion). EBIT improved to €88 million (Q2 2015: €57 million).

Lower unit sales in Brazil and Mexico
Growth in unit sales of complete buses continued at Daimler Buses in the second quarter of 2016 due to the positive development of demand in Western Europe. In this region, 2,000 buses of the Mercedes-Benz and Setra brands were sold (Q2 2015: 1,800). In Germany, the domestic market, sales improved to 700 units along with unchallenged market leadership; this represents growth of 5% compared with the prior-year quarter. In Turkey, we sold 300 units in the period under review (Q2 2015: 400).

Sales of 3,000 units in Latin America (excluding Mexico) were significantly lower than in the prior-year quarter (Q2 2015: 3,300). The ongoing difficult economic situation in Brazil, the region's biggest market, continued to have a negative impact on demand for bus chassis. In Mexico, we sold 600 units in the second quarter (Q2 2015: 900).

"Best Commercial Vehicles 2016" and "Best Brands 2016"
In the poll of readers by the ETM publishing house, buses of the Mercedes-Benz and Setra brands won awards in the "Best Commercial Vehicles 2016" and "Best Brands 2016" categories. First places went to Mercedes-Benz Citaro in the "Urban Buses" category and to the new Mercedes-Benz Tourismo in the "Midi Buses" category. The Setra TopClass 500 HDH was the winner in the "High Decker Coach" category.

Daimler Buses receives Frost & Sullivan Award
Daimler Buses Latin America was presented with the "2016 Latin American Bus and Coach Chassis Price/Performance Value Leadership" award by the corporate consulting company Frost & Sullivan. The assessment took consideration of factors such as focus on performance, problem-solving competence, customer and service orientation, and the implementation of innovative and sustainable strategies.

Mercedes-Benz natural-gas buses for Madrid and other major orders
Madrid, the Spanish capital, is focusing on alternative drive systems with the renewal of its bus fleet. In this context, the public-transport authorities there have ordered 40 Mercedes-Benz Citaro natural-gas articulated buses and 42 Mercedes-Benz natural-gas solo buses. Daimler Buses gained further major orders in Poland for 63 coaches and 21 city buses.

D.15 Q1-2

€ amounts in millions	Q1-2 2016	Q1-2 2015	% change
EBIT	127	91	+40
Revenue	1,952	1,914	+2
Unit sales	11,776	13,018	-10
Production	12,176	15,730	-23
Employees	17,569	18,147[1]	-3

1 As of December 31, 2015.

D.16 Q1-2

Unit sales	Q1-2 2016	Q1-2 2015	% change
Total	11,776	13,018	-10
Western Europe	3,385	3,018	+12
Germany	1,208	1,012	+19
Mexico	1,156	1,522	-24
Latin America (excluding Mexico)	5,144	6,239	-18
Asia	704	380	+85
Other markets	1,387	1,859	-25

Daimler Financial Services

New business up by 4%
Contract volume rises to €120 billion
Expansion of fleet management with acquisition of Athlon Car Lease International
EBIT of €479 million (Q2 2015: €445 million) above prior year

D.17 Q2

€ amounts in millions	Q2 2016	Q2 2015	% change
EBIT	479	445	+8
Revenue	5,014	4,769	+5
New business	15,415	14,765	+4
Contract volume	120,319	116,727[1]	+3
Employees	10,497	9,975[1]	+5

1 As of December 31, 2015.

New business up by 4% worldwide
Daimler Financial Services once again increased its new business: In the second quarter of 2016, 411,000 new leasing and financing contracts were concluded with a total volume of €15.4 billion, which is 4% more than in the prior-year period. Contract volume reached €120.3 billion at the end of June and was 3% above the level of year-end 2015. Adjusted for exchange-rate effects, contract volume grew by 4%. Second-quarter EBIT amounted to €479 million (Q2 2015: €445 million).

Further growth in Europe
In the whole of Europe, approximately 220,000 new leasing and financing contracts were signed in the second quarter (+12%). New business thus increased by 15% to €7.1 billion. Demand for our financial services was particularly high in Italy (+24%), Germany (+19%) and the Benelux countries (+18%). Contract volume in Europe increased by 3% compared with year-end 2015 to reach €47.1 billion. Mercedes-Benz Bank's deposit volume in the direct banking business amounted to €10.8 billion at the end of the quarter, slightly higher than at the end of 2015 (+4%). Daimler Financial Services is also making a strategic investment in the growth of the fleet-management business, acquiring Athlon Car Lease International for €1.1 billion.

The Americas: decrease in new business
In the Americas region, leasing and financing contracts with a total value of €5.2 billion were concluded (-10%). While growth was achieved in Mexico, new business in Brazil and Argentina decreased because of those countries' economic situations. Contract volume of €50.9 billion in the Americas region at the end of June was at the level of year-end 2015.

D.18 Q1-2

€ amounts in millions	Q1-2 2016	Q1-2 2015	% change
EBIT	911	854	+7
Revenue	9,876	9,318	+6
New business	29,122	27,992	+4
Contract volume	120,319	116,727[1]	+3
Employees	10,497	9,975[1]	+5

1 As of December 31, 2015.

Further increase in new business in Africa & Asia-Pacific
New business in the Africa & Asia-Pacific region grew by 11% to €3.1 billion in the second quarter. In China and Japan, the value of newly signed leasing and financing contracts increased compared with the prior-year period by 26% and 15% respectively. Contract volume in the Africa & Asia-Pacific region amounted to €22.2 billion at the end of June, representing growth of 10% compared with the end of 2015.

Renewed growth in the insurance business
In the insurance business, Daimler Financial Services brokered 432,000 contracts in the second quarter of this year (+2%). The development was particularly good in China (+39%) and Italy (+19%).

Expansion of mobility services
car2go has already gained 78,000 customers since opening its first Chinese operation in Chongqing in March 2016. And in June, the company expanded its Berlin fleet with 300 vehicles of the Mercedes-Benz brand for the first time.

In April, we integrated Hamburg into the moovel app, the first city with more than a million inhabitants. Since then, it is possible to book and pay for journeys in the entire Hamburg public transport system using moovel. The moovel Group consolidated its activities in North America in April: Globe Sherpa was merged into RideScout and renamed as moovel North America.

Consolidated Statement of Income (unaudited) Q2

E.01

	Consolidated Group		Industrial Business		Daimler Financial Services	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
In millions of euros						
Revenue	38,616	37,527	33,602	32,758	5,014	4,769
Cost of sales[1]	-30,851	-29,254	-26,599	-25,225	-4,252	-4,029
Gross profit	7,765	8,273	7,003	7,533	762	740
Selling expenses	-2,975	-3,145	-2,821	-3,005	-154	-140
General administrative expenses[1]	-794	-787	-614	-615	-180	-172
Research and non-capitalized development costs	-1,263	-1,189	-1,263	-1,189	-	-
Other operating income	418	429	379	404	39	25
Other operating expense	-601	-118	-598	-111	-3	-7
Profit/loss on equity-method investments, net	150	92	151	93	-1	-1
Other financial income, net	555	160	539	160	16	-
Interest income	71	36	71	36	-	-
Interest expense	-150	-126	-149	-124	-1	-2
Profit before income taxes[2]	3,176	3,625	2,698	3,182	478	443
Income taxes	-724	-1,253	-556	-1,104	-168	-149
Net profit	2,452	2,372	2,142	2,078	310	294
thereof profit attributable to non-controlling interests	23	103				
thereof profit attributable to shareholders of Daimler AG	2,429	2,269				
Earnings per share (in euros)						
for profit attributable to shareholders of Daimler AG						
Basic	2.27	2.12				
Diluted	2.27	2.12				

1 In the industrial business, €78 million was reclassified from general administrative expenses into cost of sales in the second quarter of 2015 (Note 4).
2 The reconciliation of Group EBIT to profit before income taxes is presented in Note 20.

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

Consolidated Statement of Income (unaudited) Q1-2

E.02

	Consolidated Group		Industrial Business		Daimler Financial Services	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
In millions of euros						
Revenue	73,663	71,763	63,787	62,445	9,876	9,318
Cost of sales[1]	-58,953	-56,040	-50,564	-48,157	-8,389	-7,883
Gross profit	14,710	15,723	13,223	14,288	1,487	1,435
Selling expenses	-5,894	-6,065	-5,584	-5,796	-310	-269
General administrative expenses[1]	-1,548	-1,616	-1,209	-1,271	-339	-345
Research and non-capitalized development costs	-2,501	-2,315	-2,501	-2,315	-	-
Other operating income	959	884	896	837	63	47
Other operating expense	-744	-234	-735	-222	-9	-12
Profit/loss on equity-method investments, net	-9	240	-7	242	-2	-2
Other financial income, net	427	2	406	2	21	-
Interest income	134	87	134	87	-	-
Interest expense	-280	-280	-277	-277	-3	-3
Profit before income taxes[2]	5,254	6,426	4,346	5,575	908	851
Income taxes	-1,402	-2,004	-1,096	-1,721	-306	-283
Net profit	3,852	4,422	3,250	3,854	602	568
thereof profit attributable to non-controlling interests	70	190				
thereof profit attributable to shareholders of Daimler AG	3,782	4,232				
Earnings per share (in euros)						
for profit attributable to shareholders of Daimler AG						
Basic	3.54	3.96				
Diluted	3.54	3.96				

1 In the industrial business, €158 million was reclassified from general administrative expenses into cost of sales in the first half-year of 2015 (Note 4).
2 The reconciliation of Group EBIT to profit before income taxes is presented in Note 20.

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

Consolidated Statement of Comprehensive Income/Loss (unaudited) Q2

E.03

	Consolidated Group	
	Q2 2016	Q2 2015
In millions of euros		
Net profit	2,452	2,372
Unrealized gains/losses on currency translation	844	-976
Unrealized gains/losses on financial assets available for sale	-814	65
Unrealized gains/losses on derivative financial instruments	-122	1,260
Unrealized losses on equity-method investments	-2	-4
Items that may be reclassified to profit/loss	-94	345
Actuarial gains/losses from pensions and similar obligations	-1,164	2,923
Items that will not be reclassified to profit/loss	-1,164	2,923
Other comprehensive income/loss, net of taxes	-1,258	3,268
thereof income/loss attributable to non-controlling interests, after taxes	23	-28
thereof income/loss attributable to shareholders of Daimler AG, after taxes	-1,281	3,296
Total comprehensive income/loss	1,194	5,640
thereof income/loss attributable to non-controlling interests	46	75
thereof income/loss attributable to shareholders of Daimler AG	1,148	5,565

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

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

E.04

	Consolidated Group	
	Q1-2 2016	Q1-2 2015
In millions of euros		
Net profit	3,852	4,422
Unrealized gains on currency translation	189	1,765
Unrealized gains/losses on financial assets available for sale	-1,078	594
Unrealized gains/losses on derivative financial instruments	1,480	-1,416
Unrealized losses on equity-method investments	-3	-1
Items that may be reclassified to profit/loss	588	942
Actuarial gains/losses from pensions and similar obligations	-3,090	2,354
Items that will not be reclassified to profit/loss	-3,090	2,354
Other comprehensive income/loss, net of taxes	-2,502	3,296
thereof income/loss attributable to non-controlling interests, after taxes	2	80
thereof income/loss attributable to shareholders of Daimler AG, after taxes	-2,504	3,216
Total comprehensive income/loss	1,350	7,718
thereof income/loss attributable to non-controlling interests	72	270
thereof income/loss attributable to shareholders of Daimler AG	1,278	7,448

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

Consolidated Statement of Financial Position (unaudited)

E.05

	Consolidated Group		Industrial Business		Daimler Financial Services	
	June 30, 2016	Dec. 31, 2015	June 30, 2016	Dec. 31, 2015	June 30, 2016	Dec. 31, 2015
In millions of euros						
Assets						
Intangible assets	10,655	10,069	10,442	9,847	213	222
Property, plant and equipment	25,051	24,322	24,992	24,262	59	60
Equipment on operating leases	39,893	38,942	16,611	15,864	23,282	23,078
Equity-method investments	3,583	3,633	3,563	3,610	20	23
Receivables from financial services	40,371	38,359	-46	-58	40,417	38,417
Marketable debt securities	1,029	1,148	1	1	1,028	1,147
Other financial assets	3,521	4,908	-2,416	-536	5,937	5,444
Deferred tax assets	4,448	3,284	3,731	2,747	717	537
Other assets	654	654	-2,548	-2,371	3,202	3,025
Total non-current assets	129,205	125,319	54,330	53,366	74,875	71,953
Inventories	26,198	23,760	25,478	22,862	720	898
Trade receivables	9,457	9,054	8,259	8,215	1,198	839
Receivables from financial services	35,537	35,155	-35	-24	35,572	35,179
Cash and cash equivalents	13,988	9,936	12,665	8,369	1,323	1,567
Marketable debt securities	7,923	7,125	7,700	6,998	223	127
Other financial assets	3,234	2,546	-6,767	-7,435	10,001	9,981
Other assets	4,597	4,271	1,383	952	3,214	3,319
Total current assets	100,934	91,847	48,683	39,937	52,251	51,910
Total assets	230,139	217,166	103,013	93,303	127,126	123,863
Equity and liabilities						
Share capital	3,070	3,070				
Capital reserves	11,915	11,917				
Retained earnings	34,208	36,991				
Other reserves	2,167	1,583				
Equity attributable to shareholders of Daimler AG	51,360	53,561				
Non-controlling interests	931	1,063				
Total equity	52,291	54,624	42,468	44,752	9,823	9,872
Provisions for pensions and similar obligations	11,494	8,663	11,312	8,546	182	117
Provisions for income taxes	695	875	693	874	2	1
Provisions for other risks	6,797	6,120	6,634	5,994	163	126
Financing liabilities	65,234	59,831	21,110	18,805	44,124	41,026
Other financial liabilities	2,550	2,876	1,973	2,301	577	575
Deferred tax liabilities	2,720	2,215	-1,151	-1,363	3,871	3,578
Deferred income	5,058	4,851	4,307	4,144	751	707
Other liabilities	30	30	30	30	-	-
Total non-current liabilities	94,578	85,461	44,908	39,331	49,670	46,130
Trade payables	13,316	10,548	12,825	10,182	491	366
Provisions for income taxes	806	777	707	709	99	68
Provisions for other risks	8,985	9,710	8,484	9,204	501	506
Financing liabilities	45,352	41,311	-17,058	-21,417	62,410	62,728
Other financial liabilities	8,980	9,484	6,643	7,133	2,337	2,351
Deferred income	3,119	2,888	2,129	1,886	990	1,002
Other liabilities	2,712	2,363	1,907	1,523	805	840
Total current liabilities	83,270	77,081	15,637	9,220	67,633	67,861
Total equity and liabilities	230,139	217,166	103,013	93,303	127,126	123,863

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

Consolidated Statement of Cash Flows (unaudited)

E.06

	Consolidated		Industrial Business		Daimler Financial Services	
	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015	Q1-2 2016	Q1-2 2015
In millions of euros						
Profit before income taxes	5,254	6,426	4,346	5,575	908	851
Depreciation and amortization/impairments	2,679	2,653	2,643	2,618	36	35
Other non-cash expense and income	-582	-246	-621	-275	39	29
Gains (-)/losses (+) on disposals of assets	-30	-92	-13	-91	-17	-1
Change in operating assets and liabilities						
Inventories	-2,416	-2,335	-2,580	-2,538	164	203
Trade receivables	-351	-368	14	-395	-365	27
Trade payables	2,709	1,742	2,590	1,640	119	102
Receivables from financial services	-2,726	-5,096	66	210	-2,792	-5,306
Vehicles on operating leases	-1,687	-2,011	-38	-137	-1,649	-1,874
Other operating assets and liabilities	1,262	963	943	623	319	340
Income taxes paid	-1,490	-634	-1,405	-549	-85	-85
Cash used for/provided by operating activities	2,622	1,002	5,945	6,681	-3,323	-5,679
Additions to property, plant and equipment	-2,455	-2,072	-2,441	-2,060	-14	-12
Additions to intangible assets	-1,370	-1,000	-1,348	-988	-22	-12
Proceeds from disposals of property, plant and equipment and intangible assets	128	226	119	218	9	8
Investments in shareholdings	-194	-354	-190	-327	-4	-27
Proceeds from disposals of shareholdings	27	17	9	-110	18	127
Acquisition of marketable debt securities	-3,376	-1,074	-3,352	-1,071	-24	-3
Proceeds from sales of marketable debt securities	2,780	1,475	2,727	1,228	53	247
Other	9	-8	20	12	-11	-20
Cash used for/provided by investing activities	-4,451	-2,790	-4,456	-3,098	5	308
Change in financing liabilities	9,669	4,560	7,775	2,701	1,894	1,859
Dividend paid to shareholders of Daimler AG	-3,477	-2,621	-3,477	-2,621	-	-
Dividends paid to non-controlling interests	-196	-265	-195	-264	-1	-1
Proceeds from the issue of share capital	30	39	30	27	-	12
Acquisition of treasury shares	-38	-27	-38	-27	-	-
Internal equity and financing transactions	-	-	-1,184	-3,167	1,184	3,167
Cash used for/provided by financing activities	5,988	1,686	2,911	-3,351	3,077	5,037
Effect of foreign exchange rate changes on cash and cash equivalents	-107	278	-104	249	-3	29
Net increase/decrease in cash and cash equivalents	4,052	176	4,296	481	-244	-305
Cash and cash equivalents at beginning of period	9,936	9,667	8,369	8,341	1,567	1,326
Cash and cash equivalents at end of period	13,988	9,843	12,665	8,822	1,323	1,021

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

Consolidated Statement of Changes in Equity (unaudited)

E.07

In millions of euros	Share capital	Capital reserves	Retained earnings	Currency translation	Financial assets available for sale
Balance at January 1, 2015	3,070	11,906	28,487	775	460
Net profit	-	-	4,232	-	-
Other comprehensive income/loss before taxes	-	-	2,727	1,686	595
Deferred taxes on other comprehensive income/loss	-	-	-373	-	-1
Total comprehensive income/loss	-	-	6,586	1,686	594
Dividends	-	-	-2,621	-	-
Capital increase/Issue of new shares	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Other	-	-8	-	-	-
Balance at June 30, 2015	3,070	11,898	32,452	2,461	1,054
Balance at January 1, 2016	**3,070**	**11,917**	**36,991**	**2,145**	**1,121**
Net profit	-	-	**3,782**	-	-
Other comprehensive income/loss before taxes	-	-	**-4,256**	**177**	**-1,082**
Deferred taxes on other comprehensive income/loss	-	-	**1,168**	-	**5**
Total comprehensive income/loss	-	-	**694**	**177**	**-1,077**
Dividends	-	-	**-3,477**	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Other	-	**-2**	-	-	-
Balance at June 30, 2016	**3,070**	**11,915**	**34,208**	**2,322**	**44**

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
-1,032	-1	-	43,665	919	44,584	**Balance at January 1, 2015**
-	-	-	4,232	190	4,422	Net profit
-2,023	-1	-	2,984	80	3,064	Other comprehensive income/loss before taxes
606	-	-	232	-	232	Deferred taxes on other comprehensive income/loss
-1,417	-1	-	7,448	270	7,718	Total comprehensive income/loss
-	-	-	-2,621	-265	-2,886	Dividends
-	-	-	-	18	18	Capital increase/Issue of new shares
-	-	-27	-27	-	-27	Acquisition of treasury shares
-	-	27	27	-	27	Issue and disposal of treasury shares
-	-	-	-8	-1	-9	Other
-2,449	-2	-	48,484	941	49,425	**Balance at June 30, 2015**
-1,679	**-4**	**-**	**53,561**	**1,063**	**54,624**	**Balance at January 1, 2016**
-	**-**	**-**	**3,782**	**70**	**3,852**	Net profit
2,124	**-3**	**-**	**-3,040**	**-1**	**-3,041**	Other comprehensive income/loss before taxes
-637	**-**	**-**	**536**	**3**	**539**	Deferred taxes on other comprehensive income/loss
1,487	**-3**	**-**	**1,278**	**72**	**1,350**	Total comprehensive income/loss
-	**-**	**-**	**-3,477**	**-196**	**-3,673**	Dividends
-	**-**	**-38**	**-38**	**-**	**-38**	Acquisition of treasury shares
-	**-**	**38**	**38**	**-**	**38**	Issue and disposal of treasury shares
-	**-**	**-**	**-2**	**-8**	**-10**	Other
-192	**-7**	**-**	**51,360**	**931**	**52,291**	**Balance at June 30, 2016**

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

Notes to the Interim Consolidated Financial Statements (unaudited)

1. Presentation of the Interim Consolidated Financial Statements

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

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

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

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

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

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

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

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

2. Significant acquisitions and disposals of equity investments

Significant acquisitions

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

Significant disposals

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

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

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

3. Revenue

Revenue at Group level is comprised as follows:

E.08
Revenue

In millions of euros	Q2 2016	Q2 2015	Q1-2 2016	Q1-2 2015
Revenue from sales of goods	33,607	32,825	63,806	62,570
Revenue from the rental and leasing business	3,860	3,624	7,597	7,092
Interest from the financial services business at Daimler Financial Services	1,020	962	2,017	1,873
Revenue from sales of other services	129	116	243	228
	38,616	37,527	73,663	71,763

4. Functional costs

Cost of sales
Cost of sales increased from €29,254 million to €30,851 million in the second quarter of 2016, and primarily comprises expenses of goods sold.

Selling expenses
In the second quarter of 2016, selling expenses amounted to €2,975 million (Q2 2015: €3,145 million). Selling expenses include direct selling costs as well as selling overhead expenses and consist of personnel expenses, material costs and other selling costs.

General administrative expenses
General administrative expenses amounted to €794 million in the second quarter of 2016 (Q2 2015: €787 million). They comprise expenses which are not attributable to production, sales or research and development functions, and include personnel expenses, depreciation and amortization of fixed and intangible assets, and other administrative costs. In the second quarter and the first half of 2015, a redefinition of cost allocations led to the reclassification of €78 million and €158 million from administrative expenses to cost of sales.

Research and non-capitalized development costs
Research and non-capitalized development costs were €1,263 million in the second quarter of 2016 (Q2 2015: €1,189 million), and primarily comprise personnel expenses and material costs.

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

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

The restructuring programs also include the sale of selected operations of the Group's current sales network in Germany and abroad. Those programs affect all automotive segments, but especially the Mercedes-Benz Cars segment. In the second quarter and the first half of 2016, they resulted in expenses of €20 million and €32 million (2015: €35 million and €64 million).

At June 30, 2016, the disposal group's assets for the German and international locations amounted to €307 million (December 31, 2015: €248 million) and its liabilities amounted to €1 million (December 31, 2015: €12 million). Due to their minor impact on the Group's profitability, liquidity and capital resources, and financial position, the assets and liabilities held for sale are not presented separately in the consolidated statement of financial position. Daimler already sold parts of the disposal group.

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

Furthermore, another voluntary severance program was initiated in Brazil in the second quarter of 2016. In that period, approximately 600 voluntary severance agreements were concluded, resulting in an expense of €34 million. Daimler Trucks anticipates a total expense of up to €100 million in this respect in full-year 2016.

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

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

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

E.09

Optimization programs

	Q2 2016	Q2 2015	Q1-2 2016	Q1-2 2015
In millions of euros				
Mercedes-Benz Cars				
EBIT	-11	-16	-21	-36
Cash flow	84	59	97	55
Daimler Trucks				
EBIT	-40	-35	-41	-44
Cash flow	21	-15	10	-52
Mercedes-Benz Vans				
EBIT	-2	-4	-33	-8
Cash flow	13	1	3	-
Daimler Buses				
EBIT	-1	.	-1	-1
Cash flow	1	-	1	.

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

E.10

Provisions for optimization programs

	June 30, 2016	Dec. 31, 2015
In millions of euros		
Mercedes-Benz Cars	25	82
Daimler Trucks	11	21
Mercedes-Benz Vans	7	19
Daimler Buses	-	2

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

5. Other operating income and expense

Other operating income in the first half of 2016 amounted to €959 million (Q1-Q2 2015: €884 million). The amount for the first quarter of 2015 includes gains of €87 million from the sale of real-estate properties in the United States.

Other operating expense increased from €234 million to €744 million in the first half of 2016. The second quarter of 2016 includes expenses of €400 million connected with legal proceedings.

6. Other financial income

In the first half of 2016, financial income was €427 million (2015: €2 million). The increase results in particular from the recognition of gains of €605 million from the contribution of the equity interests in Renault and Nissan at fair value. Those gains were previously presented within other comprehensive income/loss.

7. Interest income and interest expense

Interest income and interest expense are comprised as follows:

E.11
Interest income and interest expense

In millions of euros	Q2 2016	Q2 2015	Q1-2 2016	Q1-2 2015
Interest income				
Net interest income on the net assets of defined benefit pension plans	2	1	3	2
Interest and similar income	69	35	131	85
	71	36	134	87
Interest expense				
Net interest expense on the net obligation from defined benefit pension plans	-58	-58	-117	-139
Interest and similar expense	-92	-68	-163	-141
	-150	-126	-280	-280

8. Intangible assets

Intangible assets are shown in the following table:

E.12
Intangible assets

In millions of euros	June 30, 2016	Dec. 31, 2015
Goodwill	730	727
Development costs	8,205	7,789
Other intangible assets	1,720	1,553
	10,655	10,069

9. Property, plant and equipment

Property, plant and equipment are comprised as follows:

E.13
Property, plant and equipment

In millions of euros	June 30, 2016	Dec. 31, 2015
Land, leasehold improvements and buildings including buildings on land owned by others	7,567	7,257
Technical equipment and machinery	8,688	8,430
Other equipment, factory and office equipment	5,668	5,790
Advance payments relating to plant and equipment and construction in progress	3,128	2,845
	25,051	24,322

10. Equipment on operating leases

At June 30, 2016 the carrying amount of equipment on operating leases amounted to €39,893 million (December 31, 2015: €38,942 million). In the six months ended June 30, 2016 additions and disposals amounted to €10,770 million and €5,864 million respectively (2015: €10,223 million and €5,273 million). Depreciation for the first half of 2016 was €3,264 million (2015: €2,938 million). Other changes primarily comprise the effects of currency translation.

11. Equity-method investments

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

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

E.14

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

	Associated companies	Joint ventures	Joint operations	Subsidiaries	Total
In millions of euros					
At June 30, 2016					
Equity investment[1]	**3,095**	**445**	**43**	**-**	**3,583**
Equity result (Q2 2016)[1]	**134**	**15**	**1**	**-**	**150**
Equity result (Q1-2 2016)[1]	**-13**	**2**	**2**	**-**	**-9**
At December 31, 2015					
Equity investment[1]	3,124	462	47	-	3,633
Equity result (Q2 2015)[1]	88	4	-	-	92
Equity result (Q1-2 2015)[1]	247	-8	1	-	240

1 Including investor-level adjustments.

E.15

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

	BBAC	BAIC Motor[2]	THBV (HERE)[3]	Kamaz[4]	Others	Total
In millions of euros						
At June 30, 2016						
Equity interest (in %)	**49.0**	**10.1**	**33.3**	**15.0**	**-**	**-**
Equity investment[1]	**1,677**	**512**	**629**	**61**	**216**	**3,095**
Equity result (Q2 2016)[1]	**133**	**11**	**-12**	**-2**	**4**	**134**
Equity result (Q1-2 2016)[1]	**247**	**-218**	**-40**	**-5**	**3**	**-13**
At December 31, 2015						
Equity interest (in %)	49.0	10.1	33.3	15.0	-	-
Equity investment[1]	1,418	772	668	58	208	3,124
Equity result (Q2 2015)[1]	68	24	-	-2	-2	88
Equity result (Q1-2 2015)[1]	185	65	-	-	-3	247

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

BBAC

In the second quarter of 2016, Beijing Benz Automotive Co., Ltd. (BBAC) received a capital increase of €79 million. Daimler plans to contribute additional equity of €0.1 billion, in accordance with its shareholding ratio, to BBAC in the next years.

BAIC Motor

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

THBV (HERE)

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

12. Receivables from financial services

Receivables from financial services are shown in the following table:

E.16
Receivables from financial services

	June 30, 2016			December 31, 2015		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Sales financing with customers	13,800	25,141	38,941	13,561	23,900	37,461
Sales financing with dealers	15,838	2,495	18,333	15,944	2,588	18,532
Finance-lease contracts	6,439	13,258	19,697	6,166	12,371	18,537
Gross carrying amount	36,077	40,894	76,971	35,671	38,859	74,530
Allowances for doubtful accounts	-540	-523	-1,063	-516	-500	-1,016
Net carrying amount	35,537	40,371	75,908	35,155	38,359	73,514

At June 30, 2016, finance-lease contracts included non-automotive assets from contracts of the financial services business with third parties (leveraged leases) in the amount of €162 million (December 31, 2015: €238 million).

13. Inventories

Inventories are comprised as follows:

E.17
Inventories

	June 30, 2016	Dec. 31, 2015
In millions of euros		
Raw materials and manufacturing supplies	2,818	2,643
Work in progress	3,751	3,371
Finished goods, parts and products held for resale	19,492	17,609
Advance payments to suppliers	137	137
	26,198	23,760

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

14. Equity

Conditional capital

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

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

Treasury shares

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

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

Employee share purchase plan

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

Dividend

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

15. Pensions and similar obligations

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

Contributions to pension plan assets
In the second quarter and the first half of 2016, contributions from Daimler to the Group's pension plan assets amounted to €1,868 million and €1,896 million (2015: €68 million and €96 million). The amount includes the extraordinary contribution to German plan assets of €1,800 million. Further information is provided in Note 2.

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

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

			Q2 2016			Q2 2015
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Current service cost	-148	-126	-22	-176	-149	-27
Past service cost	-2	-2	-	20	-	20
Net interest expense	-46	-36	-10	-44	-36	-8
Net interest income	2	-	2	1	-	1
	-194	-164	-30	-199	-185	-14

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

			Q1-2 2016			Q1-2 2015
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Current service cost	-297	-252	-45	-352	-298	-54
Past service cost	-17	-17	-	20	-	20
Net interest expense	-92	-73	-19	-114	-96	-18
Net interest income	3	-	3	2	-	2
	-403	-342	-61	-444	-394	-50

16. Provisions for other risks

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

E.20
Provisions for other risks

	June 30, 2016			December 31, 2015		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Product warranties	2,404	3,694	6,098	2,589	3,072	5,661
Personnel and social costs	1,554	2,150	3,704	2,189	2,175	4,364
Other	5,027	953	5,980	4,932	873	5,805
	8,985	6,797	15,782	9,710	6,120	15,830

17. Financing liabilities

Financing liabilities are comprised as follows:

E.21
Financing liabilities

	June 30, 2016			December 31, 2015		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	14,127	46,089	60,216	10,238	41,173	51,411
Commercial paper	2,375	3	2,378	2,961	-	2,961
Liabilities to financial institutions	15,859	12,253	28,112	15,226	12,085	27,311
Deposits in the direct banking business	8,479	2,423	10,902	8,012	2,520	10,532
Liabilities from ABS transactions	3,939	3,882	7,821	3,990	3,388	7,378
Liabilities from finance leases	39	222	261	43	220	263
Loans, other financing liabilities	534	362	896	841	445	1,286
	45,352	65,234	110,586	41,311	59,831	101,142

18. Legal proceedings

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

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

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

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

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

19. Financial instruments

Table ↗ E.22 shows the carrying amounts and fair values of the Group's financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Given the varying influencing factors, the reported fair values can only be viewed as indicators of the prices that may actually be achieved on the market.

E.22

Carrying amounts and fair values of financial instruments

	June 30, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
Financial assets				
Receivables from financial services	75,908	76,206	73,514	73,837
Trade receivables	9,457	9,457	9,054	9,054
Cash and cash equivalents	13,988	13,988	9,936	9,936
Marketable debt securities				
Available-for-sale financial assets	8,952	8,952	8,273	8,273
Other financial assets				
Available-for-sale financial assets	795	795	3,049	3,049
thereof equity instruments measured at fair value	89	89	2,303	2,303
thereof equity instruments measured at cost	706	706	746	746
Financial assets recognized at fair value through profit or loss	291	291	203	203
Derivative financial instruments used in hedge accounting	2,391	2,391	1,363	1,363
Other receivables and financial assets	3,278	3,278	2,839	2,839
	115,060	115,358	108,231	108,554
Financial liabilities				
Financing liabilities	110,586	111,783	101,142	101,759
Trade payables	13,316	13,316	10,548	10,548
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	178	178	263	263
Derivative financial instruments used in hedge accounting	1,699	1,699	3,120	3,120
Miscellaneous other financial liabilities	9,653	9,653	8,977	8,977
	135,432	136,629	124,050	124,667

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

Marketable debt securities, other financial assets and liabilities

Financial assets available for sale include:

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

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

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

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

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

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

E.23

Measurement hierarchy of financial assets and liabilities measured at fair value

	June 30, 2016				December 31, 2015			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros								
Financial assets measured at fair value								
Financial assets available for sale	9,041	5,265	3,776	-	10,576	6,976	3,600	-
thereof equity instruments measured at fair value	89	81	8	-	2,303	2,297	6	-
thereof marketable debt securities	8,952	5,184	3,768	-	8,273	4,679	3,594	-
Financial assets recognized at fair value through profit or loss	291	-	291	-	203	-	203	-
Derivative financial instruments used in hedge accounting	2,391	-	2,391	-	1,363	-	1,363	-
	11,723	5,265	6,458	-	12,142	6,976	5,166	-
Financial liabilities measured at fair value								
Financial liabilities recognized at fair value through profit and loss	178	-	178	-	263	-	263	-
Derivative financial instruments used in hedge accounting	1,699	-	1,699	-	3,120	-	3,120	-
	1,877	-	1,877	-	3,383	-	3,383	-

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

20. Segment reporting

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

E.24

Segment reporting for the three-month periods ended June 30

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

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Reconciliation	Daimler Group
Q2 2015								
External revenue	20,401	8,936	2,723	1,020	4,447	37,527	-	37,527
Intersegment revenue	735	505	106	17	322	1,685	-1,685	-
Total revenue	21,136	9,441	2,829	1,037	4,769	39,212	-1,685	37,527
Segment profit (EBIT)	2,227	682	234	57	445	3,645	73	3,718
thereof share of profit/loss from equity-method investments	64	5	-3	2	-1	67	25	92
thereof profit/loss from compounding and changes in discount rates of provisions for other risks	96	24	7	2	-	129	1	130

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

E.25
Segment reporting for the six-months periods ended June 30

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

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Recon-ciliation	Daimler Group
Q1-2 2015								
External revenue	39,219	16,891	5,046	1,882	8,725	71,763	-	71,763
Intersegment revenue	1,426	964	198	32	593	3,213	-3,213	-
Total revenue	40,645	17,855	5,244	1,914	9,318	74,976	-3,213	71,763
Segment profit (EBIT)	4,068	1,154	449	91	854	6,616	8	6,624
thereof share of profit/loss from equity-method investments	179	-	-5	2	-2	174	66	240
thereof profit/loss from compounding and changes in discount rates of provisions for other risks	38	-10	-4	-3	-	21	-3	18

Reconciliation

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

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

Share of profit from equity-method investments in the first quarter of 2016 primarily comprises an impairment of the investment in BAIC Motor of €244 million. It also includes the proportionate share in the results of BAIC Motor (Q2 2016: €11 million; Q2 2015: €24 million and Q1-2 2016: €27 million; Q1-2 2015: €65 million). Other corporate items include the gain of €605 million recognized in connection with the contribution of the shares of Renault and Nissan, which was previously presented under other comprehensive income. The second quarter of 2016 also includes expenses of €400 million in connection with legal proceedings. Furthermore, the item includes losses from currency transactions which are not allocated to business operations (Q2 2016: €19 million, Q2 2015: €0 million and Q1-2 2016: €241 million, Q1-2 2015: €43 million).

E.26
Reconciliation to Group figures

	Q2 2016	Q2 2015	Q1-2 2016	Q1-2 2015
In millions of euros				
Total segments' profit (EBIT)	2,999	3,645	5,682	6,616
Share of profit from equity-method investments	12	25	-218	66
Other corporate items	225	41	-64	-80
Eliminations	22	7	6	22
Group EBIT	3,258	3,718	5,406	6,624
Amortization of capitalized borrowing costs[1]	-3	-3	-6	-5
Interest income	71	36	134	87
Interest expense	-150	-126	-280	-280
Profit before income taxes	3,176	3,625	5,254	6,426

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.27.

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

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

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

In 2014, Daimler provided a joint and separate liability guarantee to external banks which provided a syndicated loan to the joint venture Shenzen BYD Daimler New Technology Co. Ltd. (SBDNT) which is allocated to the Mercedes-Benz Cars segment. The guarantee provided by Daimler amounts to RMB 750 million (approximately €102 million as of June 30, 2016) and equates to the Group's share in the loan granted to SBDNT based on its 50% equity interest in SBDNT. This loan was fully utilized as of June 30, 2016.

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

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

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

E.27
Related party relationships

				Sales of goods and services and other income				Purchases of goods and services and other expense
In millions of euros	**Q2 2016**	Q2 2015	**Q1-2 2016**	Q1-2 2015	**Q2 2016**	Q2 2015	**Q1-2 2016**	Q1-2 2015
Associated companies	**770**	909	**1,660**	1,565	**107**	50	**196**	131
thereof BBAC	**686**	851	**1,511**	1,462	**19**	10	**40**	43
Joint ventures	**107**	127	**212**	255	**19**	23	**22**	43
Joint operations	**6**	5	**14**	8	**66**	72	**122**	131

		Receivables		Payables
In millions of euros	**June 30, 2016**	Dec. 31, 2015	**June 30, 2016**	Dec. 31, 2015
Associated companies	**1,037**	936	**76**	96
thereof BBAC	**965**	884	**42**	51
Joint ventures	**156**	158	**6**	8
Joint operations	**39**	47	**14**	35

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Stuttgart, July 20, 2016

Dieter Zetsche

Wolfgang Bernhard

Renata Jungo Brüngger

Ola Källenius

Wilfried Porth

Hubertus Troska

Bodo Uebber

Thomas Weber

Auditor's Review Report

To the Supervisory Board of Daimler AG, Stuttgart

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

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

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

Stuttgart, July 20, 2016

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Wirtschaftsprüfungsgesellschaft

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

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Daimler AG
Investor Relations

Publications for our shareholders
Annual Reports (German and English)
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Financial Calendar

Interim Report Q2 2016
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Interim Report Q3 2016
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Annual Press Conference
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Investor and Analyst Conference
February 3, 2017

Annual Meeting 2017
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March 29, 2017

Interim Report Q1 2017
April 26, 2017

Interim Report Q2 2017
July 26, 2017

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

Forward-looking statements:

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

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