DAIMLER

Interim Report Q1 2017

Contents

Cover photo: E-Class Coupe.

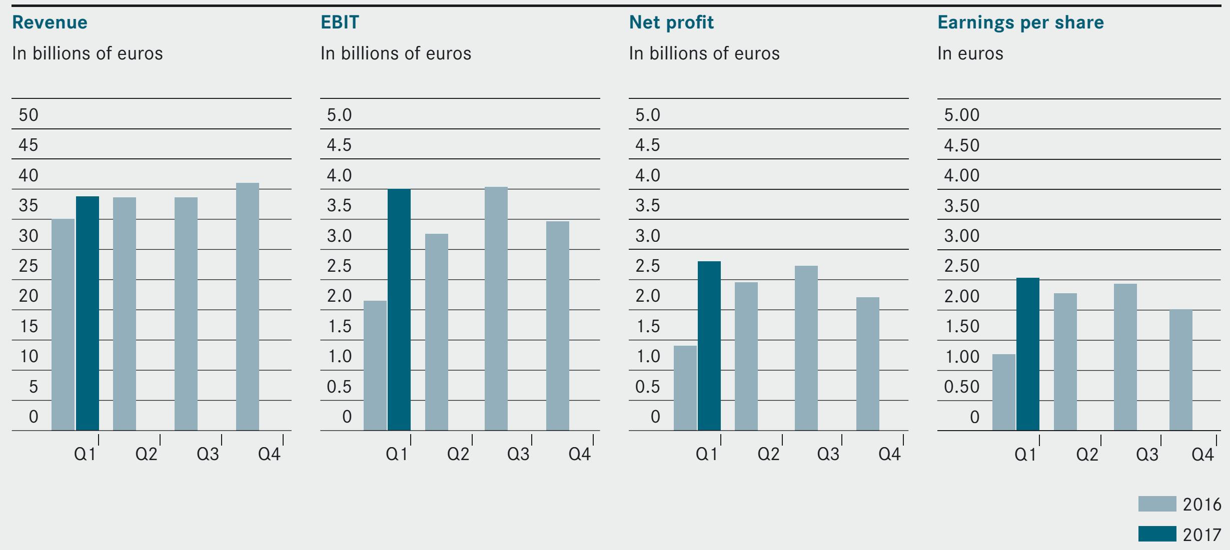
With distinctive coupe proportions, a clear but sensual design and offering long-distance comfort for four persons, the new E-Class Coupe combines the elegance and traditional virtues of a *gran turismo* with state-of-the-art technology. At the same time, it offers the intelligence of the E-Class family with comprehensive smartphone integration, a widescreen cockpit and the latest assistance systems, which also allow partially automated driving if desired. Powerful engines with low emissions and comfortable suspension with a selective damping system ensure a sporty and agile driving experience.

Q1

Key Figures Daimler Group

€ amounts in millions	Q1 2017	Q1 2016	% change
Revenue	38,776	35,047	+11 [1]
Europe	16,219	14,198	+14
thereof Germany	5,735	5,261	+9
NAFTA	11,053	10,584	+4
thereof United States	9,654	9,387	+3
Asia	9,106	8,243	+10
thereof China	4,195	3,652	+15
Other markets	2,398	2,022	+19
Investment in property, plant, equipment	1,300	1,123	+16
Research and development costs	2,133	1,724	+24
thereof capitalized development costs	685	486	+41
Free cash flow of the industrial business	1,945	264	+637
EBIT	4,008	2,148	+87
Net profit	2,801	1,400	+100
Earnings per share (in euros)	2.53	1.26	+101
Employees	285,810	282,488 [2]	+1

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

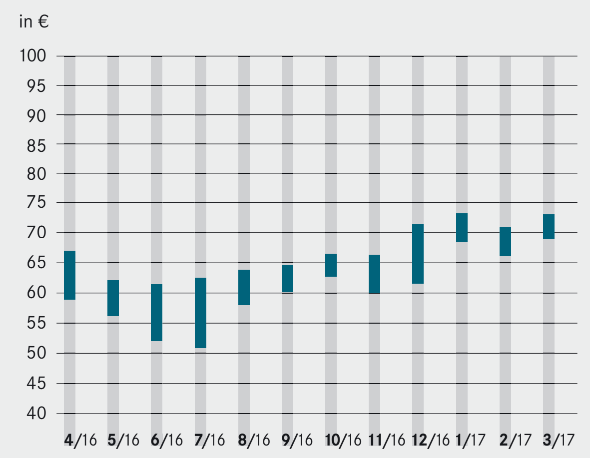


Daimler and the Capital Market

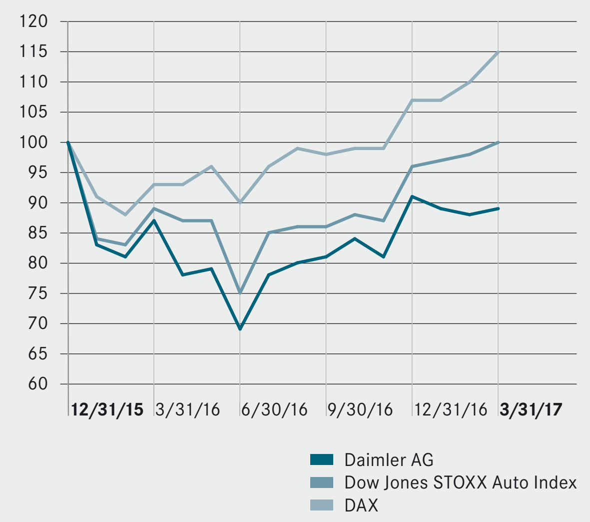
Key figures

	March 31, 2017	March 31, 2016	% change
Earnings per share in Q1 (in €)	**2.53**	1.26	+101
Outstanding shares (in millions)	**1,069.8**	1,069.8	0
Market capitalization (€ billion)	**74.03**	72.07	+3
Xetra closing price (in €)	**69.20**	67.37	+3

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



Share-price development (indexed)



Daimler shares start the year 2017 with an attractive dividend

Automobile stocks at first continued their favorable development of last year at the beginning of 2017, but the momentum weakened again towards the end of the first quarter. The positive stock-market sentiment at the beginning of the year was mainly triggered by the new US President taking office, which led investors to anticipate measures aimed at stimulating the economy. In this context, the major US stock indices climbed to new highs. However, investors reacted very cautiously at the first signs of risks. In addition to general concern about long-term demand for cars in Western Europe, the United States and Japan, investors also focused on the ongoing development of the Chinese car market after the reduction of state subsidies for car buyers at the end of last year. The debate about diesel technology also had an increasingly negative impact. On the positive side, investors recognized Daimler's sustained good business development and the long-term positive impact of the constantly high investment in future technologies. But automobile stocks remained at relatively low prices in international stock markets.

With the publication of Daimler's results for 2016, our share price rose again after a short period of weakness. Positive news about orders received for trucks in the United States and continuing high unit sales by Mercedes-Benz Cars gave Daimler shares additional momentum. Daimler's share price was €69.20 at the end of the first quarter, which is 2% lower than at the end of 2016. This decrease is due to the deduction of the dividend of €3.25 per share. Including the dividend, our shareholders had a value gain of 2.4% in the first quarter of 2017, while the DAX increased by 7% and the Dow Jones STOXX Auto Index by 4.5% over the same period.

Favorable interest environment used for refinancing

In the first quarter of 2017, the Daimler Group once again undertook refinancing at attractive conditions in the international money and capital markets. Daimler raised funds of €6.7 billion from the issuance of bonds in the first quarter of this year (Q1 2016: €7.3 billion). In early January, Daimler Finance North America LLC issued bonds in the US capital market with three-, five- and ten-year maturities with a total volume of US$3.0 billion. And in February, Daimler AG issued an eight-year bond in the euro market with a volume of €1.25 billion.

Interim Management Report

Unit sales significantly above prior-year level at 754,300 vehicles (+10%)
Revenue up by 11% to €38.8 billion
Group EBIT of €4,008 million (Q1 2016: €2,148 million)
Net profit of €2,801 million (Q1 2016: €1,400 million)
Free cash flow of the industrial business of €1.9 billion (Q1 2016: €0.3 billion)
Significant growth in unit sales and revenue anticipated for full-year 2017
Group EBIT expected to be significantly higher than in 2016

Business development

Ongoing expansion of world economy
The **world economy** seems to have continued and slightly accelerated its expansion in the first quarter of this year. Despite the high degree of global geopolitical uncertainty, most economic indicators developed quite positively. This applies above all to business and consumer sentiment in the United States and many countries of Western Europe. In the USA, this positive basic tendency is probably due mainly to the expectation of major economic stimulus programs from the new US government, and has not been dampened by the US Federal Reserve's slightly tighter monetary policy. The European Central Bank maintained its expansive monetary policy in the first three months of this year. The positive economic development in the European Union continued, despite many political uncertainties and the initiation of EU-exit negotiations by Great Britain. As a result of the above factors, stock markets rose on both sides of the Atlantic. The price of oil was between 50 and 55 US dollars per barrel, which is significantly higher than in the prior-year period and had a perceptible impact on inflation rates, at least temporarily. Prices of industrial raw materials also increased slightly during the first quarter. Although emerging economies with high exports of raw materials benefited from this development in general, their economic situation remained difficult, especially in South America. However, the Chinese economy continued its stable development in the first three months of this year.

Worldwide demand for cars in the first quarter was once again higher than in the prior-year period. The main reason for the global growth was increased demand in China and Europe. In China, however, growth was significantly more moderate than in the fourth quarter of 2016 because tax incentives for the purchase of small cars were halved at the beginning of 2017. But despite that effect, demand was robust in the first quarter. The European market was also larger than in the first quarter of last year, with particularly positive sales developments in Western Europe. All core markets had significant growth, although it was rather exaggerated by a calendar effect in March. The German market grew by a substantial 7%, while demand in Eastern Europe remained rather weak. Although the US market for cars and light trucks did not quite match its prior-year volume, it remained at a very high level. The Japanese market significantly surpassed its comparatively low prior-year volume. Demand for cars in India grew once again in the first quarter.

Demand for **medium- and heavy-duty trucks** developed again very differently from one region to another. The North American market remained in a cyclically weak phase with a double-digit decrease in classes 6 to 8 compared with the prior-year quarter. While sales of heavy-duty trucks (class 8) were down by about a quarter, the medium-duty segment (classes 6-7) was at about the prior-year level.

Demand in the EU30 region (the European Union, Switzerland and Norway) was slightly above the solid prior-year level. However, the Brazilian market declined once again by a double-digit percentage from its already very weak prior-year volume. Truck sales in Turkey also developed very negatively. Due to the country's weak economy and high level of political uncertainty, the market declined again from a very low level by a double-digit rate. The development of the Russian market was more positive; latest estimates indicate a continuation of its recovery in the first quarter.

The most important Asian markets from Daimler's perspective presented a mixed picture at the beginning of the year. Demand for light-, medium- and heavy-duty trucks in Japan increased significantly from a solid level. The Indonesian truck market seems to be recovering gradually after a long period of weak demand; compared with the weak prior-year quarter, latest estimates suggest that the market expanded significantly. However, demand for medium- and heavy-duty trucks in India decreased significantly, whereby regulatory changes have recently had a perceptible impact. This relates on the one hand to the introduction of a new emission standard in April, which led to purchases being brought forward to the first quarter, and on the other hand to the reform of the country's goods and services tax planned for the middle of the year, which is causing a lot of customers to postpone their purchases. The Chinese market expanded strongly in the course of the quarter.

Demand for vans in the EU30 region continued to grow in the first quarter of 2017 with a 12% increase in the market volume for mid-size and large vans. Demand for small vans rose by 4%. The US market for large vans was at the prior-year level. In Latin America, the market for large vans developed very positively from a very low level.

The market volume for **buses** in the EU30 region grew by about 2% compared with the first quarter of last year. Demand in Brazil was substantially lower than in the prior-year period with a decrease of 35%. As a result of the currently difficult economic situation, domestic demand in Turkey was significantly lower than in the first quarter of 2016.

Significant growth in first-quarter unit sales

In the first quarter of 2017, Daimler sold 754,300 cars and commercial vehicles worldwide, surpassing the total for the prior-year period by 10%. ↗ C.01

With a 14% increase in unit sales to 568,100 vehicles, the first three months of 2017 were the first quarter with the best-ever unit sales for **Mercedes-Benz Cars**. Sales in Europe increased by 8% to 241,400 units, which is also a new record for the first quarter of a year. In the German market, the division achieved growth of 6% and sold 74,100 vehicles of the Mercedes-Benz and smart brands. Mercedes-Benz Cars started the year with record unit sales also in China. Compared with the first quarter of last year, sales increased by 43% to a total of 154,600 vehicles. Mercedes-Benz Cars achieved growth in unit sales also in the United States, where 78,400 vehicles were sold in the first quarter (+2%). The division achieved particularly strong growth and new records for unit sales in Canada (+17%) and Mexico (+18%).

In the first quarter of this year, unit sales by **Daimler Trucks** of 94,000 vehicles were 11% lower than in the prior-year period. In the EU30 region (European Union, Switzerland and Norway), we sold a total of 17,400 vehicles (Q1 2016: 15,500). In a very difficult market environment, our unit sales in Turkey decreased to 1,300 vehicles (Q1 2016: 1,800). In the NAFTA region, the market adjustment in the segment of heavy-duty trucks had an impact on our sales, which dropped significantly to 32,900 units (Q1 2016: 40,400). In Latin America, we increased our sales to 6,300 units (Q1 2016: 6,000). Our unit sales in the region's main market, Brazil, decreased again due to the continuation of the country's difficult economic situation (-15%). But in Argentina, we increased our unit sales significantly. In Asia, sales fell to 30,000 units (Q1 2016: 35,400). Sales decreased especially in the Middle East (-30%), but also in India (-7%), Japan (-6%) and Indonesia (-2%).

Mercedes-Benz Vans increased its unit sales by 13% to the new record of 86,800 vehicles in the first quarter of 2017. In its core EU30 region, the van division achieved growth of 12% to 60,500 units. Growth was particularly strong in the United Kingdom (+21%), Spain (+26%), Belgium (+30%) and Italy (+34%). In the important German market, Mercedes-Benz Vans achieved a new record of 21,000 units sold. In the NAFTA region, however, unit sales decreased by 17% to 8,500 vehicles. In Latin America, we achieved strong growth (+56%) to sales of 3,900 units in the first quarter. Unit sales in China nearly tripled compared with the prior-year quarter to 4,400 vehicles.

First-quarter unit sales by **Daimler Buses** increased by 12% to 5,400 vehicles. In the EU30 region, we sold 1,400 buses of the Mercedes-Benz and Setra brands, representing a decrease of 11% compared with the first quarter of last year. Due to the currently difficult situation in Turkey, our sales there of 90 units were well below the level of the prior-year period (Q1 2016: 160). However, in Latin America (excluding Mexico), Daimler Buses increased its unit sales by 11% to 2,400 chassis, although the market situation in Brazil remained difficult. There was positive sales impetus from Asia, where a total of 500 units were sold (Q1 2016: 200).

At **Daimler Financial Services**, new business increased by 23% compared with the prior-year period to €16.8 billion. Contract volume reached €135.0 billion at the end of March, which is slightly higher than at the end of 2016. Adjusted for exchange-rate effects, contract volume increased by 2%. The insurance business also continued to develop very positively. Worldwide, approximately 468,000 insurance contracts were brokered by Daimler Financial Services in the first quarter (Q1 2016: 386,000).

The Daimler Group's first-quarter **revenue** amounted to €38.8 billion, which is 11% higher than in the first quarter of 2016. Adjusted for exchange-rate effects, revenue grew by 7%. ↗ C.02

Mercedes-Benz Cars' revenue increased by 14% to €22.7 billion. At Daimler Trucks, revenue decreased by 3% to €7.9 billion due to lower unit sales caused by weak markets in major regions. In contrast, Mercedes-Benz Vans achieved revenue growth of 6% to €3.0 billion. Rising unit sales in Latin America led revenue to grow by 8% to €0.9 billion at Daimler Buses.

C.01
Unit sales by division

	Q1 2017	Q1 2016	% change
Daimler Group	754,259	683,885	+10
Mercedes-Benz Cars	568,070	496,756	+14
Daimler Trucks	94,007	105,664	-11
Mercedes-Benz Vans	86,778	76,647	+13
Daimler Buses	5,404	4,818	+12

C.02
Revenue by division

In millions of euros	Q1 2017	Q1 2016	% change
Daimler Group	38,776	35,047	+11
Mercedes-Benz Cars	22,723	19,980	+14
Daimler Trucks	7,940	8,204	-3
Mercedes-Benz Vans	2,993	2,815	+6
Daimler Buses	900	830	+8
Daimler Financial Services	5,911	4,862	+22

Profitability

The **Daimler Group** achieved first-quarter EBIT of €4,008 million in 2017, thus substantially surpassing its prior-year earnings (Q1 2016: €2,148 million). ↗ C.03

The Mercedes-Benz Cars division achieved particularly strong earnings growth. Its increase in EBIT was mainly the result of growth in unit sales of the new E-Class and the SUVs. Daimler Trucks significantly surpassed its earnings of the prior-year quarter mainly due to the sale of real estate in Japan. The Mercedes-Benz Vans and Daimler Buses divisions also significantly improved on their EBIT of the prior-year quarter. At Daimler Financial Services, earnings increased significantly due to the higher contract volume. Exchange-rate effects had a positive impact on earnings at all the divisions.

An additional positive factor was that the reconciliation of segment earnings to Group EBIT resulted in a considerably higher contribution to earnings than in the prior-year quarter. The reversal of an impairment of Daimler's equity investment in BAIC Motor Corporation Ltd. (BAIC Motor) had a positive effect on EBIT in the first quarter of 2017. The prior-year figure had been negatively impacted by the impairment of the equity investment in BAIC Motor as well as by losses from currency transactions which are not allocated to business operations.

C.03
EBIT by segment

In millions of euros	Q1 2017	Q1 2016	% change
Mercedes-Benz Cars	2,234	1,395	+60
Daimler Trucks	668	516	+29
Mercedes-Benz Vans	357	301	+19
Daimler Buses	65	39	+67
Daimler Financial Services	524	432	+21
Reconciliation	160	-535	-
Daimler Group[1]	4,008	2,148	+87

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 19 of the Notes to the Interim Consolidated Financial Statements.

In the first quarter of 2017, the EBIT of the **Mercedes-Benz Cars** division was €2,234 million, which is considerably higher than the prior-year figure of €1,395 million. The division's return on sales was 9.8% (Q1 2016: 7.0%). ↗ C.03

The very positive development of earnings was primarily influenced by growing unit sales of the new E-Class and the SUVs. Positive exchange-rate effects and the non-cash income effect of €183 million in connection with new investors in HERE also had a favorable impact on EBIT. Further information is provided in Note 9 of the Notes to the Interim Consolidated Financial Statements. However, there were negative effects on earnings from advance expenditure for new technologies and future products.

Daimler Trucks' EBIT of €668 million also surpassed the prior-year figure (Q1 2016: €516 million). Its return on sales was 8.4% (Q1 2016: 6.3%). ↗ C.03

The division's earnings increased primarily due to a gain of €267 million on the sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan. Further efficiency enhancements and exchange-rate effects also increased the division's EBIT. In particular, lower unit sales in the NAFTA region had a negative impact on earnings.

Mercedes-Benz Vans' EBIT of €357 million significantly surpassed the prior-year level (Q1 2016: €301 million). The division's return on sales was 11.9%, compared to 10.7% in the first quarter of last year. ↗ C.03

The division's EBIT reflects the very positive development of unit sales, especially in Europe, China and South America. Furthermore, exchange-rate effects had a positive impact on earnings. However, earnings were negatively affected by higher expenses from advance expenditure for new technologies and future products.

Daimler Buses' EBIT of €65 million was also substantially higher than in the prior-year period (Q1 2016: €39 million). The division's return on sales was 7.2% (Q1 2016: 4.7%). ↗ C.03

As well as a better structure mix in Europe, earnings were boosted by positive exchange-rate effects. This more than offset the reduction in earnings from lower unit sales in Turkey.

In the first quarter of 2017, the **Daimler Financial Services** division achieved earnings of €524 million, thus significantly surpassing the prior-year figure (Q1 2016: €432 million). ↗ C.03

This positive development was mainly the result of increased contract volume and an unchanged low cost of risk.

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 €169 million in the first quarter of 2017 (Q1 2016: expense of €519 million). This result primarily reflects the reversal of an impairment of Daimler's equity investment in BAIC Motor by an amount of €240 million in the first quarter of this year. In the prior-year quarter, EBIT was reduced by the impairment by €244 million of the equity investment in BAIC Motor and losses of €222 million from currency transactions which are not allocated to business operations.

The elimination of intra-group transactions resulted in an expense of €9 million in the first quarter of 2017 (Q1 2016: expense of €16 million).

Net interest expense in the first quarter of 2017 amounted to €77 million (Q1 2016: €67 million).

The **income-tax expense** recognized in the first quarter of 2017 amounts to €1,127 million (Q1 2016: €678 million) and developed in line with the change in profit before income taxes. The decrease in the effective tax rate from 32.6% to 28.7% in the reporting period was primarily a result of the improved profit from equity-method investments. Those earnings contributions are partly tax-free.

Net profit for the first quarter of 2017 improved to €2,801 million (Q1 2016: €1,400 million). Net profit of €95 million is attributable to **non-controlling interests** (Q1 2016: €47 million). Net profit **attributable to the shareholders of Daimler AG** amounts to €2,706 million (Q1 2016: €1,353 million), representing an increase in **earnings per share** to €2.53 (Q1 2016: €1.26).

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

Cash flows

In the first quarter of 2017, **cash provided by operating activities** ↗ C.04 amounted to €2.0 billion (Q1 2016: €1.2 billion). The increase was primarily due to the positive business performance in the first quarter. In addition, the development of working capital had a positive impact. Opposing effects resulted from renewed growth in the leasing and sales-financing business.

Cash used for/provided by investing activities ↗ C.04 amounted to a cash inflow of €0.3 billion (Q1 2016: cash outflow of €3.8 billion). The change compared with the first quarter of last year primarily reflects acquisitions and disposals of securities in the context of liquidity management. Those transactions resulted in a net cash inflow in the reporting period, whereas acquisitions of securities exceeded disposals in the prior-year period. The sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan led to a cash inflow of €0.3 billion.

Cash used for/provided by financing activities ↗ C.04 resulted in a cash outflow of €0.4 billion (Q1 2016: cash inflow of €5.6 billion). The decrease was primarily due to the change in financing liabilities.

Cash and cash equivalents increased compared with December 31, 2016 by €2.0 billion, after taking currency translation into account. Total liquidity, which also includes marketable debt securities, decreased by €0.1 billion to €21.6 billion.

C.04
Condensed consolidated statement of cash flows

In millions of euros	Q1 2017	Q1 2016	Change
Cash and cash equivalents at beginning of period	**10,981**	9,936	+1,045
Cash provided by operating activities	**2,040**	1,222	+818
Cash used for/provided by investing activities	**342**	-3,806	+4,148
Cash used for/provided by financing activities	**-393**	5,641	-6,034
Effect of exchange-rate changes on cash and cash equivalents	**-4**	-270	+266
Cash and cash equivalents at end of period	**12,966**	12,723	+243

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

Other adjustments relate to 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 quarter of 2017, the **free cash flow of the industrial business** amounted to a cash inflow of €1.9 billion (Q1 2016: €0.3 billion). This increase resulted primarily from the positive business performance and the development of working capital. The sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan led to a cash inflow of €0.3 billion.

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

To the extent that the Group's internal refinancing of the financial services business is provided by the companies of the industrial business, this amount is deducted in the calculation of the net debt of the industrial business. At March 31, 2017, the Group's internal refinancing was of a higher volume than the financing liabilities originally taken on in the industrial business due to the application of the industrial business's own financial resources. This resulted in a positive value for the financing liabilities of the industrial business, thus increasing net liquidity, so the net liquidity of the industrial business exceeds the gross liquidity presented here.

Compared with December 31, 2016, the net liquidity of the industrial business increased by €1.3 billion to €21.1 billion. The increase was mainly due to the positive free cash flow. Opposing effects resulted in particular from the capital increase at Daimler Financial Services AG.

C.05
Free cash flow of the industrial business

In millions of euros	Q1 2017	Q1 2016	Change
Cash provided by operating activities	3,631	1,996	+1,635
Cash used for/provided by investing activities	372	-3,809	+4,181
Change in marketable debt securities	-2,042	2,109	-4,151
Other adjustments	-16	-32	+16
Free cash flow of the industrial business	**1,945**	264	+1,681

C.06
Net liquidity of the industrial business

In millions of euros	March 31, 2017	Dec. 31, 2016	Change
Cash and cash equivalents	11,307	8,751	+2,556
Marketable debt securities	7,443	9,498	-2,055
Liquidity	**18,750**	18,249	+501
Financing liabilities	2,457	1,451	+1,006
Market valuation and currency hedges for financing liabilities	-134	37	-171
Financing liabilities (nominal)	**2,323**	1,488	+835
Net liquidity	**21,073**	19,737	+1,336

Net debt at Group level, which primarily results from refinancing the leasing and sales-financing business, decreased compared with December 31, 2016 by €0.1 billion to €95.8 billion.
↗ C.07

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

In the first quarter of 2017, Daimler had a cash inflow of €6.7 billion from the **issuance** of bonds (Q1 2016: €7.3 billion). The redemption of bonds resulted in cash outflows of €4.8 billion (Q1 2016: €2.6 billion). A large proportion of the issuance volume was carried out in the form of so-called benchmark bonds (bonds with high nominal values). At the beginning of January, Daimler Finance North America LLC issued bonds with three-, five- and ten-year maturities in a total volume of US$3.0 billion in the US capital market. In February, Daimler AG issued an eight-year bond of €1.25 billion in the European capital market. ↗ C.08

In addition to the issuances shown in the table, multiple smaller issuances were undertaken in various countries. Among other things, Daimler AG issued a one-year bond with a volume of RMB3.0 billion in the Chinese capital market in March.

C.07
Net debt of the Daimler Group

In millions of euros	March 31, 2017	Dec. 31, 2016	Change
Cash and cash equivalents	12,966	10,981	+1,985
Marketable debt securities	8,652	10,748	-2,096
Liquidity	21,618	21,729	-111
Financing liabilities	-117,298	-117,686	+388
Market valuation and currency hedges for financing liabilities	-113	61	-174
Financing liabilities (nominal)	-117,411	-117,625	+214
Net debt	-95,793	-95,896	+103

C.08
Benchmark issuances

Issuer	Volume	Month of issue	Maturity
Daimler Finance North America	$1,400 million	Jan. 2017	Jan. 2020
Daimler Finance North America	$850 million	Jan. 2017	Jan. 2022
Daimler Finance North America	$750 million	Jan. 2017	Jan. 2027
Daimler AG	€1,250 million	Feb. 2017	Feb. 2025

Financial position

The **balance sheet total** increased compared with December 31, 2016 from €243.0 billion to €247.9 billion; adjusted for the effects of currency translation, the increase amounted to €4.6 billion. Daimler Financial Services accounts for €143.8 billion of the balance sheet total (December 31, 2016: €141.8 billion), equivalent to 58% of the Daimler Group's total assets (December 31, 2016: 58%).

The increase in total assets is primarily due to more volume in the financial services business and higher inventories. On the liabilities side of the balance sheet, there were increases primarily in trade liabilities and other financial liabilities. Current assets account for 42% of the balance sheet total (December 31, 2016: 42%). Current liabilities amount to 35% of total equity and liabilities (December 31, 2016: 35%).

C.09
Condensed consolidated statement of financial position

In millions of euros	March 31, 2017	Dec. 31, 2016	% change
Assets			
Intangible assets	12,543	12,098	+4
Property, plant and equipment	26,584	26,381	+1
Equipment on operating leases and receivables from financial services	129,657	127,449	+2
Equity-method investments	4,525	4,098	+10
Inventories	26,656	25,384	+5
Trade receivables	10,639	10,614	+0
Cash and cash equivalents	12,966	10,981	+18
Marketable debt securities	8,652	10,748	-20
Other financial assets	6,219	5,736	+8
Other assets	9,426	9,499	-1
Total assets	247,867	242,988	+2
Equity and liabilities			
Equity	58,474	59,133	-1
Provisions	26,197	26,810	-2
Financing liabilities	117,298	117,686	-0
Trade payables	13,856	11,567	+20
Other financial liabilities	16,251	12,869	+26
Other liabilities	15,791	14,923	+6
Total equity and liabilities	247,867	242,988	+2

Intangible assets of €12.5 billion (December 31, 2016: €12.1 billion) include €9.2 billion of capitalized development costs and €1.2 billion of goodwill. The Mercedes-Benz Cars division accounts for 77% of the development costs and the Daimler Trucks division accounts for 13%.

Property, plant and equipment increased to €26.6 billion (December 31, 2016: €26.4 billion). In the first quarter of 2017, €1.3 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 €0.9 billion of capital expenditure (December 31, 2016: €0.9 billion).

Equipment on operating leases and receivables from financial services increased to €129.7 billion (December 31, 2016: €127.4 billion). The increase adjusted for exchange-rate effects of €2.2 billion was primarily caused by the higher level of new business at Daimler Financial Services. The business with end-customers was further expanded in Asia and Europe. The leasing and sales-financing business as a proportion of total assets was at the prior year-level of 52%.

Equity-method investments of €4.5 billion (December 31, 2016: €4.1 billion) mainly comprise the carrying amounts of our equity interests in Beijing Benz Automotive Co., Ltd., BAIC Motor Corporation Ltd. (BAIC Motor) and There Holding B.V. (digital mapping provider HERE). The increase resulted from the reversal of an impairment of Daimler's investment in BAIC Motor (€0.2 billion) and the remeasurement of Daimler's investment in HERE International B.V. (€0.2 billion). See Note 9 of the Notes to the Interim Consolidated Financial Statements for further information.

Inventories increased from €25.4 billion to €26.7 billion, equivalent to 11% of total assets and thus higher than at the end of 2016 (10%). The increase in stocks, mainly in finished goods, applied to all automotive divisions.

Trade receivables were at the prior-year level of €10.6 billion. The Mercedes-Benz Cars division accounts for 46% of these receivables and the Daimler Trucks division accounts for 27%.

Cash and cash equivalents increased compared with the end of the year 2016 by €2.0 billion to €13.0 billion.

Marketable debt securities decreased compared with December 31, 2016 from €10.7 billion to €8.7 billion. Those assets include the debt instruments that are allocated to liquidity, most of which are traded in active markets. They generally have an external rating of A or better.

Other financial assets increased by €0.5 billion to €6.2 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.

Other assets of €9.4 billion (December 31, 2016: €9.5 billion) primarily comprise deferred tax assets and tax refund claims.

The Group's **equity** decreased compared with December 31, 2016 from €59.1 billion to €58.5 billion. Equity was increased by the net profit of €2.8 billion and diminished by the dividend of €3.5 billion that was approved by the Annual Shareholders' Meeting and paid out in early April. Equity attributable to the shareholders of Daimler AG therefore decreased to €57.4 billion (December 31, 2016: €58.0 billion).

In relation to the increase in the balance-sheet total of 2%, equity adjusted for the dividend increased by the disproportionately high rate of 5%. The Group's **equity ratio** of 23.6% was therefore above the level at the end of 2016 (22.9%); the equity ratio for the industrial business was 45.3% (December 31, 2016: 44.7%).

Provisions decreased from €26.8 billion at December 31, 2016 to €26.2 billion; as a proportion of the balance-sheet total, they amount to 11%, as at the end of 2016. They primarily comprise provisions for pensions and similar obligations of €9.0 billion (December 31, 2016: €9.0 billion), which mainly consist of the difference between the present value of defined-benefit pension obligations of €31.2 billion (December 31, 2016: €31.2 billion) and the fair value of the pension-plan assets applied to finance those obligations of €23.5 billion (December 31, 2016: €23.4 billion). Provisions also relate to liabilities from income taxes of €1.5 billion (December 31, 2016: €1.7 billion), from product warranties of €6.1 billion (December 31, 2016: €6.1 billion) and from personnel and social costs of €4.1 billion (December 31, 2016: €4.3 billion), as well as other provisions of €5.5 billion (December 31, 2016: €5.7 billion).

Financing liabilities of €117.3 billion were below the level of December 31, 2016 (€117.7 billion). 55% of the financing liabilities are accounted for by notes and bonds, 26% by liabilities to financial institutions, 10% by deposits in the direct banking business and 8% by liabilities from ABS transactions.

Trade payables increased to €13.9 billion (December 31, 2016: €11.6 billion), primarily due to the higher volume of business. The Mercedes-Benz Cars division accounts for 62% of those payables and the Daimler Trucks division accounts for 21%.

Other financial liabilities of €16.3 billion (December 31, 2016: €12.9 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. At March 31, 2017, they also included the dividend of €3.5 billion approved by the Annual Shareholders' Meeting that was not paid out until April 3, 2017.

Other liabilities of €15.8 billion (December 31, 2016: €14.9 billion) primarily comprise deferred income, tax liabilities, and deferred taxes. The increase was partially the result of higher tax liabilities.

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.

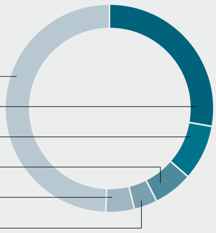
Workforce

At the end of the first quarter of 2017, the Daimler Group employed 285,810 people worldwide (end of 2016: 282,488). Of that total, 171,084 were employed in Germany (end of 2016: 170,034), 22,728 in the United States (end of 2016: 21,857), 9,841 in Brazil (end of 2016: 9,782) and 10,343 in Japan (end of 2016: 10,535). Our consolidated companies in China had 3,782 employees at the end of March (end of 2016: 3,696). ↗ C.10

C.10

Employees by division (as of March 31, 2017)

Daimler Group	285,810
Mercedes-Benz Cars	141,587
Daimler Trucks	79,325
Mercedes-Benz Vans	24,478
Daimler Buses	18,059
Daimler Financial Services	12,268
Group Functions & Services	10,093



Important events

Changes in the Board of Management and the Supervisory Board

The Supervisory Board of Daimler AG appointed Britta Seeger as a member of the Board of Management effective January 1, 2017. Britta Seeger took over responsibility for Mercedes-Benz Cars Marketing and Sales from Ola Källenius, who at the same time took over responsibility for Group Research & Mercedes-Benz Cars Development from Thomas Weber. Britta Seeger has been appointed as a member of the Board of Management until December 31, 2019. Ola Källenius has been a member of the Board of Management of Daimler AG since January 1, 2015; his appointment was extended in February until December 31, 2022. On December 31, 2016, Thomas Weber stepped down from the Board of Management, of which he had been a member for 14 years.

In February 2017, the Supervisory Board appointed Martin Daum as a member of the Board of Management with responsibility for Daimler Trucks and Daimler Buses effective March 1, 2017. His appointment is for a period of five years. Daum had previously been President and Chief Executive Officer of Daimler Trucks North America (DTNA) since June 2009.

Wolfgang Bernhard retired from the Board of Management of Daimler AG of his own volition effective February 10, 2017.

On March 29, 2017, the Annual Shareholders' Meeting reelected Dr. Clemens Börsig, Chairman of the Board of Management of the Deutsche Bank Foundation, as a member of the Supervisory Board representing the shareholders. Dr. Börsig has been a member of the Supervisory Board and of the Audit Committee of Daimler AG since 2007, and Chairman of the Audit Committee since 2014. In its subsequent meeting, the Supervisory Board reelected Dr. Börsig as a member of the Audit Committee and that committee then elected Clemens Börsig as its chairman.

In addition, Bader Mohammad Al Saad, Managing Director of the Kuwait Investment Authority, was also elected as a member of the Supervisory Board representing the shareholders. Bernd Bohr had previously declared, in the interests of the company, that he would step down from the Supervisory Board effective at the end of the 2017 Annual Shareholders' Meeting.
The period of office of the two newly elected members of the Supervisory Board began at the end of the 2017 Annual Shareholders' Meeting and ends with the Annual Shareholders' Meeting in 2022.

Bosch and Daimler to cooperate on fully automated and driverless vehicles

The two companies have agreed on development cooperation in order to introduce fully automated and driverless vehicles in urban environments by the beginning of the next decade. The objective is to jointly develop software and algorithms for an autonomous driving system. With fully automated driverless vehicles in urban environments, Bosch and Daimler want to improve traffic flows in cities, increase safety on the roads and make an important contribution for the traffic of the future.

Risk and opportunity report

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

If free trade should be significantly restricted by the new US administration, the consequences for the world economy could be considerable, especially if that were to result in a spiral of measures and countermeasures. Increasing political tensions in regions relevant for us must also be viewed as an additional risk, especially if their positions become more entrenched.

On the opportunities side, it is to be noted that some leading economic indicators developed better in the first quarter of this year than had been expected. If this positive development is translated into hard economic data, that could lead to stronger economic growth than so far anticipated, above all in the United States and the euro zone. Due to the recent increases in consumer prices, concern about deflation in the European Monetary Union has decreased significantly.

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

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

Outlook

The outlook for the **world economy** continues to be favorable at the beginning of the second quarter of 2017, so global growth could accelerate slightly this year. Recent forecasts for full-year 2017 are at the upper end of a range from 2.5 to 3%. Compared to its rather weak performance in 2016 with growth of just 1.6%, the US economy should revive significantly and grow by approximately 2.3%. With a continuation of stable private consumption, the expected growth in corporate investments, which decreased slightly in 2016, should be an important growth driver. Notwithstanding significant political uncertainties, the economy of the European Monetary Union continues to be positive. Business and consumer sentiment indicates that with anticipated growth in gross domestic product (GDP) of approximately 1.7%, the economy should more or less maintain its solid dynamism of the previous year might even be surpassed. Despite the United Kingdom's official notification that it will leave the European Union, the GDP outlook for the British economy has improved significantly in recent months. However, the coming months will show whether or not this positive momentum can be maintained. A key factor for the world economy is the ongoing stabilization of the economic outlook in China. Forecasts for the country's GDP in 2017 are generally at about 6.5%, which would be only slightly lower than in 2016. Although the South American economies will emerge from last year's recession, their growth rates remain disappointing overall. That applies in particular to the Brazilian economy, which is likely to expand only slightly after two years of significant contraction. With support from a slight revival of the Russian economy, Eastern Europe is expected to have rather stronger GDP growth than in 2016.

According to recent assessments, worldwide **demand for cars** is likely to increase from its already high level by 1 to 2% in 2017. Only slight growth is expected for the Chinese market after tax incentives for cars with small engines was reduced this year. The US market for cars and light trucks should about maintain last year's unusually high level of more than 17 million units sold. Slight growth is anticipated for the European car market. Demand in Western Europe is likely to increase only slightly following the strong recovery in 2016. In Russia, a moderate recovery from a low level can be assumed, which should ensure slight growth in Eastern Europe overall. We anticipate demand from the Japanese market in the magnitude of the prior-year level and significant growth in India.

With respect to the **demand for trucks** in the NAFTA region, we expect a continuation of the cyclical market slow-down in the full year. An overall decrease in the magnitude of 5% is to be expected in classes 6-8, and we anticipate an even more substantial weakening of demand in the segment of heavy-duty trucks (class 8). Nonetheless, we assume that the market will gradually stabilize as the year progresses.

We expect demand in the EU30 region (the European Union, Switzerland and Norway) to stay at about prior-year level. In the Brazilian market, it is to be assumed that truck sales will once again slighty decrease from the extremely weak prior-year level. Following the dramatic slump in demand in Turkey last year, another significant decrease is to be expected in 2017. The Russian market should recover significantly. In China, a normalization of demand is anticipated after the very lively start to the year, which should lead to a slight increase in market volume in the full year.

The most important Asian markets from Daimler's perspective are likely to develop disparately in 2017. In Japan, demand for light-, medium- and heavy-duty trucks is likely to see a stable market development. The overall Indonesian truck market should be slightly above its level of 2016, following several years of significant contraction. In India, slight growth in the market for medium- and heavy-duty trucks is anticipated. The reform of the country's goods and services tax expected for the middle of 2017 could boost demand in the second half of the year.

For the year 2017, in the EU30 region we expect stable demand for small vans and a slight increase in demand for mid-size and large vans. In the United States, demand for large vans should remain fairly stable. The market for mid-size and large vans in Latin America should revive again significantly in 2017, but from a very low level. In China, we also anticipate more lively demand in the market we address there.

We expect the bus market in the EU30 region to grow slightly compared with 2016. Market developments in Latin America continues to be negatively affected by the current economic situation in Argentina and Brazil. Following the significant declines of recent years, we assume that the market bottomed out in the year 2016. So we anticipate a significant recovery in 2017, especially in Brazil, although the market volume will remain very low.

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

In 2017, **Mercedes-Benz Cars** is continuing along its successful path of record year 2016 and aims to defend its leadership of the premium segment. After achieving the highest revenue in the Group's history in a first quarter, we aim to further increase our unit sales from their high level and to set another record in 2017 with significantly higher unit sales than in 2016. This will be primarily driven by the GLC and the GLC Coupe, as well as by the new Mercedes-Benz GLA and the new E-Class Coupe, which, along with the E-Class Cabriolet presented in March, represents the complete renewal of the E-Class family. And as of the second quarter, demand will be additionally boosted by the roadster version of the Mercedes-AMG GT, which has been launched in time for the 50th anniversary of the performance brand of Mercedes-Benz Cars. smart will also make a significant contribution to the sales success of Mercedes-Benz Cars with the electric versions of the smart fortwo coupe and smart fortwo convertible, which will be available from summer.

Daimler Trucks assumes that its total unit sales in 2017 will be in the magnitude of the previous year. That applies also to our unit sales in the NAFTA region where we assume that we will consolidate our strong market position. This will be aided by the new Freightliner Cascadia, our flagship in the North American market, which has been in production since the beginning of this year. As well in the EU30 region as in Japan, we anticipate unit sales in the magnitude of last year. In Brazil, we expect our unit sales there to be at about the very low level of 2016. However, in India unit sales should increase.

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

Daimler Buses assumes that it will be able to defend its market leadership in its traditional core markets for buses above 8 tons with innovative, future-oriented and high-quality products. We anticipate total unit sales in 2017 significantly above the prior-year level and assume that unit sales in the EU30 region will increase moderately. After the substantial decrease in unit sales in Brazil last year, we expect a significant recovery in 2017, but still at a very low level. In Mexico, we now anticipate a significant decrease in unit sales.

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

We assume that the Daimler Group’s **revenue** will increase significantly in the year 2017. On the basis of the significant growth in unit sales, the Mercedes-Benz Cars, Daimler Buses, and Daimler Financial Services divisions expect significantly higher revenues than in 2016. We anticipate slight revenue growth for the Mercedes-Benz Vans division and continue to expect the Daimler Trucks division to achieve revenue in the magnitude of the previous year. In regional terms, we expect the strongest growth in Asia and Europe.

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

The individual divisions have the following expectations for EBIT in the year 2017:
- Mercedes-Benz Cars: significantly above the prior-year level,
- Daimler Trucks: slightly below the prior-year level,
- Mercedes-Benz Vans: slightly below 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 the year 2017. Despite a further increase in advance expenditure for new products and technologies, the free cash flow from the industrial business should be slightly above the level of 2016, and thus higher than the dividend distribution in 2017.

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

Mercedes-Benz Cars

Record unit sales of 568,100 vehicles in first quarter (Q1 2016: 496,800)
Continued strong demand for E-Class and SUVs
Completion of E-Class family
EBIT significantly above prior-year level at €2,234 million (Q1 2016: €1,395 million)

D.01

€ amounts in millions	Q1 2017	Q1 2016	% change
Revenue	22,723	19,980	+14
EBIT	2,234	1,395	+60
Unit sales	568,070	496,756	+14
Production	584,942	523,029	+12
Employees	141,587	139,947 [1]	+1

1 As of December 31, 2016

D.02

Unit sales	Q1 2017	Q1 2016	% change
Total	568,070	496,756	+14
Europe	241,403	222,663	+8
thereof Germany	74,072	69,723	+6
United States	78,425	77,256	+2
China	154,563	108,342	+43
Other markets	93,679	88,495	+6

New records for unit sales, revenue and EBIT
Mercedes-Benz Cars' unit sales increased by 14% to 568,100 vehicles in the first quarter of 2017. The car division thus set new record once again in the past quarter. Revenue rose by 14% to €22.7 billion and EBIT amounted to €2,234 million (Q1 2016: €1,395 million).

In Europe, unit sales increased by 8% to 241,400 vehicles, thus setting a new record for the first three months of a year. Contributions to this success came from countries with double-digit growth and new sales records such as the United Kingdom (+13%), Belgium (+13%) and Sweden (+13%). In the German market, the car division achieved an increase of 6% and sold a total of 74,100 vehicles of the Mercedes-Benz and smart brands. Mercedes-Benz Cars started the year with record unit sales also in China. Compared with the first quarter of 2016, unit sales rose by 43% to a total of 154,600 vehicles. The division also achieved growth in unit sales in the United States, selling 78,400 vehicles in the first quarter (+2%). Particularly strong sales growth and new records were achieved also in Canada (+17%) and Mexico (+18%).

E-Class on a successful path
The new generation of the E-Class continued its market success: Sales of 85,600 units of the E-Class sedan and station wagon models in the first quarter represents an increase of 77% compared with the prior-year period. Sales in the C-Class segment were even higher with a total of 124,500 units sold. First-quarter sales of the S-Class sedan, which is approaching the model changeover, amounted to 16,100 units (Q1 2016: 19,100). The compact cars continued to be very popular. In the first three months of this year, 102,200 units of the A- and B-Class and CLA were sold (Q1 2016: 106,900). The SUVs are the segment with the highest volume, with sales increasing by 19% to the new high of 188,300 units in the first quarter. This growth was driven in particular by the GLC, GLE and GLS. The four-door version of the smart urban microcar was increasingly popular in the first quarter of 2017 and set a new sales record. A total of 34,000 smart fortwo and smart forfour cars were sold in the first quarter (Q1 2016: 34,700).

Completion of E-Class family
In the first quarter of this year, the new E-Class Coupe and the new E-Class All-Terrain already contributed to the successful unit sales of the E-Class segment. The new E-Class Cabriolet was presented at the Geneva Motor Show in March and completes this popular model family. A new model was launched also in the SUV segment in the first quarter of 2017: The new GLA had its world premiere in January in the United States, one of its biggest sales markets. Sales impetus is expected as of the next quarter from the smart electric drive, which has been available to order in Europe since March.

Offensive for production of electric vehicles
At present, we are upgrading the German plants in Bremen, Rastatt and Sindelfingen and the smart plant in Hambach (France) as four competence centers for the production of electric vehicles. In addition, Untertürkheim as the lead plant of the powertrain production network is to become a competence center for electric drive and the factory for the start of production of future key technologies.

Also in our global production network on four continents, the future EQ models will be integrated into series production at the existing Mercedes-Benz plants, which will considerably limit the required investment.

Daimler Trucks

Unit sales below prior-year level at 94,000 vehicles (Q1 2016: 105,700)
Freightliner starts production of new Cascadia
Mercedes-Benz Trucks with new digital solutions and small series of electric truck in 2017
EBIT above prior-year level at €668 million (Q1 2016: €516 million)

D.03

€ amounts in millions	Q1 2017	Q1 2016	% change
Revenue	7,940	8,204	-3
EBIT	668	516	+29
Unit sales	94,007	105,664	-11
Production	104,799	111,909	-6
Employees	79,325	78,642 [1]	+1

1 As of December 31, 2016

D.04

Unit sales	Q1 2017	Q1 2016	% change
Total	94,007	105,664	-11
EU30 [1]	17,394	15,469	+12
NAFTA	32,906	40,428	-19
Latin America (excl. Mexico)	6,324	5,966	+6
Asia	30,000	35,419	-15
Other markets	7,383	8,382	-12
BFDA (Auman Trucks)	26,433	17,139	+54
Total (incl. BFDA)	120,440	122,803	-2

1 European Union, Switzerland and Norway

Unit sales below prior-year level; EBIT above
First-quarter unit sales of 94,000 vehicles by Daimler Trucks were 11% lower than last year. Revenue amounted to €7.9 billion (Q1 2016: €8.2 billion). EBIT of €668 million (Q1 2016: €516 million) included income of €267 million from the sale of real estate at the site in Kawasaki, Japan.

Lower unit sales in the first quarter
Unit sales in the EU30 region (European Union, Switzerland and Norway) reached 17,400 trucks (Q1 2016: 15,500). In this region, we are the market leader with Mercedes-Benz in the segment of medium- and heavy-duty trucks with a share (excluding the United Kingdom) of 19.6% of the market (Q1 2016: 20.1%). In Germany, our sales of 6,500 trucks were also above the prior-year (Q1 2016: 5,500) and our market leadership continued with a share of the market of 34.7% (Q1 2016: 35.8%). In a very weak market environment in Turkey, our sales decreased to 1,300 units (Q1 2016: 1,800).

In the NAFTA region, generally lower demand in the segment of heavy-duty trucks had an impact on our sales, which were significantly lower than in the first quarter of last year at 32,900 units (Q1 2016: 40,400). We continued as the market leader in weight classes 6–8 with a share of 40.8% (Q1 2016: 43.5%). In Latin America, we increased our sales to 6,300 units (Q1 2016: 6,000), while sales in Brazil decreased to 2,400 units due to the ongoing difficult economic situation (Q1 2016: 2,900). But in Argentina, we increased our unit sales significantly. In the medium- and heavy-duty segment, we achieved market leadership in Brazil with a share of 30.6% (Q1 2016: 28.7%).

Our unit sales in Asia were lower than in the first quarter of 2016. In the Middle East, our sales decreased by 30% to 4,700 vehicles. Sales in Indonesia of 7,200 units were slightly below the level of the prior year (Q1 2016: 7,400). In Japan, our unit sales also decreased to 11,600 trucks (Q1 2016: 12,400). With the FUSO brand, we achieved a market share of 17.6% in the overall Japanese truck market (Q1 2016: 19.4%). Our sales of 3,700 units in India were lower than in the prior-year period (Q1 2016: 4,000). The market share of BharatBenz amounted to 7.2% in the segment of upper medium- and heavy-duty trucks (Q1 2016: 6.6%). Our joint venture in China, BFDA, increased sales of Auman Trucks to 26,400 units (Q1 2016: 17,100).

Production start of new Freightliner Cascadia
Since the beginning of 2017, the new Freightliner Cascadia has been produced with an integrated Detroit powertrain. In addition to excellent fuel efficiency and safety, our new product also features advances in the area of connectivity. For example, customers can access analyses of fuel efficiency via the connectivity platform Detroit Connect Analytics.

Mercedes-Benz launches Truck Data Center
The Truck Data Center has been available in Mercedes-Benz heavy-duty trucks since March 2017, following its launch in the new Freightliner Cascadia in January. This standardized connectivity module will be applied across our Daimler Trucks brands. It allows the introduction of new digital services such as Mercedes-Benz Uptime, which checks the status of vehicle systems in real time and allows the early recognition of critical conditions. Another new service is the Fleetboard Manager app, which for example supplies information on a vehicle fleet's capacity utilization and indicates potential savings.

A small series of the Urban eTruck to be launched in 2017
Before the end of this year, Mercedes-Benz Trucks will launch the world's first fully electric, heavy-duty distribution truck in a small series. A low double-digit number of these vehicles will be produced, with the first deliveries to customers in Germany until year-end 2017, then to be followed by other European countries. This small series is an important step towards the full series generation, whose market launch is planned for 2020. The Urban eTruck is part of Daimler Trucks' comprehensive electric offensive, along with the FUSO eCanter. The light electric truck from FUSO will also be delivered in a small series to customers in Europe, Japan and the United States as of 2017.

Mercedes-Benz Vans

Best unit sales in a first quarter with 86,800 vehicles sold (Q1 2016: 76,600)
Growth with all products: V-Class unit sales up by 42% compared with Q1 2016
Locally emission-free parcel deliveries: Hermes to purchase 1,500 electric vans from Mercedes-Benz Vans by 2020
EBIT significantly above prior-year period at €357 million (Q1 2016: €301 million)

D.05

€ amounts in millions	Q1 2017	Q1 2016	% change
Revenue	2,993	2,815	+6
EBIT	357	301	+19
Unit sales	86,778	76,647	+13
Production	104,137	89,741	+16
Employees	24,478	24,029 [1]	+2

1 As of December 31, 2016

D.06

Unit sales	Q1 2017	Q1 2016	% change
Total	86,778	76,647	+13
EU30	60,539	53,942	+12
thereof Germany	20,965	19,213	+9
NAFTA region	8,531	10,249	-17
thereof United States	6,251	8,068	-23
Latin America (excluding Mexico)	3,860	2,480	+56
Asia	6,787	3,118	+118
thereof China	4,404	1,488	+196
Other markets	7,061	6,858	+3

New records for unit sales, revenue and EBIT
Mercedes-Benz Vans increased its unit sales by 13% to the new record of 86,800 vehicles in the first quarter of 2017. Revenue grew by 6% compared with the prior-year period to €3.0 billion. The van division posted first-quarter EBIT of €357 million, which is significantly higher than last year (Q1 2016: €301 million).

Mercedes-Benz Vans remains on its growth path
In its EU30 core region, Mercedes-Benz Vans achieved growth in sales of 12% to 60,500 units in the first quarter of this year. Growth was particularly strong in the United Kingdom (+21%), Spain (+26%), Belgium (+30%) and Italy (+34%). In the important German market, Mercedes-Benz Vans reached the best-ever number of 21,000 vehicles sold (+9%).

Unit sales in the NAFTA region decreased by 17% to 8,500 vehicles, however. In Latin America, we achieved substantial growth to 3,900 units (+56%), supported by the significant market recovery in Argentina.

We also further improved our position in China, where sales nearly tripled compared with the prior-year quarter to 4,400 units. This primarily reflects the great success of the models we launched in the mid-size segment in 2016.

Mercedes-Benz Vans' entire product range contributed towards the significant growth in unit sales. The Sprinter large van performed very well in the first quarter with substantial growth of 10% to 45,000 vehicles sold. Sales of the Citan city van rose by 7% to 5,400 units. Our Vito mid-size van recorded a 9% increase to 23,200 units. And our V-Class multipurpose vehicle continues to be very popular with our customers; demand increased by 42% with sales of 13,200 units.

Mercedes-Benz Vans continues to invest in its future
Following record year 2016, Mercedes-Benz Vans is making use of its strong position and in 2017 and 2018 will invest more than €2.0 billion in the expansion and renewal of its product portfolio as well as in new services. The main areas of investment include the new Mercedes-Benz X-Class and the next generation of the Sprinter, as well as innovative total solutions connected with the vehicles of Mercedes-Benz Vans. A large proportion of the investment will be for the modernization and expansion of the worldwide production network. This year alone, Mercedes-Benz Vans will invest approximately €260 million in the German Sprinter plants in Düsseldorf and Ludwigsfelde. In the next few years, a further US$ 150 million will flow into the production ramp-up of the next generation of the Sprinter at the Mercedes-Benz plant in Argentina.

Hermes to use electric vans from Mercedes-Benz Vans
Hermes and Mercedes-Benz Vans agreed in March 2017 on a strategic partnership for the electrification of the courier company's vehicle fleet. By the end of 2020, Hermes Germany plans to deploy a total of 1,500 Mercedes-Benz electric vans of the Vito and Sprinter model series. The pilot phase will start in early 2018.

Expansion of Marco Polo family with new HORIZON
In January, Mercedes-Benz Vans expanded its product family of compact motorhomes and recreational vehicles with a new member: After the Marco Polo and the Marco Polo ACTIVITY, the new Marco Polo HORIZON has been added to the portfolio. The Marco Polo HORIZON combines maximum functionality with the high-quality design of the V-Class.

Daimler Buses

Significant increase in unit sales to 5,400 buses and bus chassis
Preview of new Mercedes-Benz Tourismo
Intelligent steering systems reduce buses' fuel consumption
EBIT significantly above prior-year period at €65 million (Q1 2016: €39 million)

D.07

€ amounts in millions	Q1 2017	Q1 2016	% change
Revenue	900	830	+8
EBIT	65	39	+67
Unit sales	5,404	4,818	+12
Production	6,583	5,576	+18
Employees	18,059	17,899 [1]	+1

1 As of December 31, 2016

D.08

Unit sales	Q1 2017	Q1 2016	% change
Total	5,404	4,818	+12
EU30	1,392	1,572	-11
thereof Germany	509	482	+6
Latin America (excluding Mexico)	2,398	2,156	+11
thereof Brazil	1,399	1,460	-4
Mexico	738	542	+36
Asia	515	183	+181
Other markets	361	365	-1

Unit sales, revenue and EBIT significantly above prior-year levels
Daimler Buses' first-quarter unit sales increased by 12% to 5,400 buses and bus chassis in the first quarter of this year. Revenue increased significantly to €0.9 billion as a result of the higher unit sales (Q1 2016: €0.8 billion). EBIT amounted to €65 million (Q1 2016: €39 million).

Significant growth in overall unit sales
In the EU30 region, Daimler Buses sold 1,400 complete buses and bus chassis of the Mercedes-Benz and Setra brands in the first quarter, which is a decrease of 11% compared with the prior-year period. In Germany, the domestic market, the bus division maintained its undisputed market leadership and improved its sales by 6% to 500 units. Due to the currently difficult situation in Turkey, our sales there decreased significantly to 90 units (Q1 2016: 160).

However, in Latin America (excluding Mexico), Daimler Buses increased its unit sales by 11% to 2,400 chassis, although the market situation in Brazil remained difficult.

In Mexico, our sales of 700 units were substantially higher than in the prior-year period (Q1 2016: 500).

There was positive impetus from Asia, where a total of 500 units were sold (Q1 2016: 200). We achieved strong increases in India with sales of 190 units (Q1 2016: 60) and in Indonesia with sales of 250 units (Q1 2016: 120).

Preview of new Mercedes-Benz Tourismo
In March 2017, Daimler Buses provided the press with a first preview of the new Mercedes-Benz Tourismo RHD. The high-decker coach is a completely new development and will convince customers not only with its comfort, but also with excellent economy and safety. The Mercedes-Benz Tourismo RHD forms the backbone of coach fleets all over Europe and beyond. The new version of the Tourismo RHD will be presented to the public at the Busworld trade fair in Kortrijk, Belgium, in October 2017.

Intelligent steering systems reduce buses' fuel consumption
With the use of electro-hydraulic power steering (EHPS), Daimler Buses is significantly reducing its buses' fuel consumption. The fully integrated system replaces the conventional power-steering pumps currently used in all buses above 7.5 tons gross vehicle weight. The intelligent steering system achieves significant fuel savings.

Connectivity with FleetBoard
Connectivity is an important topic for the future at Daimler Buses and will play a key role for innovative mobility concepts that flexibly adapt to users' needs. The FleetBoard telematics service allows sensor data to be provided directly from the vehicles in real time. Daimler Buses is therefore able, for example, to predict possible vehicle downtimes and to take the required measures before they occur. This can avoid bus downtimes for operators and reduce their maintenance costs.

Daimler Financial Services

New business up by 23%
Contract volume rises to €135 billion
Mercedes pay: Daimler Financial Services invests in e-payments business
EBIT significantly above prior-year level at €524 million (Q1 2016: €432 million)

D.09

€ amounts in millions	Q1 2017	Q1 2016	% change
Revenue	5,911	4,862	+22
EBIT	524	432	+21
New business	16,812	13,707	+23
Contract volume	135,036	132,565 [1]	+2
Employees	12,268	12,062 [1]	+2

1 As of December 31, 2016

New business up by 23% worldwide
Daimler Financial Services achieved growth in its new business also in the first quarter of 2017. Worldwide, approximately 447,000 new leasing and financing contracts were concluded with a total volume of €16.8 billion, which is 23% more than in the prior-year period. Contract volume reached €135.0 billion at the end of March and was thus slightly above the level of year-end 2016. Adjusted for exchange-rate effects, contract volume grew by 2%. First-quarter EBIT amounted to €524 million (Q1 2016: €432 million).

Significant growth in Europe
In the whole of Europe, approximately 218,000 new leasing and financing contracts were signed in the first quarter (+18%). New business thus increased by 17% to €6.8 billion. Contract volume of €54.5 billion in Europe was slightly above the level of year-end 2016.

Increased new business in the Americas
In the Americas region, leasing and financing contracts with a total value of €5.4 billion were concluded in the first quarter, representing an increase of 11% compared with the prior-year period. In particular, growth took place in the United States (+11%) and Canada (+7%). Contract volume of €53.7 billion in the Americas region at the end of March was at the level of year-end 2016.

Strong growth in Africa & Asia-Pacific and China
First-quarter new business in the Africa & Asia-Pacific region (excluding China) grew compared with the prior-year period by 24% to €2.1 billion. In South Korea, the value of newly signed leasing and financing contracts increased by 46%. Contract volume in the region amounted to €17.3 billion at the end of March, representing growth of 7% compared with the end of 2016.

There was strong growth of new business also in China: In the first quarter, 72,000 new leasing and financing contracts worth €2.5 billion were concluded (+88%). Contract volume amounted to €9.5 billion at the end of March, an increase of 8% compared with the end of 2016.

Further positive development of insurance business
In the insurance business, Daimler Financial Services brokered 468,000 contracts, which is 21% more than in the first quarter of last year. Developments were particularly positive in Japan (+75%), China (+38%) and Germany (+15%).

Ongoing success with digital financial and mobility services
With the acquisition of the electronic-payment service provider PayCash Europe SA, Daimler Financial Services has entered the e-payments business. This will enable Daimler to offer its own electronic payments service under the brand name Mercedes pay. Mercedes pay will provide customers with a technically simple and secure method of payment for digital services.

car2go further strengthened its market leadership in the car-sharing business and had a total of 2.3 million customers worldwide at the end of the first quarter.

In order to prepare the traditional financing and leasing business for digital sales structures, Daimler Financial Services continued to invest in the customer-focused app for comparing car financing, AutoGravity, which is now offered in 46 states of the USA. Customers can select vehicles from various manufacturers online together with binding financing offers.

mytaxi, the leading app for ordering taxis in Europe, has been available since March in Ireland and the United Kingdom, and thus also in Europe's biggest taxi metropolis, London. This market launch followed the merger between mytaxi and the taxi app Hailo, which was completed in the fourth quarter 2016.

Consolidated Statement of Income (unaudited)

E.01

	Consolidated		Industrial Business		Daimler Financial Services	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
In millions of euros						
Revenue	38,776	35,047	32,865	30,185	5,911	4,862
Cost of sales	-30,664	-28,102	-25,615	-23,965	-5,049	-4,137
Gross profit	8,112	6,945	7,250	6,220	862	725
Selling expenses	-3,064	-2,919	-2,905	-2,763	-159	-156
General administrative expenses	-897	-754	-680	-595	-217	-159
Research and non-capitalized development costs	-1,448	-1,238	-1,448	-1,238	-	-
Other operating income	809	541	760	517	49	24
Other operating expense	-172	-143	-164	-137	-8	-6
Profit/loss on equity-method investments, net	719	-159	721	-158	-2	-1
Other financial expense, net	-54	-128	-53	-133	-1	5
Interest income	58	63	58	63	-	-
Interest expense	-135	-130	-133	-128	-2	-2
Profit before income taxes[1]	3,928	2,078	3,406	1,648	522	430
Income taxes	-1,127	-678	-973	-540	-154	-138
Net profit	2,801	1,400	2,433	1,108	368	292
thereof profit attributable to non-controlling interests	95	47				
thereof profit attributable to shareholders of Daimler AG	2,706	1,353				
Earnings per share (in euros)						
for profit attributable to shareholders of Daimler AG						
Basic	2.53	1.26				
Diluted	2.53	1.26				

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

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

Consolidated Statement of Comprehensive Income/Loss (unaudited)

E.02

	Consolidated	
	Q1 2017	Q1 2016
In millions of euros		
Net profit	**2,801**	1,400
Gains/losses on currency translation	**114**	-655
Gains/losses on financial assets available for sale	**3**	-264
Gains/losses on derivative financial instruments	**-3**	1,602
Gains/losses on equity-method investments	**13**	-1
Items that may be reclassified to profit/loss	**127**	682
Actuarial Gains/losses from pensions and similar obligations	**187**	-1,926
Items that will not be reclassified to profit/loss	**187**	-1,926
Other comprehensive income/loss, net of taxes	**314**	-1,244
thereof income/loss attributable to non-controlling interests, after taxes	**8**	-21
thereof income/loss attributable to shareholders of Daimler AG, after taxes	**306**	-1,223
Total comprehensive income/loss	**3,115**	156
thereof income/loss attributable to non-controlling interests	**103**	26
thereof income/loss attributable to shareholders of Daimler AG	**3,012**	130

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

Consolidated Statement of Financial Position (unaudited)

E.03

	Consolidated		Industrial Business		Daimler Financial Services	
	March 31, 2017	Dec. 31, 2016	March 31, 2017	Dec. 31, 2016	March 31, 2017	Dec. 31, 2016
In millions of euros						
Assets						
Intangible assets	12,543	12,098	11,621	11,199	922	899
Property, plant and equipment	26,584	26,381	26,515	26,314	69	67
Equipment on operating leases	47,409	46,942	17,645	17,433	29,764	29,509
Equity-method investments	4,525	4,098	4,472	4,043	53	55
Receivables from financial services	44,696	42,881	-72	-76	44,768	42,957
Marketable debt securities	1,071	1,100	2	1	1,069	1,099
Other financial assets	2,676	2,899	-3,298	-3,043	5,974	5,942
Deferred tax assets	3,811	3,870	3,012	3,128	799	742
Other assets	742	667	-2,638	-2,642	3,380	3,309
Total non-current assets	144,057	140,936	57,259	56,357	86,798	84,579
Inventories	26,656	25,384	25,902	24,426	754	958
Trade receivables	10,639	10,614	8,843	8,977	1,796	1,637
Receivables from financial services	37,552	37,626	-11	-11	37,563	37,637
Cash and cash equivalents	12,966	10,981	11,307	8,751	1,659	2,230
Marketable debt securities	7,581	9,648	7,441	9,497	140	151
Other financial assets	3,543	2,837	-7,677	-8,002	11,220	10,839
Other assets	4,873	4,962	1,002	1,151	3,871	3,811
Total current assets	103,810	102,052	46,807	44,789	57,003	57,263
Total assets	247,867	242,988	104,066	101,146	143,801	141,842
Equity and liabilities						
Share capital	3,070	3,070				
Capital reserves	11,726	11,744				
Retained earnings	40,175	40,794				
Other reserves	2,461	2,342				
Equity attributable to shareholders of Daimler AG	57,432	57,950				
Non-controlling interests	1,042	1,183				
Total equity	58,474	59,133	47,190	48,685	11,284	10,448
Provisions for pensions and similar obligations	8,975	9,034	8,817	8,875	158	159
Provisions for income taxes	695	966	693	964	2	2
Provisions for other risks	6,961	6,632	6,790	6,461	171	171
Financing liabilities	73,280	70,398	16,479	19,029	56,801	51,369
Other financial liabilities	3,348	3,327	2,689	2,721	659	606
Deferred tax liabilities	3,604	3,467	-905	-941	4,509	4,408
Deferred income	5,636	5,559	4,639	4,605	997	954
Other liabilities	23	15	17	15	6	-
Total non-current liabilities	102,522	99,398	39,219	41,729	63,303	57,669
Trade payables	13,856	11,567	12,944	10,853	912	714
Provisions for income taxes	836	751	702	604	134	147
Provisions for other risks	8,730	9,427	8,168	8,864	562	563
Financing liabilities	44,018	47,288	-18,936	-20,480	62,954	67,768
Other financial liabilities	12,903	9,542	10,371	6,924	2,532	2,618
Deferred income	3,534	3,444	2,356	2,283	1,178	1,161
Other liabilities	2,994	2,438	2,052	1,684	942	754
Total current liabilities	86,871	84,457	17,657	10,732	69,214	73,725
Total equity and liabilities	247,867	242,988	104,066	101,146	143,801	141,842

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

Consolidated Statement of Cash Flows (unaudited)

E.04

	Consolidated		Industrial Business		Daimler Financial Services	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
In millions of euros						
Profit before income taxes	3,928	2,078	3,406	1,648	522	430
Depreciation and amortization/impairments	1,389	1,335	1,368	1,317	21	18
Other non-cash expense and income	-707	155	-730	137	23	18
Gains (-)/losses (+) on disposals of assets	-279	-15	-279	-15	-	-
Change in operating assets and liabilities						
Inventories	-1,221	-1,793	-1,382	-1,917	161	124
Trade receivables	35	-201	188	50	-153	-251
Trade payables	2,266	1,738	2,076	1,644	190	94
Receivables from financial services	-1,432	-920	4	44	-1,436	-964
Vehicles on operating leases	-724	-566	159	17	-883	-583
Other operating assets and liabilities	-365	12	-444	-409	79	421
Income taxes paid	-850	-601	-735	-520	-115	-81
Cash used for/provided by operating activities	2,040	1,222	3,631	1,996	-1,591	-774
Additions to property, plant and equipment	-1,300	-1,123	-1,290	-1,116	-10	-7
Additions to intangible assets	-847	-628	-830	-620	-17	-8
Proceeds from disposals of property, plant and equipment and intangible assets	439	43	436	38	3	5
Investments in shareholdings	-141	-33	-93	-32	-48	-1
Proceeds from disposals of shareholdings	32	-	32	-	-	-
Acquisition of marketable debt securities	-806	-3,827	-786	-3,783	-20	-44
Proceeds from sales of marketable debt securities	2,893	1,730	2,828	1,674	65	56
Other	72	32	75	30	-3	2
Cash used for/provided by investing activities	342	-3,806	372	-3,809	-30	3
Change in financing liabilities	-339	5,680	742	4,712	-1,081	968
Dividends paid to non-controlling interests	-12	-1	-11	-	-1	-1
Acquisition of treasury shares	-42	-38	-42	-38	-	-
Internal equity and financing transactions	-	-	-2,130	171	2,130	-171
Cash used for/provided by financing activities	-393	5,641	-1,441	4,845	1,048	796
Effect of foreign exchange rate changes on cash and cash equivalents	-4	-270	-6	-245	2	-25
Net increase/decrease in cash and cash equivalents	1,985	2,787	2,556	2,787	-571	-
Cash and cash equivalents at beginning of period	10,981	9,936	8,751	8,369	2,230	1,567
Cash and cash equivalents at end of period	12,966	12,723	11,307	11,156	1,659	1,567

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

Consolidated Statement of Changes in Equity (unaudited)

E.05

In millions of euros	Share capital	Capital reserves	Retained earnings	Currency translation	Financial assets available for sale
Balance at January 1, 2016	3,070	11,917	36,991	2,145	1,121
Net profit	-	-	1,353	-	-
Other comprehensive income/loss before taxes	-	-	-2,614	-642	-266
Deferred taxes on other comprehensive income/loss	-	-	689	-	2
Total comprehensive income/loss	-	-	-572	-642	-264
Dividends	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Other	-	-	-	-	-
Balance at March 31, 2016	3,070	11,917	36,419	1,503	857
Balance at January 1, 2017	**3,070**	**11,744**	**40,794**	**2,842**	**53**
Net profit	-	-	2,706	-	-
Other comprehensive income/loss before taxes	-	-	214	97	4
Deferred taxes on other comprehensive income/loss	-	-	-27	-	-1
Total comprehensive income/loss	-	-	2,893	97	3
Dividends	-	-	-3,477	-	-
Changes in consolidated group	-	-	-35	-	-
Acquisition of treasury shares	-	-	-	-	-
Issue and disposal of treasury shares	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-11	-	-	-
Other	-	-7	-	-	-
Balance at March 31, 2017	**3,070**	**11,726**	**40,175**	**2,939**	**56**

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

Other reserves: Items that may be reclassified to profit/loss – Derivative financial instruments	Other reserves: Items that may be reclassified to profit/loss – Equity-method investments	Treasury shares	**Equity attributable to shareholders of Daimler AG**	Non-controlling interests	**Total equity**	In millions of euros
-1,679	-4	-	53,561	1,063	54,624	**Balance at January 1, 2016**
-	-	-	1,353	47	1,400	Net profit
2,296	-1	-	-1,227	-24	-1,251	Other comprehensive income/loss before taxes
-687	-	-	4	3	7	Deferred taxes on other comprehensive income/loss
1,609	-1	-	130	26	156	Total comprehensive income/loss
-	-	-	-	-22	-22	Dividends
-	-	-38	-38	-	-38	Acquisition of treasury shares
-	-	38	38	-	38	Issue and disposal of treasury shares
-	-	-	-	-8	-8	Other
-70	-5	-	53,691	1,059	54,750	**Balance at March 31, 2016**
-537	**-16**	**-**	**57,950**	**1,183**	**59,133**	**Balance at January 1, 2017**
-	**-**	**-**	**2,706**	**95**	**2,801**	Net profit
13	**13**	**-**	**341**	**5**	**346**	Other comprehensive income/loss before taxes
-7	**-**	**-**	**-35**	**3**	**-32**	Deferred taxes on other comprehensive income/loss
6	**13**	**-**	**3,012**	**103**	**3,115**	Total comprehensive income/loss
-	**-**	**-**	**-3,477**	**-240**	**-3,717**	Dividends
-	**-**	**-**	**-35**	**-**	**-35**	Changes in consolidated group
-	**-**	**-42**	**-42**	**-**	**-42**	Acquisition of treasury shares
-	**-**	**42**	**42**	**-**	**42**	Issue and disposal of treasury shares
-	**-**	**-**	**-11**	**14**	**3**	Changes in ownership interests in subsidiaries
-	**-**	**-**	**-7**	**-18**	**-25**	Other
-531	**-3**	**-**	**57,432**	**1,042**	**58,474**	**Balance at March 31, 2017**

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

Notes to the Interim Consolidated Financial Statements (unaudited)

1. Presentation of the Interim Consolidated Financial Statements

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

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

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

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

The Board of Management authorized the interim consolidated financial statements for publication on April 25, 2017.

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

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

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

2. Revenue

Revenue at Group level is comprised as follows:

E.06
Revenue

	Q1 2017	Q1 2016
In millions of euros		
Revenue from sales of goods	32,854	30,199
Revenue from the rental and leasing business	4,544	3,737
Interest from the financial services business at Daimler Financial Services	1,114	997
Revenue from sales of other services	264	114
	38,776	35,047

3. Functional costs

Cost of sales
Cost of sales increased from €28,102 million to €30,664 million in the first quarter of 2017. Cost of sales primarily comprises expenses of goods sold.

Selling expenses
In the first quarter of 2017, selling expenses amounted to €3,064 million (Q1 2016: €2,919 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 €897 million in the first quarter of 2017 (Q1 2016: €754 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.

Research and non-capitalized development costs
Research and non-capitalized development costs were €1,448 million in the first quarter of 2017 (Q1 2016: €1,238 million). They primarily comprise personnel expenses and material costs.

Optimization programs
In the course of the organizational focus on the divisions, programs for restructuring the Group's dealer network abroad were initiated, involving the sale of selected Daimler-owned dealerships. In the first quarter of 2017, that led to no significant effects on the Group's profitability and cash flows. At March 31, 2017, the disposal group's assets for those dealerships abroad amounted to €89 million (December 31, 2016: €240 million) and its liabilities amounted to €72 million (December 31, 2016: €135 million). Due to their minor impact on the Group's financial position, the assets and liabilities held for sale are not presented separately in the consolidated statement of financial position.

In the year 2016, a severance program was implemented in Brazil. In the year 2016, this resulted in expenses of €91 million in the Daimler Trucks segment and €9 million in the Daimler Buses segment.

Mainly in 2017, Daimler Trucks anticipates expenses of up to €0.5 billion from measures relating to the further optimization of fixed costs, especially for the Mercedes-Benz brand. In the first quarter of 2017, no expenses were incurred.

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

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

4. Other operating income

Other operating income in the first quarter of 2017 amounted to €809 million (Q1 2016: €541 million). The increase primarily reflects income of €267 million from the sale of real estate by Mitsubishi Fuso Truck and Bus Corporation at the Kawasaki site in Japan.

5. Interest income and interest expense

Interest income and interest expense are comprised as follows:

E.07
Interest income and interest expense

	Q1 2017	Q1 2016
In millions of euros		
Interest income		
Net interest income on the net assets of defined benefit pension plans	1	1
Interest and similar income	57	62
	58	63
Interest expense		
Net interest expense on the net obligation from defined benefit pension plans	-52	-59
Interest and similar expense	-83	-71
	-135	-130

6. Intangible assets

Intangible assets are shown in the following table:

E.08
Intangible assets

	March 31, 2017	Dec. 31, 2016
In millions of euros		
Goodwill	1,195	1,188
Development costs	9,182	8,827
Other intangible assets	2,166	2,083
	12,543	12,098

7. Property, plant and equipment

Property, plant and equipment are comprised as follows:

E.09
Property, plant and equipment

	March 31, 2017	Dec. 31, 2016
In millions of euros		
Land, leasehold improvements and buildings including buildings on land owned by others	7,942	8,007
Technical equipment and machinery	9,271	9,155
Other equipment, factory and office equipment	5,802	5,730
Advance payments relating to plant and equipment and construction in progress	3,569	3,489
	26,584	26,381

8. Equipment on operating leases

At March 31, 2017, the carrying amount of equipment on operating leases amounted to €47,409 million (December 31, 2016: €46,942 million). In the three-month period ended March 31, 2017, additions and disposals amounted to €6,020 million and €3,387 million respectively (Q1 2016: €4,982 million and €2,986 million). Depreciation for the three-month period ended March 31, 2017 was €1,924 million (Q1 2016: €1,451 million). Other changes primarily comprise the effects of currency translation.

9. Equity-method investments

Table ↗ E.10 shows the carrying amounts and profits/losses from equity-method investments.

Table ↗ E.11 presents key figures on interests in associated companies accounted for using the equity method in the Group's consolidated financial statements.

E.10

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

	Associated companies	Joint ventures	Joint operations	Total
In millions of euros				
At March 31, 2017				
Equity investment[1]	**3,996**	**480**	**49**	**4,525**
Equity result (Q1 2017)[1]	**714**	**3**	**2**	**719**
At Dec. 31, 2016				
Equity investment[1]	3,582	468	48	4,098
Equity result (Q1 2016)[1]	-147	-13	1	-159

1 Including investor-level adjustments.

E.11

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

	BBAC	BAIC Motor[2]	THBV (HERE)	Others	Total
In millions of euros					
At March 31, 2017					
Equity interest (in %)	**49.0**	**10.1**	**33.3**	**-**	**-**
Equity investment[1]	**2,127**	**817**	**777**	**275**	**3,996**
Equity result (Q1 2017)[1]	**290**	**264**	**166**	**-6**	**714**
At Dec. 31, 2016					
Equity interest (in %)	49.0	10.1	33.3	-	-
Equity investment[1]	2,141	557	611	273	3,582
Equity result (Q1 2016)[1]	114	-229	-28	-4	-147

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

BBAC

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

In the first quarter of 2017, the shareholders of BBAC approved the payout of a dividend. The amount of €401 million attributable to Daimler decreased the carrying amount of the investment accordingly. The dividend has not yet been paid out.

BAIC Motor

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

THBV (HERE)

In December 2016, There Holding B.V. (THBV) signed agreements on the sale of shares in HERE International B.V. (HERE), a 100% subsidiary of THBV. A 15% shareholding was sold to Intel Holdings B.V. (Intel) and a 10% shareholding was sold to a Chinese consortium consisting of NavInfo Co. Ltd., Tencent Holdings Ltd. and GIC Private Ltd.

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

Completion of the transaction with the Chinese consortium is expected in the second quarter of 2017 after receiving the approval of the relevant authorities. Daimler does not expect this to have any significant effects on earnings.

10. Receivables from financial services

Receivables from financial services are shown in the following table:

E.12

Receivables from financial services

	March 31, 2017			Dec. 31, 2016		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Sales financing with customers	15,362	27,079	42,441	14,803	26,288	41,091
Sales financing with dealers	15,627	3,128	18,755	16,302	2,970	19,272
Finance-lease contracts	7,070	15,073	22,143	7,012	14,186	21,198
Gross carrying amount	38,059	45,280	83,339	38,117	43,444	81,561
Allowances for doubtful accounts	-507	-584	-1,091	-491	-563	-1,054
Net carrying amount	37,552	44,696	82,248	37,626	42,881	80,507

11. Inventories

Inventories are comprised as follows:

E.13

Inventories

	March 31, 2017	Dec. 31, 2016
In millions of euros		
Raw materials and manufacturing supplies	2,761	2,723
Work in progress	3,974	3,814
Finished goods, parts and products held for resale	19,636	18,609
Advance payments to suppliers	285	238
	26,656	25,384

12. Equity

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

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

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

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

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

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

13. Pensions and similar obligations

Pension cost
The components of pension cost included in the consolidated statement of income are shown in table ↗ E.14.

Contributions to pension plan assets
In the three months ended March 31, 2017, contributions from Daimler to the Group's pension plan assets amounted to €44 million (Q1 2016: €27 million).

E.14
Components of net periodic pension cost

	Q1 2017			Q1 2016		
	Total	German plans	Non-German plans	Total	German plans	Non-German plans
In millions of euros						
Current service cost	-170	-145	-25	-149	-126	-23
Past service cost	-	-	-	-15	-15	-
Net interest expense	-39	-29	-10	-46	-37	-9
Net interest income	1	-	1	1	-	1
	-208	-174	-34	-209	-178	-31

14. Provisions for other risks

Provisions for other risks are comprised as shown in table ↗ E.15.

E.15
Provisions for other risks

	March 31, 2017			Dec. 31, 2016		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Product warranties	2,413	3,677	6,090	2,512	3,590	6,102
Personnel and social costs	2,001	2,071	4,072	2,181	2,079	4,260
Other	4,316	1,213	5,529	4,734	963	5,697
	8,730	6,961	15,691	9,427	6,632	16,059

15. Financing liabilities

Financing liabilities are comprised as follows:

E.16
Financing liabilities

	March 31, 2017			Dec. 31, 2016		
	Current	Non-current	Total	Current	Non-current	Total
In millions of euros						
Notes/bonds	13,797	50,623	64,420	13,820	49,260	63,080
Commercial paper	1,058	-	1,058	1,701	-	1,701
Liabilities to financial institutions	15,034	15,031	30,065	16,528	13,146	29,674
Deposits in the direct banking business	8,980	2,729	11,709	8,876	2,766	11,642
Liabilities from ABS transactions	4,667	4,262	8,929	5,823	4,745	10,568
Liabilities from finance leases	28	203	231	30	203	233
Loans, other financing liabilities	454	432	886	510	278	788
	44,018	73,280	117,298	47,288	70,398	117,686

16. Other financial liabilities

On March 29, 2017, the Annual Shareholders' Meeting of Daimler AG decided on the payment of the dividend for financial year 2016. Due to a new statutory regulation, entitlement to the dividend is due three working days after the Annual Shareholder's Meeting. The dividend was paid out on April 3, 2017. Consequently, other financial liabilities as of March 31, 2017 include a liability for the payment of the dividend of €3,477 million.

17. Legal proceedings

As previously reported, several state and federal authorities, including in Europe and the United States, have inquired about and are investigating test results, the emission control systems used in Mercedes-Benz diesel vehicles and Daimler's interaction with the relevant state and federal authorities as well as related legal issues and implications, including, but not limited to, under applicable environmental, securities and criminal laws. These authorities include, among others, the U.S. Department of Justice (DOJ), which in April 2016 requested that Daimler AG review its certification and admissions processes related to exhaust emissions of diesel vehicles in the United States by way of an internal investigation in cooperation with the DOJ, the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB) and other state authorities, the U.S. Securities and Exchange Commission (SEC), the Stuttgart district attorney's office, to which Daimler has offered its cooperation and provides information and which meanwhile has initiated criminal investigation proceedings against Daimler employees on the suspicion of fraud and criminal advertising, as well as the diesel emissions committee of inquiry of the German Parliament. Daimler is cooperating fully with the DOJ and the other authorities. As these inquiries, investigations and the replies to these information requests as well as Daimler's internal investigation are ongoing, we are not disclosing any further information in accordance with IAS 37.92.

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

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

18. Financial instruments

Table ↗ E.17 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.17
Carrying amounts and fair values of financial instruments

	March 31, 2017		Dec. 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
In millions of euros				
Financial assets				
Receivables from financial services	82,248	82,542	80,507	80,851
Trade receivables	10,639	10,639	10,614	10,614
Cash and cash equivalents	12,966	12,966	10,981	10,981
Marketable debt securities				
Available-for-sale financial assets	8,652	8,652	10,748	10,748
Other financial assets				
Available-for-sale financial assets	858	858	811	811
thereof equity instruments measured at fair value	171	171	166	166
thereof equity instruments measured at cost	687	687	645	645
Financial assets recognized at fair value through profit or loss	92	92	106	106
Derivative financial instruments used in hedge accounting	1,514	1,514	1,730	1,730
Other receivables and financial assets	3,755	3,755	3,089	3,089
	120,724	121,018	118,586	118,930
Financial liabilities				
Financing liabilities	117,298	118,690	117,686	118,929
Trade payables	13,856	13,856	11,567	11,567
Other financial liabilities				
Financial liabilities recognized at fair value through profit or loss	189	189	186	186
Derivative financial instruments used in hedge accounting	2,297	2,297	2,463	2,463
Miscellaneous other financial liabilities	13,765	13,765	10,220	10,220
	147,405	148,797	142,122	143,365

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

Marketable debt securities, other financial assets and liabilities

Financial assets available for sale include:
- debt and equity instruments measured at fair value; these instruments were measured using quoted market prices at March 31, 2017. If quoted market prices were not available for these debt and equity instruments, the fair value measurement is based on inputs that are either directly or indirectly observable in active markets.
- equity interests measured at cost; fair values could not be determined for these financial instruments because no stock exchange or market prices are available. These equity interests comprise investments in non-listed companies for which no objective evidence existed at the balance sheet date that these assets were impaired and whose fair values cannot be determined with sufficient reliability. It is assumed that the fair values approximate the carrying amounts. Daimler does not intend to sell the equity interests which are presented at March 31, 2017.

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

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

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

E.18

Measurement hierarchy of financial assets and liabilities measured at fair value

	March 31, 2017				Dec. 31, 2016			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
In millions of euros								
Financial assets measured at fair value								
Financial assets available for sale	8,823	5,151	3,672	-	10,914	5,164	5,750	-
thereof equity instruments measured at fair value	171	98	73	-	166	93	73	-
thereof marketable debt securities	8,652	5,053	3,599	-	10,748	5,071	5,677	-
Financial assets recognized at fair value through profit or loss	92	-	92	-	106	-	106	-
Derivative financial instruments used in hedge accounting	1,514	-	1,514	-	1,730	-	1,730	-
	10,429	5,151	5,278	-	12,750	5,164	7,586	-
Financial liabilities measured at fair value								
Financial liabilities recognized at fair value through profit and loss	189	-	189	-	186	-	186	-
Derivative financial instruments used in hedge accounting	2,297	-	2,297	-	2,463	-	2,463	-
	2,486	-	2,486	-	2,649	-	2,649	-

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

19. Segment reporting

Segment information for the three-month periods ended March 31, 2017 and March 31, 2016 is as follows:

E.19
Segment reporting

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Reconciliation	Daimler Group
Q1 2017								
External revenue	**21,837**	**7,601**	**2,867**	**881**	**5,590**	**38,776**	**-**	**38,776**
Intersegment revenue	**886**	**339**	**126**	**19**	**321**	**1,691**	**-1,691**	**-**
Total revenue	**22,723**	**7,940**	**2,993**	**900**	**5,911**	**40,467**	**-1,691**	**38,776**
Segment profit (EBIT)	**2,234**	**668**	**357**	**65**	**524**	**3,848**	**160**	**4,008**
thereof share of profit/loss from equity-method investments	**456**	**-6**	**7**	**-**	**-2**	**455**	**264**	**719**
thereof profit/loss from compounding and changes in discount rates of provisions for other risks	**-3**	**-2**	**-**	**-**	**-1**	**-6**	**-**	**-6**

In millions of euros	Mercedes-Benz Cars	Daimler Trucks	Mercedes-Benz Vans	Daimler Buses	Daimler Financial Services	Total segments	Reconciliation	Daimler Group
Q1 2016								
External revenue	19,148	7,820	2,690	812	4,577	35,047	-	35,047
Intersegment revenue	832	384	125	18	285	1,644	-1,644	-
Total revenue	19,980	8,204	2,815	830	4,862	36,691	-1,644	35,047
Segment profit (EBIT)	1,395	516	301	39	432	2,683	-535	2,148
thereof share of profit/loss from equity-method investments	86	-12	-2	-	-1	71	-230	-159
thereof profit/loss from compounding and changes in discount rates of provisions for other risks	-75	-24	-8	-3	-	-110	-	-110

Reconciliation
Reconciliation of the total segments' profit (EBIT) to profit before income taxes is as shown in table ↗ **E.20**.

The reconciliation comprises corporate items for which headquarter 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 2017 primarily comprises a reversal of the impairment of the equity investment in BAIC Motor of €240 million. On the other hand, the prior-year quarter comprised an impairment of the equity investment in BAIC Motor of €244 million. It also includes the proportionate share in the results of BAIC Motor of €24 million (Q1 2016: €15 million). In the first quarter of 2016, other corporate items were impacted negatively by losses of €222 million from currency transactions which were not allocated to business operations.

E.20
Reconciliation to Group figures

In millions of euros	Q1 2017	Q1 2016
Total segments' profit (EBIT)	**3,848**	2,683
Share of profit from equity-method investments	**264**	-230
Other corporate items	**-95**	-289
Eliminations	**-9**	-16
Group EBIT	**4,008**	2,148
Amortization of capitalized borrowing costs[1]	**-3**	-3
Interest income	**58**	63
Interest expense	**-135**	-130
Profit before income taxes	**3,928**	2,078

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

20. 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.21.

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 9 for further information on BBAC.

The purchases of goods and services shown in table ↗ E.21 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 DAIMLER KAMAZ RUS OOO, a company established with Kamaz PAO, another of the Group's associated companies.

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

DENZA is allocated to the Mercedes-Benz Cars segment. Daimler provided guarantees in a total amount of RMB 1,250 million (approximately €170 million) to external banks which provided two loans to DENZA (December 31, 2016: €102 million). As of March 31, 2017, loans amounting to RMB 743 million (approximately €101 million) were utilized. In addition, Daimler provided a shareholder loan of RMB 250 million (approximately €34 million) to DENZA, which is fully utilized.

In connection with its 45% equity interest in Toll Collect GmbH, Daimler has issued guarantees which are not shown in table ↗ E.21 (€100 million at March 31, 2017 and at December 31, 2016).

Joint operations
Joint operations primarily relate to significant business transactions with Beijing Mercedes-Benz Sales Service Co., Ltd. (BMBS).

E.21
Transactions with related parties

	Sales of goods and services and other income		Purchases of goods and services and other expense		Receivables[1]		Payables[2]	
	Q1 2017	Q1 2016	**Q1 2017**	Q1 2016	**March 31, 2017**	Dec. 31, 2016	**March 31, 2017**	Dec. 31, 2016
In millions of euros								
Associated companies	**1,103**	890	**96**	89	**1,492**	1,233	**77**	89
thereof BBAC	**1,008**	825	**37**	21	**1,428**	1,178	**46**	27
Joint ventures	**169**	105	**14**	3	**127**	150	**108**	110
Joint operations	**3**	8	**54**	56	**33**	38	**17**	30

1 After write-downs totaling €51 million (2016: €51 million).
2 Including liabilities from default risks from guarantees for related parties.

Auditor’s Review Report

To the Supervisory Board of Daimler AG, Stuttgart

We have reviewed the condensed interim consolidated financial statements of Daimler AG – comprising the consolidated statement of income/loss, consolidated statement of comprehensive income/loss, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and selected, explanatory notes – together with the interim group management report of Daimler AG, for the period from January 1 to March 31, 2017, that are part of the quarterly financial report according to § 37 w WpHG (“Wertpapierhandelsgesetz”: “German Securities Trading Act”). The preparation of the condensed interim consolidated financial statements in accordance with 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) and additional application of the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with 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, April 25, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

Concept and contents
Daimler AG
Investor Relations

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

Financial Calendar

Interim Report Q1 2017
April 26, 2017

Interim Report Q2 2017
July 26, 2017

Interim Report Q3 2017
October 20, 2017

Annual Shareholders' Meeting 2017
Berlin
April 5, 2018

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

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